



中国石化  
SINOPEC

China Petroleum & Chemical Corporation

# 2019 Annual Results Announcement

30 March 2020

中国石油化工股份有限公司  
SINOPEC CORP.

# Cautionary Statement

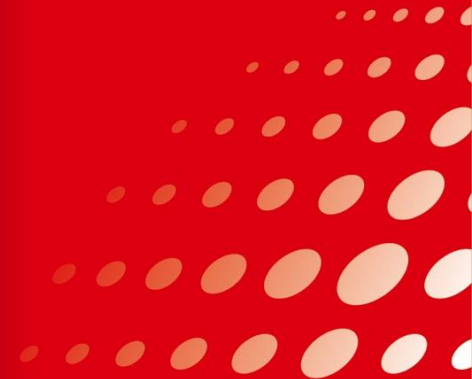
This presentation and the presentation materials distributed herein include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Sinopec Corp. expects or anticipates will or may occur in the future (including but not 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.

- **2019 Performance Highlights**
- **2019 Operational Results by Segment**
- **2020 Operational Plan**

# Agenda



# **2019 Performance Highlights**



# Market Environment in 2019

## ■ China's economy maintained an overall stable growth

- ◆ GDP grew by 6.1% YoY

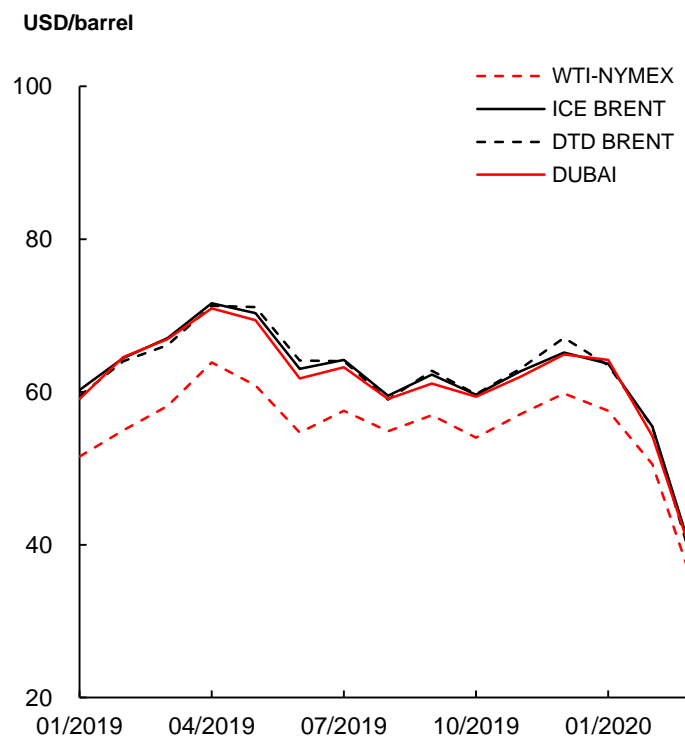
## ■ International oil price fluctuated with a wide range

## ■ Domestic demand for energy and petrochemicals

kept growth

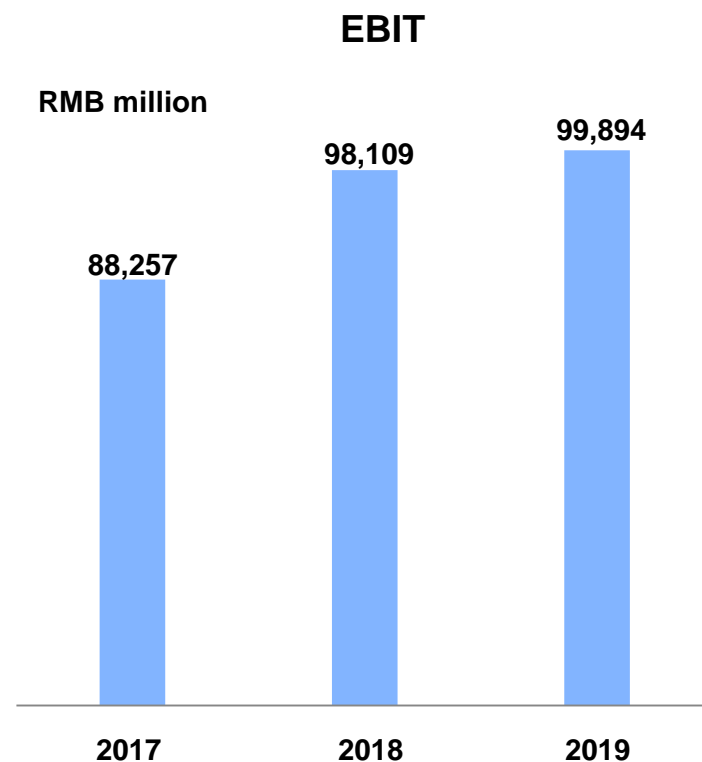
- ◆ Consumption of natural gas grew by 9.4% YoY
- ◆ Consumption of refined oil products grew by 1.4% YoY
- ◆ Ethylene equivalent consumption grew by 11.8% YoY

