



**China Petroleum & Chemical Corporation
The Third Quarterly Report for 2016**

27 October 2016
Beijing, China

1 Important notice

- 1.1 The Board of Directors, the Supervisory Board of China Petroleum & Chemical Corporation warrant that there are no material omissions, misrepresentations or misleading statements 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 2016 at the 10th meeting of the Sixth Session of the Board of Directors of Sinopec Corp. All the directors attended this meeting.
- 1.3 Mr. Wang Yupu, Chairman of the Board of Directors, Mr. Dai Houliang, Vice Chairman of the Board of Directors and President, Mr. Wang Dehua, Chief Financial Officer and Head of the Corporate Finance Department of Sinopec Corp. warrant the authenticity, accuracy and completeness of the financial statements contained in the Quarterly Report.
- 1.4 The financial statements in the 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 PRC Accounting

RMB million			
	As of 30 September 2016	As of 31 December 2015	Changes from the end of the preceding year to the end of the reporting period (%)
Total assets	1,413,148	1,447,268	(2.4)
Total equity attributable to equity shareholders of the Company	692,711	677,538	2.2
	Nine Months		Changes over the same period of the preceding year (%)
	2016	2015	
Net cash flow from operating activities	131,700	116,239	13.3
Operating income	1,363,945	1,537,956	(11.3)
Net profit attributable to equity shareholders of the Company	29,166	25,480	

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Extraordinary (gain)/loss items	Third Quarter 2016 RMB million	Nine Months 2016 RMB million
Loss on disposal of non-current assets	112	105
Donations		

2.1.2 Principal financial data and indicators prepared in accordance with International Financial

RMB million

	As of 30 September 2016	As of 31 December 2015	Changes from the end of the preceding year to the end of the reporting period (%)
Total assets	1,413,148	1,447,268	(2.4)
Equity attributable to owners of the Company	691,447	676,197	2.3

	Nine Months		Changes over the same period of the preceding year (%)
	2016	2015	
Net cash generated from operating activities	131,700	116,239	13.3
Operating profit	51,430	49,376	4.2
Net profit attributable to equity shareholders of the Company	30,107	27,075	11.2
Basic earnings per share (RMB)	0.249	0.224	11.2
Diluted earnings per share (RMB)	0.249	0.224	11.2
Return on net assets (%)	4.35	4.00	0.35 percentage points

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

Total number of shareholders	641,544, including 635,289 holders of domestic A shares and 6,255 holders of overseas H shares.			
Top ten shareholders (Top ten shareholders holding shares without selling restrictions)				
Name of shareholders	Total number of shares held	Percentage (%)	Number of shares subject to pledge or lock-ups	Nature of shareholder
China Petrochemical Corporation	85,792,671,101	70.86	0	State-owned share
HKSCC (Nominees) Limited ¹	25,377,333,229	20.96	Unknown	H share
	1,827,304,500	1.51	0	A share
	322,037,900	0.27	0	A share
	244,593,847	0.20	0	A share
	151,784,654	0.13	0	A share
	131,145,806	0.11	0	A share
50	80,522,430	0.07	0	A share
	79,659,571	0.07	0	A share
	77,735,324	0.06	0	A share

Note 1: Sinopec Century Bright Capital Investment Limited, overseas wholly-owned subsidiary of China Petrochemical Corporation, holds 553,150,000 H shares, which is included in the total number of the shares held by HKSCC Nominees Limited.

2.3 Review of operating results

In the first three quarters of 2016, by
6.7%. International crude oil prices bottomed out and fluctuated within a wide range in the third quarter, but remained at low level. Domestic refined oil product prices were adjusted timely in line with international crude oil prices. The refined oil products pricing mechanism was further improved with the price floor put into place. Domestic apparent consumption of refined oil products grew by 4.39% over the same period last year, driven by substantial increase of gasoline and kerosene consumption while diesel consumption dropped slightly. Ethylene equivalent consumption maintained roughly flat compared with the same period last year and the competitiveness of naphtha-based chemicals was increased at low oil price environment.

The Company, focusing on growth quality and profitability, further enhanced structure adjustment and management. We optimised market-oriented operation, fully leveraged advantages across the integrated value chain, overcame the impact of natural disaster and coordinated all aspects of work. In accordance with the ASBE and IFRS, net profit attributable to equity shareholders of the Company was RMB 29.166 billion and RMB 30.107 billion respectively in the first three quarters.

