



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

3 October 2014

CORPORATE ACCESS DAY

Transforming Towards Sustainable Growth



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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Roadmap To The Future – A Look at Things to Come 2020

Global Aviation Market



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- Global GDP expected to see average growth of 3.2% every year from now till 2032, driving growth in both air passenger traffic and freight traffic¹
- Airbus's expectations on global demand for air transport between 2013 - 2032²:
 - Passenger traffic: CAGR of 4.7%
 - Freight traffic: CAGR of 4.8%
- China expected to outperform global aviation growth in 2014
 - GDP growth: 7%
 - Civil aviation growth: 11%
 - Passenger volume growth: 10.7%

¹Source: Current Market Outlook (2013 – 2032), Boeing (<http://www.cme-mec.ca/download.php?file=4yoc7eob8.pdf>)

²Source: Global Market Forecast, Future Journeys (2013 – 2032), Airbus (http://www.airbus.com/company/market/forecast/?eID=dam_frontend_push&docID=33752)

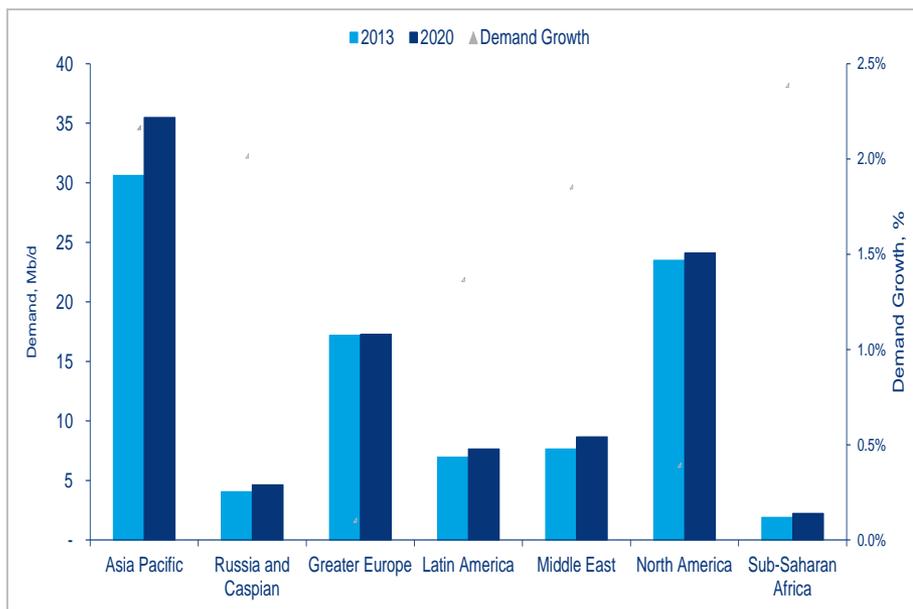
Long Term Demand Growth will be Driven by Commercial Transportation



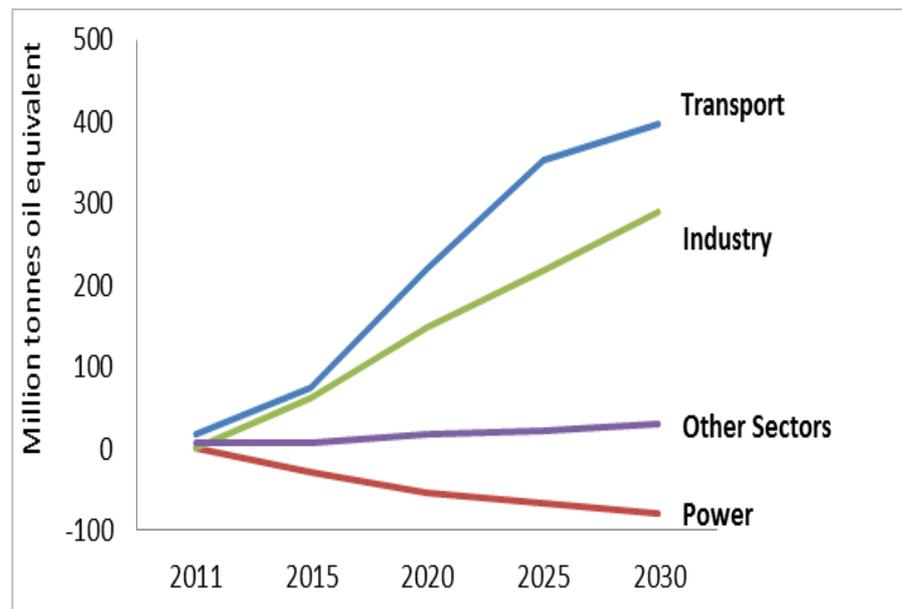
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- Asia Pacific and other emerging economies will lead demand growth for oil
- Longer term growth in oil product consumption will be focused on transportation fuels

**Developing Markets to Dominate
Projected Demand Growth, 2013 – 2020**



**Incremental Oil Consumption
2010 – 2030**



Source: Wood Mackenzie Oil Market Outlook and BP Energy Outlook 2030

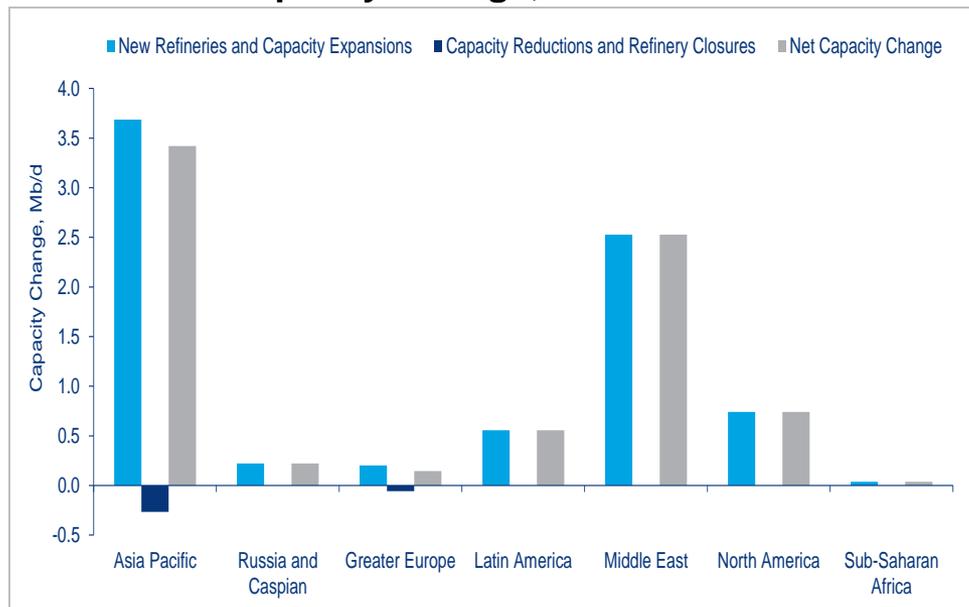
On the Supply Front



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- National Oil Companies (NOCs) in Asia Pacific and the Middle East will be the central driving force behind oil supply
- China is expected to account for 70% of new capacity coming in Asia Pacific

**Refinery (Crude Oil Distillation Unit)
Capacity Change, 2014 - 2020**



China Refinery Capacity Addition (kb/d)



Source: Wood Mackenzie Oil Market Outlook

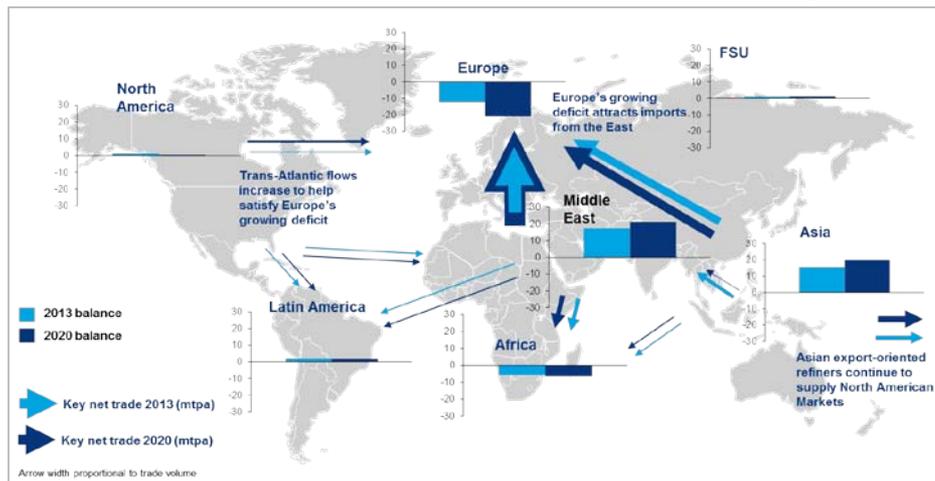
Jet/Kerosene Trading Opportunities in Northwest Europe



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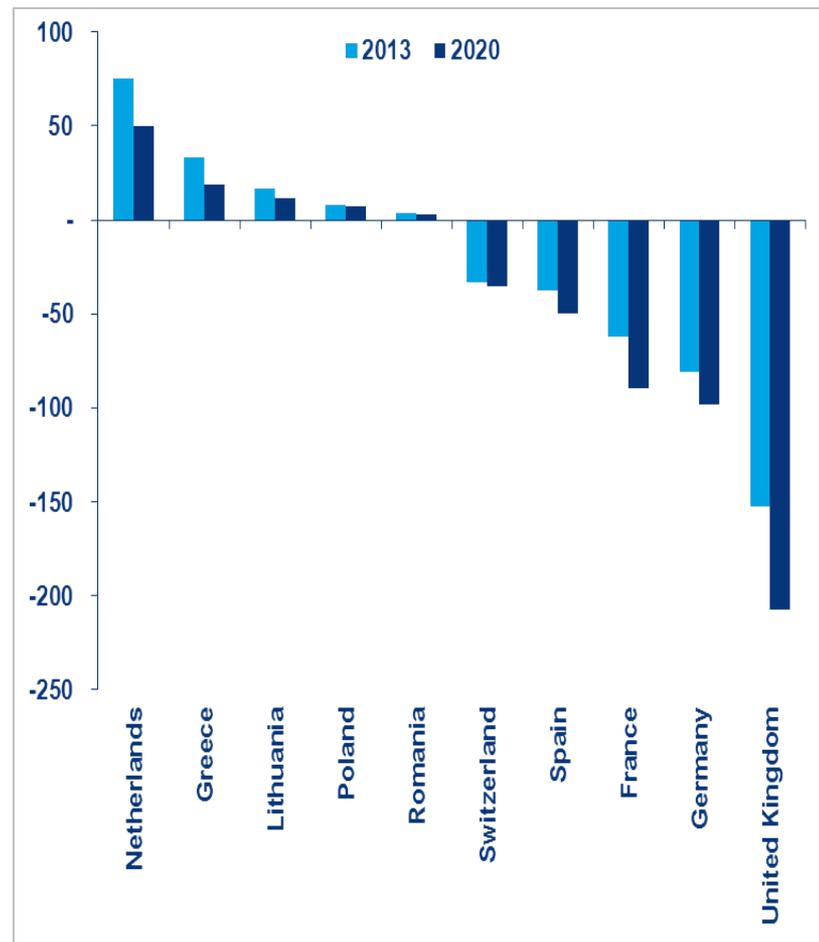
- Jet and kerosene trading opportunities in the UK is expected to see demand-backed growth from its airports and the airline industry
- Europe will have to source increasing volumes of jet/kero
- Intra-regional trade is forecast to increase slightly as higher imports from abroad are redistributed to demand centres around Northwest Europe

