IMPORTANT NOTICE

THIS PRELIMINARY OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S) AND ARE OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached preliminary Offering Circular following this page (the ''**Offering Circular**''), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Offering Circular, including any modifications made to them from time to time, each time you receive any information from Gunvor Group Ltd (the ''**Issuer**''), any of Gunvor SA, Gunvor International B.V., Gunvor Singapore Pte. Ltd., Clearlake Shipping Pte. Ltd., Waterway Petroleum Limited and Sandmark Limited (each, a ''**Guarantor**'' and together, the ''**Guarantors**'') and each of Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V. and Société Générale (together the ''**Joint Lead Managers**'' and ''**Joint Bookrunners**'') as a result of such access.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY NOTE TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ''**SECURITIES ACT**''), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (''**REGULATION S**'')) AND MAY ONLY BE OFFERED AND SOLD TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S) IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

WITHIN THE UNITED KINGDOM, THE OFFERING CIRCULAR IS DIRECTED ONLY AT (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE ''**ORDER**'') OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE ORDER OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE ORDER (''**RELEVANT PERSONS**''). THE OFFERING CIRCULAR MUST NOT BE ACTED ON OR RELIED ON BY PERSONS IN THE UNITED KINGDOM WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY IN THE UNITED KINGDOM TO WHICH THE OFFERING CIRCULAR RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE ''*SUBSCRIPTION AND SALE*'' IN THE OFFERING CIRCULAR.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes described herein, (1) each prospective investor in respect of the Notes being offered outside the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. Person and (2) each prospective investor in respect of the Notes being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to the Joint Lead Managers and Deutsche Trustee Company Limited (the ''**Trustee**'') that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Notes being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers, the Issuer and the Guarantors and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised, to deliver or disclose the contents of the Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. Person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the ''Reply'' function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Issuer, the Guarantors nor any person who controls or is a director, officer, employee or agent of the Joint Lead Managers, the Issuer, the Guarantors nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Joint Lead Managers, the Issuer and the Guarantors to inform themselves about, and to observe, any such restrictions.

This Preliminary Offering Circular is being distributed for information only and is subject to completion and amendment. This Preliminary Offering Circular shall not, and is not intended to, constitute or contain an offer or invitation to sell or the solicitation of an offer to buy, and may not be used as or in connection with an offer or invitation to sell or a solicitation to buy any Notes. This Preliminary Offering Circular is an advertisement and is not a prospectus for the purposes of Article 5 of Directive 2003/71/EC and/or Part VI of the U.K. Financial Services and Markets Act 2000 or otherwise. The definitive terms of the transactions described herein will be described in the final version of this document. Investors should not subscribe for any securities referred to in this preliminary Offering Circular except on the basis of information contained in the final Offering Circular. The final Offering Circular will be published and copies will be available from the registered office of the Issuer. This Preliminary Offering Circular may not be passed on in the United Kingdom except to investment professionals or other persons in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

PRELIMINARY OFFERING CIRCULAR dated 10 May 2013

GUNVOR

GUNVOR GROUP LTD

(incorporated with limited liability under the laws of Cyprus)

US$ ● ● per cent. Guaranteed Notes due 2018
unconditionally and irrevocably guaranteed, jointly and severally, by each of

Gunvor SA

(incorporated with limited liability under the laws of Switzerland)

Gunvor International B.V.

(incorporated with limited liability under the laws of The Netherlands)

Gunvor Singapore Pte. Ltd.

(incorporated with limited liability under the laws of Singapore)

Clearlake Shipping Pte. Ltd.

(incorporated with limited liability under the laws of Singapore)

Waterway Petroleum Limited

(incorporated with limited liability under the laws of The Bahamas)

Sandmark Limited

(incorporated with limited liability under the laws of Cyprus)

Issue Price: ● per cent.

The US$ ● ● per cent. Notes due 2018 (the ''**Notes**'') are issued by Gunvor Group Ltd (the ''**Issuer**'') and are unconditionally and irrevocably guaranteed on a joint and several basis by each of Gunvor SA, Gunvor International B.V., Gunvor Singapore Pte. Ltd., Clearlake Shipping Pte. Ltd., Waterway Petroleum Limited and Sandmark Limited (each, a ''**Guarantor**'' and together, the ''**Guarantors**''). The Notes will bear interest at a rate of ● per cent. per annum payable semi-annually in arrears on ● and ● in each year, commencing on ● 2013. Unless previously redeemed or cancelled as described herein under ''*Terms and Conditions of the Notes*'' (the ''**Conditions**''), the Notes will mature at their principal amount on ● 2018 (the ''**Maturity Date**'').

If the Issuer undergoes a change of control, and unless the Issuer has exercised its right to redeem all of the Notes, each holder of the Notes (each a ''**Noteholder**'' and together, the ''**Noteholders**'') shall have the right to require that the Issuer repurchase all or, subject to certain limitations, any part of that Noteholder's Notes at a purchase price equal to 101 per cent. of their principal amount plus accrued and unpaid interest, if any, to the date of purchase. See ''*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Noteholders upon a Change of Control*''. In the event of certain developments affecting taxation, the Issuer may redeem the Notes in whole, but not in part, at a price equal to 100% of their principal amount plus accrued interest and additional amounts, if any. See ''*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*''.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5(b) (*Limitation on Liens*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law. The Notes are unconditionally and irrevocably guaranteed, jointly and severally, on a senior unsecured basis by each of the Guarantors. The guarantee of the Notes (the ''**Guarantee**'') will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantors, save for such obligations as may be preferred by mandatory provisions of law.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''Securities Act'') or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in accordance with Regulation S under the Securities Act (''Regulation S''), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

We have received approval in-principle for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the ''**SGX-ST**''). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Notes or the Issuer.

An investment in the Notes involves a high degree of risk. Investors should carefully review the risks described herein under ''*Risk Factors*'' beginning on page 23.

The Notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. It is expected that delivery of the Notes will be made to investors in book-entry form through Euroclear Bank SA/NV (''**Euroclear**'') and Clearstream Banking, *société anonyme* (''**Clearstream**''), on or about ● 2013. The Notes will be represented on issue by a global certificate in registered form (the ''**Global Certificate**''). Interests in the Global Certificate will be exchangeable for definitive note certificates (the ''**Definitive Note Certificates**'') only in certain limited circumstances described in ''*Summary of Provisions relating to the Notes in Global Form*''.

Joint Lead Managers and Joint Bookrunners

Credit Suisse **Goldman Sachs International**

ING **Société Générale Corporate & Investment Banking**

The date of this Offering Circular is ● 2013

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Gunvor SA accepts responsibility for the information contained in the sections of this document entitled "*Enforcement of Foreign Judgements and Service of Process—Switzerland*", "*Description of Gunvor SA*" and "*Limitations on Validity and Enforceability of the Guarantee—Switzerland*" (together, the "**Gunvor SA Information**"). To the best of the knowledge and belief of Gunvor SA (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Gunvor International B.V. accepts responsibility for the information contained in the sections of this document entitled "*Description of Gunvor International B.V.*" and "*Limitations on Validity and Enforceability of the Guarantee—The Netherlands*" (together, the "**Gunvor International B.V. Information**"). To the best of the knowledge and belief of Gunvor International B.V. (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Gunvor Singapore Pte. Ltd. accepts responsibility for the information contained in the sections of this document entitled "*Enforcement of Foreign Judgements and Service of Process—Singapore*", "*Description of Gunvor Singapore Pte. Ltd.*" and "*Limitations on Validity and Enforceability of the Guarantee—Singapore*" (together, the "**Gunvor Singapore Pte. Ltd. Information**"). To the best of the knowledge and belief of Gunvor Singapore Pte. Ltd. (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Clearlake Shipping Pte. Ltd. accepts responsibility for the information contained in the sections of this document entitled "*Enforcement of Foreign Judgements and Service of Process—Singapore*", "*Description of Clearlake Shipping Pte. Ltd.*" and "*Limitations on Validity and Enforceability of the Guarantee—Singapore*" (together, the "**Clearlake Shipping Pte. Ltd. Information**"). To the best of the knowledge and belief of Clearlake Shipping Pte. Ltd. (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Waterway Petroleum Limited accepts responsibility for the information contained in the sections of this document entitled "*Enforcement of Foreign Judgements and Service of Process—The Bahamas*", "*Description of Waterway Petroleum Limited*" and "*Limitations on Validity and Enforceability of the Guarantee—The Bahamas*" (together, the "**Waterway Petroleum Limited Information**"). To the best of the knowledge and belief of Waterway Petroleum Limited (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Sandmark Limited accepts responsibility for the information contained in the sections of this document entitled "*Enforcement of Foreign Judgements and Service of Process—Cyprus*", "*Description of Sandmark Limited*" and "*Limitations on Validity* and *Enforceability of the Guarantee—Cyprus*" (together, the "**Sandmark Limited Information**"). To the best of the knowledge and belief of Sandmark Limited (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Gunvor SA Information, the Gunvor International B.V. Information, the Gunvor Singapore Pte. Ltd. Information, the Clearlake Shipping Pte. Ltd. Information, the Waterway Petroleum Limited Information and the Sandmark Limited Information are together referred to herein as the "**Guarantor Information**".

None of the Guarantors accepts responsibility for any other information contained in this Offering Circular. Save for each of their Guarantor Information, each of the Guarantors, respectively, have not separately verified the information contained herein. No representation, warranty or undertaking, express or implied is made and no responsibility or liability is accepted by any of the Guarantors as to the accuracy or completeness of any information contained in this Offering Circular (other than their respective Guarantor Information) or any other information supplied in connection with the Notes or their distribution. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Guarantors nor on any person affiliated with any of the Guarantors in connection with its investigation of the accuracy of the Guarantor Information or its investment decision.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. No representation is made by any of the Issuer, the Guarantors, any of Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V. and Société Générale (together, the ''**Joint Lead Managers**'') or Deutsche Trustee Company Limited (the ''**Trustee**'') that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantors, the Joint Lead Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes (the ''**Offering**''). In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Cyprus, Singapore, Switzerland, The Bahamas and The Netherlands. See ''*Subscription and Sale*''.

Each of the Joint Lead Managers is acting for the Issuer and the Guarantors and no one else in connection with the Offering and will not regard any other person (whether or not a recipient of this Offering Circular or any other offering material relating to the Notes and the Guarantee) as its client in relation to the offer, sale and delivery of the Notes. None of the Joint Lead Managers shall be responsible to anyone other than the Issuer and the Guarantors for providing the protections afforded to clients of the Joint Lead Managers, or for providing advice in relation to the Offering, the contents of this Offering Circular or any other offering material relating to the Notes and the Guarantee, or any transaction, arrangement or other matter referred to in this Offering Circular.

Neither the Joint Lead Managers nor the Trustee has made an independent verification of the information contained in this Offering Circular and no representation or warranty, express or implied, is made by any of the Joint Lead Managers or the Trustee as to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied on as a promise, warranty or representation, whether as to the past or future, by any of the Joint Lead Managers or the Trustee in any respect. To the fullest extent permitted by law, neither the Joint Lead Managers nor the Trustee accepts any responsibility whatsoever for the contents of this Offering Circular. Each of the Joint Lead Managers and the Trustee accordingly disclaims all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Offering Circular.

The contents of this Offering Circular are not, are not to be construed as, and shall not be relied on as legal, business or tax advice, and each investor should consult its own legal, business, tax and other advisers for any such advice that may be relevant to such investor.

No person is or has been authorised by the Issuer, the Guarantors, the Joint Lead Managers or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Offering and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors, the Joint Lead Managers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Offering (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantors, any of the Joint Lead Managers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Offering should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantors. Neither this Offering Circular nor any other information supplied in connection with the Offering constitutes an offer or invitation by or on behalf of the Issuer or the Guarantors, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offer, issue, sale or delivery of the Notes shall, under any circumstances, imply that there has been no change in the affairs of the Issuer, the Guarantors or the Issuer and its subsidiaries and affiliates taken as a whole (''**Gunvor**'' or the ''**Group**'') since the date hereof or that the information contained herein concerning the Issuer and/or the Guarantors and/or the Group is correct as of any time subsequent to its date or that any other information supplied in connection with the Offering is correct as of any time subsequent to the date hereof.

In connection with the issue and sale of the Notes, each of the Joint Lead Managers and any of their respective affiliates acting as an investor for its own account may take up Notes and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantors or related investments, and may offer or sell such securities or other investments otherwise than in connection with the issue and sale of the Notes. Accordingly, references in this Offering Circular to the Notes being offered, issued or sold should be read as including any offer, issue or sale of securities to the Joint Lead Managers and any of their affiliates acting in such capacity. The Joint Lead Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, certain of the Joint Lead Managers and their respective affiliates have performed, and may in the future perform, various financial advisory, investment banking and/or commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, the Issuer, the Guarantors and/or their respective affiliates, for which they have and may receive customary fees.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the ''**Order**'') or (iii) are persons falling within Article 49(2)(a) to (d) (''high net worth companies, unincorporated associations, etc.'') of the Order or (iv) other persons to whom it may lawfully be communicated (all such persons together being referred to as ''**relevant persons**''). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

The Offering is not a public offering in Switzerland. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus within the meaning of Article 652a and/or Article 1156 of the Swiss Federal Code of Obligations and this Offering Circular or any other offering or marketing material relating to the Notes is not subject to the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Circular, and any other offering or marketing material relating to the Notes do not claim to comply with the disclosure standards of the Swiss Federal Code of Obligations and the listing rules of the SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to offer and/or distribute them to the public. The investors will be individually approached directly from time to time. This Offering Circular, as well as any other offering or marketing material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Circular, as well as any other offering or marketing material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly or indirectly be distributed or made available to other persons without the Issuer's express consent. This Offering Circular, as well as any other offering or marketing material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in, into or from Switzerland.

STABILISATION

In connection with the offer, issue and sale of the Notes, Goldman Sachs International (the ''**Stabilising Manager**'') (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. There is no assurance, however, that the Stabilising Manager (or any person acting on behalf thereof) will undertake any such stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf thereof) in accordance with all applicable laws, regulations and rules.

ENFORCEMENT OF FOREIGN JUDGMENTS AND SERVICE OF PROCESS

The Issuer is incorporated under the laws of Cyprus and the Guarantors are incorporated, respectively, under the laws of Switzerland, the Netherlands, Singapore, The Bahamas and Cyprus. A substantial portion of the Issuer's and each of the Guarantors' assets are located in jurisdictions outside the United Kingdom. As a result, prospective investors may have difficulties effecting service of process in the United Kingdom upon the Issuer and the Guarantors in connection with lawsuits related to the Notes, including actions arising under the laws of the United Kingdom.

The Notes and the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by English law. In addition, actions in respect of the Notes and the Guarantee may be brought in the English courts.

Cyprus

In Cyprus, enforcement of judgments that have been given by, and are enforceable by, the courts of a foreign country with which Cyprus has entered into a bilateral treaty or a convention for reciprocal enforcement of judgements may be conditional upon obtaining an enforcement order in Cyprus. A judgment given in another European Union (''**EU**'') member state and enforceable in that EU member state shall be enforceable in Cyprus on application to the Cypriot court for a declaration of enforceability insofar as it is subject to and in accordance with Council Regulation (EC) No. 44/2001 of 22 December 2000 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters. Moreover, any means of execution (such as a writ of movables, a charging order over immovable property and an order for the repayment of the debt by monthly instalments) taken in relation to the enforcement of a U.S. dollar judgment may only be effected in its euro equivalent, given that the official currency of Cyprus is the euro. If there is no such bilateral treaty or convention entered into between Cyprus and the foreign country and the latter is not an EU member state, the judgment given by the court of the foreign country may only be enforced in Cyprus by instituting fresh proceedings in Cyprus with respect to such judgment. However, the Cypriot courts may refuse to enforce the judgment if, *inter alia*, it was obtained by fraud, or in proceedings contrary to natural justice or its enforcement is contrary to Cyprus public policy or is inconsistent with an earlier judgment in respect of the same point in issue.

Singapore

In relation to any judgment or order given or made by a court in any civil proceedings, whereby any sum of money is made payable, which has been obtained in a superior court of England, the judgment creditor may apply to the High Court of Singapore within 12 months after the date of such judgment or order, or such longer period as the High Court of Singapore allows, to have the judgment registered in the High Court of Singapore under Section 3(1) of the Reciprocal Enforcement of Commonwealth Judgments Act, Chapter 264 of Singapore (the ''**RECJA**''). On such an application, the High Court of Singapore may, subject to the provisions of the RECJA and if in all the circumstances it thinks it just and convenient, order the judgment to be registered accordingly unless:

(a) the original court acted without jurisdiction;

(b) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the original court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court;

(c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the original court and did not appear, notwithstanding that the judgment debtor was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court;

(d) the judgment was obtained by fraud;

(e) the judgment debtor satisfies the registering court either that an appeal is pending, or that he is entitled and intends to appeal, against the judgment; or

(f) the judgment was in respect of a cause of action which for reasons of public policy or for some other similar reason could not have been entertained by the registering court.

Switzerland

A final and conclusive judgment rendered by English courts in civil or commercial matters may be recognised and enforced upon request by the courts of Switzerland in accordance with, and subject to, the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters of 30 October 2007 (the ''**Lugano Convention**'') and/or applicable Swiss laws.

As a general rule, an English judgment will, in particular, not be recognised and enforced in Switzerland if:

(a) the recognition of such judgment is manifestly contrary to the public policy in Switzerland;

(b) where such judgment was given in default of appearance, the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him/her/it to arrange for his/her/its defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him/her/it to do so;

(c) it is irreconcilable with a judgment given in a dispute between the same parties in the State in which recognition is sought;

(d) such judgment is irreconcilable with an earlier judgment given in another State bound by the Lugano Convention or in a third State involving the same cause of action and between the same parties, **provided that** the earlier judgment fulfils the conditions necessary for its recognition in Switzerland; or

(e) such judgment conflicts with certain provisions of the Lugano Convention on jurisdiction.

Judgments rendered by English courts in matters other than civil or commercial in the meaning of the Lugano Convention, such as insolvency matters, may not be recognised or enforceable in Switzerland. Awards of punitive damages awarded in original actions outside Switzerland may also not be enforceable in Switzerland.

The Bahamas

Pursuant to the provisions of the Reciprocal Enforcement of Judgments Act, Chapter 77 Statute Laws of The Bahamas 2000, the courts of The Bahamas will recognise and enforce by registration in the courts of The Bahamas, any final and conclusive judgment rendered against Waterway by the courts of England without there being a re-trial or reconsideration of the merits of the case **provided that**:

(a) such English court had proper jurisdiction over the parties subject to such judgment;

(b) the judgment is for a debt or definite sum of money other than a sum payable in respect of taxes or charges of a like nature or in respect of a fine or penalty;

(c) such English court did not contravene the rules of natural justice of The Bahamas;

(d) such judgment was not obtained by fraud;

(e) the enforcement of such English judgment would not be contrary to the public policy of The Bahamas;

(f) the correct procedures under the laws of The Bahamas are duly complied with and are instituted within six years after the date of such judgment in accordance with the requirements of the Limitations Act, 1995; and

(g) such English judgment is not inconsistent with a prior Bahamian judgment in respect of the same matter.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain ''forward-looking statements'' which can be identified by the use of forward-looking terminology, such as the terms ''**believes**,'' ''**expects**',' ''**anticipates**,'' ''**projects**,'' ''**estimates**,'' ''**will**,'' ''**intends**,'' ''**seeks**,'' ''**may**,'' ''**should**'' or similar expressions or, in each case, their negative, other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts and they appear in a number of places throughout this Offering Circular and include, without limitation, statements with regard to the Group's intentions, beliefs or current expectations relating to, among other things, the Group's future financial position, results, performance, achievements and prospects along with future industry results and performance. By their nature, forward-looking statements involve inherent risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Investors are cautioned that the forward-looking statements contained in this Offering Circular are not guarantees of the Group's future financial position, results, performance, achievements or prospects and that the Group's actual future financial position, results, performance, achievements and prospects may differ materially from those suggested or implied by the forward-looking statements contained in this Offering Circular.

In addition, these forward-looking statements speak only as of the date of this Offering Circular. Except to the extent required by applicable law, neither the Issuer nor any of the Guarantors intends to update or revise any of the forward-looking statements contained in this Offering Circular, whether as a result of new information, future events or otherwise, and the Issuer and the Guarantors hereby expressly disclaim any obligation to do so. All subsequent written or oral forward-looking statements attributed to the Group or persons acting for the Group or on the Group's behalf are expressly qualified in their entirety by the cautionary statements contained throughout this Offering Circular. Investors should not place undue reliance on any such forward-looking statements.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

This Offering Circular includes the audited consolidated financial statements of the Group as of and for the years ended 31 December 2012 and 31 December 2011 (the ''**Annual Financial Statements**''), which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (''**IFRS**'') and the requirements of the Cyprus Companies Law, Cap. 113.

The Annual Financial Statements have been audited by PricewaterhouseCoopers Limited, independent auditors, as stated in their reports appearing herein. PricewaterhouseCoopers Limited has registered offices at Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus and is a member of the Institute of Certified Public Accountants of Cyprus (ICPAC).

The Annual Financial Statements, together with the respective notes thereto, are included in the Offering Circular beginning on page F-2.

Changes in Presentation

As discussed in Note 3 to the Annual Financial Statements as of and for the year ended 31 December 2012, certain amounts reflected in the Annual Financial Statements as of and for the year ended 31 December 2011 presented on pages F-83 to F-153 of this Offering Circular have been revised, where necessary, to conform with the presentation in the Annual Financial Statements as of and for the year ended 31 December 2012. Those revisions that affect amounts discussed or stated in the ''*Overview— Summary Consolidated Financial Information*'', ''*Selected Historical Financial Information*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*'' are explained below.

Financial information included in this Offering Circular as of and for the year ended 31 December 2011 (with the exception of pages F-83 to F-153) has been provided in conformity with the presentation adopted in Gunvor's Annual Financial Statements as of and for the year ended 31 December 2012, as discussed immediately below.

Changes in Notes 26 (Revenue) and 27 (Cost of Sales) to the Annual Financial Statements as of and for the Year Ended 31 December 2012

Note 26 (Revenue)

Due to the increase in the scale of operations and revenue of the Ust-Luga Terminal (as defined below) in 2012 as compared to 2011, the Group's management decided to change the presentation of the Ust-Luga Terminal's results of operations in Note 26 (*Revenue*) in the Annual Financial Statements as of and for the year ended 31 December 2012 by including the separate line item ''Terminal'' to this Note. For consistency, and taking into account that the operations of the Ust-Luga Terminal commenced in 2011, revenue generated by the Ust-Luga Terminal was also stated in this new line item in the column that contains Gunvor's 2011 revenue.

The effect of these revisions on Gunvor's revenue line items as stated in Note 25 (*Revenue*) of the Annual Financial Statements as of and for the year ended 31 December 2011 is as follows:

	As of 31 December 2011
	(in thousands of U.S. dollars)
Decrease in:	
Crude oil	107,150
Increase in:	
Terminal (new line item)	107,150

Note 27 (*Cost of Sales*)

In 2012, Gunvor improved the mapping process in the accounting system to increase precision in the split of individual cost of sales line items. Two new separate line items were added, ''terminal'' and ''other'', and the calculation of the other line items was changed, so that all amounts in cost of sales line items (other than ''total cost of sales'') in respect of the year ended 31 December 2011 in the Annual

Financial Statements as of and for the year ended 31 December 2012 were revised and are, therefore, different from the corresponding amounts in the Annual Financial Statements as of and for the year ended 31 December 2011.

The effect of these revisions on the amounts in Gunvor's cost of sales line items as stated in Note 26 (*Cost of sales*) of the Annual Financial Statements as of and for the year ended 31 December 2011 is as follows:

	As of 31 December 2011
	(in thousands of U.S. dollars)
Decrease in:	
Refined petroleum products	109,594
Crude oil	15,749
Coal	6,932
Gas	1,914
Emissions	1,968
Power	174
Total direct costs of products sold	80,871
Railway, loading and customs	372,112
Inspection and insurance	43,619
Increase in:	
Terminal (new line item)	45,886
Other (new line item)	9,547
Shipping activities	496,484
Total transportation expenses	124,372
Interest expense on short-term bank loans	118

Changes in the Consolidated Statement of Financial Position in, and Notes 16 (Trade and Other Receivables) and 21 (Trade and Other Payables) to, the Annual Financial Statements as of and for the Year Ended 31 December 2012

Netting of Trade and Other Receivables and Trade and Other Payables

In the Annual Financial Statements as of and for the year ended 31 December 2012, as permitted under the provisions of actual contracts with its suppliers and customers, Gunvor netted the amounts in the ''trade and other receivables'' and ''trade and other payables'' line items for its gas and LNG trading desk operations. To maintain consistency of presentation, the corresponding amounts in ''trade and other receivables'' and ''trade and other payables'' line items as of 31 December 2011, as presented in the Annual Financial Statements as of and for the year ended 31 December 2012 were also netted.

The effect of these revisions on the amounts in Gunvor's trade and other receivables line items as stated in Note 14 (*Trade and other receivables*) of the Annual Financial Statements as of and for the year ended 31 December 2011 is as follows:

	As of 31 December 2011
	(in thousands of U.S. dollars)
Decrease in:	
Gas	479,220

The effect of these revisions on the amounts in Gunvor's trade and other payables line items as stated in Note 21 (*Trade and other payables*) of the Annual Financial Statements as of and for the year ended 31 December 2011 is as follows:

	As of 31 December 2011
	(in thousands of U.S. dollars)
Decrease in:	
Gas	479,220

The effect of these revisions on the consolidated statement of financial position of the Group as of 31 December 2011 is as follows:

	As of 31 December 2011
	(in thousands of U.S. dollars)
Decrease in:	
Trade and other receivables	479,220
Current assets	479,220
Total assets	479,220
Trade and other payables	479,220
Current liabilities	479,220
Total liabilities	479,220
Total equity and liabilities	479,220

Note 21 (Trade and Other Payables)

In 2012, Gunvor improved the mapping process in the accounting system to increase precision in the split of individual trade and other payables line items. The line item ''building construction'' was moved from ''trade payables'' in the Annual Financial Statements as of and for the year ended 31 December 2011 to ''other payables'' in the Annual Financial Statements as of and for the year ended 31 December 2012. The calculation of several other line items was changed, so that several amounts in trade and other payables line items in respect of 2011, as presented in the Annual Financial Statements as of and for the year ended 31 December 2012 were revised and are, therefore, different from the corresponding amounts in the Annual Financial Statements as of and for the year ended 31 December 2011.

The effect of these revisions on the amounts in Gunvor's trade and other payables line items as stated in Note 21 (*Trade and other payables*) of the Annual Financial Statements as of and for the year ended 31 December 2011 is as follows:

	As of 31 December 2011
	(in thousands of U.S. dollars)
Decrease in:	
Shipping	92,136
Increase in:	
Refined petroleum products and crude oil	87,863
Coal	3,688
Other operational activities	585

The Annual Financial Statements as of and for the year ended 31 December 2011 presented on pages F-83 to F-153 of this Offering Circular have not been revised to take into account the changes described above that were effective in respect of the Annual Financial Statements as of and for the year ended 31 December 2012. Accordingly, the presentation of the Annual Financial Statements as of and for the year ended 31 December 2011 described above is not comparable to the presentation of this 2011 financial information contained elsewhere in this Offering Circular.

The Group's financial year ends on 31 December and references in this Offering Circular to any specific year are to the 12-month period ended on 31 December of such year.

Non-IFRS Financial Information

Gunvor has included certain measures in this Offering Circular that are not measures specifically defined by IFRS. These include Consolidated EBITDA, Consolidated EBITDA margin, net debt, Readily Marketable Inventories (as defined below) and adjusted net debt. These measures have been included since Gunvor's management believes that they are measures frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the commodities trading industry.

Gunvor's use of the terms Consolidated EBITDA, Consolidated EBITDA margin, Readily Marketable Inventories and adjusted net debt may vary from the use of such terms employed by others in the commodities trading industry. Accordingly, these measures should not be used for comparisons with similarly named measures used by other companies in the commodities trading industry. The primary non-IFRS measure used by Gunvor is Consolidated EBITDA. Consolidated EBITDA should not be considered as an alternative to profit or loss for the year, operating income or any other performance measures derived in accordance with IFRS, as a measure of operating performance or operating cash flows or as a measure of liquidity. Consolidated EBITDA has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for an analysis of the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- Consolidated EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- Consolidated EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- Consolidated EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on debt; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and Consolidated EBITDA does not reflect any cash requirements for such replacements.

Readily marketable inventories (''**Readily Marketable Inventories**'') have been calculated by subtracting the sum of ''technical inventories'' (which are ''deadstock'' inventories or inventories that need to remain in pipes for operational reasons) and ''other'' from total inventories as of 31 December 2011 and 31 December 2012 and by subtracting the sum of ''building materials'' (spare parts) and ''other'' from total inventories as of 31 December 2010 (see Note 14 (*Inventories*) to the Annual Financial Statements as of and for the year ended 31 December 2012 and Note 9 (*Inventories*) to the Annual Financial Statements as of and for the year ended 31 December 2011) and then multiplying the resulting amount by 0.94 in respect of the amount as of 31 December 2012 and by 0.95 in respect of the amounts as of 31 December 2010 and 31 December 2011. This multiplier has been used because more than 94 per cent. of commodities inventories were economically hedged by derivative instruments with respect to commodity price risk in 2012 (see Note 34 (*Financial instruments*) to the Annual Financial Statements as of and for the year ended 31 December 2012) and more than 95 per cent. of stocks of commodities were economically hedged by derivative instruments with respect to commodity price risk in 2010 and 2011 (see Note 32 (*Financial instruments*) to the Annual Financial Statements as of and for the year ended 31 December 2011).

Consolidated EBITDA used in this Offering Circular everywhere other than in ''*Terms and Conditions of the Notes*'' is calculated as Consolidated EBITDA as defined in ''*Terms and Conditions of the Notes—19. Definitions*'' minus any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments relating to Indebtedness (as defined in ''*Terms and Conditions of the Notes—19. Definitions*'') incurred in connection with Trade Finance (as defined in ''*Terms and Conditions of the Notes—19. Definitions*''). For Consolidated EBITDA and Consolidated EBITDA margin for the years ended 31 December 2010, 2011 and 2012, see ''*Overview—Overview of the Group—Summary Consolidated Financial Information*'' and ''*Selected Historical Financial Information*''. For a description of how adjusted net debt is calculated and for Readily Marketable Inventories and adjusted net debt as of 31 December 2010, 2011 and 2012, see ''*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Certain Debt-related Ratios*''.

Currencies

In this Offering Circular, references to:

- ''**US$**'' or ''**U.S. dollars**'' refer to the lawful currency of the United States;
- ''**€**'' or ''**euro**'' refer to the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Union, as amended from time to time;
- ''**CHF**'' or ''**Swiss Francs**'' refer to the lawful currency of Switzerland;
- ''**SGD**'' or ''**Singapore dollars**'' refer to the lawful currency of Singapore;
- ''**sterling**'' refers to the lawful currency of the United Kingdom;

- ''**Russian roubles**'' refer to the lawful currency of the Russian Federation;
- ''**Swedish Krona**'' refers to the lawful currency of the Kingdom of Sweden; and
- ''**ZAR**'' refer to South African Rand, the lawful currency of the Republic of South Africa.

Rounding

Certain figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

INDUSTRY AND MARKET DATA

The market data and certain economic and industry data and forecasts used in this Offering Circular, including information in ''*Overview*'', ''*Industry*'' and ''*Business*'', were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Issuer has relied on the accuracy of such information without carrying out an independent verification thereof.

In addition, in many cases, the Issuer has made statements in this Offering Circular regarding the industry in which the Group operates, its position in the industry, its market share and the market shares of various industry participants based on the Group's internal estimates, experience, the Issuer's own investigation of market conditions and its review of industry publications, including information made available to the public by its competitors. The Issuer cannot assure prospective investors that any of the assumptions underlying these statements are accurate or correctly reflect the Group's position in the industry and none of the Group's internal surveys or information have been verified by any independent sources.

Where information in this Offering Circular has been sourced from a third party, this information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. Information in this Offering Circular which has been sourced from a third party is identified as such together with the name of the third party source.

OVERVIEW OF THE GROUP

Overview

Gunvor is a leading global energy commodities trader with investments in a number of logistics, refining, coal mining and other assets.

Gunvor's trading business principally involves the physical trading of crude oil, refined petroleum products, natural gas and liquefied natural gas (''**LNG**''), coal, biofuels, power and carbon emissions. Gunvor commenced its trading operations in 2000, initially focusing on the export of crude oil and refined petroleum products from Russia only, and subsequently diversifying its trading operations both in geographic and product terms. In the past three years, traded volumes have grown from 46.6 million metric tonnes of refined petroleum products, 2.2 million metric tonnes of oil equivalent of natural gas and LNG and 4.2 million metric tonnes of coal in 2010 to 64.8 million metric tonnes of refined petroleum products, 18.4 million metric tonnes of oil equivalent of natural gas and LNG and 12.8 million metric tonnes of coal in 2012, making Gunvor one of the leading independent energy trading houses in the world. In contrast, the volume of crude oil traded by Gunvor decreased from 64.5 million metric tonnes in 2010 to 36.4 million metric tonnes in 2011 and 33.8 million metric tonnes in 2012. As competition in the Russian crude oil market has increased, Gunvor has significantly reduced its purchases of Russian crude oil and placed greater emphasis on increasing the share of other, higher margin commodities in the Group's trading portfolio, with a particular focus on refined petroleum products. The Group currently trades globally through its four trading centres located in Geneva (Switzerland), Singapore, Nassau (the Bahamas) and Dubai (UAE), (together, the ''**Trading Centres**''), which are supported by a number of other offices. Gunvor is also involved in shipping operations that support its trading activities through its chartering arm, Clearlake Shipping Pte. Ltd. (''**Clearlake**'').

Gunvor began expanding into non-trading activities, most of which have synergies with its trading operations, in 2008 and has since made significant investments in logistics (oil products terminals and pipelines), refineries, coal mines and other assets through a number of acquisitions or greenfield projects. In 2011, Gunvor commenced operations at its largest investment project, an oil product export terminal in Ust-Luga on the Russian shores of the Baltic Sea (the ''**Ust-Luga Terminal**''), and is continuing construction to add light product transhipment capacity and to increase fuel oil transhipment capacity at that terminal. In 2012, Gunvor acquired two oil refineries formerly owned by the Petroplus group in Antwerp, Belgium (the ''**Antwerp Refinery**'' that is owned and managed by Independent Belgian Refinery N.V.) and Ingolstadt, Germany (the ''**Ingolstadt Refinery**'' that is owned and managed by Gunvor Raffinerie Ingolstadt GmbH). In 2010, Gunvor began to acquire significant ownership stakes in coal mines in the United States, Eastern Russia and South Africa. These investments into midstream, downstream and upstream assets have allowed Gunvor to enhance its control over the sourcing and distribution components of its trading platform, diversify its income streams and strengthen its competitive position.

Gunvor's ultimate parent company, Gunvor Group Ltd, is registered in Cyprus and is privately owned by its founders, Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist, together with a number of senior employees. See ''*Shareholders*''. In addition to its Trading Centres, Gunvor also operates through representative offices in Beijing (China), Moscow (Russia), Abuja (Nigeria), Buenos Aires (Argentina), Almaty (Kazakhstan), Bogota (Colombia) and Ulan Bator (Mongolia) (together, the ''**Representative Offices**''), its corporate head office in Nicosia (Cyprus), a service centre in Tallinn (Estonia) and an office in Amsterdam (the Netherlands). The number of Gunvor's employees as of 31 December 2012 was 1,634, including 503 terminal operators and 604 refinery workers.

Gunvor's consolidated revenue in 2010, 2011 and 2012 was US$68.6 billion, US$87.3 billion and US$93.1 billion, respectively. Its profit for the year for each of those years was US$260.9 million, US$329.7 million and US$301.1 million, respectively. Gunvor's total assets amounted to US$13.4 billion as of 31 December 2012, while its total equity was US$2.2 billion as of 31 December 2012.

Recent Developments

Gunvor's trading volumes in the first quarter of 2013, which amounted to 33 million metric tonnes of oil equivalent, increased by four per cent. as compared to the first quarter of 2012. Trading volumes for crude oil and refined petroleum products (including volumes from the Antwerp Refinery and the Ingolstadt Refinery) remained flat, while trading volumes for coal, natural gas and carbon emissions increased.

Based on currently available management information, revenue is expected to be between US$22 billion and US$23 billion in the first quarter of 2013, a decrease of approximately 12 per cent. as compared to the first quarter of 2012. Profit before income tax for the first quarter of 2013 is expected to be approximately US$110 million, representing a 9 per cent. increase compared to the first quarter of 2012. The decrease in revenue and increases in volumes and profit before income tax reflect a change in the mix of commodities traded.

Gunvor had approximately US$800 million of available cash as of 31 March 2013.

Key Strengths

The Group's management believes that Gunvor's key competitive strengths are as follows:

Leading Market Position in Energy Products Trading

Gunvor is one of the leading independent global traders of energy products, in particular crude oil and refined petroleum products. In 2012, Gunvor traded 98.5 million metric tonnes of crude oil and refined petroleum products.

The global market opportunity set for independent traders in crude oil and refined petroleum products is sizeable and continues to grow as major producers of crude oil and refined petroleum products, especially the large integrated oil companies, place increasing emphasis on upstream oil and gas exploration, development and production and reduce emphasis on their other traditional downstream activities, which include refining and marketing. Shifts in the flow of oil and gas commodities that have resulted from major industry developments in terms of supply (new unconventional resources such as, for example, shale gas and oil developments in the United States) and demand (for example, increasing demand from high-growth emerging markets, especially in Asia) are also creating new opportunities for independent traders to play a more prominent role in the global trade of crude oil and refined petroleum products. There are high barriers to entry for new players which face competition from existing players that already have a global presence and scale, secured access to funding, established supplier and customer bases and logistics networks, sophisticated risk management as well as experienced management and trading personnel. As a result, Gunvor's management believes that the market in which Gunvor operates will continue to expand.

Gunvor's management believes that Gunvor's leading market position allows it to:

- access and supply a broad range of crude and refined product grades and specifications to meet customer requirements;
- manage product flows and logistics in a flexible way so as to increase operating profits;
- gain insight into trade flows and marketing requirements, including knowledge of local market dynamics in a broad range of jurisdictions, which allows it to identify profitable arbitrage opportunities;
- benefit from economies of scale in relation to key transaction components, including commodity purchase and sale, storage, transportation, financing and risk management;
- develop strong relationships with its customers and suppliers, which provide it with increased access to market knowledge and physical flows; and
- access capital and funding from a broad range of financial institutions.

Track Record of Profitable Trading Operations

Gunvor has an established track record as a marketer of crude oil and refined petroleum products. It has built core competencies in commodity marketing, logistics, financing and risk management and supplier and customer relationships that provide it with extensive market knowledge and insight. Together, these competencies and knowledge allow Gunvor to take advantage of arbitrage opportunities in the global commodities markets. Such arbitrage opportunities may arise as a result of market mispricings and dislocations, including those that arise as a result of disruptive market events (such as the Fukushima nuclear reactor incident in Japan in 2011), as well as those that are created by insufficiently developed infrastructure and logistics networks (as can be found in various emerging market countries). Gunvor has established extensive logistics capabilities and an advanced risk management system that allow it to generate margins by providing services including shipping, logistics, transportation and storage as well as arranging financing for its suppliers and customers (that are generally secured by physical commodity flows and/or other assets), while seeking to minimise its risks. This broad range of services allows Gunvor to provide an efficient and seamless service, especially to customers that do not have equivalent internal capabilities, and distinguishes it from traders who are unable to provide similar services.

Gunvor's ready access to logistics-related assets globally, such as a relatively large fleet of ships leased on a time charter basis, storage and blending facilities, as well as to various intermediaries, such as freight and other transport intermediaries, is a key component of its ability to offer such customer services and provides it with greater flexibility in managing its business and capturing arbitrage opportunities in a timely manner. For example, access to storage facilities allows Gunvor to blend products and manage product deliveries to meet customer requirements thus capturing incremental margins.

Gunvor's profitability is based on its ability to capture arbitrage opportunities irrespective of commodity price direction and the Group has demonstrated its ability to consistently achieve strong financial performance throughout the commodity price cycle. For example, the Group was able to capitalise on the significant market volatility during the 2008-2009 global financial and economic crisis, achieving record profit for the year of US$621.2 million in 2009. Gunvor's track record of consistently being profitable demonstrates its resilience through industry and commodity price cycles.

Diversified Operations—Geographically and Across Commodities

Gunvor is involved in trading operations in Europe, Asia, Middle East, Africa, North America and Latin America, has logistics assets in Europe and Latin America, refining assets in Europe, coal mining assets in the United States, Eastern Russia and South Africa and conducts commercial activities through four Trading Centres and seven Representative Offices located around the world, its corporate head office in Nicosia, a service centre in Tallinn and an office in Amsterdam. Gunvor's global network and local presence in a large number of countries provides it with valuable access to market information and enhances its ability to conduct profitable trading activities on a global basis, which significantly increases its trading opportunities, notably in comparison with more regional traders that do not have the same breadth of network and operations. In addition, the global diversity of its operations is beneficial in terms of risk mitigation. For example, Gunvor has focused on diversifying its product supply sources in order to reduce its exposure to any one region, country or counterparty.

Gunvor initially started by trading crude oil, in particular Russian crude oil, and subsequently expanded its activities to include the trading of refined petroleum products and, more recently, natural gas and LNG, coal, biofuels and carbon emissions. Diversifying the range of commodities traded, combined with broader geographic distribution, has enabled Gunvor to leverage the proven trading platform built from earlier activities. The proportion of Gunvor's revenue from sales of crude oil and refined petroleum products decreased from 100 per cent. of the Group's revenue from trading (total revenue excluding revenue from shipping, terminal operations and other income) in 2009 to 90.4 per cent. of the Group's revenue from trading in 2012. Natural gas and LNG accounted for 7.8 per cent. of the Group's 2012 revenue from trading, while coal accounted for 1.3 per cent. of the Group's 2012 revenue from trading. Gunvor's management believes that product diversification reduces the Group's exposure to any one commodity, increases its trading opportunities and allows it to capitalise on efficiencies and economies of scale that arise from utilising its established trading platform and network.

Gunvor has a highly diversified supplier and customer base, with no single supplier representing more than five per cent. of overall cost of sales in 2012, except for one supplier which accounted for 13.5 per cent. of 2012 cost of sales, and no single customer representing more than 5 per cent. of revenue in 2012. The Group transacts with different types of customers, including major international and state-owned oil and gas companies, other traders, oil refiners, major distributors and power and utility companies in respect of oil, refined petroleum products and gas; and mining companies, smelters and refined metal distributors in terms of coal. Revenues from the Group's top 10 customers made up 24.0 per cent. of total revenue in 2012, while cost of sales from the Group's top 10 suppliers made up 40.7 per cent. of total cost of sales in 2012.

Growing Presence in High-quality Physical Assets

Beginning in 2008, Gunvor started to invest in high-quality physical assets that were synergistic with its trading operations. It currently owns or has interests in midstream, downstream and upstream assets globally that include two transhipment terminals (one wholly-owned and another in which Gunvor has a 50 per cent. interest), two refineries (both wholly-owned), three coal mining companies (with minority interests in each), three pipelines, one of which also has terminal and storage facilities (with a 50 per cent. interest in one and a minority interest in the other). Gunvor's key assets include:

- the Ust-Luga Terminal, one of the largest rail/ocean transhipment terminals in the world, which is located in the Gulf of Finland and which has captured a significant proportion of the export of Russian refined petroleum products (such as fuel oil) that was previously transported through the Baltic states;
- the Novorossiysk Terminal, a fuel oil terminal located on the Black Sea, which provides an alternative export route to Ukrainian ports for Russian fuel oil shipped to Mediterranean countries;
- a minority investment in Petroterminal de Panama, the owner and operator of terminals, storage facilities and pipeline linking the Pacific and Atlantic coasts of Panama, that provides an alternative means of transporting oil to shipping through the Panama Canal;
- the Antwerp Refinery and Ingolstadt Refinery. The former has a strategic location allowing Gunvor to integrate it into its crude oil and refined petroleum products trading. The latter provides access to niche local markets for refined petroleum products; and
- the Signal Peak and Kolmar coal mining operations in the western part of the United States and eastern part of Russia, respectively, which provide Gunvor with secured off-take agreements allowing it to market coal to Asia and, in the case of Signal Peak, also to Europe.

Gunvor's shift from a purely trading-focused business model to a more vertically-integrated business model has allowed it to:

- diversify its operations and create additional sources of income, some of which provide stable future revenue and cash flow streams (such as fees charged to third-party users of the Ust-Luga Terminal, who make up approximately 90 per cent. of the terminal's throughput volumes);
- obtain improved and secured access to strategic logistics facilities;
- obtain improved access to long-term supply and throughput of key products for its trading activities and greater control over physical products flows that help to protect against supply risk;
- benefit from synergies and economies of scale that allow it to capture additional margin along the value chain, such as the margin that would typically be levied by a producer of commodities to a trader that sources product from it, or increased margins from economies of scale on transportation that result from shifting larger volumes of products; and
- obtain greater access to valuable market intelligence (on commodity flows and market participants) that assists Gunvor in undertaking its trading activities.

Strong Liquidity Position

The Group has been successful in securing the financial resources required to support the significant growth of its trading operations and its investments in physical assets. The total amount of funding available to Gunvor through various sources has been increasing over the years from US$12.5 billion as of 31 December 2009 to US$16.6 billion as of 31 December 2012, which included US$14.0 billion under bilateral credit lines, US$1.8 billion under revolving credit facilities, and US$0.8 billion under project finance and acquisition finance loans. The Group increased its available committed facilities by 374.1 per cent. since 31 December 2009, to the level of US$2.8 billion as of 31 December 2012. Gunvor's consolidated gross short-term and long-term borrowings including current portion amounted to US$4.7 billion as of 31 December 2012, with cash of US$0.8 billion and unused short-term credit facilities of US$8.3 billion, in each case as of the same date. As of 31 December 2012, short-term bank loans amounted to US$4.0 billion, all of which was covered by cash (US$0.8 billion) and Readily Marketable Inventories (US$4.2 billion). As of 31 December 2012, the Group had total available liquidity of US$5.6 billion, consisting of US$0.8 billion in cash, US$4.2 billion in Readily Marketable Inventories and US$0.6 billion in undrawn committed bank lines.

Gunvor has strong relationships with an increasing number of international and regional banks (including banks in Asia and the Middle East), and has actively sought to diversify its sources of funding, in terms of both the number of financial institutions that it has exposure to, and the types of funding it uses, including through increasing the number and overall amount of various revolving credit facilities and project finance loans as well as using new types of funding for Gunvor, such as the Offering. For example, 13 banks provided Gunvor with bilateral loan facilities as of 31 December 2009, which increased to 30 as of 31 December 2012. Furthermore, the number of banks that were involved in making revolving credit facilities available to Gunvor also increased from 17 banks as of 31 December 2009 to 50 banks as of 31 December 2012. Gunvor has also sought to improve its financial flexibility by increasing its exposure to longer-dated corporate-level funding that is not tied to specific trading transactions or assets, such as the contemplated Offering.

Gunvor's evolving financing model, sound liquidity position and consistent profitability has allowed the Group to remain flexible and resilient, including during the 2008-2009 global financial and economic crisis. During that period, Gunvor did not face any difficulty accessing bank funding.

Advanced Risk Management Systems

Gunvor's management believes that its ability to manage risk is a key strength of Gunvor's business. Risk management represents a critical focus area for Gunvor's management, as prudent risk management contributes to positive financial performance and helps to mitigate earnings volatility. Gunvor's chief risk officer is supported by a risk management department that reports directly to him and is independent of any commercial activities. Gunvor has sophisticated risk management processes and systems. Risk policies are determined centrally, exposures are reviewed on a daily basis and risk management procedures are continuously reviewed and updated. The main tool of Gunvor's risk management is a proprietary information system (Nova) that consolidates trading positions and financial exposures globally on a daily basis and allows management to monitor the Group's overall exposure and adopt any required measures on a timely basis. Gunvor has in place an experienced risk management team.

The Group manages a range of different risks as part of its business. These include risks that are hedged through the use of financial derivative instruments (such as commodity price and foreign currency exchange rate risks), risks that are insured (various operational risks, such as freight-related risks and even political risk), risks that relate to the ownership of physical assets and are managed through extensive due diligence prior to acquisition and good management after acquisition (such as environmental risks), risks that are managed by having ready access to sufficient capital and funding (such as liquidity risk) and risks that are managed by having strict policies and procedures in place (such as counterparty, fraud and regulatory risks). Gunvor's management uses a range of tools to actively manage all of these risks in order to minimise its overall exposure at any one point in time. For example, it actively seeks to hedge more than 90 per cent. of its commodities price exposure and only holds very selective directional positions. The Group also enforces strict limits on exposures, such as a value-at-risk (''**VaR**'') limit of one per cent. of equity. Gunvor also has strict Know Your Customer (KYC) procedures in place for all counterparties. For additional information on the Group's risk management, see ''—*Risk Management*''.

Strong Management, Experienced Personnel and Committed Shareholders

Gunvor's management team has a proven track record in the commodities business, which has included overseeing the expansion of the Group into new commodities and geographies, as well as the acquisition and integration of physical assets.

Gunvor has attracted highly experienced professionals to its organisation. Gunvor's traders come from reputable international energy companies and typically have significant professional experience. The turnover of employees is relatively low (at five per cent. in 2012). Gunvor's management believes that the Group's dynamic, entrepreneurial culture and flat hierarchy encourages a high level of employee involvement and commitment. Gunvor's senior employees are also incentivised through ownership of the Group's non-voting shares, with such employees owning approximately 12.3 per cent. of the Issuer as of 31 March 2013 (with approximately 30,000 additional non-voting shares currently expected to be issued in May or June 2013 thereby increasing such employees' ownership to approximately 12.8 per cent.). This helps to ensure that their interests are economically aligned with both the continued growth of Gunvor's operations and its future financial performance. Gunvor's management believes that Gunvor's business does not substantially depend on the services of any particular individual or individuals, so a loss of services of any senior manager or trader is unlikely to have a material adverse effect on the Group's operations and profitability.

In addition, Gunvor benefits from a stable shareholder structure that has experienced relatively little change since the establishment of the Group. Both principal shareholders, who are also the Group's founders, have remained committed to Gunvor's development since 2000 and Mr Törnqvist, who manages the whole Group as the chief executive officer (''**CEO**'') of the Issuer, has played an active role in the Group's operations since its establishment and continues to be involved in the daily management of the Group's business. Since the commencement of Gunvor's operations, the principal shareholders have reinvested a significant amount of generated profits into the Group's operations, allowing the Group to rapidly expand its business and build the significant equity that is essential for further growth.

Gunvor's management believes that the Group's high-quality management and personnel have been key to Gunvor's significant growth. In particular, the depth of their industry experience and entrepreneurial approach have been instrumental in the early identification of innovative and attractive strategic opportunities, and in Gunvor's ability to act quickly and decisively in capitalising on those opportunities in a manner that differentiates the Group from its peers. For example, Gunvor identified the construction of the Ust-Luga Terminal as an opportunity to capture the differential on the transportation costs incurred by the companies exporting Russian refined petroleum products through Ust-Luga rather than through the Baltic states. The Ust-Luga Terminal, which is the world's largest rail/ocean transhipment terminal, started operations three years after the project was initiated, and has a competitive cost advantage to the export terminals in the Baltic states that have historically been used. Similarly, Gunvor identified the advantages of owning refineries for its trading business and moved rapidly when the opportunity arose to acquire two European refineries (the Antwerp Refinery and the Ingolstadt Refinery). In the case of the Ingolstadt Refinery, the speed with which the Group was able to act was demonstrated by the three-week turnaround between Gunvor's decision to participate in the sale process and the award of the Ingolstadt Refinery to Gunvor. In the case of the Antwerp Refinery, Gunvor was able to differentiate its bid from those of other bidders, with a key element of Gunvor's successful bid being the Group's willingness to continue operating the Antwerp Refinery and retain its employees. Gunvor subsequently re-started operations at the Antwerp Refinery two months after its bid was successful, following negotiations with the Antwerp Refinery's various stakeholders, including trade unions, and the acquisition of regulatory approvals.

Strategy

Gunvor's strategy is focused on enhancing its physical trading business and platform, as well as its long-term profitability, through selective investments in physical assets. The key elements of Gunvor's strategy are set out below:

To Selectively Diversify into New Geographies

Gunvor's management intends to leverage the Group's established business platform and portfolio to expand selectively into new geographies that have attractive growth prospects, especially various emerging market countries in Asia and Africa in which fragmented domestic commodity markets and undeveloped logistical infrastructure provide significant opportunities for a commodity trader that has at its disposal excellent logistical capabilities and a global trading platform. The Group will continue to undertake measured investments in logistics and other physical assets that support the geographical expansion of its business and enhance its access to logistics infrastructure in strategic locations (such as the potential construction of an oil products terminal in Indonesia that is currently under consideration by the Group). Gunvor's management believes that by expanding the global scope and diversity of the Group's operations, Gunvor will be able to increase the number of arbitrage opportunities that it is able to act upon, better align its operations to evolving global flows of commodities, improve its access to a broader spectrum of energy commodities in different grades and specifications, reduce its exposure to any one geographical market and grow profits.

To Grow the Group's Physical Assets Portfolio

Gunvor's management plans to continue to invest in high-quality physical assets all along the value chain that complement its trading business, have high growth potential and create recurrent, sustainable sources of supplementary income and more stable cash flows, particularly in the midstream logistics part of the value chain. In addition to supporting the trading business, such investments will create recurrent, sustainable sources of supplementary income and help Gunvor to reduce the relatively high level of volatility of its cash flows from trading activities. In selecting investments, Gunvor's management applies strict investment criteria, which include a minimum return on investment, in addition to requiring a strong rationale for each such investment. All investments are expected both to be profitable on a standalone basis and to offer synergies with Gunvor's trading business. Gunvor's management believes that these investments provide a competitive advantage over its peers that are less vertically integrated, as they allow the Group to increase its control over physical flows in the supply chain, establish a presence in key locations and new markets (both in terms of sourcing and sales), create the scope for enhanced economies of scale and additional margins, improve access to valuable information on specific product and geographic markets that allow it to manage its risks and improve its trading activities and provide supplemental sources of income and more stable cash flows.

To Maintain a Conservative Financial and Risk Profile

As access to capital is fundamental to the successful execution of the Group's strategy, Gunvor's management is focused on diversifying Gunvor's sources of funding (both in terms of the geographic location of its lending banks and types of financing instruments), procuring more committed facilities, extending its debt maturity profile and gaining access to longer-term non-bank funding opportunities to support its investments in physical assets. The Group's strong relationships with its lending banks and diversified funding model have been key to the Group successfully managing its funding needs and liquidity position through the 2008-2009 global financial and economic crisis and the associated volatile commodities price environments. The Group's management aims to maintain prudent financial policies and sufficient liquidity, so that the Group is able to withstand any unexpected developments in the financial and commodity markets, as well as to take advantage of investment and growth opportunities as they arise.

Risk management is a core part of the Group's management framework and Gunvor will continue to pursue a disciplined approach to managing risks. Gunvor's management intends to maintain a robust risk management framework and centralised risk management resources and information systems that seek to mitigate and manage all forms of risks in order to promote the long-term profitability of the Group. The Group's management intends to make additional investments in its risk management systems and personnel as it expands the scope and geographical reach of its business and increases the vertical integration of its operations.

Risk Factors

An investment in the Notes involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment with respect to the Notes, see "*Risk Factors*" and "*Forward-Looking Statements*". Prospective investors in the Notes should carefully consider the risks and other information contained in this Offering Circular prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described in this Offering Circular are not the only risks Gunvor faces. The Issuer has described only the risks that Gunvor's management consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware.

Summary Consolidated Financial Information

The table below shows Gunvor's summary historical consolidated financial information as at and for the years ended 31 December 2010, 2011 and 2012, which has been derived from the Annual Financial Statements included elsewhere in this Offering Circular and should be read in conjunction with ''*Presentation of Financial and Other Information*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations*''. Gunvor's consolidated financial statements have been prepared in accordance with IFRS and the requirements of the Cyprus Companies Law, Cap. 113.

The following table sets out the Group's summary statement of comprehensive income data for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December		
	2010	**2011**	**2012**
	(in thousands of U.S. dollars)		
Revenue	68,603,673	87,292,190	93,146,500
Cost of sales	(67,934,993)	(85,852,073)	(92,398,550)
Change in fair value of derivative financial instruments	(113,288)	(630,137)	(6,992)
Gross profit	**555,392**	**809,980**	**740,958**
Other operating income	19,356	9,379	169,242
Other operating expenses	(308,649)	(449,568)	(561,206)
Operating profit	**266,099**	**369,791**	**348,994**
Finance income	25,624	25,567	41,314
Finance expense	(7,822)	(34,507)	(43,871)
Net finance income/(costs)	17,802	(8,940)	(2,557)
Share of results of associates and joint ventures	(3,345)	(4,464)	2,885
Profit before income tax	**280,556**	**356,387**	**349,322**
Income tax expense	(19,628)	(26,729)	(48,212)
Profit for the year	**260,928**	**329,658**	**301,110**
Attributable to:			
Equity holders of the Company	257,553	327,535	301,110
Non-controlling interests	3,375	2,123	—
Profit for the year	**260,928**	**329,658**	**301,110**
Fair value gain on available-for-sale financial assets	38,400	—	17,410
Other comprehensive income for the year	**38,400**	**—**	**17,410**
Total comprehensive income for the year	**299,328**	**329,658**	**318,520**
Attributable to:			
Equity holders of the Company	295,953	327,535	318,520
Non-controlling interests	3,375	2,123	—
Total comprehensive income for the year	**299,328**	**329,658**	**318,520**

The following table sets out the Group's summary statement of financial position data as of 31 December 2010, 2011 and 2012.

	As of 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
ASSETS			
Non-current assets			
Property, plant and equipment	716,878	922,899	1,326,180
Intangible assets	102,540	102,540	133,040
Investments in associates and joint ventures	62,406	457,007	460,687
Other financial assets	—	—	27,236
Long-term receivables	19,600	69,031	91,919
Deferred tax assets	29,305	34,382	20,909
Derivative financial instruments	78,476	151,936	130,087
Total non-current assets	**1,009,205**	**1,737,795**	**2,190,058**
Current assets			
Assets held for sale	—	—	155,565
Other financial assets	124,659	85,308	81,985
Inventories	3,355,869	4,077,317	4,529,413
Tax receivable	970	3,490	8,783
Prepayments to suppliers	111,367	449,611	317,733
Trade and other receivables	2,922,142	3,707,735[1]	4,087,701
Derivative financial instruments	635,547	939,715	755,217
Margin account with brokers	832,095	482,306	466,278
Cash	717,606	1,017,777	801,680
Total current assets	**8,700,255**	**10,763,259**[1]	**11,204,355**
Total assets	**9,709,460**	**12,501,054**[1]	**13,394,413**
EQUITY AND LIABILITIES			
Equity			
Share capital	5000	5,650	5,703
Share premium	44,339	105,222	300,802
Fair value reserve—other financial assets	38,400	38,400	55,810
Retained earnings	1,484,363	1,806,850	1,877,000
Total equity attributable to equity holders of the Company	1,572,102	1,956,122	2,239,315
Non-controlling interests	3,942	—	—
Total equity	**1,576,044**	**1,956,122**	**2,239,315**
LIABILITIES			
Non-current liabilities			
Loans	233,253	842,280	746,104
Trade and other payables	—	—	11,092
Deferred tax liabilities	24,486	26,987	87,277
Retirement benefit obligations	2,948	7,817	26,762
Derivative financial instruments	47,991	106,164	101,884
Provisions	—	—	14,488
Total non-current liabilities	**308,678**	**983,248**	**987,607**

	As of 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Current liabilities			
Current tax liabilities	53,683	21,044	27,737
Provisions	1,000	4,000	17,752
Trade and other payables	4,614,683	4,884,181[(1)]	5,267,870
Prepayment from customers	46,066	58,209	104,079
Derivative financial instruments	936,268	956,974	595,125
Margin account with brokers	1,701	38,382	183,024
Short-term bank loans	2,171,337	3,598,894	3,971,904
Total current liabilities	**7,824,738**	**9,561,684[(1)]**	**10,167,491**
Total liabilities	**8,133,416**	**10,544,932[(1)]**	**11,155,098**
Total equity and liabilities	**9,709,460**	**12,501,054[(1)]**	**13,394,413**

(1) Trade and other receivables, current assets, total assets, trade and other payables, current liabilities, total liabilities and total equity and liabilities as of 31 December 2011 have all been extracted from the Annual Financial Statements as of and for the year ended 31 December 2012. Each of these line items has been revised downwards by US$479,220 thousand in comparison with the same line items in the Annual Financial Statements as of and for the year ended 31 December 2011 as these line items have been revised to conform with the presentation of the Annual Financial Statements as of and for the year ended 31 December 2012. See ''*Presentation of Financial and Certain Other Information—Financial Information*'' and Note 3 (Significant Accounting Policies) of the Annual Financial Statements as of and for the year ended 31 December 2012.

The following table sets out the Group's summary statement of cash flows data for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Net cash generated from/(used in) operating activities	2,104,387	(704,405)	196,135
Net cash used in investing activities	(299,940)	(807,761)	(702,225)
Net cash (used in)/generated from financing activities	(1,510,333)	1,808,811	314,347
Net increase in cash	**294,114**	**296,645**	**(191,743)**
Cash at 1 January	425,722	717,606	1,017,777
Exchange (losses)/gains on cash	(2,230)	3,526	(24,354)
Cash at 31 December	**717,606**	**1,017,777**	**801,680**

The following table sets out certain other financial data of the Group.

	Year ended 31 December		
	2010	2011	2012
Consolidated EBITDA[(1)] (*in thousands of U.S. dollars*)	339,257	534,683	574,802
Consolidated EBITDA margin[(2)] (*in percentages*)	0.49%	0.61%	0.62%
Gross profit margin (*in percentages*)	0.81%	0.93%	0.80%
Operating profit margin (*in percentages*)	0.39%	0.42%	0.37%
Profit for the year margin (*in percentages*)	0.38%	0.38%	0.32%

(1) For a description of how Consolidated EBITDA is calculated, see ''*Presentation of Financial and Certain Other Information—Non-IFRS Financial Information*''.

(2) Consolidated EBITDA margin is calculated by dividing Consolidated EBITDA by revenue.

OVERVIEW OF THE OFFERING

The following overview of the Offering is derived from, and should be read in conjunction with, the full text of the Conditions, the Guarantee and the Trust Deed (as defined herein), which shall prevail to the extent of any inconsistency with this overview. Capitalised terms used but not otherwise defined herein have the respective meanings given to such terms in the relevant Conditions.

Issuer:	Gunvor Group Ltd, incorporated with limited liability under the laws of Cyprus.
Initial Guarantors:	Gunvor SA, incorporated with limited liability under the laws of Switzerland; Gunvor International B.V., incorporated with limited liability under the laws of The Netherlands; Gunvor Singapore Pte. Ltd., incorporated with limited liability under the laws of the Singapore; Clearlake Shipping Pte. Ltd., incorporated with limited liability under the laws of Singapore; Waterway Petroleum Limited, incorporated with limited liability under the laws of The Bahamas; and Sandmark Limited, incorporated with limited liability under the laws of Cyprus.
Notes Offered:	US$● aggregate principal amount of ● per cent. Notes due ● 2018 (the "**Notes**")
Issue Price:	● per cent. of the principal amount of the Notes.
Maturity Date:	● 2018
Guarantee:	Each of the Initial Guarantors has agreed (and each of the Additional Guarantors (as defined in the Conditions) will agree), to guarantee, unconditionally and irrevocably, jointly and severally, to the maximum extent permitted by law, the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes (the "**Guarantee**").
Form and Denominations:	The Notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented on issue by the Global Certificate in registered form, without interest coupons, and will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream. Interests in the Global Certificate will be exchangeable for Definitive Note Certificates only in certain limited circumstances outlined therein. See "*Summary of Provisions Relating to the Notes in Global Form*".
Interest:	The Notes will bear interest from and including the Issue Date at the rate of ● per cent. per annum and will be payable semi-annually in arrears on ● and ● in each year, commencing on ● 2013.
Status of the Notes:	The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 5(b) (*Limitation on Liens*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law. See Condition 3 (*Status of the Notes*).

Status of the Guarantee: The Guarantee constitutes direct, unconditional, unsubordinated and (subject to Condition 5(b) (*Limitation on Liens*)) unsecured obligations of each of the Guarantors which will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of each of the Guarantors, save for such obligations as may be preferred by mandatory provisions of law. See Condition 4 (*Guarantee*).

Change of Control Event: Upon the occurrence of a Change of Control, each Noteholder shall have the right to require that the Issuer repurchase all or any part of that Noteholder's Notes at a purchase price in cash equal to 101.0 per cent. of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. See Condition 8(d) (*Redemption at the Option of the Noteholders Upon a Change of Control*).

Optional Redemption for Taxation Reasons: The Issuer may, but is not required to, redeem the Notes at any time in whole but not in part, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at 100 per cent. of the principal amount thereof, plus accrued and unpaid interest (if any) to the redemption date in the event the Issuer or, if the Guarantee were called on for payment, one or more of the Guarantors has become or would become obligated to pay additional amounts as a result of certain changes in tax laws or their interpretation. See Condition 8(c) (*Redemption for Taxation Reasons*).

Certain Covenants: The Notes will have the benefit of certain covenants that, amongst other things, limit the ability of the Issuer and the restricted subsidiaries of the Issuer to:

- incur additional Indebtedness;
- create or incur certain Liens;
- make certain Restricted Payments;
- enter into Affiliate Transactions;
- transfer or sell assets;
- consolidate or merge with other entities;
- change its business; and
- create restrictions on distributions between and among the Issuer and the Guarantors.

Each of these covenants is subject to significant exceptions and qualifications. See Condition 5 (*Covenants*).

Cross Acceleration: The Notes will have the benefit of a cross acceleration. See Condition 11(c) (*Events of Default—Cross Acceleration*).

Governing Law: The Trust Deed (as defined in the Conditions), the Notes and the Guarantee, including any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Guarantee, will be governed by and construed in accordance with English law.

Use of Proceeds: The net proceeds of the Notes will be used by the Issuer for general corporate purposes. See ''*Use of Proceeds*''.

Listing and Admission to Trading:	Approval in principal has been received for the listing of the Notes on the Official List of the SGX-ST. It is expected that the Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act. The Notes are being offered and sold outside the United States by the Joint Lead Managers in accordance with Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, there are limitations on offers and sales of Notes in certain other jurisdictions. See ''*Subscription and Sale*''.
Clearance and Settlement:	The Notes have been accepted for clearance through Euroclear and Clearstream.
Security Codes:	ISIN: ●
	Common Code: ●
Trustee:	Deutsche Trustee Company Limited
Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar:	Deutsche Bank Luxembourg S.A.
Risk Factors:	**An investment in the Notes involves a high degree of risk. Investors should carefully review the risks described herein under ''*Risk Factors*'' on page 23 of this Offering Circular.**

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the risks described below and the other information contained in this Offering Circular before making a decision to invest in the Notes. Any of the following risks, individually or together, could adversely affect the Group's business, results of operations, financial condition and prospects, in which case the trading price of the Notes could decline and investors could lose all or part of their investment.

Gunvor has described the risks and uncertainties that the Group's management believes are material, but these risks and uncertainties may not be the only ones Gunvor faces. Additional risks and uncertainties, of which the Group's management is currently not aware or which the Group's management currently deems immaterial, may also have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Prospective investors should be aware that the value of the Notes and any income from them may decrease and that investors may not be able to realise their initial investment.

Risks relating to Gunvor's trading operations

Gunvor is exposed to declines in the current and expected volumes of supply or demand for commodities, to movements in commodity prices and price volatility and to deterioration in economic and financial conditions

The current and expected volumes of supply and demand for the commodities in which Gunvor is active vary over time based on changes in resource availability, government policy and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments, including commodity substitutions, fluctuations in global production capacity, global and regional weather conditions and natural disasters, all of which impact global markets and demand for commodities. Furthermore, changes in current and expected supply and demand conditions impact the current and expected future prices of each commodity.

Declines in the volume of each commodity traded by Gunvor, as well as declines in price volatility, which reduce price dislocations from which Gunvor's traders are generally able to benefit, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. These declines could result in a reduction in the average trading unit margin achieved in respect of the volumes handled by Gunvor's traders, or a reduction in the volume and/or margin in respect of Gunvor's other operations.

In addition, a decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the Group's business, results of operations or earnings. For example:

- the insolvency of key suppliers, particularly those with whom Gunvor has long-term supply or off-take contracts, could result in supply chain difficulties and/or unmatched commodity price exposures and/or a reduction in commodities available for Gunvor's trading activities;
- although most commodities' fixed pricing periods are relatively short, a significant reduction or increase in commodity prices could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms;
- a tightening of available credit may make it more difficult for Gunvor to obtain, or may increase the cost of obtaining, financing for its trading activities and capital expenditures at its other operations; and
- operations at logistics, refining or mining facilities owned and operated by Gunvor, its joint ventures or those companies in which it has minority investments may be curtailed or suspended as they becomes not economically viable.

The commodities trading industry is very competitive and Gunvor may have difficulty effectively competing with other commodity trading companies

The commodities trading industry is characterised by strong competition and each of Gunvor's principal trading desks faces intense competition. Some of Gunvor's competitors or existing producers of commodities in which Gunvor trades may, in the future, use their resources to broaden into additional or all of the commodities trading markets in which Gunvor operates and, therefore, further increase the level of competition faced by Gunvor. These competitors may also expand and diversify their commodity sourcing, processing or trading operations, or engage in pricing or other financial or operational practices, which could also increase the competitive pressure on Gunvor. Increased competition may result in losses of market share for Gunvor and could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The success of Gunvor's trading activities depends in part on its ability to identify and take advantage of arbitrage opportunities

Many of the commodity markets in which Gunvor operates are fragmented and periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present Gunvor with arbitrage opportunities, allowing Gunvor to generate profit by sourcing, transporting, blending or otherwise processing or storing the relevant commodities. While the strategies used by Gunvor's trading desks to generate such margin vary from commodity to commodity, the main arbitrage strategies can be generally described as geographic-, product- and time-related. For further details on these arbitrage strategies, see ''*Business—Trading Operations*''.

Gunvor's profitability is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example due to a prolonged period of pricing stability in a particular market, increased levels of competition or an inability to take advantage of such opportunities when they present themselves because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Gunvor's hedging strategy may not always be effective and does not require all risks to be hedged

Gunvor's trading activities involve a significant number of purchase and sale transactions across multiple commodities. In order for Gunvor to mitigate the risks in its trading activities related to commodity price fluctuations and potential losses, Gunvor has a policy, at any given time, of hedging substantially all of its trading inventory (other than in respect of some inventory for its refineries) not already contracted for sale at pre-determined prices through futures and swap commodity derivative contracts, either on commodities' exchanges or in the over-the-counter (''**OTC**'') market. In the event of disruptions in the commodity exchanges or markets on which Gunvor engages in these hedging transactions, the Group's ability to manage commodity price risk may be adversely affected and this could in turn have a material adverse effect on Gunvor's business, results of operations, financial condition and prospects. As part of Gunvor's hedging strategy, 95 per cent. of all of Gunvor's transactions are cleared through commodities exchanges. If any participants (for example, clearers, banks or commodity exchanges) in Gunvor's clearing activities were to become insolvent or if Gunvor's contractual relationships with those entities were to be adversely affected, Gunvor's hedging strategy could be negatively impacted.

In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margining arrangements in place with such hedge counterparts. Significant increases in the price of commodities being hedged could result in sudden large cash demands on Gunvor as a result of such margining arrangements. If price increases are particularly steep and/or if they continue for a prolonged period of time, such developments could put significant pressure on Gunvor's liquidity forcing it to either seek additional borrowings from banks to cover such additional liquidity needs, in which it may not be successful, or reduce volumes of commodities traded, which could have an adverse effect on the revenue and profitability of Gunvor's trading operations.

There are no exact traded or exact bilateral derivative markets for certain commodities that Gunvor trades such as gasoil 0.3 (gasoil with 0.3 per cent. sulphur), which limits Gunvor's ability to fully hedge its exposure to price fluctuations for these commodities. In these instances, Gunvor's ability to hedge its commodity exposure is limited to forward contracts for the physical delivery of a commodity or futures and swap contracts for a different, but correlated, commodity. In the latter case, if the relative value of the two commodities changes in a direction or manner that Gunvor's management does not anticipate, the Group may suffer a loss in those commodity positions. Finally, subject to internal risk management, limits and policies, in limited cases, Gunvor takes deliberate directional positions as part of its trading strategies, which has, at certain points in the past resulted, and may in the future result, in losses.

Gunvor is subject to counterparty risk in its trading activities

Gunvor's trading activities are subject to the risk of non-performance by its suppliers, customers and hedging counterparties. For example:

- a significant increase in commodity prices could result in suppliers being unwilling to honour their contractual commitments to sell commodities to Gunvor at pre-agreed prices;
- a significant reduction in commodity prices could result in customers being unwilling or unable to honour their contractual commitments to purchase commodities from Gunvor at pre-agreed prices;
- customers may take delivery of commodities from Gunvor and then find themselves unable to honour their payment obligations due to financial distress or any other reasons; and
- hedging counterparties may find themselves unable to honour their contractual commitment due to financial distress or other reasons.

Gunvor seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions, when appropriate, and by imposing limits on extended open accounts. In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margining arrangements in place with such hedging counterparties. However, no assurance can be given that Gunvor's attempts to reduce the risk of customer non-performance will be successful in every instance or that its financial results will not be adversely affected by the failure of a counterparty or counterparties to fulfil their contractual obligations in the future. Such failure would have a material adverse effect on the Group's business, results of operations, financial condition and prospects, including by creating an unintended, unmatched commodity price exposure.

Gunvor's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

Gunvor's trading activities are exposed to commodity price, foreign exchange, interest rate, counterparty (including credit), operational, regulatory and other risks. Gunvor has devoted significant resources to developing and implementing policies and procedures to manage these risks and expects to continue to do so in the future. Nonetheless, Gunvor's policies and procedures to identify, monitor and manage risks have not been fully effective in the past and may not be fully effective in the future.

Some of Gunvor's methods of monitoring and managing risk are based on historical market behaviour that may not be an accurate predictor of future market behaviour. Other risk management methods depend on evaluation of information relating to markets, suppliers, customers and other matters that are publicly available or otherwise accessible by Gunvor. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in doing so. Management of counterparty credit risk is mitigated with the use of credit enhancement products, including letters of credit, insurance and bank guarantees, but such risk cannot be eliminated entirely. Failure to mitigate all risks associated with Gunvor's business could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Gunvor uses, among other techniques, VaR as a key risk measurement technique for its trading activities. VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Gunvor, nor does Gunvor expect that VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR has certain limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. While Gunvor recognises these limitations and seeks to refine its VaR analysis, there can be no assurance that its VaR analysis will be an effective risk management methodology.

Gunvor is reliant on third parties to source the large majority of the commodities purchased by its trading desks

Gunvor purchases only a small minority (12.9 per cent. for coal in 2012) of the physical commodities sold by its trading desks from its own businesses, businesses owned by its joint ventures or from companies in which it has minority investments. The remainder of the commodities sourced by its trading desks are purchased from third party suppliers. Gunvor's management expects to continue to source a large majority of such commodities from such third parties in the future.

Gunvor is exposed to both price and supply risks in respect of commodities sourced from third parties. Any increases in Gunvor's purchase price relative to the price at which it sells a commodity could adversely affect Gunvor's margins. The Group's business, results of operations, financial condition and prospects could be materially adversely impacted if it is unable to continue to source required volumes of commodities from its suppliers on reasonable terms or at all.

Gunvor's trading activities require access to significant amounts of freight, storage, infrastructure and logistics support and Gunvor is exposed to increases in the costs thereof

Gunvor's trading activities entail shipments of commodities in large quantities, often by ocean-going transport. Gunvor often competes with other producers, purchasers or traders of commodities or other products for limited storage and berthing facilities at ports and freight terminals, which can result in delays in loading or unloading of Gunvor's products and expose Gunvor to significant delivery interruptions. Limitations or interruptions in rail, shipping or port capacity could impede Gunvor's ability to deliver its products on time. In addition, increases in the costs of freight could adversely affect the Group's business, results of operations, financial condition and prospects. Although increases in freight costs are taken into account by Gunvor when setting transaction terms, there is no assurance that increased costs of freight can be passed on to customers and/or suppliers.

Gunvor also requires significant storage capacity for its commodities, which it sources both through facilities in which Gunvor holds equity stakes and pursuant to rental agreements with oil terminals, tank farms and other types of storage facilities. Any decrease in Gunvor's ability to access its customary levels of capacity from these storage facilities or an increase in the price at which Gunvor can acquire storage capacity could have an adverse effect on the Group's business by forcing Gunvor to use storage facilities in less advantageous locations or at prices that make it less profitable for Gunvor to supply its customers.

The Group's management believes that Gunvor's large size, global reach and longstanding relationships with third party suppliers of freight give it an advantage in ensuring its commodity transport needs are met. The significant aggregate capacity of Gunvor's own and leased storage facilities also makes it easier for Gunvor to store and transport large volumes of commodities around the world. See ''*Description of the Business—Logistics and Storage*''. However, there can be no guarantee that Gunvor will continue to be able to access freight and/or storage facilities to support its operations in adequate quantities or at reasonable prices.

Gunvor may not be able to renew the current lease for its principal gasoline blending facility on commercially reasonable terms or at all

The Group's principal gasoline blending facility (located in Amsterdam) is particularly important for Gunvor's business due to the high profitability of its operations. Gunvor may not be able to renew the current lease contract on acceptable commercial terms or find suitable alternative facilities when this lease expires in several years. Furthermore, even if the lease contract was renewed, there can be no assurance that the rent will not be significantly increased, which could adversely affect the profitability of Gunvor's gasoline trading operations.

Risks relating to logistics, refining and mining operations of Gunvor, its joint ventures and the companies in which it has minority investments

Gunvor holds some of its logistics and mining assets through non-controlling stakes or joint venture arrangements

Gunvor does not control a number of its most significant logistics and mining investments such as Global Mining Holding Company LLC (a U.S. holding company that indirectly owns coal mining assets in the United States), KLMR Limited (''**Kolmar**'') (a Cypriot holding company that indirectly owns coal mining assets in Eastern Siberia), Petroterminal de Panama S.A. (''**Petroterminal de Panama**'') (the owner and operator of storage facilities, terminals and a pipeline in Panama), Novorossiysk Fuel Oil Terminal LLC (''**NFT LLC**'') (the owner of the Novorossiysk fuel oil terminal, the ''**Novorossiysk Terminal**'') and Nevskaya Pipeline Company LLC (''**NPC LLC**'') (the owner of a pipeline leading to the port of Ust-Luga in Russia). Although Gunvor has taken steps to protect its logistics and mining activities in respect of which it does not exercise control, the boards of these companies may:

- have economic or business interests or goals that are inconsistent with or are opposed to those of Gunvor;
- exercise veto rights or take shareholders' decisions so as to block actions that Gunvor's management believes to be in the best interests of the relevant company and/or in the best interests of all shareholders;
- take action contrary to Gunvor's policies or objectives in respect of its investments or commercial arrangements; or
- as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under any joint venture or other agreement, such as contributing capital to expansion or maintenance projects.

When projects and operations are controlled and managed by Gunvor's co-investors or when control is shared on an equal basis, Gunvor may provide expertise and advice, but it has limited ability to mandate compliance with Gunvor's policies and/or objectives. Improper management or ineffective policies, procedures or controls of a non-controlled entity could adversely affect its business, results of operations, financial condition and prospects and, therefore, also those of Gunvor.

Logistics, refining and mining operations of Gunvor, its joint ventures or the companies in which it has minority investments involve a number of operating risks and hazards, many of which are outside of their control

The operations of Gunvor, its joint ventures or the companies in which it has minority investments are subject to numerous operating risks and hazards normally associated with the development and operation of logistics, refining or mining facilities, many of which are beyond their control. These operating risks and hazards include unanticipated geological problems, seismic activity, processing problems, technical failures, unavailability of materials and equipment, industrial actions or disputes, industrial accidents, labour force disruptions, unanticipated transportation constraints, climatic conditions such as flooding, political protests, force majeure factors, environmental hazards, fire, explosions, vandalism and crime.

These risks and hazards could result in damage to, or destruction of, logistics, refining or mining facilities, may cause the scale of operations to be reduced or operations to cease at those facilities, may result in personal injury or death, environmental damage, business interruption and legal liability and may result in actual results of operations differing from estimates of such results, including those estimates contained in this Offering Circular.

The realisation of such operating risks and hazards and the costs associated with them could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, including by requiring significant capital and operating expenditures to abate the risk or hazard, restore property owned by Gunvor, its joint ventures, the companies in which it has minority investments or third parties or compensate third parties for any loss and/or pay fines or damages.

Gunvor, its joint ventures and the companies in which it has minority investments are exposed to the risk of delays in or failure to complete the development of its new projects

Gunvor, its joint ventures and the companies in which it has minority investments have a number of logistics and mining projects that are still being constructed, expanded or developed. The timing, implementation and cost of construction, expansion and development of projects being implemented by Gunvor, its joint ventures and the companies in which it has minority investments are subject to a number of risks, including:

- Gunvor's continued ability or willingness to fund these projects if their free cash flow generation or prospects are not deemed sufficient;

- the failure to obtain, or termination of, necessary leases, licences, permits, consents and approvals;
- the effects of changes in laws and regulations affecting the countries and industries in which the relevant companies operate;
- construction difficulties, including difficulties related to shortages of equipment, labour or materials;
- work stoppages, weather interferences, unforeseen engineering, design, environmental or geological problems or unanticipated cost increases;
- underestimation or mismanagement of project risks;
- changes in economic conditions, including a decline in the price of commodities, an increase in expected operational or capital expenditure costs and adverse movements in foreign exchange rates;
- the adverse exercise of regulatory discretion by relevant governments;
- the effects of international and domestic political events; and
- the effects of future litigation, if any.

Any future upward revisions in estimated project costs, delays in completing constructions, expansions or developments, cost overruns, suspension of current projects or other operational difficulties after commissioning, as a result of the above factors or otherwise, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects, in turn requiring Gunvor to consider delaying discretionary expenditures, including capital expenditures, or suspending or altering the scope of one or more construction, expansion or development projects being implemented by Gunvor, its joint ventures and the companies in which it has minority investments. When Gunvor Group Ltd provides completion guarantees in respect of project finance loans, difficulties in completing the projects subject to such guarantees will affect not just the relevant subsidiary, joint venture or company with a minority investment, but the Group as a whole.

In addition, there can be no assurance that Gunvor will be able to effectively manage the risks arising from expansion of its operations. Gunvor's current systems, procedures and controls may need to be expanded and strengthened to support its expanded future operations. Any failure of Gunvor to effectively manage its expansion plans or expanded operations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. There is no certainty that all or any of the elements of Gunvor's current expansion strategy as described in this Offering Circular will be delivered.

Once complete, the results of these construction, expansion or development projects could differ materially from those anticipated by Gunvor's management and Gunvor's significant capital expenditures related to these projects may not be offset by cash flows or other benefits from these projects in the timeframe anticipated by Gunvor's management, or at all.

