

AOC Holdings, Inc. (TSE:5017)

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# Report on Performance in First Half of FY2009

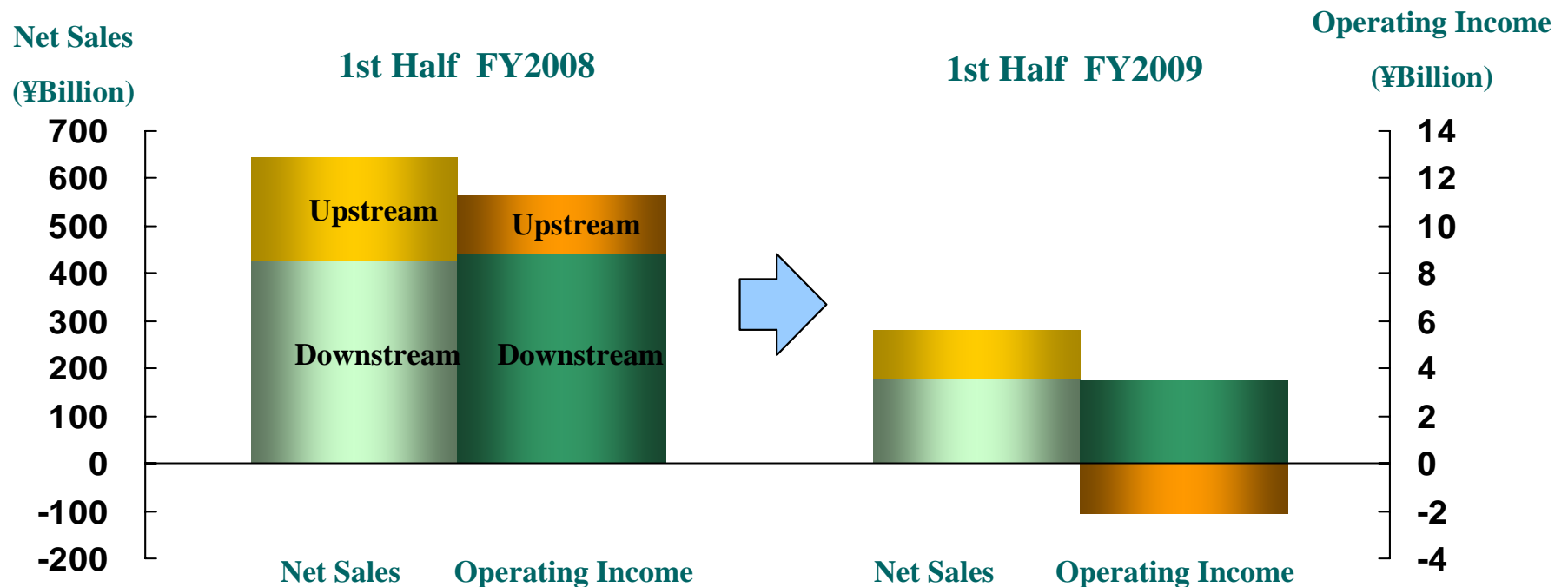
(April 1, 2009-September 30, 2009)

November 10, 2009  
AOC Holdings, Inc.

# Highlights of the Interim Period ended September 30, 2009

(¥Billion)	1st Half FY2009 \$63.5/Bbl ¥96/\$			1st Half FY2008 \$115.1/Bbl ¥106/\$			Change - \$ 51.6/Bbl - ¥10/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	99.0	180.2	279.3	217.9	426.8	644.7	- 118.8	- 246.6	-365.4 (-57%)
Operating Income (Excl. inventory val.)	- 2.1	3.5 - 10.0	1.3 - 12.2	2.5	8.8 3.7	11.4 6.2	- 4.7	-5.3 -13.7	-10.0 (-88%) -18.4(-295%)
Ordinary Income	- 2.9	2.9	0	2.5	9.3	11.8	- 5.5	-6.3	-11.8(-100%)
Net Income	-2.7	- 1.0	- 3.7	0.8	4.9	5.7	-3.5	-5.9	-9.5 (-%)

(Notes) Crude oil price quoted above is that of Dubai.



## Sales Volume & Prices of Crude Oils

	Sales Volume (1,000Bbls/day)			Sales Price (\$/Bbl)	
	1st Half FY2009	1st Half FY2008	Change (%)	1st Half FY2009	1st Half FY2008
<b>Crude Oil Sales and Purchase Agreement</b>	<b>88.6</b>	<b>104.4</b>	<b>-15.1</b>		
<b>Khafji crude oil</b>	<b>83.6</b>	<b>99.6</b>	<b>-16.1</b>	<b>62.9</b>	<b>107.5</b>
<b>Hout crude oil</b>	<b>5.0</b>	<b>4.8</b>	<b>4.2</b>	<b>64.0</b>	<b>116.2</b>
<b>Interests Oil</b>	<b>1.1</b>	<b>3.3</b>	<b>-66.7</b>		
<b>Nanhai Medium crude oil *</b>	<b>0.7</b>	<b>2.7</b>	<b>-74.1</b>	<b>42.7</b>	<b>*108.4</b>
<b>Ekofisk crude oil *</b>	<b>0.4</b>	<b>0.6</b>	<b>-33.3</b>	<b>52.9</b>	<b>*111.4</b>
<b>Total</b>	<b>89.7</b>	<b>107.7</b>	<b>-16.7</b>	<b>—</b>	<b>—</b>

