



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

4 August 2014

# Results Presentation



## 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.

# CAO's Transformation – A Global Supply & Trading Network



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# CAO's Expanded Global Presence - A Diversified and International Growth Platform



China Aviation Oil  
中国航油(新加坡)股份公司

- Listed on SGX since 2001
- Transformation through Global Expansion in 2009
- Sole supplier of imported jet fuel to the PRC Civil Aviation industry
- Largest purchaser & trader of physical jet fuel in Asia Pacific
- Revenue in 2013 : US\$15.6 billion
- Revenue in 1H2014 : US\$8.0 billion
- PATMI in 2013 : US\$70.2 million
- PATMI in 1H2014 : US\$37.4 million



- Singapore Headquarter
- Subsidiaries
- Associated Companies

**CAO - A Forbes Global 2000 Company, 2014**



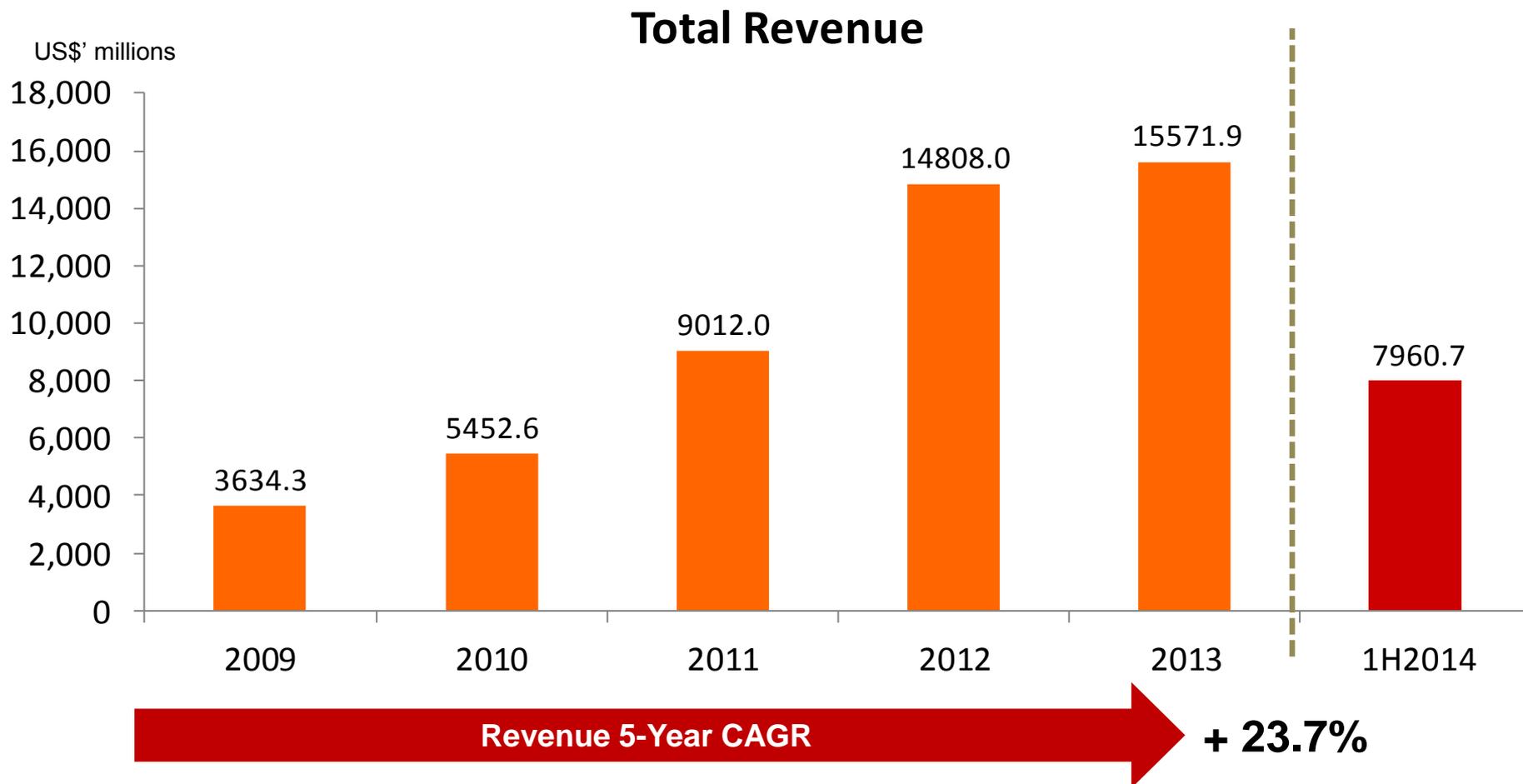
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# 1H 2014 Performance

