



中国石化  
SINOPEC

# China Petroleum & Chemical Corporation 2017 Interim Results Announcement

August 28, 2017  
Hong Kong

中国石油化工股份有限公司  
SINOPEC CORP.

# Cautionary Statement

This presentation and the presentation materials distributed herein include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Sinopec Corp. expects or anticipates will or may occur in the future (including but not limited to projections, targets, reserves and other estimates and business plans) are forward-looking statements. Sinopec Corp.'s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, exploration and development outcomes, estimates of proven reserves, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks and factors beyond our control. In addition, Sinopec Corp. makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

- **1H2017 Performance Highlights**
- **1H2017 Operational Results  
by Segment**
- **2H2017 Operational Plan**
- **Initiatives for Business Development  
in 2017-2019**

# Agenda



# **1H2017 Performance Highlights**

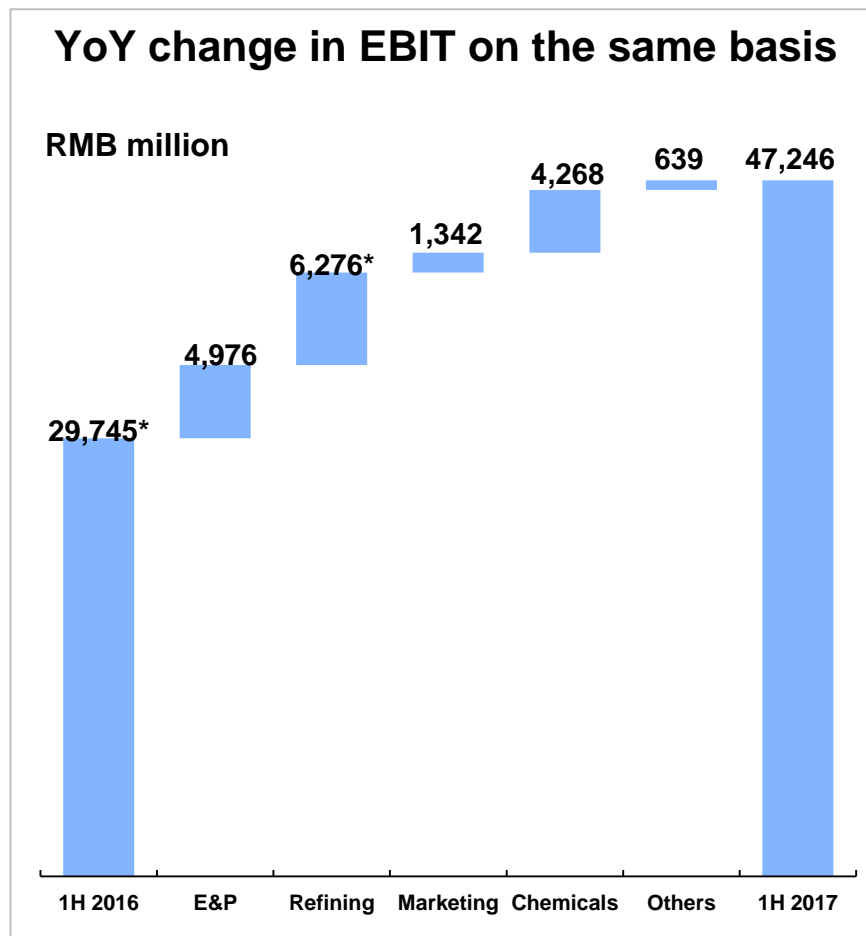


# Market Environment in 1H2017

- **China's GDP grew by 6.9% YoY**
- **Sustained growth in domestic demand for refined oil products and petrochemicals**
  - ◆ **Domestic consumption of oil products grew by 5.5% YoY with rapid growth in gasoline and kerosene and reversal of diesel consumption from decline to positive growth**
  - ◆ **Domestic consumption of ethylene equivalent increased rapidly**

# Operation Highlights – Steady Improvements in Each Segments

- **Upstream**
  - ◆ Sustained exploration efforts with new discoveries
  - ◆ Natural gas production grew by 16.3% YoY
  - ◆ Narrowed loss by RMB 5 bn
  - ◆ Realized positive free cash flow
- **Refining**
  - ◆ Capacity utilization was 86% and maintained at high level
  - ◆ Further increased production of premium products
  - ◆ Optimized product mix and accelerated products quality upgrading
  - ◆ EBIT grew by 26.7% on the same basis
- **Marketing**
  - ◆ Total sales volume grew by 1.4% YoY
  - ◆ Ratio of high-octane gasoline in retail up by 240 bps YoY
  - ◆ Sales volume of vehicle natural gas increased by 28.2% YoY
  - ◆ Transaction of non-fuel business increased by 50% YoY with profit up by 63.6% YoY
- **Chemicals**
  - ◆ Sales volume increased by 13.6% YoY
  - ◆ Ratio of performance compound up by 400 bps
  - ◆ Differential ratio of synthetic fiber up by 490 bps YoY
  - ◆ 34.9% YoY increased in EBIT



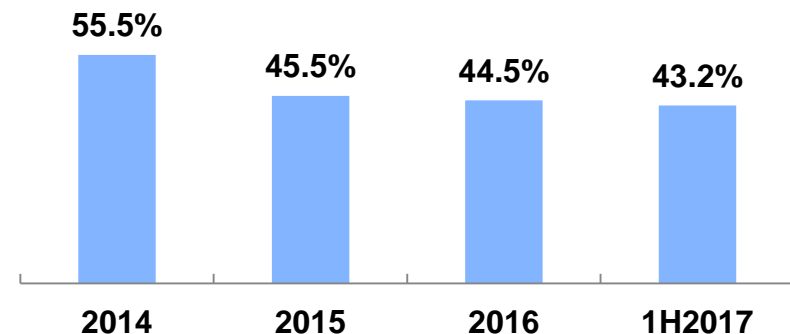
\* Excluding the influence of “Price Floor” Policy in 2016

# Strong Profit Growth

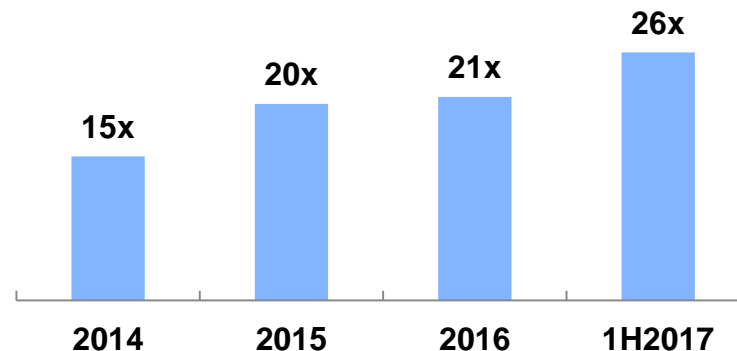
RMB million	1H2016	1H2017	YoY Change(%)
Turnover and Other Operating Revenues	879,220	1,165,837	32.6
Profit for the Period	27,142	37,042	36.5
Profit Attributable to Shareholders of the Company	19,919	27,915	40.1
EPS (RMB)	0.165	0.231	40.1

# Solid Financial Position

Liability-to-Asset Ratio



EBITDA-to-Interest Coverage Ratio



RMB million	As of Dec. 31, 2016	As of Jun. 30, 2017
Total Assets	1,498,609	1,487,538
Short-term Interest-bearing Debts	74,819	66,875
Long-term Interest-bearing Debts	81,886	80,269
Total Equity Attributable to Shareholders of the Company	710,994	717,689



