



中国石化  
SINOPEC

China Petroleum & Chemical Corporation

# 2018 Interim Results Announcement

August 27, 2018  
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.**

- **1H2018 Performance Highlights**
- **1H2018 Operational Results by Segment**
- **2H2018 Operational Plan**
- **Business Development Plan in 2018-2020**

# Agenda



# **1H2018 Performance Highlights**

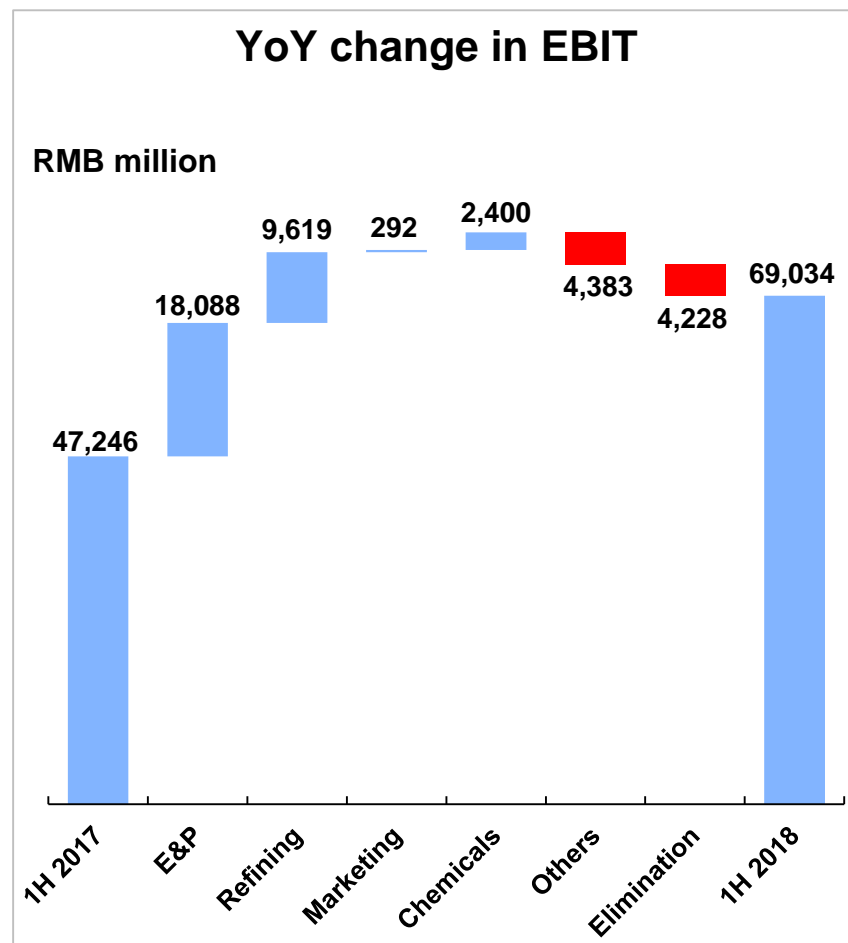


# Market Environment in 1H2018

- China's economy is stable with sound growing momentum
  - ◆ GDP grew by 6.8% YoY
- International oil price fluctuated with an upward trend
- Rapid growth in domestic demand for energy and petrochemicals
  - ◆ Strong demand for natural gas
  - ◆ Consumption of refined oil products grew by 5.7% YoY
  - ◆ Consumption of ethylene equivalent continued to increase rapidly

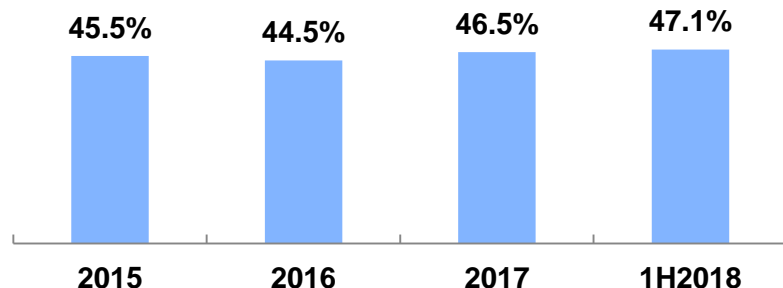
# Robust Profitability—Growth in All Four Business Segments

RMB million	1H2017	1H2018	YoY (%)
Turnover and Other Operating Revenues	1,165,837	1,300,252	11.5
EBIT	47,246	69,034	46.1
Profit Attributable to Shareholders of the Company	27,915	42,386	51.8
EPS (RMB)	0.231	0.350	51.8

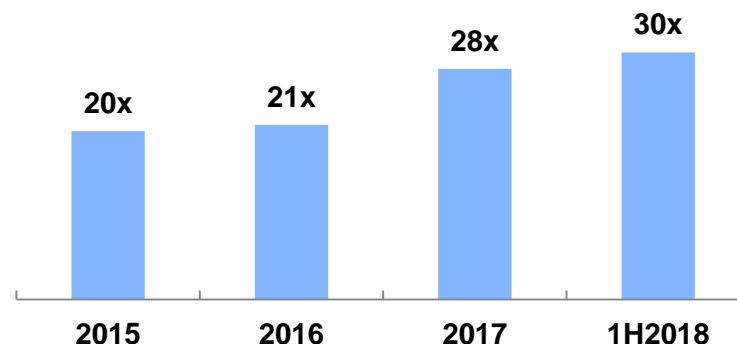


# Solid Financial Position—Sustained Low Gearing

**Liability-to-Asset Ratio**



**EBITDA-to-Interest Coverage**



RMB million	As of Dec. 31, 2017	As of Jun. 30, 2018
Total Assets	1,595,504	1,617,304
Short-term Interest-bearing Debts	80,649	77,849
Long-term Interest-bearing Debts	63,564	75,232
Total Equity Attributable to Shareholders of the Company	726,120	720,113

## Strong Cash Flow—Free Cash Flow Continues to Grow

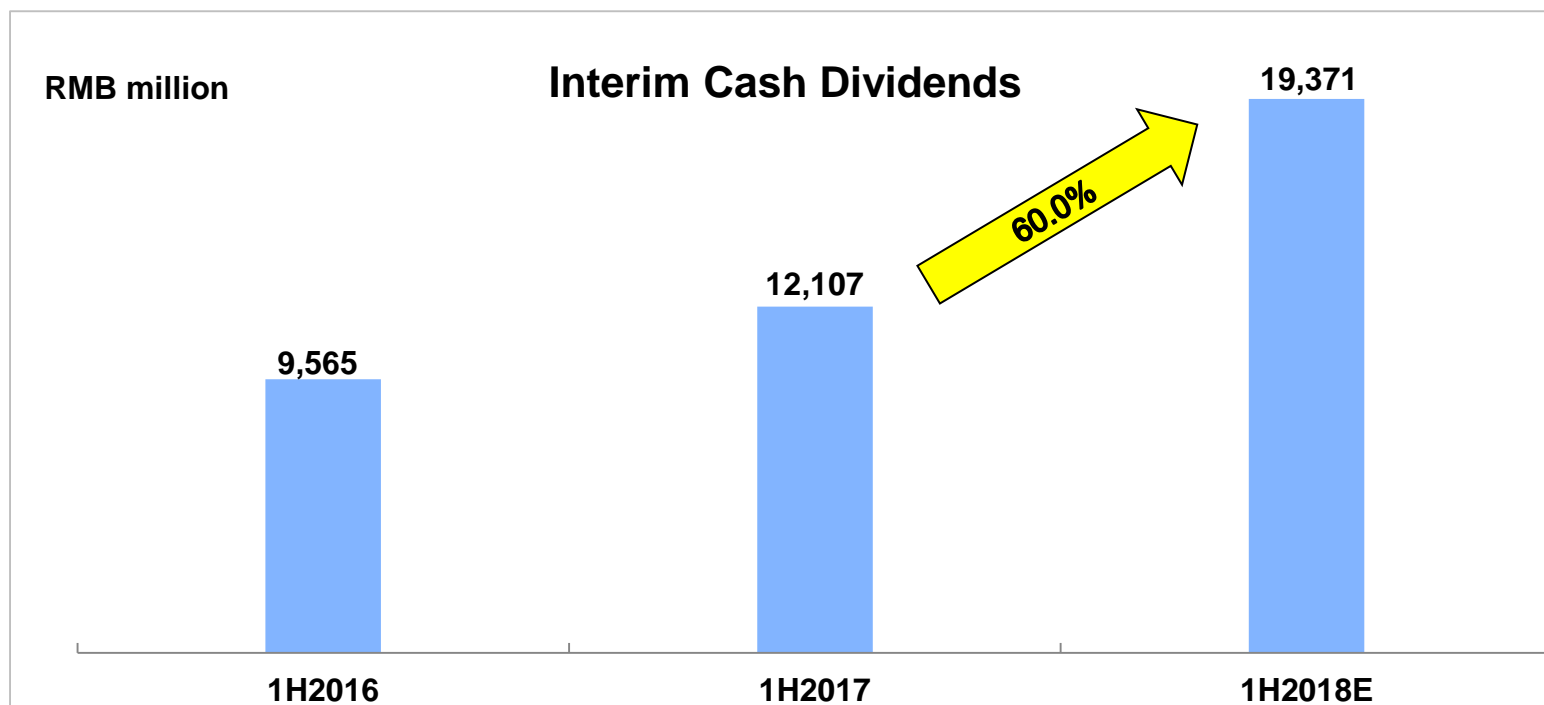
RMB million	1H2017	1H2018
Net Cash Generated from Operating Activities	60,847	71,620
Net Cash Generated from/(Used in) Investing Activities	(40,002)	19,258
Net Cash Generated from/(Used in) Financing Activities	(16,038)	(49,308)