## Trend of International Crude Oil Prices



# Robust Results amid Tough Environment

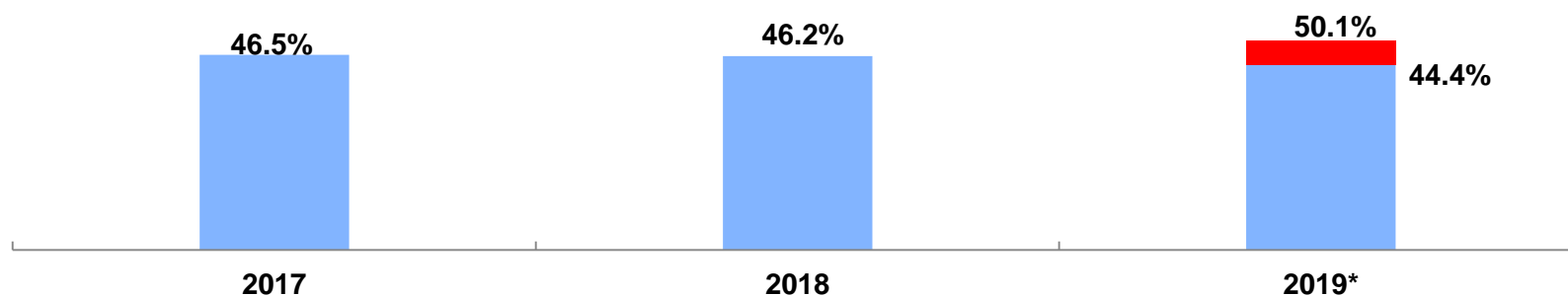
RMB million	2017	2018	2019	YoY (%)
Turnover and Other Operating Revenues	2,360,193	2,891,179	2,966,193	2.6
EBIT	88,257	98,109	99,894	1.8
Profit Attributable to Shareholders of the Company	51,244	61,618	57,465	(6.7)
EPS (RMB)	0.423	0.509	0.475	(6.7)



# Solid Financial Position

RMB million	As of 31 Dec. 2017	As of 31 Dec. 2018	As of 31 Dec. 2019
Total Assets	1,595,504	1,592,308	1,755,071
Short-term Interest-bearing Debts	80,649	61,127	48,250
Long-term Interest-bearing Debts	63,564	57,967	58,782
Total Equity Attributable to Shareholders of the Company	726,120	717,284	738,150

## Liability-to-Asset Ratio



\* 'IFRS 16: Lease' became effective on January 1, 2019. Excluding the effect of IFRS 16, the Liability/Asset Ratio was 44.4% as of December 31, 2019

# Stable Cash Flow

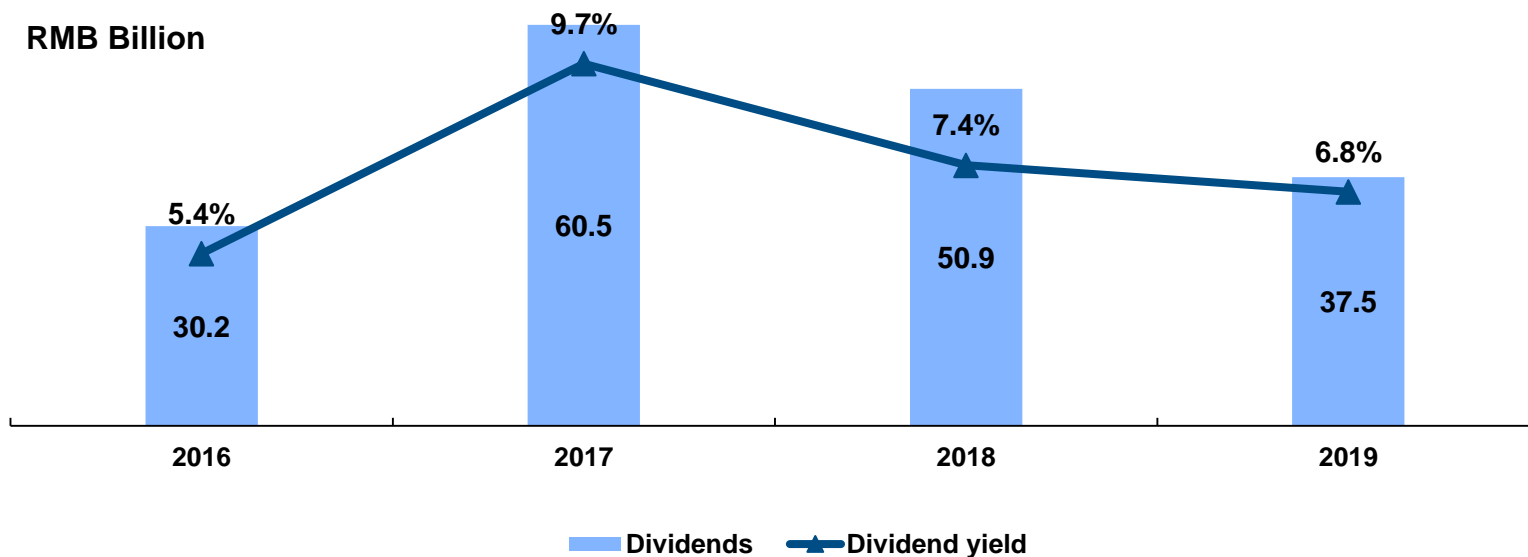
RMB million	2017	2018	2019
Net Cash Generated from Operating Activities	190,935	175,868	153,420
Net Cash Used in Investing Activities	(145,323)	(66,422)	(120,463)
Net Cash Used in Financing Activities	(56,509)	(111,260)	(84,713)

RMB million	As of 31 Dec. 2017	As of 31 Dec. 2018	As of 31 Dec. 2019
Cash and Cash Equivalents (Incl. Time Deposits)	165,004	167,015	127,927



