



China Petroleum & Chemical Corporation

2016 Interim Results Announcement

**August 29, 2016
Hong Kong**



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.



Agenda

- **1H2016 Performance Highlights**
- **1H2016 Operational Results by Segment**
- **2H2016 Operational Plan**
- **Major Work in the 13th Five-year Plan Period**



1H2016 Performance Highlights



Market Environment in 1H2016

- **China's GDP grew by 6.7% YoY**
- **International crude oil price bottomed out but remained at a low level**
- **Sustained growth in overall domestic demand for refined oil products and chemicals**
 - ◆ **Domestic apparent consumption of refined oil products grew by 4.4% YoY; gasoline and kerosene maintained growth momentum while diesel consumption further declined**
 - ◆ **Domestic consumption of ethylene equivalent increased slightly by 1.7% YoY**



Operational Highlights

– Major Discoveries in Upstream

Several Major Discoveries

- Significant commercial discoveries in Shunbei area in Tarim Basin
- Following Wei-4, Wei-6 well in Beibu Gulf offshore also achieved significant discovery
- Commercial oil and gas flow achieved at Guaican-1 well of Guaizihu Depression of Yin-E Basin in Nei Mongol





Operational Highlights

– Downstream Became a Major Profit Driver

■ Refining

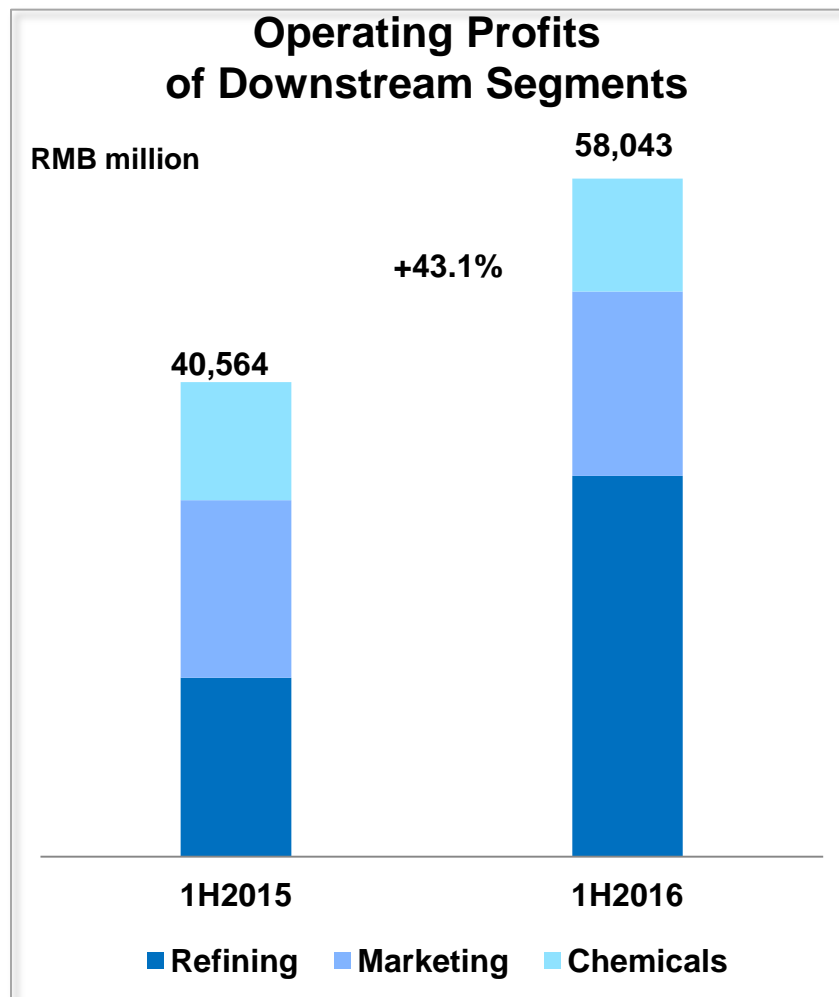
- ◆ Higher production of premium products
- ◆ Profit contribution of LPG, asphalt and etc. increased

■ Marketing

- ◆ Sustained growth in total sales volume and retail volume
- ◆ Synergy between fuel and non-fuel business yield impressive results with transaction in non-fuel up by 43%

■ Chemicals

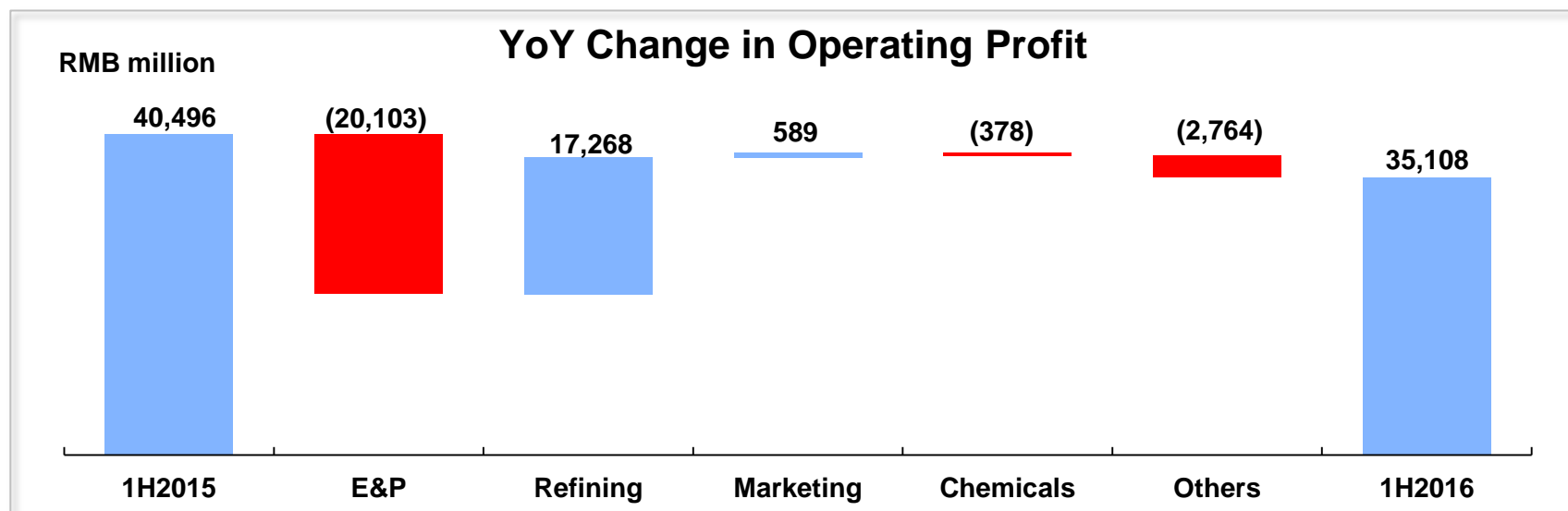
- ◆ Proportion of performance polymer increased
- ◆ Chemical all-in cost continued to decrease





