

AOC Holdings, Inc. (TSE:5017)

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# Consolidated Financial Results First Half of FY2008

(April 1, 2008-September 30, 2008)

November 12, 2008

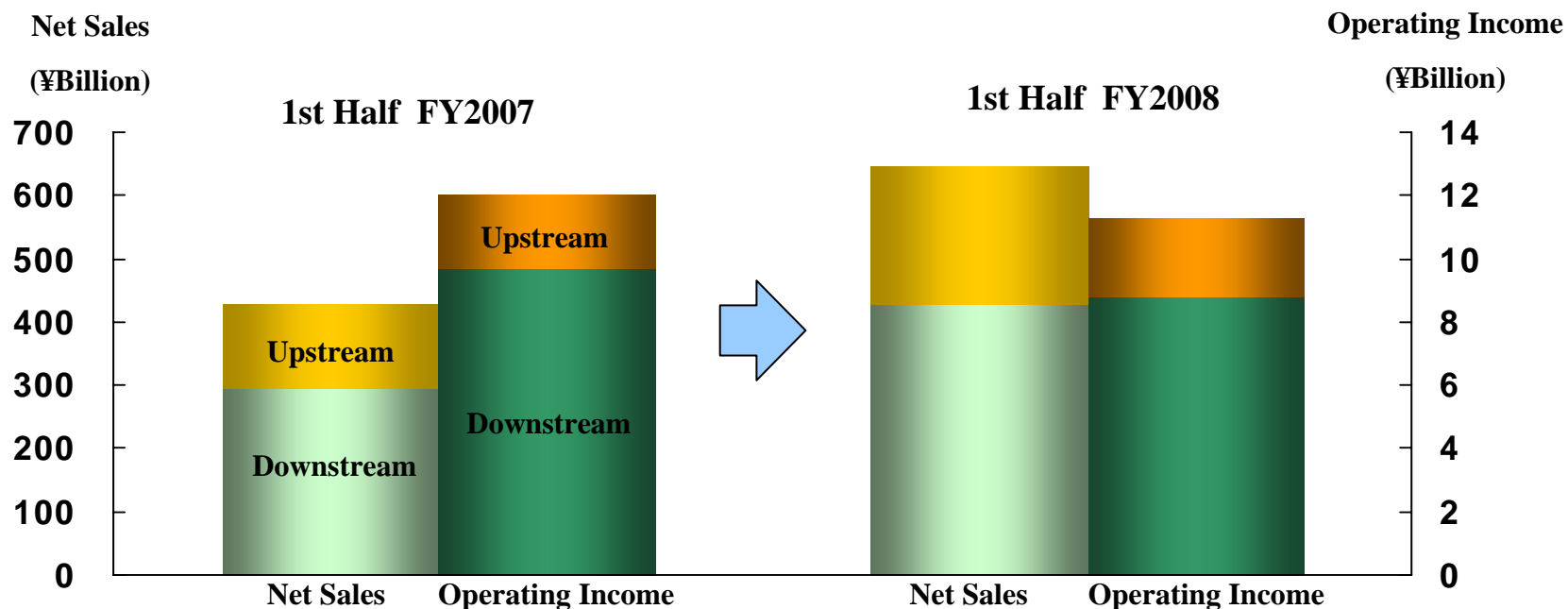
AOC Holdings, Inc.



## Highlights of the Interim Period ended September 30, 2008

(¥Billion)	1st Half FY2008 \$115.1/Bbl ¥106/\$			1st Half FY2007 \$67.4/Bbl ¥119/\$			Change \$47.7/Bbl -¥13/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	217.9	426.8	644.7	133.4	294.3	427.8	84.4	132.4	+216.9(51%)
Operating Income (Excl. inventory val.)	2.5	8.8	11.4	2.3	9.7	12.0	0.2	-0.8	-0.6 (-5%)
		3.7	6.2		7.7	10.0		-3.9	-3.7 (-38%)
Ordinary Income	2.5	9.3	11.8	2.3	10.0	12.4	0.2	-0.7	-0.5 (-4%)
Net Income	0.8	4.9	5.7	1.0	6.1	7.2	-0.2	-1.2	-1.4(-20%)

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





## Sales Volume & Prices of Crude Oils

	Sales Volume (Thousand Bbls/day)			Sales Price (\$/Bbl)	
	1st Half FY2008	1st Half FY2007	Change (%)	1st Half FY2008	1st Half FY2007
<b>Crude Oil Sales and Purchase Agreement</b>	<b>104.4</b>	<b>95.3</b>	<b>9.5</b>		
<b>Khafji crude oil</b>	<b>99.6</b>	<b>90.3</b>	<b>10.2</b>	<b>107.58</b>	<b>62.91</b>
<b>Hout crude oil</b>	<b>4.8</b>	<b>5.0</b>	<b>-4.0</b>	<b>116.26</b>	<b>67.44</b>
<b>Interests Oil</b>	<b>3.1</b>	<b>3.5</b>	<b>-5.7</b>		
<b>Nanhai Medium crude oil *</b>	<b>*2.7</b>	<b>3.0</b>	<b>-10.0</b>	<b>*108.45</b>	<b>62.95</b>
<b>Ekofisk crude oil *</b>	<b>*0.6</b>	<b>0.5</b>	<b>20.0</b>	<b>*111.40</b>	<b>62.83</b>
<b>Total</b>	<b>107.7</b>	<b>98.8</b>	<b>9.0</b>	<b>—</b>	<b>—</b>

