



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

23 February 2017

FY2016 Results Presentation



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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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FY2016 Performance Review

Mr Wang Chunyan
Chief Financial Officer

FY2016 Operational Highlights



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- Notwithstanding headwinds in global markets, strong business performance delivered **all-time high record volumes and net profit for FY2016**, underpinned by:
 - ✓ **strong performance** for resilient core jet fuel segment and growing diversified other oil products portfolio, with **total supply and trading volume** reaching record 32.6 million tonnes (previous FY2014 record: 20.4 million tonnes);
 - ✓ **unique positioning in transportation fuels** supports the Group's growing demand markets in Asia Pacific, North America, Europe and the Middle East;
 - ✓ **booming global aviation demand drives** continual growing momentum for the Group's aviation marketing business, validating CAO's strategy to grow our jet fuel businesses in key aviation hubs globally, backed by –
 - growing volumes for Chinese jet fuel exports to North America demand market;
 - extending market reach in North America with new supply location in Hawaii, totalling 43 supply locations for FY2016;
 - expanding supply network at key regional aviation hubs supported supply volume growth to increase 32.2% year-on-year to 2.3 million tonnes for aviation marketing segment;
 - ✓ **good operating performance** at associated companies lifted the profitability of the Group.

FY2016 Financial Highlights



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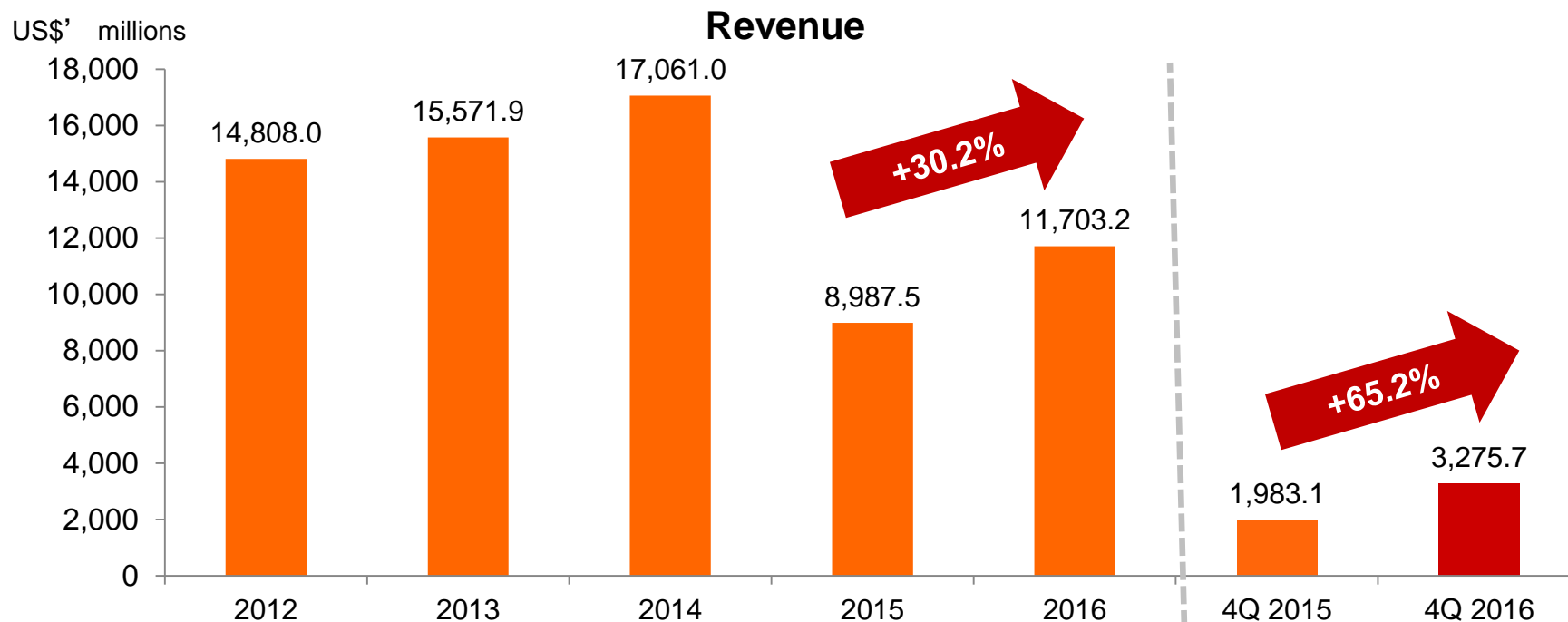
- CAO's integrated value chain supports network optimisation to realise an increase of 61.5% for **total supply and trading volume** in FY2016:
 - ✓ volume for middle distillates was up 41.8% at 18.6 million tonnes for FY2016, with **jet fuel supply and trading volume** up 26% at 15 million tonnes, benefitting from the continued growth of the Chinese civil aviation industry and increasing supply volumes at international airports outside mainland China;
 - ✓ volume for **other oil products** increased 98.2% to 14 million tonnes in FY2016 with proactive growth of product portfolio in expanding demand markets.
- **Net Profit** jumped 45.1% year-on-year to record high of US\$88.9 million, mainly due to the increase in gross profit and higher share of results from associates.
- **Gross Profit** increased 24.3% to US\$44.1 million, underpinned by sustained growth in jet fuel supply volumes as well as higher gains from trading and optimisation activities.
- **Share of Profits** from associates and joint-venture rose 56.9% to US\$66.4 million:
 - ✓ Profit contributions from **SPIA** rose 56.0% to US\$60.6 million, primarily due to higher refuelling volumes and inventory gains from oil price rebound in FY2016;
 - ✓ Profit contributions from **OKYC** increased 206.3% to US\$4.1 million on the back of higher operating profit from its tank storage leasing activities and lower Mark-to-Market loss from its Cross Currency Interest Rate Swap Contracts.