The maintenance of positive employee relations and the ability to attract and retain skilled workers is key to the successful operation of logistics, refining and mining operations of Gunvor, its joint ventures and the companies in which it has minority investments

Some of the employees of Gunvor, its joint ventures and the companies in which it has minority investments are represented by labour unions under various collective labour agreements. Gunvor, its joint ventures or the companies in which it has minority investments may not be able to satisfactorily renegotiate its collective labour agreements when they expire and may face tougher negotiations or higher wage demands than would be the case for non-unionised labour. In addition, existing labour agreements may not prevent a strike or work stoppage at its facilities in the future, and any strike or other work stoppage could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The success of Gunvor, its joint ventures and the companies in which it has minority investments is also dependent on its ability to attract and retain highly qualified and skilled engineers and other industrial, technical and project experts to operate their logistics, refining and mining facilities in locations experiencing political or civil unrest, or in which they may be exposed to other hazardous conditions. Gunvor, its joint ventures and the companies in which it has minority investments may not be able to attract and retain such qualified personnel, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Other risks related to Gunvor

Liquidity risk and a failure to obtain funds could limit Gunvor's ability to engage in desired activities and grow its business

Liquidity, or ready access to funds, is essential to Gunvor's business as it is reliant on significant liquidity for its day-to-day operations. Liquidity risk is the risk that the Group is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis, at an acceptable price, to fund actual or proposed commitments. A lack of liquidity may mean that Gunvor will not have funds available to maintain or increase its trading activities, maintain or expand the logistics, refining or mining operations of the Group, its joint ventures or the companies in which it has minority investments or take advantage of other opportunities that may arise in its trading or other activities.

The funding requirements of Gunvor's trading operations are generally positively correlated with movements in commodity prices and trading opportunities that it wishes to pursue. Increasing commodity prices generally lead to increased funding requirements for Gunvor's trading activities, assuming that trading volumes remain stable. In an environment in which commodity prices have increased, Gunvor will have a need for greater working capital. If commodities prices increase significantly and Gunvor does not have sufficient cash reserves or is unable to access external funding or can do so only on a limited basis, such increase in commodities prices could have a material adverse effect on Gunvor's business, results of operations, financial conditions and prospects.

Gunvor's trading operations employ significant amounts of working capital to fund purchases of commodities for future delivery to Gunvor's customers, to meet margin requirements under derivative contracts and to fund the acquisition and maintenance of certain facilities which complement its trading operations. Continued funding of and access to working capital is critical for Gunvor to maintain its historic levels of trading activity and increase such levels in the future. Logistics and mining projects of Gunvor, its joint ventures, and the companies in which it has minority investments that are under construction are also capital intensive and the continued funding of such projects is critical for their completion. Additional investments may be required for new projects in Latin America, Africa, Central Asia or South East Asia that are currently being considered by management.

Prudent liquidity risk management requires Gunvor to maintain sufficient cash through the accumulation of retained earnings and to have ready sources of committed funding available to meet anticipated and unanticipated funding needs. While Gunvor adjusts its minimum internal liquidity targets in response to changes in market conditions, its liquidity may be impaired due to circumstances it is unable to control, such as general market disruptions, increases in the prices of commodities or an operational problem that affects its suppliers or customers or Gunvor itself.

To finance their operations, Gunvor, its joint ventures and companies in which it has minority investments rely to a significant extent on borrowings under various short-term and long-term credit facilities. An inability to raise money in the long-term and short-term debt markets could have a material adverse effect on the Group's liquidity. In addition, while Gunvor's total credit facilities amounted to US$16,559 million as of 31 December 2012, long-term facilities only accounted for US$746.1 million of this total amount. This means that, similar to previous years, Gunvor has to renegotiate and renew a large number of short-term credit facilities in the course of 2013 and subsequent years. Although Gunvor's management does not currently have any reasons to believe that such re-negotiation would be more difficult or protracted than in the past, there can be no assurance that Gunvor will be able to renew all or substantially all of these facilities or enter into any new facilities to replace the existing ones on attractive terms or at all. Any failure to secure financing on reasonable terms in place of the existing short-term borrowings could have a material adverse effect on Gunvor's liquidity position.

Market experts have expressed concerns that trade finance activities will be undermined by the adoption of the Basel III capital requirements. Although the Basel Committee on Banking Supervision has responded favourably to industry concerns by waiving the one-year maturity floor and sovereign floor for certain trade finance transactions, the new Basel III rules are more than likely to increase the level of capital requirements to undertake trade finance transactions, which could result in a number of banks leaving trade finance business, pushing up the cost of finance and reducing margins for the whole commodity trading industry and for Gunvor in particular.

Gunvor's access to debt in amounts adequate to finance its activities could also be impaired by other factors that affect Gunvor in particular or the industries or geographies in which it operates. For example, lenders could develop a negative perception of the Group's short-term or long-term financial prospects if Gunvor incurred large losses, if the level of its trading activities were to materially decrease due to a market downturn in the demand for commodities, or if its business was otherwise materially adversely affected. Although Gunvor's management expects the continued support of financial institutions, there can be no assurance that additional credit or funding will be made available in the future.

Future debt financing, if accessible, may result in increased borrowing costs, increased financial leverage, decreased income available to fund further acquisitions, expansions and developments and the imposition of restrictive covenants on Gunvor's businesses and operations. In addition, future debt financing may limit Gunvor's ability to withstand competitive pressures and render its businesses more vulnerable to economic downturns by exposing it to volatile interest rates, tighter credit markets and potentially reduced access to funding that may be needed to take advantage of future business opportunities.

Gunvor is exposed to significant geopolitical risk

Gunvor, its joint ventures and the companies in which it has minority investments operate and own assets in a large number of geographic regions and countries such as Russia and countries in Sub-Saharan Africa and, as a result, they are exposed to a wide range of political, regulatory and tax environments. These environments are subject to change in a manner that may be materially adverse for Gunvor, including changes to government policies and regulations governing logistics, refining or mining operations, foreign investors, price controls, export controls, tariffs, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), nationalisation or expropriation of property, repatriation of income, royalties, the environment and health and safety. In addition, existing favourable tax agreements may not be renewed on a similarly favourable basis or at all.

Relatively high commodity prices and other factors in recent years have resulted in increased resource nationalism in some countries, with governments repudiating or renegotiating contracts with, and expropriating assets from, companies that are producing in such countries. Governments in these countries may decide not to recognise previous arrangements if they regard them as no longer being in the national interest. Governments may also implement export controls on commodities regarded by them as strategic or place restrictions on foreign ownership of assets. Renegotiation or nullification of existing agreements, leases, permits or tax rulings, changes in fiscal policies (including new or increased taxes or royalty rates or the implementation of a windfall tax) and currency restrictions imposed by the governments of countries in which Gunvor operates could all have a material adverse effect on the Group. While Gunvor has not experienced nationalisation or expropriation of any of its assets in the past, it continues to do business in locations where it is exposed to a risk of overt or effective expropriation or nationalisation.

Gunvor's operations may also be affected by political and economic instability in the countries in which it operates. Such instability could be caused by, among other things, terrorism, civil war, guerrilla activities, military repression, civil disorder, crime, workforce instability, change in government policy or the ruling party, economic or other sanctions imposed by other countries, extreme fluctuations in currency exchange rates or high inflation.

The geopolitical risks associated with operating in a number of regions and countries, if realised, could affect the ability of Gunvor, its joint ventures and the companies in which it has minority investments to manage or retain interests in their logistics, refining or mining operations and could have a material adverse effect on the profitability, ability to finance or, in extreme cases, viability of one or more of such operations. Although the logistics, refining and mining assets of Gunvor, its joint ventures and the companies in which it has minority investments are geographically diversified across various countries, disruptions in certain of such operations at any given time could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In recent years, Gunvor has significantly expanded its trading operations by entering into new product areas and new regions and also expanded its other activities through a number of acquisitions and greenfield projects, all of which creates risks related to its ability to effectively manage such rapid growth

Since 2007, Gunvor has expanded its trading activities into Asia, the Americas and the Middle East by opening trading centres in Singapore, Nassau and Dubai. Gunvor also expanded its product portfolio to include additional refined petroleum products, such as gasoline, naphtha and liquefied petroleum gas (''**LPG**''), as well as natural gas, LNG, coal, biodiesel and carbon emissions. At the same time Gunvor expanded into logistics and refining and made investments into coal mining and oil exploration and production.

Integrating new trading and other businesses or offices in new geographic locations into Gunvor's existing operations presents a number of challenges that may involve unanticipated delays, costs and operational problems, in particular in respect of businesses with which Gunvor has not had extensive experience in the past. This expansion of operations requires Gunvor to find, train and retain qualified personnel to manage and operate any new lines of business. Such expansion also requires Gunvor to continuously upgrade and improve its risk management systems and controls and seek to ensure that all members of staff are adequately trained in the Group's risk management policies. Similar upgrades and improvements are necessary in respect of Gunvor's IT systems. The failure to manage any of these factors effectively could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

Furthermore, Gunvor may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated at the time of the relevant acquisition. In addition, various factors could impact Gunvor's estimated synergies for its recent acquisitions or greenfield projects and have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

Gunvor is subject to risks relating to the processing, storage and transportation of its commodities

Gunvor uses a network of processing, transportation and storage facilities that are subject to numerous risks and hazards. If any of these risks materialise, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Gunvor's processing and storage facilities, which include refineries, tank farms and other storage facilities, are subject to risks and hazards, including accidental environmental damage, technical failure, vandalism and terrorism. In addition, Gunvor also depends upon seaborne freight, rail, trucking, pipeline and other systems to deliver its commodities to market. Disruption of these transport services due to weather-related problems, key equipment or infrastructure failures, strikes, maritime disaster or other events could temporarily impair Gunvor's ability to supply its commodities to its customers and thus could adversely affect its operations.

Processing, transportation and storage of crude oil and refined petroleum products involves significant hazards that could result in fires, explosions, spills, maritime disaster and other unexpected or dangerous conditions. The occurrence of any of these events could result in a material adverse effect, either directly or indirectly, through resulting damages, claims and awards, remediation costs or negative publicity for Gunvor's business.

In addition, the vessels Gunvor charters to transport its products may be exposed to a variety of natural calamities during operations, including violent storms, tidal waves, rogue waves and tsunamis. Any of these natural calamities could result in Gunvor's chartered vessels grounding, sinking, colliding with other vessels or property, or the loss of life. Furthermore, the vessels Gunvor uses to transport its products may be exposed to piracy, terrorist attacks and other events beyond its control. These events could result in adverse effects to Gunvors business as a result of seizure of its cargoes and disruption to its customers' or suppliers' business. While Gunvor has procured insurance for its operations against these types of risks, no insurance can compensate for all potential losses and there can be no assurance that the insurance coverage Gunvor has will be adequate or that its insurers will pay a particular claim. In the event of damage to, or the loss of, a vessel or vessels and/or their cargoes, lack of adequate insurance coverage may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Gunvor is subject to a significant number of laws and regulations

The operations of Gunvor, its subsidiaries and the companies in which it has minority investments are subject to extensive laws and regulations governing various matters. These include laws and regulations relating to taxation, anti-trust, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards. Additionally, in many of the countries in which Gunvor, its joint ventures or the companies in which it has minority investments operate, the legal systems may not be mature and legal practice may not be developed, such that, in certain cases, there may be significant uncertainty as to the correct legal position as well as the possibility of laws changing or new laws and regulations being enacted, which has the potential to increase risk and compliance costs. These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damage to property and injury to persons resulting from the past and current operations of Gunvor, its joint ventures and the companies in which it has minority investments, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. Moreover, the costs associated with compliance with these laws and regulations are substantial. More stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on or suspensions of operations of Gunvor, its joint ventures and the companies in which it has minority investments and delays in the development of their projects.

Gunvor, its joint ventures and the companies in which it has minority investments are generally required, under applicable laws and regulations, to seek governmental licences, permits, authorisations, concessions and other approvals in connection with their activities. Obtaining the necessary governmental permits can be a particularly complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors, including those outside Gunvor's control. Failure to obtain or renew a necessary permit could mean that such companies would be unable to proceed with the development or continued operation of a logistics, refining or mining facility, which, in turn, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the enactment of a large number of new laws and regulations, principally at the EU and Swiss levels, and changes to existing laws and regulations, compliance with which could be expensive or onerous, could also have a material adverse impact on the ability of Gunvor, its joint ventures and the companies in which it has minority investments to operate their businesses and/or the profitability of their operations.

Gunvor Group's subsidiary subpoenaed by the United States Attorney's Office for the Eastern District of New York

In April 2011, the United States Attorney's Office for the Eastern District of New York (''DOJ'') served a subpoena on Castor Americas, Inc. (''**Castor**''), a member of the Group incorporated in Delaware, for documents relating to Castor's oil trading activities, among other matters. In addition, subpoenas were served on three employees of Castor and one employee of Gunvor SA. Both Castor and the employees complied with the subpoenas. Although DoJ has not served any additional subpoenas to any companies or employees of Gunvor, Gunvor continues to cooperate with DOJ in the investigation through its voluntary production of documents and other information.

Gunvor is not aware of the full scope of the DOJ investigation. Accordingly, there can be no assurances about the direction of the investigation or its outcome. Any fine or other sanction imposed as a result of any action resulting from the investigation could adversely affect Gunvor's business, results of operations, financial condition and prospects.

Gunvor could be adversely affected by the loss of senior traders, senior managers or other key personnel as well as by its inability to retain and/or attract new highly skilled personnel

Gunvor seeks to provide competitive compensation arrangements to retain and attract highly skilled personnel that are important to its business, including salaries, bonus arrangements and share incentive arrangements. However, there are a number of reasons why such personnel may leave. An employee may leave Gunvor to go to a competitor, to start his or her own business, to retire or for other reasons. If the existing compensation payments are not sufficiently effective to retain and or attract new highly skilled personnel in the future, Gunvor may need to change its compensation arrangements to make them more attractive to such employees or prospective employees, which could be at an increased cost to Gunvor. The loss of senior traders, senior managers or other key personnel, as well as the inability to retain and/or attract new highly skilled personnel, could have a material adverse effect on Gunvor's business, results of operations, financial condition and prospects.

Gunvor is exposed to fluctuations in currency exchange and interest rates

The significant majority of transactions undertaken by both Gunvor's trading and other activities are denominated in U.S. dollars. However, Gunvor is exposed to fluctuations in currency exchange rates:

- through the operations of several of its trading desks, particularly gas and LNG and biofuels trading desks, that handle transactions denominated in currencies other than the U.S. dollar, principally euro and sterling;
- through operational expenses, payables or cash on bank accounts denominated principally in Swiss francs, euro, sterling, Singapore dollars and Russian roubles. The largest amount of payables in currencies other than the U.S. dollar remains the long-term loan denominated in euro that was granted to OJSC Rosneftbunker (''**RNB**'') (which is not affiliated in any way with the Russian state-owned oil company Rosneft) and which was taken over by the Group when it acquired RNB in December 2008; and
- through income tax payment obligations primarily to Swiss, Dutch, Russian and Singaporean authorities.

In respect of commodity purchase and sale transactions denominated in currencies other than the U.S. dollar, Gunvor generally hedges the specific future commitment through a forward exchange contract. Foreign exchange rates have seen significant fluctuation in recent years and a depreciation in the value of the U.S. dollar against one or more of the currencies in which Gunvor incurs significant costs will therefore result in an increase in the cost of these operations in U.S. dollar terms and could adversely affect the Group's financial results.

As discussed above, the reporting currency and the functional currency of Gunvor's operations is the U.S. dollar, as this is assessed to be the principal currency of the economic environment in which Gunvor operates. For financial reporting purposes, transactions in foreign currencies are converted into the functional currency of each entity using the exchange rate prevailing at the transaction date. Monetary assets and liabilities outstanding at year end are converted at year-end rates. The resulting exchange differences are recorded in the consolidated statement of income. The exchange rates between relevant local currencies and the U.S. dollar have historically fluctuated, and the translation effect of such fluctuations could have a material adverse effect on both Group members' individual and Gunvor's consolidated results of operations or financial condition.

Gunvor's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage its liquidity and capital requirements. Substantially all of Gunvor's short-term borrowings bear interest at floating rates. An increase in interest rates would therefore result in a relatively immediate increase in the cost of servicing the Group's indebtedness and could adversely affect Gunvor's financial results. Although borrowing costs are taken into account when setting transaction terms, there is no assurance that increased financing costs can be passed on to customers and/or suppliers. Gunvor may elect in the future to enter into interest rate swaps to convert some or all of its floating-rate debt to fixed-rate debt or enter into fixed-rate to floating-rate swaps. There can be no assurance that Gunvor will not be materially adversely affected by interest rate changes in the future.

Due to the nature of its operations, Gunvor, its joint ventures and the companies in which it has minority investments are exposed to the risks of fraud and corruption

Gunvor, as a diversified group of companies conducting complex transactions globally, as well as its joint ventures and the companies in which it has minority investments are exposed to inherent business risks of fraud and corruption.

Gunvor's trading operations are complex and large in scale, which may make fraudulent transactions difficult to detect. In addition, some of logistics and mining facilities owned and operated by Gunvor, its joint ventures or the companies in which it has minority investments are located in countries in which corruption is generally understood to exist. For instance, a former Gunvor employee (whose employment contract has been terminated) is currently under investigation by Swiss authorities for allegedly taking kickbacks. Gunvor is cooperating fully with the Swiss authorities on this investigation, and is not itself under investigation.

Gunvor seeks to comply fully with all applicable anti-bribery and anti-money laundering legislation and has put in place internal control policies and external diligence and compliance policies based, in large part, on strict requirements of the Organisation for Economic Co-Operation and Development Anti-Bribery Convention and applicable anti-money laundering laws and regulations. However, there can be no assurance that such procedures and established internal controls will fully protect it against fraudulent and/or corrupt activity and such activity could have an adverse effect on the Group's business, reputation, results of operations, financial condition and prospects.

The interests of the two principal shareholders of Gunvor could conflict with those of the holders of the Notes

Each of Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist has 50 per cent. voting rights in the share capital of Gunvor Group Ltd, the holding company of the Group. These shareholders, if they were to act jointly, have control over Gunvor and have the ability, among other things, to elect Gunvor Group Ltd's directors and issue additional shares. In addition, Mr Timtchenko has interests in a variety of other businesses. The interests of these shareholders could conflict with those of holders of the Notes and materially adversely affect the value of any investment made by such holders of the Notes.

In addition, a disagreement between the two controlling shareholders could prevent key strategic decisions from being made. In the event these shareholders are unable to continue to collaborate effectively with each other and with other management, Gunvor's business could be materially harmed.

Transactions with related parties may present conflicts of interest

In the past, Gunvor has engaged in transactions with related parties such as its controlling shareholders and other businesses in which Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist have interests. The Group's management expects that Gunvor will continue to enter into related party transactions in the future. While the Group's management currently expects that related party transactions will be conducted on an arm's length basis, conflicts of interest may nevertheless arise between Gunvor and its related parties, including its controlling shareholders. The Group corporate controller reviews annually a complete list of counterparties from the accounting system to identify any related parties. Any entities which could be related parties are brought to the attention of the board members of the affected related party for confirmation. However, there can be no assurance that the review and confirmation process in place will identify all related party transactions. In addition, although Gunvor aims to transact with related parties on an arm's length basis, there can be no assurance that it will always be able to do so.

Gunvor is subject to risks relating to product safety and dangerous goods regulations

Products sold by Gunvor are in many cases covered by national and international product safety and dangerous goods regulations. In some instances, product safety regulations (such as the EU's Chemical Control Act, REACH) require manufacturers and importers to register their products and to regularly monitor and evaluate the risks and hazards of substances (such as chemicals) to protect humans and the environment from harm during handling, storage and use. Any failure in complying with these obligations could result in a delay of Gunvor's product delivery, a loss of insurance coverage, business interruption on the customer side, administrative or criminal sanctions and, in the extreme, banning (temporarily) from a marketplace. Such events could have a material impact on levels of local or global demand, reducing Gunvor's trading opportunities for such a product, or at least increase the handling costs while shipping and placing the product in the market, all of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Gunvor is dependent on its financial, accounting, marketing and other data processing information systems to conduct its business

Gunvor's software applications for areas such as transportation, accounting and finance are primarily based on integrated standard components. Gunvor's key business and risk management processes rely on in-house developed systems, such as its trading system (Nova), which are regularly adapted to suit its evolving needs. All of these applications are primarily managed from Gunvor's European trading centre in Geneva and the service centre in Tallinn and are available to all the major business locations. If any of these systems does not operate properly or is disabled, Gunvor could suffer, among other things, financial loss, a disruption of its business, liability to its counterparties, regulatory intervention or reputational damage.

Gunvor relies on its European trading centre in Geneva, as well as its offices in Tallinn and Singapore for the continued operation of its business. Gunvor has taken precautions through disaster recovery sites to limit the impact that a disruption to these key offices could cause. Although precautions have been taken and plans are in place, a disaster or a disruption in the infrastructure at a main site and its disaster recovery site that supports Gunvor's business, including a disruption involving electronic communications or other services used by it or third parties with whom it conducts business, or directly affecting its Geneva, Tallinn or Singapore offices or other key offices, could have a material adverse impact on its ability to continue to operate its business without interruption. In addition, insurance and other safeguards might only partially reimburse Gunvor for its losses from such disaster or disruption, if at all.

Although Gunvor performs and backs up all key functions of its business internally, it relies on third party products and services providers widely used in the industry for certain aspects of its business, including for certain information systems and technology. Severe interruptions or deteriorations in the performance of these third parties or failures of their information systems and technology could impair Gunvor's operations.

Social, economic and other risks in the markets in which Gunvor operates may cause serious disruptions to its business

Through the geographic diversity of its operations, Gunvor is exposed to risks of political unrest, strikes, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, terrorist attacks and other events beyond its control that may adversely affect local economies, infrastructure and livelihoods.

These events could result in disruption to businesses of Gunvor, its joint ventures, the companies in which it has minority investments, its customers or its suppliers and seizure of, or damage to, any of their cargoes or assets. Such events could also cause the destruction of key equipment and infrastructure (including infrastructure located at or serving the logistics, refining and mining operations of Gunvor, its joint ventures or the companies in which it has minority investments as well as the infrastructure that supports the freight and logistics required by Gunvor's trading operations). These events could also result in the partial or complete closure of particular ports or significant sea passages, such as the Suez or Panama canals or the Straits of Hormuz, potentially resulting in higher costs, congestions of ports or sea passages, vessel delays or cancellations on some trade routes. Any of these events could adversely impact the Group's business, results of operations, financial condition and prospects.

Gunvor's reputation in the communities in which it operates could deteriorate, significantly impairing its future operations

If the operations of Gunvor, its joint ventures and the companies in which it has minority investments are seen as detrimental to safety of the communities in which they operate, for example as a result of oil spills or industrial or mining accidents, Gunvor's reputation could be damaged, which could have a negative impact on its ability to obtain new or renew existing licences or permits, win new contracts or further expand its operations through acquisitions or greenfield projects in the future.

Some of the current and potential logistics, refining and mining operations of Gunvor, its joint ventures and the companies in which it has minority investments are located in or near communities that may regard such operations as having a detrimental effect on their safety or environmental, economic or social circumstances. The consequences of negative community reaction could also have a material adverse impact on the cost, profitability, ability to finance or even the viability of an operation. Such events could lead to disputes with national or local governments or with local communities or any other stakeholders and give rise to material reputational damage. If operations of Gunvor, its joint ventures or the companies in which it has minority investments are delayed or shut down as a result of political and community instability, Gunvor's earnings may be constrained and the long-term value of its business could be adversely impacted. Even in cases where no action adverse to Gunvor is actually taken, the uncertainty associated with such political or community instability could negatively impact the perceived value of Gunvor's logistics, refining and mining investments.

The industries in which Gunvor operates are subject to a wide range of risks as described elsewhere in this section, not all of which can be covered, adequately or at all, by Gunvor's insurance programme

Gunvor has a broad insurance programme in place that provides coverage for operations at a level believed by the Group's management to be appropriate for the risks associated therewith. Such insurance protection is maintained with leading international insurance providers and includes coverage for physical loss and damage to products, liabilities as charterer, as well as third party liability, including for pollution. However, although Gunvor's insurance is intended to cover the majority of the risks to which Gunvor is exposed, it cannot account for every potential risk associated with its operations (for example, political risk). Adequate coverage at reasonable rates is not always commercially available to cover all potential risks and no assurance can be given that, when available, such coverage would be sufficient to cover all loss and liability to which Gunvor may be exposed. The occurrence of a significant adverse event not fully or partially covered by insurance could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Continuing uncertainties and challenging conditions in the global economy and in the countries in which the Group operates may adversely impact its business, financial condition and results of operations

The current macroeconomic environment is highly volatile, and continued instability in global markets, including the ongoing turmoil in Europe related to sovereign debt issues and the stability of the euro, has contributed to a global economic downturn. The situation in the eurozone remains unstable, especially following the inconclusive Italian parliamentary elections in February 2013 and the 25 March EU bailout of Cyprus that required the restructuring of Cyprus' two largest banks. An increase in the likelihood of an exit of any country from the eurozone could lead to further negative impact on the global economy. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the European Commission to address debt burdens of certain countries in Europe and the overall stability of the eurozone. As a result, the Group's management cannot predict how long these challenging conditions will exist or the extent to which the markets in which it operates may further deteriorate. These unfavorable economic conditions may impact a significant number of the Group's customers and, as a result, it may be more difficult for the Group to maintain existing customers and attract new customers. Accordingly, the ability of the Group to increase, or, in certain cases, maintain, revenues, operating cash flow, operating cash flow margins and liquidity could be adversely affected if the macroeconomic environment remains uncertain or deteriorates further. The Group is currently unable to predict the extent of any of these potential adverse effects.

Risks related to the possible exit of Cyprus from the eurozone or changes in Cypriot laws or regulations

Despite the 25 March 2013 EU bailout of Cyprus that required the restructuring of Cyprus' two largest banks, the possibility of Cyprus abandoning or being forced to withdraw from the eurozone remains. However, it is not possible to predict accurately the precise nature of the consequences of Cyprus leaving the eurozone as there is no legal framework in place in respect of such an event. What is likely to happen in such circumstances is that certain euro-denominated assets or obligations of the Issuer and/or the Cypriot Guarantor will be converted into the new national currency, for example, Cyprus pound and could suffer a significant reduction in value if the new national currency depreciates significantly against the euro or other currencies. The impact of such developments will depend on whether the Issuer and or the Cypriot Guarantor maintain significant deposits in Cypriot banks or otherwise maintain significant assets in Cyprus, which is currently not the case.

In addition, the depth of the financial crisis in Cyprus may cause significant changes in Cypriot laws and regulations, including changes in tax laws and regulations, which could have an adverse effect on the

Issuer's and/or the Cypriot Guarantor's business, results of operations, financial condition and prospects.

Risks Related to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Redemption prior to maturity

The Issuer may redeem all outstanding Notes in accordance with the Conditions in the event that the Issuer or the Guarantors have been or would become obligated to pay additional amounts as a result of certain changes in tax laws or their interpretation and such obligation cannot be avoided by the Issuer and/or the Guarantors taking reasonable measures available to them.

On any such redemption, Noteholders would receive the principal amount of the Notes that they held, together with interest accrued on those Notes up to (but excluding) the date fixed for redemption. It may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate. See ''*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*''.

The Issuer may not be able to finance a change of control offer required by the Trust Deed

Upon the occurrence of a Change of Control (as defined in ''*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Noteholders Upon a Change of Control*'') which shall occur upon a change of control and a substantially concurrent downgrading of the Notes, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101 per cent. of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of the repurchase. If any such Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds available at the time to pay the price of the outstanding Notes or that restrictions in agreements governing other indebtedness would not restrict or prohibit such repurchases. The change of control may cause the acceleration of other indebtedness that may be senior to the Notes or rank equally with the Notes. In any case, the Issuer expects that it would require third party financing to make a change of control offer. There can be no assurance that the Issuer would be able to obtain this financing.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, certain provisions of the Notes or the Trust Deed or (ii) any modification of the Notes or of the Trust Deed which is not materially prejudicial to the interests of the Noteholders and which is of a formal, minor or technical nature or to correct a manifest or proven error.

The Company is not required to pay additional amounts on account of withholding pursuant to the EU Savings Tax Directive

If any person by or through whom a payment on the Notes is made or received is required to withhold any amount from such payment as a consequence of or pursuant to EC Directive 2003/48/EC on the taxation of savings income (the ''**EU Savings Tax Directive**'') or any law implementing or complying with, or introduced in order to conform to, the EU Savings Tax Directive, there is no requirement for the Issuer to pay any additional amounts on account of that withholding. In this regard, prospective Noteholders should read the information about the EU Savings Tax Directive in the section entitled ''*Taxation*'' and consult their advisers.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the ''**Investor's Currency**'') other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Cypriot stamp duty might be payable on documents executed by the Issuer

Stamp duty is charged on every document specified in the Stamp Duty Law, Law 19/1963 Law (as amended) (the ''**Stamp Duty Law**'') if it relates to any asset or property situated in Cyprus or relates to any matter or thing to be performed or done in Cyprus. A document that is chargeable with stamp duty under the provisions of the Stamp Duty Law, must be stamped (a) within 30 days of the date of its execution (if executed in Cyprus) or (b) within 30 days of its receipt in Cyprus (if executed outside Cyprus).

In accordance with the current practice of the Inland Revenue Commissioner who is the responsible authority for the payment of stamp duty, the issue of the Notes by the Issuer should not be liable to stamp duty as the proceeds of the issue will be paid and used outside Cyprus and the obligation to redeem the Notes will arise outside Cyprus. Nevertheless, there is a risk that the Inland Revenue Commissioner may conclude that the documents (including the Notes) are liable to stamp duty. If the documents are received in Cyprus and stamp duty is not paid, the documents will not be admissible into evidence in civil proceedings in Cyprus and penalties may be incurred on the amount of stamp duty that is due but unpaid.

As the Global Certificate is held by or on behalf of Euroclear and Clearstream, investors will have to rely on their procedures for transfers, payments and communications with the Issuer and the Guarantors

The Notes will initially only be issued in global certificated form, and held through the clearing systems. Interests in the Global Certificate will trade in book-entry form only, and notes in definitive registered form, or Definitive Note Certificates, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for the clearing systems will be the sole registered holder of the Global Certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Certificate representing the Notes will be made to the Principal Paying Agent, who will make payments to the clearing systems. Thereafter, these payments will be credited to accounts of participants who hold book-entry interests in the Global Certificate representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for the clearing systems, none of the Issuer, the Guarantors, the Joint Lead Managers, the Trustee or the Agents will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of the book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of the clearing systems, and if you are not a participant in the clearing systems, on the procedures of the participant through which you hold your interest, to exercise any rights and obligations of a holder of Notes under the Trust Deed.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from the relevant clearing system. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Trust Deed, unless and until Definitive Note Certificates are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

There is no public market for the Notes

There is no existing market for the Notes, and there can be no assurance regarding the future development of a market for the Notes. Application has been made for admission to listing and trading of the Notes on the SGX-ST. However, an active trading market in the Notes may not develop or be maintained after listing. No assurance can be made as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell the Notes or the price at which Noteholders may be able to sell the Notes. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's and the Group's financial condition, performance and prospects, as well as recommendations of securities analysts. Disruptions recently experienced in the global capital markets have led to reduced liquidity and increased credit risk premiums and have therefore resulted in a reduction in investment in securities globally.

If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in our operating results and those of our competitors, adverse business developments, changes to the regulatory environment in which we operate, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to our operating results, financial condition or prospects.

Financial turmoil in emerging markets could cause the price of the Notes to suffer

The market price of the Notes will be influenced by economic and market conditions in the countries of residence of the Issuer and the Guarantors and, to a varying degree, economic and market conditions in other emerging markets generally. Financial turmoil in emerging markets in 1997-1998 as well as in 2008-2009 adversely affected market prices in the world's securities markets for companies that operate in developing economies. Even if the economies of the countries in which the Group has its main operations remain relatively stable, financial turmoil in these countries could materially adversely affect the market price of the Notes. Since the beginning of the current financial and economic crisis, many global securities markets have experienced extreme price and volume fluctuations, particularly those in developing economies. Continuation or intensification of financial or economic turmoil could materially adversely affect the market price of the Notes.

USE OF PROCEEDS

The net proceeds from the Offering, after payment of fees, commissions and expenses, will be approximately US$ ● . The Issuer intends to use the net proceeds of the Offering for general corporate purposes, which may include acquisitions, investments and capital expenditures.

CAPITALISATION

The following table sets out the Group's cash, current and non-current debt, equity and capitalisation as of 31 December 2012. This section should be read in conjunction with ''*Management Discussion and Analysis of Financial Condition and Results of Operations*'' and the Annual Financial Statements included elsewhere in this Offering Circular.

	As of 31 December 2012[(1)] (in thousands of U.S. dollars)
Cash	**801,680**
Current debt (including current portion of non-current debt):	
Short-term bank loans	3,971,904
Total current debt (including current portion of non-current debt)	3,971,904
Non-current debt:	
Borrowings	746,104
Total non-current debt	**746,104**
***Equity*:**	
Share Capital	5,703
Share premium	300,802
Fair value reserve—other financial assets	55,810
Retained earnings	1,877,000
Total equity	**2,239,315**
Total capitalisation[(2)(3)]	**2,985,419**

(1) Financial information has been extracted without material adjustment from the Annual Financial Statements included elsewhere in this Offering Circular.

(2) Total capitalisation is the sum of total non-current debt and total equity.

(3) No account has been taken of the trading activity or transactions of the Issuer or the Group since 31 December 2012.

Since 31 December 2012, the following events have occurred, the impact of which on the Group's capitalisation is set out below:

(i) the Offering in the net amount of US$ ● million (after payment of fees, commissions and expenses) and the receipt of the proceeds by the Issuer, which resulted in an increase in cash by US$ ● million and an increase in non-current loans and borrowings by US$ ● million (see ''*Use of Proceeds*'' for additional information); and

(ii) The Group repaid US$50 million in respect of one of two long-term loans to RNB and additionally paid US$27 million in interest on this loan. The Group also paid US$10 million in interest on the second long-term loan to RNB.

(iii) The Group extended US$40 million in loans to its shareholders (through companies controlled by such shareholders).

(iv) In January 2013, the Group received US$55 million as a loan repayment from NFT LLC, the owner of the Novorossiysk Terminal, following the receipt of proceeds from a project finance loan by NFT LLC.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables set forth, in full or in summary form, consolidated financial information relating to the Group.

The following selected consolidated financial statement data and other financial data relating to the Group as of and for the years ended 31 December 2010, 2011 and 2012 has been extracted from, and should be read in conjunction with, the Annual Financial Statements, which are included elsewhere in this Offering Circular.

This information should be read in conjunction with the section ''*Management Discussion and Analysis of Financial Condition and Results of Operations*'' and the Annual Financial Statements, including the notes thereto, included elsewhere in this Offering Circular.

The following table sets out the Group's summary statement of comprehensive income data for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Revenue	68,603,673	87,292,190	93,146,500
Cost of sales	(67,934,993)	(85,852,073)	(92,398,550)
Change in fair value of derivative financial instruments	(113,288)	(630,137)	(6,992)
Gross profit	**555,392**	**809,980**	**740,958**
Other operating income	19,356	9,379	169,242
Other operating expenses	(308,649)	(449,568)	(561,206)
Operating profit	**266,099**	**369,791**	**348,994**
Finance income	25,624	25,567	41,314
Finance expense	(7,822)	(34,507)	(43,871)
Net finance income/(costs)	17,802	(8,940)	(2,557)
Share of results of associates and joint ventures	(3,345)	(4,464)	2,885
Profit before income tax	**280,556**	**356,387**	**349,322**
Income tax expense	(19,628)	(26,729)	(48,212)
Profit for the year	**260,928**	**329,658**	**301,110**
Attributable to:			
Equity holders of the Company	257,553	327,535	301,110
Non-controlling interests	3,375	2,123	—
Profit for the year	**260,928**	**329,658**	**301,110**
Fair value gain on available-for-sale financial assets	38,400	—	17,410
Other comprehensive income for the year	**38,400**	**—**	**17,410**
Total comprehensive income for the year	**299,328**	**329,658**	**318,520**
Attributable to:			
Equity holders of the Company	295,953	327,535	318,520
Non-controlling interests	3,375	2,123	—
Total comprehensive income for the year	**299,328**	**329,658**	**318,520**

The following table sets out the Group's summary statement of financial position data as of 31 December 2010, 2011 and 2012.

	As of 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
ASSETS			
Non-current assets			
Property, plant and equipment	716,878	922,899	1,326,180
Intangible assets	102,540	102,540	133,040
Investments in associates and joint ventures	62,406	457,007	460,687
Other financial assets	—	—	27,236
Long-term receivables	19,600	69,031	91,919
Deferred tax assets	29,305	34,382	20,909
Derivative financial instruments	78,476	151,936	130,087
Total non-current assets	**1,009,205**	**1,737,795**	**2,190,058**
Current assets			
Assets held for sale	—	—	155,565
Other financial assets	124,659	85,308	81,985
Inventories	3,355,869	4,077,317	4,529,413
Tax receivable	970	3,490	8,783
Prepayments to suppliers	111,367	449,611	317,733
Trade and other receivables	2,922,142	3,707,735[(1)]	4,087,701
Derivative financial instruments	635,547	939,715	755,217
Margin account with brokers	832,095	482,306	466,278
Cash	717,606	1,017,777	801,680
Total current assets	**8,700,255**	**10,763,259**[(1)]	**11,204,355**
Total assets	**9,709,460**	**12,501,054**[(1)]	**13,394,413**
EQUITY AND LIABILITIES			
Equity			
Share capital	5000	5,650	5,703
Share premium	44,339	105,222	300,802
Fair value reserve—other financial assets	38,400	38,400	55,810
Retained earnings	1,484,363	1,806,850	1,877,000
Total equity attributable to equity holders of the Company	1,572,102	1,956,122	2,239,315
Non-controlling interests	3,942	—	—
Total equity	**1,576,044**	**1,956,122**	**2,239,315**
LIABILITIES			
Non-current liabilities			
Loans	233,253	842,280	746,104
Trade and other payables	—	—	11,092
Deferred tax liabilities	24,486	26,987	87,277
Retirement benefit obligations	2,948	7,817	26,762
Derivative financial instruments	47,991	106,164	101,884
Provisions	—	—	14,488
Total non-current liabilities	**308,678**	**983,248**	**987,607**

	As of 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Current liabilities			
Current tax liabilities	53,683	21,044	27,737
Provisions	1,000	4,000	17,752
Trade and other payables	4,614,683	4,884,181[(1)]	5,267,870
Prepayment from customers	46,066	58,209	104,079
Derivative financial instruments	936,268	956,974	595,125
Margin account with brokers	1,701	38,382	183,024
Short-term bank loans	2,171,337	3,598,894	3,971,904
Total current liabilities	**7,824,738**	**9,561,684[(1)]**	**10,167,491**
Total liabilities	**8,133,416**	**10,544,932[(1)]**	**11,155,098**
Total equity and liabilities	**9,709,460**	**12,501,054[(1)]**	**13,394,413**

(1) Trade and other receivables, current assets, total assets, trade and other payables, current liabilities, total liabilities and total equity and liabilities as of 31 December 2011 have all been extracted from the Annual Financial Statements as of and for the year ended 31 December 2012. Each of these line items has been revised downwards by US$479,220 thousand in comparison with the same line items in the Annual Financial Statements as of and for the year ended 31 December 2011 as these line items have been revised to conform with the presentation of the Annual Financial Statements as of and for the year ended 31 December 2012. See ''*Presentation of Financial and Certain Other Information—Financial Information*'' and Note 3 (*Significant Accounting Policies*) of the Annual Financial Statements as of and for the year ended 31 December 2012.

The following table sets out the Group's summary statement of cash flows data for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Net cash generated from/(used in) operating activities	2,104,387	(704,405)	196,135
Net cash used in investing activities	(299,940)	(807,761)	(702,225)
Net cash (used in)/generated from financing activities	(1,510,333)	1,808,811	314,347
Net increase in cash	**294,114**	**296,645**	**(191,743)**
Cash at 1 January	425,722	717,606	1,017,777
Exchange (losses)/gains on cash	(2,230)	3,526	(24,354)
Cash at 31 December	**717,606**	**1,017,777**	**801,680**

The following table sets out certain other financial data of the Group.

	Year ended 31 December		
	2010	2011	2012
Consolidated EBITDA[(1)] (*in thousands of U.S. dollars*)	339,257	534,683	574,802
Consolidated EBITDA margin[(2)] (*in percentages*)	0.49%	0.61%	0.62%
Gross profit margin (*in percentages*)	0.81%	0.93%	0.80%
Operating profit margin (*in percentages*)	0.39%	0.42%	0.37%
Profit for the year margin (*in percentages*)	0.38%	0.38%	0.32%

(1) For a description of how Consolidated EBITDA is calculated, see ''*Presentation of Financial and Certain Other Information—Non-IFRS Financial Information*''.

(2) Consolidated EBITDA margin is calculated by dividing Consolidated EBITDA by revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Gunvor's operating and financial results is based on the Annual Financial Statements prepared in accordance with IFRS and the requirements of the Cyprus Companies Law, Cap. 113, as well as management's internal financial and operating records. Prospective investors should read the following discussion together with the whole of this Offering Circular, including Risk Factors and the Annual Financial Statements (including the related notes) and should not rely solely on the information set out in this section. All figures presented herein, unless otherwise indicated, have been rounded.

The following discussion includes certain forward-looking statements that, although based on assumptions that the Group's management considers to be reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied in this Offering Circular. Among the important factors that could cause Gunvor's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those factors that are discussed in Forward Looking Statements and Risk Factors in this Offering Circular. All statements other than statements of historical fact, such as statements regarding Gunvor's future financial position, risks and uncertainties related to Gunvor's business, plans and objectives for future operations, are forward-looking statements.

Overview

Gunvor is a leading global energy commodities trader with investments in a number of logistics, refining, coal mining and other assets.

Gunvor's trading business principally involves the physical trading of crude oil, refined petroleum products, natural gas and LNG, coal, biofuels, power and carbon emissions. Gunvor commenced its trading operations in 2000, initially focusing on the export of crude oil and refined petroleum products from Russia only, and subsequently diversifying its trading operations both in geographic and product terms. In the past three years, traded volumes have grown from 46.6 million metric tonnes of refined petroleum products, 2.2 million metric tonnes of oil equivalent of natural gas and LNG and 4.2 million metric tonnes of coal in 2010 to 64.8 million metric tonnes of refined petroleum products, 18.4 million metric tonnes of oil equivalent of natural gas and LNG and 12.8 million metric tonnes of coal in 2012, making Gunvor one of the leading independent energy trading houses in the world. In contrast, the volume of crude oil traded by Gunvor decreased from 64.5 million metric tonnes in 2010 to 36.4 million metric tonnes in 2011 and 33.8 million metric tonnes in 2012. As competition in the Russian crude oil market has increased, Gunvor has significantly reduced its purchases of Russian crude oil and placed greater emphasis on increasing the share of other, higher margin commodities in the Group's trading portfolio, with a particular focus on refined petroleum products. The Group currently trades globally through its Trading Centres which are supported by a number of other offices. Gunvor is also involved in shipping operations that support its trading activities through its chartering arm, Clearlake.

Gunvor began expanding into non-trading activities, most of which have synergies with its trading operations, in 2008 and has since made significant investments in logistics (oil products terminals and pipelines), refineries, coal mines and other assets through a number of acquisitions or greenfield projects. In 2011, Gunvor commenced operations at its largest investment project, the Ust-Luga Terminal, and is continuing construction to add light product transhipment capacity and to increase fuel oil transhipment capacity at that terminal. In 2012, Gunvor acquired two oil refineries formerly owned by the Petroplus group, the Antwerp Refinery and the Ingolstadt Refinery. In 2010, Gunvor began to acquire significant ownership stakes in coal mines in the United States, Eastern Russia and South Africa. These investments into midstream, downstream and upstream assets have allowed Gunvor to enhance its control over the sourcing and distribution components of its trading platform, diversify its income streams and strengthen its competitive position.

Gunvor's ultimate parent company, Gunvor Group Ltd, is registered in Cyprus and is privately owned by its founders, Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist, together with a number of senior employees. See ''*Shareholders*''. In addition to its Trading Centres, Gunvor also operates through Representative Offices, its corporate head office in Nicosia, a service centre in Tallinn and an office in Amsterdam. The number of Gunvor's employees as of 31 December 2012 was 1,634, including 503 terminal operators and 604 refinery workers.

Gunvor's consolidated revenue in 2010, 2011 and 2012 was US$68.6 billion, US$87.3 billion and US$93.1 billion, respectively. Its profit for the year for each of those years was US$260.9 million, US$329.7 million and US$301.1 million, respectively. Gunvor's total assets amounted to US$13.4 billion as of 31 December 2012, while its total equity was US$2.2 billion as of 31 December 2012.

Recent Developments

Gunvor's trading volumes in the first quarter of 2013, which amounted to 33 million metric tonnes of oil equivalent, increased by four per cent. as compared to the first quarter of 2012. Trading volumes for crude oil and refined petroleum products (including volumes from the Antwerp Refinery and the Ingolstadt Refinery) remained flat, while trading volumes for coal, natural gas and carbon emissions increased.

Based on currently available management information, revenue is expected to be between US$22 billion and US$23 billion in the first quarter of 2013, a decrease of approximately 12 per cent. as compared to the first quarter of 2012. Profit before income tax for the first quarter of 2013 is expected to be approximately US$110 million, representing a 9 per cent. increase compared to the first quarter of 2012. The decrease in revenue and increases in volumes and profit before income tax reflect a change in the mix of commodities traded.

Gunvor had approximately US$800 million of available cash as of 31 March 2013.

Segment Information

Gunvor has two reportable segments: trading activities and terminal activities. The trading activities segment is primarily engaged in trading of all types of energy-related commodities and its revenue is derived from sale of such commodities. The Antwerp Refinery and Ingolstadt Refinery also form part of this segment. The terminal activities segment derives its revenue from sales of transhipment services by the Ust-Luga Terminal.

The table below sets out Gunvor's revenue and profit before income tax by segment for the years ended 31 December 2011 and 2012:

	Year ended 31 December	
	2011	2012
	(in thousands of U.S. dollars)	
***Revenue*:**		
Trading activities segment	87,175,881	92,943,777
Terminal activities segment	137,993	247,602
Inter-segment eliminations	(21,684)	(44,879)
Total revenue	**87,292,190**	**93,146,500**
***Profit before income tax*:**		
Trading activities segment	312,075	220,023
Terminal activities segment	44,312	129,299
Inter-segment eliminations	—	—
Total profit before income tax	**356,387**	**349,322**

As can be seen from the table above, the two segments are completely different in terms of revenue generation and profit margins. Revenue generated by the terminal activities segment accounted for only 0.2 per cent. of Gunvor's total revenue in 2011 and 0.3 per cent. in 2012. Profit before income tax margin of the trading activities segment was 0.4 per cent. in 2011 and 0.2 per cent. in 2012, as compared to profit before income tax margin of the terminal activities segment of 32.1 per cent. in 2011 and 52.2 per cent. in 2012. Other differences between the businesses of these two segments include much higher volatility of cash flows from trading operations, as discussed in ''—*Significant Factors Affecting Results of Operations and Financial Condition of Gunvor—High Level of Volatility of Cash Flows from Gunvor's Trading Operations*'' and the related need for much higher liquidity and access to various types and sources of credit, which are essential for the financing of trading operations.

Significant Factors Affecting Results of Operations and Financial Condition of Gunvor

Gunvor is primarily engaged in the physical trading of commodities on a worldwide basis and, more recently, in operating an oil products terminal in Russia and two refineries in Western Europe. Gunvor's results of operations are primarily affected by global macroeconomic trends, commodity prices and, in particular, the volatility of commodity prices, trading volumes and output levels at its refineries and oil products terminal. Each of these significant factors is discussed below.

Identifying and Responding to Global Macroeconomic Trends and Exploiting Physical Commodity Arbitrage Opportunities as They Arise

Gunvor's long-term experience in the commodities markets has allowed it to build up extensive market knowledge and insight. Gunvor's management believes that being a major global physical trader of commodities enables it to, among other things, maintain knowledge of local market supply and demand dynamics, respond quickly to changes in market conditions and gain significant insight into trade flows and trading requirements. This enables Gunvor to have continuous price discovery of the commodities it trades and rapidly identify and investigate arbitrage opportunities in respect of those commodities.

Many of the physical commodity markets in which Gunvor operates are fragmented or periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present Gunvor with arbitrage opportunities, allowing it to generate profits by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. While the strategies used by Gunvor's trading desks to generate such margins vary from commodity to commodity, the main arbitrage strategies can be described generally as being geographic, product and time-related. See ''*Business—Trading Operations*'' for information related to these strategies. Gunvor's ability to identify and implement trading strategies successfully to take advantage of potential arbitrage opportunities throughout the physical commodity supply chain positively impacts its results of operations. The lack of such opportunities or Gunvor's inability to exploit such opportunities negatively impacts its results of operations. Gunvor reduces the commodity price risk associated with its trading operations by applying hedging strategies through paper positions composed of futures, swaps and option transactions on various commodities exchanges or in the OTC markets.

Arbitrage opportunities are generally enhanced by global and regional price volatility and instability in the various commodities markets resulting in market disequilibrium. Gunvor's management believes that, in periods in which price components for a particular commodity or group of commodities display relative volatility and, therefore, uncertainty, the number of arbitrage opportunities in such commodities tends to increase. Conversely, in periods of reduced volatility in commodity prices, Gunvor's trading business tends to have fewer profitable arbitrage opportunities. A relatively flat marketing environment generally reduces price dislocation and, in turn, the number of arbitrage opportunities.

The results of operations of Gunvor's trading business in 2010, 2011 and 2012 were impacted by, among other things, the arbitrage opportunities in respect of individual commodities traded by Gunvor, which were dependent, in part, on the strength of the markets, the price of the relevant commodities and the overall marketing environment that existed at any given time during that period.

Trends in and Volatility of Commodity Prices

Gunvor's management believes that Gunvor's profitability is not dependent upon the prevailing level of commodity prices. Gunvor generally benefits from fluctuating market prices, rather than long periods of stable prices, as it seeks to arbitrage such resulting price differentials.

Gunvor uses its logistics capabilities, and in particular access to storage capacity at terminals or on vessels, to benefit from time-related arbitrage opportunities. See ''*Business—Trading Operations*''. Gunvor's profitability is, therefore, affected by the market price curve (contango, i.e. market conditions with higher forward prices of commodities, or backwardation, i.e. market conditions with lower forward prices of commodities). A market environment without contango is generally less favourable for Gunvor's trading business due to lack of time-related arbitrage opportunities. Thus, when the oil market structure flipped from contango to strong backwardation in December 2010 and then generally remained flat or backwardated throughout the rest of the period under review, the profitability of Gunvor's crude oil trading was adversely affected by such change.

As prices of commodities rise, Gunvor's working capital financing requirements increase in line with the quantities of commodities traded. During periods of falling commodity prices, the opposite applies and Gunvor requires lower working capital for its trading activities.

Changes in Trading Volumes

The volume of commodities traded by Gunvor is a key driver of Gunvor's results of operations. The volume of commodities Gunvor trades is dependent on its ability to source and finance the purchase of commodities and its ability to then sell these commodities to new and existing customers. Stable access to funding allows Gunvor to provide financing to some of its suppliers, who rely on it to deliver the required volumes of commodities.

The volume of any particular commodity traded also depends on Gunvor's view on the margin achievable on the trading of such commodity, and volumes traded are, therefore, also dependent on the factors discussed above in ''—*Trends in and Volatility of Commodity Prices*''.

For further details on the volumes of each of Gunvor's key commodities that were sold to third parties through Gunvor's trading business in each of 2010, 2011 and 2012, see ''*Business—Trading Operations*''.

Although volumes of commodities sold is a key factor in understanding the scale of Gunvor's trading activities and resulting market position and base earnings potential, it is also important to assess the potential of additional value added services and arbitrage opportunities at various times and Gunvor's ability to capitalise on such opportunities. There may also be a lag effect in the relationship between earnings and sale volume. For example, by storing oil and selling forward at a higher price in a future period, Gunvor is able to generate profits without increasing the volumes sold in the current period.

The Commencement of Operations at the Ust-Luga Terminal in 2011, and the Acquisition of the Antwerp Refinery and the Ingolstadt Refinery in 2012

After the commencement of operations at the Ust-Luga Terminal in 2011, Gunvor created a separate terminal activities segment in its Annual Financial Statements to report the results of operations of the Ust-Luga Terminal. Revenue in this segment increased from US$138.0 million in 2011 to US$247.6 million in 2012, principally due to the full-year effect of the Ust-Luga Terminal operations in 2012. More importantly, profit before income tax increased from US$44.3 million, or 12.4 per cent., of Gunvor's total profit before income tax in 2011 to US$129.3 million, or 37.0 per cent. of Gunvor's total profit before income tax in 2012. The differences between the two Gunvor's segments (the trading activities segment and the terminal activities segment) in terms of revenue generation, profitability margins, volatility of cash flows, liquidity requirements and the need for uninterrupted access to various types and sources of credit are discussed above in ''—*Segment Information*''. Gunvor's management expects that the addition of the Ust-Luga Terminal would, among other things, result in greater stability and consistency of cash flows from its overall operations. The acquisition of each of the Antwerp Refinery and the Ingolstadt Refinery in 2012 is also expected to have a similar impact in terms of reducing the volatility levels of Gunvor's cash flows. Additional benefits to Gunvor from the completion of construction of the Ust-Luga Terminal and the acquisition of the Antwerp Refinery and the Ingolstadt Refinery are discussed in ''*Business—Key Strengths—Growing Presence in High Quality Physical Assets*'', ''*Business—Logistics, Refining, Mining and Other Operations—Midstream Operations—Ust-Luga Terminal*'' and ''*Business—Logistics, Refining, Mining and Other Operations—Downstream Operations*''.

Changes in the Composition of the Portfolio of Traded Commodities

During the periods under review, there were several significant changes in the composition of the portfolio of commodities traded by Gunvor as it has sought to diversify out of Russian crude oil. The volume of crude oil traded by Gunvor decreased from 64,482 thousand metric tonnes in 2010 to 36,379 thousand metric tonnes in 2011 and 33,768 thousand metric tonnes in 2012. As competition in the Russian crude oil market has increased, Gunvor has significantly reduced its purchases of Russian crude oil (from 40,088 thousand metric tonnes in 2010 to 16,910 thousand metric tonnes in 2011 and 11,284 thousand metric tonnes in 2012) and placed greater emphasis on increasing the share of other, higher margin commodities in the Group's trading portfolio, with a particular focus on refined petroleum products. Among refined petroleum products, gasoline experienced the largest increase in volume between 2010 and 2012 followed by fuel oil, gasoil and LPG. The overall volume of refined petroleum products traded increased from 46,578 thousand metric tonnes in 2010 to 64,774 thousand metric tonnes in 2012.

In addition, as part of the strategy to further diversify the portfolio of commodities traded by Gunvor, trading in several other commodities increased significantly between 2010 and 2012, including natural gas, coal and biofuels. While these large increases in volumes had a universally positive impact on Gunvor's revenue, in terms of profitability, the results were different for each commodity and varied from year to year.

Multiple Factors Influencing Profitability of Gunvor's Operations

Individual factors affecting Gunvor's results of operations should not be viewed in isolation because, at any one time, a variety of factors have an impact on the profitability of the Group's operations and they may often reduce or completely neutralise each other's impact.

For instance, increases in the volumes of many energy commodities traded between 2010 and 2012 (see ''—*Changes in Trading Volumes*'') and significant trading portfolio diversification during this period (see ''—*Changes in the Composition of the Portfolio of Traded Commodities*'') generally had a positive effect on the Group's profitability. But the profitability of Gunvor's trading operations nevertheless decreased at the profit before income tax level from US$280.6 million in 2010 to US$220.0 million in 2012 (measured as profit before income tax of Gunvor's trading activities segment only in that year). This happened because other factors, such as changes in the oil market price curve from contango to flat or backwardated, which limited Gunvor's ability to benefit from time-related arbitrage opportunities (see ''—*Trends in and Volatility of Commodity Prices*''), or certain individual desk-specific trading factors discussed below, had an adverse effect on Gunvor's profitability. But while the profitability of Gunvor's trading operations decreased as measured at the profit before income tax level between 2010 and 2012, the commencement of operations at the Ust-Luga Terminal, which was accounted for as a separate terminal activities segment of the Group in 2011 and 2012 (see ''—*The Commencement of Operations at the Ust-Luga Terminal in 2011, the Acquisition of the Antwerp and Ingolstadt Refineries in 2012*''), allowed Gunvor to increase its overall (and not just trading-related) profitability to US$349.3 million at the profit before income tax level in 2012. At the profit for the year level, Gunvor's profitability also increased to US$301.1 million as compared to US$260.9 million in 2010.

High Level of Volatility of Cash Flows from Gunvor's Trading Operations

As Gunvor's principal business involves the physical trading of various energy commodities, there is a significant amount of volatility in its cash flows from operating activities (driven, in part, by the size of individual trades that sometimes involve commodities worth hundreds of millions of U.S. dollars) and financing activities, which makes an analysis of its cash flows statement difficult. In respect of operating activities, the difference between cash receipts from customers and cash paid to suppliers varies considerably from year to year. In terms of explaining the changes in cash flows from operating activities from year to year, this difference between cash receipts from customers and cash paid to suppliers is far more significant than any other explanatory factor as it alone accounted for (i) 90.3 per cent. of the total difference between cash generated from operating activities in 2010 and cash used in operating activities in 2011 and (ii) 78.2 per cent. of the total difference between cash used in operating activities in 2011 and cash generated from operating activities in 2012. Moreover, since it is measured as of 31 December of each year, at a time when Gunvor typically seeks to collect on any receivables before the statement of financial position year-end date, the difference between cash receipts from customers and cash paid to suppliers measured as of another date may be significantly different.

The difference between cash receipts from customers and cash paid to suppliers also has a strong effect on cash flows generated from or used in financing activities. In 2010, when this difference was particularly high, Gunvor was able to decrease amounts outstanding under its overdraft credit facilities (drawn amounts under the revolving credit facilities and the overdraft portion of Gunvor's bilateral trade finance loans) by US$1,361.5 million as there was no business need to keep so much cash in its accounts. In contrast, in 2011, when the difference between cash receipts from customers and cash paid to suppliers was almost non-existent as compared to cash needs of Gunvor's trading operations, Gunvor increased amounts outstanding under its overdraft credit facilities by US$1,180.2 million.

Gunvor addresses this high level of volatility of cash flows from its trading operations principally by (i) monitoring its cash position on a daily basis, (ii) maintaining a relatively large level of cash reserves (seeking to have a minimum level of cash reserves of approximately US$1 billion) at all times to be able to better meet all expected and unexpected cash requirements of its business and (iii) maintaining continued access to various sources and various types of funding through building strong relationships with a large number of banks.

Continued Access to Funding

As discussed immediately above, the high level of volatility of cash flows from Gunvor's trading operations requires it not only to maintain a significant liquidity cushion at all times, but also to maintain continued access to various types and sources of credit, which is essential for its business. Gunvor's trading operations employ significant amounts of working capital to fund purchases of commodities for future delivery to its customers, to meet margin requirements under derivative contracts and to fund the acquisition, construction, development and maintenance of certain facilities which complement its trading operations. During the periods under review, Gunvor's operations were not significantly affected by any major deterioration in its ability to access various sources of funding it uses. But a significant deterioration in such access in the future, whether as a result of a general credit markets disruption or due to, for example, lenders developing a negative perception of Gunvor's short-term or long-term financial prospects, could have adverse consequences for Gunvor's trading operations. See ''*Risk Factors—Other Risks Relating to Gunvor—Liquidity risk and a failure to obtain funds could limit Gunvor's ability to engage in desired activities and grow its business*''.

As Gunvor's borrowing needs are significant and have increased as its business has grown, Gunvor is focused on building strong relationships with a large number of banks. This is particularly important because the vast majority of Gunvor's total indebtedness is short-term due to the nature of its business and, therefore, frequent refinancing of existing facilities requires good working relationships with banking partners. As of 31 December 2010, 18 banks provided bilateral loan facilities to Gunvor and 28 banks were in a syndicate that provided a revolving credit facility. In total, these facilities amounted to US$13.1 billion. As of 31 December 2011, 19 banks provided bilateral loan facilities to Gunvor and 43 banks were in a syndicate that provided a revolving credit facility to it. The overall size of these facilities increased to US$14.9 billion. As of 31 December 2012, Gunvor obtained bilateral facilities from 30 banks and 50 banks were in the syndicates that provided the European RCF and the Asian RCF (as defined below) to it. The overall size of these facilities further increased to US$16.6 billion.

Description of Certain Key Income Statement Line Items

Revenue

Revenue from the sale of commodities is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. For wholesale sales of refined petroleum products it is either at the point of delivery or the point of receipt, depending on contractual conditions.

For goods sold where the sales price is contractually determined on a future quotation, revenue is recognised on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional and final pricing is typically between 30 and 90 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative which is closely related to the host contract. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Shipping rental income from vessels leased out is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as a part of the total rental income.

Dividend income is recognised when the right to receive payment is established.

Sales of transhipment services at the Ust-Luga Terminal (terminal activities segment) are recognised in the accounting period in which the services are rendered.

Change in Fair Value of Derivative Financial Instruments

Gunvor does not apply hedge accounting principles to derivative instruments that economically hedge the commodity price risks arising from trading activities. Changes in the fair value of such derivatives are therefore recognised as gains and losses on derivative instruments and are reported on a net basis in the statement of comprehensive income. Derivative financial instruments are recognised initially and measured subsequently at fair value, with fair values determined on the basis of market prices. The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of available observable market data and rely as little as possible on entity-specific estimates. For example, in those instances when there are no exact traded or exact bilateral derivative markets for certain commodities that Gunvor purchases and sells, Gunvor hedges its commodity exposure by entering into futures and swap contracts for a different, but seemingly related, commodity. Gain or loss on re-measurement to fair value is recognised immediately in a separate line item ''change in fair value of derivative financial instruments'' in the gross profit or loss.

As Gunvor hedges so much of its exposure to changes in commodity prices to reduce risk to its trading operations, any direct comparisons of cost of sales of a particular commodity to revenue derived from sales of such commodity in any particular year do not demonstrate whether trading in that commodity was profitable at the gross profit. Changes in commodity prices covered by Gunvor's derivative financial instruments, which would have had an impact on Gunvor's revenue or cost of sales had they not been hedged, are instead reflected either in the realised results of the derivative financial instruments or, if not realised, in the fair value of such derivative financial instruments, both of which are recognised in the income statement above the gross profit level. The overall profitability of Gunvor's trading operations at the gross profit level is, therefore, a combination of the changes in value of its derivative financial instruments, cost of goods sold and revenue.

Results of Operations

The table below sets forth Gunvor's consolidated income statement for the years ended 31 December 2010, 2011 and 2012:

	Year ended 31 December			% change between	
	2010	2011	2012	2011 and 2010	2012 and 2011
	(in thousands of U.S. dollars, except percentages)				
Revenue	68,603,673	87,292,190	93,146,500	27.2%	6.7%
Cost of sales	(67,934,993)	(85,852,073)	(92,398,550)	26.4%	7.6%
Change in fair value of derivative financial instruments	(113,288)	(630,137)	(6,992)	456.2%	(98.9)%
Gross profit	**555,392**	**809,980**	**740,958**	45.8%	(8.5)%
Other operating income	19,356	9,379	169,242	(51.5)%	1,704.5%
Other operating expenses	(308,649)	(449,568)	(561,206)	45.7%	24.8%
Operating profit	**266,099**	**369,791**	**348,994**	39.0%	(5.6)%
Net finance (costs)/income	17,802	(8,940)	(2,557)	n/a	(71.4)%
Share of results of associates and joint ventures	(3,345)	(4,464)	2,885	33.5%	n/a
Profit before income tax	**280,556**	**356,387**	**349,322**	**27.0%**	**(2.0)%**
Income tax expense	(19,628)	(26,729)	(48,212)	36.2%	80.4%
Profit for the year	**260,928**	**329,658**	**301,110**	**26.3%**	**(8.7)%**

Year Ended 31 December 2011 Compared to Year Ended 31 December 2012

Revenue

The following table sets out Gunvor's revenue from sales of its products and services, Gunvor's total revenue and the percentage of Gunvor's total revenue represented by revenue from sales of each product or service in 2011 and 2012 as well as the percentage change in revenue from sales of each product or service and Gunvor's total revenue between these two years:

	Year ended 31 December 2011	Share of total revenue in 2011	Year ended 31 December 2012	Share of total revenue in 2012	Percentage change between 2011 and 2012
	(in thousands of U.S. dollars)	(%)	(in thousands of U.S. dollars)	(%)	
Refined petroleum products	49,431,464	56.6	56,999,530	61.2	15.3
Crude oil	29,627,025	33.9	26,654,533	28.6	(10.0)
Coal	1,330,253	1.5	1,230,378	1.3	(7.5)
Gas (natural gas and LNG)	5,607,129	6.4	7,296,078	7.8	30.1
Power	674,337	0.8	325,542	0.3	(51.7)
Emissions	39,622	0.0	76,642	0.1	93.4
Shipping	322,517	0.4	362,415	0.4	12.4
Terminal	107,150	0.1	199,779	0.2	86.4
Other income	152,693	0.2	1,603	0.0	(99.0)
Total revenue	**87,292,190**	**100**	**93,146,500**	**100**	**6.7**

The following table sets out information on the volume of sales of various commodities traded by Gunvor in 2011 and 2012, as well as the percentage change in such volumes between the two years:

	Year ended 31 December 2011	Year ended 31 December 2012	Percentage change between 2011 and 2012
	(in thousands of metric tonnes, except where expressly stated otherwise)		(%)
Fuel oil	27,995	27,912	(0.3)
Gasoil	16,994	14,735	(13.3)
Gasoline	7,515	11,025	46.7
Naphtha	6,451	4,036	(37.4)
LPG	2,487	2,525	1.5
Biofuels	569	1,238	117.6
Ethanol	120	21	(82.5)
Antwerp Refinery	—	2,140	n/a
Ingolstadt Refinery	—	1,141	n/a
Refined petroleum products	**62,080**	**64,774**	**4.3**
Crude oil	36,379	33,768	(7.2)
Coal	10,299	12,797	24.2
Gas (natural gas LNG) (*in thousands of metric tonnes of oil equivalent*[(1)])	13,648	18,369	34.6
of which LNG (in thousands of metric tonnes of oil equivalent[(1)])	1,544	86	(94.5)
of which natural gas (in thousands of metric tonnes of oil equivalent[(1)])	12,105	18,283	51.0
Power (*in thousands of metric tonnes of oil equivalent*[(1)])	909	445	(51.0)
Total (*in thousands of metric tonnes of oil equivalent*[(1)])	**123,316**	**130,153**	**5.5**

(1) Natural gas, LNG and power volumes are traded in megawatt hours (''**MWh**''). The conversion ratio used in this table is: one metric tonne of oil equivalent equals 12.47 MWh.

Gunvor's revenue increased by US$5.9 billion, or 6.7 per cent., from US$87.3 billion in 2011 to US$93.1 billion in 2012. This increase in revenue was principally due to (i) an increase in revenue from sales of refined petroleum products between the two years, particularly gasoline and fuel oil, which was partially offset by a decrease in revenue from sales of naphtha and (ii) an increase in revenue from sales of natural gas. The impact of these factors on revenue was partially offset by a significant decrease in revenue from sales of crude oil.

In respect of various types of refined petroleum products, the largest increase in revenue was from sales of gasoline. This increase was driven principally by a 46.7 per cent. increase in the volume of sales of gasoline in 2012 as compared to 2011 due to additional volumes sold in 2012 through Oman (where the Group's second gasoline blending facility is located) and Singapore (where Gunvor established a gasoline trading desk in the third quarter of 2012). The average price of gasoline sold also increased between the two years driven by refinery closures in Europe and the United States and strong spot demand in the Amsterdam—Rotterdam—Antwerp region from Asian buyers. In contrast, an increase in revenue from sales of fuel oil was driven by an increase in the average price of fuel oil sold. Gunvor's revenue from sales of naphtha decreased in 2012 as compared to 2011 due to a 37.4 per cent. decrease in the volume of sales. This decrease in the volume of sales was due to a commercial decision not to continue with certain Russian contracts entered into in the previous year. The impact of this decrease was partially offset by an increase in the average price of naphtha sold by Gunvor.

Gunvor had a mixed record in respect of sales of natural gas, LNG, coal and biofuels in 2012. Strong revenue growth continued in respect of sales of natural gas and biofuels, while revenue from sales of LNG decreased by 96.1 per cent. and revenue from sales of coal also decreased. An increase in revenue from sales of natural gas was principally due to a 51.0 per cent. increase in the volume of sales in 2012 as compared to 2011. In addition, the average price of natural gas sold increased slightly between the two years. The decrease in revenue from sales of coal was due to a significant decrease in the average price of coal sold over the period, partially offset by a 24.2 per cent. increase in the volume of sales. The very large decrease in revenue from sales of LNG was principally due to a 94.5 per cent. decrease in the volume of sales in 2012. Gunvor's LNG business traded 23 LNG cargoes in 2011 as compared to two LNG cargoes in 2012 as market conditions changed and competition in this market increased significantly in 2012 reducing opportunities for Gunvor to make profitable trades in that year.

A US$3.0 billion decrease in revenue from sales of crude oil was principally driven by a lower volume of sales in 2012 (33.8 million metric tonnes) as compared to 2011 (36.4 million metric tonnes) and, to a lesser extent, by a decrease in the average price of crude oil traded between the two years. The decrease in the volume of crude oil traded was driven by a reduction in purchases of Russian crude oil (from 16.9 million metric tonnes in 2011 to 11.3 million metric tonnes in 2012), which was only partially offset by higher purchases of crude oil from other sources.

Revenue generated by the Antwerp Refinery and/or the Ingolstadt Refinery is not reported in any separate line item as such revenue is integrated into the revenue generated from Gunvor's trading of various refined petroleum products.

Revenue from terminal operations increased from US$107.2 million in 2011 to US$199.8 million in 2012, but still accounted for only 0.2 per cent. of Gunvor's total revenue in the latter year.

Cost of Sales

The following table sets out the components of Gunvor's cost of sales in 2011 and 2012, the percentage of Gunvor's total revenue that each of the components of Gunvor's cost of sales represented in these two years and the percentage change in each of the components of Gunvor's cost of sales between the two years:

	Year ended 31 December 2011	Share of total revenue in 2011	Year ended 31 December 2012	Share of total revenue in 2012	Percentage change between 2011 and 2012
	(in thousands of U.S. dollars)	(%)	(in thousands of U.S. dollars)		(%)
Refined petroleum products	47,442,659	54.3	54,490,330	58.5	14.9
Crude oil	28,265,126	32.4	26,244,489	28.2	(7.1)
Coal	1,247,117	1.4	1,152,687	1.2	(7.6)
Gas	5,385,781	6.2	7,173,368	7.7	33.2
Emissions	46,894	0.1	91,595	0.1	95.3
Power	717,323	0.8	324,235	0.3	(54.8)
Terminal	45,886	0.1	60,072	0.1	30.9
Other	9,574	0.0	6,549	0.0	(31.6)
Total direct costs of products sold	**83,160,360**	**95.3**	**89,543,325**	**96.1**	**7.7**
Shipping activities	2,425,458	2.8	2,625,857	2.8	8.3
Railway, loading and customs	147,626	0.2	126,484	0.1	(14.3)
Interest expense on short-term bank loans . . .	78,728	0.1	55,578	0.1	(29.4)
Inspection and insurance . .	39,901	0.1	47,306	0.1	18.6
Total cost of sales	**85,852,073**	**98.4**	**92,398,550**	**99.2**	**7.6**

Gunvor's cost of sales increased by US$6.5 billion, or 7.6 per cent., from US$85.9 billion in 2011 to US$92.4 billion in 2012. The total direct costs of products sold increased by US$6.4 billion, or 7.7 per cent., from US$83.2 billion in 2011 to US$89.5 billion in 2012. This increase in total direct costs of products sold reflected an increase in the average price of certain refined petroleum products (particularly gasoil, fuel oil and gasoline) purchased and then re-sold by Gunvor in 2012 as compared to 2011. In addition, increases in volumes of many commodities sold in 2012 as compared to 2011, particularly natural gas, also contributed to higher total direct costs of products sold.

Transportation-related costs, which include shipping, railway, loading and customs expenses, increased in absolute terms from US$2.6 billion in 2011 to US$2.8 billion in 2012, but, as a percentage of revenue, such costs stayed at approximately the same level in both years.

Gross Profit

Gunvor's revenue exceeded its cost of sales by US$1.4 billion in 2011 as compared to a US$0.7 billion difference between revenue and cost of sales in 2012. But since Gunvor hedges the vast majority of commodities it buys and sells, the impact of changes in fair value of derivative financial instruments that are used in such hedges needs to be taken into consideration to determine Gunvor's gross profit. Losses resulting from change in fair value of derivative financial instruments amounted to US$630.1 million in 2011 and US$7 million in 2012. As a result of this decrease in losses, Gunvor's gross profit decreased only by US$69 million, or 8.5 per cent., from US$810.0 million in 2011 to US$741.0 million in 2012. Gross profit margin decreased from 0.93 per cent. in 2011 to 0.80 per cent. in 2012.

Other Operating Expenses

The following table sets out the components of Gunvor's other operating expenses in 2011 and 2012, the percentage of Gunvor's total revenue that each of the components of the Group's other operating expenses represented in these two years and the percentage change in each of the components of Gunvor's other operating expenses between the two years:

	Year ended 31 December 2011	Share of total revenue in 2011	Year ended 31 December 2012	Share of total revenue in 2012	Percentage change between 2011 and 2012
	(in thousands of U.S. dollars)	(%)	(in thousands of U.S. dollars)		(%)
Direct personnel expenses	121,326	0.1	132,624	0.1	9.3
Services	29,557	0.0	30,301	0.0	2.5
Bank charges	98,091	0.1	99,998	0.1	1.9
Loss from sale of investment	1,013	0.0	—	n/a	(100.0)
Depreciation and amortisation	24,896	0.0	6,849	0.0	(72.5)
Impairment of receivable	503	0.0	1,848	0.0	267.4
General overheads and employee remuneration	174,182	0.2	289,586	0.3	66.3
Total other operating expenses	**449,568**	**0.5**	**561,206**	**0.6**	**24.8**

Gunvor's other operating expenses increased by US$111.6 million, or 24.8 per cent., from US$449.6 million in 2011 to US$561.2 million in 2012. This increase was driven principally by a US$115.4 million increase in general overheads and employee remuneration and a US$11.3 million increase in direct personnel expenses (including a US$18.3 million increase in salaries), which were partially offset by a US$18.0 million decrease in depreciation and amortisation charges. The increases in general overheads and employee remuneration and in direct personnel expenses were, in part, due to the increase in the number of Gunvor's employees from 936 as of 31 December 2011 to 1,634 as of 31 December 2012 resulting from the further expansion of operations at the Ust-Luga Terminal and the acquisition of the Antwerp Refinery and the Ingolstadt Refinery in 2012. In addition, general overheads and employee remuneration increased between the two years due to a one-off award of a US$83.6 million equity-settled share-based payment by Gunvor to its senior employees in 2012.

The decrease in depreciation and amortisation charges in 2012 as compared to 2011 was due to a change in how Gunvor allocated depreciation and amortisation charges between various line items in its income statement. In 2011, the entire amount related to land and buildings at the Ust-Luga Terminal (US$24.9 million) was allocated to other operating expenses as this terminal operated in the testing mode in that year. In 2012, following the purchase of the Antwerp Refinery and the Ingolstadt Refinery and the transition to fully operational mode at the Ust-Luga Terminal, the total depreciation and amortisation charges were split between cost of sales for production facilities (US$42.4 million) and other operating expenses for all other assets (US$5.5 million).

Profit before Income Tax

Gunvor's profit before income tax decreased by US$7.1 million, or 2.0 per cent., from US$356.4 million in 2011 to US$349.3 million in 2012.

The table below sets out Gunvor's profit before income tax by segment for the years ended 31 December 2011 and 2012:

	Year ended 31 December 2011	Year ended 31 December 2012
	(in thousands of U.S. dollars)	
***Profit before income tax*:**		
Trading activities segment	312,075	220,023
Terminal activities segment	44,312	129,299
Inter-segment eliminations	—	—
Total profit before income tax	**356,387**	**349,322**

On a segment-by-segment basis, profit before income tax of the trading activities segment decreased from US$312.1 million in 2011 to US$220.0 million in 2012 due to a decrease in profit margins (as the overall volume of commodities traded in 2012 actually increased in comparison with 2011). Several of Gunvor's trading desks (gasoline, naphtha, LPG, biofuels and carbon emissions) had a better year in terms of profitability in 2012 than in 2011. For the gasoline trading desk, the largest of these five desks in terms of volume traded and, therefore, with the largest impact on the overall profitability of the Group, the much higher level of profitability in comparison with the prior year was due to increased volumes of sales through the Oman blending facility and the newly created Singapore trading desk, as well as certain one-off conditions in that year such as refinery closures in Europe and the United States and strong spot demand in the Amsterdam—Rotterdam—Antwerp region from Asian buyers. The increase in profitability of the naphtha trading desk was principally due to a commercial decision taken in 2012 not to continue with certain less profitable contracts and the resulting upswing in profitability to this desk in that year achieved on lower volumes.

Several other trading desks, however, experienced decreases in the level of their profitability (fuel oil, gasoil and gas and LNG), became unprofitable in that year (crude oil) or remained unprofitable (coal). For the fuel oil trading desk, this decrease in profitability was principally related to a decrease in market demand for fuel oil, which is inversely correlated to refining margins. In low margin environments, refiners try to process more fuel oil as an alternative to crude oil to reduce costs and/or support their margin. But in 2012, refining margins actually increased due to refinery outages in both the United States and Europe, which adversely affected market demand for fuel oil. For the gasoil trading desk, the decrease in profitability between the two years was principally due to decreased volumes traded combined with the adverse effect of increased competition in this market in 2012. The overall profitability of the gas and LNG trading desk was adversely affected by a very large reduction in the volume of LNG traded in 2012 as compared to 2011, which is discussed in ''—*Revenue*'' above. The crude oil trading desk incurred losses in 2012 due principally to the market remaining flat or backwardated in that year, which adversely affected the profitability of many contracts, as well as the increased competition in this market driving the overall volumes traded down as compared to the prior year. The coal trading desk also incurred losses in 2012 that were higher than its losses in 2011. The decrease in the market price of coal in 2012 had an adverse effect on profitability of Gunvor's off-take contracts.

Profit before income tax of the terminal activities segment increased from US$44.3 million in 2011 to US$129.3 million in 2012 due to both a US$109.1 million increase in revenue generated by the Ust-Luga Terminal and the increase in profitability of its operations (with the profit before income tax to revenue ratio increasing from 32.1 per cent. in 2011 to 52.2 per cent. in 2012).

Income Tax Expense

Gunvor's income tax expense increased by US$21.5 million, or 80.4 per cent., from US$26.7 million in 2011 to US$48.2 million in 2012 principally as a result of increased profits of RNB, which owns the Ust-Luga Terminal, which are taxed at the Russian corporate income tax rate of 20 per cent. The impact of increased profits from the terminal activities segment was partially offset by lower profits of Gunvor's trading entities, particularly those located in Singapore and Geneva.

Profit for the Year

For the reasons discussed above, Gunvor's profit for the year decreased by US$28.5 million, or 8.7 per cent., from US$329.7 million in 2011 to US$301.1 million in 2012.

Year Ended 31 December 2010 Compared to Year Ended 31 December 2011

Revenue

The following table sets out revenue from sales of Gunvor's products and services, Gunvor's total revenue and the percentage of Gunvor's total revenue represented by revenue from sales of each product or service in 2010 and 2011 as well as the percentage change in revenue from sales of each product or service and Gunvor's total revenue between these two years:

	Year ended 31 December 2010	Share of total revenue in 2010	Year ended 31 December 2011	Share of total revenue in 2011	Percentage change between 2010 and 2011
	(in thousands of U.S. dollars)	(%)	(in thousands of U.S. dollars)	(%)	
Refined petroleum products	30,297,161	44.2	49,431,464	56.6	63.2
Crude oil	36,660,928	53.4	29,627,025	33.9	(19.2)
Coal	457,463	0.7	5,607,129	6.4	1,125.7
Gas	689,903	1.0	1,330,253	1.5	92.8
Power	211,088	0.3	674,337	0.8	219.5
Emissions	9,277	0.0	39,622	0.0	327.1
Shipping	258,568	0.4	322,517	0.4	24.7
Terminal	n/a	n/a	107,150	0.2	n/a
Other income	19,285	0.0	152,693	0.2	691.8
Total revenue	**68,603,673**	**100**	**87,292,190**	**100**	**27.2**

The following table sets out information on the volume of sales of various commodities traded by Gunvor in 2010 and 2011, as well as the percentage change in such volumes between the two years:

	Year ended 31 December 2010	Year ended 31 December 2011	Percentage change between 2010 and 2011
	(in thousands of metric tonnes, except where expressly stated otherwise)		(%)
Fuel oil	23,644	27,995	18.4
Gasoil	11,943	16,994	42.3
Gasoline	6,330	7,515	18.7
Naphtha	3,697	6,451	74.5
LPG	712	2,487	249.3
Biofuels	253	569	125.0
Ethanol	—	120	n/a
Refined petroleum products	**46,578**	**62,080**	**33.3**
Crude oil	64,482	36,379	(43.6)
Coal	4,159	10,299	147.6
Gas (natural gas LNG) (*in thousands of metric tonnes of oil equivalent*[1])	2,241	13,648	509.0
of which LNG (in thousands of metric tonnes of oil equivalent[1])	618	1,544	149.8
of which natural gas (in thousands of metric tonnes of oil equivalent[1])	1,623	12,105	645.8
Power (*in thousands of metric tonnes of oil equivalent*[1])	323	909	181.4
Total (*in thousands of metric tonnes of oil equivalent*[1])	**117,783**	**123,316**	**4.7**

(1) Natural gas, LNG and power volumes are traded in megawatt hours (''**MWh**''). The conversion ratio used in this table is: one metric tonne of oil equivalent equals 12.47 MWh.

The Group's revenue increased by US$18.7 billion, or 27.2 per cent., from US$68.6 million in 2010 to US$87.3 million in 2011. This increase in revenue between the two years was principally due to (i) a large increase in revenue from sales of refined petroleum products, particularly fuel oil, gasoil and gasoline and (ii) a significant increase in revenue from sales of natural gas, which were partially offset by a significant decrease in revenue from sales of crude oil.

The increase in sales volumes of refined petroleum products was due to a shift in strategy by Gunvor's management in 2011, which sought to focus on higher margin refined petroleum products at the expense of crude oil, particularly crude oil from the increasingly competitive Russian market. As a result, the volume of Russian crude oil purchased by Gunvor decreased from 40.1 million metric tonnes in 2010 to 16.9 million tonnes in 2011 and the total volume of crude oil traded in 2011 decreased by 28.1 million metric tonnes, or by 43.6 per cent., as compared to 2010. During the same period, the volume of refined petroleum products increased by 15.5 million metric tonnes, or 33.3 per cent.

