



**China Petroleum & Chemical Corporation**

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# **2016 Annual Results Announcement**

**March 27, 2017  
Hong Kong**



## Cautionary Statement

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**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

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- **2016 Performance Highlights**
- **2016 Operational Results by Segment**
- **2017 Operational Plan**



## 2016 Performance Highlights



## Market Environment in 2016

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- **China's GDP grew by 6.7% YoY**
- **International crude oil price fluctuated at a low level with an upward trend**
- **Sustained growth in overall domestic demand for refined oil products and petrochemicals**
  - ◆ **Domestic consumption of oil products grew by 4.3 % YoY with robust growth in gasoline and kerosene consumption and a decline in diesel consumption**
  - ◆ **Domestic consumption of chemical products increased by 3.0% YoY**
- **Domestic refined oil product pricing mechanism further improved**



# Operational Highlights

## ■ Upstream

- ◆ Sustained exploration efforts with new discoveries
- ◆ Completed mixed-ownership reform of Sichuan-to-East China Pipeline project

## ■ Refining

- ◆ Accelerated refined oil products quality upgrading
- ◆ Increased production of premium products
- ◆ Lowered procurement cost with competitive advantage in trading

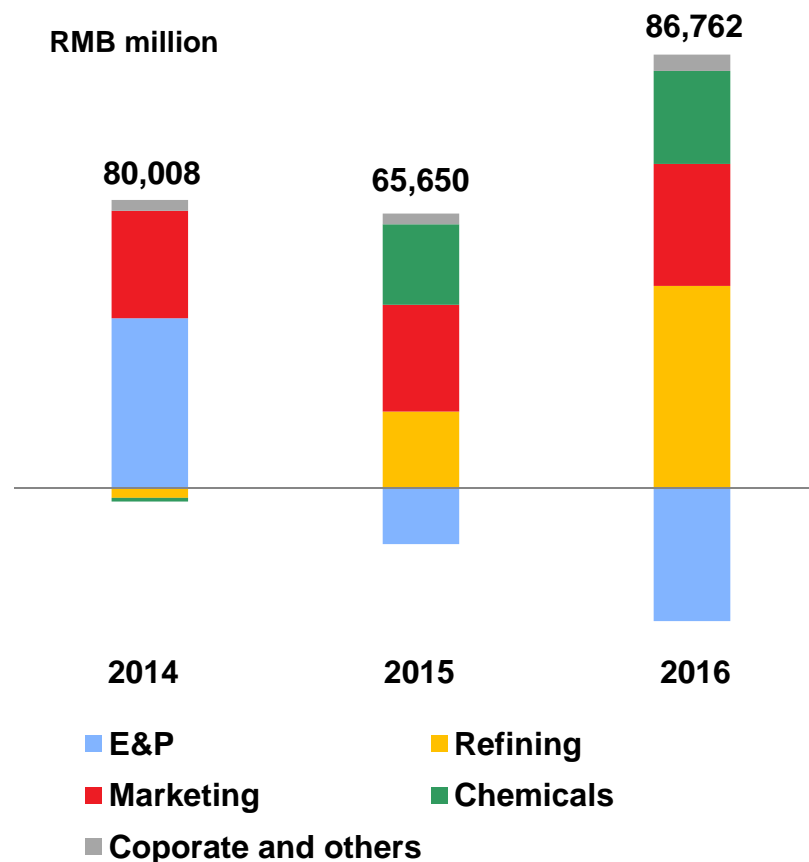
## ■ Marketing

- ◆ Sustained growth in total sales and retail volume
- ◆ Transaction volume of non-fuel business increase by 41.4% YoY

## ■ Chemicals

- ◆ Structural adjustment with effective results
- ◆ Higher sales contribution from performance polymer
- ◆ Further reduction in all-in cost

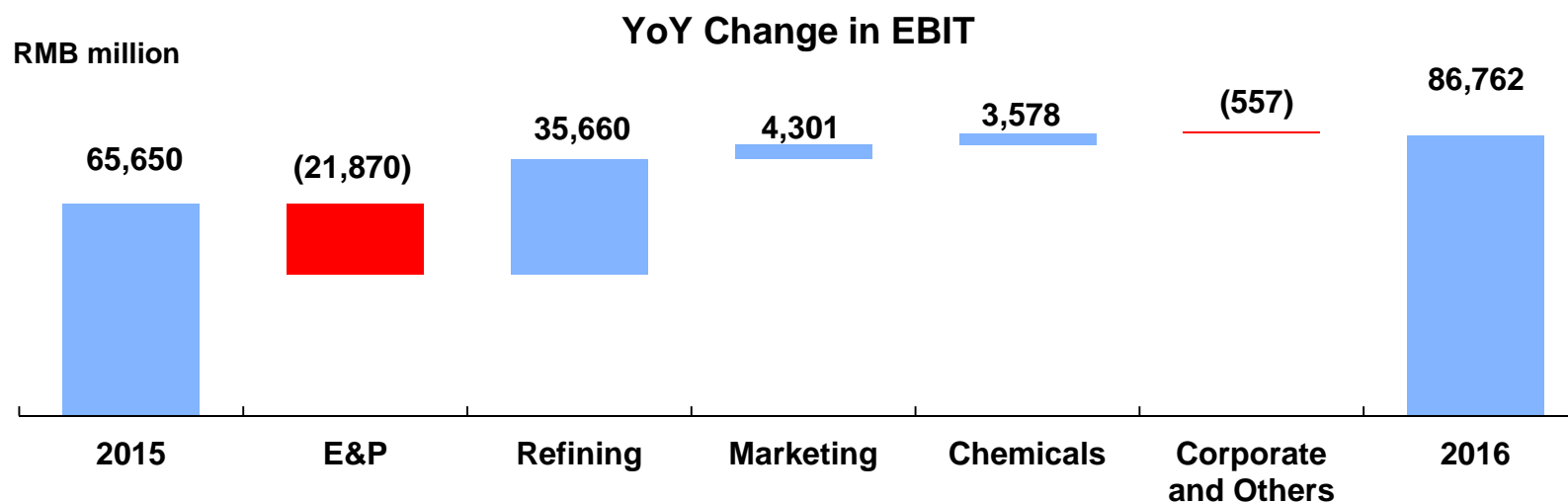
## EBIT Breakdown





## Capturing Value from Integrated Business Model

RMB million	2014	2015	2016	YoY Change %
Turnover and Other Operating Revenues	2,827,566	2,020,375	1,930,911	(4.4)
EBIT	80,008	65,650	86,762	32.2
Profit for the Year	48,247	43,798	59,444	35.7
Profit Attributable to Equity Shareholders of the company	46,639	32,512	46,672	43.6
EPS (RMB)	0.399	0.269	0.385	43.1





