



中国石化
SINOPEC

China Petroleum & Chemical Corporation

2018 Interim Results Announcement

August 27, 2018
Hong Kong

中国石油化工股份有限公司
SINOPEC CORP.

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- **1H2018 Performance Highlights**
- **1H2018 Operational Results by Segment**
- **2H2018 Operational Plan**
- **Business Development Plan in 2018-2020**

Agenda



1H2018 Performance Highlights

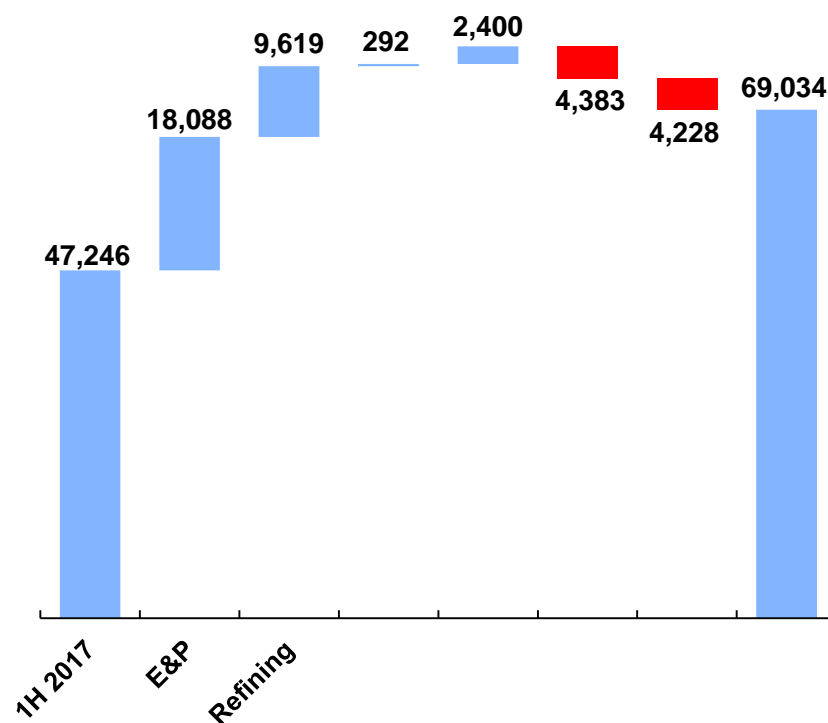
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Market Environment in 1H2018

- **Economic growth is stable with sound growing momentum**
 - ◆ GDP grew by 6.8% YoY
- **International oil price fluctuated with an upward trend**
- **Rapid growth in domestic demand for energy and petrochemicals**
 - ◆ Strong demand for natural gas
 - ◆ Consumption of refined oil products grew by 5.7% YoY
 - ◆ Consumption of ethylene equivalent continued to increase rapidly

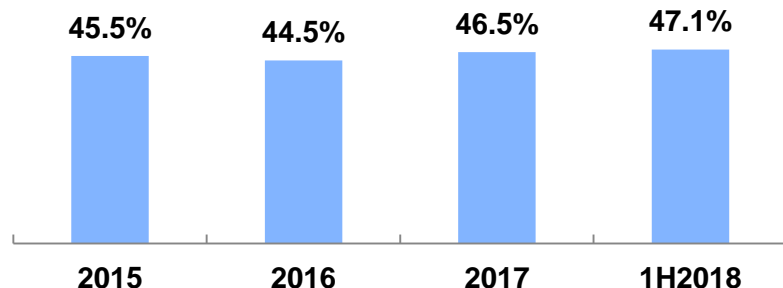
Robust Profitability Growth in All Four Business Segments

| RMB million | 1H2017 | 1H2018 | YoY (%) |
|--|-----------|-----------|---------|
| Turnover and Other Operating Revenues | 1,165,837 | 1,300,252 | 11.5 |
| EBIT | 47,246 | 69,034 | 46.1 |
| Profit Attributable to Shareholders of the Company | 27,915 | 42,386 | 51.8 |
| EPS (RMB) | 0.231 | 0.350 | 51.8 |

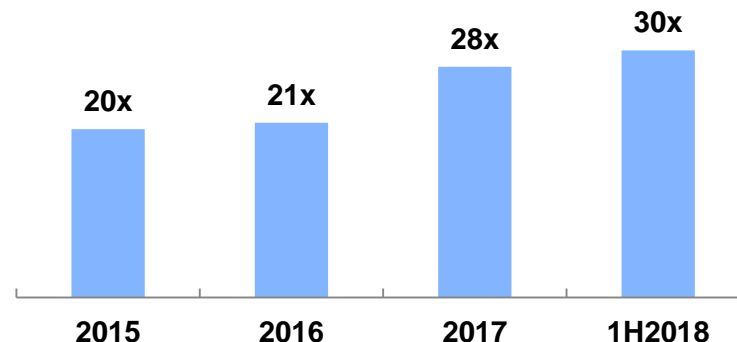


Solid Financial Position Sustained Low Gearing

Liability-to-Asset Ratio



EBITDA-to-Interest Coverage



| RMB million | As of Dec. 31, 2017 | As of Jun. 30, 2018 |
|--|---------------------|---------------------|
| Total Assets | 1,595,504 | 1,617,304 |
| Short-term Interest-bearing Debts | 80,649 | 77,849 |
| Long-term Interest-bearing Debts | 63,564 | 75,232 |
| Total Equity Attributable to Shareholders of the Company | 726,120 | 720,113 |