Positive Revenue Growth Despite Lower Jet Fuel Prices



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- Revenue rose 30.2% to US\$11.7 billion in FY2016 on the back of an increase in supply and trading volumes, with active implementation of the Group's diversification strategy:
 - ✓ realised crude oil and fuel oil sales to China and the Middle East;
 - ✓ secured new middle distillates contracts in new demand markets.
- Jet fuel prices averaged US\$53.85 per barrel for FY2016 vs US\$68.15 per barrel for FY2015.



All-time High Record Volume Growth

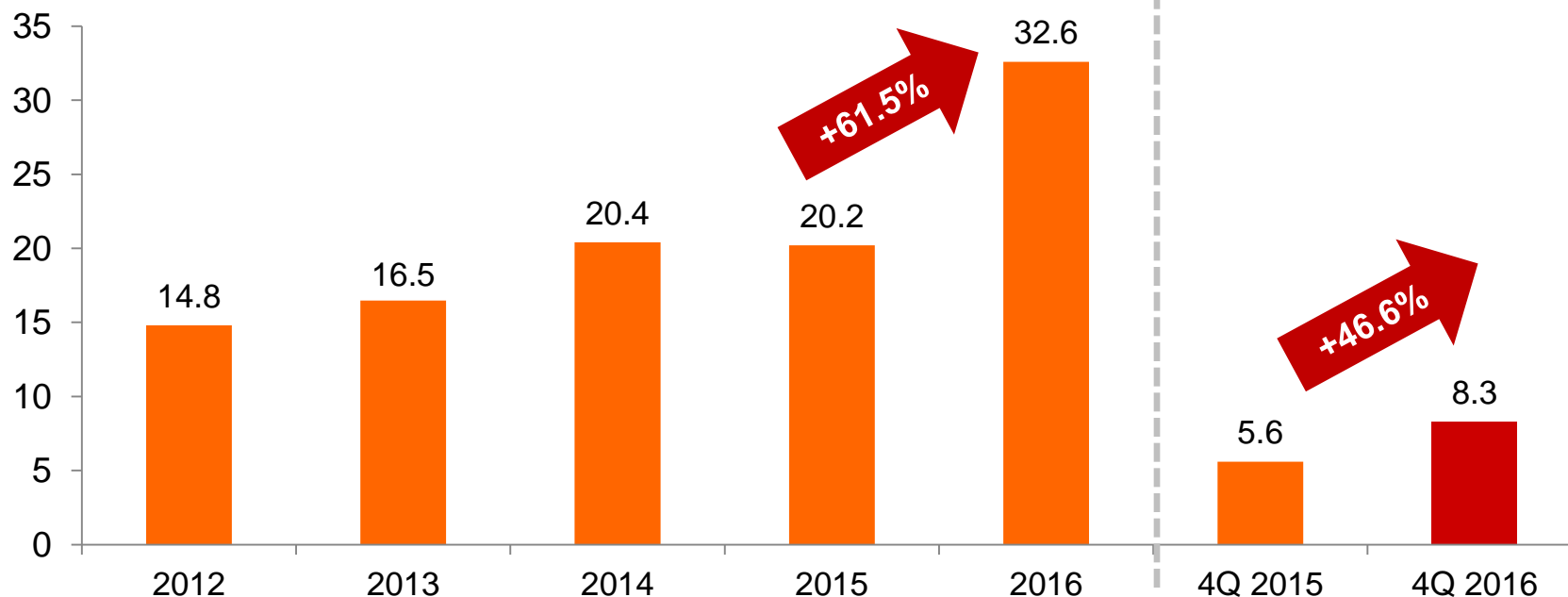


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- Total supply and trading volume reached record high of 32.6 million tonnes for FY2016, driven by:
 - ✓ robust growth in core jet fuel supply and trading business and;
 - ✓ healthy growth across other oil products, with considerable contributions from crude oil and fuel oil businesses driven by healthy market demand.