## Strong Cash Flow

RMB million	2014	2015	2016	YoY Change %
Net Cash Generated from Operating Activities	148,019	165,740	214,543	29.4
Net Cash Used in Investing Activities	(132,321)	(116,719)	(66,217)	(43.3)
Net Cash (Used in) / Generated from Financing Activities	(21,524)	9,093	(93,047)	-

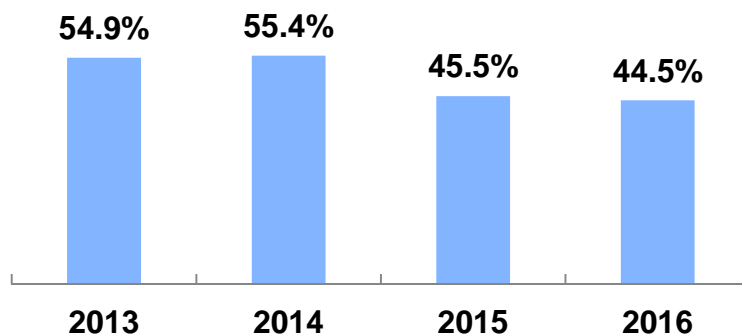
RMB million	2014	2015	2016	YoY Change %
Cash and Cash Equivalents (Incl. Time Deposits)	11,271	69,666	142,497	104.5



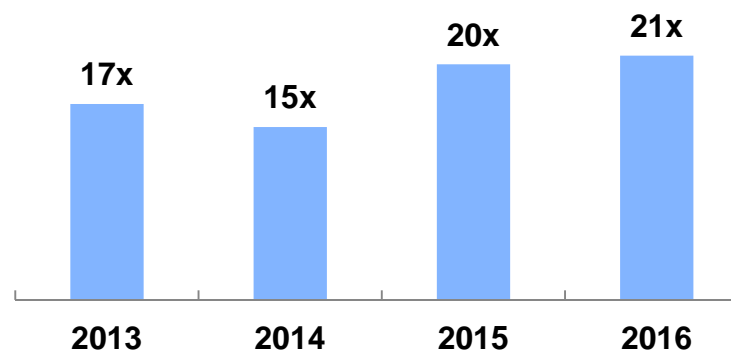
## Solid Financial Position

RMB million	2014	2015	2016	YoY Change %
Total Assets	1,455,594	1,447,268	1,498,609	3.5
Short-term Interest-bearing Debts	178,148	115,446	74,819	(35.2)
Long-term Interest-bearing Debts	115,372	104,186	81,886	(21.4)
Total Equity Attributable to Shareholders of the Company	595,255	676,197	710,994	5.1

Liability-to-Asset Ratio



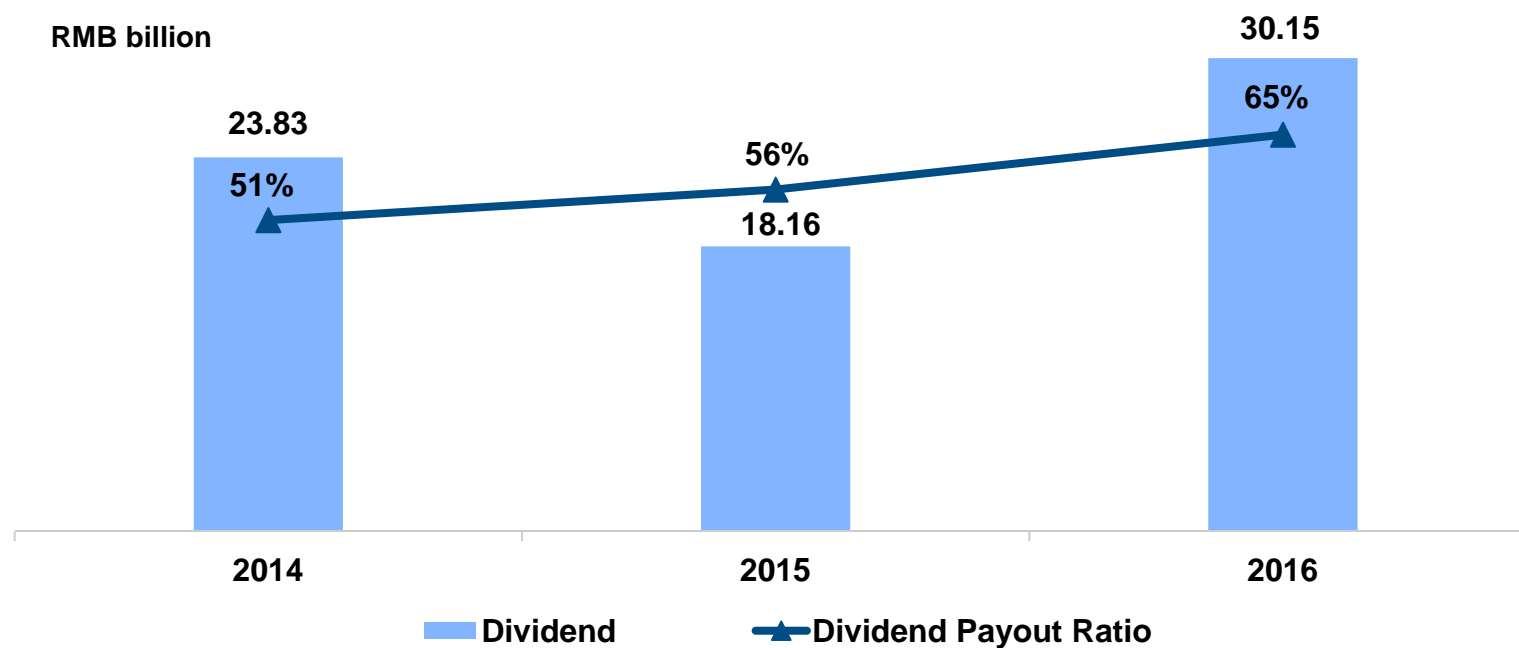
EBITDA-to-Interest Coverage Ratio





## Dividends – Sharing Growth with Shareholders

- The Board of Directors proposed a year-end dividend of RMB 0.17 / share, with a full-year dividend of RMB 0.249 / share
- Dividend payout ratio increased to 65%
- Dividend yield was around 5.4%\*