RMB million	As of Dec. 31, 2017	As of Jun. 30, 2018
Cash and Cash Equivalents (Incl. Time Deposits)	165,004	205,153



# Focus on Shareholder Return—Significant Increase in Dividends

- The Board of Directors declared an interim cash dividend of RMB 0.16 per share, with an YoY increase of 60%
- The annualized dividend yield reaches 5.9%\*



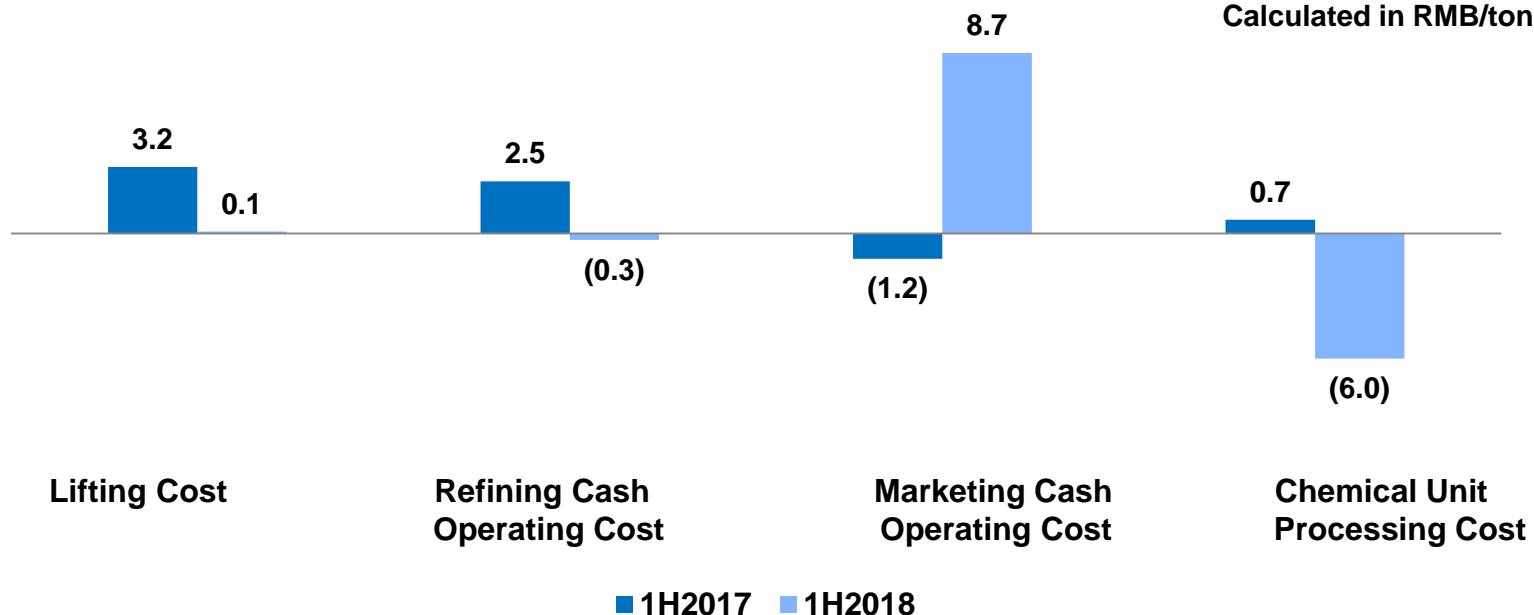
\* Calculated from volume-weighted H-share prices in 1H2018

# Remarkable Achievements in Cost Reduction

- Intensified cost control and structural optimization
- Reinforced capital management and reduced financial expenses by 80%

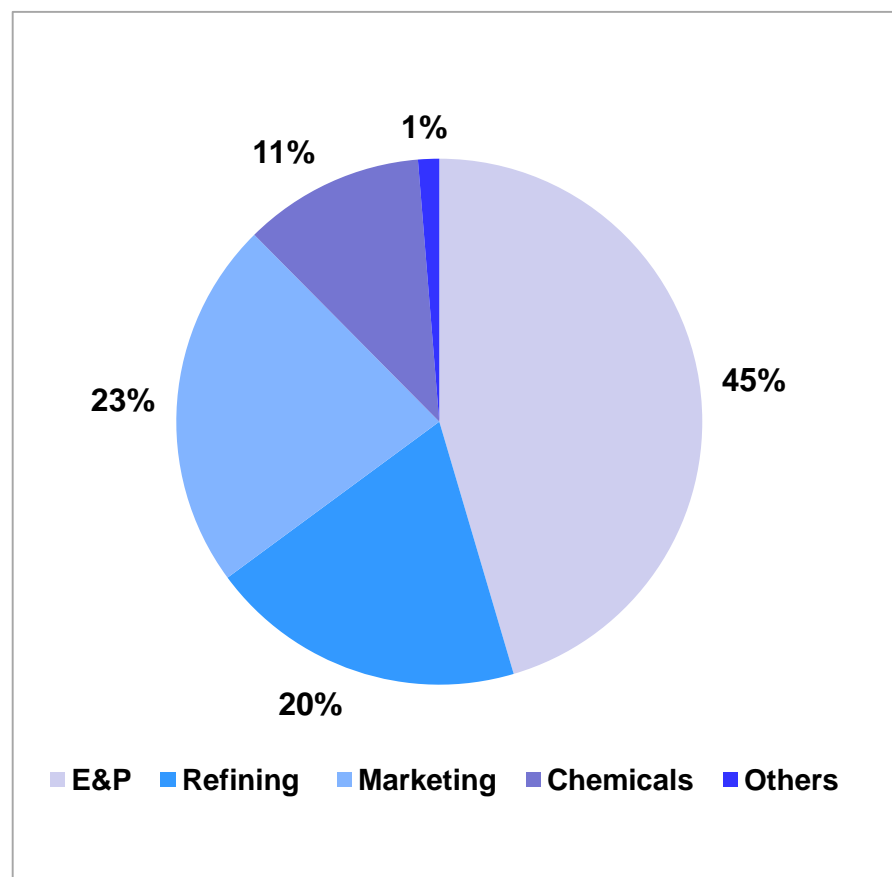
YoY Change in Costs by Segment (%)

Calculated in RMB/tonne



# Capital Expenditure — Focus on Quality and Profitability

## ■ 1H2018 Capital Expenditure: RMB 23.7 Bn, increased by 48% YoY



### ■ E&P: RMB 10.8 Bn

Oil & Gas capacities building, gas storage and natural gas pipelines construction