# Dividend – Emphasis on Shareholder Returns

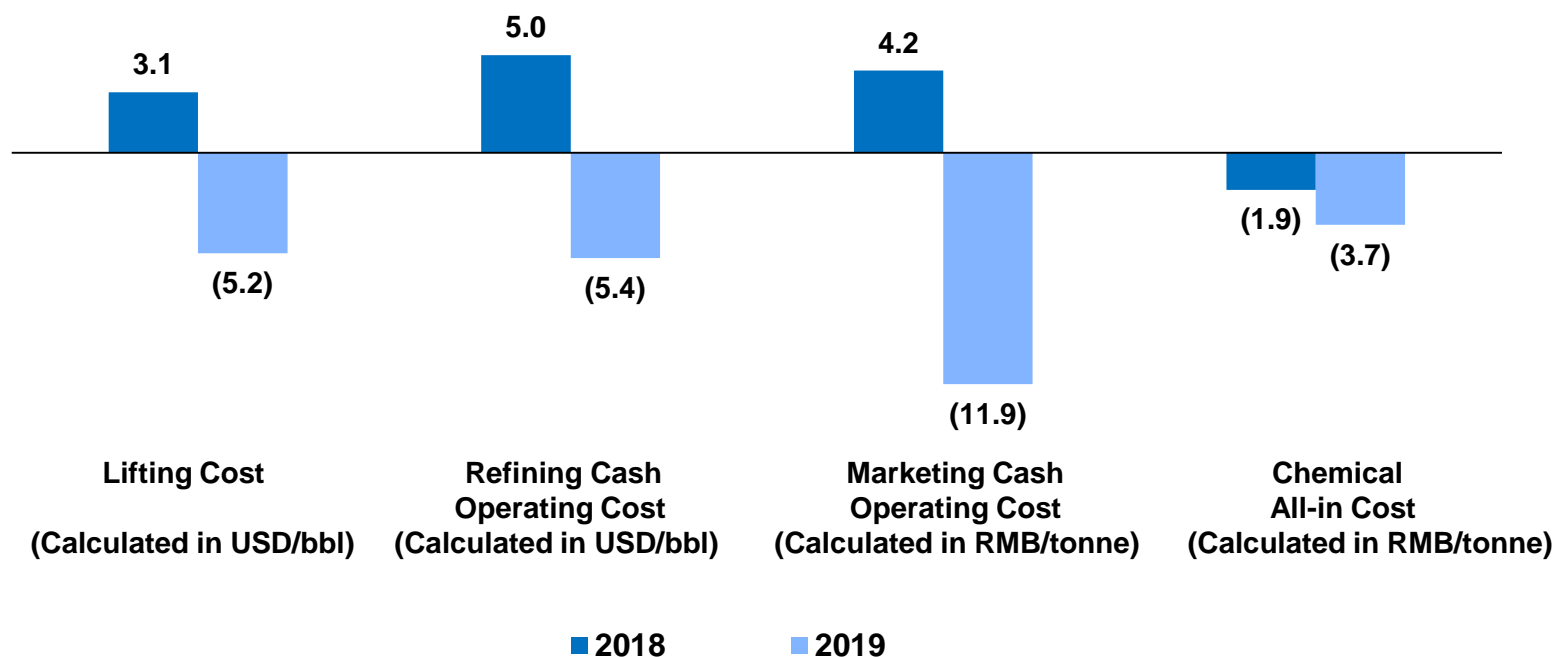
- The Board of Directors proposed a final dividend of RMB 0.19 per share (tax inclusive), with a total dividend of RMB 0.31 per share (tax inclusive) for the whole year
- Payout ratio was 65.3%
- Based on the H-Share price on 27 March 2020, dividend yield was 9.4%\*



Note: Based on the volume weighted average share price of the company's H-Share in 2016, 2017, 2018 and 2019

# Remarkable Achievements in Cost Reduction

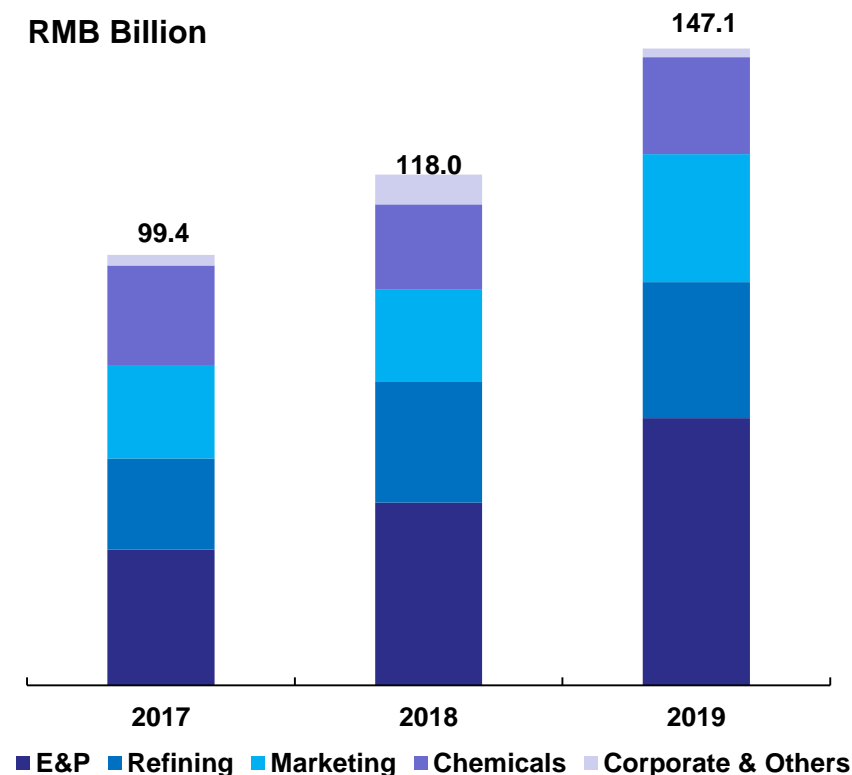
## YoY Change in Costs by Segments (%)



\* 2019 USD 1= RMB 6.8985; 2018年 USD 1=RMB 6.6174

# Capital Expenditure – Focus on Quality and Profitability

## ■ 2019 Capital Expenditure: RMB 147.1 Bn



### ■ E&P: RMB 61.7 Bn

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

### ■ Refining: RMB 31.4 Bn

Construction of Zhongke refining projects, and adjustment of product mix

### ■ Marketing: RMB 29.6 Bn

Construction of service stations, refined oil product storage facilities, and non-fuel business development

### ■ Chemicals: RMB 22.4 Bn

Construction of Zhongke and Zhenhai ethylene projects, Sinopec-Sabic Polycarbonate project and Zhongan coal chemical project