( \* January – June )

## Sales Volume of Petroleum Products

(Thousand KLS)

	1st Half FY2009	1st Half FY2008	Change (%)
Gasoline	914	1,100	-16.9
Naphtha	142	168	-15.5
Jet fuel	481	662	-27.3
Kerosene	40	47	-14.9
Diesel fuel (Gas oil)	502	740	-32.2
Heavy fuel oil A	77	98	-21.4
Heavy fuel oil C (incl. electric power company)	395 (297)	764 (630)	-48.3 (-52.9)
Benzene	64	69	-7.2
Xylene	111	146	-24.0
Others	279	400	-30.0
<b>Subtotal</b>	<b>3,011</b>	<b>4,199</b>	<b>-28.3</b>
Barter deals	277	332	-16.6
<b>Total</b>	<b>3,288</b>	<b>4,532</b>	<b>-27.4</b>
incl. export (excl. bunker fuel)	101	222	-54.5
<b>Crude refining volume</b>	<b>2,656</b>	<b>3,919</b>	<b>-32.2</b>

## Net Sales & Operating Income by Segment

(¥Billion)	1st Half FY2009		1st Half FY2008		Change	
	Oil /Gas Development and Sales	Oil Refinery/ Sales	Oil /Gas Development and Sales	Oil Refinery/ Sales	Oil /Gas Development and Sales	Oil Refinery/ Sales
Net Sales	99.0	180.2	217.9	426.8	- 118.8	- 246.6
Operating Income	- 2.1	3.5	2.5	7.9	- 4.7	-4.3

### Factors of Increase / Decrease

		Increase Factors	Decrease Factors
Net Sales	Oil / Gas Development & Sales		Decrease of crude oil sales volume -17% Fall of crude oil prices -37%
	Oil Refinery / Sales		Decrease of sales volume -27% Fall of sales prices -48%
Operating Income	Oil / Gas Development & Sales		Expiry of the contract of New Huanan Oil Development Company, Ltd. -¥3.0 bil Exploration cost -¥1.3 bil
	Oil Refinery / Sales	Increase of the effect of inventories +¥8.4 bil Improvement of margins for petroleum pitch +¥3.6 bil	Shrinkage of margins for fuel oil -¥12.9 bil Shrinkage of margins for petrochemical products -¥2.5 bil

## Breakdown of Non-operating Income/Expenses & Extraordinary Income / Loss

### Non-operating Income / Expenses

(¥Million)	1st Half FY2009	1st Half FY2008	Change
<b>Non-operating Income</b>	863	3,917	-3,054
Interest & Dividends	442	1,560	-1,118
Equity in earnings of affiliates	110	1,578	- 1,468
Foreign exchange gain	-	465	-465
Others	310	313	-2
<b>Non-operating Expenses</b>	2,175	3,428	-1,253
Interest	1,268	3,202	-1,934
Foreign exchange loss	701	-	701
Others	205	225	-20

### Extraordinary Income / Loss

(¥Million)	1st Half FY2009	1st Half FY2008	Change
<b>Extraordinary Income</b>	-	-	-
<b>Extraordinary Loss</b>	550	1,828	- 1,277
Loss on valuation of investment securities etc.	0	1,794	- 1,794
Loss on retirement of noncurrent assets	550	33	517

## Main Factors of Increase / Decrease in Consolidated Balance Sheet

(¥Billion)	Sep. 30 2009	Mar. 31 2009	Change	Factors of Increase / Decrease
<b>Current assets</b>	<b>198.9</b>	<b>167.5</b>	<b>31.3</b>	Accounts receivable trade + 24.6 Inventories + 9.8
<b>Fixed assets</b>	<b>190.2</b>	<b>185.3</b>	<b>4.8</b>	
Tangible fixed assets	128.3	122.1	6.2	
Investments and other assets	59.7	62.2	-2.4	Decrease by revaluation of loans to KGOC* -3.0
<b>Total assets</b>	<b>389.2</b>	<b>352.9</b>	<b>36.2</b>	
<b>Current liabilities</b>	<b>192.8</b>	<b>157.4</b>	<b>35.3</b>	Accounts payable other + 15.3 Accounts payable trade + 11.8 Short-term loans payable + 9.3
<b>Fixed liabilities</b>	<b>91.6</b>	<b>86.7</b>	<b>4.8</b>	Long-term loans payable + 7.6
<b>Total liabilities</b>	<b>284.4</b>	<b>244.2</b>	<b>40.2</b>	
<b>Total net assets</b>	<b>104.7</b>	<b>108.7</b>	<b>-4.0</b>	Net loss for the year -3.7 Dividends -1.1
<b>Total liabilities and net assets</b>	<b>389.2</b>	<b>352.9</b>	<b>36.2</b>	