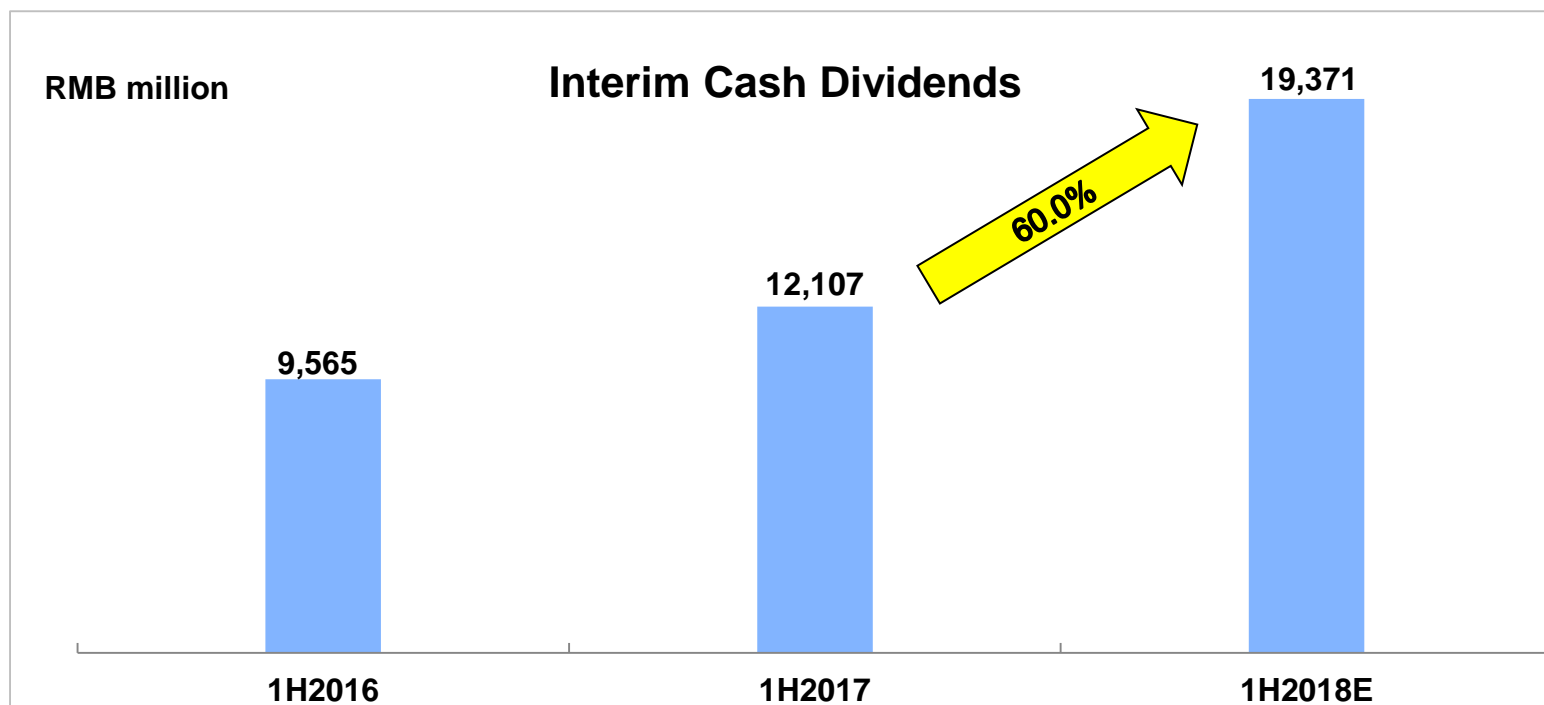
Strong Cash Flow Free Cash Flow Continues to Grow

| RMB million | 1H2017 | 1H2018 |
|--|----------|----------|
| Net Cash Generated from Operating Activities | 60,847 | 71,620 |
| Net Cash Generated from/(Used in) Investing Activities | (40,002) | 19,258 |
| Net Cash Generated from/(Used in) Financing Activities | (16,038) | (49,308) |

| RMB million | As of Dec. 31, 2017 | As of Jun. 30, 2018 |
|--|---------------------|---------------------|
| Cash and Cash Equivalents (Incl. Time Deposits) | 165,004 | 205,153 |