# Rapid Revenue Growth



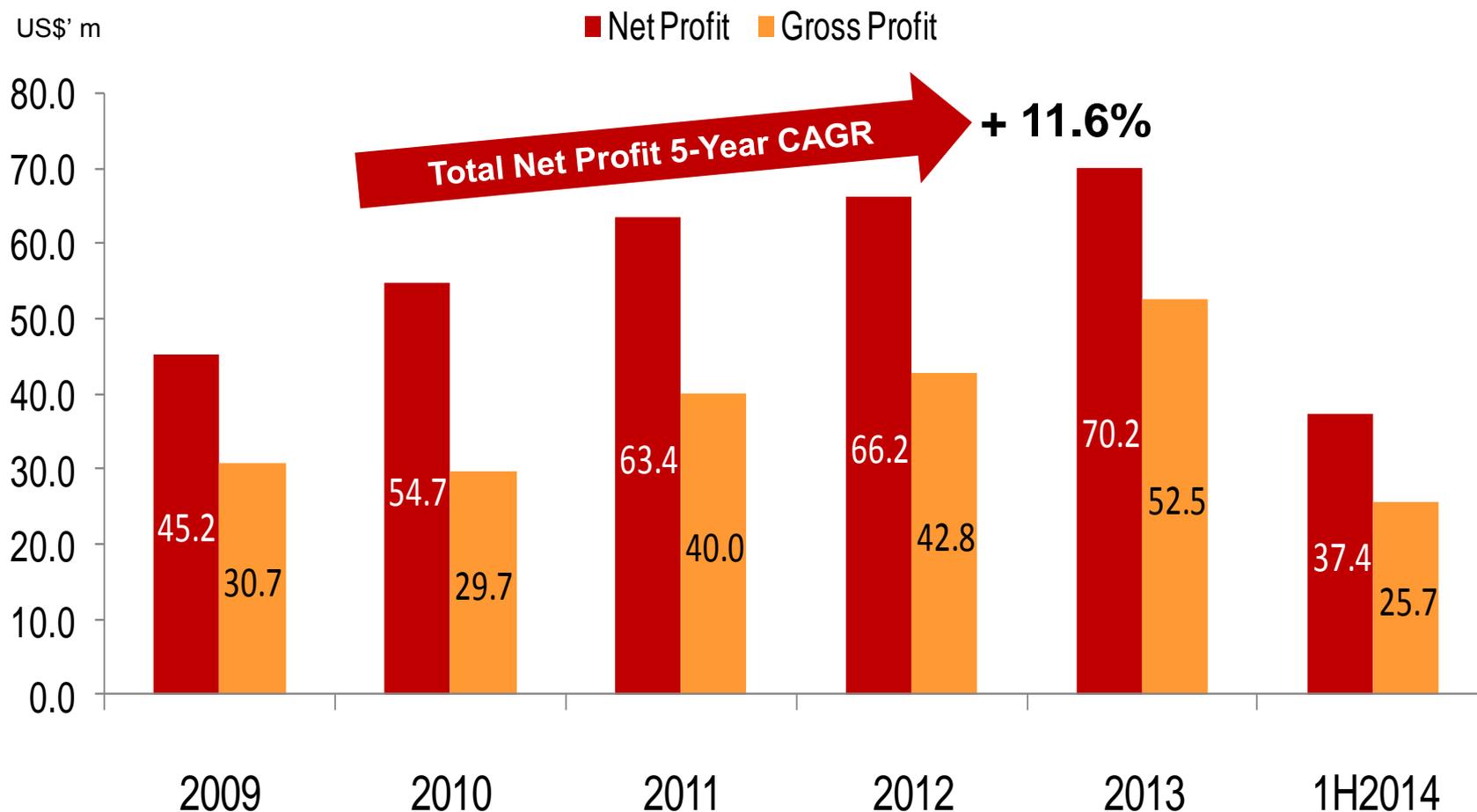
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# Sustainable Earnings Growth Trajectory



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# 1H 2014 Profit & Loss Summary



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		<b>1H 2014: US\$ 7,960.7m</b>	<b>1H 2013: US\$ 7,551.0m</b>
<b>+5.4%</b>	<b>Revenue</b>	<ul style="list-style-type: none"> <li>Total supply and trading volume increased 14.9% to 9.1m tonnes</li> <li>Jet fuel supply and trading volume decreased 9.1% to 4.8m tonnes</li> <li>Trading volume of other oil products increased 63.1% to 4.3m tonnes</li> </ul>	
		<b>1H 2014: US\$ 25.7m</b>	<b>1H 2013: US\$ 33.8m</b>
<b>-24.1%</b>	<b>Gross Profit</b>	<ul style="list-style-type: none"> <li>Lower trading gains in jet fuel on lower volumes and higher storage costs for fuel oil.</li> </ul>	
		<b>1H 2014: US\$ 10.4m</b>	<b>1H 2013: US\$ 11.2m</b>
<b>-7.3%</b>	<b>Total Expenses</b>	<ul style="list-style-type: none"> <li>Lower finance cost relating to bank charges &amp; interest expense</li> </ul>	
		<b>1H 2014: US\$ 23.4m</b>	<b>1H 2013: US\$ 13.1m</b>
<b>+78.1%</b>	<b>Share of Results of Associates</b>	<ul style="list-style-type: none"> <li>Improvement in results from OKYC</li> <li>Higher share of profits from SPIA</li> </ul>	
		<b>1H 2014: US\$ 37.4m</b>	<b>1H 2013: US\$ 34.9m</b>
<b>+7.2%</b>	<b>Net Profit</b>	<ul style="list-style-type: none"> <li>Increase in share of results from associates</li> </ul>	

# 1H 2014 Recap and Corporate Updates



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- **Total supply and trading volume jumps 14.9% to 9.1 million tonnes**
  - Trading volumes of other oil products increases 63% to 4.29 million tonnes
  - Double-digit growth in China jet demand continues to support jet fuel supply and trading business
  - Trading activities further optimised and expanded via growing international presence through subsidiaries in Hong Kong, USA and Europe
  - CAO Europe commenced operations and turns earnings accretive
- **Aviation marketing business sees compelling growth**
  - 1H 2014 supplied volume increased 34% year-on-year driven by demand from Chinese airlines at overseas airports and new airline customers
  - Breakthrough with NAFCO achieving independent supply and joining LAXFUEL, the largest jet fuel consortium in the United States
  - No. of supply locations outside China increases to 32 international airports