### ■ Refining: RMB 4.6 Bn

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

### ■ Marketing: RMB 5.4 Bn

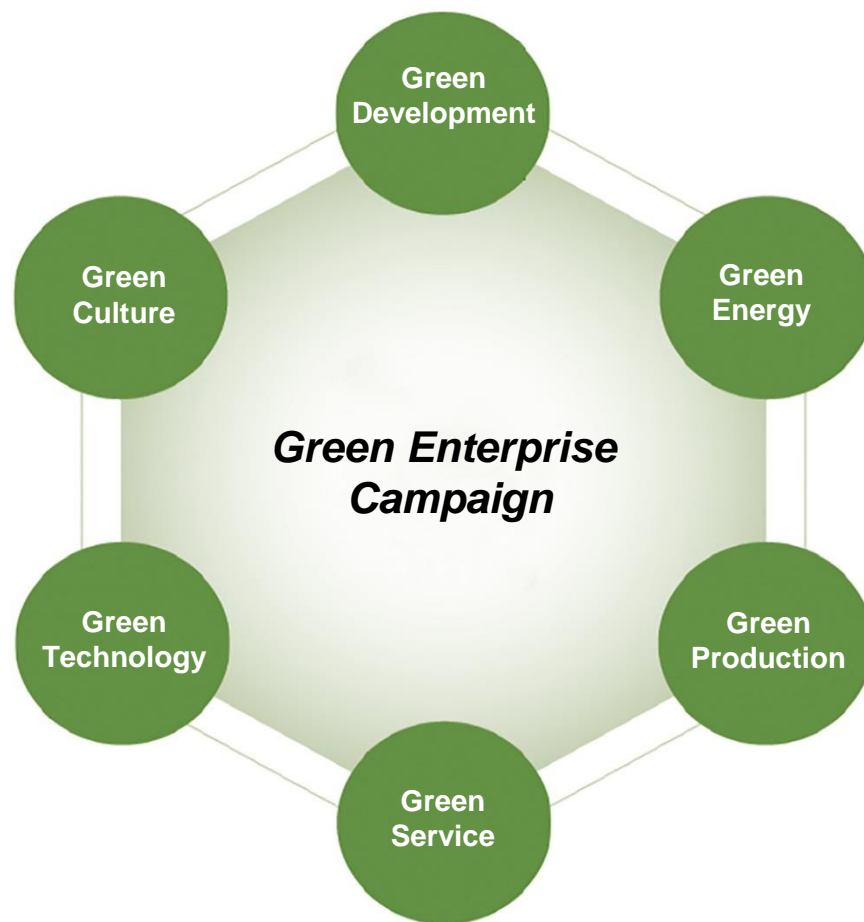
Constructions of refined oil product storage facilities, pipelines, service stations and renovations of underground oil tanks

### ■ Chemicals: RMB 2.6 Bn

Structural improvements of facilities, feedstock, product slate and constructions of coal chemical facilities

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

## Launched *Green Enterprise Campaign*



- Making green and low-carbon development as core competitiveness

# **1H2018 Operational Results by Segment**



## Upstream – Focus on Efficient Exploration and Profitable Development

- Sustained exploration efforts with new domestic discoveries
- Adopted profit-oriented development and resumed profitable crude oil production
- Adjusted development pattern with sustained growth of natural gas production

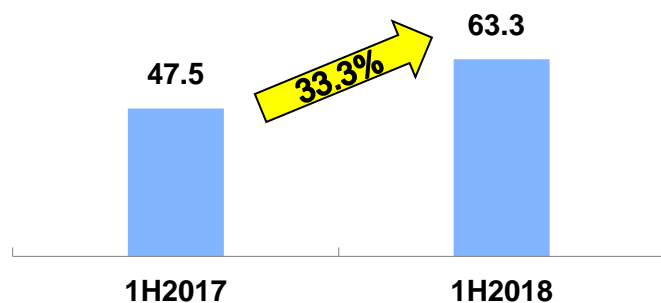
	1H2017	1H2018	YoY (%)
Oil and Gas Production(mmboe)	221.38	224.59	1.4
Crude Oil Production(mmbbls)	145.98	143.63	(1.6)
China	123.16	123.68	0.4
Overseas	22.82	19.95	(12.6)
Natural Gas Production(bcf)	452.12	476.20	5.3