Europe is heavily reliant on imports from the Middle East and Asia to meet its structural deficit in jet/kero



Source: Wood Mackenzie Oil Market Outlook

Europe Jet/Kerosene Key Balances, kb/d



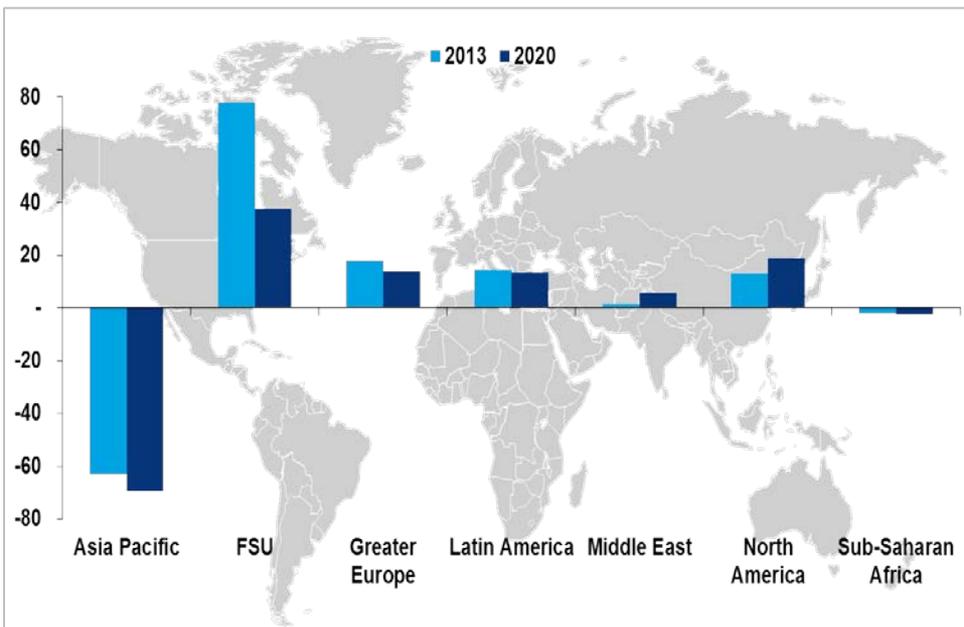
Fuel Oil Deficit in Asia Creates Significant Trading Opportunities



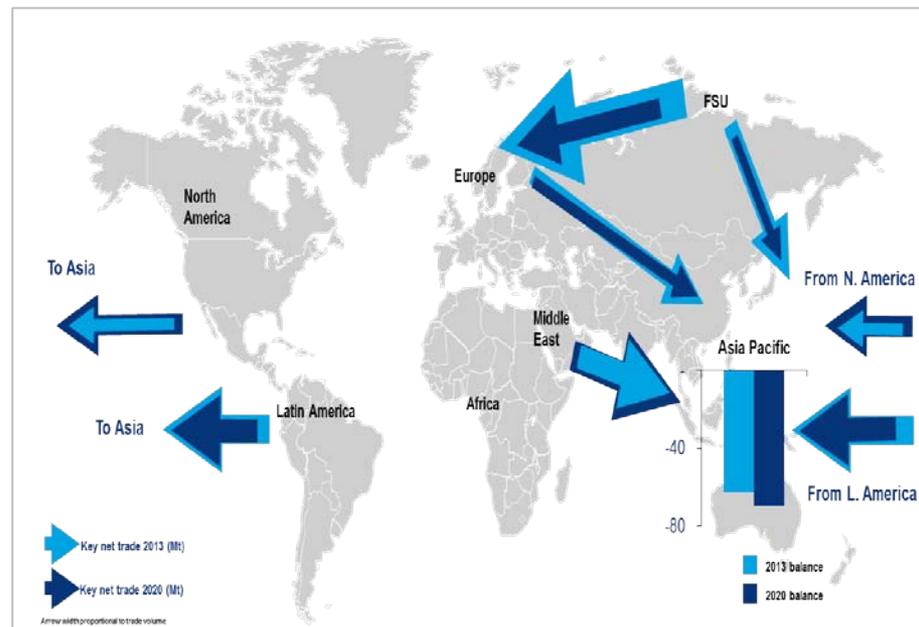
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- Asia accounts for the largest fuel oil deficit in the world; and
- Will continue to exert a strong influence on future trade flows

Fuel Oil Balances Mt, 2013-2020



Global Fuel Oil Trade Flows



Source: Wood Mackenzie Oil Market Outlook

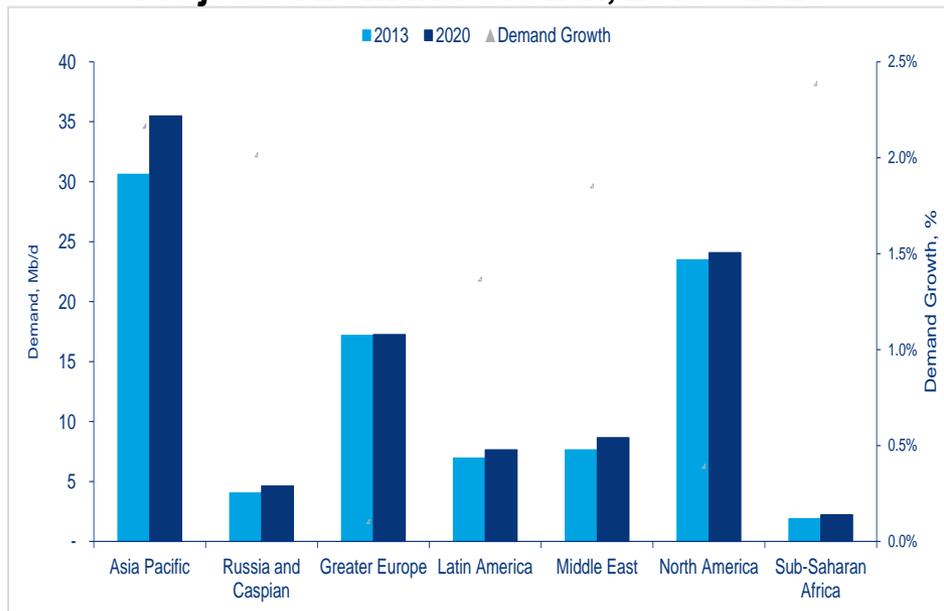
Global Diesel/Gasoil Trends



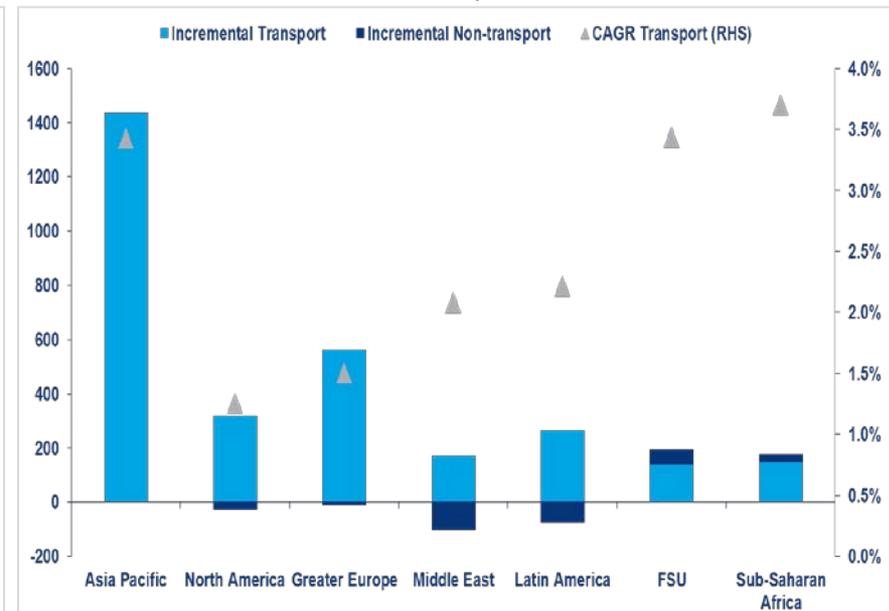
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- Asia Pacific is expected to remain the largest diesel/gasoil demand centre in the world from 2013 - 2020
- Transport sector is expected to account for almost all of the diesel/gasoil demand growth from 2013 - 2020

Developing Markets to Dominate Projected Demand Growth, 2013 - 2020



Incremental Diesel/Gasoil Demand kb/d, 2013 - 2020



Source: Wood Mackenzie Oil Market Outlook

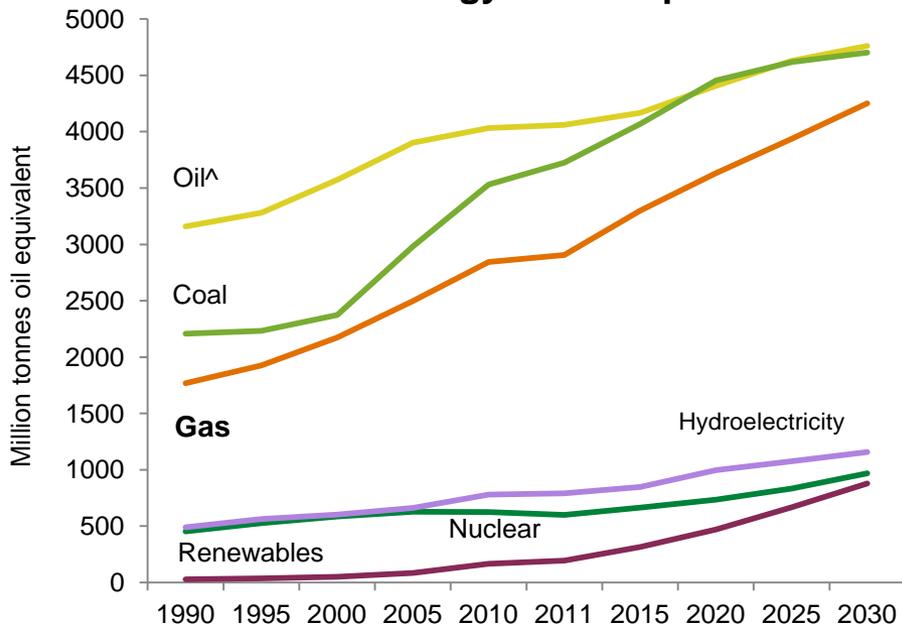
Growing Demand and Consumption of Natural Gas



