

China Petroleum & Chemical Corporation
The Third Quarterly Report for 2020

28 October 2020

1 Important notice

- 1.1 The Board of Directors, the Board of Supervisors of China Petroleum & Chemical Corporation (“Sinopec Corp.” or “the Company”) and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions contained in this report and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.
- 1.2 The third quarterly report for 2020 was approved at the 18th meeting of the Seventh Session of the Board of Directors of Sinopec Corp. All directors attended this meeting.
- 1.3 Mr. Zhang Yuzhuo, Chairman, Mr. Ma Yongsheng, President, Ms. Shou Donghua, Chief Financial Officer and Head of the Corporate Accounting Department of Sinopec Corp. warrant the authenticity, accuracy and completeness of the financial statements contained in this quarterly report.
- 1.4 The financial statements in this quarterly report were not audited.

2 Basic information of Sinopec Corp.

2.1 Principal financial data and indicators

2.1.1 Principal financial data and indicators prepared in accordance with China Accounting Standards for Business Enterprises (CASs)

RMB million

Items	As of 30 September 2020	As of 31 December 2019	Changes from the end of last year(%)
Total assets	1,799,388	1,755,071	2.5
Total equity attributable to equity shareholders of the Company	729,179	739,169	(1.4)

RMB million

Items	Nine-month period ended 30 September		Changes over the same period of the preceding year (%)
	2020	2019	
Net cash flow from operating activities	83,639	81,398	2.8
Operating income	1,554,617	2,233,305	(30.4)
Net profit attributable to equity shareholders of the Company	23,507	43,281	(45.7)
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	(10,257)	41,546	-
Weighted average return on net assets (%)	3.18	5.93	(2.75) percentage points
Basic earnings per share (RMB)	0.194	0.357	(45.7)
Diluted earnings per share (RMB)	0.194	0.357	(45.7)

RMB million

Extraordinary items	Third Quarter of 2020 (gain)/loss RMB million	Nine-month period ended 30 September 2020 (gain)/loss RMB million
Net gain on disposal of non-current assets	(480)	(569)
Donations	134	233
Government grants	(2,074)	(4,768)
Gains on holding and disposal of various investments	(38,675)	(38,717)
Other extraordinary income and expenses, net	365	799
Subtotal	(40,730)	(43,022)
Tax effect	6,005	6,671
Total	(34,725)	(36,351)
Attributable to:		
Equity shareholders of the Company	(32,242)	(33,764)
Minority interests	(2,483)	(2,587)

2.1.2 Principal financial data and indicators prepared in accordance with International Financial Reporting Standards (IFRS)

RMB million

Items	Nine-month period ended 30 September		Changes over the same period of the preceding year (%)
	2020	2019	
Total assets	1,799,388	1,755,071	2.5
Total equity attributable to shareholders of the Company	728,198	738,150	(1.3)

RMB million

Items	Nine-month period ended 30 September		Changes over the same period of the preceding year (%)
	2020	2019	
Net cash generated from operating activities	83,639	81,398	2.8
Operating profit	5,028	68,340	(92.6)
Net profit attributable to shareholders of the Company	24,459	44,226	(44.7)
Basic earnings per share (RMB)	0.202	0.365	(44.7)
Diluted earnings per share (RMB)	0.202	0.365	(44.7)
Return on net assets (%)	3.36	6.10	(2.74) percentage points

2.2 Total number of shareholders and top ten shareholders at the end of the reporting period

Total number of shareholders at the end of the reporting period	Total number of shareholders was 571,928, including 566,153 holders of domestic A shares and 5,775 holders of overseas H shares.			
Top ten shareholders				
Name of shareholder	Total number of shares held	Percentage (%)	Number of shares subject to pledge or lock-ups	Nature of shareholder
China Petrochemical Corporation	82,709,227,393	68.31	0	State-owned share
HKSCC (Nominees) Limited	25,513,438,600	21.07	Unknown	H share
	2,609,312,057	2.16	0	A share
005L FH002	794,572,268	0.66	0	A share
005L CT001	789,500,381	0.65	0	A share
	513,111,570	0.42	0	A share
	322,037,900	0.27	0	A share
50	96,597,458	0.08	0	A share
	53,088,400	0.04	0	A share
	47,604,683	0.04	0	A share

Note Sinopec Century Bright Capital Investment Limited, overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, accounting for 0.46% of the total share capital of Sinopec Corp. Such shareholdings are included in the total number of shares held by HKSCC (Nominees) Limited.

Statement on the connected relationship or acting in concert among the aforementioned shareholders:

Apart from 005L FH002 and 005L CT001 which were both administrated by Sinopec Corp. is not aware of any connected relationship or acting in concert among or between the above-mentioned shareholders.