Realized Full Benefits of Integrated Business Model

RMB million	1H2015	1H2016	Change(%)
Turnover and Other Operating Revenues	1,041,131	879,220	(15.6)
Operating Profit	40,496	35,108	(13.3)
Profit for the Period	31,660	27,142	(14.3)
Profit Attributable to Shareholders of the company	25,423	19,919	(21.6)
EPS (RMB)	0.211	0.165	(21.8)

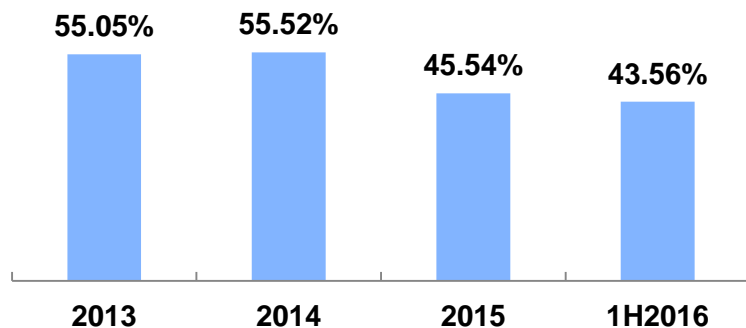




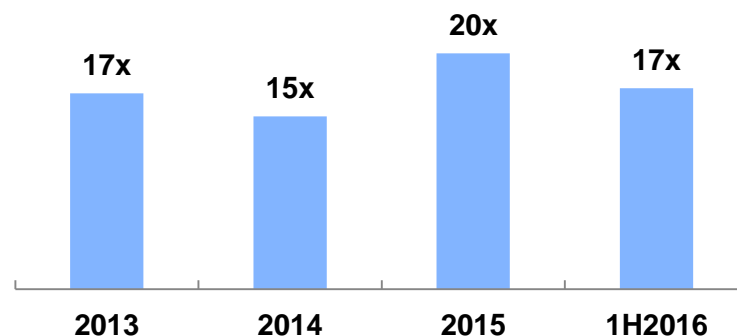
Solid Financial Position

RMB million	As of Dec. 31, 2015	As of Jun. 30, 2016	Change(%)
Total Assets	1,447,268	1,432,624	(1.0)
Short-term Interest-bearing Debt	115,446	105,173	(8.9)
Long-term Interest-bearing Debt	104,185	84,481	(18.9)
Total Equity Attributable to Shareholders of the Company	676,197	691,642	2.3

Liability-to-Asset Ratio



EBITDA-to-Interest Coverage Ratio





Strong Cash Flow

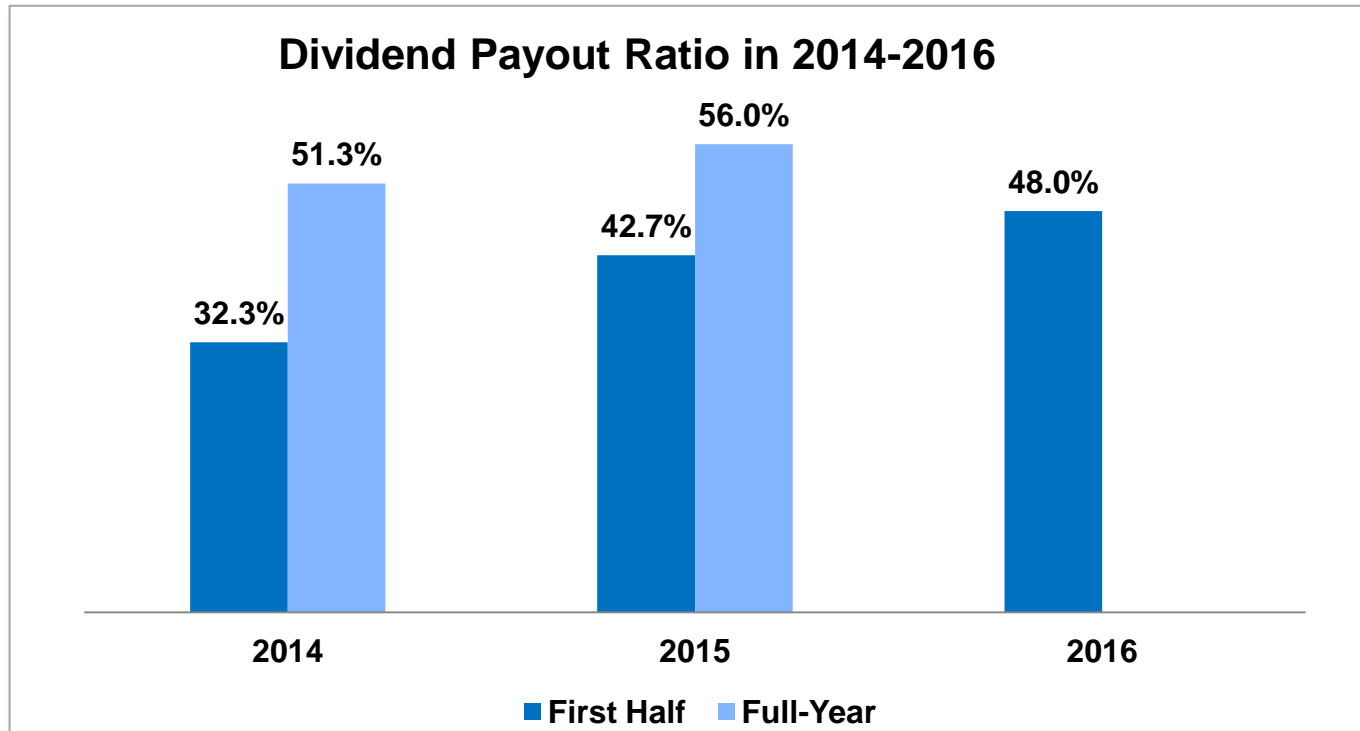
RMB million	1H2015	1H2016	Change(%)
Net Cash Generated from Operating Activities	67,095	76,112	13.4
Net Cash Used in Investing Activities	(54,952)	(26,059)	(52.6)
Net Cash Generated from/(Used in) Financing Activities	51,071	(45,930)	-

RMB million	As of Dec. 31, 2015	As of Jun. 30, 2016	Change(%)
Cash and Cash Equivalents (Incl. Time Deposits)	69,666	76,986	10.5