Focus on Shareholder Return Significant Increase in Dividends

- The Board of Directors declared an interim cash dividend of RMB 0.16 per share, with an YoY increase of 60%
- The annualized dividend yield reaches 5.9%*



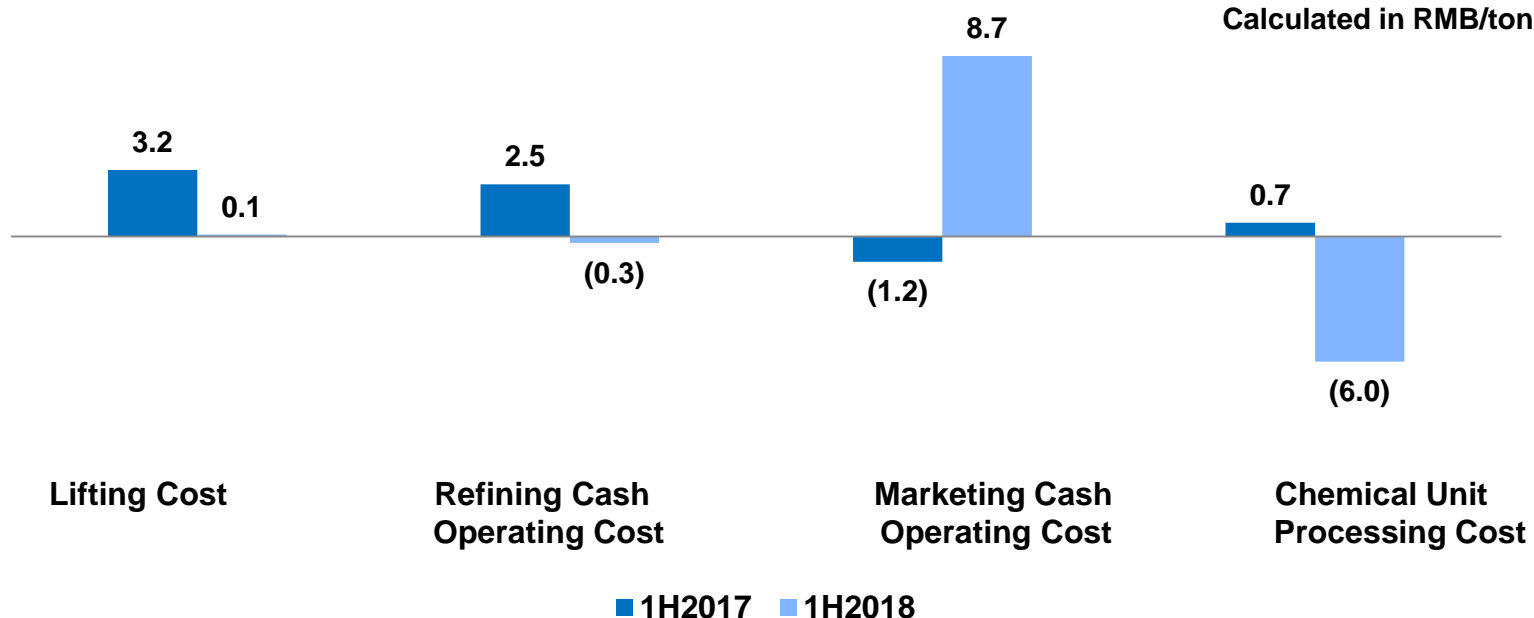
* Calculated from volume-weighted H-share prices in 1H2018

Remarkable Achievements in Cost Reduction

- Intensified cost control and structural optimization
- Reinforced capital management and reduced financial expenses by 80%

