



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

29 July 2016

1H2016 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.

1H 2016 Highlights



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- **Net Profit** surged 48.6% to US\$47.8 million on higher trading gains, higher supply and trading volumes and significantly higher share of results from associates:
 - ✓ strong performance underscores the improving synergies of CAO's integrated businesses, operational efficiencies and efficacies of its global supply and trading value chain;
 - ✓ reflects CAO's success in growing its international aviation business, its successful diversification strategy, underpinned by the continuing growth of the Chinese aviation industry;
 - ✓ recurring and sustainable earnings stream from oil-related investments through its associates and joint venture.

- **Total supply and trading volume** increased 56.0% to 13.6 million tonnes; diversification strategy continued to support growth, with healthy gains from increased supply and trading volume in other oil products:
 - ✓ Increased jet fuel volumes supplied to China;
 - ✓ Chinese jet fuel exports to new supply markets Philippines, Vietnam and Taiwan;
 - ✓ expanded market reach for fuel oil, gasoil and avgas.

- **Gross Profit** increased 59.1% to US\$23.1 million on increased supply and trading volumes and higher gains from trading and optimisation activities.

1H 2016 Highlights



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- **Share of Profits** from associates and joint venture increased 47.0% to US\$33.6 million:
 - ✓ Share of profits from **SPIA** increased 41.4% to US\$29.6 million due to higher refuelling volume, higher profit margin partly offset by higher operating expenses;
 - ✓ Share of profits from **OKYC** jumped 275.8% to US\$2.5 million attributable to higher operating profit from tank storage leasing activities;
 - ✓ Share of profits from **TSN-PEKCL** increased 74.2% to US\$1.8 million on higher pipeline transportation volume and higher other operating income.

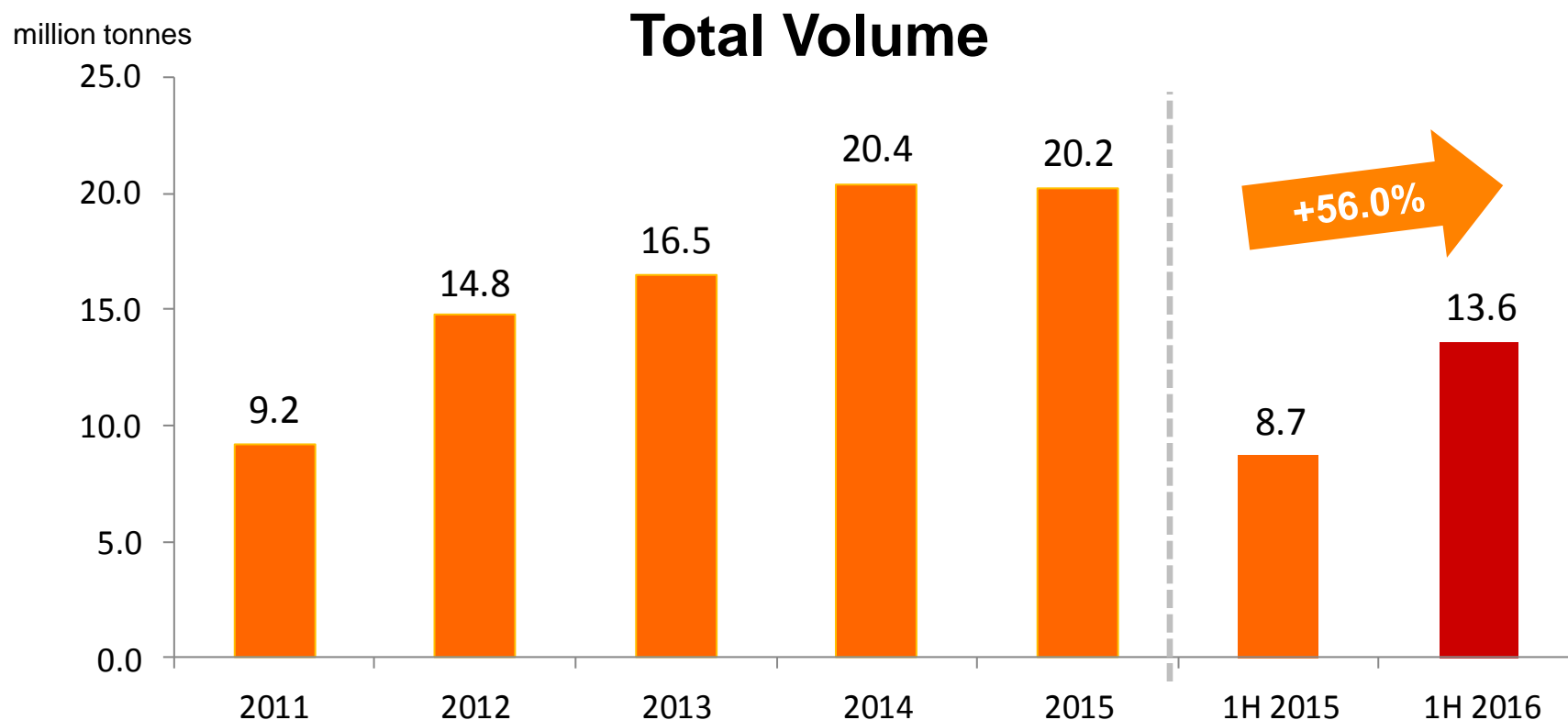
- Growing momentum in **Aviation Marketing**:
 - ✓ supply volumes to non-Chinese airline customers increased at international airports outside China;
 - ✓ **CAOHK** secured new supply contracts with airline companies and increased supply locations to Laos, Vietnam and Japan;
 - ✓ **NAFCO**'s supply volumes at Los Angeles Airport (LAX) increased, exceeding 15% of total jet fuel demand at LAX;
 - ✓ **CNAF HKR**'s refuelling volumes at Hong Kong International Airport (HKIA) continued to grow, in line with increased customer base;
 - ✓ market reach extended to 42 international airports outside China.

