Current Energy Market Trends

1. Saudi Aramco reduced its July official selling prices for its Extra Light, Light, Medium and Heavy crudes bound for Asia by $0.25/ barrel to $1.05/barrel, but raised the OSP for Arab Super Light by $0.15/barrel over the June OSPs. With the current cracks for the middle distillates and the fuel oil not looking so impressive, these cuts looked to be in-line with market fundamentals.

	Premium/(discount) to benchmark Dubai/Oman ($/Bbl)		m-o-m
	June-13	July-13	Change ($/Bbl)
Arab Super Light	3.70	3.85	+0.15
Arab Extra Light	2.65	2.40	-0.25
Arab Light	2.00	1.50	-0.50
Arab Medium	0.75	0.00	-0.75
Arab Heavy	(0.70)	(1.75)	-1.05

2. Kuwait National Petroleum Company (KNPC) will award two contracts to South Korea's Daelim for prepatory work related to a major clean fuels upgrade of its Mina al-Ahmadi refinery, and both contracts are expected to be signed during this week; according to the project director last Monday. The first contract, valued at $189.4 million, is linked to renovation work for the refinery's FCC unit, while the second is for electric works.

3. Kuwait Petroleum Corp (KPC) is to seal a one-year naphtha deal starting August 2013 with Asian buyers at $31/MT above Middle East quotes , down 11.42% from its record premium for the contracts starting April 2013, traders said on Friday.

4. According to the managing director of Kuwait Petroleum International (KPI), Kuwait will not participate in the proposed 300 kb/d Zhanjiang refinery in the south-eastern Guangdong province if its partner, state Sinopec, moves forward with the project as a stand-alone refinery without an integrated petrochemical facility. State-owned Kuwait Petroleum Corp. and its subsidiaries — including KPI — retain a 30% stake in this project, but view it as uneconomic without the originally proposed 1 million ton/yr ethylene complex. The Chinese see little point in pursuing the petrochemical aspect, since it would face huge competition from booming ethylene capacity in the Middle East, which is targeting the Chinese market, Sinopec sources say, adding that the whole project is at a standstill. France's Total has 20% in Zhanjiang and is fully aligned with Kuwait on the need for a petrochemical plant, company officials claim.

Japanese oil refiner Idemitsu Kosan Co reached a final investment decision with the co-investors on the 200 kb/d refining complex in Vietnem which was first discussed in 2004 and whose price tag has sharply risen from an initial $6 bn in 2008 to the current $9 bn. The complex will also be home to a 105 kb/d residue hydro-desulfurization unit, an 80 kb/d residue fluid catalytic cracker and an aroma complex production unit (paraxylene) with annual capacity of 700,000 mt. Crude oil feed for the refinery is expected to be Kuwait heavy crude oil. Construction of the refinery is expected to start in July of this year with a completion date eyed for 2016 and a start of commercial operations by 2017.

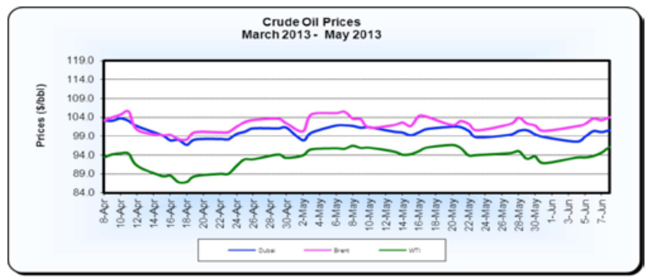
Idemitsu has a 35.1% operating stake in the project, with state Kuwait Petroleum International (KPI) also holding 35.1%, state Petrovietnam 25.1% and Japan's Mitsui Chemicals 4.7%.

5. Most of the financing would be via project financing agreements of up to $5bn, involving $2.3bn loans from the Japan Bank for International Cooperation (JBIC) and the Export-Import Bank of Korea (KEXIM) and loans totalling $2.7bn from commercial banks. The remaining $4bn would be directly financed by Idemitsu and its co-investors. Of this amount, Idemitsu would invest $1.4bn, the company said in a statement.

6. During two investor conferences held last month – one organized by UBS bank, and one by US financial services firm Raymond James – The CEO of the US independent Occidental (Oxy) told investors it may sell assets to return value to shareholders and he repeatedly gave one scenario as selling its Middle East business. Even if Oxy fails to follow through on such plans, i.e. selling its Mideast assets, talk of this as an option may negatively impact its chances of success in ongoing attempts to secure a stake in Abu Dhabi's ADCO concession. A Gulf industry insider told the Middle East Economic Survey-MEES that Mubadala would be an obvious purchaser of its Mideast assets; however they have zero experience in managing some of these assets. Others consider Chinese state-owned firms potential buyers.