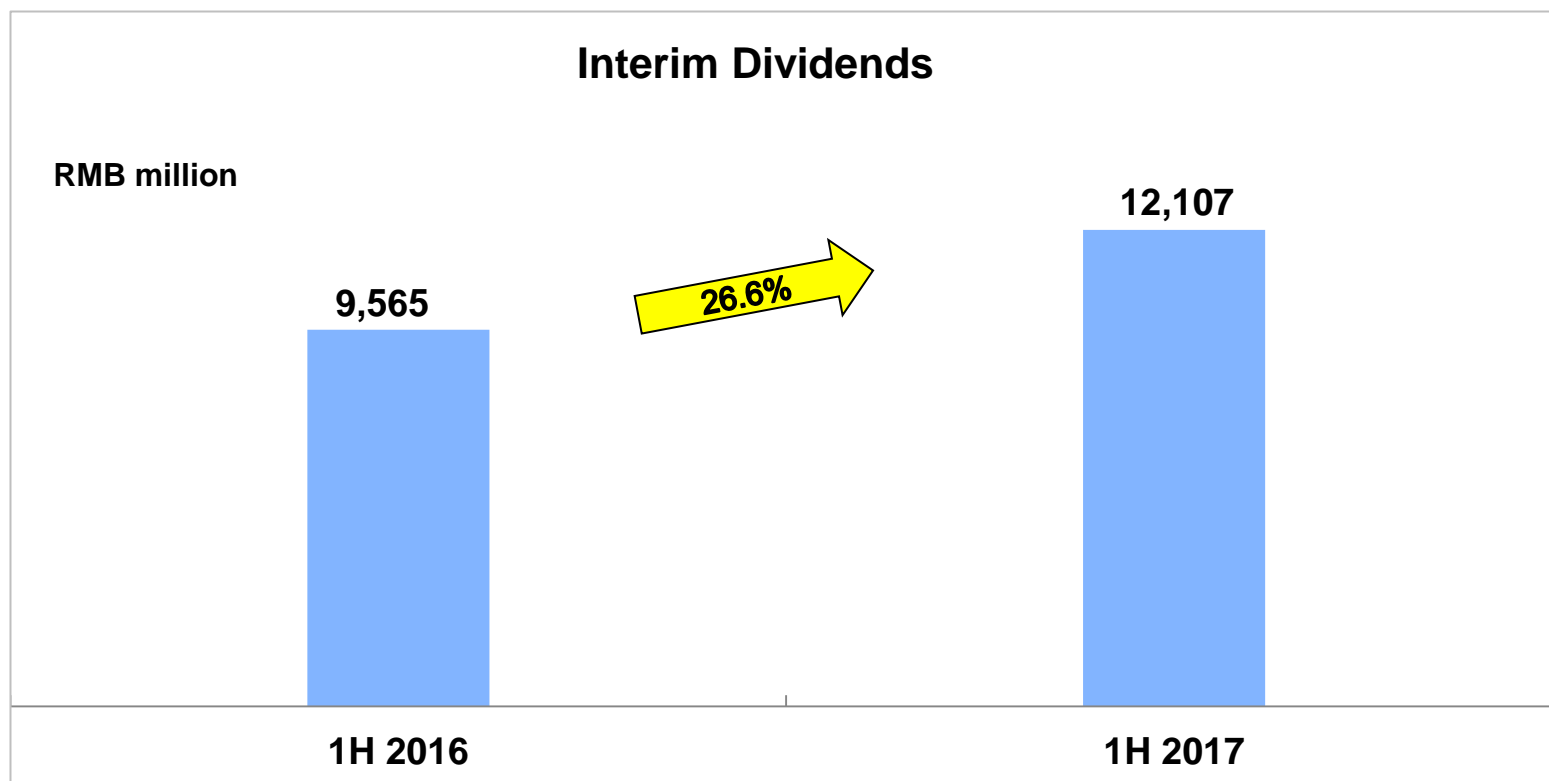
# Strong Cash Flow

RMB million	1H2016	1H2017
Net Cash Generated from Operating Activities	76,112	60,847
Net Cash Used in Investing Activities	(26,059)	(40,002)
Net Cash Used in Financing Activities	(45,930)	(16,038)

RMB million	As of Dec. 31, 2016	As of Jun. 30, 2017
Cash and Cash Equivalents (Incl. Time Deposits)	142,497	160,822

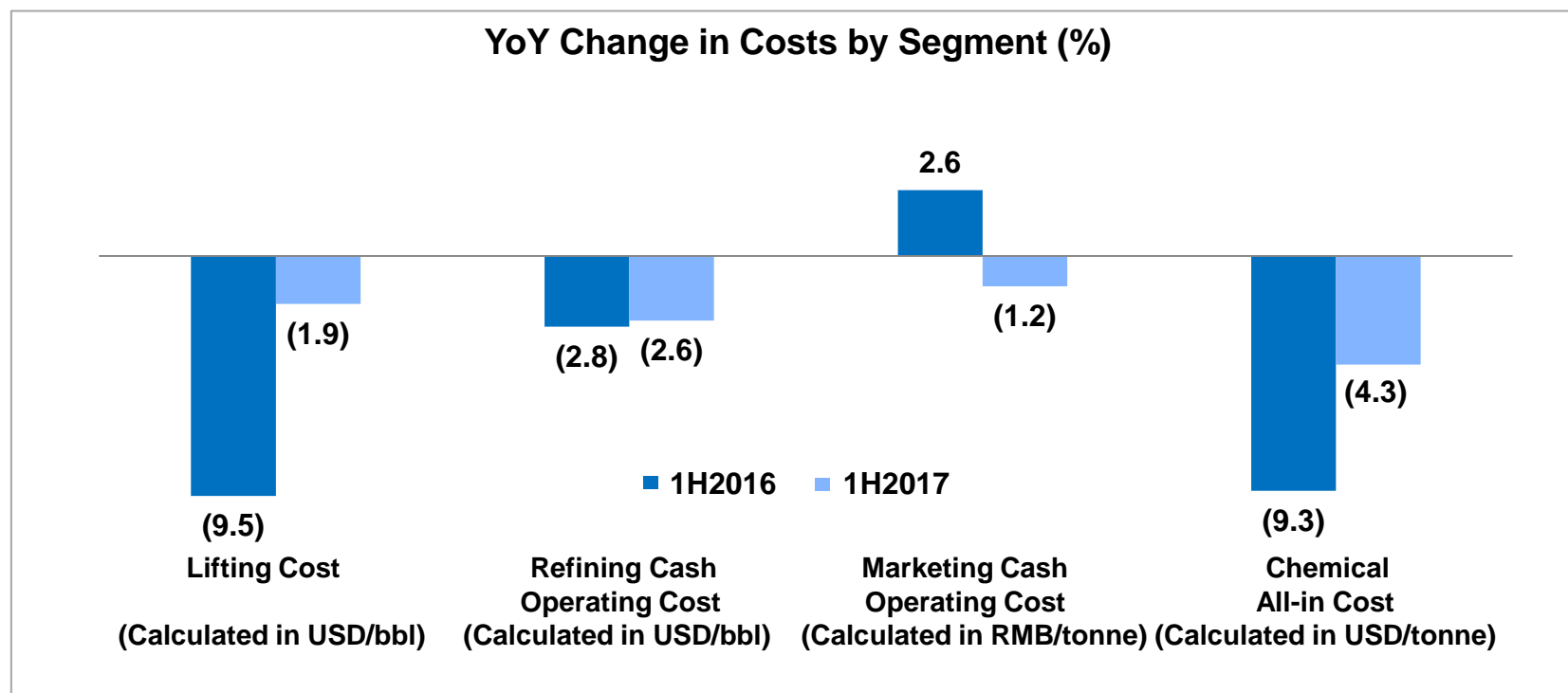
# Dividend – Emphasis on Shareholder Returns