Product Diversification Supports Volume Growth



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- Core jet fuel supply and trading business continued to grow
- Resilient transportation fuels segment drove volume growth in other oil products, including fuel oil, gasoil and avgas, which has benefitted from effective value chain positioning

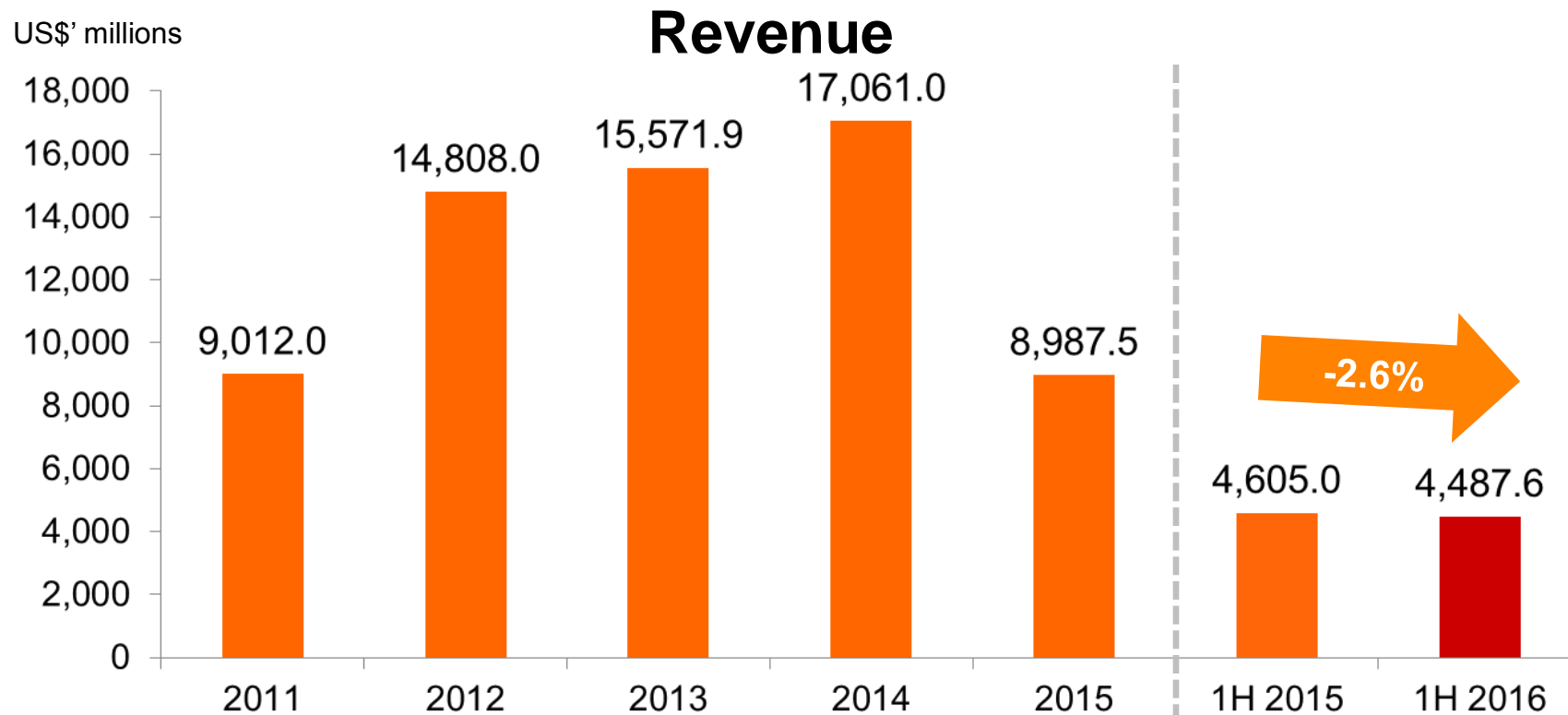


Revenue Impacted by Persistently Low Oil Prices



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- Revenue declined 2.6% to US\$4.5 billion due to lower oil prices even as total supply and trading volumes for 1H2016 rose 56.0% year-on-year
- Jet fuel prices averaged at US\$49.02 per barrel for 1H2016 vs US\$73.45 per barrel in 1H2015