\* 1 cubic meter=35.31 cubic feet

# Upstream – Significant Performance Improvement

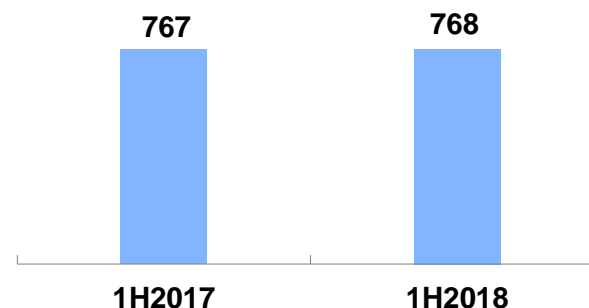
## Realized Price of Crude Oil

USD/bbl



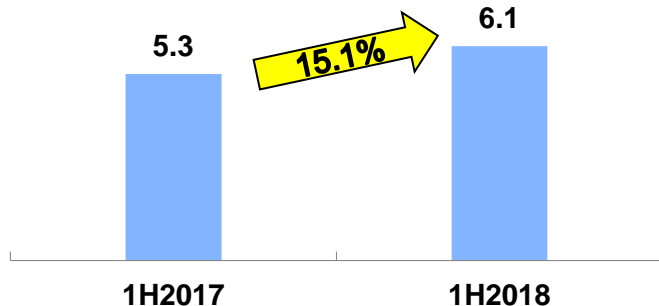
## Lifting Cost

RMB/tonne



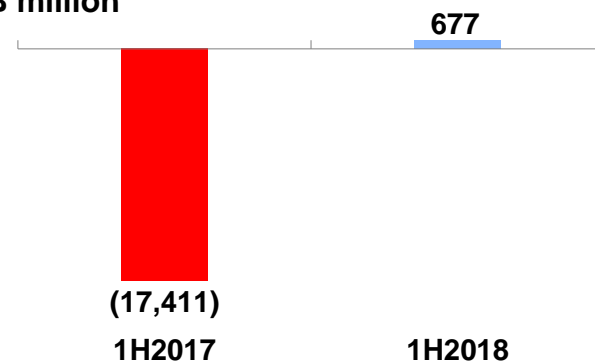
## Realized Price of Natural Gas

USD/mcf



## EBIT of E&P

RMB million



\* 1H2017 USD 1=RMB 6.8697; 1H2018 USD 1=RMB 6.3711

## Refining– Sustained Optimization in Product Mix

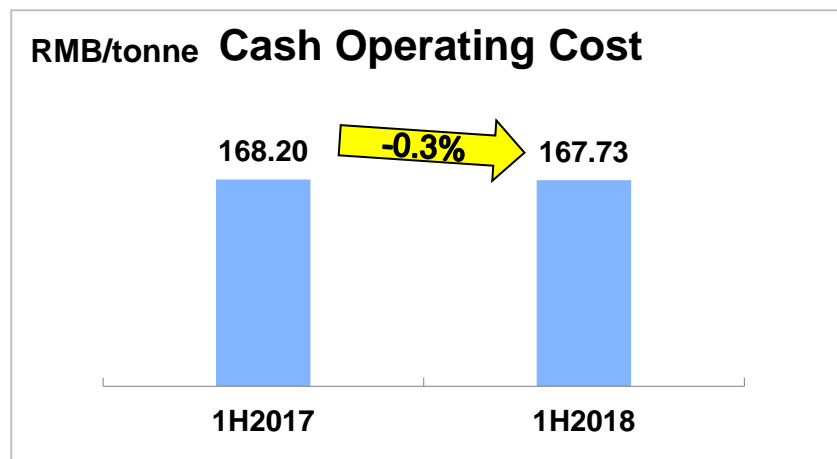
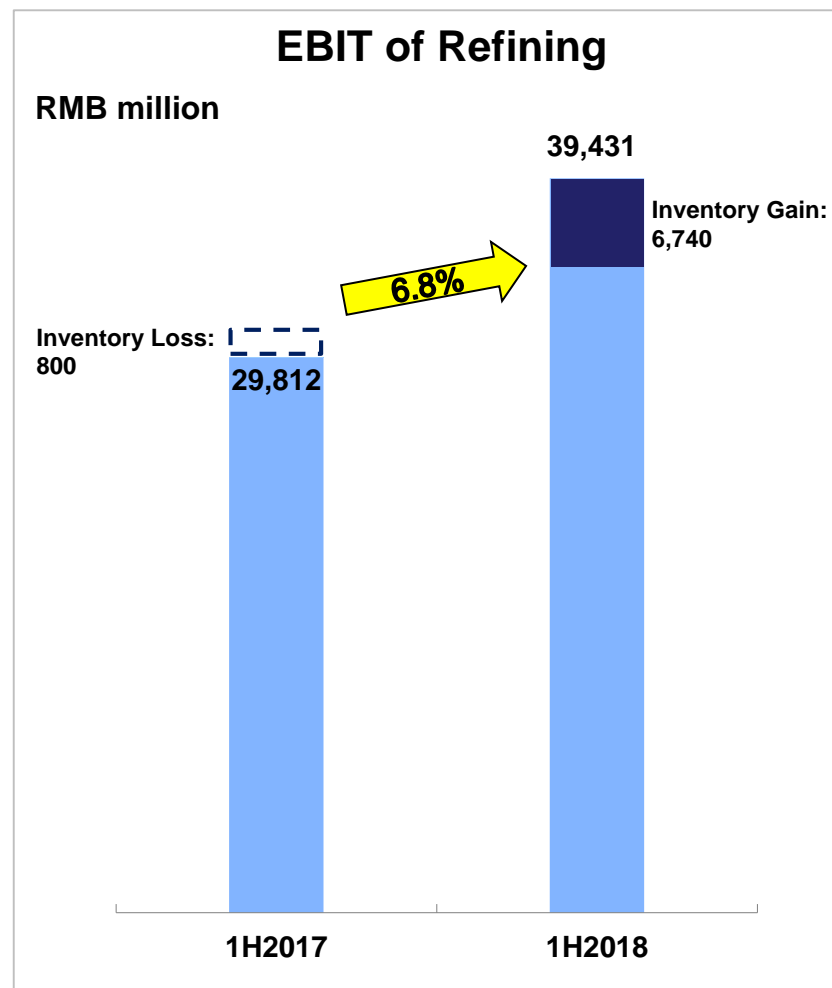
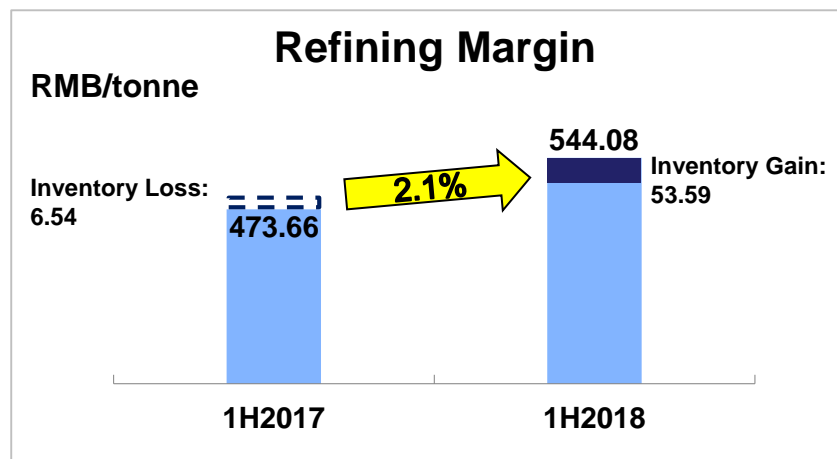
- Optimized product mix with diesel-to-gasoline ratio further declined to 1.07
- Actively promoted refined oil products quality upgrading to GB VI
- Maintained high utilization of refining facilities
- Maintained good profitability of LPG, asphalt and sulfur

(mm tonnes)	1H2017	1H2018	YoY (%)
Refinery Throughput	117.79	120.72	2.5
Gasoline, Diesel and Kerosene Production	74.11	76.37	3.0
Gasoline	28.41	30.04	5.7
Diesel	32.67	32.09	(1.8)
Kerosene	13.03	14.25	9.4
Light Chemical Feedstock Production	18.94	19.34	2.1

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



# Refining – Refining Margin Maintains at High Level



# Marketing – Leverage Network Advantage in Response to Competition

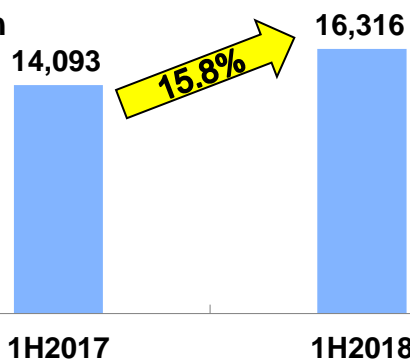
- Sustained growth in domestic sales of refined oil products
- Sustained growth in the number of service stations and convenience stores
- Great efforts in expanding sales of natural gas for automobiles

mm tonnes	1H2017	1H2018	YoY (%)
Total Sales Volume of Refined Oil Products	98.55	96.48	(2.1)
Domestic Sales of Refined Oil Products	87.22	88.45	1.4
Retail	58.68	59.28	1.0
Wholesale and Distribution	28.54	29.16	2.2
Annualized Average Throughput per Station(tonne/station)	3,832	3,870	1.0
	As of Dec. 31 2017	As of Jun. 30 2018	Change(%)
Number of Sinopec-branded Service Stations	30,633	30,645	0.04
Number of Convenience Stores	25,775	26,424	2.5