Total Volume

million tonnes



Robust Growth for Core Jet Fuel Business

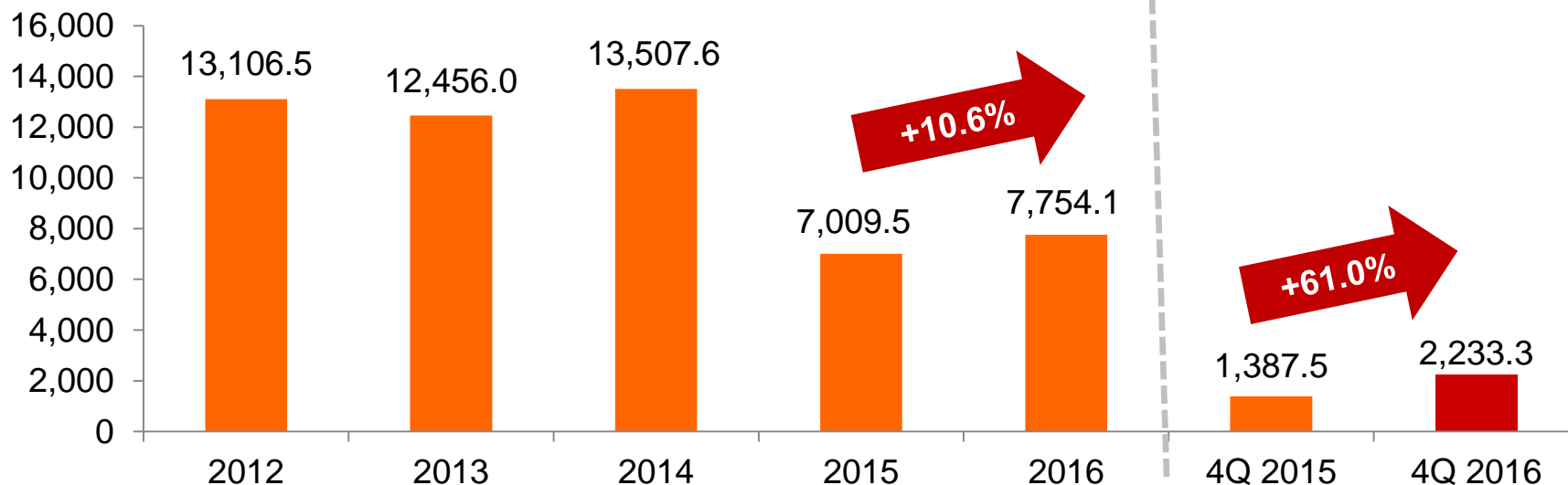


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- Jet fuel supply and trading volume increased by 26.0% to 15.0 million tonnes year-on-year compared to 11.9 million tonnes in FY2015, reflecting underlying momentum in:
 - ✓ burgeoning Chinese civil aviation industry with total turnover volume of 81.9 billion tonne-kilometres* as of November 2016, a year-on-year growth of 12.6%*;
 - ✓ growing jet fuel supply network at international airports outside mainland China, including secured contract renewals with increased supply volumes with airline customers and increase in refuelling volumes for CNAF HKR; the Group currently supplies jet fuel at 43 international airports across 17 countries, spanning Asia Pacific, North America, Europe and the Middle East.

US\$' millions

Revenue - Middle Distillates



*Data source: Civil Aviation Administration of China (CAAC)