Core Jet Fuel Business Remains Healthy

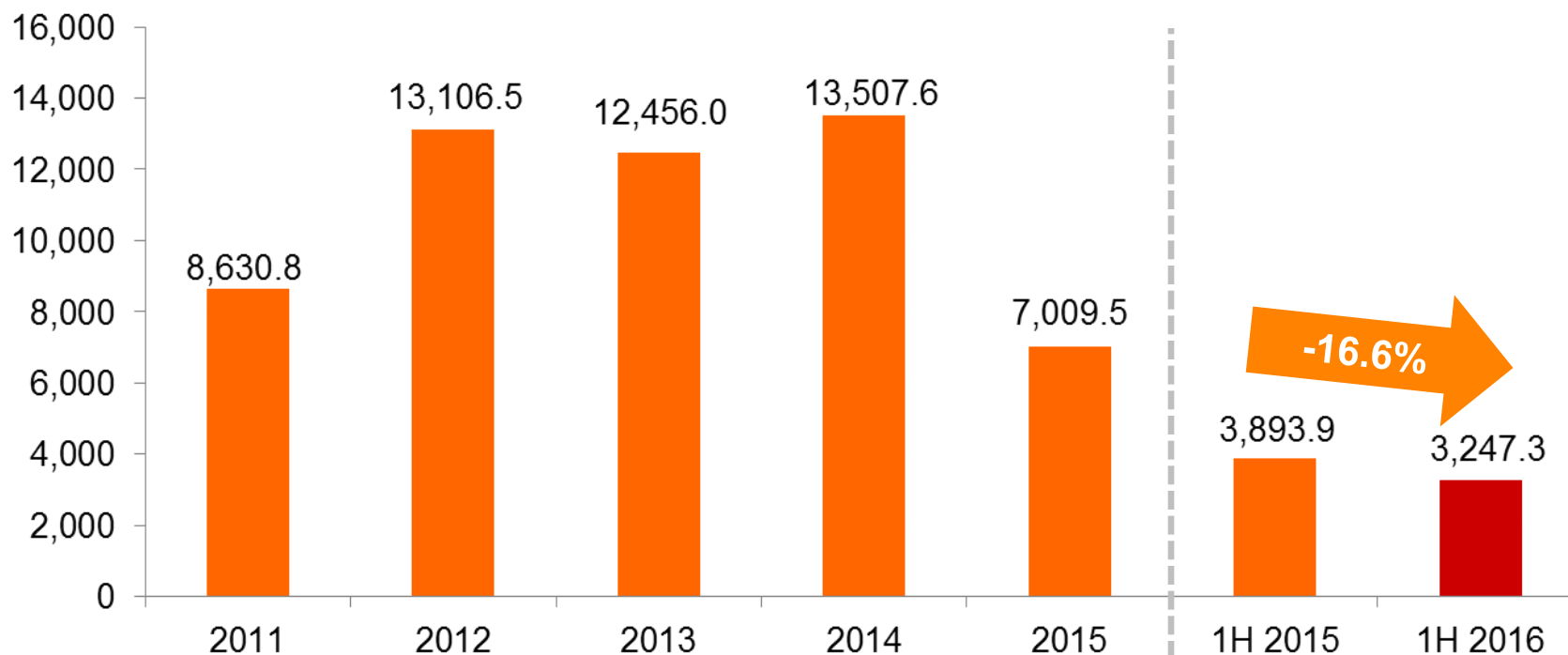


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- Jet fuel supply and trading volume up 11.8% to 6.7 million tonnes, supported by increased supply volumes to China, growth of international aviation business as well as boost in CNAF HK Refuelling's business volumes
- Revenue continued to be impacted by low oil prices

US\$' millions