In respect of various types of refined petroleum products, the largest increase in revenue came from sales of fuel oil and was principally driven by a significant increase in the average price of fuel oil sold between the two years, which was a result of many refiners upgrading facilities in the last few years to minimise output of fuel oil per barrel of crude oil thus reducing fuel oil flows into the market, and, to a lesser extent, by a 18.4 per cent. increase in the volume of sales. A significant increase in average sales price was also the principal reason for the increase in revenue from sales of gasoline. In addition, the volume of sales of gasoline also increased during the same period by 18.7 per cent. The reverse was true for gasoil, for which the increase in revenue was principally driven by a 42.3 per cent. increase in the volume of sales between the two years, which was the result of increased sales into new markets such as West Africa and South America, while the average price of gasoil sold increased only slightly.

The volume of sales of natural gas increased more than sixfold in 2011 as compared to 2010 and, as a result of this and a significant increase in the average sales price of natural gas over the period, Gunvor's revenue from sales of natural gas increased significantly. Large revenue increases from sales of coal (by 1,125.7 per cent.), LNG and biofuels were driven by a combination of higher sales volumes and, in the case of coal and biofuels, higher average sales prices. Increases in volumes of sales of natural gas, LNG, coal and biofuels reflected the successful implementation of Gunvor's trading portfolio diversification strategy.

A US$7.0 billion decrease in revenue from sales of crude oil was driven by a 43.6 per cent. decrease in sales volumes in 2011 (36.4 million metric tonnes) as compared to 2010 (64.5 million metric tonnes). This decrease was due to Gunvor's strategic shift in emphasis away from lower margin crude oil to higher margin refined petroleum products, which is discussed above. The impact of this large decrease in the volume of sales of crude oil on revenue from sales of this commodity was partially offset by a significant increase in the average price of crude oil in 2011 as compared to 2010.

Cost of Sales

Gunvor's cost of sales increased by US$17.9 billion, or 26.4 per cent., from US$67.9 billion in 2010 to US$85.9 billion in 2011 principally due to an increase in total direct costs of products sold and, to a lesser extent, due to an increase in transportation expenses. The increase in total direct costs of products sold reflected a significant increase in the volume of refined petroleum products sold by Gunvor in 2011 as compared to 2010 as well as an increase in the proportion of such higher cost refined petroleum products in the total portfolio of commodities traded by Gunvor. In addition, increases in many commodities prices in 2011 as compared to 2010, particularly fuel oil, gasoline and natural gas, also contributed to higher total direct costs of products sold.

The increase in transportation expenses, which include shipping, railway, loading and customs expenses, reflected increases in volumes of commodities traded between the two years.

Gross Profit

Gunvor's revenue exceeded its cost of sales by US$0.7 billion in 2010 as compared to US$1.4 billion in 2011. However, as Gunvor hedges the vast majority of commodities it buys and sells, the impact of changes in the fair value of derivative financial instruments needs to be taken into consideration to determine Gunvor's gross profit. Losses resulting from changes in the fair value of derivative financial instruments amounted to US$113.3 million in 2010 and US$630.1 million in 2011. As a result of this increase in losses, Gunvor's gross profit only increased by US$254.6 million, or 45.8 per cent., from US$555.4 million in 2010 to US$810.0 million in 2011. Gross profit margin increased from 0.81 per cent. in 2010 to 0.93 per cent. in 2011.

Other Operating Expenses

The following table sets out the components of Gunvor's other operating expenses in 2010 and 2011, the percentage of Gunvor's total revenue that each of the components of the Group's other operating expenses represented in these two years and the percentage change in each of the components of Gunvor's other operating expenses between the two years:

	Year ended 31 December 2010	Share of total revenue in 2010	Year ended 31 December 2011	Share of total revenue in 2011	Percentage change between 2010 and 2011
	(in thousands of U.S. dollars)	(%)	(in thousands of U.S. dollars)	(%)	
Direct personnel expenses	84,591	0.1	121,326	0.1	43.4
Services	13,101	0.0	29,557	0.0	125.6
Bank charges	64,544	0.1	98,091	0.1	52.0
Loss from sale of investment	—	—	1,013	0.0	n/a
Depreciation	4,099	0.0	24,896	0.0	507.4
Impairment of receivable	5,717	0.0	503	0.0	(91.2)
General overheads and employee remuneration	136,597	0.2	174,182	0.2	27.5
Total other operating expenses	**308,649**	**0.4**	**449,568**	**0.5**	**45.7**

Gunvor's other operating expenses increased by US$140.9 million, or 45.7 per cent., from US$308.6 million in 2010 to US$449.6 million in 2011. This increase was driven principally by a US$37.6 million increase in general overheads and employee remuneration, a US$36.7 million increase in direct personnel expenses (including a US$27.8 million increase in salaries), a US$33.5 million increase in bank charges and a US$20.8 million increase in depreciation charges. The first two of these four increases were principally due to the increase in the number of Gunvor's employees from 755 as of 31 December 2010 to 936 as of 31 December 2011 as a result of the growth of Gunvor's business between the two years, particularly due to the implementation of its products and geographical diversification strategies and the commencement of operations at the Ust-Luga Terminal. The employee remuneration part of ''general overheads and employee remuneration'' consists of variable bonus payments, including share based payments. In 2011, equity-settled share-based payments amounted to US$55.0 million as compared to US$32.9 million in 2010. In addition, general overheads and employee remuneration increased between the two years due to a move to a new office in Geneva in 2011. The increase in bank charges between the two years was principally due to the need to finance increased business activity, which resulted in a larger number of loans made to the Group and a higher number of banks that made these loans. The increase in depreciation charges was principally due to the commencement of operations at the Ust-Luga Terminal in 2011, which was accordingly moved from work in progress to a depreciable asset as a result.

Net Finance Result

Gunvor's finance income exceeded its finance expense by US$17.8 million in 2010. In 2011, however, Gunvor's finance expense exceeded its finance income by US$8.9 million. This difference was principally driven by gains on quoted securities (financial assets at fair value through profit and loss) of US$17.2 million in 2010 as compared to a loss on investment in Keaton Energy Holdings Ltd. (''**Keaton Energy**'') and other quoted securities of US$12.6 million in 2011, which was partially offset by higher net foreign exchange gains in 2011.

Profit before Income Tax

Gunvor's profit before income tax increased by US$75.8 million, or 27.0 per cent., from US$280.6 million in 2010 to US$356.4 million in 2011. Since the Ust-Luga Terminal commenced operations in 2011, Gunvor created two segments in its Annual Financial Statements: the trading activities segment and the terminal activities segment. The newly created terminal activities segment, which included the Ust-Luga Terminal, had profit before income tax of US$44.3 million on revenue of US$138.0 million. Profit before income tax of the terminal activities segment accounted for 12.4 per cent. of Gunvor's total profit before income tax in 2011. Excluding the terminal activities segment, Gunvor's profit before income tax increased by US$31.5 million, or 11.2 per cent., in 2011 as compared to 2010.

Several of Gunvor's trading desks (fuel oil, gasoil, gas and LNG, biofuels and carbon emissions) were more profitable in 2011 than in 2010, in particular the fuel oil trading desk. As discussed above, demand for fuel oil is inversely correlated with crude oil refining margin and, as such margin was generally low in 2011, this resulted in very favourable conditions for fuel oil trading that consisted of higher demand and reduced volumes of fuel oil in the market (as many refiners upgraded their facilities in the last few years to minimise output of fuel oil per barrel of crude oil, thus reducing fuel oil flows into the market), making trading in fuel oil very profitable for Gunvor in that year. Higher profitability of the gasoil trading desk was driven by increased volumes of gasoil traded. See ''—*Revenue*''. For the gas and LNG trading desk, the overall increase in profitability was also related to significantly increased volumes of natural gas traded in 2011 as compared to 2010. For two of Gunvor's trading desks (crude oil and gasoline), profitability remained at approximately the same level in both 2010 and 2011. The naphtha trading desk saw a significant increase in volumes traded between the two years, but this increase was related to new contracts with thin margins, so the addition of these contracts was dilutive to the desk's profitability. Finally, the coal trading desk incurred losses in 2011, while its operations were profitable in 2010.

Income Tax Expense

Gunvor's income tax expense increased by US$7.1 million, or 36.2 per cent., from US$19.6 million in 2010 to US$26.7 million in 2011 principally due to an increase in profit before income tax between the two years and the impact of tax calculated at domestic tax rates applicable to profits in the respective countries, including the exit charge imposed by Dutch tax authorities on Gunvor International B.V. in connection with a move of certain businesses to Gunvor SA, the taxation of intragroup interest income received by Gunvor Group Ltd in 2011 and the commencement of operations at the Ust-Luga Terminal in 2011, the profit of which was taxed at the Russian corportate income tax rate of 20 per cent.

Profit for the Year

For the reasons discussed above, Gunvor's profit for the year increased by US$68.7 million, or 26.3 per cent., from US$260.9 million in 2010 to US$329.7 million in 2011.

Liquidity and Capital Resources

Overview

Gunvor's businesses are capital intensive, requiring working capital for trading activities and capital expenditure for logistics, refinery and mining operations. To date, Gunvor has funded its operations through borrowings and retained profits.

Gunvor's funding requirements are generally correlated with movements in commodity prices and business opportunities that it wishes to pursue. Increasing commodity prices generally lead to increased funding requirements for Gunvor's trading activities, assuming that trading volumes remain stable. In a falling commodity price environment, Gunvor will generally require lower working capital funding in its trading activities. Gunvor's management may also choose to defer discretionary capital expenditure and curtail production at its refineries in a falling commodity price environment. For more details on credit facilities available to Gunvor to fund its trading operations, see ''—*Indebtedness*'' below, ''*Description of Other Indebtedness—Revolving Credit Facilities*'' and ''*Description of Other Indebtedness—Uncommitted Short-term Facilities*''.

A significant proportion of funding for development of greenfield projects (the Ust-Luga Terminal, the Novorossiysk Terminal and the crude oil pipeline owned and operated by NPC LLC) has been secured through project finance loans. Acquisitions of certain assets or stakes in certain upstream assets (the Ingolstadt Refinery; a 33.3 per cent. interest in Signal Peak, a coal mining company located in Montana in the United States (''**Signal Peak**''); and a 30 per cent. interest in Kolmar, which owns coking coal assets in Russia) have been partially funded through acquisition finance facilities. For additional information on Gunvor's project finance loans and acquisition finance loans, see ''*Description of Other Indebtedness—Acquisition and Project Financing*''. Working capital needs of the Antwerp Refinery have been supported by a US$625 million uncommitted borrowing base working capital facility. In the first half of 2013, Gunvor's management also intends to establish a facility (or facilities) to cover the working capital and other financial needs related to the operations of the Ingolstadt Refinery. Gunvor also has a US$750 million uncommitted revolving credit facility to support its operations involving Petroterminal de Panama.

Cash Flows

The following table sets outs Gunvor's summary cash flow information for 2010, 2011 and 2012:

	Year ended 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Cash at 1 January	425,722	717,606	1,017,777
Net cash generated from/(used in) operating activities	2,104,387	(704,405)	196,135
Net cash used in investing activities	(299,940)	(807,761)	(702,225)
Net cash generated from/(used in) financing activities	(1,510,333)	1,808,811	314,347
Exchange (losses)/gains on cash	(2,230)	3,526	(24,354)
Cash at 31December	717,606	1,017,777	801,680

Net Cash Flows Generated from or Used in Operating Activities

As Gunvor's principal business involves the physical trading of various energy commodities, there is a significant amount of volatility in its cash flows from operating activities. The difference between cash receipts from customers and cash paid to suppliers varies considerably from year to year. Such difference amounted to US$2,590.9 million in 2010, US$55.4 million in 2011 and US$759.5 million in 2012. In terms of explaining the changes in cash flows from operating activities from year to year, this difference between cash receipts from customers and cash paid to suppliers is far more significant than any other explanatory factor as it alone accounted for (i) 90.3 per cent. of the total difference between cash generated from operating activities in 2010 and cash used in operating activities in 2011 (US$2,808.8 million) and (ii) 78.2 per cent. of the total difference between cash used in operating activities in 2011 and cash generated from operating activities in 2012 (US$900.5 million). Moreover, since it is measured as of 31 December of each year, at a time when Gunvor typically seeks to collect on any receivables before the statement of financial position year-end date, the difference between cash receipts from customers and cash paid to suppliers measured as of another date may be significantly different.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011. The following table sets out cash flows from Gunvor's operating activities in 2011 and 2012:

	Year ended 31 December	
	2011	2012
	(in thousands of U.S. dollars)	
Cash receipts from customers	76,541,852	76,885,311
Cash paid to suppliers	(76,486,453)	(76,125,836)
Derivative instruments net	(286,930)	61,039
Bank charges paid	(92,875)	(91,664)
Interest received	3,696	23,917
Interest paid	(75,999)	(137,936)
Income taxes paid	(54,577)	(16,310)
Cash receipts from other receivables	63,835	365,692
Cash paid for other operating expenses	(312,283)	(758,435)
Cash receipts from insurance	4,252	1,374
Cash paid for insurance	(8,923)	(11,017)
Net cash generated from/(used in) operating activities	**(704,405)**	**196,135**

Gunvor used US$704.4 million in operating activities in 2011. In 2012, Gunvor generated US$196.1 million from operating activities. This change was principally caused by (i) a much higher difference between cash receipts from customers and cash paid to suppliers in 2012 (US$759.5 million) as compared to 2011 (US$55.4 million), (ii) a cash gain on derivative financial instruments in 2012 (US$61.0 million) as compared to a cash loss on derivative financial instruments in 2011 (US$286.9 million) and (iii) a US$301.9 million increase in cash receipts from other receivables between the two years, all of which was partially offset by a US$446.2 million increase in cash paid for other operating expenses in 2012 as compared to 2011. For explanation of an increase in other operating expenses, see ''—*Year Ended 31 December 2011 Compared to Year Ended 31 December 2012—Other Operating Expenses*''.

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010. The following table sets out cash flows from Gunvor's operating activities in 2010 and 2011:

	Year ended 31 December	
	2010	2011
	(in thousands of U.S. dollars)	
Cash receipts from customers	64,529,178	76,541,852
Cash paid to suppliers	(61,938,279)	(76,486,453)
Derivative instruments	(132,400)	(286,930)
Bank charges paid	(67,692)	(92,875)
Interest received	3,786	3,696
Interest paid	(61,296)	(75,999)
Income taxes paid	(47,418)	(54,577)
Cash receipts from other receivables	68,374	63,835
Cash paid for other operating expenses	(243,612)	(312,283)
Cash receipts from insurance	2,135	4,252
Cash paid for insurance	(8,389)	(8,923)
Net cash (used in)/generated from operating activities	**2,104,387**	**(704,405)**

Gunvor generated US$2,104.4 million from operating activities in 2010. In 2011, Gunvor used US$704.4 million in operating activities. This change was principally caused by a much larger difference between cash receipts from customers and cash paid to suppliers in 2010 (US$2,590.9 million) as compared to 2011 (US$55.4 million), which accounted for 90.3 per cent. of the total difference in cash generated or used in operating activities between the two years. The relatively large difference between cash receipts from customers and cash paid to suppliers in 2010 was principally due to a particularly effective campaign to collect outstanding receivables at the end of 2010. The other factors explaining changes in operating cash flows between the two years were (i) higher payments on derivative financial instruments in 2011 (US$287 million) as compared to 2010 (US$132 million) and (ii) higher cash payments for other operating expenses in 2011 (US$312 million) as compared to 2010 (US$244 million), which accounted for 5.5 per cent. and 2.4 per cent., respectively, of the total difference in cash generated or used in operating activities between the two years.

Net Cash Flows Used in Investing Activities

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011. Net cash used in investing activities decreased by US$105.5 million, or 13.1 per cent., from US$807.8 million in 2011 to US$702.2 million in 2012. This decrease was principally due to (i) a much larger (by US$358.4 million) investment in associates in 2011 as compared to 2012 and (ii) much larger (by US$193.9 million) loan repayments from related parties in 2012 as compared to the prior year, which were partially offset by (a) a US$160.5 million net cash payment (net of cash acquired) in connection with the acquisition of the Antwerp Refinery (for US$7.9 million) and the Ingolstadt Refinery (for US$152.5 million) in 2012 and (b) much larger (by US$267.6 million) loans granted to related parties in 2012 as compared to the prior year. By far the largest investment in associates made by Gunvor in 2011 was the acquisition of a 33.3 per cent. stake in GMCH LLC, which owns Signal Peak. Gunvor used US$360 million of cash in connection with this acquisition in 2011. Gunvor made no similarly large investments in associates in 2012. The largest loan repayments from related parties in 2012 (US$197.5 million) came from Aria Petroleum (Cy) Limited (''**Aria**''), which took over the oil trading-related activities in Central Asia in 2012. Gunvor owns a 50 per cent. interest in this company. The largest loans granted to related parties in 2012 (US$312 million) consisted of loans to Aria.

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010. Net cash used in investing activities increased by US$507.8 million, or 169.3 per cent., from US$299.9 million in 2010 to US$807.8 million in 2011. This increase was principally due to a much larger (by US$332.9 million) investment in associates in 2011 as compared to 2010 due to the acquisition of a 33.3 per cent. stake in GMCH LLC, as discussed above, and a larger total amount of loans granted to related parties. Gunvor made no similarly large investments in associates in 2010. The US$196.5 million increase in loans to related parties between the two years was due to an increase in loans to associates and joint ventures from US$39.7 million in 2010 to US$177.4 million in 2011 and a US$103.3 million loan extended in 2011 to an entity the ultimate beneficial owner of which is Gunvor's CEO Mr Törnqvist. This loan is denominated in U.S. dollars, bears interest at 3.5 per cent. per year, is repayable on demand and can be set off against dividends.

Net Cash Flows Generated from or Used in Financing Activities

The difference between cash receipts from customers and cash paid to suppliers discussed in ''—*Net Cash Flows Generated from or Used in Operating Activities*'' above also has a strong effect on cash flows generated from or used in financing activities. In 2010, when such difference was particularly high (US$2,590.9 million), Gunvor was able to decrease amounts outstanding under its overdraft credit facilities (drawn amounts under the revolving credit facilities and the overdraft portion of Gunvor's bilateral trade finance loans) by US$1,361.5 million as there was no business need to keep so much cash in its accounts. In contrast, in 2011, when the difference between cash receipts from customers and cash paid to suppliers was almost non-existent (US$55.4 million) as compared to cash needs of Gunvor's trading operations, Gunvor increased amounts outstanding under its overdraft credit facilities by US$1,180.2 million.

Year Ended 31 December 2012. Net cash generated from financing activities in 2012 was equal to US$314.3 million. This resulted principally from (i) an increase (by US$732.8 million) in the outstanding amount under Gunvor's overdraft credit facilities (drawn amount under the revolving credit facilities and the overdraft portion of Gunvor's bilateral trade finance loans) as of 31 December 2012 and (ii) an increase (by US$258.5 million) in proceeds from borrowings in that year, which were partially offset by (a) a US$574.2 million repayment of loans and (b) a US$154.9 million payment of dividends to the equity holders of the Issuer in 2012.

Year Ended 31 December 2011. Net cash generated from financing activities in 2011 was equal to US$1,808.8 million. This resulted principally from an increase in the outstanding amount under Gunvor's overdraft credit facilities (drawn amount under the revolving credit facilities and the overdraft portion of Gunvor's bilateral trade finance loans) at year end of US$1,180.2 million, which was used to finance Gunvor's expanding trading operations, and new long-term borrowings in the amount of US$642.8 million, which principally included project finance loans for Signal Peak, NPC LLC in Russia, the Ust-Luga Terminal and the three-year tranche of Gunvor's revolving credit facility.

Year Ended 31 December 2010. Net cash used in financing activities in 2010 was equal to US$1,510.3 million. This principally reflected a decrease in the outstanding amount under Gunvor's overdraft credit facilities at year end of US$1,361.5 million due to Gunvor's successful efforts to reduce outstanding receivables at year end and the payment of dividends to the equity holders of Gunvor Group Ltd in the amount of US$153.2 million in that year.

Dealing with High Level of Volatility of Cash Flows from Trading Operations

Gunvor addresses this high level of volatility in its cash flows from operating activities and financing activities principally by (i) monitoring its cash position on a daily basis, (ii) maintaining a relatively large level of cash reserves (seeking to have a minimum level of cash reserves of approximately US$1 billion) at all times to be able to better meet all expected and unexpected cash requirements of its business and (iii) maintaining continued access to various sources and various types of funding through building strong relationships with a large number of banks.

Discussion of Certain Balance Sheet Items

Current Assets

The following table sets out Gunvor's current assets as of 31 December 2010, 2011 and 2012:

	As of 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Assets held for sale	—	—	155,565
Other financial assets	124,659	85,308	81,985
Inventories	3,355,869	4,077,317	4,529,413
of which Readily Marketable Inventories(1)	3,177,904	3,851,659	4,215,717
Tax receivable	970	3,490	8,783
Prepayments to suppliers	111,367	449,611	317,733
Trade and other receivables	2,922,142	3,707,735	4,087,701
Derivative financial instruments	635,547	939,715	755,217
Margin account with brokers	832,095	482,306	466,278
Cash	717,606	1,017,777	801,680
Total current assets	**8,700,255**	**10,763,259**	**11,204,355**

(1) For the description of how Readily Marketable Inventories are calculated, see ''*Presentation of Financial and Certain Other Information—Non-IFRS Financial Information*''.

31 December 2012 Compared to 31 December 2011. Gunvor's current assets increased by US$441.1 million, or 4.1 per cent., from US$10,763.3 million as of 31 December 2011 to US$11,204.4 million as of 31 December 2012. This increase was principally due to (i) a US$452.1 million increase in inventories (including a US$364.1 million increase in Readily Marketable Inventories), (ii) a US$380.0 million increase in trade and other receivables and (iii) a US$155.6 million in assets held for sale as of 31 December 2012, all of which were partially offset by a US$216.1 million decrease in cash and a US$131.9 million decrease in prepayments to suppliers.

An increase in inventories between 31 December 2011 and 31 December 2012 was principally due to the increase in inventories of refined petroleum products from US$3,011.7 million as of 31 December 2011 to US$3,814.9 million as of 31 December 2012, which was partially offset by a decrease in inventories of crude oil from US$922.2 million as of 31 December 2011 to US$550.0 million as of 31 December 2012. These changes were related to the acquisition of the two refineries by Gunvor in 2012, which boosted the inventories of refined petroleum products. Trade and other receivables increased by 10.2 per cent. between the two dates, which was generally in line with the overall increase of Gunvor's business between 2011 and 2012 as measured by revenue. There were no assets held for sale as of 31 December 2011. As of 31 December 2012, however, such assets amounted to US$155.6 million. Assets related to Mintley (Caspian) Limited, in which Gunvor holds a 30 per cent. interest and which is involved in oil exploration at the Lagansky Block in the Russian sector of the Caspian Sea; Ust-Luga Marine Port Limited (in which Gunvor holds a 35 per cent. interest and which owns 100 per cent. of a Russian entity that holds land and rights to construct a fuel bunkering terminal in Ust-Luga) and a portion of GMCH LLC investment (8.33 per cent. out of the 33.33 per cent. stake in Signal Peak) have been designated as assets held for sale as the Group's management believes that it will be able to recover the amount stated above through sale transactions. Management approvals process in respect of plans to sell these assets has been initiated and active search to locate potential purchasers of such assets is ongoing. The Group's management expects to complete sales of these assets within the next 12 months. A US$131.9 million decrease in prepayments to suppliers was principally due to a US$120.8 million decrease in prepayments for refined petroleum products and crude oil.

31 December 2011 Compared to 31 December 2010. Gunvor's current assets increased by US$2,063.0 million, or 23.7 per cent., from US$8,700.3 million as of 31 December 2010 to US$10,763.3 million as of 31 December 2011. This increase was principally due to (i) a US$785.6 million increase in trade and other receivables, (ii) a US$721.4 million increase in inventories (including a US$673.8 million increase in Readily Marketable Inventories), (iii) a US$338.2 million increase in prepayments to suppliers, (iv) a US$304.2 million increase in derivative financial instruments and (v) a US$300.2 million increase in cash, all of which were partially offset by a US$349.8 million decrease in amounts in margin account with brokers. A 26.9 per cent. increase in trade and other receivables was in line with the overall growth of Gunvor's business measured by increase in revenue, which went up by 27.2 per cent. between the two years. The increase in inventories reflected the overall shift in Gunvor's trading business from crude oil trading to refined petroleum products trading. Accordingly, inventories of refined petroleum products increased by US$855.7 million from 31 December 2010 to 31 December 2011, while inventories of crude oil decreased by US$200.9 million. The increase in total prepayments to suppliers principally reflected a US$308.9 million increase in prepayments to supplies of refined petroleum products. The latter increase was principally due to prepayments to two suppliers in the amounts of US$140 million and US$115 million, respectively. A large increase in cash between 31 December 2010 and 31 December 2011 reflected the need to increase Gunvor's cash reserves in line with significant growth of its trading business between the two dates. Margin accounts with brokers shown in the current assets of the balance sheet (US$482.3 million as of 31 December 2011 and US$832.1 million as of 31 December 2010) represent cash deposited to cover potential obligations of Gunvor in respect of derivatives.

Current Liabilities

The following table sets out Gunvor's current liabilities as of 31 December 2010, 2011 and 2012:

	As of 31 December		
	2010	**2011**	**2012**
	(in thousands of U.S. dollars)		
Current tax liabilities	53,683	21,044	27,737
Provisions	1,000	4,000	17,752
Trade and other payables	4,614,683	4,884,181	5,267,870
Prepayments from customers	46,066	58,209	104,079
Derivative financial instruments	936,268	956.974	595,125
Margin account with brokers	1,701	38,382	183,024
Short-term bank loans	2,171,337	3,598,894	3,971,904
Total current liabilities	**7,824,738**	**9,561,684**	**10,167,491**

31 December 2012 Compared to 31 December 2011. Gunvor's current liabilities increased by US$605.8 million, or 6.3 per cent., from US$9,561.7 million as of 31 December 2011 to US$10,167.5 million as of 31 December 2012. This increase was principally due to (i) a US$383.7 million increase in trade and other payables, (ii) a US$373.0 million increase in short-term bank loans and (iii) a US$144.6 million increase in amounts in margin account with brokers, all of which were partially offset by a US$361.8 million decrease in derivative financial instruments.

The increase in trade and other payable between the two dates was principally due to a US$295.8 million increase in total trade payables and a US$125.7 million increase in indirect taxes payable. A 6.3 per cent. increase in total trade payables between 31 December 2011 and 31 December 2012 was in line with the overall increase of Gunvor's business between 2011 and 2012 as measured by revenue that increased by 6.7 per cent. The increase in indirect taxes payable was principally due to excise taxes payable on sales of petroleum products to the German market by the Ingolstadt Refinery acquired by Gunvor in 2012. A 10.4 per cent. increase in short-term bank loans between the two dates was generally in line with the overall increase in Gunvor's revenue between 2011 and 2012. Margin accounts with brokers shown in the current liabilities of the balance sheet (US$183.0 million as of 31 December 2012 and US$38.4 million as of 31 December 2011) represent cash received to cover potential obligations of brokers towards Gunvor in respect of derivatives.

31 December 2011 Compared to 31 December 2010. Gunvor's current liabilities increased by US$1,736.9 million, or 22.2 per cent., from US$7,824.7 million as of 31 December 2010 to US$9,561.7 million as of 31 December 2011. This increase was principally due to a US$1,427.6 million increase in short-term bank loans and a US$269.5 million increase in trade and other payables. As discussed above, the difference between cash receipts from customers and cash paid to suppliers varies considerably for Gunvor from year to year. Such difference amounted to US$2,590.9 million in 2010, but only to US$55.4 million in 2011. In 2010, Gunvor was able to decrease amounts outstanding under its overdraft credit facilities by US$1,361.5 million as there was no business need to keep so much cash in its accounts. In contrast, in 2011, when the difference between cash receipts from customers and cash paid to suppliers was almost non-existent (US$55.4 million) as compared to cash needs of Gunvor's trading operations, Gunvor increased amounts outstanding under its overdraft credit facilities by US$1,180.2 million. These changes in cash flows from operating activities between the two years and the resulting changes in cash flows generated from or used in financing activities explain the difference in amounts outstanding under short-term bank loans as of 31 December 2010 and 31 December 2011.

Capital Resources and Financing Initiatives

Gunvor's business requires high levels of working capital funding and significant liquidity. Gunvor's primary financial objective is to maintain a strong financial profile, including having access to sufficient amounts of liquidity to finance its operations and planned growth. Gunvor's management believes that the current level of its cash flow from operations, its existing credit facilities, the high level of Readily Marketable Inventories and the self-liquidating nature of its physical trading activities, together with its ability to access international bank markets allow Gunvor to finance all of its existing and currently planned business needs, including working capital requirements and payments due on its outstanding indebtedness and contractual obligations. Gunvor expects to repay its long-term debt obligations through cash from operations and/or future financings.

Gunvor's short-term debt generally finances its current assets, comprising inventories and trade receivables, which are either self-liquidating or otherwise subject to a high rate of turnover. Gunvor meets these financing requirements by maintaining appropriate levels of cash reserves and/or maintaining sufficient headroom under its committed revolving credit facilities. It is Gunvor's policy to seek to have a minimum level of cash reserves of approximately US$1 billion to meet all expected and unexpected cash requirements of its business.

Indebtedness

As Gunvor's borrowing needs are large and growing, it has placed a special emphasis on building strong relationships with a large number of banks. This is particularly important because the vast majority of Gunvor's total indebtedness is short-term and, therefore, frequent refinancing of existing facilities demands good working relationships with its banking partners.

As of 31 December 2010, 18 banks provided bilateral loan facilities to Gunvor and 28 banks formed a syndicate that provided a revolving credit facility to it. In total, these facilities amounted to US$13.1 billion. As of 31 December 2011, 19 banks provided bilateral loan facilities to Gunvor and 43 banks were in a syndicate that provided a revolving credit facility to it. The overall size of these facilities increased to US$14.9 billion. As of 31 December 2012, Gunvor obtained bilateral facilities from 30 banks and 50 banks were in the syndicates that provided the European RCF and the Asian RCF (as defined below) to it. The overall size of these facilities further increased to US$16.6 billion.

For further information on the Group's funding sources, see ''*Description of Other Indebtedness*''.

Long-term Bank Loans

As of 31 December 2012, Gunvor had the following principal long-term indebtedness outstanding:

	Total amount available	**Amount outstanding as of 31 December 2012**
	(in thousands of U.S. dollars)	
Tranche B of the European revolving credit facility(1)	110,000	110,000
Secured acquisition facility to finance the acquisition of the Ingolstadt Refinery(2)	82,671	82,671
RNB loan(3)	99,389	99,389
RNB loan(3)	232,637	232,637
Secured acquisition facility to finance the acquisition of shares in Signal Peak	171,409	171,409
Kolmar loan	50,000	50,000
Total	**746,104**	**746,104**

(1) Three-year facility that matures in December 2015.

(2) Five-year facility that matures in December 2017.

(3) Related to the financing of construction of the Ust-Luga Terminal.

As of 31 December 2012, the interest rates on Gunvor's long-term variable rate loans ranged from London Interbank Offered Rate (''**LIBOR**'') + 2.6 per cent. to LIBOR + 7.0 per cent. The only fixed rate long-term loan to Gunvor had an interest rate of 9.2 per cent. as of that date. These loans are secured by a pledge over the shares of five of the subsidiaries of the Issuer in a total amount of US$548.8 million and €176 million.

For the maturity profile of Gunvor's borrowings, see ''—*Contractual Obligations and Commercial Commitments*''.

Short-term Bank Loans

As of 31 December 2012, Gunvor had uncommitted transactional credit facilities from 30 commercial banks in a total amount of US$14,018 million (as of 31 December 2010, US$13,098 million and, as of 31 December 2011, US$14,853 million) with no specified maturity dates. These facilities, which are used for trade finance, are subject to an annual renewal. As part of obtaining and using these credit facilities, the trading entities of the Group have signed pledge of goods and receivables agreements providing collateral for the banks.

In addition, since December 2012, Gunvor had available from a syndicate of 32 banks a committed European revolving credit facility of US$975 million and €58.1 million (as of 31 December 2010, US$1,060 million and, as of 31 December 2011, US$1,400 million) expiring in December 2013 (the ''**European RCF**''), with an additional US$110 million expiring in December 2015. This revolving credit facility is covered by a negative pledge covering all goods and receivables involved in Gunvor's European operations not pledged within the transactional credit facilities. Furthermore, since June 2012, Gunvor had available from a syndicate of 28 banks a committed Asian revolving credit facility of US$635 million expiring in June 2013 (the ''**Asian RCF**''). This revolving credit facility is covered by a negative pledge covering all goods and receivables involved in Gunvor's Asian operations not pledged within the transactional credit facilities. For additional information on European RCF and Asian RCF, see ''*Description of Other Indebtedness—Revolving Credit Facilities*''.

As of 31 December 2012, Gunvor's total short-term borrowings amounted to US$3,972 million on all combined short-term bank loans (as of 31 December 2010, US$2,171 million and, as of 31 December 2011, US$3,599 million). In addition, as of 31 December 2012, the banks had issued letters of credit and guarantees with a total value of US$3,414 million (as of 31 December 2010, US$5,493 million and, as of 31 December 2011, US$5,726 million). The balance of total unused short-term credit facilities as of 31 December 2012 amounted to US$8,317 million (US$758 million under committed facilities and US$7,559 million under uncommitted facilities). As of the same date, 28 per cent. of Gunvor's bilateral facilities and 31 per cent. of European RCF and Asian RCF were unused, resulting in a total headroom of US$4.5 billion. As of 31 December 2011, the balance of total unused facilities amounted to US$7,077 million (US$510 million under committed facilities and US$6,567 million under uncommitted facilities) and, as of 31 December 2010, to US$6,494 million (US$510 million under committed facilities and US$5,984 million under uncommitted facilities).

The weighted average of the interest rate of all the short-term credit facilities as of 31 December 2012 was U.S. dollar LIBOR + 1.446 per cent. per annum (the rate was U.S. dollar LIBOR + 1.018 per cent. per annum as of 31 December 2010 and U.S. dollar LIBOR + 1.853 per cent. per annum as of 31 December 2011).

In the first half of 2013, Gunvor's management intends to (i) refinance Asian RCF and increase the amount available under it; (ii) establish a new long-term non-recourse secured facility in the amount expected to be between US$675 million and US$700 million to (a) refinance the two existing RNB facilities; (b) finance part of Gunvor's planned capital expenditures and (c) repay certain intercompany loans; (iii) establish an uncommitted secured borrowing base facility in a principal amount expected to be approximately US$400 million to cover the Oman gasoline blending facility's working capital needs and (iv) establish a short-term facility in a principal amount expected to be approximately US$400 million to cover the Ingolstadt Refinery's working capital needs. In addition, a factoring facility of approximately US$300 million for the Ingolstadt Refinery is also currently contemplated.

Security of Short-term Bank Loans. Short-term borrowings from fifty commercial banks as of 31 December 2012 were secured by US$4,437 million of inventory (as of 31 December 2010, by US$3,356 million and, as of 31 December 2011, by US$4,077 million), US$3,580 million of receivables (as of 31 December 2010 by US$2,830 million and, as of 31 December 2011, by US$3,922 million) and US$789 million of cash balances (as of 31 December 2010, by US$698 million and, as of 31 December 2011, by US$987 million).

Certain Debt-related Ratios

The following table sets out certain information on Gunvor's levels of debt, cash, Readily Marketable Inventories and certain debt related ratios as of 31 December 2010, 2011 and 2012:

	As of 31 December		
	2010	**2011**	**2012**
Long-term borrowings, including current portion ("**long-term debt**") *(in thousands of U.S. dollars)*	233,253	873,530	902,114
Long-term debt to total equity	0.15x	0.45x	0.40x
Long-term debt to Consolidated EBITDA(1)	0.69x	1.63x	1.57x
Short-term bank loans, excluding current portion of long-term borrowings *(in thousands of U.S. dollars)*	2,171,337	3,567,644	3,815,894
Total debt(2) *(in thousands of U.S. dollars)*	2,404,590	4,441,174	4,718,008
Total debt(2) to total equity	1.53x	2.27x	2.11x
Total debt(2) to Consolidated EBITDA(1)	7.09x	8.31x	8.21x
Cash *(in thousands of U.S. dollars)*	717,606	1,017,777	801,680
Readily Marketable Inventories(3) *(in thousands of U.S. dollars)*	3,177,904	3,851,659	4,215,717
Adjusted net debt(4) *(in thousands of U.S. dollars)*	(1,490,920)	(428,262)	(299,389)
Adjusted net debt(4) to total equity	(0.95x)	(0.22x)	(0.13x)
Adjusted net debt(4) to Consolidated EBITDA(1)	(4.39x)	(0.80x)	(0.52x)

(1) For some of the limitations relating to the use of Consolidated EBITDA, see "*Presentation of Financial and Certain Other Information—Non-IFRS Financial Information*". For calculation of Consolidated EBITDA, see "*Overview—Summary Consolidated Financial Information*" and "*Selected Historical Financial Information*".

(2) Total debt is calculated as the sum of short-term bank loans and long-term borrowings.

(3) For the description of how Readily Marketable Inventories were calculated, see "*Presentation of Financial and Certain Other Information—Non-IFRS Financial Information*".

(4) Adjusted net debt is calculated by subtracting the sum of cash and Readily Marketable Inventories from total debt.

Since self-liquidating bilateral trade finance loans and the revolving credit facilities that comprise almost all of Gunvor's short-term borrowings are essentially used for its working capital needs and are backed by Readily Marketable Inventories, long-term debt and ratios calculated using long-term debt are included in the table above because long-term debt represents a more appropriate measure of Gunvor's debt levels.

A very large proportion of Gunvor's total inventories consist of Readily Marketable Inventories, which comprise inventories that are readily convertable into cash due to their liquid nature, widely available markets and the fact that any associated price risk is covered through hedging. Given the liquid nature of these inventories and associated funding, which represent a significant share of Gunvor's current assets and liabilities, Gunvor's management believes it is appropriate to consider them as cash equivalents. Gunvor's management also believes that the non-IFRS measure of Readily Marketable Inventories is a valuable tool in analysing Gunvor's net debt levels (hence the use of the "adjusted net debt" measure in the table above) and computing certain debt-related ratios. While this measure is intended to provide additional information to investors and analysts, it does not have any standardised meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Group's Equity Maintenance Requirements

As of the date hereof, Gunvor has agreed with the banks which participated in (i) the European RCF, (ii) the Asian RCF, (iii) a US$625 million uncommitted revolving credit facility for the Antwerp Refinery entered into in October 2012 for which the borrowers are Gunvor Belgium N.V. and Gunvor SA and (iv) a US$750 million uncommitted revolving credit facility for Petroterminal de Panama entered into in November 2012 for which the borrower is Gunvor SA to comply with the following financial covenants:

- maintain "consolidated tangible net worth" of the Group of at least US$1,300 million at any point in time;
- maintain "working capital" of the Group of at least US$550 million at any point in time, where "**working capital**" is defined as the sum of all "current assets" of the Group (excluding any intra-Group receivables) less the total "current liabilities" of the Group; "**current assets**" is defined as the aggregate of inventory, trade and other receivables in respect of operational items of each

member of the Group falling due within twelve months of the date of computation; and "**current liabilities**" is defined as the aggregate of all liabilities (including trade creditors, accruals and provisions of each member of the Group) in respect of operational items falling due within twelve months from the date of computation.

- maintain a ratio of "current assets" to "current liabilities" of at least 1.10 to 1 at any point in time; and
- maintain a ratio of "consolidated long-term borrowings" to "consolidated tangible net worth" of at most 1 to 1 at any point in time.

Gunvor has also committed to comply with certain capacity covenants. Gunvor is in full compliance with, and has never defaulted under, any financial or capacity covenants.

Capital Expenditure

The following table sets out the breakdown of Gunvor's capital expenditures in 2010, 2011 and 2012:

	Year ended 31 December		
	2010	2011	2012
	(in thousands of U.S. dollars)		
Purchases of property, plant and equipment	201,596	240,885	240,600
Investment in associates	37,297	370,234	11,882
Acquisition of subsidiaries, net of cash acquired	—	—	160,451
Proceeds from disposal of subsidiaries	(572)	—	(29,313)
Total	**238,321**	**611,119**	**383,620**

Contractual Obligations and Commercial Commitments

The following table sets out Gunvor's total future commitments to settle contractual obligations as at 31 December 2012:

	As of 31 December 2012				
	Total	Less than one year	More than one and less than two years	More than two and less than five years	More than five years
	(in millions of U.S. dollars)				
Committed capital expenditure for acquisition of property, plant and equipment	69	69	—	—	—
Operating leases	582	180	105	226	71
Letters of credit	3,414	3,299	62	52	—
Borrowings(1)	4,718	3,972	228	518	—
Total contractual obligations and commercial commitments(2)	8,783	7,451	395	796	71

(1) The loans are subject to specific repayment terms and any default on the repayments could result in the acceleration of these payments.

(2) This contractual obligations and commercial commitments table does not reflect purchase orders entered into in the normal course of business or long-term commitments for normal purchases and sales.

Contingent Liabilities

Gunvor did not have any material contingent liabilities as of 31 December 2012.

Guarantees

All transactional credit facilities as well as the European RCF and Asian RCF granted by banks to Group companies are covered in full by corporate guarantees issued by the Issuer.

In addition, as of 31 December 2012, the Issuer provided corporate guarantees to business counterparties that grant open credit lines to Group companies, in an aggregate amount of US$1,771 million (as of 31 December 2010, US$340 million and, as of 31 December 2011, US$1,404 million).

Litigation

Gunvor deals with a very large number of suppliers and customers. In the ordinary course of its business, Gunvor is from time to time involved in commercial disputes as both claimant and defendant. Certain legal actions, other claims and unresolved disputes are pending against Gunvor. While Gunvor's management cannot predict the results of any litigation, it believes that Gunvor has meritorious defences against those actions or claims. Gunvor's management believes the likelihood of any material liability arising from these claims to be remote and that the liability, if any, resulting from any such litigation will not have a material adverse effect on the Group's consolidated income, financial position or cash flows.

Environmental Contingencies

Gunvor's operations, predominantly those arising from the ownership of industrial and logistics assets, are subject to various environmental laws and regulations. Gunvor is in compliance with those laws and regulations. Gunvor accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, Gunvor's management is unaware of any material environmental incidents at its locations.

Financial Risk Management

Market Risks

Commodity Price Risk

When Gunvor purchases commodities or related assets for delivery to a customer, a decrease in the price of those assets could result in losses to Gunvor. When Gunvor agrees to sell commodities to a customer, an increase in the price of those assets could result in losses to Gunvor, as Gunvor seeks to acquire the underlying commodities in a rising market. In order for Gunvor to mitigate the risks associated with commodity price fluctuations and the potential losses associated therewith, Gunvor's management has implemented trading policies designed to substantially hedge these risks. In 2012, more than 94 per cent. of stocks of commodities were economically hedged by derivative instruments with respect to commodity price risk (in both 2010 and 2011, above 95 per cent.).

All derivative instruments related to refined petroleum products and crude oil mature in December 2014 at the latest, and the vast majority expire during 2013 covering the commodity price risk related to physical sales or purchases to be delivered during that period. The supply agreements for crude oil and refined petroleum products that Gunvor enters into do not usually bear a commodity price risk further out than four months other than hedges for the refinery output.

All derivative instruments related to coal, natural gas, LNG, power and emissions mature in December 2025 at the latest and cover commodity price risk related to physical sales or purchases to be delivered during that period.

Interest Rate Risk

Gunvor is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Matching of assets and liabilities is used as the primary method of hedging interest rate risk. Floating-rate debt is predominantly used to fund fast-turning working capital and interest on such debt is based on U.S. dollar LIBOR and, accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms, thus reducing Gunvor's exposure to interest rate fluctuations. Gunvor does not use derivative financial instruments to manage interest rate risk. Assuming the amount of floating rate liabilities at the reporting period end were outstanding for the whole year, interest rates were 1 per cent. higher/lower and all other variables held constant, Gunvor's income and equity for the year ended 31 December 2012 would decrease/increase by US$15 million (US$14 million for the year ended 31 December 2011).

Currency Risk

Gunvor's reporting currency and the functional currency of Gunvor's operations is the U.S. dollar, as this is assessed to be the principal currency of the economic environment in which Gunvor operates. Non-U.S. dollar transactions are principally operational expenses, payables, receivables or cash on bank accounts primarily in Swiss francs, euro, Singapore dollars and Russian roubles. Transactions in foreign currencies are converted into the functional currency of each entity using the exchange rate prevailing at the transaction date. Monetary assets and liabilities outstanding at year end are converted at year-end rates. The resulting exchange differences are recorded in the consolidated statement of income. The exchange rates between relevant local currencies and the U.S. dollar have fluctuated historically, and the translation effect of such fluctuations could affect Gunvor's results of operations and financial condition. However, Gunvor's management does not believe that Gunvor is materially exposed to non-U.S. dollar currency risk and, therefore, the impact of a sudden adverse currency movement, in particular a weakening of the U.S. dollar, will not significantly impact the results of the Group. The main exposure of Gunvor is in respect of a euro-denominated loan provided by an international financial institution to RNB and which was taken over by the Group when it acquired RNB in December 2008. The payment of interest on this loan commenced in 2011 and the repayment of principal will commence in 2015. Gunvor hedged this exposure in order to gradually reduce the amount at risk to less than 58 per cent. (in 2010, less than 70 per cent. and in 2011, less than 66 per cent.).

As of 31 December 2012, a 10 per cent. strengthening of the euro against the U.S. dollar would have negatively impacted Gunvor's statement of comprehensive income and equity by US$13 million (as of 31 December 2010, by US$10 million and, as of 31 December 2011, by US$22 million).

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires Gunvor's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to Gunvor's results of operations, are summarised below:

Valuation of Open Physical Contracts Related to Oil Products

Gunvor's management estimates the premiums and discounts used for valuing open physical contracts based on observable market data.

Valuation of Open Physical Contracts Related to Energy Derivatives

Derivative contracts are carried on Gunvor's balance sheet at fair value, with changes in fair value recorded in the statement of comprehensive income. Energy derivatives relate to power, coal, freight, LNG, natural gas and emissions. Fair values of energy derivatives are estimated using valuation techniques by reference in part to published price quotations in active markets and in part by using assumptions. Due to the uncertainty of the market conditions and the lack of reliability of market information, Gunvor's management does not estimate the value of long-term coal contracts.

Valuation of Available for Sale Financial Assets

Gunvor's management determines the fair value of Gunvor's available for sale financial assets, which are not quoted in an active market, by using valuation techniques. Gunvor has used a discounted cashflow analysis incorporating a number of assumptions, especially in respect of volumes, price and discount rate at the end of each period.

Business Combinations

The assessment of the fair value of identified assets and liabilities is determined using valuation techniques, for which assumptions and inputs (including financial model selected, weighted average cost of capital used and terminal value projections) are, to the extent possible, based on externally verifiable inputs.

BUSINESS

Overview

Gunvor is a leading global energy commodities trader with investments in a number of logistics, refining, coal mining and other assets.

Gunvor's trading business principally involves the physical trading of crude oil, refined petroleum products, natural gas and LNG, coal, biofuels, power and carbon emissions. Gunvor commenced its trading operations in 2000, initially focusing on the export of crude oil and refined petroleum products from Russia only, and subsequently diversifying its trading operations both in geographic and product terms. In the past three years, traded volumes have grown from 46.6 million metric tonnes of refined petroleum products, 2.2 million metric tonnes of oil equivalent of natural gas and LNG and 4.2 million metric tonnes of coal in 2010 to 64.8 million metric tonnes of refined petroleum products, 18.4 million metric tonnes of oil equivalent of natural gas and LNG and 12.8 million metric tonnes of coal in 2012, making Gunvor one of the leading independent energy trading houses in the world. In contrast, the volume of crude oil traded by Gunvor decreased from 64.5 million metric tonnes in 2010 to 36.4 million metric tonnes in 2011 and 33.8 million metric tonnes in 2012. As competition in the Russian crude oil market has increased, Gunvor has significantly reduced its purchases of Russian crude oil and placed greater emphasis on increasing the share of other, higher margin commodities in the Group's trading portfolio, with a particular focus on refined petroleum products. The Group currently trades globally through its Trading Centres which are supported by a number of other offices. Gunvor is also involved in shipping operations that support its trading activities through its chartering arm, Clearlake.

Gunvor began expanding into non-trading activities, most of which have synergies with its trading operations, in 2008 and has since made significant investments in logistics (oil products terminals and pipelines), refineries, coal mines and other assets through a number of acquisitions or greenfield projects. In 2011, Gunvor commenced operations at its largest investment project, the Ust-Luga Terminal, and is continuing construction to add light product transhipment capacity and to increase fuel oil transhipment capacity at that terminal. In 2012, Gunvor acquired two oil refineries formerly owned by the Petroplus group, the Antwerp Refinery and the Ingolstadt Refinery. In 2010, Gunvor began to acquire significant ownership stakes in coal mines in the United States, Eastern Russia and South Africa. These investments into midstream, downstream and upstream assets have allowed Gunvor to enhance its control over the sourcing and distribution components of its trading platform, diversify its income streams and strengthen its competitive position.

Gunvor's ultimate parent company, Gunvor Group Ltd, is registered in Cyprus and is privately owned by its founders, Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist, together with a number of senior employees. See ''*Shareholders*''. In addition to its Trading Centres, Gunvor also operates through Representative Offices, its corporate head office in Nicosia, a service centre in Tallinn and an office in Amsterdam. The number of Gunvor's employees as of 31 December 2012 was 1,634, including 503 terminal operators and 604 refinery workers.

Gunvor's consolidated revenue in 2010, 2011 and 2012 was US$68.6 billion, US$87.3 billion and US$93.1 billion, respectively. Its profit for the year for each of those years was US$260.9 million, US$329.7 million and US$301.1 million, respectively. Gunvor's total assets amounted to US$13.4 billion as of 31 December 2012, while its total equity was US$2.2 billion as of 31 December 2012.

History and Development of Gunvor's Business

Gunvor's principal owners, Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist, began working together in 1997, drawing on the expertise of Mr Guennadi Timtchenko and Mr Torbjörn Törnqvist in the oil industry, the Russian market and transit logistics. In 2003, Mr Timtchenko and Mr Törnqvist agreed to relocate part of the business to Geneva, as it was easier to attract international commodity traders and establish stronger ties to some of the main banks that finance commodity trading. Gunvor's management and traders became employees of the Geneva branch of Gunvor International Ltd., which was incorporated in the British Virgin Islands, while operations and accounting remained in Tallinn. In October 2007, in order to establish an onshore trading entity in Europe, Gunvor International Ltd. was replaced by a newly formed Dutch company, Gunvor International B.V., with all trading activity done through its Geneva branch.

As the scope of Gunvor's operations grew, the Group's management began to implement a strategy of diversification, focusing both on entering new geographic markets to balance Gunvor's core Russian business and on expanding its operations into new commodities. In 2006, Gunvor registered a new company in Singapore with the aim of developing an Asian trading centre. Gunvor Singapore Pte. Ltd. commenced operations one year later with five employees. The acquisition of Castor Energy SA and its subsidiaries in 2009 reinforced Gunvor's presence in the Americas and was followed by the opening of a new trading centre in Nassau to cover this region. A new office was opened in August 2011 in Dubai, becoming Gunvor's fourth trading centre and focusing on the Middle East. In addition, since 2007, Gunvor has opened offices in Beijing, Abuja, Panama, Bogota, Buenos Aires, Moscow, Amsterdam, Almaty and Ulan Bator to support its expansion into new markets.

In parallel with its entrance into new geographic markets, Gunvor also pursued a strategy of expanding its trading portfolio into new commodities. Trading in refined petroleum products was expanded from gasoil and fuel oil to include gasoline, naphtha and LPG. In 2009, Gunvor decided to further broaden its energy trading portfolio by moving into coal, natural gas, LNG, biofuels, power and carbon emissions.

In 2008, Gunvor started to invest in physical assets. See ''—*Overview*'' above for a brief discussion of such investments and ''—*Logistics, Refining, Mining and Other Operations*'' for a more detailed discussion.

Key Strengths

The Group's management believes that Gunvor's key competitive strengths are as follows:

Leading Market Position in Energy Products Trading

Gunvor is one of the leading independent global traders of energy products, in particular crude oil and refined petroleum products. In 2012, Gunvor traded 98.4 million metric tonnes of crude oil and refined petroleum products.

The global market opportunity set for independent traders in crude oil and refined petroleum products is sizeable and continues to grow as major producers of crude oil and refined petroleum products, especially the large integrated oil companies, place increasing emphasis on upstream oil and gas exploration, development and production and reduce emphasis on their other traditional downstream activities, which include refining and marketing. Shifts in the flow of oil and gas commodities that have resulted from major industry developments in terms of supply (new unconventional resources such as, for example, shale gas and oil developments in the United States) and demand (for example, increasing demand from high-growth emerging markets, especially in Asia) are also creating new opportunities for independent traders to play a more prominent role in the global trade of crude oil and refined petroleum products. There are high barriers to entry for new players which face competition from existing players that already have a global presence and scale, secured access to funding, established supplier and customer bases and logistics networks, sophisticated risk management as well as experienced management and trading personnel. As a result, Gunvor's management believes that the market in which Gunvor operates will continue to expand.

Gunvor's management believes that Gunvor's leading market position allows it to:

- access and supply a broad range of crude and refined product grades and specifications to meet customer requirements;
- manage product flows and logistics in a flexible way so as to increase operating profits;
- gain insight into trade flows and marketing requirements, including knowledge of local market dynamics in a broad range of jurisdictions, which allows it to identify profitable arbitrage opportunities;
- benefit from economies of scale in relation to key transaction components, including commodity purchase and sale, storage, transportation, financing and risk management;
- develop strong relationships with its customers and suppliers, which provide it with increased access to market knowledge and physical flows; and
- access capital and funding from a broad range of financial institutions.

Track Record of Profitable Trading Operations

Gunvor has an established track record as a marketer of crude oil and refined petroleum products. It has built core competencies in commodity marketing, logistics, financing and risk management and supplier and customer relationships that provide it with extensive market knowledge and insight. Together, these competencies and knowledge allow Gunvor to take advantage of arbitrage opportunities in the global commodities markets. Such arbitrage opportunities may arise as a result of market mispricings and dislocations, including those that arise as a result of disruptive market events (such as the Fukushima nuclear reactor incident in Japan in 2011), as well as those that are created by insufficiently developed infrastructure and logistics networks (as can be found in various emerging market countries). Gunvor has established extensive logistics capabilities and an advanced risk management system that allow it to generate margins by providing services including shipping, logistics, transportation and storage as well as arranging financing for its suppliers and customers (that are generally secured by physical commodity flows and/or other assets), while seeking to minimise its risks. This broad range of services allows Gunvor to provide an efficient and seamless service, especially to customers that do not have equivalent internal capabilities, and distinguishes it from traders who are unable to provide similar services.

Gunvor's ready access to logistics-related assets globally, such as a relatively large fleet of ships leased on a time charter basis, storage and blending facilities, as well as to various intermediaries, such as freight and other transport intermediaries, is a key component of its ability to offer such customer services and provides it with greater flexibility in managing its business and capturing arbitrage opportunities in a timely manner. For example, access to storage facilities allows Gunvor to blend products and manage product deliveries to meet customer requirements thus capturing incremental margins.

Gunvor's profitability is based on its ability to capture arbitrage opportunities irrespective of commodity price direction and the Group has demonstrated its ability to consistently achieve strong financial performance throughout the commodity price cycle. For example, the Group was able to capitalise on the significant market volatility during the 2008-2009 global financial and economic crisis, achieving record profit for the year of US$621.2 million in 2009. Gunvor's track record of consistently being profitable demonstrates its resilience through industry and commodity price cycles.

Diversified Operations—Geographically and Across Commodities

Gunvor is involved in trading operations in Europe, Asia, Middle East, Africa, North America and Latin America, has logistics assets in Europe and Latin America, refining assets in Europe, coal mining assets in the United States, Eastern Russia and South Africa and conducts commercial activities through four Trading Centres and seven Representative Offices located around the world, its corporate head office in Nicosia, a service centre in Tallinn and an office in Amsterdam. Gunvor's global network and local presence in a large number of countries provides it with valuable access to market information and enhances its ability to conduct profitable trading activities on a global basis, which significantly increases its trading opportunities, notably in comparison with more regional traders that do not have the same breadth of network and operations. In addition, the global diversity of its operations is beneficial in terms of risk mitigation. For example, Gunvor has focused on diversifying its product supply sources in order to reduce its exposure to any one region, country or counterparty.

Gunvor initially started by trading crude oil, in particular Russian crude oil, and subsequently expanded its activities to include the trading of refined petroleum products and, more recently, natural gas and LNG, coal, biofuels and carbon emissions. Diversifying the range of commodities traded, combined with broader geographic distribution, has enabled Gunvor to leverage the proven trading platform built from earlier activities. The proportion of Gunvor's revenue from sales of crude oil and refined petroleum products decreased from 100 per cent. of the Group's revenue from trading (total revenue excluding revenue from shipping, terminal operations and other income) in 2009 to 90.4 per cent. of the Group's revenue from trading in 2012. Natural gas and LNG accounted for 7.9 per cent. of the Group's 2012 revenue from trading, while coal accounted for 1.3 per cent. of the Group's 2012 revenue from trading. Gunvor's management believes that product diversification reduces the Group's exposure to any one commodity, increases its trading opportunities and allows it to capitalise on efficiencies and economies of scale that arise from utilising its established trading platform and network.

Gunvor has a highly diversified supplier and customer base, with no single supplier representing more than five per cent. of overall cost of sales in 2012, except for one supplier which accounted for 13.5 per cent. of 2012 cost of sales, and no single customer representing more than 5 per cent. of revenue in 2012. The Group transacts with different types of customers, including major international and state-owned oil and gas companies, other traders, oil refiners, major distributors and power and utility companies in respect of oil, refined petroleum products and gas; and mining companies, smelters and refined metal distributors in terms of coal. Revenues from the Group's top 10 customers made up 24.0 per cent. of total revenue in 2012, while cost of sales from the Group's top 10 suppliers made up 40.7 per cent. of total cost of sales in 2012.

Growing Presence in High-quality Physical Assets

Beginning in 2008, Gunvor started to invest in high-quality physical assets that were synergistic with its trading operations. It currently owns or has interests in midstream, downstream and upstream assets globally that include two transhipment terminals (one wholly-owned and another in which Gunvor has a 50 per cent. interest), two refineries (both wholly-owned), three coal mining companies (with minority interests in each), three pipelines, one of which also has terminal and storage facilities (with a 50 per cent. interest in one and a minority interest in the other). Gunvor's key assets include:

- the Ust-Luga Terminal, one of the largest rail/ocean transhipment terminals in the world, which is located in the Gulf of Finland and which has captured a significant proportion of the export of Russian refined petroleum products (such as fuel oil) that was previously transported through the Baltic states;
- the Novorossiysk Terminal, a fuel oil terminal located on the Black Sea, which provides an alternative export route to Ukrainian ports for Russian fuel oil shipped to Mediterranean countries;
- a minority investment in Petroterminal de Panama, the owner and operator of terminals, storage facilities and pipeline linking the Pacific and Atlantic coasts of Panama, that provides an alternative means of transporting oil to shipping through the Panama Canal;
- the Antwerp Refinery and Ingolstadt Refinery. The former has a strategic location allowing Gunvor to integrate it into its crude oil and refined petroleum products trading. The latter provides access to niche local markets for refined petroleum products; and
- the Signal Peak and Kolmar coal mining operations in the western part of the United States and eastern part of Russia, respectively, which provide Gunvor with secured off-take agreements allowing it to market coal to Asia and, in the case of Signal Peak, also to Europe.

Gunvor's shift from a purely trading-focused business model to a more vertically-integrated business model has allowed it to:

- diversify its operations and create additional sources of income, some of which provide stable future revenue and cash flow streams (such as fees charged to third-party users of the Ust-Luga Terminal, who make up approximately 90 per cent. of the terminal's throughput volumes);
- obtain improved and secured access to strategic logistics facilities;
- obtain improved access to long-term supply and throughput of key products for its trading activities and greater control over physical products flows that help to protect against supply risk;
- benefit from synergies and economies of scale that allow it to capture additional margin along the value chain, such as the margin that would typically be levied by a producer of commodities to a trader that sources product from it, or increased margins from economies of scale on transportation that result from shifting larger volumes of products; and
- obtain greater access to valuable market intelligence (on commodity flows and market participants) that assists Gunvor in undertaking its trading activities.

Strong Liquidity Position

The Group has been successful in securing the financial resources required to support the significant growth of its trading operations and its investments in physical assets. The total amount of funding available to Gunvor through various sources has been increasing over the years from US$12.5 billion as of 31 December 2009 to US$16.6 billion as of 31 December 2012, which included US$14.0 billion under bilateral credit lines, US$1.8 billion under revolving credit facilities, and US$0.8 billion under project finance and acquisition finance loans. The Group increased its available committed facilities by

374.1 per cent. since 31 December 2009, to the level of US$2.8 billion as of 31 December 2012. Gunvor's consolidated gross short-term and long-term borrowings including current portion amounted to US$4.7 billion as of 31 December 2012, with cash of US$0.8 billion and unused short-term credit facilities of US$8.3 billion, in each case as of the same date. As of 31 December 2012, short-term bank loans amounted to US$4.0 billion, all of which was covered by cash (US$0.8 billion) and Readily Marketable Inventories (US$4.2 billion). As of 31 December 2012, the Group had total available liquidity of US$5.6 billion, consisting of US$0.8 billion in cash, US$4.2 billion in Readily Marketable Inventories and US$0.6 billion in undrawn committed bank lines.

Gunvor has strong relationships with an increasing number of international and regional banks (including banks in Asia and the Middle East), and has actively sought to diversify its sources of funding, in terms of both the number of financial institutions that it has exposure to, and the types of funding it uses, including through increasing the number and overall amount of various revolving credit facilities and project finance loans as well as using new types of funding for Gunvor, such as the Offering. For example, 13 banks provided Gunvor with bilateral loan facilities as of 31 December 2009, which increased to 30 as of 31 December 2012. Furthermore, the number of banks that were involved in making revolving credit facilities available to Gunvor also increased from 17 banks as of 31 December 2009 to 50 banks as of 31 December 2012. Gunvor has also sought to improve its financial flexibility by increasing its exposure to longer-dated corporate-level funding that is not tied to specific trading transactions or assets, such as the contemplated Offering.

Gunvor's evolving financing model, sound liquidity position and consistent profitability has allowed the Group to remain flexible and resilient, including during the 2008-2009 global financial and economic crisis. During that period, Gunvor did not face any difficulty accessing bank funding.

Advanced Risk Management Systems

Gunvor's management believes that its ability to manage risk is a key strength of Gunvor's business. Risk management represents a critical focus area for Gunvor's management, as prudent risk management contributes to positive financial performance and helps to mitigate earnings volatility. Gunvor's chief risk officer is supported by a risk management department that reports directly to him and is independent of any commercial activities. Gunvor has sophisticated risk management processes and systems. Risk policies are determined centrally, exposures are reviewed on a daily basis and risk management procedures are continuously reviewed and updated. The main tool of Gunvor's risk management is a proprietary information system (Nova) that consolidates trading positions and financial exposures globally on a daily basis and allows management to monitor the Group's overall exposure and adopt any required measures on a timely basis. Gunvor has in place an experienced risk management team.

The Group manages a range of different risks as part of its business. These include risks that are hedged through the use of financial derivative instruments (such as commodity price and foreign currency exchange rate risks), risks that are insured (various operational risks, such as freight-related risks and even political risk), risks that relate to the ownership of physical assets and are managed through extensive due diligence prior to acquisition and good management after acquisition (such as environmental risks), risks that are managed by having ready access to sufficient capital and funding (such as liquidity risk) and risks that are managed by having strict policies and procedures in place (such as counterparty, fraud and regulatory risks). Gunvor's management uses a range of tools to actively manage all of these risks in order to minimise its overall exposure at any one point in time. For example, it actively seeks to hedge more than 90 per cent. of its commodities price exposure and only holds very selective directional positions. The Group also enforces strict limits on exposures, such as a VaR limit of one per cent. of equity. Gunvor also has strict Know Your Customer (KYC) procedures in place for all counterparties. For additional information on the Group's risk management, see ''—*Risk Management*''.

Strong Management, Experienced Personnel and Committed Shareholders

Gunvor's management team has a proven track record in the commodities business, which has included overseeing the expansion of the Group into new commodities and geographies, as well as the acquisition and integration of physical assets.

Gunvor has attracted highly experienced professionals to its organisation. Gunvor's traders come from reputable international energy companies and typically have significant professional experience. The turnover of employees is relatively low (at five per cent. in 2012). Gunvor's management believes that the

Group's dynamic, entrepreneurial culture and flat hierarchy encourages a high level of employee involvement and commitment. Gunvor's senior employees are also incentivised through ownership of the Group's non-voting shares, with such employees owning 12.3 per cent. of the Issuer as of 31 March 2013 (with approximately 30,000 additional non-voting shares currently expected to be issued in May or June 2013 thereby increasing such employees' ownership to approximately 12.8 per cent.). This helps to ensure that their interests are economically aligned with both the continued growth of Gunvor's operations and its future financial performance. Gunvor's management believes that Gunvor's business does not substantially depend on the services of any particular individual or individuals, so a loss of services of any senior manager or trader is unlikely to have a material adverse effect on the Group's operations and profitability.

In addition, Gunvor benefits from a stable shareholder structure that has experienced relatively little change since the establishment of the Group. Both principal shareholders, who are also the Group's founders, have remained committed to Gunvor's development since 2000 and Mr Törnqvist, who manages the whole Group as the CEO of the Issuer, has played an active role in the Group's operations since its establishment and continues to be involved in the daily management of the Group's business. Since the commencement of Gunvor's operations, the principal shareholders have reinvested a significant amount of generated profits into the Group's operations, allowing the Group to rapidly expand its business and build the significant equity that is essential for further growth.

Gunvor's management believes that the Group's high-quality management and personnel have been key to Gunvor's significant growth. In particular, the depth of their industry experience and entrepreneurial approach have been instrumental in the early identification of innovative and attractive strategic opportunities, and in Gunvor's ability to act quickly and decisively in capitalising on those opportunities in a manner that differentiates the Group from its peers. For example, Gunvor identified the construction of the Ust-Luga Terminal as an opportunity to capture the differential on the transportation costs incurred by the companies exporting Russian refined petroleum products through Ust-Luga rather than through the Baltic states. The Ust-Luga Terminal, which is the world's largest rail/ocean transhipment terminal, started operations three years after the project was initiated, and has a competitive cost advantage to the export terminals in the Baltic states that have historically been used. Similarly, Gunvor identified the advantages of owning refineries for its trading business and moved rapidly when the opportunity arose to acquire two European refineries (the Antwerp Refinery and the Ingolstadt Refinery). In the case of the Ingolstadt Refinery, the speed with which the Group was able to act was demonstrated by the three week turnaround between Gunvor's decision to participate in the sale process and the award of the Ingolstadt Refinery to Gunvor. In the case of the Antwerp Refinery, Gunvor was able to differentiate its bid from those of other bidders, with a key element of Gunvor's successful bid being the Group's willingness to continue operating the Antwerp Refinery and retain its employees. Gunvor subsequently re-started operations at the Antwerp Refinery two months after its bid was successful, following negotiations with the Antwerp Refinery's various stakeholders, including trade unions, and the acquisition of regulatory approvals.

Strategy

Gunvor's strategy is focused on enhancing its physical trading business and platform, as well as its long-term profitability, through selective investments in physical assets. The key elements of Gunvor's strategy are set out below:

To Selectively Diversify into New Geographies

Gunvor's management intends to leverage the Group's established business platform and portfolio to expand selectively into new geographies that have attractive growth prospects, especially various emerging market countries in Asia and Africa in which fragmented domestic commodity markets and undeveloped logistical infrastructure provide significant opportunities for a commodity trader that has at its disposal excellent logistical capabilities and a global trading platform. The Group will continue to undertake measured investments in logistics and other physical assets that support the geographical expansion of its business and enhance its access to logistics infrastructure in strategic locations (such as the potential construction of an oil products terminal in Indonesia that is currently under consideration by the Group). Gunvor's management believes that by expanding the global scope and diversity of the Group's operations, Gunvor will be able to increase the number of arbitrage opportunities that it is able to act upon, better align its operations to evolving global flows of commodities, improve its access to a broader spectrum of energy commodities in different grades and specifications, reduce its exposure to any one geographical market and grow profits.

To Grow the Group's Physical Assets Portfolio

Gunvor's management plans to continue to invest in high-quality physical assets all along the value chain that complement its trading business, have high growth potential and create recurrent, sustainable sources of supplementary income and more stable cash flows, particularly in the midstream logistics part of the value chain. In addition to supporting the trading business, such investments will create recurrent, sustainable sources of supplementary income and help Gunvor to reduce the relatively high level of volatility of its cash flows from trading activities. In selecting investments, Gunvor's management applies strict investment criteria, which include a minimum return on investment, in addition to requiring a strong rationale for each such investment. All investments are expected both to be profitable on a standalone basis and to offer synergies with Gunvor's trading business. Gunvor's management believes that these investments provide a competitive advantage over its peers that are less vertically integrated, as they allow the Group to increase its control over physical flows in the supply chain, establish a presence in key locations and new markets (both in terms of sourcing and sales), create the scope for enhanced economies of scale and additional margins, improve access to valuable information on specific product and geographic markets that allow it to manage its risks and improve its trading activities and provide supplemental sources of income and more stable cash flows.

To Maintain a Conservative Financial and Risk Profile

As access to capital is fundamental to the successful execution of the Group's strategy, Gunvor's management is focused on diversifying Gunvor's sources of funding (both in terms of the geographic location of its lending banks and types of financing instruments), procuring more committed facilities, extending its debt maturity profile and gaining access to longer-term non-bank funding opportunities to support its investments in physical assets. The Group's strong relationships with its lending banks and diversified funding model have been key to the Group successfully managing its funding needs and liquidity position through the 2008-2009 global financial and economic crisis and the associated volatile commodities price environments. The Group's management aims to maintain prudent financial policies and sufficient liquidity, so that the Group is able to withstand any unexpected developments in the financial and commodity markets, as well as to take advantage of investment and growth opportunities as they arise.

Risk management is a core part of the Group's management framework and Gunvor will continue to pursue a disciplined approach to managing risks. Gunvor's management intends to maintain a robust risk management framework and centralised risk management resources and information systems that seek to mitigate and manage all forms of risks in order to promote the long-term profitability of the Group. The Group's management intends to make additional investments in its risk management systems and personnel as it expands the scope and geographical reach of its business and increases the vertical integration of its operations.

Organisational Structure

The following table sets out a description of the activities of Gunvor's principal subsidiaries, joint ventures and companies in which it has minority investments:

Name of entity	Country of incorporation	Primary activity	Additional information
Wholly-owned trading or service subsidiaries:			
Gunvor SA	Switzerland	Trading	Trading entity for Gunvor's U.S. dollar-denominated business within the EMEA region. Handles all European oil and coal businesses.
Gunvor International B.V.	Netherlands	Trading	Operates through its Geneva branch. Was Gunvor's main trading arm in Europe until June 2011. As of 1 July 2011, it became the entity handling Gunvor's euro-denominated business. Gunvor International B.V., Geneva branch,

Name of entity	Country of incorporation	Primary activity	Additional information
			remains active in the trading of natural gas, LNG, biofuels and emissions.
Gunvor Singapore Pte. Ltd.	Singapore	Trading	Was incorporated in May 2006 and commenced operations one year later to complement Gunvor's existing operations in Europe and to develop its trading activity in Asia (east of Pakistan).
Gunvor (Bahamas) Ltd.	Bahamas	Trading	Gunvor's trading entity for all crude oil sales to the United States.
Gunvor Middle East DMCC	United Arab Emirates	Trading	Gunvor's trading entity for the Middle East.
AS Tarcona	Estonia	Services	Gunvor's service centre based in Tallinn. Tarcona handles most of Gunvor's shipping operations and logistics, as well as its accounting.
Wholly-owned shipping or finance subsidiaries:			
Clearlake Shipping Pte. Ltd.	Singapore	Charterer of ships	Incorporated in Singapore in March 2011 to take over the shipping activity of Gunvor formerly handled by Clearlake Shipping Ltd. (B.V.I).
Gunvor Finance Limited	Cyprus	Financings	Finance company handling Gunvor's financings since 2012. Provides intercompany loans via its branch in Sarnen, Switzerland.
Subsidiaries, joint ventures and minority investments involved in logistics, refining, mining and other operations:			
RNB	Russia	Terminal	Owns, operates and handles the remaining construction at the Ust-Luga Terminal. Wholly-owned by Gunvor.
NFT LLC *(joint venture)*	Russia	Terminal	Owns and operates the Novorossiysk Terminal on the Black Sea. Gunvor has a 50 per cent. ownership stake in this entity. Novorossiysk commercial seaport owns the other 50 per cent.
NPC LLC *(joint venture)*	Russia	Crude oil pipeline	Owns a four kilometer pipeline connecting Gunvor's jetty on the Baltic Sea to Transneft's crude oil tank farm which is at the end of Transneft's BPS-2 pipeline. Gunvor has a 50 per cent. ownership stake in this entity. The remaining ownership stake is split between Gazprombank (24 per cent.) and Transneft (26 per cent.).
Petroterminal de Panama *(minority investment)*	Panama	Operator of terminals, storage facilities and a pipeline	Owner and operator of terminals, storage facilities and a pipeline linking the Pacific and Atlantic coasts of Panama. Gunvor has a 17.71 per cent. ownership stake in this entity. The remaining ownership stake is held by the Republic of Panama (50 per cent.) and NIC Holding Corp (32.29 per cent.).
Keaton Energy *(minority investment)*	South Africa	Coal mining	Coal exploration, development and mining company with two operating coal mines and two development projects. Gunvor has a 23.91 per cent. ownership stake in

Name of entity	Country of incorporation	Primary activity	Additional information
			this entity, which is listed on the Johannesburg Stock Exchange.
Kolmar *(minority investment)*	Cyprus	Coal mining	Holding company for Kolmar coal mines in Eastern Siberia with three operating coal mines and several development projects. Gunvor and Volga Resources jointly own a 60 per cent. ownership stake in this entity through a 50/50 joint venture. The remaining 40 per cent. is owned by one shareholder.
GMCH LLC *(joint venture)*	United States	Coal mining	Holding company for a coal mining company operating the Signal Peak (Bull Mountain Mine No. 1) coal mine in Montana. Gunvor has a 33.33 per cent. ownership stake in this entity through its U.S. wholly-owned subsidiary, Pinesdale LLC. The Ohio-based Boich Group and utilities company First Energy Ltd. each owns 33.33 per cent. in this entity.
The Antwerp Refinery	Belgium	Refinery	Operator of the Antwerp Refinery. Wholly-owned by Gunvor.
The Ingolstadt Refinery	Germany	Refinery	Operator of the Ingolstadt Refinery. Wholly-owned by Gunvor.
Petroresurs LLC *(minority investment)*	Russia	Oil exploration	Oil exploration company with exploration and production rights in respect of the Lagansky Block, an offshore area located in the Russian sector of the Caspian Sea. Gunvor has a 30 per cent. ownership stake in this entity. Lundin Petroleum owns the remaining 70 per cent. in Petroresurs.

Trading Operations

Gunvor's principal business is trading in energy commodities. Gunvor's trading desks source a diversified range of physical commodities from third party suppliers, its own refineries and coal mines. These commodities are sold or bought, often with value-added services such as freight, financing and/or storage, to a broad range of customers. For the description of Gunvor's shipping operations and storage capacity, see ''—*Shipping*'' and ''—*Logistics and Storage*''. In respect of financings, Gunvor has the financing strength and in-house expertise to structure sophisticated financing transactions with customers and suppliers, such as prepayments, pre-export financing or products swaps. Such instruments, whether syndicated with commercial banks or borne solely by Gunvor, enable the customer or the supplier to manage its working capital, but also allow Gunvor to secure long-term volumes at preferential conditions and/or limit the credit risk when using products swaps. All structured transactions are reviewed by each of the legal, financial and risk departments.

The success of Gunvor's trading activities depends in part on its ability to identify and take advantage of arbitrage opportunities. Many of the physical commodity markets in which Gunvor operates are fragmented and/or periodically volatile, for example due to expected supply disruptions related to weather, geopolitical events or macroeconomic factors expected to impact supply and demand dynamics. As a result, discrepancies can arise with respect to the prices at which the commodities can be bought or sold in different geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present arbitrage opportunities which Gunvor is able to exploit to increase its margins. While the strategies used by Gunvor's various trading desks to increase such margins vary from commodity to commodity, the main arbitrage strategies can be described as being:

- Geographic, in which Gunvor leverages its relationships and logistical capabilities in order to source physical commodities from one location and deliver them to another location in which such commodities can command a higher price (net of transport and/or other transaction costs);
- Product-related, in which it is possible to exploit the blending or multi-use characteristics of the particular commodities being traded, such as the various refined petroleum products, in order to supply products that attract higher prices than their base constituents, or exploit existing and/or expected price differentials; and
- Time-related, in which it is possible to exploit a difference between the price of a commodity to be delivered at a future date and the price of a commodity to be delivered immediately, in respect of which the available storage, financing and other related costs until the future date are less than the forward price difference.

Gunvor's trading activities and relationships with suppliers and purchasers of raw materials are supported by its network of Trading Centres, Representative Offices and its service centre in Tallinn providing sourcing and distribution capabilities located in 12 countries throughout Europe, Asia, the Americas, Africa and the Middle East. This network provides Gunvor with visibility over changes in supply and demand dynamics of physical commodities globally. Gunvor's trading desks are able to take advantage of the information that is available from Gunvor's widespread operations and close relationships with producers, consumers and logistics providers to help them identify trading opportunities.

Commodities

The principal commodities traded by Gunvor include crude oil, refined petroleum products (fuel oil, gasoil, gasoline, naphtha, LPG and ethanol), coal, natural gas, LNG, biofuels, power and carbon emissions. The following table sets out information on volumes of the principal products traded by Gunvor in 2010, 2011 and 2012:

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012
	(in thousands of metric tonnes, except where expressly stated otherwise)		
Fuel oil	23,644	27,995	27,912
Gasoil	11,943	16,994	14,735
Gasoline	6,330	7,515	11,025
Naphtha	3,697	6,451	4,036
LPG	712	2,487	2,525
Biofuels	253	569	1,238
Ethanol	—	120	21
The Antwerp Refinery		—	2,140
The Ingolstadt Refinery		—	1,141
Refined petroleum products	**46,578**	**62,080**	**64,774**
Crude oil	64,482	36,379	33,768
Coal	4,159	10,299	12,797
Gas (natural gas LNG) *(in thousands of metric tonnes of oil equivalent(1))*	2,241	13,648	18,369
of which LNG *(in thousands of metric tonnes of oil equivalent(1))*	618	1,544	86
of which natural gas *(in thousands of metric tonnes of oil equivalent(1))*	1,623	12,105	18,283
Power *(in thousands of metric tonnes of oil equivalent(1))*	323	909	445
Total *(in thousands of metric tonnes of oil equivalent(1))*	**117,783**	**123,316**	**130,153**

(1) Natural gas, LNG and power volumes are traded in megawatt hours ("**MWh**"). The conversion ratio used in this table is: one metric tonne of oil equivalent equals 12.47 MWh.

Crude Oil

Gunvor purchases and sells various grades of crude oil globally through its Trading Centres and seeks to diversify and expand its sources of crude oil as it purchases crude oil from small producers, major international oil companies and national oil companies to be traded, stored or delivered worldwide. Due to these diversification efforts, Gunvor's management believes that Gunvor's business is not dependent on any individual supplier or any group of suppliers of crude oil.

Since its foundation, Gunvor has traded significant volumes of crude oil originating from the Russian Federation. However, as competition in the Russian crude oil market has increased, Gunvor has instead focused on both securing non-Russian sources of crude oil supply and on increasing the share of other, higher margin commodities in the Group's trading operations, with a particular focus on refined petroleum products. The purchase of two European refineries in 2012 has created greater opportunities for Gunvor to further diversify its crude oil portfolio. The Antwerp Refinery can use a very flexible range of feeds, some of which have not been previously used by Gunvor. Its main feed is Urals crude purchased on a spot basis, but this is often supplemented with a mixture of niche grades that allow the Antwerp Refinery to improve its margins considerably. The Antwerp Refinery refinery also gives Gunvor an option to source and process crudes that would not have been otherwise commercially practicable for Gunvor to trade.

Gunvor is currently concentrating on exploring new trading opportunities in Africa, Central Asia, the Middle East and Latin America and the share of the crude oil volumes produced in those regions as a proportion of Gunvor's total trading volumes is rising gradually.

Moreover, Gunvor's management believes that, in order to succeed in crude oil trading, it is important to combine other areas of expertise with physical trading and that Gunvor has the advantage of a significant scale of its operations to be able to do this effectively. In particular, Gunvor focuses on the following:

- effectively taking and managing risk through physical and paper markets;
- actively developing relationships in key markets and creating joint ventures with partners that bring expertise and knowledge;
- identifying and capitalising on physical dislocations and bottlenecks in the market and making use of logistics capabilities to exploit resulting arbitrage opportunities;
- developing and exploiting in-house market intelligence and analysis;
- taking advantage of physical assets (e.g. refineries and terminals) that are owned or operated by Gunvor;
- pre-financing, either utilising own pre-financing capabilities or structuring through banking partners; and
- actively assessing credit risks.

Refined Petroleum Products

Fuel Oil. Fuel oil encompasses a range of products from feedstock to cracked fuel oil and vacuum gasoil (''**VGO**''). Gunvor's management believes that Gunvor is the leading supplier of Russian fuel oil for reprocessing, bunkering (use for ocean vessel propulsion) and power generation. The Group also provides VGO as a blendstock for refineries in the United States and Europe. Fuel oil trading, now supported by the Ust-Luga Terminal, is one of the main activities of the Group.

The Group has term contracts on the supply side with all major European suppliers, but usually relies on spot contracts for purchases from smaller suppliers. Sales are mostly contracted on a spot basis to purchasers in Europe, Asia or the United States.

Fuel oil is exported by Gunvor out of Russia through the Baltic and the Black Sea routes. For the Baltic route, when the rivers are free of ice, Gunvor relies to a large extent on deliveries by river barge from Samara with a transhipment onto ocean vessels in St. Petersburg (through floating storage), which enables Gunvor to lift up to half a million metric tonnes of fuel oil per month. Year-round, fuel oil can also be delivered by rail to transhipment terminals in Ust-Luga and Tallinn, where Gunvor also has access to substantial storage capacities, enabling the loading of vessels up to Very Large Crude Carrier (''**VLCC**'') size.

The principal ports used by Gunvor for the export of fuel oil in the Black Sea are Tuapse and Novorossiysk. Drafts at Black Sea ports can be very low, which does not allow for the largest vessels to be loaded there. Therefore, smaller ships are used for exports of fuel oil from the Russian Black Sea ports. As Gunvor has access to storage capacities in Marmara in Turkey, it is able to reload the products there to much larger vessels, such as Suezmax tankers, thus enabling it to generate economies of scale for freight. These larger vessels then deliver fuel oil to customers worldwide.