- The Board of Directors declared an interim dividend of RMB 0.10 per share, up by 26.6%



# Remarkable Achievements in Cost Reduction

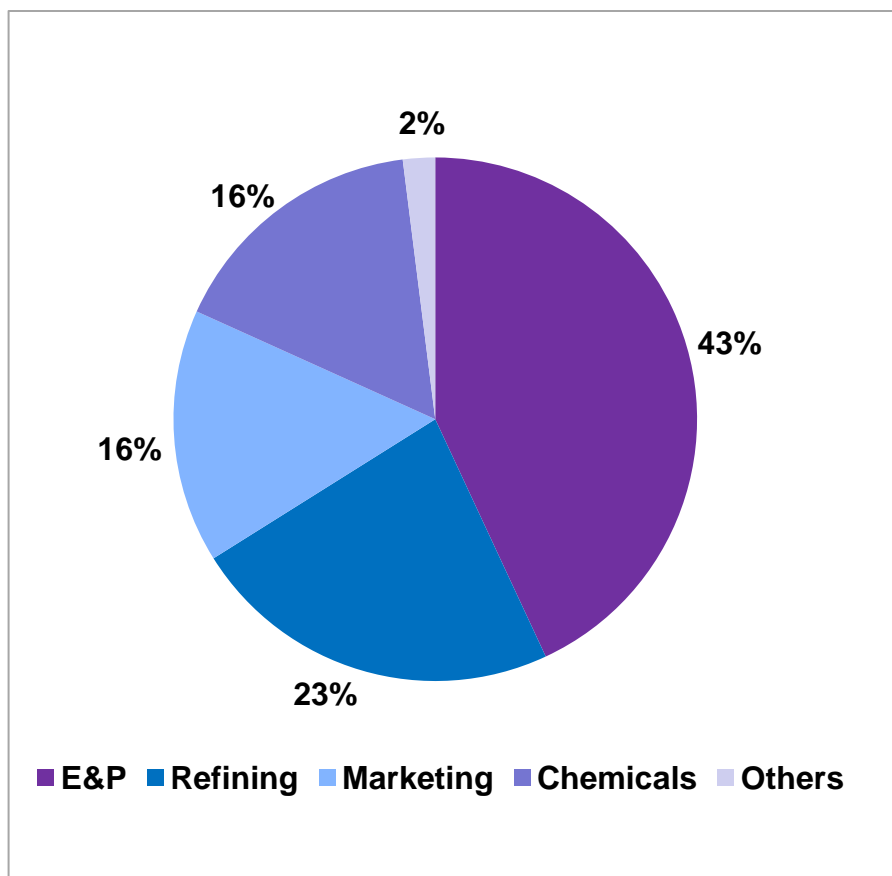
- Strengthened cost control and realized cost reduction across all business segments
- Reinforced cash management, and reduced financial expenses by RMB 3 billion



\* 1H2016 USD 1=RMB 6.5303; 1H2017 USD 1=RMB 6.8697

# Capital Expenditure – Focus on Quality and Profitability

## ■ 1H2017 Capital Expenditure: RMB 16 Bn



### ■ E&P: RMB 6.9 Bn

Oil & Gas production capacity, LNG projects, gas storage, natural gas pipeline construction

### ■ Refining: RMB 3.7 Bn

Construction of regional refining center, quality upgrading for oil products and adjustment of product mix

### ■ Marketing: RMB 2.5 Bn

Constructions of oil products depots, pipelines and service stations

### ■ Chemicals: RMB 2.6 Bn

Structural improvements of facilities, feedstock and product slate

### ■ R&D and IT facilities: RMB 0.3 Bn

# Safety and HSE Performance

- **Achieved safe and stable operation**
  - ◆ Strengthened risk identification and prevention
  - ◆ Improved safety management in key areas
- **Continuing efforts to implement the *Energy Efficiency Doubling plan*, with sustained decline in energy consumption and emission**
  - ◆ Energy intensity declined by 1.8% YoY
  - ◆ Industrial water consumption decline by 1.2% YoY
  - ◆ COD in discharged water declined by 2.3% YoY
  - ◆ SO<sub>2</sub> emission declined by 4.3% YoY
  - ◆ All hazardous chemicals and discharged water, gas, and solid wastes treated

## **Operational Results by Segment**



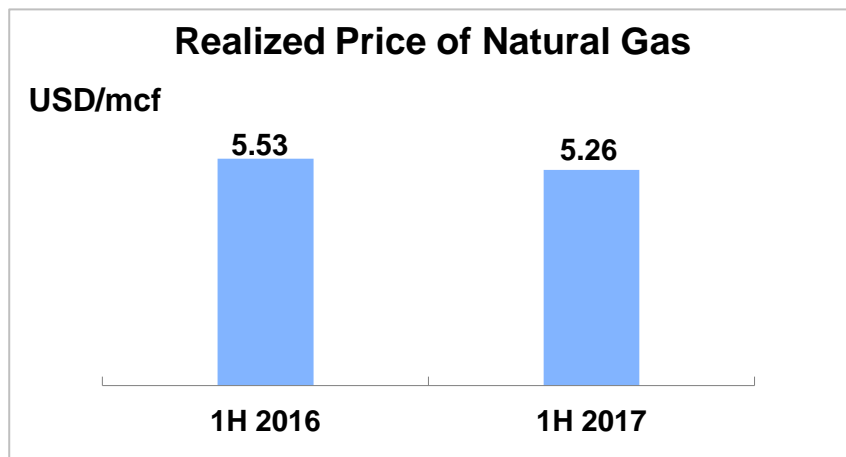
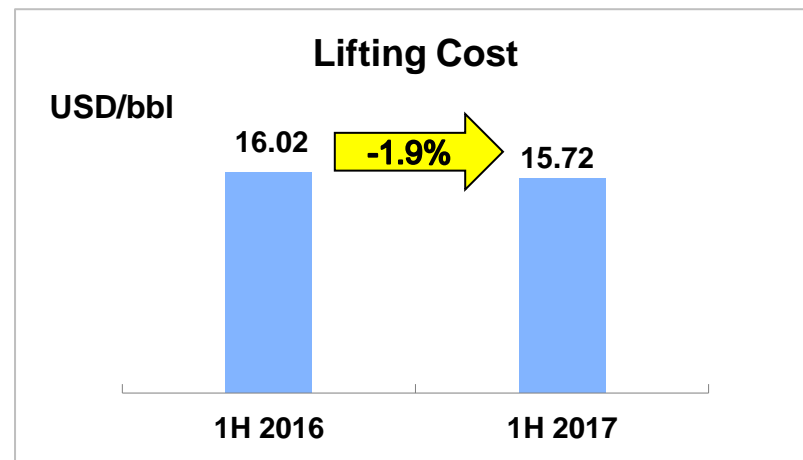
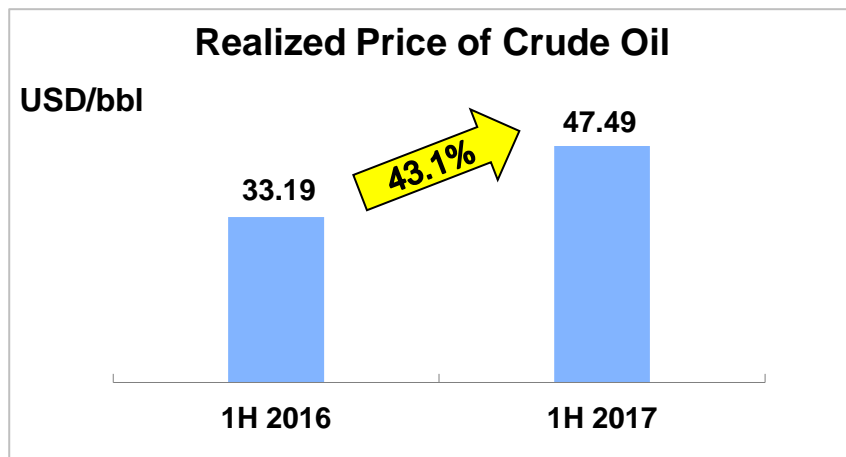
# Upstream – Focus on Reserve Increase and Development Returns

