



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

25 February 2013

# Presentation at S&P Capital IQ Seminar “Poised for Growth”



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



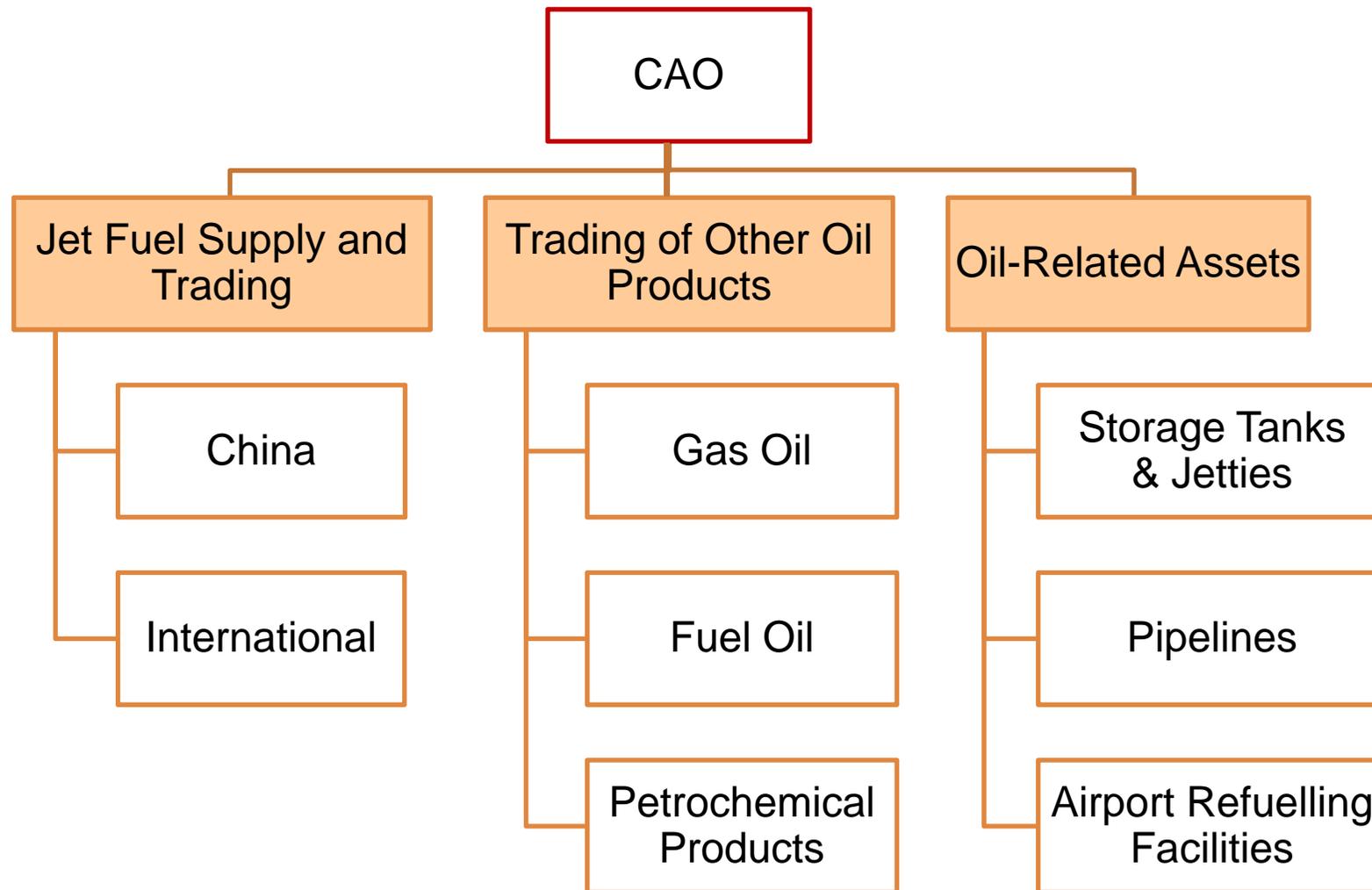
## Sole Supplier of Imported Jet Fuel to the PRC Civil Aviation Industry

## Largest Purchaser & Trader of Physical Jet Fuel in Asia Pacific

Company Information	
Incorporated	26 May 1993
Listed	6 December 2001
Current Share Price *	S\$ 1.15
Market Capitalisation	S\$831.2 million
P/E ratio	10x
NAV per share	S\$ 0.75
Free Float	28.1%

\* Closing price on 22 February 2013

# Our Business



# Strong Shareholder Support



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中国航空油料集团公司  
China National Aviation Fuel

## China National Aviation Fuel Group Corporation (CNAF) – 51%

- A large Central SOE directly under the administration of SASAC
- Fortune Global 500 company (ranked 318 in 2012)
- Largest aviation fuel provider in China
- Extensive nationwide sales network, logistics and distribution system
- Owns jet fuel supply facilities at **169** airports across the PRC
- Provides refuelling services to over **200** airline companies
- Offers wholesale, retail, storage and distribution of gasoline, diesel and petrochemical products in **23** Chinese provinces



# Strong Shareholder Support



## BP – 20%

- One of the world's leading oil and gas company
- CAO's strategic business partner
- Assists CAO in enhancing its trading and risk management system
- Business cooperation with BP enables access to new markets





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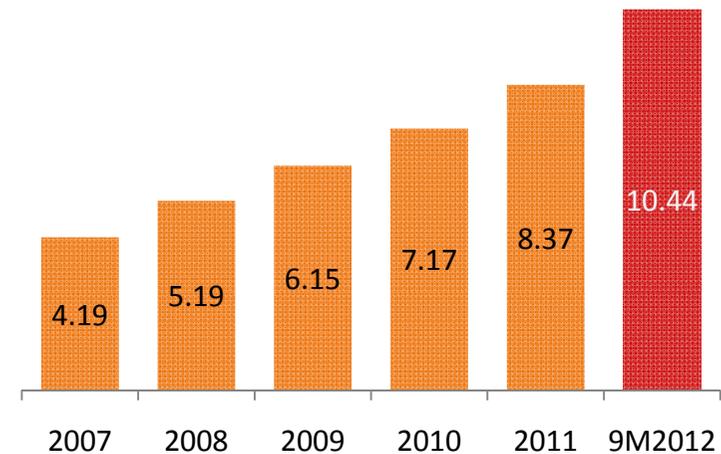
# Jet Fuel Supply and Trading

# Jet Fuel Supply – Stable Revenue Generator



- Sole importer of jet fuel into China
- Provides approximately 40% of China's total jet fuel demand on a **cost plus basis**
- Supplies mainly to **three** key international airports in China
  - Beijing Capital International Airport
  - Shanghai Pudong International Airport
  - Guangzhou Baiyun International Airport
 and other Chinese airports including Shenzhen Baoan International Airport, Chengdu Shuangliu International Airport, Qingdao Liuting International Airport etc.
- Strategic alliances with major Chinese airlines to supply jet fuel at 20 airports outside China – in Europe (e.g. Amsterdam and Frankfurt), North America (e.g. Los Angeles and Anchorage), Asia Pacific (e.g. Hong Kong, Taiwan and Hanoi) and Middle East (e.g. Dubai and Turkey)

