



China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司

12 November 2012

Corporate Presentation



China Aviation Oil
中国航油(新加坡)股份公司

Cautionary note on forward-looking statements

This presentation slides may contain forward-looking statements that involve risks and uncertainties. These statements reflect management's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in the light of currently available information. Such forward-looking statements are not guarantees of future performance or events. Accordingly, actual performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, competitive factors and political factors. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.



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Corporate Overview

At a Glance



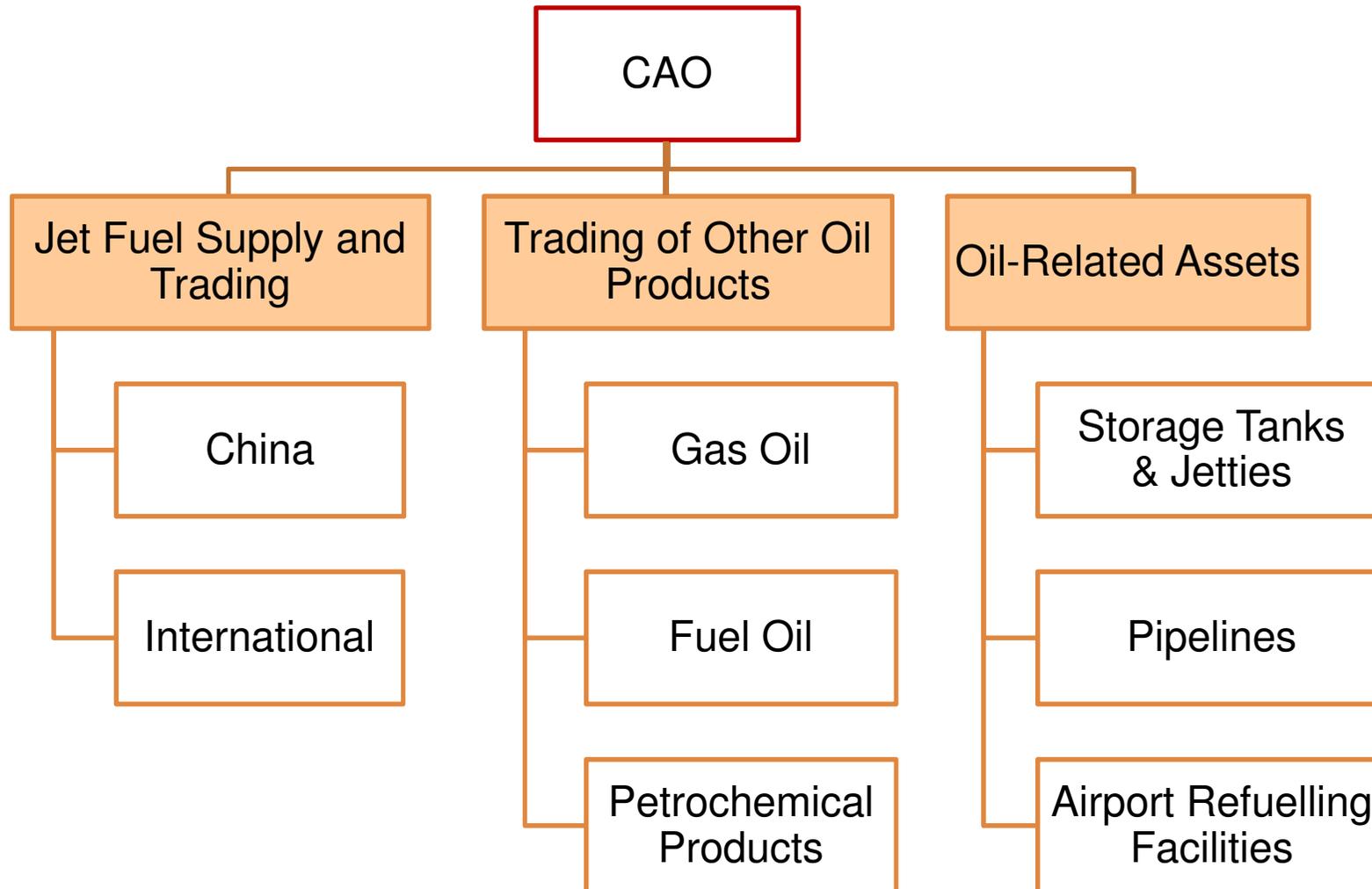
Sole Supplier of Imported Jet Fuel to the PRC Civil Aviation Industry

Largest Purchaser & Trader of Physical Jet Fuel in Asia Pacific

Company Information	
Incorporated	26 May 1993
Listed	6 December 2001
Current Share Price *	S\$ 0.96
Market Capitalisation	S\$ 692.6 million
P/E ratio	9.8x
NAV per share	S\$ 0.75
Free Float	28.1%