Dividends – Emphasis on Shareholder Returns

- The Board of Directors declared an interim dividends of RMB 0.079 per share, max payout ratio as set by the *Article of Association*
- Interim dividend payout ratio reached 48.0%
- Annualized dividend yield was around 3.84%*

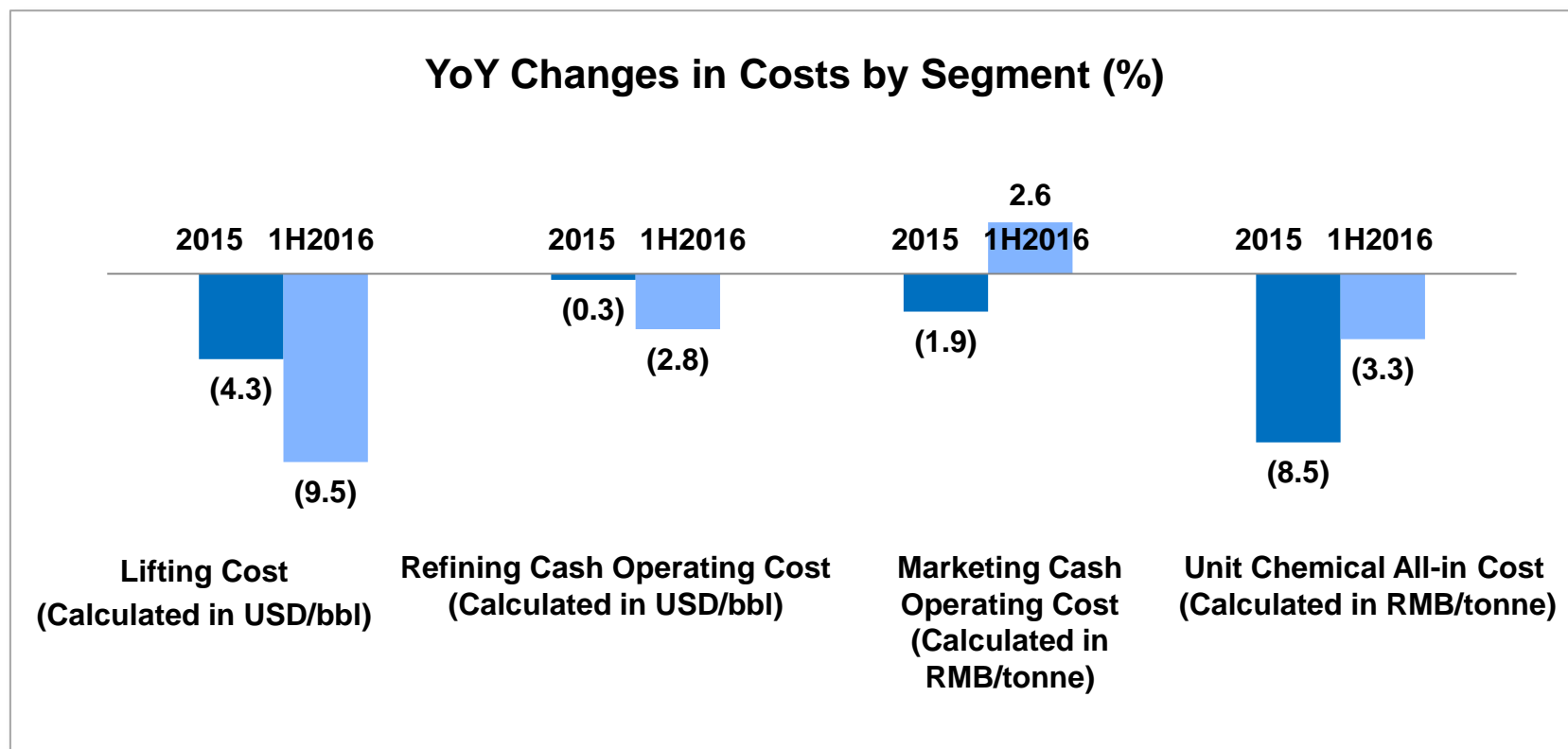


* Based on the average stock price of the Company's H-Share in 1H2016



Remarkable Achievements in Cost Reduction

- Target cost management involving all employees
- Strengthen cost control and structural optimisation

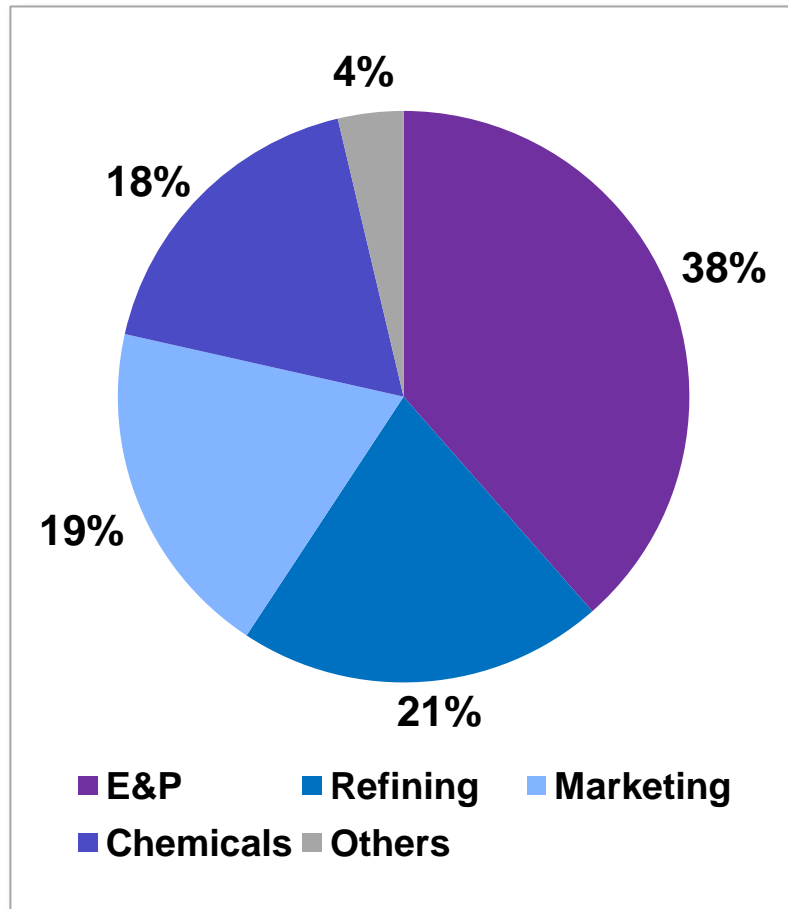


* 1H2015 USD 1 = RMB 6.1288; 1H2016 USD 1 = RMB 6.5303



Capital Expenditure – Focus on Quality and Profitability

- 2016 Capex plan of RMB 100.4 bn unchanged



- **E&P: RMB 5.2Bn**
 - ◆ Shale gas exploration and development, LNG projects and natural gas pipeline construction
- **Refining: RMB 2.8Bn**
 - ◆ Quality upgrade of gasoline and diesel, and refining mix adjustment
- **Marketing: RMB 2.6Bn**
 - ◆ Renovation of service stations and construction of refined oil pipelines and storage facilities
- **Chemicals: RMB 2.4Bn**
 - ◆ Structural improvement projects
- **R&D facilities and IT system: RMB 0.5Bn**