- Sustained exploration with new discoveries
- Adopted profit-oriented development
- Enhanced cost discipline
- Adjusted development structure with growth in natural gas production

	1H2016	1H2017	YoY Change(%)
Oil and Gas Production(mmboe)	218.99	221.38	1.1
Crude Oil Production(mmbbls)	154.17	145.98	(5.3)
Natural Gas Production(bcf)	388.69	452.12	16.3

\* 1 cubic meter=35.31 cubic feet

# Upstream – Realized Positive Free Cash Flow



EBIT of E&P		
RMB million	1H 2016	1H 2017
EBIT	(22,387)	(17,411)



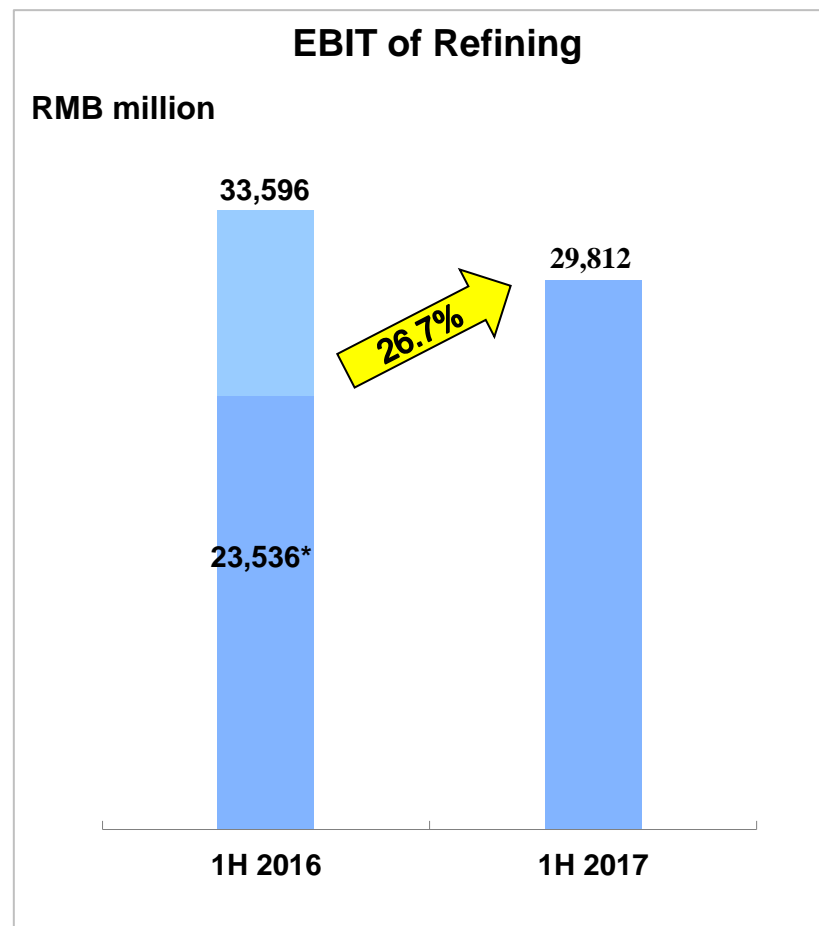
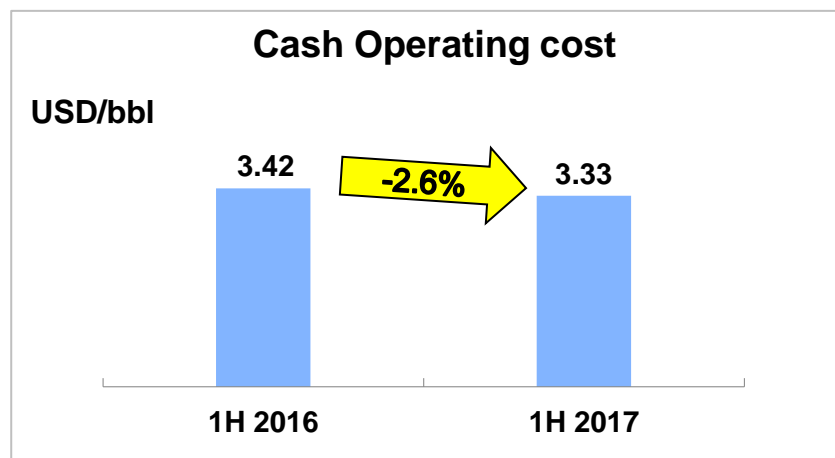
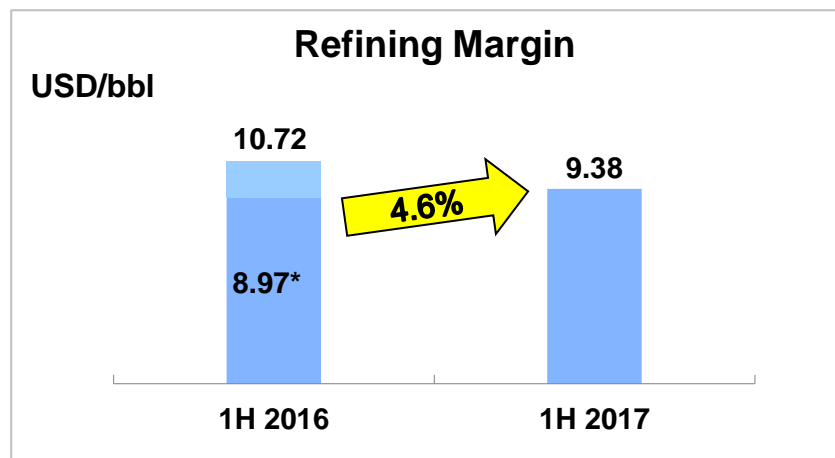
# Refining – Remarkable Results of Structural Upgrade

- Promoting shutdown of inefficient capacity, and improve industrial concentration
- Maintained high utilization rate by tapping domestic and overseas market and moderately increased export
- Improved product mix with higher proportion of premium products
- Quality upgrading of refined oil products accelerated
- Focus on the marketing of LPG and asphalt, etc.

(mm tonnes)	1H2016	1H2017	YoY Change(%)
Refinery Throughout	115.90	117.79	1.6
Gasoline, Diesel and Kerosene Production	73.26	74.11	1.2
Gasoline Production	28.03	28.41	1.4
Diesel Production	32.93	32.67	(0.8)
Kerosene Production	12.30	13.03	5.9
Light Chemical Feedstock Production	19.37	18.94	(2.2)

\*Refinery throughput is calculated based on 1 tonne= 7.35 bbls  
100% production of domestic joint ventures included