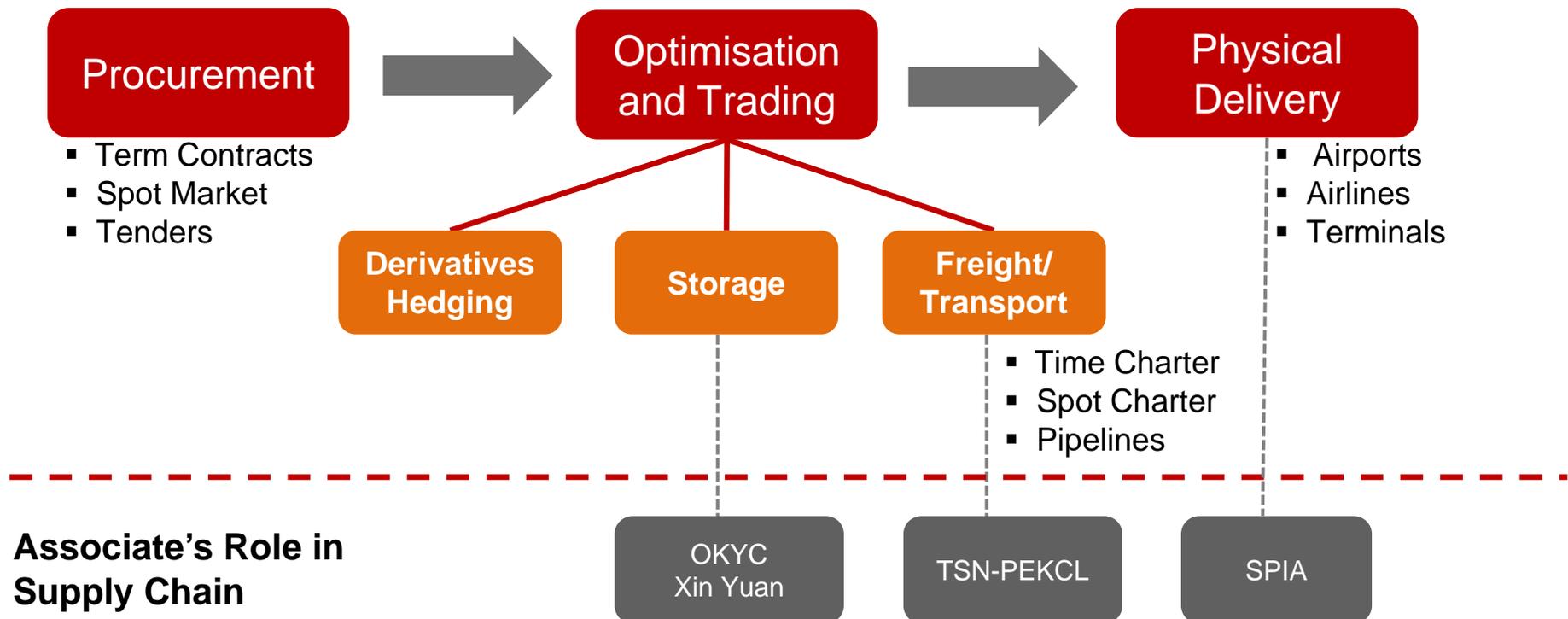
Jet Fuel Volume (million tonnes)



# Optimisation and Trading Enhances Profitability



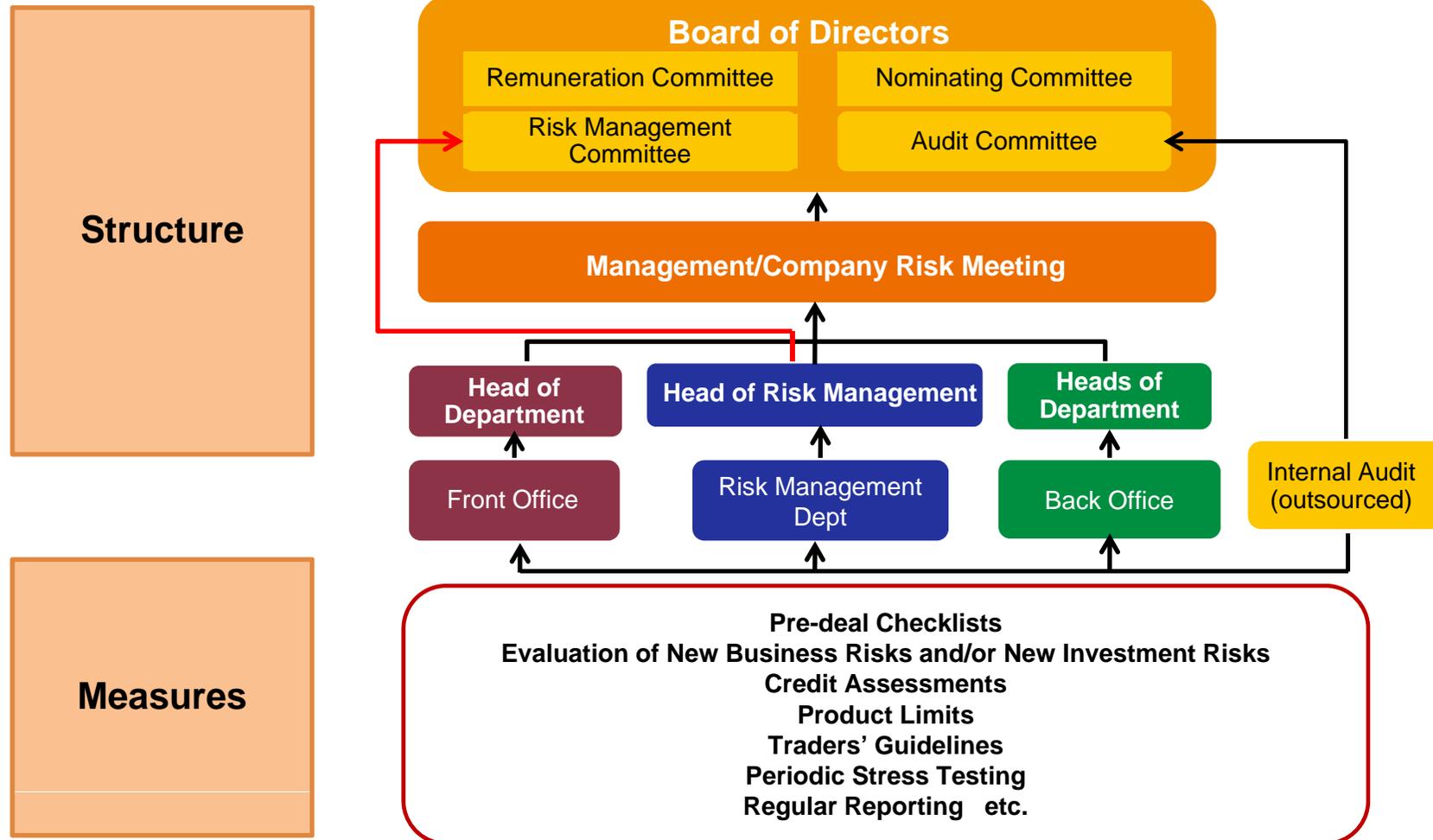
- Boosts jet fuel supply business by capitalising on profit enhancement opportunities via supply optimisation and trading
- Supported by large volume of supply to China
- Protected by strict risk management policies