Strong Performance from Other Oil Products

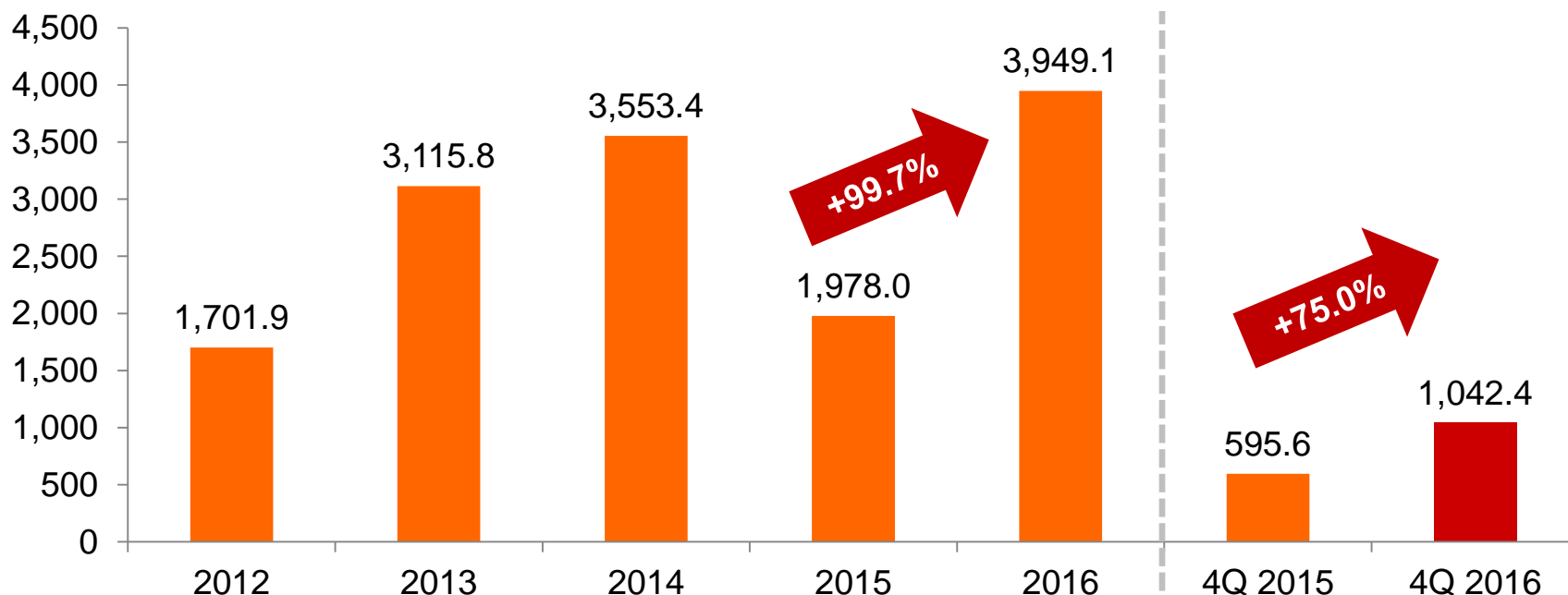


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- Supply and trading volume of other oil products jumped 98.2% to 14 million tonnes in FY2016 compared to 7.06 million tonnes in FY2015, illustrating underlying growth drivers:
 - ✓ network optimisation of the Group's integrated supply chain;
 - ✓ expansion of other oil products portfolio, with increased supply and trading volumes for fuel oil, crude oil and avgas.