# Refining – Strong Refining Margin and Continued Cost Reduction



\* Excluding the influence of "Price Floor" Policy

## Marketing – Solid Growth in Revenue and Profit

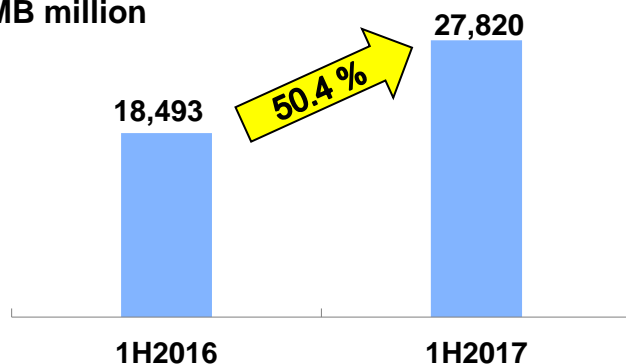
- Total sales volume up by 1.4% with domestic sales volume up by 0.8%
- Ratio of high-octane gasoline in retail up by 240 bps YoY
- Sales volume of vehicle natural gas grew by 28.2% YoY
- Optimized layout of service stations and refined oil product pipelines

mm tonnes	1H2016	1H2017	YoY Change(%)
Total Sales Volume of Refined Oil Products	97.17	98.55	1.4
Domestic Sales of Refined Oil Products	86.51	87.22	0.8
Retail	59.65	58.68	(1.6)
Wholesale and Distribution	26.86	28.54	6.3
Annualized Average Throughout per Station (tonne/station)	3,889	3,832	(1.5)
	As of Dec. 31 2016	As of Jun. 30 2017	Change(%)
Number of Sinopec-branded Service Stations	30,603	30,633	0.1
Number of Convenience Stores	25,591	25,614	0.1

# Marketing – Strong Growth Momentum of Non-fuel Business

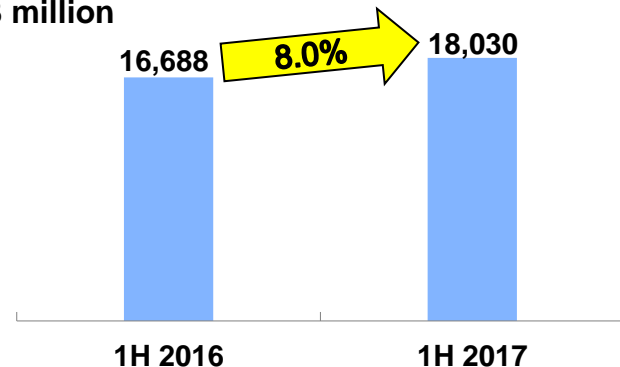
## Transaction of Non-fuel Business

RMB million



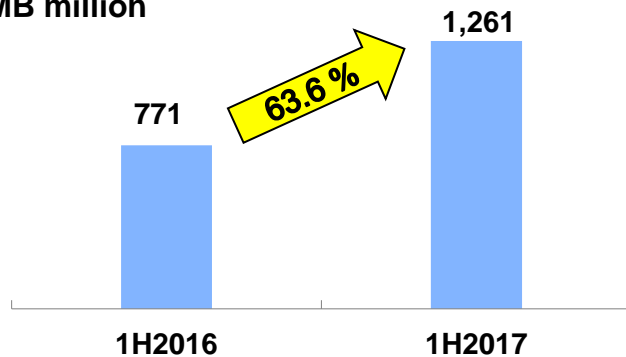
## EBIT of Marketing

RMB million



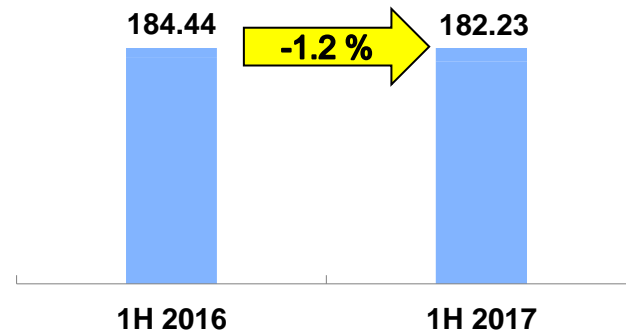
## Profit of Non-fuel Business

RMB million



## Marketing Cash Operating Cost

RMB/tonne



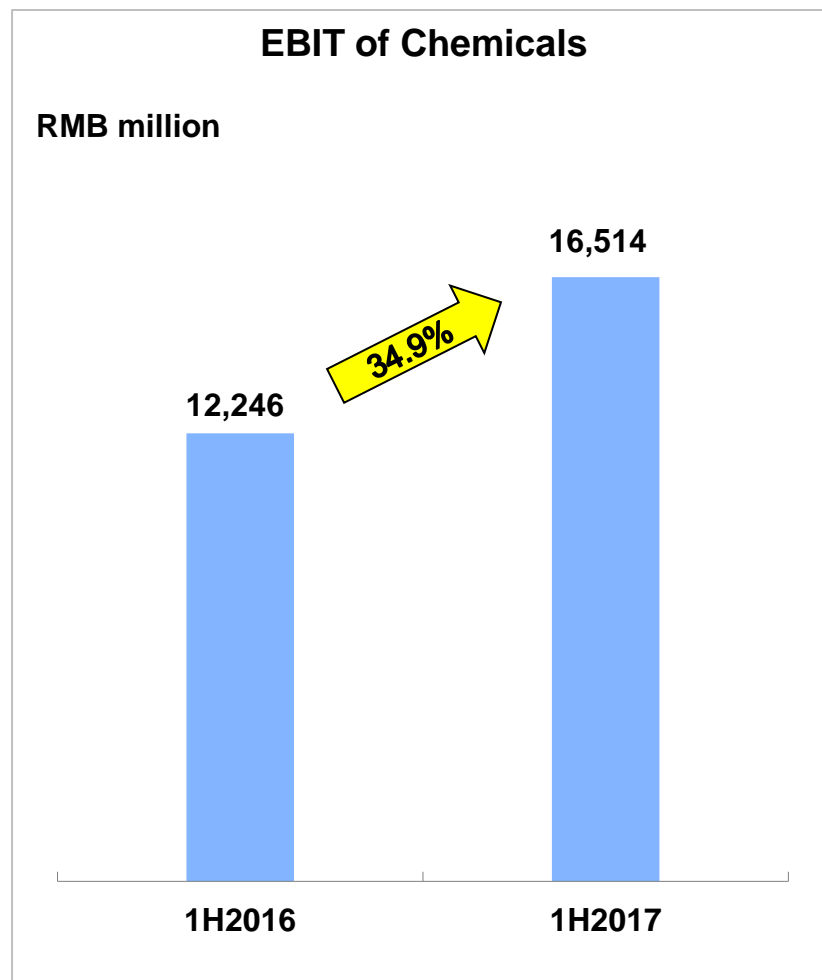
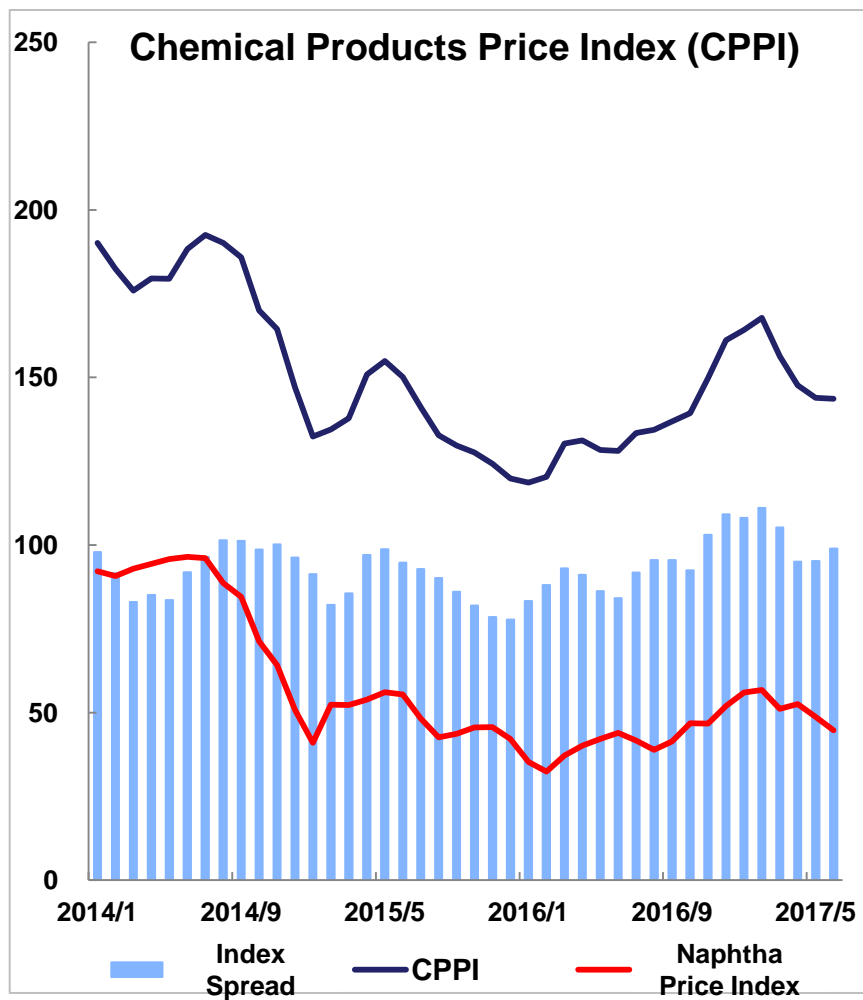
# Chemicals – Strengthen Structural Adjustment