Gunvor uses floating storage whenever necessary and performs ship-to-ship transfers and blending, both in Northwest Europe and in the Mediterranean Sea, in order to have more flexibility in servicing customers' needs as regards to the quality and cargo size of fuel oil. Gunvor is an active participant in high sulphur and low sulphur fuel oil handysize (30,000 metric tonnes) cargo trading, as well as one of the active players in the Rotterdam fuel oil barge market. This barge trading activity is supported by access to storage and blending capacities of 120,000 cubic metres in Rotterdam. Rotterdam is the largest bunker market in Europe and a strong presence there is crucial to be able to evaluate the market pricing trends for fuel oil.

In Asia, Gunvor's fuel oil business is based on arbitrage and blending. With Singapore being the world's largest market for fuel oil for ocean vessels (''**bunker fuel**''), Gunvor regularly ships fuel oil cargoes (up to VLCC size) from Europe to Asia. Shore tanks leased from Universal Terminal in Singapore (with a capacity of 170,000 cubic metres) and lightering into smaller vessels or transhipment into floating storage provides the Group with the logistical flexibility and blending capacity necessary to accommodate local requirements. Gunvor's importance as a fuel oil and bunker fuel supplier in Singapore and North-East Asia has been increasing in recent years, and Gunvor's management believes that Gunvor is one of the leaders in this market with sales of over nine million metric tonnes in 2011 and 7.1 million metric tonnes in 2012.

Gasoil. Gunvor is active in both the high sulphur gasoil and low sulphur gasoil markets. High sulphur gasoil is mainly purchased under term contracts and resold on the European market (particularly in France and Southern Europe) mostly for heating houses, as well as to North and West Africa and Latin America. In some cases, high sulphur gasoil is also sold to refiners that have the capacity to de-sulphurise it. Low sulphur gasoil is used as vehicle fuel in most of Northern Europe where environmental legislation is stricter and does not allow the use of products with high sulphur content. Gunvor has several long-term low sulphur gasoil supply contracts with European counterparties located in the United Kingdom, Spain and Turkey. Low sulphur gasoil is supplied on a spot basis from European producers and from Russia. Gunvor is active in the Amsterdam—Rotterdam—Antwerp region gasoil barges market relying on its access to storage facilities in Amsterdam. Gunvor's trading activity in this area has increased substantially since the acquisition of the Antwerp Refinery in 2012.

Gunvor has access to storage capacities in Turkey (30,000 metric tonnes) to service the local market, as well as to a floating storage of 65,000 metric tonnes off Cotonou in Benin. Access to this floating storage facility allowed Gunvor to become one of the most active gasoil trading companies in West Africa, with 1.4 million metric tonnes sold in the region in 2012, mostly to Gabon, Nigeria and Ghana.

When a profitable arbitrage trade can be realised, Gunvor markets gasoil to Asia or North America. Gunvor also sources and sells gasoil in Latin America through its representative office in Buenos Aires. Supply and sales volumes have increased sharply since 2011.

In Asia, Gunvor markets gasoil mostly to China, Taiwan and Vietnam, with most of this volume being loaded in the port of Nakhodka in the Far East of Russia and the rest being sourced from local refiners. Gunvor leases storage capacity in Zhuhai (South China) and Taichung (East Taiwan) in order to enhance its flexibility in these markets.

Gasoline. Gunvor is active in the gasoline market, with a strong focus on blending. As the finished grade specifications differ between countries, the blending of gasoline has to be tailored for each country, which is achieved by mixing many different refinery streams as well as petrochemical components. Gunvor's gasoline blending, storage and logistics capabilities allow it to take advantage of product-related arbitrage opportunities that arise from often significant price differentials that exist between, or even within, various countries.

Gunvor conducts its gasoline blending operations from two locations. The Group's principal gasoline blending facility is located in Amsterdam, where Gunvor operates 292,000 cubic metres of storage capacity under a long-term contract with Oiltanking Amsterdam that will remain in effect for several years. Gasoline blended in Amsterdam may be shipped anywhere in the world, but is mostly marketed to North America and West Africa. In addition, Gunvor sells a significant portion of its blended gasoline output to smaller trading companies on Free on Board (''**FOB**'') Amsterdam terms (FOB is the delivery of goods on board a vessel in an agreed port, in this case Amsterdam, at the seller's expense with the buyer responsible for main costs of carriage, insurance and other costs). The Group's second gasoline blending facility, with 120,000 cubic metres of storage capacity, is located in Oman. Products blended there are shipped to East Africa, the Middle East and the Far East.

Because gasoline demand is seasonal, term contracts with a fixed volume and fixed price differentials often do not make commercial sense. Therefore, most gasoline trading is done on a spot basis. In 2012, Gunvor had approximately 20 per cent. of its blended volumes under term contracts, mostly from Russian sources. Russian-sourced gasoline is currently transported by rail to the port of Riga (Lithuania) on the Baltic Sea. It is either shipped to Amsterdam for further blending or directly to U.S. blenders, depending principally on pricing considerations.

The Group established a gasoline trading desk in Singapore in the third quarter of 2011 to complement Gunvor's existing European and Middle Eastern operations. The establishment of the gasoline trading desk in Singapore was the principal factor behind the significant increase in the volume of gasoline traded by the Group globally in 2012 (11.0 million metric tonnes) as compared to 2011 (7.5 million metric tonnes).

Naphtha. Gunvor's management believes that Gunvor is one of the leading naphtha traders in Europe. Gunvor's main naphtha supply sources are located in Russia, where naphtha is transported by rail to the ports of the Baltic Sea, the White Sea and the Black Sea (principally Tuapse), and in several Mediterranean countries. Naphtha trading volume decreased by 37.4 per cent. in 2012 as compared to 2011 due to the expiration of contracts which were, on an overall basis, dilutive to the profitability of the naptha business. Gunvor has secured access to storage capacity in the main ports in which it sources its naphtha volumes, providing it with a significant advantage in terms of flexibility. The Group markets naphtha products principally to petrochemical companies in Europe, the United States and Brazil, as well as to companies active in gasoline reforming and blending in the Amsterdam—Rotterdam—Antwerp region, the New York Harbour and the U.S. Gulf Coast. In recent years, Gunvor's naphtha trading desk has also developed its operations east of Suez through Gunvor Singapore Pte. Ltd., relying principally on local suppliers, although it also ships cargoes from Europe to Asia when there is an arbitrage opportunity. For deliveries to Korea, Taiwan and Japan, the Group uses long-term off-take contracts with Russian suppliers, with the product loaded in the Russian Far East port of Vanino. Customers in these countries are mostly large petrochemical groups, such as Formosa Petrochemical.

LPG. The Group's LPG desk, which began physical trading in 2009, supplies markets in North Western Europe and the Far East with LPG sourced from Middle Eastern, North American, West African and North Western European suppliers. Products sourced from North Western Europe are usually marketed in Europe, for example to operators of the Amsterdam—Rotterdam—Antwerp region storage facilities (wholesale business) or to the petrochemical industry. Gunvor has leased storage facilities with a total capacity of 63,000-66,000 metric tonnes of refrigerated storage and 1,500 metric tonnes of pressurised storage with Vopak in Vlissingen, the Netherlands since July 2011. This is the largest LPG storage facility in the Amsterdam—Rotterdam—Antwerp region and the principal import terminal to supply the Benelux and German markets.

Biofuels. Gunvor's biofuels trading desk commenced operations in October 2009. It is trading fatty acid methyl esters refined from various oils. The biofuels trading desk rents storage capacity in Huelva, Spain and imports, stores and blends soy methyl ester sourced, among others, from Argentina, and palm oil methyl ester sourced from Indonesia. It sells these products to counterparties in Spain, Portugal, France and Italy.

In addition, the biofuels trading desk also leases storage facilities at Koole in Rotterdam and uses such storage facilities to trade rapeseed methyl ester and other biodiesel (blends) in the Amsterdam—Rotterdam—Antwerp region, the areas along the Rhine and North Western Europe.

The biodiesel trading activities are carried through Gunvor International B.V., Geneva branch, as the Spanish Ministry of Industry only registers companies established in EU countries to carry out storage and blending activities in Spain.

Gunvor's biofuels trading is subject to EU regulatory requirements in respect of the use of biofuels. The EU has adopted a series of directives to promote renewable energy sources and to encourage energy efficiency. These directives set legislative frameworks for EU member state actions to meet a range of energy objectives in sectors such as heating, electricity and transportation. The Biofuels Directive (2003/30/EC) is one such directive and it sets indicative targets for the percentage share of biofuels that must be included in all transportation fuels at two per cent. from 1 October 2005 and 5.75 per cent. by 2010. Member states of the EU have to set their own targets for the use of biofuels that take into account the overall EU targets.

Natural Gas and LNG

Gunvor established its natural gas and LNG trading desk in 2009. Gunvor's management believes that natural gas and LNG have strong growth potential(3) as a clean and abundant energy source backed by well-proven technology.

The European natural gas market consists of different regional markets, which all have their own price setting characteristics. Gunvor International B.V. has secured cross border transport capacity between different regional markets in Europe, which allows it to generate profits based on these regional differences. In addition, Gunvor's LNG traders source LNG from outside Europe and, if there are differences between the natural gas price and LNG price in a certain market, Gunvor is well positioned to take advantage of such arbitrage opportunities.

Natural Gas. Gunvor is an established participant in the principal European natural gas markets, both in respect of physical OTC and exchange-traded natural gas. The Group's aggregate trading volume for natural gas increased rapidly from 1.6 million metric tonnes of oil equivalent in 2010 to 12.1 million metric tonnes of oil equivalent in 2011 and 18.3 million metric tonnes of oil equivalent in 2012.

The principal regional markets, or hubs, in the European natural gas market include (i) the Nordic countries, (ii) North Western Europe (the United Kingdom, the Benelux countries, France, Germany, Switzerland and Austria), (iii) Central Europe (Poland, Czech Republic, Hungary and Slovakia), (iv) Italy and (v) the Iberian peninsula (Spain and Portugal). Other than Norway (which generally uses only five per cent. of the natural gas it produces) and the Netherlands (which generally uses slightly over half of the natural gas it produces), all other countries in Europe depend on imports of natural gas to a significant degree. Import dependency of countries with large consumption of natural gas, such as Germany, France, Italy and Spain, ranges from 80 to 100 per cent. of their overall demand. Almost all of the surplus gas from Norway and the Netherlands goes to other European countries, principally by pipeline.

The United Kingdom, being the most liquid natural gas market in Europe, generally sets the price of natural gas for North Western Europe. Differences in prices in these countries are normally due to transportation costs or short-term physical constraints. The other regional markets in Europe, however, have their own price setting dynamics. To arbitrage these differences in price setting, Gunvor's natural gas traders have secured daily cross-border capacity on pipelines connecting the United Kingdom with continental European markets, as well as daily capacity on Norpipe connecting Norway to Germany and the Netherlands.

In addition, Gunvor's natural gas traders inject gas into storage when demand is low (usually in spring or summer) and market it when demand increases (end of autumn and winter). This time-related arbitrage, when natural gas volumes are shifted to months in which the spread between the price is most positive, can be done in markets in which Gunvor has secured significant storage capacity, principally in the United Kingdom, Italy and Germany. These movements of natural gas volumes are hedged through forward contracts on the wholesale market.

In recent years, Europe has been experiencing on-going deregulation in the natural gas sector. Many assets, such as pipelines, grids and storage facilities that were once controlled by incumbents have now been sold off and access to these networks continues to increase. The goals of the new owners of these pipelines, grids and storage facilities is to sell as much capacity as possible in order to increase returns on their investments. Gunvor actively participates in these auctions where capacity is sold. The success of creating a physically interconnected network through these auctions (such as, for example, pipelines connecting the United Kingdom with continental European markets discussed above) has allowed

(3) See, for example, *World Energy Outlook 2012, Presentation to the press. London, 12 November 2012, Slide on change in power generation, 2010-2035*.

Gunvor to improve its pricing power in trading natural gas, which has had a positive effect on the growth of its natural gas business.

Gunvor also focuses on Turkey, which has demonstrated strong growth in demand for natural gas. Gunvor has entered into a partnership agreement with the Akfel Group, which is the largest independent importer of natural gas into Turkey. This partnership, Akfel Gunvor Enerji A.S., is engaged in spot and medium-term cross-border trading (in respect of both exports to, and imports from, Turkey) in natural gas and LNG on an exclusive basis and electricity and coal on a non-exclusive basis.

LNG. The Group's primary focus has been on the Atlantic Basin (countries located on, or with access to, the shores of the Atlantic Ocean), with its liquid gas markets and re-gasification capacities. Between 2010 and 2012, Gunvor traded a total of 30 cargoes sourced in Trinidad and Tobago, Peru, Nigeria and Qatar and sold to customers in Western Europe, South America and Asia.

The principal destination of Gunvor's LNG imports to Europe is Spain, which accounted for slightly less than half of the Group's total European LNG imports in 2012. The LNG business has also developed operations in Asia after expanding its trading activities to Singapore in 2011. Strong demand for LNG in Japan, South Korea and China drives pricing differences between the U.S., European and Far Eastern markets. Due to its presence in Singapore, Gunvor's LNG business is well positioned to take advantage of arbitrage opportunities between Asian and other regional markets.

Coal

Gunvor established its coal trading desk in Geneva in 2009. Initially, trading took place principally in the European markets. The Group expanded its coal trading operations to include Asia in December 2010 and started trading coal from its Singapore office in early 2011. Gunvor currently trades in thermal coal, coking coal and anthracite.

In 2012, Gunvor sold 12.8 million metric tonnes of coal as compared to 10.3 million metric tonnes in 2011 and 4.2 million metric tonnes in 2010. The principal sources of supply are currently South Africa, Colombia, the United States, Russia, Australia and Indonesia. Gunvor has managed to negotiate contracts allowing for multisource supply, which gives Gunvor the opportunity to reduce expenses on freight depending on a customer's location. More than 33 per cent. of the total volume in 2012 was sold into the Asian market (mainly to China, South Korea, Japan and Taiwan), with the remainder sold in Europe, Russia and South America.

Gunvor has acquired minority ownership interests in coal mining assets in the United States, Russia and South Africa. See ''*—Logistics, Refining, Mining and Other Operations—Upstream Operations—Coal Mining*''. The purpose of these acquisitions was to obtain long-term off-take agreements for several million metric tonnes of coal per year with these coal mining companies and enhance Gunvor's ability to export their products.

Gunvor also buys from smaller mines (to complement purchases from its coal mining assets) in such aggregate volumes that offer full utilisation of cargo space on ships enabling economies of scale on the freight.

Power

As continuation of its natural gas expertise, Gunvor launched power trading in 2009, discontinued it in the beginning of 2010 and then re-launched it (but not at a separate trading desk level) to arbitrage temporary differences in prices for power in several European countries. Gunvor has power trading capabilities in Bulgaria, France, Germany, Greece, Hungary, Italy and Switzerland and also plans to set up power trading capabilities in Georgia. Contact has been initiated and contracts have been discussed with counterparts such as the European Federation of Energy Traders, the International Swaps and Derivatives Association and the Italian Derivatives Energy Exchange. Gunvor also aims to support Akfel Gunvor Enerji A.S. in its cross border trading with the countries neighbouring Turkey and to expand the successful origination of the natural gas trading desk in Spain by adding power trading capability and to be able to trade structured products like volumetric production payment, spark and dark spreads.

Carbon Emissions

The Gunvor carbon emissions trading desk is involved in both the origination and the trading of carbon emission units. These activities are part of the Kyoto Protocol (managed by the United Nations under the

United Nations Framework Convention on Climate Change) and the European Emission Trading Scheme (managed by the European Commission under the EU Emission Trading Scheme (''**EUETS**'')).

The Gunvor carbon emissions desk has developed a primary project portfolio (which is a collection of projects that are certified as projects that, without revenue from emissions credits, would not have been built and that are registered with the United Nations) that is currently expected to deliver over 10 million tonnes of carbon credits within the Kyoto Protocol compliance period and thereafter (2013-2020). The portfolio is developed under the United Nation rules and mechanisms and involves purchasing carbon credits in China, India, Russia and South America and selling these credits in the developed carbon markets (mainly the EUETS within Europe). The origination of such carbon credits in China is supported by Gunvor's local originators in Beijing.

Gunvor traded approximately 140 million EU allowance units of one tonne of CO2 and certified emissions reductions/emission reduction units in 2011 and 2012 through trading spot, futures, OTC and options contracts.

Agricultural Commodities and Metals.

Recently, Gunvor has also commenced paper trading operations (where trades are structured in such a way that physical delivery of commodities is not required) in agricultural commodities and metals, but these trading activities are still negligible compared to Gunvor's physical trading of crude oil, refined petroleum products and other commodities. The paper trading involves trading derivatives linked to these physical commodities, but is more speculative and volatile than physical trading. The scope of such paper trading is such that Gunvor's management does not expect it to have a material adverse effect on the Group's results of operations, financial conditions or prospects.

Office Network

The Group currently trades globally through its Trading Centres. In addition, Gunvor also operates through Representative Offices, its corporate head office in Nicosia, a service centre in Tallinn and an office in Amsterdam. The Representative Offices give Gunvor on-the-ground presence in jurisdictions that are seen as important for its operations and they support its business development and expansion into new markets furthering Gunvor's long-term goal of geographic diversification.

When Gunvor's presence in a particular jurisdiction is viewed as insufficient to justify opening a representative office, it often relies on third party commercial agents to obtain knowledge about the local market and use their expertise and contacts with suppliers or purchasers of commodities to gain entry into new markets and expand its presence in such markets. In total, Gunvor currently uses more than 50 such third party commercial agents in various jurisdictions principally in connection with its crude oil and refined petroleum products trading activities.

Shipping

Gunvor has significantly increased its shipping activities since 2003 when it established its own shipping business. Gunvor provides shipping services that support its trading activities through its chartering arm, Clearlake, which hires tankers and dry bulk carriers on a time charter and voyage or spot charter basis. Clearlake charges Gunvor market prices for its shipping services.

Gunvor does not own any vessels and the Group's management currently has no intention to purchase any. However, Clearlake leases vessels under time charter terms, typically for periods from several months to three years with an option to extend. Lease payments are fixed and none of the leases includes contingent rentals.

As of 1 April 2013, Clearlake had time charter contracts for 27 vessels, 15 of which were tankers and 12 were dry bulk carriers. On average, approximately 90 per cent. of time charter vessel voyages are used for the transportation of the Group's own commodities and the remainder for the transportation of commodities of third parties. The chartered vessels comprise different types of ships, ranging from VLCC with a capacity of 200 thousand metric tonnes and higher to barges with a capacity of two to ten thousand metric tonnes. Some of the vessels are being used as floating storage. Dry bulk carriers of varied sizes are used in connection with Gunvor's coal trading activities.

In addition to vessels used on a time charter basis, Gunvor actively uses spot charters (chartering for one or a specified number of trips) for its trading in commodities, with 1,545 vessels used on a spot charter basis in 2012.

With a relatively large fleet of ships leased on a time charter basis and operating in Europe, Asia and the Americas and its experience in successfully running large-scale shipping operations on a global basis for many years, Gunvor is able to provide greater flexibility to its customers. The scale of its shipping operations also helps Gunvor to better take advantage of arbitrage opportunities whereby it sources physical commodities from one location and delivers them to another where such commodities can command a higher price. The Group is also able to reduce freight costs and, compared to shipping services provided by third parties, significantly enhance the reliability of deliveries as well as use some vessels as floating storage.

Logistics and Storage

In addition to being able to use the services of the terminals fully or partially owned by Gunvor (as set out in the second table below), Gunvor also cooperates with a number of other terminal operators with which it has transhipment and forwarding contracts. The most significant of these contracts are for services at the terminals at Tuapse on the Black Sea coast of Russia (covering gasoil, naphtha and fuel oil), Baranquilla in Colombia (covering crude oil) and Ventspils in Latvia (covering gasoil and light products). Gunvor has a contract for the transportation of crude oil in Egypt through the Sumed pipeline, allowing it to avoid the Suez Canal, and co-operates closely with one of the largest private rail tank car owners and operators in Russia, Transoil LLC, in respect of delivery of its refined petroleum products in that country.

The Group has entered into several significant long-term storage lease agreements for crude oil and refined petroleum products with terminal operators and other storage facility providers in the past several years for terms ranging from one to 10 years.

The following table describes the principal storage facilities leased by Gunvor from third parties:

Name of counterparty	Location	Products
Botlek Tank Terminal B.V.	Rotterdam	Biodiesel
Koole Tankstorage Pernis B.V.	Rotterdam	Biodiesel
Vopak Terminal Europoort B.V.	Rotterdam	Fuel oil
EAPC (Eilat Ashkelon Pipeline Company Ltd.)	Ashkelon, Israel	Crude oil
Vopak Terminal Europoort B.V.	Vlissingen, the Netherlands	LPG
Oiltanking Odfjell Terminals & Co. LLC	Oman	Naphtha
Oiltanking Amsterdam	Amsterdam	Diesel, gasoil and gasoline
Sumed	Egypt	Crude oil
Vopak E.O.S.	Muuga, Estonia	Fuel oil
Inter Terminals SGOT ApS	Denmark	Fuel oil
Universal Terminal (S) PTE Ltd.	Singapore	Fuel oil
Delta Rubis Petrol Ticaret	Turkey	Gasoil and biodiesel

The Group's lease contract for the principal gasoline blending facility located in Amsterdam is particularly important for Gunvor's business due to the high profitability of its operations.

The aggregate storage capacity of all these storage facilities, other than the crude oil facilities in Israel and Egupt and the LPG facility in the Netherlands, is 1,334,750 cubic metres. The storage facility in Ashkelon, Israel has a storage capacity of three million barrels. The capacity at the Sumed storage facilities in Egypt is determined upon mutual agreement of the parties. The storage capacity at Vopak's LPG facility in the Netherlands is 63,000-66,000 metric tonnes of refrigerated storage and 1,500 metric tonnes of pressurized storage.

The following table describes the principal storage facilities owned by Gunvor or its joint ventures:

Name of entity	Location	Quantity	Products
RNB	Ust-Luga, Russia	670,000 cubic metres	Fuel oil
NFT LLC.	Novorossiysk, Russia	119,000 cubic metres	Fuel oil
Ingolstadt Refinery	Ingolstadt, Germany	1,100,000 cubic metres	Distillate, gasoline, LPG, fuel oil
Antwerp Refinery	Antwerp, Belgium	1,200,000 cubic metres	Gasoil, fuel oil, VGO, naphtha

In addition to storage capacity that Gunvor leases from third parties or that is owned by its subsidiaries or through joint ventures, Gunvor also benefits from storage capacity at Petroterminal de Panama, in which it owns a minority stake. Petroterminal de Panama's storage tank farm in Central America is coupled with a capacity to pump oil from the Atlantic coast to the Pacific coast through a pipeline. These storage facilities and the pipeline give Gunvor logistical flexibility to place different crude grades into various markets efficiently, as well as the ability to take advantage of arbitrage opportunities.

Suppliers

Gunvor sources crude oil and refined petroleum products from a variety of supplier types that include the major integrated oil companies, particularly in Russia, independent oil companies, other trading companies and refineries. With the decrease in volumes of Russian crude oil traded by Gunvor, the significance of the principal Russian oil producers (Rosneft, GazpromNeft, TNK-BP and Surgutneftegas) in Gunvor's supplier base has decreased.

The following table sets out the ten largest suppliers (based on cost of sales) who supplied commodities to Gunvor in 2010, 2011 and 2012, with the share of a particular supplier in total costs of sales for the respective year provided in the next column.

	Year ended 31 December					
	2010		2011		2012	
	Name of company	% of total cost of sales	Name of company	% of total cost of sales	Name of company	% of total cost of sales
1	Rosneft[1]	10.9%	Rosneft[1]	20.6%	Rosneft[1]	13.5%
2	TNK Trade Ltd.	5.5%	Gazprom Neft Trading GmbH	5.7%	Gazprom Neft Trading GmbH	4.4%
3	Gazprom Neft Trading GmbH	4.9%	PTT Public Company Limited	3.1%	PTT Public Company Ltd.	4.2%
4	IPP Refined Petroleum Products (Cyprus) Limited	4.4%	IPP Refined Petroleum Products (Cyprus) Limited	3.0%	IPP Refined Petroleum Products (Cyprus) Limited[2]	3.3%
5	Surgutneftegaz	3.4%	Crudex Energy International	2.3%	Vitol SA	3.1%
6	PTT Public Company Ltd.	3.3%	Vitol S.A.	2.2%	Crudex Energy International	3.1%
7	R-Trade 3 Ltd.	1.9%	PTT International Trading	1.6%	Chevron USA Inc.	2.7%
8	Rosneft Oil Company JSC	1.7%	Cnooc Trading (S) Pte Limited	1.6%	PTT International Trading	2.5%
9	Crudex Energy International	1.6%	Reliance Industries Limited	1.5%	Platten Overseas Ltd.	2.3%
10	Vitol SA	1.5%	SNPC	1.2%	Reliance Industries Ltd.	1.8%

(1) Through Gunvor's related party Warly International Ltd.

(2) Mr Timtchenko owns a 50 per cent. interest in this company.

Customers

With respect to crude oil and refined petroleum products, Gunvor's principal customers include oil majors, large refineries, state owned companies and trading companies. Gas de France, gasNatural, Edison, EDF and PGNiG were Gunvor's key customers in respect of natural gas. The principal buyers of Gunvor's coal include major Asian and European utilities companies.

The following table sets out Gunvor's ten largest customers (calculated based on revenue) to whom sales were made in 2010, 2011 and 2012, with the share of a particular customer in total revenue for the respective year provided in the next column.

	Year ended 31 December					
	2010		2011		2012	
	Name of company	% of total revenue	Name of company	% of total revenue	Name of company	% of total revenue
1	PTT Public Company Ltd. Thailand	4.6%	PTT Public Company Ltd. Thailand	4.0%	PTT Public Company	4.1%
2	Valero Marketing and Supply Co, USA	4.2%	Valero Marketing and Supply Co, USA	3.8%	Valero Marketing and Supply Company	4.0%
3	Exxon Mobil Sales and Supply Co, USA	4.0%	Exxon Mobil Sales and Supply Co, USA	3.3%	Vitol SA	3.3%
4	Polski Koncern Naftowy Orlen S.A.	2.6%	Lukoil International Trading and Supply Co.	2.4%	Unipec Asia Company Ltd.	2.2%
5	BP Oil International Ltd UK	2.4%	Neste Oil Oyj Finland	2.2%	Lukoil International Trading and Supply Co.	2.2%
6	Vitol SA, Geneva	2.4%	Trafigura Beheer B.V. Netherlands	2.2%	PTT International Trading	1.8%
7	Preem Petroleum AB, Sweden	2.3%	BP Oil International Ltd UK	2.0%	BP Oil International Ltd UK	1.7%
8	Glencore Energy UK Ltd	1.9%	Oil Refineries Ltd. Israel	2.0%	Totsa Total Oil Trading SA	1.6%
9	Lukoil International Trading and Supply Co.	1.7%	Vitol SA, Geneva	1.8%	Exxon Mobil Sales and Supply Co, USA	1.6%
10	Shell International Trading and Shipping	1.6%	Unipec Asia Company Ltd.	1.6%	Kofisa SA	1.6%

Logistics, Refining, Mining and Other Operations

The following table sets out Gunvor's principal logistics, refining, coal mining and other assets acquired or developed since 2008:

	Greenfield or acquired	Ownership	Location	Capacity	Acquisition price
Midstream/logistics:					
Ust-Luga Terminal	Greenfield	100%	Ust-Luga, 150 kilometres west from St. Petersburg, Russia	20 million tonnes	US$56 million
Novorossiysk Terminal	Greenfield	50%	Novorossiysk (on the Black Sea coast), Russia	4 million tonnes	n/a
Nevskaya Pipeline Company	Greenfield	50%	Ust-Luga, 150 kilometres from St. Petersburg, Russia	20 to 25 million tonnes	n/a
Petroterminal de Panama	Acquired in 2009	17.71%	Panama	600 thousand barrels per day	US$31.6 million
Downstream/refineries:					
Antwerp Refinery	Acquired in 2012	100%	Antwerp, Belgium	Distillation capacity of 107,500 barrels per cay	US$7.9 million
Ingolstadt Refinery	Acquired in 2012	100%	Bavaria, Germany	Distillation capacity of 110,000 barrels per day	US$150 million
Upstream/coal mines:					
Signal Peak	Acquired in 2011	33.33%	Montana, USA	9.1 million short tonnes(1)	US$400 million
Kolmar	Acquired in 2012	30%	assets are located in Eastern Siberia	1.8 million metric tonnes(1)	US$120 million
Keaton Energy	Acquired in 2010	23.91%	South Africa	1.9 million metric tonnes(1)	ZAR205.8 million
Upstream/oil exploration or oil and gas exploration and production:					
Mintley Caspian Limited (Lagansky Block)	Greenfield	30%	offshore area in the Russian sector of the Caspian Sea	n/a	US$30 million
PA Resources AB	Acquired in 2013	9.9%	oil production facilities are located in West and North Africa	n/a	US$20.6 million

(1) Actual coal extraction output in 2012.

Midstream Operations

Ust-Luga Terminal

In order to strengthen its competitive position in the Baltic region, in December 2008, Gunvor purchased RNB, the company which had secured the rights to develop the Ust-Luga Terminal project. The Ust-Luga Terminal is located on the Russian shores of the Baltic Sea, approximately 150 kilometres west of St. Petersburg. The construction of the Ust-Luga Terminal, which will become one of the world's largest rail/ocean transhipment terminals once fully completed, is the largest investment project undertaken by Gunvor. Total capital expenditures made on this project by 31 December 2012 were slightly less than US$1.0 billion.

The Ust-Luga Terminal has been operational for the transhipment of fuel oil since 2011. The final stage of construction to add light product transhipment capacity and increase the fuel oil transhipment capacity was completed in April 2013, increasing the terminal's full transhipment capacity to 20 million metric tonnes per year (up from 14 million metric tonnes per year as of 31 December 2012).

The terminal has a total storage capacity of about 670,000 cubic metres. When fully completed, the terminal will have the capacity to simultaneously discharge four 72-railtank car trains for fuel oil and two 36-railtank car trains for light products. With more than one kilometre of berthing space available, the terminal is expected to be able to load up to three vessels simultaneously, including large tankers with a capacity of up to 150,000 deadweight tonnes.

The terminal has already captured a significant share of the region's fuel oil export flows, which were previously shipped through the ports of the Baltic countries (principally Tallinn). Users of the terminal are able to benefit from shorter rail voyages from the Russian refineries and more favourable inland transportation tariffs. The terminal services third parties (approximately 90 per cent. of total capacity) as well as Gunvor's own operations (approximately 10 per cent. of total capacity), and significantly enhances Gunvor's logistics capabilities involved in refined petroleum products transportation and exports from Russia, as well as providing a material stable earnings stream for the Group.

The construction of the Ust-Luga Terminal has been financed to date with two project finance loans in the amounts of €176 million and US$199 million, with the remaining investments financed through equity.

Novorossiysk Terminal

In 2009, Gunvor entered into a 50 per cent. joint-venture with Novorossiysk commercial seaport to build and jointly operate a fuel oil export terminal in Novorossiysk, on the Russian coast of the Black Sea. This terminal is an outlet for fuel oil exports from southern Russia. Its design capacity is four million metric tonnes of fuel oil per year and it has 119,000 cubic metres of storage capacity. Gunvor uses approximately 60 per cent. of the terminal capacity, with the remaining 40 per cent. being used by the Finnish investment group Summa Capital. This terminal was completed in the second quarter of 2012 and is fully commissioned.

The cost of this project to Gunvor (approximately US$93 million) has been financed through a project finance loan from Raiffeisen Bank (with Gunvor's proportional share of the loan, amounting to US$55 million, being 50 per cent. of the total loan) and out of equity.

Nevskaya Pipeline Company

Transneft, the Russian state-owned pipeline monopoly, has extended the Druzhba pipeline used to export crude oil to Western Europe to Ust-Luga as part of the Baltic Pipeline System-2 project (the ''**BPS-2 pipeline**''). This extension provides Russia with a second sea export outlet on the Russian coast of the Baltic Sea in addition to Primorsk. This 1,017 km pipeline extension terminates near Ust-Luga, four kilometres from the sea as Transneft's land plot has no access to the sea. NPC LLC, set up in early 2010, has built and started operating the four kilometres of pipeline connecting the crude oil tank farm at the end of Transneft's BPS-2 pipeline to a jetty on the Baltic Sea shore also owned by Transneft. Gunvor has a 50 per cent. interest in NPC LLC, with the remaining 50 per cent. ownership stake split between Gazprombank (24 per cent.) and Transneft (26 per cent.).

The pipeline commenced operations in March 2012. NPC LLC already has throughput agreements in place with major Russian oil producers including TNK-BP, GazpromNeft, Lukoil and Rosneft. The total volume of crude oil that passed through this pipeline in 2012 was 14.3 million metric tonnes, but the full nominal throughput capacity is expected to range from 20 to 25 million metric tonnes per year.

The cost of this project to Gunvor of approximately US$60 million has been financed through a project finance loan from Raiffeisen Bank and BNP Paribas (with Gunvor's proportional share of the loan amounting to US$38 million, being 50 per cent. of the total loan) and out of equity.

Petroterminal de Panama

The acquisition of Castor Petroleum Ltd. (''**Castor**'') in 2009 has given Gunvor new sourcing opportunities, a stronger market presence in the Americas and access to additional storage capacity. Gunvor has acquired through Castor a 17.71 per cent. stake in Petroterminal de Panama as well as a seven-year lease agreement covering the use of Petroterminal de Panama's storage facilities and its throughput capacity. The Group's management believes that Petroterminal de Panama strengthens Gunvor's ability to market crude oil in the United States. Petroterminal de Panama owns a pipeline with a 600 thousand barrels per day throughput capacity linking the Pacific and Atlantic coasts with storage locations on either side (totalling about nine million barrels split approximately equally between the two coasts). This pipeline offers a short-cut for crude cargoes around Latin America and an alternative to the

Panama canal enabling the Group to cut costs (with appropriate freight market conditions) on West-African, European and Russian shipments to the U.S. West Coast and to the Far East.

As a result of the Castor acquisition, Gunvor inherited a strong market position in sourcing Latin American crude grades and selling them to oil majors and refiners on the U.S. West Coast and Gulf Coast. Gunvor further strengthened this market position by fully integrating the former Castor traders into the Group's crude oil trading operations and focusing them on developing access to other Latin American crude oil grades as well as sharing their U.S. market expertise in order to enhance arbitrage opportunities for the whole Group.

Downstream Operations

The Antwerp Refinery

The Antwerp Refinery, with a crude distillation capacity of 107,500 barrels per day, is located on a 105 hectare site north of the port of Antwerp, Belgium. It was originally commissioned in 1968 and underwent a major upgrade in 1982. In 2006, the Antwerp Refinery was acquired by the Petroplus group. When the Petroplus group entities filed for bankruptcy/moratorium in early 2012, Gunvor bid to purchase the Antwerp Refinery within the framework of the bankruptcy administration of Belgian Refining Corporation N.V. and its bid was deemed successful by the administrator in early March 2012. While most other bidders planned to turn this facility into a storage terminal, Gunvor's management aimed to integrate the Antwerp Refinery into the Group's existing trading operations around the Amsterdam—Rotterdam—Antwerp region, which was a central element leading to the acquisition tender being awarded to Gunvor. Gunvor managed to quickly obtain all necessary permits and authorisations and negotiated the transition with the former owner in two months, allowing the Antwerp Refinery to restart operations in May 2012. In the same year, Gunvor successfully completed a major scheduled maintenance turnaround of the Antwerp Refinery at a cost of US$36.7 million. The next turnaround is currently scheduled for 2017.

The key investment considerations that drove Gunvor's acquisition of the Antwerp Refinery were the following:

- The Antwerp Refinery is located in a prime location at the entrance of the port of Antwerp. The Antwerp Refinery is well connected to the international and local markets by water (with jetties for vessels with capacity of up to 120,000 metric tonnes) and by road. The Antwerp Refinery's location provides significant logistical advantages and allows Gunvor to both benefit from a large selection of available feedstock and capitalise on flexibility in respect of accessible markets for refined products.
- The Antwerp Refinery has a storage farm of 90 tanks with a total capacity of 1.2 million cubic metres which is used to support Gunvor's trading operations.

The acquisition of the Antwerp Refinery included the re-hiring of the former Petroplus employees associated with the refinery. As of 31 December 2012, the Antwerp Refinery employed 222 people.

Gunvor acquired the Antwerp Refinery for €6 million (excluding working capital).

The Ingolstadt Refinery

The Ingolstadt Refinery is located on a 128 hectare site in Ingolstadt, Germany, approximately 80 kilometers north of Munich. It was originally commissioned in 1963 and was purchased by the Petroplus group in 2007. The Ingolstadt Refinery was regularly upgraded by the Petroplus group, with the most recent major maintenance turnaround completed in the second half of 2011. The next turnaround is currently scheduled for 2017.

Gunvor completed the acquisition of the Ingolstadt Refinery in August 2012 following Petroplus' bankruptcy and re-started its operations immediately thereafter. The Ingolstadt Refinery has two crude units with a crude distillation capacity of 110,000 barrels per day. Its crude oil supply is delivered via the Transalpine (''**TAL**'') pipeline system from the marine shipping terminal in Trieste, Italy. Gunvor has enhanced its ability to secure capacity in the TAL pipeline system through the acquisition of a 10 per cent. stake in this pipeline. Light products and middle distillates such as gasoline, diesel, heating oil and jet fuel produced at the Ingolstadt Refinery are principally sold locally or in other parts of Germany (approximately 85 per cent. of total output), with the remaining part sold in Switzerland, Austria and the

Czech Republic. Products are shipped to customers from the on-site truck-loading and railcar-loading facilities.

The key investment considerations that drove Gunvor's acquisition of the Ingolstadt Refinery were the following:

- Thanks to its landlocked position in the heart of Bavaria, the Ingolstadt Refinery is relatively insulated from outside competition in the local market, which allows Gunvor to capture inland product price premia.
- Gunvor also benefits from the strong fundamentals of the local market as Bavaria is one of the most economically healthy regions in Europe.
- The Ingolstadt Refinery is more complex and modern than the Antwerp Refinery discussed above. Its Nelson complexity index is 7.9 (as compared to 5.9 for the Antwerp Refinery) and it has a fluid catalytic cracker and the capability to produce bitumen.
- The Ingolstadt Refinery also has storage capacity of 1.1 million cubic metres.

The acquisition of the Ingolstadt Refinery included the re-hiring of former Petroplus employees, including its sales force, who are familiar with the Ingolstadt Refinery's customers and have an excellent understanding of the local market. As of 31 December 2012, this refinery employed 382 people.

Gunvor acquired the Ingolstadt Refinery for US$150 million (excluding working capital). The acquisition was financed with a US$100 million loan from Deutsche Bank and VTB Bank, with the remaining amount financed through equity.

Upstream Operations

Signal Peak—Coal Mine in Montana in the United States

In 2011, Gunvor acquired a 33.33 per cent. interest in Signal Peak, a coal mining company located in Montana in the United States, for US$400 million. This acquisition allowed Gunvor to secure a long term off-take agreement for a large volume of coal. It also enhanced Gunvor's competitive position in the Asian market, as Signal Peak is able to serve not only U.S. domestic customers, but also customers in the Asian market due to its transport links to ports on the western seaboard of the United States and Canada, as well as in Europe. Signal Peak's other shareholders (with a one third ownership interest each) are the Ohio-based Boich Group and utility company First Energy Ltd.

Signal Peak operate the Bull Mountain Mine No. 1, a thermal coal mine near Roundup, Montana. According to the Engineering & Mining Journal (September 2012), in the first half of 2012, this mine was the highest producing longwall mine in the United States. Signal Peak's management reported underground proven reserves at this mine of 341 million short tonnes and surface proven reserves of 109 million short tonnes, respectively (with one short tonne equal to approximately 0.9 metric tonnes), in July 2011 based on *the Bull Mountain Reserve Study (March 2006)* prepared by Weir International Inc. Underground mining using longwall equipment started in December 2009 after the construction of the necessary surface facilities and the completion of a dedicated rail track. The mine has new mining equipment, a modern preparation plant and an integrated transportation infrastructure. Signal Peak owns the 35-mile rail line connecting its mining operations to the main line of the Burlington Northern Santa Fe railroad near Billings, Montana. This line connects the mine with terminals in Seattle (United States) and Vancouver (Canada), which are the principal export outlets for Signal Peak's products on the Pacific Coast.

Raw coal production at the mine grew from 1.6 million short tonnes in 2009 to 6.9 million short tonnes in 2010, 8.1 million short tonnes in 2011 and 9.1 million short tonnes in 2012. The estimated full production capacity of the underground mine is approximately 12 million short tonnes per year. Surface mining operations are scheduled to start in 2015 and are currently expected to add approximately six million short tonnes of additional raw coal capacity per year.

Gunvor has secured a long-term off-take contract with Signal Peak until 2025 for several million tonnes of thermal coal per year, providing the Group with a reliable long-term source of coal.

The acquisition of the interest in Signal Peak was financed with a US$250 million loan from a consortium of banks led by BNP Paribas and Raiffeisen Bank, with the remaining amount financed through equity.

Gunvor's management currently intends to reduce Gunvor's ownership stake in Signal peak from 33.33 per cent. to 25 per cent. in the course of 2013.

Kolmar—Coal Mines in Eastern Siberia

At the end of 2010, Gunvor formed a 50/50 joint venture with Volga Resources (controlled by Mr Timtchenko) for the purchase of a 60 per cent. interest in Kolmar, which owns coking coal assets in Russia. The acquisition of the 60 per cent. interest in Kolmar was completed in August 2012. Kolmar indirectly holds several mining licences allowing its operating subsidiaries to extract coal through both open pit and underground mining within the Chulmakan and Denisovsky coalfields in Eastern Siberia. Total reserves within the areas covered by these licences are estimated to be approximately one billion metric tonnes of coking coal, including recoverable reserves of up to 670 million metric tonnes. In addition to extracting coal at its operating mines, Kolmar is involved in the development of several new projects around the city of Neriungri in the Sakha Republic located approximately 2,600 kilometres by rail from Russia's Far East coast.

Kolmar's operating mines produced approximately 1,011 thousand metric tonnes of coking coal in 2011 and 1,814 thousand metric tonnes of coking coal in 2012. A significant investment programme for the expansion of the existing operating mines and the development of new mines is currently expected to enable Kolmar to increase its coking coal extraction volumes to approximately 12 million metric tonnes by 2020.

With the relative proximity of Russian ports, such as Nakhodka and Vanino, on the Pacific coast and the well developed rail infrastructure in Eastern Siberia and the Russian Far East, Kolmar is well-positioned to market its coal on the Asian market. As part of the acquisition of the 60 per cent. interest in Kolmar, Gunvor secured exclusive rights to coal exports. Unwashed (unprocessed) coal is currently being exported principally to customers in China and Ukraine. After the completion of the two washing plants that will be constructed and are scheduled for completion in 2016, washed coal (coal concentrate) is expected to be sold at significantly higher prices principally to premium customers in Japan and South Korea.

The acquisition of Gunvor's 30 per cent. stake in Kolmar is financed with US$70 million of equity and a US$50 million loan from ABN Amro Bank N.V. As of 31 December 2012, Gunvor had incurred capital and operational expenditures of approximately US$50 million on this project.

Keaton Energy Holdings Limited—Coal Mines in South Africa

In 2010, the Group acquired a 17.03 per cent. stake in Keaton Energy through Plusbay Ltd., a wholly-owned subsidiary of the Issuer. Subsequently, Gunvor increased its stake in this company to 23.91 per cent. Keaton Energy is a South African coal exploration, development and mining company, whose shares are listed on the Johannesburg Stock Exchange. Its assets comprise two operating coal mines, Vanggatfontein and Vaalkrantz; three development projects, Sterkfontein, Koudelager and Braakfontein; and an exploration pipeline. Two of the three seams mined at Vanggatfontein contain thermal coal, while the third seam contains coking coal. Coal extracted at Vaalkrantz is anthracite. In order to consolidate its position in the South African coal market and gain access to the export market, Keaton recently acquired an approximately 74 per cent. stake in Leeuw Mining, a South African coal exporter. In addition, Gunvor was able to secure export tonnage allocations at the Richards Bay coal export terminal in Natal.

Mintley Caspian Limited—Oil Exploration in the Caspian Sea

Gunvor has a 30 per cent. minority stake in Mintley Caspian Limited, a Cypriot holding company, the Russian subsidiary of which holds exploration and production licences in respect of the Lagansky Block, an offshore area located in the Russian sector of the Caspian Sea. The 70 per cent. stake in this company is owned by Lundin Petroleum. Acquired in 2009, this stake represents Gunvor's first direct investment in oil exploration. The Lagansky Block is 2,000 square kilometers in size and has contingent resources of 88 to 126 million barrels of crude oil. The exploration licence was granted in 2004 and operations are conducted by Lundin Petroleum's Russian subsidiary, Petroresurs LLC.

In 2008 a major oil discovery was made in the Lagansky Block. This discovery is deemed to be strategic, due to its offshore location, by the Russian government under the Foreign Strategic Investment Law (''**FSIL**''). As a result, a 50 per cent. ownership by a state-owned company is required prior to appraisal and development of the Lagansky Block. Discussions continue with third parties to meet the requirements of the FSIL.

Gunvor's management currently intends to sell Gunvor's ownership stake in Mintley Caspian Limited in the course of 2013.

PA Resources AB—Oil and Gas Exploration and Production

In early 2013, Gunvor acquired a 9.9 per cent. in PA Resources AB (''**PA Resources**''). PA Resources is an international oil and gas group involved in the exploration and development of oil and gas assets and the production of oil and gas. Its oil production facilities are located in West and North Africa. The holding company of the group, PA Resources, is located in Stockholm, Sweden, and its shares are listed on NASDAQ OMX in Stockholm.

Gunvor's interest in PA Resources stems from its existing contractual relationship with it, whereby Gunvor off-takes all of PA Resources' crude oil production of Didon and Zarzaitine grades in Tunisia, Azurite grade in Congo and Aseng grade in Equatorial Guinea, totaling approximately 5,000 barrels per day.

New Projects

Gunvor continues to consider new investments in oil products terminals, LNG terminals, mini refineries and downstream facilities in Latin America, Africa, Central Asia and South Asia. One project, for which Gunvor has already secured all regulatory approvals, involves the construction of an oil products terminal in Indonesia that is currently expected to be completed in 2015.

In the conduct of its business, Gunvor has and continues actively to consider and assess opportunities to make new acquisitions or other transactions involving companies or assets whose activities complement its existing business. Such potential opportunities are at different stages of analysis and/or may be material in nature. Furthermore, some of the potential opportunities may involve related parties.

Competition

Gunvor's management considers the Vitol Group, Trafigura Group, Mercuria Energy and Glencore to be its main competitors in the physical trading of crude oil, refined petroleum products, natural gas and LNG. All of these companies have similar trading business models and all of them have been increasing the levels of their vertical integration to maintain or strengthen their competitive position.

In coal trading, Gunvor also competes with Noble Group in addition to Vitol Group, Trafigura, Mercuria Energy and Glencore.

Gunvor's two refineries operate in different markets and, accordingly, face different competitors. The Ingolstadt Refinery principally sells its products locally or in other parts of Germany (approximately 85 per cent. of total output), with the remaining part sold in Switzerland, Austria and the Czech Republic. Its principal competitors are refineries that sell their products in these markets in Central Europe and particularly in Bavaria. Due to its geographic location, the Antwerp Refinery is able to sell its products by truck, barge and seagoing vessel. It supplies the Benelux region with LPG, heating oil and motor fuels from its truck loading facilities at the Antwerp Refinery. Barges enable it to sell products to customers in Belgium, the Netherlands and up the Rhine in Germany and Switzerland. Seagoing vessels allow it to sell its products further afield in Europe, countries around the Mediterranean, the United States, Canada and Latin America. It, therefore, competes with other companies that sell similar products in any of these markets.

In respect of its terminal operations, the Ust-Luga Terminal competes with other terminals in the Baltic states. The Novorossiysk Terminal competes principally against the Black Sea terminals in Ukraine. Both terminals benefit from the scale of their operations relative to their direct competitors. Gunvor's management believes that the Ust-Luga Terminal is one of the world's largest rail/ocean transshipment terminals, while the Novorossiysk Terminal is one of the largest fuel oil terminals on the Black Sea.

Insurance

Gunvor maintains a number of key insurance policies that it believes are commercially appropriate to cover the majority of the risks associated with its business operations. All of Gunvor's insurance policies are placed with global and local insurers as appropriate and have bespoke terms to reflect Gunvor's requirements. The vast majority of Gunvor's insurance policies are underwritten by Lloyd's and other major European and international insurance companies. Gunvor maintains insurance cover for both physical assets and liability exposures.

Gunvor's principal global insurance policies include property damage and business interruption (specific to refineries and terminals), charterer's legal liability, marine cargo (covering cargo in transit and/or storage including cover for war and piracy risks), general third party liability and directors' and officers' liability insurance. The insurance policy limits of global policies are either dedicated limits per location or entity (property damage and business interruption) or shared total limits per risk (liability covers). Local insurance policies may be taken out to satisfy mandatory local requirements or movable assets (for example, radiation cover or car insurance).

Insurance policies are acquired through insurance brokers that have been selected for the quality of their services in particular classes of insurance, access to international underwriters and high quality claims handling processes. Gunvor's management believes that using brokers allows Gunvor to get better policy terms and placements, competitive premium levels and advice and assistance with claims. Brokers are generally remunerated on a commission basis.

Regulatory Overview

Gunvor's activities are subject to extensive laws and regulations, both international and local in the jurisdictions in which it operates. These include laws and regulations relating to taxation, anti-trust, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards.

Industry Specific Regulations

Energy

In the energy sector, rules and regulations, including fire and safety regulations, govern the storage, import, transportation and handling of flammable chemical products. In some instances, product safety regulations (for example, REACH) require importers, producers and manufacturers to register their products and to regularly monitor and evaluate the risks and hazards posed by various substances such as, for example, chemicals, to protect humans and the environment from harm during their handling, transportation, storage and use. Failures to comply with these obligations could lead to delays in product delivery, loss of insurance coverage, business interruption on the customer side, administrative or criminal sanctions and, in the extreme, a banning (temporarily or permanently) from a marketplace. In addition to these rules and regulations, various licenses and certificates, such as safety certificates for handling flammable chemical products, must be obtained from the relevant bodies in the jurisdictions in which Gunvor operates.

Certain jurisdictions in which Gunvor operates have laws and regulations governing the setting of prices for natural gas and LPG, which relate both to the price at which Gunvor's suppliers supply natural gas to Gunvor and LPG and the price at which Gunvor supplies these products to its customers. In the case of LPG, a fixed or maximum price may be set, above which suppliers (such as Gunvor) are not permitted to sell LPG. However, the price at which Gunvor can buy LPG fluctuates by reference to world oil prices and the supply and demand situation in the relevant local markets. Generally, the fixed or maximum prices of LPG are adjusted to such a level that the market price of LPG does not exceed the fixed or maximum price of LPG.

Logistics

Gunvor charters a large number of vessels in connection with its trading activities from third parties. The shipping industry is highly regulated and Gunvor's operations are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which Gunvor's chartered vessels operate, as well as in the country or countries of their registration.

Gunvor's freight desk and Gunvor's chartered vessels operate within the rules, international conventions and regulations adopted by the International Maritime Organization (the ''**IMO**''), such as:

- the International Convention for the Safety of Life at Sea (''**SOLAS**'') which prescribes a series of regulations that are essential for the safety of a vessel and/or its crew;
- the International Convention for the Prevention of Pollution from Ships (''**MARPOL**''), the main international convention covering the prevention of pollution of the marine environment by ships from operational or accidental causes;

- the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, which prescribes a series of regulations according to which seafarers of all ranks must be trained and certificated in order to be able to carry out their respective duties on board vessels;
- the International Safety Management Code (''**ISM Code**''), which was designed to place greater responsibility on shore-based management teams for safe operation of ships and the prevention of environmental pollution; and
- the International Ship and Port Facility Security Code (''**ISPS Code**''), which was developed in response to the perceived risk to ships from terrorist activities. The regulations and the code came into force on 1 July 2004, through amendments to SOLAS. New security measures set out in the ISPS Code will need to be adopted by all vessels chartered by Gunvor.

These conventions have been ratified by the majority of maritime nations and apply to all vessels registered in these countries or calling in the waters of these countries.

Gunvor's chartered vessels are also subject to the laws, regulations and rules of each country and port they visit. Gunvor's management has developed policies and procedures intended to ensure Gunvor's compliance with these laws, regulations and rules.

Gunvor is also required by various governmental and quasi-governmental agencies to obtain certain permits, licences and certificates in respect of its operations.

Environmental Regulations

General

Gunvor is subject to various environmental protection and occupational health and safety laws and regulations in the industries in which it operates, both in accordance with international standards and in compliance with local environmental laws and regulations in the jurisdictions in which its operations are located. In several of its businesses, Gunvor handles and disposes of materials and waste classified as hazardous or toxic by one or more regulatory agencies. Handling hazardous or toxic materials and waste is inherently risky, and Gunvor is obliged to comply with all health, safety and environmental regulations applicable to its operations.

Energy

The logistics, refining and mining operations of Gunvor, its joint ventures and the companies in which it has minority investments are subject to environmental regulations governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, site clean-up, groundwater quality and availability, plant and wildlife protection, and, in respect of the coal mining companies in which Gunvor has minority investments, reclamation and restoration of mining properties after mining is completed. Gunvor, its joint ventures and the companies in which it has minority investments may be required to submit an environmental impact study to be approved by the relevant environmental regulatory authority before they may increase their production capacity. The costs associated with complying with these laws have had, and will continue to have, an impact on Gunvor's operating costs and competitive position. Permits or licences related to the mining operations of the coal mining companies in which Gunvor has minority investments may be suspended if there is evidence of serious failure to meet applicable environmental standards or may be withdrawn permanently in case of extreme failures.

Shipping

The IMO has adopted MARPOL. Technical standards included in the convention deal with the prevention of pollution by oil (Annex I), noxious liquid substances (Annex II), harmful substances in packaged forms (Annex III), sewage (Annex IV), garbage (Annex V) and air emissions (Annex VI). SOLAS imposes a variety of standards to regulate the design and operational features of ships. SOLAS standards are revised periodically. SOLAS also incorporates the ISM Code and the ISPS Code. The ISM Code requires, among other things, any person who has assumed responsibility for a ship, to implement certain environmental and safety management systems.

Responsibility for the enforcement of IMO conventions is primarily the responsibility of flag states. However, under regional port state control initiatives (for example, the Paris Memorandum of Understanding in respect of the European coastal line) port state authorities are empowered to verify the condition and acceptability of foreign vessels using their ports. These schemes set and enforce harmonised inspection procedures designed to target substandard ships.

Gunvor's chartered vessels are registered with internationally recognised classification societies, such as the Lloyd's Register. The principal purpose of these classification societies is to provide objective and independent confirmation to insurance underwriters that vessels are being maintained to the standards that are considered appropriate to minimise claims on underwriters. A beneficial by-product of the activities of classification societies is to provide reassurance to owners, charterers and others with a financial or other interest in those ships that they are being regularly surveyed and properly maintained.

Gunvor has stringent quality control procedures to ensure that the above regulations and legislations are complied with and vessels are operated in conformity with Gunvor's safety management system.

Risk Management

Risk management is one of the key strengths of Gunvor's business. The Group's risk department reports directly to Gunvor's chief risk officer (''**CRO**'') and is independent of any commercial activities. Gunvor uses various hedging techniques to manage the risks associated with its business, including the commodity price risk inherent in the commodities it trades, as well as foreign currency exchange rate risk and freight risk. In addition, Gunvor manages the risk associated with counterparty performance and credit risk. To hedge commodity price risk, Gunvor uses both listed and cleared derivatives (futures, options and swaps) as well as the OTC markets. Gunvor uses foreign exchange hedges to manage its commodity price risk priced in currencies other than the U.S. dollar as well as operational costs incurred in currencies other than the U.S. dollar. Gunvor also uses the futures markets to hedge its freight book when appropriate. Foreign currency exchange rate risk management is handled by Gunvor's treasury department.

Trading decisions are taken by the desk managers, who have to stay within the various limits that are set either by Gunvor's Credit Committee or by its CEO or CRO. These limits include counterparty, trading terms, credit terms, sovereign and position limits as well as VaR limits. These are constantly monitored by the risk department, through both the trading systems and daily meetings between the CEO, CRO and desk managers. Any deviation beyond the limits set needs approval from the CRO and/or risk department or the CRO and/or finance department depending on the type of limit.

Operational risk is managed in several ways, including through the daily monitoring of the inventory, together with the taking out of extensive local, sovereign and global insurance policies, depending on the risk being insured. Gunvor's storage, inventory and hedging operations are all monitored through its in-house designed and maintained trading system, and all physical, paper, storage and freight exposures are marked to market daily ensuring that Gunvor's management has a full view of all market changes and how they affect the value of its accounts.

The risk department monitors all of Gunvor's main trading and operational risks and measures daily all physical, paper, storage and freight positions, producing daily reports for the CEO, CRO, the chief financial officer (''**CFO**'') and other senior management on the positions and profits or losses of all trading desks and refineries. The risk department utilises VaR modelling and other risk matrix modelling techniques to quantify the potential risks inherent in Gunvor's positions.

Counterparty credit and trading terms are set by the credit committee consisting of the CRO, CFO credit analysts and risk managers. The committee meets twice monthly or more frequently if needed and approves new counterparties, their payment and trading terms, as well as reviewing and changing existing limits when deemed necessary due to world events, geo-political events, sectoral events or corporate events. It also reviews sovereign risk.

Mitigating Risk

Gunvor reduces the interruption of the supply chain risk by dealing with a large number of suppliers from many geographical markets and is helped by its expertise in the logistical supply chain. Over the years, Gunvor's employees have built up a detailed knowledge of, and relationships with, various logistics organisations around the world which help Gunvor to manage its supply chain in an efficient manner. In addition, Gunvor monitors its supply chain and inventory using independent third party organisations. Gunvor also has extensive insurance for its physical inventory, for marine cover, political risk and payment risk. Gunvor's internal controls help to mitigate the risk of fraud across its supply chain.

Commodity Price Risk

Gunvor's position exposure risks are monitored closely by the risk department to try to ensure that they stay within the prescribed limits. Gunvor uses both futures and OTC instruments such as swaps and contracts for difference (CFDs) to manage its commodity price risk. In the instances in which there is not a traded instrument that reflects the exact underlying physical commodity, Gunvor uses the instrument that reflects the closest hedge.

Gunvor uses a number of regulated commodity exchanges worldwide to manage its risks depending on the underlying commodity, including, but not limited to, CME Group (NYMEX, CBOT, COMEX), Intercontinental Exchange, London Metal Exchange, NYSE Euronext MATIF, Dubai Mercantile Exchange, SGX for products, European Energy Exchange APX-ENDEX, POWERNEXT, EPEX, IPEX, LCH and NOS.

Freight Risk

Changes in freight rates are mitigated in a number of ways. The way the oil business is structured and priced means that a large percentage of any price change is passed onto the end buyer. Gunvor also uses the paper markets to hedge its exposure in other markets as well as entering into time charters of various lengths, to carry its own goods as well as those of third parties.

Counterparty Risk

Gunvor assesses the strength of its counterparties on a regular basis and changes the terms under which it trades with them if there are any significant changes to their financial condition or corporate circumstances or for macroeconomic reasons or due to a change in the relevant country risk profile. Gunvor makes extensive use of third party credit support through the use of letters of credit. It also takes out and makes use of bank cover and trade credit insurance where appropriate.

Foreign Currency Exchange Rate Risk

The vast majority of Gunvor's business is conducted in U.S. dollars. When Gunvor trades in currencies other than the U.S. dollar or incurs costs in currencies other than the U.S. dollar, it covers this risk in the foreign exchange markets using forward contracts.

VaR

Gunvor monitors its VaR exposure on a daily basis. It uses two methodologies: historical VaR and Monte Carlo VaR, both with a 95 per cent. confidence level and a one day time horizon. VaR models make a number of assumptions, use historical correlations and volatilities regarding prices and assume future price movements will follow a statistical distribution. As a result of its reliance on these assumptions, VaR may not accurately predict future changes in and modifications of various risks. Gunvor calculates the VaR basis on the close-of-business numbers from the previous day. In practice, the trading results will differ from the VaR estimate of such results, especially in stressed and highly volatile markets. Gunvor's VaR models are back tested regularly to test the assumptions and parameters used in the calculations. In 2012, Gunvor's VaR varied from a low of US$3 million to a high of US$17 million with an average of US$12 million.

Insurance

The Group's management believes that the types of Gunvor's insurance policies, the amounts of coverage and the quality of insurance providers are adequate and normal for the industry in which the Group operates. Assets are insured on the basis of estimated maximum loss or replacement values. Insurance needs are regularly reviewed to ensure adequacy and timely incorporation of changes, if any. Insurance policies are arranged by insurance brokers (Marsh, AON) and underwritten by insurers with credit rating of A− or higher from Standard & Poor's or a comparable rating from an internationally recognised credit rating agency. The Group's management believes that Gunvor's insurance needs are adequately met to ensure sufficient coverage as well as compliance with any mandatory insurance requirements.

Employees

The number of Guvnor's employees as of 31 December 2012 was 1,634, including 604 terminal operators and 604 refinery workers.

The following table sets out the number of the Group's employees as of 31 December 2010, 31 December 2011 and 31 December 2012:

	As of 31 December		
	2010	**2011**	**2012**
Trading operations:			
Traders	90	95	103
Others	298	354	390
Total for trading operations	**388**	**449**	**493**
Other operations:			
Refineries	—	—	604
Ust-Luga Terminal	350	460	503
Shipping	2	17	23
Other	17	10	11
Total for the Group	**755**	**936**	**1,634**

Health and Safety

Gunvor is committed to the health and safety of its employees and contractors and surrounding communities. Gunvor's management has developed, implemented and maintains health and safety management systems and programmes that meet international standards and applicable regulatory requirements. These systems and programmes are tailored to the specific needs of Gunvor's operations and activities. Performance is regularly monitored by tracking injuries, lost days, fatalities and near-miss events. The information collected through monitoring is used as the basis for continuous improvement programmes, training and the improvement of the integrity and safety of work places.

DESCRIPTION OF THE ISSUER

Overview

The Issuer was originally incorporated on 27 September 2000 in the British Virgin Islands under the name Clearwater Advisors Corp. Clearwater Advisors Corp was de-registered from the British Virgin Islands register of companies on 29 November 2010. The Issuer was re-domiciled in Cyprus on 3 January 2011 under the name Gunvor Group Ltd with registration number HE 279934. The Issuer is a private limited liability company under the Company Law, Cap. 113 of Cyprus. The registered office of the Issuer is Themistokli Dervi 48, Athienitis Centennial Building, Office 501, 1066 Nicosia, Cyprus and its telephone number is +357 22 76 44 11.

The Issuer is the ultimate parent company of the Group and is not itself actively involved in trading or shipping activities.

Corporate Purpose of the Issuer

The principal objects of the Issuer are set forth in its memorandum of association and permit the Issuer to, *inter alia*, invest in other entities and carry any other business or activity which the directors consider profitable.

Capital and Shareholders

The Issuer is the Group's financial holding company. It is majority owned by its founders Mr Torbjörn Törnqvist and Mr Guennadi Timtchenko, who each hold 50 per cent. voting rights.

The authorised share capital of the Issuer is US$7,000,000.00 and the issued share capital is US$5,702,911.00. See ''*Shareholders*'' below.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting the Issuer or the Group, current or pending, or, to the best of the knowledge and belief of the Issuer, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2012.

Financial Statements

The financial year of the Issuer ends on 31 December in each year.

The independent auditors of the Issuer are PricewaterhouseCoopers Limited of Julia House, 3 Themistocles Dervis Street, 1066 Nicosia, Cyprus. PricewaterhouseCoopers Limited is a member of the Institute of Certified Public Accountants of Cyprus (ICPAC).

DESCRIPTION OF CLEARLAKE SHIPPING PTE. LTD.

Overview

Clearlake Shipping Pte. Ltd. (''**Clearlake**'') was incorporated on 21 March 2011 in Singapore to take over and develop the shipping activity of the Group, formerly handled by Clearlake Shipping Ltd (BVI), in order to cover the Group's increasing needs for ocean transportation. Clearlake was incorporated in Singapore under the Companies Act (Cap. 50) of Singapore as a private company limited by shares with registration number 201106753D. The registered office of Clearlake is 2 Battery Road, #30-00, Maybank Tower, Singapore 049907 and its telephone number is +65 6496 9000.

Corporate Purpose

The principal objects of Clearlake are set forth in the business profile clause of the Accounting and Corporate Regulatory Authority and permit Clearlake to charter ships, barges and boats with crew.

Capital and Shareholders

The authorised share capital of Clearlake is SGD 1,000,000.00 and the issued share capital is SGD 1,000,000.

Clearlake is a wholly owned indirect subsidiary of the Issuer.

Board of directors

Name	Age	Position
Mr. Alfred Emil Goetsch	65	Director, Managing Director
Mr. Manimaran S/O Sellappan	41	Director
Mr. Julien La Chon	41	Director

The business address of each of Clearlake's directors is 2 Battery Road, #30-00, Maybank Tower, Singapore 049907.

As at the date of this Offering Circular, none of Clearlake's directors has any principal activities outside Clearlake or the Group which are significant with respect to Clearlake or the Group

There are no material potential conflicts of interest between the duties owed to Clearlake by its Directors and their private interests or other duties.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting Clearlake, current or pending, or, to the best of the knowledge and belief of Clearlake, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of Clearlake since 31 December 2012.

Financial Year

The financial year of Clearlake ends on 31 December in each year.

Auditors

The independent auditors of Clearlake are PricewaterhouseCoopers LLP of 8 Cross Street, #17-00, PWC Building, Singapore 048424 who are public accountants and certified public accountants within the meaning of the rules and regulations adopted by the Institute of Certified Public Accountants of Singapore.

DESCRIPTION OF GUNVOR INTERNATIONAL B.V.

Overview

Gunvor International B.V. (''**Gunvor International**''), operating through its Geneva branch, was the Group's main trading arm in Europe until June 2011. As of 1 July 2011, it became the entity handling the Group's euro-denominated trading business. Gunvor International BV, Geneva Branch remains active in the trading of natural gas, LNG, biofuels and emissions.

Gunvor International was incorporated under the laws of the Netherlands on 10 July 2007 as a private limited liability company, and is registered in the Netherlands with the Trade Register of the Chamber of Commerce under number 34275373. The registered office of Gunvor International is Herengracht 498, 1017 CB Amsterdam, the Netherlands and its telephone number is +31 20 535 60 80.

Corporate Purpose

The principal objects of Gunvor International are set forth in article 2 of its articles of association and permit, *inter alia*, Gunvor International to invest, manage, trade in, transport (freight) and engage in activities relating to emissions and energy, including but not limited to oil, coal, renewable, alternative energy, gas, LNG, electrical power and other petrochemical products and related commodities, and to perform any kind of industrial, financial and commercial activities in relation thereto.

Capital and Shareholders

The authorised share capital of Gunvor International is €200,000 and the issued share capital is €200,000.

Gunvor International is a wholly owned subsidiary of the Issuer.

Board of directors

Name	Age	Position
Mr. Dirk Jonker	62	Managing Director
Mr. Torbjörn Törnqvist	59	Director

The business address for each of the directors is Herengracht 498, 1017 CB Amsterdam, the Netherlands.

Mr. Jonker also serves on the board of directors of each of Labelprint BV, International Petroleum Products B.V., Keaton Energy Holdings Ltd and Global Mining Holding Company, LLC.

Mr. Törnqvist is the owner and Chairman of Artemis Racing.

Save as disclosed above, as at the date of this Offering Circular none of Gunvor International's directors has any principal activities outside Gunvor International or the Group which are significant with respect to Gunvor International or the Group.

There are no material potential conflicts of interest between the duties owed to Gunvor International by its directors and their private interests or other duties.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting Gunvor International, current or pending, or, to the best of the knowledge and belief of Gunvor International, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of Gunvor International since 31 December 2012.

Financial Year

The financial year of Gunvor International ends on 31 December in each year.

Auditors

Gunvor International B.V. does not prepare separate statutory financial statements and has not appointed a statutory auditor.

Dutch law permits this provided that the parent company declares in writing that it accepts, jointly and severally, the liability for the debts of the subsidiary company and that several conditions are met (exemption for preparing audited statutory financial statement as per Article 403).

The results of Gunvor International B.V. are fully consolidated in the Group financial statements prepared by the Issuer.

DESCRIPTION OF GUNVOR SINGAPORE PTE. LTD.

Overview

Gunvor Singapore Pte. Ltd. (''**Gunvor Singapore**'') was incorporated on 15 May 2006 to complement the Group's existing operations in Europe and to develop trading activity in Asia.

Gunvor Singapore was incorporated in Singapore under the Companies Act (Cap. 50) of Singapore as a private company limited by shares with registration number 200606959K. The registered office of Gunvor Singapore is 2 Battery Road, #30-00, Maybank Tower, Singapore (049907) and its telephone number is +65 6496 9900.

Corporate Purpose

The principal objects of Gunvor Singapore are set forth in the business profile clause of the Accounting and Corporate Regulatory Authority and permit Gunvor Singapore to trade wholesale of solid, liquid and gaseous fuels and related products.

Capital and Shareholders

The authorised share capital of Gunvor Singapore is SGD 1,000,001 and the issued share capital is SGD 1,000,001.

Gunvor Singapore is a wholly owned subsidiary of the Issuer.

Board of directors

Name	Age	Position
Ms. Muriel Schwab	37	Director, Regional Chief Financial Officer for Asia-Pacific
Mr. Julien La Chon	41	Director, Head of Development Asia-Pacific
Mr.Timothy Legge	54	Director, Group Chief Risk Officer
Mr. Jacques Erni	34	Director, Group Corporate Controller
Mr. Jeroen Schurink	42	Director, Group Chief Financial Officer
Mr. Dikun Yin	45	Managing Director
Mr. Lee Tjun Khun	44	Director, Financial Controller for Asia-Pacific

The business address of each of Gunvor Singapore's directors is 2 Battery Road, #30-00, Singapore (049907).

As at the date of this Offering Circular, none of Gunvor Singapore's directors has any principal activities outside Gunvor Singapore or the Group which are significant with respect to Gunvor Singapore or the Group

There are no material potential conflicts of interest between the duties owed to Gunvor Singapore by its directors and their private interests or other duties.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting Gunvor Singapore, current or pending, or, to the best of the knowledge and belief of Gunvor Singapore, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of Gunvor Singapore since 31 December 2012.

Financial Year

The financial year of Gunvor Singapore ends on 31 December in each year.

Auditors

The independent auditors of Gunvor Singapore are PricewaterhouseCoopers LLP of 8 Cross Street, #17-00, PWC Building, Singapore 048424 who are public accountants and certified public accountants within the meaning of the rules and regulations adopted by the Instituted of Certified Public Accountants of Singapore.

DESCRIPTION OF GUNVOR SA

Overview

Gunvor SA, trading within Europe, the Middle East and Africa, handles all European oil and coal businesses.

Gunvor SA is a stock corporation (*société anonyme/Aktiengesellschaft*) incorporated and existing under the laws of Switzerland. Gunvor SA was incorporated on 14 December 2005 and is registered in Switzerland with the Geneva Register of Commerce with the number CH-660-2734005-4. The registered office of Gunvor SA is 80-84 rue du Rhône, 1204 Geneva, Switzerland and its telephone number is +41 22 718 7900.

Corporate Purpose

The principal objects of Gunvor SA are set forth in Article 3 of its articles of association and permit, *inter alia*, Gunvor SA to purchase, sell, trade, transact, exchange, supply, manage, trade in, transport (freight), the storage, the distribution or the disposal in any manner whatsoever, whether as principal or agent, of crude oil, products deriving from oil, coal, gas, natural gas, renewable, alternative energy, LNG, electrical power, emissions and energy and other petrochemical products or any other commodities, and engage in any other activities or furnish any other services, including but not limited to administrative, financial, technical, economic or managerial or advisory activities and services in relation hereto.

Capital and Shareholders

The share capital of Gunvor SA is CHF 170,000,000 fully paid up to CHF 170,000,000.

Gunvor SA is a wholly owned indirect subsidiary of the Issuer.

Board of directors

Name	Age	Position
Mr. Timothy Legge	54	Chairman of the Board
Mr. Gerhard Auer	54	Vice-Chairman of the Board
Mr. Edgar Hagmann	67	Director
Mr. Jean-Baptiste Leclercq	40	Director

The business address of each of Gunvor SA's directors is 80-84 rue du Rhône, 1204 Geneva, Switzerland.

Mr. Auer also serves on the board of directors of Figest Conseil SA and is a director and audit committee member of Banque Morval SA, Banque Pasche SA and Banque Pasche (Liechtenstein) AG. Mr. Hagmann also serves on the board of directors of Adeya SA.

Save as disclosed above, as at the date of this Offering Circular none of Gunvor SA's directors has any principal activities outside Gunvor SA or the Group which are significant with respect to Gunvor SA or the Group

There are no material potential conflicts of interest between the duties owed to Gunvor SA by its directors and their private interests or other duties.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting Gunvor SA, current or pending, or, to the best of the knowledge and belief of Gunvor SA, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of Gunvor SA since 31 December 2012.

Financial Year

The financial year of Gunvor SA ends on 31 December in each year.

Auditors

The independent auditors of Gunvor SA are PricewaterhouseCoopers SA, Geneva branch, 50 avenue Giuseppe-Motta, 1202 Geneva, Switzerland, PricewaterhouseCoopers SA is a member of the Swiss Institute of Certified Accountants and are registered auditors qualified to practise in Switzerland.

DESCRIPTION OF SANDMARK LIMITED

Overview

Sandmark Limited (''**Sandmark**'') is an investment holding company.

Sandmark was incorporated in Cyprus on 18 May 2007 with registered number 199780 as a private company with limited liability under the Companies Law (Cap. 113) of Cyprus. The registered office of Sandmark Limited is Themistokli Dervi 48, Athienitis Centennial Building, Office 501, 1066 Nicosia, Cyprus and its telephone number is +357 22 76 44 11.

Corporate Purpose

The principal objects of Sandmark are set forth in its memorandum of association and permit the Issuer to, *inter alia*, invest in other entities and carry out any other business or activity which the directors consider profitable.

Capital and Shareholders

The authorised share capital of Sandmark is US$25,000 and the issued share capital is US$17,620

Sandmark is a wholly owned subsidiary of the Issuer.

Board of directors

Name	Age	Position
Mr. Jacques Erni	34	Director, Group Controller
Mr. Gia Mai	32	Director, Corporate Finance Director
Mr. Menikos Yiannakou	66	Director
Mr. Emilio Kallenos	66	Director
Ms. Christina Hadjigeorgiou	37	Director, Managing Director
Mr. Michalakis Hadjimichael	65	Director

The business address of each of Sandmark's directors is Themistokli Dervi 48, Athienitis Centennial Building, Office 501, 1066 Nicosia, Cyprus.

Ms. Hadjigeorgiou serves on the board of directors of, and is general manager of, IPP Oil Products (Cyprus) Limited.

Save as disclosed above, as at the date of this Offering Circular none of Sandmark's directors has any principal activities outside Sandmark or the Group which are significant with respect to Sandmark or the Group.

There are no material potential conflicts of interest between the duties owed to Sandmark by its Directors and their private interests or other duties.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting Sandmark, current or pending, or, to the best of the knowledge and belief of Sandmark, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of Sandmark since 31 December 2012.

Financial Year

The financial year of Sandmark ends on 31 December in each year.

Auditors

The independent auditors of Sandmark are PricewaterhouseCoopers Limited of 3 Thermistocles Dervis Street, Julia House, 1066 Nicosia, Cyprus who are and are members of the Institute of Certified Public Accountants of Cyprus (ICPAC) and are qualified to practise in Cyprus.

DESCRIPTION OF WATERWAY PETROLEUM LIMITED

Overview

Waterway Petroleum Limited (''**Waterway**'') is a trading company mostly engaged in spot operations with several Russian suppliers. It then resells its cargoes to other Group trading entities.

Waterway was originally incorporated in the British Virgin Islands on 12 January 2000 and continued in The Bahamas as from 3 January 2012 with registered number 163881 (B), as a private company with limited liability under the International Business Companies Act (No. 45 of 2000). The registered offices of Waterway Petroleum Limited are Bayside Executive Park, Building No. 3, West Bay Street and Blake Road, P.O. Box N-4875, Nassau, The Bahamas and its telephone number is +1 (242) 677 3300.

Corporate Purpose

The principal objects of Waterway are set forth in clause 4 of its memorandum of association and permit, *inter alia*, Waterway providing guarantees concerning obligations of third parties, investing and trading in commodities and any other activities connected with these.

Capital and Shareholders

The issued and authorised share capital of Waterway is US$50,000.

Waterway is a wholly owned subsidiary of the Issuer.

Board of directors

Name	Age	Position
Mr. Torbjörn Törnqvist	59	Director
Mr. Michael Paton	49	Director
Mr. Castino Sands	31	Director

The business address of each of Waterway's directors is Lyford Cay House, 4th floor, West Bay Street, Nassau, The Bahamas.

Mr. Paton also serves on the board of directors of various other corporate entities, including Bayside Properties Limited, Bayview Investment Holdings Limited, Duart Invest Ltd., P.A.M. (Perpetual Asset Management) Overseas Ltd., Lennox Paton Corporate Services Limited, Welwyn Limited, Rosencrantz Limited and Sand Lily Holding Ltd.

Mr. Törnqvist is the owner and Chairman of Artemis Racing.

Save as disclosed above, as at the date of this Offering Circular none of Waterway's directors has any principal activities outside Waterway or the Group which are significant with respect to Waterway or the Group.

There are no material potential conflicts of interest between the duties owed to Waterway by its directors and their private interests or other duties.

Legal and arbitration proceedings

There are no litigation or legal, administrative or arbitration proceedings against or affecting Waterway, current or pending, or, to the best of the knowledge and belief of Waterway, threatened before any court, tribunal, arbitration panel or agency which might be material in the context of the issue of the Notes.

Recent Developments

There has been no material adverse change in the financial position or prospects of Waterway since 31 December 2012.

Financial Year

The financial year of Waterway ends on 31 December in each year.

Auditors

Waterway does not prepare separate statutory financial statements because its results are fully consolidated in the Group financial statements prepared by Gunvor. This is permitted under the laws of The Bahamas. The results of Waterway are therefore audited by the auditors of the Issuer.

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Board of directors

The table below set forth the names of the current directors of the Issuer, their ages and their current positions.

Name	Age	Position
Mr. Jacques Erni	34	Director, Group Corporate Controller
Ms. Christina Hadjigeorgiou	37	Director
Mr. Sven Olsson	70	Director
Mr. Emilio Kallenos	66	Director
Mr. Menikos Yiannakou	66	Director

The following are particulars of the qualifications, if any, and experience of the directors of the Issuer:

Mr. Jacques Erni: (Group corporate controller) Mr. Erni joined Gunvor in 2007. Since then, he has been responsible for the Group's accounting function, reporting system, tax and corporate structure. Additionally, Mr. Erni handles matters involving corporate restructuring, the opening of new representative offices, the Share Plan and all shareholder related dealings. He received a Swiss CPA degree from the Academie Suisse d'Expertise Compatable in 2006, and is a member of the Chambre Fiduciaire Suisse. Prior to joining Gunvor, Mr. Erni worked for five years in the audit department of PricewaterhouseCoopers in their Geneva office.

Ms. Christina Hadjigeorgiou: (Managing director, Cyprus head office) Ms. Hadjigeorgiou joined Gunvor in May 2010 and has been handling the corporate restructuring and establishment of the Issuer and its administration, the Group annual report and the overall management of the Nicosia office. She has been a member of the audit committee since 2012. A Certified Chartered Accountant and member of the Institute of Certified Public Accountants in Cyprus, Ms. Hadjigeorgiou worked for PricewaterhouseCoopers from 1995 until 2010. Ms. Hadjigeorgiou serves on the board of directors of, and is general manager of, IPP Oil Products (Cyprus) Limited.

Mr. Sven Olsson: Mr. Olsson joined Gunvor in 2004. Mr. Olsson currently serves as a director of the Issuer, is a member of the Issuer's audit committee and is on the supervisory board of Gunvor International B.V. Mr. Olsson is also responsible for the coordination and principles of the Group's corporate governance. He serves on the boards of various corporate entities including IPP Oil Products (Cyprus) Limited, Volga Resources, Airfix OY, Rörvik Timber AB, Liljedahl Group AB, Advokat Sven A. Olsson and Aller Media AB. He also serves as chairman of the boards of various entities including Allard Support for Better Life, Bex of Scandinavia AB, Bädd & Bad AB, Bästa Bostaden i Helsingborg AB, Kamelen 7 AB, Meerwind AB, Norrgavel Erik Richter AB, Scandstick AB, Smedbo International AB and The Labrusca Family Office AB and acts as alternate chairman of Sweryb Seafood AB.

Mr. Emilio Kallenos: Mr. Kallenos has served as an executive director for the Issuer since 2011. He has over forty years of experience in accounting both in London and Cyprus. For twenty eight of those years, he was the chartered accountant of his own company, which specialized in niche markets, tourism and hospitality and real estate. Most recently, Mr. Kallenos spent five years at PricewaterhouseCoopers as the director of public practice. He has memberships of two professional associations: the Institute of Chartered Accountants in England and Wales (fellow member) and the Institute of Certified Public Accountants of Cyprus.

Mr. Menikos Yiannakou: Mr. Yiannakou has served as an executive for the Issuer since 2011. He has extensive experience in accountancy that stems from working with a variety of companies both in Cyprus and abroad, since 1968. His first accounting position was at the firm Ioannou, Zampela & Co. where he remained for four years before taking a post as a senior accountant at N.C. Asprides Limited in Nicosia. In 1976, Yiannakou moved to Iraq where he was the chief accountant of the Parpas Construction Company. Yiannakou was the senior manager of the audit and tax departments of PricewaterhouseCoopers from 1998 to 2007.

The business address of each of the Issuer's directors is Themistokli Dervi 48, Athienitis Centennial Building, Office 501, 1066 Nicosia, Cyprus.

Save as disclosed above, as at the date of this Offering Circular none of the Issuer's directors has any principal activities outside the Issuer or the Group which are significant with respect to the Issuer or the Group.

There are no material potential conflicts of interest between the duties owed to the Issuer by its Directors and their private interests or other duties.

Executive officers

The table below sets out the names of the executive officers of the Issuer, their ages and their current positions.

Name	Age	Position
Mr. Torbjörn Törnqvist	59	Group Chief Executive Officer
Mr. Jeroen Schurink	42	Group Chief Financial Officer
Mr. Jan Christin	40	Treasurer
Mr. Gia Mai	32	Corporate Finance Director
Mr. Timothy Legge	54	Chief Risk Officer
Mr. Jean-Baptiste Leclercq	40	Chief Legal Officer
Mr. Brian Lewis	35	Compliance Director
Mr. Chris Gribben	40	Human Resources Director

Mr. Torbjörn Törnqvist: Mr. Törnqvist co-founded Gunvor Group Ltd in 2000. Drawing on his extensive knowledge of the international oil markets, he established Gunvor as one of the world's leading oil trading companies, and is now focused on diversifying Gunvor's operations to make it a truly integrated commodities trading house. Mr. Törnqvist received an M.B.A. degree from Stockholm University, and is Honorary Consul of Sweden in Geneva. Before co-founding Gunvor, he was managing director for the oil division of Intermaritime Group Petrotrade. Previously, he worked at British Petroleum from 1977 to 1983, and then became head of oil trading at Scandinavian Trading Co AB until 1989. Mr. Törnqvist has more than 30 years of experience in the oil and gas industry.

