# China Petroleum & Chemical Corporation
# The First Quarterly Report for 2015

29 April, 2015
Beijing, China

## 1 Important notice

1.1 The Board of Directors, the Supervisory Board of China Petroleum & Chemical Corporation ("Sinopec Corp." or the "Company") and its directors, supervisors and senior management 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 first quarterly report for 2015 (the "Quarterly Report") was approved at the 25th meeting of the Fifth Session of the Board of Directors of Sinopec Corp.. All the directors attended this meeting.

1.3 Mr. Fu Chengyu, Chairman of the Board of Directors, Mr. Li Chunguang, Director and President, Mr. Wang Xinhua, Chief Financial Officer and Mr. Wang Dehua, 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 China Accounting Standards for Business Enterprises ("ASBE")

Units: RMB million

| | As at 31 March 2015 | As at 31 December 2014 | Changes from the end of the preceding year to the end of the reporting period (%) |
|---|---|---|---|
| Total assets | 1,436,051 | 1,451,368 | (1.1) |
| Total equity attributable to equity shareholders of the Company | 671,514 | 594,483 | 13.0 |

| | In the reporting period | From the beginning of the preceding year to the end of the preceding reporting period | Changes over the same period of the preceding year (%) |
|---|---|---|---|
| Net cash flow from operating activities | 6,682 | 12,621 | (47.1) |
| | | | |
| Operating income | 478,241 | 641,065 | (25.4) |
| Net profit attributable to equity shareholders of the Company | 1,685 | 13,477 | (87.5) |
| Net profit attributable to equity shareholders of the Company after deducting extraordinary gain/loss items | 1,336 | 13,433 | (90.1) |
| Weighted average return on net assets (%) | 0.27 | 2.33 | (2.06) percentage points |
| Basic earnings per share (RMB) | 0.014 | 0.116 | (87.9) |
| Diluted earnings per share (RMB) | 0.014 | 0.115 | (87.8) |

| **Extraordinary gain/loss items** | **From the beginning of the year to the end of the reporting period** |
|---|---|
| | **(gains)/losses RMB million** |
| Loss on disposal of non-current assets | 23 |
| Donations | 8 |
| Government grants[1] | (681) |
| Gain on holding and disposal of various investments | (7) |
| Other extraordinary income and expenses, net | 178 |
| **Subtotal** | (479) |
| Tax effect | 120 |
| **Total** | (359) |
| Equity shareholders of the Company | (349) |
| Minority interests | (10) |

Note 1 Mainly includes the consumption tax rebate from outsourced naphtha for continuous production

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

Units: RMB million

| | As at 31 March 2015 | As at 31December 2014 | Changes from the end of the preceding year to the end of the reporting period (%) |
|---|---|---|---|
| Total assets | 1,436,051 | 1,451,368 | (1.1) |
| Equity attributable to owners of the Company | 670,097 | 593,041 | 13.0 |

| | In the reporting period | From the beginning of the preceding year to the end of the preceding reporting period | Changes over the same period of the preceding year (%) |
|---|---|---|---|
| Net cash generated from operating activities | 6,682 | 12,621 | (47.1) |
| Operating profit | 5,153 | 24,817 | (79.2) |
| Net profit attributable to owners of the Company | 2,172 | 14,121 | (84.6) |
| Basic earnings per share (RMB) | 0.018 | 0.121 | (85.1) |
| Diluted earnings per share (RMB) | 0.018 | 0.120 | (85.0) |
| Return on net assets (%) | 0.32 | 2.42 | (2.10)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 829,677, including 823,270 holders of domestic A shares and 6,407 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 | 85,720,671,101 | 70.80 | 0 | State-owned share |
| HKSCC (Nominees) Limited [1] | 25,435,574,108 | 21.01 | Unknown | H share / A share |
| | 156,034,806 | 0.13 | 0 | A share |
| | 89,996,185 | 0.07 | 0 | A share |
| | 68,375,774 | 0.06 | 0 | A share |
| A50ETF | 52,648,502 | 0.04 | 0 | A share |
| | 45,917,655 | 0.04 | 0 | A share |
| 50 | 43,548,422 | 0.04 | 0 | A share |
| | 42,997,961 | 0.04 | 0 | A share |
| UBS AG | 40,341,942 | 0.03 | 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 quarter of 2015, the international crude oil prices fluctuated at low level after a slide last year. Domestic gasoline and diesel prices were timely adjusted with international crude oil prices. In the first quarter, China's GDP grew by 7.0% with a stable demand for refined oil products and chemical products. Domestic apparent consumption of refined oil products grew by 4.8% over the same period last year.

The Company, focusing on growth quality and profitability, strengthened reform, transformation and management. Faced with the low crude oil prices scenario, we actively adjusted operational strategies to expand markets, enhance fine management and control cost. All of these efforts contributed to stable operations of the Company. In accordance with the ASBE and IFRS, net profit attributable to equity shareholders of the Company was RMB 1.69 billion and RMB 2.17 billion respectively in the first quarter.