# Effective Risk Control System



## Group Wide Risk Awareness Culture



# Global Network





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# Trading of Other Oil Products

# Expanding Revenue Stream



*Strategy: to leverage on trading expertise to expand revenue streams and reduce reliance on jet fuel*

Gas Oil	<ul style="list-style-type: none"> <li>▪ Established in 2012</li> <li>▪ Successfully supplied gasoil to Indonesia</li> <li>▪ To expand presence in South East Asia region by securing more supply contracts</li> </ul>
Fuel Oil	<ul style="list-style-type: none"> <li>▪ Established in 2010</li> <li>▪ Built effective relationships with oil majors, large trading houses and reliable end users worldwide</li> <li>▪ Reliable supplier of bunker fuel</li> </ul>
Petrochemicals	<ul style="list-style-type: none"> <li>▪ Established in 2008, progressively built structural competitive advantage</li> <li>▪ Products traded included benzene, toluene and paraxylene</li> <li>▪ Sourced from and sold to Asia Pacific, Middle East and US</li> <li>▪ Active player in China and other Asia Pacific markets</li> </ul>



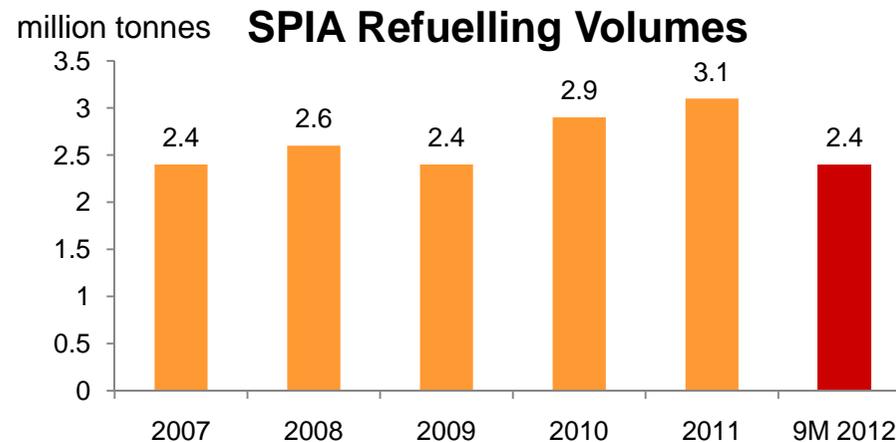
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# Oil-Related Assets

# SPIA



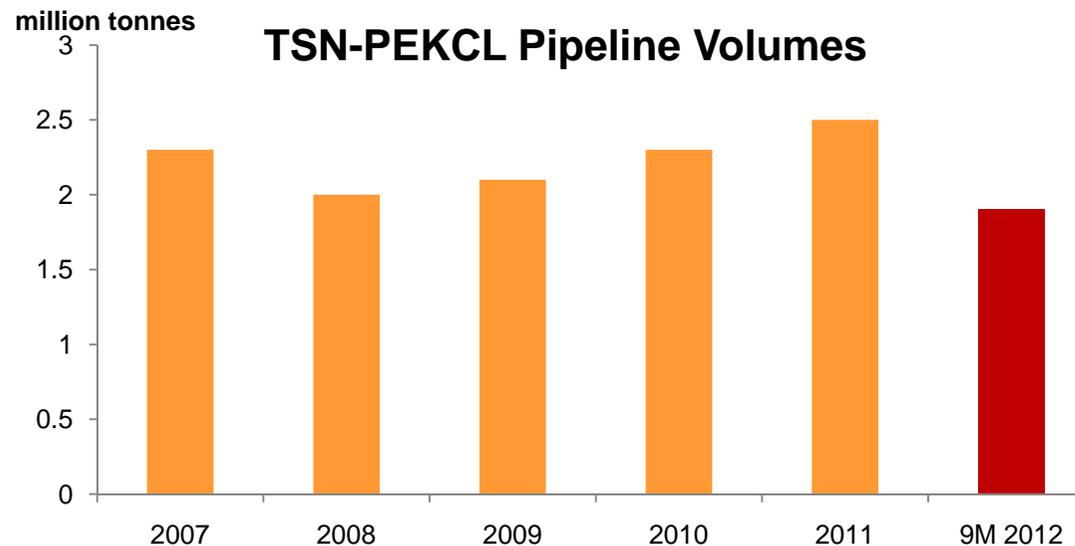
- 33% stake in Shanghai Pudong International Airport Aviation Fuel Supply Company (SPIA)
- Other major SPIA shareholders are Shanghai International Airport Co Ltd (40%) and Sinopec Assets Management Co Ltd (27%)
- Exclusive jet fuel supplier to China's second largest airport – Shanghai Pudong International Airport (Pudong Airport), provides jet fuel distribution and refuelling service to over 100 Chinese and foreign airlines
- SPIA owns all refuelling facilities at Pudong Airport including a 140,000m<sup>3</sup> storage terminal, airport tank farm, hydrant system, dispenser fleet, refuelling stations and 42km jet fuel pipeline



# TSN-PEKCL



- 49% stake in China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (TSN-PEKCL)
- CNAF Logistics holds the remaining 51% stake
- Key asset is a 185km long pipeline transporting majority of jet fuel requirements of Beijing Capital International Airport and Tianjin Binhai International Airport
- Longest multi-oil product pipeline with the biggest diameter and highest transfer volume in the PRC civil aviation industry



# Xin Yuan



- 39% stake in China Aviation Oil Xin Yuan Petrochemicals Co. Ltd
- Remaining stakes are held by Shenzhen Juzhengyuan Petrochemical Co Ltd (60%) and CNAF (1%)
- Engaged in the storage and trading of jet fuel and other oil products
- Owns a storage tank of 50,000m<sup>3</sup> capacity near Shuidong harbour in Guangdong Province



# Oilhub Korea Yeosu Co Ltd



- 26% stake in Oilhub Korea Yeosu Co Ltd (OKYC)
- CAO is second largest shareholder after Korea National Oil Corporation (KNOC), with a 29% stake. Other shareholders include SK Energy Co, GS Caltex Corporation, Seoul Line Corporation, Samsung C&T Corporation and LG International Corp.
- OKYC will develop, own, operate, manage and maintain the Northeast Asia Hub Terminal in Yeosu, Korea. Completion expected in first quarter of 2013
- Korea is a main source of jet fuel for CAO

Northeast Asia Hub Terminal Information	
Storage Capacity	1,300,000m <sup>3</sup>
Shipping Time	<ul style="list-style-type: none"> <li>▪ 1.88 days to Tianjin, China</li> <li>▪ 1.21 days to Shanghai, China</li> </ul>
Terminal Facilities	<ul style="list-style-type: none"> <li>▪ 4 berths with draft of 17.8 metres</li> <li>▪ Capacities ranging between 10,000 to 200,000 dwt</li> <li>▪ Able to access KNOC owned jetty with 330,000 dwt capacity</li> </ul>
Others	Able to support trading activities to the west coast of United States and Southeast Asia