# 1H 2014 Recap and Corporate Updates



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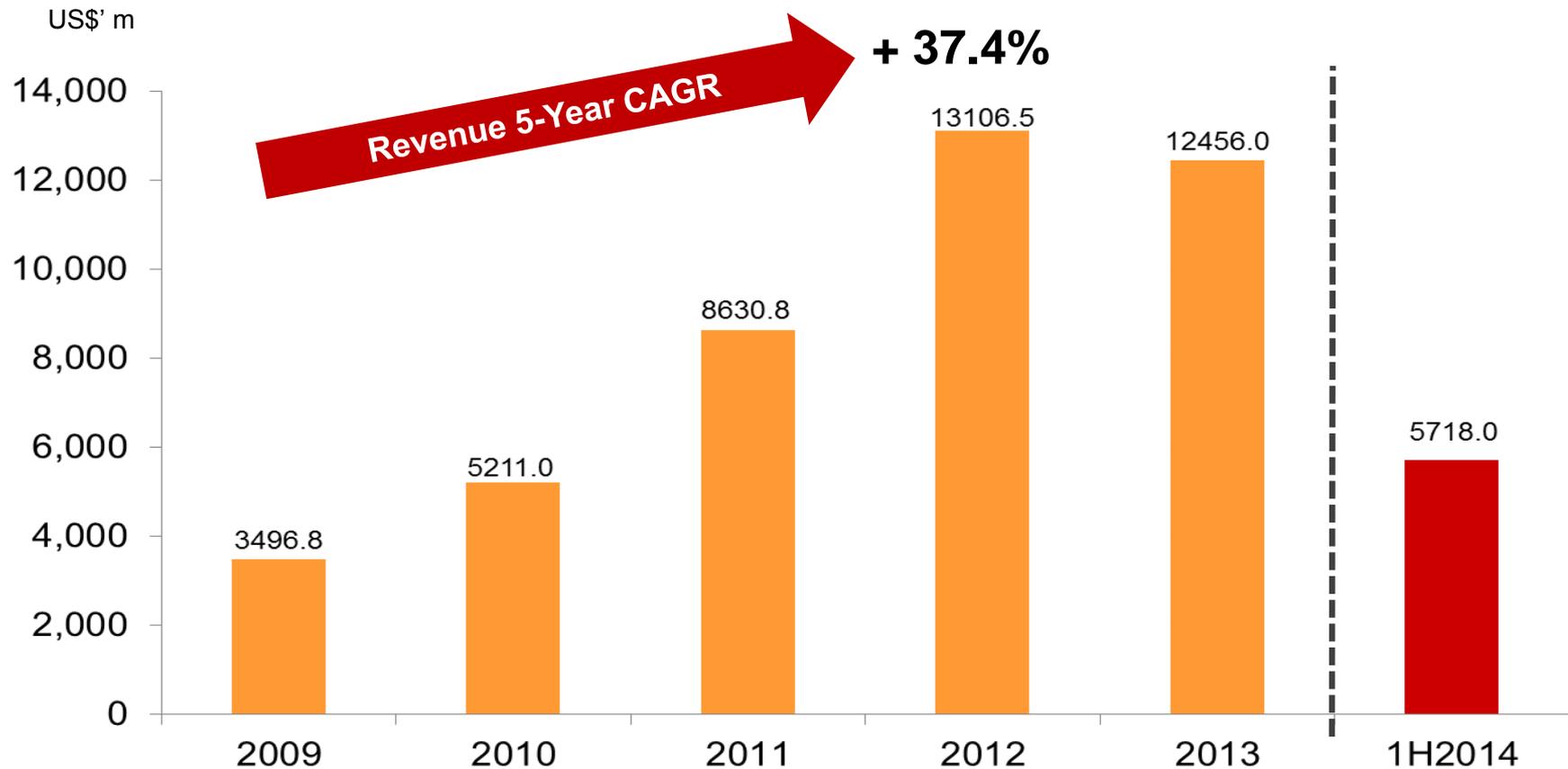
- **Product diversification driving revenue growth**
  - Fuel Oil: physical volume trebled year-on-year due to improved optimisation opportunities through blending activities thereby driving earnings
  - Petrochemicals: physical volume up 13% underpinned by continued demand in China
  
- **Investments in oil-related assets makes strong earnings contribution**
  - Share of results from associates surged 78% to \$23.4 million
  - Profit contribution from SPIA up 38% due to increase of refuelling volume and higher sales revenue coupled with lower procurement cost
  - OKYC turns profitable, supported by high utilization rate of its storage tanks, coupled with favorable gains from cross currency interest rate swap contracts
  - Sustainable income stream from asset investment strategy

# Middle Distillates – Resilient Revenue Generator



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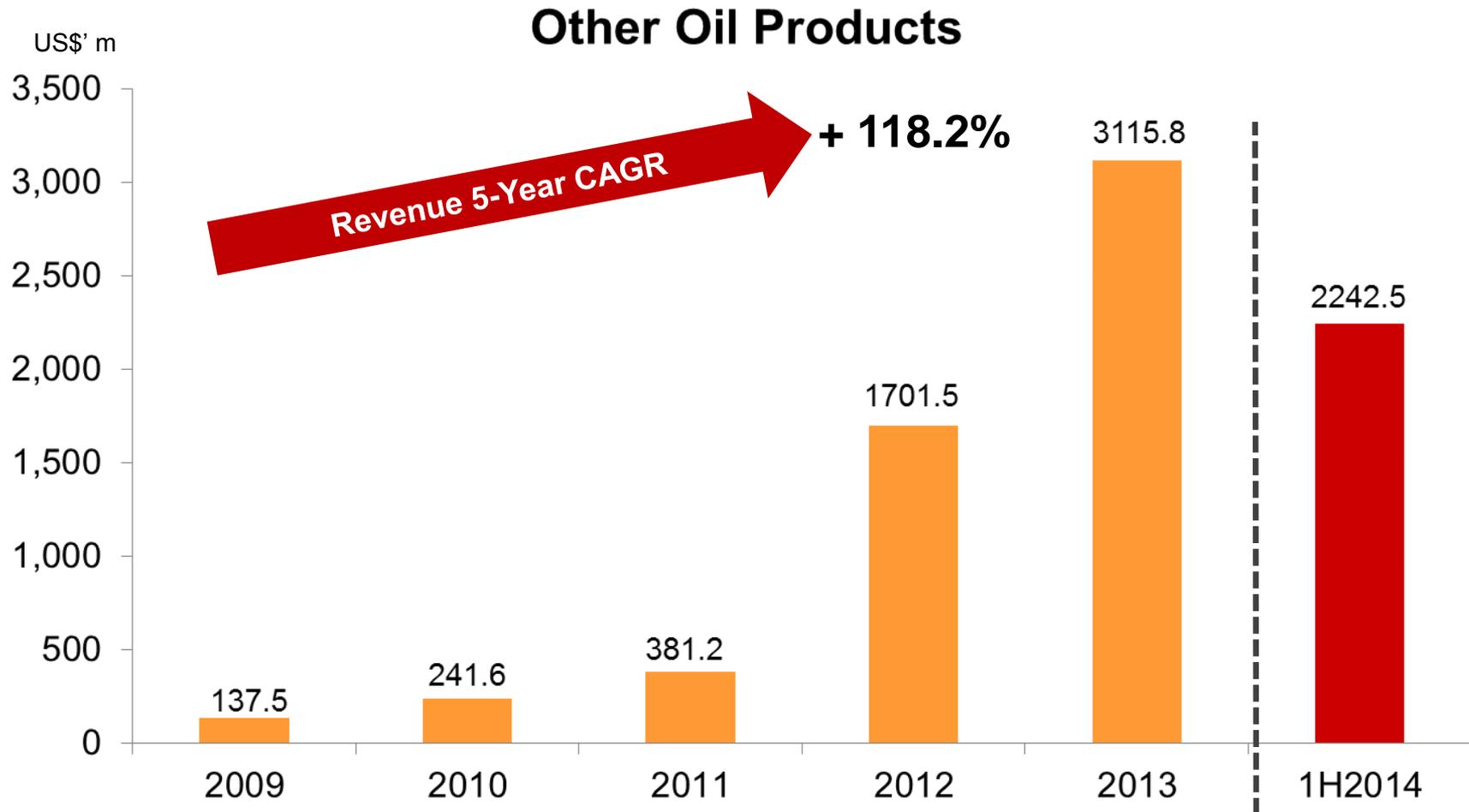
## Middle Distillates