* Extracted from Bloomberg on 9 Nov 2012

Our Businesses





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Results Update

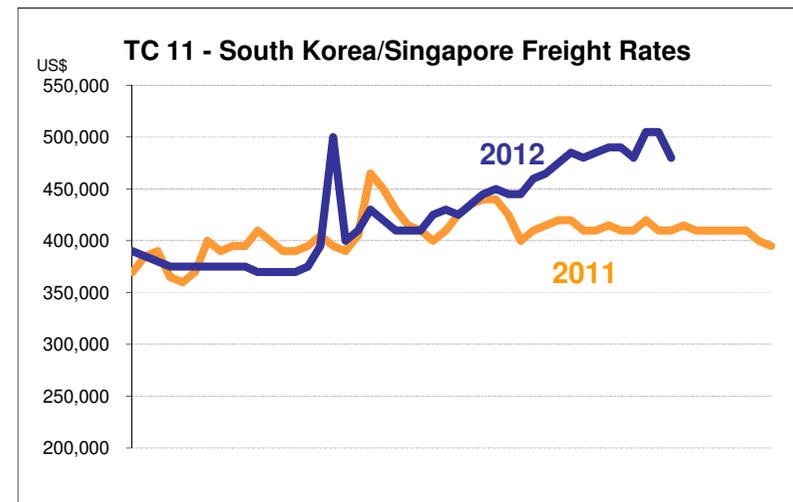
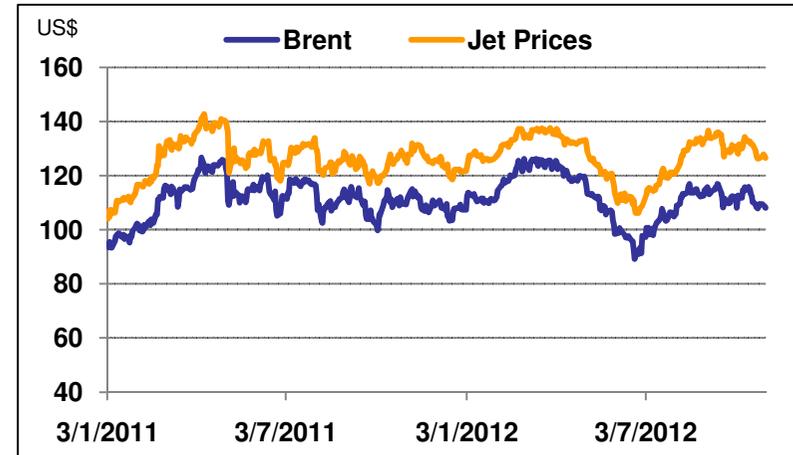
3Q 2012 Operating Environment



China Aviation Oil
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▪ Challenging trading environment:

- Adopted more prudent trading strategy and reduced trading activities in view of uncertainties in the global economy and high volatility in oil markets
- Changes in market structure – jet fuel surplus in Asia Pac flowing to Europe and US, resulting in intensified competition for cargoes in Asia Pac and higher procurement costs and limited trading opportunities
- Typhoon season in North Asia led to higher shipping and procurement costs to ensure certainty of supply to China



3Q 2012 Operating Environment



- Lower profit contribution from SPIA due to lower profitability attributable to higher average procurement costs of jet fuel inventory vis-à-vis sales revenue
- Higher costs as the Group pursued expansion opportunities
 - Additional storage costs due to the leasing of Singapore storage to ensure certainty of supply and capture trading opportunities
 - Higher finance costs in tandem with increased business activities (e.g. petrochemicals trading)
 - Increased headcount