1H2016 Operational Results by Segment



Upstream – Major Discoveries in Exploration, Further Optimisation in Development

- Sustained investment in exploration with major discoveries
- Rapid growth in natural gas production
- Considerable reduction in high-cost crude production

	1H2015	1H2016	Change(%)
Oil and Gas Production(mmmboe)	232.95	218.99	(6.0)
Crude Oil Production(mmbbls)	174.07	154.17	(11.4)
China	147.47	128.38	(12.9)
Overseas	26.60	25.79	(3.0)
Natural Gas Production(bcf)	353.26	388.69	10.0

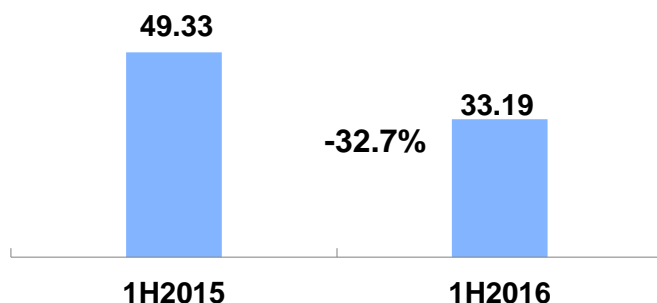
* 1 tonne=7.1 bbls for domestic crude oil production, 1 cubic meter=35.31 cubic feet for natural gas production, 1 tonne=7.22 bbls for overseas crude oil production



Upstream – Remarkable Achievements in Cost Control

Realised Price of Crude Oil

USD/bbl



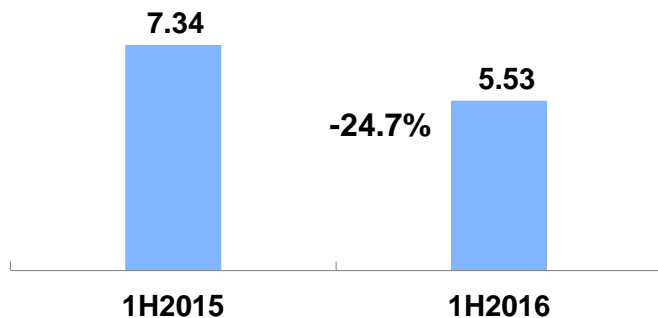
Operating Profit of E&P Segment

Unit: RMB million

	1H2015	1H2016
Operating Profit	(1,826)	(21,929)

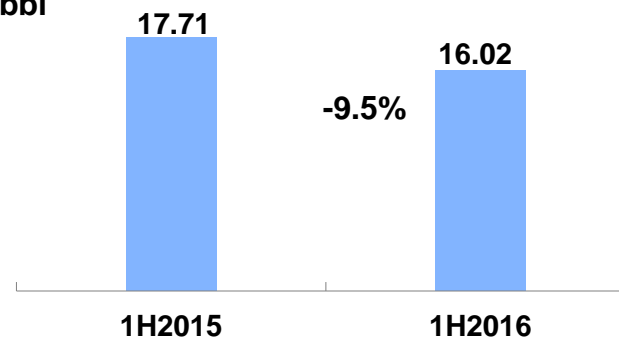
Realised Price of Natural Gas

USD/'000 cubic meters



Lifting Cost

USD/bbl





Refining – Impressive Results in Product Mix Adjustment

- Increased proportion of premium products
- Steadily promoted quality upgrading
- Increased profit contribution of LPG, asphalt and etc.

(mm tonnes)	1H2015	1H2016	Change(%)
Refinery Throughput	118.89	115.90	(2.5)
Gasoline, Diesel and Kerosene Production	74.75	73.26	(2.0)
Gasoline Production	27.02	28.03	3.7
Diesel Production	35.82	32.93	(8.1)
Kerosene Production	11.90	12.30	3.4
Light Chemical Feedstock Production	19.07	19.37	1.6
Light Yield (%)	76.69	76.61	(8bps)
Refining Yield(%)	94.98	94.75	(23bps)

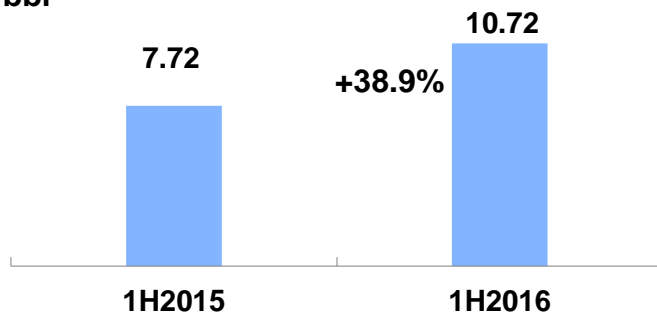
* Refinery throughput is calculated based on 1 tonne= 7.35 bbls
100% production of domestic joint ventures included