# Strong Revenue Growth from Other Oil Products



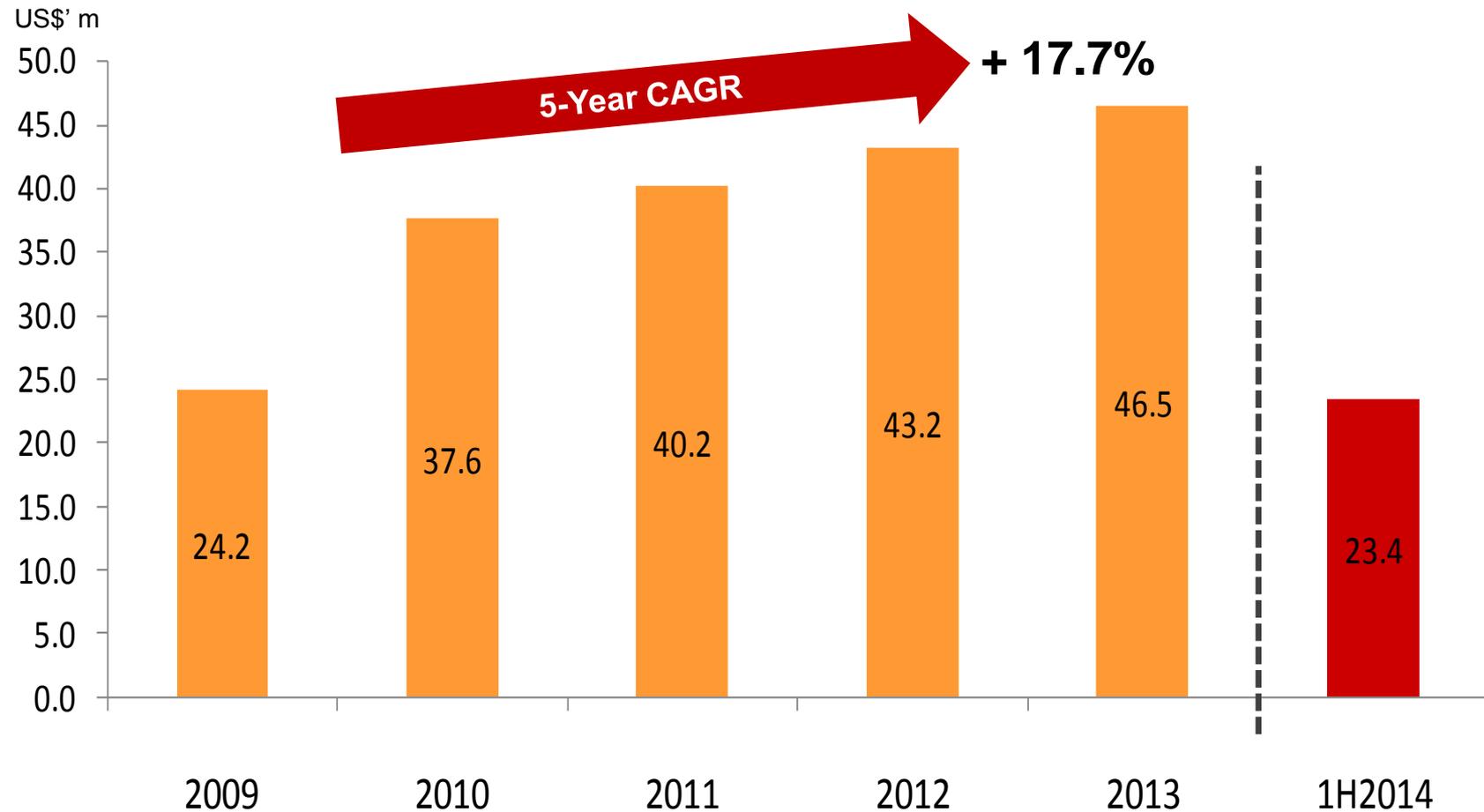
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# Sustainable Income Stream from Investments in Oil-Related Assets through Associates