***CAO has remained profitable despite
the challenging environment***

3Q 2012 Profit & Loss Summary



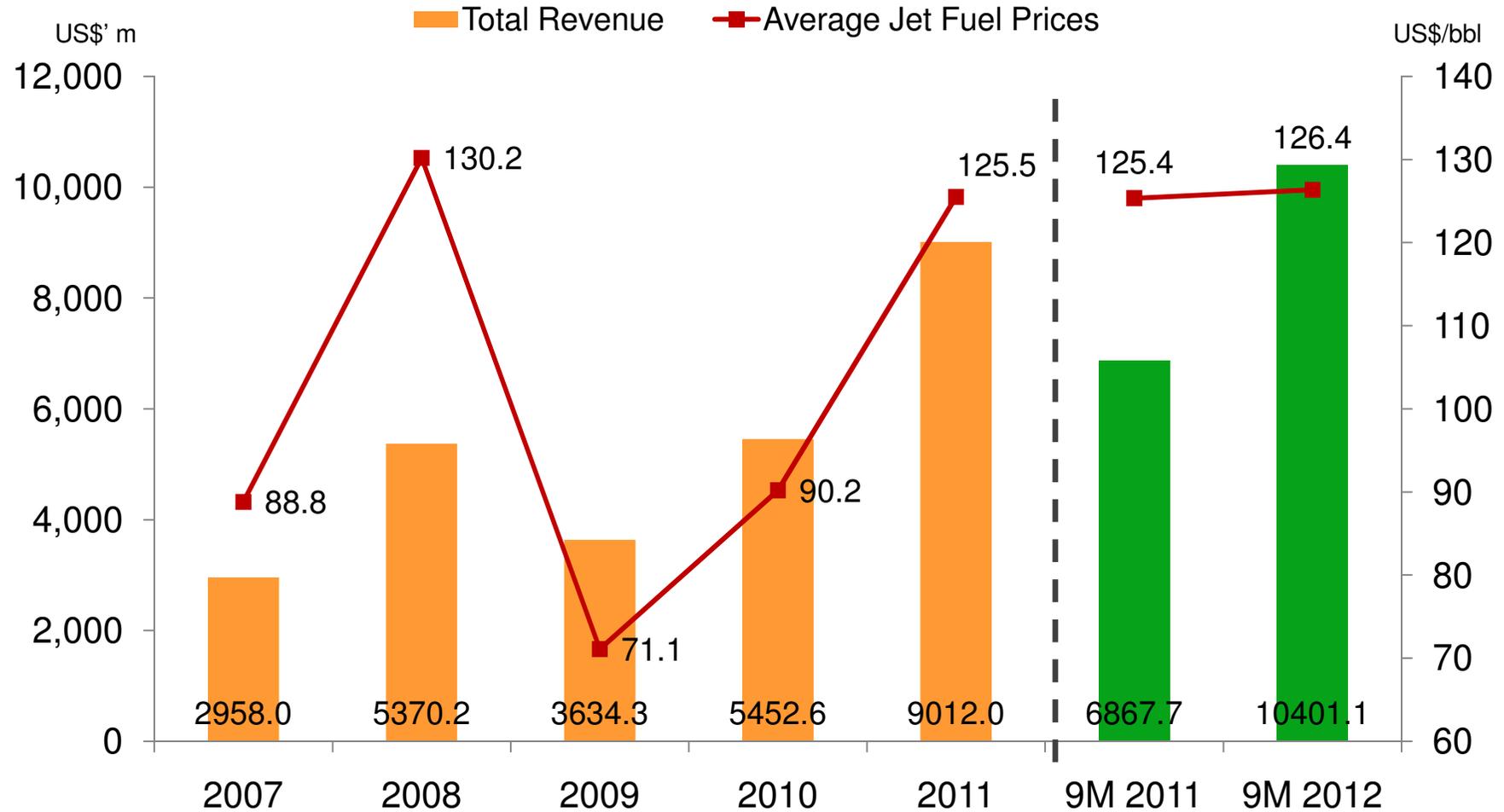
		3Q 2012: US\$ 3,784.5m	3Q 2011: US\$ 2,414.1m
+56.8%	Revenue	<ul style="list-style-type: none"> Total supply and trading volume increased 61% to 3.9m tonnes Jet supply and trading volume up 31% to 2.8m tonnes Trading volume of other oil products increased 4x to 1.1m tonnes 	
		3Q 2012: US\$ 10.5m	3Q 2011: US\$ 12.2m
-14.2%	Gross Profit	<ul style="list-style-type: none"> Lower gains from oil trading activities due to higher freight costs and storage fees Significantly higher shipping and procurement costs incurred to ensure certainty of jet fuel supply to China during typhoon season 	
		3Q 2012: US\$ 6.6m	3Q 2011: US\$ 3.4m
+93.8%	Total Expenses	<ul style="list-style-type: none"> Higher staff cost including those from CAOHK and NAFCO Higher finance cost on increased business activities 	
		3Q 2012: US\$ 7.2m	3Q 2011: US\$ 8.3m
-13.1%	Share of Results of Associate	<ul style="list-style-type: none"> Mainly due to lower profits at SPIA as cost of sales declined at a slower rate compared to revenue 	
		3Q 2012: US\$ 13.2m	3Q2011: US\$ 17.0m
-22.3%	Net Profit	<ul style="list-style-type: none"> Lower gross profit Lower contribution from share of results of associates Higher operating costs 	