### ■ Corporate & Others: RMB 2.0 Bn

Construction of R&D facilities and IT system

# Innovation – Supporting and Leading the Company's Development

## ■ Upstream

- ◆ Made achievements in gas enrichment theory and exploration technologies of marine phase medium and large scale gas fields

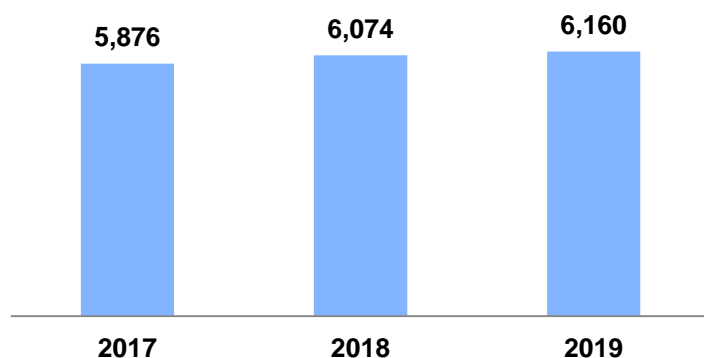
## ■ Refining

- ◆ Completed various technical formulations for low sulphur fuel oil

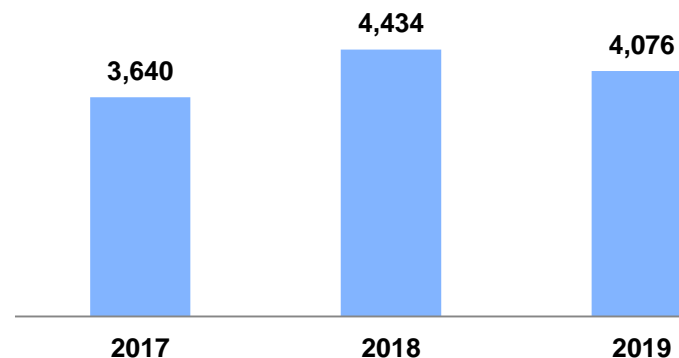
## ■ Chemicals

- ◆ The second generation of high-efficiency and environment-friendly aromatics facilities were successfully put into operation.
- ◆ PPTA technology realized industrialization

**No. of Patents Applied**



**No. of Patents Granted**



# In-Depth Implementation Green and Low-Carbon Growth Strategy and Continue to Promote HSSE Management



Enhanced all staff health management, and established safeguard mechanism for occupational, physical and psychological health



Promoted identifying and elimination of safety and environment hazard and achieved sound results



Improved capability of all-dimension risk prevention and control system, and emergency response



Further promoted "Green Enterprise Campaign" and "Energy Efficiency Upgrading Plan" to improve environmental management

Achieving continuous reduction of major pollutants discharge and fresh water volume for industrial use

Joining the Alliance to End Plastic Waste to promote the development of the plastic circular economy

# Fulfillment of Corporate Social Responsibility

- **Focus on Targeted Poverty Alleviation for eliminating poverty**
  - Three of our designated poverty alleviation counties, Yuexi and Yingshang in Anhui province and Bange in Tibet had been lifted out of poverty
- **Improved communication with local communities through *Sinopec Open Day* activities**
- **Carry out public welfare projects to assist people in distress and serve the community**
  - Continued Sinopec Life Express Programme, Warm Stations Programme and Beach Cleaning in HK programme



RMB 187 million  
Capital invested in  
Targeted Poverty  
Alleviation



274  
Industry projects for  
poverty alleviation



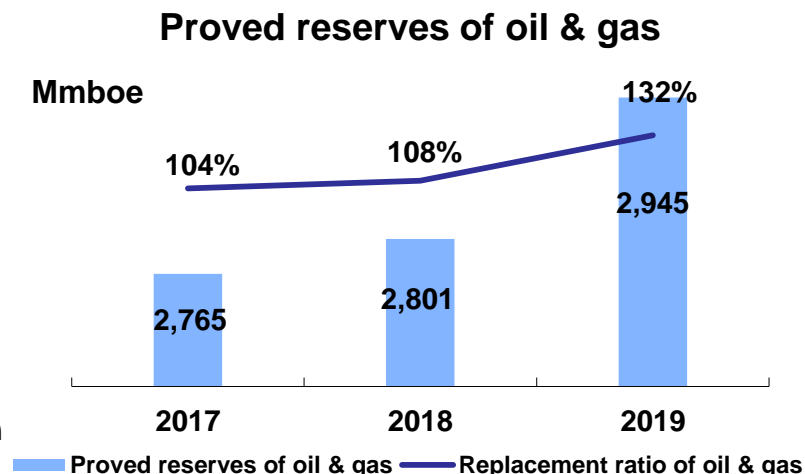
31, 003  
Population Lifted  
Out of Poverty  
in 2019

## **2019 Operational Results by Segment**



# Upstream – Implemented the action plan of redoubling efforts in oil and gas exploration and production

- Reinforced venture exploration and preliminary exploration in new areas with domestic oil and gas reserves replacement ratio of 138.7%
- Prioritised profit-oriented development and promoted the capacity building of profitable crude oil production
- Promoted a coordinated growth along the value chain of natural gas and achieved rapid growth in gas production



	2017	2018	2019	YoY (%)
Oil and Gas Production (mmboe)	448.79	451.46	458.92	1.7
Crude Oil Production (mmbbls)	293.66	288.51	284.22	(1.5)
China	248.88	248.93	249.43	0.2
Overseas	44.78	39.58	34.79	(12.1)
Natural Gas Production (bcf)	912.50	977.32	1,047.78	7.2