**Exploration and Production:** Focusing on profitability, we strictly controlled investment, strived to reduce operating cost, optimised exploration and development activities and increased commercial yields for oil and gas. In development, we selected projects and set production targets based on oil prices trends. We meticulously developed mature fields and promoted enhanced oil recovery technologies. In natural gas development, we strengthened management of the Puguang gas field and other mature fields and maintained our fast-track momentum in construction of shale gas production capacity in Fuling. Gas development project for Phase II in Yuanba was under progress smoothly. In the first quarter, the oil and gas production of the Company reached 117.8 million barrels of oil equivalent, down by 1.0%, out of which crude oil output down by 2.0% but natural gas up by 2.1%, compared with the same period last year. Impacted by the sustained low crude oil prices, Exploration and Production Segment had an operating loss of RMB 1.23 billion.

**Refining:** We adjusted product slate and refining utilisation rates in response to the market conditions, increasing production of refined oil products and high-value-added products for which demand was strong, such as gasoline, especially high-grade gasoline and jet fuel, further decreasing the diesel to gasoline ratio. We accelerated quality upgrading of refined oil products to increase the supply of clean fuel. We optimised crude oil procurement and resource allocation to reduce costs, including optimising types of crude oil and reinforcing inventory management. We also strengthened the integration of production and sales and improved our sales network. In the first quarter, refinery throughput and refined oil products production increased 2.4% and 5.0% respectively, among which gasoline up by 11.0%, jet fuel up by 19.8% and diesel down by 2.9% over the same period last year. After accounting for high cost crude oil inventories, Refining Segment had an operating loss of RMB 3.36 billion.

**Marketing and Distribution:** The restructuring and reform of marketing business progressed smoothly. Capital contribution and changes of business registration were completed on schedule. We proactively explored to innovate on operational systems and mechanisms with an aim to transform from an oil products supplier into an integrated services provider. In light of changes of refined oil products demand, we adjusted marketing strategies to enhance marketing efforts on high-grade gasoline, jet fuel and the retail volume while increasing total sales volume. We fortified the advantages of network and brand by promoting integrated services at service stations and

further developed non-fuel business to provide one-stop services. In the first quarter, total sales volume of refined oil products was 46.49 million tonnes, up by 10.3% over the same period last year. Total domestic sales volume of refined oil products was 42.05 million tonnes, up by 8.7%, of which retail volume reached 28.90 million tonnes, up by 5.9% over the same period last year. Transaction of non-fuel business reached RMB 6.3 billion, up by 75.0% compared with the same period last year. After accounting for high cost oil products inventories, the operating profit of Marketing and Distribution Segment was RMB 5.28 billion, lower than the same period last year.

**Chemicals:** We further optimised our feedstock mix and increased the light feedstock ratio to reduce cost. We fine tuned facilities operations and utilisation rates dynamically according to the profit margin. We adjusted product slate and intensified efforts in the synergy of R&D, production and sales. We increased the production of high-value-added products which are well received by markets. In the first quarter, ethylene production reached 2.768 million tonnes, up by 7.3% and chemical sales volume was 14.644 million tonnes, up by 3.1% over the same period last year. The operating profit of Chemicals Segment was RMB 3.07 billion, a reversal from the loss making situation in the same period last year.

**Summary of Principal Operating Results for the First Quarter**

| Operating data | Unit | For three-month period ended 31 March | | Changes (%) |
|---|---|---|---|---|
| | | 2015 | 2014 | |
| **Exploration and production** | | | | |
| Oil and gas production[1] | million boe | 117.82 | 118.96 | (0.96) |
| Crude oil production | million barrels | 87.55 | 89.37 | (2.04) |
| China | million barrels | 74.01 | 76.60 | (3.38) |
| Overseas | million barrels | 13.54 | 12.77 | 6.03 |
| Natural gas production | billion cubic feet | 181.06 | 177.37 | 2.08 |
| Realized crude oil price | USD/barrel | 46.22 | 95.39 | (51.55) |
| Realized natural gas price | USD/thousand cubic feet | 7.94 | 6.97 | 13.92 |
| **Refining[4]** | | | | |
| Refinery throughput | million tonnes | 58.58 | 57.22 | 2.38 |
| Gasoline, diesel and kerosene production | million tonnes | 36.85 | 35.09 | 5.02 |
| Gasoline | million tonnes | 13.29 | 11.97 | 11.03 |
| Diesel | million tonnes | 17.74 | 18.27 | (2.90) |
| Kerosene | million tonnes | 5.82 | 4.86 | 19.75 |
| Light chemical feedstock | million tonnes | 9.43 | 10.13 | (6.91) |
| Light products yield | % | 76.68 | 76.98 | (0.30) percentage points |
| Refining yield | % | 94.69 | 94.79 | (0.10) percentage points |
| **Marketing and Distribution** | | | | |