9M 2012 Profit & Loss Summary

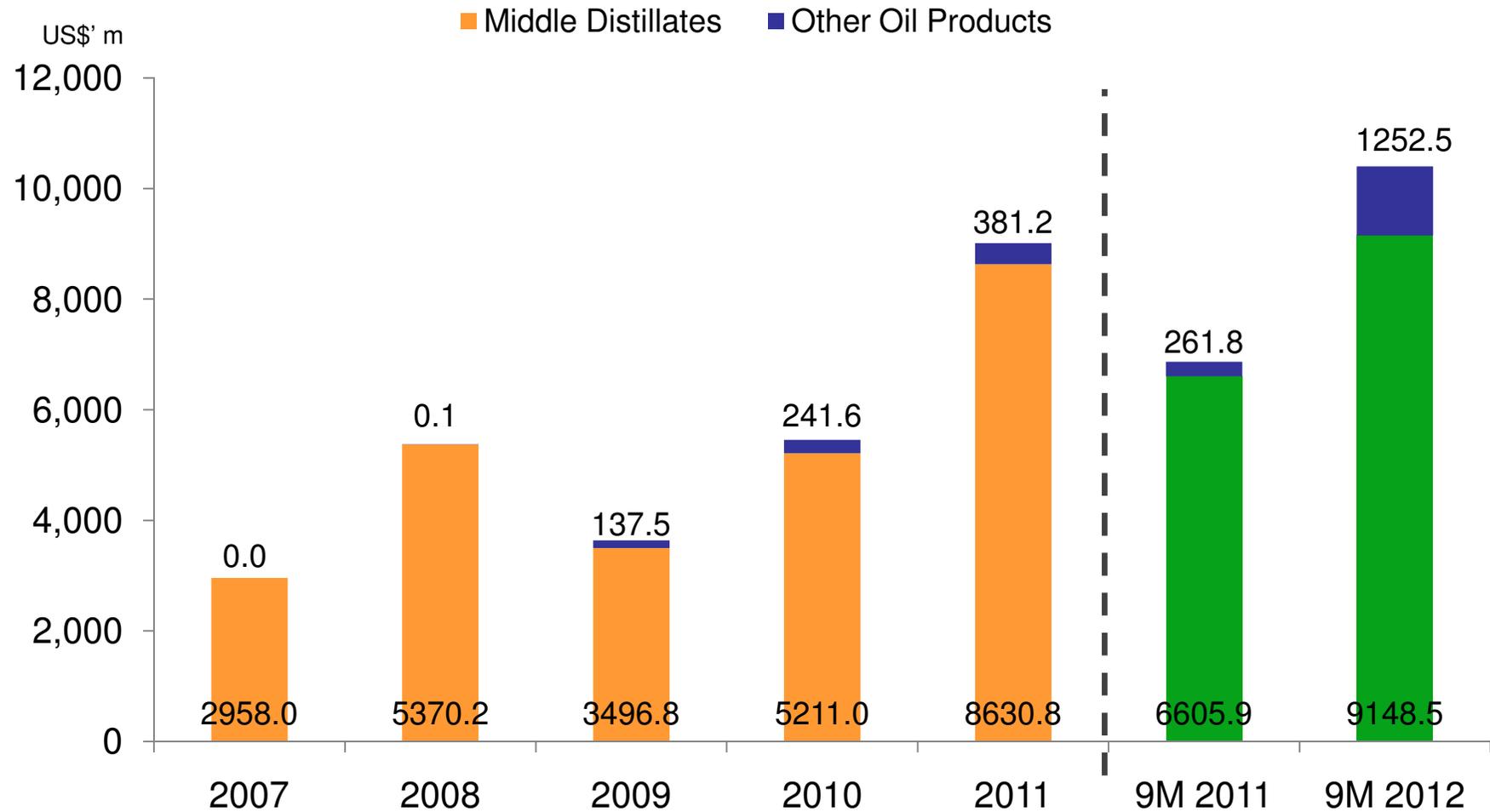


		9M 2012: US\$ 10,401.1m	9M 2011: US\$ 6,867.7m
+51.5%	Revenue	<ul style="list-style-type: none"> Total supply and trading volume increased 50% to 10.4m tonnes Jet supply and trading volume up 22% to 7.9m tonnes Trading volume of other oil products up 390% to 2.6m tonnes 	
		9M 2012: US\$ 34.2m	9M 2011: US\$ 32.1m
+6.3%	Gross Profit	<ul style="list-style-type: none"> Higher gains from oil trading activities despite challenging environment Consolidation of contribution from CAOHK 	
		9M 2012: US\$ 15.2m	9M 2011: US\$ 8.1m
+88.5%	Total Expenses	<ul style="list-style-type: none"> Higher staff cost including those from CAOHK and NAFCO Higher finance cost on increased business activities 	
		9M 2012: US\$ 28.0m	9M 2011: US\$ 34.8m
-19.7%	Share of Results of Associate	<ul style="list-style-type: none"> Mainly due to lower profits at SPIA as cost of sales declined at a slower rate compared to revenue 	
		9M 2012: US\$ 48.0m	9M 2011: US\$ 57.7m
-16.8%	Net Profit	<ul style="list-style-type: none"> Lower contribution from share of results of associates Higher operating costs 	