Revenue - Middle Distillates



Diversified Portfolio Supports Volume Gains

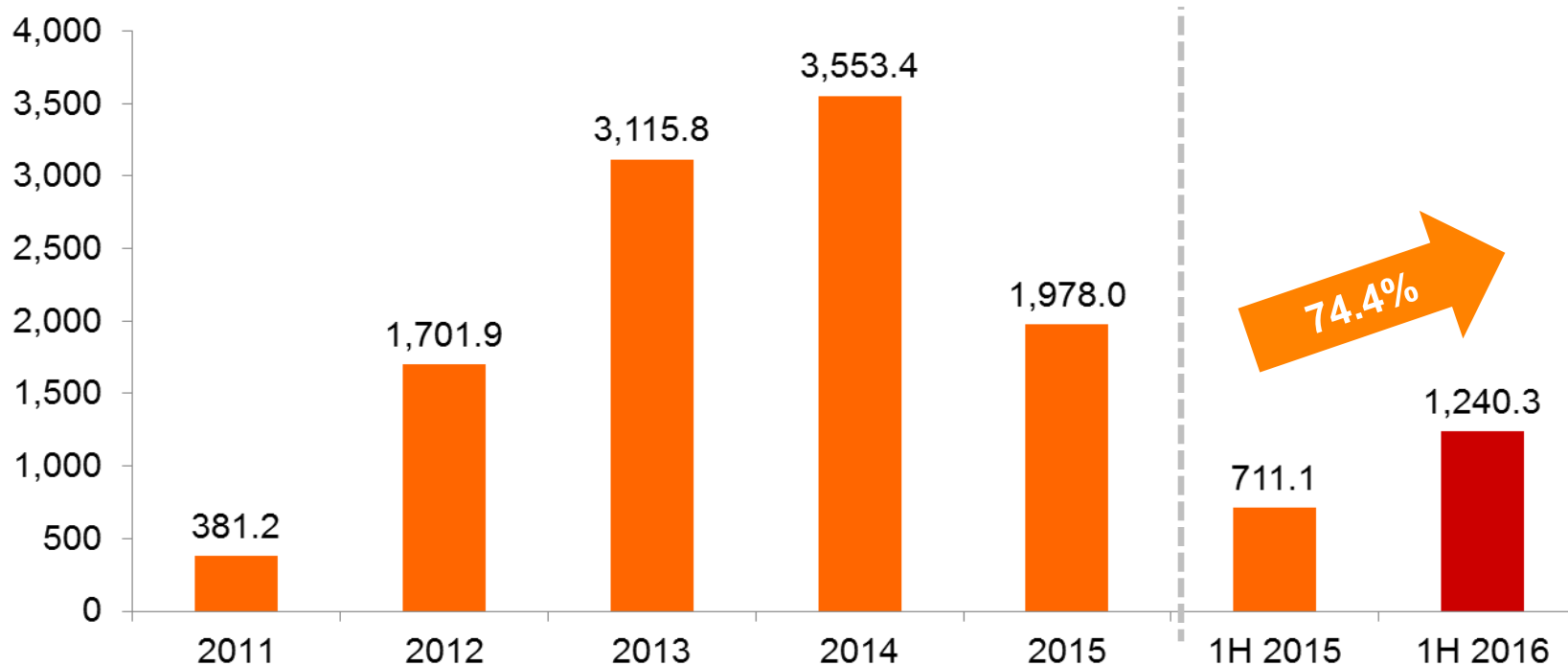


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- Supply and trading volume of other oil products jumped 154.2% to 6.89 million tonnes, underpinned by strong demand for transportations fuels
- Well-positioned and diversified product portfolio in niche markets supported business growth