| Operating data | Unit | For three-month period ended 31 March 2015 | 2014 | Changes (%) |
|---|---|---|---|---|
| Total sales of refined oil products | million tonnes | 46.49 | 42.15 | 10.30 |
| Total domestic sales volume of refined oil products | million tonnes | 42.05 | 38.67 | 8.74 |
| Retail | million tonnes | 28.90 | 27.29 | 5.90 |
| Direct sales & Wholesale | million tonnes | 13.15 | 11.38 | 15.55 |
| Total number of Sinopec-branded service stations[2] | stations | 30,539 | 30,551 | (0.04) |
| Company-operated | stations | 30,526 | 30,538 | (0.04) |
| Annualized average throughput per station[3] | tonnes/station | 3,786 | 3,575 | 5.90 |
| **Chemicals[4]** | | | | |
| Ethylene | thousand tonnes | 2,768 | 2,579 | 7.33 |
| Synthetic resin | thousand tonnes | 3,786 | 3,519 | 7.59 |
| Synthetic rubber | thousand tonnes | 213 | 254 | (16.14) |
| Monomers and polymers for synthetic fiber | thousand tonnes | 2,128 | 2,196 | (3.10) |
| Synthetic fiber | thousand tonnes | 311 | 326 | (4.60) |

Note:

1. Conversion: for domestic production of crude oil, 1 tonne = 7.1 barrels; for overseas production of crude oil, 1 tonne=7.21 barrels; for production of natural gas, 1 cubic meter = 35.31 cubic feet.
2. The number of service stations in 2014 was the number as at 31 December 2014.
3. Throughput per service station data was annualized.
4. Including 100% production of joint ventures.

**Capital expenditure:** The Company's capital expenditures were RMB 7.116 billion in the first quarter. Capital expenditure for Exploration and Production segment was RMB 2.995 billion, mainly for development in Shengli oilfield, Tahe oilfield, Yuanba gas field and Fuling shale gas project as well as construction of Shandong LNG project, Guangxi LNG project, gas pipelines and overseas development projects. Capital expenditure for Refining segment was RMB 1.061 billion, mainly for refined oil products quality upgrading projects. Capital expenditure for Chemicals segment was RMB 1.299 billion, mainly for feedstock mix optimisation and environmental protection projects. Capital expenditure for Marketing and Distribution segment was RMB 1.580 billion, mainly for revamping service (gas) stations and for construction of refined oil products pipelines and depots, as well as hazards rectification and vapor recovery projects. Capital expenditure for Corporate and Others was RMB 181 million, mainly for R&D facilities and IT projects.

## 3 Significant events

3.1 Significant changes in major items contained in the consolidated financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises ("ASBE") and the reasons for such changes.

| Items of Consolidated Balance Sheet | 31 March 2015 | 31 December 2014 | Increase/(decrease) | | Major reasons for changes |
|---|---|---|---|---|---|
| | | | Amount | Percentage | |
| | RMB million | RMB million | RMB million | (%) | |
| Cash at bank and on hand | 73,946 | 10,100 | 63,846 | 632.1 | Mainly due to the cash received from minority shareholders' capital contributions to Marketing Company |
| Accounts receivable | 63,491 | 90,831 | (27,340) | (30.1) | Mainly due to the decline of the international crude oil prices and decrease of unsettled volume of crude oil in the first quarter |
| Accounts payable | 131,040 | 198,366 | (67,326) | (33.9) | Mainly due to the decrease of unsettled payment of crude oil and refined oil products |
| Other payables | 61,989 | 103,302 | (41,313) | (40.0) | Mainly due to the decrease of unclosed or unsettled payment of derivatives, constructions and equipments |
| Capital reserve | 117,655 | 48,703 | 68,952 | 141.6 | Mainly due to the conversion of A share convertible bonds of the Company and the cash received from minority shareholders' capital contributions to Marketing Company |
| Specific reserve | 953 | 491 | 462 | 94.1 | Mainly due to the impact of safety production fund |
| Other comprehensive income | (4,120) | (7,261) | 3,141 | (43.3) | Mainly due to the impact of cash flow hedges |
| Minority interests | 102,540 | 52,612 | 49,928 | 94.9 | Mainly due to the cash received from minority shareholders' capital contributions to Marketing Company |

| Items of consolidated income statement | For three-month period ended 31 March 2015 | For three-month period ended 31 March 2014 | Increase/(decrease) | | Main reason for changes |
|---|---|---|---|---|---|
| | | | Amount | Percentage | |
| | RMB million | RMB million | RMB million | (%) | |
| Financial expenses | 2,409 | 4,188 | (1,779) | (42.5) | Mainly due to the decrease of foreign exchange loss resulting from the fluctuation of RMB exchange rate in the first quarter over the same period last year |
| Loss from changes in fair value | 259 | 1,433 | (1,174) | (81.9) | Mainly due to fair value changes of derivatives embedded in A share convertible bonds of the Company |
| Non-operating income | 876 | 445 | 431 | (96.9) | Mainly due to the consumption tax rebate from outsourced naphtha for continuous production |

| Items of consolidated cash flow statement | For three-month period ended 31 March 2015 | For three-month period ended 31 March 2014 | Increase/(decrease) | | Main reason for changes |
|---|---|---|---|---|---|
| | | | Amount | Percentage | |
| | RMB million | RMB million | RMB million | (%) | |
| Net cash flow from operating activities | 6,682 | 12,621 | (5,939) | (47.1) | Mainly due to the decrease of profit over the same period last year |
| Net cash flow from financing activities | 92,996 | 30,459 | 62,537 | 205.3 | Mainly due to the cash received from minority shareholders' capital contributions to Marketing Company |