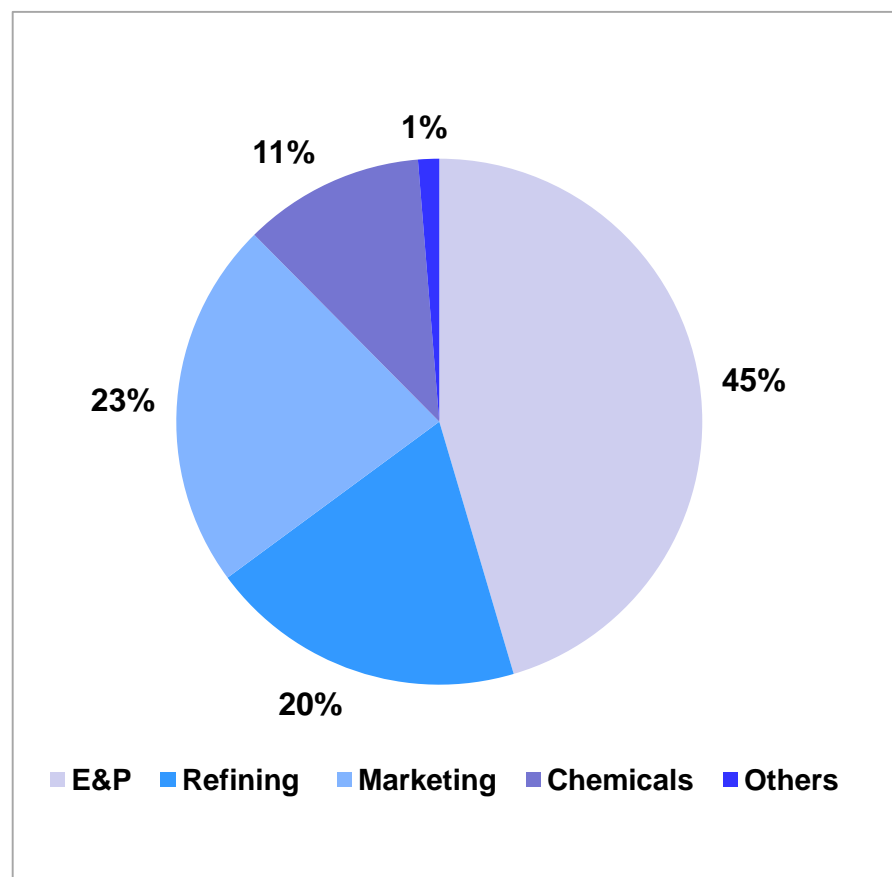
YoY Change in Costs by Segment (%)

Calculated in RMB/tonne



Capital Expenditure Focus on Quality and Profitability

■ 1H2018 Capital Expenditure: RMB 23.7 Bn, increased by 48% YoY



■ E&P: RMB 10.8 Bn

Oil & Gas capacities building, gas storage and natural gas pipelines construction

■ Refining: RMB 4.6 Bn

Construction of regional refining center, adjustment of product mix and quality upgrading of oil products

■ Marketing: RMB 5.4 Bn

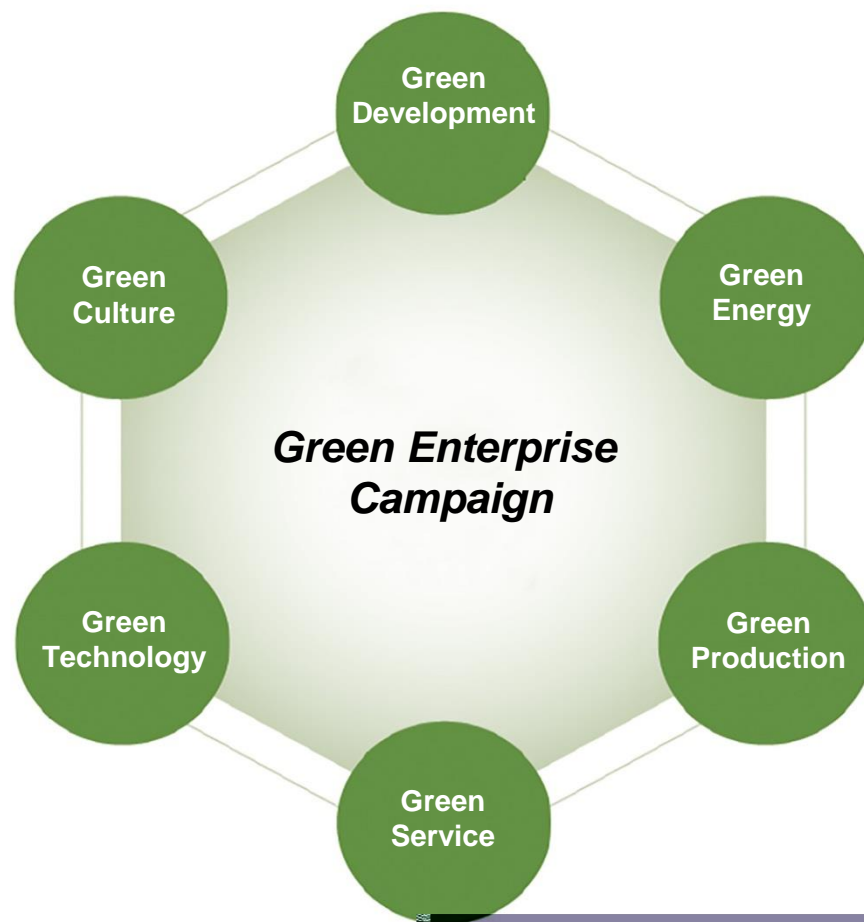
Constructions of refined oil product storage facilities, pipelines, service stations and renovations of underground oil tanks

■ Chemicals: RMB 2.6 Bn

Structural improvements of facilities, feedstock, product slate and constructions of coal chemical facilities