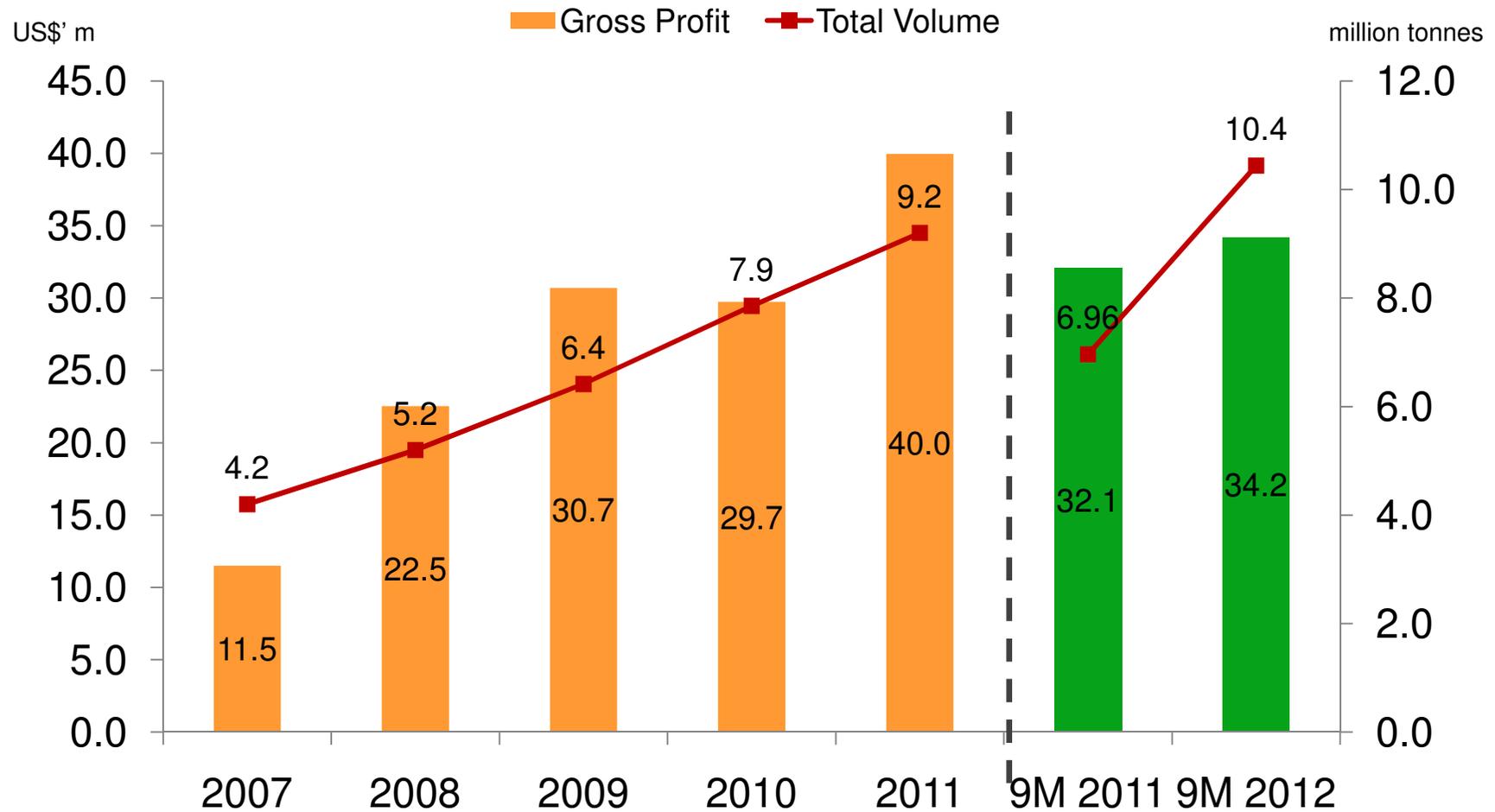
Revenue In Tandem With Jet Fuel Prices



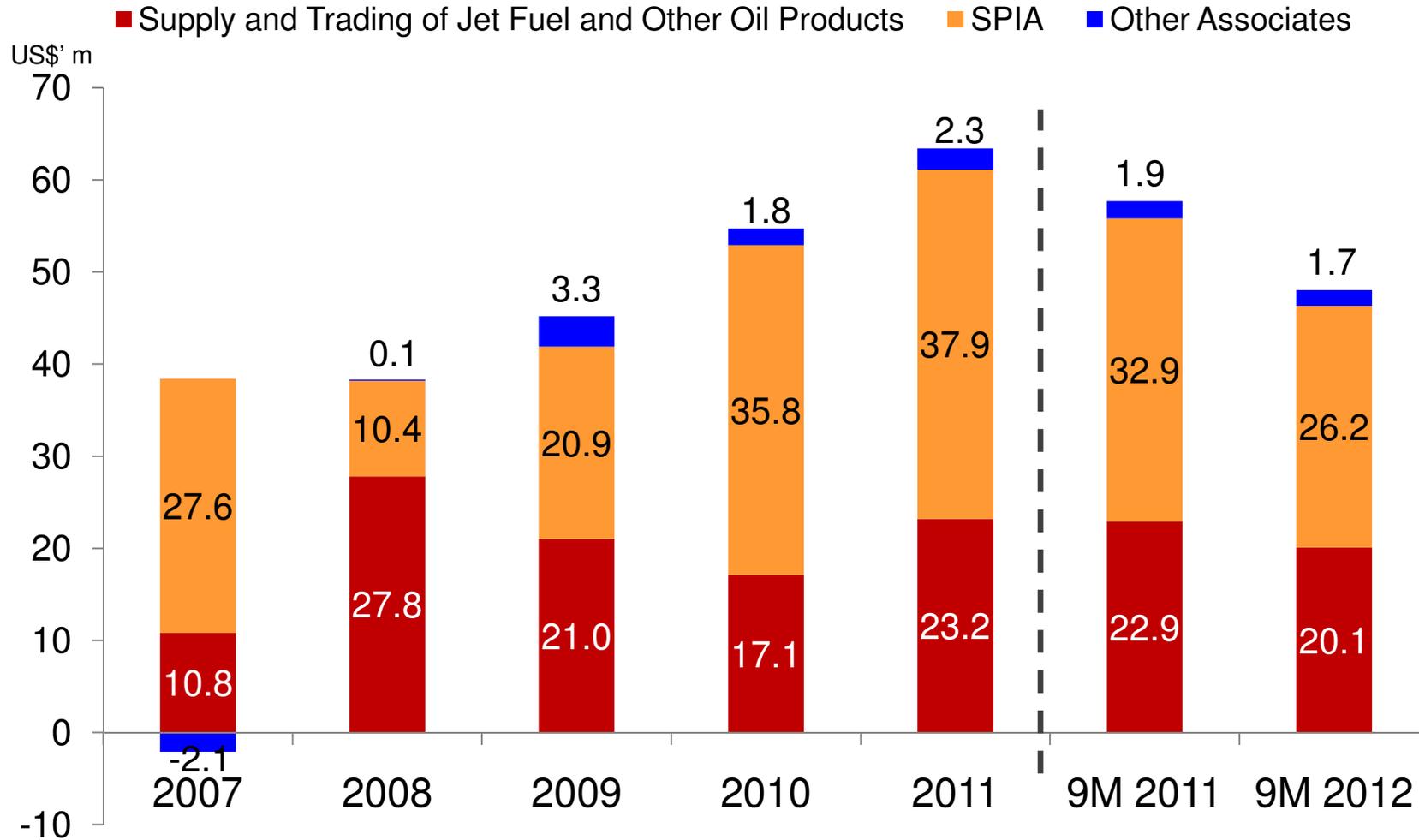
Increasing Revenue Contribution from Other Oil Products