Exploration and Production: To address the challenge of low oil prices, the Company effectively optimised exploration and production activities which achieved positive results. In exploration, through technological progress and efficiency promotion, we attained new discoveries in Tahe of Xinjiang Autonomous Region, Beibu Gulf off-shore in Guangxi and Yin-E Basin in Nei Mongol Autonomous Region and new natural gas findings in west Sichuan and Erdos Basin. In development, Phase Two shale gas development project in Fuling Shale Gas field further facilitated our shale gas development. In production, we strengthened cost discipline and reduced high-cost oil production. In the first three quarters, oil and gas production of the Company was 322.29 million barrels of oil equivalent, down by 8.13%, out of which crude oil output dropped 12.58% over the same period last year while natural gas grew by 5.09%. The Exploration and Production Segment had earnings before interest and taxes (EBIT) of RMB -30.865 billion.

Refining: The Company actively responded to challenges arising from sharp increase of throughput from independent refineries, ample market supply and changes in refined oil products demand. We further optimised our refined oil product mix by increasing production of gasoline and kerosene, reduced our crude purchasing costs, kept steady unit load and pressed ahead with refined oil products quality upgrading. Based on customer need, we strengthened marketing service of other refined oil products, such as asphalt and LPG, etc. In the first three quarters, refinery throughput and refined oil products production decreased by 1.72% and 1.04% respectively, among which gasoline up by 3.04%, jet fuel up by 4.28% and diesel down by 5.95% over the same period last year. The Refining Segment had EBIT of RMB 43.504 billion, up by 183.12% over the same period last year.

Marketing and Distribution: In light of ample domestic fuel supply and strong competition in the market, the Company coordinated and optimised internal and external resources, and adjusted marketing efforts, achieving growth in both total sales volume and retail sales volume, especially in retail scale of premium products with high octane number. We further improved our product pipeline network and accelerated the building of service stations. Non-fuel business kept fast

development momentum owing to synergy between fuel and non-fuel businesses. In the first three quarters, total sales volume of refined oil products was 146 million tonnes, up by 3.53% over the same period last year. Total domestic sales volume of refined oil products was 130 million tonnes, up by 2.27%. Transaction of non-fuel business reached RMB 26.92 billion, up by 40.21% compared with the same period last year. The Marketing and Distribution Segment had EBIT of RMB 25.839 billion, up by 14.50% over the same period last year.

Chemicals: The Company further optimised feedstock and product mix, as well as facilities structure. We further lowered feedstock cost for ethylene. We strengthened the integration among production, sales, product R&D and customer need and continuously optimised operations of manufacturing facilities, which has achieved great results. We strengthened R&D, production and marketing capabilities of new high value-added products, with performance polymer ratio reaching 59.7% and differential ratio of synthetic fibre reaching 84.8%. We also focused on improving customer services to enhance customer loyalty. At the same time, we held firm to our strategies of low inventories and customised marketing. In the first three quarters, ethylene production reached 8.115 million tonnes, down by 1.91% and chemical sales volume was 50.46 million tonnes, up by 11.19% over the same period last year. The Chemicals Segment had EBIT of RMB 19.135 billion, up by 8.95% over the same period last year.

Summary of Principal Operating Results for the First Three Quarters

Operating data	Unit	For nine-month period ended 30 September		Changes (%)
		2016	2015	
Exploration and production				
Oil and gas production ¹	million boe	322.29	350.82	(8.13)
Crude oil production	million barrels	229.36	262.38	(12.58)
China	million barrels	191.26	222.42	(14.01)
Overseas	million barrels	38.10	39.96	(4.65)
Natural gas production	billion cubic feet	557.15	530.14	5.09
Realised crude oil price	USD/barrel	35.44	48.91	(27.54)
Realised natural gas price	USD/thousand cubic feet	5.48	7.12	(23.03)
Refining²				
Refinery throughput	million tonnes	175.25	178.32	(1.72)
Gasoline, diesel and kerosene production	million tonnes	111.02	112.19	(1.04)
Gasoline	million tonnes	42.09	40.85	3.04
Diesel	million tonnes	50.15	53.32	(5.95)
Kerosene	million tonnes	18.78	18.01	4.28
Light chemical feedstock	million tonnes	28.45	29.40	(3.23)
Light products yield	%	76.35	76.62	(0.27) percentage points
Refining yield	%	94.47	94.78	(0.31) percentage points

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Operating data	Unit	For nine-month period ended 30 September		Changes (%)
		2016	2015	
Marketing and Distribution				
Total sales of refined oil products	million tonnes	145.72	140.75	3.53
Total domestic sales volume of refined oil products	million tonnes	129.58	126.71	2.27
Retail	million tonnes	89.79	88.19	1.81
Direct sales & Wholesale	million tonnes	39.79	38.52	3.30
Total number of Sinopec-branded service stations ³	stations	30,721	30,560	0.53
Company-operated	stations	30,708	30,547	0.53
Annualised average throughput per station ⁴	tonnes/station	3,899	3,857	1.09
Chemical²				
Ethylene	thousand tonnes	8,115	8,273	(1.91)
Synthetic resin	thousand tonnes	11,138	11,265	(1.13)
Synthetic rubber	thousand tonnes	619	668	(7.34)
Monomers and polymers for synthetic fibre	thousand tonnes	6,830	6,684	2.18
Synthetic fibre	thousand tonnes	934	967	(3.41)

Note:

1. Conversion: in the first three quarters of 2016, for domestic production of crude oil, 1 tonne = 7.10 barrels; for overseas production of crude oil, 1 tonne=7.20 barrels; for production of natural gas, 1 cubic meter = 35.31 cubic feet.
2. Including 100% production of domestic joint ventures.
3. The number of service stations in 2015 was the number as of 31 December 2015.
4. Throughput per service station data was annualised.