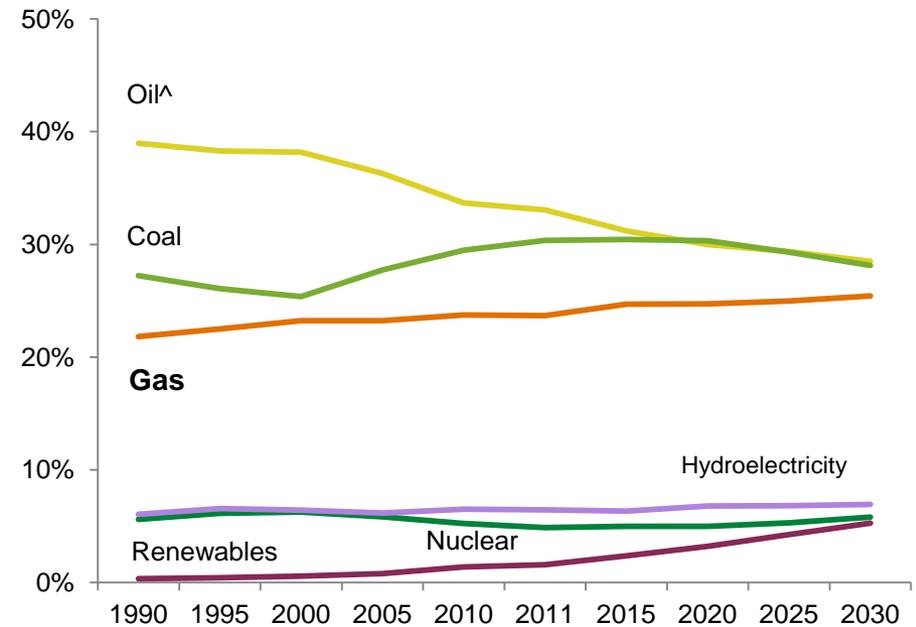
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- Global demand for natural gas projected to increase by 50% from 2010 - 2030
- Gas consumption accounts for over one-fifth of world energy consumption and is expected to see growth through 2030

World Energy Consumption



Share of World Energy Consumption



[^] includes oil, biofuels and gas-to-liquids

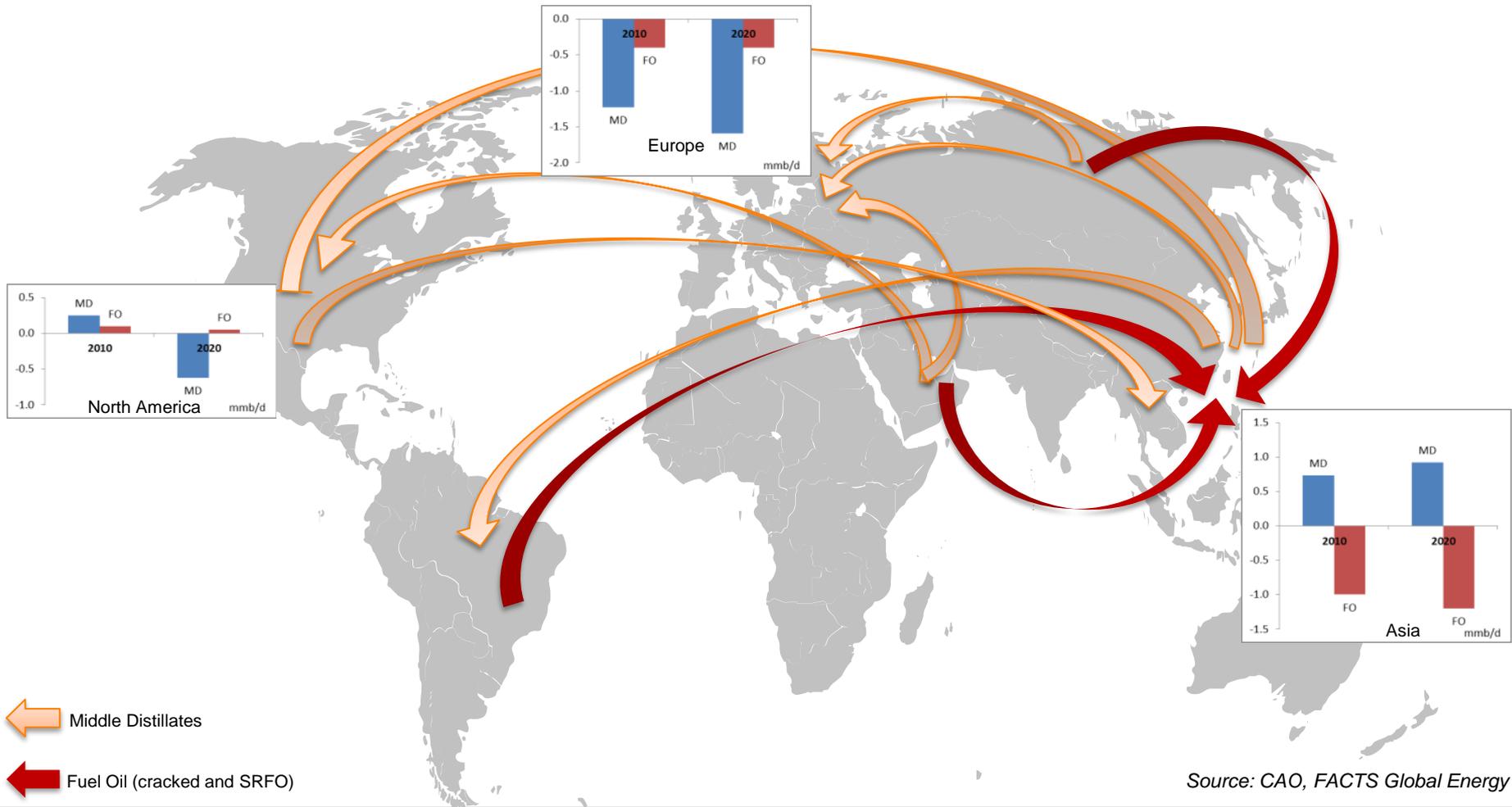
Source: BP Energy Outlook 2030

Global Trading Opportunities



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2020 Middle Distillates and Fuel Oil Product Flows and Trade Balances by Region



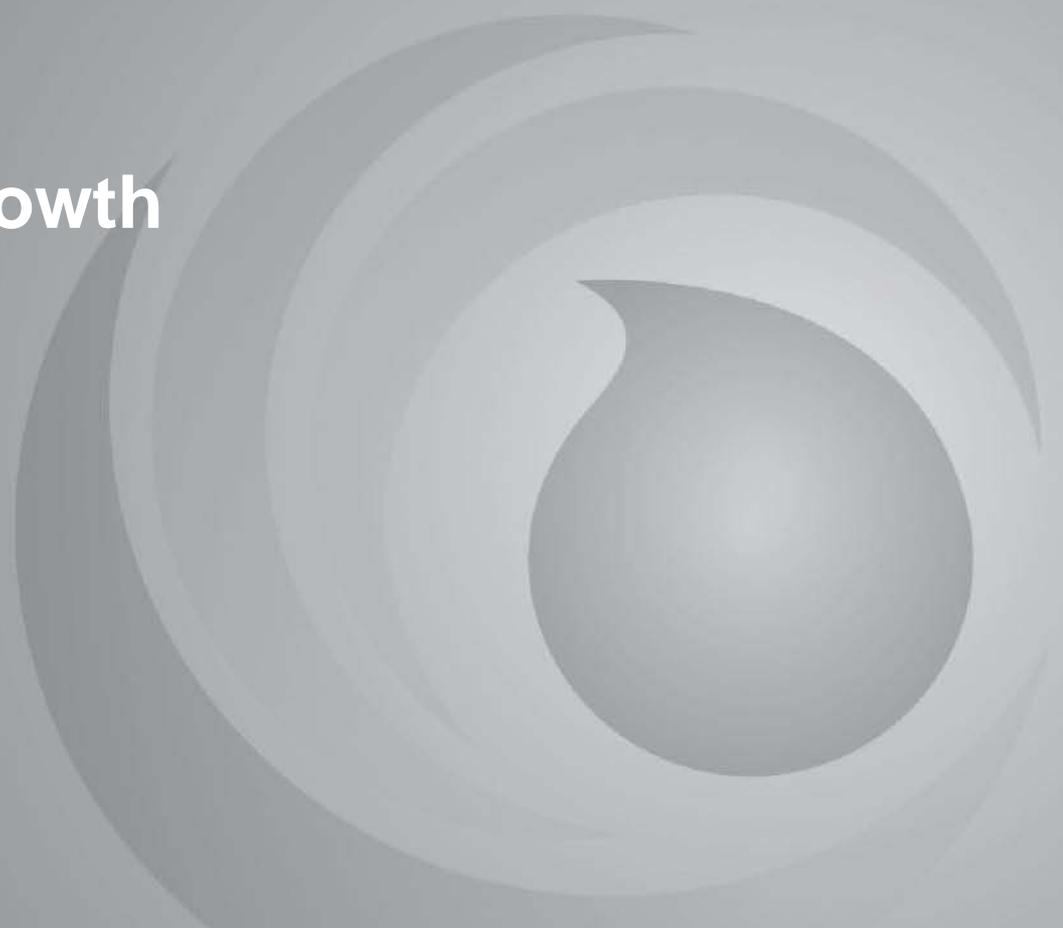
Source: CAO, FACTS Global Energy



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CAO

– Poised for Growth



Expanding Global Presence - A Diversified and International Growth Platform



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- Listed on SGX since 2001
- Sole supplier of imported jet fuel to the PRC Civil Aviation industry
- Largest purchaser & trader of physical jet fuel in Asia Pacific
- 2013 Financials:
 - Revenue: US\$15.6 billion
 - PATMI: US\$70.2 million
- 1H2014 Financials:
 - Revenue: US\$8.0 billion (49% - ex-China)
 - PATMI: US\$37.4 million