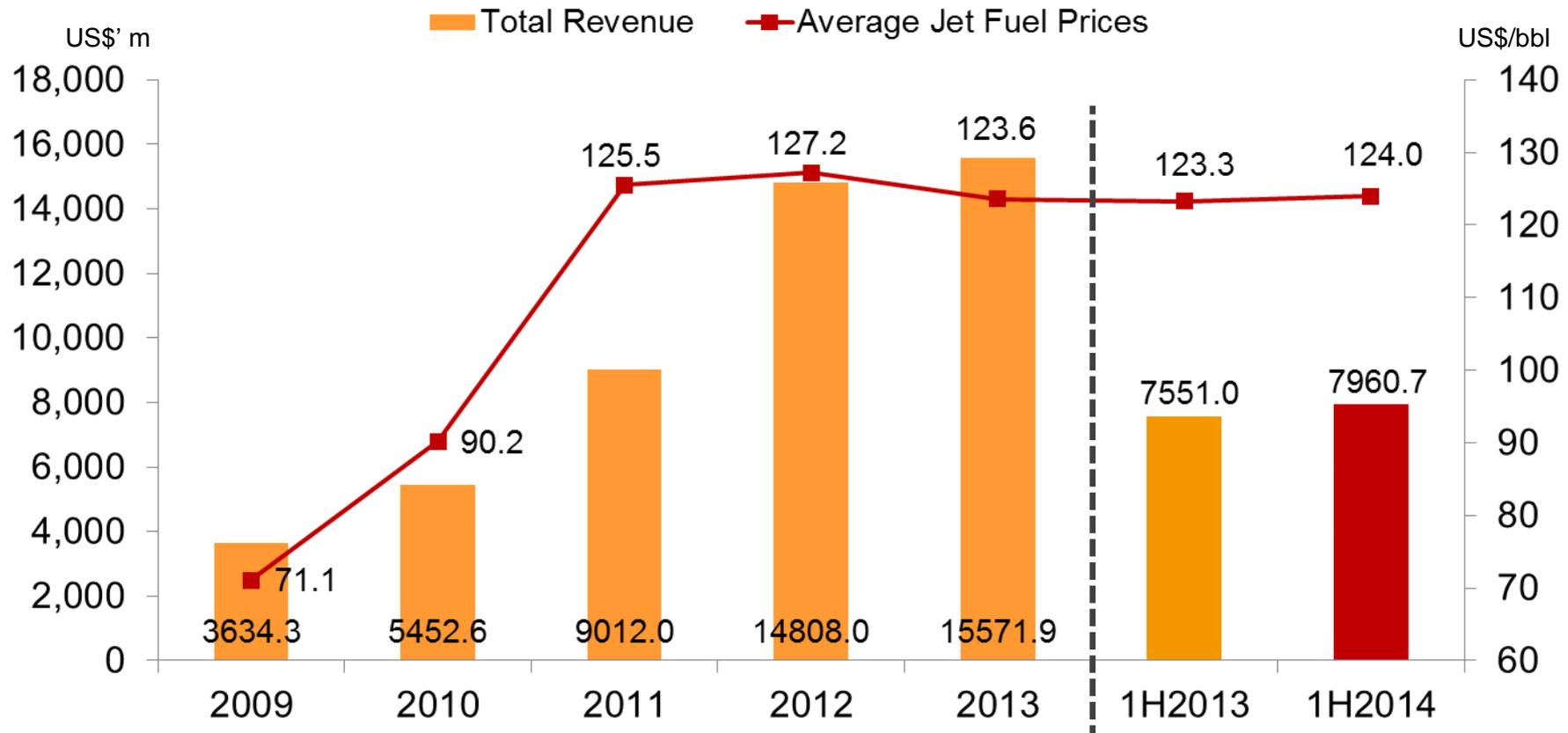
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# Growing Supply & Trading Network Propels Business Growth



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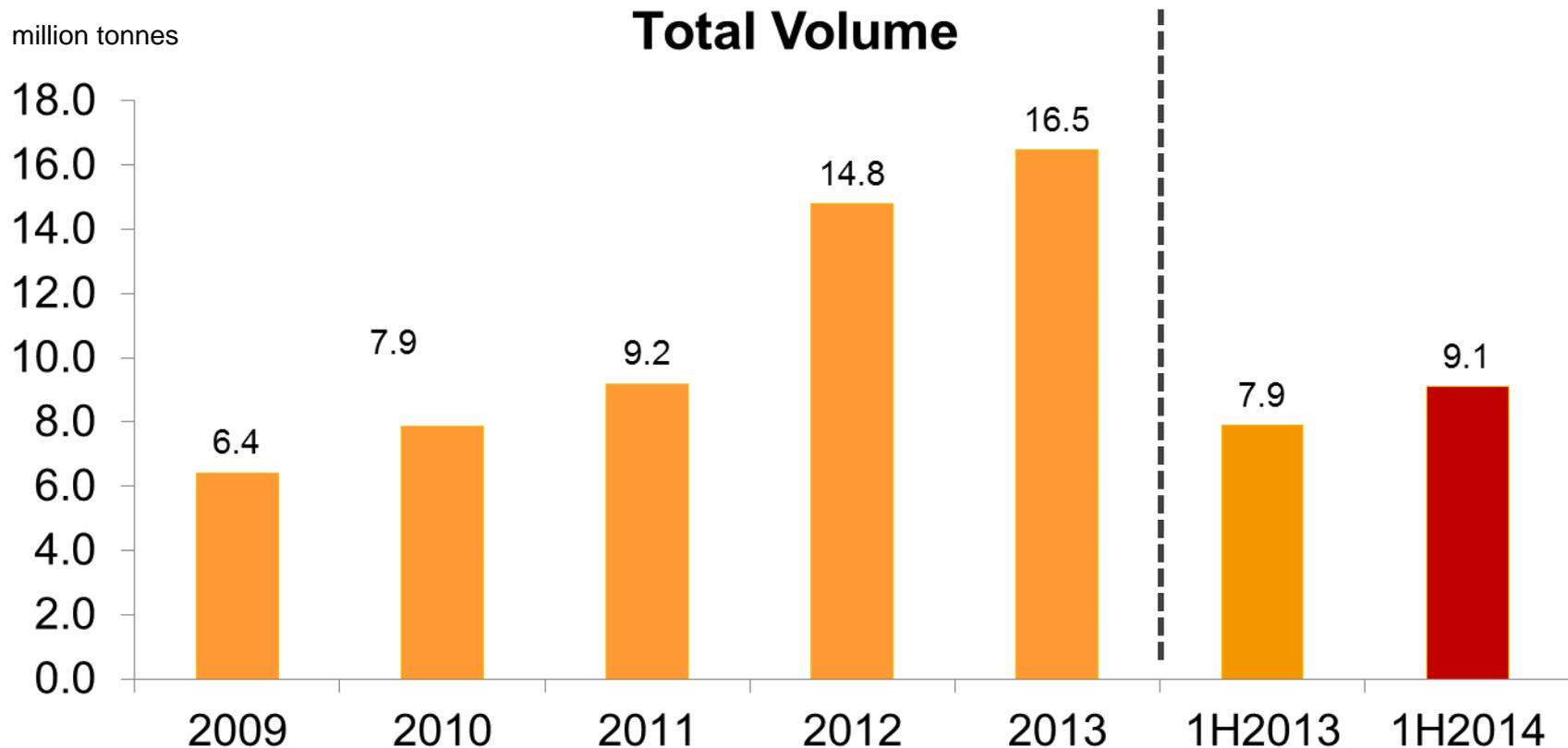