2.3 Review of operating results

In the first three quarters of 2020, due to the worldwide spread of COVID-19, global economy was depressed and the global market was shrinking. The growth of China's economy turned positive, with GDP up by 0.7% year-on-year in the first three quarters, among which up by 4.9% in the third quarter, indicating a good continuous recovery momentum. In the first three quarters of 2020, the average spot price of Platts Brent was USD 42.5 per barrel, down by 34.4% year on year. Domestic demand for natural gas and chemical products maintained growth and demand for refined oil products recovered steadily quarter on quarter.

Confronted with the severe and complex market situation, the Company adhered to the principles of “focusing on main challenges, system optimization, bottom-line risks prevention and control and seizing opportunities out of crisis” and vigorously adjusted structure, expanded market, reduced inventory and tapped potential. On the basis of favorable results of “100-day campaign to tide over difficulties and improve performances”, the Company launched a higher standard campaign of continuously tiding over difficulties and improving performances, seized the opportunity of domestic market demand recovery and made all-out efforts to tide over the difficulties of pandemic along with low crude oil price and achieved significant improvement of operation and profitability. The Company completed the transaction of oil and gas pipeline assets on 30 September 2020 and the contribution of asset appreciation to earnings was booked in the third quarter.

In accordance with CASs, net profit attributable to equity shareholders of the Company was RMB 23.507 billion, among which the net profit attributable to equity shareholders of the Company in the third quarter was RMB 46.389 billion. In accordance with IFRS, net profit attributable to equity shareholders of the Company was RMB 24.459 billion, among which the net profit attributable to equity shareholders of the Company in the third quarter was RMB 46.184 billion.

Exploration and Production: Under low crude oil price environment, the Company insisted on high-quality exploration, focused on profit-driven development, accelerated capacity building and proactively expanded market and sales of natural gas and further deepened the maintaining oil production, increasing gas output and reducing cost. In exploration, new discoveries were made in Tarim Basin, Jiyang Depression and Sichuan Basin, etc. In oil development, we increased the application of technologies to lower cost and optimized projects implementation plan, which helped to further decrease our cost. In natural gas development, we accelerated capacity building in West Sichuan, Dongsheng and Weirong gas fields, and continuously progressed with the development of Fuling, Puguang and Yuanba gas fields. In the first three quarters, domestic crude production kept stable and sales of natural gas increased by 9.86% year on year, realizing a continued growth in market share of natural gas. The exploration and production segment realised earnings before interest and taxes (EBIT) of RMB 13.16 billion in the third quarter.

Exploration and Production	Unit	Nine-month period ended 30 September		Changes
		2020	2019	(%)
Oil and gas production	million boe	339.39	341.74	(0.7)
Crude oil production	million barrels	210.65	212.78	(1.0)

Exploration and Production	Unit	Nine-month period ended 30 September		Changes
		2020	2019	(%)
China	million barrels	186.69	186.69	0.0
Overseas	million barrels	23.96	26.09	(8.2)
Natural gas production	billion cubic feet	772.14	773.41	(0.2)
Realised crude oil price	USD/barrel	38.24	58.82	(35.0)
Realised natural gas price	USD/thousand cubic feet	5.32	6.19	(14.1)

Conversion: For domestic production of crude oil, 1 tonne = 7.10 barrels. For overseas production of crude oil, 1 tonne = 7.21 barrels. For production of natural gas, 1 cubic meter = 35.31 cubic feet.

Refining: With the market oriented approach, the Company took advantage of the recovery of domestic

Marketing and Distribution	Unit	Nine-month period ended 30 September		Changes (%)
		2020	2019	
Total sales volume of refined oil products	million tonnes	162.25	192.42	(15.7)
Total domestic sales volume of refined oil products	million tonnes	123.19	139.25	(11.5)
Retail	million tonnes	83.06	91.80	(9.5)
Direct sales & Distribution	million tonnes	40.13	47.45	(15.4)
Annualised average throughput per station	tonnes/station	3,605	3,991	(9.7)

Note: The total sales volume of refined oil products includes the amount of trading volume.

Chemicals: The Company fine-tuned chemical feedstock mix to further lower costs, optimized operation and product slate, increased the ratio of high value-added products with the ratio of new and specialty synthetic resin reaching 68.6% and ratio of high value-added synthetic rubber reaching 31.3%. Construction of key projects was accelerated. In the third quarter, ethylene output was 3.07 million tonnes, up by 11.8% quarter-on-quarter. We accelerated expanding high-end products market, such as medical resin, antibacterial materials and automotive material etc. and optimized layout and logistics operation to enhance profitability of business chain. In the third quarter, the total chemical sales volume was 22.33 million tonnes, up by 0.86% quarter on quarter. The chemical segment realized EBIT of RMB 4.22 billion in the third quarter.