-  Singapore Headquarter
-  Subsidiaries
-  Associated Companies



CAO - A Forbes Global 2000 Company, 2014

Strong Parentage and Shareholder Support



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China National Aviation Fuel Group Corporation

- Largest State-owned aviation transportation logistics service provider in China
- Fortune Global 500 company (ranked 314 in 2014)
- Owns jet fuel supply facilities at over **180** airports across China
- Provide refuelling services to over **200** airline companies
- CAO is the sole entity for the execution of CNAF's internationalisation strategy, which means CNAF will provide support to CAO in its development internationally

*including treasury shares

BP Investments Asia Limited

- Strategic investor of CAO
- Assists CAO in enhancing its trading and risk management system
- Business cooperation with BP enables access to new markets

CAO 2014 : A Company of Strong Corporate Standing



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Accolades (2009 – 2014)

- Awarded “Best Investor Relations” by Singapore Corporate Awards (Silver award, Mid Cap category), *2014*
- Awarded “Best Annual Report” by Singapore Corporate Awards (Bronze award. Mid Cap category), *2014*
- Named among Forbes Global 2000 Leading Companies, *2013 - 2014*
- Runner-up in the SIAS Investors’ Choice “Singapore Corporate Governance” (Mid Cap category), *2013*
- Runner-up in the SIAS Investors’ Choice “Most Transparent Company” (Oil & Gas category), *2010 - 2013*
- Ranked 5th in Singapore International 100 Ranking in Overseas Sales/Turnover Excellence category, *2012*
- Named “Top Ten Chinese Companies in ASEAN” by China-ASEAN Business Council, *2012*

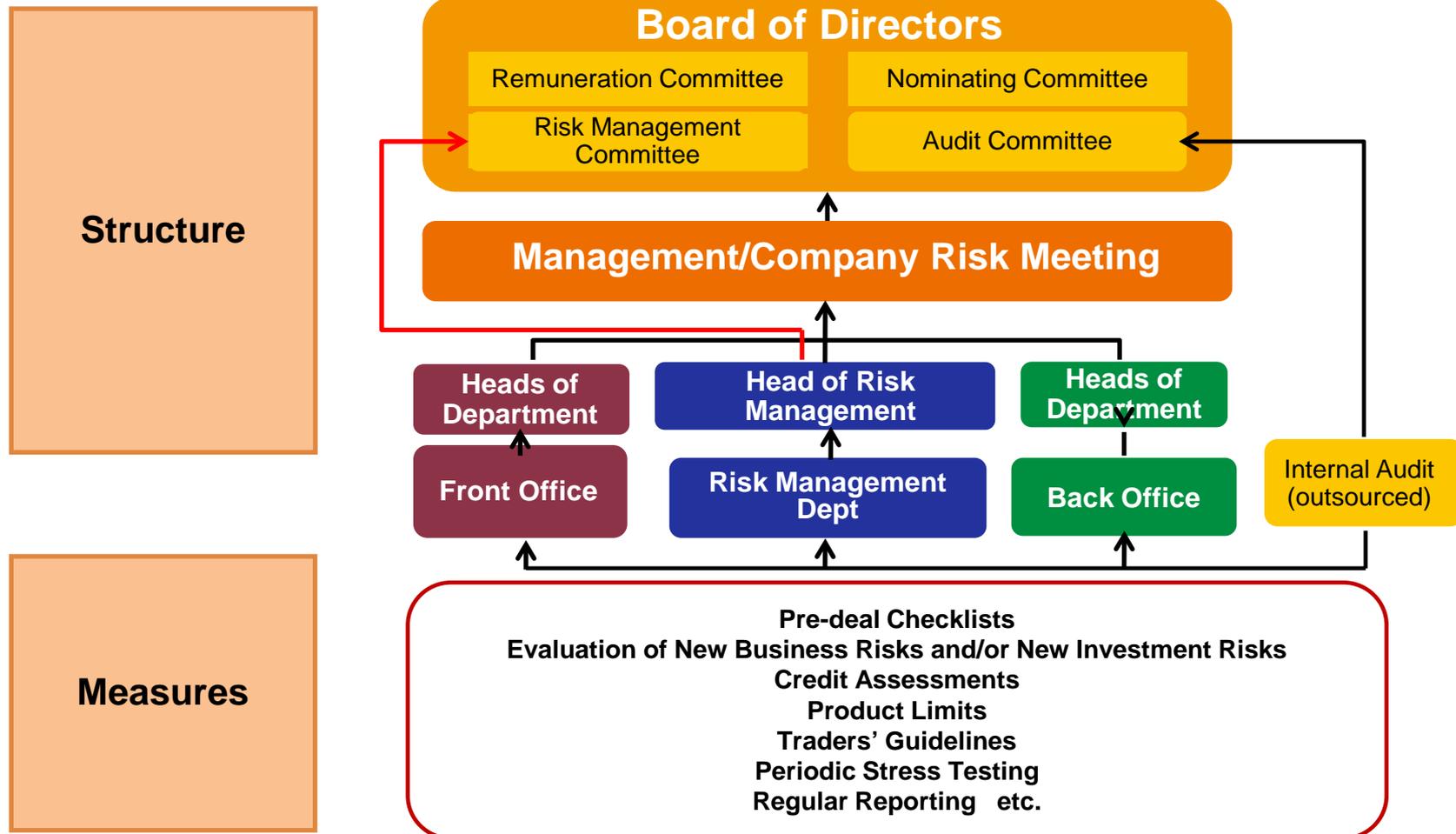


Effective Risk Control System



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Group Wide Risk Awareness Culture