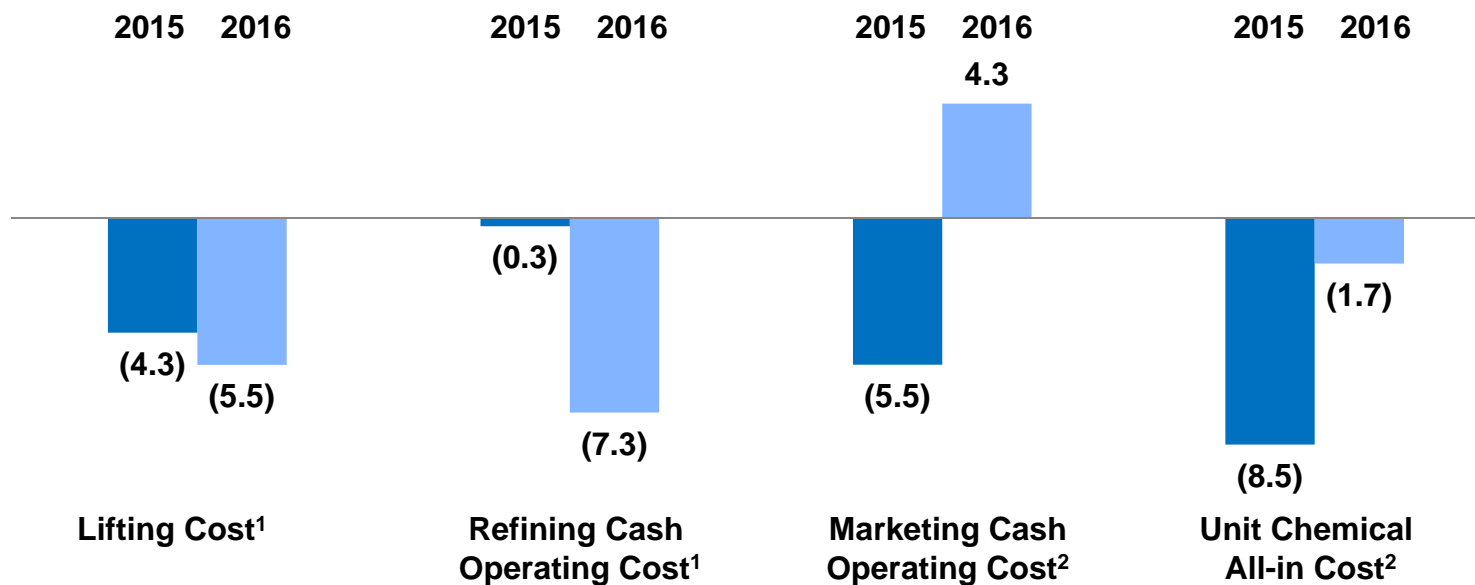
\*Based on the volume weighted average stock price of the Company's H-Share in 2016



## Remarkable Achievements in Cost Reduction

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

YoY Changes in Costs by Segment (%)



1. Calculated in USD/bbl

2. Calculated in RMB/tonne

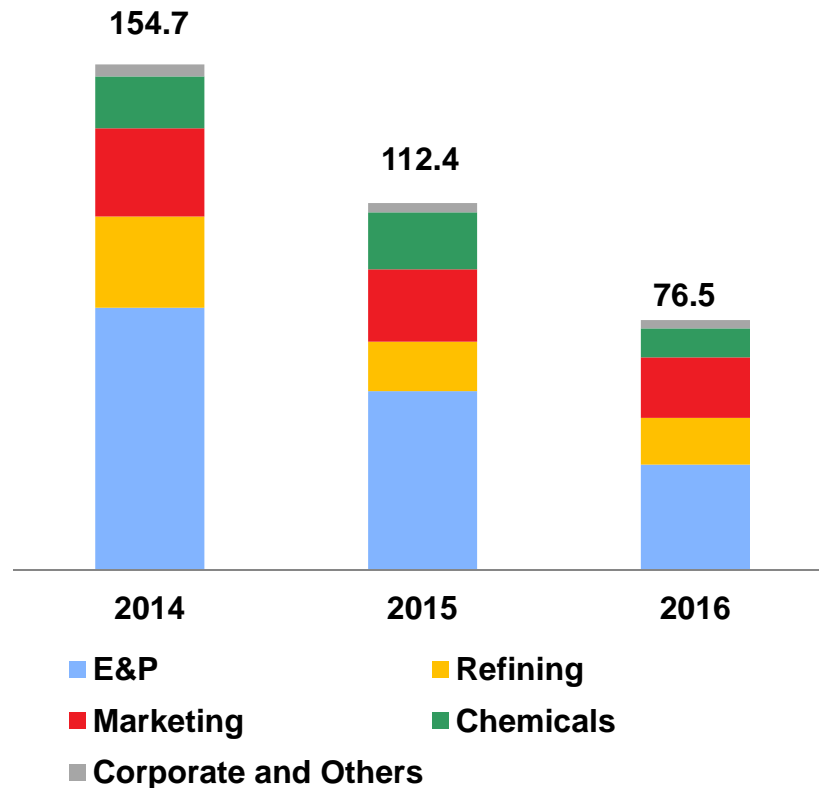
3. 2015 USD 1 = RMB 6.2284; 2016 USD 1 = RMB 6.6423



## Capital Expenditure – Focus on Quality and Profitability

- Focus on quality and profitability with optimization of investments

RMB billion



- E&P: RMB 32.2 Bn
  - ◆ Shale gas exploration and development, LNG projects and natural gas pipeline construction
- Refining: RMB 14.4 Bn
  - ◆ Quality upgrading of gasoline and diesel, and adjustment of product mix
- Marketing: RMB 18.5 Bn
  - ◆ Revamping of service stations and construction of refined oil product pipelines and storage facilities
- Chemicals: RMB 8.8 Bn
  - ◆ Structural improvement of facilities, feedstock and product slate; construction of coal-to-chemical projects
- R&D facilities and IT system: RMB 2.6 Bn