Mr. Jeroen Schurink: Mr. Schurink joined Gunvor in 2005. In his role he has helped the company become one of the largest independent, globally-integrated trading houses in the world. He obtained a master's degree in international management from the University of Lausanne. Prior to Gunvor, Mr. Schurink worked for Procter & Gamble for 12 years in several positions, including as an associate director of finance.

Mr. Jan Christin: Mr. Christin joined Gunvor in 2005 and is in charge of Group Treasury. After receiving an M.A. in Finance from Geneva University (HEC), Jan started his career with Ernst & Young as a bank auditor for five years before joining Crédit Lyonnais (which became part of Crédit Agricole group) in commodity trade finance.

Mr. Gia Mai: Mr. Gia Mai joined Gunvor in 2008. In his current role, Mr. Mai is responsible for the investment strategy and execution of the Group, as well as structuring project and acquisition financing. He previously worked with PricewaterhouseCoopers for six years in audit and transaction services. He earned an M.A. from HEC Lausanne, is a Swiss CPA and a CFA charterholder.

Mr. Timothy Legge: Mr. Legge joined Gunvor in 2004. Since that date, Mr. Legge has been the Group's chief risk officer. Before Gunvor, Mr. Legge spent 24 years working in the soft commodities field with Gill & Duffus as head of trading.

Mr. Jean-Baptiste Leclercq: Mr. Leclercq joined Gunvor in 2011 and is currently responsible for running the legal department. Mr. Leclercq received a 'Licence en droit' from the University of Geneva and an LL.M. master of laws from University of San Francisco, School of Law. He is licensed to practise in the state of New York. Prior to Gunvor, Mr. Leclercq served as the manager of the legal department for Addax Energy, and as legal counsel for BNP Paribas in the company's Geneva office.

Mr. Brian Lewis: Mr. Lewis joined Gunvor in 2012 and is currently responsible for running the compliance department. Mr. Lewis received a BSc (Hons) degree in Pharmacology from the University of Newcastle Upon Tyne. Prior to Gunvor, Mr. Lewis served in various compliance roles within the banking industry at Standard Chartered Bank and BNP Paribas, as well as other commodity trading houses.

Mr. Chris Gribben: Mr. Gribben joined Gunvor in 2012. He graduated with a degree in Economics and Politics, and began his career as a recruitment consultant for major investment banks in London. After ten years in the recruitment industry, Mr. Gribben joined Vodafone Group, focusing on internal mobility and human resources development. Prior to joining Gunvor, Mr. Gribben moved into a human resources managerial role and relocated to Geneva, Switzerland into the energy sector with RWE Supply & Trading.

Compensation of directors and management

The objective of the Issuer's remuneration policy is to enable it to attract, retain and motivate highly competent executives. The Issuer believes that members of its board of directors and management should be rewarded in line with good market practice in the industry, taking account of their international responsibilities and their performance against predetermined targets.

Remuneration of board of directors

The directors are paid director fees. The aggregate compensation paid or payable to the Issuer's directors in 2012 was US$114,000.

The board

The Issuer's board of directors is comprised of five directors, and each director has separate and independent access to senior management. The Issuer's board of directors meets regularly to oversee the Group's business affairs, approve financial objectives and business strategies, and monitor standards of performance. The board of directors is appointed annually by the Issuer's Class A shareholders.

Board committees

Audit Committee. The audit committee was established in 2012 by the board of directors and comprises two board members. The members of the audit committee are Ms. Christina Hadjigeorgriou and Mr. Sven Olsson. The audit committee, which has written terms of reference, performs the following delegated functions: (i) reviewing the annual audit plan of Gunvor's external auditors; (ii) reviewing the results of the external auditors' examination and their evaluation of Gunvor's internal control system; (iii) nominating external auditors for re-appointment; and (iv) reviewing Gunvor's full year results announcements, financial statements and consolidated financial statements before their submission to the board of directors for approval to announce such results. The audit committee has full access to and co-operation of the management and meets with the external and internal auditors without the presence of management at least once a year.

Non-board committees

Credit Committee. The credit committee is headed by Mr Jeroen Schurink and Mr Timothy Legge and is composed of several members of the Group's credit and risk functions. The credit committee is responsible for approving and monitoring counter-party credit risk exposure, maintaining credit policy and credit risk methodology, implementing Gunvor's credit approval process, monitoring compliance with approved limits and credit policy, and reviewing and analysing outstanding receivables and portfolio risks.

Corporate governance and internal controls

The directors of the Issuer are committed to ensuring that effective corporate governance is practised by the Issuer. In addition, the Issuer has internal audit, risk management and compliance functions. The internal audit team reports its findings and recommendations to management and to the audit committee as frequently as it considers necessary and in any case at least twice a year.

Share plan scheme for shares of the Issuer

The Issuer has established an employee share plan scheme (the "**Share Plan**"). At the discretion of management, senior managers and key employees are offered the opportunity to participate in the Share Plan, with their annual bonus being paid partly in cash and partly through the granting of Class D non-voting shares of the Issuer. The price for each share is determined according to the consolidated net asset value of the Group as of the date of the Group's Annual Financial Statements.

SHAREHOLDERS

The Issuer is ultimately majority owned by its founders Mr Torbjörn Törnqvist and Mr Guennadi Timtchenko, who each hold 2,500,000 Class A shares and equal voting rights.

The balance of shares are held under the Share Plan for senior employees. The Class D shares are non-voting shares. As at 1 May 2013, 702,911 Class D shares have been issued.

RELATED PARTY TRANSACTIONS

General Matters

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if these parties are under common ownership or control, as defined in IAS 24 ''*Related Party Disclosures*''. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group is controlled by Mr Torbjörn Törnqvist and Mr Guennadi Timtchenko. These two individuals own the majority of the Issuer's shares. The Issuer is, and has been, a party to various agreements and other arrangements with certain related parties, which are shown and described in more details below.

The Group Corporate Controller reviews annually a complete list of counterparties from the accounting system to identify any related parties. Any entities which could be related parties are flagged to the board members of the affected companies for confirmation.

Transactions with Related Parties

Sales of goods and services and interest income

The following table sets out sales of goods and services to related parties and interest income received from related parties in the years ended 31 December 2010, 2011 and 2012.

Party	Nature of transactions	Year ended 31 December 2010	2011	2012
		(in thousands of U.S. dollars)		
Entities under common control	Sales of goods and services	1,818	10,348	3,934
Associates and joint ventures	Interest income	942	8,334	23,149
Shareholder	Interest income	—	1,496	4,291

Goods are sold to entities under common control based on terms that would be available to third parties.

Interest is charged to associates and joint ventures at rates that would be available to third parties.

As of 31 December 2012, the loans receivable from associates and joint ventures were denominated in U.S. dollars except for the amount of US$22,428 thousand that was denominated in Swedish Krona and the amount of US$7,523 thousand that was denominated in Russian roubles. As of the same date, these loans bore interest at rates ranging from 2 per cent. to 15 per cent. and were repayable on demand if short-term and by 2020 if long term. The loan receivable from an entity the ultimate beneficial owner of which is Gunvor's CEO Mr Törnqvist is denominated in U.S. dollars, bears interest at 3.5 per cent. per year, is repayable on demand and can be set off against dividends.

Purchases of goods and services

The following table sets out purchases of goods and services from related parties in the years ended 31 December 2010, 2011 and 2012.

Party	Nature of transactions	Year ended 31 December 2010	2011	2012
		(in thousands of U.S. dollars)		
Entities under common control	Purchases of goods and services	14,172,379	20,504,236	15,658,545
Associates and joint ventures	Purchases of goods and services	213	—	63,028
Acquisition of non-controlling interest[(1)]		—	6,500	—
Entities under common control	Interest expense	—	—	1,426

(1) On 1 October 2011, the Group acquired a 50 per cent. stake in Palmpoint Limited, consolidating the 50 per cent. it already owned and giving it in aggregate 100 per cent. of the share capital in Palmpoint Limited. The total purchase consideration for the acquisition was US$6.5 million paid in cash.

Goods and services are bought from entities under common control and associates on standard commercial terms and conditions.

Year-end balances arising from sales/purchases of goods/services/financing

The following table sets out year-end balances arising from sales and purchases of goods and services to and from related parties as well as from financing transactions with related parties as of 31 December 2010, 2011 and 2012.

Party	Nature of transactions	Year ended 31 December 2010	2011	2012
		(in thousands of U.S. dollars)		
Receivables from related parties:				
Associates and joint ventures	Sales of goods and services	18,544	—	—
Entities under common control	Sales of goods and services	2	1,812	3,804
Associates and joint ventures	Financing	39,733	177,441	338,072
Associates and joint ventures	Prepayments	—	—	1,853
Shareholders	Financing	—	103,309	179,994
Shareholders	Unreceived share capital	—	—	11,700
Payables to related parties:				
Associates and joint ventures	Purchases of goods and services	—	—	1,945
Entities under common control	Purchase of goods and services	1,341,464	861,810	861,810
Shareholders	Dividends payable	8,514	—	22,979

The receivables and payables from and to related parties arise from sale and purchase transactions under standard commercial terms and conditions. They are unsecured in nature and bear no interest. No provisions were held against receivables from related parties as of 31 December 2012.

Oil Market

Market Structure—Supply Side

Crude oil is a strategically and geopolitically significant commodity, traded on the international markets. It is largely used as an input for manufacturing other commodities (''**refined products**'') that are used by end consumers, most commonly in the form of transport fuels, such as gasoline, diesel and bunker fuel.

Equilibrium in the market is driven primarily by supply and demand as well as other factors such as inventory levels, refinery outages, perceived levels of spare production capacity held by the Organisation of Petroleum Exporting Countries (''**OPEC**''), environmental disruptions and geopolitical events. Crude oil is extracted by exploration and production independent companies or integrated energy companies (such as BP, Shell and ExxonMobil) or national energy companies (such as PDVSA and Saudi Aramco).

Producing countries are split between OPEC members (such as Saudi Arabia, Iran and Venezuela) and non-OPEC producers (such as the United States, Canada and the United Kingdom). In 2011, OPEC countries held approximately 72 per cent. of the world's proven oil reserves, although production represented less than 45 per cent. of global crude oil production. OPEC producers, whose production generally represents lower cost supply, attempt to regulate the supply of crude to the market in support of price or market share objectives.

The supply of crude oil has evolved in a number of important respects. First, new sources of supply have emerged as a result of new discoveries in areas such as Brazil and Ghana. Two other new sources of supply which continue to grow strongly are shale oil in the United States and heavy oil from the tar sands in Canada. These are important because their increased production has led to a reduction in the amount of crude oil that the United States needs to import from other regions in order to satisfy domestic demand. In addition, other sources of supply have grown, or may soon grow, in importance as a result of the resolution of political, security or infrastructure constraints in countries like Colombia, Iraq (both southern Iraq and Kurdistan), Libya and Russia (through the commissioning of the East Siberia to Pacific Ocean pipeline). At the same time, crude oil production from a number of traditional producing regions such as the North Sea, Mexico, Indonesia and Iran (as a result of sanctions) continues to decline. These gradual shifts in the availability of crude oil supply over time create opportunities for independent trading companies such as Gunvor to facilitate the marketing of new sources of production.

It is estimated that around 10 per cent. of global crude production is freely traded rather than being sold under longer-term contracts between producers and consumers. This, therefore, amounts to a genuinely ''tradeable'' crude market of up to nine million barrels per day, which creates significant opportunities for independent trading companies engaged in the physical trading of oil, such as Gunvor, Trafigura, Vitol Group and Glencore(4). Opportunities of similar scale also exist in the global refined products markets.

Although crude oil is not a perfectly homogenous commodity, trading is undertaken with reference to global benchmark crude oils. For example, Brent Crude is a reference price for the majority of waterborne internationally traded crude oil supplies; Dubai Crude, is used as a benchmark for Mid East Gulf volumes into Asia, and West Texas Intermediate (''**WTI**'') is the primary benchmark used to price inland U.S. volumes. OPEC constructs a benchmark price from a basket of members' crudes. From 2011 to 2012, U.S. oil production increased 9.4 per cent. to over 11.1 million barrels per day(5), and with renewed supply growth from the Gulf of Mexico and increasing production from North Dakota and Texas, this strong trend is expected to continue.

Market Structure—Demand Side

Global oil demand has a strong positive correlation with global economic growth. In the ten years before 2008, global oil demand increased in line with the expansion in global GDP growth. Demand fell in both 2008 and 2009 as the impact of the global economic recession negatively impacted the consumption of energy. However, as global economic conditions have generally improved from 2010 to 2012, oil consumption has also rebounded. Oil consumption in 2012 was 89.6 million barrels per day with

(4) Source: Platts 2010: The Structure of Global Oil Markets.

(5) Source: http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=53&aid=1.

consumption volumes in the fourth quarter of 2012 reported at 90.1 million barrels per day according to the International Energy Agency.

The key source of increasing demand for crude oil has been the economies in various emerging markets. Between 1992 and 2011, oil consumption in North America, Western Europe and Japan has seen very little change, increasing from 38.9 million barrels per day to just 40.7 million barrels per day over this period (an increase of 4.4 per cent.). In general, oil demand in the developed markets peaked around 2005 and, except for post-recession recovery in 2010, remains on a gradual downward trend.

Conversely, oil consumption in the emerging markets of Asia, Latin America, the Middle East and Africa has increased significantly. From 1992 to 2011, the combined consumption of these regions has increased from 31.3 million barrels per day to 43.9 million barrels per day (an increase of 40.1 per cent.). In particular, Chinese consumption has increased by over seven million barrels per day to 9.8 million barrels per day. It is now the second largest consumer of crude oil globally accounting for over 11 per cent. of global oil demand, up from just four per cent. in 1992. During the same period, emerging market demand has risen from approximately 35 per cent. of the world total to close to 50 per cent. in 2011[(6)], a share that is expected to increase further in coming years.

The consequence of this difference in consumption trends between developed and emerging markets is that new refineries are being built in a number of emerging markets such as China, Vietnam, India and Saudi Arabia. At the same time, a large number of countries are experiencing demand growth, but do not have sufficient domestic refining capacity and therefore need to import refined products in order to meet domestic demand, with examples including many countries in West Africa, Australia and Brazil. Design advances have also lowered the relative cost disadvantage traditionally suffered by marine shipment of refined products as opposed to crude oil. Combined with efforts by crude oil producers to increase the proportion of their exports in the form of higher value-added refined products, this is likely to see rising volumes of seaborne refined products trade in future.

These multiple new sources of demand for both crude oil and refined products, combined with the changes in the sources of supply of crude oil highlighted above, have resulted in increasing opportunities for independent traders such as Gunvor to act as intermediaries between producers, suppliers and consumers of both crude oil and refined products in order to match sources of supply and centres of demand.

The market for trading crude oil and refined products is driven by supply, demand and geopolitical events as mentioned above. However, another key factor is refining capacity. When crude oil is in sufficient supply but demand outstrips production capacity, available refining capacity becomes a bottleneck in the market. The adequacy of refining capacity availability is reflected in refining margins, which are themselves driven by the spread between crude oil and refined products prices.

Additional factors that drive the market for trading crude oil and refined products include weather seasonality and the geographic locations of consumers and producers. For example, consumers located in colder climates will increase winter demand for heating oil, while consumers in parts of the Middle East see a pronounced seasonal rise in oil demand for cooling in summer months. Supply stability may also be affected by producers and shipping routes located in regions susceptible to sabotage and/or piracy. Finally, prices of crude oil and refined products can also be affected at times of regional supply disruption by releases of oil from strategic petroleum reserves, held historically by the countries of the International Energy Agency (IEA), but also now increasingly by major emerging consumer countries.

While the crude oil market is essentially global in nature, with prices reflecting global supply and demand conditions and other factors, the markets for refined products are driven in the first instance by more regional factors, with prices and margins reflecting local and regional supply and demand balances. Seasonality, weather, changing consumption patterns, refined products specifications, refinery availability and other factors all impact upon local and regional markets and prices. However, as refined products markets too become more globalised, so inter-regional and inter-product trading opportunities are also increasing.

Gunvor benefits from this highly volatile environment by being able to use its arbitrage expertise, geographical reach, storage/blending capabilities and freight options, as well as its newly acquired

(6) Source: EIA 2011 consumption data.

refining assets. In addition, the use of financial derivatives provides Gunvor with the means to enhance opportunities in the market while hedging against outright price risk.

Current Market Developments

For much of 2010, crude oil prices were broadly stable, with Brent trading in a tight range of US$80-90 per barrel (''**bbl**''). Prices spiked higher in early 2011 largely as a result of the ''Arab Spring'', which led to a collapse in Libyan production as well as concerns over potential production shortages elsewhere in the Middle East and North Africa. Global demand growth remained strong at the same time moving the crude oil market into deficit and edging global stocks lower. As a result, Brent prices rallied to over US$120/bbl. However, concerns over the global economic environment, especially from the eurozone crisis and indications of weaker distillate demand in Asia, saw prices ease back, with Brent trading around US$107/bbl at the end of 2011.

2012 also saw a volatile pricing environment for crude oil. Prices rallied strongly through the first quarter, partly from stronger economic growth but also from concerns about undersupply and the tightening of economic and oil-related sanctions on Iran. The threat of a military strike in Iran and the accompanying possible closure of the Straits of Hormuz also contributed to the price rally. Concerns over a potential cooling of the Chinese economy encouraged some money managers to raise their exposure to oil rather than copper and other industrial metals that are far more dependent on emerging market growth. Brent prices rallied to a high of US$128/bbl in March 2012. However, in the second quarter of 2012, when no military conflict in the Gulf materialised and with increased supply from non-OPEC regions such as the United States, Canada and Russia alongside a downgrading of global macroeconomic expectations, prices decreased significantly, with Brent falling to US$92/bbl and WTI back below US$80/bbl by June 2012. By the second half of 2012, the market saw a recovery in prices aided by positive policy actions, which renewed quantitative easing by the United States Federal Reserve in September and December, which, in turn, pushed up asset prices across the board. Brent crude oil was trading at US$108/bbl in December 2012 in line with levels at the end of 2011.

In 2013 to date, Brent crude oil has, until recently, traded mostly in a relatively narrow band of US$110 to US$120/bbl(7) with supply and demand in balance, high levels of inventories of crude oil, increasing OPEC spare production capacity and a global economy that continued to recover steadily. More recently, there has been a fall in a range of commodity prices, including crude oil, as a result of concerns regarding the global economy generally, and Chinese economic growth in particular, refinery outages for seasonal maintenance and continued growth in production in North America. As of 6 May 2013, the price of Brent crude oil had fallen to US$105 per barrel having traded below US$100 per barrel in April, with the outlook for the balance of the year hinging upon the degree of support provided by ongoing geopolitical risks on the one hand, and demand-driven concerns due to financial and budgetary issues in the OECD economies on the other.

Natural Gas Markets

Natural gas is the world's third largest source of energy (representing 23.7 per cent. of global energy needs in 2011(8)) and is primarily used in power generation, heating and for industrial uses. Unlike the crude oil and refined products market, natural gas is not a fully fungible global market and there is no spot ''global gas market'', but rather several regionalised markets driven by specific factors which result in different pricing structures and dynamics. Transport infrastructure, the degree of gas-on-gas competition and pricing trends vary between the three main consuming regions—North America, Europe and Asia. Moreover, until recently, the distribution of the gas resource base was more heavily concentrated than that for oil. Unconventional gas is more evenly distributed, but as yet poorly appraised. So the countries that were formerly part of the Soviet Union and the countries in the Middle East continue to account for over 70 per cent. of global reserves, though in the last decade, 40 trillion cubic metres (or 35 per cent.) has been added to global proven reserves, and North America has seen its global share rise from 4.6 per cent. to 5.2 per cent.. Nonetheless, Russia, Iran and Qatar still hold 55 per cent. of the reserve base. With the exception of the United States (where a fully liberalised spot market does exist owing to well-developed gas handling infrastructure and intense gas-on-gas competition), the United Kingdom and several trading hubs in Continental Europe, gas is largely dependent on piped or

(7) Source: Bloomberg.

(8) Source: BP Statistical Review of World Energy (June 2012).

LNG ''point-to-point'' supply relationships governed by long-term contracts, often linked directly or indirectly to benchmark oil prices.

A major long-term, secular development in the natural gas markets over the last decade has been the increase in inter-regional trade of natural gas in the form of LNG or piped gas via long-distance, cross-border pipelines(9). Given the high cost of transportation and storage compared to other fuels, such as oil, natural gas production centres have tended to only supply immediately adjacent consumption markets. With demand growth outpacing indigenous production growth and overall resource availability in the main consumption centres, a long-distance gas trade has become established.

As a result, the global gas market today is often divided into three main regional markets:

(i) North America, where a fully liberalised spot market exists (Nymex Henry Hub being used as the major pricing benchmark);

(ii) Europe, where supply is achieved both on a spot basis (mostly in the United Kingdom but also at several Continental Europe trading hubs as well as through spot LNG cargoes, albeit marginally) and under long-term supply contracts of both piped gas and LNG with major suppliers of piped gas to Europe including Russia, Algeria and Norway; and

(iii) Asia, where supply is primarily achieved through long-term LNG contracts, given the scarcity of indigenous production.

Whether through LNG imports or pipelines, gas purchasing is mostly undertaken through long-term contracts with durations of 20 to 30 years. While supplied to some extent through liberalised spot-priced natural gas, Continental Europe is dominated by long-term oil indexed contracts for pipeline and LNG imports as well as indigenous production (for instance Norway). Contracts from Russia and North Africa have typically included minimum annual gas volume purchased (''take or pay'' obligations) with pricing formulated by reference to oil and refined products price benchmarks. Increasing competition of supply sources, along with increased volumes traded through hubs have, however, led in recent years to a growing challenge to the oil-indexation concept as well as ''take or pay'' levels through contractual renegotiation. The Asian market for natural gas, mostly LNG flows, is also dominated by long-term contracts with pricing linked to oil price, although typically referring to crude oil baskets with some contracts including floors and ceilings on pricing. Unlike long-term piped gas supplied in Continental Europe, contracts in Asia do not usually include provisions for periodic price review. With many of the region's existing supply contracts signed in the 1970s and 1980s now approaching expiration, new contracts have recently begun to introduce components of linkage to U.S. traded spot prices.

In broad terms, the post-financial crisis period has seen a marked divergence in international gas prices. This has been driven by twin developments, namely surging Asian market demand (exacerbated by inflated Japanese imports after the 2011 Fukushima nuclear disaster) on the one hand, and strong growth in North American supply in light of the shale gas revolution on the other. Moreover, U.S. gas production has remained resilient even in the face of collapsing domestic prices, as high oil prices have encouraged wet gas extraction in order to rapidly monetise associated liquid supplies.

On the supply-side, while proved reserves of natural gas (and resulting production capacity) have traditionally been concentrated in the Middle-East and the Russia/Caspian regions (holding approximately 70 per cent. of global proved reserves in 20111), recent years have seen a radical change in the distribution of recoverable gas resources, both as a result of technologically unlocked access to unconventional resources and recent significant conventional gas discoveries. Over the last ten years, significant conventional discoveries have been made in East Africa (Tanzania, Mozambique), West Africa, the Mediterranean (Israel, Cyprus), Australia and Papua New Guinea. These developments have led to increasing competition between sources of supply in the inter-regional gas trade market, especially as indigenous production in some regions has been declining (for example, in Continental Europe where domestic production from Norway, the United Kingdom and the Netherlands has been falling).

Following an opposite pattern, the last five years have seen the transformation of the North American market as a result of the increased production of shale gas. From an importer of gas five years ago, North America has become self-sufficient in gas today and has the potential to become an exporter of LNG in the next few years. Technological breakthroughs have allowed drilling costs to decrease, thereby unlocking the commercial potential of a large resource base, which, together with slow economic

(9) Source: EIA (http://www.eia.gov/forecasts/ieo/nat_gas.cfm).

recovery in North America, have led to an excess supply of natural gas and declining gas prices in North America. Average Henry Hub prices were $4.38/mmbtu in 2010, $4.03/mmbtu in 2011, and $2.83/mmbtu in 2012)[10]. Emphasising the regionally fragmented nature of the gas market, these North American price levels represented between a quarter and a third of prices typically prevailing in parts of Europe, and 20-25 per cent. of prevailing contract prices in Asia. This, in turn, illustrates the ongoing potential for marginal spot supplies to move between markets over time.

Coal Markets

Coal is the world's second largest source of energy, representing 30.3 per cent of global primary energy needs in 2011[11]. Coal is characterised by its use as either ''thermal coal'' or ''metallurgical coal''. Thermal coal, also referred to as ''steam coal'', is used by electricity generators and by industrial facilities to produce steam and electricity. Metallurgical coal (known as ''coking coal'') is used to produce coke, which is used as a reducing agent in blast furnaces for the production of steel. There are four types of coal by geological composition: lignite, sub-bituminous, bituminous and anthracite. Each has characteristics that make it more or less suitable for different uses. Energy content and sulphur content are the most important coal characteristics and help to determine the best use of particular types of coal, as well as being used to determine the price of different qualities of coal.

The global coal markets are primarily driven by supply and demand balances, which are, in turn, strongly influenced by interdependent global economic and industrial demand cycles, as well as supply chain constraints such as shipping availability, onland transportation congestion and production disruptions. Coal markets (especially thermal coal) are also influenced by the prices of competing fuels at any point in time as it influences the competitiveness of coal-fired power generation. For example, the surge in natural gas and oil prices from 2002 to 2008 saw a swing to coal in Asia, Europe and North America. Similarly, cheap North American coal displaced by rising shale gas supplies in 2011/2012 saw increased coal use in Europe.

Global demand for thermal coal, which is used in the production of electricity, is influenced predominantly by economic growth prospects and region-specific coal generation profile trends. Desired regional coal generation profiles can be influenced by emissions related constraints, such as those imposed under the Kyoto Protocol, or fuel availability concerns.

Global demand for coking coal, which is primarily used in steel production, generally moves in line with demand for steel products. According to the World Steel Association, China is now producing roughly half of the world's steel and its corresponding surge in demand for coking coal and coke has permanently changed the dynamics of the global sea-borne markets. Domestic steel demand, together with China's success or otherwise in reducing its own coal production and shipment costs, will determine the extent to which it remains a major import market for coal.

As for other commodities, coal consumption centres do not always have the benefit of matching indigenous coal resources, creating the need to import coal from resource-rich countries. Most Western European countries and several Asian countries (primarily Japan and South Korea) have a high demand for coal but have limited indigenous coal production, while other countries such as Australia, South Africa and Indonesia have abundant coal resources but relatively limited domestic demand.

According to the World Coal Association, approximately 15 per cent. of total global coal consumption is traded internationally[12]. The two major markets for internationally traded coal are the Atlantic region and the Pacific region, and there can be significant pricing differences between the two due to the cost of ocean freight and other transportation-related costs. The majority of coal produced is consumed regionally due to high transportation costs relative to coal prices.

Coal market developments in the last two-three years have hinged upon an initial rebound and subsequent weakening of economic activity after the 2008/2009 financial crisis, the displacement of U.S. coal into Europe due to the U.S. shale gas revolution, rising supplies from Indonesia, Colombia and Russia and, to a more limited degree, the Fukushima nuclear disaster in Japan. The period also highlighted the emergence of China and India as major growth markets for coal. Developments in China in particular, because of its size, play a key role in influencing coal prices. China accounts for over 45 per

(10) Source: CSI commodity data.

(11) Source: BP Statistical Review of World Energy (June 2012).

(12) Source: WCA Factsheet. Coal Matters. 2. Global Availability of Coal. http://www.worldcoal.org/coal/cal-matters/.

cent. of global coal demand and output, over two-thirds of annual incremental world supply, and its domestic market represents over three times global coal trade.

After collapsing in first-half 2009, international coal prices staged steady recovery in the second half of the year, gained further momentum on strong economic recovery in emerging markets in 2010/2011, before easing again from mid-2011, and through 2012, as Chinese industrial growth has become more subdued, eurozone activity has stagnated and supplies from several international sources increased.

Aside from demand-side issues, supply disruptions have also played a role in coal price dynamics. Notably, metallurgical coal prices surged towards end-2010 and in first-half 2011 due to major flooding in Queensland, Australia. Australia accounts for over 55 per cent. of total global coking coal exports. This pushed second quarter 2011 coking coal prices up to around US$300 per tonne, although these have subsequently receded again.

Overview of the Commodity Trading Industry

Acting as intermediaries between producers and consumers in the procurement of raw materials, commodity traders or marketers are involved in the sourcing, handling, storage, transportation and merchandising of commodities which are often divided into three main categories: agricultural commodities, energy commodities and metals and mining commodities. Gunvor is primarily active in the marketing of energy commodities (for example, crude oil, refined petroleum products, natural gas and coal).

Gunvor's main competitors in the trading/marketing of energy commodities are the producers of the commodities themselves (for example integrated oil companies for crude oil, mining extraction companies for coal), global independent commodities traders (direct peers such as Vitol Group, Trafigura, Glencore and Mercuria) and smaller independent traders which tend to be more specialised in the marketing of certain commodities in certain regions. Recent years have seen integrated oil producers/miners scaling back their marketing operations and moving away from historically prevalent vertically integrated industrial models. This has created significant opportunities for independent commodities trading/marketing companies to gain market share and increase their footprint.

While the industry has witnessed increased levels of competition, high barriers to entry remain, mainly as a result of the large scale required to run truly global operations; the significant physical infrastructure requirements in order to handle commodities globally and at scale and to execute on the complex trading opportunities identified; and the large financing requirements entailed by the large volumes traded in a rising commodity prices environment.

The independent traders/marketers' business model typically revolves around the ability to arbitrage price dislocations through the leveraging of a diverse portfolio of suppliers and customers as well as widespread owned or leased global logistics assets. However, as mentioned above, increased competition has put pressure on trading margins. Increasing price transparency has also meant that price dislocations in liquid markets happen more rarely or tend to be quickly arbitraged. In reaction to that trend and in order to protect margins, an increasing number of commodities traders/marketers have sought to gain control of a larger portion of the value chain by investing in midstream and downstream physical assets.

DESCRIPTION OF OTHER INDEBTEDNESS

To fund acquisitions and to finance working capital requirements, the Issuer and certain of its subsidiaries have entered into loan agreements with various financial institutions. Set forth below is a summary of the material terms and conditions of certain of these loan agreements and Gunvor's other material indebtedness.

Revolving credit facilities

Gunvor was granted the European RCF by a syndicate of banks in amounts of US$975 million and €58 million, respectively, expiring in December 2013, and an additional US$110 million expiring in December 2015. The borrowers under the European RCF are Gunvor International and Gunvor SA; with joint and several guarantees by the Issuer, Gunvor International and Gunvor SA.

Gunvor Singapore was granted the Asian RCF by a syndicate of banks in an amount of US$635 million, guaranteed by the Issuer and expiring in June 2013.

Each of these revolving credit facilities is unsecured and includes a negative pledge which restricts the ability of the borrower, the guarantor(s) and any Material Subsidiary (as defined therein) to create security over its assets except in limited circumstances. These revolving credit facilities also include restrictions on incurring further financial indebtedness or entering into loans or guarantees except in limited circumstances. Joint ventures, mergers, acquisitions and disposals are also restricted. Furthermore, these revolving credit facilities are subject to a number of financial covenants and include customary events of default including non payment, cross default, creditors' process affecting any asset or assets of a borrower, guarantor or Material Subsidiary (as defined therein), change of control, material adverse change, insolvency and breach of the terms of the agreement.

The principal amounts outstanding under these revolving credit facilities bear interest at a floating rate calculated by reference to LIBOR (in the case of any loan denominated in US dollars) or EURIBOR (in the case of any loan denominated in euro), plus a margin and certain mandatory costs.

As of 31 March 2013, (i) US$875,000,000 had been drawn down and US$100,000,000 was available and undrawn under the U.S. dollar-denominated one-year tranche of the European RCF; (ii) €45,000,000 had been drawn down and €13,147,198 was available and undrawn under the euro-denominated one-year tranche of the European RCF, (iii) US$110,000,000 had been drawn down and no further undrawn balance was available under the U.S. dollar-denominated three-year tranche of the European RCF and (iv) US$300,000,000 had been drawn down and US$335,000,000 was available and undrawn under the Asian RCF.

Acquisition and project financing

The Issuer and/or certain of its subsidiaries have entered into various secured committed loan facilities in connection with the following acquisition and project financings:

Signal Peak Mine: A US$250 million facility in connection with the acquisition financing for the Signal Peak mine. Pinesdale LLC is the borrower, with a joint and several guarantee by the Issuer and Gunvor SA. Gunvor has agreed to comply with certain financial covenants, similar to the financial covenants agreed for the European RCF and the Asian RCF. The borrower has also agreed to certain asset covenants, including: restrictions on dealing with assets and security (including undertakings in relation to preservation of assets, a negative pledge and restrictions on disposals of assets); restrictions on movements of cash out (including restrictions on becoming a creditor in respect of financial indebtedness, restrictions on entering into guarantees and restrictions on dividend distributions and share redemptions); and restrictions on movements of cash in (including restrictions on further financial indebtedness).

Ust-Luga: RNB has entered into a US$199 million loan facility and also a €176 million loan facility, each in connection with the project financing of construction of oil product export terminals at UST-Luga.

Ingolstadt Refinery: A US$100 million term facility agreement with various financial institutions in connection with the acquisition financing for the Ingolstadt Refinery. Gunvor Raffinerie Ingolstadt GmbH and Gunvor Deutschland GmbH are the borrowers, with joint and several guarantees by Gunvor Raffinerie Ingolstadt GmbH, Gunvor Deutschland GmbH and C-Blue Limited. The borrowers under this term loan facility have undertaken to comply with certain financial covenants. The borrowers and guarantors have also agreed to certain asset-related covenants, including: restrictions on dealing with assets and security (including undertakings in relation to preservation of assets, a negative pledge and restrictions on disposals of assets); restrictions on movement of cash out (including restrictions on becoming a creditor in respect of financial indebtedness, restriction on entering into guarantees, restrictions on dividend distributions and share redemptions, and restrictions on payments under structurally subordinated loans) and restrictions on movement of cash in (including restrictions on further financial indebtedness and restrictions on issuance of shares).

This facility also contains customary events of default including non-payment, cross default, creditors' process affecting any asset or assets of the borrowers, guarantors, the Issuer, Gunvor SA or Gunvor Finance Limited, material adverse change, insolvency and breach of the terms of the agreement.

Uncommitted short term facilities

Certain of the Issuer's subsidiaries have also entered into the following uncommitted short term facilities with various financial institutions:

Antwerp refinery: An uncommitted revolving facility agreement, of up to US$625 million, dated 29 October 2012. The borrowers under this uncommitted borrowing base facility are Gunvor Belgium NV and Gunvor SA, with joint and several guarantees by the Issuer and Gunvor Belgium NV. This facility is secured over inventory and receivables and may be utilised in connection with, *inter alia*, the financing of the Antwerp Refinery's working capital requirements.

This facility includes a negative pledge as well as financial covenants similar to those agreed for the Asian RCF. This facility also includes certain events of default, including non-payment, cross default, creditors' process affecting any asset or assets of the borrowers, the guarantors or Gunvor International, change of control, material adverse change, insolvency and breach of the terms of the agreement.

Petroterminal de Panama: A US$750 million uncommitted revolving credit facility agreement dated 27 November 2012. The borrower under this uncommitted borrowing base facility is Gunvor SA, with joint and several guarantees by the Issuer and Gunvor (Bahamas) Ltd. This facility is secured over inventory and receivables and may be utilised in connection with, *inter alia*, the financing or refinancing of crude oil and/or other petroleum products, together with the costs for the transportation, storage in the storage tank, pipeline, transhipment and related facilities owned by Petroterminal de Panama (the ''**PTP Facilities**''), and certain hedging arrangements.

This facility includes covenants related to crude oil and/or other petroleum products (the ''**Goods**'') (including an undertaking to ensure that the aggregate value of ''collateral'' is never less than the aggregate value of outstanding ''loans'' (each term as defined therein), and undertakings relating to the sale of Goods, including restrictions on the mark-to-market valuation of sold and unsold goods stored in the PTP Facilities and restrictions on the period of time that the Goods may be stored in the PTP Facilities); covenants related to final buyers of the Goods; and covenants related to certain bank accounts of Gunvor SA and Gunvor (Bahamas) Ltd. This facility also includes a negative pledge as well as certain events of default, including non-payment, cross default, creditors' process affecting any asset or assets of the borrower, governmental intervention, change of control, material adverse change, insolvency and breach of the terms of the agreement.

Lines of credit

The Issuer and certain of its subsidiaries have entered into uncommitted lines of credit with various financial institutions around the world. The lines of credit entered into by the Issuer's subsidiaries are typically guaranteed by the Issuer, Waterway or Gunvor International. These lines of credit are available for a variety of purposes, including for the issuance of letters of credit, bank guarantees and short term debt.

As of 31 December 2012, Gunvor had uncommitted transactional credit facilities from 30 commercial banks in a total amount of US$14,018 million (compared to US$13,098 million as of 31 December 2010 and US$14,853 million as of 31 December 2011) with no specified maturity dates.

The principal amounts outstanding under these lines of credit generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the lending bank at the end of each interest period.

Under the lines of credit, some of the Group's subsidiary borrowers have agreed, among other things, that they would not, without first obtaining the relevant lenders' consent, grant security over any of their material assets to secure third party indebtedness, or dispose of their material assets in any way unless proceeds are used to repay the indebtedness or grant a guarantees in relation to any third party indebtedness to the extent that it may adversely affect their ability to repay their loans.

The lines of credit contain certain customary events of default, including insolvency, breaches of the terms of the loan agreements and cross-default.

Financing plans for 2013

In the first half of 2013, Gunvor's management intends to (i) refinance the Asian RCF and increase the amount available under it; (ii) establish a new long-term non-recourse secured facility in an amount expected to be between US$675 million and US$700 million to (a) refinance the two existing RNB facilities; (b) finance part of Gunvor's planned capital expenditures and (c) repay certain intercompany loans; (iii) establish an uncommitted secured borrowing base facility in a principal amount expected to be approximately US$400 million to cover the Oman gasoline blending facility's working capital needs and (iv) establish a short-term facility in a principal amount expected to be approximately US$400 million to cover the Ingolstadt Refinery's working capital needs. In addition, a factoring facility of approximately US$300 million for the Ingolstadt Refinery is also currently contemplated.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Note Certificate (if issued) and incorporated by reference into the Global Certificate:

The U.S.$ ● ● per cent. Notes due ● 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of Gunvor Group Ltd (the "**Issuer**") (a) are constituted by and subject to, and have the benefit of, a trust deed dated ● 2013 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Gunvor SA, Gunvor International B.V., Gunvor Singapore Pte Ltd, Clearlake Shipping Pte Ltd, Waterway Petroleum Limited and Sandmark Limited (together the "**Initial Guarantors**" and each an "**Initial Guarantor**") and Deutsche Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes under the Trust Deed) and (b) are the subject of an agency agreement dated ● 2013 (as amended or supplemented from time to time, the "**Agency Agreement**") between, *inter alios*, the Issuer, the Initial Guarantors, the Trustee and Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), and Deutsche Bank Luxembourg S.A., in its capacity as Registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes). The Principal Paying Agent, the Paying Agents, the Transfer Agents and the Registrar are together referred to herein as the "**Agents**" and any reference to an "**Agent**" is to any one of them.

The Initial Guarantors will each guarantee, unconditionally and irrevocably, on a joint and several basis, to the maximum extent permitted by law, the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes (the "**Guarantee**"). The Guarantee will be contained in the Trust Deed.

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of the provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying Agent and the other Paying Agents. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

1. FORM, DENOMINATION AND TITLE

(a) **Form and denomination**

The Notes are in registered form, serially numbered, and in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Definitive note certificates (the "**Definitive Note Certificates**" and each a "**Definitive Note Certificate**") will be issued to each Noteholder in respect of its registered holding.

(b) **Title**

Title to the Notes will pass by transfer and registration as described in Condition 2 (*Transfers of Notes and Issue of Definitive Note Certificates*). The Noteholder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no Person will be liable for so treating the Noteholder.

In these Conditions, ''**Noteholder**'' means the Person in whose name a Note is for the time being registered in the register of Noteholders (or, in the case of a joint holding, the first named therof) kept by the Registrar at its Specified Office in which will be entered the names and addresses of the Noteholders and the particulars of the Notes held by them and all transfers and redemptions of the Notes (the ''**Register**'').

2. TRANSFERS OF NOTES AND ISSUE OF DEFINITIVE NOTE CERTIFICATES

(a) **Transfers**

A Note may be transferred by depositing the Definitive Note Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

(b) **Delivery of new Definitive Note Certificates**

Each new Definitive Note Certificate to be issued upon a transfer of Notes will, within five Business Days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Definitive Note Certificate, be mailed by uninsured mail at the risk of the Noteholder entitled to the Note to the address specified in the form of transfer.

Except in the limited circumstances described herein, owners of interest, in the Notes will not be entitled to receive physical delivery of Definitive Note Certificates. Issues of Definitive Note Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all of the Notes in respect of which a Definitive Note Certificate is issued are to be transferred a new Definitive Note Certificate in respect of the Notes not so transferred will, within five Business Days of receipt by the Registrar or the relevant Agent of the original Definitive Note Certificate, be mailed by uninsured mail at the risk of the Noteholder of the Notes not so transferred to the address of such Noteholder appearing on the register of Noteholders or as specified in the form of transfer. Neither the part transferred nor the balance not transferred may be less than U.S.$200,000.

(c) **Formalities Free of Charge**

Registration of a transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the Person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

(d) **Closed Periods**

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes or after all such Notes have been called for redemption.

(e) **Regulations**

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to (i) reflect changes in legal requirements or (ii) in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee (such approval not to be unreasonably withheld or delayed). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of regulations.

3. STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 5(b) (*Limitation on Liens*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. GUARANTEE

(a) **Status of the Guarantee by the Initial Guarantors**

Each of the Initial Guarantors has agreed (and each of the Additional Guarantors will agree), in the Guarantee, unconditionally and irrevocably, to the maximum extent permitted by law, to guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee constitutes direct, unconditional, unsubordinated and (subject to Condition 5(b) (*Limitation on Liens*)) unsecured obligations of each of the Guarantors which will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of each of the Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) **Additional Guarantors**

The Issuer may from time to time in accordance with Condition 5(i) (*Additional Guarantors*) cause one or more Additional Guarantors to execute and deliver to the Trustee a supplemental Trust Deed, pursuant to which such Additional Guarantor will unconditionally and irrevocably agree to guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. To comply with Condition 5(i) (*Additional Guarantors*), the Issuer may be required to designate one or more of its Restricted Subsidiaries as an Additional Guarantor from time to time.

(c) **Release of Guarantee**

The Guarantee of any Guarantor will be released automatically and without further action on the part of any Noteholder or the Trustee:

(i) in connection with any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation, combination, transfer or conveyance of substantially all of its assets to, or liquidation into) to a Person that is not (either before or after giving effect to such transaction) the Issuer, another Guarantor or any of their respective Restricted Subsidiaries, *provided* that the sale or other disposition does not breach Condition 5(e) (*Asset Sales*);

(ii) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer, another Guarantor or any of their respective Subsidiaries, *provided* that the sale or other disposition does not breach Condition 5(e) (*Asset Sales*); or

(iii) in connection with a designation of any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary pursuant to Condition 5(m) (*Designation of Restricted and Unrestricted Subsidiaries*);

provided that, (A) the release of such Guarantor or (B) the release and simultaneous replacement of such Guarantor with one or more Additional Guarantors in accordance with (i), (ii) or (iii) above is in compliance with Condition 5(i) (*Additional Guarantors*).

The Issuer shall promptly notify the Trustee and the Noteholders in accordance with Condition 14 (*Notices*) of the release of any Guarantor.

The Guarantee provided by all Guarantors will be released upon repayment in full of the Notes.

5. COVENANTS

(a) Incurrence of Indebtedness and Issuance of Preferred Stock

(i) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, ''*incur*'') any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Issuer's Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

(ii) The foregoing paragraph (i) of this Condition 5(a) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, ''**Permitted Indebtedness**''):

(A) the incurrence by the Issuer and any of its Restricted Subsidiaries of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (A) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuer and its Restricted Subsidiaries thereunder) not to exceed the greater of U.S.$800.0 million and 8.0% of the Consolidated Tangible Assets of the Issuer *plus*, in the case of any refinancing of any Indebtedness permitted under this clause (A) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(B) the incurrence by the Issuer and its Restricted Subsidiaries of the Existing Indebtedness;

(C) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes and the related Guarantee to be issued on the Issue Date;

(D) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, revolving financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Issuer or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (D), not to exceed the greater of U.S.$200.0 million and 3.0% of Consolidated Tangible Assets of the Issuer at any time outstanding;

(E) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted to be incurred under Condition 5(a)(i) above or pursuant to Condition 5(a)(ii)(B), (C), (L) and this clause (E);

(F) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries, *provided*, *however*, that (I) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes (except in those jurisdictions or territories where such internal subordination is contrary to law, rule or regulation), in the case of the Issuer, or the relevant Guarantee, in the case of a Guarantor; and (II) (a) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (b) any sale or other transfer of any such Indebtedness to a Person that is not the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (F);

(G) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its Restricted Subsidiaries of shares of preferred stock; *provided*, *however*, that: (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (G);

(H) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(I) the guarantee by the Issuer or any of the Guarantors of Indebtedness of the Issuer or a Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this Condition 5(a); *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(J) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance, appeal, bid and surety bonds in the ordinary course of business;

(K) the incurrence by the Issuer or any of its Restricted Subsidiaries of (I) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days, (II) completion guarantees in the ordinary course of business, (III) VAT or other tax guarantees in the ordinary course of business, (IV) the financing of insurance premiums in the ordinary course of business and (V) any customary cash management, cash pooling or netting or setting off arrangements;

(L) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or is merged, consolidated, or amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary of the Issuer (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary) or Indebtedness of the Issuer or any Guarantor incurred in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided*, *however*, with respect to this clause (L), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (x) the Issuer would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 5(a) (i) above after giving effect to the incurrence of such Indebtedness pursuant to this clause (L) calculated on a *pro forma* basis or (y) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis;

(M) Indebtedness represented by guarantees of any Management Advances;

(N) indemnification, adjustment of purchase price, earn-out or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets of the Issuer or any Restricted Subsidiary of the Issuer or Capital Stock of a Subsidiary of the Issuer, or any minority, joint venture or similar interests, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing or in contemplation of any such acquisition; *provided* that in the case of a disposition, the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(O) any Project Indebtedness and Indebtedness incurred in connection with Trade Finance and, any guarantees thereof;

(P) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(Q) Indebtedness in form of customer deposits and advance payments received in the ordinary course of business from customers for services purchased;

(R) the incurrence by the Issuer or any Guarantor of Indebtedness (including any Permitted Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this clause (R) and then outstanding, will not exceed 100% of the net cash proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock or Excluded Contributions) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however,* that (i) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and sub-clauses (ii)(B), (E) and (K) of Condition 5(c) (*Limitation on Restricted Payments*) to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (R) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and sub-clauses (ii)(B), (E) and (K) of Condition 5(c) (*Limitation on Restricted Payments*) in reliance thereon; and

(S) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness (other than and in addition to Indebtedness permitted under clauses (A) through (R) above) in an aggregate principal amount at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, replace, refinance, defease or discharge any Indebtedness incurred pursuant to this clause (S), not to exceed the greater of U.S.$200.0 million and 3.5% of the Consolidated Tangible Assets of the Issuer.

(iii) For purposes of determining compliance with this Condition 5(a), in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in Conditions 5(a)(ii)(A) through (S) above, or is entitled to be incurred pursuant to Condition 5(a)(i), the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence in any manner that complies with this covenant and may later reclassify any item of Indebtedness described in Condition 5(a)(i) as well as Conditions 5(a)(ii)(A) through (S) above (*provided* that at the time of reclassification it meets the criteria in such category or categories) (other than such Indebtedness pursuant to Condition 5(a)(ii)(A) and Indebtedness outstanding under any credit facilities on the Issue Date under 5(a)(ii)(B) above which may not be reclassified). The accrual of interest or preferred stock dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified

Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this Condition 5(a); *provided*, in each such case, that the amount thereof is included in Fixed Charges of the Issuer as accrued. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

(iv) In addition, the Issuer will not, and will not permit any Restricted Subsidiary of the Issuer to, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Issuer or of such Restricted Subsidiary, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or the Guarantee of such Restricted Subsidiary, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Issuer or such Restricted Subsidiary, as the case may be. For purposes of the foregoing, no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer solely by virtue of being unsecured or secured by a junior priority lien or by virtue of the fact that the holders of such Indebtedness have entered into intercreditor agreements or other arrangements giving one or more of such holders priority over the other holders in the collateral held by them.

(v) The amount of any Indebtedness outstanding as of any date will be (without double counting):

(A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(C) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of: (I) the Fair Market Value of such assets at the date of determination; and (II) the amount of the Indebtedness of the other Person.

(b) **Limitation on Liens**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except Permitted Liens, unless all payments due under the Trust Deed and the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

(c) **Limitation on Restricted Payments**

(i) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(A) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary of the Issuer);

(B) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect Parent Entity of the Issuer;

(C) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated in right of payment to the Notes or to the Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(D) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (A) through (D) above being collectively referred to as ''**Restricted Payments**''), unless, at the time of and after giving effect to such Restricted Payment:

(I) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(II) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Condition 5(a)(i) (*Incurrence of Indebtedness and Issuance of Preferred Stock*); and

(III) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding payments permitted by Condition 5(c)(ii) (A)(I), (B), (C), (D), (F), (G), (H), (I), (J), (L), (M), (N), (O) and (Q) below), is less than the sum, without duplication, of:

(1) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the first annual fiscal quarter commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(2) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of the Issuer (other than Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case, that have been converted into or exchanged for Qualifying Equity Interests of the Issuer (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer); *plus*

(3) to the extent that any Restricted Investment that was made after the date of the Trust Deed is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary or (b) made in an entity that subsequently becomes a Restricted Subsidiary of the Issuer, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(4) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the Trust Deed; *plus*

(5) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such Guarantee; *plus*

(6) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary of the Issuer after the Issue Date from an Unrestricted Subsidiary of the Issuer, to the extent such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period.

(ii) The foregoing provisions will not prohibit:

(A) the payment of any (I) dividends declared on or before the Issue Date, and (II) dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Trust Deed;

(B) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from the calculation of amounts under sub-clause (III)(2) above and shall not constitute Excluded Contributions;

(C) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests on a *pro rata* basis;

(D) the repurchase, redemption or other acquisition or retirement for value of (I) Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to the Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness; or (II) Indebtedness of the Issuer or any Guarantor that is subordinated in right of payment to the Notes or to the Guarantee (other than any Indebtedness so subordinated and held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness, but only if the Issuer shall have complied with its obligations under Condition 8(d) (*Redemption at the Option of the Holders Upon a Change of Control*) or Condition 5(e) (*Asset Sales*), as the case may be, and the Issuer repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Indebtedness;

(E) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary of the Issuer held by any current or former officer, director, employee or consultant of the Issuer or any of the Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate cash consideration paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed U.S. $5.0 million in any calendar year (with unused amounts being rolled into the subsequent calendar year);

(F) Restricted Payments made pursuant to, in accordance with or to give effect to the terms of any Employee Stock Option Plan;

(G) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(H) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary of the Issuer issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test set forth in Condition 5(a)(i);

(I) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash *in lieu* of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Capital Stock of any such Person;

(J) the payment of any fees and purchases of assets in connection with Trade Finance;

(K) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, following an Equity Offering of the Issuer or any Parent Entity, the payment of dividends on the Capital Stock of the Issuer in an amount per annum not to exceed 6.0% of the Market Capitalisation; *provided*, that if such Equity Offering was of Capital Stock of a Parent Entity, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent Entity;

(L) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (K) does not exceed, when taken together with the outstanding amount of Management Advances, U.S.$10.0 million in any calendar year;

(M) Restricted Payments that are made with Excluded Contributions;

(N) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Financing;

(O) Repurchase Obligation in connection with a Qualified Receivables Financing;

(P) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary of the Issuer by, Unrestricted Subsidiaries;

(Q) any Restricted Payments used solely for the repayment to the Issuer or any of its Restricted Subsidiaries of any loan to a Permitted Holder that was previously made in compliance with this Condition 5(c); and

(R) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed U.S.$150.0 million since the Issue Date.

(iii) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

(d) **Transactions with Affiliates**

(i) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (an ''**Affiliate Transaction**'') involving aggregate payments or consideration in excess of U.S.$25.0 million unless:

(A) the Affiliate Transaction is on terms that are no less favourable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(B) the Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$50.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer.

(ii) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Condition 5(d)(i):

(A) any employment agreement, collective bargaining agreement, consultant agreement, employee benefit arrangements, officer or director indemnification agreement or any similar arrangement, as well as any bonus arrangements, stock option, stock appreciation rights, stock incentive or similar plans, entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business and payments pursuant thereto;

(B) transactions between and among the Issuer and/or its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction);

(C) transactions with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(D) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;

(E) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(F) Restricted Payments that do not violate the provisions of Condition 5(c) (*Limitation on Restricted Payments*);

(G) payments to an Affiliate in respect of the Notes or any other Indebtedness of the Issuer or any Restricted Subsidiary on the same basis as concurrent payments made or offered to be made in respect thereof to non-Affiliates;

(H) Management Advances;

(I) any transaction effected in connection with any Trade Finance or Project Indebtedness;

(J) the incurrence of any Subordinated Shareholder Debt;

(K) any transaction effected as part of a Qualified Receivables Financing;

(L) any Permitted Investments (other than Permitted Investments described in clauses (c) and (u) of the definition thereof);

(M) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to any such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date; and

(N) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of this Trust Deed that are fair to the Issuer or the Restricted Subsidiaries or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated Person, as determined in good faith by the Board of Directors or a member of senior management of the Issuer.

(e) **Asset Sales**

(i) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate any Asset Sale, unless:

(A) the Issuer or any of its Restricted Subsidiaries receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(B) at least 75% of the consideration received from the Asset Sale by the Issuer or such Restricted Subsidiaries is in the form of cash or Cash Equivalents. For the purposes of this provision, each of the following will be deemed to be cash:

(I) any liabilities, as shown on the Issuer's most recent consolidated balance sheet (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Issuer or such Restricted Subsidiary from or indemnifies against further liability;

(II) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(III) any stock or assets of the kind referred to in clauses (C), (D) or (E) of Condition 5(e)(ii) below;

(IV) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (IV) that is at that time outstanding, not to exceed U.S.$35.0 million (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

(V) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale; and

(VI) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary.

(ii) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer or one or more of its Restricted Subsidiaries may apply an amount equal to the amount of such Net Proceeds:

(A) to repay Indebtedness and other Obligations under a Credit Facility, and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(B) to repay Indebtedness and other Obligations under the Existing Facilities Agreements, and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto

(C) to repay senior Indebtedness of the Issuer or any Guarantor and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto; *provided, however*, that a non-Guarantor Restricted Subsidiary may use the Net Proceeds from an Asset Sale to repay senior Indebtedness of any Restricted Subsidiary of the Issuer;

(D) to acquire all or substantially all of the assets of, or any Capital Stock of, another business, if, after giving effect to any such acquisition of Capital Stock, the business is or becomes a Restricted Subsidiary of the Issuer;

(E) to make a capital expenditure;

(F) to acquire other assets that are not classified as current assets under IFRS; or

(G) to enter into a binding commitment to apply the Net Proceeds pursuant to clause (C), (D), (E) or (F) of this Condition 5(e)(ii); *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180^{th} day following the expiration of the aforementioned 365 day period.

(iv) Pending the final application of any Net Proceeds, the Issuer or any of its Restricted Subsidiaries may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the terms of the Trust Deed.

(v) Any Net Proceeds not applied in accordance with Condition 5(e)(ii) will constitute ''**Excess Proceeds**''. When the aggregate amount of Excess Proceeds exceeds U.S.$25.0 million, within ten days thereof, the Issuer will make an offer (an ''**Asset Sale Offer**'') to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed or these Conditions. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Issuer will select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by the Issuer so that only notes in denominations of U.S.$200,000, or an integral multiple of U.S.$1,000 in excess thereof, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(vi) The Issuer and the Guarantors will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this Condition 5(e) and, in any event, shall keep the Asset Sale Offer open for at least 20 Business Days. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Condition 5(e), the Issuer and the Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the covenant described hereunder by virtue thereof.

(f) **Merger, Consolidation or Sale of Assets**

(i) The Issuer will not, directly or indirectly, (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(A) either (a) the Issuer is the surviving entity or (b) the Person formed by such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organised or existing under the laws of England and Wales, any member state of the Pre-Expansion European Union, Switzerland, the Republic of Cyprus, the Republic of Singapore, Canada, the United States, any state thereof or the District of Columbia;

(B) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made expressly assumes, by a supplement to the Trust Deed, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Trust Deed, and each Guarantor, unless it is the aforementioned Person, has, by way of execution of a supplement to the Trust Deed or a separate deed of guarantee, confirmed that its Guarantee (unless otherwise released in accordance with, and only to the extent not limited by, Condition 4(c) (*Release of Guarantee*)) will apply to such Person's obligations under the Notes and the Trust Deed;

(C) immediately after such transaction, no Default or Event of Default exists;

(D) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance or other disposition has been made, would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 5(a)(ii) (*Incurrence of Indebtedness and Issuance of Preferred Stock)* or (ii) have had a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

(E) the Issuer delivers to the Trustee an Officer's Certificate and Opinion of Counsel, in each case (subject to customary and/or reasonable assumptions and reservations) stating that such consolidation, merger or transfer complies with this Condition 5(f), and if a supplemental Trust Deed or a separate deed of guarantee is required in connection with such transaction, such supplemental Trust Deed or a separate deed of guarantee, will, comply with the requirements of the Trust Deed and has been duly authorised, executed and delivered by the applicable Issuer and/or surviving entity and constitutes a legal, valid, binding and enforceable obligation of each such party thereto.

(ii) A Guarantor (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and Condition 4(c) (*Release of Guarantee*)) will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Guarantor is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Guarantor and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(A) either (a) such Guarantor is the surviving company or (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Guarantee;

(B) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving company as a result of such transaction as having been incurred by the surviving company at the time of such transaction or transactions), no Default or Event of Default exists; and

(C) the Issuer delivers to the Trustee an Officer's Certificate and Opinion of Counsel, in each case (subject to customary and/or reasonable assumptions and reservations) stating that such consolidation, merger or transfer complies with this Condition 5(f), and if a supplemental Trust Deed or a separate deed of guarantee is required in connection with such transaction, such supplemental Trust Deed or a separate deed of guarantee, will, comply with the requirements of the Trust Deed or a separate deed of guarantee and has been duly authorised, executed and delivered by the applicable Issuer, Guarantor and/or surviving entity and constitutes a legal, valid, binding and enforceable obligation of each such party thereto.

(iii) Paragraphs (i) and (ii) of this Condition 5(f) will not apply to (i) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor, (ii) any consolidation or merger among Guarantors, or (iii) any consolidation or merger among the Issuer and any Guarantor; *provided* that if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organised or existing under the laws of England and Wales, any member state of the Pre-Expansion European Union, Switzerland, the Republic of Cyprus, the Republic of Singapore, Canada, any state of the United States or the District of Columbia and expressly assumes, by a supplement to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer under the Notes and the Trust Deed, and each Guarantor, unless it is the aforementioned Person, confirms, by way of execution of a supplement to the Trust Deed or a separate deed of guarantee, that its Guarantee (unless otherwise released in accordance with, and only to the extent not limited by, Condition 4(c) (*Release of Guarantee*)) will apply to such Person's obligations under the Notes or (iv) any sale, assignment, transfer, conveyancy, lease or other disposition of assets among the Issuer and its Restricted Subsidiaries. Sub-clauses (C) and (D) of paragraph (i) of Condition 5(f) (*Merger, Consolidation or Sale of Assets*) and sub-clause (B) of paragraph (ii) of Condition 5(f) (*Merger, Consolidation or Sale of Assets*) will not apply to any merger or consolidation of the Issuer or any Guarantors with or into any Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in any jurisdiction.

(g) **Business Activity**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

(h) **Dividend and other Payment Restrictions Affecting Restricted Subsidiaries**

(i) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any of its Restricted Subsidiaries or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Issuer or any of its Restricted Subsidiaries, (2) make any loans or advances to the Issuer or any of its Restricted Subsidiaries or (3) sell, lease or transfer any of its property or assets to the Issuer or any its Restricted Subsidiaries.

(ii) The foregoing sub-paragraph (i) will not apply to encumbrances or restrictions existing under or by reason of:

(A) agreements governing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are no less favourable in any material respect to the holders of the Notes, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Board of Directors or senior management of the Issuer);

(B) the Notes, the Trust Deed or the Guarantee;

(C) agreements governing other Indebtedness permitted to be incurred under Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favourable to the holders of the Notes, taken as a whole, than (i) those contained in the Trust Deed, the Notes and the Guarantee or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of senior management of the Issuer);

(D) applicable law, rule, regulation or order;

(E) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(F) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(G) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (i)(3) of this Condition 5(h);

(H) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(I) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially less favourable to the holders of the Notes, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(J) Liens permitted to be incurred under the provisions of Condition 5(b) (*Limitation on Liens*) that limit the right of the debtor to dispose of the assets subject to such Liens;

(K) any encumbrance or restriction effected in connection with Trade Finance or Project Indebtedness;

(L) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer are necessary or advisable to effect such Qualified Receivables Financing;

(M) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of the Issuer's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements; and

(N) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

(i) **Additional Guarantors**

(i) The Issuer will not permit any of its Restricted Subsidiaries that is not a Guarantor, directly or indirectly, to guarantee or pledge any assets to secure the payment of any other Indebtedness (excluding Indebtedness incurred in connection with Trade Finance) of the

Issuer or a Guarantor unless such Restricted Subsidiary simultaneously accedes to a Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of or pledge to secure such other Indebtedness; *provided* that if such Indebtedness that is being guaranteed or secured ranks junior in right of payment to the Notes or the Guarantee, such Guarantee will be senior to such Restricted Subsidiary's guarantee or pledge to secure other Indebtedness.

(ii) The Issuer shall give not less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 15 (*Notices*) of the accession of each Additional Guarantor to the Guarantee and, so long as the Notes are listed on the SGX-ST and/or any other stock exchange on which the Notes may be listed or quoted from time to time, shall comply with applicable rules of the SGX-ST and/or such other exchange (including preparation of a supplemental prospectus, if so required). The accession of any Additional Guarantor(s) pursuant to this Condition 5(i) shall be conditional upon receipt by the Trustee of a legal opinion, in form and substance reasonably satisfactory to the Trustee, of independent legal counsel of recognised standing as to the enforceability of the guarantee under the applicable Guarantee from such Additional Guarantor(s). The Trustee shall be entitled to accept the legal opinion referred to above without further enquiry or liability to any Person as sufficient evidence of the matters contained therein.

(iii) The obligations of each Additional Guarantor will be limited under relevant laws applicable to such Additional Guarantor to the extent that the granting of the relevant guarantee would:

(A) not be consistent with corporate benefit, capital preservation, financial assistance or fraudulent conveyance rules or any other general statutory laws or regulations (or analogous restrictions) of any applicable jurisdiction; or

(B) cause the directors of an Additional Guarantor to contravene their fiduciary duties, to incur civil or criminal liability or to contravene any legal prohibition.

(iv) The first paragraph of this covenant will not be applicable to any guarantees of any Restricted Subsidiary:

(A) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; or

(B) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of Indebtedness of the Issuer or any Guarantor.

(j) **Financial Information**

(i) So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

(A) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending 31 December 2013, annual reports containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions (that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 30% of the consolidated EBITDA or total assets of the Issuer on a *pro forma* basis) that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to this Condition 5(j) (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials)); (c) a summary operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (d) a summary of material changes to the business, management and shareholders of the Issuer;

(B) within 90 days following the end of the first six months in each fiscal year of the Issuer beginning with the first six months ended 30 June 2013, half-yearly financial reports, prepared in a manner consistent with the audited annual financial statements (other than normal year-end adjustments and such changes as may be required to comply with IFRS), containing the following information: (a) an unaudited consolidated balance sheet as at the end of such six months and the immediately preceding financial year-end and unaudited statements of income and cash flow for the six months ending on the date of the unaudited consolidated balance sheet, and the comparable prior year period for the Issuer and (b) a summary operating and financial review of the half-yearly financial reports, including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current six month period and the corresponding period of the prior year; and

(C) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer or Chief Financial Officer at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event;

provided, *however*, that the reports set forth in clauses (A), (B) and (C) above will not be required to include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Issuer.

(ii) In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Material Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

(iii) All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Issuer or the Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Circular. The Issuer undertakes to furnish to the Trustee such information as the SGX-ST (or any other or further stock exchange or stock exchanges or any relevant authority or authorities on which the Notes may, from time to time, be listed or admitted to trading) may require as necessary in connection with the listing or admission to trading on such stock exchange or relevant authority of such instruments.

(k) **Maintenance of Listing**

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the SGX-ST for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Official List of the SGX-ST, and, thereafter, use its reasonable efforts to maintain a listing of such Notes on another ''recognised stock exchange'' as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

(l) **Payment of Taxes and Other Claims**

The Issuer will pay, and will cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and government levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the holders of the Notes.

(m) **Designation of Restricted and Unrestricted Subsidiaries**

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Condition 5(c) (*Limitation on Restricted Payments*) or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors of the Issuer giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by Condition 5(c) (*Limitation on Restricted Payments*). If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Trust Deed and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*), the Issuer will be in default of such Condition. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Issuer; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuer of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*), calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

(n) **Covenant Fall Away**

If on any date following the Issue Date, the Notes have an Investment Grade Rating from any of the Rating Agencies and no Default or Event of Default has occurred and is continuing, then, beginning on that day, the Issuer shall notify the Trustee and the Issuer and its Subsidiaries shall be released from their respective obligations of the following provisions under the Trust Deed:

(i) Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(ii) Condition 5(b) (*Limitation on Restricted Payments*);

(iii) Condition 5(d) (*Transactions with Affiliates*);

(iv) Condition 5(e) (*Asset Sales*);

(v) Clause (i)(D) of Condition 5(f) (*Merger, Consolidation or Sale of Assets*);

(vi) Condition 5(h) (*Dividend and other Payment Restrictions Affecting Restricted Subsidiaries*); and

(vii) Condition 5(m) (*Designation of Restricted and Unrestricted Subsidiaries*);

and such provisions shall permanently cease to have effect.

6. INTEREST

(a) Interest Accrual

Each Note bears interest from and including ● 2013 (the ''**Issue Date**'') at the rate of ● per cent. per annum (the ''**Rate of Interest**'') payable semi-annually in arrear on ● and ● in each year, commencing on ● 2013 ● (each, an ''**Interest Payment Date**''), subject as provided in Condition 7 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an ''**Interest Period**''.

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(b) Cessation of Interest

Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to that day (except to the extent that there is any subsequent default in payment) in accordance with Condition 14 (*Notices*).

(c) Day Count Fraction

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of twelve 30 day months each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under this Condition 6(c) by the Principal Paying Agent shall, in the absence of manifest error, be binding on all parties.

7. PAYMENTS

(a) Principal

Payment of principal in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the Person shown in the Register at the close of business on the Record Date and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Note Certificate at the Specified Office of any Paying Agent.

(b) Interest

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at close of business on the Record Date.

(c) Payments

Each payment in respect of the Notes pursuant to Conditions 7(a) (*Principal*) and 7(b) (*Interest*) will be made by transfer to the registered account of the Noteholder.

Payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated by the Paying Agents, in the case of principal, on the later of the due date for payment and the day on which the relevant Definitive Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of any of the Paying Agents and, in the case of interest and other amounts on the due date for payment.

For the purposes of these Conditions, a Noteholder's ''registered account'' means the U.S. Dollar account maintained by or on behalf of it with a bank in New York City, details of which appear in the Register on the Record Date.

(d) **Delay in Payment**

Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a Business Day or (ii) if the Noteholder is late in surrendering its Definitive Note Certificate (if required pursuant to these Conditions).

(e) **Payments Subject to Fiscal Laws**

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the ''**Code**'') or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto.. No commissions or expenses shall be charged to the Noteholders in respect of such payments save as provided in Condition 7(c) (*Payments*).

(f) **Partial Payments**

If the amount of principal or interest which is due on the Notes on any date is not paid in full, the Registrar will annotate the Register and any Definitive Note Certificates surrendered for payment with a record of the amount of principal or interest in fact paid and the date of such payment.

(g) **Agents**

The names of the initial Agents and their Specified Offices are set out below. The Issuer and each Guarantor reserves the right under and in accordance with the terms of the Agency Agreement at any time with the prior written approval of the Trustee (such consent not to be unreasonably withheld or delayed) to vary or terminate the appointment of any Agent and to appoint successor or additional Agents, *provided* that it will at all times maintain:

(i) a Principal Paying Agent;

(ii) an Agent (which may be the Principal Paying Agent) having a specified office in London;

(iii) a Paying Agent with a Specified Office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive or any successor law thereto; and

(iv) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Agent shall promptly be given to Noteholders in accordance with Condition 14 (*Notices*).

(h) **Swiss Guarantors Limitation**

All payments by a Swiss Guarantor in respect of the Notes are subject in all cases to the limitations set out in Clause 23 of the Trust Deed (*Swiss Guarantor Limitations*).

8. REDEMPTION AND PURCHASE

(a) **Scheduled redemption**

Unless previously redeemed or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on the Maturity Date.

(b) **Optional Redemption**

At any time, the Issuer may at its option redeem the Notes, in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 14 (*Notices*), at a redemption price equal to 100.0 per cent. of the principal amount thereof plus the Applicable Premium plus accrued and unpaid interest, and Additional Amounts (as defined in Condition 9 (*Taxation*)) (if any), to such redemption date.

None of the Trustee or the Agents shall be responsible for calculating or verifying the redemption price payable pursuant to this Condition 8(b) or for determining or verifying whether a Note is to be accepted for redemption under this Condition 8(b) and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so.

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

(c) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders in accordance with Condition 14 (*Notices*) at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that it (or, if the Guarantee were called on for payment, one or more Guarantors) has or will become obliged to pay any Additional Amounts as a result of:

(i) any change in, or an amendment to, or change in the official interpretation of the laws (including any regulations or rulings promulgated thereunder) of, any Relevant Taxing Jurisdiction (as defined in Condition 9 (*Taxation*)); or

(ii) any change in or amendment to or change in the official interpretation of any official position regarding the application or interpretation of such laws or regulations or rulings (including a judgment by a court of competent jurisdiction);

in each case which change or amendment is announced or becomes effective on or after the Issue Date, and the Issuer or the Guarantors, as the case may be, cannot avoid such obligation by taking reasonable measures available to them, *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or such Guarantor) would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee an Officers' Certificate stating that the obligation to pay Additional Amounts cannot be avoided by the Issuer or the relevant Guarantor, as the case may be, taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent described above in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice referred to above, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8(c).

(d) **Redemption at the Option of the Noteholders upon a Change of Control**

Upon the occurrence of a Change of Control, unless the Issuer has exercised its right to redeem all of the Notes as described under Condition 8(b)(*Optional Redemption*), each Noteholder shall have the right to require that the Issuer repurchase all or any part of that Noteholder's Notes (in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101.0 per cent. of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Noteholders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).

Within 30 days following any Change of Control, unless the Issuer has exercised its right to redeem all of the Notes as described under Condition 8(b)(*Optional Redemption*)the Issuer will notify the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*) (the ''**Change of Control Offer**'') stating:

(i) that a Change of Control has occurred and that such Noteholder has the right to require the Issuer to purchase such Noteholder's Notes (in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part) at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Noteholders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date);

(ii) the circumstances and relevant facts regarding such Change of Control;

(iii) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is made); and

(iv) the procedures determined by the Issuer, consistent with the Agency Agreement that a Noteholder must follow in order to have its Notes purchased.

The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements of these Conditions and the Trust Deed applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(e) **Partial Redemption**

If the Notes are to be redeemed in part only on any date in accordance with Conditions 8(b) (*Optional Redemption*) or 8(d) (*Redemption at the Option of the Noteholders upon a Change of Control*), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant redemption date bears to the aggregate principal amount of outstanding Notes on such date.

(f) **Purchases**

The Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (*provided* that such resale is in compliance with all applicable laws) or surrendered to the Registrar for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 8(g) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary of the Issuer, shall not entitle the Issuer or any such Subsidiary to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13(a) (*Meetings of Noteholders*). Any purchase of Notes by tender shall be made available to all Noteholders alike.

(g) **Cancellation of Notes**

All Notes which are redeemed pursuant to this Condition 8 or repurchased and submitted to the Registrar for cancellation pursuant to Condition 8(e) (*Purchases*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on a stock exchange and the rules of such exchange so require, the Issuer shall promptly inform the stock exchange of the cancellation of any Notes under this Condition 8(g).

9. TAXATION

(a) Additional Amounts

All payments of principal and interest payable by or on behalf of the Issuer or a Guarantor under or with respect to the Notes and the Guarantee will be made free and clear of, and without withholding or deduction for or on account of Taxes imposed or levied by or on behalf of the jurisdiction of organisation of the Issuer or any Guarantor and (if different) any jurisdiction in which the Issuer or Guarantor is resident for tax purposes at the time of payment, and any political subdivision or taxing authority thereof or therein (each a ''**Relevant Taxing Jurisdiction**''), unless such withholding or deduction is required by law. If any amounts are required to be withheld or deducted for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment of principal or interest made under or with respect to the Notes or the Guarantee, the Issuer or the relevant Guarantor, as applicable, to the fullest extent then permitted by law, will be required to pay such additional amounts (''**Additional Amounts**'') as may be necessary so that the net amount received by a Noteholder (including Additional Amounts) after such withholding or deduction will not be less than the amount such Noteholder would have received if such Taxes had not been withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts does not apply to:

(i) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Noteholder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the relevant Noteholder, if the relevant Noteholder is an estate, trust, partnership or corporation) and the Relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of such Note); or

(ii) any payment of or on account of estate, inheritance, gift, sales, excise, transfer, personal property tax or similar tax, assessment or governmental charge; or

(iii) any tax, duty, assessment, fee or other governmental charge that would not have been imposed but for the presentation of the Note by the Noteholder for payment more than 30 days after the date on which such payment on such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Noteholder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period); or

(iv) any withholding or deduction imposed on a payment to or for the benefit of an individual that is required to be made pursuant to European Council Directive 2003/48/EC or any other European Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) with respect to any payment of principal of or interest on such Notes or with respect to the Guarantee to any Noteholder who is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment, to the extent that (A) such withholding or deduction is required for the sole reason that the Noteholder is a fiduciary, a partnership or a Person other than the beneficial owner of such payment or (B) a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Noteholder of such Note; or

(vi) any tax, duty, assessment, fee or other governmental charge that would have been avoided if the Noteholder had made a declaration of non-residence or similar claim for exemption or reduction of the applicable deduction or withholding but fails to do so; or

(vii) any tax, duty, assessment, fee or other governmental charge that would have been avoided if the payments were made by another Paying Agent in a Member State of the European Union; or

(viii) any withholding or deduction imposed as a result of the failure of the holder of the Note or beneficial owner of the Notes to comply with certification, information, documentation, reporting or other similar requirements concerning the nationality, residence or identity of such holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from or reduction in all or part of such withholding or deduction; or

(ix) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note Certificate is surrendered for payment in a Relevant Taxing Jurisdiction; or

(x) any combination of the above.

(b) Whenever in the Trust Deed or the Conditions there is mentioned, in any context (i) the payment of principal; (ii) interest; or (iii) any other amount payable on or with respect to any of the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

10. PRESCRIPTION

Claims in respect of principal and interest will become void unless the relevant Definitive Note Certificate is surrendered for payment as required by Condition 7 (*Payments*) within a period of ten years in the case of principal and five years in the case of interest from the relevant date for payment thereof.

11. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one quarter in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction) shall give written notice to the Issuer and the Guarantors that the Notes are and they shall immediately become due and repayable in each case at their principal amount together with accrued interest, if any of the following events (each, an ''**Event of Default**'') occurs and is continuing:

(a) **Non-Payment**

(i) failure by the Issuer to pay any principal in respect of any of the Notes when it becomes due and payable (whether at stated maturity, upon redemption, upon acceleration or otherwise); or

(ii) failure by the Issuer to pay interest in respect of any of the Notes when it becomes due and payable and such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations**

(i) failure by the Issuer or any Guarantor or group of Guarantors to comply with any of the agreements or covenants described above under Condition 5(f) (*Merger, Consolidation or Sale of Assets*); or

(ii) failure by the Issuer to comply with any of the agreements or covenants described above under Condition 8(d) (*Redemption at the Option of the Noteholders Upon a Change of Control*) and such failure continues for 30 days after written notice of such failure has been given to the Issuer by the Trustee; or

(iii) failure by the Issuer or any Guarantor to comply with any other agreement or covenant in these Conditions or the Trust Deed and such failure continues for 60 days after written notice of such failure has been given to the Issuer and the Guarantors by the Trustee; or

(c) **Cross-Acceleration**

(i) any Indebtedness of the Issuer or any of its Subsidiaries is not paid on the due date for payment or (as the case may be) within any originally applicable grace period; or

(ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), *provided* that the aggregate principal amount of such Indebtedness falling within (i) and/or (ii) above individually or in the aggregate equals or exceeds U.S.$75.0 million (or its equivalent in any other currency or currencies); or

(d) **Judgment Default**

one or more judgments or orders or arbitration awards against the Issuer or a Material Subsidiary from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of U.S.$75.0 million (or its equivalent in any other currency or currencies) (net of any amounts that are covered by insurance policies issued by solvent carriers), whether individually or in aggregate, is rendered or granted against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date thereof or, if later, the date therein specified for payment; or

(e) **Bankruptcy**

(i) the Issuer or any of its Material Subsidiaries or any group of its Subsidiaries that, taken together, would constitute a Material Subsidiary,

(A) is declared by a court of competent jurisdiction to be insolvent, bankrupt or unable to pay its debts; or

(B) stops, suspends, threatens to stop or suspend payment of, all or substantially all of its debts as they mature; or

(C) applies for or consents to or suffers the appointment of an administrator, liquidator or receiver or other similar person in respect of the Issuer or any of its Material Subsidiaries or any group of its Subsidiaries that, taken together, would constitute a Material Subsidiary or over the whole or substantially the whole of their respective undertakings, property, assets or revenues pursuant to any insolvency law (other than for a solvent liquidation of a Material Subsidiary); or

(D) takes any proceedings under any law for a readjustment or deferment of its obligations or substantially all of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an extraordinary or written resolution of the Noteholders; or

(ii) an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any Material Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, or the Issuer or any Material Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary ceases to carry on all or substantially all of their respective businesses or operations (other than in connection with any consolidation, amalgamation or merger of any such entities with, or the sale of all or substantially all the assets of any such entities, any other company where all relevant trust deeds, deeds of guarantee and supplemental trust deeds are executed pursuant to, and to give full effect to, the rights of a Noteholder pursuant to Condition 5(e) (*Asset Sales*)) except, in any such case, (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an extraordinary or written resolution of the Noteholders or (B) for a solvent liquidation of a Material Subsidiary; or

(f) **Government intervention**

(i) all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or

(ii) the Issuer or any of its Material Subsidiaries, is prevented by any such Person from exercising normal control over all or substantially all of its undertaking, assets and revenues and as a consequence of any such government intervention, the Issuer or any Guarantor is unable to perform or comply with any one or more of its obligations under the Notes or the Guarantee.

(g) **Unenforceability or Invalidity:** except as permitted by these Conditions or the Guarantee, the Guarantee of a Guarantor shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect, or any such Guarantor shall deny or disaffirm in writing its obligations under the Guarantee; or

(h) **Unlawfulness:** it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Guarantee or the Trust Deed; or

(i) **Analogous effect:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

12. REPLACEMENT OF NOTES

If any Definitive Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantors may require (*provided* that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Note Certificates must be surrendered before replacements will be issued.

13. MEETINGS OF NOTEHOLDERS; MODIFICATION, AND WAIVERS

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Issuer or a Guarantor, or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing a majority in aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however*, that at any meeting the business of which includes a Reserved Matter, the quorum shall be two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

(b) Written resolution

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 days' notice of such resolution, by or on behalf of Persons holding not less than three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) Modification without Noteholders' consent

The Trustee may agree, without the consent of the Noteholders, (i) to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which it is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or to correct a manifest or proven error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any breach or proposed breach of the Notes or the Trust Deed (other than a breach or proposed breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver, modification or substitution shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable thereafter.

14. NOTICES

All notices to the Noteholders regarding the Notes will be valid if mailed to them at their respective addresses in the Register and will be deemed to have been given on the fourth Business Day after the date of mailing.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed.

So long as the Notes are represented by a global certificate in registered form (the ''**Global Certificate**'') and such Global Certificate is held on behalf of a clearing system, notices to the Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders and such notice will be deemed to be given on the date of such delivery.

15. TRUSTEE

(a) **Indemnification**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or any of its Subsidiaries and any entity relating to the Issuer and/or any of its Subsidiaries without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries.

(b) **Exercise of power and discretion**

In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or any Guarantor, any indemnification in respect of any tax consequences of any such exercise upon individual Noteholders.

(c) **Enforcement; Reliance**

The Trustee may at any time after the Notes become due and payable, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed and these Conditions in respect of the Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the holders of not less than one-quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer or any Guarantor to enforce the provisions of the Notes under the Trust Deed or these Conditions, unless the Trustee, having become bound so to proceed on behalf of the Noteholders, fails to do so within a reasonable time and such failure is continuing.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

The Trustee may rely without liability to Noteholders on any certificate or report prepared by any of the above mentioned experts, including specifically the Auditors (as defined in the Trust Deed), or any auditor, pursuant to the Conditions or the Trust Deed, whether or not the expert or auditor's liability in respect thereof is limited by a monetary cap or otherwise.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Default or Event of Default has occurred.

The Trustee is not liable for any failure to monitor compliance by the Issuer or any of the Guarantors with the Conditions (including, without limitation, Condition 5 (*Covenants*) and Condition 11 (*Events of Default*)).

16. FURTHER ISSUES

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes (''**Further Notes**''). The Further Notes and the Notes shall be treated as a single class for all purposes of the Trust Deed, including waivers, amendments, redemptions and offers to purchase. Any further Notes shall be constituted by a deed supplemental to the Trust Deed. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No Person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW; SUBMISSION TO JURISDICTION

(a) Governing law

The Trust Deed, the Notes and the Guarantee, including any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Guarantee, are governed by English law.

(b) Jurisdiction

Each of the Issuer and the Guarantors has agreed in the Trust Deed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed or the Notes (a ''**Dispute**'') and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes (''**Proceedings**'') may be brought in such courts. Each of the Issuer and the Guarantors on the one hand, and the Trustee on the other, have agreed that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. Each of the Issuer and the Guarantors has irrevocably submitted to the jurisdiction of such courts. However, the Trustee may take Proceedings in any other courts with jurisdiction and, to the extent allowed by law, in any number of jurisdictions (whether concurrently or not).