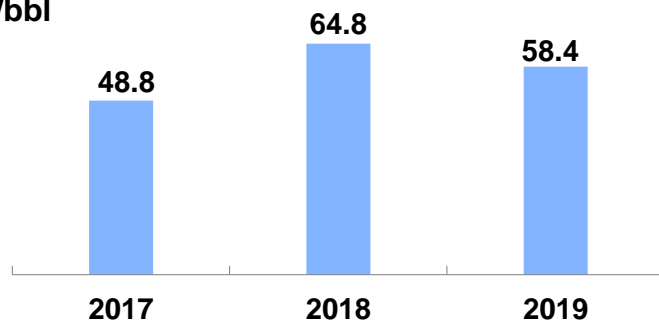
\* 1 cubic meter=35.31 cubic feet



# Upstream – Significant Increase in Earnings

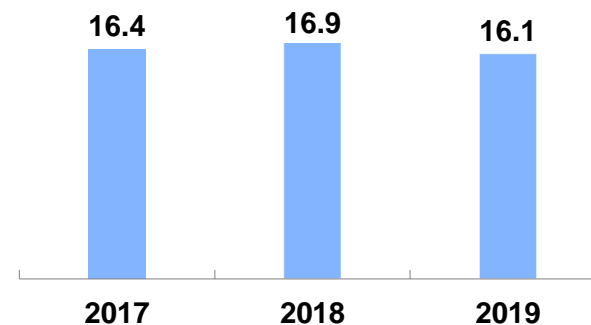
## Realised Price of Crude Oil

USD/bbl



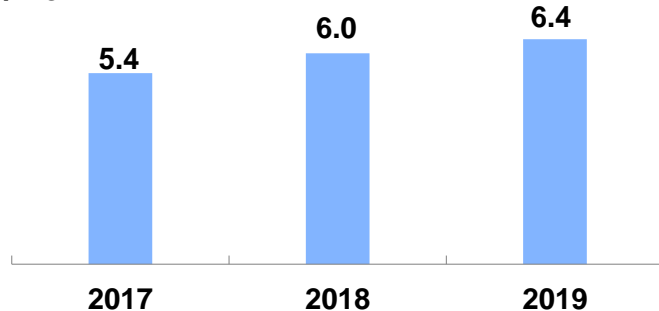
## Lifting Cost

USD/bbl



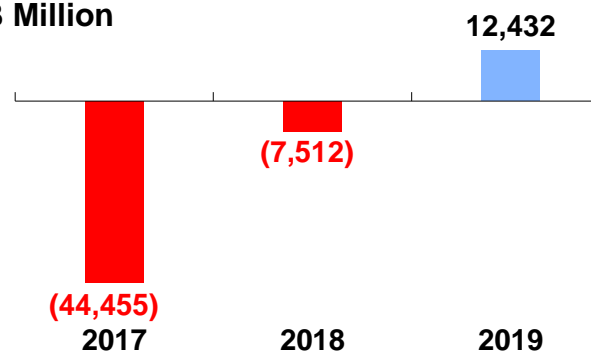
## Realised Price of Natural Gas

USD/mcf



## EBIT of E&P

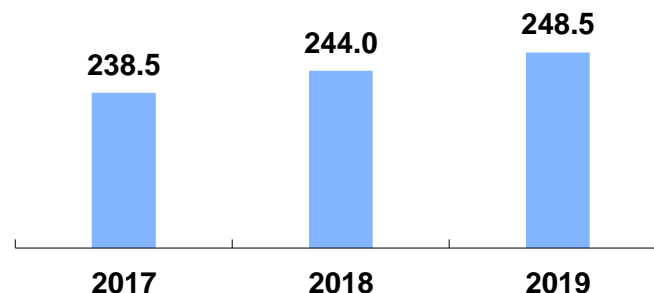
RMB Million



# Refining – Continuous Optimisation of Product Mix

- Optimised product mix with diesel-to-gasoline ratio down to 1.05
- Leveraged integrated advantage and maintained high utilisation rate
- Optimised the production plan for LSFO