US\$' millions

Revenue - Other Oil Products

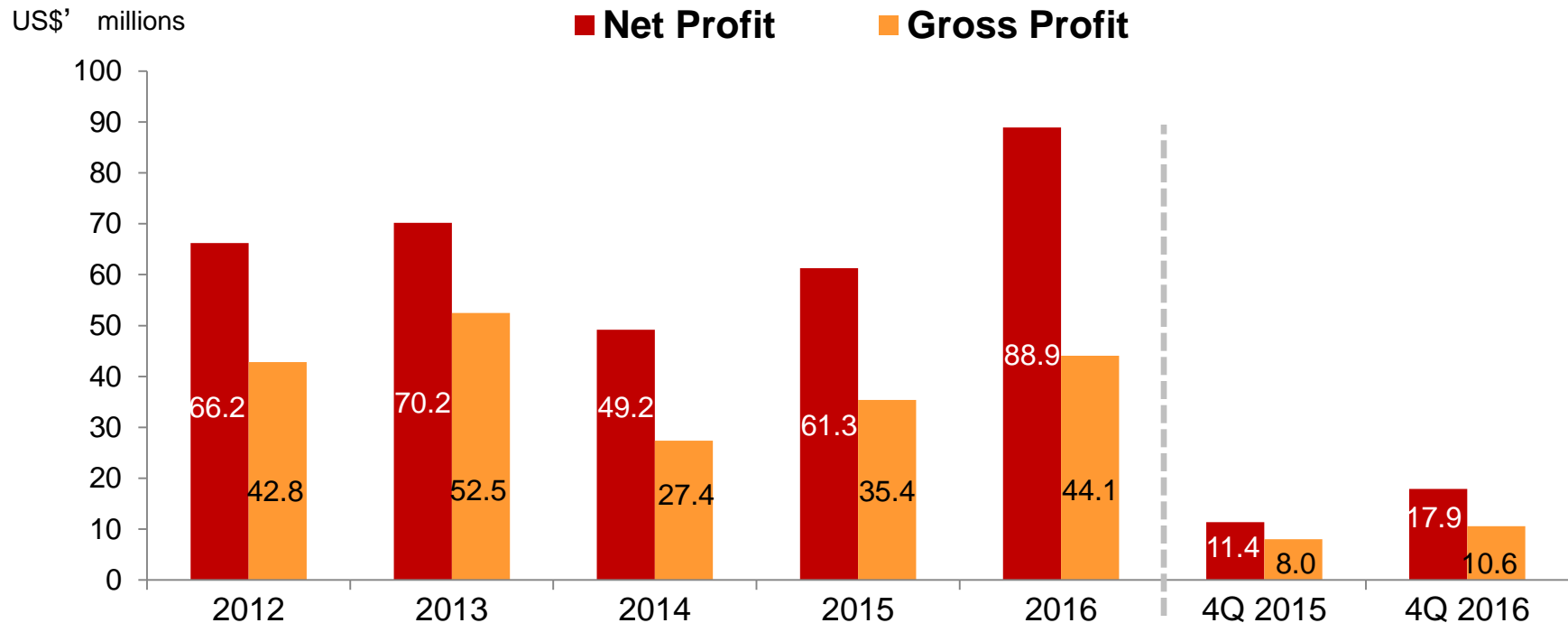


FY2016 Net Profit Hits All-time High Record



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- Net Profit surged 45.1% in FY2016, boosted by increase in gross profit and higher share of results from associates.
- Gross Profit rose 24.3% in FY2016, lifted by higher jet fuel supply volumes, 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 in persistently challenging global oil markets.