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# Growth Strategy

# Vision



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***To become an internationally competitive and growth-oriented integrated energy trading company with synergetic assets, characterised by integrity and innovation***

# 5 Year Corporate Goal to 2014



## Double Digit Annual Growth Rate : i) Volumes ii) Revenue iii) Net Profit

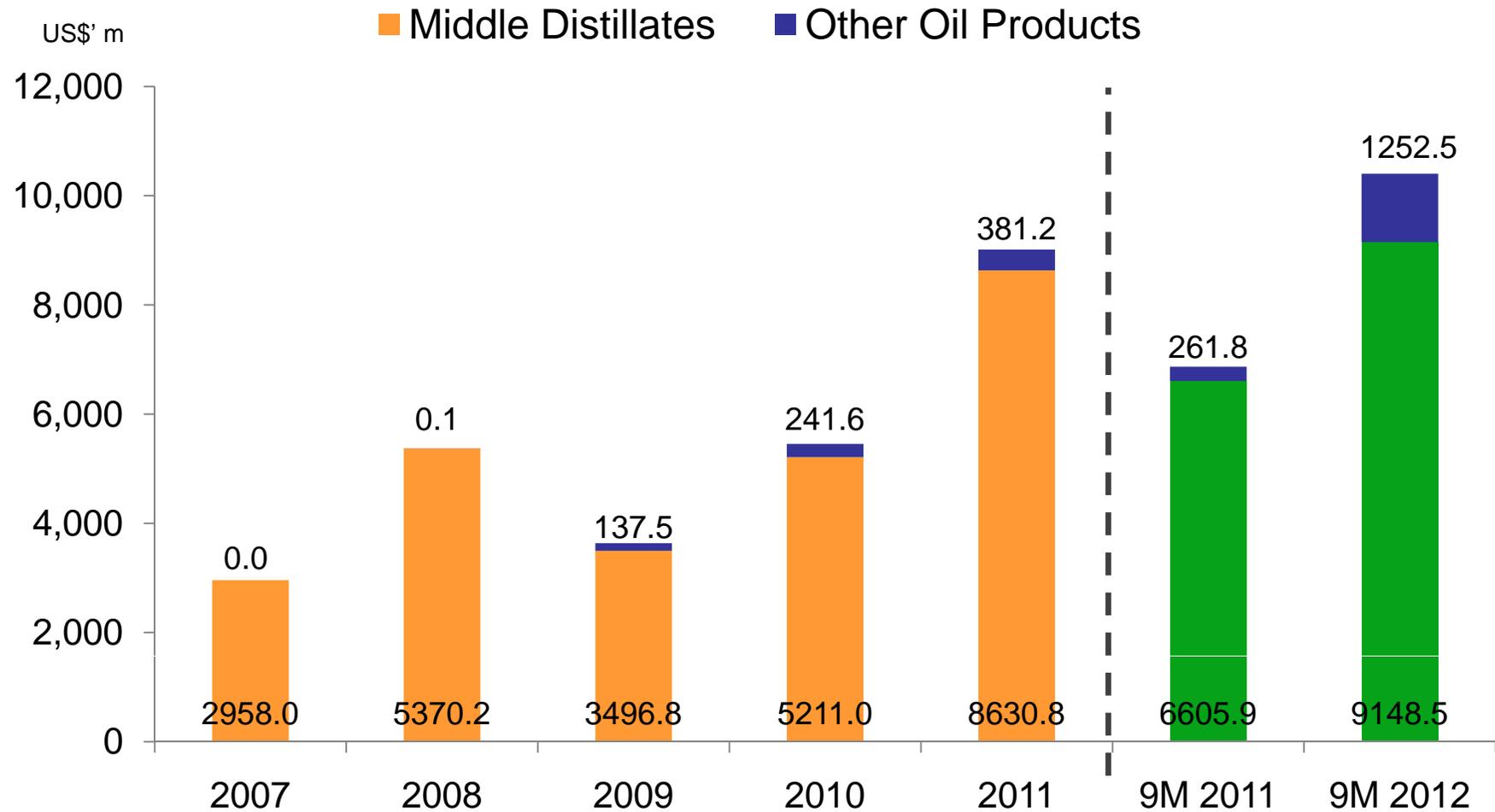
<b>Jet Fuel Supply &amp; Trading</b>	<ul style="list-style-type: none"> <li>▪ Consolidate position in China</li> <li>▪ Leverage on advantage of being largest physical trader of jet fuel in Asia Pacific to expand into markets outside of China, build up global trading network</li> <li>▪ Aviation fuel marketing and supply to airlines outside the PRC</li> </ul>
<b>Trading of Other Oil Products</b>	<ul style="list-style-type: none"> <li>▪ Gas Oil – build up customer base, target specialised/niche markets, arbitrage trading</li> <li>▪ Fuel Oil – expand bunker customer base, lease storage to strengthen competitive edge</li> <li>▪ Petrochemicals – leverage on strong Chinese demand to build up structural competitive advantage</li> </ul>
<b>Asset Investments</b>	<ul style="list-style-type: none"> <li>▪ To invest in synergetic assets along our value chain to achieve vertical integration</li> </ul>



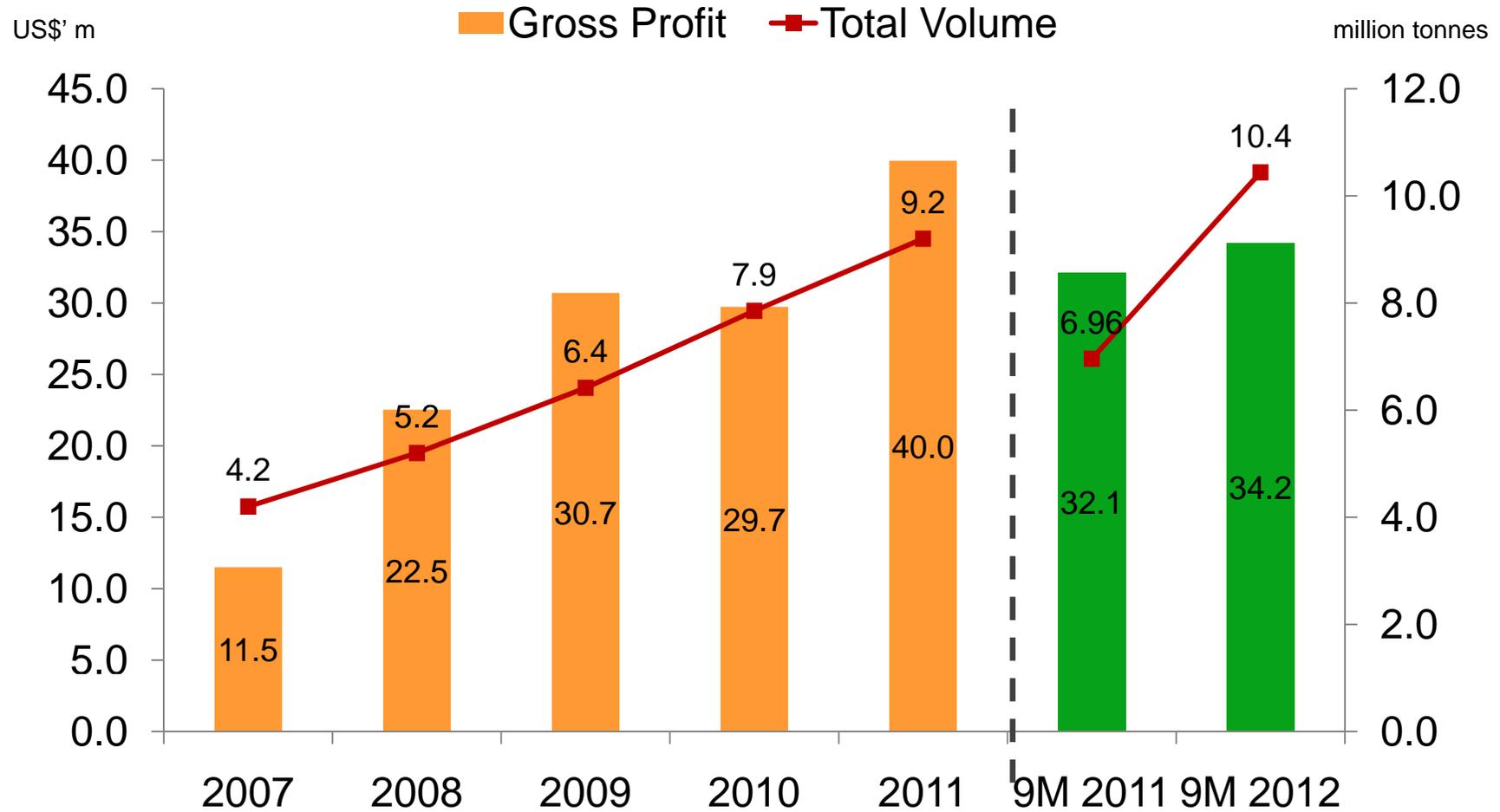
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# Results Update

