

AOC Holdings, Inc. (TSE:5017)



Report on Performance in FY2008
(April 1, 2008 – March 31, 2009)

May 18, 2009
AOC Holdings, Inc.



Chapter I

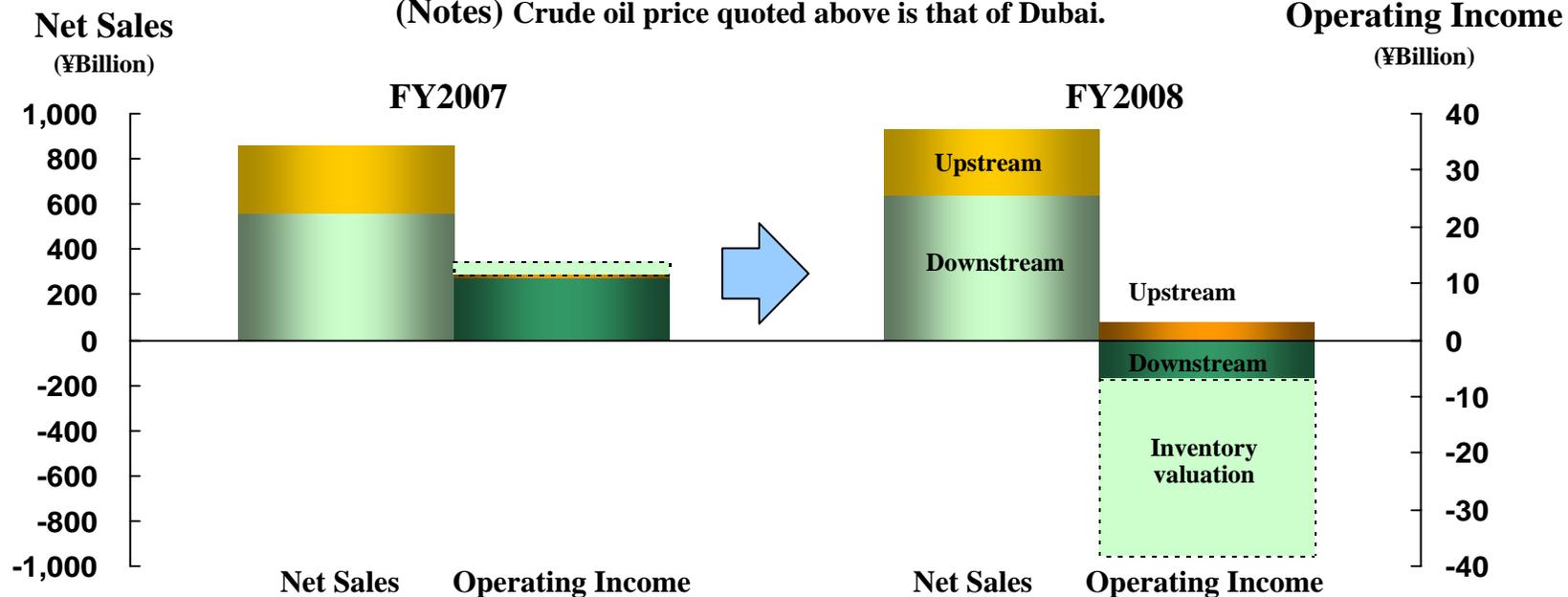
Consolidated Financial Results for FY2008 and Forecast on Consolidated Financial Results for FY2009



Consolidated Financial Results for FY2008 & FY2009(April-March)

(¥Billion)	FY2008 \$81.8/Bbl ¥101/\$			FY2007 \$77.3/Bbl ¥114/\$			Change \$4.5/Bbl -¥13/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	288.9	638.3	927.2	291.7	639.0	930.7	-2.7	-0.7	-3.5 (-0%)
Operating Income (Excl. Inventory val.)	2.9	-38.0 (-6.8)	-35.0 (-3.8)	0.6	13.3 (10.9)	13.9 (11.5)	2.3	-51.3 (-17.8)	-48.9 -15.4 (-%)
Ordinary Income	1.1	-37.6	-36.4	-1.6	13.1	11.5	2.8	-50.8	-47.9 (-%)
Net Income	-1.3	-30.3	-31.7	-3.0	7.7	4.6	1.6	-38.1	-36.4 (-%)

