

AOC Holdings, Inc. (TSE:5017)



Consolidated Financial Results of FY2007

(April 1, 2007-March 31, 2008)

May 16, 2008

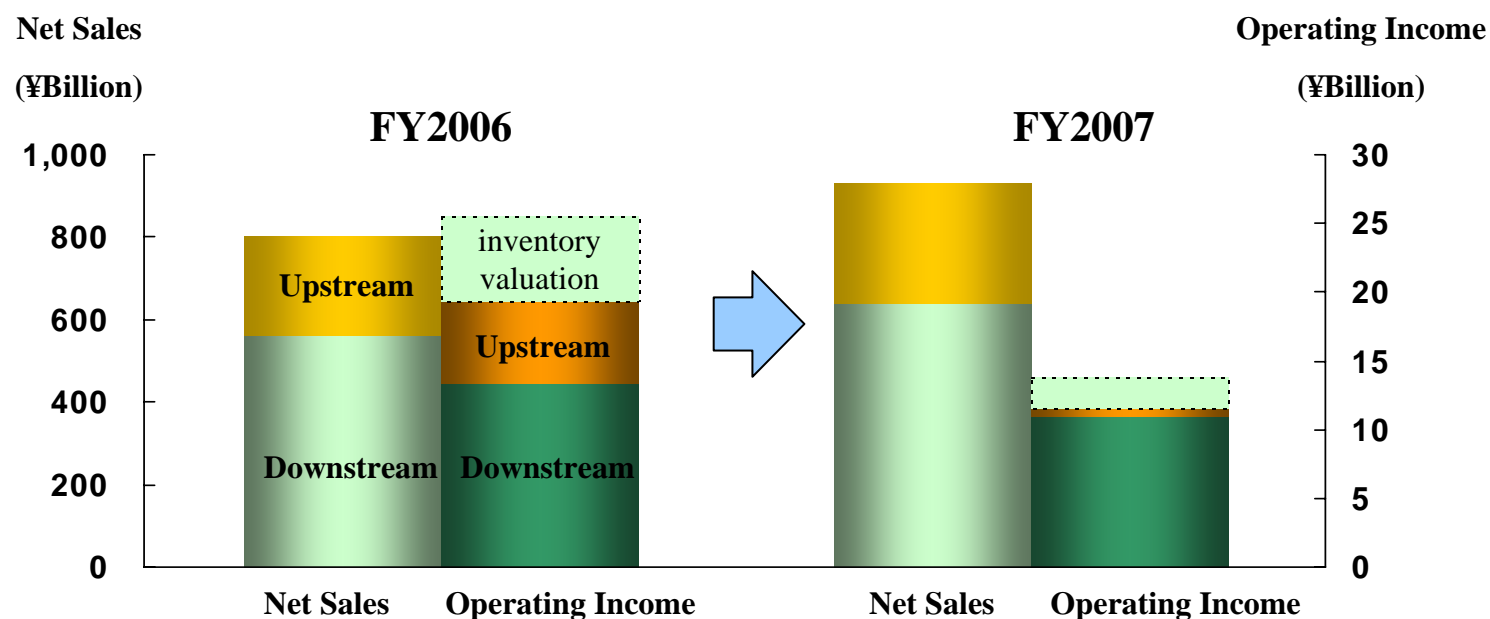
AOC Holdings, Inc.



Highlights of the fiscal years ended March 31, 2008 and 2007

(¥Billion)	FY2007 \$77.3/Bbl ¥114/\$			FY2006 \$60.8/Bbl ¥117/\$			Change \$16.5/Bbl -¥3/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	291.7	639.0	930.7	237.8	563.1	801.0	53.8	75.8	129.7 (16%)
Operating Income (Excl.inventory val.)	0.6	13.3 10.9	13.9 11.5	5.9	19.6 13.4	25.6 19.4	-5.3	-6.3 -2.5	-11.6 (-46%) -7.9 (-40%)
Ordinary Income	-1.6	13.1	11.5	6.3	21.0	27.4	-7.9	-7.9	-15.9 (-58%)
Net Income	-3.0	7.7	4.6	4.7	14.2	18.9	-7.8	-6.4	-14.3 (-75%)

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



Net Sales & Operating Income by Segment

(¥Billion)	FY2007			FY2006			Change		
	Khafji-Related	Oil & Gas Exploration/Production	Oil Refinery/Sales	Khafji-Related	Oil & Gas Exploration/Production	Oil Refinery/Sales	Khafji-Related	Oil & Gas Exploration/Production	Oil Refinery/Sales
Net Sales	282.0	9.6	639.0	227.5	10.3	563.1	54.5	-0.6	75.8
Operating Income	-0.7	1.3	13.4	- 0.1	6.1	19.7	-0.5	-4.7	-6.3