## Innovation – Driven Development

### ■ Upstream

- ◆ Breakthrough in E&P technologies led to important discoveries

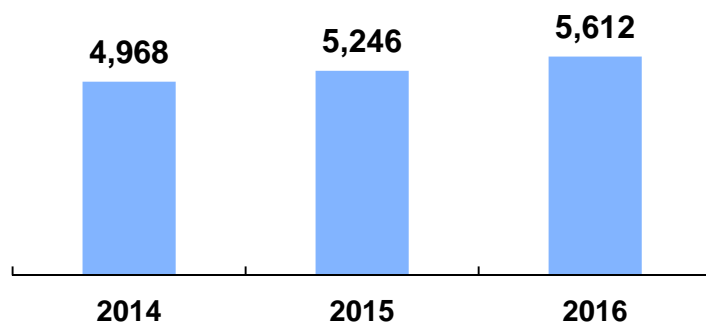
### ■ Refining

- ◆ Commercialized technologies such as FCC Diesel to Premium Gasoline

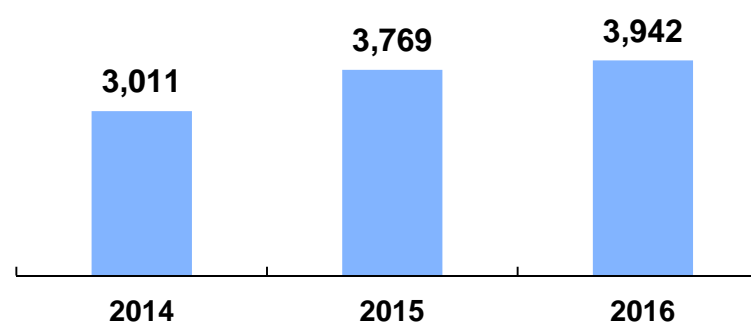
### ■ Chemicals

- ◆ Successful development of environment-friendly polypropylene resin with high rigidity and tenacity, high-performance resin for polypropylene fiber non-woven fabrics for medical applications and etc.
- ◆ Application of coal to light olefins, olefin catalytic cracking technologies and etc.

**No. of Patent Applied**



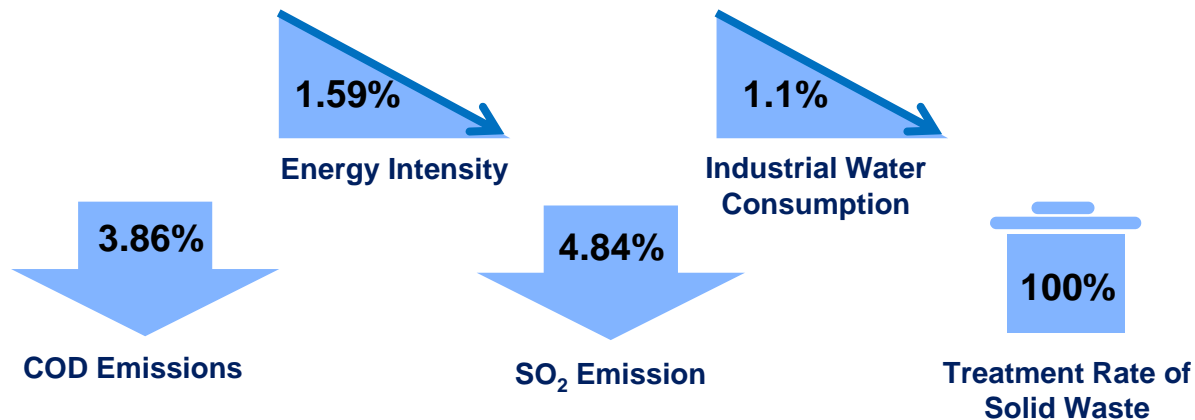
**No. of Patents Granted**





## Safety and HSE Performance

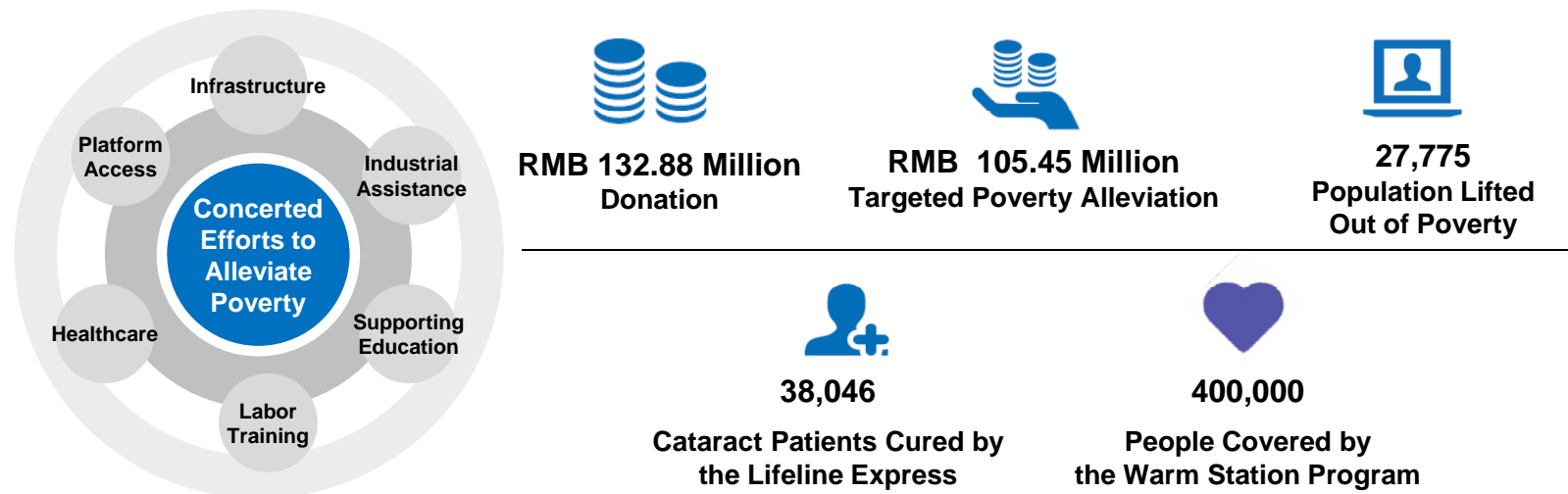
- Achieved safe and stable operation
  - ◆ Completed rectification of safety hazards in oil and gas pipelines
  - ◆ Enhanced staff training; safety training programs covered all employees
- Successful completion of *Clear Water, Blue Sky Campaign*
  - ◆ Total investment of RMB 20.92 billion in 870 environmental protection projects
- Continuing efforts to implement the *Energy Efficiency Doubling plan*, with further decline in energy consumption and emissions