# Marketing – Sustained Growth of Non-fuel Business

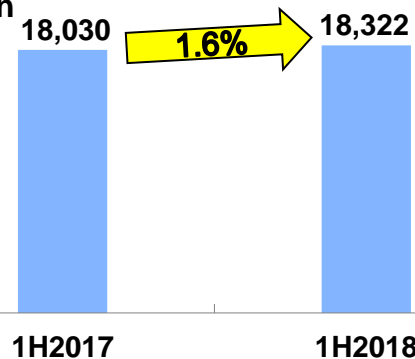
## Revenue of Non-fuel Business

RMB million



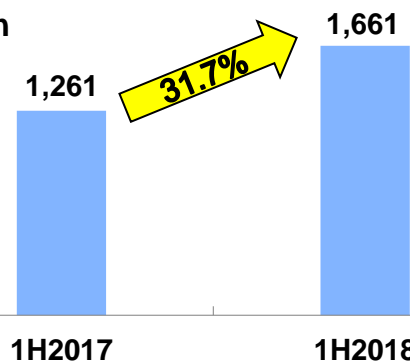
## EBIT of Marketing

RMB million



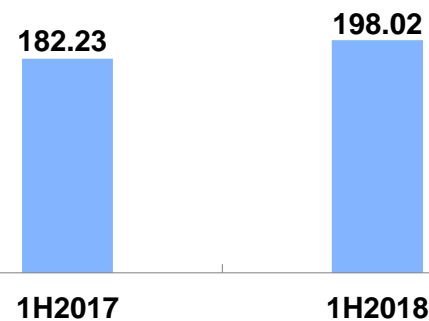
## Profit of Non-fuel Business

RMB million



## Marketing Cash Operating Cost

RMB/tonne



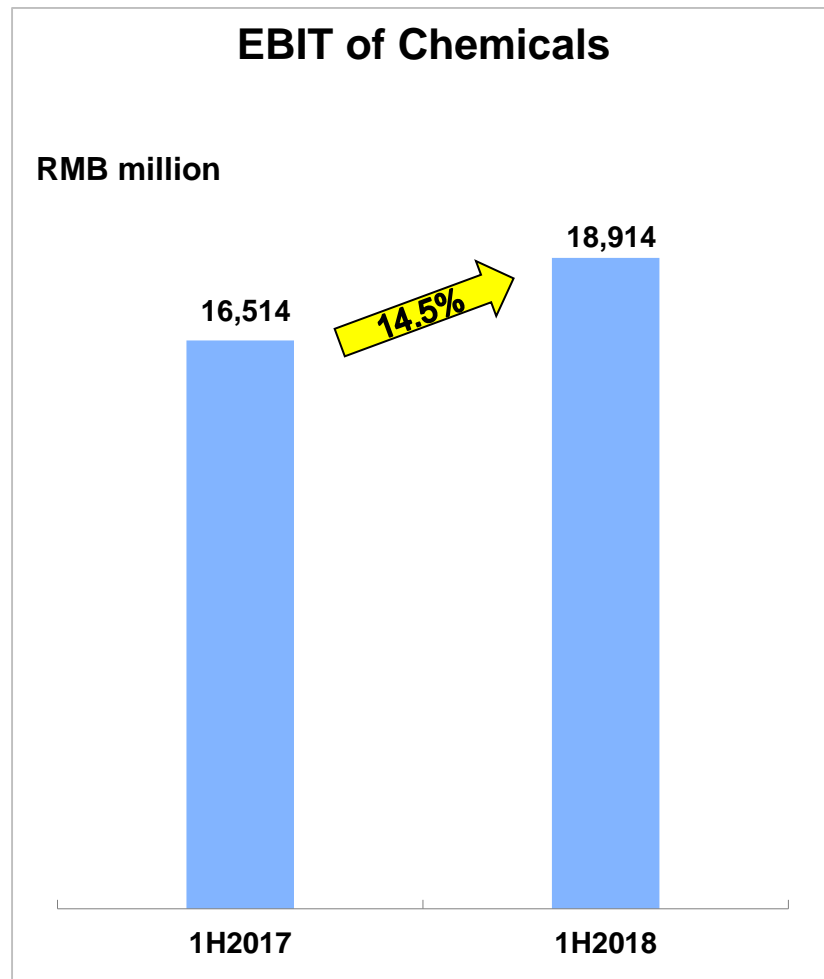
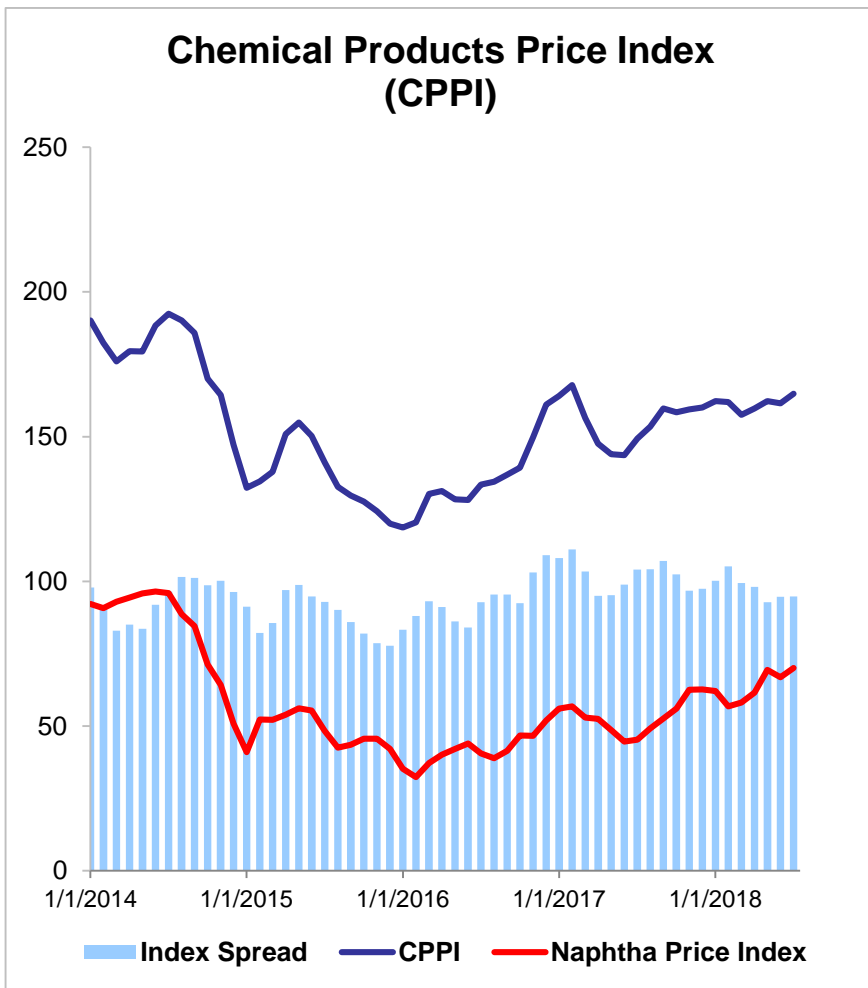
## Chemicals – Strengthened Structural Adjustment

- Sustained optimization of feedstock structure to reduce feedstock cost
- Deepened product structure adjustment and increased production of market-needed products
- Promoted research, production and marketing of high-end chemical products
- Achieved 14.1% YoY growth in total sales volume of chemicals

'000 tonnes	1H2017	1H2018	YoY (%)
Ethylene Production	5,609	5,786	3.2
Synthetic Resin Production	7,802	8,068	3.4
Synthetic Fiber Monomers & Polymers Production	4,659	4,601	(1.2)
Synthetic Fiber Production	616	603	(2.1)
Synthetic Rubber Production	412	405	(1.7)
<b>Total Sales Volume</b>	<b>3,730</b>	<b>4,256</b>	<b>14.1</b>

\* 100% production of domestic joint ventures included

## Chemicals – Sustained Strong Profitability



## **2H2018 Operational Plan**



## 2H2018 Market Outlook

- **China's economy will maintain steady growth**
  - ◆ Domestic demand for oil products will continue to grow
  - ◆ Domestic demand for chemicals is expected to grow steadily
- **China's energy structure will continue to adjust and domestic demand for natural gas is expected to maintain rapid growth**
- **More challenging economic situation and greater uncertainties in oil prices**

# 2018 Production Plan

	2H2018E	2018E	2017A	YoY (%)
<b>Oil and Gas Production(mmboe)</b>	<b>229</b>	<b>452</b>	<b>449</b>	<b>0.7</b>
<b>Crude Oil (mmbbls)</b>	<b>146</b>	<b>290</b>	<b>294</b>	<b>(1.4)</b>
<b>Natural Gas (bcf)</b>	<b>498</b>	<b>974</b>	<b>913</b>	<b>6.7</b>
<b>Refinery Throughput*(mm tonnes)</b>	<b>121</b>	<b>242</b>	<b>239</b>	<b>1.3</b>
<b>Total Domestic Sales Volume of Refined Oil Products(mm tonnes)</b>	<b>91</b>	<b>179</b>	<b>178</b>	<b>0.6</b>
<b>Ethylene Production*('000 tonnes)</b>	<b>5,734</b>	<b>11,520</b>	<b>11,610</b>	<b>(0.8)</b>