Optimisation & Trading Drives Growth of Volume and Gross Profit



SPIA – A Significant Net Profit Contributor



Balance Sheet Summary



		30 Sep 2012: US\$ 20.1m	31 Dec 2011: US\$ 38.2m
-47.4%	Inventories	<ul style="list-style-type: none"> Lower due to trading activities 	
		30 Sep 2012: US\$ 1,181.1m	31 Dec 2011: US\$ 838.5m
+40.9%	Trade and Other Receivables	<ul style="list-style-type: none"> Higher sales revenue in Sep 2012 compared with Dec 2011 Trade receivables in CAOHK and NAFCO Dividend receivable from associate 	
		30 Sep 2012: US\$ 142.9m	31 Dec 2011: US\$ 88.1m
+62.2%	Cash and Cash Equivalents	<ul style="list-style-type: none"> Cash inflow of US\$100.5m from operating activities, partially offset by the aggregate of US\$45.8 million used for investing and financing activities 	
		30 Sep 2012: US\$ 1,114.7m	31 Dec 2011: US\$ 756.6m
+47.3%	Trade and Other Payables	<ul style="list-style-type: none"> Higher cost of procurement arising from increase in volume Trade payables of CAOHK and NAFCO 	
		30 Sep 2012: US\$ 32.0m	31 Dec 2011: US\$ 30.0m
+6.7%	Loans and Borrowings	<ul style="list-style-type: none"> Short-term draw down of trade facilities to fund working capital 	



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Outlook and Prospects

FY2012 Profit Expected to be Comparable with FY2011



Market Conditions Expected to Improve

- Holiday season in 4Q 2012 to boost travel and jet fuel demand in Asia
- Shipping and procurement costs expected to normalise as typhoon season comes to an end

SPIA

- Improvement in results from September is expected to continue into 4Q 2012

Robust Financial Position & Cost Control

- Stringent cost control measures in place
- Group financial position robust with sufficient internal cash reserves, which will help to control finance costs to normalise
- Increase in staff costs to normalise

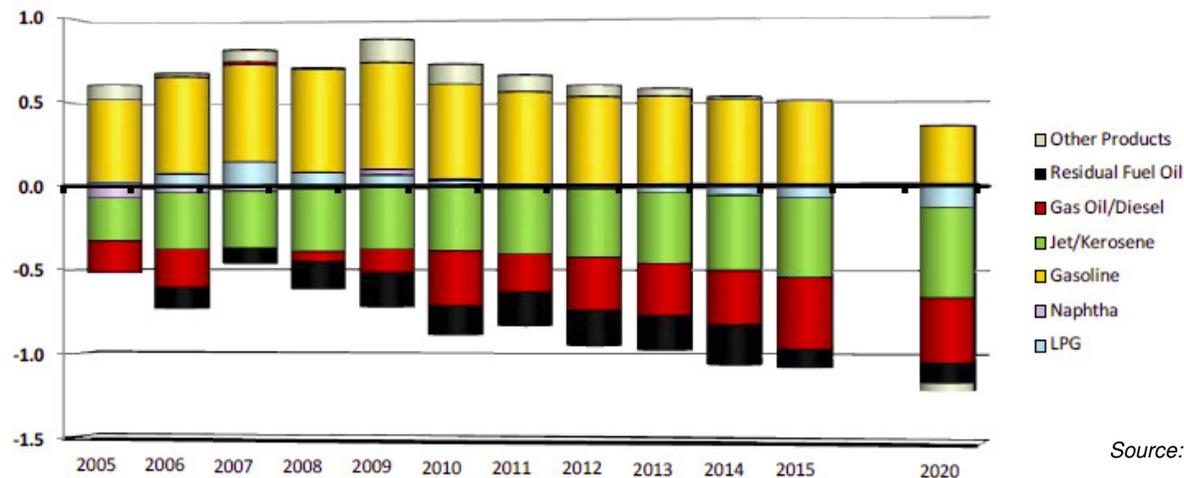
FY2013 Growth Drivers



■ Capturing change in global product flows

- By 2020, Northwest Europe's demand for jet fuel expected to increase by 180 kb/d, driven by rising share of budget airlines and increasing passenger-kilometres
- Meanwhile, the European refinery throughput is expected to fall, leading to deficit in jet fuel and pulling in Asian and Middle East surplus. This trend is expected to continue towards 2020
- CAO plans to establish a Europe trading subsidiary to capture this opportunity

NW Europe net trade outlook by product 2005-2020 (mmb/d)