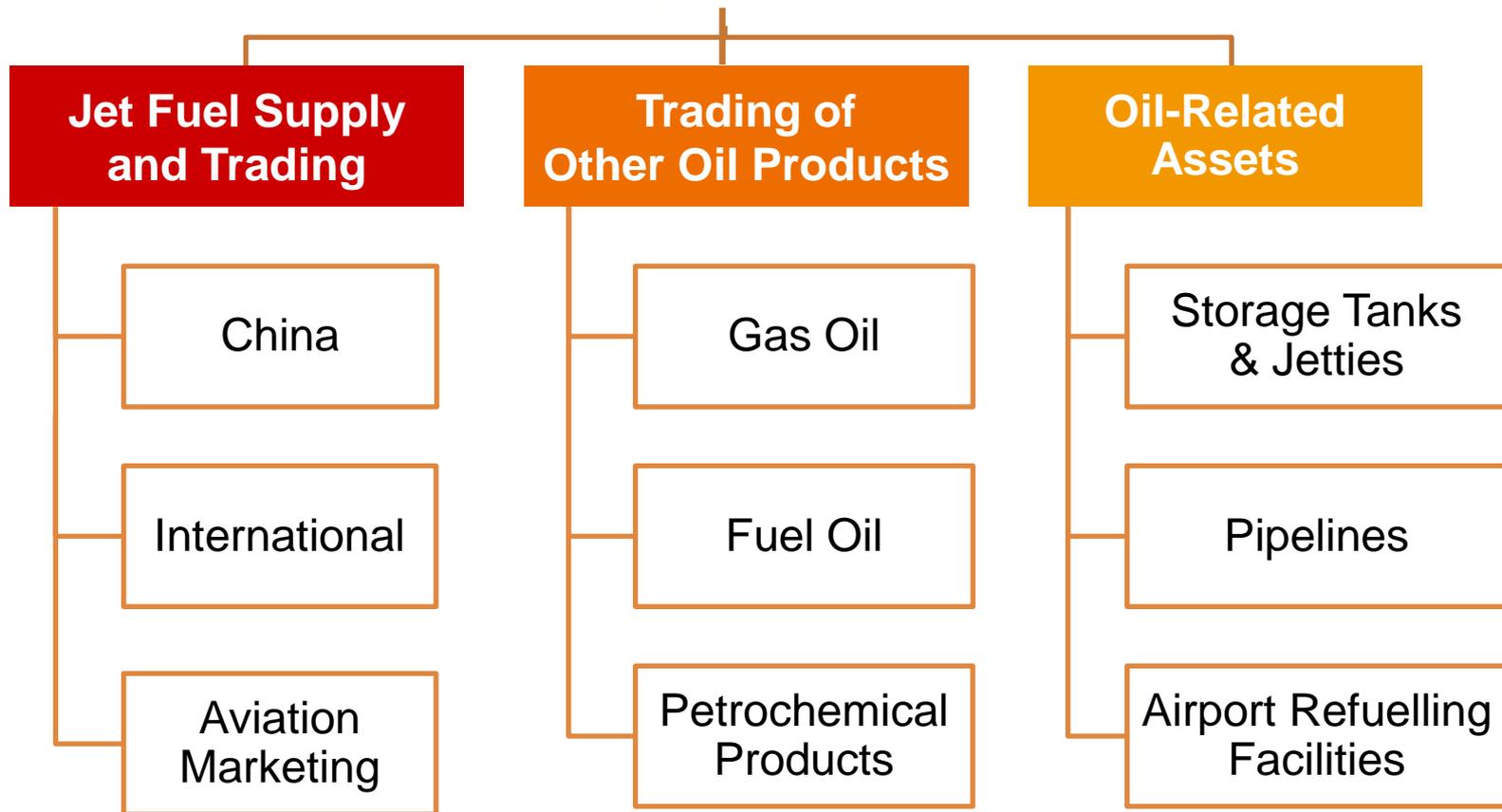
Our Business Segments



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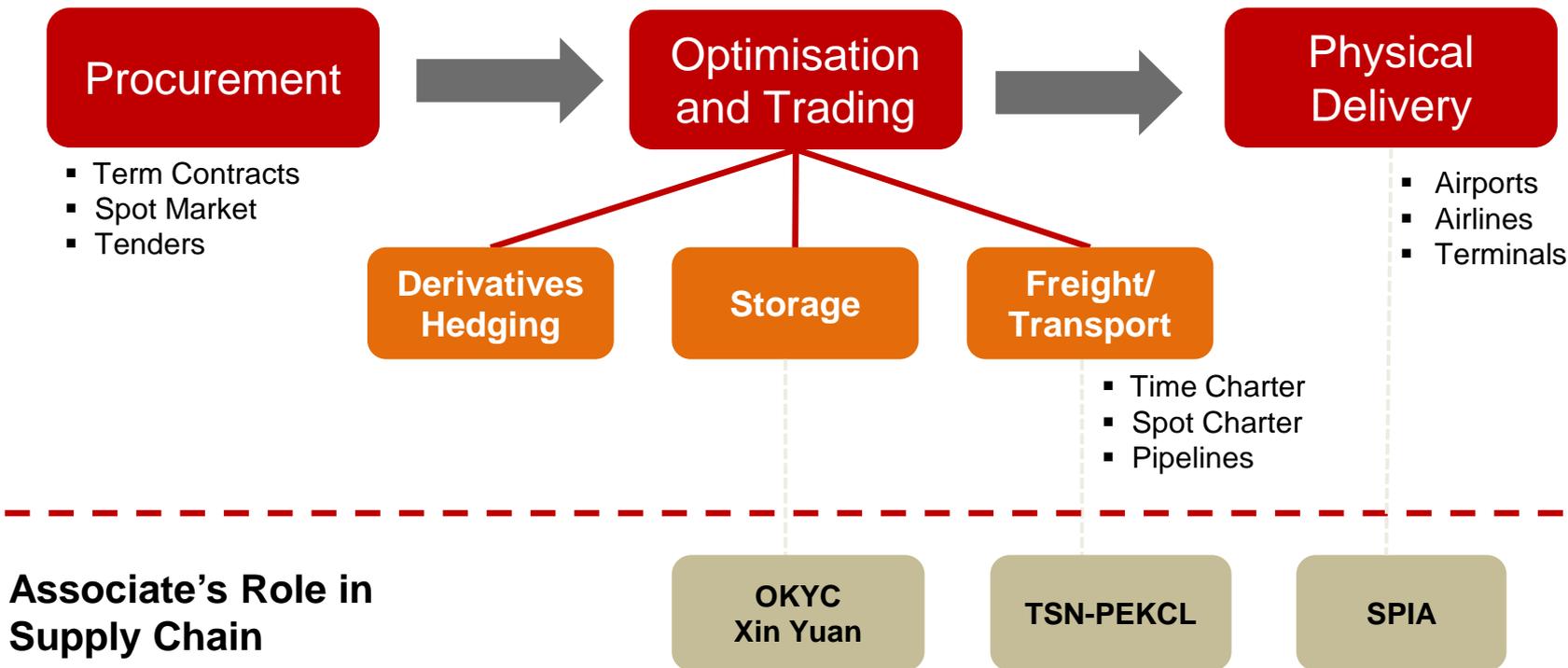


Building an Integrated Supply Chain: - CAO's Compelling Business Model



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- Capitalising on profit enhancement opportunities
- Supported by large volume of supply to China
- Protected by robust risk management policies



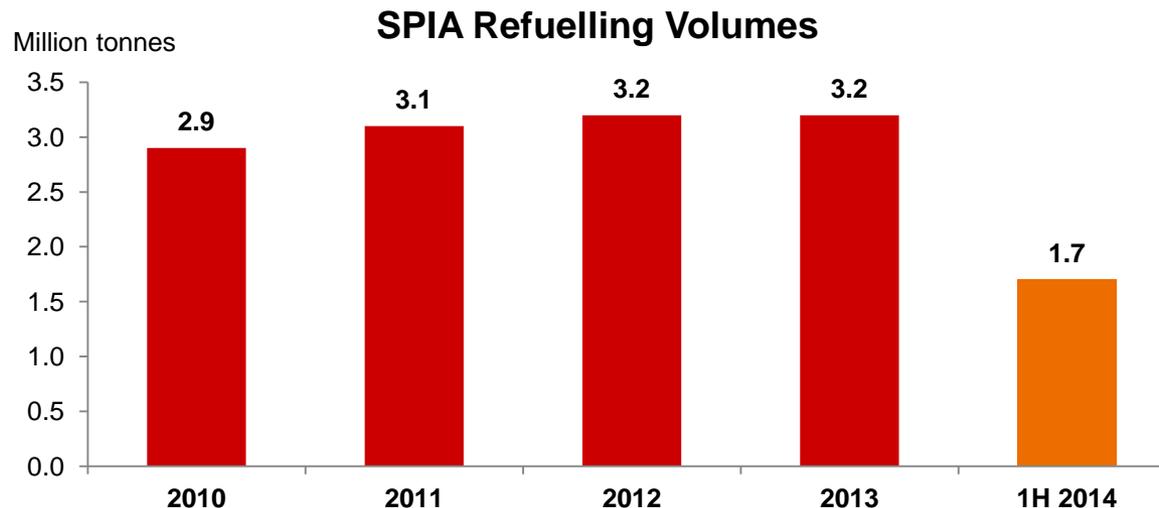
Investments In Oil-Related Assets (PRC)



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Shanghai Pudong International Airport Aviation Fuel Supply Company (“SPIA”) (33% equity stake)

- Exclusive jet fuel supplier to Shanghai Pudong International Airport
- Business activities include: procurement, sales, transportation, storage and refuelling of jet fuel
- Owns all refuelling facilities at Shanghai Pudong International Airport
- Provides jet fuel sales and refuelling services to more than 80 domestic and foreign airlines
- Other shareholders: Shanghai International Airport Co Ltd (40%) and Sinopec Assets Management Co Ltd (27%)



Investments In Oil-Related Assets (PRC)



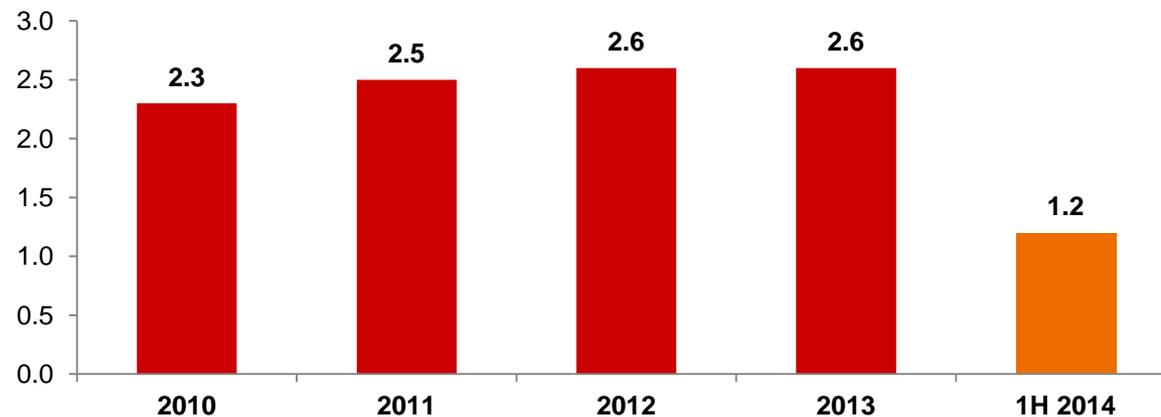
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China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (“TSN-PEKCL”) (49% equity stake)

- Key asset is a 185km long pipeline transporting majority of jet fuel requirements of Beijing Capital International Airport and Tianjin Binhai International Airport
- Majority shareholder: China National Aviation Fuel Logistics Co., Ltd. (51%)

TSN-PEKCL Pipeline Volumes

Million tonnes



Investments In Oil-Related Assets (PRC)



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China Aviation Oil Xin Yuan Petrochemicals Co. Ltd (“Xin Yuan”) (39% equity stake)

- Provides storage services and trades in jet fuel and other oil products
- Owns the 50,000 cubic metres Shuidong storage tank farm near Shuidong harbour in Maoming City, Guangdong Province
- In May 2014, incorporated a wholly owned subsidiary – Maoming Xinyuan – to engage in storage and trading of petroleum products
- Other shareholders: Juzhengyuan Petrochemical Co. Ltd (60%); China National Aviation Fuel Group (1%)



Investments In Oil-Related Assets (Regional)



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Oilhub Korea Yeosu Co Ltd (“OKYC”) (26% equity stake)

- CAO is the second largest shareholder, next to Korea National Oil Corporation which owns 29%
- Operates the largest commercial oil storage terminal in Korea
- Strategically located near GS Caltex’s refinery
- Storage terminal comprises 36 storage tanks capable of handling crude oil and the full range of refined petroleum products and offers a wide range of value-added services
- Other Shareholders: Korea National Oil Corporation, SK Energy Co., Ltd., GS Caltex Corporation, Samsung C&T Corporation, LG International Corp and Seoul Line Corporation