**Revenue 5-Year CAGR + 23.7%**

# Diversification, Optimisation & Trading Drive Volume Growth



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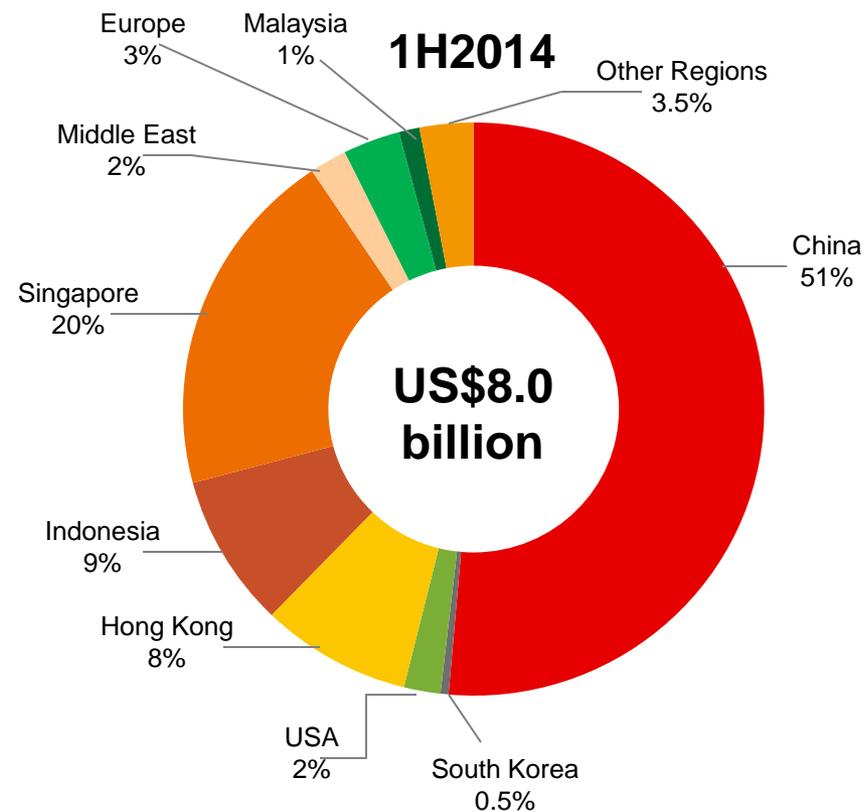
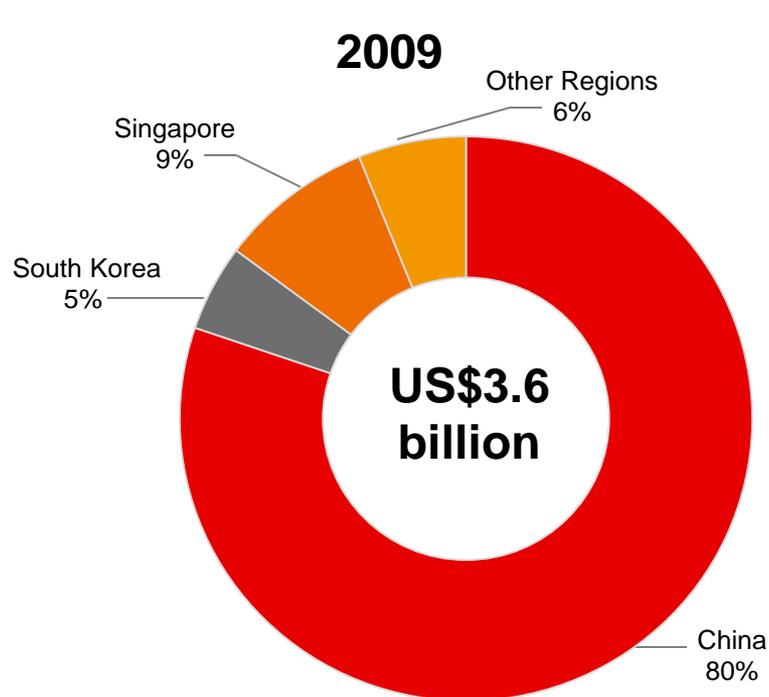
Gross Profit 5-Year CAGR

+ 18.5%

# Geographic Diversification Drives Growth



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# Balance Sheet Summary



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



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# Outlook and Prospects

# Outlook and Prospects



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- **Global oil demand** would continue to be impacted by global economic and geopolitical uncertainties; supply and trading environment will remain challenging
- Volume growth for **jet fuel** expected to be stable notwithstanding increased refining output from China as China's civil aviation industry continues to grow.
  - China civil aviation industry grew 10.7% in 1H 2014 while total jet fuel consumption volume increased 11% year-on-year
  - Will continue to focus on building a global trading network and expand the jet fuel supply & trading business
- Continue to leverage on major Chinese airlines to expand supply network at overseas airports; further enhance relationships with major Chinese airlines by providing value added services
  - Major Chinese airlines continued to enjoy a buoyant record high in passenger traffic –  
(Revenue Passenger Kilometres: Air China grew 10.3%, China Southern was up 9.2% and China Eastern increased 5.3%)\*

\*Source: CAAC and ICAO

# Outlook and Prospects



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- **Fuel oil** market expected to be challenging with slow Chinese growth resulting in weak demand. CAO will continue to leverage on its Singapore storage facility and through blending activities, seek new opportunities in the bunker market.
- Expect **gasoil** demand to pick up in 2H 2014 amid turnaround from regional refineries. CAO will strengthen its gasoil business in existing markets as well as closely monitor opportunities in new markets.
- Expect **petrochemicals** market to remain positive although price volatility and demand/supply dynamics will pose challenges. CAO will closely monitor the demand in China and continue to keep a close tap on the macro-economic environment.