3.2 Analysis of the significant event progress, influence and resolution.

**Restructuring of Marketing Company**

On 12 September 2014, Sinopec Marketing Co., Ltd. (hereinafter refer to as "Marketing Company"), a subsidiary of Sinopec Corp., has entered into the "Capital injection agreement relating to Sinopec Marketing Co., Ltd." with 25 domestic and foreign investors. As of 6 March 2015, the above-mentioned 25 investors had made an aggregate capital contribution of RMB 105.044 billion (including amounts in U.S. dollar equivalent) to Marketing Company and subscribed for a 29.5849% interest in Marketing Company. On 31 March 2015, Marketing Company has obtained the business license approved by Beijing Municipal Administration of Industry and Commerce.

For more details, please refer to the announcements published in the China Securities Journal, the Shanghai Securities News and the Securities Times by Sinopec Corp. on 15 September 2014, 6 January 2015, 7 March 2015 and 2 April 2015.

3.3 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 | 1 Compliance with the connected transaction agreements;<br>2 Solving the issues regarding the legality of land-use rights certificates and property ownership rights certificates within a specified period of time;<br>3 Implementation of the Reorganization Agreement (please refer to the definition of "Reorganization Agreement" in the H share prospectus of Sinopec Corp.);<br>4 Granting licenses for intellectual property rights;<br>5 Avoiding competition within the same industry; and<br>6 Abandonment of business competition and conflicts of interest with Sinopec Corp. | From June 22, 2001 | No | Yes |
| Other undertakings | Other | China Petrochemical Corporation | Given that the majority of China Petrochemical Corporation's refining business had been injected into Sinopec Corp., China Petrochemical Corporation made a commitment to dispose of its | Within five years, commencing October 27, 2010 | Yes | Yes |

| Background | Type of Undertaking | Party | Contents | Term for performance | Whether bears deadline or not | Whether strictly performed or not |
|---|---|---|---|---|---|---|
| | | | minor remaining refining business within five years to eliminate competition with Sinopec Corp. | | | |
| 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 | 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 in its possession upon Sinopec Corp.'s exercise of the option to Sinopec Corp.; (ii) in relation to the overseas oil and gas assets acquired by China Petrochemical Corporation after the issua24 reWfter the i1 obligations and other proWfural requirements. | 10 years after April 29, 2014 or i153terdate when Sinopec Group | | |

## 4. Appendix

### 4.1 Quarterly financial statements prepared under China Accounting Standards for Business Enterprises

**Consolidated Balance Sheet**

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | At 31 March 2015 | At 31 December 2014 |
|---|---|---|
| **Current assets:** | | |
| Cash at bank and on hand | 73,946 | 10,100 |
| Bills receivable | 15,060 | 13,963 |
| Accounts receivable | 63,491 | 90,831 |
| Prepayments | 3,967 | 3,780 |
| Other receivables | 22,431 | 29,251 |
| Inventories | 160,332 | 188,223 |
| Other current assets | 18,157 | 23,996 |
| Total current assets | 357,384 | 360,144 |
| **Non-current assets:** | | |
| Available-for-sale financial assets | 1,035 | 868 |
| Long-term equity investments | 82,656 | 80,593 |
| Fixed assets | 699,356 | 703,485 |
| Construction in progress | 166,652 | 177,667 |
| Intangible assets | 78,331 | 78,681 |
| Goodwill | 6,281 | 6,281 |
| Long-term deferred expenses | 14,107 | 14,158 |
| Deferred tax assets | 7,495 | 6,979 |
| Other non-current assets | 22,754 | 22,512 |
| Total non-current assets | 1,078,667 | 1,091,224 |
| Total assets | 1,436,051 | 1,451,368 |
| **Current liabilities:** | | |
| Short-term loans | 159,184 | 166,688 |
| Bills payable | 3,877 | 4,577 |
| Accounts payable | 131,040 | 198,366 |
| Advances from customers | 82,831 | 89,918 |
| Employee benefits payable | 2,398 | 839 |
| Taxes payable | 28,168 | 28,677 |
| Other payables | 61,989 | 103,302 |

| | | |
|---|---|---|
| Non-current liabilities due within one year | 13,157 | 11,890 |
| Total current liabilities | 482,644 | 604,257 |
| **Non-current liabilities:** | | |
| Long-term loans | 62,897 | 67,426 |
| Debentures payable | 66,926 | 83,506 |
| Provisions | 30,301 | 29,715 |
| Deferred tax liabilities | 7,174 | 7,820 |
| Other non-current liabilities | 12,055 | 11,549 |
| Total non-current liabilities | 179,3531 | |