## Fulfill Corporate Social Responsibilities

- Improved communications with stakeholders and addressed their concerns
  - ◆ Subsidiaries of Sinopec held hundreds of *Sinopec Open Day*
- Supported local development in areas of business and helped improve people's livelihood
  - ◆ Helped improve the infrastructure, cultural, educational and healthcare conditions in areas of business
- Targeted poverty alleviation, supported people in need, contribute to the goal of poverty relief and serve the general public





## 2016 Operational Results by Segment



## Upstream – New Discoveries in Exploration, Further Optimization in Development

- Sustained exploration with new discoveries
- Adopted profit-oriented development and enhanced cost discipline
- Adjusted development plan with growth in natural gas production

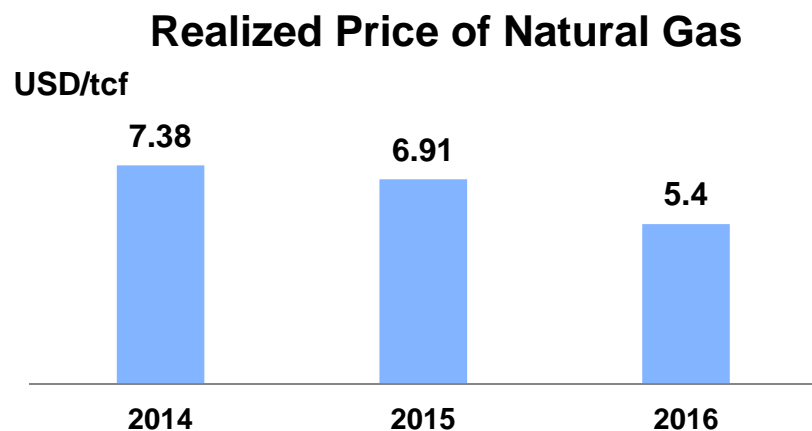
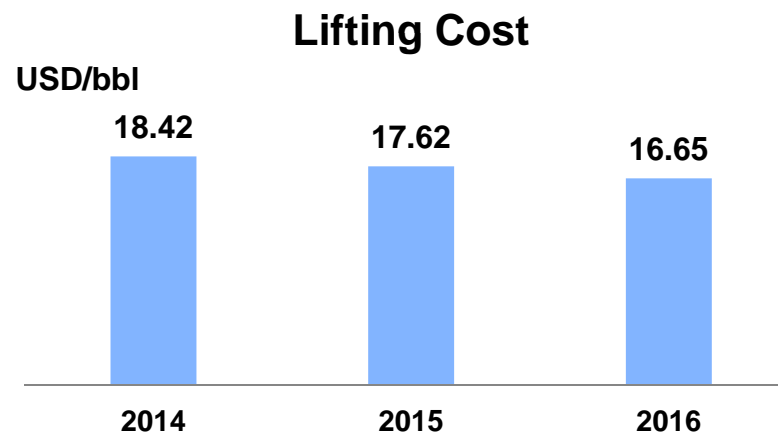
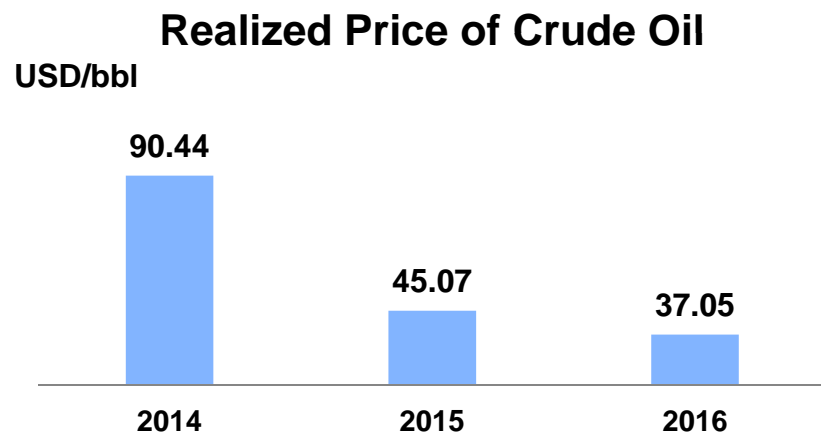
	2014	2015	2016	YoY Change %
<b>Oil and Gas Production(mmboe)</b>	<b>480.22</b>	<b>471.91</b>	<b>431.29</b>	<b>(8.6)</b>
<b>Crude Oil Production(mmbbls)</b>	<b>360.73</b>	<b>349.47</b>	<b>303.51</b>	<b>(13.2)</b>
China	310.87	296.34	253.15	(14.6)
Overseas	49.86	53.13	50.36	(5.2)
<b>Natural Gas Production(bcf)</b>	<b>716.35</b>	<b>734.79</b>	<b>766.12</b>	<b>4.3</b>

	As of Dec. 31 2014	As of Dec. 31 2015	As of Dec. 31 2016	YoY Change %
<b>Proved Reserves of Crude Oil(mmbbls)</b>	<b>3,048</b>	<b>2,243</b>	<b>1,552</b>	<b>(30.8)</b>
<b>Proved Reserves of Natural Gas (bcf)</b>	<b>6,741</b>	<b>7,570</b>	<b>7,178</b>	<b>(5.2)</b>

\* 1 tonne=7.1 bbls for domestic crude oil production; 1 tonne=7.20 bbls (2016), 1 tonne=7.21 bbls (2015), 1 tonne=7.22bbls (2014)  
for overseas crude oil production; 1 cubic meter=35.31 cubic feet for natural gas production