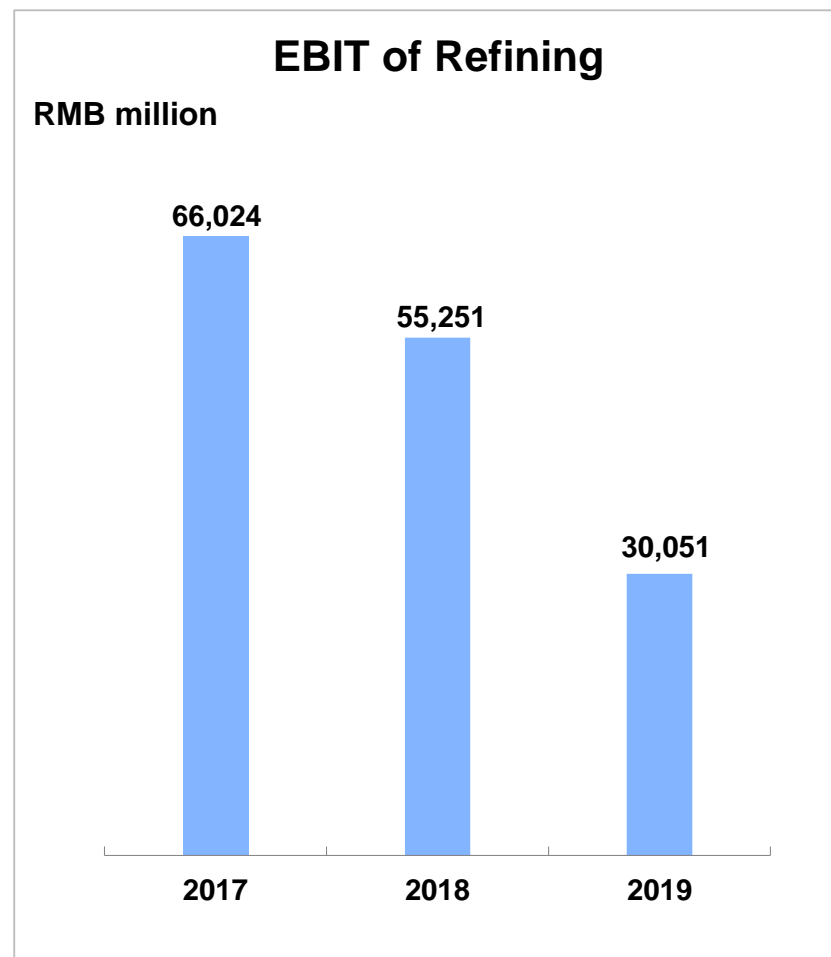
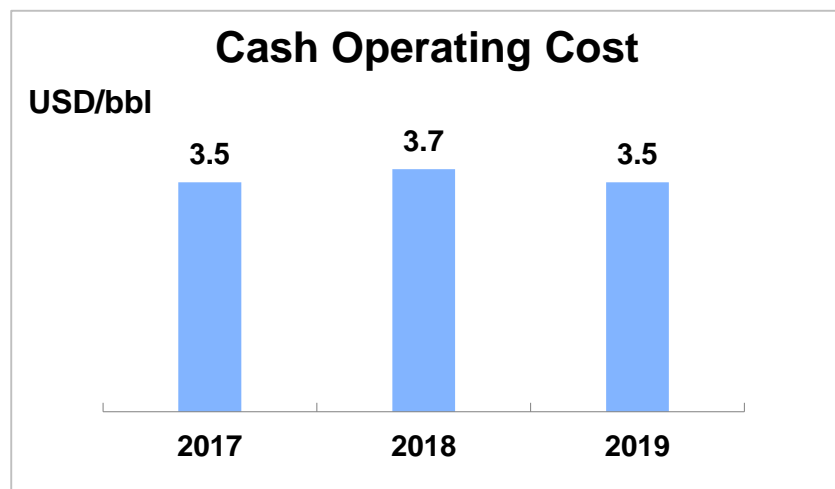
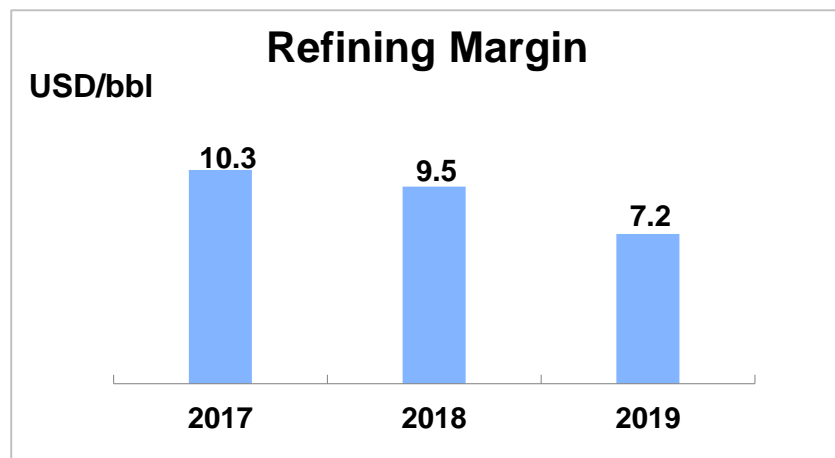
**Refinery Throughput**  
Million tonnes



(mm tonnes)	2017	2018	2019	YoY (%)
<b>Gasoline, Diesel and Kerosene Production</b>	<b>150.67</b>	<b>154.79</b>	<b>159.99</b>	<b>3.4</b>
Gasoline Production	57.03	61.16	62.77	2.6
Diesel Production	66.76	64.72	66.06	2.1
Kerosene Production	26.88	28.91	31.16	7.8
<b>Light Chemical Feedstock Production</b>	<b>38.60</b>	<b>38.52</b>	<b>39.78</b>	<b>3.3</b>
<b>Diesel-to-Gasoline Ratio</b>	<b>1.17</b>	<b>1.06</b>	<b>1.05</b>	<b>Decline by 0.01</b>

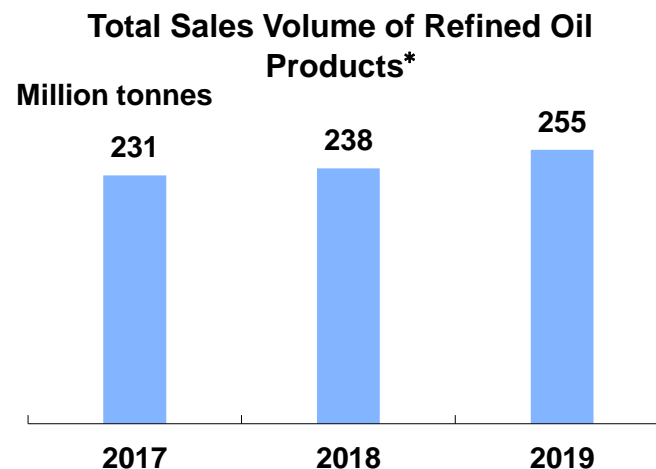
\*Refinery throughput is calculated based on 1 tonne= 7.35 bbls  
100% production of domestic joint ventures included

# Refining – Maintained Strong Resilience



# Marketing – Leveraged Production & Marketing Synergy and Network Advantage in Response to Competition

- Sustained growth in domestic sales volume and retail scale
- Optimised the layout of service stations and leveraged network advantage. The Company owned 30,702 branded service stations
- Accelerated the construction and operation of CNG stations and explored the development of hydrogen fueling stations