## Balance Sheet

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | At 31 March 2015 | At 31 December 2014 |
|---|---|---|
| **Current assets:** | | |
| Cash at bank and on hand | 29,905 | 1,805 |
| Bills receivable | 817 | 176 |
| Accounts receivable | 25,024 | 25,031 |
| Prepayments | 1,950 | 1,962 |
| Other receivables | 147,303 | 201,234 |
| Inventories | 50,053 | 74,654 |
| Other current assets | 13,710 | 19,186 |
| Total current assets | 268,762 | 324,048 |
| **Non-current assets:** | | |
| Available-for-sale financial assets | 70 | 91 |
| Long-term equity investments | 205,002 | 189,631 |
| Fixed assets | 429,229 | 452,361 |
| Construction in progress | 85,705 | 100,543 |
| Intangible assets | 8,462 | 8,834 |
| Long-term deferred expenses | 2,572 | 2,547 |
| Deferred tax assets | 731 | 0 |
| Other non-current assets | 7,640 | 2,767 |
| Total non-current assets | 739,411 | 756,774 |
| Total assets | 1,008,173 | 1,080,822 |
| **Current liabilities:** | | |
| Short-term loans | 17,751 | 57,749 |
| Bills payable | 2,142 | 2,933 |
| Accounts payable | 78,727 | 102,399 |
| Advances from customers | 3,538 | 3,926 |
| Employee benefits payable | 1,164 | 310 |
| Taxes payable | 16,284 | 19,883 |
| Other payables | 195,850 | 198,144 |
| Non-current liabilities due within one year | 11,978 | 11,084 |
| Total current liabilities | 327,434 | 396,428 |
| **Non-current liabilities:** | | |
| Long-term loans | 55,154 | 55,202 |

| | | |
|---|---|---|
| Debentures payable | 45,553 | 62,221 |
| Provisions | 26,390 | 25,830 |
| Deferred tax liabilities | 0 | 600 |
| Other non-current liabilities | 1,809 | 1,892 |
| Total non-current liabilities | 128,906 | 145,745 |
| Total liabilities | 456,340 | 542,173 |
| **Pe be l iab □b f :** | | |
| Share capital | 121,071 | 118,280 |
| Capital reserve | 68,716 | 54,690 |
| Other comprehensive income | (640) | (206) |
| Specific reserve | 532 | 232 |
| Surplus reserves | 193,552 | 193,552 |
| Retained earnings | 168,602 | 172,101 |
| | 551,833 | 538,649 |
| Tota equity | 1,008,173 | 1,080,822 |

| | | | |
|---|---|---|---|
| **Fu Chengyu** | **Li Chunguang** | **Wang Xinhua** | **Wang Dehua** |
| *Chairman* | *President* | *Chief Financial Officer* | *Head of accounting* |
| *(Legal representative)* | | | *department* |

## Consolidated Income Statement

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| I. Total operating income | 478,241 | 641,065 |
| II.Total operating costs | 476,589 | 621,163 |
| Including: Operating costs | 385,281 | 540,340 |
| Sales taxes and surcharges | 58,830 | 46,136 |
| Selling and distribution expenses | 10,961 | 10,720 |
| General and administrative expenses | 16,846 | 16,822 |
| Financial expenses | 2,409 | 4,188 |
| Exploration expenses, including dry holes | 2,775 | 3,006 |
| Impairment losses | (513) | (49) |
| Add: Loss from changes in fair value | (259) | (1,433) |
| Investment income | 1,065 | 854 |
| III.Operating profit | 2,458 | 19,323 |
| Add: Non-operating income | 876 | 445 |
| Less: Non-operating expenses | 404 | 468 |
| IV. Profit before taxation | 2,930 | 19,300 |
| Less: Income tax expense | 950 | 4,818 |
| V. Net profit | 1,980 | 14,482 |
| Attributable to: | | |
| Equity shareholders of the Company | 1,685 | 13,477 |
| Minority interests | 295 | 1,005 |
| VI. Other comprehensive income | 2,714 | (299) |
| *Items that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments):* | | |
| Cash flow hedges | 2,674 | (643) |
| Share of other comprehensive loss of associates and jointly controlled entities | (100) | (43) |
| Foreign currency translation differences | 140 | 387 |
| VII. Total comprehensive income | 4,694 | 14,183 |
| Attributable to: | | |
| Equity shareholders of the Company | 4,826 | 13,012 |

| | | |
|---|---|---|
| Minority interests | (132) | 1,171 |
| VIII. Earnings per share： | | |
| (i) Basic earnings per share (RMB Yuan) | 0.014 | 0.116 |
| (ii)Diluted earnings per share (RMB Yuan) | 0.014 | 0.115 |

| | | | |
|---|---|---|---|
| **Fu Chengyu** | **Li Chunguang** | **Wang Xinhua** | **Wang Dehua** |
| *Chairman* | *President* | *Chief Financial Officer* | *Head of accounting* |
| *(Legal representative)* | | | *department* |