■ R&D and IT facilities: RMB 0.3 Bn

Launched *Green Enterprise Campaign*



- Making green and low-carbon development as core competitiveness

1H2018 Operational Results by Segment



Upstream Focus on Efficient Exploration and Profitable Development

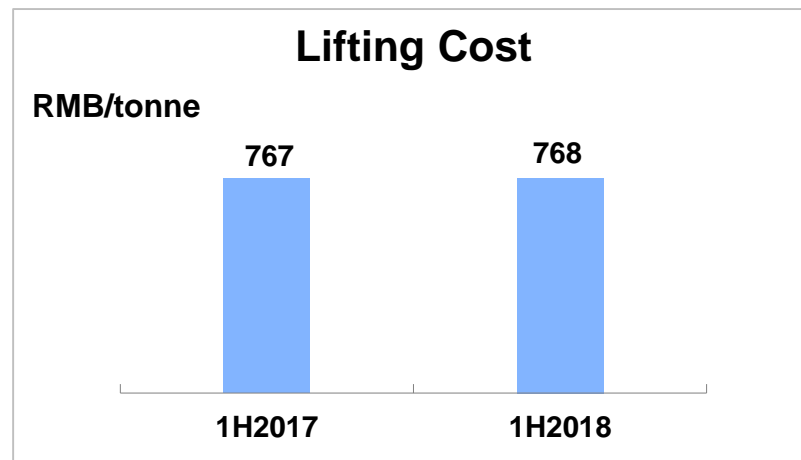
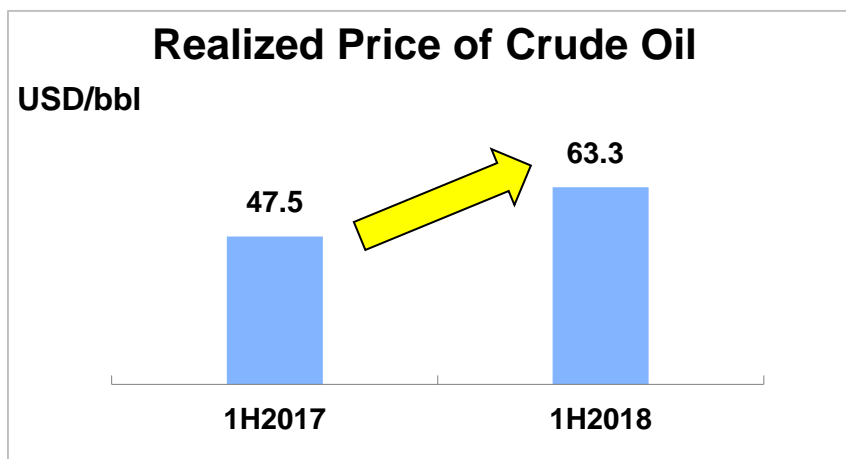
- Sustained exploration efforts with new domestic discoveries
- Adopted profit-oriented development and resumed profitable crude oil production
- Adjusted development pattern with sustained growth of natural gas production

| | 1H2017 | 1H2018 | YoY (%) |
|--------------------------------|--------|--------|---------|
| Oil and Gas Production(mmmboe) | 221.38 | 224.59 | 1.4 |
| Crude Oil Production(mmbbls) | 145.98 | 143.63 | (1.6) |
| China | 123.16 | 123.68 | 0.4 |
| Overseas | 22.82 | 19.95 | (12.6) |
| Natural Gas Production(bcf) | 452.12 | 476.20 | 5.3 |