Capital expenditure: The Company, focusing on growth quality and profitability, strengthened the management of investment return and optimisation of investment project. capital expenditures were RMB 24.969 billion in the first three quarters. Capital expenditure for Exploration and Production Segment was RMB 9.206 billion, mainly for Phase Two of shale gas development in Fuling, LNG terminals in Guangxi and Tianjin, and Jinan-Qingdao gas pipeline II. Capital expenditure for refining segment was RMB 4.995 billion, mainly for gasoline and diesel quality upgrading and refinery optimisation and revamping projects. Capital expenditure for marketing and distribution segment was RMB 5.983 billion, mainly for renovation of service stations, refined oil products pipelines, oil depots and safety hazard rectification projects. Capital expenditure for chemical segment was RMB 3.967 billion, mainly for feedstock and product optimisation projects and coal chemical projects. Capital expenditure for corporate and others was RMB 818 million, 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 ASBE and the reasons for such changes.

Items of Consolidated Balance Sheet	30 September 2016	31 December 2015	Increase/(decrease)		Major reasons for changes
			Amount	Percentage	
	RMB million	RMB million	RMB million	(%)	
Prepayments	5,040	2,920	2,120	72.6	Mainly due to increase in the prepayment for refined oil products and crude oil.
Other receivables	10,700	21,453	(10,753)	(50.1)	Mainly due to the settlement and confirmation of gain and loss for hedging derivatives.
Short-term loans	41,581	74,729	(33,148)	(44.4)	Mainly due to repayment of short-term loans.
Other payables	58,739	86,337	(27,598)	(32.0)	Mainly due to settlement and confirmation of gain and loss for hedging derivatives, and increase in payment upon completion of construction projects.
Non-current liabilities due within one year	24,552	11,277	13,275	117.7	Mainly due to reclassification for long-term loans due within one year
Short-term debentures payable	6,000	30,000	(24,000)	(80.0)	Mainly due to repayment of super short-term commercial paper

Items of consolidated income statement	For nine-month period ended 30 September 2016	For nine-month period ended 30 September 2015	Increase/(decrease)		Main reasons for changes
			Amount	Percentage	
	RMB million	RMB million	RMB million	(%)	
Impairment losses	1,528	327	1,201	367.3	Mainly due to recognition of impairment for some long-term shutdown facilities.
Investment income	7,253	4,807	2,446	50.9	Mainly due to increase in profit from some of the company's associates and joint ventures.

Items of consolidated cash flow statement	For nine-month period ended 30 September 2016	For nine-month period ended 30 September 2015	Increase/(decrease)		Main reasons for changes
			Amount	Percentage	
	RMB million	RMB million	RMB million	(%)	
Net cash flow from investing activities	(41,219)	(74,134)	32,915	(44.4)	Mainly due to decrease of capital expenditure in line with changes in market conditions.
Net cash flow from financing activities	(78,568)	4,796	(83,364)	-	Due to capital injection of Sinopec Marketing Co. in the same period last year as well as more repayment of interest-bearing debt than new loans during the reporting period.