Refining – Substantial Increase in Gross Margin

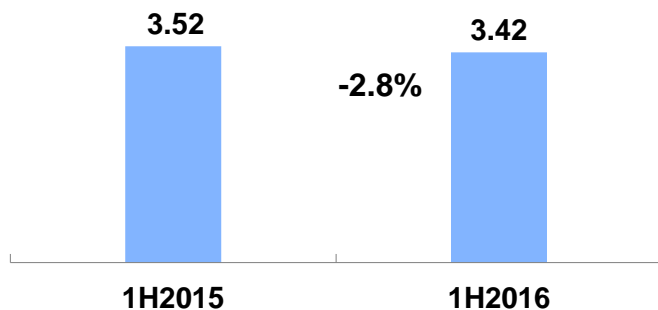
Refining Margin

USD/bbl



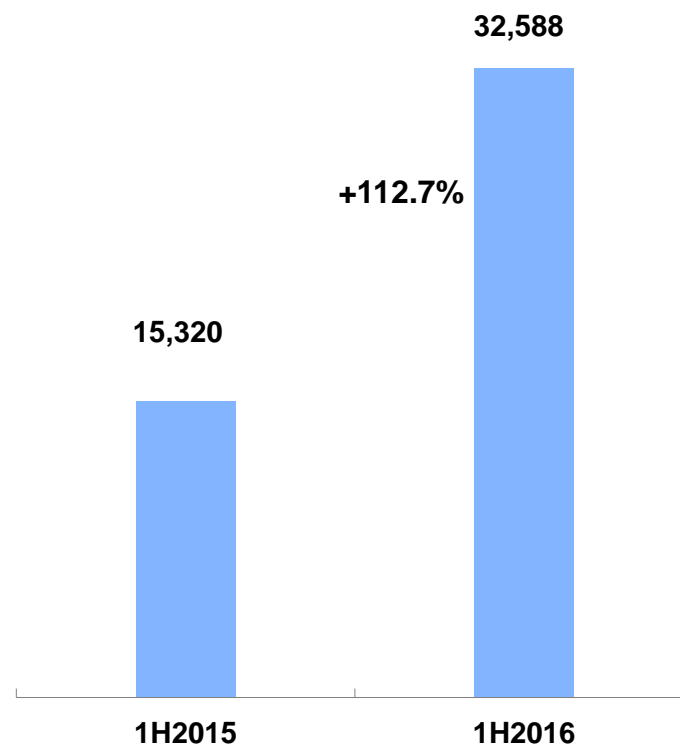
Operating cost

USD/bbl



Operating Profit of Refining Segment

RMB million





Marketing – Optimisation of Resources and Growth in Retail Volume

- Total sales volume and retail volume continued to grow
- Further increased the retail volume of high octane number gasoline
- Improved refined oil pipelines layout, enhanced marketing network

(mm tonnes)	1H2015	1H2016	Change(%)
Total Sales Volume of Refined Oil Products	92.97	97.17	4.5
Domestic Sales of Refined Oil Products	83.92	86.51	3.1
Retail	58.19	59.65	2.5
Direct Sales and Distribution	25.73	26.86	4.4
Annualised Average Throughput per Station (tonne/station)	3,816	3,889	1.9

	As of Dec. 31 2015	As of Jun.30 2016	Change(%)
Total Number of Sinopec-branded Service Stations	30,560	30,688	0.4
Company-operated	30,547	30,675	0.4

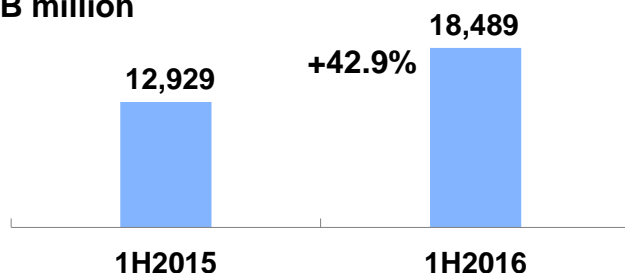


Marketing – Rapid Growth in Non-fuel Business, Segment Profit Increased

- Enhanced business innovation with sustained and rapid growth in non-fuel business