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



Sales Volume & Prices of Crude Oils

	Sales Volume (Thousand Bbls/day)			Sales Prices (\$/Bbl)	
	FY2008	FY2007	Change(%)	FY2008	FY2007
Crude Oil Sales and Purchase Agreement	99.4	94.8	4.9		
Khafji crude oil	94.5	89.8	5.2	77.68	72.65
Hout crude oil	4.9	5.0	-2.0	81.66	77.87
Interests oil	2.9	3.0	-0.3		
Nanhai Medium crude oil * (South China Sea)	2.2	*2.5	-12.0	*103.93	*71.84
Ekofisk crude oil * (Norwegian North Sea)	*0.7	*0.5	40.0	*97.34	*72.20
Total	102.4	97.8	4.7	—	—

(* January – December)

Sales Volume of Petroleum Products

(Thousand Kiloliters)

	FY2008	FY2007	Change(%)
Gasoline	1,863	1,781	4.6
Naphtha	314	470	- 33.1
Jet fuel	1,323	1,294	2.2
Kerosene	232	311	- 25.4
Diesel fuel (Gas oil)	1,510	1,481	2.0
Heavy fuel oil A	193	228	- 15.3
Heavy fuel oil C (incl. electric power company)	1,258 (1,027)	1,402 (1,119)	- 10.3 (- 8.2)
Benzene	111	150	- 26.0
Xylene	275	308	- 10.6
Propane and Propylene	141	92	54.0
Pitch	324	313	3.4
Others	277	157	76.0
Subtotal	7,828	7,992	- 2.1
Barter deals	641	917	- 30.1
Total	8,470	8,910	- 4.9
incl. export (excl. bunker fuel)	544	398	36.7
Crude refining volume	7,646	7,787	-1.8

Net sales & Operating Income by segment

(¥Billion)	FY2008		FY2007		Change	
	Oil / Gas Development & Sales	Oil Refinery/ Sales	Oil / Gas Development & Sales	Oil Refinery/ Sales	Oil / Gas Development & Sales	Oil Refinery/ Sales
Net Sales	288.9	638.3	291.7	639.0	-2.7	-0.7
Operating Income	2.9	-39.7	0.6	13.4	2.3	-53.2

Factors of Increase / Decrease (Billion)

		Increase	Decrease
Net Sales	Oil / Gas Development & Sales	Increase of sales volume +5% Rise of sales prices +7%	Appreciation of JP Yen -11% Decrease of production volume in the South China Sea
	Oil Refinery / Sales	Rise of sales prices +¥26.2	Decrease of sales volume -¥27.2
Operating Income	Oil / Gas Development & Sales	Rise of sales prices +¥2.2 Exploration cost (*) +¥2.4 (*not incurred in this period)	Expiry of TSA / Increase of G&A expenses -¥2.3
	Oil Refinery / Sales	Improvement of margins for Petroleum pitch +¥5.7	Valuation loss on closing inventories. -¥26.7 Effects of high-cost opening inventories -¥6.8 (¥2.4 → -¥4.3) Deterioration of margin for fuel oil -¥15.2 Decrease of margin for petrochemicals -¥9.5

* Segments for “Khafji-Related” and “Oil & Gas Exploration / Production” in previous periods are integrated to the segment for “Oil & Gas Development / Sales” from FY2008. Figures for FY2007 are reference purpose for the comparison.

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

Non-operating Income/Expenses

(¥Million)	FY2008	FY2007	Change
Non-operating Income	6,182	6,282	-99
Interest & Dividends	2,534	4,480	-1,945
Equity in earnings of affiliates	3,079	583	2,495
Foreign exchange gain	-	431	-431
Others	569	787	-218
Non-operating Expenses	7,591	8,693	-1,102
Interest	5,558	7,675	-2,117
Foreign exchange loss	1,558	-	1,558
Others	474	1,018	-543

Extraordinary Income/Loss

(¥Million)	FY2008	FY2007	Change
Extraordinary Profit	-	267	-267
Gain on termination of ex-Concession Agreement	-	267	-267
Extraordinary Loss	2,919	3,409	-490
Provision for costs on loan contract	-	2,697	-2,697
Loss on valuation of investment securities	1,891	-	1,891
Settlement of arbitration	713	-	713
Loss on retirement of noncurrent assets	280	699	-419
Others	33	12	21