( \* January – June )



## Sales Volume of Petroleum Products

(Thousand Kls)

	1st Half FY2008	1st Half FY2007	Change (%)
Gasoline	1,100	912	20.6
Naphtha	168	234	-28.2
Jet fuel	662	632	4.7
Kerosene	47	49	-4.0
Diesel fuel (Gas oil)	740	769	-3.7
Heavy fuel oil A	98	101	-2.9
Heavy fuel oil C (incl. electric power company)	764 (630)	661 (525)	15.5 (20.0)
Benzene	69	80	-13.7
Xylene	146	157	-7.0
Others	400	287	39.3
<b>Subtotal</b>	<b>4,199</b>	<b>3,886</b>	<b>8.0</b>
Barter deals	332	493	-32.6
<b>Total</b>	<b>4,532</b>	<b>4,380</b>	<b>3.5</b>
incl. export (excl. bunker fuel)	222	191	16.2
<b>Crude refining volume</b>	<b>3,919</b>	<b>3,947</b>	<b>-0.7</b>

## Net Sales & Operating Income by Segment

(¥Billion)	1st Half FY2008		1st Half FY2007		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	217.9	426.8	133.4	294.3	84.4	132.4
Operating Income	2.5	7.9	2.3	9.7	0.2	-1.8

\* Business segments of “Khafji-related” and “Oil & Gas Development/Production are integrated into “Oil /Gas Development & Sales” business segment from this fiscal year.  
The amounts of 1st half in 2007 are reference purpose for the comparison.

Factors of Increase / Decrease		Increase Factors	Decrease Factors
Net Sales	Oil & Gas Development / Sales	Increase of crude oil sales volume +9% Rise of crude oil prices +71%	Decrease of Nanhai Medium crude oil production volume
	Oil Refinery / Sales	Increase of sales volume +3% Rise of sales prices +44%	
Operating Income	Oil & Gas Development / Sales	Rise of crude oil prices +¥1.5 bil.	Expiry of TSA/Increase of administrative expense -¥1.3 bil.
	Oil Refinery / Sales	Increase of the effect of inventories +¥12.2 bil. (2.0 → 14.2)	Revaluation loss of inventories -¥ 9.0 bil.
		Improvement of margins for fuel oil +¥1.5 bil.	Shrinkage of margins for petrochemical products and petroleum pitch -¥5.9 bil.



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

### Non-operating Income / Expenses

(¥Million)	1st Half FY2008	1st Half FY2007	Change
<b>Non-operating Income</b>	<b>3,917</b>	<b>4,509</b>	<b>-592</b>
Interest & Dividends	1,560	2,210	-650
Equity in earnings of affiliates	1,578	454	1,124
Foreign exchange gain	465	1,354	-889
Others	313	490	-176
<b>Non-operating Expenses</b>	<b>3,428</b>	<b>4,107</b>	<b>-678</b>
Interest	3,202	3,591	-388
Others	225	515	-290

### Extraordinary Income / Loss

(¥Million)	1st Half FY2008	1st Half FY2007	Change
<b>Extraordinary Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Extraordinary Loss</b>	<b>1,828</b>	<b>136</b>	<b>1,692</b>
Loss on valuation of investment securities	1,056	-	1,056
Legal settlement of the agreement for sales and purchase of crude oil	730	-	730
Others	41	136	-95



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

(¥Billion)	Sep. 30	Mar. 31	Change	Factors of Increase / Decrease
<b>Current assets</b>	<b>304.8</b>	<b>253.7</b>	<b>+51.0</b>	Inventories +35.8 Accounts receivable-trade +23.1
<b>Fixed assets</b>	<b>205.7</b>	<b>198.1</b>	<b>+7.6</b>	
Tangible fixed assets	124.4	118.7	+5.7	
Investments and other assets	80.1	78.0	+2.0	Increase by revaluation of loans to KGOC* +1.7
<b>Total assets</b>	<b>510.6</b>	<b>451.8</b>	<b>+58.7</b>	
<b>Current liabilities</b>	<b>267.2</b>	<b>211.5</b>	<b>+55.6</b>	Increase in short-term debt by oil price rise +49.9
<b>Fixed liabilities</b>	<b>93.9</b>	<b>95.1</b>	<b>-1.1</b>	Decrease of long-term debt -1.5
<b>Total liabilities</b>	<b>361.2</b>	<b>306.7</b>	<b>+54.4</b>	
<b>Total net assets</b>	<b>149.4</b>	<b>145.1</b>	<b>+4.2</b>	Net income for the year +5.7 Dividends -1.1
<b>Total liabilities and net assets</b>	<b>510.6</b>	<b>451.8</b>	<b>+58.7</b>	