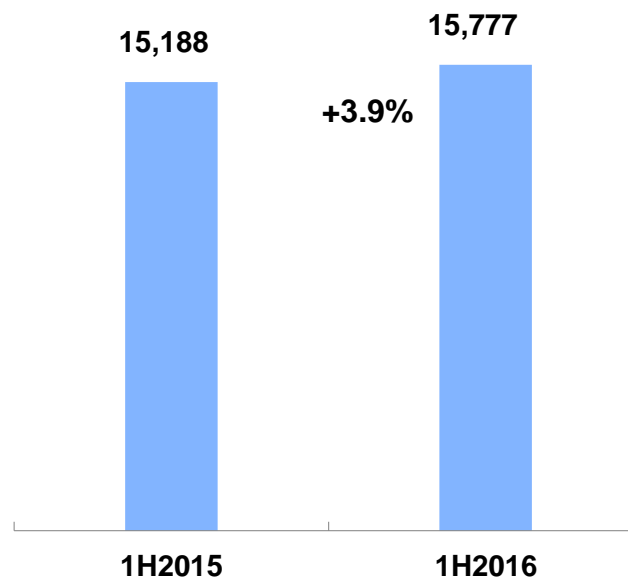
Transaction from Non-fuel Business

RMB million



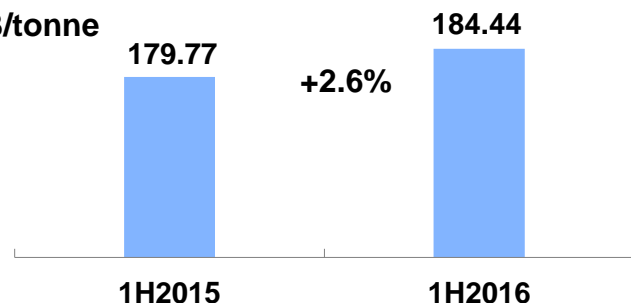
Operating Profit of Marketing Segment

RMB million



Marketing Cash Operating Cost

RMB/tonne





Chemicals – Strengthen Structural Adjustment

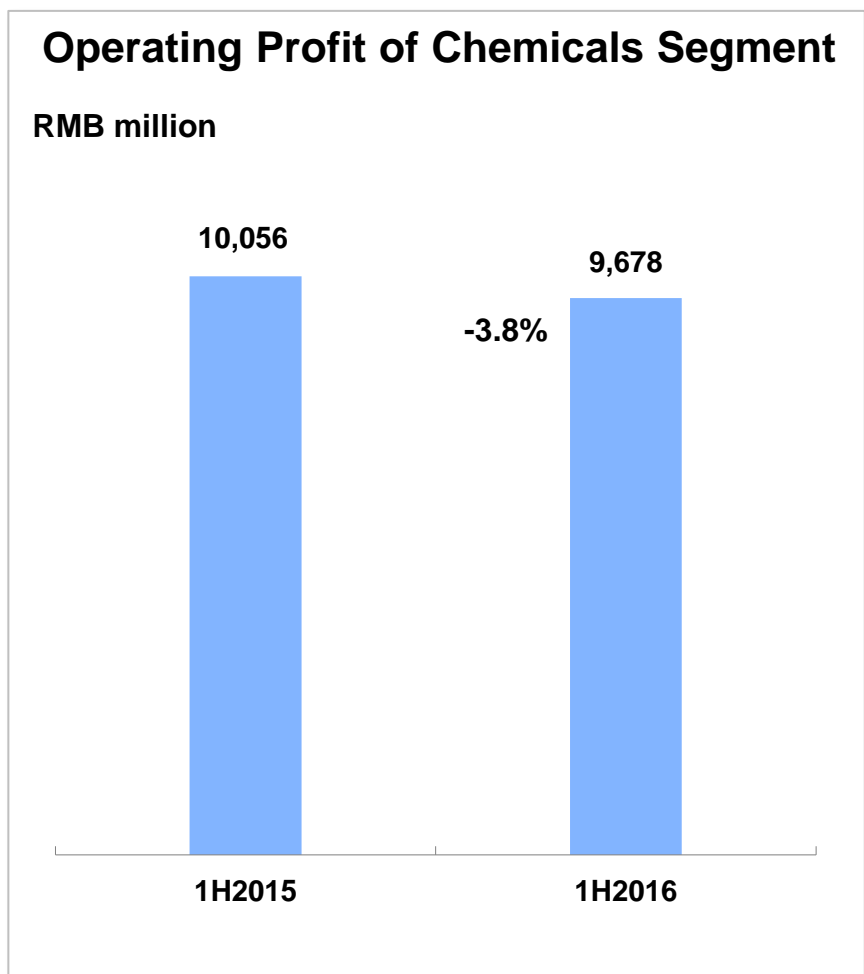
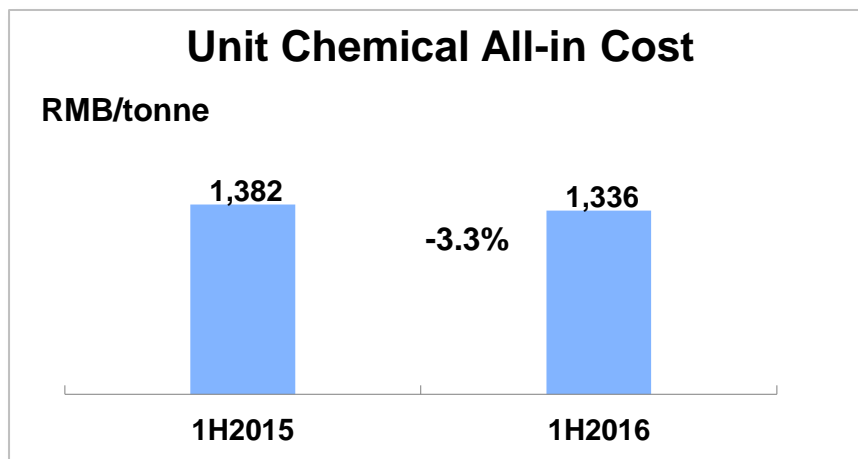
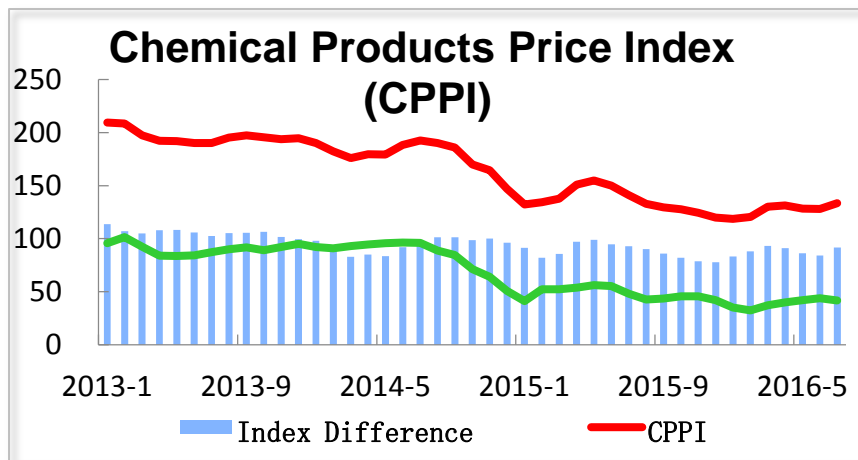
- Optimised and adjusted structure of feedstocks, products and facilities
- Higher proportion of high value-added products
- Total sales volume of chemical products increased by 8.3% YoY

'000 tonnes	1H2015	1H2016	Change(%)
Ethylene Production	5,457	5,478	0.4
Synthetic Resin Production	7,476	7,500	0.3
Synthetic Fibre Monomers & Polymers Production	4,322	4,672	8.1
Synthetic Fibre Production	638	637	(0.2)
Synthetic Rubber Production	453	411	(9.3)

* 100% production of domestic joint ventures included



Chemicals – Further Cost Cut and Maintained Strong Margin





2H2016 Operational Plan



2H2016 Market Outlook

- **China's economy will maintain steady growth**
 - ◆ Domestic demand for refined oil products will continue to grow with further adjustment in demand structure
 - ◆ Domestic demand for major petrochemical products will keep growing
- **International oil price is expected to fluctuate at a low level**
- **Naphtha-based chemicals will remain competitive**



2H2016 Production Plan

	1H2016	2H2016
Oil and Gas Production (mmboe)	219	217
Crude Oil Production (mmbbls)	154	147
Natural Gas Production (bcf)	389	421
Refinery Throughput*(mm tonnes)	116	120
Total Domestic Sales of Refined Oil Products (mm tonnes)	87	84
Ethylene Production* ('000 tonnes)	5,478	5,560

* 100% production of domestic joint ventures included



Major Work in the 13th Five-year Plan Period



Strategic Opportunities for Future Development

Economic Environment

- Global economy will maintain moderate growth
- Chinese economy has entered the “New Normal”
- Low crude price may persist

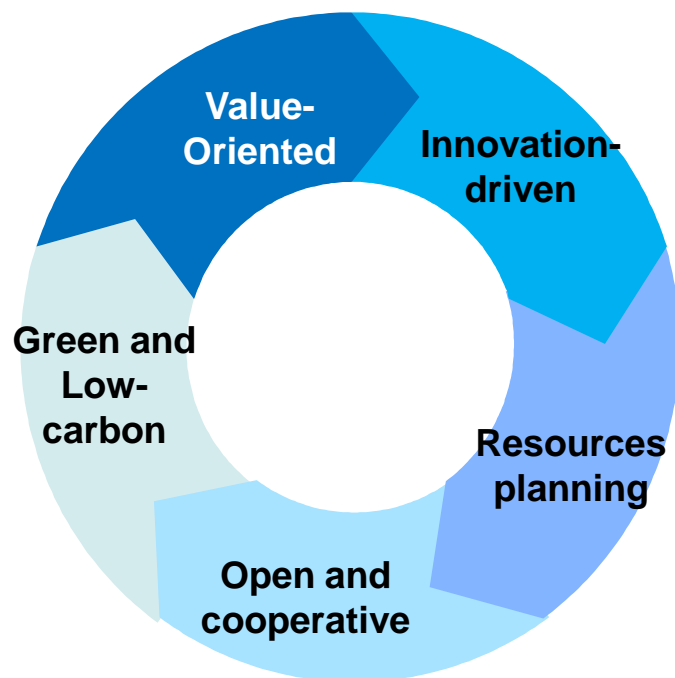
Development Opportunities

- Supply Side Structural Reform
- SOE Reform
- *Belt and Road Initiative*
- Synergetic Development of Beijing-Tianjin-Hebei
- Yangtze River Economic Belt
- *Made in China 2025 Plan*
-