US\$'millions

Revenue - Other Oil Products



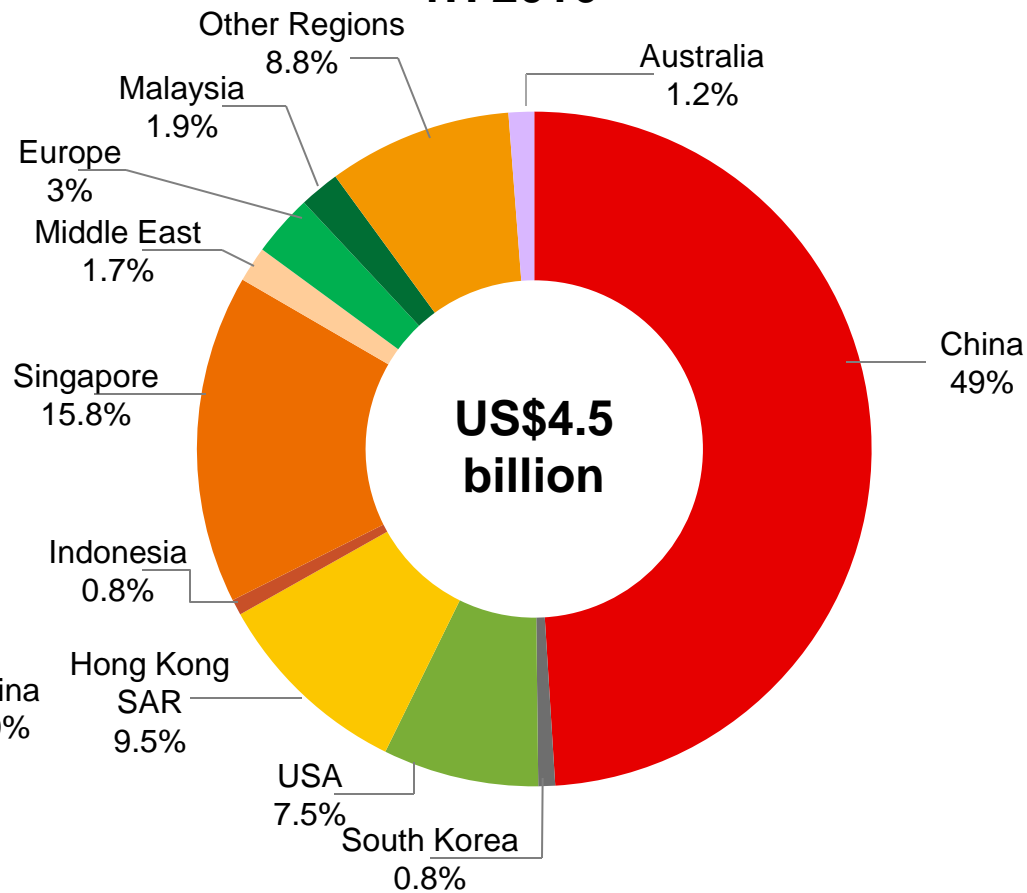
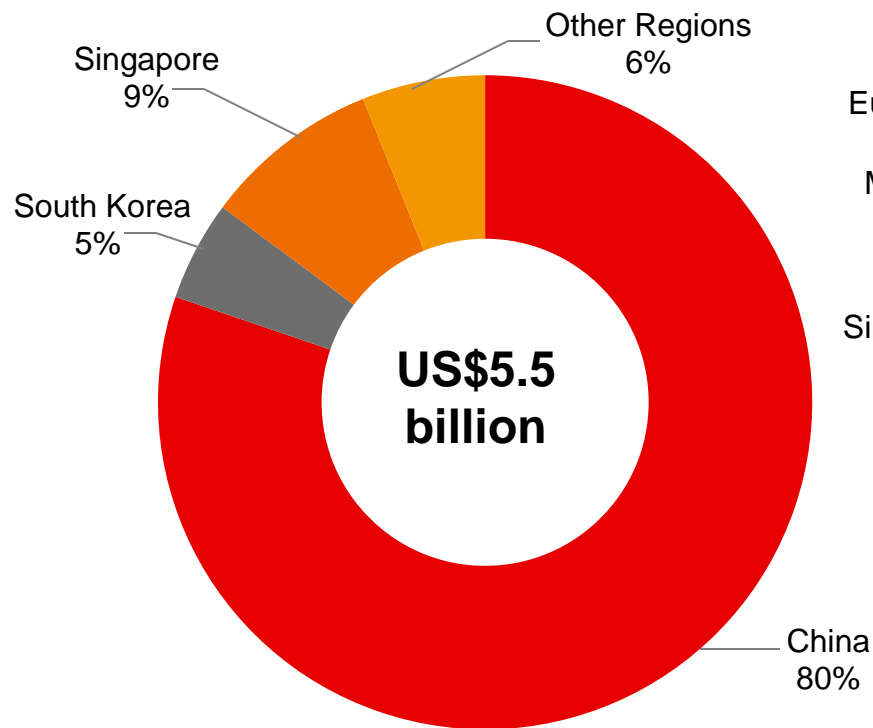
CAO's International Revenue Base