(c) Service of Process

Each of the Issuer and the Guarantors has agreed in the Trust Deed that any documents which start any Proceedings and any other documents required to be served in relation to those proceedings may be served on it by being delivered to Ince Process Agents Limited at International House, 1 St. Katherine's Way, London E1W 1AY, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer or the relevant Guarantor, as applicable, in the United Kingdom at which process may be served on it in accordance with Part 34 of the Companies Act 2006 or any successor provision thereto. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or a Guarantor, as applicable, the Issuer or the Guarantor, as applicable, shall, on the written demand of the Trustee, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a Person by written notice to the Issuer or the relevant Guarantor, as applicable. Nothing in this paragraph shall affect the right of the Trustee and the Noteholders to serve process in any other manner permitted by law.

19. DEFINITIONS

For the purposes of these Conditions:

''**Acquired Debt**'' means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

''**Additional Amounts**'' shall have the meaning given to such term in Condition 9 (*Taxation*).

''**Additional Guarantee**'' means a Guarantee by an Additional Guarantor of the Issuer's obligations with respect to the Notes, in accordance with Condition 4 (*Guarantee*).

''**Additional Guarantors**'' means Persons who become guarantors pursuant to Condition 5(i) (*Additional Guarantors*).

''**Affiliate**'' of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, ''control'' (including, with correlative meanings, the terms ''controlling'', ''controlled by'' and ''under common control with''), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

''**Affiliate Transaction**'' shall have the meaning given to such term in Condition 5(d) (*Transactions with Affiliates*).

''**Agency**'' means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not).

''**Applicable Premium**'' means, with respect to any note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

    (a) the present value at such redemption date of (i) the redemption price of the note at the Maturity Date, (such redemption price being 100% of principal amount) plus (ii) all required interest payments due on the note through to the Maturity Date (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

    (b) the principal amount of the note.

''**Asset Sale**'' means

(a) the sale, lease, conveyance or other disposition of any assets or rights by the Issuer or any of the Issuer's Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions in Condition 8(d) (*Redemption at the Option of the Noteholders upon a Change of Control*) and Condition 5(f) (*Merger, Consolidation or Sale of Assets*) and not by the provisions of Condition 5(e) (*Asset Sales*); and

(b) the issuance of Equity Interests by any of the Issuer's Restricted Subsidiaries or the sale by the Issuer or any of the Issuer's Restricted Subsidiaries of Equity Interests in any of the Issuer's Subsidiaries.

For purposes of this definition, the term ''Asset Sale'' shall not include:

(a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than U.S.$ 25.0 million;

(b) a transfer of assets or Equity Interests between or among the Issuer and its Restricted Subsidiaries;

(c) an issuance of Equity Interests by a Restricted Subsidiary of the Issuer to the Issuer or to a Restricted Subsidiary of the Issuer;

(d) the sale, lease or other transfer of products, inventory, trading stock, services, accounts receivable or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Issuer and its Restricted Subsidiaries taken as whole);

(e) licenses and sublicenses by the Issuer or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(f) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(g) the granting of Liens not prohibited by the covenant described above under Condition 5(b) (*Limitation on Liens*);

(h) the sale or other disposition of cash or Cash Equivalents;

(i) a Restricted Payment that does not violate Condition 5(c) (*Limitation on Restricted Payments*), a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(j) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(k) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(l) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets;

(m) sales, transfers or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(n) any sale, transfer or other disposition of assets in connection with any Trade Finance Indebtedness; and

(o) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Trust Deed.

''**Beneficial Owner**'' has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular ''person'' (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such ''person'' will be deemed to have beneficial ownership of all securities that such ''person'' has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms ''**Beneficially Owns**'' and ''**Beneficially Owned**'' have a corresponding meaning.

''**Board of Directors**'' means, as to any Person, the board of directors or other equivalent executive body of such Person or any duly authorised committee thereof.

''**Business Day**'' means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York City and (where surrender is required by these Conditions) in the place of the specified office of the Registrar or the relevant Paying Agent to whom the relevant Definitive Note Certificate is surrendered.

''**Capital Lease Obligation**'' means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

''**Capital Stock**'' means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

''**Cash Equivalents**'' means:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that the long-term debt of such bank or trust company is rated ''A-1'' or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognised rating agency;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) above entered into with any financial institution meeting the qualifications specified in clause (b) above;

(d) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(e) interests in any investment company or money market funds at least 95% of the assets of which consist of Cash Equivalents of the type referred to in paragraphs (a) to (d) above.

''**Change of Control**'' means the occurrence of any of the following:

(a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any Person (including any ''person'' (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) (other than any Permitted Holder or a Related Person of a Permitted Holder) acting as a group for the purpose of acquiring, holding or disposing of securities of the Issuer and/or its Subsidiaries;

(b) the adoption of a plan or legal procedure relating to the liquidation or dissolution of the Issuer; or

(c) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any ''person'' (as defined above), other than the Permitted Holders and/or any of their Related Persons, becomes the Beneficial Owner, directly or indirectly, of more than 50 per cent. of the Voting Stock of the Issuer, measured by voting power rather than number of shares.

''**Change of Control Offer**'' shall have the meaning given to such term in Condition 8(d) (*Redemption at the Option of Noteholders upon a Change of Control*).

''**Commission**'' means the U.S. Securities and Exchange Commission.

''**Consolidated EBITDA**'' means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(a) an amount equal to any extraordinary loss plus any net loss realised by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(b) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(c) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(d) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period, to the extent that such losses were taken into account in computing such Consolidated Net Income; *plus*

(e) Receivables Fees; *plus*

(f) Impairment charges; *plus*

(g) depreciation, amortisation (including amortisation of intangibles but excluding amortisation of prepaid cash expenses that were paid in a prior period) and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortisation of a prepaid cash charge or expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortisation and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; *minus*

(h) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period, to the extent that such gains were taken into account in computing such Consolidated Net Income; *minus*

(i) an amount equal to any extraordinary gain and any net gain realised by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such gain was added in computing such Consolidated Net Income; *plus or minus*

(j) any extraordinary, exceptional or nonrecurring gains or losses or any charges (in each case determined in good faith by the Issuer) to the extent that such gains or losses were taken into account in computing such Consolidated Net Income; *plus or minus*

(k) the cumulative effect of a change in accounting principles, to the extent such gains or losses were added in computing such Consolidated Net Income,

in each case, on a consolidated basis and determined in accordance with IFRS.

''**Consolidated Net Income**'' means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary of such Person), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends.

''**Consolidated Tangible Assets**'' of any Person as of any date means the total assets of such Person and its Restricted Subsidiaries as of the most recent fiscal quarter end for which a consolidated balance sheet of such Person and its Restricted Subsidiaries is available, minus total goodwill and other intangible assets of such Person and its Subsidiaries reflected on such balance sheet, all calculated on a consolidated basis in accordance with IFRS.

''**Contingent Obligations**'' means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (''**primary obligations**'') of any other Person (the ''**primary obligor**''), including any obligation of such Person, whether or not contingent:

(a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(b) to advance or supply funds:

 (i) for the purchase or payment of any such primary obligation; or

 (ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

''**continuing**'' means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

''**Credit Facilities**'' means one or more debt facilities, indentures, bonds, instruments, arrangements or commercial paper facilities (excluding, for purpose of Condition 5(a)(ii)(A), the Existing Facilities Agreements), in each case, with banks or other institutional lenders or investors, together with all related documents and security in relation thereto, providing for revolving credit loans, term loans, factoring and receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or, bills, bonds, overdrafts, hedging, letters of credit and similar instruments thereunder, in each case, as amended, restated, modified, renewed, restructured, repaid, refunded, replaced or refinanced in whole or in part from time to time (whether upon or after termination or otherwise), and any agreements (and related documents) governing Indebtedness incurred to refinance or replace, in whole or in part, outstanding Indebtedness or commitments under such Credit Facilities or such refinancing or replacement thereof (including by means of sale of debt securities to institutional investors and regardless of whether or not such refinancing or replacement is with the original administrative agent or original lenders), in each case, whether by the same or a new lender or agent or group of lenders or agents.

''**Default**'' means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

''**Designated Non-cash Consideration**'' means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as ''Designated Non-cash Consideration'' pursuant to an Officers' Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"**Disqualified Stock**" means, Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is six months after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 5(c) (*Limitation on Restricted Payments*). The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Trust Deed will be the maximum amount that the Issuer and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"**Employee Stock Option Plan**" means any employee share plan scheme entered into by senior management or employees of the Issuer or its Restricted Subsidiaries as in existence on the Issue Date and any amendment, restatement, modification, supplement, renewal, extension or replacement thereof, so long as such amendment, restatement, modification, supplement, renewal, extension or replacement is in the ordinary course of business and consistent with compensation practices within the Issuer's or its Restricted Subsidiaries' industry.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means a public or private sale of Capital Stock of the Issuer (other than a public offering on Form S-8 (or any successor form) under the U.S. Securities Act) or any similar offering in other jurisdictions or the public or private sale of Capital Stock or other securities of any Parent Entity of the Issuer, the proceeds of which are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Issuer or any of its Restricted Subsidiaries.

"**Event of Default**" shall have the meaning given to such term in Condition 11 (*Events of Default*).

"**Excess Proceeds**" shall have the meaning given to such term in Condition 5(e) (*Asset Sales*).

"**Excluded Contributions**" means the net cash proceeds received by the Issuer after the Issue Date from:

(a) contributions to its common equity capital; and

(b) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) of the Issuer,

in each case designated as "Excluded Contributions" pursuant to an Officers' Certificate of the Issuer (which shall be designated no later than the date on which such Excluded Contribution has been received by the Issuer), the net cash proceeds of which are excluded from the calculation set forth under Condition 5(c)(III)(2) (*Limitation on Restricted Payments*) hereof.

"**Existing Facilities Agreements**" means each of the following credit facilities:

(a) a revolving facilities agreement, dated as of 12 December 2012 by and among Gunvor International B.V. and Gunvor SA, the lenders named therein, and Credit Suisse AG as facility agent, including any related notes guarantees, collateral documents, instruments and agreements executed in connection therewith;

(b) a revolving facility agreement, dated as of 12 June 2012 by and among Gunvor Singapore Pte Ltd., the lenders named therein, and Sumitomo Mitsui Banking Corporation, Singapore Branch as facility agent, including any related notes guarantees, collateral documents, instruments and agreements executed in connection therewith;

(c) a revolving facility agreement, dated as of 29 October 2012 by and among Gunvor Belgium NV, Gunvor SA, the lenders named therein, and ING Bank NV as facility agent, including any related notes guarantees, collateral documents, instruments and agreements executed in connection therewith; and

(d) a revolving credit facility agreement, dated as of 27 November 2012 by and among Gunvor SA, the lenders named therein, and Natixis as agent, including any related notes guarantees, collateral documents, instruments and agreements executed in connection therewith.

''**Existing Indebtedness**'' means all Indebtedness of the Issuer and its Restricted Subsidiaries (including the Existing Facilities Agreements) in existence as at the Issue Date assuming such facilities are fully drawn.

''**Fair Market Value**'' means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Issuer.

''**Fitch**'' means Fitch Ratings Limited, its affiliates and any successor to its ratings business.

''**Fixed Charge Coverage Ratio**'' means with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the ''**Calculation Date**''), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) as if they had occurred on the first day of the four-quarter reference period;

(b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(c) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(d) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(e) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(f) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

''**Fixed Charges**'' means, with respect to any specified Person for any period, the sum, without duplication, of:

(a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortisation of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(b) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Debt) of such Person and its Subsidiaries that was capitalised during such period; *plus*

(c) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(d) the product of (i) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Issuer (other than Disqualified Stock) or to the Issuer or a Restricted Subsidiary of the Issuer, times (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS; *minus*

(e) any interest, commission, fees, discounts, prepayment fees, premiums or changes and other finance payments relating to Indebtedness incurred in connection with Trade Finance whether paid, payable or capitalised by such Person and its Restricted Subsidiaries for such period (calculated on a consolidated basis).

''**Further Notes**'' shall have the meaning given to such term in Condition 16 (*Further Issues*).

''**guarantee**'' means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

''**Guarantors**'' means each of the Initial Guarantors and the Additional Guarantors, if any, and ''**Guarantor**'' shall mean any of them, as the case permits.

''**Hedging Obligations**'' means, with respect to any specified Person, the obligations of such Person under:

(a) currency exchange, interest rate or commodity swap agreements, currency swap, interest rate or commodity cap agreements, currency exchange, interest rate or commodity collar agreements and foreign exchange contracts or futures contracts; and;

(b) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates commodity prices or equity risks.

''**IFRS**'' means International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the Issue Date, or with respect to Condition 5(j) (*Financial Information*), as in effect from time to time.

''**Indebtedness**'' means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by or issued in exchange for bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term ''Indebtedness'' includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person. Indebtedness shall be calculated without giving effect to the effects of International Accounting Standard No. 39 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the Trust Deed as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

The term ''Indebtedness'' shall not include:

(a) Subordinated Shareholder Debt;

(b) any lease of property which would be considered an operating lease under IFRS and any Guarantee given by the Issuer or a Restricted Subsidiary of the Issuer in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or a Restricted Subsidiary under any operating lease;

(c) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(d) Contingent Obligations in the ordinary course of business;

(e) Obligations under or in respect of Qualified Receivables Financing;

(f) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(g) indebtedness in respect of standby letters of credit, commodity repurchase agreements, margin loans, bid bonds, performance bonds or surety bonds (or the guarantee of such obligation), incurred in the ordinary course of business to the extent such facilities, bonds, agreements or guarantees are not drawn upon or otherwise become due and payable or, if and to the extent they are drawn upon or otherwise become due and payable are honoured in accordance with their terms and, if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt of a demand for reimbursement;

(h) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) incurred prior to the Issue Date or in the ordinary course of business; or

(i) any amounts payable or amounts in the form of customer deposits or advance payments to a supplier of goods or services in the ordinary course of business.

''**Independent Appraiser**'' means an accounting, appraisal or investment banking firm of internationally recognised standing that is, in the reasonable judgment of the Issuer's Board of Directors, qualified to perform the task for which it has been engaged and disinterested and independent with respect to the Issuer and its Affiliates.

''**Interest Payment Date**'' shall have the meaning given to such term in Condition 6(a) (*Interest Accrual*).

''**Interest Period**'' shall have the meaning given to such term in Condition 6(a) (*Interest Accrual*).

‘‘**Investment Grade Rating**’’ means a long term credit rating of ‘‘AAA,’’ ‘‘AA,’’ ‘‘A’’ or ‘‘BBB,’’ as modified by a ‘‘+’’ or ‘‘−’’ indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a long term credit rating of ‘‘Aaa,’’ or ‘‘Aa,’’ ‘‘A’’ or ‘‘Baa,’’ as modified by a ‘‘1,’’ ‘‘2’’ or ‘‘3’’ indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns or assigns or a long term credit rating of ‘‘AAA,’’ or ‘‘AA,’’ ‘‘A’’ or ‘‘BBB,’’ as modified by a ‘‘+,’’ or ‘‘−’’ indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent long term credit ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P, Moody’s or Fitch or all of them, as the case may be.

‘‘**Investments**’’ means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantee or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in clause (iii) of Condition 5(c) (*Limitation on Restricted Payments*). The acquisition by the Issuer or any Restricted Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in clause (iii) of Condition 5(c) (*Limitation on Restricted Payments*). Except as otherwise provided in the Trust Deed, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

‘‘**Issue Date**’’ shall have the meaning given to such term in Condition 6(a) (*Interest Accrual*).

‘‘**Issuer**’’ means the party named as such above until a successor replaces it in accordance with Condition 5(f) (*Merger, Consolidation or Sale of Assets*) and thereafter means such successor.

‘‘**Lien**’’ means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the laws of any jurisdiction.

‘‘**Listing Rules**’’ means the listing rules of the SGX-ST.

‘‘**Management Advances**’’ means loans or advances made to, or Guarantee with respect to loans or advances made to, directors, officers or employees of the Issuer or any Restricted Subsidiary:

(a) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(b) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(c) in the ordinary course of business and (in the case of this clause (c)) not exceeding U.S.$ 10.0 million in the aggregate outstanding at any time.

‘‘**Market Capitalisation**’’ means an amount equal to (a) the total number of issued and outstanding shares of Capital Stock of the Issuer or any Parent Entity of the Issuer on the date of the declaration of the relevant dividend, multiplied by (b) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

"**Material Subsidiary**" means any Subsidiary which meets any of the following conditions:

(a) the Issuer and the other Subsidiaries' investments in and advances to such Subsidiary exceed 5% of the total consolidated assets of the Issuer and the Subsidiaries as of the end of the most recently completed financial year; or

(b) the Issuer and the other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Subsidiary exceeds 10 per cent. of the total consolidated assets of the Issuer and the Subsidiaries as of the end of the most recently completed financial year; or

(c) the Issuer and the other Subsidiaries' equity in the consolidated income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Subsidiary exceeds 10 per cent. of such consolidated income of the Issuer and the Subsidiaries for the most recently completed financial year.

"**Maturity Date**" means ● 2018.

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors or assigns.

"**Net Proceeds**" means the aggregate amount of cash proceeds and Cash Equivalents received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Issuer or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"**Non-Recourse Debt**" means Indebtedness:

(a) as to which neither the Issuer nor any of its Restricted Subsidiaries (x) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (y) is directly or indirectly liable as a guarantor or otherwise; and

(b) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Issuer or any of its Restricted Subsidiaries (other than the Equity Interests of an Unrestricted Subsidiary).

"**Noteholder**" shall have the meaning given to such term in Condition 1(b) (*Title*).

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Obligor**" means each of the Issuer and the Guarantors.

"**Offering Circular**" means the offering circular of the Issuer dated ● 2013.

"**Officers' Certificate**" means a certificate signed by any duly authorised signatory of the Issuer.

"**Opinion of Counsel**" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be (among others) an employee of or counsel to the Issuer, any Guarantor or the Trustee.

"**Parent Entity**" means any direct or indirect parent company of the Issuer.

"**Permitted Business**" means any business, service or activity that involves commodities or is otherwise related, complementary, incidental, ancillary or similar thereto.

"**Permitted Holder**" means each of Mr. Torbjörn Törnqvist and Mr. Gennady Timchenko.

"**Permitted Indebtedness**" shall have the meaning given to such term in Condition 5(a)(ii) (*Incurrence of Indebtedness and Issuance of Preferred Stock*).

''**Permitted Investment**'' means:

(a) any Investment in the Issuer or any Restricted Subsidiary of the Issuer;

(b) any Investment in Cash Equivalents;

(c) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in a Person, if as a result of such Investment:

(i) such Person becomes a Restricted Subsidiary of the Issuer; or

(ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;

(d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Condition 5(e) (*Asset Sales*);

(e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;

(f) any Investments received in compromise or resolution of (I) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (II) litigation, arbitration or other disputes;

(g) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(h) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary;

(i) any Guarantee of Indebtedness permitted to be incurred by Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(j) Investments represented by Hedging Obligations;

(k) Management Advances;

(l) repurchases of the Notes;

(m) any guarantee of Indebtedness permitted to be incurred by Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) other than a guarantee of Indebtedness of an Affiliate of the Issuer that is not a Restricted Subsidiary of the Issuer;

(n) any Investment existing on, or made pursuant to binding commitments existing on, the date of the Trust Deed and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the Trust Deed; *provided* that the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted under the Trust Deed;

(o) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of the Issuer of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries, or all or substantially all of the assets of another Person, in each case, in a transaction that is not prohibited by Condition 5(f) (*Merger, Consolidation or Sale of Assets*) after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(p) any Investment in connection with Trade Finance, including Investments of funds held in accounts permitted or required by the arrangements governing such Trade Finance or any related Indebtedness;

(q) any Investment in connection with a Project of a Project Company that has been financed, either partly or wholly, through Project Indebtedness;

(r) any Investment related to pre-payments or pre-export financing arrangements by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(s) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity;

(t) any Investment (I) in a joint venture, including any guarantee thereof or loans or letters of credit thereto, that is engaged in a Similar Business or (II) that consists of a minority investment in or loan to an entity engaged in a Similar Business; *provided* that if an Investment is made pursuant to this paragraph in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary, such Investment, if applicable, shall thereafter be deemed to have been made pursuant to paragraphs (a) or (c) of the definition of ''Permitted Investments'' and not this paragraph (t); and

(u) Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (u) that are at the time outstanding not to exceed an amount equal to the greater of U.S.$100.0 million and 2.0% of the Consolidated Tangible Assets of the Issuer; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under Condition 5(c) (*Limitation on Restricted Payments*), such Investment shall thereafter be deemed to have been made pursuant to clause (a) or (b) of the definition of ''Permitted Investments'' and not this paragraph (u).

''**Permitted Liens**'' means:

(a) Liens securing Indebtedness under Credit Facilities that are incurred under Condition 5(a)(ii)(A) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(b) Liens to secure Hedging Obligations incurred in the ordinary course of business;

(c) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Issuer or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary of the Issuer;

(d) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Issuer or any Subsidiary of the Issuer; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;

(e) Liens to secure the performance of statutory obligations, letters of credit, insurance, performance bonds, surety bonds, bid bonds, appeal bonds, workers compensation obligations, or other obligations of a like nature incurred in the ordinary course of business;

(f) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (ii)(D) of Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*) covering only the assets acquired with or financed by such Indebtedness;

(g) Liens to secure Indebtedness of Restricted Subsidiaries that are not Guarantors permitted under Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*); *provided* that such Liens may not extend to any property or assets of the Issuer or any Guarantor other than the Capital Stock of such non-Guarantor Restricted Subsidiaries;

(h) Liens on the Capital Stock of any Unrestricted Subsidiary to secure Indebtedness of such Unrestricted Subsidiary;

(i) Liens existing on the Issue Date, other than Liens securing Indebtedness and other obligations incurred pursuant to clause (ii)(A) of Condition 5(a) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(j) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(k) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(l) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(m) Liens created for the benefit of (or to secure) the Notes or the Guarantee;

(n) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Trust Deed; *provided*, *however*, that:

  (i) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof) or, in the case of any borrowing base facilities, any assets that constitute the borrowing base; and

  (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(o) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(p) filing of financing statements as a precautionary measure in connection with operating leases;

(q) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(r) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(s) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(t) grants of software and other technology licenses in the ordinary course of business;

(u) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(v) Liens in favour of the Issuer or any of its Restricted Subsidiaries;

(w) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(x) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(y) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(z) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(aa) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(bb) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(cc) Liens incurred in connection with any Project Indebtedness or Trade Finance permitted to be incurred pursuant to Condition 5(a)(ii)(O) (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(dd) Liens on Receivables Assets incurred in connection with a Qualified Receivables Financing;

(ee) Liens securing Indebtedness or other obligations of a Receivables Subsidiary; and

(ff) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (ff) does not exceed an amount equal to the greater of U.S.$200.0 million or 3.5% of the Consolidated Tangible Assets of the Issuer.

''**Permitted Refinancing Indebtedness**'' means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(b) such Permitted Refinancing Indebtedness has a final maturity date no earlier than either (i) the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged or (ii) after the final maturity date of the Notes;

(c) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Permitted Refinancing Indebtedness is incurred that is no shorter than the Weighted Average Life to Maturity of the portion of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(d) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(e) such Indebtedness is incurred either by the Issuer or by the Restricted Subsidiary of the Issuer that was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged and is guaranteed only by Persons who were obligors on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

''**Person**'' means any individual, corporation, firm, partnership, joint venture, association, trust, unincorporated organisation or government or judicial entity or any Agency or political subdivision thereof, in each case, whether or not having a separate legal personality.

''**Pre-Expansion European Union**'' means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Ireland, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

''**Project**'' means a particular project for the acquisition, ownership, creation, development, expansion or exploitation of any asset and/or the performance of any contracts or arrangements relating to that project, in each case entered into in the ordinary course of business and consistent with past practices.

‘‘**Project Company**’’ means any joint venture (or similar arrangement) or any other entity (whether a company, unincorporated firm, undertaking, association or partnership or any other similar entity) established by, entered into by, or invested in by the Issuer or any Restricted Subsidiary for the main purpose of and in connection with a Project or several Projects (as the case may be).

‘‘**Project Indebtedness**’’ means any Indebtedness incurred by the Issuer or any Restricted Subsidiary in connection with a Project of a Project Company, *provided* that the recourse of that Indebtedness is limited to the assets comprised in the Project or Project Company, *provided, further, however,* that the Issuer or any Restricted Subsidiary may incur Indebtedness up to $1,500.0 million at any one time outstanding in connection with a Project of a Project Company that is fully guaranteed or otherwise recourse to the Issuer or its Restricted Subsidiaries.

‘‘**Qualifying Equity Interests**’’ means Equity Interests of the Issuer other than Disqualified Stock.

‘‘**Qualified Receivables Financing**’’ means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (a) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (b) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

‘‘**Rating Agencies**’’ means Fitch, Moody’s and S&P.

‘‘**Receivable**’’ means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

‘‘**Receivables Assets**’’ means any assets that are or will be the subject of a Qualified Receivables Financing.

‘‘**Receivables Fees**’’ means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

‘‘**Receivables Financing**’’ means any transaction or series of transactions that may be entered into by the Issuer or any of its subsidiaries pursuant to which the Issuer or any of its subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

‘‘**Receivables Repurchase Obligation**’’ means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defence, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

‘‘**Receivables Subsidiary**’’ means a wholly owned subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any subsidiary of the Issuer makes an Investment and to which the Issuer or any subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any other Restricted Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary of the Issuer, (c) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Issuer or any other Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(b) with which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favourable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(c) to which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

''**Record Date**'' means the fifteenth day before the due date for the relevant payment.

''**Refinance**'' means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. ''**Refinanced**'' and ''**Refinancing**'' shall have correlative meanings.

''**Register**'' shall have the meaning given to such term in Condition 1(b) (*Title*).

''**Related Person**'' with respect to any Permitted Holder means:

(a) a Permitted Holder's parents, spouse, spouse's parents, other immediate family member (legal or adopted) or the lineal descendants of any such persons of a Permitted Holder, as well as, any trust, partnership or other estate planning vehicle established for the benefit of one or more of such persons, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(b) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding a 50.1% or more controlling interest of which consist of any one or more Permitted Holders and/or such other Persons referred to in the immediately preceding clause (a).

''**Relevant Taxing Jurisdiction**'' shall have the meaning given to such term in Condition 9 (*Taxation*).

''**Reserved Matter**'' means any of the following:

(a) reducing, or changing the maturity of the principal of any Note;

(b) reducing the rate of or extending the time for payment of interest on any Note;

(c) reducing any premium payable upon redemption of the Notes or changing the date on, or the circumstances under, which any Notes are subject to redemption (other than provisions relating to the purchase of Notes described in Condition 8(d) (*Redemption at the Option of the Noteholders upon a Change of Control*) and Condition 5(e) (*Asset Sales*) except that if a Change of Control has occurred, no amendment or other modification of the obligation of the Issuer to make a Change of Control Offer relating to such Change of Control shall be made without the consent of Noteholders by way of Extraordinary Resolution);

(d) making any Note payable in money or currency other than that stated in the Notes;

(e) modifying or changing any provision of the Trust Deed or the related definitions to affect the ranking of the Notes or the Guarantee in a manner that adversely affects the holders;

(f) reducing the percentage of holders necessary to consent to an amendment or waiver to the Trust Deed, the Notes or the Guarantee;

(g) waiving a default in the payment of principal of or premium or interest on any Notes (except a rescission of acceleration of the Notes by the holders thereof as provided in the Trust Deed and a waiver of the payment default that resulted from such acceleration);

(h) impairing the rights of holders to receive payments of principal of or interest on the Notes on or after the due date therefor or to institute suit for the enforcement of any payment on the Notes;

(i) releasing any Guarantor from any of its obligations under the Guarantee or the Trust Deed, except as permitted by these Conditions; or

(j) making any change in this definition of ''Reserved Matters'' or changing the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

''**Restricted Investment**'' means an Investment other than a Permitted Investment.

''**Restricted Payment**'' shall have the meaning given to such term in Condition 5(c)(i) (*Limitation on Restricted Payments*).

''**Restricted Subsidiary**'' of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

''**S&P**'' means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors or assigns.

''**SGX-ST**'' means the Singapore Exchange Securities Trading Limited.

''**Similar Business**'' means any business, service or activity that involves commodities or is otherwise related, complementary, incidental, ancillary or similar thereto.

''**Standard Securitization Undertakings**'' means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

''**Stated Maturity**'' means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the terms of the Trust Deed, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

''**Subordinated Shareholder Debt**'' means, collectively, any debt provided to the Issuer by any direct or indirect parent of the Issuer or any Permitted Holder or Related Person, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(a) does not (including upon the happening of any event) mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(c) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a lien on any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(e) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganisation, liquidation, winding up or other disposition of assets of the Issuer;

(f) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Trust Deed;

(g) does not (including upon the happening of an event) constitute Voting Stock; and

(h) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Issuer,

provided, *however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

''**Subsidiary**'' means, with respect to any specified Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership or limited liability company of which (i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

''**Swiss Guarantor**'' means a Guarantor incorporated in Switzerland or resident for tax purposes in Switzerland;

''**Taxes**'' means any taxes, duties, assessments or governmental charges of whatsoever nature.

''**Trade Finance**'' means any Indebtedness or obligation of a Person, including (for the avoidance of doubt) letters of credit, margin calls or loans, and guarantees, incurred to finance, pre-finance or execute physical or derivative commodities transactions (including, without limitation, working capital facilities, revolving credit facilities, recourse discounting of receivables, prepayment transactions, reserve based lending, and inventory, trade receivable and borrowing base financing) entered into the ordinary course of business and consistent with past practices.

''**Treasury Rate**'' means, as of any redemption date, the yield to maturity as of such redemption date of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the Maturity Date; *provided, however,* that if the period from the redemption date to the Maturity Date, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

''**U.S. Dollar Equivalent**'' means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such other currency as most recently published under ''Currency Rates'' in the section of the *Financial Times* entitled ''Currencies, Bonds & Interest Rates'' (or, if the Financial Times is no longer published or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer).

''**U.S. Exchange Act**'' means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

''**U.S. Securities Act**'' means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

''**Unrestricted Subsidiary**'' means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(a) has no Indebtedness other than Non-Recourse Debt;

(b) except as permitted by Condition 5(d) (*Transactions with Affiliates*), is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary of the Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favourable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer;

(c) is a Person with respect to which neither the Issuer nor any of its Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interests or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(d) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any of its Restricted Subsidiaries.

''**Voting Stock**'' of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

''**Weighted Average Life to Maturity**'' means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (x) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(b) the then outstanding principal amount of such Indebtedness.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Global Certificate which will apply to, and in some cases modify, the Conditions as they apply to the Notes evidenced by the Global Certificate.

The Notes will be represented by a Global Certificate, which will be registered in the name of BT Globenet Nominees Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream.

Exchange

The Global Certificate will become exchangeable in whole, but not in part, for (the ''**Definitive Note Certificates**'') if (i) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available or (ii) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Global Certificate is to be exchanged for Definitive Note Certificates, such Definitive Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required (including, without limitation, the names and addresses of the persons in whose names the Definitive Note Certificates are to be registered and the principal amount of each such person's holding), along with the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement (as defined in the Conditions) and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions that modify the Conditions as they apply to the Notes evidenced by the Global Certificate. The following is a summary of those provisions:

Notices

Notwithstanding Condition 14 (*Notices*), for so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an ''**Alternative Clearing System**''), notices to holders of Notes represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System. Any such notice shall be deemed to be given to the holders of the Notes on the day on which such notice is delivered to Euroclear, Clearstream or (as the case may be) the Alternative Clearing System.

Payments

Payments of principal and premium, if any, in respect of, and interest on, the Notes represented by the Global Certificate will be made against presentation for endorsement and, if no further payment falls to be made on or in respect of the Notes, surrender of the Global Certificate to or to the order of the Principal Paying Agent or such other paying agent as shall have been notified to the holders of the Notes for such purpose and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. A record of each payment so made will be endorsed in the appropriate schedule to the Global Certificate, such endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

Payments on business days

In the case of all payments made in respect of the Global Certificate, ''**business day**'' means any day which is a day on which dealings in foreign currencies may be carried on in London and New York City.

Payment Record Date

Each payment in respect of the Global Certificate will be made to the person shown as the Noteholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business

Day before the due date for such payment where ''**Clearing System Business Day**'' means a day on which each clearing system for which the Global Certificate is being held is open for business.

Prescription

Claims against the Issuer and the Guarantors in respect of principal or premium and interest on the Notes while the Notes are represented by the Global Certificate will be prescribed after ten years (in the case of principal and premium) and five years (in the case of interest) from the appropriate due date.

Meetings

The holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of holders of the Notes and, at any such meeting, as having one vote in respect of each US$1,000 in principal amount of Notes for which the Global Certificate may be exchanged.

Trustee's Powers

In considering the interests of holders of the Notes while the Global Certificate is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holder of the Global Certificate.

Exercise at the Option of Noteholders Upon a Change of Control

In order to exercise the option contained in Condition 8(d) (*Redemption at the Option of the Noteholders Upon a Change of Control*), the holder of the Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Notes, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Information Concerning Euroclear and Clearstream

All book-entry interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be discontinued or changed at any time. None of the Issuer, the Guarantors or the Joint Lead Managers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participant organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry charges in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. The book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. The book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The book-entry interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

SUBSCRIPTION AND SALE

The Joint Lead Managers have entered into a subscription agreement with the Issuer and the Guarantors dated • 2013 with respect to the Notes (the ''**Subscription Agreement**''). Subject to certain conditions, each Joint Lead Manager has severally (and not jointly) agreed to subscribe and pay for the Notes.

The purchase price for the Notes will be the issue price of • per cent. of the principal amount of the Notes, less certain commissions and fees. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Notes in certain circumstances prior to payment to the Issuer. The Issuer and the Guarantors have given certain representations and warranties to the Joint Lead Managers in the Subscription Agreement, and the Issuers and the Guarantors have agreed to indemnify the Joint Lead Managers on a joint and several basis against certain liabilities in connection with the offer and sale of the Notes.

Subject to compliance with applicable laws, the Joint Lead Managers may, at their sole discretion, agree to pay a proportion of their commission to certain investors up to a maximum of 0.5 per cent. of the issue price of the Notes.

UNITED STATES

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States by the Joint Lead Managers in accordance with Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver, the Notes:

(a) as part of their distribution at any time; or

(b) otherwise, until 40 days after the later of the commencement of the Offering and the issue date of the Notes (the ''**distribution compliance period**''), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the ''**FSMA**'')) in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

CYPRUS

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not and will not provide from within Cyprus any ''investment services'', ''ancillary services'' and/or perform any ''investment activities'' (as such terms are defined in the Investment Services and Activities and Regulated Markets Law, Law 144(I)/2007, as amended (the ''**Investment Services Law**''), or provide from outside Cyprus any investment and ancillary services and/or perform any investment activities to or for the benefit of any persons resident, domiciled or located in Cyprus or otherwise conclude any transaction relating to such services or activities in Cyprus, except in circumstances which will result in compliance with the Investment Services Law and any other applicable laws and regulations in effect at the relevant time; and

(b) it has not and will not, directly or indirectly, offer, sell, resell, reoffer or deliver Notes, and has not distributed or caused to be distributed and will not distribute or cause to be distributed in Cyprus this Offering Circular or any document, circular, advertisement or other offering material, except under circumstances which will result in compliance with the Public Offer and Prospectus Law, Law 114(I)/2005 and any other applicable laws and regulations in effect at the relevant time.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the ''**SFA**''). Accordingly, each Joint Lead Manager has represented that this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(x) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(y) a trust (where the trustee of which is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of which is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

SWITZERLAND

The Offering is not a public offering in Switzerland. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus within the meaning of Article 652a and/or Article 1156 of the Swiss Federal Code of Obligations and this Offering Circular or any other offering or marketing material relating to the Notes is not subject to the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Circular, and any other offering or marketing material relating to the Notes do not claim to comply with the disclosure standards of the Swiss Federal Code of Obligations and the listing rules of the SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to offer and/or distribute them to the public. The investors will be individually approached directly from time to time. This Offering Circular, as well as any other offering or marketing material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Circular, as well as any other offering or marketing material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly or indirectly be distributed or made available to other persons without the Issuer's express consent. This Offering Circular, as well as any other offering or marketing material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in, into or from Switzerland.

THE BAHAMAS

Each of the Joint Lead Managers has acknowledged that the Offering Circular has not been filed as a prospectus with the Securities Commission of The Bahamas pursuant to the Securities Industry Act, 2011.

Each of the Joint Lead Managers has represented and agreed that it will not offer or sell the Notes, or take any other action, which would result in the Notes being offered or sold, directly or indirectly, in or from The Bahamas.

THE NETHERLANDS

Each Joint Lead Manager has represented and agreed that it will not offer the Notes to the public in the Netherlands unless such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in the Netherlands, **provided that** no such offer of Notes shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this provision, the expression an offer of Notes to the public in the Netherlands means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Netherlands and the expression 2010 PD Amending Directive means Directive 2010/73/EC.

GENERAL

No action has been taken or will be taken in any jurisdiction by the Joint Lead Managers, the Issuer or the Guarantors that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any supplement hereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has undertaken that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or has in its possession or distributes this Offering Circular or supplement hereto or any other offering or publicity material.

Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantors and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering or publicity material relating to the Notes, in all cases at their own expense.

OTHER RELATIONSHIPS

The Joint Lead Managers and their affiliates have performed certain commercial banking, investment banking or advisory services for the Group from time to time for which they have received customary fees and expenses. The Joint Lead Managers may, from time to time, continue to engage in transactions with and perform services for the Group in the ordinary course of their business.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEE

Set out below is a summary of certain limitations on the enforceability of the Guarantee in each of the jurisdictions in which the Guarantors are incorporated. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions or in the jurisdiction of incorporation of any Additional Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes or the Guarantee.

Also set out below is a brief description of certain aspects of insolvency law, in force as of the date hereof, in Cyprus, Singapore, Switzerland, The Bahamas and The Netherlands. In the event that any one or more of the Guarantors experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Cyprus

Insolvency issues

The primary legislation governing bankruptcy and insolvency proceedings in Cyprus is the Bankruptcy Law, Cap 5, Part V of the Cyprus Companies Law, Cap. 113 (the ''**Cyprus Companies Law**'') and the Insolvency Regulation (Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings).

The following matters would be taken into consideration in determining the insolvency of a company under Cyprus law: (i) the company has failed to comply with a statutory demand for payment served on it in accordance with the provisions of Section 212(a) of the Companies Law; (ii) the execution or process issued in respect of a judgment, decree or order of a Cypriot court in favour of a creditor is returned wholly or partly unsatisfied; (iii) the value of a company's liabilities exceeds its assets; or (iv) a company it is unable to pay its debts as they fall due.

In Cyprus, a company may be wound up (a) by the court, (b) voluntarily by the creditors, (c) subject to the supervision of the court or (d) voluntarily by the shareholders.

A company may be wound up by the court if: (a) the company has by special resolution resolved that the company be wound up by the court; (b) default is made in delivering the statutory report to the registrar or in holding the statutory meeting; (c) the company does not commence its business within a year of its incorporation or suspends its business for a whole year; (d) the number of members is reduced, in the case of a public company, below seven; (e) the company is unable to pay its debts; or (f) the court is of the opinion that it is just and equitable that the company should be wound up.

A company is deemed to be unable to pay its debts in the following situations:

(a) if the company is indebted to a creditor, in a sum exceeding eight hundred and fifty four euro (€854) which is due, and the creditor has served on the company, by leaving it at the registered office of the company, a demand requiring the company to pay the sum so due and the company has for three weeks thereafter neglected to pay the sum or to secure or compound for it to the reasonable satisfaction of the creditor; or

(b) if execution or other process issued in respect of a judgment, decree or order of any court in favour of a creditor of the company is returned unsatisfied in whole or in part,

and, in determining whether a company is unable to pay its debts, the court shall take into account the contingent and prospective liabilities of the company.

Insolvency of the Issuer or a Cypriot Guarantor and impact on the Notes or the Guarantee

In winding-up proceedings, it is possible that if the creditors or liquidator of the Issuer challenge the Notes or the creditors or liquidator of a Cypriot Guarantor challenge the Guarantee, as a fraudulent preference or on other grounds, the court may, if it makes certain findings, do the following:

(a) avoid or invalidate all or a portion of the Issuer's obligations under the Notes or of that Cypriot Guarantor's obligations under the Guarantee, respectively;

(b) direct the recovery of any sums paid under the Notes or the Guarantee, respectively, to the Noteholders; or

(c) take any other action, which may result in detriment to the Issuer or that Cypriot Guarantor, respectively.

In order for an action to be initiated on the basis of a fraudulent preference and other applicable principles, a court would need to find that (i) the Notes or the Guarantee, as the case may be, was given within six months before the commencement of the winding-up and (ii) that the Issuer's or the Cypriot Guarantor's dominant motive, as the case may be, acting by its director(s), was to prefer the creditor; or in the case of fraudulent trading that winding-up proceedings have occurred and it appears that the business of the Issuer or the Cypriot Guarantor, as the case may be, was carried out with the intent to defraud its creditors, or for the purpose of fraudulently trading with its creditors, or for any other fraudulent purpose.

Distribution of assets on winding-up

Pursuant to the mandatory statutory order of distribution of assets provided by the Cyprus Companies Law, in a winding-up, the order for repayment is as follows:

(a) secured creditors: mortgages, pledges and fixed charges (but excluding any floating charges);

(b) costs of winding-up: disbursements, liquidator's fees and appointed person's fees (auditors etc.);

(c) preferential debts: local and government taxes and duties due within 12 months before liquidation, unpaid wages and social security contributions and personal injury (during working hours) compensations;

(d) secured creditors: floating charges;

(e) unsecured creditors: ordinary creditors not falling in the category of secured creditors;

(f) deferred debts: sums due to the shareholders such as dividends etc.; and

(g) any share capital of the company. Where there are different classes of share capital, such as preference shares, their respective rankings will be determined by the terms on which they were issued.

Singapore

Corporate Authorisation and Capacity

A guarantor incorporated in Singapore (the ''**Singapore Guarantor**'') must have the requisite capacity and power to grant a guarantee under its constitutional documents. This includes ensuring that the Singapore Guarantor has taken all corporate action, including the passing of corporate resolutions required under its constitutional documents, to authorise the execution by it of such guarantee and the exercise by it of its rights and the performance by it of its obligations under such guarantee.

Unfair Preferences and Undervalue Transactions

The guarantee given by a Singapore Guarantor might be subject to challenges by a liquidator or a judicial manager under Singapore laws relating to transactions at an undervalue or preferential transactions.

On the application of a liquidator or judicial manager, the Singapore courts may make such an order as they think fit for restoring the position to what it would have been if the Singapore Guarantor subject to the application had not entered into, *inter alia*, any of the following types of transactions:

(i) a transaction with any person at an undervalue which took place at any time within the period of five years ending on the date of the commencement of the winding up;

(ii) a transaction under which an unfair preference is given by the Singapore Guarantor to a person who is an associate of the Singapore Guarantor (otherwise than by reason only of being its employee), and which is not a transaction at an undervalue, at any time within the period of two years ending on the date of the commencement of the winding up; or

(iii) in any other case of a transaction under which an unfair preference is given by the Singapore Guarantor, and which is not a transaction at an undervalue, at any time within the period of six months ending on the date of the commencement of the winding up.

provided that the Singapore Guarantor was insolvent when it entered into the transaction or became insolvent as a result of the transaction. Where the transaction was entered into with a person who is an associate of the Singapore Guarantor (otherwise than by reason only of being its employee), the requirement that the Singapore Guarantor was insolvent at the time of the transaction or became insolvent as a result of the transaction shall be presumed to be satisfied unless the contrary is shown.

A Singapore Guarantor will be treated as having entered into a transaction with a person at an undervalue if:

(i) it makes a gift to that person or otherwise enters into a transaction with that person on terms that provide for it to receive no consideration; or

(ii) it enters into a transaction with that person for a consideration the value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the consideration provided by the Singapore Guarantor.

The Singapore courts will not make any order in respect of a transaction at an undervalue if it is satisfied that the Singapore Guarantor entered into the transaction in good faith for the purpose of carrying on its business and that, at the time it entered into the transaction, there were reasonable grounds for believing that the transaction would be of benefit to the Singapore Guarantor.

The Singapore Guarantor will be treated as having given an unfair preference to another person if:

(i) that person is a creditor of the Singapore Guarantor or a surety provider or guarantor for a debt or other liability of the Singapore Guarantor; and

(ii) the Singapore Guarantor does anything or suffers anything to be done that (in either case) has the effect of putting the person into a position which, in the event of the winding up of the Singapore Guarantor, will be better than the position he would have been in if that thing had not been done.

The Singapore courts will not make an order in respect of an unfair preference given to any person unless the Singapore Guarantor, when giving the unfair preference, was influenced in deciding to give the unfair preference by a desire to produce in relation to that person the effect referred to in sub-paragraph (ii) above. If the Singapore Guarantor gave an unfair preference to a person who was, at the time the unfair preference was given, an associate of the Singapore Guarantor (otherwise than by reason only of being its employee), the Singapore Guarantor shall be presumed, unless the contrary is shown, to have been influenced in deciding to give the unfair preference by the desire referred to above.

Difference in Insolvency Law

Given that each Singapore Guarantor was incorporated in Singapore, any insolvency proceedings applicable to each Singapore Guarantor will be likely to be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of England and may make it more difficult for creditors to recover the amount in respect of the Singapore Guarantor's guarantee than they would have recovered in a liquidation or bankruptcy proceeding in England.

Priority of Secured Creditors

Singapore insolvency laws generally recognise the priority of secured creditors over unsecured creditors. A guarantee is a contractual undertaking and does not confer any priority in an insolvency.

Preferential Creditors

Under Section 328 of the Singapore Companies Act, in a winding-up of a Singapore Guarantor, preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts.

The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:

(a) costs and expenses of the winding up;

(b) employees' wages and salaries (including any gratuity payable to an employee on termination of his services);

(c) retrenchment benefits under employment contracts;

(d) work injury compensation under the Work Injury Compensation Act (Cap 354) of Singapore;

(e) certain amounts due under employees' superannuation or provident funds or under any scheme of superannuation which is an approved scheme under Singapore income tax laws;

(f) other remuneration payable in respect of employees' vacation leave; and

(g) taxes assessed and goods and services tax.

Disclaimer of Onerous Contracts

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable by reason of its binding the company to any onerous act or payment of any sum, the liquidator may apply to disclaim such property within 12 months of (i) commencement of winding-up or (ii) such time as the liquidator becomes aware of such property or such extended period as is allowed by the court.

Switzerland

Insolvency

In the event of the insolvency of any Guarantor incorporated under the laws of Switzerland (each, a "**Swiss Guarantor**"), insolvency proceedings may be initiated in Switzerland and Swiss insolvency law would then govern those proceedings.

The enforcement of claims and questions relating to insolvency and bankruptcy in general are mainly dealt with by the provisions of the Swiss Federal Act on Debt Collection and Bankruptcy (*Loi fédérale sur la poursuite pour dettes et la faillite*/*Bundesgesetz über Schuldbetreibung und Konkurs*). Swiss insolvency laws may make it difficult or impossible to effect a restructuring and be less favourable to the interests of creditors than the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and therefore may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of Swiss insolvency laws.

Under Swiss insolvency laws, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity has, from an insolvency law point of view, to be dealt with separately. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of, and vis-à-vis, each entity have to be dealt with separately.

Under Swiss insolvency laws, insolvency proceedings are not initiated by the competent insolvency court ex officio, but rather require that the debtor or a creditor files a petition for the opening of insolvency proceedings based on an application for commencement of enforcement proceedings and the threat of insolvency (as discussed in the paragraphs below). Moreover, insolvency proceedings must be initiated by the debtor itself according to Swiss corporate law in the event of over-indebtedness (*surendettement*/*Überschuldung*) or can be initiated by a creditor according to Swiss insolvency laws in the event that the debtor has obviously and permanently ceased to pay its debts as and when they fall due or has acted fraudulently, or is attempting to act fraudulently to the detriment of its creditors. A debtor may also initiate insolvency proceedings if it declares itself insolvent (*insolvable*/*zahlungsunfähig*) before the court.

Generally, pursuant to Swiss corporate laws, a debtor is over-indebted when its liabilities exceed the value of its assets, which must be assessed on the basis of a balance sheet to be drawn up on the basis of (i) the liquidation value of the debtor's assets and (ii) a going concern value. If the interim balance sheet shows that the creditors' claims are neither covered by assets valued at liquidation values nor at going concern values, the debtor's board of directors has to notify the bankruptcy court, **provided that** creditors of the debtor do not agree to subordinate their claims in the amount necessary to cover the over-indebtedness (Article 725 of the Swiss Federal Code of Obligations). The debtor's board of directors is obliged to file for insolvency without delay and non-compliance with this obligation exposes the board of directors to damage claims and, in extreme cases, to sanctions under criminal law. Under certain circumstances, the auditors of an over-indebted debtor are obliged to notify the court of the over-indebtedness of the debtor.

If a creditor wants to initiate insolvency proceedings, it has to file an application for commencement of enforcement proceedings (*réquisition de poursuite*/*Betreibungsbegehren*) with the competent debt collection office (*office des poursuites/Betreibungsamt*). With respect to unsecured claims, the competent debt collection office is located where the debtor has its registered office or is resident. The debt collection office will then serve the debtor with the writ of payment (*commandement de payer/ Zahlungsbefehl*). There is no material assessment of the claim at this stage. The debtor may within ten days upon having been served with the writ of payment, file an objection (*opposition/Rechtsvorschlag*) to bring the procedure to a halt and obtain an individual stay of proceedings. No reasons need to be given for such objection. The debt collection office notifies the creditor of the objection.

For claims based on an enforceable judgment, the creditor can without any further delay file an application to lift this stay with the court (*mainlevée definitive/Rechtsöffnungsbegehren*). For claims not based on an enforceable judgment, but on a certified and/or signed document evidencing the claim, provisional lifting of such stay can be applied for in summary proceedings (*mainlevée provisoire/ provisorische Rechtsöffnung*). In the event the objection is set aside in these summary proceedings, the debtor may within 20 days bring an action in ordinary court proceedings for negative declaration that the creditor's claim does not exist (*action en libération de dette/ Aberkennungsklage*).

The creditor may then request that the debt collection office continues the enforcement proceedings (*continuation de la poursuite/ Fortsetzungsbegehren*) in relation to an existing writ of payment having full force and effect. The competent debt collection office delivers a bankruptcy warning (*commination de faillite/Konkursandrohung*) to the debtor. The insolvency court may take preliminary measures to secure property of the debtor in case this is requested by a creditor and required to secure the creditor's rights. After 20 days from receipt of the bankruptcy warning, the creditor may petition the opening of bankruptcy proceedings (*réquisition de faillite/Konkursbegehren*). The competent court decides upon the bankruptcy (*faillite/Konkurs*) without any delay, **provided that** there are no reasons which would lead to a suspension of the court's decision. In addition, the debtor has the right to file a request for a moratorium. The parties may file an appeal against any decision taken by the court. Under these rules, claims that are pursued against a Swiss debtor can lead to the opening of bankruptcy and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree may only be enforceable if it is recognised at the place where such assets are located.

The competent court orders the continuation of bankruptcy proceedings if certain requirements are met, in particular if there are sufficient assets to cover at least the costs of the bankruptcy proceedings. If the assets of the debtor are not expected to be sufficient, the court will only order to continue bankruptcy proceedings if third parties, for instance creditors, advance the costs of the bankruptcy proceedings themselves. In the absence of such an advance, the bankruptcy proceedings will be closed for insufficiency of assets (*suspension de la faillite faute d'actif/Einstellung des Konkursverfahrens mangels Aktiven*). Alternatively, the bankruptcy office may request the court to resolve upon summary bankruptcy proceedings (*procédure de liquidation sommaire/summarisches Konkursverfahren*), if the assets are not sufficient to cover the cost of ordinary bankruptcy proceedings and the actual facts of the case are not complicated. Also, in such case, creditors have the right to request ordinary bankruptcy proceedings.

After bankruptcy has been declared, assets which are subject to a pledge and similar security rights are considered to be part of the debtor's estate (*masse en faillite/Konkursmasse*). Upon the opening of formal bankruptcy proceedings (*ouverture de la faillite/ Konkurseröffnung*), the right to administer and dispose over the business and the assets of the debtor passes to the bankruptcy office (*office des faillites/Konkursamt*). As the insolvency administration (*administration de la masse/Konkursverwaltung*), the bankruptcy office has full administrative and disposal authority over the debtor's estate, **provided that** certain acts require the approval of the competent court. The creditors' meeting may appoint a private insolvency administration (*administration spéciale/ausseramtliche Konkursverwaltung*) and, in addition, a creditors' committee (*commission de surveillance/ Gläubigerausschuss*). In such case, the private insolvency administration will be competent to maintain and liquidate the debtor's estate. The creditors' committee has additional competences.

Bankruptcy results in the acceleration of all claims against a debtor (secured or unsecured), except for those secured by a mortgage on the debtor's real property, and the relevant claims become due upon bankruptcy. As a result of such acceleration, a creditor's bankruptcy claim consists of the principal amount of the debt (discounted at 5% if not interest bearing), interest accrued thereon until the date of bankruptcy, and (limited) costs of enforcement. Upon bankruptcy, interest ceases to accrue. Only claims secured by a pledge enjoy a preferential treatment insofar as interest that would have accrued until the collateral is realised will be honoured if and to such extent as the proceeds of the collateral suffice to cover such interests.

All creditors, whether secured or unsecured (unless they have a segregation right (*droit de revendication*/*Aussonderungsrecht*), wishing to assert claims against the debtor need to participate in the bankruptcy proceedings in Switzerland. Swiss bankruptcy proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with, and subject to, the restrictions of Swiss insolvency laws. Therefore, secured creditors are generally not entitled to enforce any security interest outside the bankruptcy proceedings. In the bankruptcy proceedings, however, secured creditors have certain preferential rights (*droit de préférence*/ *Vorzugsrechte*). Generally, entitlement to realise such security is vested with the insolvency administration. Realisation proceedings are governed by Swiss insolvency laws which provide for a public auction, or, subject to certain conditions, a private sale. Proceeds from enforcement of a security are used to cover (i) enforcement costs, (ii) the claims of the secured creditors and (iii) any excess proceeds will be used to satisfy unsecured creditors.

Typically, liabilities resulting from acts of the insolvency administration after commencement of formal insolvency proceedings constitute liabilities of the debtor's estate and are discharged in priority.

All other claims (*insolvency claims—prétentions contre la masse en faillite*/*Konkursforderungen*), in particular claims of unsecured creditors, will be satisfied pursuant to the distribution provisions of Swiss insolvency laws, which rank unsecured creditors in three different classes. The first and the second classes, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, employee social plans and family law. The Swiss government and its subdivisions are afforded further privileges due to specific provisions of Swiss federal law. All other creditors are treated equally in the third class and will be satisfied on a *pro rata* basis if and to the extent there are funds remaining in the debtor's estate after the security interests and privileged claims have been settled and paid in full. A secured party participates in the third class to the extent its claim is not covered by its collateral.

Swiss insolvency laws also provides for reorganisation procedures by composition with the debtor's creditors. Reorganisation is initiated by a request to the competent court for a stay (*sursis concordataire*/ *Nachlassstundung*) pending negotiation of one of the several statutory types of composition agreement with the creditors and confirmation of such agreement by the competent court (*concordat*/ *Nachlassvertrag*). A distinction is made between a composition agreement providing for the assignment of assets (*concordat par abandon d'actifs*/*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*concordat-dividende*/*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a payment term extension (*concordat-sursis*/*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not per se affect the agreed due dates of debts (contrary to bankruptcy, in which all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognised in Switzerland only, **provided that** (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, *inter alia*, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

Under Swiss insolvency laws, the insolvency administration, or a creditor, may, under certain conditions, avoid transactions, such as, *inter alia*, the granting of, or the payment under, any guarantee or security or, if a payment has already been made under the relevant guarantee or security, require that the recipients return the amount received to the debtor's estate. In particular, a transaction (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the debtor's other creditors may be avoided according to Swiss insolvency laws in the following cases if such acts result in damages to the creditors:

(i) the debtor has made a transaction being considered as a gift or a disposal of assets without any consideration, **provided that** the debtor made such transaction within the last year prior to the opening of formal insolvency proceedings (*ouverture de la faillite*/*Konkurseröffnung*). Similarly, transactions pursuant to which the debtor received consideration which was disproportionate to its own performance, may be avoided.

(ii) certain acts are voidable if performed by the debtor within the year preceding the opening of formal insolvency proceedings, **provided that** the debtor was already over-indebted at that time: (i) granting of security for already existing claims, **provided that** the debtor was not previously obliged to grant such security, (ii) payment of a monetary obligation (*dette de somme d'argent*/*Geldschuld*) in any other way than by payment in cash (*paiement en numéraire*/*Barschaft*) or other customary means of payment, and (iii) the payment of a debt not yet due. However, any avoidance action is excluded if the beneficiary of the transaction can prove that it was not aware of the debtor's over-indebtedness and, exercising the requisite due diligence, could not know that the debtor was over-indebted at that time.

(iii) furthermore, any acts performed within the five years preceding, *inter alia*, the opening of formal insolvency proceedings performed by the debtor with the intention to disadvantage its creditors, or discriminate some creditors against others or to favour some creditors to others are voidable if such intention was, or exercising the requisite due diligence must have been known, to the debtor's counterparty.

If any guarantee or security is avoided as summarised above or held unenforceable for any other reason, the claimant would cease to have any claim in respect of the guarantee and would have a claim solely under the Notes and the remaining guarantees, if any. Any amounts obtained from transactions that have been avoided would have to be repaid to the debtor's estate.

Applicability of Foreign Laws

The Guarantee by any Swiss Guarantor is, based on a choice of law, subject to the laws of England. Should a Swiss court accept jurisdiction in proceedings on the merits, a Swiss court will generally recognise the choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as England) classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law. Swiss law will be applied, if the content of the foreign substantive law cannot be established. While a Swiss court will generally accept a choice of law, restrictively applied exceptions exist: Swiss courts may diverge from the chosen substantive law if such chosen law would lead to a result contrary to Swiss public policy, if the purpose of mandatory rules of Swiss law require, by their special aim, immediate application, or if the purpose of mandatory rules of another law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require. (See also ''*Enforcement of Foreign Judgments and Service of Process*'').

Swiss Guarantors Limitation

The granting of guarantees and security interests by a Swiss Guarantor is subject to certain restrictions in the distribution of corporate assets under Swiss corporate laws (so-called up-stream/cross-stream limitations). Therefore, in order to enable a Swiss Guarantor to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating such restrictions, it is standard market practice for credit agreements, notes, guarantees, security documents and other up-stream or cross-stream obligations to contain so-called ''limitation language'' in relation to subsidiaries incorporated in Switzerland in the form of a Swiss stock corporation (*société anonyme*/*Aktiengesellschaft*) or Swiss limited liability company (*société à responsabilité limitée*/*Gesellschaft mit beschränkter Haftung*).

Pursuant to such limitation language, the obligations under any Guarantee granted by a Swiss Guarantor will be limited reflecting the requirement that payments under the Guarantee may not cause the relevant Swiss Guarantor to incur a liability which would exceed its freely disposable equity, if and to the extent such requirements apply. The freely disposable equity is equal to the maximum amount which the relevant Swiss Guarantor can distribute to its shareholders as a dividend payment under Swiss law, as determined in accordance with Swiss law, presently being the total shareholder equity less the total of (i) the aggregate share capital and (ii) statutory reserves (including reserves for own shares and revaluations as well as capital surplus (agio)), to the extent such reserves cannot be transferred into unrestricted, distributable reserves, and require further corporate action by the relevant Swiss Guarantor and may be subject to withholding tax. These limitations apply in relation to guarantees securing the performance of any obligations of any (direct or indirect) shareholder and/or any sister company of the relevant Swiss Guarantor (up-stream/cross-stream).

Under article 27 of the Swiss Federal Civil Code, which reflects Swiss public policy, no person can give up its freedom (including its ''**economic freedom**'') to an extent contrary to the law or bona mores; should an undertaking, including the granting of the Guarantee, infringe the requirement of article 27 of the Swiss Federal Civil Code, such undertaking will be considered null and void to the extent incompatible with said provision of law.

The Bahamas

Subject to any limitations in its memorandum or articles of association, section 10 of the International Business Companies Act, Chapter 309 Statute laws of The Bahamas, 2000, specifically authorises a company incorporated under that Act to provide financial assistance, irrespective of corporate benefit and to perform all acts and engage in all activities necessary or conducive to the conduct, promotion or attainment of the object or purposes of such company. Waterway is specifically empowered by clause 4(b) of its Memorandum of Association to give guarantees concerning the obligations of third parties, whether or not the third parties are related to Waterway.

However, the ability of any party to enforce its rights under the Guarantee may depend upon there being no change after the date of the Guarantee in the nature or extent of the obligations or liability which a Guarantor incorporated in the Bahamas (a ''**Bahamian Guarantor**'') has agreed to assume thereunder and certain events may operate to discharge a Bahamian Guarantor from its obligations under the Guarantee, including without limitation:

(i) any increase in the principal, interest or other amount payable under the Guarantee which the Bahamian Guarantor has not expressly agreed to;

(ii) any material variation in or modification to the terms of the Guarantee to which the Bahamian Guarantor has not agreed; and/or

(iii) any arrangement or compromise entered into whose obligations are guaranteed by the Bahamian Guarantor under the Guarantee or any release of any security for, or guarantee of such obligors' obligation to which the Bahamian Guarantor has not agreed.

Voidable preference

In the event the Bahamian Guarantor is wound up, the enforceability of the Guarantee may also be challenged by an official liquidator in accordance with Section 241 of the Companies (Winding Up) Amendment Act of The Bahamas, 2011 as a fraudulent preference if the Guarantee was given in favour of any creditor at a time when the Bahamian Guarantor was unable to pay its debts with a view to giving such creditor a preference over the other creditors. The Guarantee will be invalid if made or given within the six months immediately preceding the commencement of liquidation of the Bahamian Guarantor.

Dispositions made at an undervalue

Similarly, by Section 242 of the Companies (Winding Up) Amendment Act of The Bahamas, 2011, an official liquidator may challenge the validity of a disposition of property of the Bahamian Guarantor made at an undervalue, which is a disposition of company property for which no consideration is given or for a consideration that is less than the value of the property in question, with intent to defraud its creditors. The burden of establishing intent to defaud shall be upon the official liquidator and no action or proceedings shall be commenced by an official liquidator more than 2 years after the date of the relevant disposition. In the event that any disposition is set aside, and if the court is satisfied that the transferee has not acted in bad faith:

(a) the transferee shall have a first and paramount charge over the property that is the subject of the disposition, of an amount equal to the entire costs incurred by the transferee in the defence of the action or proceedings; and

(b) the relevant disposition shall be set aside subject to the property fees, costs, pre-existing rights, claims and interests of the transferee (and any predecessor transferee who has not acted in bad faith).

Preferential Debts

By Section 237 of the Companies (Winding Up Amendment) Act 2011, the following debts, which (excluding (i) below) rank equally among themselves, and shall be paid in full and in priority to all other debts, unless the assets are insufficient to meet them, in which case they shall abate in equal portions:

(i) costs and expenses of the winding up;

(ii) all rates, taxes, assessments or impositions imposed or made under the provisions of any Act, and having become due and payable within 12 months of the commencement of the winding up;

(iii) any sum due by the Bahamian Guarantor to an employee, whether employed in The Bahamas or elsewhere, including salaries, wages and gratuities accrued during the four months immediately preceding the commencement of the winding up;

(iv) all wages of any workman or labourer in respect of services rendered to the Bahamian Guarantor during two months before the relevant date;

(v) any sum due and payable by the Bahamian Guarantor on behalf of an employee in respect of medical health insurance premiums or pension fund contributions; and

(vi) where a contract has been terminated as a consequence of the Bahamian Guarantor being wound up, any sum due by the Bahamian Guarantor to any former employee in respect of severance pay and earned vacation leave.

Insofar as the assets of the Bahamian Guarantor available for payment of general creditors are insufficient to meet the payment of this category of preferential debts, these preferential debts have priority over the claims of holders of debentures under any floating charge created by the Bahamian Guarantor and paid accordingly out of any property comprised in or subject to such charge.

The enforceability of the Guarantee by a Bahamian Guarantor will be limited by equitable principles or by any applicable bankruptcy, reorganisation, winding-up, insolvency, moratorium or other laws of general application affecting the enforcement of creditors' rights generally including without limitation fraudulent conveyance and fraudulent preference laws and by general principles of equity and, in particular, equitable remedies are available only at the discretion of the court and are not available where damages are considered to be an adequate remedy.

Obligations or liabilities of a Bahamian Guarantor may not be enforceable in The Bahamas by way of equitable remedies such as injunction or specific performance. These remedies are in the discretion of the court, which may award damages in lieu thereof.

Any provisions requiring any party to pay interest on overdue amounts in excess of the rate (if any) payable on such amounts before they become overdue may be unenforceable if held by a Bahamian court to be a penalty.

If any provision of any document is held to be illegal, invalid or unenforceable, the severance of such provision from the remaining provision of such document will be subject to the exercise of the discretion of a Bahamian court.

Any provision in that certain calculations and/or certificates will be conclusive and binding will not be effective if such calculations and/or certificates are fraudulent or erroneous on their face and will not necessarily prevent judicial inquiry into the merits of any claim by an aggrieved party.

If any party to any relevant document is vested with a discretion or may determine a matter in its opinion, a Bahamian court may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds.

Insofar as the parties resort to the Bahamian courts, claims may be or become subject to defences of set-off or counterclaim.

A Bahamian court may refuse to give effect to a purported contractual obligation to pay costs imposed upon another party in respect of the costs of any successful litigation brought against that party and such a court may not award by way of costs all of the expenditures incurred by a successful litigant in proceedings brought before the court.

The Netherlands

Fraudulent transfer and its consequences under Dutch law

To the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its liquidator in bankruptcy, if (i) it performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (iii) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy, the liquidator may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (a) the payee knew that a request for bankruptcy had been filed at the moment of payment, or (b) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

Bankruptcy proceedings under Dutch law

Under Dutch law, there are two corporate insolvency regimes:

(1) a moratorium of payments (*surséance van betaling*), which is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern, and

(2) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the (value of the) assets of a debtor to its creditors.

Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*).

As regards sub-paragraph (1) above, a moratorium of payments can be granted only at the request of the debtor. Upon such request, the court will generally grant a provisional moratorium and appoint an administrator (*bewindvoerder*) who, jointly with the company's management, will be in charge of the company and its business undertakings. A definitive moratorium will generally be granted unless there is an objection by creditors admitted to a vote of creditors which jointly represent either (i) at least one-fourth of the total amount of unsecured claims or (ii) at least one-third of all unsecured creditors.

In a moratorium of payments, a composition (*akkoord*) may be offered by the debtor to its creditors. Such a composition will be binding on all unsecured and non-preferential creditors, irrespective of whether they voted in favour or against it or whether they were represented at the creditor's meeting called for the purpose of voting on the composition plan, if: (i) it is approved by more than 50% in number of the general unsecured and non-preferential creditors present or represented at the creditor's meeting, representing at least 50% in amount of the general unsecured and non-preferential claims admitted for voting purposes; and (ii) it is subsequently ratified by the court. Consequently, a Dutch moratorium of payments proceedings could reduce the recovery of Noteholders.

As regards sub-paragraph (2) above, a debtor can be declared bankrupt by the competent Dutch court either at its own request or at the request of a creditor. When a company is declared bankrupt, the court will appoint a liquidator in bankruptcy proceedings (curator) whose primary task is to liquidate the assets of the company and to distribute the proceeds to the company's creditors on the basis of the relative priority of their respective claims and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims.

The bankrupt debtor may offer a composition (*akkoord*) to the unsecured and non- preferential creditors. Such a composition will be binding upon all unsecured and non-preferential creditors, if: (i) it is approved by a simple majority of a meeting of the recognised and admitted unsecured and non-preferential creditors representing at least 50% of the amount of the recognised and admitted unsecured and non-preferential claims; and (ii) it is subsequently ratified by the court. Consequently, Dutch bankruptcy proceedings could reduce the recovery of Noteholders.

As regards both sub-paragraphs (1) and (2) above, a composition offered in a moratorium of payments or in bankruptcy proceedings is not binding on preferential and secured creditors.

Subject to certain exceptions, such as fraudulent conveyance (*Actio Pauliana*), holders of Dutch law security rights may generally enforce their rights in respect of the security separately from bankruptcy or a moratorium of payments. In that respect a Dutch moratorium or bankruptcy differs from, e.g., Chapter 11 reorganizations in the US. During bankruptcy or a moratorium of payments, enforcement by the holder of a security right may be suspended by the court, in each case for a maximum period of four months. A holder of security may be prevented from enforcing its security if such enforcement would be contrary to principles of reasonableness and fairness in the circumstances at hand.

Foreign creditors are, in general, not treated differently from creditors that are incorporated or residing in the Netherlands.

Bankruptcy related proceedings in the Netherlands may be time consuming and subject to significant delays and incidental litigation.

Limitation on enforcement

Under Dutch ultra vires rules, a legal entity (or its trustee in bankruptcy) may avoid any guarantee or security granted by it (or any other agreement entered into by it), if by granting that guarantee or security (or entering into that other agreement) it exceeded its objects and the beneficiary of the guarantee or security (or the other party to the agreement) knew or should have known (without investigation) that the objects were exceeded.

The objects of a Dutch legal entity are set out in its articles of association. To provide maximum comfort that granting guarantees and security do not exceed the entity's objects, it is recommended that the articles of association expressly provide (and, where necessary, be amended to provide) that the entity may grant guarantees and security in respect of another (legal) person's obligations.

However, there is case law to the effect that the scope of an entity's objects cannot be determined solely on the basis of its articles of association, but that all circumstances must be taken into account. Thus, guarantees or security which are expressly permitted by the articles of association may nonetheless exceed an entity's objects if it is detrimental to the entity's corporate interests. What an entity's corporate interests require, will depend on the circumstances. Case law suggests that in relation to granting guarantees and security in respect of the debts of a group company of the entity concerned, two questions may be particularly relevant:

(a) when determining whether granting a guarantee or creating security violates the entity's objects, the entity's interests in the guarantee or security is to be taken into account, but account may also be taken of the interests of the group of which the entity is a member. How much account may be taken of the interests of the group, is influenced by the degree of interrelatedness between the group members: the more the group is interwoven, the more account may be taken of the interest of the group.

(b) the mere fact that an entity grants a guarantee or creates security for debts which exceed its financial capacity, does not necessarily imply that the guarantee or security violates its objects. Account is taken of the benefit which the entity may enjoy as a result of the guarantee or security. The relevant benefits may be direct, but may also be indirect and may include specific or general benefits which the entity enjoys as a result of it being a member of the relevant group. If there are such benefits, the guarantee or security will generally be valid, unless it is foreseeable that the guarantee or security will put the continued existence of the entity at risk or the guarantee or security disproportionally prejudices the entity in any other way.

TAXATION

The statements herein regarding taxation are based on the laws in force in Cyprus and elsewhere as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

CYPRUS

Introduction

In accordance with the provisions of the Cyprus Income Tax Law, Law 118(I)/2002 (as amended) (the ''**Income Tax Law**''), a person (physical or legal) is liable to tax on its worldwide income on the basis of residency.

A person is resident in Cyprus for the purposes of the Income Tax Law where, in the case of a physical person, that person is present in Cyprus for a period (or periods in aggregate) exceeding 183 days in the tax year and, in the case of a company, its management and control is exercised in Cyprus. The tax year for the purposes of the Income Tax Law coincides with the calendar year.

Interest Income

Non-Cyprus tax residents

Persons (physical and legal) who are not resident for tax purposes pursuant to the provisions of the Income Tax Law will not be liable to any charge to income tax or the special contribution for defence tax.

Cyprus tax resident individuals

Under the provisions of the Income Tax Law, an individual who is tax resident in Cyprus and who receives or is credited with interest is exempt from income tax, but is subject to 30 per cent. special defence contribution tax pursuant to the provisions of the Special Contribution for the Defence of the Republic Law, Law 117(I) of 2002 (as amended) (the ''**SCDF Law**'').

Cyprus tax resident companies

The interest received by a resident company is subject to tax pursuant to:(a)

(a) the Income Tax Law at a rate of 12.50 per cent., if it receives or is credited with that interest from the ordinary carrying on of its business or receives interest closely connected with the carrying on of its business; or

(b) the SCDF Law at a rate of 30 per cent., if that interest is not derived from the ordinary carrying on of its business or is not closely connected with the carrying on of its business.

Profit from the disposal of the Notes

These Notes are expected to fall within the definition of ''titles'' as per the Cyprus Tax Authorities. As such, any gains to be derived from their disposal should be exempt from any form of taxation in Cyprus.

Stamp Duty

Stamp duty is charged on every document specified in the Stamp Duty Law, Law 19/1963 Law (as amended) (the ''**Stamp Duty Law**'') if it relates to any asset or property situated in Cyprus or relates to any matter or thing to be performed or done in Cyprus.

Since the Notes will be issued by a Cyprus tax resident company (i.e. the Issuer), the Offering Circular should be subject to Cyprus stamp duty, by reference to the total value of the Notes to be issued, capped at a maximum of €20,000.

The rate of duty applicable to a document varies according to the category of documents within which the document falls and according to the provisions relating to that category. Some documents bear fixed duty and others ad valorem duty (i.e. duty charged by reference to a value). However, stamp duty is capped at a maximum amount of €20,000.

Where several documents are employed for completing a transaction (whether executed at the same time or at different times), the principal document only is chargeable with stamp duty as specified in the Stamp Duty Law. The parties may determine for themselves which of the documents so employed shall be the principal document, **provided that** the duty chargeable on the document so determined shall be the highest duty which would be chargeable in respect of any of the relevant documents employed. All other documents (i.e. auxiliary documents) shall be subject to stamp duty at €2.00 each.

A document that is chargeable with stamp duty under the provisions of the Stamp Duty Law must be stamped (a) within 30 days of the date of its execution (if executed in Cyprus) or (b) within 30 days of its receipt in Cyprus (if executed outside Cyprus). Therefore, where a document is chargeable to stamp duty and is executed outside Cyprus, the payment of stamp duty is 'deferred' until such document is received in Cyprus. Any document which is stampable, but is not duly stamped, may not be admitted into evidence in civil proceedings in Cyprus and is subject to a maximum penalty equal to 20 per cent. of the amount of stamp duty that is due but unpaid.

EU Savings Directive in Cyprus

Cyprus has transposed into law the EU Savings Directive by virtue of the provisions of the Assessment and Collection of Taxes (Amendment) Law 146(I) of 2004. Pursuant to this law, the Cypriot Council of Ministers issued the Assessment and Collection of Tax (Provision of Information Regarding Interest Payments) Regulations of 2005.

These regulations impose EU Savings Directive standards on economic operators making EU cross-border savings interest payments to individuals resident in (i) other EU member states, (ii) certain associated or dependent territories of an EU member state, or (iii) certain other states with whom the EU has concluded relevant agreements, such as automatic reporting to the tax authorities of the other Members State of (a) an individual's identity and permanent address, (b) the name and address of the paying agent and (c) the bank account details. Noteholders will be deemed to have authorised the disclosure of such information to the relevant tax authorities by their subscription or purchase of Notes.

EU SAVINGS DIRECTIVE

Under the EU Savings Tax Directive, member states of the European Economic Area (''**Member States**'') are required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to the exchange of information relating to such payments.

A number of non-EU countries and territories including Jersey, Switzerland and the Cayman Islands have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State.

In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Guarantor nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a paying agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive, or to maintain a paying agent with a specified office outside the EU if there is no Member State that is not obliged to withhold or deduct tax pursuant to such directive or law.

LISTING AND GENERAL INFORMATION

1. **Authorisations**

The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer dated 2 May 2013.

The issue of the Guarantee has been duly authorised by resolutions of the board of directors of Gunvor SA dated ● May 2013, Gunvor International dated ● May 2013, Gunvor Singapore dated ● May 2013, Clearlake dated ● May 2013, Waterway dated ● May 2013 and Sandmark dated 2 May 2013, as well as by resolutions of the general meeting of the shareholders of Gunvor SA.

2. **Listing and Admission to Trading**

Approval in-principle has been received for the listing of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Offering Circular. Approval in-principle for the listing of the Notes is not to be taken as an indication of the merits of the Notes, the Issuer, the Guarantors or the Group.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for Definitive Note Certificates. In addition, in the event that a Global Certificate is exchanged for Definitive Note Certificates, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Note Certificates, including details of the paying agent in Singapore.

3. **Documents Available**

As long as the Notes are outstanding, copies of the following documents will be available for inspection from the registered office of the Issuer and each of the Guarantors and from the specified office of the Principal Paying Agent:

(a) the constitutive documents (with an English translation thereof) of the Issuer and each of the Guarantors;

(b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2010, 2011 and 2012, in each case, together with the audit reports prepared in connection therewith;

(c) the Trust Deed and the Agency Agreement; and

(d) this Offering Circular.

4. **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN and Common Code for the Notes are ● and ● , respectively.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brusssels, and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg.

5. **No Material Adverse Change**

Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantors or the Group since 31 December 2012.

6. **Auditors**

The independent auditors of the Issuer are PricewaterhouseCoopers Limited of 3 Themistocles Dervis Street, Julia House, 1066 Nicosia, Cyprus who are members of the Institute of Certified Public Accountants of Cyprus (ICPAC) and are qualified to practise in Cyprus.

PricewaterhouseCoopers Limited have audited, without qualification, the Group's accounts, which have been prepared in accordance with IFRS and the requirements of the Cyprus Companies Law, Cap. 113 for each of the two financial years ended on 31 December 2011 and 2012. PricewaterhouseCoopers Limited have no material interest in the Group.

7. **Yield**

On the basis of the issue price of the notes of ● per cent. of the principal amount thereof, the gross yield of the notes will be ● per cent. on an annual basis.

INDEX TO FINANCIAL STATEMENTS

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Gunvor Group Ltd
Nicosia, Cyprus

formerly Clearwater Advisors Corp.
in the British Virgin Islands

CONSOLIDATED ANNUAL REPORT

for the year ended 31 December 2012

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Sven A. Olsson Jacques R. Erni Christina Hadjigeorgiou Emilios Kallenos Menikos Yiannakou
Company Secretary:	Cypcosecretarial Limited
Registered office:	48 Themistocles Dervis Street Athienitis Centennial Building Office 501 1066 Nicosia Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited consolidated financial statements of Gunvor Group Ltd and its subsidiaries (the Group) for the year ended 31 December 2012.

Principal activities

The Group is engaged in trading crude oil, refined oil products, LNG, natural gas, coal and emissions and provides shipping services for the arrangement of logistics of the goods from its initial source to the location of the buyer. The main trading centers are in Geneva, Singapore, the Bahamas and Dubai. The Group also operates through service centers, representative offices and branches in other locations and supports its trading activities through significant investments, both direct and indirect, in strategically located assets. These include oil products terminals, pipelines, storages, coal mining operations and oil producing assets. Details of the group entities and their activities are presented in the notes.

Review of current position, future developments and significant risks

Considering the worldwide economic conditions the Board is pleased with the development of the business to date, and the financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 34 of the financial statements.

Results and Dividends

The Group's results for the year are set out on page 6. On 2 July and 20 December 2012 the Board of Directors declared interim dividends to Class A shareholders out of profits of the year 2012 of a total of USD 101,460 (2011: USD Nil) and on 15 October and 19 December 2012 dividends were declared to all shareholders out of profits of the year 2011 of a total of 129,500 (2011: USD Nil).

Share capital

The changes in the authorised and issued share capital of the Company during the year under review are stated in note 19 of the consolidated financial statements.

Board of Directors

The members of the Group's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2012.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 41 to the financial statements.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board of Directors,

Jacques R. Erni
Director
Nicosia, 5 April 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of USDs)	Note	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,326,180	922,899
Intangible assets	7	133,040	102,540
Investments in associates and joint ventures	8	460,687	457,007
Other financial assets	9	27,236	-
Long-term receivables	10	91,919	69,031
Deferred tax assets	11	20,909	34,382
Derivative financial instruments	12	130,087	151,936
		2,190,058	**1,737,795**
Current assets			
Assets held for sale	13	155,565	-
Other financial assets	9	81,985	85,308
Inventories	14	4,529,413	4,077,317
Tax receivable		8,783	3,490
Prepayments to suppliers	15	317,733	449,611
Trade and other receivables	16	4,087,701	3,707,735
Derivative financial instruments	12	755,217	939,715
Margin account with brokers	17	466,278	482,306
Cash	18	801,680	1,017,777
		11,204,355	**10,763,259**
TOTAL ASSETS		**13,394,413**	**12,501,054**

The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(In thousands of USDs)	Note	2012	2011
EQUITY			
Share capital	19	5,703	5,650
Share premium	19	300,802	105,222
Fair value reserve - other financial assets		55,810	38,400
Retained earnings		1,877,000	1,806,850
Total equity		**2,239,315**	**1,956,122**
LIABILITIES			
Non-current liabilities			
Borrowings	20	746,104	842,280
Trade and other payables	21	11,092	-
Deferred tax liabilities	11	87,277	26,987
Retirement benefit obligations	22	26,762	7,817
Derivative financial instruments	12	101,884	106,164
Provisions	23	14,488	-
		987,607	**983,248**
Current liabilities			
Current tax liabilities		27,737	21,044
Provisions	23	17,752	4,000
Trade and other payables	21	5,267,870	4,884,181
Prepayments from customers	24	104,079	58,209
Derivative financial instruments	12	595,125	956,974
Margin account with brokers	17	183,024	38,382
Short-term bank loans	25	3,971,904	3,598,894
		10,167,491	**9,561,684**
Total liabilities		**11,155,098**	**10,544,932**
TOTAL EQUITY AND LIABILITIES		**13,394,413**	**12,501,504**

On 5 April 2013 the Board of Directors of Gunvor Group Ltd authorised these financial statements for issue.

CHadjigeorgiou

Sven A. Olsson
Director

Jacques R. Erni
Director

Christina Hadjigeorgiou
Director

The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of USDs)	Note	2012	2011
Revenue	26	93,146,500	87,292,190
Cost of sales	27	(92,398,550)	(85,852,073)
		747,950	**1,440,117**
Change in fair value of derivative financial instruments		(6,992)	(630,137)
		740,958	**809,980**
Other operating income	28	169,242	9,379
Other operating expenses	29	(561,206)	(449,568)
Operating profit		**348,994**	**369,791**
Finance income	31	41,314	25,567
Finance expense	31	(43,871)	(34,507)
Net finance costs		**(2,557)**	**(8,940)**
Share of results of associates and joint ventures		2,885	(4,464)
Profit before income tax		**349,322**	**356,387**
Income tax expense	32	(48,212)	(26,729)
Profit for the year		**301,110**	**329,658**
Attributable to:			
Equity holders of the Company		301,110	327,535
Non-controlling interests		-	2,123
Profit for the year		**301,110**	**329,658**
Fair value gain on other financial assets		17,410	-
Other comprehensive income for the year		**17,410**	**-**
Total comprehensive income for the year		**318,520**	**329,658**
Attributable to:			
Equity holders of the Company		318,520	327,535
Non-controlling interests		-	2,123
Total comprehensive income for the year		**318,520**	**329,658**

Items in the other comprehensive income are disclosed net of tax. There is no impact of income tax on these items.