Growth Strategies and Key Development Measures

Growth Strategies



Key Development Measures

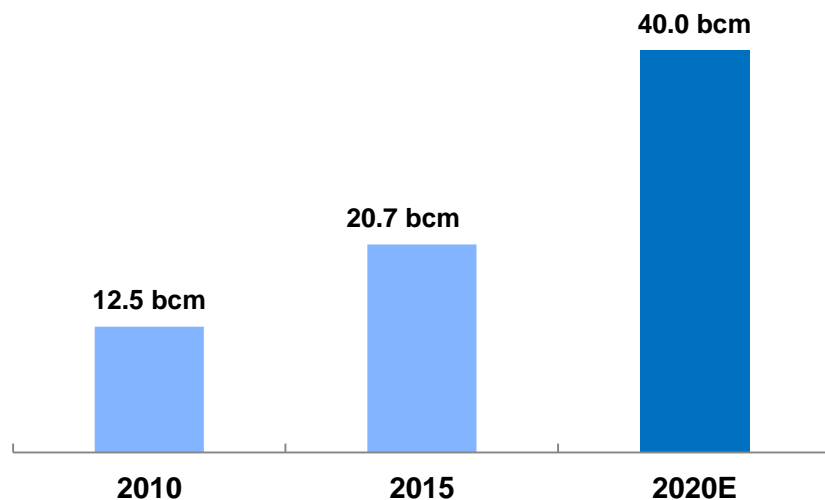
- 1 Structural Adjustment
- 2 Deepen Reform
- 3 Innovation-driven
- 4 Strengthen Overall Planning

Upstream: Vigorous Development of Natural Gas

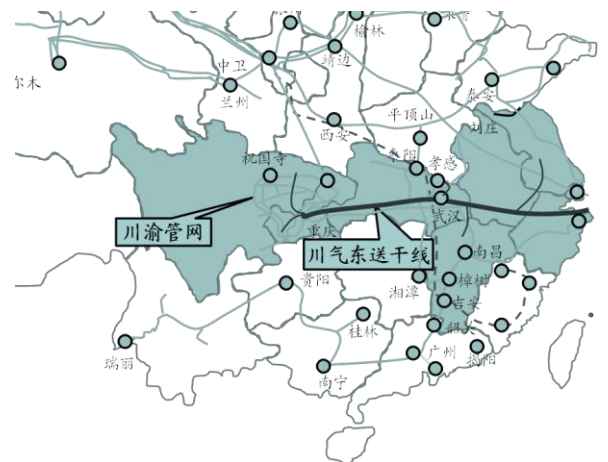
Targets of natural gas production during the 13th five year plan period

2010-2015 CAGR=11%

2015-2020 CAGR=14%



Meeting gas demand in Yangtze River Economic Belt





- [illegible]



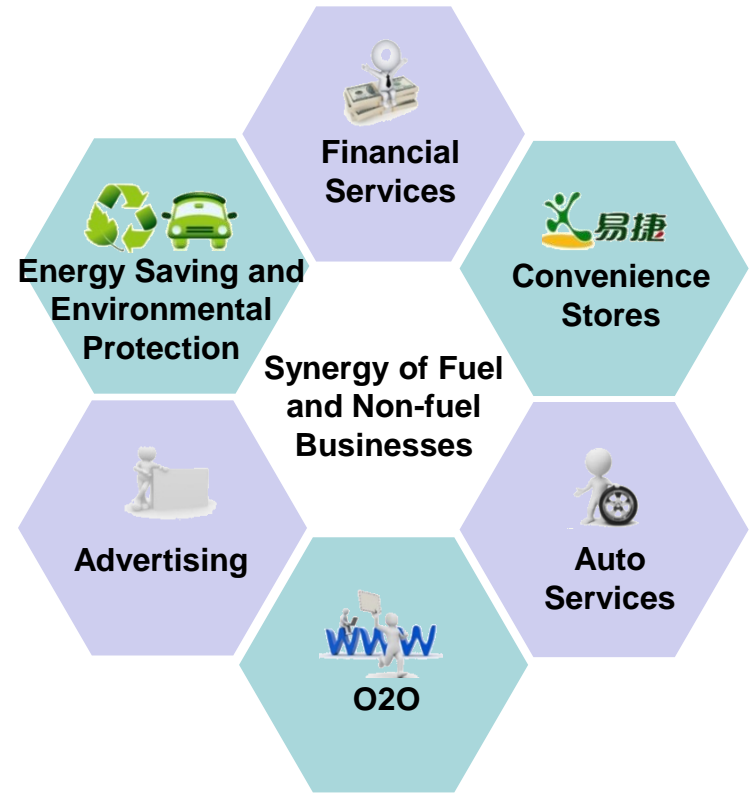
Marketing: Consolidate Marketing Networks and Cultivate New Businesses

Consolidate and improve fuel business by market-oriented approach

Solidify the strength of marketing network and integrate resources along the value chain of consumption sector



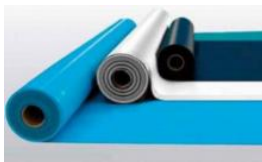
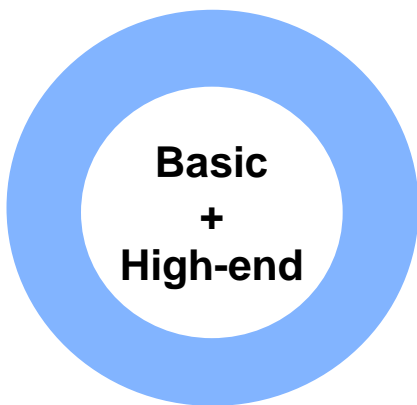
Expand new businesses and develop into a lifestyle services provider





Chemicals: Marching towards High-end

- Promote cost-reduction of homogeneous products and high-end of differentiated products, to build new growth opportunities of chemical business
- Provide customized solutions for clients