* 1 cubic meter=35.31 cubic feet



Upstream Significant Performance Improvement



勘探及开发板块息税前利润
单位：人民币百万元

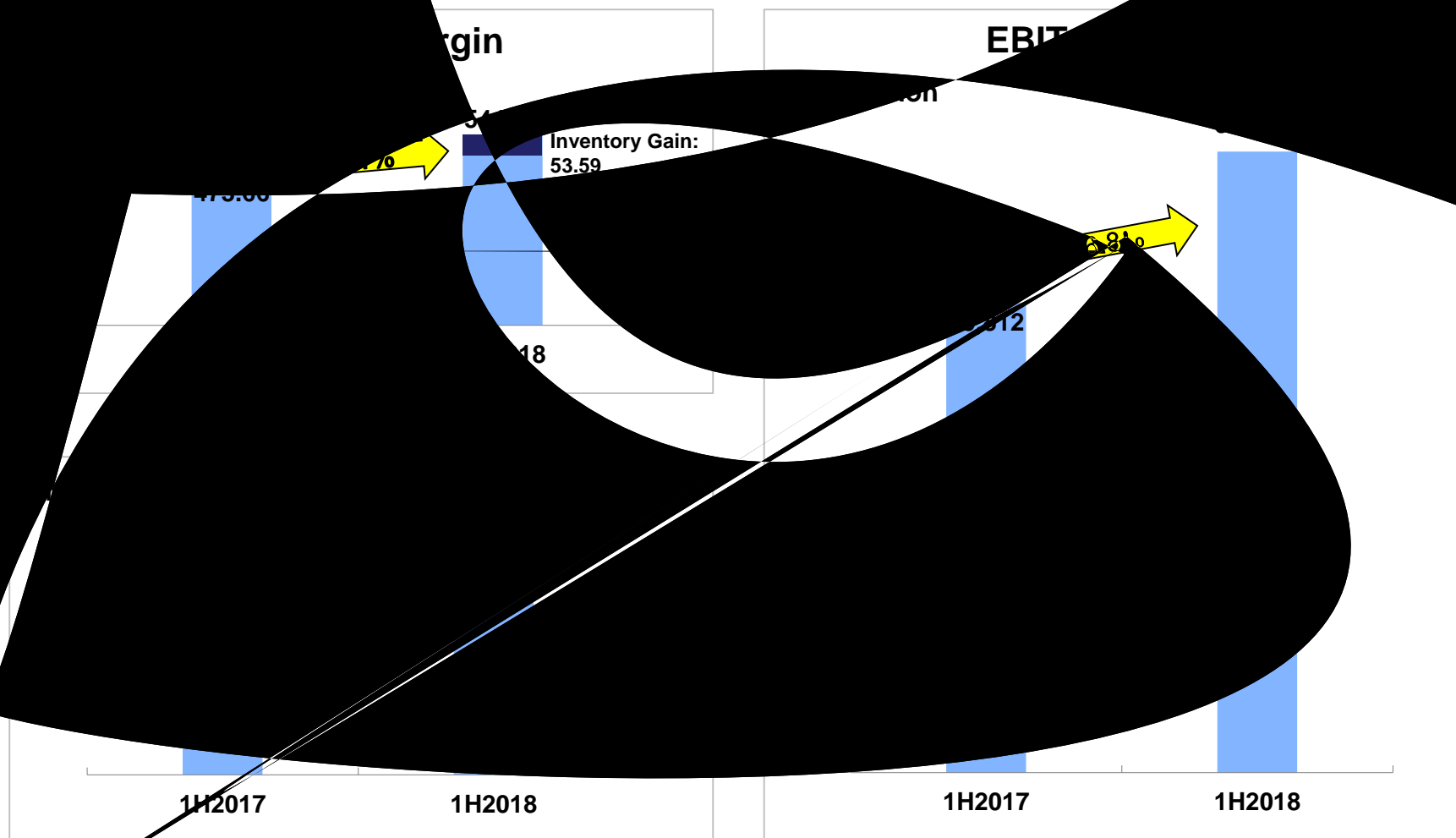
Refining Sustained Optimization in Product Mix

- Optimized product mix with diesel-to-gasoline ratio further declined to 1.07
- Actively promoted refined oil products quality upgrading to GB VI
- Maintained high utilization of refining facilities
- Maintained good profitability of LPG, asphalt and sulfur

| (mm tonnes) | 1H2017 | 1H2018 | YoY (%) |
|--|--------|--------|---------|
| Refinery Throughput | 117.79 | 120.72 | 2.5 |
| Gasoline, Diesel and Kerosene Production | 74.11 | 76.37 | 3.0 |
| Gasoline | 28.41 | 30.04 | 5.7 |
| Diesel | 32.67 | 32.09 | (1.8) |
| Kerosene | 13.03 | 14.25 | 9.4 |
| Light Chemical Feedstock Production | 18.94 | 19.34 | 2.1 |