The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

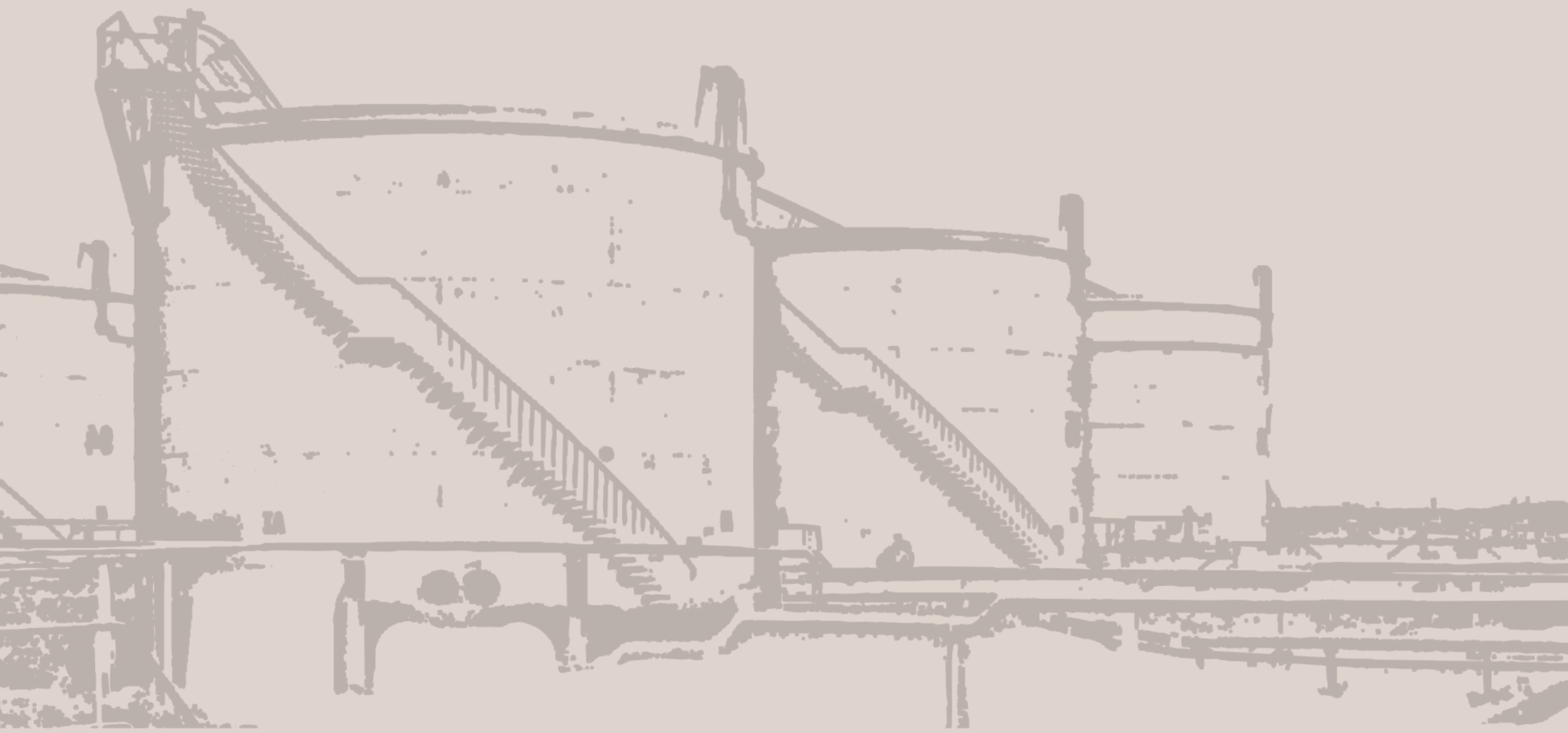
CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of USDs)	Note	2012	2011
Operating activities			
Cash receipts from customers		76,885,311	76,541,852
Cash paid to suppliers		(76,125,836)	(76,486,453)
Derivative instruments, net		61,039	(286,930)
Bank charges paid		(91,664)	(92,875)
Interest received		23,917	3,696
Interest paid		(137,936)	(75,999)
Income taxes paid	32	(16,310)	(54,577)
Cash receipts from other receivables		365,692	63,835
Cash paid for other operating expenses		(758,435)	(312,283)
Cash receipts from insurance		1,374	4,252
Cash paid for insurance		(11,017)	(8,923)
Net cash generated from / (used in) operating activities		**196,135**	**(704,405)**
Investing activities			
Acquisition of subsidiary, net of cash acquired	33	(160,451)	-
Proceeds on disposal of a subsidiary	8	29,313	-
Purchases of property, plant and equipment	6	(240,600)	(240,885)
Proceeds on disposal of property, plant and equipment	6	60	363
Investment in associates	8	(11,882)	(370,234)
Loan repayments received from related parties		211,642	17,720
Loans granted to related parties		(517,371)	(249,791)
Acquisition of financial assets	9	(17,794)	(40,324)
Proceeds on disposal of financial assets	9	2,388	73,871
Dividends received	8	2,470	1,519
Net cash used in investing activities		**(702,225)**	**(807,761)**

The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(In thousands of USDs)	Note	2012	2011
Financing activities			
Increase in overdraft facility	25	732,789	1,180,175
Purchase of ownership interest in subsidiaries	33	-	(6,500)
Proceeds from issuance of new shares		52,712	4,973
Dividends paid to the equity holders of the Company		(154,938)	(8,514)
Dividends paid to non-controlling interests		-	(4,100)
Reduction of share capital	19	(513)	-
Proceeds from borrowings	20	258,459	642,777
Repayment of loans		(574,162)	-
Net cash generated from financing activities		**314,347**	**1,808,811**
Net (decrease) / increase in cash and cash equivalents		**(191,743)**	**296,645**
Cash at 1 January		1,017,777	717,606
Exchange gains/(losses) on cash		(24,354)	3,526
Cash at 31 December	**18**	**801,680**	**1,017,777**



The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of USDs)

	Note	Share capital	Share premium (1)	Fair value reserve - other financial assets	Retained earnings (2)	Non-controlling interests	Total
		Attributable to equity holders of the Company					
Balance at 1 January 2011		**5,000**	**44,339**	**38,400**	**1,484,363**	**3,942**	**1,576,044**
Comprehensive income							
Profit for the year		-	-	-	327,535	2,123	329,658
Total comprehensive income		**-**	**-**	**-**	**327,535**	**2,123**	**329,658**
Transactions with owners							
Issue of Class D shares	19	137	5,933	-	-	-	6,070
Other movements in share capital	19	513	-	-	(513)	-	-
Dividends		-	-	-	-	(4,100)	(4,100)
Class D shares to be issued for share-based remuneration	19	-	54,950	-	-	-	54,950
Total transactions with owners		**650**	**60,883**	**-**	**(513)**	**(4,100)**	**56,920**
Other movements							
Acquisition of non-controlling interests		-	-	-	(4,535)	(1,965)	(6,500)
Balance at 31 December 2011		**5,650**	**105,222**	**38,400**	**1,806,850**	**-**	**1,956,122**

The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(In thousands of USDs)	Note	Share capital	Share premium (1)	Fair value reserve - other financial assets	Retained earnings (2)	Non-controlling interests	Total
		Attributable to equity holders of the Company					
Balance at 31 December 2011		**5,650**	**105,222**	**38,400**	**1,806,850**	**-**	**1,956,122**
Comprehensive income:							
Profit for the year		-	-	-	301,110	-	301,110
Other comprehensive income:							
Fair value adjustment	9	-	-	17,410	-	-	17,410
Total comprehensive income		**-**	**-**	**17,410**	**301,110**	**-**	**318,520**
Transactions with owners:							
Issue of Class D shares	19	566	140,580	-	-	-	141,146
Cancellation of C shares	19	(513)	-	-	-	-	(513)
Class D shares to be issued for share-based remuneration	19	-	55,000	-	-	-	55,000
Dividends	19	-	-	-	(230,960)	-	(230,960)
Total transactions with owners		**53**	**195,580**	**-**	**(230,960)**	**-**	**(35,327)**
Balance at 31 December 2012		**5,703**	**300,802**	**55,810**	**1,877,000**	**-**	**2,239,315**

(1) Share premium is not available for distribution by way of dividend.

(2) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% (15% to 31 August 2011), increased to 20% from 1 January 2012 to 31 December 2013, will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The accompanying notes on pages 14 to 75 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Gunvor Group Ltd (the ''Company") is domiciled in Cyprus and its registered office is at 48 Themistocles Dervis Street, Office 501, 1066 Nicosia, Cyprus. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group"). Gunvor Group Ltd is the ultimate parent of the Group.

The Group is engaged in trading crude oil, refined oil products, LNG, natural gas, coal and emissions and provides shipping services for the arrangement of logistics of the goods from its initial source to the location of the buyer. The main trading centers are in Geneva, Singapore, the Bahamas and Dubai. The Group also operates through service centers, representative offices and branches in other locations and supports its trading activities through significant investments, both direct and indirect, in strategically located assets. These include oil products terminals, pipelines, storages, coal mining operations and oil producing assets. Details of the group entities and their activities are presented in the notes.

All amounts stated in this annual report are expressed in thousands of United States Dollars (USD).

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

(B) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2012 have been adopted by the EU through the endorsement procedure established by the European Commission.

2. BASIS OF PREPARATION (CONTINUED)

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Inventories are measured at fair value less costs to sell
- Financial assets at fair value through profit and loss
- Available for sale financial assets are measured at fair value.

The methods used to measure fair values are discussed in note 4.

(C) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are summarized below:

Valuation of open physical contracts related to oil products
Management estimates the premiums and discounts used for valuing open physical contracts based on observable market data.

Valuation of open physical contracts related to energy derivatives
Derivative contracts are carried in the Balance Sheet at fair value, with changes in fair value recorded in the statement of comprehensive income. Energy derivatives relate to power, coal, freight, LNG, natural gas and emissions. Fair values of energy derivatives are estimated using valuation techniques by reference in part to published price quotations in active markets and in part by using assumptions. Due to the uncertainty of the market conditions and the lack of reliability of market information the group does not estimate the value of long-term coal contracts (note 34).

Valuation of available for sale financial assets
Management determines the fair value of its available for sale financial asset, which is not quoted in an active market, by using valuation techniques. The Group has used a discounted cash flow analysis incorporating a number of assumptions especially in respect of volumes, price and discount rate at the end of each period.

Business combinations
Assessment of fair value of identified assets and liabilities were determined using valuation techniques, for which assumptions and inputs (including financial model selected, WACC used, terminal value projections) were to the extent possible based on externally verifiable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by all Group entities consistently to all periods presented in these consolidated financial statements.

(A) BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control in an entity, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss and other comprehensive income is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised directly in reserves. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates and joint ventures' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Joint ventures

The Group's interests in jointly controlled entities are accounted using the equity method of accounting. The Group's investment in joint ventures is disclosed as a non-current asset on the balance sheet and the Group's share of the jointly controller entities' profits or losses and other comprehensive income is recognised in the statement of comprehensive income, and its share of movements in reserves is recognised directly in reserves.

(B) FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the parent company's functional currency and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. All foreign exchange gains and losses are presented in the statement of comprehensive income within finance income/(expense).

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
c) all resulting exchange differences are recognised in other comprehensive income; and
d) equity is translated at historical cost.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(C) FINANCIAL INSTRUMENTS

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in available for sales investments, other financial assets, trade and other receivables, margin account with brokers, cash and cash equivalents, subordinated loans, trade and other payables and loans.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset.

Cash and cash equivalents comprise cash balances and call deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

- **Financial assets at fair value through profit or loss**
  Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current. As the Group's investments in this category are in listed securities, fair values are based on current bid prices of these quoted investments. Gains or losses arising from changes in the fair value as well as transaction costs of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'finance income' in the period in which they arise.

- **Available-for-sale financial assets**
  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses.

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables, margin accounts with brokers and cash and cash equivalents are classified as loans and receivables and are carried at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

- **Financial liabilities measured at amortised cost**
  Subordinated loans, trade and other payables and loans are classified as financial liabilities and are measured at amortised cost using the effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss and are measured at fair value, and changes therein are recognised in profit or loss.

The Group uses derivative financial instruments to hedge its exposure to the commodity price as well as to the foreign exchange exposure. The Group does not apply hedge accounting principles to derivative instruments that economically hedge the commodity price risks arising from trading activities. Changes in the fair value of such derivatives are hence recognised as gains and losses on derivative instruments and are reported on a net basis in the statement of comprehensive income. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes unless approved.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments are recognised initially and measured subsequently at fair value; attributable transaction costs are recognised in profit or loss when incurred. Fair values of derivatives are determined on the basis of market prices. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income in a separate line item.

Certain contracts to purchase and sell commodities are required to be accounted as if the contracts were financial instruments. These are contracts where the Group has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit. Such contracts are recognised at fair value based on market prices with gains and losses recognised in income.

(D) SHARE CAPITAL

Ordinary shares are classified as equity.

(E) DIVIDENDS

Interim dividends are recognised in equity in the year in which they are declared. Final dividend distribution to the Group's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises mainly of land and buildings, machinery and equipment, office equipment and construction in progress. Property, plant and equipment is stated at cost less accumulated depreciation. Cost consists of purchase cost, together with any incidental expenses that is directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Land is not depreciated. Depreciation is calculated on other items of property, plant and equipment so as to write off its cost, less estimated residual values, on a straight-line basis over the estimated useful lives of the assets concerned. The estimated useful lives are:

■ Buildings	30 - 40 years
■ Office equipment	10 years
■ Machinery and equipment	2 - 25 years
■ Computer and related software	3 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of the impairment loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' or 'other operating expenses' in the statement of comprehensive income.

Work in progress is stated at cost. When the asset is ready for its intended use, it is transferred from work in progress to the appropriate category under property, plant and equipment and depreciated in accordance with the Group's policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(H) CAPITALIZED TURNAROUND COSTS

A turnaround is a required standard procedure for maintenance of a refinery that involves the shutdown and inspection of major processing units, which occurs approximately every two to five years. Turnaround costs include actual direct and contract labor, materials costs incurred for the overhaul, inspection and the replacement of major components of processing and support units performed during the turnaround. Turnaround costs, which are included in the Group's consolidated statement of financial position, are depreciated on a straight-line basis over the period until the next scheduled turnaround, beginning the month following completion. The depreciation of the turnaround costs is presented in the line item "depreciation and amortization" in the consolidated statement of comprehensive income.

(I) INTANGIBLE ASSETS - LAND CONCESSION

Land concession intangible assets are acquired through business combinations. They are initially measured at fair value and then amortised using the straight-line method over their estimated useful life of 35 years.

(J) COMPUTER SOFTWARE

Computer software licenses acquired through single purchase are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful life of 3 years.

(K) GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of an acquisition over the fair value of the Group's interest in the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Any excess of the interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is immediately recognised in profit or loss.

(L) SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Chief Operating Decision Maker, who is responsible for assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer ("CEO").

(M) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(N) INVENTORIES

Trading inventories are measured at fair value less costs to sell. The fair value of inventories is determined based on market prices including premiums or discounts for location and quality. Costs to sell are estimated depending on specific contractual conditions, location of the buyer, historical experience and present assessments of costs related to similar transactions. Changes in fair value less costs to sell are recognised in the statement of comprehensive income in the period of the change within cost of sales.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(P) EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Group recognises a liability and an expense for bonuses and profit-sharing, where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Senior employees of the Group participate in an equity compensation plan which is equity-settled. The fair value of all equity compensation awards granted to employees is estimated at the grant date and recorded as an expense in the year in which the shares are granted. The expense is charged to the appropriate statement of comprehensive income heading within the operating results.

Pension obligations

The Group has defined benefit plans. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, and amendments to pension plans are charged or credited to income over the expected average remaining service lives of the related employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the service period). In this case, the past-service costs are amortised on a straight-line basis over the service period.

(Q) ASSETS HELD FOR SALE

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(R) PROVISIONS

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expected expenditure at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

Onerous contracts

A provision for onerous contracts is recognised when the economic benefits expected to be derived by the Group under a contract are lower than the unavoidable cost of meeting its obligations under it.

(S) CONTINGENT LIABILITIES

Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are disclosed in the notes as contingent liabilities, unless the outflow of resources is probable and the amount can be reliably measured where the liability is recognised in the consolidated statement of financial position.

(T) REVENUE AND EXPENSES

Goods sold

Revenue from the sale of commodities is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. For wholesale sales of oil products it is either at the point of delivery or the point of receipt, depending on contractual conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For goods sold where the sales price is contractually determined on a future quotation, revenue is recognised on a provisional basis at the date of sale; adjustments to the sales price subsequently occur based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional and final pricing is typically between 30 and 90 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative which is closely related to the host contract. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Shipping rental income

Rental income from vessels leased out is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as a part of the total rental income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Terminal services

Sales of transhipment services are recognized in the accounting period in which the services are rendered.

(U) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method and is presented below ‘operating profit’.

Interest income on prepayments for crude oil or refined petroleum is presented within ‘other operating income’.

Finance expenses comprise interest expense on borrowings not directly attributable to trade transactions and foreign exchange losses. Interest expense is recognised in the statement of comprehensive income using the effective interest method and is presented below operating profit.

Interest expense on short-term bank loans which are directly related to trade transactions is presented within ‘cost of sales’.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(W) ADOPTION OF NEW AND REVISED IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU

New standards

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27, "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IAS 28, "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2014).

Amendments

- Amendments to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).

Adoption of new and revised IFRSs (continued)

- Amendment to IFRS1 "First-time adoption of International Financial Reporting Standards" on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).

New IFRICs

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) STANDARDS AND INTERPRETATIONS NOT ADOPTED BY THE EU

New standards

- IFRS 9 ''Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).

Amendments

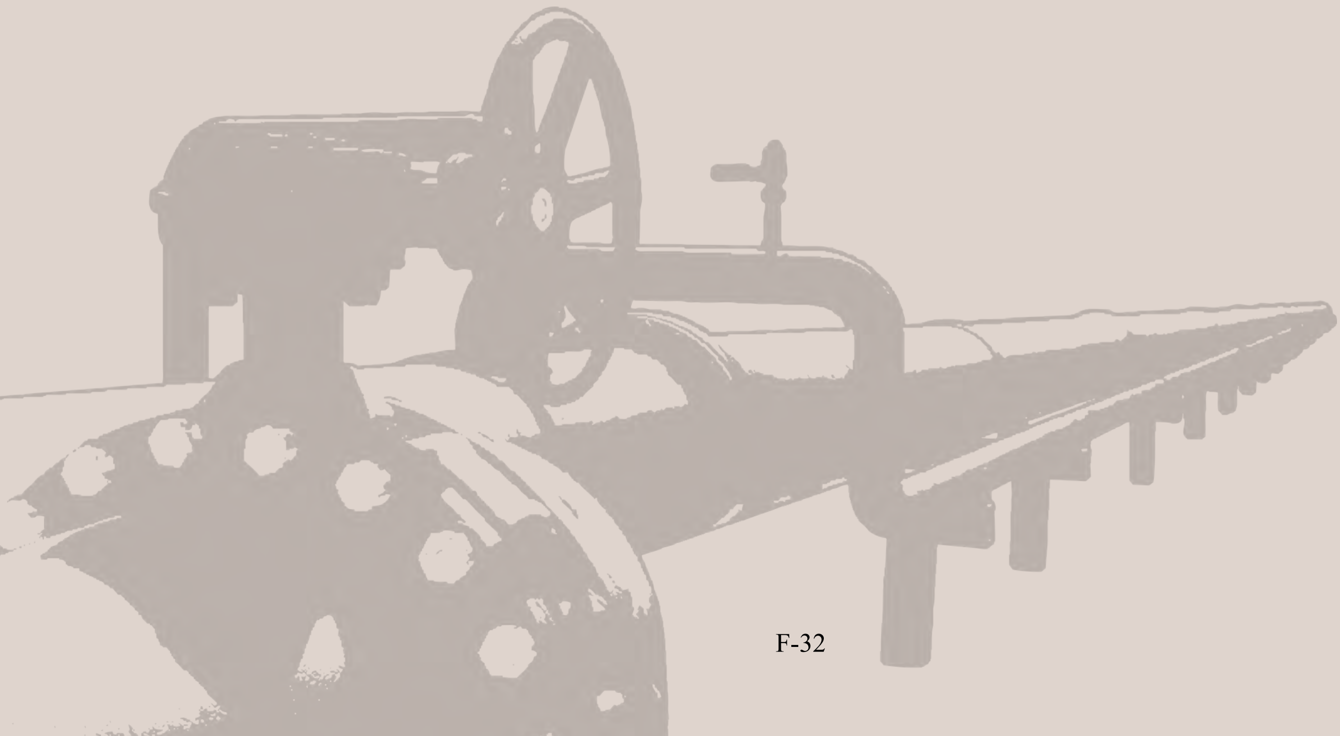
- Annual Improvements 2011 (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IFRS 1 on government loans (effective for annual periods beginning on or after 1 January 2013).

The Group will adopt IAS 19 revised for the financial reporting period commencing on 1 January 2013 with retrospective application. Upon adoption, the Group will recognize USD 5 million of unrecognized actuarial losses as at 1 January 2012, increasing the defined benefit obligation (note 21) with a corresponding adjustment to shareholders' equity.

The Board of Directors has yet to assess the full impact of the remaining standards and interpretations.

Comparatives

Where necessary, comparative figures have been revised to conform with the current year presentation.



4. FAIR VALUE ESTIMATION

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(A) INVENTORIES

The fair value of inventories is determined based on market prices including premiums or discounts for location and quality. If a listed market price is not available, then fair value of physical inventories of refined petroleum products, crude oil, coal, emission certificates, LNG and natural gas is determined based on a benchmark which reflects an estimated market selling price in the ordinary course of business.

(B) DERIVATIVES

The fair value of commodity futures, swaps, options and contracts to purchase and sell commodities in an active market as at the balance sheet date is the amount that the Group would receive or pay, based on the quoted market prices of the corresponding products, to terminate the derivative financial instrument at the reporting date.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

(C) NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker (‘CODM’) has been identified as the Group’s Chief Executive Officer (‘CEO’). He regularly assesses the performance of each of the Group’s operating segments by reviewing their profitability.

The CODM considers the business from a product and services perspective and, therefore, recognizes the reporting segments as: ‘trading activities’ and ‘terminal activities’.

The trading activities segment is primarily engaged in trading all types of energy related commodities and revenue derives from sale of these goods. Terminal activities segment derives its revenue from sales of transhipment services.

The Group’s Chief Executive Officer assesses the performance of the operating segments based on the profit before income tax. This measure includes all operating income and expenses and finance costs.

2012	Trading	Terminals	Inter-segment	Total
Revenue	92,943,777	247,602	(44,879)	93,146,500
Earnings before tax	220,023	129,299	-	349,322
Investments in associates and joint ventures	394,705	55,123	-	449,828
Assets allocated	11,026,219	1,347,770	-	12,373,989
Unallocated assets:				
Investments in Associates and Joint ventures				10,859
Assets held for sale				52,193
Other financial assets				1,725
Trade and other receivables				166,490
Cash				789,157
Total Group consolidated assets				**13,394,413**

5. SEGMENTAL ANALYSIS (CONTINUED)

2011	Trading	Terminals	Inter-segment	Total
Revenue	87,175,881	137,993	(21,684)	87,292,190
Earnings before tax	312,075	44,312	-	356,387
Investments in associates and joint ventures	429,775	19,122	-	448,897
Assets allocated	10,158,375	1,242,931	-	11,401,306
Unallocated assets:				
Investments in Associates and Joint ventures				8,110
Assets held for sale				-
Other financial assets				5,407
Trade and other receivables				118,580
Cash				967,651
Total Group consolidated assets				**12,501,054**

Non-current assets split by region	2012	2011
Eastern Europe & Middle East	1,215,469	1,052,638
Western Europe	399,145	28,716
Cyprus	13,113	66
Americas	291,523	399,036
Asia	601	1,107
Africa	56	883
Non-current assets*	**1,919,907**	**1,482,446**

* Non-current assets include Property, Plant and Equipment, Intangible assets and Investments in associates and JV.

The Group does not present revenues by geographical area as the necessary information is not available and the cost to develop it would be excessive at the time of signing this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings (1)	Machinery and equipment (2)	Office equipment	Work in progress (3)	Total
Balance at 1 January 2011	**9,748**	**14,178**	**14,156**	**689,487**	**727,569**
Additions	-	81,714	7,771	142,807	232,292
Disposals	-	(1,076)	(1,229)	-	(2,305)
Transfers	372,646	-	-	(372,646)	-
Balance at 31 December 2011	**382,394**	**94,816**	**20,698**	**459,648**	**957,556**
Business combination (note 33)	37,348	237,249	995	5,738	281,330
Additions	198,756	71,764	4,562	-	275,082
Disposals	-	(1,889)	(3,721)	(1,451)	(7,061)
Disposal of subsidiary (note 8)	(70,015)	(230)	(1,135)	(29,783)	(101,163)
Transfers (note 7)	-	55,580	(3,108)	(55,580)	(3,108)
Balance at 31 December 2012	**548,483**	**457,290**	**18,291**	**378,572**	**1,402,636**

Depreciation					
Balance at 1 January 2011	**-**	**6,186**	**4,505**	**-**	**10,691**
Charge for the year	11,517	10,963	2,416	-	24,896
Disposals	-	(612)	(318)	-	(930)
Balance at 31 December 2011	**11,517**	**16,537**	**6,603**	**-**	**34,657**
Charge for the year	15,028	29,512	2,082	-	46,622
Disposals	-	(651)	(1,549)	-	(2,200)
Disposal of subsidiary (note 8)	-	(86)	(109)	-	(195)
Transfers (note 7)	-	-	(2,428)	-	(2,428)
Balance at 31 December 2012	**26,545**	**45,312**	**4,599**	**-**	**76,456**

Net book amount					
Balance at 31 December 2012	**521,938**	**411,978**	**13,692**	**378,572**	**1,326,180**
Balance at 31 December 2011	**370,877**	**78,279**	**14,095**	**459,648**	**922,899**

(1) Land and buildings mainly comprises of the terminal in Ust-Luga, Russia.

(2) Machinery and equipment mainly comprises of the refinery assets purchased in 2012 in Germany and Belgium.

(3) Work in progress as at 31 December 2012 mainly comprises of the construction of the terminal in Ust-Luga, and of machinery and equipment being constructed in Germany and Belgium. The Ust-Luga terminal construction was performed in stages with each stage transferred to production at the end of its completion. The final stage of construction is expected to be completed in the next twelve months.

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the group capitalised borrowing costs amounting to USD 17,704 (2011: USD15,356) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.41% (2011: 8.7%).

Depreciation expense of USD 41,075 (2011: Nil) has been charged in cost of sales and USD 5,547 (2011: USD 24,896) in other operating expenses.

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2012	2011
Net book amount	4,861	1,375
Loss on disposal	(4,801)	(1,012)
Proceeds from disposal of property, plant and equipment	**60**	**363**

7. INTANGIBLE ASSETS

Cost	Goodwill (1)	Computer software	Land concession	Total
Balance at 1 January 2011	**107,839**	**-**	**-**	**107,839**
Balance at 31 December 2011	**107,839**	**-**	**-**	**107,839**
Business combination (note 33)	-	1,072	27,487	28,559
Additions	-	2,263	302	2,565
Impairment charge	-	(97)	-	(97)
Transfers (note 6)	-	3,108	-	3,108
Balance at 31 December 2012	**107,839**	**6,346**	**27,789**	**141,974**
Amortisation				
Balance at 1 January 2011	**5,299**	**-**	**-**	**5,299**
Balance at 31 December 2011	**5,299**	**-**	**-**	**5,299**
Amortisation for the year	-	675	627	1,302
Impairment charge	-	(95)	-	(95)
Transfers (note 6)	-	2,428	-	2,428
Balance at 31 December 2012	**5,299**	**3,008**	**627**	**8,934**
Net book amount				
Balance at 31 December 2012	**102,540**	**3,338**	**27,162**	**133,040**
Balance at 31 December 2011	**102,540**	**-**	**-**	**102,540**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

Amortisation of USD 1,302 (2011: NIL) is included in other operating expenses in the statement of comprehensive income.

(1) Goodwill is allocated to the Group's identified cash-generating units (CGUs), which are expected to benefit from the business combination in which the goodwill arose. The allocation of goodwill is presented below:

CGU	Goodwill
Terminal activities	76,471
Crude oil trading activities	26,069
	102,540

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a ten-year period for terminal activities, as activity is more predictable, and a five-year period for crude oil trading activities. Management is confident that the projections are reliable and demonstrate the project's ability to generate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations in respect of goodwill allocated for terminal activities were 0% as growth rate and 13.3% as discount rate in 2012 (2011: respectively 2% and 14.33%). For crude oil trading activities, the growth rate and the discount rate used were respectively 0% and 15% (2011: respectively 0% and 15%).

A reasonable change in any of the key assumptions above would not cause the CGU's carrying amount to exceed its recoverable amount.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2012	2011
Balance at 1 January	**457,007**	**62,406**
Additions (1)	99,084	409,306
Write off (2)	(1,031)	-
Disposal (3)	(25)	-
Dividends	(2,470)	-
Transfer from investment in subsidiaries (3)	35,514	-
Share of results	2,885	(4,464)
Reclassified as assets held for sale (4)	(130,277)	-
Transfer to other financial assets (5)	-	(10,241)
Balance at 31 December	**460,687**	**457,007**

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(1) Additions during the year:

During 2012 the Group invested in the following entities:
On 27 June 2012, 49.5% of Krasnoyarsk Processing Company LLC, a Russian domiciled company that processes through a local subcontractor and trades petroleum products in Krasnoyarsk, Russia.

On 27 June 2012, 49.5% of PetroKras LLC, a Russian domiciled company that processes and trades petroleum products in Krasnoyarsk, Russia.

During 2012 the Group also further invested in its existing associates.

It is expected that the above investments will contribute positively to the results of the Group in the forthcoming years.

During 2011 the Group invested in the following entities:
On 28 January, 50% in Montlink Limited, a newly incorporated holding company domiciled in Cyprus. In 2012 Montlink acquired 60% of KLMR Limited, a group of companies that invests in Russian coal mines.

On 11 March, 50% in Akfel Gunvor Enerji A.S., a newly incorporated company domiciled in Turkey that is engaged in agency services.

On 12 July, 35% in Ust-Luga Marine Products Limited, a Cyprus domiciled company that holds 100% of a Russian entity engaged in the construction of a bunker terminal in Ust-Luga region in Russia. In 2012 the management decided to sell this investment and therefore it was classified as assets held for sale at 31 December 2012.

On 8 September, 50% of Aria Petroleum (Cy) Limited ("Aria"), a newly incorporated company domiciled in Cyprus. In 2012 Aria took over an operation of oil trading in Afghanistan and Uzbekistan.

On 18 October, 33.33% of GMHC LLC, a company domiciled in the United States of America that owns the Signal Peak coal mine in the state of Montana, USA.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(2) During 2012 the investment in Olaeum Energy SA was written off following the decision to abandon the project.

(3) In March and December 2012 the Group sold 50% of its interest in the companies LLC Nevskaya Pipe Company and Port Union Oil Export Limited and lost control over these entities. The companies' assets and liabilities were derecognised and the remaining 50% interest was transferred to investments in associates and joint ventures on the date of loss of control. The carrying value of the net assets sold was USD 9,325. The Group also sold its interest in Montbridge Limited in December 2012. The result from these transactions was recorded in other operating income (note 28).

(4) Management decided to sell the 30% (2011: 30%) holding in Mintley (Caspian) Limited, the 35% (2011: 35%) holding in Ust-Luga Marine Port Limited and 8.33% out of the 33.33% (2011: 33.33%) holding in GMHC LLC, and therefore the carrying value of these associates have been classified as assets held for sale at 31 December 2012.

(5) During 2011, the Group has purchased the remaining outstanding shares of Plusbay Limited for USD 7,659. As a result, the Group increased its ownership in this entity to 100%. Plusbay Limited's main activity is holding an investment in Keaton Energy Holdings Limited. Based on the Group's assessment that Plusbay Limited does not qualify as a business under IFRS 3 revised, this transaction has been accounted for as an acquisition of an asset. Therefore, the equity accounted investment in associate has been transferred to other financial assets together with the acquisition price paid for acquiring the remaining shares.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The details of the investments in associates and joint ventures, all of which are unlisted are as follows:

	Country of incorporation	Interest held 2012	Interest held 2011
Associates			
Mintley (Caspian) Limited (4)	Cyprus	-	30%
Ust Luga Marine Port Limited (4)	Cyprus	-	35%
GMHC LLC (4)	USA	25%	33.33%
Krasnoyarsk Processing LLC	Russia	49.5%	-
PetroKras LLC	Russia	49.5%	-
Joint ventures			
Novorossiysk Fuel Oil Terminal LLC	Russia	50%	50%
Montlink Limited	Cyprus	50%	50%
Akfel Gunvor Enerji A.S	Turkey	50%	50%
Aria Petroleum (Cy) Limited	Cyprus	50%	50%
Infotech Baltica Limited	Cyprus	50%	50%
Oleaum Energy SA (2)	The Netherlands	-	41.25%
LLC Nevskaya Pipe Company (3)	Russia	50%	100%
Port Union Oil Export Limited (3)	Cyprus	50%	-
Montbridge Limited (3)	Cyprus	-	50%
Meerwind AB	Sweden	50%	50%

The Group has pledged the majority of the shares in LLC Nevskaya Pipe Company and in Forebay Limited in favour of a financial institution for a credit facility obtained by LLC Nevskaya Pipe Company for USD 75 million.

The Group's share of the results of its principal associates and joint ventures, all of which are unlisted and its aggregated assets and liabilities, are as follows for 2012 and 2011:

	2012	2011
Assets	679,527	445,012
Liabilities	548,557	425,361
Revenue	579,647	39,978
Net profit	2,885	(4,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER FINANCIAL ASSETS

	2012	2011
Balance at 1 January	**85,308**	**124,659**
Additions	19,147	46,366
Unrealised gain recognised in other comprehensive income	17,410	-
Disposals	(2,329)	(71,103)
Result recognised in the statement of comprehensive income	(10,315)	(14,614)
Balance at 31 December	**109,221**	**85,308**
Less non-current portion	(27,236)	-
Current portion	**81,985**	**85,308**

Other financial assets mainly represent listed and unlisted securities.

The fair value of unlisted securities, which represent non-controlling interests in Petroterminal de Panama S.A. terminal in Panama, in Deutsche Transalpine Oelleitung GmbH in Germany, in Transalpine Oelleitung GesmbH in Austria and in Societa Italiana per l'Oleodotto Transalpino S.p.A. in Italy, is based on cash flows discounted using rates based on the market interest rates and risk premiums specific to the unlisted securities.

The fair value of listed securities is determined using current bid prices in an active market. Cash flows associated with financial assets at fair value through profit or loss are presented within investing activities in the cash flow statement.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

10. LONG-TERM RECEIVABLES

	2012	2011
Balance at 1 January	**69,031**	**19,600**
Loans given	59,977	63,017
Loans repaid	(21,194)	(17,250)
Interest charged	4,369	3,664
On disposal of subsidiary	34,960	-
Reclassified to short-term	(55,428)	-
Exchange difference	204	-
Balance at 31 December	**91,919**	**69,031**

All amounts are receivable from associates and joint ventures and shareholders (note 39).

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

11. DEFERRED INCOME TAX

The movement in deferred income tax liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Inventory valuation	Other	Total
Balance at 1 January 2011	**24,486**	**-**	**-**	**24,486**
Charged/(credited) to income statement	2,501	-	-	2,501
Balance at 31 December 2011	**26,987**	**-**	**-**	**26,987**
Charged/(credited) to income statement	6,047	(266)	111	5,892
Disposal of subsidiary	(842)	-	-	(842)
Business combination (note 33)	51,183	1,503	-	52,686
Exchange difference	2,554	-	-	2,554
Balance at 31 December 2012	**85,929**	**1,237**	**111**	**87,277**

The movement in deferred income tax assets during the year without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets

	Tax losses	Provisions	Taxable goodwill	Other	Total
Balance at 1 January 2011	**29,305**	**-**	**-**	**-**	**29,305**
(Charged)/credited to income statement	5,077	-	-	-	5,077
Balance at 31 December 2011	**34,382**	**-**	**-**	**-**	**34,382**
(Charged)/credited to income statement	(23,345)	185	(280)	251	(23,189)
Disposal of subsidiary	(4,625)	-	-	-	(4,625)
Business combination (note 33)	-	3,310	10,065	-	13,375
Exchange difference	228	45	693	-	966
Balance at 31 December 2012	**6,640**	**3,540**	**10,478**	**251**	**20,909**

11. DEFERRED INCOME TAX (CONTINUED)

The gross movement in deferred income tax accounts is as follows:

	2012	2011
Balance at 1 January	**7,395**	**4,819**
(Charged)/credited to income statement	(29,081)	2,576
Disposal of subsidiary	(3,783)	-
Business combination	(39,311)	-
Exchange difference	(1,588)	-
Balance at 31 December	**(66,368)**	**7,395**

The gross movement in deferred income tax accounts is as follows:

	2012	2011
Deferred tax assets to be realised after more than 12 months	20,909	34,382
Deferred tax liabilities to be realised after more than 12 months	(87,277)	(26,987)
Net deferred tax (liabilities)/assets	**(66,368)**	**7,395**

12. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Exchange listed futures, options & swaps	424,651	299,369	300,363	351,201
Over the counter swaps and options	6,238	2,507	2,570	6,937
Contracts to purchase or sell physical commodities	324,328	293,249	636,782	598,836
Current portion	**755,217**	**595,125**	**939,715**	**956,974**
Exchange listed futures, options & swaps	77,824	17,159	24,037	993
Over the counter swaps and options	-	-	15,384	-
Contracts to purchase or sell physical commodities	52,263	84,725	112,515	105,171
Non-current portion	**130,087**	**101,884**	**151,936**	**106,164**
Total	**885,304**	**697,009**	**1,091,651**	**1,063,138**

Futures, options and swaps consist mainly of commodity derivatives and partly of foreign exchange derivatives.

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives are classified as a non-current asset or liability if the remaining maturity of the item is more than 12 months and, as a current asset or liability, if the maturity of the item is less than 12 months.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

13. ASSETS HELD FOR SALE

Assets classified as held for sale consist of:

	2012	2011
Investments in associates	130,277	-
Loans receivable from associates	25,288	-
Total	**155,565**	**-**

Assets relating to Mintley (Caspian) Limited, Ust-Luga Marine Port Limited and a portion of GMHC LLC investment have been presented as held for sale as the Group believes to recover the amount through sale transactions. By December 2012, management approvals to plans to sell the assets and active programmes to locate buyers were initiated. The sales are expected to be completed within the next twelve months.

14. INVENTORIES

	2012	2011
Refined petroleum products	3,814,854	3,011,673
Crude oil	549,963	922,162
Coal	12,641	20,520
Gas	103,945	98,868
Emissions	3,402	1,155
Technical inventories	13,096	5,542
Other	31,512	17,397
Total inventories	**4,529,413**	**4,077,317**

Inventories include stocks in transit in rail tanks, oil and gas terminals, refineries, pipelines and vessels. At 31 December 2012 inventories were carried at fair value less costs to sell except for bunker fuel inventory on tankers for own consumption of USD 12,380 (2011: USD 3,128), materials and spare parts of USD 13,096 (2011: USD 5,542) which were carried at cost.

Inventories recognised as an expense in the statement of comprehensive income and included in cost of sales amounted to USD 92,295,666 (2011: USD85,733,444).

Details of pledges on inventories are disclosed in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PREPAYMENTS TO SUPPLIERS

	2012	2011
Prepayments for		
Refined petroleum products and crude oil	267,224	388,004
Coal	22,956	21,523
Gas	751	752
Emissions	2,061	1,097
Power	1,527	1,189
Shipping	5,003	15,812
Other	18,211	21,234
Total	**317,733**	**449,611**

The carrying amounts of prepayments to suppliers approximate their fair values and most are short-term prepayments to regular suppliers for oil deliveries in the first quarter of the following year.

16. TRADE AND OTHER RECEIVABLES

	2012	2011
Trade receivables		
Refined petroleum products and crude oil	3,363,286	3,261,695
Coal	68,102	47,804
Power	8,307	27
Gas	145,058	132,562
Emissions	814	-
Shipping	1,076	10,068
	3,586,643	**3,452,156**
Less: provision for impairment of trade receivables	(8,978)	(7,314)
Trade receivables - net	**3,577,665**	**3,444,842**
Other receivables		
Interest receivable	-	9,594
Other receivables	38,862	2,404
Receivables from related parties (note 39)	412,559	211,718
Prepaid taxes	58,615	39,177
Total other receivables	**510,036**	**262,893**
Total trade and other receivables	**4,087,701**	**3,707,735**

As of 31 December 2012 and 2011 the net receivables were fully performing at close to 100%.

The carrying amounts of trade and other receivables approximate their fair values.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Currency	2012	2011
United States Dollar	3,577,064	3,452,578
Euro	440,792	219,517
British Pound	117	-
Russian Rouble	38,495	31,673
Swiss Franc	197	3,950
Singaporean Dollar	152	-
Other	30,884	17
	4,087,701	**3,707,735**

Movements on the Group's provision for impairment of trade receivables are as follows:

	2012	2011
At 1 January	**7,314**	**6,811**
Recognised impairment loss allowance	1,952	503
Reversed impairment loss allowance	(288)	-
At 31 December	**8,978**	**7,314**

The creation and release of provision for impaired receivables have been included in other operating expenses in the statement of comprehensive income. The unwinding of a discount is included in finance costs in statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

17. MARGIN ACCOUNT WITH BROKERS

Margin accounts with brokers shown in the current assets of the balance sheet in the amount of USD 466,278 (2011: USD 482,306) represent cash deposited to cover potential obligations of the Group in respect of derivatives.

Margin accounts with brokers shown in the current liabilities of the balance sheet in the amount of USD 183,024 (2011: USD 38,382) represent cash received to cover potential obligations of the brokers towards the Group in respect of derivatives.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

18. CASH

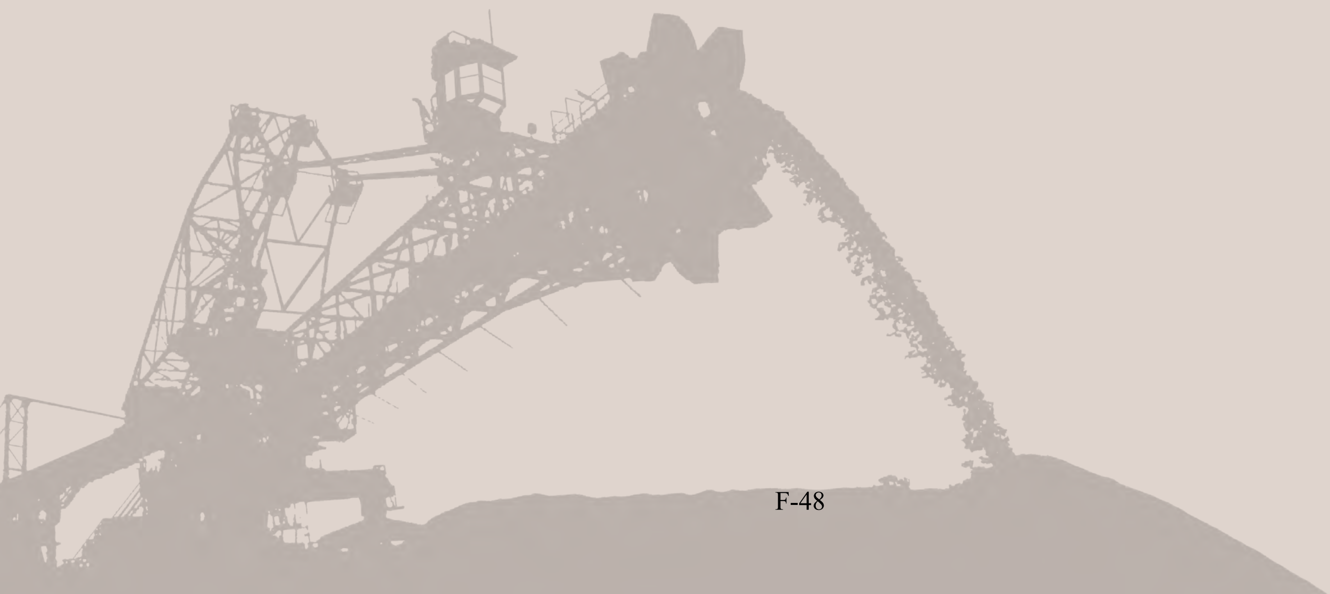
Cash balances are analysed as follows:

	2012	2011
Cash in hand	14	31
Cash at bank	801,666	1,017,746
Total cash	**801,680**	**1,017,777**

Call deposits included in the cash at bank can be cancelled within 48 hours and they are all denominated in USD.

Currency:	2012	2011
United States Dollar	644,419	943,860
Euro	124,115	44,580
British Pound	22,101	8,468
Russian Rouble	1,899	4,494
Swiss Franc	5,071	4,675
Singaporean Dollar	2,272	780
South African Rand	-	10,652
Other	1,803	268
	801,680	**1,017,777**

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.



19. CAPITAL AND RESERVES

	2012 Number of shares	2012 Amount	2011 Number of shares	2011 Amount
Authorised (1)				
Ordinary "A" shares	5,000,000	-	5,000,000	-
Ordinary "C" shares	513,611	-	513,611	-
Ordinary "D" shares	1,486,389	-	1,486,389	-
Balance at 31 December (1)	**7,000,000**	**-**	**7,000,000**	**-**
Issued and fully paid				**USD**
Ordinary "A" shares				
Balance at 1 January	5,000,000	5,000	5,000,000	4,535
Change of nominal share value to USD 1.00 each	-	-	-	465
Balance at 31 December	**5,000,000**	**5,000**	**5,000,000**	**5,000**
Ordinary "C" shares				
Balance at 1 January	513,611	513	513,611	465
Reduction (2)	(513,611)	(513)	-	-
Change of nominal share value to USD 1.00 each	-	-	-	48
Balance at 31 December	**-**	**-**	**513,611**	**513**
Ordinary "D" shares				
Balance at 1 January	136,505	137	-	-
Issue of shares (3)	566,406	566	136,505	137
Balance at 31 December	**702,911**	**703**	**136,505**	**137**
Total at 31 December (4)	**5,702,911**	**5,703**	**5,650,116**	**5,650**

The changes in the authorised and issued share capital of the company during the year under review were as follows:

(1) There were no changes in the authorised share capital during 2012.

On 19 October 2011 class A and class C shareholders approved the increase in authorised share capital to 7 million shares and gave their consent for the increase of the nominal value of the share capital from USD 0.9068467 each to USD 1.00 each through capitalisation of retained earnings.

19. CAPITAL AND RESERVES (CONTINUED)

On 20 October 2011 Class A and Class C shareholders of the Company approved the issue of 1,486,389 Class D shares of USD 1.00 each, that are non-voting and are entitled to receive dividends.

(2) On 16 August 2012 the shareholders of the Company approved the reduction of issued class C share capital for which a court decision was obtained on 13 September 2012, which is also the effective date. Shares were repaid at par value.

(3) On 13 August 2012, 566,406 class D shares were issued at a premium of USD 195,529 composed of USD 53,472 (154,897 shares) issued from 2011 share-based remuneration, of USD 83,383 (241,542 shares) issued from additional one-off 2012 share-based remuneration and of USD 58,674 (169,967 shares) issued under exceptional share purchase by senior employees.

On 5 December 2011, 136,505 class D shares were issued at a total premium of USD 38,784 composed of USD 38,850 for shares from the 2010 share-based remuneration with an additional USD 5,933 for shares finally issued.

(4) At 31 December 2011, the share capital of the Company consists of class A, class C and class D shares of USD 1.00 each as shown in the table above. At 31 December 2012, the share capital of the Company consists of class A and class D shares of USD 1.00 each as shown in the table above.

Share premium

USD 55,000 included in share premium at 31 December 2012 relates to equity-settled share-based payments to employees to be issued in 2013 (2011: USD 54,950 issued in 2012). The difference between the par value of shares and paid-in capital has been recognised as a share premium. On 13 August 2012, 566,406 class D shares were issued at a total premium of USD 195,529 and on 5 December 2011, 136,505 class D shares were issued at a total premium of USD 38,784. The difference was credited to the share premium reserve in years 2012 and 2011 respectively.

Dividends

The following dividends were declared by the Company:

	2012	2011
USD 20.2918802 per share (1)	101,460	-
USD 22.7077013 per share (2)	129,500	-
Total	**230,960**	**-**

(1) Dividends per share paid to Class A shareholders are calculated using 5,000,000 shares.

(2 Dividends per share paid to all shareholders are calculated using 5,702,911 shares.

20. BORROWINGS

	2012	2011
Balance at 1 January	**842,280**	**233,253**
Received	258,459	642,777
Accrued interest	1,195	8,641
Exchange differences	4,717	(5,359)
Transaction costs	-	(5,782)
On disposal of subsidiary	(44,000)	-
Reclassified to short-term	(316,547)	(31,250)
Balance at 31 December	**746,104**	**842,280**

The Group borrowings, which represent bank loans, are denominated in the following currencies:

	2012	2011
United States Dollar	513,248	605,745
Euro	232,856	236,535
	746,104	**842,280**

Maturity of non-current borrowings including accrued interest:

	2012	2011
More than one year	228,007	118,926
Between two and five years	518,097	638,748
More than five years	-	84,606
	746,104	**842,280**

The fair value of the long-term loans at 31 December 2012 is approximately USD 725 million (2011: USD 833 million) using borrowing interest rates available to the Group at year-end to finance projects with similar risk profiles. The fair value of current borrowings approximates to their carrying amount at 31 December, as the impact of discounting is not significant.

The fair values are based on cash flows discounted using a rate based on the market rates adjusted for risk.

The interest rate on these loans vary from Libor + 2.6% to 9.2% (2011: 1.4% to 9.2%).

The bank loans are secured by pledge on shares of five of the subsidiaries for the total amount of USD 548.8 million and Euro 176 million.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

21. TRADE AND OTHER PAYABLES

	2012	2011
Trade payables		
Refined petroleum products and crude oil	4,747,456	4,386,977
Coal	74,138	98,860
Gas	142,985	125,162
Power	3,837	43,233
Shipping	12,840	28,732
Emissions	4,747	34
Other operational activities	5,039	12,257
Total trade payables	**4,991,042**	**4,695,255**
Other payables		
Dividends (note 39)	22,979	-
Building construction	5,758	32,391
Indirect taxes payable (1)	139,415	13,685
Interest payable	35,427	13,595
Accruals	66,144	83,950
Other payables	18,197	45,305
Total other payables	**287,920**	**188,926**
Total trade and other payables	**5,278,962**	**4,884,181**
Less non-current payables (2)	(11,092)	-
Total trade and other payables	**5,267,870**	**4,884,181**

(1) Indirect taxes payable mainly represent excise taxes payable on sales of petroleum products to the German market by the newly purchased refinery in Ingolstadt.

(2) The amount mainly represents the deferred consideration payable for the purchase of the refinery in Ingolstadt (note 33).

The carrying amounts of trade and other payables approximate their fair values.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

22. RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined benefit pension plans in Switzerland, Belgium and Germany. These schemes provide retirement, death and disability benefits to employees covered by them. The majority of plans are externally funded.

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2012	2011
Defined benefit obligations	75,469	38,021
Gains/(losses) unrecognised	(10,441)	(8,798)
Fair value of plan assets	(40,620)	(24,924)
Unrecognised asset due to IAS 19 limitation	2,354	3,518
Recognised (asset)/liability for defined benefit obligations	**26,762**	**7,817**

The most recent actuarial valuation was made as at 31 December 2012 and it was based on the following assumptions:

	2012	2011
Discount rate	2.20%	2.40%
Expected return on plan assets	2.80%	3.25%
Expected rate of salary increase	1.80%	2.50%
Expected rate of pension increase	0.80%	0.50%

These assumptions are weighted average based on plan assets weight for the expected return on plan assets, and based on defined benefit obligations weight for the other assumptions.

The death and disability tables applied in each of the countries are the following:

Switzerland	LPP 2010 tables
Belgium	MR-3/FR-3 tables
Germany	Heubeck 2005 G tables

The movement in the defined benefit obligation is as follows:

	2012	2011
Defined benefit obligations at 1 January	**38,021**	**29,381**
Business combinations	24,781	-
Net cash-flows of the plan	277	(813)
Actuarial losses	1,449	2,305
Current service costs	7,558	6,913
Interest cost	1,359	763
Exchange differences	2,024	(528)
Defined benefit obligations at 31 December	**75,469**	**38,021**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movement in the present value of plan assets is as follows:

	2012	2011
Fair value of plan assets at 1 January	**24,924**	**19,909**
Business combinations	8,538	-
Contributions paid into the plan	5,349	5,177
Net cash-flows of the plan	277	(813)
Expected return on plan assets	1,054	717
Actuarial gains/(losses)	(389)	237
Exchange differences	867	(303)
Fair value of plan assets at 31 December	**40,620**	**24,924**

The net cash-flows of the plan is composed of the cash inflow due to the vested benefits brought in by new employees from former pension schemes, diminished by the benefits actually paid by the scheme, the net insurance premium and expenses paid by the scheme as well as the cash outflow due to termination benefit.

The amounts recognised in the statement of comprehensive income are as follows

	2012	2011
Current service costs	7,558	6,913
Interest on obligation	1,359	763
Expected return on plan assets	(1,054)	(718)
Amortisation of (gains)/losses	486	457
Employee contributions	(2,393)	(2,588)
Net periodic pension cost for the employer	**5,956**	**4,827**

The net periodic pension cost is recognised in other operating expenses.

The movement in actuarial gains and losses is as follows:

	2012	2011
Losses unrecognised at 1 January	**(8,799)**	**(6,524)**
Amortisation of losses	486	457
Actuarial losses	(1,838)	(2,069)
Exchange differences	(291)	(663)
Losses unrecognised at 31 December	**(10,442)**	**(8,799)**

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Plan assets are comprised as follows:

	2012	2011
Cash and cash equivalents	0.80 %	78.90 %
Equity instruments	0.80 %	1.30 %
Bonds	60.80 %	- %
Real estate properties	14.20 %	18.40 %
Alternative investments	23.40 %	- %
Other	- %	1.40 %
	100.00 %	**100.00 %**

A history of experience adjustments for the respective years since the establishment of the plan is presented below:

History of experience adjustments	**2012**	**2011**	**2010**	**2009**	**2008**
Present value of the defined benefit obligation	(75,469)	(38,021)	(29,380)	(18,521)	(11,231)
Fair value of plan assets	40,620	24,924	19,909	13,314	7,262
Deficit in the plan	**(34,849)**	**(13,097)**	**(9,471)**	**(5,207)**	**(3,969)**
Experience adjustments arising on plan liabilities	202	2,190	844	(2,130)	1,230
Experience adjustments arising on plan assets	(389)	237	(416)	448	(223)

The expenses for defined contribution plan in 2012 are USD 4,533 (2011: USD 4,869).

Expected contributions to post-employment benefit plans for the year ending 31 December 2013 are USD 5,968.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. PROVISIONS

	Provisions for unsolved claims (1)	Environmental restoration (2)	Other (3)	Total
Balance at 1 January 2011	**-**	**-**	**1,000**	**1,000**
Recognised during the period	4,000	-	-	4,000
Reversed during the period	-	-	(1,000)	(1,000)
Balance at 31 December 2011	**4,000**	**-**	**-**	**4,000**
Recognised during the period	13,752	-	1,875	15,627
Business combinations (note 33)	-	11,068	1,570	12,638
Used during the period	-	(25)	-	(25)
Balance at 31 December 2012	**17,752**	**11,043**	**3,445**	**32,240**

The amounts included in the consolidated statement of financial position include the following:

	2012	2011
Provisions to be used after more than 12 months	14,488	-
Provisions to be used within 12 months	17,752	4,000

(1) The amounts represent provisions for unresolved claims against a supplier in Kazakhstan.

(2) The amounts represent provisions for the expenses related to land environmental restoration at the Antwerp refinery. At the maturity of the land concession in 2047, the land has to be returned back free of pollution. Local authorities also request a soil remediation plan which will be executed over time until 2052. Assessment and estimation of impact were performed by an independent environmental consultant.

(3) The amounts represent an employee related provision for the Ingolstadt refinery.

24. PREPAYMENTS FROM CUSTOMERS

	2012	2011
Prepayments for		
Refined petroleum products and crude oil	93,772	37,613
Coal	4,232	14,634
Gas	5,032	5,336
Coal	148	-
Shipping	-	345
Other	895	281
Total	**104,079**	**58,209**

25. SHORT-TERM BANK LOANS

At 31 December 2012 the Group had transactional credit facilities, solely available at the banks' discretion, from thirty commercial banks (2011: nineteen banks) in the amount of USD 14,018 million (2011: USD 14,853 million) including multi-bank borrowing bases for USD 1,380 million (2011: USD 600 million) with no specified maturity dates, subject to an annual renewal. As part of obtaining and using the credit facilities, the trading entities of the Group have signed pledge of goods and receivables agreements as collateral for the banks. Additionally, the Group had available from two syndicates totalling 50 banks committed Revolving Credit Facilities of USD 1,685 million (2011: 1,400 million) expiring in June 2013 (for the Asian Facility of USD 635 million) and December 2013 (for the European Facility of USD 1,050), with an additional USD 110 million expiring in December 2015. These Revolving Credit Facilities are covered by negative pledges covering all goods and receivables not pledged in the frame of the transactional credit facilities.

At 31 December 2012 the used facility on all combined short-term bank loans was USD 3,972 million (2011: USD 3,599 million). In addition, at 31 December 2012 the banks had issued letters of credit and guarantees with a total value of USD 3,414 million (at 31 December 2011: USD 5,726 million). The balance of total unused short-term credit facilities at 31 December 2012 amounted to USD 8,317 million (2011: USD 7,077 million).

The weighted average of the interest rate of all the short-term credit facilities as at 31 December 2012 was USD Libor +1.446% p.a. (2011 rate: USD Libor +1.853% p.a.). The interest repricing formula on overdrawn current accounts varies depending on the bank from daily repricing to repricing three times per week. Effective interest rates equal the contractual ones.

Certain borrowing arrangements require compliance with specific financial covenants mainly related to working capital, minimum current ratio and a maximum long-term debt to tangible net worth ratio. The Group is also committed to comply with capacity covenants.

Security of short-term bank loans

Short-term borrowings from fifty commercial banks as at 31 December 2012 were secured by USD 4,437 million of inventory (at 31 December 2011: USD 4,077 million), USD 3,580 million of receivables (at 31 December 2011: USD 3,922 million) and USD 789 million of cash balances (at 31 December 2011: USD 987 million).

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. REVENUE

	2012	2011
Refined petroleum products	56,999,530	49,431,464
Crude oil	26,654,533	29,627,025
Coal	1,230,378	1,330,253
Gas	7,296,078	5,607,129
Power	325,542	674,337
Emissions	76,642	39,622
Shipping	362,415	322,517
Terminal	199,779	107,150
Other income	1,603	152,693
Total revenue	**93,146,500**	**87,292,190**

27. COST OF SALES

	2012	2011
Refined petroleum products	54,490,330	47,442,659
Crude oil	26,244,489	28,265,126
Coal	1,152,687	1,247,117
Gas	7,173,368	5,385,781
Emissions	91,595	46,894
Power	324,235	717,323
Terminal	60,072	45,886
Other	6,549	9,574
Total direct costs of products sold	**89,543,325**	**83,160,360**
Shipping activities	2,625,857	2,425,458
Railway, loading and customs	126,484	147,626
Total transportation expenses	**2,752,341**	**2,573,084**
Interest expense on short-term bank loans	55,578	78,728
Inspection and Insurance	47,306	39,901
Total cost of sales	**92,398,550**	**85,852,073**

28. OTHER OPERATING INCOME

	2012	2011
Gain on sale of controlling interest (note 8)	52,378	-
Gain from business combinations (note 33)	86,586	-
Other income - terminals	11,538	-
Other	5,378	2,956
Revaluation of investment	-	2,972
Interest income from suppliers	13,362	3,451
Total other operating income	**169,242**	**9,379**

Interest income arises when the Group makes prepayments for crude oil or refined petroleum product purchases. Interest income from suppliers is measured at amortised cost.

Gain on sale of controlling interest comprises of the gain on interest sold and a gain on retained non-controlling investment of USD 26,189. The transaction is described in note 8.

29. OTHER OPERATING EXPENSES

	2012	2011
Direct personnel expenses (note 30)	132,624	121,326
Services	30,301	29,557
Bank charges	99,998	98,091
Loss from sale of investment	-	1,013
Depreciation and amortisation (notes 6 and 7)	6,849	24,896
Impairment of receivables (note 16)	1,848	503
General overheads and employee remuneration	289,586	174,182
Total other operating expenses	**561,206**	**449,568**

General overheads include USD 55,000 relating to equity-settled share-based payments (2011: USD 54,950), which represents 140,070 shares (2011: 158,719 shares). Additionally during 2012 the Group awarded senior employees an exceptional one off USD 83,624 equity-settled share-based payment, representing 241,542 shares. At 31 December 2012 and 2011, all shares were vested and recognised as expenses.

The fair value of the equity-settled share awards issued during 2012 under the share scheme was USD 346.209 per share for total of 396,439 shares. The fair value was determined based on the net asset value of the group at 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. OTHER OPERATING EXPENSES (CONTINUED)

The fair value of the equity settled share awards granted in 2012 which will be issued in 2013 under the share scheme was USD 392.662 per share for a total of 140,070 shares. The fair values was determined based on the net asset value of the group at 31 December 2012.

General overheads and services mainly comprises of office costs, travelling and other expenses.

General overheads also include fees of USD 141 (2011: USD 111) paid to the Company's Cypriot auditor for statutory audits.

30. DIRECT PERSONNEL EXPENSES

	2012	2011
Salaries	109,739	91,424
Social security taxes	17,650	13,788
Pension cost	4,499	10,611
Other	736	5,503
Total direct personnel expenses	**132,624**	**121,326**

The number of employees (including directors in their executive capacity) employed by the Group as at 31 December 2012 was 1,634 people (31 December 2011: 936 people).

31. FINANCE INCOME AND EXPENSE

	2012	2011
Finance income		
Interest income	39,205	13,662
Net foreign exchange gains	-	11,905
Other income	2,109	-
Total finance income	**41,314**	**25,567**
Finance expense		
Net foreign exchange losses	7,136	-
Interest on other interest-bearing loans	27,021	21,175
Loss on financial assets at fair value through profit and loss	9,714	12,572
Other finance expenses	-	760
Total finance expense	**43,871**	**34,507**
Net finance result	**(2,557)**	**(8,940)**

32. CURRENT INCOME TAX

	2012	2011
Current tax expense		
Current income tax expense	19,132	29,305
Deferred tax (note 11)	29,080	(2,576)
	48,212	**26,729**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012	2011
Profit before income tax	349,322	356,387
Income tax using the domestic corporation tax rate of 10%	34,932	35,639
Tax effect of income not subject to tax	(28,938)	(9,353)
Tax effect of expenses not deductible for tax purposes	2,958	508
Tax calculated at domestic rates applicable in the respective countries	33,032	-
Re-measurement of deferred taxation	961	-
Adjustment in respect of prior years	5,267	(65)
Tax expense	**48,212**	**26,729**

The Company is subject to corporation tax in Cyprus at the rate of 10%. Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 31 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% (15% to 31 August 2011), increased to 20% from 1 January 2012 to 31 December 2013. All subsidiaries of the Group are subject to taxation in the country of their operation and their tax rates vary from 0% to 34%.

33. BUSINESS COMBINATIONS

During 2012 the Group acquired the following assets:

(A) REFINING ASSETS IN ANTWERP, BELGIUM (BELGIAN REFINERY)

On 3 May 2012, certain assets and liabilities from Belgian Refining Corporation were acquired. The purchase of the refinery is in line with Gunvor's recent infrastructure investment programme and its stated strategy to become vertically integrated. In this context, the Antwerp refinery will become a key part of the group's existing extensive trading activities in the ARA region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. BUSINESS COMBINATIONS (CONTINUED)

(B) REFINING ASSETS IN INGOLSTADT, GERMANY (GERMAN REFINERY)

On 23 August 2012, certain assets and liabilities from Petroplus Raffinerie Ingolstadt, Petroplus Deutschland and Petroplus Bayern were acquired. The purchase of the refinery is in line with Gunvor's infrastructure investment programme and its stated strategy to become vertically integrated. In this context, the acquisition of the Ingolstadt refinery and related marketing activities confirms the Group's footprint in Europe by developing a strong presence in Germany.

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Belgian refinery	German refinery
Property, plant and equipment (note 6)	34,816	246,514
Intangible assets (note 7)	25,852	2,707
Deferred tax assets (note 11)	2,553	10,821
Inventories	4,501	10,501
Prepayments to suppliers	-	458
Provisions (note 23)	(11,068)	(1,570)
Deferred tax liabilities (note 11)	(15,688)	(36,998)
Retirement benefit obligations (note 22)	(7,513)	(8,730)
Trade and other payables (note 21)	-	(404)
Total identifiable net assets	**33,453**	**223,299**
Bargain purchase result (included in other operating income)	**(25,507)**	**(61,079)**
Acquisition-related costs (included in other operating expenses)	**1,145**	**524**

	Belgian refinery	German refinery
Cash paid	7,947	152,504
Deferred consideration	-	9,716
Total consideration	**7,947**	**162,220**

The main reason for the transactions to result in a bargain purchase is that the former parent company was in financial distressed situation and was under insolvency procedure.

The acquirees contributed revenues of USD 2,487,076 and net income of USD 67,364 to the Group's consolidated statement of comprehensive income for the period between the acquisition date and the balance sheet date. The purchased assets were acquired from companies under insolvency procedures and therefore were not operating since January 2012. Consequently, the pro-forma contributions for the whole period are identical to the numbers presented above.

34. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2012

Assets	Note	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale financial assets	Total
Other financial assets	9	-	10,259	98,962	109,221
Long-term receivables	10	91,919	-	-	91,919
Trade and other receivables (excluding prepayments)	16	4,029,086	-	-	4,029,086
Margin account with brokers	17	466,278	-	-	466,278
Derivative financial instruments	12	-	885,304	-	885,304
Cash	18	801,680	-	-	801,680
Total		**5,388,963**	**895,563**	**98’962**	**6,383,488**

31 December 2012

Liabilities	Note	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Total
Trade and other payables	21	5,278,962	-	5,278,962
Derivative financial instruments	12	-	697,009	697,009
Borrowings	20	746,104	-	746,104
Margin account with brokers	17	183,024	-	183,024
Short-term bank loans	25	3,971,904	-	3,971,904
Total		**10,179,994**	**697,009**	**10,877,003**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2011

Assets	Note	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale financial assets	Total
Other financial assets	9	-	15,308	70,000	85,308
Long-term receivables	10	69,031	-	-	69,031
Trade and other receivables (excluding prepayments)	16	3,668,558	-	-	3,668,558
Margin account with brokers	17	482,306	-	-	482,306
Derivative financial instruments	12	-	1,091,651	-	1,091,651
Cash	18	1,017,777	-	-	1,017,777
Total		**5,237,672**	**1,106,959**	**70,000**	**6,414,631**

31 December 2011

Liabilities	Note	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Total
Trade and other payables	21	4,884,181	-	4,884,181
Derivative financial instruments	12	-	1,063,138	1,063,138
Borrowings	20	842,280	-	842,280
Margin account with brokers	17	38,382	-	38,382
Short-term bank loans	25	3,598,894	-	3,598,894
Total		**9,363,737**	**1,063,138**	**10,426,875**

Financial risk management

The Group is exposed to a number of external factors which may impact its profitability. It is our policy to identify and actively manage such risks. Specifically, the Group is exposed to commodity price risk, credit risk, liquidity risk, currency risk, interest rate risk, capital risk and operational risk. Centralized risk management and finance teams are responsible to monitor and mitigate the overall risk exposure within approved guidelines. The main tool to manage risk across the Group entities is a proprietary information system consolidating trade positions and financial exposure on a daily and global basis. The Group is owned by private individuals since inception more than 10 years ago. This direct ownership motivates a long-term view towards building equity, monitoring and prudent risk taking in each business decision.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Commodity price risk

The Group is exposed to price movements for the inventory they hold, and for sale or purchase contracts where physical products are to be delivered in the future. The Group manages this exposure through futures, swap and options transactions on world-wide commodity exchanges or in Over-The-Counter markets (OTC). The Group enters in OTC transactions with high credit counterparties either on an open account basis or covered by letters of credit. Commodity price risk management is a fully integrated part of our trading activities. The fair value of financial instruments used to hedge commodity price risk is included as assets or liabilities towards derivative counterparties including futures brokers. The use of derivative instruments is confined to specialists with skills and experience who operate under Management's supervision and continuous reporting through our world-wide trading system. The overall trading positions can be monitored daily to ensure proper hedging of price exposure.

In 2012 more than 94% of stocks of commodities were economically hedged by derivative instruments with respect to price risk (in 2011 above 95%).

All derivative instruments, related to refined petroleum products and crude oil, mature in December 2014 at the latest, and the vast majority expire during the period January – December 2013 covering price risk related to physical sales or purchases to be delivered during that period.

The supply agreements for crude oil and refined petroleum products that the Group enters in to do not usually bear a price risk further out than four months.

All derivative instruments, related to coal, natural gas, LNG, power and emissions, mature in December 2025 at the latest and cover price risk related to physical sales or purchases to be delivered during that period.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. No material losses have been recorded. In monitoring customer credit risk, customers are grouped according to their credit characteristics. New customers can only be accepted once they are accepted by compliance, risk and treasury management after an assessment of the profile, type of trades and financial security provided such as Letter of Credit or Parent Company Guarantee. Open account terms are granted to most major counterparties.

The Group's credit risk is significantly mitigated since all of its customers are spread across a wide geographic spectrum with whom the Group has a strong past experience.

34. FINANCIAL INSTRUMENTS (CONTINUED)

At the initial phase of the negotiation, the Group analyses the creditworthiness of the customer by ensuring that:

(i) the customer has a strong past experience without delinquency of payments;
(ii) the customer has good track record with international banks.

The carrying amount of financial assets represents the maximum credit exposure.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. Five most significant individual counterparties covered 25% of the total credit risk exposure related to accounts receivable as at 31 December 2012 (at 31 December 2011: 19%) and they are all well known major companies in the industry with strong financial positions. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, Management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Group's trade receivables.

Impairment risk

The aging of trade and other receivables at the reporting date was:

	2012	%	2011	%
Not past due	3,947,149	96.6	3,651,827	98.6
Past due 0-15 days	94,524	2.3	32,301	0.9
Past due 15-30 days	13,127	0.3	2,843	0.1
More than 30 days	32,901	0.8	20,764	0.6
Total	**4,087,701**	**100.0**	**3,707,735**	**100.0**

In 2011 the amounts overdue by more than 30 days mainly concern open receivables for fuel oil sold to regular counterparties by Gunvor Singapore PTE Ltd as well as open receivables of gasoil sold to regular counterparties by Gunvor SA. All these amounts were settled in January 2012.

In 2012 the amounts overdue by more than 30 days mainly concern open receivables for products sold to well known regular counterparties by the trading companies of the group as well as a receivable of USD 20 million receivable by Gunvor SA from a counter party under a joint venture agreement. All these amounts were settled in January and February 2013.

At the date of authorisation of the annual report, there were no other material past due receivables from 2012 not settled.

34. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when due, it is unable to borrow funds from its banks or from the market or it is in breach of covenants.

The Group mainly relies on its equity-base and short-term overdrafts to finance its working capital needs. The working capital cycle is usually short and ranges between 15 and 60 days (see the table about the credit quality of trade receivables above). The Group has put in place a diversified pool of banks to ensure availability of credit lines for its liquidity needs. The overdraft facilities with no specified maturities from banks, USD 14,018 million as at the end of the financial year (2011: USD 14,853 million), are drawn when liquidity needs so require and borrowings are repaid to the banks when receivables are collected from the customers. Additional flexibility to liquidity management is provided by the Revolving Credit Facility of USD 1,795 million (2011: USD 1,550 million).

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2012	Up to 3 months	Between 3 and 12 months	More than 12 months
Borrowings	-	-	746,104
Short-term bank loans	3,874,104	97,800	-
Trade and other payables	5,256,778	-	11,092
Derivative financial instruments	349,841	245,284	101,884
Margin account with brokers	183,024	-	-
Total	**9,663,747**	**343,084**	**859,080**

31 December 2011	Up to 3 months	Between 3 and 12 months	More than 12 months
Borrowings	-	-	842,280
Short-term bank loans	2,708,894	890,000	-
Trade and other payables	4,884,181	-	-
Derivative financial instruments	736,754	220,220	106,164
Margin account with brokers	38,382	-	-
Total	**8,368,211**	**1,110,220**	**948,444**

34. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

Currency risk represents the risk of losses from movements in exchange rates related to balances in currencies other than the USD.

The majority of the Group's sales, purchases and borrowings are denominated in USD which is also the functional and presentation currency of the parent company and most of the operating subsidiaries. Non-USD transactions are mainly operational expenses, payables, receivables or cash on bank accounts primarily in Swiss Francs, Euro, Singaporean Dollars and Roubles. Management has set up guidelines to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts transacted through external financial institutions.

The impact of foreign currency exchange gains or losses is recognised immediately in the statement of comprehensive income during the monthly reporting cycles. The impact of a sudden adverse currency movement, in particular a weakening of the USD, will not significantly impact the results of the Group. The main exposure of the Group is a Euro-denominated loan (note 20) provided by an international financial institution. The payment of the interest commenced in 2011 and the principal repayment will commence in 2015. The Group hedged this exposure in order to gradually reduce the amount at risk to less than 58% (2011: less than 66%).

At 31 December 2012, a strengthening of 10% of the Euro would negatively impact the statement of comprehensive income and equity by USD 13 million (2011: USD 22 million).

Interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the underlying interest rate. The operations are to a great extent financed with overdraft and other short-term loan facilities provided by first-class banks at variable floating rates. The Group does not use specific instruments to manage interest rate risk and is exposed to the cash flow risk of USD Libor fluctuations.

The Group's exposure to interest rate fluctuations is partially mitigated by interest income billed contractually to suppliers in case of prepayments and interest income on deposits. Assuming the amount of floating rate liabilities at the reporting period end were outstanding for the whole year, interest rates were 1% higher/lower and all other variables held constant, the Group's income and equity for the year ended 31 December 2012 would decrease/increase by USD 15 million (2011: USD 14 million).

34. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management

Management's policy is to maintain a strong equity base so as to maintain banks and market confidence and to sustain future development of the business. Management monitors return on capital and determine the dividend policy to ordinary shareholders. Average pay out ratios have been approximately 35% of net profit for the past two years (2011: 10%), allowing a significant growth in equity and ensuring the level is constantly higher than required by the Banks as disclosed in the note regarding bank loans. For this purpose, Management considers the equity as reported in the balance sheet.

Operational risk

The main operational risk for the Group is a shipping related incident. This risk is mitigated by chartering vessels less than 25 years old, with the appropriate insurance coverage and with the expertise from our shipping function.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current mid market price with an adjustment for bid/offer spreads on the net open positions. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

34. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's assets and liabilities that are measured at fair value are:

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial instruments	502,475	376,402	6,427	885,304
Other financial assets	10,259	-	-	10,259
Available-for-sale financial assets				
Other financial assets	1,726	-	97,236	98,962
Total assets	**514,460**	**376,402**	**103,663**	**994,525**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	316,529	309,767	70,713	697,009
Total liabilities	**316,529**	**309,767**	**70,713**	**697,009**

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial instruments	324,400	765,840	1,411	1,091,651
Other financial assets	15,308	-	-	15,308
Available-for-sale financial assets				
Other financial assets	-	-	70,000	70,000
Total assets	**339,708**	**765,840**	**71,411**	**1,176,959**
Financial liabilities at fair value through the profit and loss				
Derivative financial instruments	352,194	710,613	331	1,063,138
Total liabilities	**352,194**	**710,613**	**331**	**1,063,138**

Other financial assets such as long-term receivables, trade and other receivables, margin accounts with brokers, cash are measured at amortised cost using the effective interest method, less any impairment losses and financial liabilities as subordinated loans, loans, trade and other payables and short-term bank loans are measured at amortised cost using the effective interest method.

34. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Derivative financial instruments	Available-for-sale financial assets
Balance at 1 January	1,080	70,000
- in profit or (loss)	(577)	-
- in other comprehensive income	-	17,952
Purchases	-	9,283
Transfers into level 3	(64,789)	-
Total	**(64,286)**	**97,235**

The following table presents the changes in level 3 instruments for the year ended 31 December 2011.

	Derivative financial instruments	Available-for-sale financial assets
Balance at 1 January	(2,449)	70,000
- in profit or (loss)	3,529	-
- in other comprehensive income	-	-
Total	**1,080**	**70,000**

In 2012 the Group transferred a long dated physical forward coal contract from level 2 to level 3. This is due to the uncertainty of the market conditions, the lack of reliable market information and because of the Group's decision to reduce the period valued by one year.

If the change in the discount applied to the contract was to increase/decrease by one USD the impact on profit or loss would be USD 26,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. GROUP ENTITIES

The Group's ultimate parent company is Gunvor Group Ltd. The list of the principal subsidiaries in year 2012 are as follows:

Subsidiary	Country of incorporation	Ownership interest 2012	2011	Activity
Gunvor SA (ex Castor Petroleum Ltd)	Switzerland	100	100	Trading
Gunvor Singapore PTE Ltd (1)	Singapore	100	100	Trading
Gunvor (Bahamas) Limited	Bahamas	100	100	Trading
Gunvor International B.V. (2)	Netherlands	100	100	Trading
Waterway Petroleum Ltd	Bahamas	100	100	Trading
Gunvor Middle East DMCC	Dubai	100	100	Trading
Gunvor Belgium N.V.	Belgium	100	-	Marketing
Gunvor Deutschland GmbH	Germany	100	-	Marketing
Independent Belgian Refinery N.V.	Belgium	100	-	Refinery
Gunvor Raffinerie Ingolstadt GmbH	Germany	100	-	Refinery
URSA Shipping Sarl	Switzerland	100	100	Ship Charterer
Clearlake Shipping Pte Ltd	Singapore	100	100	Ship Charterer
JSC Rosneftbunker	Russia	100	100	Terminal
LLC Nevskaya Pipe Company (5)	Russia	50	100	Terminal
AS Tarcona	Estonia	100	100	Services
Gunvor OOO	Russia	100	100	Services
Gunvor Nigeria Ltd	Nigeria	100	100	Services
Soryx CIS LLC	Kazakhstan	100	100	Services
Gunvor Colombia SAS	Colombia	100	100	Services
Clearlake SA	Switzerland	100	100	Services
Gunvor Finance Ltd (4)	Cyprus	100	100	Services
Gunvor Mongolia LLC	Mongolia	100	-	Services
Gunvor Argentina SA	Argentina	100	-	Services
Port Union Oil Export Limited (3), (5)	Cyprus	50	100	Services
Gunvor (Schweiz) AG (ex Castor Energy S.A.)	Switzerland	100	100	Holding
Soryx S.A	Switzerland	100	100	Holding
Brightshore Overseas Ltd	British Virgin Islands	100	100	Holding
Castor Cayman Ltd	Cayman Islands	100	100	Holding
Pinebay AG	Switzerland	100	100	Holding
Pinesdale LLC	USA	100	100	Holding
Clearlake Invest Ltd	Cyprus	100	100	Holding
Sandmark Limited (3)	Cyprus	100	100	Holding
Capefar Limited	Cyprus	100	100	Holding
Centrosun Holdings Limited	Cyprus	100	100	Holding
Forebay Limited	Cyprus	100	100	Holding
Plusbay Limited	Cyprus	100	100	Holding
Vanderblue Limited	Cyprus	100	100	Holding
Sandmaster Limited	Cyprus	100	-	Holding
Sandbrook Limited	Cyprus	100	-	Holding
C-Blue Limited	Cyprus	100	-	Holding

35. GROUP ENTITIES (CONTINUED)

Subsidiary	Country of incorporation	Ownership interest 2012	Ownership interest 2011	Activity
J-Sun Limited	Cyprus	100	-	Holding
Coral Cay Pte. Ltd.	Singapore	100	-	Holding
Clearlake Shipping Ltd	British Virgin Islands	100	100	Dormant
Castor Energy Inc	USA	100	100	Dormant
Castor Americas Inc	USA	100	100	Dormant
Gunvor Petroleum Congo SAU	Congo	-	100	Liquidated in 2012
Palmpoint Ltd	Panama	-	100	Liquidated in 2012
Castor Petroleum Int'l Ltd	Panama	-	100	Liquidated in 2012

(1) The Company also operates through a branch in Beijing.

(2) The Company also operates through a branch in Geneva.

(3) The Company also operates through a branch in Moscow.

(4) The Company also operates through a branch in Sarnen.

(5) The Group disposed of 50% of the voting power in the Company and lost control over it and therefore does not consolidate it any longer.

36. OPERATING LEASES

Leases as lessee

The Group has leased several vessels under time charter terms. The leases typically run for a period from one to three years. Lease payments are fixed. None of the leases includes contingent rentals.

The Group has engaged in major long-term storage lease agreements for oil products in the past year for periods ranging from 1 to 10 years terms. These storage facilities are located in Singapore, The Netherlands, Israel, Denmark, France, Finland, Estonia, The Bahamas and Panama.

During the year, USD 183 million was recognised as an expense in the statement of comprehensive income in respect of operating leases (2011: USD 107 million).

36. OPERATING LEASES (CONTINUED)

Non-cancellable operating lease rentals are payable as follows:

	2012	2011
Less than one year	179,940	96,815
Between one and five years	331,383	135,142
After five years	70,507	21,652
Total	**581,830**	**253,609**

Leases as lessor

During the year several chartered vessels were sub-leased on single voyage basis to third parties. The rental income in respect of operating leases was recognised in the statement of comprehensive income in the amount of USD 33 million (2011: USD 13 million).

The time charter agreements of tankers with the duration from 1 to 3 years from the balance sheet date fix the rates of hire for the whole rental period. When any of the vessels are sub-let to third parties on a short-term basis, the rates of hire are determined by market conditions existing at that time.

37. Contingent liabilities

The Group does not have any material contingent liabilities as at 31 December 2012.

Guarantees

All transactional credit facilities as well as the revolving corporate facility granted by banks to Group companies are covered in full by corporate guarantees issued by the holding company of the Group.

Additionally, the holding company of the Group provided corporate guarantees to business counterparts that grant open credit lines to Group companies, for an aggregated amount of USD 1,771 million (2011: USD 1,404 million).

38. CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2012	2011
Property, plant and equipment	69,309	24,192
Total	**69,309**	**24,192**

39. RELATED PARTY TRANSACTIONS

The Group is controlled by Mr. Törnqvist and Mr. Timtchenko. These two individuals own the majority of the company's shares.

The following transactions were carried out with related parties:

(A) SALES OF GOODS AND SERVICES AND INTEREST INCOME

	Nature of transactions	2012	2011
Entities under common control	Sales of goods and services	3,934	10,348
Associates and Joint Ventures	Interest income	23,149	8,334
Shareholder	Interest income	4,291	1,496

Goods are sold to entities under common control based on terms that would be available to third parties.