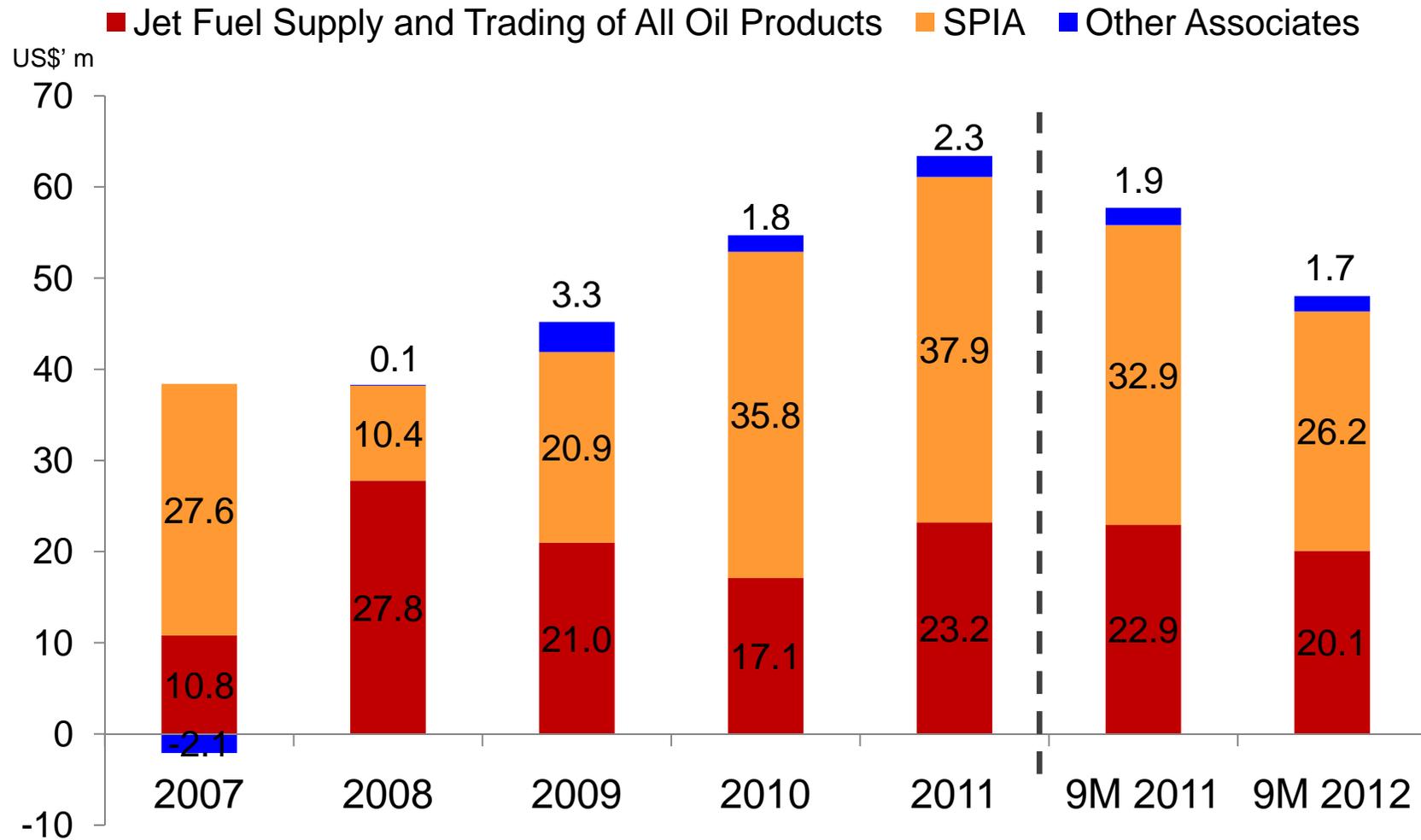
# Revenue Breakdown By Products



# Gross Profit Trend



# Net Profit Contribution Breakdown

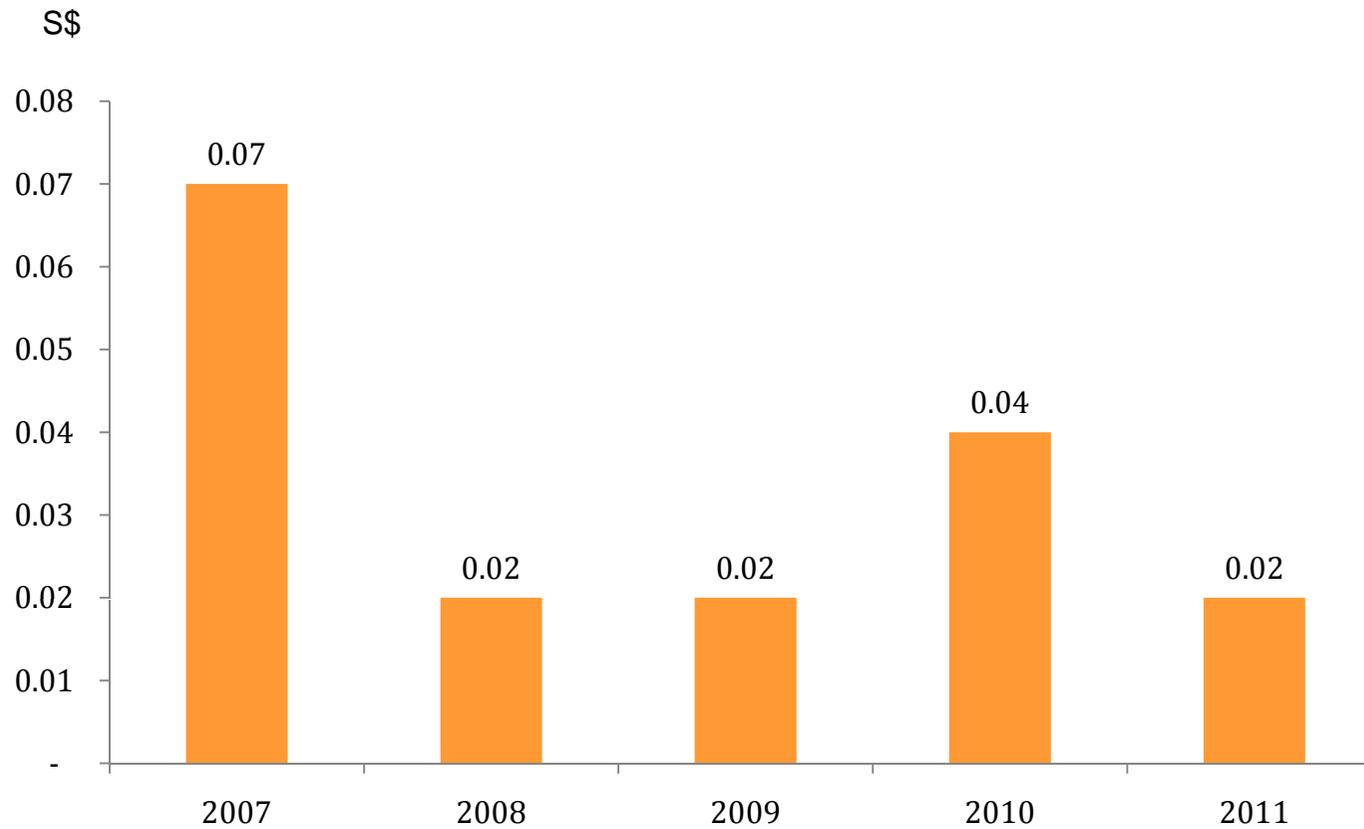


# Robust Financial Position



	2008	2009	2010	2011	9M 2012
Total Assets (US\$m)	495.1	758.7	945.8	1,194.3	1,591.2
Debt equity ratio	0	0	8.8%	7.5%	7.3%