## Upstream – Satisfactory Results in Cost Control, Remarkable Achievements in Reform



**EBIT of E&P**

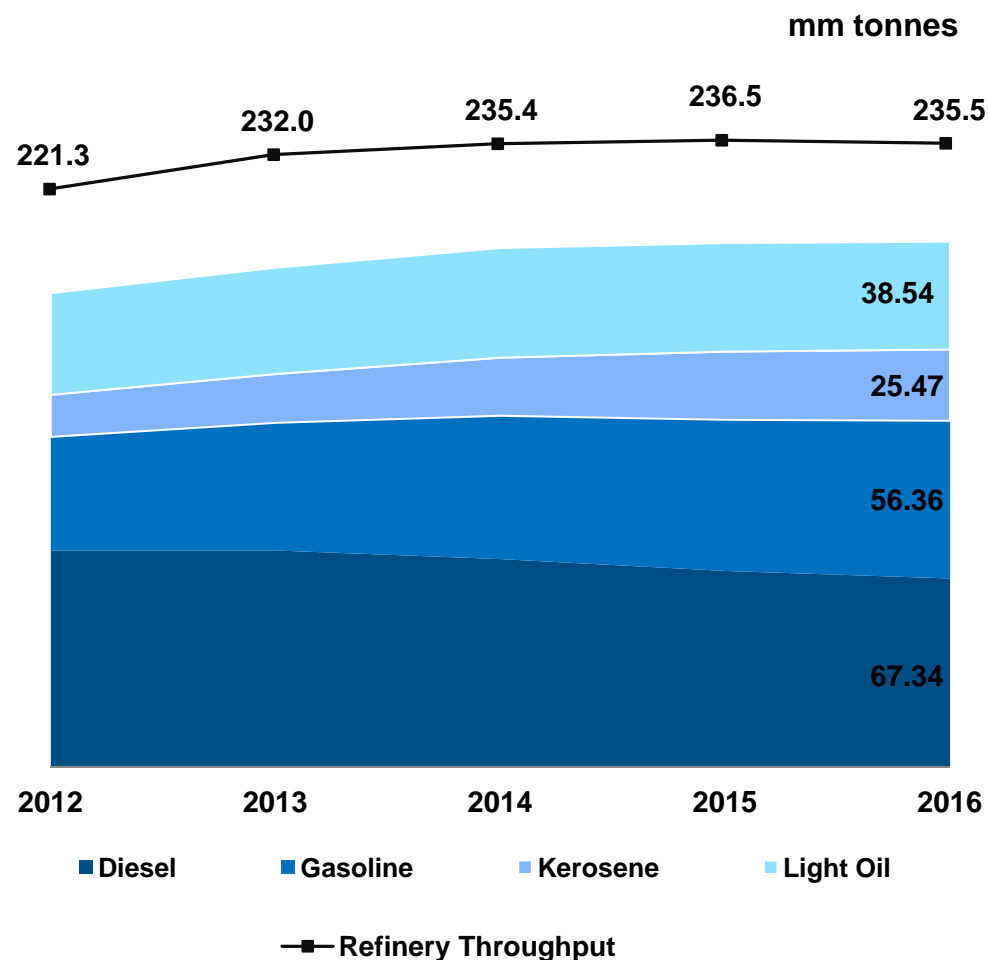
RMB million	2014	2015	2016
EBIT	48,175	(15,950)	(37,820)



## Refining – Marked Effect of Structural Adjustment

- Further growth in production of high-octane gasoline
- Further decline in diesel-to-gasoline ratio
- Promoted quality upgrading of refined oil products
- Maintained refining utilization rate at high level
- Further cut crude procurement cost
- Improved margins for LPG, and asphalt

Refinery Throughput and Oil Products Production



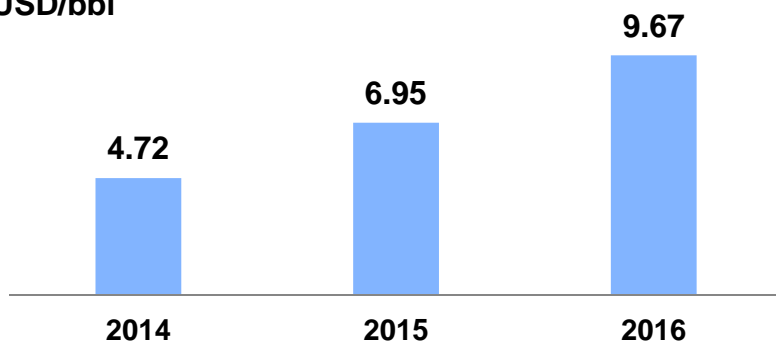
- Refinery throughput is calculated based on 1 tonne= 7.35 bbls
- 100% production of domestic joint ventures included