\* 100% production of domestic joint ventures included



# **Business Development Plan in 2018-2020**

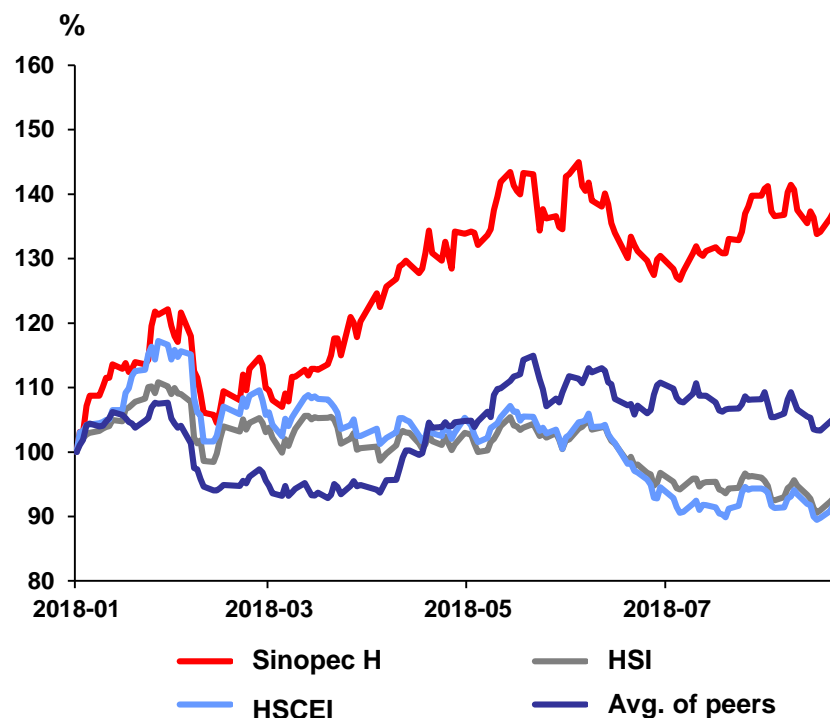


# Created Greater Value for Shareholders by Delivering Outstanding Results

## ■ Robust Performance in 1H2018

- ◆ Strong profitability
- ◆ Solid financial position
- ◆ Steady growth of operating cash flow
- ◆ Dividends increased by 60% YoY

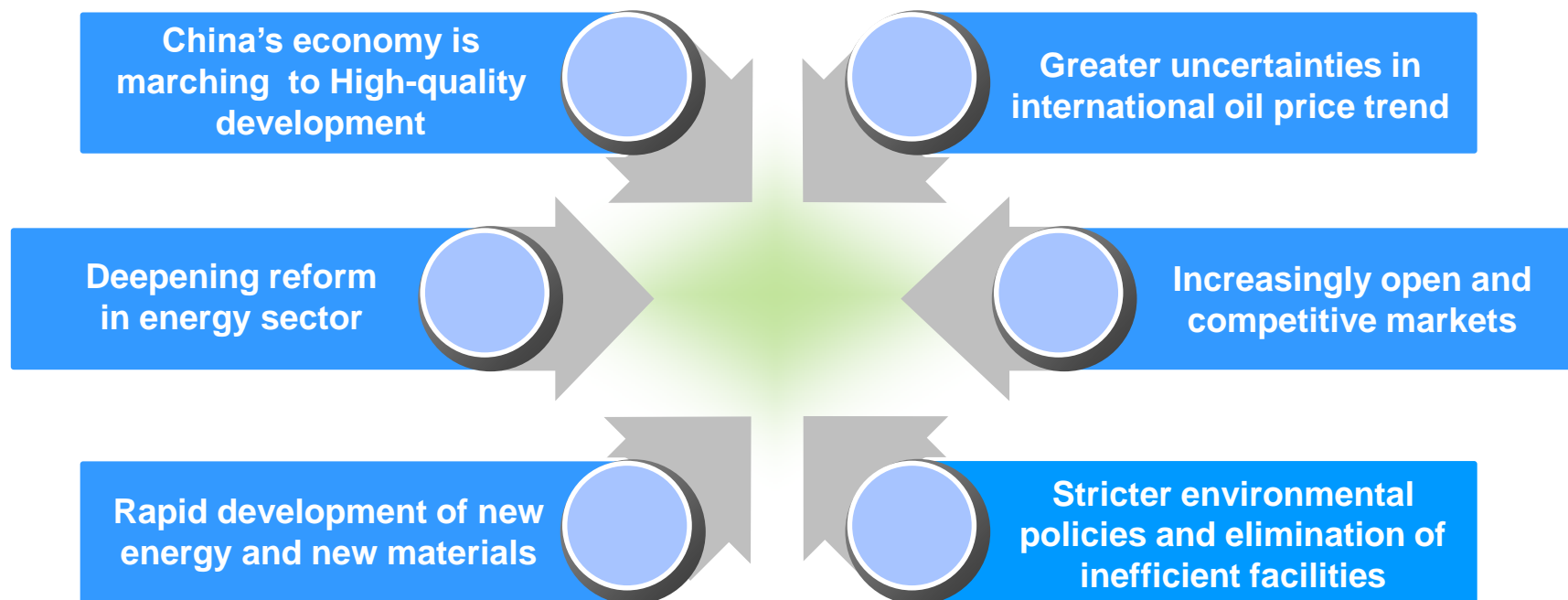
### H-share price of Sinopec Corp. increased 40% YTD



Notes: Peer group include PetroChina, CNOOC, ExxonMobil, BP and Royal Dutch Shell

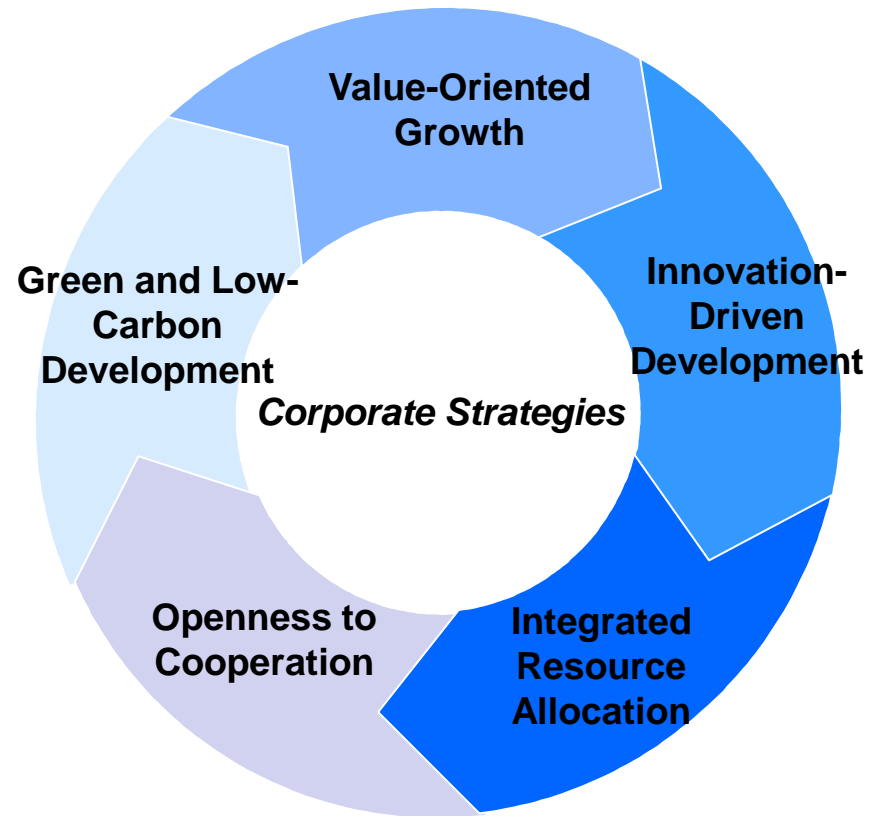
Sources: Wind, as of 24<sup>th</sup>, August, 2018