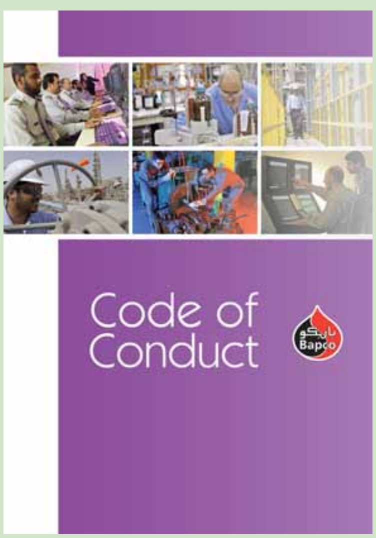
7. Majority state-owned Petroleum Development Oman (PDO), in partnership with the California- based GlassPoint Solar, has commissioned the Middle East's first solar-heated enhanced oil recovery (EOR) project in Southern Oman. This comes just 16 months after breaking ground on the pilot project in January last year.

The project aims to use solar energy to produce 50 tons/day of emission-free steam to be fed into the existing thermal EOR operations at PDO's Amal-West heavy oil field in its massive Block 6 license. The 7mw system is now in regular operation, and recently passed its first performance acceptance test since coming online, GlassPoint said, exceeding contracted steam output by 10%.



Crude:
Benchmark crude prices averaged last week, from 3rd June to 7th June 2013 as follows:
WTI: 94.3 $/bbl (+0.9 $/bbl w-o-w), Brent: 103.0 $/bbl (+0.9 $/bbl w-o-w), Dubai: 99.5 $/bbl (-0.2 /bbl w-o-w), Abu Sa'afah: 100.5 $/bbl (+0.2 $/bbl w-o-w) and OPEC Basket: 100.2 $/bbl (+0.2 $/bbl w-o-w).

Bapco's Code of Conduct



Dating back to its formation more than fifteen years ago, and recently undergoing a revamp in its guidelines, Bapco has always placed a notable importance on its code of conduct, which oversees the behaviour of its employees and the ethics that they follow in the workplace. The company instills in employees an understanding that the reputation and prestige of Bapco and its activities share a direct relation with the actions and reputations of each of the employees that constitute its vast workforce.

Simply put, Bapco's Code of Conduct strives to intensify the implementation of ethical standards at the workplace to the highest degree and strives to encourage its employees to perform and progress in a highly ethical and moral manner at all times.

Over the years, Bapco has continuously reflected a passionate and dedicated commitment towards its key values and provides a framework to guide ethical behaviour in a manner which upholds the integrity and reputation of the organisation at all times. Hence, it is obligatory for all employees to behave and carry out their duties in the company in a fashion that is aligned with this Code. The intention of Bapco's Code of Conduct, however, is not to micro-manage or touch upon all elements of function in the company, but to lay out a basic ethical and moral framework which automatically becomes the norm among employees of the company throughout the course of their service here.

Bapco's behaviours are commonly driven by the following prestigious values:

- Business-like
- Respect
- Teamwork
- Integrity
- Innovation
- Personal accountability

Ingrained with the above values, Bapco's Code of Conduct aims to educate employees that certain actions are strongly advised against in the company, to allow employees to earn trust through consistently high standards of behaviour, and consequently, high standards of employee performance.

Various issues, some of which include the conflict of financial and other interests, political conflicts, prohibited behaviour like solicitation of the company's resources and fundraising, misuse of one's position in Bapco, misuse or manipulation of benefits, protection and respecting of the confidentiality of company information, inappropriate communications with external media and sources, placing utmost importance on environment, health and safety as is Bapco's motto, tolerating all religions and religious practices among employees, discrimination and harassment among employees, and importantly, prohibition of the usage of banned substances like alcohol, drugs etc. on company property, in company premises, during the usage of company vehicles and so on. Also, inappropriate use of the company's email service and the Internet itself for accessing, distributing and forwarding banned material of any sort is highly prohibited as this will greatly help maintain an ethical and productive atmosphere in the organisation, as well as oversee the safety of employees both in the workplace as well as online. It is the responsibility of every Bapco employee to be fully compliant with all laws, rules and regulations laid down by the company. In addition, ex-employees are also prohibited from circulating or distributing confidential information derived during their tenure with Bapco.

A 'Corrective Action Schedule' is easily available on the Bapco Portal and is also placed prominently on the company's notice boards for ease of consultation by all employees.