NAV/share (US cents)	38.14	42.91	48.07	55.99	61.19
Return on equity	14.1%	15.4%	16.7%	17.0%	12.9%

# Dividend Trend

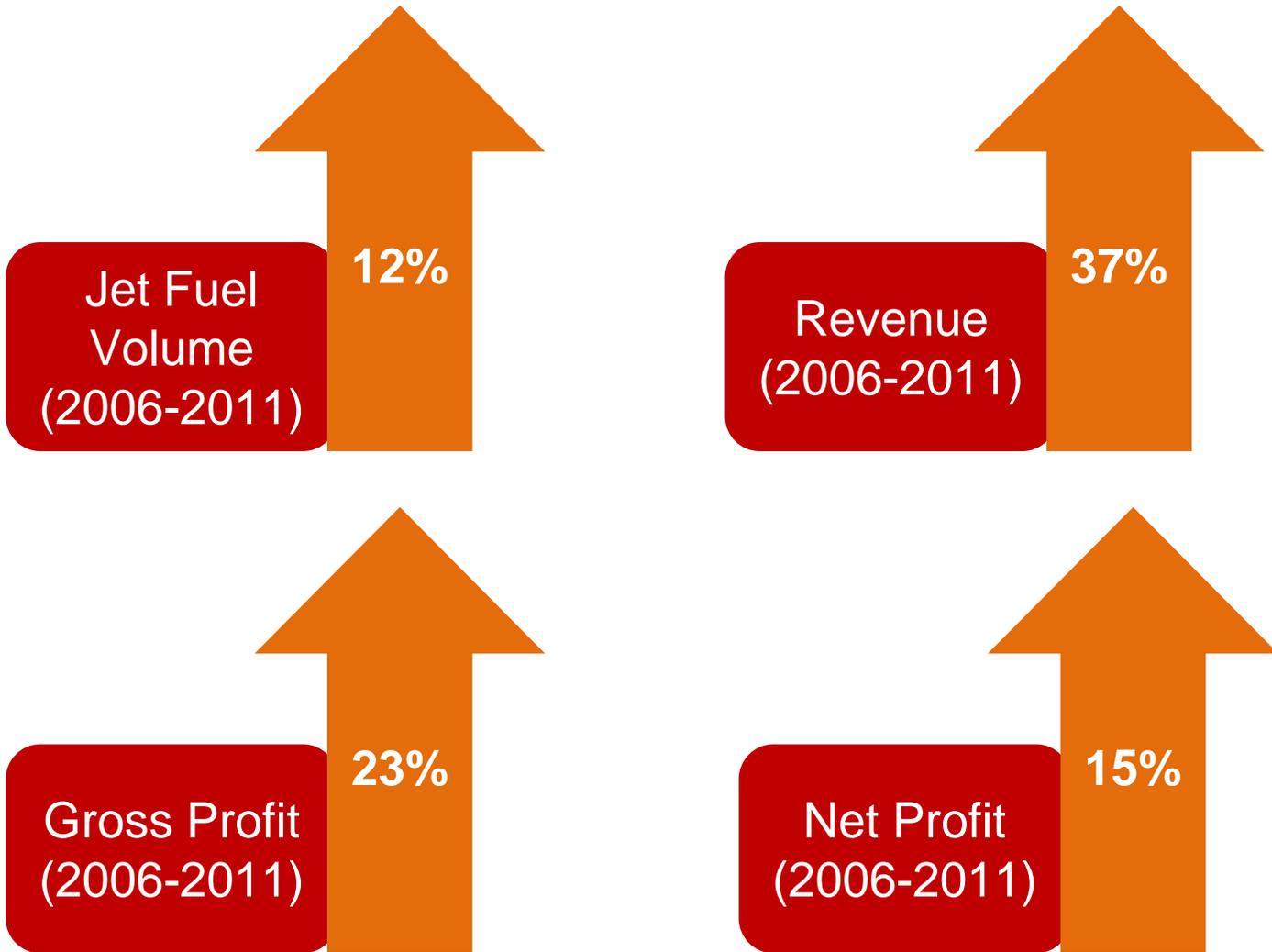


**CAO's dividend policy is to maintain a stable distribution of S\$0.02 per share per annum**

# CAGR Growth



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# Industry Outlook and Prospects