Chemicals	Unit	Nine-month period ended 30 September		Changes (%)
		2020	2019	
Ethylene	thousand tonnes	8,850	9,295	(4.8)
Synthetic resin	thousand tonnes	12,773	12,749	0.2
Monomers and polymers for synthetic fibre	thousand tonnes	6,711	7,511	(10.7)
Synthetic fibre	thousand tonnes	935	968	(3.4)
Synthetic rubber	thousand tonnes	790	794	(0.5)

Note : Including 100% production of domestic joint ventures.

Capital expenditure: Focusing on quality and profitability of investment, the Company continuously optimised our investment projects. In the first three quarters, total capital expenditures were RMB 71.858 billion. Capital expenditures for the exploration and production segment were RMB 32.172 billion, mainly for capacity building in Shengli, Northwest, West Sichuan and Dongsheng oil and gas projects. Capital expenditures for the refining segment were RMB 13.819 billion, mainly for Zhongke project, Zhenhai, Tianjin, Maoming and Luoyang refining upgrading projects. Capital expenditures for the marketing and distribution segment were RMB 13.768 billion, mainly for construction of service stations, oil products depots and non-fuel business development. Capital expenditures for the chemicals segment were RMB 10.458 billion, mainly for Zhongke, Zhenhai, and Gulei, ethylene revamping for Sinopec-SK and Jiujiang aromatics projects, and melt blown fabrics projects. Capital expenditures for corporate and others were RMB 1.641 billion, mainly for R&D facilities and IT application projects.

3 Significant events

3.1 Significant changes in major items contained in the consolidated financial statements prepared in accordance with CASs and the reasons for such changes.

Items of Consolidated Balance Sheet	As of 30 September 2020	As of 31 December 2019	Increase/(Decrease)		Main reasons for changes
	RMB million	RMB million	Amount	Percentage	
			RMB million	%	
Financial assets held for trading	1,427	3,319	(1,892)	(57)	Receipt of the structured deposits at maturity
Derivative financial assets	7,875	837	7,038	841	Changes of fair value loss and profit position of derivative hedging financial instruments due to fluctuation of crude oil price
Derivative financial liabilities	13,580	2,729	10,851	398	
Prepayments	7,474	5,066	2,408	48	Increase in prepayments for equipment
Other current assets	19,762	28,669	(8,907)	(31)	Decrease of undeducted value-added tax balance
Bills payable	15,681	11,834	3,847	33	Increase in bills payable settlement scale
Taxes payable	42,046	69,339	(27,293)	(39)	Due to the time difference of tax payment
Debentures payable	38,849	19,157	19,692	103	Due to the new issuance of medium-term notes
Other comprehensive income	(3,075)	(321)	(2,754)	-	Due to difference of foreign currency statement conversion affected by changes in foreign exchange rate
Specific reserve	2,658	1,741	917	53	The provision of safety production fund

3.2 Sinopec Corp. and its subsidiaries transferred their equity interests in relevant companies, oil and gas pipeline assets and other facilities to China Oil & Gas Pipeline Network Corporation (“PipeChina”) in exchange for newly issued shares of and cash paid by PipeChina as consideration. The ownership, obligations, responsibilities and risks of the relevant target assets was transferred to PipeChina from 24:00 on 30 September 2020. For details, please refer to the announcement of “Major Transaction and Discloseable Transaction Announcement-Disposal of

External Investment”(announcement No.2020-39) in China Securities Journal, Shanghai Securities News and, Securities Times and on the website of Shanghai Stock Exchange.

3.3 This quarterly results announcement is published in both Chinese and English languages. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

By Order of the Board

Zhang Yuzhuo

Chairman

28 October, 2020

4 Appendix

4.1 Quarterly financial statements prepared under China Accounting Standards for Business Enterprises (CASs)

Consolidated Balance Sheet

as at 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	At 30 September 2020	At 31 December 2019
Current assets:		
Cash at bank and on hand	179,945	127,927
Financial assets held for trading	1,427	3,319
Derivative financial assets	7,875	837
Accounts receivable	43,919	54,865
Receivables financing	10,040	8,622
Prepayments	7,474	5,066
Other receivables	107,488	24,109
Inventories	173,051	192,442
Other current assets	19,762	28,669
Total current assets	550,981	445,856
Non-current assets:		
Long-term equity investments	190,473	152,204
Other equity instrument investments	1,519	1,521
Fixed assets	553,928	622,423
Construction in progress	141,068	173,482
Right-of-use assets	190,807	198,051
Intangible assets	109,978	108,956
Goodwill	8,679	8,697
Long-term deferred expenses	8,970	8,930
Deferred tax assets	24,065	17,616
Other non-current assets	18,920	17,335
Total non-current assets	1,248,407	1,309,215
Total assets	1,799,388	1,755,071
Current liability:		
Short-term loans	39,872	31,196
Derivative financial liabilities	13,580	2,729
Bills payable	15,681	11,834
Accounts payable	158,335	187,958
Contract liabilities	136,947	126,735
Employee benefits payable	14,129	4,769
Taxes payable	42,046	69,339
Other payables	95,033	72,324
Non-current liabilities due within one year	59,223	69,490
Other current liabilities	26,793	-