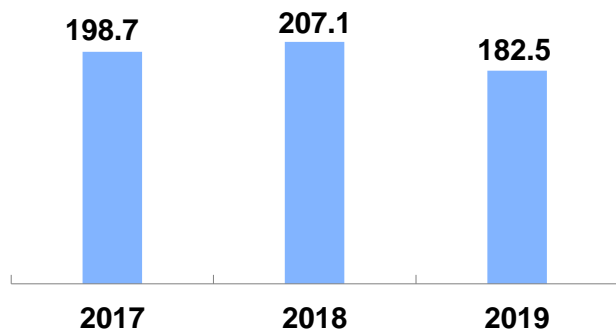
mm tonnes	2017	2018	2019	YoY (%)
<b>Domestic Sales of Refined Oil Products</b>	<b>177.76</b>	<b>180.24</b>	<b>184.45</b>	<b>2.3</b>
Retail	121.56	121.64	122.54	0.7
Wholesale and Distribution	56.20	58.61	61.91	5.6
<b>Annual Average Throughput per Station (tonne/station)</b>	<b>3,969</b>	<b>3,979</b>	<b>3,992</b>	<b>0.3</b>

\*The total sales volume of refined oil products includes sales volume from Marketing and Distribution Segment and trading volume

# Marketing – Realised Growth in Earnings

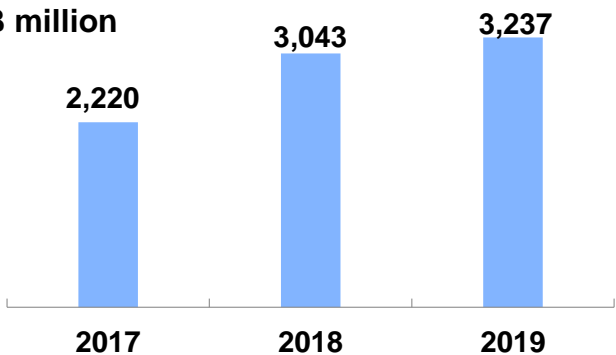
## Marketing Cash Operating Cost

RMB/tonne



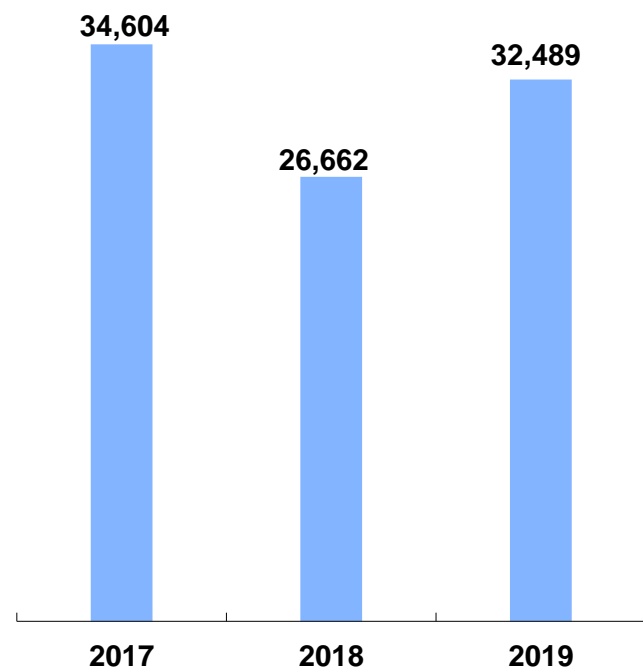
## Profit of Non-fuel Business

RMB million



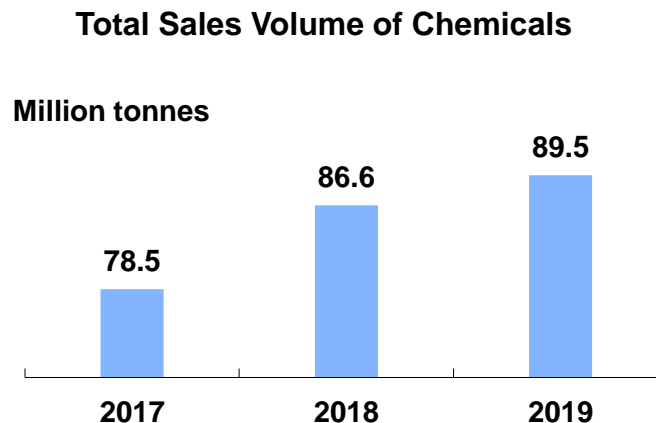
## EBIT of Marketing

RMB million



# Chemicals – Strengthened Structural Adjustment

- Optimised feedstock mix to further reduce feedstock costs
- Optimised product slate and promoted the development and application of new products
- Optimised unit operations to appropriately arrange utilisation and scheduling
- Promoted targeted marketing and service to further expand our business



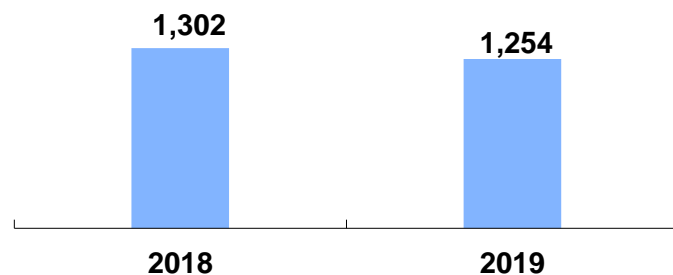
'000 tonnes	2017	2018	2019	YoY (%)
Ethylene Production	11,610	11,512	12,493	8.5
Synthetic Resin Production	15,938	15,923	17,244	8.3
Synthetic Fibre Monomers & Polymers Production	9,439	9,343	10,029	7.3
Synthetic Fibre Production	1,220	1,218	1,289	5.8
Synthetic Rubber Production	848	896	1,047	16.9