Factors of Increase / Decrease		Increase Factors	Decrease Factors
Net Sales	Khafji-Related	Rise of crude oil prices +30%	Decrease of sales volume -5% Appreciation of J¥ Dry dock of Floating Storage Offloading Unit Decrease of production volume
	Oil & Gas Exploration / Production	Rise of sales prices +12%	
	Oil Refinery / Sales	Increase of sales volume +2% Rise of sales prices +18%	
Operating Income	Khafji-Related	Decrease of marketing cost +¥0.5 bil.	Expiry of TSA/Increase of administrative expense -¥1.0 bil. Exploration expenses -¥2.4 bil. Dry dock of Floating Storage Offloading Unit Decrease of production volume Decrease of inventory gains -¥3.8 bil. (6.2→2.4) Shrinkage of margins for petrochemical products and petroleum pitch -¥6.2 bil.
	Oil & Gas Exploration / Production	Rise of sales prices	
	Oil Refinery / Sales	Improvement of margins for fuel oil +¥3.3 bil.	



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

Non-operating Income/Expenses

(¥Million)	FY2007	FY2006	Change
Non-operating Income	6,282	8,323	-2,041
Interest & Dividends	4,480	3,129	1,351
Equity in earnings of affiliates	583	1,863	-1,280
Foreign exchange gain	431	2,607	-2,176
Others	787	721	66
Non-operating Expenses	8,693	6,490	2,203
Interest	7,675	5,770	1,905
Others	1,018	719	299

Extraordinary Income / Loss

(¥Million)	FY2007	FY2006	Change
Extraordinary Profit	267	86	181
Gain on termination of ex-Concession Agreement	267	0	267
Others	0	86	-86
Extraordinary Loss	3,409	330	3,079
Provision for loans agreement receivable expenses	2,697	0	2,697
Loss on retirement of noncurrent assets	699	301	398
Others	12	29	-17



Sales Volume & Prices of Crude Oils

	Sales Volume (Thousand Bbls/day)			Sales Prices (\$/Bbl)	
	FY2007	FY2006	Change(%)	FY2007	FY2006
Crude Oil Sales and Purchase Agreement	94.8	100.2	-5.3		
Khafji crude oil	89.8	95.2	-5.6	72.65	55.73
Hout crude oil	5.0	5.0	0	77.87	60.75
Interests oil	3.0	3.7	-18.9		
Nanhai Medium crude oil *	*2.5	*3.1	-19.3	*71.84	*63.78
Ekofisk crude oil *	*0.5	*0.6	-16.6	*72.20	*65.25
Total	97.8	103.9	-5.8	—	—

(* January – December)



Sales Volume of Petroleum Products

(Thousand Kls)

	FY2007	FY2006	Change (%)
Gasoline	1,781	1,887	-5.6
Naphtha	470	489	-3.7
Jet fuel	1,294	1,246	3.9
Kerosene	311	340	-8.5
Diesel fuel (Gas oil)	1,481	1,395	6.2
Heavy fuel oil A	228	333	-31.5
Heavy fuel oil C (incl. electric power company)	1,402 (1,119)	906 (617)	54.7 (81.3)
Benzene	150	153	-1.7
Xylene	308	310	-0.6
Others	563	556	1.1
Subtotal	7,992	7,619	4.9
Barter deals	917	1,119	-18.0
Total	8,910	8,738	2.0
incl. export (excl. bunker fuel)	398	132	201.5
Crude refining volume	7,787	7,539	3.2



Main Factors of Increase / Decrease in Consolidated Balance Sheet

(¥Billion)	Mar. 31, 08	Mar. 31, 07	Change	Factors of Increase / Decrease
Current assets	253.7	205.7	48.0	Inventories +25.4 Accounts receivable-trade +9.3
Fixed assets	198.1	179.7	18.4	
Tangible fixed assets	118.7	105.0	13.6	Construction in progress +13.3
Investments and other assets	78.0	72.9	5.1	Loans to KGOC* +5.9
Total assets	451.8	385.4	66.4	
Current liabilities	211.5	151.4	60.1	Increase in short-term debt by oil price rise +38.8 Account payable-trade +16.2
Fixed liabilities	95.1	90.6	4.4	Net increase of long-term debt +2.5 Provision for costs on loan contract +1.8
Total liabilities	306.7	242.1	64.5	
Total net assets	145.1	143.2	1.8	Net income for the year +4.6 Dividends -1.1 Valuation gain/loss of securities -1.4
Total liabilities and net assets	451.8	385.4	66.4	