Total current liabilities	601,639	576,374
Non-current liabilities:		
Long-term loans	43,015	39,625
Debentures payable	38,849	19,157
Lease liabilities	173,945	177,674
Provisions	44,086	43,163
Deferred tax liabilities	7,880	6,809
Other non-current liabilities	20,414	15,364
Total non-current liabilities	328,189	301,792
Total liabilities	929,828	878,166
Shareholders' equity:		
Share capital	121,071	121,071
Capital reserve	121,946	122,127
Other comprehensive income	(3,075)	(321)
Specific reserve	2,658	1,741
Surplus reserves	207,423	207,423
Retained earnings	279,156	287,128
Total equity attributable to shareholders of the Company	729,179	739,169
Minority interests	140,381	137,736
Total shareholders' equity	869,560	876,905
Total liabilities and shareholders' equity	1,799,388	1,755,071

Zhang Yuzhuo
Chairman

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

Balance Sheet

as at 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	At 30 September 2020	At 31 December 2019
Current assets		
Cash at bank and on hand	97,425	54,072
Derivative financial assets	-	940
Accounts receivable	16,971	21,544
Receivables financing	360	207
Prepayments	2,850	2,665
Other receivables	73,717	78,872
Inventories	52,390	49,116
Other current assets	12,522	25,149
Total current assets	256,235	232,565
Non-current assets		
Long-term equity investments	335,272	304,687
Other equity instrument investments	427	395
Fixed assets	283,270	291,547
Construction in progress	59,548	60,493
Right-of-use assets	109,882	112,832
Intangible assets	8,620	8,809
Long-term deferred expenses	2,509	2,630
Deferred tax assets	12,441	7,315
Other non-current assets	8,232	2,490
Total non-current assets	820,201	791,198
Total assets	1,076,436	1,023,763
Current liabilities		
Short-term loans	27,649	19,919
Derivative financial liabilities	-	157
Bills payable	6,625	4,766
Accounts payable	70,621	75,352
Contract liabilities	4,955	5,112
Employee benefits payable	7,415	1,214
Taxes payable	23,921	43,025
Other payables	161,412	118,064
Non-current liabilities due within one year	49,045	59,596

Provisions	35,650	34,514
Other non-current liabilities	4,575	4,471
Total non-current liabilities	206,955	166,448
Total liabilities	570,111	493,653
Shareholders' equity		
Share capital	121,071	121,071
Capital reserve	68,838	68,841
Other comprehensive income	(1,451)	1,181
Specific reserve	1,411	949
Surplus reserves	207,423	207,423
Retained earnings	109,033	130,645
Total shareholders' equity	506,325	530,110
Total liabilities and shareholders' equity	1,076,436	1,023,763

Zhang Yuzhuo
Chairman

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

Consolidated Income Statement

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month period ended 30 September 2020	Three-month period ended 30 September 2019	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
I. Operating income	520,371	734,309	1,554,617	2,233,305
II. Total Operating costs	494,951	718,620	1,553,444	2,172,237
Including: Operating costs	392,164	617,990	1,268,329	1,881,083
Taxes and surcharges	64,034	61,685	171,877	181,931
Selling and distribution expenses	15,906	16,021	45,389	45,761
General and administrative expenses	15,922	16,079	46,943	43,118
Research and development costs	3,147	1,942	7,448	5,931
Financial expenses	2,134	2,627	7,349	7,790
Exploration expenses, including dry holes	1,644	2,276	6,109	6,623
Add: Other income	1,986	1,074	4,448	2,674
Investment income	36,420	3,701	42,051	6,475
Gains/(losses) from changes in fair value	1,628	(1,120)	1,738	(1,426)
Credit impairment losses	(741)	6	(842)	(7)
Impairment losses	252	(9)	(11,415)	(91)
Asset disposal gains/(losses)	480	5	569	(169)
III. Operating profit	65,445	19,346	37,722	68,524
Add: Non-operating income	497	366	1,180	1,051
Less: Non-operating expenses	904	476	1,876	1,243
IV. Profit before taxation	65,038	19,236	37,026	68,332
Less: Income tax expense	11,814	3,728	6,012	13,868
V. Net profit	53,224	15,508	31,014	54,464
Classification by going concern:				
(i) Continuous operating net profit	53,224	15,508	31,014	54,464
(ii) Termination of net profit	-	-	-	-
Classification by ownership:				
(i) Equity shareholders of the Company	46,389	11,943	23,507	43,281