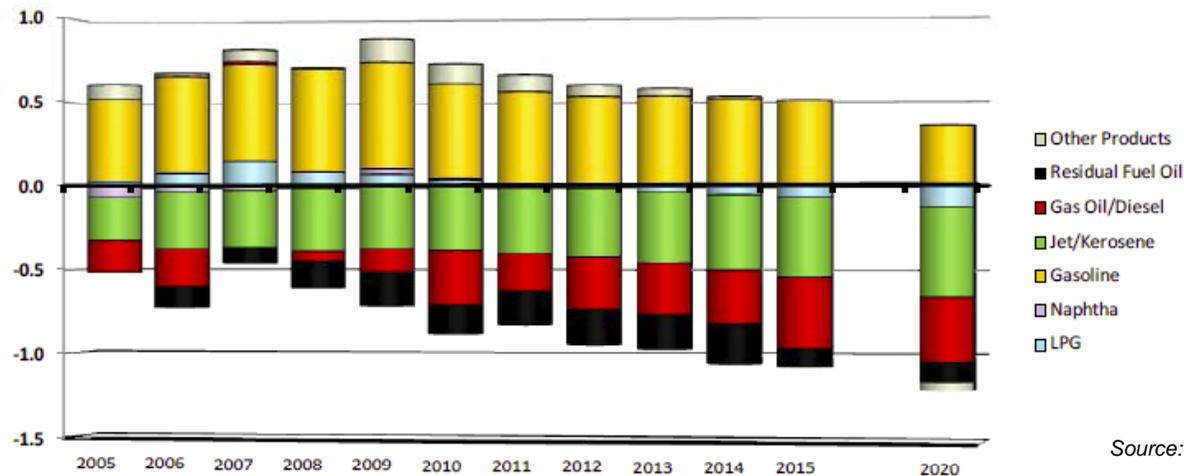
# FY2013 Growth Drivers



## ■ 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

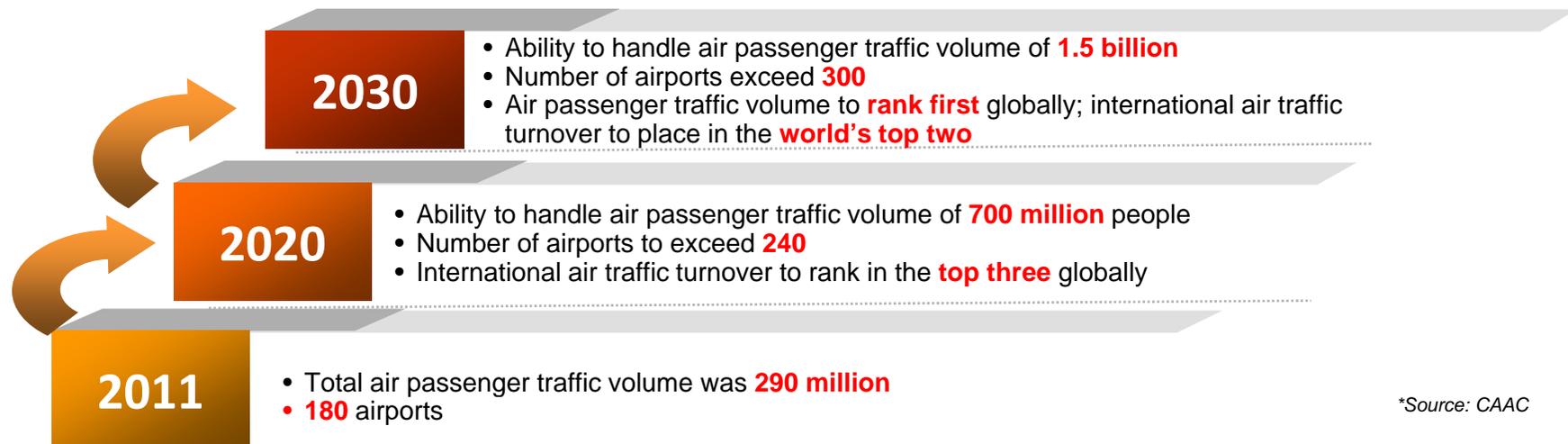
# FY2013 Growth Drivers



## 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



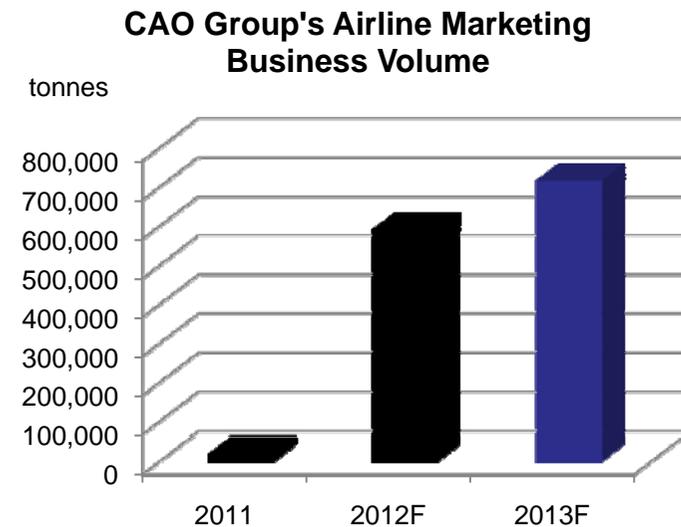
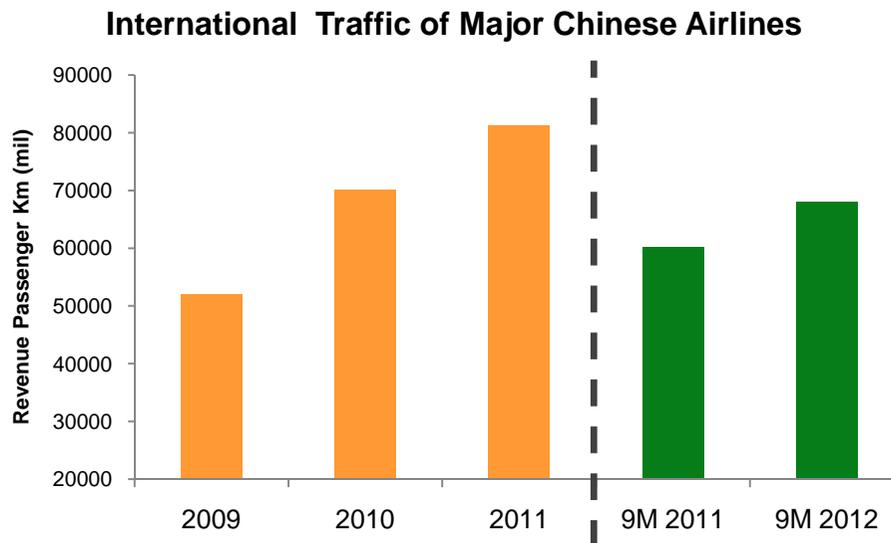
\*Source: CAAC