3.2 Status of fulfilment of commitments undertaken by the Company, shareholder and actual controller.

Background	Type of Undertaking	Party	Contents	Term for performance	Whether bears deadline or not	Whether strictly performed or not
Undertakings related to Initial Public Offerings (IPOs)	Initial Public Offering (IPO)	China Petrochemical Corporation	<ol style="list-style-type: none"> 1 Compliance with the connected transaction agreements; 2 Solving the issues regarding the legality of land-use rights certificates and property ownership rights certificates within a specified period of time; 3 Implementation of the Reorganization Agreement (please refer to the definition of the H share prospectus of Sinopec Corp.); 4 Granting licenses for intellectual property rights; 5 Avoiding competition within the same industry; and 6 Abandonment of business competition and conflicts of interest with Sinopec Corp. 	From June 22, 2001	No	Yes
Other undertakings	Other	China Petrochemical Corporation	China Petrochemical Corporation would dispose of its minor remaining chemicals business within five years in order to avoid competition with Sinopec Corp. in the chemicals business.	Within five years, commencing March 15, 2012	Yes	Yes
Other undertakings	Other	China Petrochemical Corporation	<p>Given that China Petrochemical Corporation engages in the same or similar businesses as Sinopec Corp. with regard to the exploration and production of overseas petroleum and natural gas, China Petrochemical Corporation hereby grants a 10-year option to Sinopec Corp. with the following provisions: (i) after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell its overseas oil and gas assets owned as of the date of the undertaking and still exercise of the option to Sinopec Corp.;</p> <p>(ii) in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the issuance of the undertaking, within 10 years of the completion of such acquisition, after a thorough analysis from political, economic and other perspectives, Sinopec Corp. is entitled to require China Petrochemical Corporation to sell these assets to Sinopec Corp.. China Petrochemical Corporation undertakes to transfer the assets as required by Sinopec Corp. under aforesaid items (i) and (ii) to Sinopec Corp., provided that the exercise of such option complies with applicable laws and regulations, contractual obligations and other procedural requirements.</p>	10 years after April 29, 2014 or the date when Sinopec Group acquires the assets	Yes	Yes

As of the end of the reporting period, Sinopec Corp. had no undertakings in respect of profits, asset injections or asset restructuring that had not been fulfilled, nor did Sinopec Corp. make any profit forecast in relation to any asset or project.

3.4 This quarterly results announcement is published in both Chinese and English languages. In the event of any discrepancies, the Chinese version shall prevail.