\* 100% production of domestic joint ventures included

# Chemicals – Relatively High Profitability

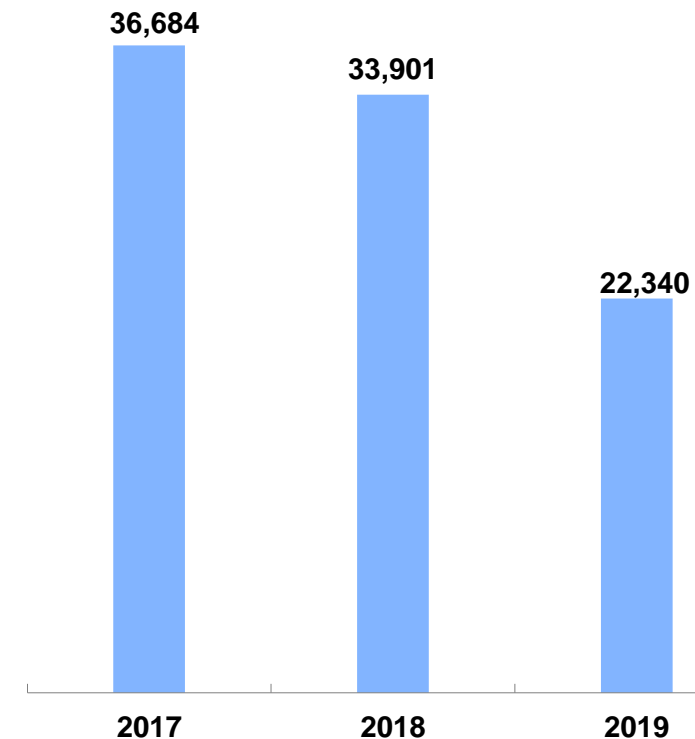
## Chemical All-in Cost

RMB/tonne

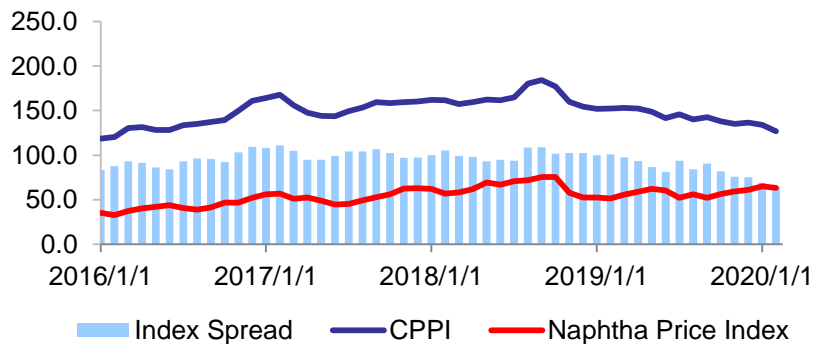


## EBIT of Chemicals

RMB million



## Chemical Products Price Index (CPPI)



# **2020 Operational Plan**





# Market Outlook of 2020

- The global economy will face more instabilities and uncertainties
- The fundamentals of China's long-term sound economic growth remain unchanged.
- Domestic demand for energy and chemical products is expected to be relatively weak in short-term, but the accumulated demand will be released rapidly after the outbreak
- International oil price is expected to fluctuate at a low level

# 2020 Production Plan

## ■ Upstream

- ◆ Adhere to the overall optimisation of 'Investment, Reserve, Production, Cost and Profit' to realise sustainable development
- ◆ Enhance high-quality exploration and promote profit-oriented development of crude oil
- ◆ Promote the increasing of production, sales volume and profit in natural gas

## ■ Refining

- ◆ Adhere to the supply, production and sales synergy to promote the efficient operation of the refining business chain
- ◆ Optimise the crude procurement and resource allocation to lower cost

## ■ Marketing

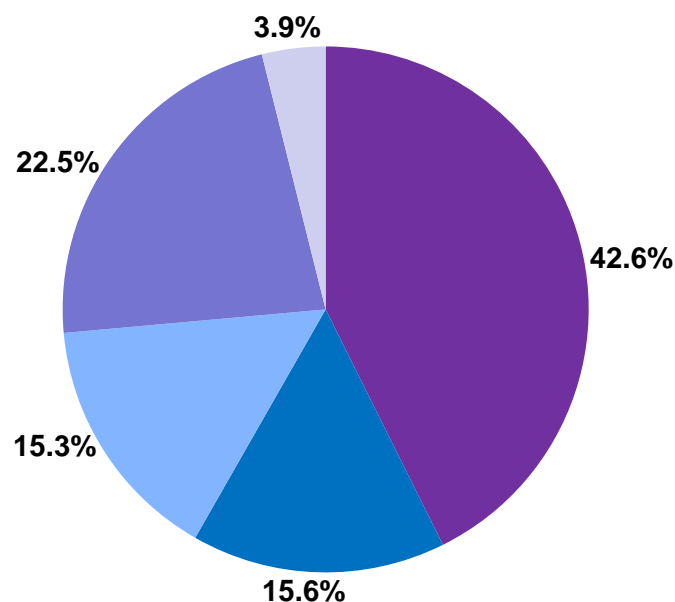
- ◆ Leverage the advantages of integration of production and sales to improve operation quality and market share
- ◆ Boost innovation in business models to drive rapid growth in non-fuel business

## ■ Chemical

- ◆ Deepen the adjustment of feedstock, product slate and unit operating to improve competitiveness and profitability
- ◆ Improve targeted marketing and services to consolidate market share

# Preliminary Capital Expenditure Plan for 2020

## ■ Preliminary Capex Plan: RMB 143.4 Bn



■ E&P ■ Refining ■ Marketing ■ Chemicals ■ Corporate & Others

## ■ E&P: RMB 61.1 Bn

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

## ■ Refining: RMB 22.4 Bn

Construction of Zhongke project, and adjustment of product mix projects

## ■ Marketing: RMB 22.0 Bn

Construction of refined oil product storage facilities, pipelines and service stations, as well as non-fuel business development

## ■ Chemicals: RMB 32.3 Bn

Construction of Zhongke, Zhenhai, Gulei projects, Sinopec-Sabic Polycarbonate project and Zhongan coal chemical project

## ■ Corporate & Others: RMB 5.6 Bn

Construction of R&D facilities and IT system

# Q&A

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