# FY2013 Growth Drivers



## Proactively grow airlines marketing and supply business

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

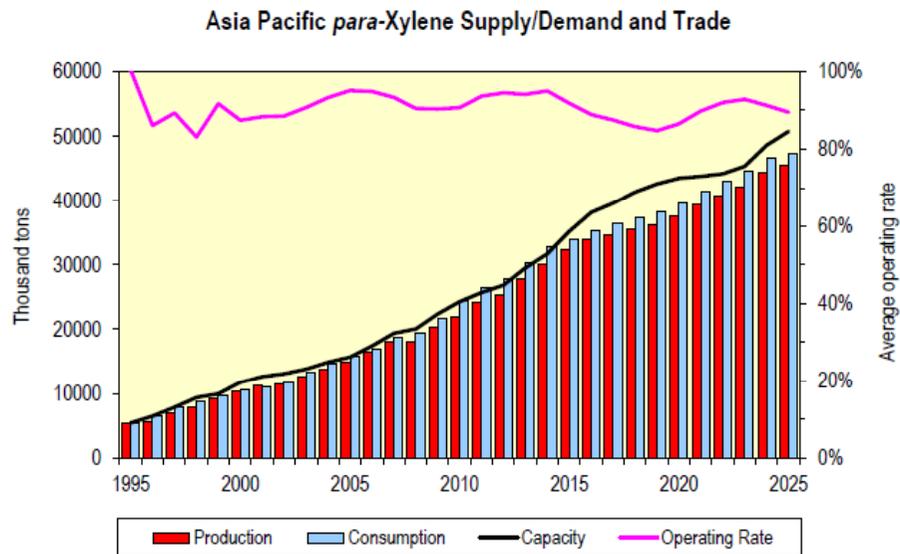


# FY2013 Growth Drivers

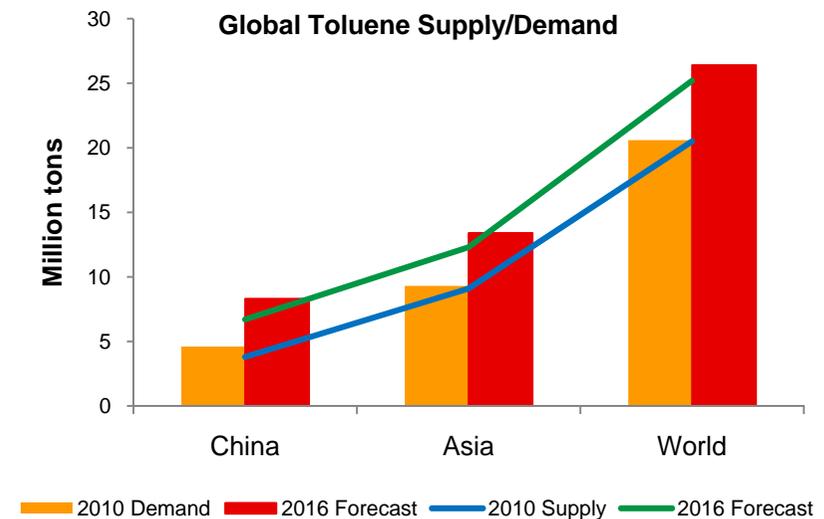


- **Increasing diversification into other oil products – petrochemicals**
  - CAO has successfully made inroads into China's petrochemicals market. We are currently one of the largest suppliers of imported paraxylene (PX)
  - We will continue to grow our presence in this market as China's demand for petrochemical products expected 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



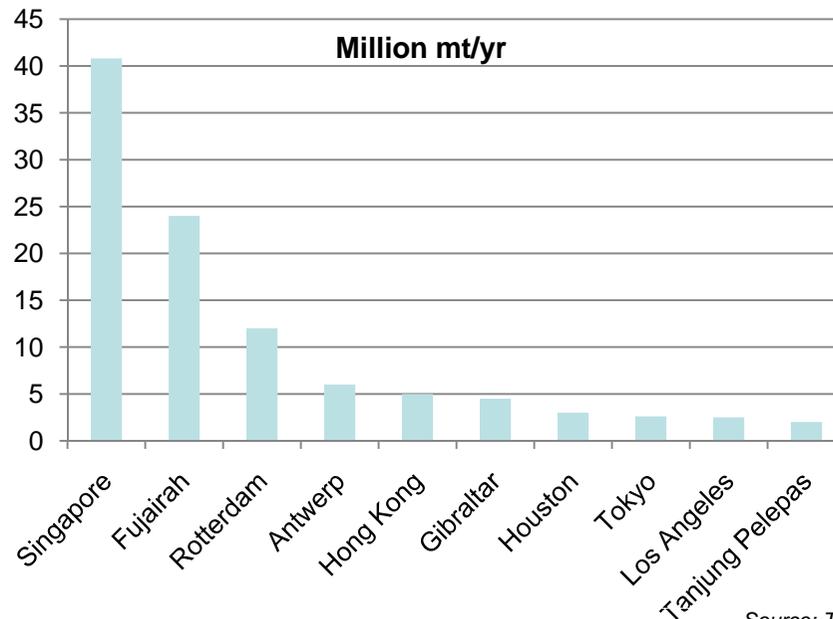
Source: Forecast of Global Supply and Demand Trends for Petrochemical Products, June 2012, Ministry of Economy, Trade and Industry of Japan

# 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

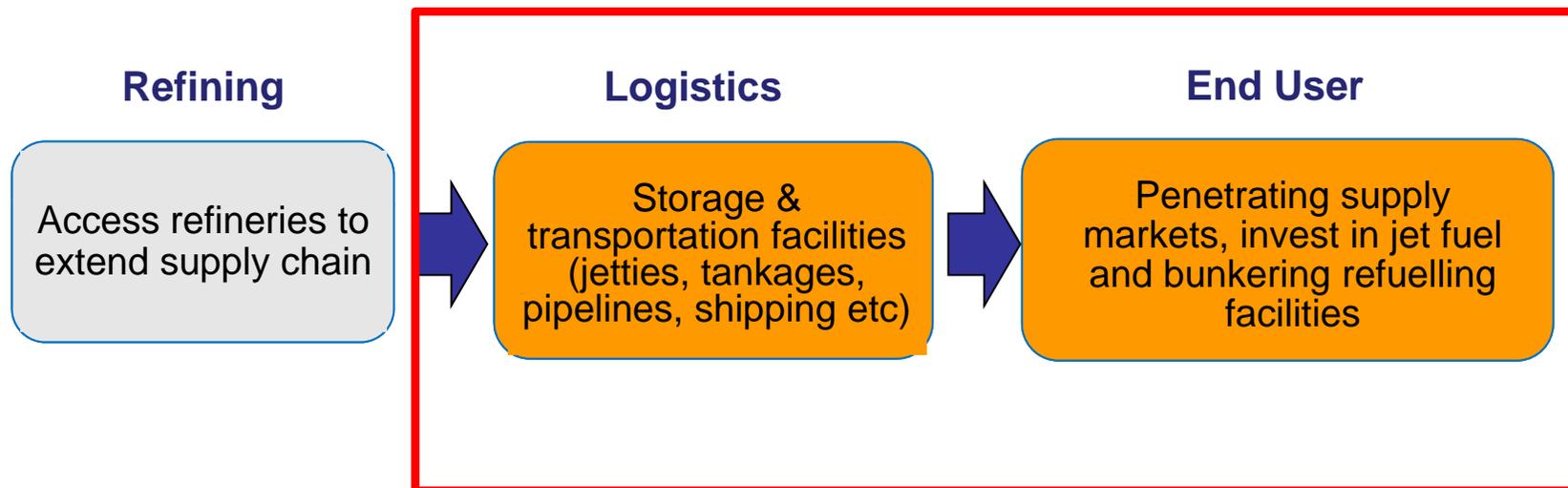
### World Demand forecast

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

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