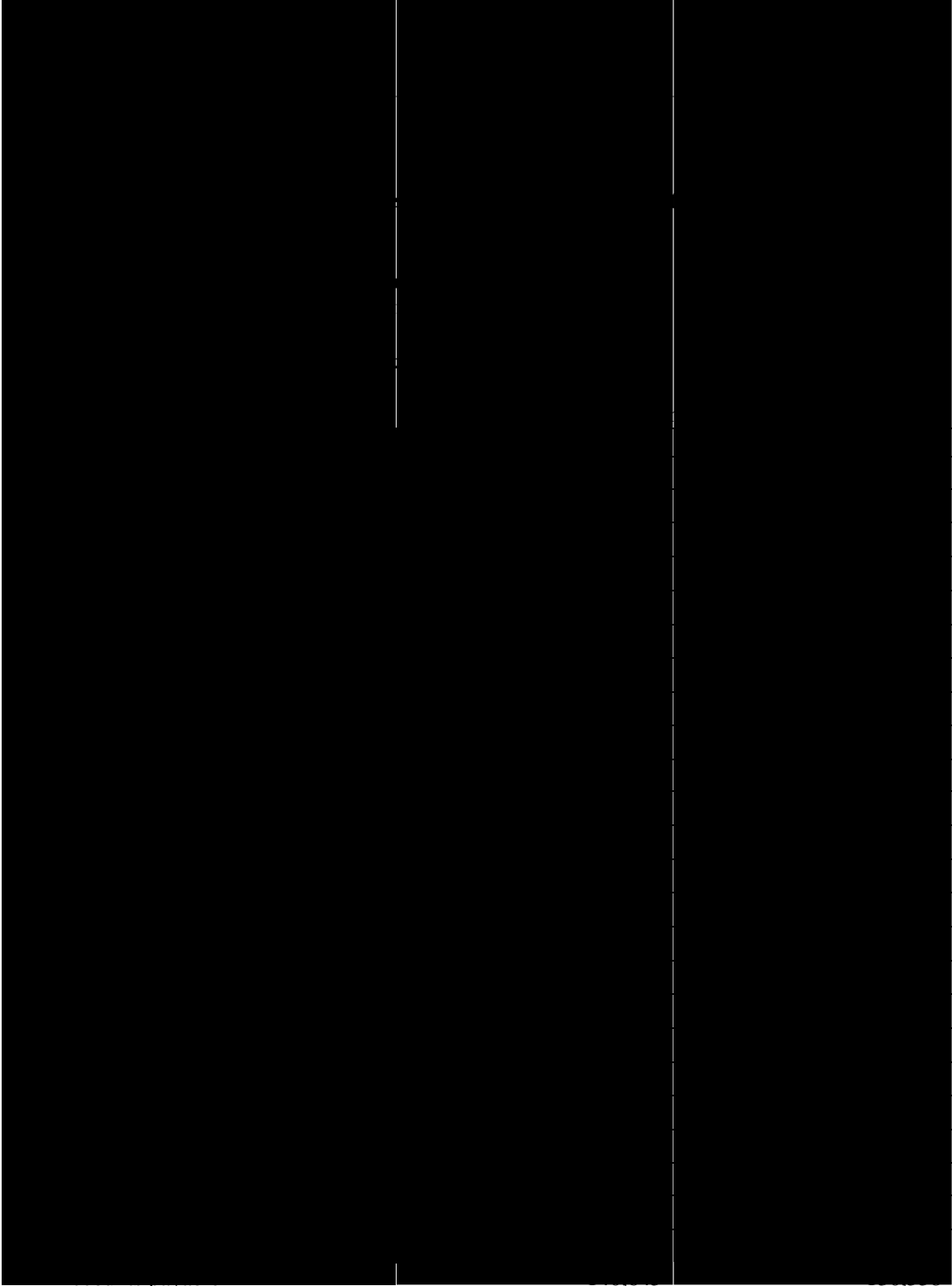
By Order of the Board

Chairman

Wang Yupu

27 October 2016

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Non-current liabilities:		
Long-term loans	66,561	56,493
Debentures payable	65,771	83,253
Provisions	35,819	33,186
Deferred tax liabilities	7,954	8,259
Other non-current liabilities	15,544	13,680
Total non-current liabilities	191,649	194,871
Total liabilities	599,646	657,703
Shareholders' equity:		
Share capital	121,071	121,071
Capital reserve	119,411	121,576
Other comprehensive income	(3,800)	(7,984)
Specific reserve	1,476	612
Surplus reserves	196,640	196,640
Retained earnings	257,913	245,623
Total equity attributable to shareholders of the Company	692,711	677,538
Minority interests	120,791	112,027
	813,502	789,565
equity	1,413,148	1,447,268

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Chief Financial Officer

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Balance Sheet
as at 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	As at 30 September 2016	As at 31 December 2015
Current assets:		
Cash at bank and on hand	54,455	46,453
Bills receivable	400	540
Accounts receivable	19,090	29,512
Prepayments	1,754	1,296
Other receivables	66,548	64,620
Inventories	39,165	46,029
Other current assets	38,881	36,559
Total current assets	220,293	225,009
Non-current assets:		
Available-for-sale financial assets	297	297
Long-term equity investments	237,937	219,230
Fixed assets	403,927	439,477
Construction in progress	51,046	72,763
Intangible assets	7,920	8,397
Long-term deferred expenses	2,107	2,154
Other non-current assets	12,008	11,959
Total non-current assets	715,242	754,277
Total assets	935,535	979,286
Current liabilities:		
Short-term loans	15,033	32,517
Bills payable	2,484	1,852
Accounts payable	71,271	85,182
Advances from customers	2,753	3,151
Employee benefits payable	2,372	290
Taxes payable	20,194	20,832
Other payables	93,984	86,427
Short-term debentures payable	6,000	30,000
Non-current liabilities due within one year	23,086	5,352
Total current liabilities	237,177	265,603

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Non-current liabilities:		
Long-term loans	62,712	54,526
Debentures payable	47,500	65,500
Provisions	31,442	28,968
Deferred tax liabilities	605	177
Other non-current liabilities	3,371	2,238
Total non-current liabilities	145,630	151,409
Total liabilities	382,807	417,012
Shareholders' equity:		
Share capital	121,071	121,071
Capital reserve	68,664	68,716
Other comprehensive income	552	(145)
Specific reserve	717	313
Surplus reserves	196,640	196,640
Retained earnings	165,084	175,679
	552,728	562,274
equity	935,535	979,286

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Chief Financial Officer

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Consolidated Income Statement
for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month periods ended 30 September 2016	Three-month periods ended 30 September 2015	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
I. Total operating income	484,725	496,825	1,363,945	1,537,956
II. Total operating costs	469,450	492,883	1,319,899	1,499,329
Including: Operating costs	377,015	397,636	1,042,208	1,218,008
Sales taxes and surcharges	58,242	59,375	171,073	179,264
Selling and distribution expenses	12,143	11,783	35,715	34,187
General and administrative expenses	18,295	17,906	56,711	52,327
Financial expenses	1,163	4,581	5,447	7,705
Exploration expenses, including dry holes	2,487	1,480	7,217	7,511

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VI. Earnings per share:				
(i) Basic earnings per share (RMB Yuan)	0.082	0.011	0.241	0.214
(ii) Diluted earnings per share (RMB Yuan)	0.082	0.011	0.241	0.214
VII. Total other comprehensive income	(627)	4,187	2,193	5,542
<i>Items that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments):</i>				
Cash flow hedges	(1,011)	2,602	756	4,082
Available-for-sale financial assets	(8)	12	(41)	48
Share of other comprehensive income/(loss) of associates and jointly controlled entities	89	(27)	188	(145)
Foreign currency translation differences	303	1,600	1,290	1,557
VIII. Total comprehensive income	13,062	8,224	42,263	40,173
Attributable to:				
Equity shareholders of the Company	9,117	4,743	33,350	31,006
Minority interests	3,945	3,481	8,913	9,167