Increase & Decrease in Consolidated Balance Sheet

(¥Billion)	Mar. 31, 2009	Mar. 31, 2008	Change	Factors of Increase / Decrease
Current assets	167.5	253.7	-86.1	Inventories -44.7 Accounts receivable-trade -42.3
Fixed assets	185.3	198.1	-12.7	
Property, plant and equipment	122.1	118.7	3.4	
Investments and other assets	62.2	78.0	-15.8	Loans to KGOC* -15.9
Total assets	352.9	451.8	-98.9	
Current liabilities	157.4	211.5	-54.1	Decrease in short-term debt by oil price drop -12.9 Account payable-trade -33.1
Fixed liabilities	86.7	95.1	-8.4	Deferred tax liabilities -8.0
Total liabilities	244.2	306.7	-62.5	
Total net assets	108.7	145.1	-36.3	Net loss -31.7 Dividend from surplus -1.1 Foreign currency translation adjust. -3.5
Total liabilities and net assets	352.9	451.8	-98.9	

*KGOC (Kuwait Gulf Oil Company): The other party of Technical Services Agreement and Loan Agreement

Equity ratio 30.6% Debt-equity ratio 1.0
(excluding debt for financing KGOC loans)

Consolidated Statements of Cash Flows

(¥Billion)	FY2008	FY2007	Major Factors in FY2008
Net cash provided by (used in) operating activities	19.7	-4.0	Loss before income tax -39.3 Decrease in accounts payable-trade -33.1 Depreciation and amortization +10.6 Decrease in inventories +44.7 Decrease in accounts receivable-trade +42.2
Net cash used in investing activities	-7.1	-37.4	Purchase of property, plant and equipment -16.5 Collection of loans receivable +9.6
Net cash provided by (used in) financing activities	-13.3	49.3	Net decrease in short-term loans payable -12.9 Net increase in long-term loans payable +1.2 Cash dividends paid -1.1
Effect of exchange rate change on cash and cash equivalents	-2.3	-1.7	
Net increase (decrease) in cash and cash equivalents	-3.0	6.0	
Cash and cash equivalents at beginning of year	31.8	25.7	
Cash and cash equivalents at end of year	28.7	31.8	

Forecast on Sales of Crude Oils & Petroleum Products for FY2009

Crude Oil (Thousand Barrels/day)

	FY2009	FY2008(Actual)	Change (%)
Khafji crude oil	95.0	94.5	0.5
Hout crude oil	5.0	4.9	2.0
Nanghai Medium crude oil	0.3	2.2	-86.4
Ekofisk crude oil	0.5	0.7	-28.6
Yme crude oil	0.8	-	-
Total	101.7	102.4	-0.7

Petroleum Products (Thousand Kiloliters)

Gasoline	1,995	1,863	7.0
Naphtha	195	314	-37.8
Middle distillate	3,031	3,260	-7.0
Heavy fuel oil C (incl. for electric power company)	544 (430)	1,258 (1,027)	-56.8 (-58.2)
Benzene and Xylene	409	387	5.8
Others	757	744	1.8
Sub-total	6,933	7,828	-11.4
Barter deals	391	641	-39.0
Total	7,324	8,470	-13.5
Incl. for export (excl. bunker fuel)	315	544	-42.1
Crude refining volume	6,880	7,646	-10.0

Forecast on Consolidated Profit & Loss for FY2009

(¥Billion)	FY2009 \$52.5/Bbl ¥95/\$			FY2008 \$81.8/Bbl ¥101/\$			Change -\$29.3/Bbl -¥6/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	175.7	392.3	568.0	288.9	638.3	927.2	-113.2	-246.0	-359.2 (-39%)
Operating Income (excl. inventory val.)	-3.7	16.3 (3.8)	12.6 (0.1)	2.9	-38.0 (-6.8)	-35.0 (-3.8)	-6.6	54.3 (10.6)	47.6 (-%) (3.9) (-%)
Ordinary Income	-3.6	14.6	11.0	1.1	-37.6	-36.4	-4.7	52.2	47.4 (-%)
Net Income	-2.3	13.1	10.8	-1.3	-30.3	-31.7	-0.9	43.4	42.5 (-%)

Increase / Decrease Factors of Operating Income (¥Billion)	Increase Factors	Decrease Factors
Upstream	Decrease of General Administrative exp. +1.0	Termination of the contract of New Huanan -4.9 Exploration expenses in Norway -2.5
Downstream	Effect of inventories +43.7 (-31.1 → 12.5) Improvement of margins for fuel oil +10.8 Improvement of margins for petrochemicals +2.3 Improvement of margin for petroleum pitch +0.9	Decrease in Petro Progress Pte. Business -2.3(1.7 → -0.6)

(Note 1) Net sales represent sales amount to the external customers.

(Note 2) Crude oil prices represent Dubai crude oil.