Source: FACTS 2012 Annual World Refining Outlook

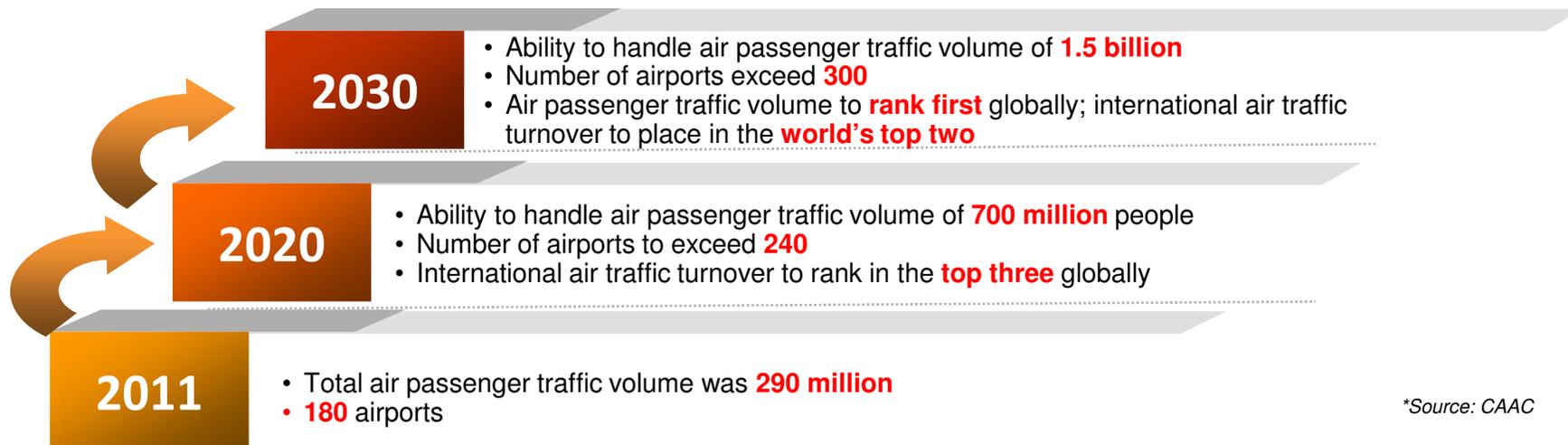
FY2013 Growth Drivers



China's civil aviation market to continue to grow

- Foundation of our optimisation and trading activities
- Moderate growth expected for jet fuel supply into China
- SPIA's refuelling volumes expected to grow in tandem with air traffic growth at Pudong Airport of around 7%
- PRC civil aviation industry expected to achieve 12% average annual growth from 2011-2015, translating into 11% growth on average per year for total jet fuel demand*
- Jet fuel demand is expected to reach 40 million tonnes by 2020*

Strategic Growth Targets of Chinese Civil Aviation Industry



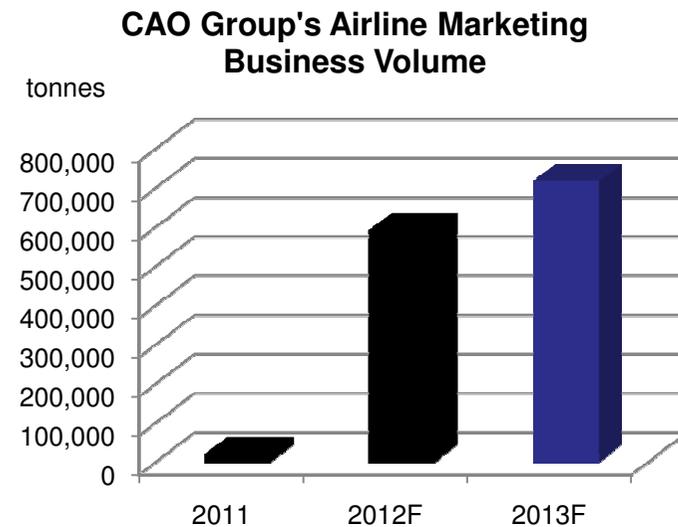
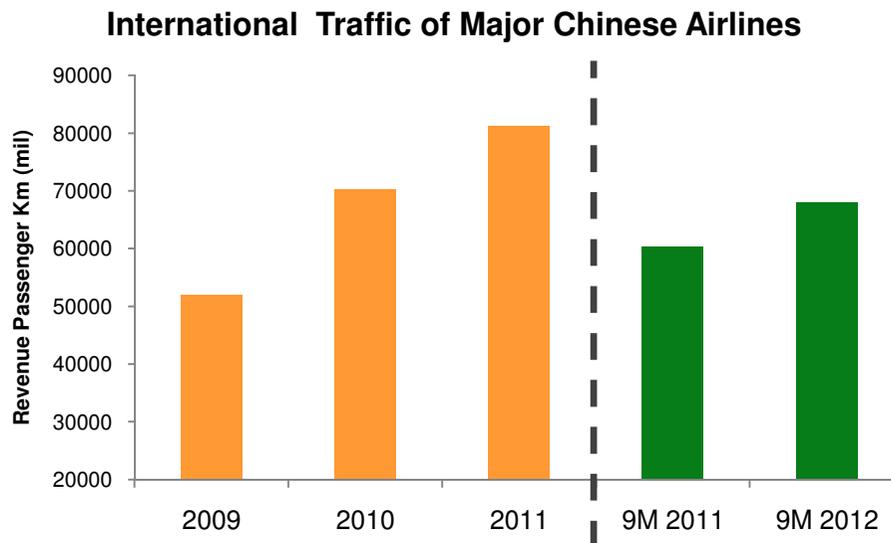
*Source: CAAC

FY2013 Growth Drivers



Proactively grow airlines marketing and supply business

- Chinese airlines' overseas refueling volume expected to grow
- To leverage on our strategic alliance with major Chinese airlines to expand refueling volumes
- To expand supply locations at airports in Asia Pacific, Europe and North America