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Chief Financial Officer

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Income Statement
for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month periods ended 30 September 2016	Three-month periods ended 30 September 2015	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
I. Operating income	176,851	209,774	523,000	648,093
Less: Operating costs	126,495	154,794	364,330	472,638
Sales taxes and surcharges	38,710	43,941	118,312	129,961
Selling and distribution expenses	443	655	1,747	1,896
General and administrative expenses	10,094	10,310	31,621	29,631
Financial expenses	754	1,524	2,819	5,024
Exploration expenses, including dry holes	2,487	1,476	7,217	7,486
Impairment losses	(11)	(2)	1,113	96
Add: Gain/(Loss) from changes in fair value	-	9	-	(263)
Investment income	1,939	2,257	10,689	7,236
II. Operating profit	(182)	(658)	6,530	8,334
Add: Non-operating income	308	999	1,075	2,100
Less: Non-operating expenses	221	251	690	722
III. Profit before taxation	(95)	90	6,915	9,712
Less: Income tax expense	(171)	(804)	681	605
IV. Net profit	76	894	6,234	9,107
V. Total other comprehensive income	405	147	697	637
<i>Items that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments):</i>				
Cash flow hedges	335	222	642	713
Share of other comprehensive income/(loss) in associates	70	(75)	55	(76)
VI. Total comprehensive income	481	1,041	6,931	9,744

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Chief Financial Officer

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Consolidated Cash Flow Statement
for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,615,777	1,758,455
Refund of taxes and levies	1,653	2,485
Other cash received relating to operating activities	62,036	76,782
Sub-total of cash inflows	1,679,466	1,837,722
Cash paid for goods and services	(1,171,618)	(1,332,041)
Cash paid to and for employees	(41,556)	(38,174)
Payments of taxes and levies	(251,394)	(250,528)
Other cash paid relating to operating activities	(83,198)	(100,740)
Sub-total of cash outflows	(1,547,766)	(1,721,483)
Net cash flow from operating activities	131,700	116,239
II. Cash flows from investing activities:		
Cash received from disposal of investments	17,930	1,253
Cash received from returns on investments	2,806	2,371
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	375	413
Net cash received from disposal of subsidiaries and other business entities	2,027	-
Other cash received relating to investing activities	1,850	4,707
Sub-total of cash inflows	24,988	8,744
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(45,909)	(71,392)
Cash paid for acquisition of investments	(15,197)	(8,382)
Other cash paid relating to investing activities	(5,101)	(3,104)
Sub-total of cash outflows	(66,207)	(82,878)
Net cash flow from investing activities	(41,219)	(74,134)

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III.Cash flows from financing activities:		
Cash received from capital contributions	202	105,733
Including: Cash received from capital contributions to subsidiaries	202	105,733
Cash received from borrowings	401,057	863,620
Sub-total of cash inflows	401,259	969,353
Cash repayments of borrowings	(453,475)	(933,811)
Cash paid for dividends, profits distribution or interest	(26,352)	(30,746)
dividends or profits to minority shareholders	(4,726)	(756)
Sub-total of cash outflows	(479,827)	(964,557)
Net cash flow from financing activities	(78,568)	4,796
IV.Effects of changes in foreign exchange rate	303	7
V.Net increase in cash and cash equivalents	12,216	46,908
Add:Cash and cash equivalents at 1 January	68,933	9,355
VI. Cash and cash equivalents at 30 September	81,149	56,263

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Chief Financial Officer

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Cash Flow Statement
for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	605,835	750,466
Refund of taxes and levies	999	1,750
Other cash received relating to operating activities	46,776	52,793
Sub-total of cash inflows	653,610	805,009
Cash paid for goods and services	(350,443)	(506,489)
Cash paid to and for employees	(23,498)	(24,195)
Payments of taxes and levies	(155,934)	(164,251)
Other cash paid relating to operating activities	(47,308)	(132,071)
Sub-total of cash outflows	(577,183)	(827,006)
Net cash flow from operating activities	76,427	(21,997)
II. Cash flows from investing activities:		
Cash received from disposal of investments	24,733	138,514
Cash received from returns on investments	14,696	5,400
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	621	4,303
Net cash received from disposal of subsidiaries and other business entities	2,027	-
Other cash received relating to investing activities	949	746
Sub-total of cash inflows	43,026	148,963
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(26,515)	(45,251)
Cash paid for acquisition of investments	(32,755)	(15,217)
Other cash paid relating to investing activities	(130)	-
Sub-total of cash outflows	(59,400)	(60,468)
Net cash flow from investing activities	(16,374)	88,495
III. Cash flows from financing activities:		
Cash received from borrowings	152,920	192,992
Sub-total of cash inflows	152,920	192,992
Cash repayments of borrowings	(185,420)	(201,029)
Cash paid for dividends, profits distribution or interest	(19,681)	(29,185)
Sub-total of cash outflows	(205,101)	(230,214)
Net cash flow from financing activities	(52,181)	(37,222)
IV. Net increase in cash and cash equivalents	7,872	29,276
Add: Cash and cash equivalents at 1 January	46,453	1,804
V. Cash and cash equivalents at 30 September	54,325	31,080