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

Operating Margin Maintains at High Level

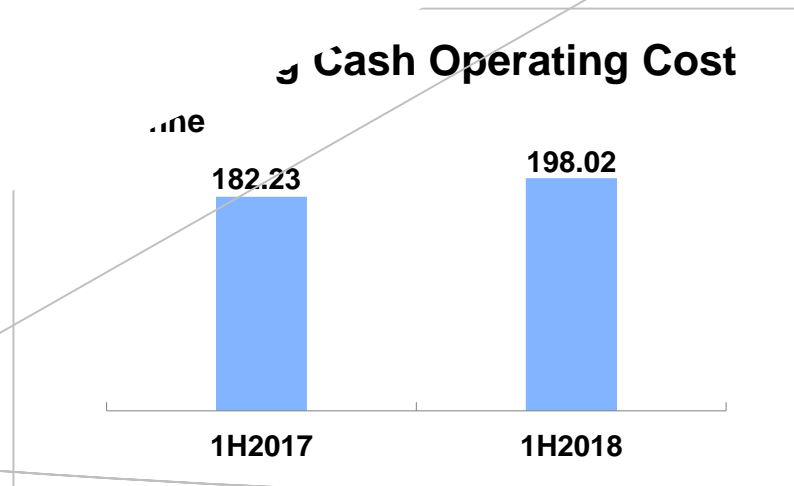
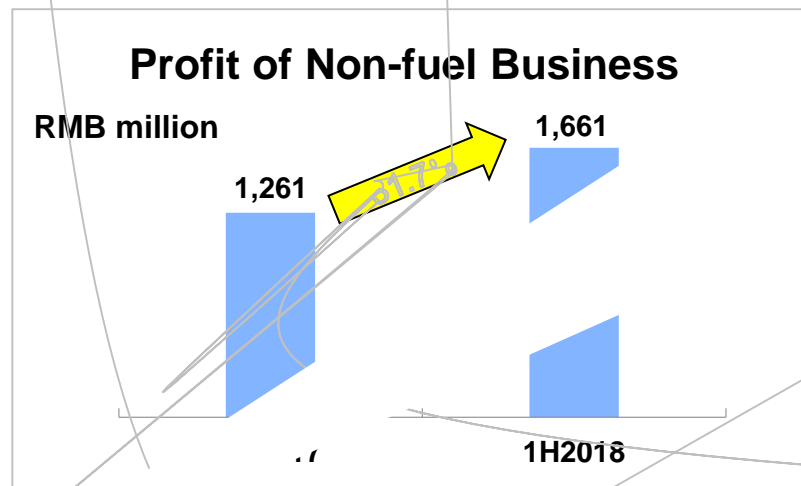
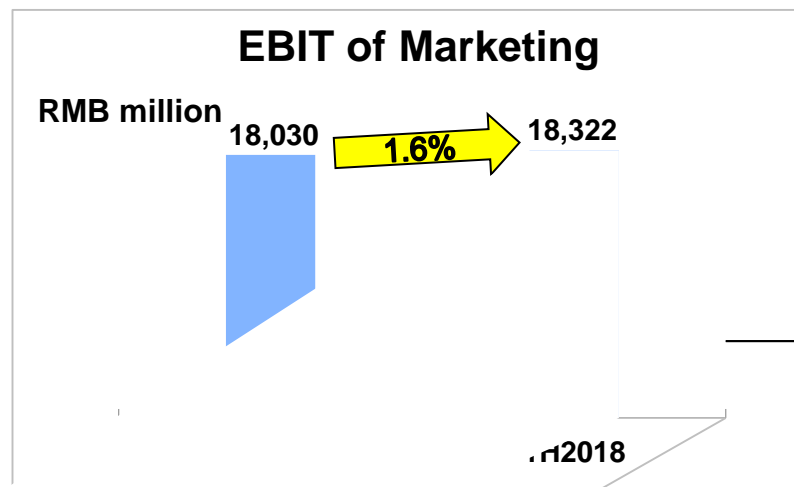


Marketing Leverage Network Advantage in Response to Competition

- Sustained growth in domestic sales of refined oil products
- Sustained growth in the number of service stations and convenience stores
- Great efforts in expanding sales of natural gas for automobiles

| mm tonnes | 1H2017 | 1H2018 | YoY (%) |
|--|--------------------|--------------------|-----------|
| Total Sales Volume of Refined Oil Products | 98.55 | 96.48 | (2.1) |
| Domestic Sales of Refined Oil Products | 87.22 | 88.45 | 1.4 |
| Retail | 58.68 | 59.28 | 1.0 |
| Wholesale and Distribution | 28.54 | 29.16 | 2.2 |
| Annualized Average Throughput per Station(tonne/station) | 3,832 | 3,870 | 1.0 |
| | As of Dec. 31 2017 | As of Jun. 30 2018 | Change(%) |
| Number of Sinopec-branded Service Stations | 30,633 | 30,645 | 0.04 |
| Number of Convenience Stores | 25,775 | 26,424 | 2.5 |