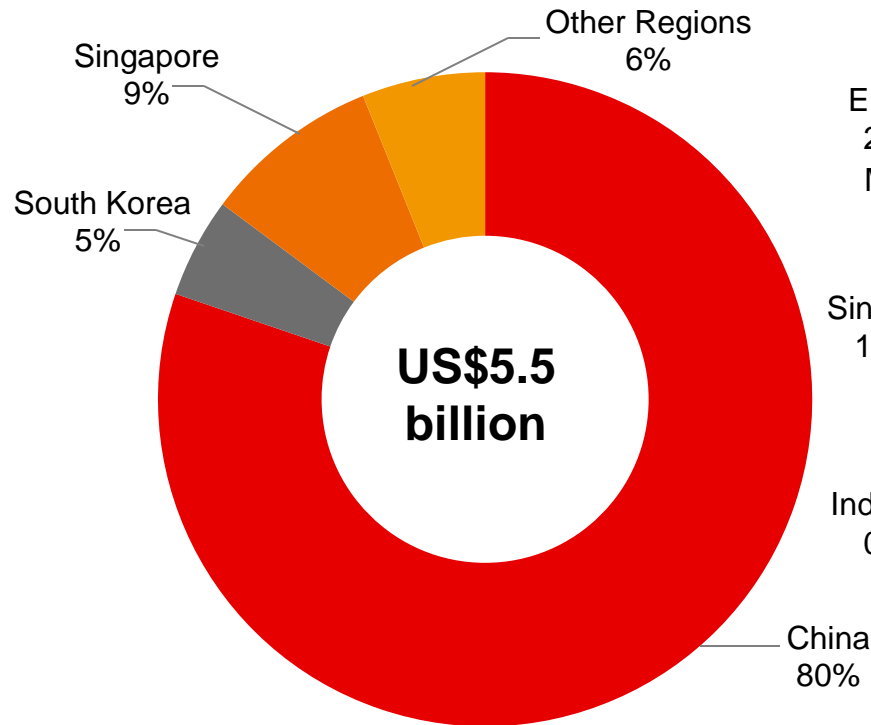


CAO's International Revenue Base

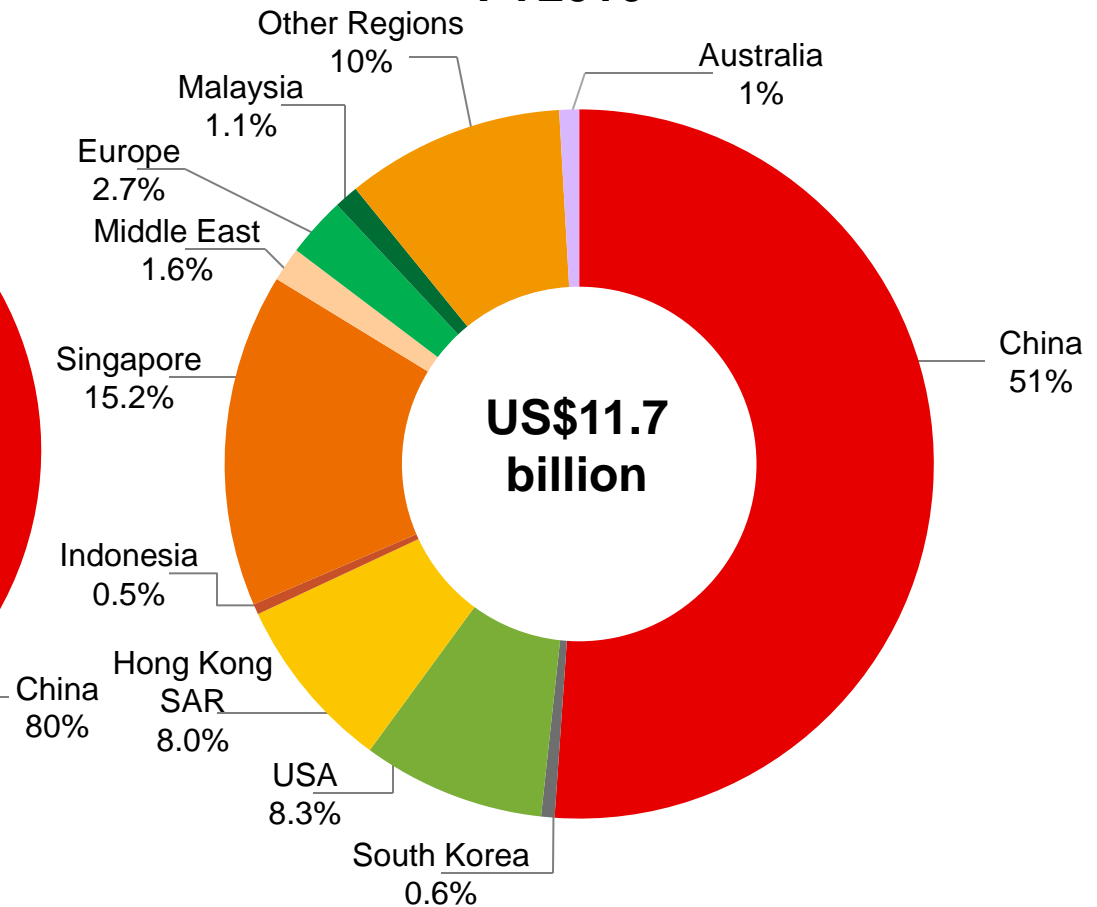


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FY2010



FY2016



Sustainable Income Streams from Associates

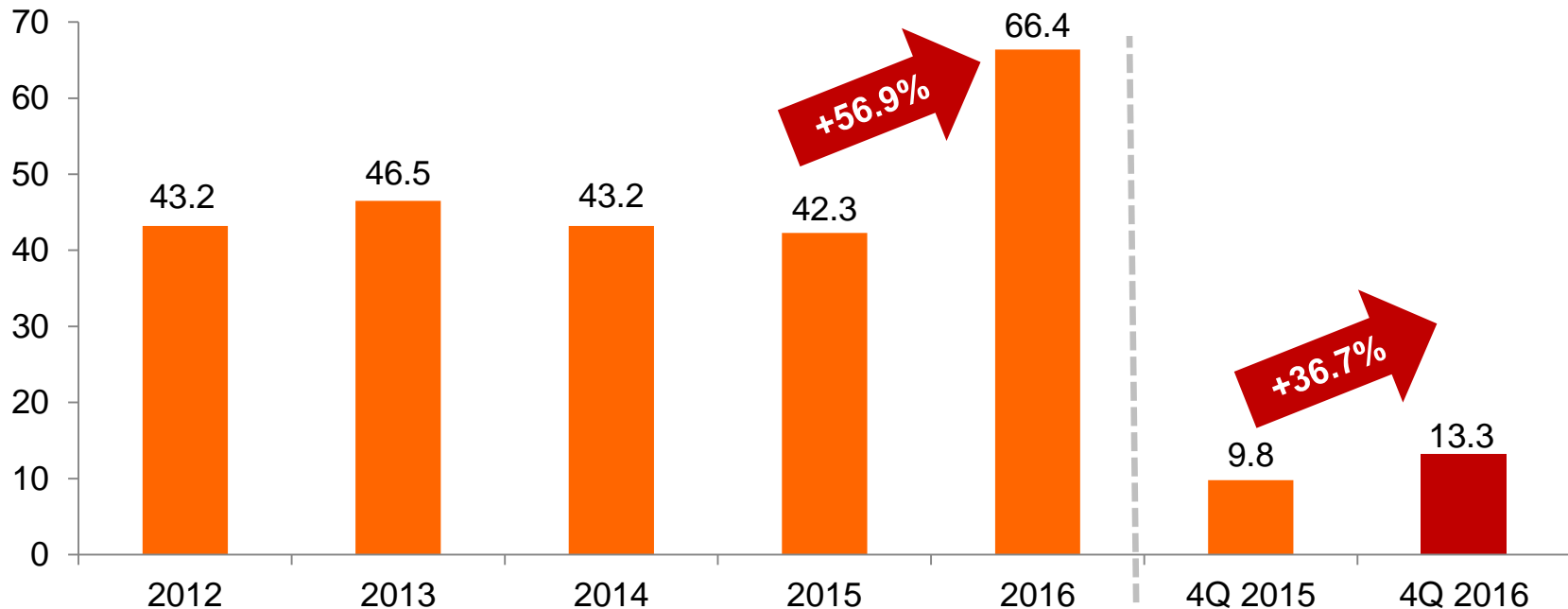


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- Share of profits from **SPIA** increased 56.0% to US\$60.6 million in FY2016 on higher refuelling volumes and inventory gains from oil price rebound in FY2016.
- Share of profits from **OKYC** jumped 206.3% to US\$4.1 million in FY2016, attributable to higher operating profit from tank storage leasing activities and lower Mark-to-Market loss from its Cross Currency Interest Rate Swap Contracts.
- Share of profits from **TSN-PEKCL** was US\$2.2 million for FY2016, on higher profits from increased pipeline transportation volume, impacted by weaker RMB against US Dollar.

US\$' millions

Share of Results from Associates



FY2016 Profit & Loss Summary



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		FY2016: US\$11,703.2m	FY2015: US\$8,987.5m
+30.2%	Revenue	<ul style="list-style-type: none"> Higher revenue primarily due to the increase in supply and trading volumes 	
		FY2016: US\$44.1m	FY2015: US\$35.4m
+24.3%	Gross Profit	<ul style="list-style-type: none"> Increase in jet fuel volume supplied to China and higher gains from trading and optimisation activities 	
		FY2016: US\$19.9m	FY2015: US\$13.9m
+42.8%	Total Expenses	<ul style="list-style-type: none"> Higher professional fees incurred for business development, higher information technology expenses and credit insurance premium 	
		FY2016: US\$66.4m	FY2015: US\$42.3m
+56.9%	Share of Results of Associates	<ul style="list-style-type: none"> Higher share of results from SPIA 	
		FY2016: US\$88.9m	FY2015: US\$61.3m
+45.1%	Net Profit	<ul style="list-style-type: none"> Higher gross profit and higher share of results from associates 	

4Q2016 Profit & Loss Summary