New Materials



Fine Chemical and Bio-Chemical



**Performance Polymer and
Differentiated Products**



Intelligent Plant

Cultivate New Businesses



Strengthen modern logistics system



Accelerate collaboration of new businesses



Actively expand global coverage



Deepen Reform: Activate New Advantages of Corporate Mechanism



Deepen Reform

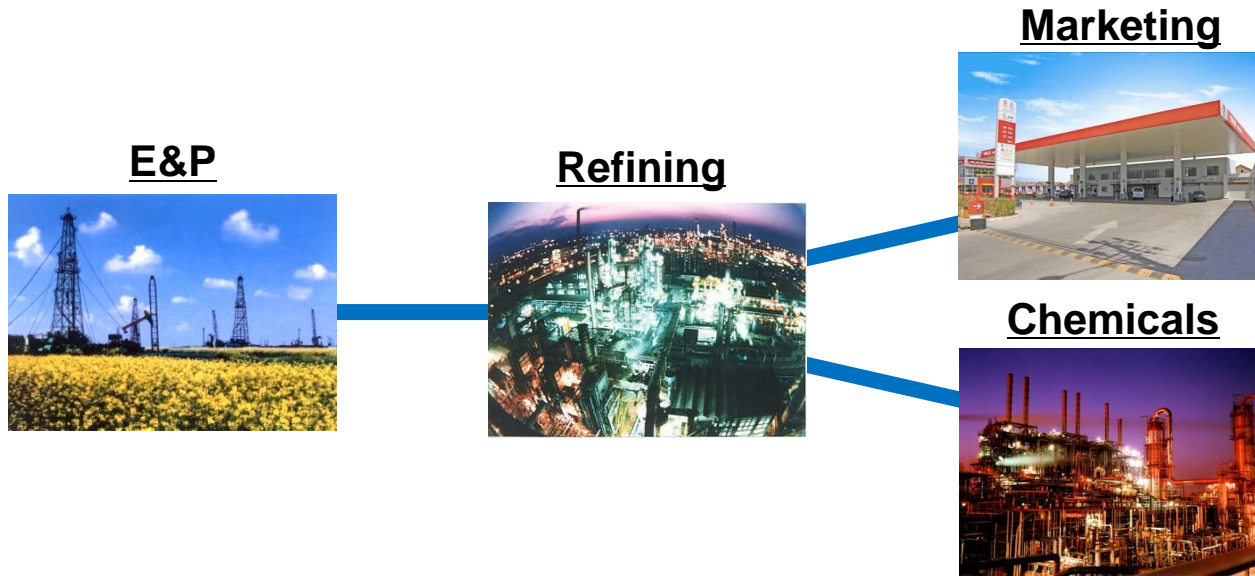
**Streamline
administrative
structure**

**Steadily promote
mixed ownership
reform**

**Enhance incentive and
constraint mechanism**



Innovation-driven: Build New Advantages through Scientific and Technological Innovation



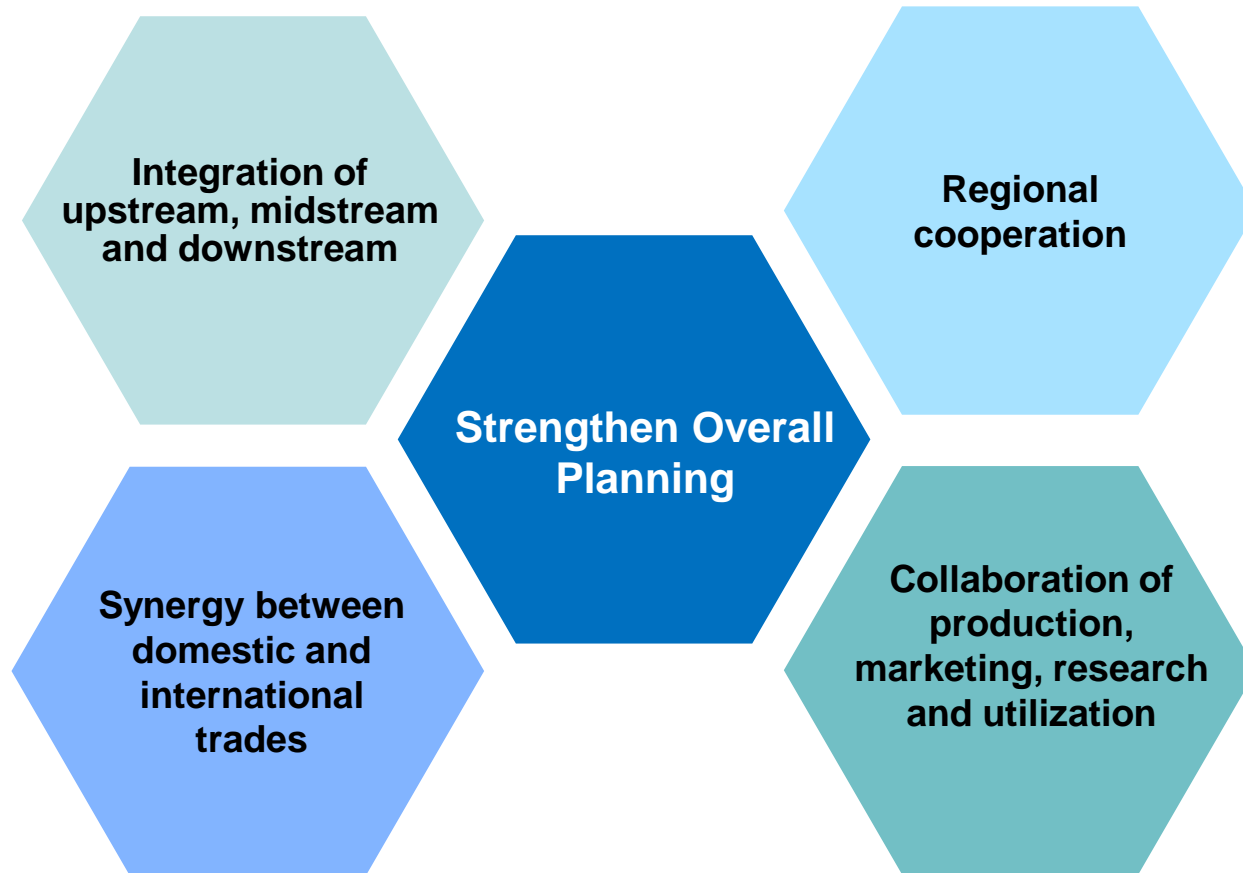
Strengthen the integration of value chain

Establish the mechanism to activate innovation vitality

Innovation in science and technology, management, products, services and business models



Strengthen Overall Planning: Create New Advantages of Integrated Competitiveness





Realising Value Creation

**Remarkable achievements
in Deepening reform**

**Advancement in R&D
and innovation
capabilities**

**Expansion in overseas
business**



**Significant reduction in
costs and expenses**

**Substantially enhanced
asset profitability**

**Increase in both
profitability and
productivity**



Q&A



<http://www.sinopec.com>

Investor relations

Beijing: Tel: (8610) 59960028 Fax: (8610) 59960386
Email: ir@sinopec.com

Hong Kong: Tel: (852) 28242638 Fax: (852) 28243669
Email: ir@sinopechk.com

New York: Tel: (212) 759 5085 Fax: (212) 759 6882
Email: marlenepan@sinopecusa.com