## Refining – Record High Performance

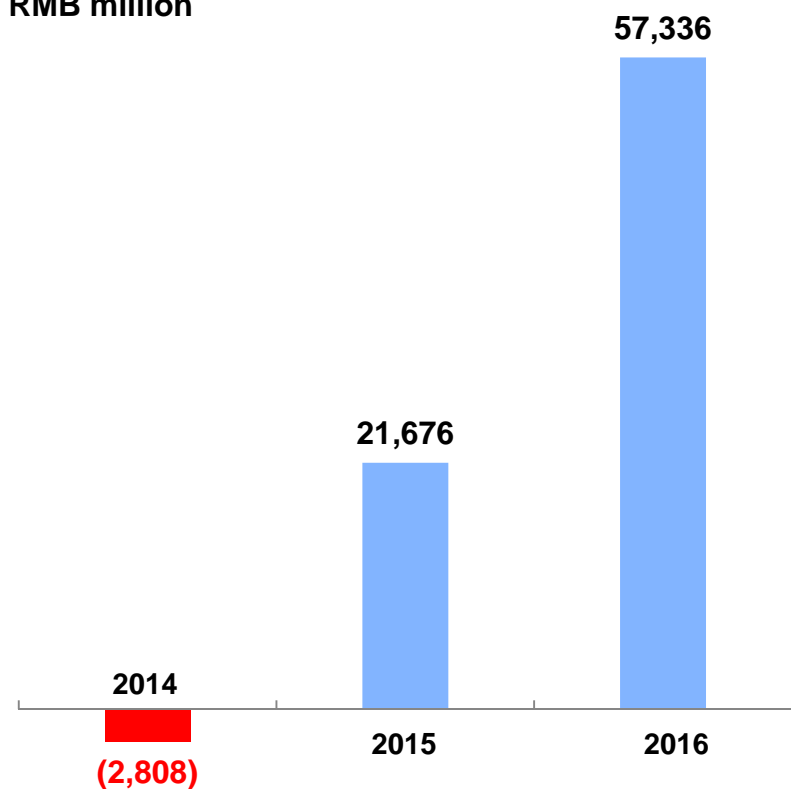
### Refining Margin

USD/bbl



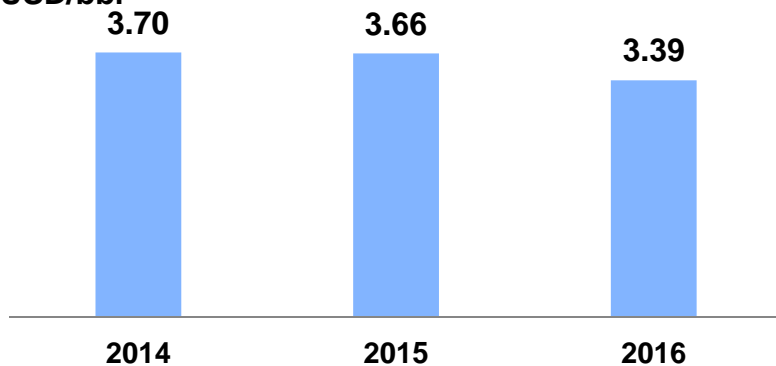
### EBIT of Refining

RMB million



### Cash Operating Cost

USD/bbl





## Marketing – Resources Coordination and Continued Growth in Sales Volume

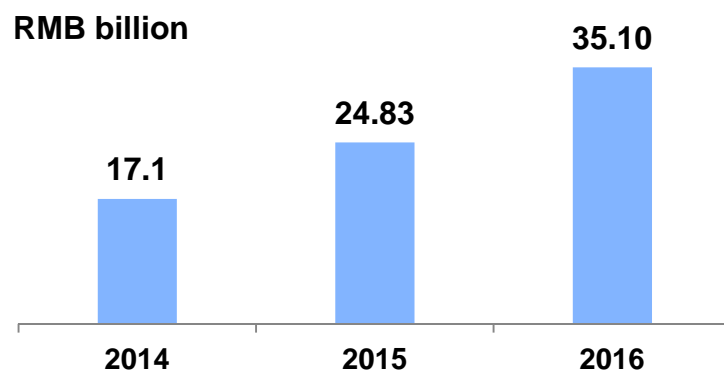
- Total sales and retail volume continued to grow
- Further increased retail volume of premium gasoline
- Improved marketing network and optimized the layout of service stations and refined oil product pipelines
- Sales volume of natural gas for automobile grew by 25% over 2016

mm tonnes	2014	2015	2016	YoY Change %
Total Sales Volume of Refined Oil Products	189.17	189.33	194.84	2.9
Domestic Sales of Refined Oil Products	170.97	171.37	172.70	0.8
Retail	117.84	119.03	120.14	0.9
Wholesale and Distribution	53.13	52.34	52.56	0.4
Annualized Average Throughput per Station (tonne/station)	3,858	3,896	3,926	0.8
	As of Dec. 31 2014	As of Dec. 31 2015	As of Dec. 31 2016	YoY Change %
Number of Service Stations under Sinopec Brand	30,551	30,560	30,603	0.1
Number of Convenience Stores	23,730	25,177	25,591	1.6

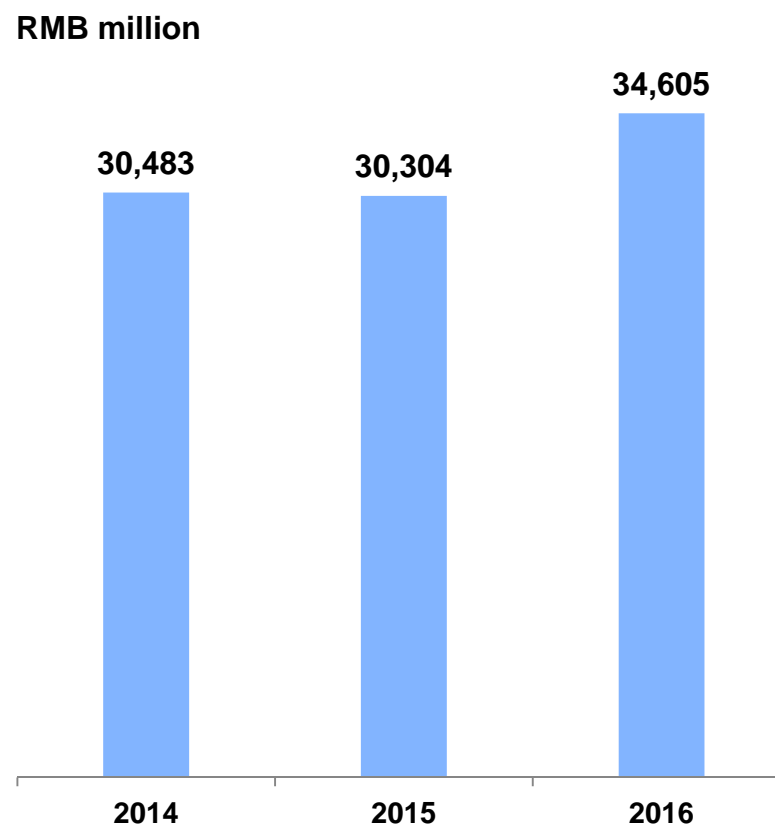


## Marketing – Rapid Growth of Non-fuel Business

**Transaction Volume  
of Non-fuel Business**



**EBIT of Marketing**



RMB/tonne	2014	2015	2016
Cash Operating Cash	192.83	189.16	197.25



## Chemicals – Strengthen Structural Adjustment

- Optimized production and facilities utilization based on gross margin contribution
- Adjusted feedstock mix to further reduce cost
- Adjusted products mix with larger proportion of high value added products
- Total sales volume of chemical products increased by 11% YoY

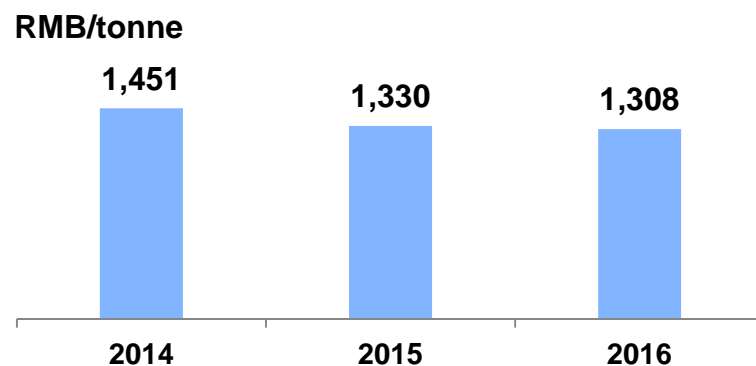
'000 tonnes	2014	2015	2016	YoY Change %
Ethylene Production	10,698	11,118	11,059	(0.5)
Synthetic Resin Production	14,639	15,065	15,201	0.9
Synthetic Fiber Monomers & Polymers Production	8,383	8,994	9,275	3.1
Synthetic Fiber Production	1,315	1,282	1,242	(3.1)
Synthetic Rubber Production	939	843	857	1.7