Chapter II

The Medium-Term Business Plan (FY2009 – FY2011)



Assumptions about the business climate

Crude oil and petroleum product prices will rise gradually

(Price movements will reverse following a recovery of global economy in the latter half of 2009)

Management Vision

- Contribute to the energy security in Japan by conducting crude oil and natural gas development activities
- Aim to be a leading class petroleum refiner with unique features and strong international competitiveness

Basic Business Strategy

■ Upstream Operations (AOC) [FY2009~2013]

Reestablish profit base by effective utilization of technological capabilities and human resources cultivated and developed through overseas operations

■ Downstream Operations (FOC) [FY2009~2011]

Reinforce and enhance profit base by effective utilization of state-of-the-art facilities

Business Plan for Upstream

Reestablish profit base by effective utilization of technological capabilities and human resources cultivated and developed through overseas operations

- **Make maximum use of technology and operating and management experience to revitalize businesses and solidify foundations for the reestablishing the profit base**
 - ⇒ Focus on the Middle East (including Egypt) and Norway as core areas
- **Secure business base for further growth**
 - ⇒ Carry out operations in large-scale oil and natural gas fields in the Middle East region where AOC holds brand value

Targets figures of reserves & production for 2013

Oil reserves: over 30 million barrels
Oil production: 10,000 barrels per day

Reinforce and enhance profit base by effective utilization of state-of-the-art facilities

- Reinforce and enhance the profit base by achieving high efficiency and developing high value-addition through utilization of state-of-the-art facilities
⇒ Complete large-scale facilities investments as a countermeasure for heavy oil
- Reinforce and enhance further on safety and environmental protection systems
⇒ Make appropriate investments by safety and environmental protection
- Establish a stable profit system that can respond flexibly and swiftly to changes in the business environment



- Reinforce Eureka unit (24,000⇒30,000 barrels per day), addition of hydrogen production unit
- Maintain stable and high production levels (97% operating rate for crude distillation unit)
- Reinforce export facilities (increase respective annual shipment capacity for gasoline, jet fuel and gas oil to 1 million KL)
- VLCC* and VLGC** shipping operation business by Petro Progress Pte Ltd.

* Very Large Crude Carrier

** Very Large Gas Carrier

Total Capital Investments of ¥80.0 billion

Upstream ¥55.5 Billion

(¥Billion)

	FY2009	FY2010	FY2011	Subtotal	FY2012-2013	Total
Planned Projects	15.5	6.5	9.0	31.0	7.0	38.0
Egypt	1.0	4.0	4.5	9.5	—	9.5
Norway	12.0	2.5	4.5	19.0	7.0	26.0
Others	2.5	—	—	2.5	—	2.5
New Projects	0.5	1.5	6.5	8.5	9.0	17.5
Total	16.0	8.0	15.5	39.5	16.0	55.5

Downstream ¥24.5 Billion

(¥Billion)

	FY2009	FY2010	FY2011	Total
Strengthening Eureka unit	6.0	—	—	6.0
Control systems	2.2	—	1.5	3.7
Safety measures	9.0	1.5	1.5	12.0
Facility renewal	2.3	0.5	-	2.8
Total	19.5	2.0	3.0	24.5



Hydrogen production facility under construction

Forecast on Sales of Crude Oils & Petroleum Products

Crude Oil (Thousand Barrels/day)

	FY2009	FY2010	FY2011	FY2012	FY2013
Khafji & Hout crude oil	100.0	100.0	100.0	100.0	100.0
Crude Oil	1.7	5.1	4.4	5.5	9.8
Nanhai Medium Crude Oil	0.3	0.0	0.0	0.0	0.0
North Sea Crude Oil	1.4	5.1	3.5	3.6	5.5
Egypt Crude Oil	0.0	0.0	0.3	1.2	1.3
New Projects	0.0	0.0	0.6	0.7	3.0
Total	101.7	105.1	104.4	105.5	109.8

Petroleum Products (Thousand Kiloliters)

Gasoline	1,995	2,231	2,180
Naphtha	195	195	176
Middle distillate	3,031	3,284	3,287
Heavy fuel oil C (incl. for electric power company)	544 (430)	568 (464)	580 (457)
Benzene / Xylene	409	486	473
Others	1,148	1,135	1,118
Total	7,324	7,901	7,816
Incl. For Export (Gas Oil)	315	338	291
Crude refining volume	6,880	7,900	7,930