- Ratio of performance compound reached 62% up by 400 bps YoY
- Differential ratio of synthetic fiber reached 88.2% up by 490 bps YoY
- Total sales volume of chemical products increased by 13.6% YoY

'000 tonnes	1H2016	1H2017	YoY Change(%)
Ethylene Production	5,478	5,609	2.4
Synthetic Resin Production	7,500	7,802	4.0
Synthetic Fiber Monomers & Polymers Production	4,672	4,659	(0.3)
Synthetic Fiber Production	637	616	(3.3)
Synthetic Rubber Production	411	412	0.2

\* 100% production of domestic joint ventures included

# Chemicals – Sustained Strong Results



## **2H2017 Operational Plan**



## 2H2017 Market Outlook

- **China's economy will maintain steady growth**
  - ◆ Domestic demand for oil products will continue to grow, and demand structure will be further adjusted
  - ◆ Domestic demand for chemicals is expected to grow steadily with greater demand for high-end products
  - ◆ Domestic demand for natural gas will continue to grow rapidly
- **International oil price is expected to fluctuate at a low level**



# 2017 Production Plan

	1H2017	2H2017	2017
<b>Oil and Gas Production (mmboe)</b>	<b>221</b>	<b>219</b>	<b>440</b>
<b>Crude Oil Production (mmbbls)</b>	<b>146</b>	<b>148</b>	<b>294</b>
<b>Natural Gas Production (bcf)</b>	<b>452</b>	<b>428</b>	<b>880</b>
<b>Refinery Throughput* (mm tonnes)</b>	<b>118</b>	<b>118</b>	<b>236</b>
<b>Total Domestic Sales Volume of Refined Oil Products (mm tonnes)</b>	<b>87</b>	<b>88</b>	<b>175</b>
<b>Ethylene Production* ('000 tonnes)</b>	<b>5,609</b>	<b>6,050</b>	<b>11,659</b>

\*100% production of domestic joint ventures included

# **Initiatives for Business Development in 2017-2019**



# Outstanding 1H17 Performance

**Net profit increased by 40.1% YoY**



**Upstream: improved reserves, substantial growth in nature gas production, narrowed loss by RMB 5 bn with positive free cash flow**