OKYC’s Oil Storage Terminal in Yeosu, Korea

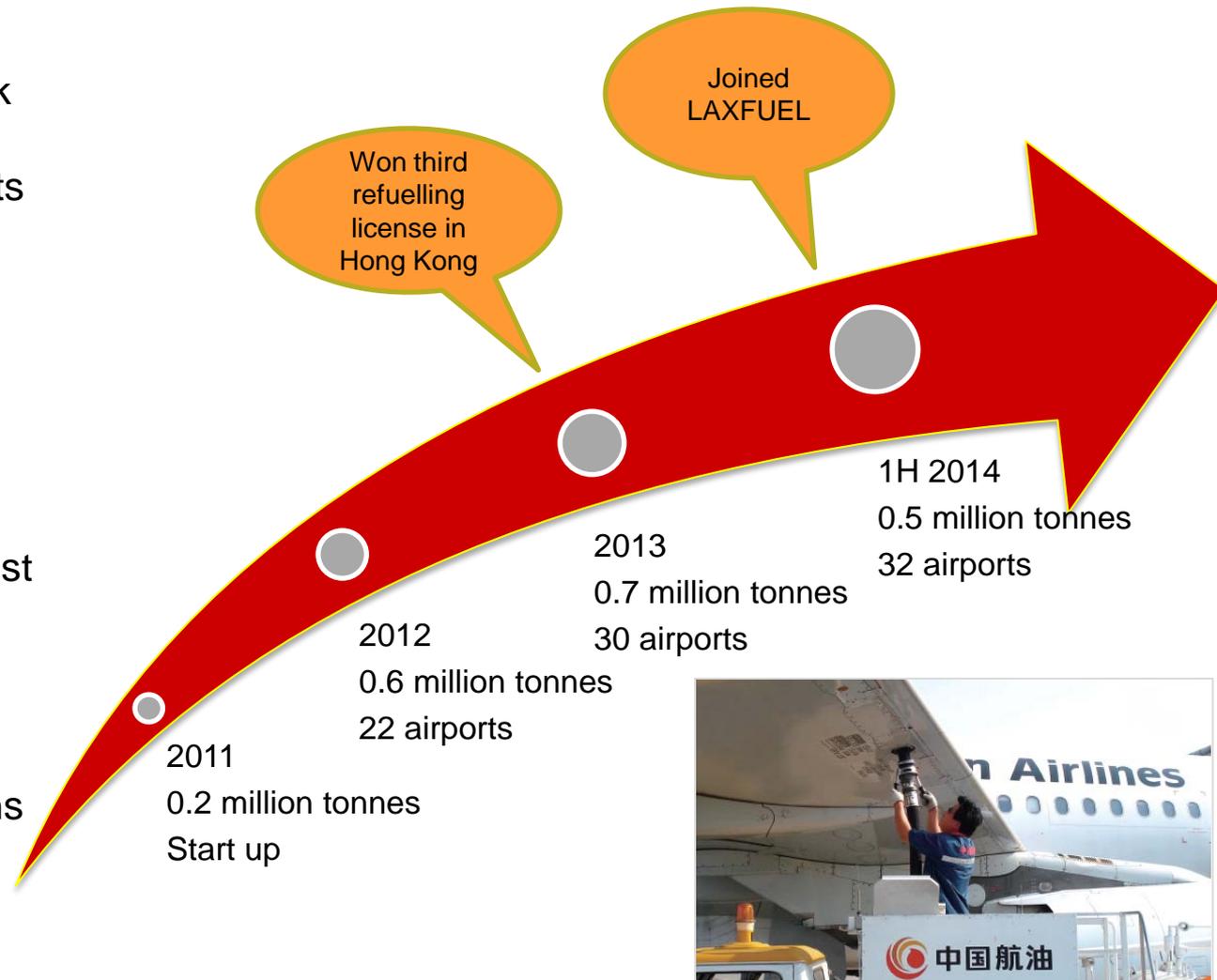
Storage Capacity	1,300,000m ³
Shipping Time	<ul style="list-style-type: none"> ▪ 1.88 days to Tianjin, China ▪ 1.21 days to Shanghai, China
Terminal Facilities	<ul style="list-style-type: none"> ▪ 4 berths with draft of 17.7 metres ▪ Capacities ranging between 10,000 to 200,000 dwt ▪ Able to access KNOC owned jetty with 325,000 dwt capacity
Others	Able to support trading activities to Europe, West Coast of United States and Southeast Asia

Riding on the Growth of the International Aviation Market



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- Rapid expansion of CAO's international supply network in 3 years
 - 32 international airports (outside China)
- Consortium led by CAOHK won the third refuelling license in Hong Kong International Airport
- Joined LAXFUEL, the largest jet fuel consortium in the United States in 2014
- CAO Europe commenced operations in 2013 and turns earnings accretive in 2014

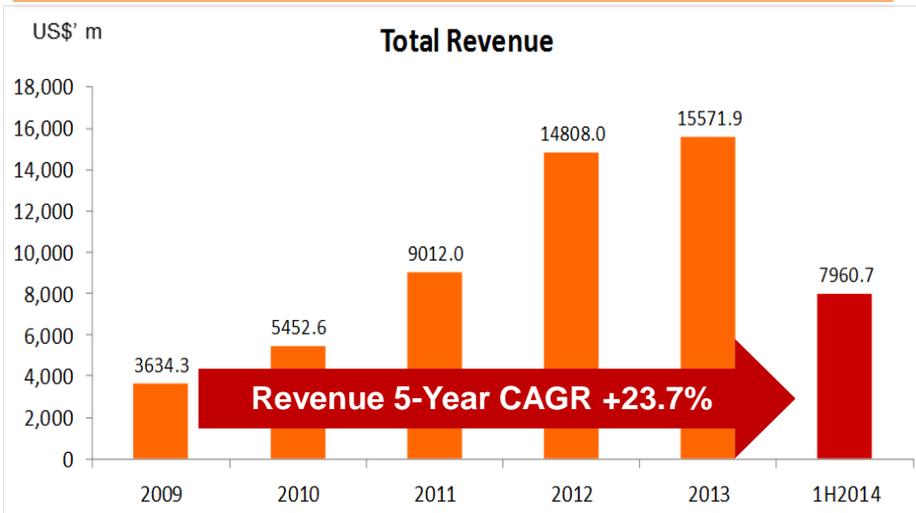


Strong Growth Trajectory

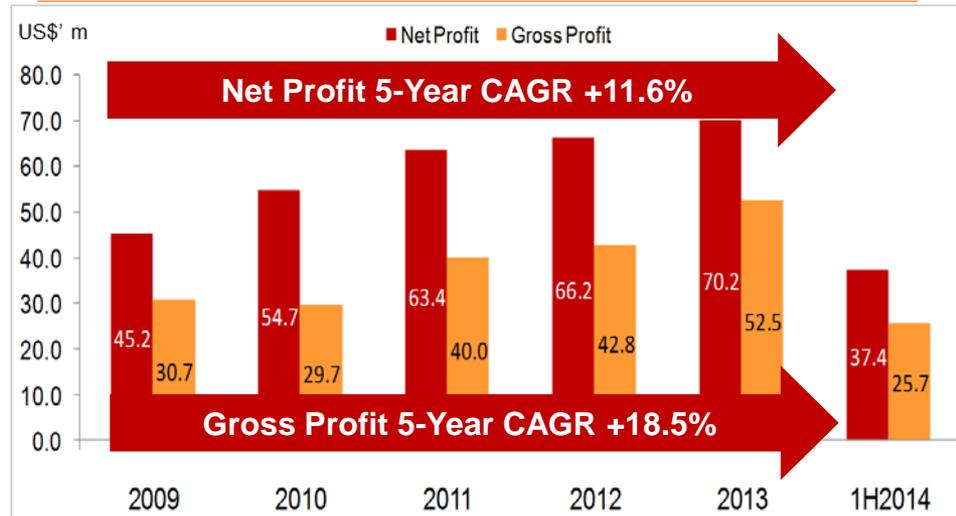


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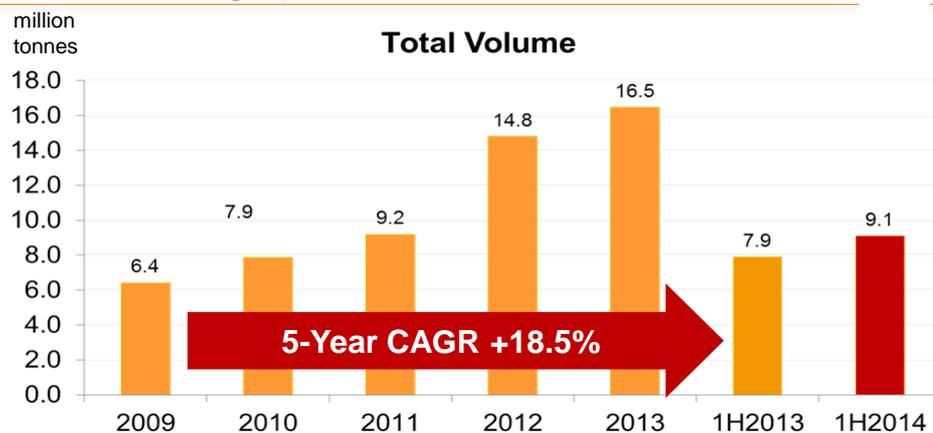
Rapid Growth in Revenue