## Income Statement

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| I.Operating income | 215,140 | 385,927 |
| Less: Operating costs | 164,590 | 309,988 |
| Sales taxes and surcharges | 41,923 | 35,521 |
| Selling and distribution expenses | 607 | 8,431 |
| General and administrative expenses | 9,426 | 13,769 |
| Financial expenses | 2,566 | 2,958 |
| Exploration expenses, including dry holes | 2,765 | 2,999 |
| Impairment losses | 101 | (3) |
| Add: Loss from changes in fair value | (259) | (1,505) |
| Investment income | 1,735 | 3,179 |
| II.Operating profit | (5,362) | 13,938 |
| Add: Non-operating income | 527 | 2,496 |
| Less: Non-operating expenses | 221 | 419 |
| III.Profit before taxation | (5,056) | 16,015 |
| Less: Income tax expense | (1,557) | 3,021 |
| IV.Net profit | (3,499) | 12,994 |
| V.Other comprehensive income | (434) | (43) |
| *Items that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments):* | | |

## Consolidated Cash Flow Statement

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| **I.Cash flows from operating activities:** | | |
| Cash received from sale of goods and rendering of services | 550,150 | 709,912 |
| Refund of taxes and levies | 220 | 325 |
| Other cash received relating to operating activities | 30,228 | 7,452 |
| Sub-total of cash inflows | 580,598 | 717,689 |

| | | |
|---|---|---|
| Cash received from capital contributions | 105,089 | 2,312 |
| Including: Cash received from minority subsidiaries | 105,089 | 2,312 |
| Cash received from borrowings | 326,634 | 290,155 |
| Sub-total of cash inflows | 431,723 | 292,467 |
| Cash repayments of borrowings | (337,583) | (260,689) |
| Cash paid for dividends, profits distribution or interest | (1,144) | (1,319) |
| Including: distribution of dividends or profits to minority shareholders | (134) | (272) |
| Sub-total of cash outflows | (338,727) | (262,008) |
| Net cash flow from financing activities | 92,996 | 30,459 |
| **IV.Effects of changes in foreign exchange rate** | (271) | 32 |
| **V.Net increase in cash and cash equivalents** | 62,752 | 3,940 |
| Add:Cash and cash equivalents at 1 January | 9,355 | 15,046 |
| **VI.Cash and cash equivalents at 31 March** | 72,107 | 18,986 |

| | | | |
|---|---|---|---|
| **Fu Chengyu** | **Li Chunguang** | **Wang Xinhua** | **Wang Dehua** |
| *Chairman (Legal representative)* | *President* | *Chief Financial Officer* | *Head of accounting department* |

## Cash Flow Statement

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| **I.Cash flows from operating activities:** | | |
| Cash received from sale of goods and rendering of services | 243,634 | 443,609 |
| Refund of taxes and levies | 88 | 201 |
| Other cash received relating to operating activities | 25,269 | 21,294 |
| Sub-total of cash inflows | 268,991 | 465,104 |
| Cash paid for goods and services | | |

| | | |
|---|---|---|
| Add:Cash and cash equivalents at 1 January | 1,804 | 6,731 |
| **V.Cash and cash equivalents at 31 March** | 29,905 | 7,655 |

| | | | |
|---|---|---|---|
| **Fu Chengyu** | **Li Chunguang** | **Wang Xinhua** | **Wang Dehua** |
| *Chairman* | *President* | *Chief Financial Officer* | *Head of accounting* |
| *(Legal representative)* | | | *department* |

## Segment Reporting

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| **Income from principal operations** | | |
| Exploration and production | | |
| External sales | 13,839 | 17,190 |
| Inter-segment sales | 18,220 | 36,752 |
| Subtotal | 32,059 | 53,942 |
| Refining | | |
| External sales | 29,835 | 44,542 |
| Inter-segment sales | 200,506 | 276,143 |
| Subtotal | 230,341 | 320,685 |
| Marketing and distribution | | |
| External sales | 268,841 | 348,695 |
| Inter-segment sales | 836 | 1,166 |
| Subtotal | 269,677 | 349,861 |
| Chemicals | | |
| External sales | 63,340 | 87,370 |
| Inter-segment sales | 9,864 | 15,703 |
| Subtotal | 73,204 | 103,073 |
| Corporate and others | | |
| External sales | 93,489 | 134,584 |
| Inter-segment sales | 79,913 | 168,474 |
| Subtotal | 173,402 | 303,058 |
| Elimination of inter-segment sales | (309,339) | (498,238) |
| Consolidated income from principal operations | 469,344 | 632,381 |
| **Income from other operations** | | |
| Exploration and production | 1,594 | 2,650 |
| Refining | 1,033 | 1,207 |
| Marketing and distribution | 4,097 | 2,607 |
| Chemicals | 1,900 | 1,820 |
| Corporate and others | 273 | 400 |
| Consolidated income from other operations | 8,897 | 8,684 |
| Consolidated operating income | 478,241 | 641,065 |
| **Operating profit/(loss)** | | |