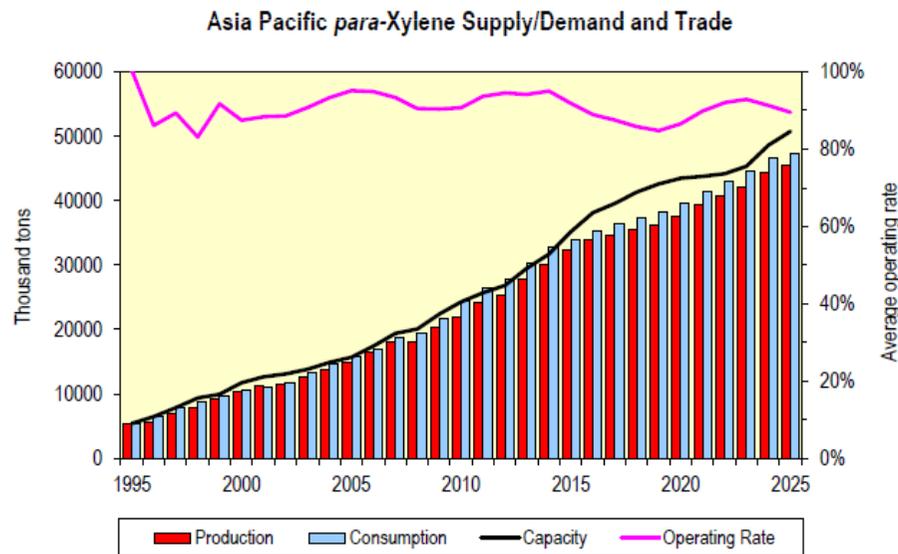
FY2013 Growth Drivers



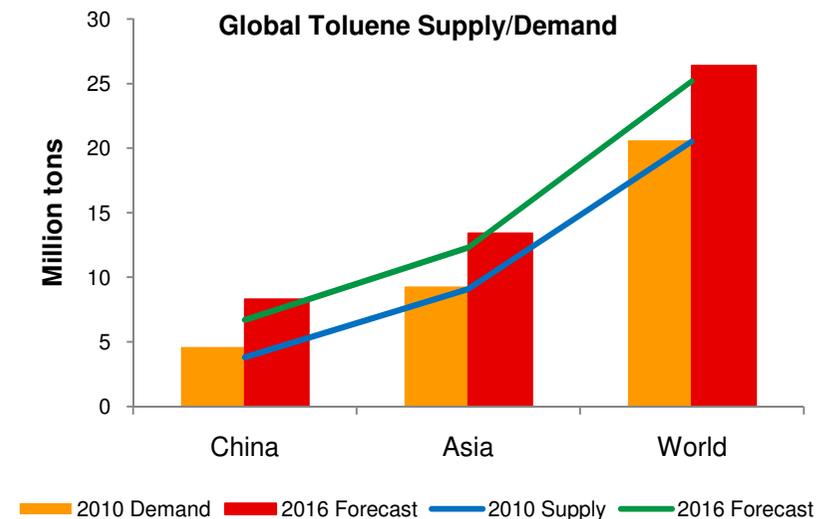
Increasing diversification into other oil products – petrochemicals

- CAO has successfully made inroads into China’s petrochemicals market. We are currently one of the largest suppliers of imported paraxylene (PX)
- We will continue to grow our presence in this market as China’s demand for petrochemical products to remain strong

China will continue to be a major importer of PX and toluene in Asia and in the world



Source: Nexant 2012 Petrochemical Market Dynamics - Aromatics



Source: Forecast of Global Supply and Demand Trends for Petrochemical Products, June 2012, Ministry of Economy, Trade and Industry of Japan

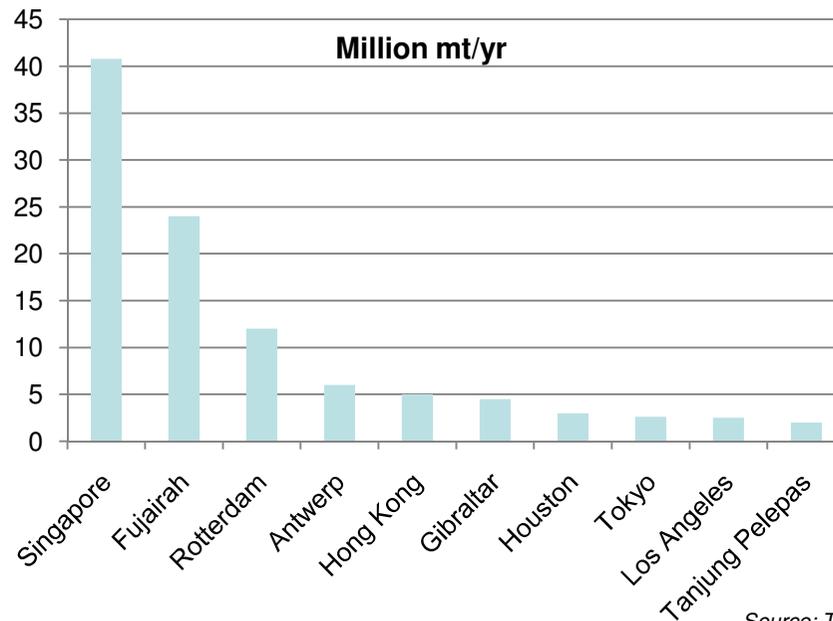
FY2013 Growth Drivers



▪ Increasing diversification into other oil products – fuel oil

- To continue to build up the business in Singapore, develop business in the Middle East and leverage on our links to establish presence in China
- To build up an integrated supply chain of procurement, storage, blending and sales and leasing storage in Singapore

Major Bunker Ports – Top Ten 2010



Source: Trizen

World Demand forecast

Million mt/yr 2010	2020	2030
West of Suez 130	160	175
East of Suez 100	150	225

FY2013 Growth Drivers

- **Evaluating the acquisition of strategic assets across the supply chain**
 - Storage and transportation assets, such as storage, jetties, pipelines, shipping
 - Jet fuel and bunkering refuelling facilities





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Thank You