Wang Yupu
Chairman
(Legal representative)

Dai Houliang
Vice Chairman, President

Wang Dehua
Chief Financial Officer

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Segment Reporting

for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
Income from principal operations		
Exploration and production		
External sales	34,544	43,736
Inter-segment sales	40,829	56,341
Subtotal	75,373	100,077
Refining		
External sales	73,012	92,725
Inter-segment sales	537,839	617,926
Subtotal	610,851	710,651
Marketing and distribution		
External sales	748,387	826,408
Inter-segment sales	2,185	2,093
Subtotal	750,572	828,501
Chemicals		
External sales	197,109	211,218
Inter-segment sales	27,034	33,327
Subtotal	224,143	244,545
Corporate and others		
External sales	275,824	335,357
Inter-segment sales	221,609	266,259
Subtotal	497,433	601,616
Elimination of inter-segment sales	(829,496)	(975,946)
Consolidated income from principal operations	1,328,876	1,509,444
Income from other operations		
Exploration and production	5,111	5,152
Refining	4,023	3,497
Marketing and distribution	16,558	12,641
Chemicals	8,502	5,933
Corporate and others	875	1,289
Consolidated income from other operations	35,069	28,512
Consolidated operating income	1,363,945	1,537,956

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Operating profit/(loss)		
By segment		
Exploration and production	(30,900)	(4,332)
Refining	41,607	13,205
Marketing and distribution	23,690	20,742
Chemicals	15,129	14,904
Corporate and others	1,395	831
Elimination	(1,428)	982
Total segment operating profit	49,493	46,332
Investment income/(loss)		
Exploration and production	(449)	(569)
Refining	1,112	498
Marketing and distribution	2,091	1,273
Chemicals	3,683	2,655
Corporate and others	816	950
Total segment investment income	7,253	4,807
Financial expenses	(5,447)	(7,705)
Loss from changes in fair value	(117)	(25)
Operating profit	51,182	43,409
Add: Non-operating income	2,276	3,284
Less: Non-operating expenses	1,523	1,598
Profit before taxation	51,935	45,095

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

Consolidated Income Statement
for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month periods ended 30 September 2016	Three-month periods ended 30 September 2015	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
Turnover and other operating revenues				
Turnover	472,080	486,995	1,328,876	1,509,444
Other operating revenues	12,645	9,830	35,069	28,512
Subtotal	484,725	496,825	1,363,945	1,537,956
Operating expenses				
Purchased crude oil, products and operating supplies and expenses	(352,524)	(372,568)	(967,943)	(1,143,566)
Selling, general and administrative expenses	(15,605)	(16,931)	(48,661)	(49,167)
Depreciation, depletion and amortization	(24,344)	(24,027)	(73,449)	(70,322)
Exploration expenses, including dry holes	(2,487)	(1,480)	(7,217)	(7,511)
Personnel expenses	(14,720)	(13,576)	(43,783)	(40,295)
Taxes other than income tax	(58,242)	(59,375)	(171,073)	(179,264)
Other operating (expense)/income, net	(481)	12	(389)	1,545
Total operating expenses	(468,403)	(487,945)	(1,312,515)	(1,488,580)
Operating profit	16,322	8,880	51,430	49,376
Finance costs				
Interest expense	(2,614)	(1,827)	(7,778)	(6,211)
Interest income	1,150	1,094	2,508	2,191
Loss on embedded derivative component of the convertible bonds	-	-	-	(259)
Foreign currency exchange gains/(losses), net	301	(3,848)	(177)	(3,685)
Net finance costs	(1,163)	(4,581)	(5,447)	(7,964)
Investment income	108	38	206	124
Share of profits from associates and joint ventures	2,204	753	6,803	4,888
Profit before taxation	17,471	5,090	52,992	46,424
Tax expense	(3,486)	(790)	(11,865)	(10,464)

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Profit for the period	13,985	4,300	41,127	35,960
Attributable to:				
Owners of the Company	10,188	1,652	30,107	27,075
Non-controlling interests	3,797	2,648	11,020	8,885
Profit for the period	13,985	4,300	41,127	35,960
Earnings per share				
Basic earnings per share (RMB Yuan)	0.084	0.013	0.249	0.224
Diluted earnings per share (RMB Yuan)	0.084	0.013	0.249	0.224