**CAO will continue to build and expand our global trading and supply network and strengthen its position as the largest physical jet fuel trader in Asia Pacific, to capture growth opportunities, and proactively seek synergetic and accretive strategic investments to deliver sustainable growth.**

# Vision



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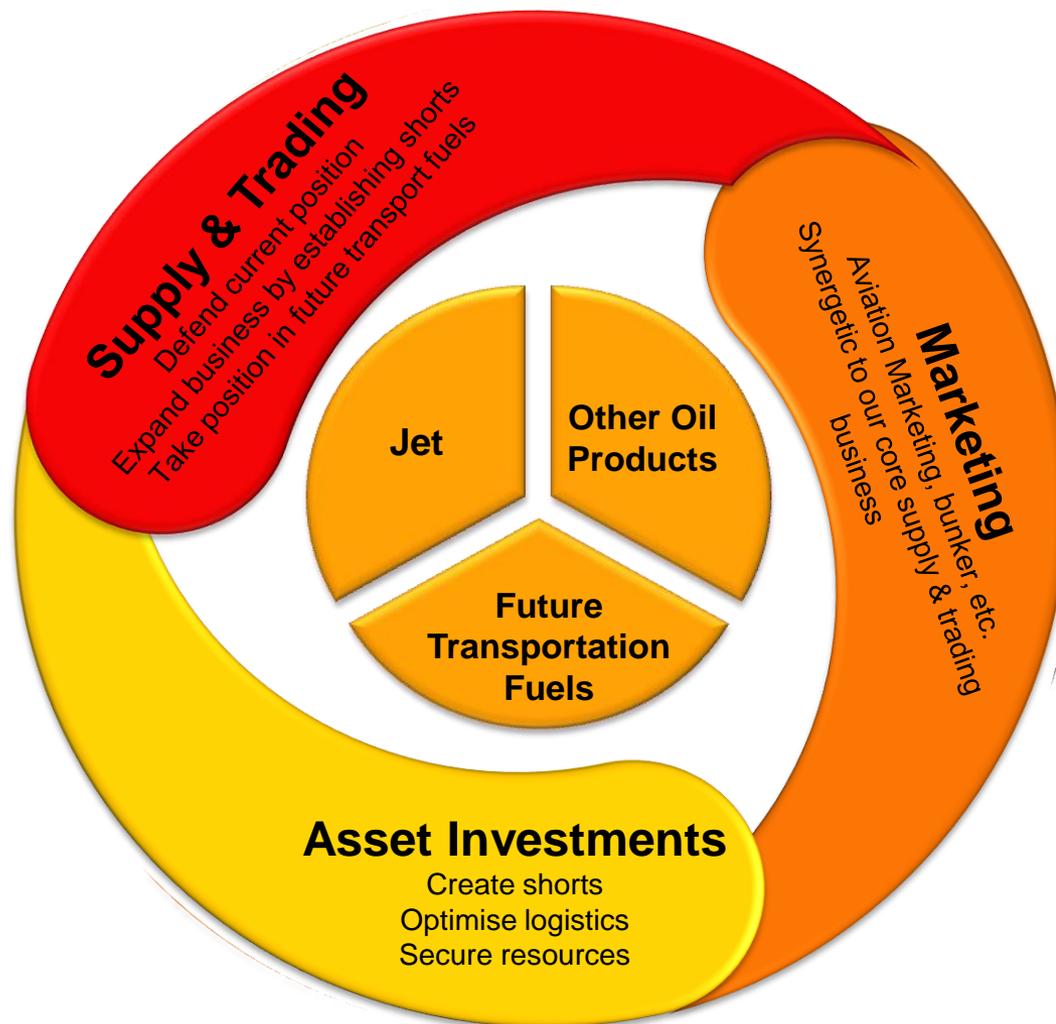


***To be a top-tier global integrated transportation fuels provider, constantly innovating and creating value for our shareholders, employees, business partners and the community***