(ii) Minority interests	6,835	3,565	7,507	11,183
VI. Other comprehensive income	(978)	1,663	(3,390)	6,231
<i>Items that may not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of other equity instrument investments	(1)	(2)	(31)	(22)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Other comprehensive loss that can be converted into profit or loss under the equity method	(485)	(98)	(2,266)	(607)
Cash flow hedges	2,000	(248)	340	4,543
Foreign currency translation differences	(2,492)	2,011	(1,433)	2,317
VII. Total comprehensive income	52,246	17,171	27,624	60,695
Attributable to:				
Equity shareholders of the Company	45,834	12,926	20,739	48,842
Minority interests	6,412	4,245	6,885	11,853
VIII. Earnings per share:				
(i) Basic earnings per share (RMB/Share)	0.383	0.099	0.194	0.357
(ii) Diluted earnings per share (RMB/Share)	0.383	0.099	0.194	0.357

Income Statement

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month period ended 30 September 2020	Three-month period ended 30 September 2019	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
I. Operating income	199,451	254,297	558,026	766,632
Less: Operating costs	142,631	201,259	430,434	605,829
Taxes and surcharges	40,363	41,484	110,502	123,434
Selling and distribution expenses	794	942	2,269	2,492
General and administrative expenses	6,675	7,151	21,681	18,318
Research and development costs	2,918	1,789	6,968	5,516
Financial expenses	2,167	1,947	6,701	5,860
Exploration expenses, including dry holes	1,466	2,138	5,176	6,159
Add: Other income	1,264	564	3,158	1,455
Investment income	30,272	5,599	36,871	16,404
(Losses)/gains from changes in fair value	(2)	-	358	20
Credit impairment losses	21	10	51	18
Impairment losses	101	(2)	(7,993)	(1)
Asset disposal gains	16	6,963	29	6,984
II. Operating profit	34,109	10,721	6,769	23,904
Add: Non-operating income	100	86	203	197
Less: Non-operating expenses	336	258	780	535
III. Profit before taxation	33,873	10,549	6,192	23,566
Less: Income tax (credit)/expense	4,449	1,163	(3,675)	1,673
IV. Net profit	29,424	9,386	9,867	21,893
(i) Continuous operating net profit	29,424	9,386	9,867	21,893
(ii) Termination of net profit	-	-	-	-

V. Other comprehensive income	51	113	(2,634)	899
<i>Items that may be reclassified subsequently to profit or loss</i>	51	113	(2,634)	899
Other comprehensive income that can be converted into profit or loss under the equity method	(210)	112	(304)	139
Cash flow hedges	261	1	(2,330)	760
VI. Total comprehensive income	29,475	9,499	7,233	22,792

Zhang Yuzhuo

Chairman

Ma Yongsheng

President

Shou Donghua

Chief Financial Officer

Consolidated Cash Flow Statement

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,709,099	2,366,716
Refund of taxes and levies	2,729	1,446
Other cash received relating to operating activities	156,475	102,241
Sub-total of cash inflows	1,868,303	2,470,403
Cash paid for goods and services	(1,317,936)	(1,925,742)
Cash paid to and for employees	(50,974)	(51,592)
Payments of taxes and levies	(234,913)	(280,179)
Other cash paid relating to operating activities	(180,841)	(131,492)
Sub-total of cash outflows	(1,784,664)	(2,389,005)
Net cash flow from operating activities	83,639	81,398
II. Cash flows from investing activities:		
Cash received from disposal of investments	7,962	19,455

Cash received from borrowings	489,892	469,696
Other cash received relating to financing activities	752	322
Sub-total of cash inflows	494,039	472,240
Cash repayments of borrowings	(405,196)	(441,579)
Cash paid for dividends, profits distribution or interest	(31,000)	(55,447)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders	(3,482)	(4,659)
Other cash paid relating to financing activities	(10,987)	(9,245)
Sub-total of cash outflows	(447,183)	(506,271)
Net cash flow from financing activities	46,856	(34,031)
IV. Effects of changes in foreign exchange rate	(458)	313
V. Net increase/(decrease) in cash and cash equivalents	26,773	(23,072)
Add Initial balance of cash and cash equivalents	60,313	111,922
VI. Ending balance of cash and cash equivalents	87,086	88,850