\* 100% production of domestic joint ventures included

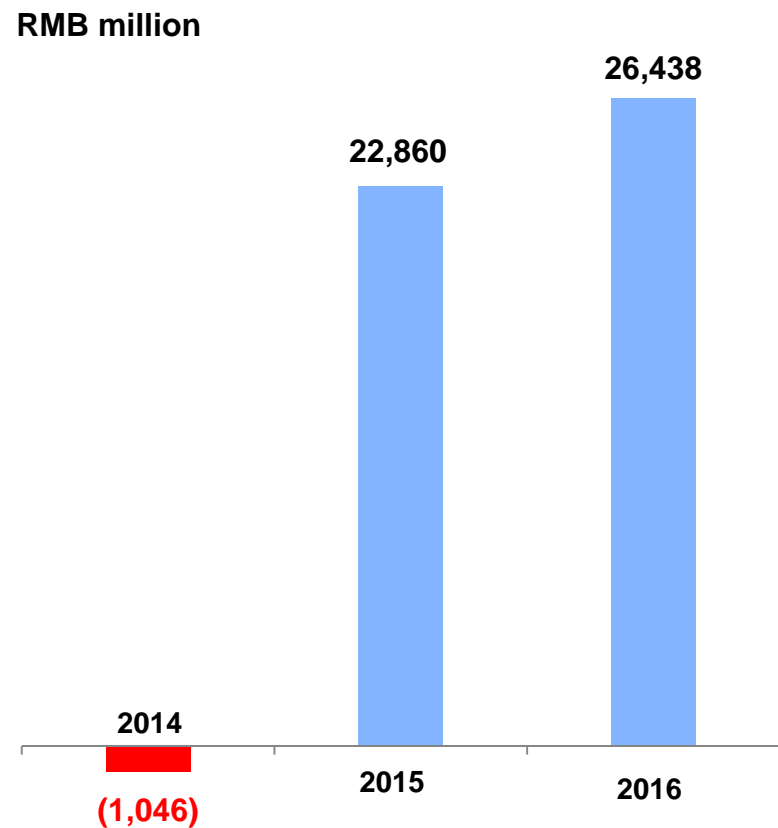


## Chemicals – Achieved Strong Results

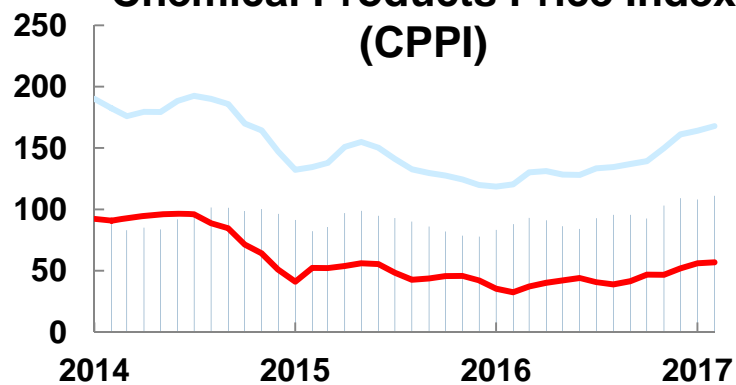
### Unit Chemical All-in Cost



### EBIT of Chemicals



### Chemical Products Price Index (CPPI)



■ Index Difference      — CPPI  
— Naphtha Price Index



## 2017 Operational Plan



## 2017 Market Outlook

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- Domestic demand for refined oil products and petrochemicals will continue to grow
  - ◆ Further adjustment in demands of refined oil products
  - ◆ Demand for chemicals will gradually shift towards the high end
- International oil price is expected to ascend with fluctuations



## 2017 Production Plan

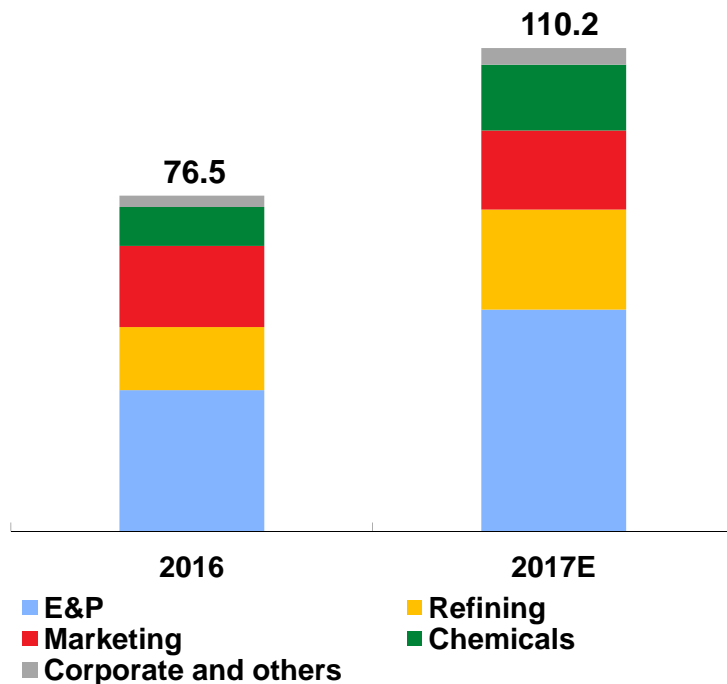
	2016	2017E
<b>Oil and Gas Production (mmboe)</b>	<b>431</b>	<b>441</b>
<b>Crude Oil Production (mmbbls)</b>	<b>304</b>	<b>295</b>
<b>Natural Gas Production (bcf)</b>	<b>766</b>	<b>880</b>
<b>Refinery Throughput*(mm tonnes)</b>	<b>236</b>	<b>240</b>
<b>Total Domestic Sales Volume of Refined Oil Products (mm tonnes)</b>	<b>173</b>	<b>175</b>
<b>Ethylene Production* ('000 tonnes)</b>	<b>11,059</b>	<b>11,660</b>

\* 100% production of domestic joint ventures included



## 2017 Capex Plan

RMB billion



- **E&P: RMB 50.5 Bn**
  - ◆ Domestic oil and gas exploration, Fuling Shale Gas project (phase II), Tianjin LNG project, gas storage facilities and natural gas pipeline construction
- **Refining: RMB 22.8 Bn**
  - ◆ Gasoline and diesel quality upgrading, refinery revamping
- **Marketing: RMB 18.0 Bn**
  - ◆ Construction and revamping of service stations, construction of storage and logistics facilities
- **Chemicals: RMB 15.1 Bn**
  - ◆ Adjustments in product mix, and Integrated Refining and Chemical Project in Zhanjiang of Guangdong and Integrated Project in Gulei of Fujian
- **R&D facilities and IT application projects etc: RMB 3.8 Bn**



## Q&A

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