\*KGOC (Kuwait Gulf Oil Company): The other party of Loan Agreement

# Consolidated Statements of Cash Flows

(¥ Billion)

	1st Half FY2009	1st Half FY2008	Major items incurred in 1st half FY2009
Net cash used in operating activities	-12.0	-36.8	Depreciation +5.7 Increase in accounts payable- trade +11.8 Loss before income taxes -0.5 Decrease in accounts receivable -trade -24.6 Decrease in inventories -9.8
Net cash used in investing activities	-6.7	-10.0	Purchase of fixed assets -6.4
Net cash provided by financing activities	18.9	43.7	Net increase in short-term loans +9.3 Net increase of long-term loans +11.0 Cash dividends paid -1.1
Effect of exchange rate change on cash and cash equivalents	-	-0.1	
Net increase (decrease) in cash and cash equivalents	0.1	-3.3	
Cash and cash equivalents at beginning of year	28.7	31.8	
Cash and cash equivalents at end of 1st half	28.8	28.4	



# Outlook of Business Environment and Business Plan for 2nd Half

## Business Environment

- Crude oil prices to be steady undertone with coming high-demand winter season
- Price differential between light/heavy crude oil bottomed out but it remains at low level
- Demand for petroleum products in Japan remains weak except heating demand in winter
- Margin of petrochemical products stays unfavorable

## Business Plan

### Upstream Operations

- Identifying new development and production projects
- Early implementation of ongoing development projects in Norway & Egypt
- Crude oil sales plan : 82,000 Bbls/day

#### Assumptions: Full-FY (2<sup>nd</sup> half)

- ◆ Dubai Crude price :  
\$66.8/Bbl (\$70.0/Bbl)
- ◆ Price differential: AL-AH:  
\$1.92/Bbl (\$2.00/Bbl)
- ◆ Exchange rate :  
¥95/\$ (¥95/\$)

### Downstream Operations

- Maintaining stable operations of Sodegaura Refinery
- Petroleum products sales plan: 7,193,000 kls

## Crude Oil (Thousand B/D)

	FY 2009	FY 2008 (Actual)	Change (%)
Khafji crude oil	78.0	94.5	- 17.5
Hout crude oil	3.8	4.9	- 22.4
Nanghai Medium crude oil	0.4	2.2	- 81.8
Ekofisk crude oil	0.3	0.7	- 57.1
<b>Total</b>	<b>82.5</b>	<b>102.4</b>	<b>- 19.4</b>

## Petroleum Products (Thousand KLS)

Gasoline	1,988	1,863	6.7
Naphtha	290	314	-7.6
Middle distillate	2,838	3,260	-12.9
Heavy fuel oil C (incl. for electric power company)	609 (457)	1,258 (1,027)	-51.6 ( - 55.5)
Benzene / Xylene	419	387	8.3
Others	679	744	- 8.7
<b>Subtotal</b>	<b>6,825</b>	<b>7,828</b>	<b>- 12.8</b>
Barter deals	367	641	- 42.7
<b>Total</b>	<b>7,193</b>	<b>8,470</b>	<b>- 15.1</b>
Incl. for export (excl. bunker fuel)	486	500	- 10.7
<b>Crude refining volume</b>	<b>6,536</b>	<b>7,646</b>	<b>- 14.5</b>

# Forecast on Consolidated Profit & Loss for FY2009

(¥Billion)	FY2009 \$66.8/Bbl ¥95/\$			FY2008 \$81.8/Bbl ¥101/\$			Change - \$15.0/Bbl - ¥5/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	185.0	411.0	596.0	288.9	638.3	927.2	-103.9	-227.3	-331.2(-36%)
Operating Income (Excl. inventory val.)	-3.8	4.2 (-10.8)	0.4 (-14.6)	2.9	-38 (-6.8)	-35 (-3.8)	-6.7	42.2 (-4.0)	35.4 (-%) -10.7 (-%)
Ordinary Income	-3.6	1.8	-1.8	1.1	-37.6	-36.4	-4.7	39.4	34.6 (-%)
Net Income	-2.9	-0.9	-3.8	-1.3	-30.3	-31.7	-1.5	29.4	27.9 (-%)

(Notes) Crude oil price quoted above is that of Dubai.

Increase / Decrease Factors of Operating Income	Increase Factors	Decrease Factors
Upstream		Expiry of the contract of New Huanan Oil Development Company, Ltd. -¥4.9bil Fall of crude oil price and sales volume -¥1.4bil Exploration cost -¥1.6bil
Downstream	Increase of the effect of inventories +¥46.1bil Improvement of margins for fuel oil +¥0.3bil	Shrinkage of margins for petroleum pitch -¥0.3bil Shrinkage of margins for petrochemical products -¥0.2bil Depressed market condition of tanker freight -¥2.7bil

■ **Cautions with respect to Forward-Looking Statement** ■

**The financial forecasts, management targets, and any other estimates and projections of the Company presented in this report are based on information available to management as of the date set forth within.**

**Please note that actual results may vary significantly from projected forecasts due to various uncertain factors, and as such, readers should take care when making investment decisions based solely on the forecasts herein.**

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