Zhang Yuzhuo
Chairman

Ma Yongsheng
President

Shou Donghua
Chief Financial Officer

Cash Flow Statement

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	628,381	889,797
Refund of taxes and levies	2,428	947
Other cash received relating to operating activities	3,458	5,062
Sub-total of cash inflows	634,267	895,806
Cash paid for goods and services	(408,733)	(652,604)
Cash paid to and for employees	(26,693)	(26,693)
Payments of taxes and levies	(138,726)	(186,228)
Other cash paid relating to operating activities	(11,772)	(6,888)
Sub-total of cash outflows	(585,924)	(872,413)
Net cash flow from operating activities	48,343	23,393
II. Cash flows from investing activities:		
Cash received from disposal of investments	12,587	16,650
Cash received from returns on investments	14,860	16,510
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,558	18
Other cash received relating to investing activities	99,053	22,382
Sub-total of cash inflows	133,058	55,560
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(35,223)	(47,047)
Cash paid for acquisition of investments	(15,484)	(8,338)
Other cash paid relating to investing activities	(118,376)	(36,900)
Sub-total of cash outflows	(169,083)	(92,285)
Net cash flow from investing activities	(36,025)	(36,725)
III. Cash flows from financing activities:		
Cash received from borrowings	194,538	91,665
Other cash received relating to financing activities	164,714	69,218
Sub-total of cash inflows	359,252	160,883
Cash repayments of borrowings	(140,761)	(67,587)
Cash paid for dividends or interest	(26,661)	(47,149)
Other cash paid relating to financing activities	(186,971)	(58,570)
Sub-total of cash outflows	(354,393)	(173,306)

Net cash flow from financing activities	4,859	(12,423)
IV. Effects of changes in foreign exchange rate	(2)	-
V. Net increase/(decrease) in cash and cash equivalents	17,175	(25,755)
Add Initial balance of cash and cash equivalents	38,616	59,120
VI. Ending balance of cash and cash equivalents	55,791	33,365

Zhang Yuzhuo

Chairman

Ma Yongsheng

President

Shou Donghua

Chief Financial Officer

Segment Reporting

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Income from principal operations		
Exploration and production		
External sales	71,021	79,424
Inter-segment sales	44,839	66,262
Subtotal	115,860	145,686
Refining		
External sales	80,776	105,986
Inter-segment sales	603,290	801,310
Subtotal	684,066	907,296
Marketing and distribution		
External sales	788,857	1,030,178
Inter-segment sales	3,491	2,719
Subtotal	792,348	1,032,897
Chemicals		
External sales	231,771	327,637
Inter-segment sales	29,098	42,508
Subtotal	260,869	370,145
Corporate and others		
External sales	352,212	641,791
Inter-segment sales	331,577	473,187
Subtotal	683,789	1,114,978
Elimination of inter-segment sales	(1,023,982)	(1,385,986)
Consolidated income from principal operations	1,512,950	2,185,016
Income from other operations		
Exploration and production	4,494	6,722
Refining	3,219	3,829
Marketing and distribution	26,052	25,436
Chemicals	6,389	10,912
Corporate and others	1,513	1,390
Consolidated income from other operations	41,667	48,289

Consolidated operating income	1,554,617	2,233,305
Operating (loss)/ profit		
By segment		
Exploration and production	(9,726)	7,295
Refining	(15,884)	21,445
Marketing and distribution	14,634	23,139
Chemicals	6,503	16,059
Corporate and others	(4,378)	1,066
Elimination	5,116	(244)
Total segment operating (loss)/profit	(3,735)	68,760
Investment income		
Exploration and production	14,413	2,398
Refining	13,251	(767)
Marketing and distribution	11,268	2,291
Chemicals	(34)	3,227
Corporate and others	3,153	(674)
Total segment investment income	42,051	6,475
Financial expenses	(7,349)	(7,790)
Gain/(loss) from changes in fair value	1,738	(1,426)
Asset disposal gains/(losses)	569	(169)
Other income	4,448	2,674
Operating profit	37,722	68,524
Add: Non-operating income	1,180	1,051
Less: Non-operating expenses	1,876	1,243
Profit before taxation	37,026	68,332