# Seize Strategic Opportunities, Combat Challenges Proactively

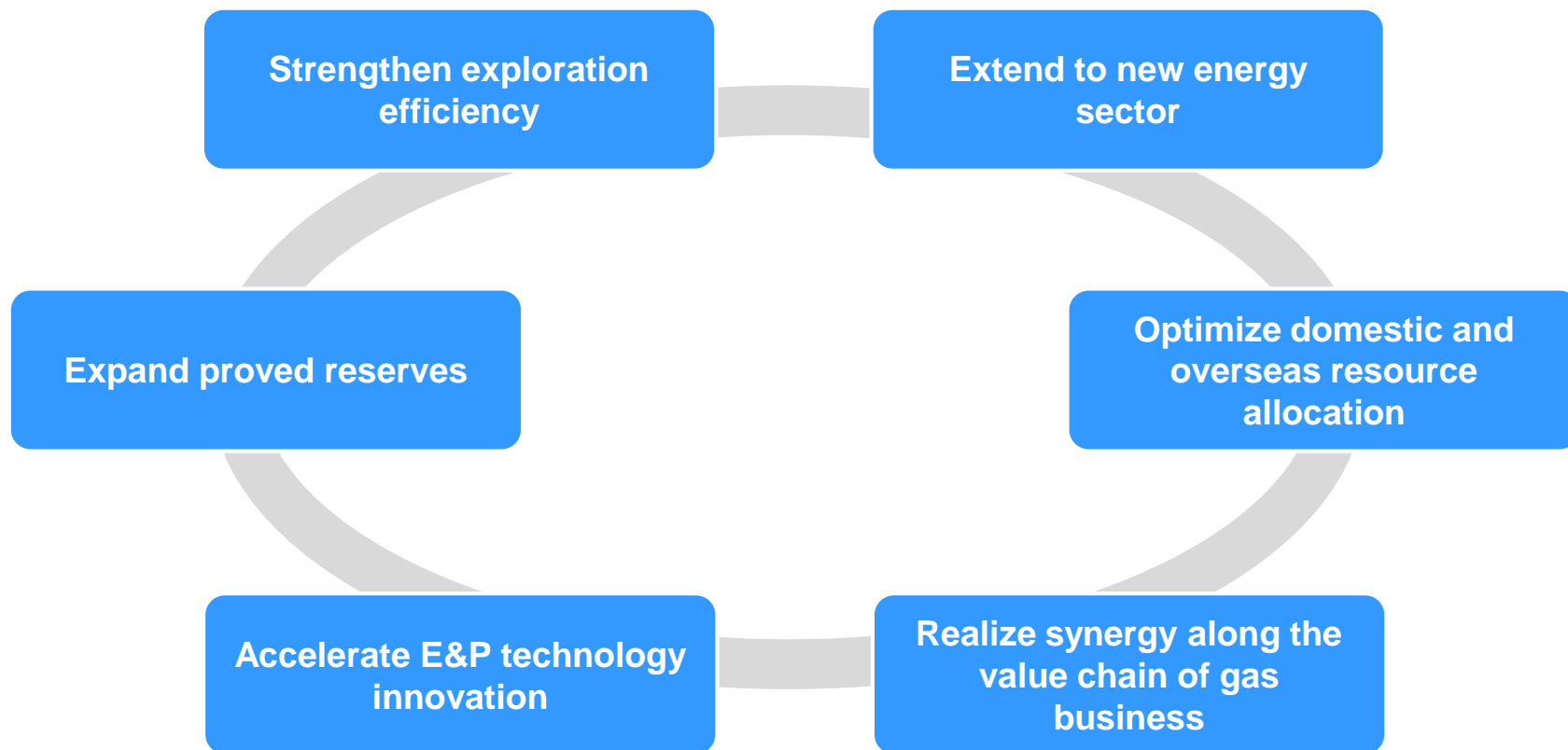


# Adhere to *Corporate Strategies*

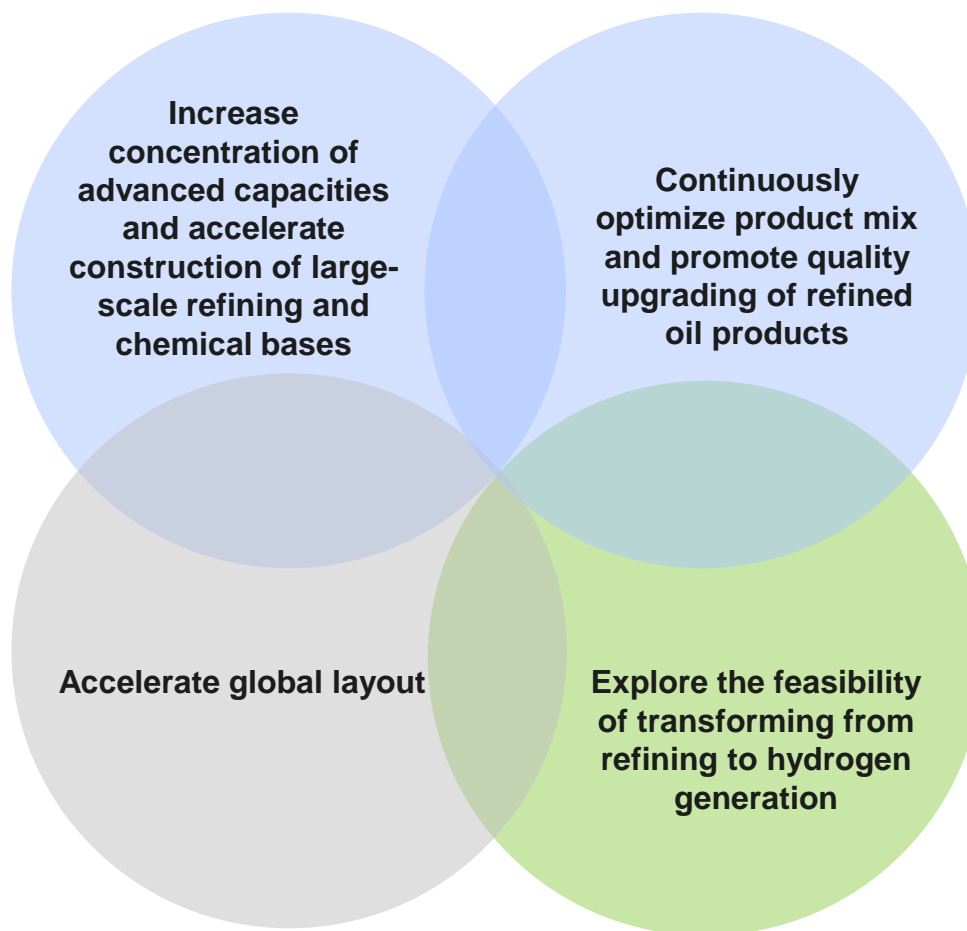
- Deepen supply-side structural reform
- Innovation as prime development driver
- Accelerate upgrading of value chain
- Expand overseas markets



# Reinforce Profitability of Traditional Businesses – Strengthen Resource Base for Upstream



# Reinforce Profitability of Traditional Businesses – Pursue Structural Adjustment of Refining



# Reinforce Profitability of Traditional Businesses –Enhance Competitiveness in Differentiation for Marketing

**Leverage the advantages of brand, network and quality to increase market share**

**Business model innovation to further advance non-fuel business**

**Accelerate industrialization and informatization, explore service stations providing oil, natural gas, hydrogen and electricity**

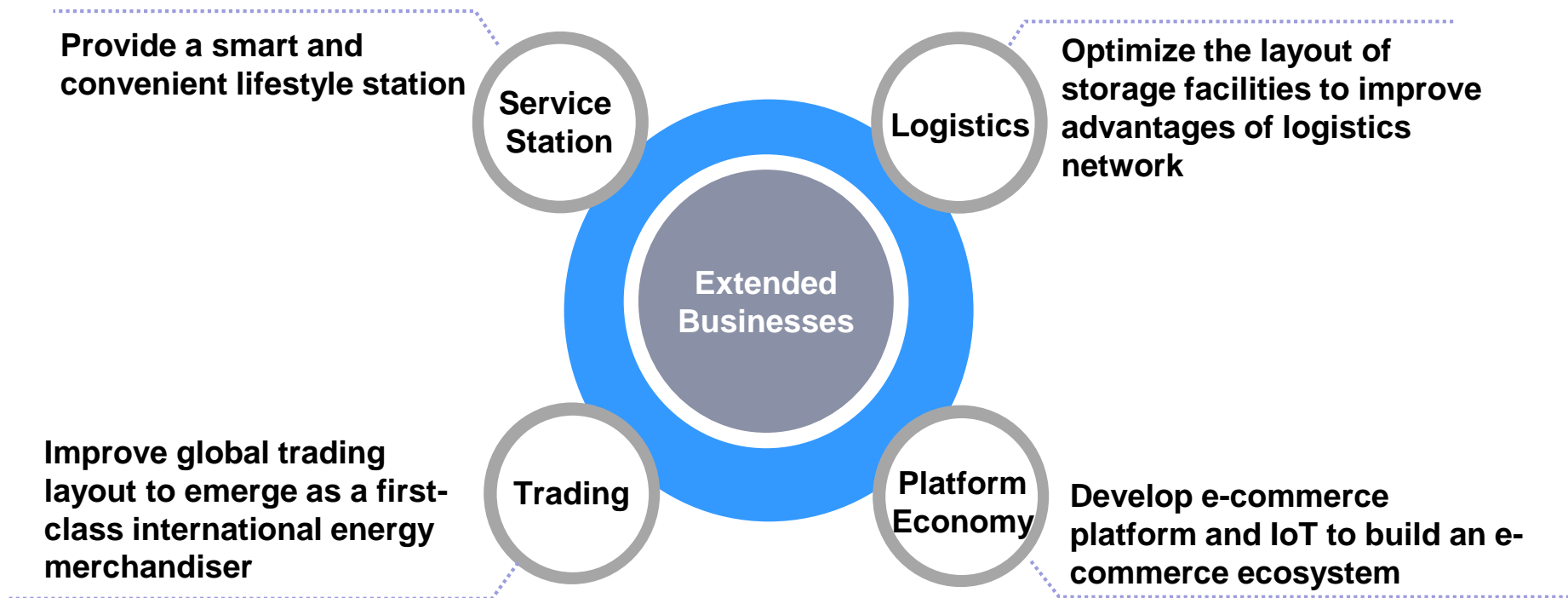
**Enhance synergy of integrated business model, expand overseas marketing network**