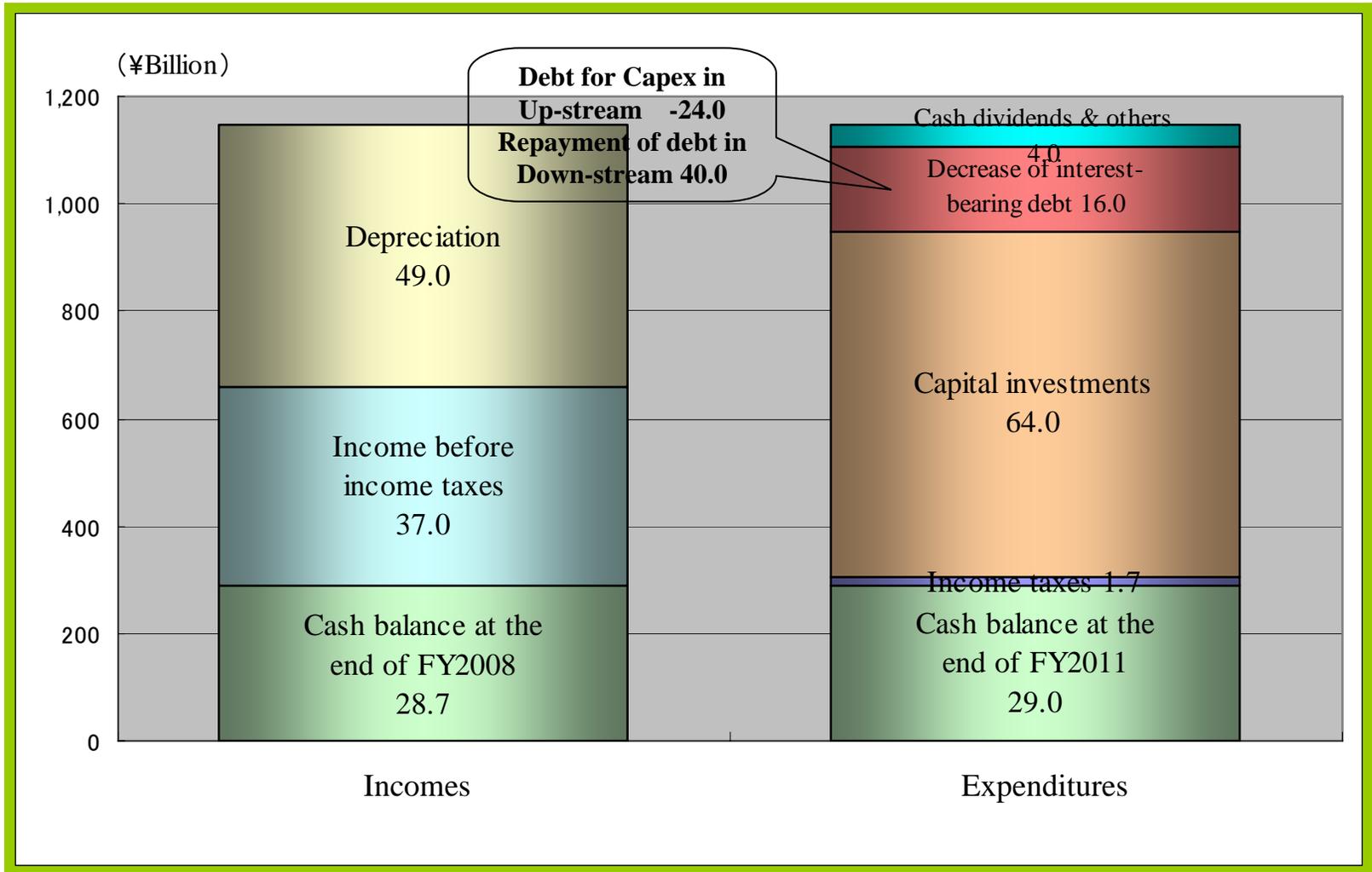
Forecast on Consolidated Financial Results (FY2009-FY2011)

~ Over 9 billion yen ordinary income ~

(¥Billion)	FY2009			FY2010			FY2011		
Crude Oil (Dubai)	\$52.5/Bbl ¥95/\$			\$65.0/Bbl ¥100/\$					
Differential (AL-AH)	\$4.0/Bbl			\$ 6.0/Bbl					
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total
Net Sales	1,757	3,923	5,680	2,500	4,500	7,000	2,450	4,450	6,900
Operating Income (Excl. inventory val.)	-37	163 (38)	126 (1)	35	165 (99)	200 (134)	12	94 (94)	106 (106)
Ordinary Income (Excl. inventory val.)	-36	146 (21)	110 (-15)	33	147 (81)	180 (114)	7	85 (85)	92 (92)

Ordinary income for upstream business is estimated at **8.4 billion yen** in FY2013.

Forecast on Consolidated Cash Flows (FY2009-FY2011)



■ **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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