4.2 Quarterly financial statements prepared under International Financial Reporting Standards (IFRS)

Consolidated Income Statement

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month period ended 30 September 2020	Three-month period ended 30 September 2019	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Turnover and other operating revenues				
Turnover	504,951	718,183	1,512,950	2,185,016
Other operating revenues	15,420	16,126	41,667	48,289
Subtotal	520,371	734,309	1,554,617	2,233,305
Operating expenses				
Purchased crude oil, products and operating supplies and expenses	(365,143)	(591,303)	(1,202,853)	(1,798,485)
Selling, general and administrative expenses	(14,270)	(13,269)	(38,688)	(38,034)
Depreciation, depletion and amortization	(26,176)	(26,387)	(77,470)	(79,071)
Exploration expenses, including dry holes	(1,644)	(2,276)	(6,109)	(6,623)
Personnel expenses	(22,142)	(20,936)	(60,032)	(59,157)
Taxes other than income tax	(64,034)	(61,685)	(171,877)	(181,931)
Other operating (expense)/ income, net	(433)	749	7,440	(1,664)
Total operating expenses	(493,842)	(715,107)	(1,549,589)	(2,164,965)
Operating profit	26,529	19,202	5,028	68,340
Finance costs				
Interest expense	(3,838)	(4,341)	(11,871)	(13,261)
Interest income	1,356	1,804	3,621	5,665
Foreign currency exchange gains/(losses), net	348	(90)	901	(194)
Net finance costs	(2,134)	(2,627)	(7,349)	(7,790)
Investment income	38,719	25	38,784	256
Share of profits less losses from associates and joint ventures	1,716	2,745	1,724	8,620
Profit before taxation	64,830	19,345	38,187	69,426

Income tax expense	(11,814)	(3,728)	(6,012)	(13,868)
Profit for the period	53,016	15,617	32,175	55,558
Attributable to				
Shareholders of the Company	46,184	12,020	24,459	44,226
Non-controlling interests	6,832	3,597	7,716	11,332
Profit for the period	53,016	15,617	32,175	55,558
Earnings per share				
Basic earnings per share (RMB)	0.381	0.099	0.202	0.365
Diluted earnings per share (RMB)	0.381	0.099	0.202	0.365

Consolidated Statement of Comprehensive Income

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month period ended 30 September 2020	Three-month period ended 30 September 2019	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Profit for the period	53,016	15,617	32,175	55,558
Other comprehensive income:	(978)	1,663	(3,390)	6,231
<i>Items that may not be reclassified subsequently to profit or loss:</i>				
Equity investments at fair value through other comprehensive income	(1)	(2)	(31)	(22)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Cash flow hedges	2,000	(248)	340	4,543
Share of other comprehensive loss of associates and joint ventures	(485)	(98)	(2,266)	(607)
Foreign currency translation differences	(2,492)	2,011	(1,433)	2,317
Total comprehensive income	52,038	17,280		

Consolidated Balance Sheet

as at 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	At 30 September 2020	At 31 December 2019
Non-current assets		
Property, plant and equipment, net	553,825	622,409
Construction in progress	141,068	173,482
Right-of-use assets	263,747	267,860
Goodwill	8,679	8,697
Interest in associates	137,289	95,737
Interest in joint ventures	53,184	56,467

Net current liabilities	50,658	130,518
Total assets less current liabilities	1,197,749	1,178,697
Non-current liabilities		
Long-term debts	72,756	49,156
Loans from Sinopec Group Company and fellow subsidiaries	9,108	9,626
Lease liabilities	173,945	177,674
Deferred tax liabilities	7,880	6,809
Provisions	44,086	43,163
Other non-current liabilities	21,444	16,434
Total non-current liabilities	329,219	302,862
Total net assets	868,530	875,835
Equity		
Share capital	121,071	121,071
Reserves	607,127	617,079
Total equity attributable to shareholders of the Company	728,198	738,150
Non-controlling interests	140,332	137,685
Total equity	868,530	875,835

Consolidated Statement of Cash Flows
for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Net cash generated from operating activities(a)	83,639	81,398
Investing activities		
Capital expenditure	(72,775)	(67,186)
Exploratory wells expenditure	(8,197)	(6,724)
Purchase of investments, investments in associates and investments in joint ventures	(2,707)	(4,096)
Payments for financial assets at fair value through profit or loss	(4,700)	(10,200)
Proceeds from sale of financial assets at fair value through profit or loss	6,600	25,350
Proceeds from disposal of investments and investments in associates	1,410	805
Proceeds from disposal of property, plant, equipment and other non-current assets	1,896	433
Increase in time deposits with maturities over three months	(64,876)	(77,339)
Decrease in time deposits with maturities over three months	39,131	56,107
Interest received	2,627	3,925
Investment and dividend income received	6,746	8,173
Repayments of other investing activities	(8,419)	-
Net cash used in investing activities	(103,264)	(70,752)
Financing activities		
Proceeds from bank and other loans	489,892	469,696
Repayments of bank and other loans	(405,196)	(441,579)
Contributions to subsidiaries from non-controlling interests	3,395	2,222
Dividends paid by the Company	(23,004)	(46,007)
Distributions by subsidiaries to non-controlling interests	(3,482)	(4,659)
Interest paid	(4,514)	(4,781)
Payments made to acquire non-controlling interests	(1,117)	-
Repayments of lease liabilities	(9,514)	(9,173)
Proceeds from other financing activities	752	250
Repayments of other financing activities	(356)	-
Net cash used in financing activities	46,856	(34,031)
Net increase/(decrease) in cash and cash equivalents	27,231	(23,385)
Cash and cash equivalents at 1 January	60,313	111,922
Effect of foreign currency exchange rate changes	(458)	313
Cash and cash equivalents at 30 September	87,086	88,850