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		FY2016: US\$3,275.7m	FY2015: US\$1983.1m
+65.2%	Revenue	<ul style="list-style-type: none"> Higher revenue primarily due to the increase in trading volume of jet fuel and other oil products 	
		FY2016: US\$10.6m	FY2015: US\$8.0m
+32.3%	Gross Profit	<ul style="list-style-type: none"> Increase in jet fuel volume supplied to China and higher gains from trading and optimisation activities 	
		FY2016: US\$6.0m	FY2015: US\$5.9m
+2.9%	Total Expenses	<ul style="list-style-type: none"> Higher expenses incurred for business development partially offset by lower allowance for doubtful debts 	
		FY2016: US\$13.3m	FY2015: US\$9.7m
+36.7%	Share of Results of Associates	<ul style="list-style-type: none"> Due to higher share of results from SPIA 	
		FY2016: US\$17.9m	FY2015: US\$11.4m
+57.0%	Net Profit	<ul style="list-style-type: none"> Higher gross profit and higher share of results from associates 	

Balance Sheet Summary



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		31 Dec 2016: US\$170.7m	31 Dec 2015: US\$56.8m
+200.4%	Inventories	<ul style="list-style-type: none"> Increase in inventories held for trading optimisation activities 	
		31 Dec 2016: US\$590.6m	31 Dec 2015: US\$336.9m
+75.3%	Trade and Other Receivables	<ul style="list-style-type: none"> Increase due to higher working capital requirements in trade financing 	
		31 Dec 2016: US\$287.3m	31 Dec 2015: US\$170.5m
+68.5%	Cash and Cash Equivalents	<ul style="list-style-type: none"> Mainly due to cash inflow of US\$119.6 million from investing and financing activities; Partially offset by cash outflow for operating activities 	
		31 Dec 2016: US\$587.8m	31 Dec 2015: US\$246.7m
+138.3%	Trade and Other Payables	<ul style="list-style-type: none"> Mainly attributable to higher working capital requirements in trade financing 	
		31 Dec 2016: US\$100.0m	31 Dec 2015: none
N.M.	Loans and Borrowings	<ul style="list-style-type: none"> Mainly attributable to higher working capital requirements in trade financing 	