**Refining: Optimized product mix and accelerated upgrading of product quality, EBIT grew by 26.7% on the same basis**



**Marketing: EBIT grew by 8%. Transaction of non-fuel business grew by 50% with profit increased by 63.6%**

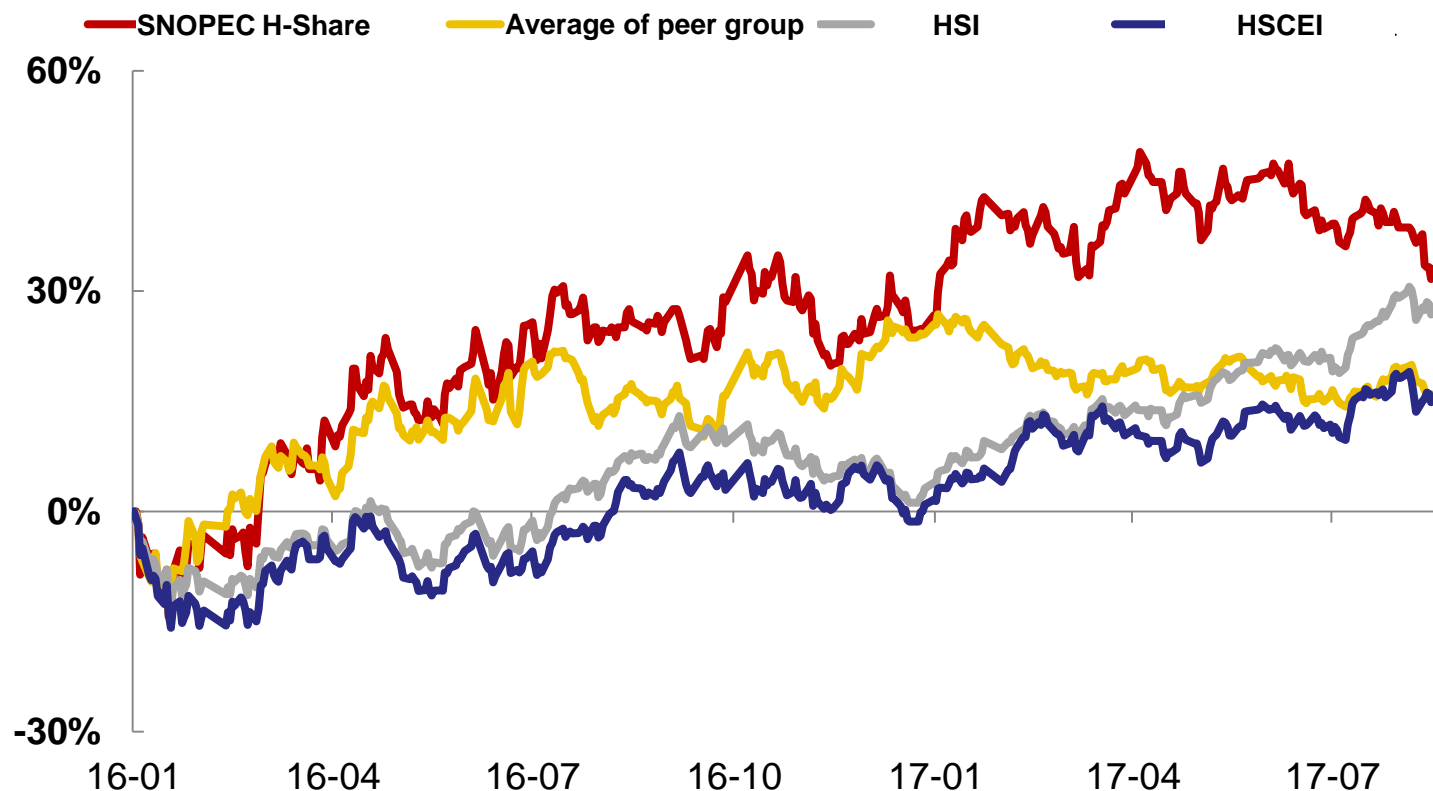


**Chemicals: Strong growth momentum for high value-added products, EBIT grew by 34.9% YoY**



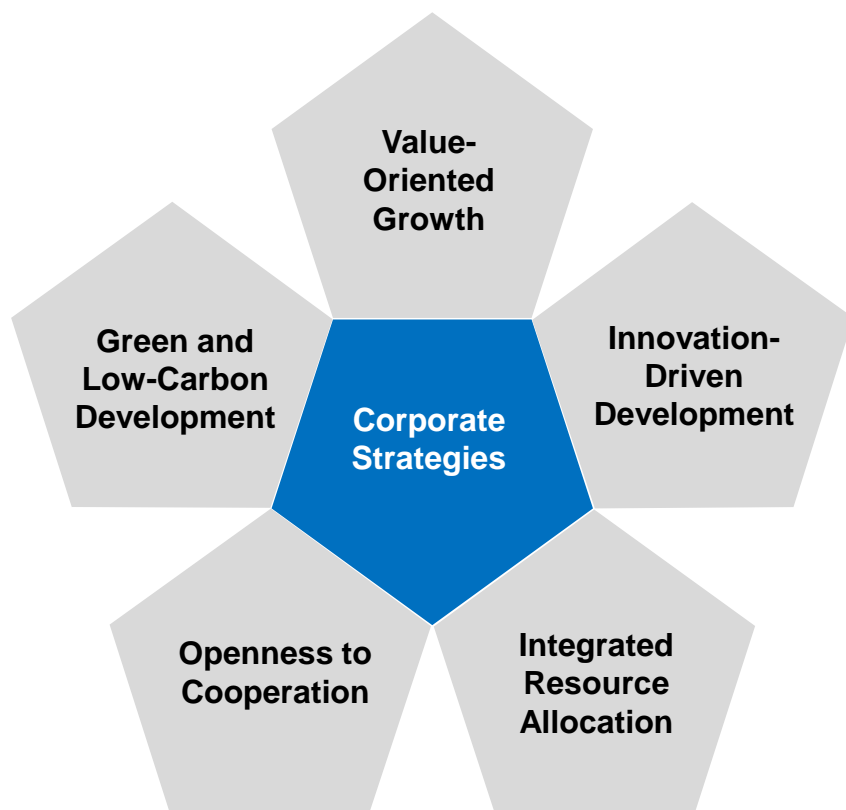
# Share Price Outperformed

Since 2016, H-share price of Sinopec Corp. increased by 34% and outperformed market indexes and peers



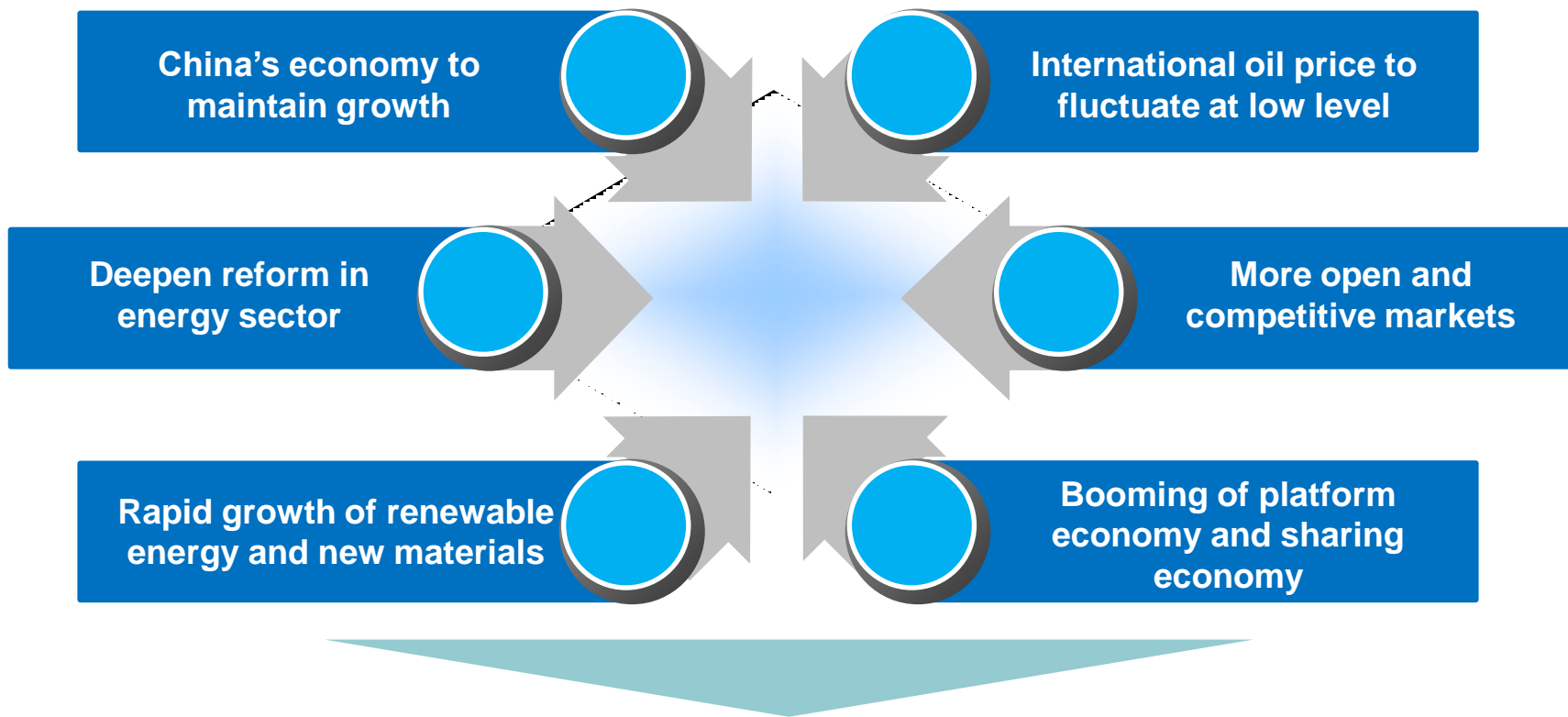
Notes: Entries in peer group include PetroChina, CNOOC, ExxonMobil, BP and Royal Dutch Shell  
Sources: Wind, as of 25<sup>th</sup>, August

# Effective Implementation of Corporate Strategies



- **Strong profitability and solid financial status**
- **Good shareholders' return**
- **Improved corporate governance**

# Capture Strategic Opportunities



**The board of directors reviewed and approved the three-year rolling development plan for 2017-2019**

# Upstream – Drive Sustainable Growth of Oil Business and Rapid Development of Natural Gas Business

## ■ Oil

- ◆ Increase reserves through efficient exploration
- ◆ Achieve steady production and lower costs
- ◆ Strive to make profit

## ■ Nature gas

- ◆ Accelerate development of natural gas in key regions
- ◆ Optimize LNG resource allocation
- ◆ Optimize natural gas pipelines network
- ◆ Extend into downstream market

## Rapid Development of Natural Gas Business



# Refining And Chemicals – Focus on Supply-side Structural Reform

- Refining and commodities: shutdown inefficient capacity, accelerate development of regional centers and enhance industry concentration
- Chemical new material: develop high value-added and performance products