Note to consolidated statement of Cash Flows
for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

(a) Reconciliation of profit before taxation to net cash generated from operating activities

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Operating activities		
Profit before taxation	38,187	69,426
Adjustments for:		
Depreciation, depletion and amortization	77,470	79,071
Dry hole costs written off	4,516	4,553
Share of profits from associates and joint ventures	(1,724)	(8,620)
Investment income	(38,784)	(256)
Interest income	(2,358)	(5,665)
Interest expense	11,217	13,261
(Gain)/loss on foreign currency exchange rate changes and derivative financial instruments	(2,180)	430
(Gain)/loss on disposal of property, plant, equipment and other non-current assets, net	(67)	248
Impairment losses on assets	11,415	91
Credit impairment losses	842	7
Operating profit before change of operating capital	98,534	152,546
Accounts receivable and other current assets	3,636	(22,910)
Inventories	8,062	(14,055)
Accounts payable and other current liabilities	(16,484)	(19,003)
Subtotal	93,748	96,578
Income tax paid	(10,109)	(15,180)
Net cash generated from operating activities	83,639	81,398

Segment Reporting

for the nine-month period ended 30 September 2020

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Turnover		
Exploration and production		
External sales	71,021	79,424
Inter-segment sales	44,839	66,262
Subtotal	115,860	145,686
Refining		
External sales	80,776	105,986
Inter-segment sales	603,290	801,310
Subtotal	684,066	907,296
Marketing and distribution		
External sales	788,857	1,030,178
Inter-segment sales	3,491	2,719
Subtotal	792,348	1,032,897
Chemicals		
External sales	231,771	327,637
Inter-segment sales	29,098	42,508
Subtotal	260,869	370,145
Corporate and others		
External sales	352,212	641,791
Inter-segment sales	331,577	473,187
Subtotal	683,789	1,114,978
Elimination of inter-segment sales	(1,023,982)	(1,385,986)
Turnover	1,512,950	2,185,016
Other operating revenues		
Exploration and production	4,494	6,722
Refining	3,219	3,829
Marketing and distribution	26,052	25,436
Chemicals	6,389	10,912
Corporate and others	1,513	1,390
Other operating revenues	41,667	48,289
Turnover and other operating revenues	1,554,617	2,233,305
Result		
Operating (loss)/profit		
By segment		
Exploration and production	(6,479)	8,718
Refining	(15,098)	22,500

Marketing and distribution	16,958	23,245
Chemicals	7,047	16,560
Corporate and others	(2,516)	(2,439)
Elimination	5,116	(244)
Total segment operating profit	5,028	68,340
Share of profits from associates and joint ventures		
Exploration and production	1,208	2,256
Refining	(2,177)	(802)
Marketing and distribution	1,171	2,337
Chemicals	(40)	3,237
Corporate and others	1,562	1,592
Aggregate share of profits from associates and joint ventures	1,724	8,620
Investment income/(losses)		
Exploration and production	13,205	(3)
Refining	15,389	35
Marketing and distribution	9,092	63
Chemicals	4	2
Corporate and others	1,094	159
Aggregate investment income	38,784	256
Net finance costs	(7,349)	(7,790)
Profit before taxation	38,187	69,426

4.3 Differences between Consolidated Financial Statements prepared in accordance with the accounting policies complying with CASs and IFRS (unaudited)

Other than the differences in the classifications of certain financial statements captions and the accounting for the items described below, there are no material differences between the Group's consolidated financial statements prepared in accordance with the accounting policies complying with CASs and IFRS. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. The major differences are:

(i) Government Grants

Under CASs, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS, government grants relating to the purchase of fixed assets are recognized as deferred income and are transferred to the income statement over the useful life of these assets.

(ii) Safety Production Fund

Under CASs, safety production fund should be recognized in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, payments are expensed as incurred, or capitalised as fixed assets and depreciated according to applicable depreciation methods.

Effects of major differences between the net profit under CASs and the profit for the period under IFRS are analysed as follows:

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month period ended 30 September 2020	Nine-month period ended 30 September 2019
Net profit under CASs	31,014	54,464
Adjustments:		
Government grants (i)	40	42
Safety production fund (ii)	1,126	1,229
Others	(5)	(177)
Profit for the period under IFRS	32,175	55,558