| | | |
|---|---|---|
| By segment | | |
| Exploration and production | (1,285) | 13,045 |
| Refining | (4,080) | 3,456 |
| Marketing and distribution | 5,137 | 8,675 |
| Chemicals | 2,963 | (1,434) |
| Corporate and others | 344 | (13) |
| Elimination | 982 | 361 |
| Total segment operating profit | 4,061 | 24,090 |
| Investment income/(loss) | | |
| Exploration and production | (273) | 690 |
| Refining | 33 | (141) |
| Marketing and distribution | 148 | 241 |
| Chemicals | 571 | (201) |
| Corporate and others | 586 | 265 |
| Total segment investment income | 1,065 | 854 |
| Financial expenses | (2,409) | (4,188) |
| Loss from changes in fair value | (259) | (1,433) |
| Operating profit | 2,458 | 19,323 |
| Add: Non-operating income | 876 | 445 |
| Less: Non-operating expenses | 404 | 468 |
| Profit before taxation | 2,930 | 19,300 |

## 4.2 Quarterly financial statements prepared under International Financial Reporting Standards

### Consolidated Income Statement

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| Turnover and other operating revenues | | |
| Turnover | 469,344 | 632,381 |
| Other operating revenues | 8,897 | 8,684 |
| Subtotal | 478,241 | 641,065 |
| Operating expenses | | |
| Purchased crude oil, products and operating supplies and expenses | (358,898) | (516,641) |
| Selling, general and administrative expenses | (15,550) | (16,122) |
| Depreciation, depletion and amortization | (23,753) | (21,170) |
| Exploration expenses, including dry holes | (2,775) | (3,006) |
| Personnel expenses | (13,684) | (13,249) |
| Taxes other than income tax | (58,830) | (46,136) |
| Other operating income, net | 402 | 76 |
| Total operating expenses | (473,088) | (616,248) |
| Operating profit | 5,153 | 24,817 |
| Finance costs | | |
| Interest expense | (2,379) | (3,129) |
| Interest income | 421 | 462 |
| Loss on embedded derivative component of the convertible bonds | (259) | (1,505) |
| Foreign currency exchange loss, net | (451) | (1,521) |
| Net finance costs | (2,668) | (5,693) |
| Investment income | 12 | 49 |
| Share of profits less losses from associates and joint ventures | 1,053 | 805 |
| Profit before taxation | 3,550 | 19,978 |
| Tax expense | (950) | (4,818) |
| Profit for the period | 2,600 | 15,160 |
| Attributable to: | | |
| Owners of the Company | 2,172 | 14,121 |

| | | |
|---|---|---|
| Non-controlling interests | 428 | 1,039 |
| Profit for the period | 2,600 | 15,160 |
| Earnings per share | | |
| Basic earnings per share (RMB Yuan) | 0.018 | 0.121 |
| Diluted earnings per share (RMB Yuan) | 0.018 | 0.120 |
| Other comprehensive income | 2,714 | (299) |
| *Items that may be reclassified subsequently to profit or loss (after tax and reclassification adjustments):* | | |
| Cash flow hedges | 2,674 | |

## Consolidated Balance Sheet

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | At 31 March 2015 | At 31 December 2014 |
|---|---|---|
| **Non-current assets:** | | |
| Property, plant and equipment, net | 699,356 | 703,485 |
| Construction in progress | 166,652 | 177,667 |
| Goodwill | 6,281 | 6,281 |
| Interest in associates | 33,438 | 32,119 |
| Interest in joint ventures | 49,218 | 48,474 |
| Available-for-sale financial assets | 1,035 | 868 |
| Deferred tax assets | 7,495 | 6,979 |
| Lease prepayments | 48,969 | 49,136 |
| Long-term prepayments and other assets | 66,223 | 66,215 |
| Total non-current assets | 1,078,667 | 1,091,224 |
| **Current assets:** | | |
| Cash and cash equivalents | 72,107 | 9,355 |
| Time deposits with financial institutions | 1,839 | 745 |
| Trade accounts receivable | 63,491 | 90,831 |
| Bills receivable | 15,060 | 13,963 |
| Inventories | 160,332 | 188,223 |
| Prepaid expenses and other current assets | 44,555 | 57,027 |
| Total current assets | 357,384 | 360,144 |
| **Current liabilities:** | | |
| Short-term debts | 72,390 | 75,183 |
| Loans from Sinopec Group Company and fellow subsidiaries | 99,952 | 102,965 |
| Trade accounts payable | 131,040 | 198,366 |
| Bills payable | 3,877 | 4,577 |
| Accrued expenses and other payables | 174,262 | 222,075 |
| Income tax payable | 1,123 | 1,091 |
| Total current liabilities | 482,644 | 604,257 |
| Net current liabilities | (125,260) | (244,113) |
| Total assets less current liabilities | 953,407 | 847,111 |
| **Non-current liabilities:** | | |
| Long-term debts | 87,478 | 107,787 |

| | | |
|---|---|---|
| Loans from Sinopec Group Company and fellow subsidiaries | 42,345 | 43,145 |
| Deferred tax liabilities | 7,174 | 7,820 |
| Provisions | 30,301 | 29,715 |
| Other long-term liabilities | 13,546 | 13,067 |
| Total non-current liabilities | 180,844 | 201,534 |
| Total net assets | 772,563 | 645,577 |
| **Equity:** | | |
| Share capital | 121,071 | 118,280 |
| Reserves | 549,026 | 474,761 |
| Total equity attributable to owners of the Company | 670,097 | 593,041 |
| Non-controlling interests | 102,466 | 52,536 |
| Total equity | 772,563 | 645,577 |