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FY 2015

1H 2016



Robust Performance

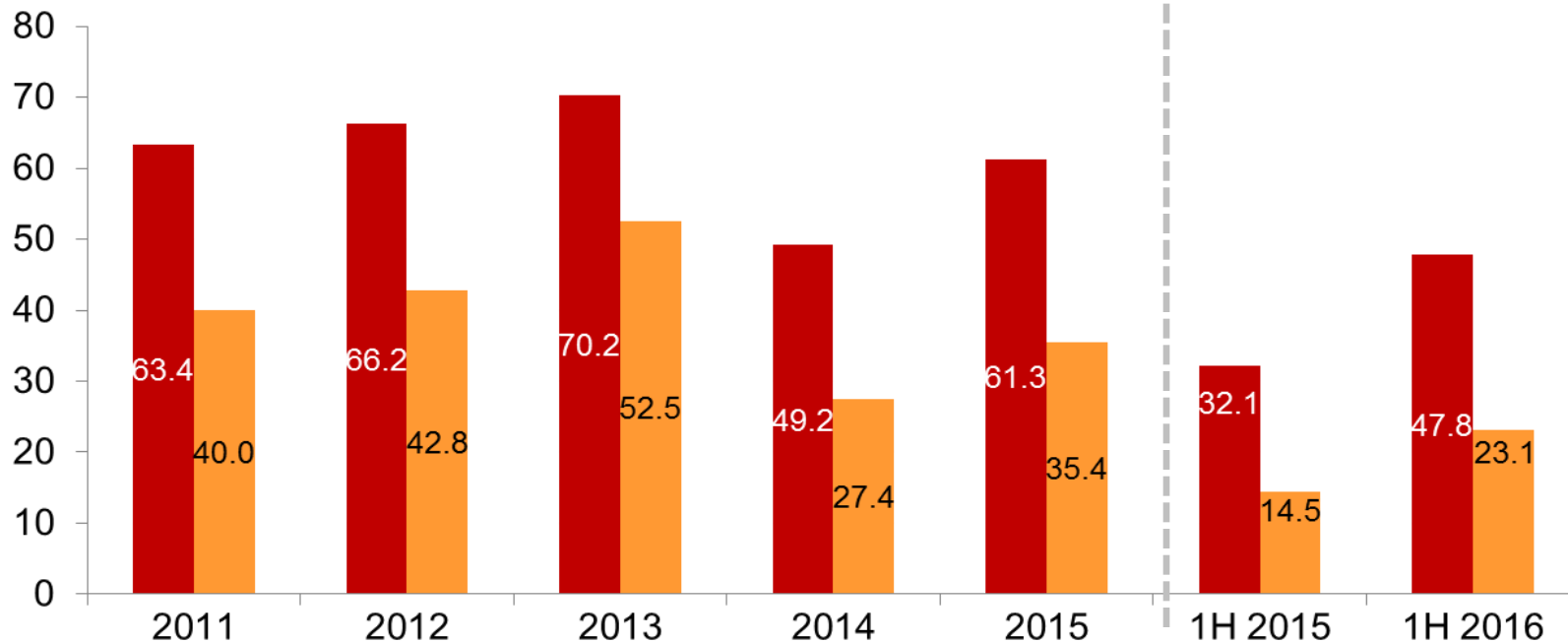


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- Attributable to increase in jet fuel supply volumes to China, higher gains from trading optimisation activities and expansion of Group's diversified business internationally
- Reflective of CAO's strong trading capabilities and effective risk management strategies amid macroeconomic uncertainties