Interest is charged to Associates and Joint Ventures on rates that would be available to third parties.

(B) PURCHASES OF GOODS AND SERVICES AND INTEREST EXPENSE

	Nature of transactions	2012	2011
Associates and Joint Ventures	Purchases of goods and services	63,028	-
Entities under common control	Purchases of goods and services	15,658,545	20,504,236
Acquisition of non-controlling interest		-	6,500
Entities under common control	Interest expense	1,426	-

Goods and services are bought from associates and entities under common control on normal commercial terms and conditions.

(C) DIRECTORS AND KEY MANAGEMENT COMPENSATION

The compensation paid or payable to Directors and key management for employee services is shown below:

	2012	2011
Short-term employee benefits	8,958	9,403
Share-based compensation	6,484	3,933

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(D) YEAR-END BALANCES ARISING FROM SALES/PURCHASES OF GOODS/SERVICES/FINANCING

	Nature of transactions	2012	2011
Receivables from related parties (Note 10 and 16)			
Entities under common control	Sales of goods and services	3,804	1,812
Associates and Joint Ventures	Financing	338,072	177,441
Associates and Joint Ventures	Prepayments	1,853	-
Shareholders	Financing	179,994	103,310
Shareholders	Unreceived share catpial	11,700	-
Payables to related parties (note 21)			
Associates and Joint Ventures	Purchase of goods and services	1,945	-
Entities under common control	Purchase of goods and services	25,650	861,810
Shareholders	Dividends payable	22,979	-

The receivables and payables from and to related parties arise from sale and purchase transactions under normal commercial terms and conditions. They are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2011: NIL).

The loans receivable from Associates and Joint Ventures are denominated in US Dollars except for the amount of USD 22,428 (2011: USD 15,252) that is denominated in Swedish Krona and the amount of USD 7,523 (2011: USD Nil) that is denominated in Russian Rouble. These loans bear interest at rate of 2% - 15% (2011: 2% - 10%) and are repayable on demand if short-term and by year 2020 if long-term. The loan receivable from shareholders are denominated in US Dollar, bear interest at 3.5%, are repayable on demand and can be set off against dividends.

40. GROUP'S INSURANCE POLICY

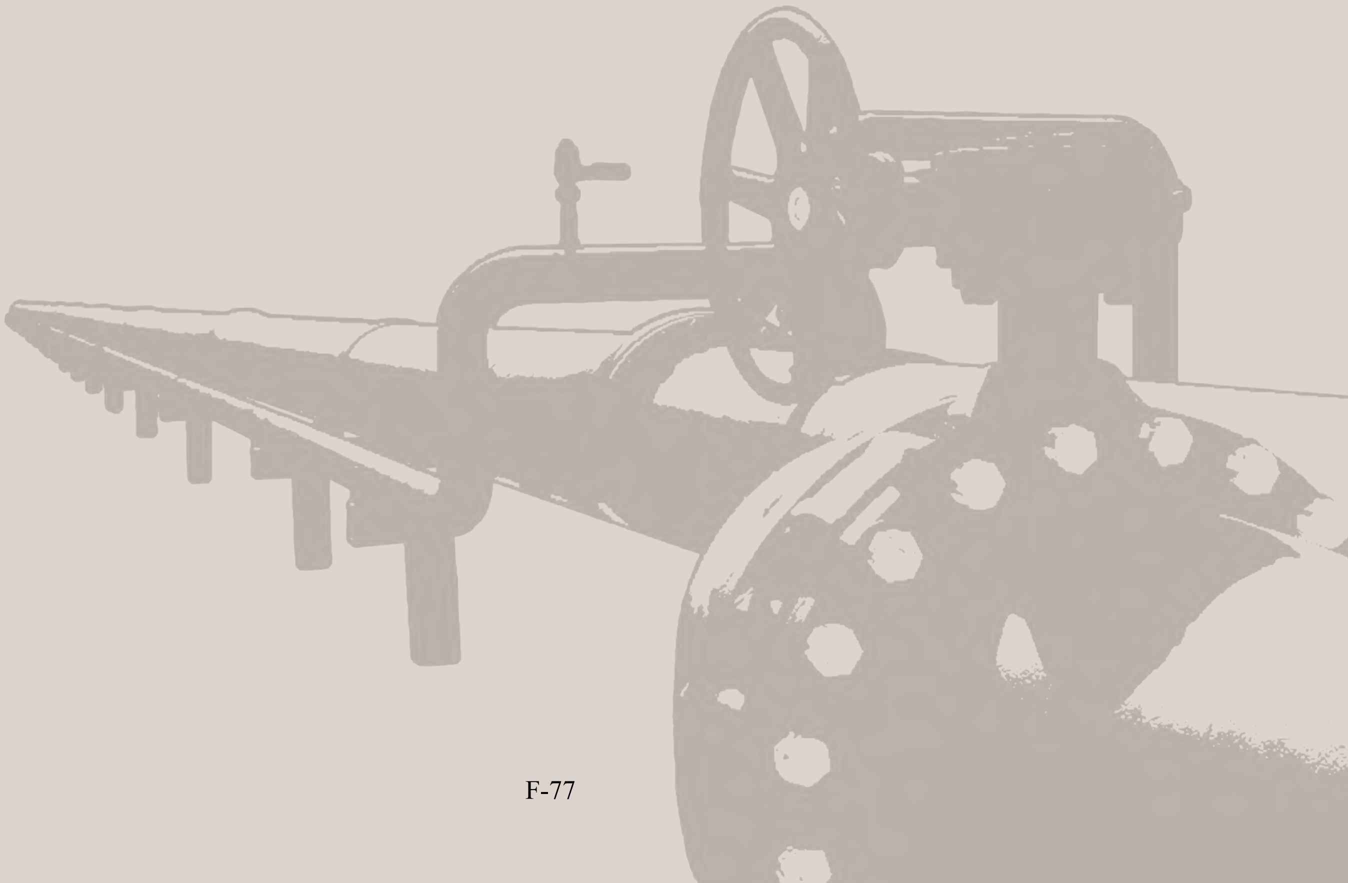
The Group has a broad insurance program in place that provides coverage for its assets and operations at a level considered to be appropriate for the risks associated therewith. Such insurance protection is maintained with leading international insurance providers with credit rating A- or higher from Standard & Poor's or a comparable rating from an internationally recognized credit rating agency. Such insurances include coverage for physical loss and damage to assets, cargo or vessels as well as third party liabilities, including pollution. Assets such as refineries and terminals are insured on the Estimated Maximum Loss basis or for replacement values. Gunvor is committed to the highest standards of international best practice in shipping and all chartered vessels are IACS classed with full P&I cover of a member of International Group of P&I Clubs and all are under 25 years of age. The Group is fully protected against an unlikely event of any accident or oil spill by a comprehensive Charterer's Liability Policy in the amount of USD 1 billion per event.

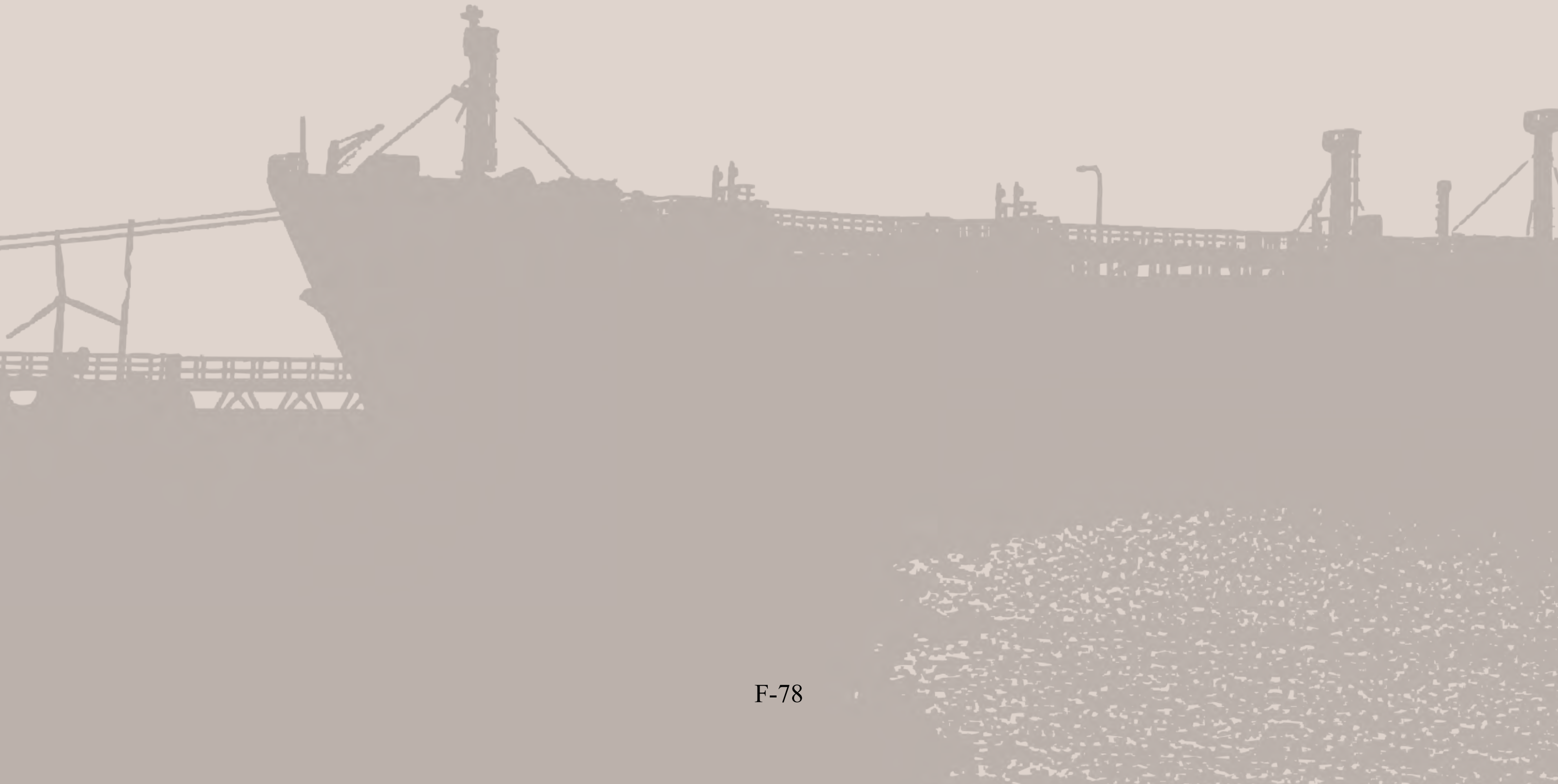
The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 34.

41. EVENTS AFTER THE REPORTING PERIOD

The current financial situation in Cyprus does not materially affect the Company or any of its related entities. While the Company and some of its investments are located in Cyprus, they do not keep material deposits in the country's banks.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.





Report of the Independent auditor on the consolidated financial statements

pwc

Independent auditor's report
To the Members of Gunvor Group Ltd

Report on the financial statements

We have audited the accompanying financial statements of parent company Gunvor Group Ltd (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Ltd, Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F:+357 - 22 555 001, www.pwc.com/cy

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Gunvor Group Ltd as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012.

Constantinides

Andreas Th. Constantinides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 5 April 2013

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Gunvor Group Ltd
Nicosia, Cyprus

formerly Clearwater Advisors Corp.
in the British Virgin Islands

Consolidated annual report
for the year ended 31 December 2011

Contents

Board of Directors and other Officers

Board of Directors:	Sven A. Olsson (appointed 3 January 2011) Jacques R. Erni (appointed 3 January 2011) Christina Hadjigeorgiou (appointed 3 January 2011) Emilios Kallenos (appointed 3 January 2011) Menikos Yiannakou (appointed 3 January 2011) Alexis Serracin (resigned 3 January 2011) Bernal Zamora (resigned 3 January 2011) Gabriella Bell (resigned 3 January 2011)
Company Secretary:	Cypcosecretarial Limited
Registered office:	48 Themistocles Dervis Street Athienitis Centennial Building Office 501 1066 Nicosia Cyprus

Report of the Board of Directors

02

The Board of Directors presents its report and consolidated financial statements of Gunvor Group Ltd and its subsidiaries (the Group) for the year ended 31 December 2011.

Re-domiciliation and merger

The Company is domiciled in Cyprus as from 3 January 2011. Before the re-domiciliation, the Company was called Clearwater Advisors Corp and was registered and domiciled in the British Virgin Islands.

The Group's management decided to merge the Company with its direct fully owned subsidiary Gunvor Cyprus Holding Limited, a company registered in Cyprus, on 30 June 2011. The relevant court approval was obtained. In line with this, all assets and liabilities of the subsidiary were merged into those of the Company.

Principal activities

The Group is engaged in trading crude oil, refined oil products, LNG, natural gas, coal and emissions and provides shipping services for the arrangement of logistics of the goods from its initial source to the location of the buyer. The main trading centres of the Group are in Geneva, Singapore and The Bahamas. The Group also operates through service centres, representative offices and branches in other locations. Details are presented in note 34. The Group also heavily invests in logistical infrastructure related to trading.

Review of current position, future developments and significant risks

The Group's Management is pleased with the development of the business to date, and the financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 4 and 5 of the financial statements.

Results and Dividends

The Group's results for the year are set out on page 6. Due to the investment considerations of the Group and the respective need for immediate financing of these, the Board of Directors did not recommend the payment of a dividend in year 2011 (2010: USD 125,000) and the net profit for the year is retained. It is probable that a dividend will be considered and paid in first semester 2012 out of the profits of the year 2011.

Share capital

The changes in the authorised and issued share capital of the Company during the year under review are stated in note 18 of the consolidated financial statements.

Board of Directors
The members of the Group's Board of Directors as at 31 December 2011 and at the date of this report are presented on page 1. Appointments and resignations of Directors throughout the year ended 31 December 2011 are as stated on page 1.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 40 to the financial statements.

Independent Auditors
The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Jacques R. Erni
Director
Nicosia, 5 April 2012

Consolidated statement of financial position

04

(In thousands of USDs)	**Note**	**2011**	**2010**
ASSETS			
Non-current assets			
Property, plant and equipment	6	922,899	716,878
Intangible assets	7	102,540	102,540
Investments in associates and joint ventures	12	457,007	62,406
Long-term receivables	19	69,031	19,600
Deferred tax assets	11	34,382	29,305
Derivative financial instruments	16	151,936	78,476
		1,737,795	**1,009,205**
Current assets			
Other financial assets	8	85,308	124,659
Inventories	9	4,077,317	3,355,869
Tax receivable		3,490	970
Prepayments to suppliers	13	449,611	111,367
Trade and other receivables	14	4,186,955	2,922,142
Derivative financial instruments	16	939,715	635,547
Margin account with brokers	15	482,306	832,095
Cash	17	1,017,777	717,606
		11,242,479	**8,700,255**
TOTAL ASSETS		**12,980,274**	**9,709,460**

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
(continued)

(In thousands of USDs)	**Note**	**2011**	**2010**
EQUITY			
Share capital	18	5,650	5,000
Share premium	18	105,222	44,339
Fair value reserve - other financial assets	18	38,400	38,400
Retained earnings		1,806,850	1,484,363
Total equity attributable to equity holders of the Company		**1,956,122**	**1,572,102**
Non-controlling interests		-	3,942
Total equity		**1,956,122**	**1,576,044**
LIABILITIES			
Non-current liabilities			
Loans	23	842,280	233,253
Deferred tax liabilities	11	26,987	24,486
Retirement benefit obligations	30	7,817	2,948
Derivative financial instruments	16	106,164	47,991
		983,248	**308,678**
Current liabilities			
Current tax liabilities		21,044	53,683
Provisions	20	4,000	1,000
Trade and other payables	21	5,363,401	4,614,683
Prepayments from customers	22	58,209	46,066
Derivative financial instruments	16	956,974	936,268
Margin account with brokers	15	38,382	1,701
Short-term bank loans	24	3,598,894	2,171,337
		10,040,904	**7,824,738**
Total liabilities		**11,024,152**	**8,133,416**
TOTAL EQUITY AND LIABILITIES		**12,980,274**	**9,709,460**

On 5 April 2012 the Board of Directors of Gunvor Group Ltd authorised these financial statements for issue.

Sven A. Olsson Director	Jacques R. Erni Director	Christina Hadjigeorgiou Director

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(In thousands of USDs)	Note	2011	2010
Revenue	25	87,292,190	68,603,673
Cost of sales	26	(85,852,073)	(67,934,993)
		1,440,117	**668,680**
Change in fair value of derivative financial instruments		(630,137)	(113,288)
Gross profit		**809,980**	**555,392**
Other operating income	28	9,379	19,356
Other operating expenses	27	(449,568)	(308,649)
Operating profit		**369,791**	**266,099**
Finance income	31	25,567	25,624
Finance expense	31	(34,507)	(7,822)
Net finance (costs) / income		**(8,940)**	**17,802**
Share of results of associates and joint ventures		(4,464)	(3,345)
Profit before income tax		**356,387**	**280,556**
Income tax expense	10	(26,729)	(19,628)
Profit for the year		**329,658**	**260,928**
Attributable to:			
Equity holders of the Company		327,535	257,553
Non-controlling interests		2,123	3,375
Profit for the year		**329,658**	**260,928**
Fair value gain on available-for-sale financial assets		-	38,400
Other comprehensive income for the year		**-**	**38,400**
Total comprehensive income for the year		**329,658**	**299,328**
Attributable to:			
Equity holders of the Company		327,535	295,953
Non-controlling interests		2,123	3,375
Total comprehensive income for the year		**329,658**	**299,328**

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

(In thousands of USDs)	**Note**	**2011**	**2010**
Operating activities			
Cash receipts from customers		76,541,852	64,529,178
Cash paid to suppliers		(76,486,453)	(61,938,279)
Derivative instruments		(286,930)	(132,400)
Bank charges paid		(92,875)	(67,692)
Interest received		3,696	3,786
Interest paid		(75,999)	(61,296)
Income taxes paid	10	(54,577)	(47,418)
Cash receipts from other receivables		63,835	68,374
Cash paid for other operating expenses		(312,283)	(243,612)
Cash receipts from insurance		4,252	2,135
Cash paid for insurances		(8,923)	(8,389)
Net cash (used in) / generated from operating activities		**(704,405)**	**2,104,387**
Investing activities			
Proceeds on disposal of a subsidiary		-	572
Purchases of property, plant and equipment	6	(240,885)	(201,596)
Proceeds on disposal of property, plant and equipment	6	363	88
Investment in associates	12	(370,234)	(37,297)
Loan repayments received from related parties	38	17,720	24,312
Loans granted to related parties	38	(249,791)	(53,243)
Acquisition of financial assets at fair value through profit and loss	8	(40,324)	(42,458)
Proceeds on disposal of financial assets at fair value through profit and loss	8	73,871	9,030
Dividends received		1,519	652
Net cash used in investing activities		**(807,761)**	**(299,940)**

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(continued)

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(In thousands of USDs)	**Note**	**2011**	**2010**
Financing activities			
Increase / (decrease) in overdraft facility	24	1,180,175	(1,361,483)
Purchase of ownership interest in subsidiaries	33	(6,500)	-
Proceeds from issuance of new shares	18	4,973	6,831
Dividends paid to the equity holders of the Company	18	(8,514)	(153,181)
Dividends paid to non-controlling interests		(4,100)	(2,500)
Proceeds from borrowings	23	642,777	-
Net cash generated from / (used in) financing activities		**1,808,811**	**(1,510,333)**
Net increase in cash and cash equivalents		**296,645**	**294,114**
Cash at 1 January		717,606	425,722
Exchange gains / (losses) on cash		3,526	(2,230)
Cash at 31 December	17	**1,017,777**	**717,606**

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(In thousands of USDs)		Attributable to equity holders of the Company						
	Note	**Share capital USD**	**Share premium[1] USD**	**Fair value reserve - other financial assets USD**	**Translation reserve USD**	**Retained earnings[2] USD**	**Non-controlling interests USD**	**Total USD**
Balance at 1 January 2010		**5,000**	**4,658**	**-**	**(2,114)**	**1,352,142**	**4,849**	**1,364,535**
Comprehensive income:								
Profit for the year		-	-	-	-	257,553	3,375	260,928
Other comprehensive income:								
Fair value reserve - other financial assets								
Fair value adjustment		-	-	38,400	-	-	-	38,400
Currency translation differences		-	-	-	2,114	(332)	(1,782)	-
Total comprehensive income		**-**	**-**	**38,400**	**2,114**	**257,221**	**1,593**	**299,328**
Transactions with owners:								
Issue of Class C shares	18	-	6,831	-	-	-	-	6,831
Dividends		-	-	-	-	(125,000)	(2,500)	(127,500)
Class D shares to be issued for share based remuneration	18	-	32,850	-	-	-	-	32,850
Total transactions with owners		-	39,681	-	-	(125,000)	(2,500)	(87,819)
Balance at 31 December 2010		**5,000**	**44,339**	**38,400**	**-**	**1,484,363**	**3,942**	**1,576,044**

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
(continued)

(In thousands of USDs)	Note	Share capital USD	Share premium(1) USD	Fair value reserve - other financial assets USD	Translation reserve USD	Retained earnings(2) USD	Non-controlling interests USD	Total USD
		Attributable to equity holders of the Company						
Balance at 1 January 2011		**5,000**	**44,339**	**38,400**	**-**	**1,484,363**	**3,942**	**1,576,044**
Comprehensive income:								
Profit for the year		-	-	-	-	327,535	2,123	329,658
Total comprehensive income		**-**	**-**	**-**	**-**	**327,535**	**2,123**	**329,658**
Transactions with owners:								
Issue of Class D shares	18	137	5,933	-	-	-	-	6,070
Other movements in share capital	18	513	-	-	-	(513)	-	-
Dividends		-	-	-	-	-	(4,100)	(4,100)
Class D shares to be issued for share based remuneration	18	-	54,950	-	-	-	-	54,950
Total transactions with owners		**650**	**60,883**	**-**	**-**	**(513)**	**(4,100)**	**56,920**
Other movements:								
Acquisition of non-controlling interests		-	-	-	-	(4,535)	(1,965)	(6,500)
Balance at 31 December 2011		**5,650**	**105,222**	**38,400**	**-**	**1,806,850**	**-**	**1,956,122**

(1) Share premium is not available for distribution by way of dividend.

(2) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% (15% to 31 August 2011) will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The accompanying notes on pages 11 to 66 are an integral part of these consolidated financial statements.

1. General information

Gunvor Group Ltd (the ''Company'') is domiciled in Cyprus and its registered office is at 48 Themistocles Dervis Street, Office 501, 1066 Nicosia, Cyprus. Before the redomiciliation to Cyprus on the 3 January 2011, the company was called Clearwater Advisors Corp and was domiciled in the British Virgin Islands. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group"). Gunvor Group Ltd is the ultimate parent of the Group.

The Group is engaged in trading crude oil, refined oil products, LNG, natural gas, coal and emissions and provides shipping services for the arrangement of logistics of the goods from its initial source to the location of the buyer. The main trading centres of the Group are in Geneva, Singapore and The Bahamas. The Group also operates through service centres, representative offices and branches in other locations. Details are presented in note 34. The Group also heavily invests in logistical infrastructure related to trading.

All amounts stated in this annual report are expressed in thousands of United States Dollars (USD).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

(b) Basis of preparation

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2011 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the following:

- Certain provisions of IAS 39 ''Financial Instruments: Recognition and Measurement'' relating to portfolio hedge accounting.

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Inventories are measured at fair value less costs to sell
- Financial assets at fair value through profit and loss
- Available for sale financial assets are measured at fair value.

2. Basis of preparation (continued)

The methods used to measure fair values are discussed in note 4.

(c) Use of accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are summarized below:

Valuation of open physical contracts related to oil products
Management estimates the premiums and discounts used for valuing open physical contracts based on observable market data.

Valuation of open physical contracts related to energy derivatives
Derivative contracts are carried in the Balance Sheet at fair value, with changes in fair value recorded in the statement of comprehensive income. Energy derivatives relate to power, coal, freight, LNG, natural gas and emissions. Fair values of energy derivatives are estimated using valuation techniques by reference in part to published price quotations in active markets and in part by using assumptions.

Valuation of available for sale financial assets
Management determines the fair value of its available for sale financial asset, which is not quoted in an active market, by using valuation techniques. The Group has used a discounted cashflow analysis incorporating a number of assumptions especially in respect of volumes, price and discount rate at the end of each period.

3. Significant accounting policies

The accounting policies set out below have been applied by all Group entities consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and generally accompanying a shareholding of more than one half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. Significant accounting policies (continued)

The aquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses and other comprehensive income is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised directly in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. Significant accounting policies (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interest
The Group applies a policy of treating transactions with non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Joint ventures
The Group's interests in jointly controlled entities are accounted using the equity method of accounting. The Group's investment in joint ventures is disclosed as a non-current asset on the balance sheet and the Group's share of the jointly controller entities' profits or losses and other comprehensive income is recognised in the statement of comprehensive income, and its share of movements in reserves is recognised directly in reserves.

3. Significant accounting policies (continued)

(b) Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the parent company's functional currency and the Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'finance income/(expense)'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the reporting date;
b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
c) all resulting exchange differences are recognised as a separate component of equity;
d) equity is translated at historical cost.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences are recognised in equity.

3. Significant accounting policies (continued)

(c) Financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in available for sales investments, other financial assets, trade and other receivables, margin account with brokers, cash and cash equivalents, subordinated loans, trade and other payables and loans.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset.

Cash and cash equivalents comprise cash balances and call deposits.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

- *Financial assets at fair value through profit or loss*
  Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current. As the Group's investments in this category are in listed securities, fair values are based on current bid prices of these quoted investments. Gains or losses arising from changes in the fair value as well as transaction costs of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'finance income' in the period in which they arise.

3. Significant accounting policies (continued)

- *Available-for-sale financial assets*
  Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative fair value adjustments recognised in equity are included in the statement of comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses.

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables, margin accounts with brokers and cash and cash equivalents are classified as loans and receivables and are carried at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

- *Financial liabilities measured at amortised cost*
  Subordinated loans, trade and other payables and loans are classified as financial liabilities measured at amortised cost and are measured at amortised cost using the effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Derivative financial instruments
Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss and are measured at fair value, and changes therein are recognised in profit or loss.

The Group uses derivative financial instruments to hedge its exposure to the commodity price as well as to the foreign exchange exposure. The Group does not apply hedge accounting principles to derivative instruments that economically hedge the commodity price risks arising from trading activities. Changes in the fair value of such derivatives are hence recognised as gains and losses on derivative instruments and are reported on a net basis in the statement of comprehensive income. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes unless approved.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

Derivative financial instruments are recognised initially and measured subsequently at fair value; attributable transaction costs are recognised in profit or loss when incurred. Fair values of derivatives are determined on the basis of market prices. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income in a separate line item in the gross profit or loss.

Certain contracts to purchase and sell commodities are required to be accounted as if the contracts were financial instruments. These are contracts where the Group has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit. Such contracts are recognised at fair value based on market prices with gains and losses recognised in income.

(d) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Gains or losses arising on the disposal of treasury shares and/or cancellation of share capital are recognised within retained earnings directly in shareholders' equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

(e) Dividends

Interim dividends are recognised in equity in the year in which they are declared. Final dividend distribution to the Group's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

(f) Property, plant and equipment

Property, plant and equipment comprise mainly of buildings under construction, infrastructure, machinery and equipment and office equipment. Property, plant and equipment is stated at cost less accumulated depreciation. Cost consists of purchase cost, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost can be reliably measured. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies (continued)

Land is not depreciated. Depreciation is calculated on other items of property, plant and equipment so as to write off its cost, less estimated residual values, on a straight-line basis over the estimated useful lives of the assets concerned. The estimated useful lives are:

■ Building and infrastructure	30 years
■ Office equipment	10 years
■ Machinery and equipment	2 - 7 years
■ Computer and related software	3 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of the impairment loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' or 'other operating expenses' in the statement of comprehensive income.

Work in progress is stated at cost. When the asset is ready for its intended use, it is transferred from work in progress to the appropriate category under property, plant and equipment and depreciated in accordance with the Group's policies.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the asset until such time the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense when incurred.

3. Significant accounting policies (continued)

(h) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of an acquisition over the fair value of the Group's interest in the net identifiable assets of the acquired subsidiary at the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(j) Inventories

Trading inventories are measured at fair value less costs to sell. The fair value of inventories is determined based on market prices including premiums or discounts for location and quality. Costs to sell are estimated depending on specific contractual conditions, location of the buyer, historical experience and present assessments of costs related to similar transactions. Changes in fair value less costs to sell are recognised in the statement of comprehensive income in the period of the change within cost of sales.

3. Significant accounting policies (continued)

(k) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Employee benefits

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Group recognises a liability and an expense for bonuses and profit-sharing, where contractually obliged or where there is a past practice that has created a constructive obligation.

Share based payments
Certain employees of the Group participate in an equity compensation plan which is equitysettled. The fair value of all equity compensation awards granted to employees is estimated at the grant date and recorded as an expense over the vesting period. The expense is charged to the appropriate statement of comprehensive income heading within the operating results. An increase in equity is recorded for this expense and any subsequent cash flows are recorded as changes in equity.

Pension obligations
The Group has a defined benefit plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

3. Significant accounting policies (continued)

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, and amendments to pension plans are charged or credited to income over the expected average remaining service lives of the related employees.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the service period). In this case, the past-service costs are amortised on a straight-line basis over the service period.

(m) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(n) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expected expenditure at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

Onerous contracts
A provision for onerous contracts is recognised when the economic benefits expected to be derived by the Group under a contract are lower than the unavoidable cost of meeting its obligations under it.

(o) Contingent liabilities

Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are disclosed in the notes as contingent liabilities, unless the outflow of resources is probable and the amount can be reliably measured where the liability is recognised in the consolidated statement of financial position.

3. Significant accounting policies (continued)

(p) Revenue and expenses

Goods sold

Revenue from the sale of commodities is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. For wholesale sales of oil products it is either at the point of delivery or the point of receipt, depending on contractual conditions.

For goods sold where the sales price is contractually determined on a future quotation, revenue is recognised on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional and final pricing is typically between 30 and 90 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative which is closely related to the host contract. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Shipping rental income

Rental income from vessels leased out is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as a part of the total rental income.

(q) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest rate method and is presented below 'operating profit'.

Interest income on prepayments for crude oil or refined petroleum is presented within 'other operating income'.

Finance expenses comprise interest expense on borrowings not directly attributable to trade transactions and foreign exchange losses. Interest expense is recognised in the statement of comprehensive income using the effective interest method and is presented below operating profit.

Interest expense on short-term bank loans which are directly related to trade transactions is presented within 'cost of sales'.

3. Significant accounting policies (continued)

(r) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

3. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)
(1) Standards and Interpretations adopted by the EU
Amendments

- Amendments to IFRS 7 - «Financial Instruments: Disclosures» on derecognition of financial instruments (effective for annual periods beginning on or after 1 July 2011).

(2) Standards and Interpretations not adopted by the EU
New standards

- IFRS 9 ''Financial Instruments'' (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 ''Consolidated Financial Statements'' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 ''Joint Arrangements'' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 ''Disclosure of Interests in Other Entities'' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 ''Fair value measurement'' (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 «Consolidated and Separate Financial Statements « (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 «Investments in Associates and Joint Ventures» (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IAS 12 "Income Taxes" on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

New IFRICs

- IFRIC 20: ''Stripping Costs in the Production Phase of a Surface Mine'' (effective for annual periods beginning on or after 1 January 2014).

3. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

The Board of Directors is yet to assess the full impact of these standards and interpretations.

Comparatives

Where necessary, comparative figures have been represented to conform with the presentation in the current year, in particular in notes 6, 25, 26, 27, 30 and 32. None of the representations have a significant impact on the overall presentation of the financial statements.

4. Fair value estimation

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) Inventories

The fair value of inventories is determined based on market prices including premiums or discounts for location and quality. If a listed market price is not available, then fair value of physical inventories of refined petroleum products, crude oil, coal, emission certificates, LNG and natural gas is determined based on a benchmark which reflects an estimated market selling price in the ordinary course of business.

(b) Derivatives

The fair value of commodity futures, swaps, options and contracts to purchase and sell commodities in an active market as at the balance sheet date is the amount that the Group would receive or pay, based on the quoted market prices of the corresponding products, to terminate the derivative financial instrument at the reporting date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

The Group is exposed to a number of external factors which may impact its profitability. It is our policy to identify and actively manage such risks. Specifically, the Group is exposed to commodity price risk, credit risk, interest rate risk and currency risk. Centralized risk management and finance teams are responsible to monitor and mitigate the overall risk exposure within approved guidelines. The main tool to manage risk across the Group entities is a proprietary information system consolidating trade positions and financial exposure on a daily and global basis. The Group is owned by private individuals since inception more than 10 years ago. This direct ownership motivates a long-term view towards building equity, monitoring and prudent risk taking in each business decision.

Commodity price risk

The Group is exposed to price movements for the inventory they hold, and for sale or purchase contracts where physical products are to be delivered in the future. The Group manages this exposure through futures, swap and options transactions on world-wide commodity exchanges or in Over-The-Counter markets (OTC). The Group enters in OTC transactions with high credit counterparties either on an open account basis or covered by letters of credit. Commodity price risk management is a fully integrated part of our trading activities. The fair value of financial instruments used to hedge commodity price risk is included as assets or liabilities towards derivative counterparties including futures brokers. The use of derivative instruments is confined to specialists with skills and experience who operate under Management's supervision and continuous reporting through our world-wide trading system. The overall trading positions can be monitored daily to ensure proper hedging of price exposure.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. More than 50% of the Group's customers have been transacting with the Group for over five years. No material losses have been recorded. In monitoring customer credit risk, customers are grouped according to their credit characteristics. New customers can only be accepted once they are accepted by risk and treasury management after an assessment of the profile, type of trades and financial security provided such as Letter of Credit or Parent Company Guarantee. Open account terms are granted to most major counterparties.

The Group's credit risk is significantly mitigated since all of its customers are spread across a wide geographic spectrum that have either high credit-rating or strong past experience.

At the initial phase of the negotiation, the Group analyses the creditworthiness of the customer by ensuring that:

(i) the customer has a strong past experience without delinquency of payments; or
(ii) the customer has good track record with international banks.

5. Financial risk management (continued)

Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its payment obligations when due, it is unable to borrow funds from its banks or from the market or it is in breach of covenants.

The Group mainly relies on its equity-base and short-term overdrafts to finance its working capital needs. The working capital cycle is usually short and ranges between 15 and 60 days. The Group has put in place a diversified pool of banks to ensure availability of credit lines for its liquidity needs. Furthermore, in 2011, Gunvor International BV, Gunvor SA and Gunvor Singapore PTE Ltd have raised a syndicated bank loan for USD 1,550 million (2010: USD 1,060 million) which improves working capital requirements and helps manage liquidity risks.

Currency risk
Currency risk represents the risk of losses from movements in exchange rates related to balances in currencies other than the USD.

The majority of the Group's sales, purchases and borrowings are denominated in USD which is also the functional and presentation currency of the parent company and most of the operating subsidiaries. Non-USD transactions are mainly operational expenses, payables, receivables or cash on bank accounts primarily in Swiss Francs, Euro, Singaporean Dollars and Rubbles. Management has set up guidelines to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts transacted through external financial institutions.

The impact of foreign currency exchange gains or losses is recognised immediately in the statement of comprehensive income during the monthly reporting cycles. The impact of a sudden adverse currency movement, in particular a weakening of the USD, will not significantly impact the results of the Group. The main exposure of the Group is a Euro-denominated loan (see note 24) provided by an international financial institution. The payment of the interest commenced in 2011 and the principal repayment will commence in 2015. The Group hedged this exposure in order to gradually reduce the amount at risk to less than 66% (2010: less than 70%).

At 31 December 2011, a strengthening of 10% of the Euro would negatively impact the statement of comprehensive income and equity by USD 22 million (2010: USD 10 million).

Interest rate risk
The Group is exposed to risks associated with the effects of fluctuations in the underlying interest rate. The operations are to a great extent financed with overdraft and other short-term loan facilities provided by first-class banks at variable floating rates. The Group does not use specific instruments to manage interest rate risk and is exposed to the cash flow risk of USD Libor fluctuations.

5. Financial risk management (continued)

Capital risk management

Management's policy is to maintain a strong equity base so as to maintain banks and market confidence and to sustain future development of the business. Management monitors return on capital and determine the dividend policy to ordinary shareholders. Average pay-out ratios have been approximately 10 % of net profit for the past two years (2010: 17%), allowing a significant growth in equity and ensuring the level is constantly higher than required by the Banks as disclosed in the Note regarding Bank Loans. For this purpose, Management considers the equity as reported in the balance sheet.

Operational risk

The main operational risk for the Group is a shipping-related incident. This risk is mitigated by chartering vessel less than 20 years old, with the appropriate insurance coverage and with the expertise from our shipping function.

6. Property, plant and equipment

	Infrastructure	Machinery and equipment	Office equipment	Work in progress	Total
Cost					
Balance at 1 January 2010	**-**	**8,367**	**8,652**	**504,592**	**521,611**
Additions	9,748	6,923	5,527	196,098	218,296
Disposals	-	(1,112)	(23)	(11,203)	(12,338)
Balance at 1 January 2011	**9,748**	**14,178**	**14,156**	**689,487**	**727,569**
Additions	-	81,714	7,771	142,807	232,292
Disposals	-	(1,076)	(1,229)	-	(2,305)
Transfer	372,646	-	-	(372,646)	-
Balance at 31 December 2011	**382,394**	**94,816**	**20,698**	**459,648**	**957,556**
Depreciation					
Balance at 1 January 2010	**-**	**3,693**	**2,977**	**-**	**6,670**
Charge for the year	-	2,557	1,542	-	4,099
Disposals	-	(64)	(14)	-	(78)
Balance at 1 January 2011	**-**	**6,186**	**4,505**	**-**	**10,691**
Charge for the year	11,517	10,963	2,416	-	24,896
Disposals	-	(612)	(318)	-	(930)
Balance at 31 December 2011	**11,517**	**16,537**	**6,603**	**-**	**34,657**
Net book amount					
Balance at 31 December 2011	**370,877**	**78,279**	**14,095**	**459,648**	**922,899**
Balance at 31 December 2010	**9,748**	**7,992**	**9,651**	**689,487**	**716,878**

During the year, the group capitalised borrowing costs amounting to USD 15,356 (2010: USD 21,718) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.7%.

6. Property, plant and equipment (continued)

Depreciation expense of USD Nil (2010: Nil) has been charged in 'cost of sales' and USD 24,896 (2010: 4,099) in 'other operating expenses'.

In the consolidated statement of cash flow, proceeds from sale of property, plant and equipment comprise:

	2011	**2010**
Net book amount	1,375	12,260
Loss on disposal	(1,012)	(12,172)
Proceeds from disposal of property, plant and equipment	**363**	**88**

7. Intangible assets

	Goodwill
Cost	
Balance at 1 January 2010	**107,839**
Balance at 1 January 2011	**107,839**
Balance at 31 December 2011	**107,839**
Accumulated impairment	
Balance at 1 January 2010	**5,299**
Balance at 1 January 2011	**5,299**
Balance at 31 December 2011	**5,299**
Net book amount	
Balance at 31 December 2011	**102,540**
Balance at 31 December 2010	**102,540**

Goodwill is allocated to the Group's identified cash-generating units (CGUs), which are expected to benefit from the business combination in which the goodwill arose. The allocation of goodwill is presented below:

CGU	**Goodwill**
Terminal activities	76,471
Crude oil trading activities	26,069
	102,540

7. Intangible assets (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. Management is confident that the projections are reliable and demonstrate the project's ability to generate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations in respect of goodwill allocated for terminal activities were 2% as growth rate and 14.33% as discount rate in 2011 (2010: respectively 2% and 13.33%). For crude oil trading activities, the growth rate and the discount rate used were respectively 0% and 15% (2010: respectively 2% and 15%).

A reasonable change in any of the key assumptions above would not cause the CGU's carrying amount to exceed its recoverable amount.

8. Other financial assets

	2011	**2010**
Balance at 1 January	**124,659**	**41,482**
Additions during the year	46,366	42,458
Disposals during the year	(71,103)	(9,030)
Unrealised gain / (loss) through profit and loss	(14,614)	11,349
Gains / (losses) on revaluation of financial assets	-	38,400
Balance at 31 December	**85,308**	**124,659**

Other financial assets mainly represent listed and unlisted securities.

The fair value of unlisted securities, which represent a non-controlling interest in a terminal in Panama, is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

At end of year 2010, the Group re-computed the fair value of this investment, which resulted in an increase of USD 38,400. In 2011 the fair value of this investment remained materially unchanged. The growth rate and discount rate used for the assessment of the fair value were 0.5% and 10.1% respectively.

The fair value of listed securities is determined using current bid prices in an active market. Cash flows associated with financial assets at fair value through profit or loss are presented within 'investing activities' in the cash flow statement.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

9. Inventories

	2011	2010
Refined petroleum products	3,011,673	2,155,993
Crude oil	922,162	1,123,066
Coal	20,520	17,368
Gas	98,868	44,328
Emissions	1,155	4,407
Building materials	5,542	9,500
Other	17,397	1,207
Total inventories	**4,077,317**	**3,355,869**

Inventories include stocks in transit in rail tanks, oil and gas terminals and vessels. At 31 December 2011 inventories were carried at fair value less costs to sell except for bunker fuel inventory on tankers for own consumption of USD 3,128 (2010: USD 9,751) and building materials of USD 5,542 (2010: USD 9,500) which were carried at cost.

Inventories recognised as an expense in the statement of comprehensive income and included in 'Cost of sales' amounted to USD 85,689,943 (2010: USD 67,843,393).

Details of pledges on inventories are disclosed in note 24.

10. Current income tax

	2011	2010
Current tax expense		
Current income tax expense	29,305	16,848
Deferred tax income (Note 11)	(2,576)	2,780
	26,729	**19,628**

10. Current income tax (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

		Represented
	2011	**2010**
Profit before income tax	356,387	280,556
Income tax using the domestic corporation tax rate of 10% (2010: 0%)	35,639	-
Tax calculated at domestic tax rates applicable to profits in the respective countries	(9,353)	19,858
Tax effect of expenses not deductible for tax purposes	508	-
Adjustment in respect of prior years	(65)	(230)
Tax expense	**26,729**	**19,628**

In year 2010 Gunvor Group Ltd was registered in the British Virgin Islands and due to the local tax legislation was not subject to income tax.

As from 3 January 2011 and following the re-domiciliation of the Company in Cyprus, the corporation tax rate is 10%. Further, under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 31 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% (15% to 31 August 2011), increased to 20% from 1 January 2012 to 31 December 2013.

All subsidiaries of the Group are subject to taxation in the country of their operation and their tax rates vary from 0% to 30%.

11. Deferred income tax

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax liabilities	2011	2010
Balance at 1 January	**24,486**	**25,459**
Charged / (credited) through profit or loss	2,501	(973)
Balance at 31 December	**26,987**	**24,486**

Deferred income tax liabilities mainly relate to temporary differences resulting from capitalisation of interest expenses and differences in the valuation method of the inventory.

The full amount is expected to be realised after more than 12 months.

Deferred tax assets	2011	2010
Balance at 1 January	**29,305**	**24,321**
Credit in profit or loss	5,077	4,984
Balance at 31 December	**34,382**	**29,305**

Deferred income tax assets relate to tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The tax losses can be carried forward for 10 years from the tax year they have been incurred.

The full amount is expected to be recovered after more than 12 months.

12. Investments in associates and joint ventures

	2011	2010
Balance at 1 January	**62,406**	**1,926**
Additions during the year (1)	409,306	64,382
Other	-	(557)
Share of result	(4,464)	(3,345)
Transfer to other financial assets (2)	(10,241)	-
Balance at 31 December	**457,007**	**62,406**

12. Investments in associates and joint ventures (continued)

(1) Additions during the year:

During 2011 the Group invested in the following entities:

On 28 January, 50% in Montlink Limited, a newly incorporated holding company domiciled in Cyprus. Montlink is currently in the process of acquiring 51% of a group of companies that invests in Russian coal mines and that is currently in the process of restructuring. The restructuring is expected to be completed in first semester of year 2012 and is financed by borrowings from the Group, that are secured by pledges on shares of the mine companies.

On 11 March, 50% in Akfel Gunvor Enerji A.S., a newly incorporated company domiciled in Turkey that is engaged in agency services.

On 12 July, 35% in Ust-Luga Marine Products Limited, a Cyprus domiciled company that holds 100% of a Russian entity engaged in the construction of a bunker terminal in Ust-Luga region in Russia. The construction of the said terminal is partly financed by borrowings from the Group.

On 8 September, 50% of Aria Petroluem (Cy) Limited («Aria»), a newly incorporated company domiciled in Cyprus. Aria is in process of taking over an existing operation of oil trading in Kazakhstan and Uzbekistan.

On 18 October, 33.33% of GMCH LLC, a company domiciled in the United States of America that owns the Signal Peak coal mine in the state of Montana, USA.

It is expected that the above investments, along with the trading agreements also entered into, primarily with the coal mines, will contribute positively to the results of the Group in the forthcoming years.

During 2010 the Group invested in the following entities:

In October, 50% in Plusbay Limited, a holding company domiciled in Cyprus. In December 2010, Plusbay Limited acquired 3.84% of Keaton Energy Holdings Limited, a South African company holding coal mines in South Africa. Keaton Energy Holdings Limited is listed at the Johannesburg stock exchange.

In September, 30% of Mintley (Caspian) Limited through the conversion of a loan receivable into shares. Mintley (Caspian) Limited, a holding company domiciled in Cyprus, owns 100% of PetroResurs LLC which has an oil exploration licence in the Lagansky block in the Caspian Sea. The company is also financed by borrowings from the Group.

12. Investments in associates and joint ventures (continued)

In November, the Group held 50% share in Meerwind AB after having sold half of its shares to a joint venture partner. During the course of 2010, this holding company which is domiciled in Sweden, purchased 50.4% interest in Rorvik Timber AB, a company active in wood processing in Sweden. Rorvik Timber AB is listed at the Stockholm stock exchange. The company is also financed by borrowings from the Group.

(2) Transfer to other financial assets:

During the current year, the Group has purchased the remaining outstanding shares of Plusbay Limited for USD 7,659. As a result, the Group increased its ownership in this entity to 100%. Plusbay Limited main activity is holding an investment in Keaton Energy Holdings Limited. Based on the Group's assessment that Plusbay Limited does not qualify as a business under IFRS 3 revised, this transaction has been accounted for as an acquisition of an asset. Therefore, the equity accounted investment in associate has been transferred to other financial assets (see note 8) together with the acquisition price paid for acquiring the remaining shares.

The details of the investments in associates and joint ventures, all of which are unlisted are as follows:

	Country of incorporation	Interest held 2011 %	Interest held 2010 %
Meerwind AB (1)	Sweden	50%	50%
Mintley (Caspian) Limited	Cyprus	30%	30%
Novorossiysk Fuel Oil Terminal LLC	Russia	50%	50%
Montlink Limited	Cyprus	50%	-
Montbridge Limited	Cyprus	50%	-
Akfel Gunvor Enerji A.S	Turkey	50%	-
Ust-Luga Marine Port	Cyprus	35%	-
Aria Petroluem (Cy) Limited	Cyprus	50%	-
Infotech Baltica Limited	Cyprus	50%	50%
GMCH LLC	USA	33.33%	-
Plusbay Limited	Cyprus	100%	50%

The Group's share of the results of its principal associates and joint ventures, all of which are unlisted and its aggregated assets and liabilities, are as follows for 2011 and 2010:

	2011	2010
Assets	445,012	207,210
Liabilities	425,361	168,292
Revenue	39,978	40,722
Net profit	(4,464)	2,215

13. Prepayments to suppliers

	2011	2010
Prepayments for		
Refined petroleum products and crude oil	388,004	79,070
Coal	21,523	49
Gas	752	45
Emissions	1,097	-
Power	1,189	2,215
Shipping	15,812	18,682
Other	21,234	11,306
Total	**449,611**	**111,367**

The carrying amounts of prepayments to suppliers approximate their fair values and most are short-term prepayments to regular suppliers for oil deliveries in the first quarter of the following year.

14. Trade and other receivables

	2011	2010
Trade receivables		
Refined petroleum products and crude oil	3,261,695	2,499,508
Coal	47,804	34,711
Power	27	40,288
Gas	611,782	244,589
Shipping	10,068	18,022
	3,931,376	**2,837,118**
Less: Provision for impairment of trade receivables	(7,314)	(6,811)
Trade receivables - net	**3,924,062**	**2,830,307**
Other receivables		
Interest receivable	9,594	655
Other receivables	2,404	20,514
Receivables from related parties (Note 38)	211,718	20,133
Prepaid taxes	39,177	50,533
Total other receivables	**262,893**	**91,835**
Total trade and other receivables	**4,186,955**	**2,922,142**

As of 31 December 2011 100% (2010: 100%) of the net receivables were fully performing.

The carrying amounts of trade and other receivables approximate their fair values.

14. Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Currency:	**2011**	**2010**
United States Dollars	3,452,578	2,849,112
Euros	454,815	9,245
United Kingdom Pounds	243,922	28,356
Russian Rubles	31,673	32,069
Swiss Francs	3,950	2,374
Singaporian Dollars	-	604
Others	17	382
	4,186,955	**2,922,142**

Movements on the Group's provision for impairment of trade receivables are as follows:

	2011	**2010**
At 1 January	6,811	2,834
Recognised impairment loss allowance	503	5,717
Reversed impairment loss allowance	-	(1,740)
At 31 December	**7,314**	**6,811**

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the statement of comprehensive income. Unwind of discount is included in 'finance costs' in statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

15. Margin account with brokers

Margin accounts with brokers shown in the current assets of the balance sheet in the amount of USD 482,306 (2010: USD 832,095) represent cash deposited to cover potential obligations of the Group in respect of derivatives.

Margin accounts with brokers shown in the current liabilities of the balance sheet in the amount of USD 38,382 (2010: USD 1,701) represent cash received to cover potential obligations of the brokers towards the Group in respect of derivatives.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

16. Derivative financial instruments

	31 December 2011		31 December 2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exchange listed futures, options & swaps	300,363	351,201	286,110	680,951
Over the counter swaps and options	2,570	6,937	26,536	29,111
Contracts to purchase or sell physical commodities	636,782	598,836	322,901	226,206
Current portion	**939,715**	**956,974**	**635,547**	**936,268**
Exchange listed futures, options & swaps	24,037	993	-	29,840
Commodity swaps	15,384	-	23,716	11,783
Contracts to purchase or sell physical commodities	112,515	105,171	54,760	6,368
Non-current portion	**151,936**	**106,164**	**78,476**	**47,991**
Total	**1,091,651**	**1,063,138**	**714,023**	**984,259**

Futures, options and swaps consist mainly of commodity derivatives and partly of foreign exchange derivatives.

Derivatives are classified as a non-current asset or liability if the remaining maturity of the item is more than 12 months and, as a current asset or liability, if the maturity of the item is less than 12 months.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

17. Cash

Cash balances are analysed as follows:

	2011	2010
Cash on hand	31	61
Cash at bank	1,017,746	717,545
Total cash	**1,017,777**	**717,606**

Call deposits included in the cash at bank can be cancelled within 48 hours and they are all denominated in USD.

Currency:	**2011**	**2010**
United States Dollars	943,860	687,759
Euros	44,580	8,799
Russian Rubles	4,494	6,208
United Kingdom Pounds	8,468	2,101
Swiss Francs	4,675	3,477
South African Rands	10,652	-
Singaporian Dollars	780	109
Others	268	9,153
	1,017,777	**717,606**

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

18. Capital and reserves

	2011 Number of shares	2011 USD	2010 Number of shares	2010 USD
Authorised				
Ordinary ''A'' shares	5,000,000		5,000,000	
Ordinary ''C'' shares	513,611		513,611	
Ordinary ''D'' shares	1,486,389		-	
At 31 December (1, 3, 5)	**7,000,000**		**5,513,611**	
Issued and fully paid				
Ordinary ''A'' shares				
Balance at 1 January	5,000,000	4,535	5,000,000	4,758
Dilution on issue of C shares (2)	-	-	-	(223)
Change of nominal share value to USD 1.00 each	-	465	-	-
Balance at 31 December (1, 3, 5)	**5,000,000**	**5,000**	**5,000,000**	**4,535**
Ordinary ''C'' shares				
Balance at 1 January	513,611	465	254,539	242
Dilution on issue of C shares (2)	-	-	-	(11)
Issue of shares (2)	-	-	259,072	234
Change of nominal share value to USD 1.00 each	-	48	-	-
Balance at 31 December (1, 3, 5)	**513,611**	**513**	**513,611**	**465**
Ordinary ''D'' shares				
Balance at 1 January	-	-	-	-
Issue of shares (4)	136,505	137	-	-
Balance at 31 December (1, 3, 5)	**136,505**	**137**	**-**	**-**
Total	**5,650,116**	**5,650**	**5,513,611**	**5,000**

The changes in the authorised and issued share capital of the company during the year under review were as follows:

(1) At 1 January 2010, the authorised and issued share capital of USD 5,000 was divided into 5,000,000 Class A ordinary shares with a par value of USD 0.9515583 each, entitled to receive dividends and with voting rights, and 254,539 Class C shares with a par value of USD 0.9515583 each, entitled to receive dividends but with non-voting rights.

(2) During 2010, 259,072 Class C shares were issued without change in nominal value of the share capital, and therefore existing Class A and Class C sharehold-ers were diluted.

18. Capital and reserves (continued)

At 31 December 2010, the authorised and issued share capital of USD 5,000 was divided into 5,000,000 Class A ordinary shares with a par value of USD 0.9068467 each, entitled to receive dividends and with voting rights, and 513,611 Class C shares with a par value of USD 0.9068467 each, entitled to receive dividends but with non-voting rights.

(3) On 19 October 2011 class A and class C shareholders have approved the increase in authorised share capital to 7 million shares and gave their concent for the increase of the nominal value of the share capital from USD 0.9068467 each to USD 1.00 each through capitalisation of retained earning.

On 20 October 2011 Class A and Class C shareholders of the Company approved the issue of 1,486,389 Class D shares of USD 1.00 each, that are non-voting and are entitled to receive dividends.

(4) On 5 December 2011 136,505 class D shares were issued at a total premium of USD 38,784 composed of USD 38,850 shares to be issued from 2010 share based remuneration with an additional USD 5,933 for shares finally issued.

(5) At 31 December 2011 the share capital of the Company consists of class A, class C and class D shares of USD 1.00 each as shown in the table above.

Share premium
Class C shares with total par value of USD 465 were paid in with a total premium of USD 4,658 and USD 6,831 in 2009 and 2010 respectively. Class A ordinary shares with total par value of USD 4,535 have been paid in cash in previous years.

USD 54,950 included in share premium at 31 December 2011 (2010: USD 32,850) relates to equity-settled share-based payments to employees to be issued in 2012 and 2011 respectively. The difference between the par value of shares and paid-in capital has been recognised as a share premium. On 5 December 2011, 136,505 class D shares were issued at a total premium of USD 38,784. The difference was credited to the share premium reserve in year 2011.

Translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency to the Groups presentation currency (‘USD’).

18. Capital and reserves (continued)

Dividends

The following dividends were declared by the Company:

	2011	2010
USD 22.67116777 per share *	-	125,000
Total	**-**	**125,000**

* Dividends per share are calculated using 5,513,611 shares.

19. Long-term receivables

	2011	2010
Balance at 1 January	19,600	-
Granted	63,016	19,600
Repaid	(17,250)	-
Interest charged	3,053	-
Balance at 31 December	**68,419**	**19,600**

All amounts are receivable from related parties (note 38).

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

20. Provisions

	Other	Provisions for unsolved claims	Total
Balance at 1 January 2010	**2,658**	**-**	**2,658**
Recognised during the period	1,475	-	1,475
Used during the period	(1,133)	-	(1,133)
Reversed during the period	(2,000)	-	(2,000)
Balance at 1 January 2011	**1,000**	**-**	**1,000**
Recognised during the period	-	4,000	4,000
Reversed during the period	(1,000)	-	(1,000)
Balance at 31 December 2011	**-**	**4,000**	**4,000**

20. Provisions (continued)

The amounts included in the consolidated statement of financial position include the following:

	2011	2010
Provisions to be used within twelve months	4,000	1,000

21. Trade and other payables

	2011	2010
Trade payables		
Refined petroleum products and crude oil	4,299,114	3,914,611
Coal	95,172	39,776
Gas	604,382	238,402
Power	43,233	40,878
Shipping	120,868	150,938
Emissions	34	-
Building construction	32,391	24,178
Other operational activities	11,672	37,213
Total trade payables	**5,206,866**	**4,445,996**
Other payables		
Dividends (Note 38)	-	8,514
Taxes payable	13,685	3,888
Interest payable	13,595	72,588
Accruals	83,950	70,595
Other payables	45,305	13,102
Total other payables	**156,535**	**168,687**
Total trade and other payables	**5,363,401**	**4,614,683**

The carrying amounts of trade and other payables approximate their fair values.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

22. Prepayments from customers

	2011	2010
Prepayments for		
Oil products	37,613	43,176
Coal	14,634	-
Gas	5,336	398
Shipping	345	9
Other	281	2,483
Total	**58,209**	**46,066**

23. Loans

	2011	2010
Balance at 1 January	**233,253**	**303,623**
Received	642,777	-
Accrued interest	8,641	-
Exchange differences	(5,359)	(19,008)
Transaction costs	(5,782)	-
Reclassified to short-term	(31,250)	(51,362)
Balance at 31 December	**842,280**	**233,253**

The Group borrowings, which represent bank loans, are denominated in the following currencies:

	2011	2010
United States Dollars	605,745	-
Euros	236,535	233,253
	842,280	**233,253**

Maturity of non-current borrowings including accrued interest:

	2011	2010
More than one year	118,926	-
Between two and five years	638,748	77,440
More than five years	84,606	155,813
	842,280	**233,253**

23. Loans (continued)

The fair value of the long-term loans at 31 December 2011 is approximately USD 832,5 million (2010: 239,4 million) using borrowing interest rates available to the Group at year-end to finance projects with similar risk profiles. The fair value of current borrowings approximates to their carrying amount at 31 December, as the impact of discounting is not significant.

The fair values are based on cash flows discounted using a rate based on the market rates adjusted for risk.

The interest rate on these loans vary from 1.4% to 9.2%.

The bank loans are secured by pledge on shares of five of the subsidiaries for the total amount of USD 882,8 million and Euro 176 million.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

24. Short-term bank loans

At 31 December 2011 the Group had transactional credit facilities, solely available at the banks' discretion, from nineteen commercial banks in the amount of USD 14,853 million (2010: USD 13,098 million) with no specified maturity dates, subject to an annual renewal. As part of obtaining and using the credit facilities, the trading entities of the Group have signed pledge of goods and receivables agreements as collateral for the banks. Additionally, the Group had available from a syndicate of forty-three banks since June 2011 a committed Revolving Credit Facility of USD 1,400 million (2010: 1,060 million) expiring in June 2012, with an additional USD 150 million expiring in June 2014. This Revolving Credit Facility is covered by a negative pledge covering all goods and receivables not pledged in the frame of the transactional credit facilities.

At 31 December 2011 the used facility on all combined short-term bank loans was USD 3,599 million (2010: USD 2,171 million). In addition, at 31 December 2011 the banks had issued letters of credit and guarantees with a total value of USD 5,726 million (at 31 December 2010: USD 5,493 million). The balance of total unused short-term credit facilities at 31 December 2011 amounted to USD 7,077 million (2010: USD 6,494 million).

The weighted average of the interest rate of all the short-term credit facilities as at 31 December 2011 was USD Libor +1.853% p.a. (2010 rate: USD Libor + 1.018% p.a.). The interest repricing formula on overdrawn current accounts varies depending on the bank from daily repricing to repricing three times per week. Effective interest rates equal the contractual ones.

Security of short-term bank loans

Short-term borrowings from forty-three commercial banks as at 31 December 2011 were secured by USD 4,077 million of inventory (at 31 December 2010: USD 3,356 million), USD 3,922 million of receivables (at 31 December 2010: 2,830 million) and USD 987 million of cash balances (at 31 December 2010: USD 698 million).

24. Short-term bank loans (continued)

Group's equity maintenance requirements

As at 31 December 2011 the Group has committed towards the banks which participated in the Revolving Credit Facility to comply with the following financial covenants:

- Maintain a Consolidated Tangible Net Worth of the Group of at least USD 1,150 million at any point in time.
- Maintain a Working Capital of the Group of at least USD 550 million at any point in time.
- Maintain a ratio of Current Assets to Current Liabilities of at least 1.10 to 1 at any point in time.
- Maintain a ratio of Consolidated Long-term Borrowings to Consolidated Tangible Net Worth of at most 1 to 1 at any point in time.

The Group is also committed to comply with capacity covenants.

The Group's exposure to commodity price, credit, liquidity, currency and interest rate risks related to financial assets and liabilities is disclosed in note 32.

25. Revenue

	2011	**2010**
Refined petroleum products	49,431,464	30,297,161
Crude oil	29,734,175	36,660,928
Coal	1,330,253	457,463
Gas	5,607,129	689,903
Power	674,337	211,088
Emissions	39,622	9,277
Shipping	322,517	258,568
Other income	152,693	19,285
Total revenue	**87,292,190**	**68,603,673**

26. Cost of sales

	2011	2010
Refined petroleum products	47,552,253	28,076,481
Crude oil	28,280,875	36,321,549
Coal	1,254,049	402,382
Gas	5,387,695	697,311
Emissions	48,862	9,889
Power	717,497	209,317
Total direct costs of products sold	**83,241,231**	**65,716,929**
Shipping activities	1,928,974	1,766,707
Railway, loading and customs	519,738	359,757
Total transportation expenses	**2,448,712**	**2,126,464**
Interest expense on short-term bank loans	78,610	57,495
Inspection and Insurance	83,520	34,105
Total cost of sales	**85,852,073**	**67,934,993**

27. Other operating expenses

	2011	2010
Direct personnel expenses	121,326	84,591
Services	29,557	13,101
Bank charges	98,091	64,544
Loss from sale of investment	1,013	-
Depreciation (Note 6)	24,896	4,099
Impairment of receivables (Note 14)	503	5,717
General overheads and employee remuneration	174,182	136,597
Total other operating expenses	**449,568**	**308,649**

27. Other operating expenses (continued)

General overheads include USD 54,950 relating to equity-settled share-based payments (2010: USD 32,850), which represents 158,719 shares (2010: 115,210 shares). At 31 December 2011 and 2010, all shares were vested and recognised as expenses.

General overheads also include fees of USD 111 (2010: 36) paid to the Company's Cypriot auditor for statutory audits.

The weighted average fair value of equity-settled share awards granted during the year under the share scheme, as estimated at the date of grant, was USD 346.209 (2010: USD 285.131) per share. The fair value was determined based on the net asset value of the group at 31 December 2011.

28. Other operating income

	2011	2010
Other	2,956	11,505
Revaluation of investment	2,972	-
Interest income from suppliers	3,451	7,851
Total other operating income	**9,379**	**19,356**

Interest income arises when the Group makes prepayments for crude oil or refined petroleum product purchases. Interest income from suppliers is measured at amortised cost.

29. Direct personnel expenses

	2011	2010
Salaries	91,424	63,610
Social security taxes	13,788	5,401
Pension cost	10,611	3,262
Other	5,503	12,318
Total direct personnel expenses	**121,326**	**84,591**

The average number of employees (including directors in their executive capacity) employed by the Group during the year: 936 people (2010: 755 people).

30. Retirement benefit obligations

The Group operates a defined benefit pension plan in Switzerland. This pension scheme is managed in a multi-employer plan, whose risks are fully reinsured with an insurance company. The scheme covers substantially all of the personnel of the company in Switzerland and provides retirement, death and disability benefits for the employees according to the Swiss pension legislation.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2011	2010
Defined benefit obligations	38,021	29,381
Gains / (losses) unrecognised	(8,798)	(6,524)
Fair value of plan assets	(24,924)	(19,909)
Unrecognised asset due to IAS 19 limitation	3,518	-
Recognised (asset) / liability for defined benefit obligations	**7,817**	**2,948**

The most recent actuarial valuation was made as at 31 December 2011 and it was based on the following assumptions:

	2011	2010
Discount rate	2.40%	2.50%
Expected return on plan assets	3.25%	3.25%
Expected rate of salary increase	2.50%	2.50%
Expected rate of pension increase	0.50%	0.50%
Mortality, disability and turnover tables	LPP 2010	LPP 2005

The movement in the defined benefit obligation is as follows:

	2011	2010
Defined benefit obligations at 1 January	29,381	18,521
Benefits paid by the plan	(105)	1,095
Actuarial gains / (losses)	2,305	2,430
Exchange differences	(528)	2,771
Current service costs and interest	6,968	4,564
Defined benefit obligations at 31 December	**38,021**	**29,381**

30. Retirement benefit obligations (continued)

The movement in the present value of plan assets is as follows:

	2011	2010
Fair value of plan assets at 1 January	19,909	13,314
Contributions paid into the plan	4,470	3,525
Benefits paid by the plan	(105)	1,095
Expected return on plan assets	718	516
Actuarial gains / (losses)	237	(416)
Exchange differences	(305)	1,875
Fair value of plan assets at 31 December	**24,924**	**19,909**

The amounts recognised in the statement of comprehensive income are as follows:

	2011	2010
Current service costs	6,913	4,080
Interest on obligation	763	537
Expected return on plan assets	(718)	(516)
Amortisation of (gains) / losses	457	196
Employee contributions	(2,588)	(1,789)
Recognition of past service cost	-	754
Net periodic pension cost for the employer	**4,827**	**3,262**

The net periodic pension cost is recognised in other operating expenses.

The movement in actuarial gains and losses is as follows:

	2011	2010
Gains / (losses) unrecognised at 1 January	(6,524)	(3,939)
Amortisation of (gains) / losses	457	196
Actuarial gains / (losses)	(2,069)	(2,846)
Exchange differences	(663)	65
Gains / (losses) unrecognised at 31 December	**(8,799)**	**(6,524)**

30. Retirement benefit obligations (continued)

Plan assets are comprised as follows:

	2011	2010
Cash and cash equivalents	78.90%	74.95%
Equity instruments	1.30%	4.56%
Property	18.40%	18.13%
Other	1.40%	2.36%
	100.00%	**100.00%**

A history of experience adjustments for the respective years since the establishment of the plan is presented below:

History of experience adjustments	2011	2010	2009	2008
Present value of the defined benefit obligation	(38,021)	(29,380)	(18,521)	(11,231)
Fair value of plan assets	24,924	19,909	13,314	7,262
Deficit in the plan	**(13,097)**	**(9,471)**	**(5,207)**	**(3,969)**
Experience adjustments arising on plan liabilities	2,190	844	(2,130)	1,230
Experience adjustments arising on plan assets	237	(416)	448	(223)

The expenses for defined contribution plan in 2011 are USD 4,869 (2010: USD 2,948).

31. Finance income and expense

	2011	2010
Finance income		
Interest income	13,662	3,578
Gains on financial assets at fair value through profit and loss	-	17,158
Net foreign exchange gains	11,905	4,888
Total finance income	**25,567**	**25,624**
Finance expense		
Interest on other interest-bearing loans	21,175	7,754
Loss on financial assets at fair value through profit and loss	12,572	-
Other finance expenses	760	68
Total finance expense	**34,507**	**7,822**
Net finance result	**(8,940)**	**17,802**

32. Financial instruments

Financial instruments by category

31 December 2011 Assets	Note	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale financial assets	Total
Other financial assets	8	-	15,308	70,000	85,308
Long-term receivables		69,031	-	-	69,031
Trade and other receivables (excluding prepayments)	14	4,147,778	-	-	4,147,778
Margin account with brokers	15	482,306	-	-	482,306
Derivative financial instruments	16	-	1,091,651	-	1,091,651
Cash	17	1,017,777	-	-	1,017,777
Total		**5,716,892**	**1,106,959**	**70,000**	**6,893,851**

31 December 2011 Liabilities	Note	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Total
Trade and other payables	21	5,363,401	-	5,363,401
Derivative financial instruments	16	-	1,063,138	1,063,138
Loans	23	842,280	-	842,280
Margin account with brokers	15	38,382	-	38,382
Short-term bank loans	24	3,598,894	-	3,598,894
Total		**9,842,957**	**1,063,138**	**10,906,095**

32. Financial instruments (continued)

31 December 2010 Assets	Note	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale financial assets	Total
Other financial assets	8	-	54,659	70,000	124,659
Trade and other receivables (excluding prepayments)	14	2,871,609	-	-	2,871,609
Margin account with brokers	15	832,095	-	-	832,095
Long-term receivables		19,600	-	-	19,600
Derivative financial instruments	16	-	714,023	-	714,023
Cash	17	717,606	-	-	717,606
Total		**4,440,910**	**768,682**	**70,000**	**5,279,592**

31 December 2010 Liabilities	Note	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Total
Trade and other payables	21	4,614,683	-	4,614,683
Derivative financial instruments		-	984,259	984,259
Loans	23	233,253	-	233,253
Margin account with brokers	15	1,701	-	1,701
Short-term bank loans	24	2,171,337	-	2,171,337
Total		**7,020,974**	**984,259**	**8,005,233**

32. Financial instruments (continued)

Commodity price risk
In 2011 more than 95% of stocks of commodities were economically hedged by derivative instruments with respect to price risk (in 2010 above 95%).

All derivative instruments, related to refined petroleum products and crude oil, mature in December 2014 at the latest, and the vast majority expire during the period January – December 2012 covering price risk related to physical sales or purchases to be delivered during that period. The supply agreements for crude oil and refined petroleum products that the Group enters in to do not usually bear a price risk further out than four months.

All derivative instruments, related to coal, natural gas, LNG, power and emissions, mature in December 2020 at the latest and cover price risk related to physical sales or purchases to be delivered during that period.

Credit risk
The carrying amount of financial assets represents the maximum credit exposure.

Five most significant individual counterparties covered 19% of the total credit risk exposure related to accounts receivable as at 31 December 2011 (at 31 December 2010: over 29 %) and they are all well-known major companies in the industry with strong financial positions.

Impairment risks
The aging of trade and other receivables at the reporting date was:

	2011	**%**	**2010**	**%**
Not past due	4,131,047	98.6	2,791,637	95.5
Past due 0-15 days	32,301	0.8	103,827	3.6
Past due 15-30 days	2,843	0.1	5,084	0.2
More than 30 days	20,764	0.5	21,594	0.7
Total	**4,186,955**	**100.0**	**2,922,142**	**100.0**

The amounts overdue by more than 30 days mainly concern open receivables for fuel oil sold to regular counterparties by Gunvor Singapore PTE Ltd as well as open receivables of Gasoil sold to regular counterparties by Gunvor SA. All these amounts were settled in January 2012.

At the date of authorisation of the annual report, there were no other material past due receivables from 2011 not settled.

32. Financial instruments (continued)

Liquidity risk

The working capital cycle is typically short and ranges between 15 and 60 days (see the table about the credit quality of trade receivables above). The overdraft facilities with no specified maturities from banks, USD 14,853 million as at the end of the financial year (2010: USD 13,380 million), are drawn when liquidity needs so require and borrowings are repaid to the banks when receivables are collected from the customers. Additional flexibility to liquidity management is provided by the Revolving Credit Facility of USD 1,550 million (2010: USD 1,060 million).

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2011	**Up to 3 months**	**Between 3 and 12 months**	**More than 12 months**
Loans	-	-	842,280
Short-term bank loans	2,708,894	890,000	-
Trade and other payables	5,363,401	-	-
Margin account with brokers	38,382	-	-
Derivative financial instruments	736,754	220,220	106,164
Total	**8,847,431**	**1,110,220**	**948,444**

31 December 2010	**Up to 3 months**	**Between 3 and 12 months**	**More than 12 months**
Loans	-	-	233,253
Short-term bank loans	2,171,337	-	-
Trade and other payables	4,563,321	51,362	-
Derivative financial instruments	936,268	-	47,991
Margin account with brokers	1,701	-	-
Total	**7,672,627**	**51,362**	**281,244**

32. Financial instruments (continued)

Currency risk

The majority of the Group's sales, purchases and borrowings are denominated in USD which is also the functional and presentation currency of the parent company and most of the operating subsidiaries. Therefore, the Group is not exposed to a significant foreign currency risk. The impact of a sudden adverse currency movement, in particular a weakening of the USD, will not significantly impact the results of the Group. The main exposure of the Group is in respect of a Euro-denominated loan provided by an international financial institution.

At 31 December 2011, a strengthening of 10% of the Euro would negatively impact the statement of comprehensive income and equity by USD 22 million (2010: USD 10 million). The payment of the interest commenced in 2011 and the principal repayment will commence in 2015. The Group hedged this exposure in order to gradually reduce the amount at risk to less than 66% (2010: less than 70%).

Interest rate risk

The Group's exposure to interest rate fluctuations is partially mitigated by interest income billed contractually to suppliers in case of prepayments and interest income on deposits. This allowed the Group to keep the total net exposure at less than USD 89 million during 2011 (2010: USD 54 million). As a result, an increase in LIBOR rate of 1% would have negatively impacted equity and profit by USD 41 million (2010: USD 27 million).

Fair values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current mid market price with an adjustment for bid/offer spreads on the net open positions. These instruments are included in level 1.

32. Financial instruments (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Groups assets and liabilities that are measured at fair value are:

31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivative financial instruments	324,400	765,840	1,411	1,091,651
Available-for-sale financial assets				
Other financial assets	-	-	70,000	70,000
Total assets	**324,400**	**765,840**	**71,411**	**1,161,651**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	352,194	710,613	331	1,063,138
Total liabilities	**352,194**	**710,613**	**331**	**1,063,138**

31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivative financial instruments	286,109	427,914	-	714,023
Available-for-sale financial assets				
Other financial assets	-	-	70,000	70,000
Total assets	**286,109**	**427,914**	**70,000**	**784,023**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	710,485	271,325	2,449	984,259
Total liabilities	**710,485**	**271,325**	**2,449**	**984,259**

Other financial assets such as long-term receivables, trade and other receivables, margin accounts with brokers, cash are measured at amortised cost using the effective interest method, less any impairment losses and financial liabilities as subordinated loans, loans, trade and other payables and short-term bank loans are measured at amortised cost using the effective interest method.

32. Financial instruments (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2011:

	Derivative financial instruments	Available-for-sale financial assets
Balance at 1 January	(2,449)	70,000
- in profit or (loss)	3,529	-
- in other comprehensive income	-	-
Total	**1,080**	**70,000**

The following table presents the changes in level 3 instruments for the year ended 31 December 2010.

	Derivative financial instruments	Available-for-sale financial assets
Balance at 1 January	-	31,600
- in profit or (loss)	(2,449)	-
- in other comprehensive income	-	38,400
Total	**(2,449)**	**70,000**

33. Transactions with non-controlling interests

On 1 October 2011 the Group acquired 50% in Palmpoint Limited. Up to 1 October 2011 the Group owned 50% of Palmpoint Limited and had control over the entity and therefore consolidated it with the remaining 50% stake reported as non-controlling interest in the group's equity. After this acquisition the Group owns 100% of the share capital of Palmpoint Limited. The total purchase consideration for the acquisition was USD 6,500 paid in cash.

The total assets and liabilities acquired were as follows:

	Carrying amount
Property, plant and equipment	1,090
Trade and other receivables	2,460
Cash at bank	7,410
Payables	(6,747)
Current tax liabilities	(283)
Net assets	**3,930**
Carrying amount of non-controlling interests acquired	**1,965**
Purchase consideration paid to non-controlling interest	**6,500**
Excess of consideration paid recognised in parent's equity	**4,535**

Effects of transactions with non-controlling interest on the equity attibutable to owners of the parent for the year ended 31 December 2011.

	2011
Changes in equity attributable to shareholders of the Company arising from:	-
- Acquisition of additional interests in subsidiary	(4,535)
Net effect in equity	**(4,535)**

34. Group entities

The Group's ultimate parent company is Gunvor Group Ltd. The list of the principal subsidiaries in year 2011 is as follows:

Subsidiary	Country of incorporation	Ownership interest 2011	Ownership interest 2010	Activity
Gunvor SA (ex Castor Petroleum Ltd)	Switzerland	100	100	Trading
Gunvor Singapore PTE Ltd (1)	Singapore	100	100	Trading
Gunvor (Bahamas) Limited	Bahamas	100	-	Trading
Gunvor International B.V. (2)	Netherlands	100	100	Trading
Waterway Petroleum Ltd	British Virgin Islands	100	100	Trading
URSA Shipping Sarl	Switzerland	100	100	Charterer of ships
Clearlake Shipping Pte Ltd	Singapore	100	-	Charterer of ships
JSC Rosneftbunker	Russia	100	100	Terminal
LLC Nevskaya Pipe Company	Russia	100	100	Terminal
AS Tarcona	Estonia	100	100	Services
Gunvor OOO	Russia	100	100	Services
Gunvor Nigeria Ltd	Nigeria	100	100	Services
Palmpoint Ltd (3), (4)	Panama	100	50	Services
Castor Petroleum Int'l Ltd	Panama	100	100	Services
Soryx CIS LLC	Kazakhstan	100	100	Services
Gunvor Middle East DMCC	Dubai	100	-	Services
Gunvor Colombia SAS	Colombia	100	-	Services
Clearlake SA	Switzerland	100	-	Services
Gunvor Finance Ltd (5)	Cyprus	100	-	Services
Port Union Oil Export Ltd (4)	Cyprus	100	-	Services
Gunvor (Schweiz) AG (ex Castor Energy S.A.)	Switzerland	100	100	Holding
Soryx S.A	Switzerland	100	100	Holding
Brightshore Overseas Ltd	British Virgin Islands	100	100	Holding
Castor Cayman Ltd	Cayman Islands	100	100	Holding
Pinebay AG	Switzerland	100	-	Holding
Pinesdale LLC	USA	100	-	Holding
Clearlake Invest Ltd	Cyprus (2010: BVI)	100	100	Holding
Sandmark Limited (4)	Cyprus	100	100	Holding
Capefar Limited	Cyprus	100	100	Holding
Centrosun Holdings Limited	Cyprus	100	100	Holding
Forebay Ltd	Cyprus	100	100	Holding
Plusbay Ltd	Cyprus	100	50	Holding
Vanderblue Ltd	Cyprus	100	-	Holding
Gunvor Cyprus Holding Ltd (6)	Cyprus	-	100	Holding
Clearlake Shipping Ltd	British Virgin Islands	100	100	Dormant
Castor Energy Inc	USA	100	100	Dormant
Castor Americas Inc	USA	100	100	Dormant
Gunvor Petroleum Congo SAU	Congo	100	100	In liquidation
Gunvor Invest Ltd	Dubai	-	100	Liquidated 2011

34. Group entities (continued)

(1) The Company also operates through a branch in Beijing.

(2) The Company also operates through a branch in Geneva.

(3) Although the Group owned half of the voting power of Palmpoint Ltd in 2010, it was able to govern the financial and operating policies of the company because all major decisions were taken by the management, who had been appointed by the Group. Consequently, the Group consolidated its investment in this company.

(4) The Company also operates through a branch in Moscow.

(5) The Company also operates through a branch in Sarnen.

(6) The operations of Gunvor Cyprus Holding Ltd have been merged into the holding Company of the group on 30 June 2011.

35. Operating leases

Leases as lessee

The Group has leased several vessels under time charter terms. The leases typically run for a period from one to three years. Lease payments are fixed. None of the leases includes contingent rentals.

The Group has engaged in major long-term storage lease agreements for oil products in the past year for periods ranging from 1 to 10 years terms. These storage facilities are located in Singapore, The Netherlands, Israel, Denmark, France, Finland, Estonia, The Bahamas and Panama.

During the year, USD 107 million was recognised as an expense in the statement of comprehensive income in respect of operating leases (2010: USD 219 million).

Non-cancellable operating lease rentals are payable as follows:

	2011	**2010**
Less than one year	96,815	89,013
Between one and five years	135,142	62,494
After five years	21,652	29,593
Total	**253,609**	**181,100**

35. Operating leases (continued)

Leases as lessor

During the year several chartered vessels were sub-leased on single voyage basis to third parties. The rental income in respect of operating leases was recognised in the statement of comprehensive income in the amount of USD 13 million (2010: USD 43 million).

The time charter agreements of tankers with the duration from 1 to 3 years from the balance sheet date fix the rates of hire for the whole rental period. When any of the vessels are sub-let to third parties on a short-term basis, the rates of hire are determined by market conditions existing at that time.

36. Contingent liabilities

The Group does not have any material contingent liabilities as at 31 December 2011.

Guarantees

All transactional credit facilities as well as the Revolving corporate facility granted by banks to Group companies are covered in full by corporate guarantees issued by the holding company of the Group.

Additionally, the holding company of the Group provided corporate guarantees to business counterparts that grant open credit lines to Group companies, for an aggregated amount of USD 1,404 million (2010: USD 340 million).

37. Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2011	**2010**
Property, plant and equipment	24	139,311
Total	**24**	**139,311**

38. Related party transactions

The Group is controlled by Mr. Törnqvist and Mr. Timtchenko. These two individuals own the majority of the company's shares.

The following transactions were carried out with related parties:

(a) Sales of goods and services and interest income

	Nature of transactions	2011	2010
Entities under common control	Sales of goods and services	10,348	1,818
Associates and Joint Ventures	Interest income	8,334	942
Shareholder	Interest income	1,496	-

Goods are sold to entities under common control based on terms that would be available to third parties.

Interest is changed to associates and joint ventures on rates that would be available to third parties.

(b) Purchases of goods and services

	2011	2010
Associates	-	213
Entities under common control	20,504,236	14,172,379
Acquisition of non-controlling interest (note 33)	6,500	-

Goods and services are bought from associates and entities under common control on normal commercial terms and conditions.

(c) Key management compensation

The compensation paid or payable to Directors and key management for employee services is shown below:

	2011	2010
Short-term employee benefits	9,403	8,023
Share based compensation	3,933	2,486

38. Related party transactions (continued)

(d) Year-end balances arising from sales/purchases of goods/services/financing

	Nature of transactions	2011	2010
Receivables from related parties (Note 14 and 19)			
Associates	Sales of goods and services	-	18,544
Entities under common control	Sales of goods and services	1,812	2
Associates and Joint Ventures	Financing	177,441	39,733
Shareholders	Financing	103,309	-
Payables to related parties (note 21)			
Entities under common control	Purchase of goods and services	861,810	1,341,464
Shareholders	Dividends	-	8,514

The receivables and payables from and to related parties arise from sale and purchase transactions under normal commercial terms and conditions. They are unsecured in nature and bear no interest.

The loans receivable from Associates and Joint Ventures are denominated in US Dollars except for the amount of USD 15,252 which is denominated in Swedish Krona. They bear interest at rates of 2% - 10% and are repayable on demand if short-term and by year 2019 if long-term. The loan receivable from shareholders is denominated in US Dollars, bears interest at 3.5% and is repayable on demand.

39. Group's insurance policy

Gunvor is committed to the highest standards of international best practice in shipping and does not operate tankers older than twenty years. The Group is fully protected against an unlikely event of any accident or oil spill by a comprehensive Charterer's Liability Policy in the amount of USD 1 billion per event.

40. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Report of the Independent auditor on the consolidated financial statements

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Independent auditor's report

To the Members of Gunvor Group Ltd

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gunvor Group Ltd (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Group.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Andreas Th Constantinides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 5 April 2012

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