## Consolidated Statement of Cash Flows

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| **Net cash generated from operating activities(a)** | 6,682 | 12,621 |
| Investing activities | | |
| Capital expenditure | (31,772) | (31,613) |
| Exploratory wells expenditure | (1,645) | (3,050) |
| Purchase of investments, investments in associates and investments in joint ventures | (2,822) | (4,044) |
| Proceeds from disposal of investments and investments in associates, net | 41 | 474 |
| Proceeds from disposal of property, plant, equipment and other non-current assets | 57 | 222 |
| Increase in time deposits with maturities over three months | (1,094) | (1,730) |
| Interest received | 306 | 462 |
| Investment and dividend income received | 274 | 107 |
| **Net cash used in investing activities** | (36,655) | (39,172) |
| Financing activities | | |
| Proceeds from bank and other loans | 326,634 | 290,155 |
| Repayments of bank and other loans | (337,583) | (260,689) |
| Distributions by subsidiaries to non-controlling interests | (134) | (272) |
| Contributions to subsidiaries from non-controlling interests | 105,089 | 2,312 |
| Interest paid | (1,010) | (1,047) |
| **Net cash generated from financing activities** | 92,996 | 30,459 |
| Net increase in cash and cash equivalents | 63,023 | 3,908 |
| Cash and cash equivalents at 1 January | 9,355 | 15,046 |
| Effect of foreign currency exchange rate changes | (271) | 32 |
| Cash and cash equivalents at 31 March | 72,107 | 18,986 |

**Note to consolidated statement of Cash Flows**

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

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| Operating activities | | |
| Profit before taxation | 3,550 | 19,978 |
| Adjustments for: | | |
| Depreciation, depletion and amortisation | 23,753 | 21,170 |
| Dry hole costs written off | 1,889 | 1,809 |
| Share of profits less losses from associates and joint ventures | (1,053) | (805) |
| Investment income | (12) | (49) |
| Interest income | (421) | (462) |
| Interest expense | 2,379 | 3,129 |
| Loss on foreign currency exchange rate changes and derivative financial instruments | 539 | 643 |

## Segment Reporting

Prepared by: China Petroleum & Chemical Corporation

Units: million Currency: RMB Type: unaudited

Information of the Group s reportable segments is as follows:

| Items | Three-month periods ended 31 March | |
|---|---|---|
| | 2015 | 2014 |
| **Turnover** | | |
| Exploration and production | | |
| External sales | 13,839 | 17,190 |
| Inter-segment sales | 18,220 | 36,752 |
| Subtotal | | |

| | | |
|---|---|---|
| **Result** | | |
| **Operating profit/(loss)** | | |
| By segment | | |
| Exploration and production | (1,232) | 13,206 |
| Refining | (3,355) | 3,739 |
| Marketing and distribution | 5,281 | 8,832 |
| Chemicals | 3,069 | (1,342) |
| Corporate and others | 408 | 21 |
| Elimination | 982 | 361 |
| **Total segment operating profit** | 5,153 | 24,817 |
| Share of profits / (losses) from associates and joint ventures | | |
| Exploration and production | (270) | 690 |
| Refining | 33 | (142) |
| Marketing and distribution | 136 | 194 |
| Chemicals | 571 | (201) |
| Corporate and others | 583 | 264 |
| **Aggregate share of profits from associates and joint ventures** | 1,053 | 805 |
| **Investment income** | | |
| Exploration and production | (3) | 0 |
| Refining | 0 | 1 |
| Marketing and distribution | 12 | 47 |
| Chemicals | 0 | 0 |
| Corporate and others | 3 | 1 |
| **Aggregate investment income** | 12 | 49 |
| **Net finance costs** | (2,668) | (5,693) |
| **Profit before taxation** | 3,550 | 19,978 |

**4.3 Differences between Consolidated 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 accounting

statements prepared in accordance with 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 recognized 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 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 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

| | **Three-month periods ended 31 March** | |
|---|---|---|
| | **2015** | **2014** |
| Net profit under ASBE | 1,980 | 14,482 |
| Adjustments: | | |
| Government grants (i) | 27 | 26 |
| Safety production fund (ii) | 593 | 652 |
| Profit for the period under IFRS | 2,600 | 15,160 |

are analysed as follows:

| | At 31 March 2015 | At 31 December 2014 |
|---|---|---|
| S | 774,054 | 647,095 |
| Adjustments: | | |
| Government grants(i) | (1,491) | (1,518) |
| Safety production fund (ii) | 0 | 0 |
| Total equity under IFRS | 772,563 | 645,577 |