US\$' millions

■ Net Profit ■ Gross Profit



Sustainable Income Streams from Associates

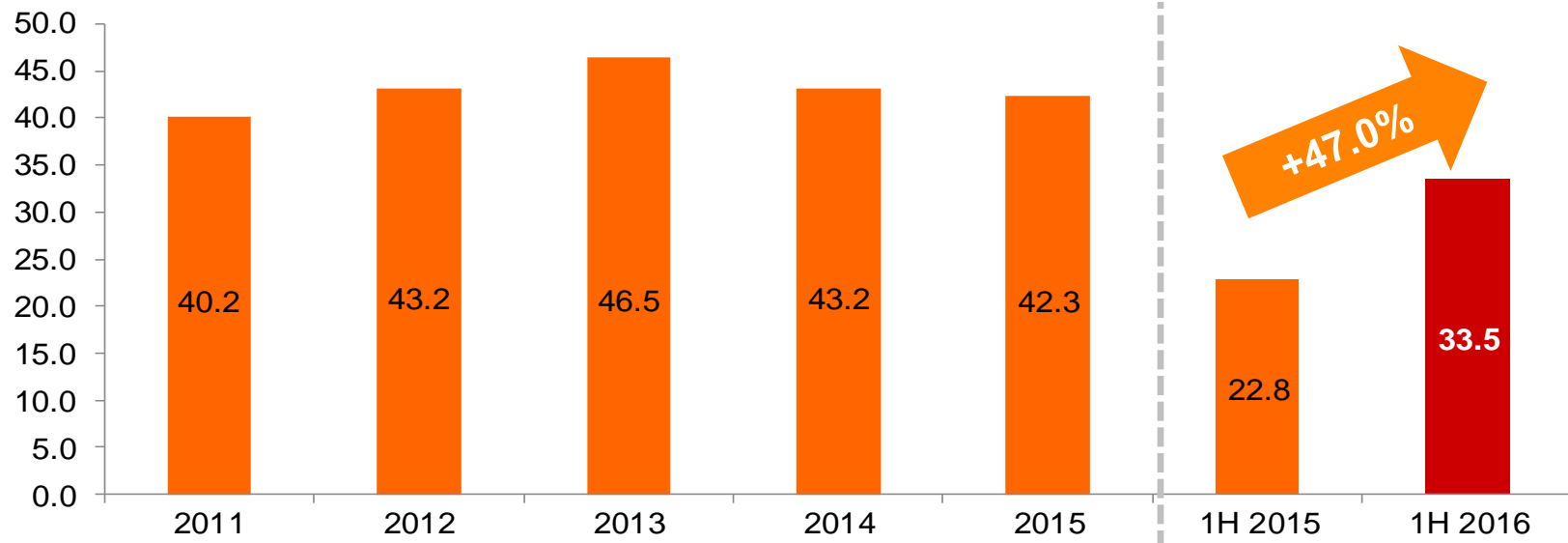


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- Share of profits from SPIA increased 41.4% to US\$29.6 million on higher refuelling volume and profit margin on the back of a rebound in oil price, partially offset by higher operating expenses
- Share of profits from OKYC jumped 275.8% to US\$2.5 million attributable to higher profits from tank storage leasing activities
- Share of profits from TSN-PEKCL increased 74.2% to US\$1.8 million on higher pipeline transportation volume and other operating income