Outlook & Priorities



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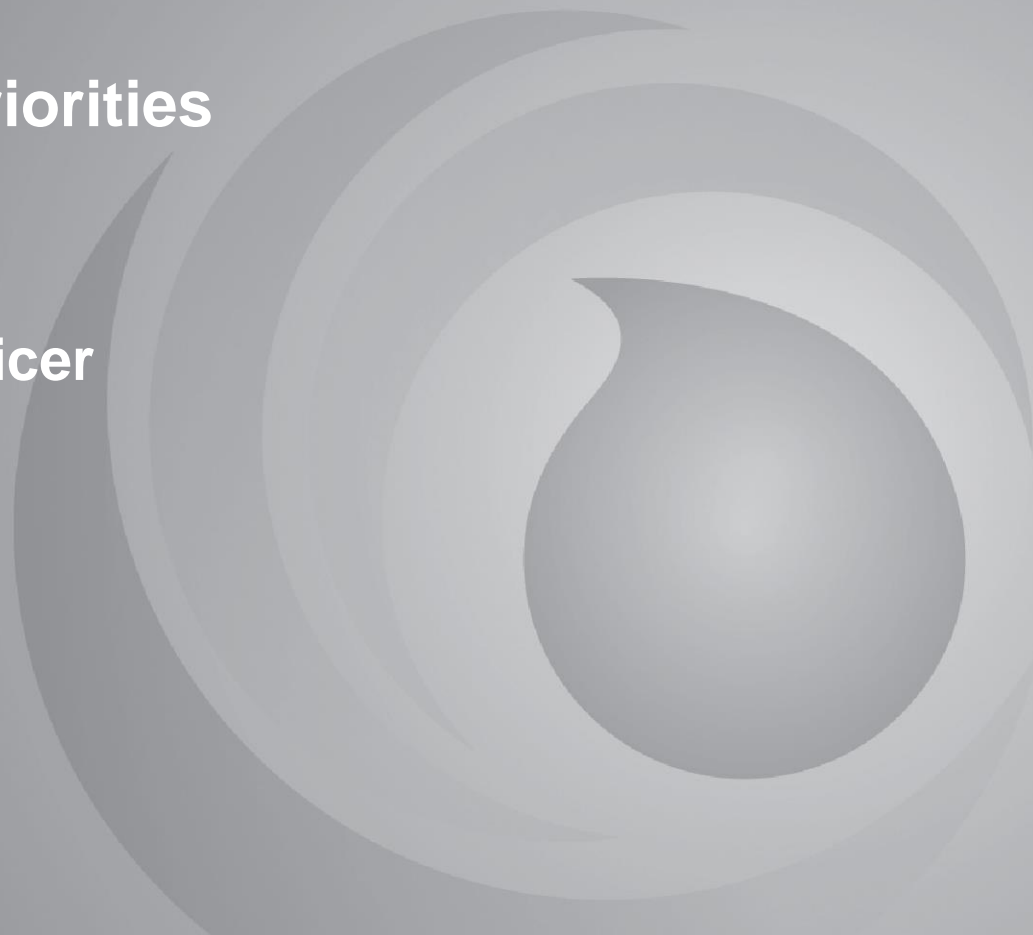
- Global macro-environment expected to remain uncertain, and despite the near term economic uncertainties arising from the Trump presidency, heightened populism in Europe and ensuing Brexit issues, the Group's **unique positioning in transportations fuels as a supplier and trader as well as strategic investments in oil-related assets** position CAO well to generate sustainable organic growth in 2017.
- Based on Civil Aviation Administration of China's (CAAC) statistics, passenger traffic had averaged about 10.4% in the last five years, and in line with China's "One Belt, One Road" initiative, the Chinese civil aviation industry looks set to sustain a 10% annual growth rate to 2020, which will be **lifted by aviation connectivity and infrastructure development**:
 - ✓ Chinese airlines to add an estimated 150 international routes annually with long-haul routes linking core Chinese cities such as Guangzhou, Kunming and Urumqi to Middle East along with central, east and west Asia;
 - ✓ under China's 13th Five-Year Plan, CAAC targets to have 260 airports in China with key aviation hubs to serve over 90% of the Chinese population who fall within a radius of 100km of each airport.
- **CAO remains on track to our 2020 targets**, with the main growth focus to be driven by:
 - ✓ leveraging on advantaged jet fuel businesses to further entrench the Group's aviation footprint in identified key markets and to continue to pursue increasing opportunities in the clean transportation fuels sector;
 - ✓ stepping up on other oil products segment to scale up infrastructure support to expand supply and trading network in Asia Pacific and the Middle East.
- CAO will continue to focus on **optimising value and drive sustainable profitability** for our shareholders.



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2017 Outlook & Priorities

Mr Meng Fanqiu
Chief Executive Officer



50% Increase Dividend Payout for FY2016



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- With the record FY2016 results, Board of Directors has recommended a first and final (one-tier, tax exempt) dividend of S\$0.045 per share.
- This represents a 50% increase compared to FY2015 dividend of S\$0.03 per share.
- In line with CAO's dividend policy to declare dividends comprising 30% of its annual consolidated net profits attributable to shareholders for each financial year.
- This growth-based dividend payout policy underscores CAO's commitment to enhancing its earnings potential and creating shareholder value.

Vision



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



China Aviation Oil (Singapore) Corporation Ltd
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Thank You

Fuel for Future 为明天加油