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

Equity ratio 32% Debt-equity ratio 0.8
(excluding debt for financing KGOC loans)



Consolidated Statements of Cash Flows

(¥Billion)

	FY2007	FY2006	Factors of Increase / Decrease
Net cash provided by / used in operating activities	-4.0	17.9	Income before income taxes +8.4 Increase in accounts payable-trade +16.2 Depreciation +6.2 Increase in inventories -25.4 Income taxes paid -6.4
Net cash used in investing activities	-37.4	-52.4	Purchase of fixed assets -16.7 Loans to KGOC, etc. -26.0
Net cash provided by financing activities	49.3	29.1	Net increase in short-term loans +38.8 Repayment of long-term loans +12.1 Cash dividends paid -1.1
Effect of exchange rate change on cash and cash equivalents	-1.7	0.1	
Net increase/decrease in cash and cash equivalents	6.0	-5.2	
Cash and cash equivalents at beginning of year	25.7	31.0	
Cash and cash equivalents at end of year	31.8	25.7	



Outlook of Business Environment and Business Plan for FY 2008

Business Environment

- Crude oil prices remain in high-price range due to stable demands, geopolitical risk for oil producing countries and influx of speculative money
- Remain at the current level of price differential for heavy / light crude oils
- Reduced domestic demand for fuel oil
- Decreased margin of petrochemical products

Business Plan

Upstream Operations

- Realization of new projects
- Maintain optimum production of existing projects
- Sales of crude oils : 102,000 Bbls/day

Downstream Operations

- Maintain high operating-ratio
- Sales of petroleum products : 8,697,000 kls
- Completion of construction for the No.2 Fluid Catalytic Cracking Unit (FCC) and start operations
- Work for capacity expansion of "Eureka" Thermal Cracking Unit

Assumptions for Forecast (through FY2008)

- ◆ Crude price : Dubai \$80.0/Bbl
- ◆ Price differential of Arabian Heavy/Arabian Light : \$6.5/Bbl
- ◆ Exchange rate : ¥105/\$



Sales Forecast of Crude Oils & Petroleum Products for FY2008

Crude Oil (Thousand Bbls/day)

	FY 2008	FY 2007 (Actual)	Change (%)
Khafji crude oil	95.0	89.8	5.7
Hout crude oil	5.0	5.0	0
Nanhai Medium crude oil *	2.2	2.5	-12.0
Ekofisk crude oil	0.6	0.5	20.0
Total	102.8	97.8	5.1

* Production shutdown for two months due to maintenance of storage / loading facility

Petroleum Products (Thousand Kls)

Gasoline	2,134	1,781	19.8
Naphtha	216	470	-54.0
Middle distillate	3,269	3,314	-1.3
Heavy fuel oil C (incl. for electric power company)	1,651 (1,435)	1,402 (1,119)	17.8 (28.1)
Benzene / Xylene	505	458	10.2
Others	814	563	44.5
Subtotal	8,593	7,992	7.5
Barter deals	104	917	-88.7
Total	8,697	8,910	-2.3
Incl. for export (excl. bunker fuel)	506	398	27.1
Crude refining volume	7,860	7,787	0.9



Forecast on Consolidated Profit & Loss for FY2008

(¥Billion)	FY2008 \$80.0/Bbl ¥105/\$			FY2007 \$77.3/Bbl ¥114/\$			Change \$2.7/Bbl -¥9/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	294.0	636.0	930.0	291.7	639.0	930.7	2.3	-3.0	-0.7(-0%)
Operating Income (Excl.inventory val.)	1.6	13.9 13.0	15.5 14.6	0.6	13.3 10.8	13.9 11.5	0.9	0.5 2.1	1.5 (11%) 3.1 (27%)
Ordinary Income	2.1	14.4	16.5	-1.6	13.1	11.5	3.7	1.2	4.9 (43%)
Net Income	0.9	8.6	9.5	-3.0	7.7	4.6	3.9	0.8	4.8 (104%)

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

Increase/Decrease Factors of Operating Income	Upstream	Downstream
Increase Factors	Rise of crude oil prices Decrease of exploration costs + ¥2.4bil. (2.4 → 0.0)	Improvement of margins for petroleum pitch +¥6.5bil.
Decrease Factors	Expiry of TSA - ¥1.0 bil. Increase of administrative expense - ¥0.7 bil. Decrease of production volume at South China Sea - ¥0.2 bil.	Shrinkage of margins for petrochemical products - ¥2.8 bil. Shrinkage of margins for petroleum products - ¥1.4 bil. Revaluation loss of inventories - ¥1.6 bil. (2.4 → 0.8)

■ **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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