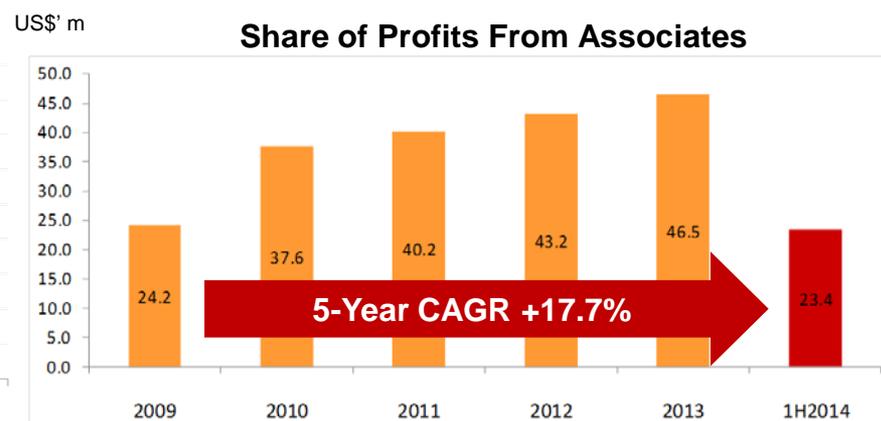
Record Net Profits



Product & Geographic Diversification Drives Growth



Sustainable Earnings Stream from Investments

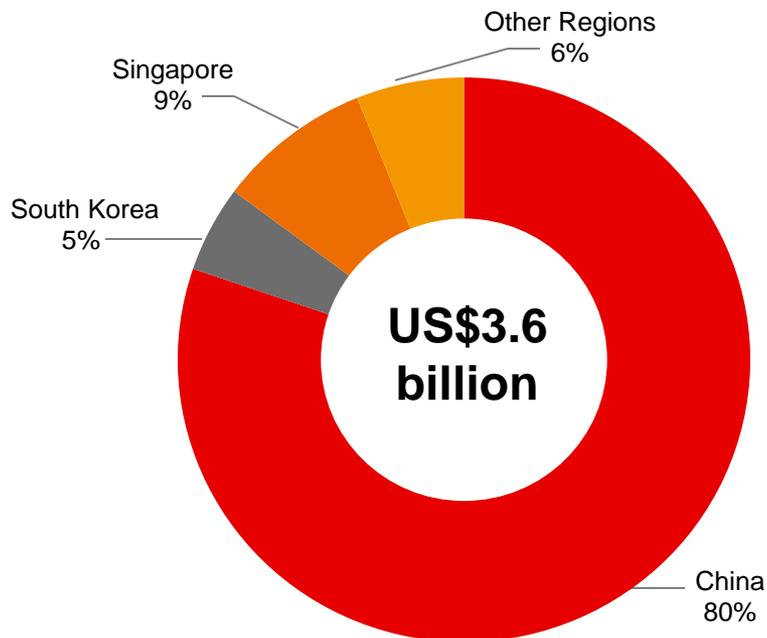


Geographical Diversification Drives Growth

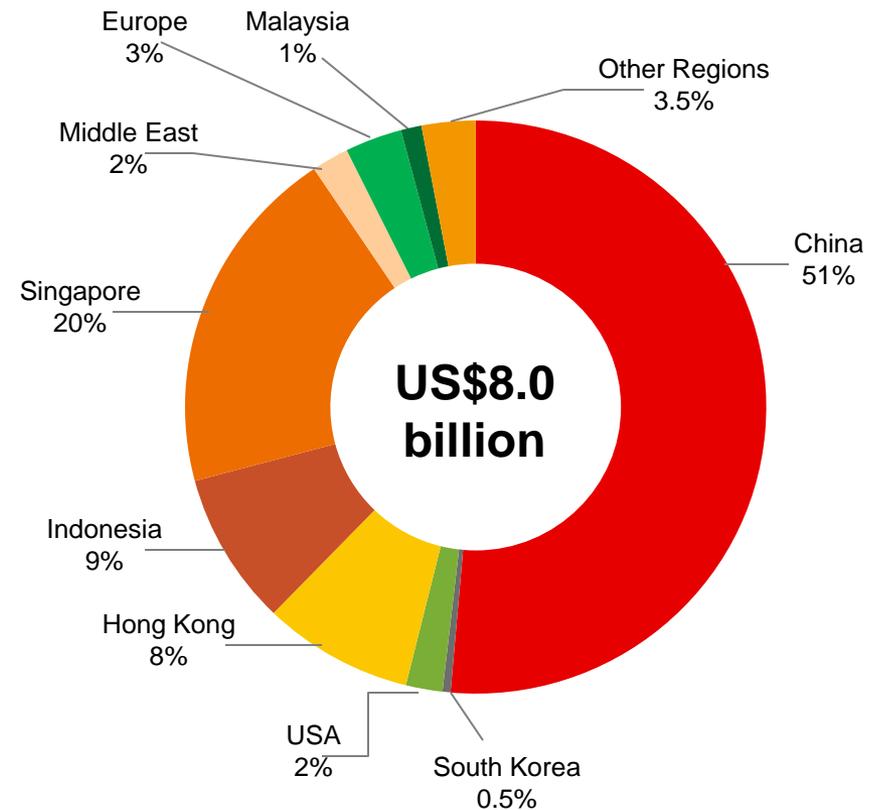


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2009



1H2014



Balance Sheet Summary



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		30 Jun 2014: US\$ 124.5m	31 Dec 2013: US\$ 113.1m
+10.1%	Inventories	<ul style="list-style-type: none"> ▪ Increase in inventories held for trading 	
		30 Jun 2014: US\$ 1,304.1m	31 Dec 2013: US\$ 1,120.4m
+16.4%	Trade and Other Receivables	<ul style="list-style-type: none"> ▪ Higher sales revenue in June 2014 compared to December 2013 	
		30 Jun 2014: US\$ 67.8m	31 Dec 2013: US\$ 56.3m
+20.4%	Cash and Cash Equivalents	<ul style="list-style-type: none"> ▪ Mainly due to increase in cash flow from operating activities 	
		30 Jun 2014: US\$ 1,192.2m	31 Dec 2013: US\$ 1,016.1m
+17.3%	Trade and Other Payables	<ul style="list-style-type: none"> ▪ Consists of trade and other payables, bank borrowings and tax payables ▪ Increase in trade payables in June 2014 compared to December 2013 	
		30 Jun 2014: US\$ 23.3m	31 Dec 2013: US\$ 28.6m
-18.7%	Loans and Borrowings	<ul style="list-style-type: none"> ▪ Higher proceeds from refinancing of bank borrowings 	



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CAO

– Our Transformation, 2010 to 2014

Fulfilled 2010 – 2014 Vision & Mission



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Vision

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

Mission

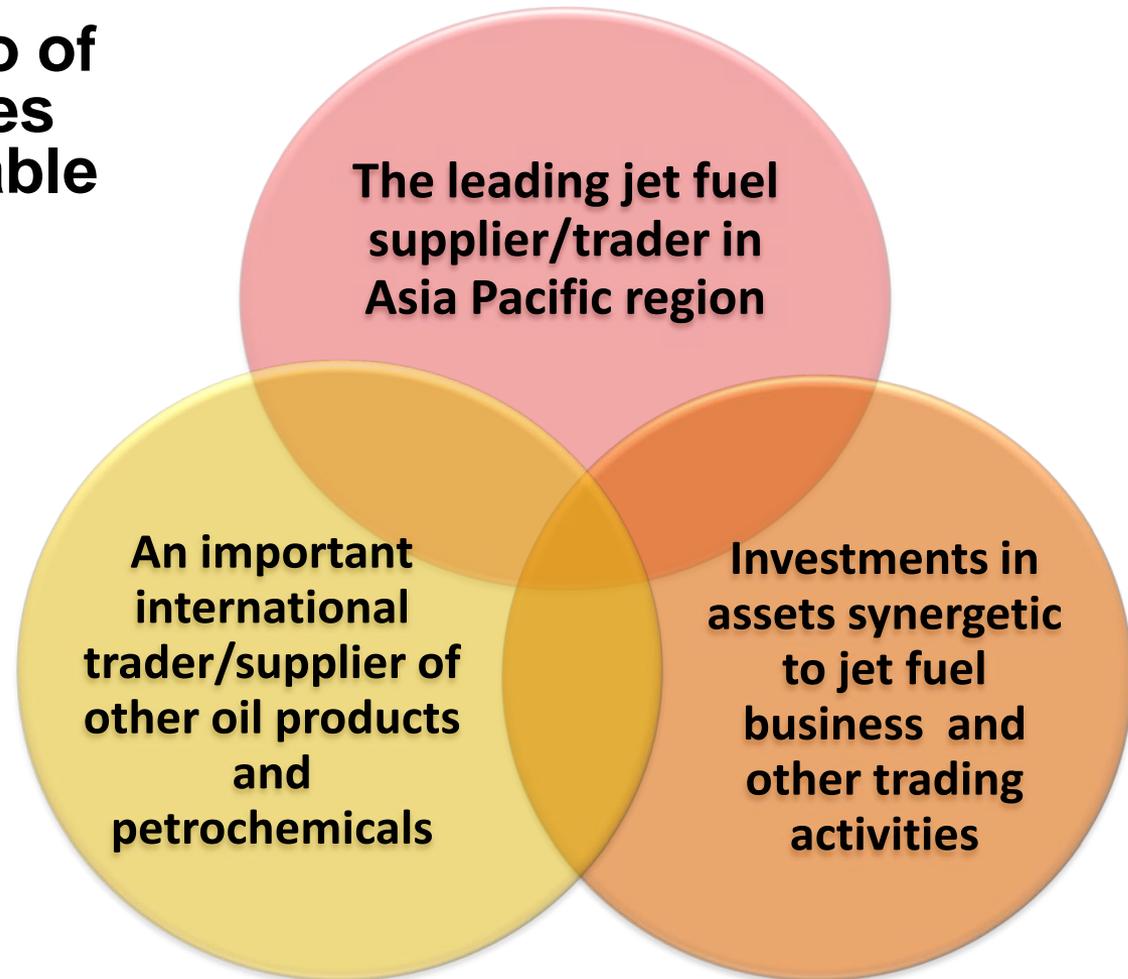
- To maintain our position as the preferred importer and most important supplier of jet fuel in the People's Republic of China
- To be a leading jet fuel supplier/trader in the Asia Pacific region
- To be an important international trader/supplier of other oil products and petrochemicals
- To create a secure working environment where employees feel motivated and have a sense of belonging
- To be a socially responsible corporation, proactively undertaking economic, cultural, educational and environmental responsibilities

2014 Strategic Goals



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Diversified portfolio of growth opportunities to achieve sustainable growth



2014 Targets



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** On key performance indicators including business volumes, revenue, net profit*

Supply Assurance →
Market-oriented Trading

Single Business →
Diversification to related
businesses

Trading company → Integrated
trading company with asset
investments

2010-2014: Achieved the “Three Transformations”



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From Supply Assurance to Market-oriented Trading

- Diversified procurement modes for better trading optimisation
- Jet fuel trading volume in 2013 was 3 times that of 2009 – now the largest jet fuel purchaser and physical jet trader in the Asia-Pacific region
- Trading gains exceeding supply commission; strengthening trading capability

From Single Business to Diversification to Related Businesses

- Volume of other oil products accounted for 47% of the Group’s total supply and trading volume in 1H 2014
- Revenue contribution from ex-China markets increased from 20% in 2009 to 49% in 1H2014

From a Trading company to an Integrated Trading Company with Asset investments

- 2012: Acquired two wholly owned subsidiaries – China Aviation Oil (Hong Kong) Company Ltd (“CAOHK”) and North American Fuel Corporation (“NAFCO”)
- 2013: Acquired a 26% stake in Oilhub Korea Yeosu Co., Ltd (“OKYC”)
- 2014: Set up a subsidiary in Europe in 2013 which turned earnings accretive in 2014



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2020 Corporate Strategy - Transforming Towards Sustainable Growth

Vision



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To be a constantly innovating global top-tier integrated transportation fuels provider

Strategic Roadmap to 2020



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2020 STRATEGIC TARGETS

Maintain Leadership

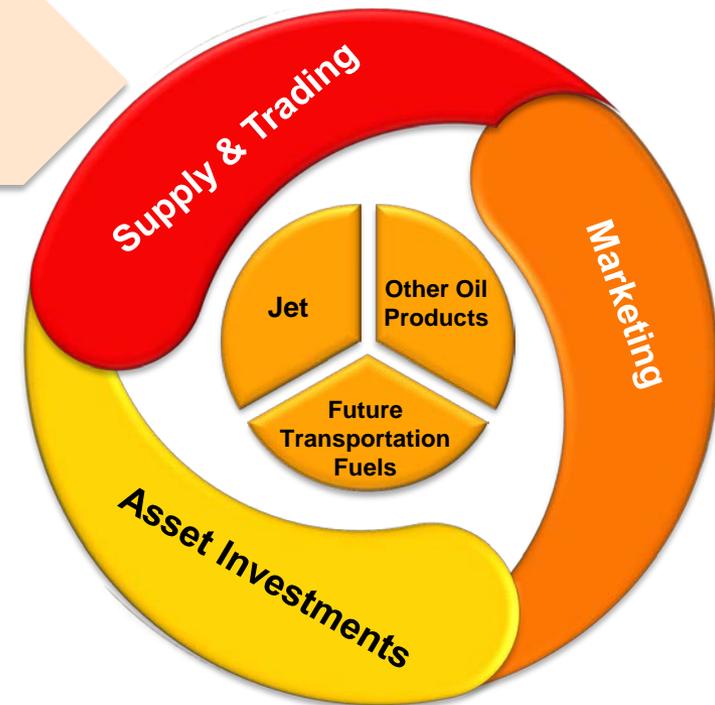
Global leader in **Jet Fuel Supply & Trading** and a reputable global supplier and trader of **Other Oil Products**, with a focus on **Transportation Fuels**