US\$' millions

Share of Results from Associates



1H 2016 Profit & Loss Summary



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		1H 2016: US\$4,487.6m	1H 2015: US\$4,605.0m
-2.6%	Revenue	<ul style="list-style-type: none"> Total supply and trading volume increased 55.95% to 13.63m tonnes Jet fuel supply and trading volume increased 11.77% to 6.74m tonnes Trading volume of other oil products increased 154.24% to 6.89m tonnes 	
		1H 2016: US\$23.1m	1H 2015: US\$14.5m
+59.1%	Gross Profit	<ul style="list-style-type: none"> Higher supply and trading volumes Higher trading and optimisation gains from jet fuel and other oil products 	
		1H 2016: US\$7.4m	1H 2015: US\$4.6m
+60.7%	Total Expenses	<ul style="list-style-type: none"> Recovery of bad debts of US\$1.1m due from MF Global in 1H 2016 compared to US\$3.1 million in 1H2015 Excluding recovery of monies from MF Global, total expenses would have been US\$0.85 million higher y-o-y mainly due to higher information technology expenses, professional fees incurred for business development and credit insurance 	
		1H 2016: US\$33.6m	1H 2015: US\$22.8m
+47.0%	Share of Results of Associates	<ul style="list-style-type: none"> Higher share of results from SPIA, TSN-PEKCL and OKYC Lower share of results from Xinyuan Share of losses from CNAF HKR due to pre-operating expenses 	
		1H 2016: US\$47.8m	1H 2015: US\$32.1m
+48.6%	Net Profit	<ul style="list-style-type: none"> Backed by higher gross profit and higher share of results of associates 	

2Q 2016 Profit & Loss Summary



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		2Q 2016: US\$3,023.3m	2Q 2015: US\$2,524.0m
+19.8%	Revenue	<ul style="list-style-type: none"> Total supply and trading volume increased 84.39% to 8.74m tonnes Jet fuel supply and trading volume increased 18.1% to 3.72m tonnes Trading volume of other oil products increased 215.72% to 5.02m tonnes 	
		2Q 2016: US\$9.9m	2Q 2015: US\$9.2m
+7.6%	Gross Profit	<ul style="list-style-type: none"> Mainly attributable to the increase in supply and trading volumes and higher profits from trading and optimisation activities 	
		2Q 2016: US\$4.8m	2Q 2015: US\$3.9m
+23.9%	Total Expenses	<ul style="list-style-type: none"> Higher professional fees incurred for business development and credit insurance 	
		2Q 2016: US\$19.4m	2Q 2015: US\$13.5m
+43.5%	Share of Results of Associates	<ul style="list-style-type: none"> Higher share of results from SPIA, TSN-PEKCL and OKYC Share of losses from CNAF HKR due to pre-operating expenses 	
		2Q 2016: US\$23.6m	2Q 2015: US\$17.8m
+32.8%	Net Profit	<ul style="list-style-type: none"> Backed by higher gross profit and higher share of results of associates 	

Balance Sheet Summary



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		30 Jun 2016: US\$126.0m	31 Dec 2015: US\$56.8m
+121.8%	Inventories	<ul style="list-style-type: none"> ▪ Increase in inventories held for trading 	
		30 Jun 2016: US\$1,043.5m	31 Dec 2015: US\$336.9m
+209.7%	Trade and Other Receivables	<ul style="list-style-type: none"> ▪ Higher working capital requirements in trade financing 	
		30 Jun 2016: US\$211.4m	31 Dec 2015: US\$170.5m
+24.0%	Cash and Cash Equivalents	<ul style="list-style-type: none"> ▪ Mainly due to aggregate cash inflow of US\$41.09m generated from operating, investing and financing activities 	
		30 Jun 2016: US\$1,024.0m	31 Dec 2015: US\$246.7m
+315.1%	Trade and Other Payables	<ul style="list-style-type: none"> ▪ Mainly due to higher working capital requirements in trade financing 	
		30 Jun 2016: 41.7m	31 Dec 2015: none
N.M.	Loans and Borrowings	<ul style="list-style-type: none"> ▪ ST borrowings by a subsidiary for working capital purposes 	

Vision



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

Outlook



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- **Macro-environment may remain persistently challenging** as concerns over demand-supply and economic uncertainty post-Brexit could create volatility in the oil trading environment.
- CAO will continue to enhance its global operations and leverage from the compelling value proposition offered by its diversified and international growth platform even as the Group continues to:
 - ✓ **Stand firm on its diversification strategy** to develop the global supply and trading network with continued focus to drive profitable growth and deliver consistent, long-term value to our shareholders;
 - ✓ **Build its global aviation marketing business** to position itself for the impending growth in the global aviation industry;
 - ✓ Capitalise on market opportunities for **inorganic growth** through strategic acquisitions and investments in synergistic businesses.
- CAO's long-term growth will be underpinned, not only by the **burgeoning civil aviation industry in China** but also by the **growth of global aviation mega-cities** as the Group continues to make inroads into new international markets.



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Thank You

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