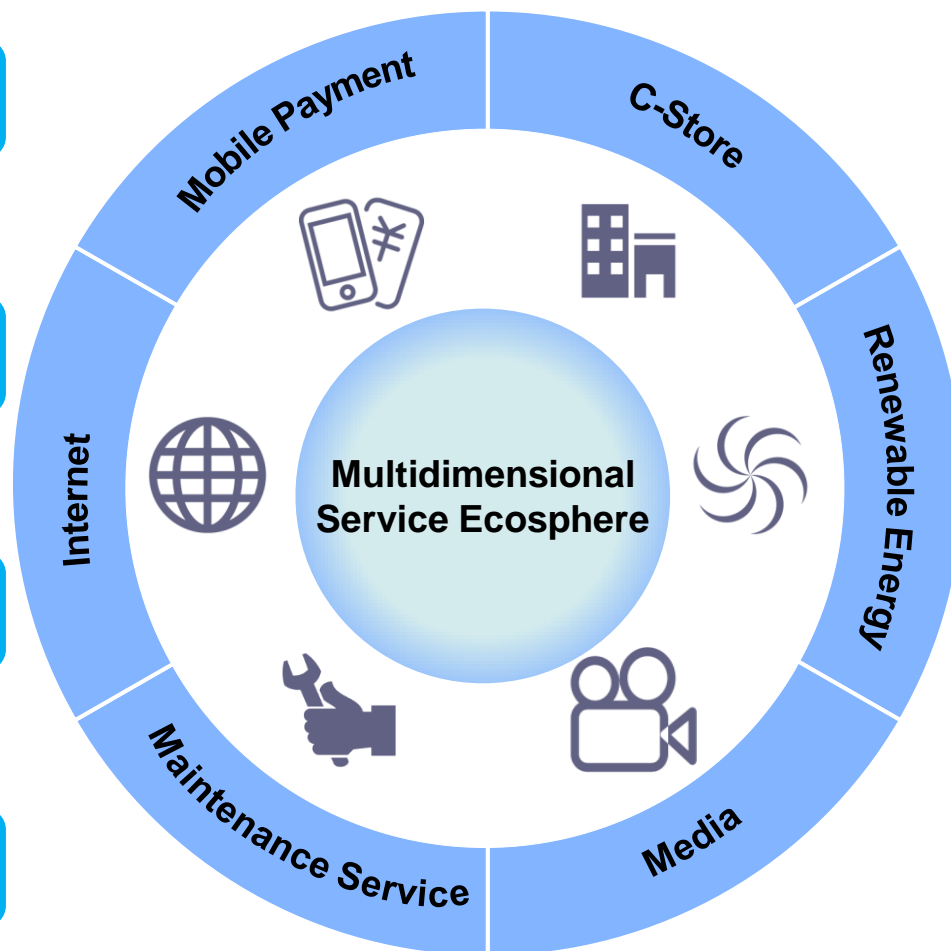
# Marketing – Develop New Growth Drivers

Deepen reform of mechanism and system

Promote Shareholding Reform and IPO

Develop new growth drivers through existing network

Build multidimensional service ecosphere



# Deepen Reform in Scientific Research Mechanism and System



**Make breakthrough in key technologies, and promote application of technological achievements**

**Promote digital, network-based, intelligent production and operation**

**Achieve a scientific and technological progress contribution rate of more than 65%**

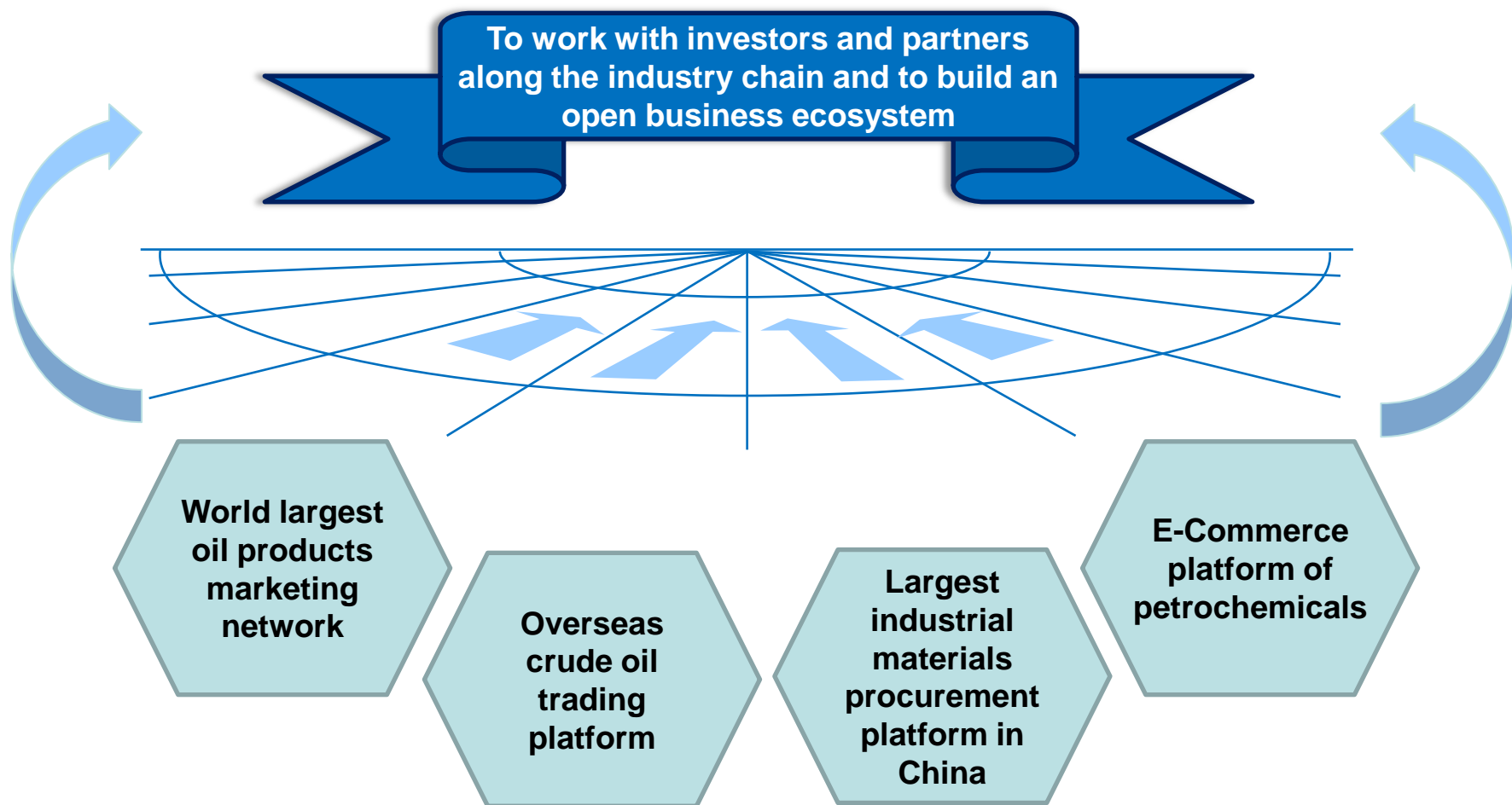


**High-efficiency and environmental-friendly aromatics project**



**Carbon Fiber Industrial Demonstration Plant**

# Embrace Opportunities of Platform Economy

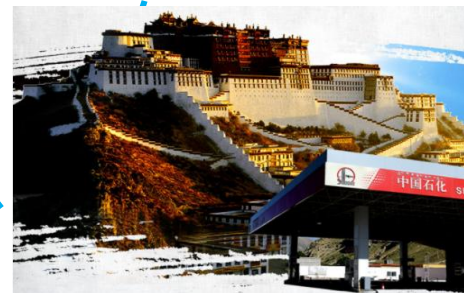


# Committed to Social Responsibility Through Green and Low-Carbon Development

Supply more clean energy and environmental-friendly products

Promoting mutual development with partners along the value chain

Targeted poverty alleviation drives the development of characteristic industries in poverty-stricken areas



## Capture Opportunities from the *Belt and Road Initiative*

**Promote an integrated development of oil & gas, refining & chemicals, logistics and international trading business to actively build an international operating platform for full value chain development**



# Transforming from An Energy Supplier to A Comprehensive Energy Services Provider



# Q&A

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