# **Reinforce Profitability of Traditional Businesses –Focus on basic and high-end materials, transform from provider of traditional chemicals to chemicals+materials**

- 1 Expedite the construction of advantageous facilities to improve market competitiveness**
- 2 Promote the upgrading of three major synthetic materials and development of new materials**
- 3 Optimize feedstock structure, promote integration of refining and chemicals**
- 4 Development of fine chemical and biochemical businesses in an orderly manner**
- 5 Seize the opportunity to promote overseas chemical projects**
- 6 Expand marketing scales of chemical products and improve logistics and trading systems**

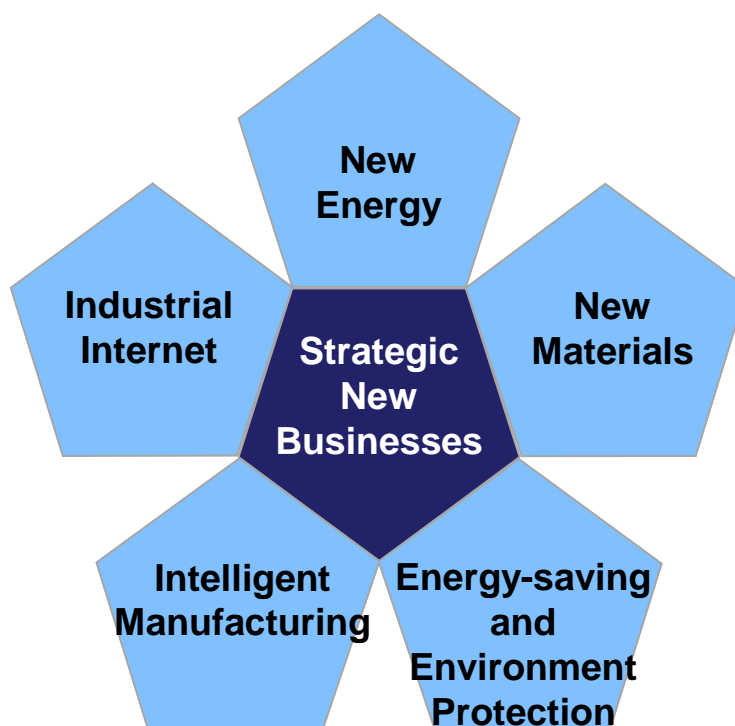


# Strengthen Synergy of Extended Businesses

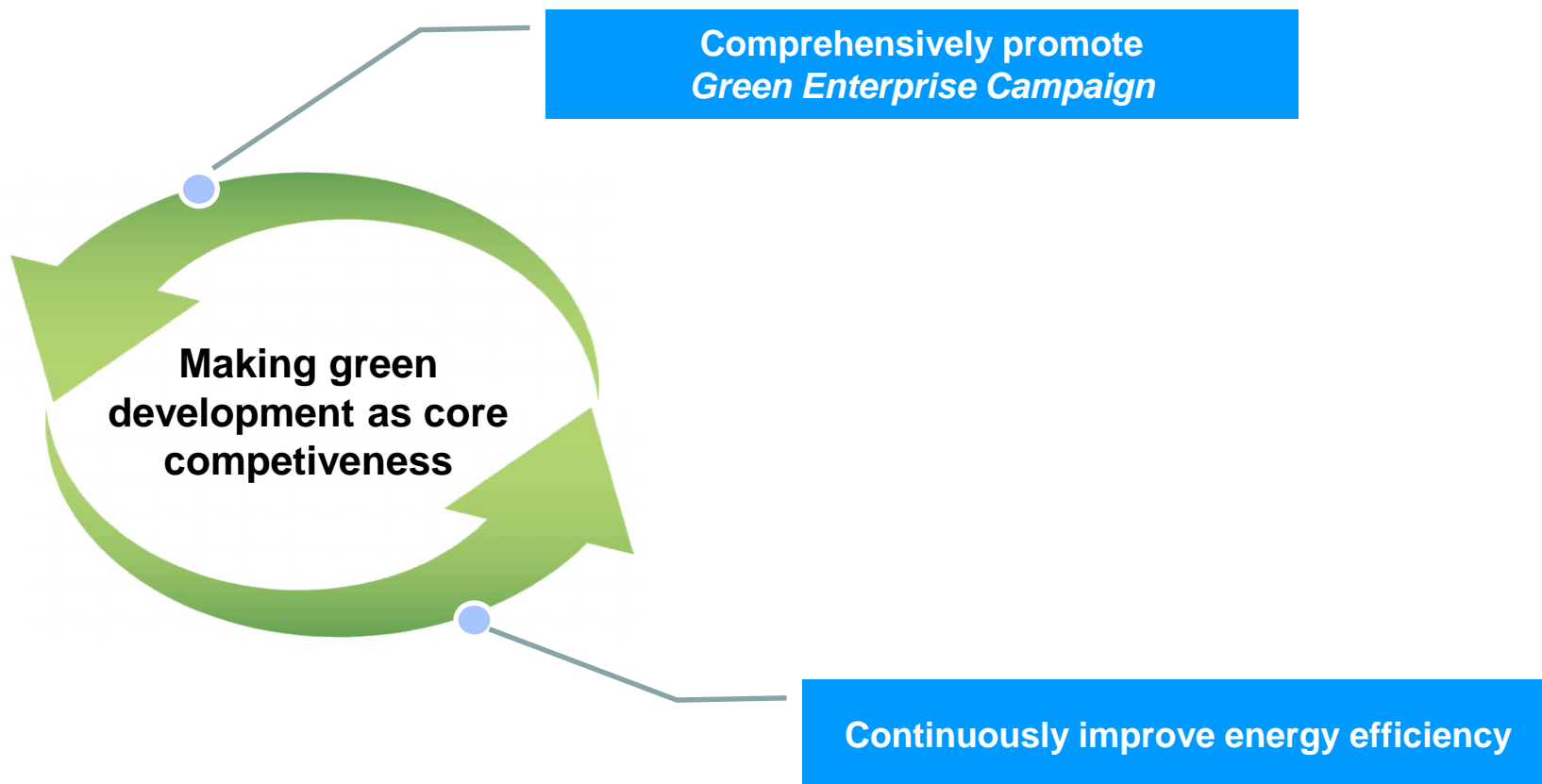


# Enhance Sustainability of New Businesses

- To cultivate new development momentum, Sinopec Capital Ltd is establish
- Actively extend industry chain and create cross-industry synergy



# Create Competitiveness of Green Development



# Step into a New Stage of High Quality Development

1

Adhere to sustainable development

2

Adhere to deepening reform

3

Ensure full compliance with laws and regulations in corporate governance

4

Persist to utilize the advantages created by Party Building to promote development

**Growing stronger, better and bigger**

**Creating new and greater value**

# Q&A

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