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

**Equity ratio 29%**    **Debt-equity ratio 1.1**  
(excluding debt for financing KGOC loans)



## Consolidated Statements of Cash Flows

(¥Billion)

	1st Half FY2008	1st Half FY2007	Factors of Increase / Decrease
Net cash used in operating activities	-36.8	-7.6	Income before income taxes +10.0 Depreciation +5.2 Increase in accounts receivable-trade -23.1 Increase in inventories -35.8
Net cash used in investing activities	-10.0	-22.9	Purchase of fixed assets -10.7
Net cash provided by financing activities	43.7	33.4	Net increase in short-term loans +50.0 Repayment of long-term loans -5.0 Cash dividends paid -1.1
Effect of exchange rate change on cash and cash equivalents	-0.1	0.1	
Net increase / decrease in cash and cash equivalents	-3.3	2.9	
Cash and cash equivalents at beginning of year	31.8	25.7	
Cash and cash equivalents at end of 1st half	28.4	28.7	



## Business Environment

- Crude oil prices to be recovered in winter
- Price differential between heavy / light crude oil is narrowing
- Petroleum Products demand continues to decrease in Japan (except heavy fuel oil C)
- Margin of petrochemical products to be plunged

## Business Plan

### Upstream Operations

- Identifying new exploration and development projects
- Implementation of on going development projects in Norway & Egypt
- Maintain optimum production of existing projects
- Crude oil sales plan : 105,000 Bbls/day (through FY2008)

### Downstream Operations

- Maintain stable operations of Sodegaura Refinery with high working-ratio
- Petroleum products sales plan: 8,707,000 kls (through FY2008)
- Completion of projects for capacity expansion of vacuum residue thermal cracking unit and facilities of gasoline export
- Preparations for scheduled major shut-down maintenance works

#### Assumptions for Forecast (through FY2008)

- ◆ Crude price : Dubai \$98.0/Bbl
- ◆ Price differential of Arabian Heavy/Light : \$7.2/Bbl
- ◆ Exchange rate : ¥106/\$



## Sales Forecast of Crude Oils & Petroleum Products for FY2008

### Crude Oil (Thousand Bbls/day)

	FY 2008	FY 2007 (Actual)	Change (%)
Khafji crude oil	97.3	89.8	8.3
Hout crude oil	4.9	5.0	-2.0
Nanghai Medium crude oil	2.4	2.5	-4.0
Ekofisk crude oil	0.5	0.5	0
<b>Total</b>	<b>105.1</b>	<b>97.8</b>	<b>7.4</b>

### Petroleum Products (Thousand Kls)

Gasoline	1,929	1,781	8.3
Naphtha	346	470	-26.3
Middle distillate	3,297	3,314	-0.5
Heavy fuel oil C (incl. for electric power company)	1,466 (1,272)	1,402 (1,119)	4.5 (13.6)
Benzene / Xylene	429	458	-6.3
Others	752	563	33.5
<b>Subtotal</b>	<b>8,225</b>	<b>7,992</b>	<b>2.9</b>
Barter deals	482	917	-47.4
<b>Total</b>	<b>8,707</b>	<b>8,910</b>	<b>-2.2</b>
Incl. for export (excl. bunker fuel)	407	398	2.2
<b>Crude refining volume</b>	<b>7,809</b>	<b>7,787</b>	<b>0.2</b>



## Forecast on Consolidated Profit & Loss for FY2008

(¥Billion)	FY2008 \$98.0/Bbl ¥ 106/\$			FY2007 \$77.3/Bbl ¥ 114/\$			Change +\$20.7/Bbl -¥ 8/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	362.0	754.0	1,116.0	291.7	639.0	930.7	70.3	114.9	+185.2(20%)
Operating Income (Excl. inventory val. )	3.3	8.2 9.8	11.5 13.1	0.6	13.3 10.8	13.9 11.5	2.6	-5.1 -1.0	-2.4(-18%) 1.6(14%)
Ordinary Income	3.9	8.6	12.5	-1.6	13.1	11.5	5.5	-4.5	0.9 (8%)
Net Income	1.3	4.7	6.0	-3.0	7.7	4.6	4.3	-3.0	1.3(29%)

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

Increase / Decrease Factors of Operating Income	Increase Factors	Decrease Factors
<b>Upstream</b>	Rise of crude oil prices +¥2.6 bil. Decrease of exploration costs +¥1.7 bil. (2.4→0.7)	Expiry of TSA/Increase of administrative expense -¥1.7 bil.
<b>Downstream</b>	Increase of inventory gains +¥2.6bil. (2.4→50.0) Improvement of margins for petroleum pitch +¥3.2 bil. Improvement of margins for petroleum products +¥1.8 bil.	Revaluation loss of inventories -¥6.6 bil. Shrinkage of margins for petrochemical products -¥6.8 bil.

■ **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.**

**Tel: +81-3-5463-5065**

**Fax: +81-3-5463-5046**

**URL: <http://www.aochd.co.jp/>**