Grow International Presence

Important **aviation fuel service provider at international airports**

Leverage Global Trends

Niche player in the supply and trading of future **Clean Transport Fuels**



Strengthening Our Competitive Edge: Jet Fuel Supply & Trading



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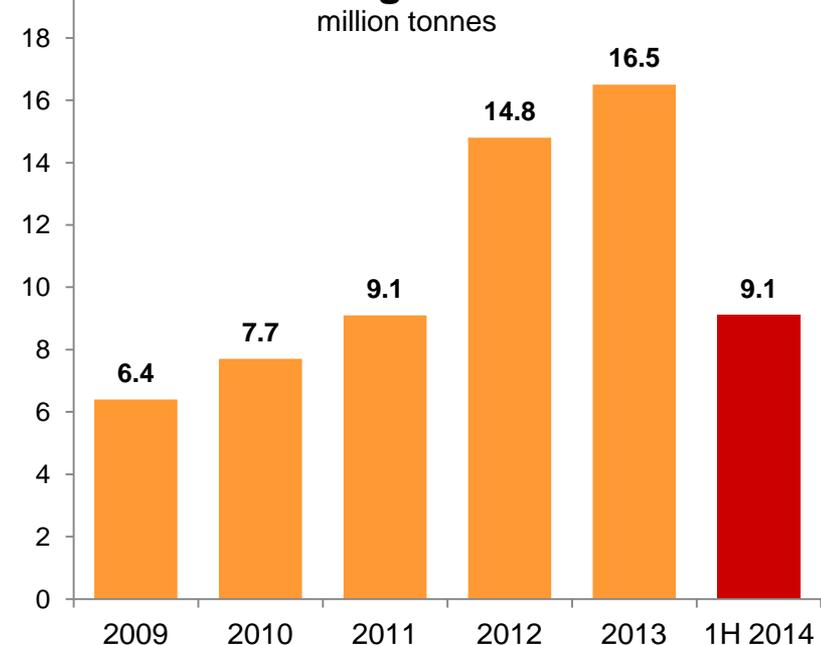
Stable Source of Revenue Growth

- Sole importer of jet fuel into China
- Provides approximately 30% - 40% of China's total jet fuel demand on a **cost plus basis**
- Supplies to key international airports in China and other airports in fast-growing Chinese cities (Shenzhen, Chengdu, Qingdao etc.)
- Strategic alliances with major Chinese airlines to supply jet fuel outside China

Strengthening Our Market Positioning

- Expansion of trading activities
- Development of new geographical markets

Sustained Growth in Supply & Trading Volume



Leverage on Trading Expertise to Expand Product Range and Grow Revenue Streams



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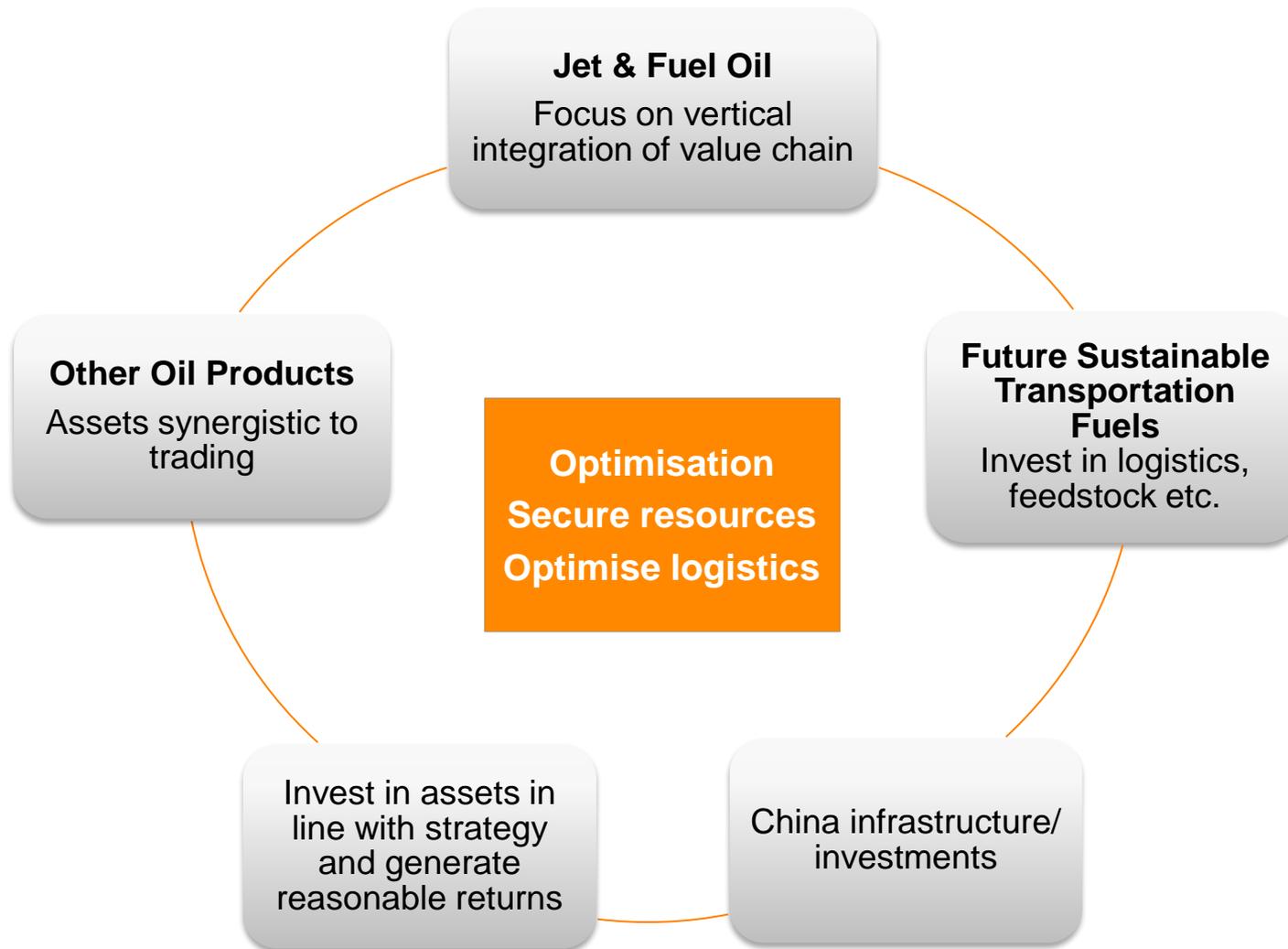
<p>Gas Oil</p>	<ul style="list-style-type: none"> ▪ Established in 2012 ▪ Successfully supplied gasoil to Indonesia ▪ To expand presence in South East Asia region by securing more supply contracts
<p>Fuel Oil</p>	<ul style="list-style-type: none"> ▪ Established in 2010 ▪ Built effective relationships with oil majors, large trading houses and reliable end users worldwide ▪ Reliable supplier of bunker fuel
<p>Petrochemicals</p>	<ul style="list-style-type: none"> ▪ Established in 2008, progressively built structural competitive advantage ▪ Trade in aromatics including benzene, toluene and paraxylene ▪ Sourced from and sold to Asia Pacific, Middle East and US ▪ Active player in China and other Asia Pacific markets
<p>New Transport Fuels</p>	<ul style="list-style-type: none"> ▪ Sole import license for Avgas into China ▪ Aviation bio-fuel fits well within CAO's strategy of developing a sustainable alternative transportation fuels business ▪ Will closely monitor developments and seek to participate in LNG market when suitable opportunities arise

Growth through Asset Investments

– Building an Integrated Value Chain



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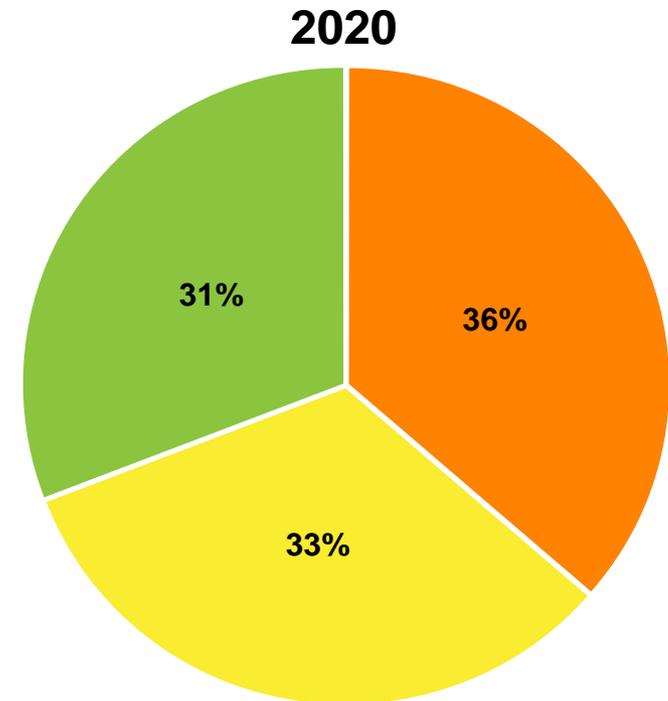
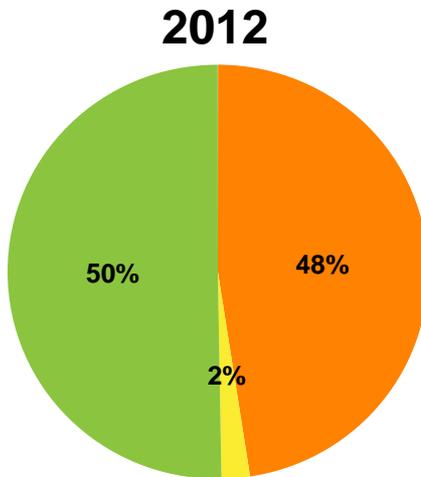


Transforming Towards Sustainable Growth



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- Targets twofold increase in profits by 2020
- International Presence
- Globalised Trading and Supply network
- Diversification
- Earnings Accretive Asset Investments
- Integrated Supply Chain



- Jet Fuel (includes Aviation Marketing)
- Other Oil Products (Fuel Oil, Gas Oil, Petchems, future transport fuels)
- Asset investments

Poised to Tap Global Opportunities through Our International Network



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 CAO Presence

 Supply locations



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Thank You

Fuel for Future 为明天加油