The Third Quarterly Report for 2016

Consolidated Statement of Comprehensive Income
for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Three-month periods ended 30 September 2016	Three-month periods ended 30 September 2015	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
Profit for the period	13,985	4,300	41,127	35,960
Total other comprehensive income	(627)	4,187	2,193	5,542
<i>Items that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments):</i>				
Cash flow hedges	(1,011)	2,602	756	4,082
Available-for-sale securities	(8)	12	(41)	48
Share of other comprehensive income/(loss) of associates and joint ventures	89	(27)	188	(145)
Foreign currency translation differences	303	1,600	1,290	1,557
Total comprehensive income	13,358	8,487	43,320	41,502
Attributable to:				
Owners of the Company	9,389	4,942	34,291	32,188
Non-controlling interests	3,969	3,515	9,029	9,314

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Consolidated Balance Sheet
as at 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	As at 30 September 2016	As at 31 December 2015
Non-current assets:		
Property, plant and equipment, net	714,847	733,449
Construction in progress	123,022	152,325
Goodwill	6,324	6,271
Interest in associates	42,868	40,712
Interest in joint ventures	47,300	43,581
Available-for-sale financial assets	11,097	10,964
Deferred tax assets	7,183	7,469
Lease prepayments	52,777	51,049
Long-term prepayments and other non-current assets	68,735	67,791
Total non-current assets	1,074,153	1,113,611
Current assets:		
Cash and cash equivalents	81,149	68,933
Time deposits with financial institutions	5,234	733
Trade accounts receivable	58,293	56,142
Bills receivable	12,419	10,964
Inventories	141,790	145,608
Prepaid expenses and other current assets	40,110	51,277
Total current assets	338,995	333,657
Current liabilities:		
Short-term debts	54,123	71,517
Loans from Sinopec Group Company and fellow subsidiaries	17,257	43,929
Trade accounts payable	140,645	130,558
Bills payable	4,457	3,566
Accrued expenses and other payables	187,840	

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Non-current liabilities:		
Long-term debts	88,232	95,446
Loans from Sinopec Group Company and fellow subsidiaries	44,100	44,300
Deferred tax liabilities	7,954	8,259
Provisions	35,819	33,186
Other long-term liabilities	16,863	15,084
Total non-current liabilities	192,968	196,275
Total net assets	812,183	788,161
Equity:		
Share capital	121,071	121,071
Reserves	570,376	555,126
Total equity attributable to owners of the Company	691,447	676,197
Non-controlling interests	120,736	111,964
Total equity	812,183	788,161

Consolidated Statement of Cash Flow
for the nine-month periods ended 30 September 2016

Note to consolidated statement of Cash Flow

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

Items	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
Operating activities		
Profit before taxation	52,992	46,424
Adjustments for:		
Depreciation, depletion and amortisation	73,449	70,322
Dry hole costs written off	5,615	5,277
Share of profits from associates and joint ventures	(6,803)	(4,888)
Investment income	(206)	(124)
Interest income	(2,508)	(2,191)
Interest expense	7,778	6,211
Loss on foreign currency exchange rate changes and derivative financial instruments	1,820	9,206
Loss on disposal of property, plant, equipment and other non-currents assets, net	105	152
Impairment losses on assets	1,528	327
Loss on embedded derivative component of the convertible bonds	-	259
Operating profit before change of operating capital	133,770	130,975
Accounts receivable and other current assets	487	32,023
Inventories	3,553	33,159
Accounts payable and other current liabilities	10,255	(69,992)
Subtotal	148,065	126,165
Income tax paid	(16,365)	(9,926)
Net cash generated from operating activities	131,700	116,239

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Segment Reporting for the nine-month periods ended 30 September 2016

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Items	Nine-month periods ended 30 September 2016	Nine-month periods ended 30 September 2015
Turnover		
Exploration and production		
External sales	34,544	43,736
Inter-segment sales	40,829	56,341
Subtotal	75,373	100,077

Result

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

Other than the differences in the classifications of certain financial statements captions and the consolidated financial statements prepared in accordance with the accounting policies complying with ASBE 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 ASBE, 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 recognised as deferred income and are transferred to the income statement over the useful life of these assets.

(ii) Safety Production Fund

Under ASBE, safety production fund should be recognised 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 ASBE 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 periods ended 30 September 2016	Nine-month periods ended 30 September 2015
Net profit under ASBE	40,070	34,631
Adjustments:		
Government grants (i)	85	85
Safety production fund (ii)	972	1,244
Profit for the period under IFRS	41,127	35,960

under IFRS are analysed as follows:

Items	At 30 September 2016	At 31 December 2015
	813,502	789,565
Adjustments:		
Government grants(i)	(1,319)	(1,404)
Safety production fund (ii)	-	-
Total equity under IFRS	812,183	788,161