# Strategy to 2020 & Targets



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## 2020 STRATEGIC TARGETS

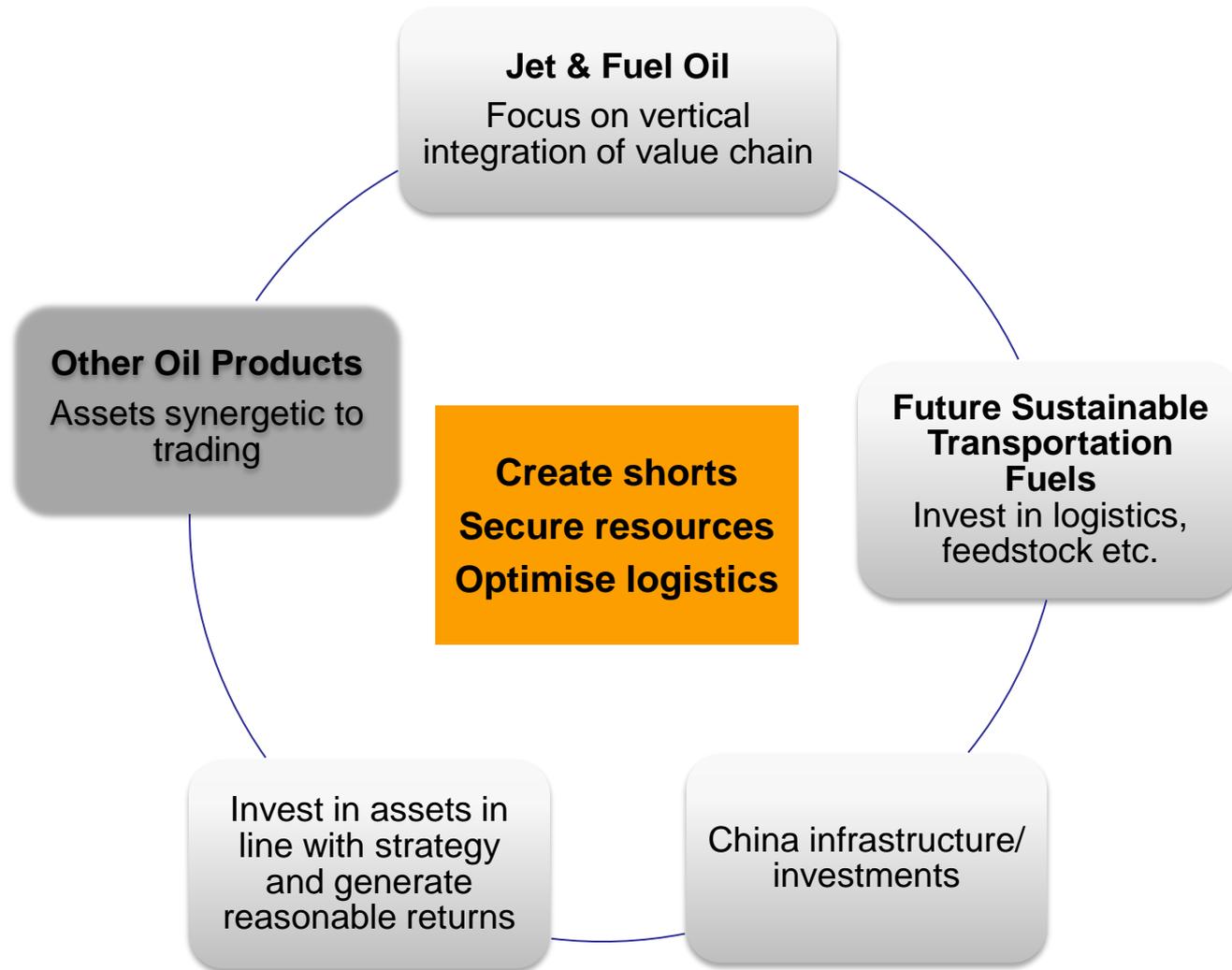
- Global leader in jet fuel supply & trading and reputable global supplier and trader of other oil products
- Important aviation fuel service provider at international airports
- Niche player in future clean transport fuels

# Asset Investments

## – Building an Integrated Value Chain



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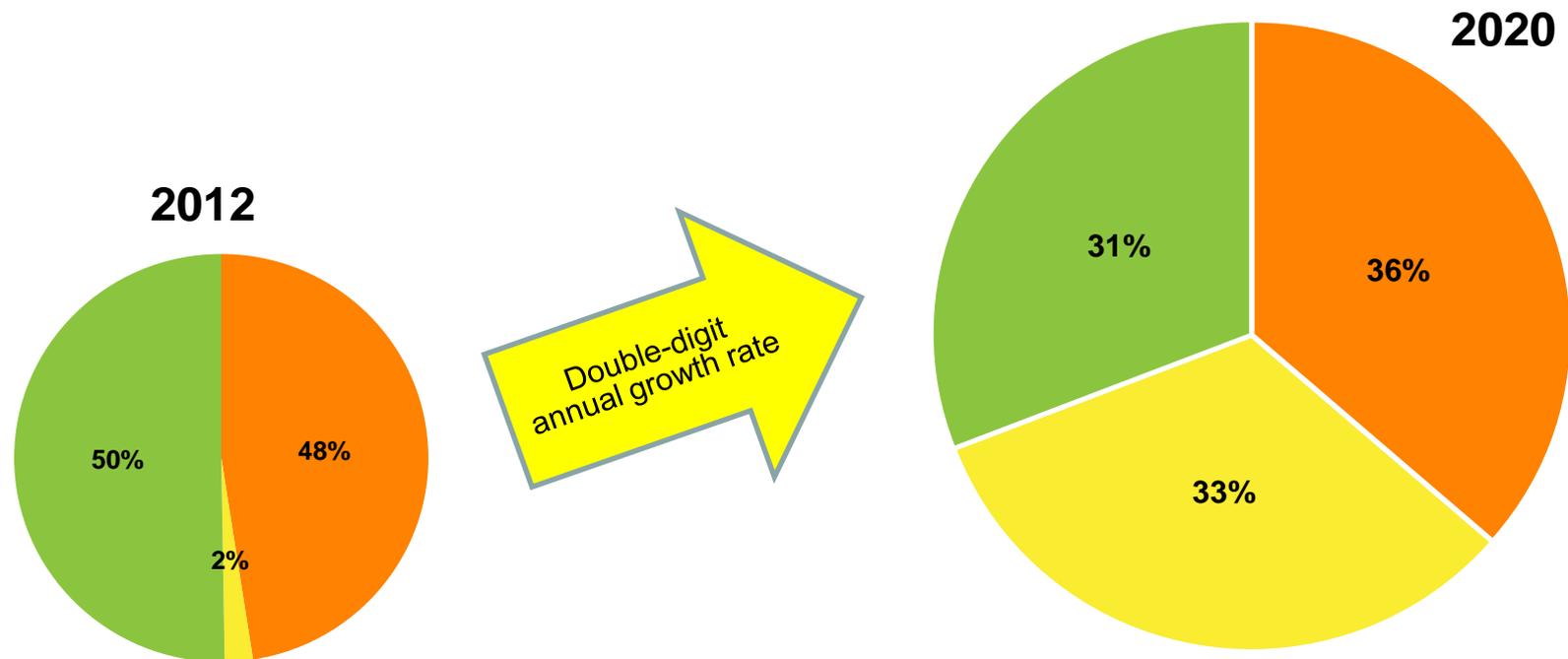


# Sustaining Double-digit Profit Growth



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- Targets twofold increase in profits by 2020



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

# CAO Today: A Company of Strong Corporate Standing, 2009 - 2014 Accolades



China Aviation Oil  
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- 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 5<sup>th</sup> 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*





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# Thank You

*Fuel for Future* 为明天加油