Marketing Sustained Growth of Non-fuel Business



Chemicals Strengthened Structural Adjustment

222 tonnes

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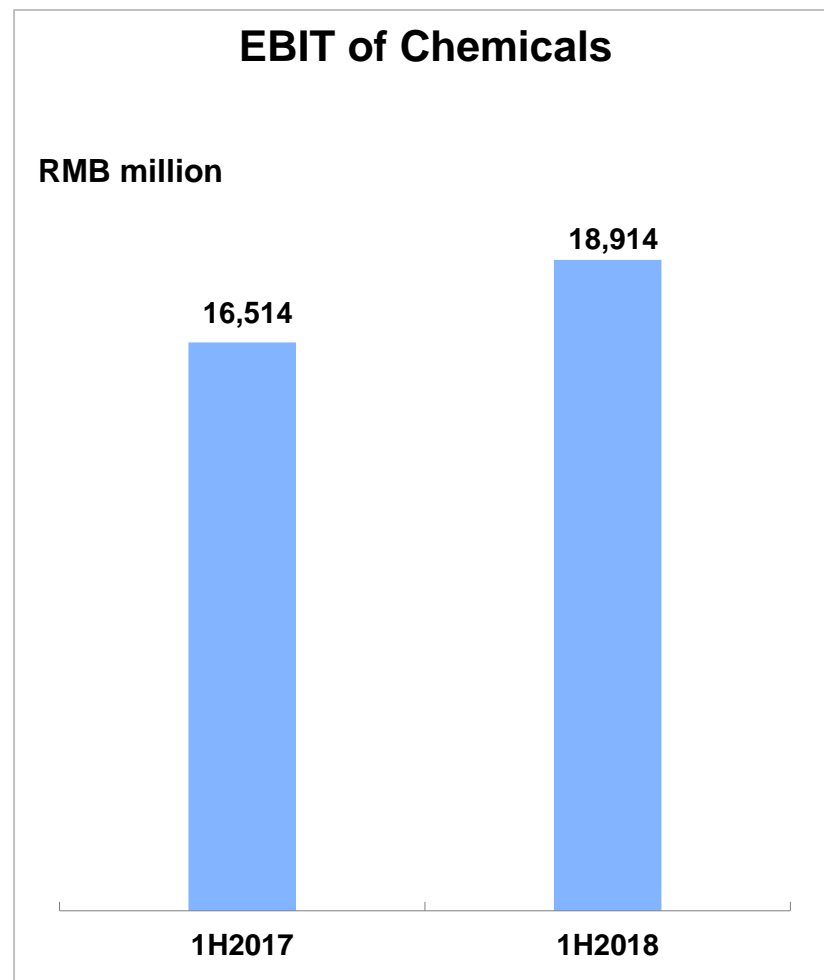
Ethylene Production

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* 100% production of domestic joint ventures included



Chemicals Sustained Strong Profitability



2H2018 Operational Plan

2H2018 Market Outlook

- Domestic demand for oil products will continue to grow
 - ◆ Domestic demand for chemicals is expected to grow steadily
- China's energy structure will continue to adjust and domestic demand for natural gas is expected to maintain rapid growth
- More challenging economic situation and greater uncertainties in oil prices

2018 Production Plan

| | 2H2018E | 2018E | 2017A | YoY (%) |
|---|--------------|---------------|---------------|--------------|
| Oil and Gas Production(mmboe) | 229 | 452 | 449 | 0.7 |
| Crude Oil (mmbbls) | 146 | 290 | 294 | (1.4) |
| Natural Gas (bcf) | 498 | 974 | 913 | 6.7 |
| Refinery Throughput*(mm tonnes) | 121 | 242 | 239 | 1.3 |
| Total Domestic Sales Volume of Refined Oil Products(mm tonnes) | 91 | 179 | 178 | 0.6 |
| Gvj rpgg Rtqf wevkp, * 222 tonnes) | 5,734 | 11,520 | 11,610 | (0.8) |

* 100% production of domestic joint ventures included



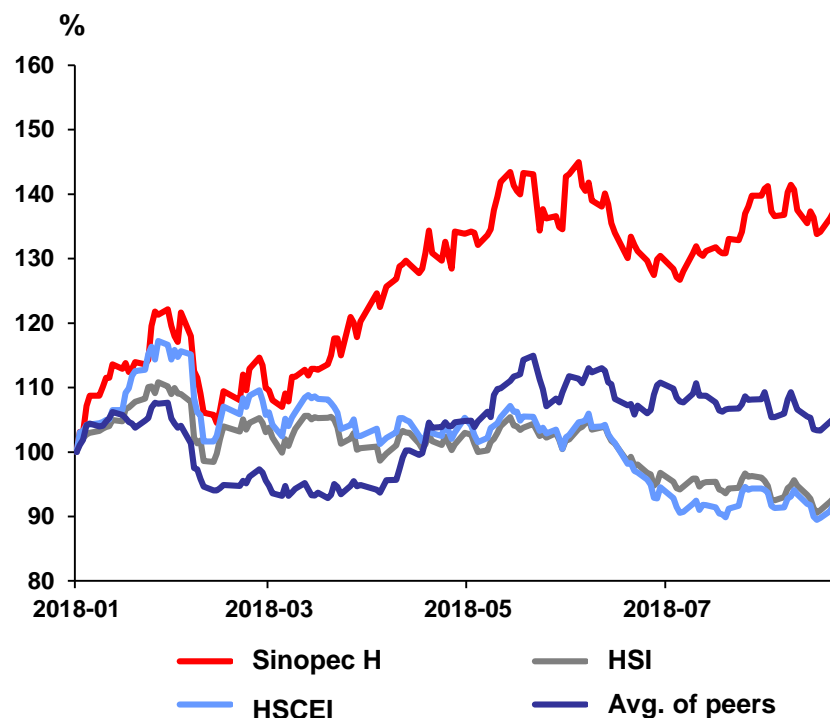
Business Development Plan in 2018-2020

Created Greater Value for Shareholders by Delivering Outstanding Results

■ Robust Performance in 1H2018

- ◆ Strong profitability
- ◆ Solid financial position
- ◆ Steady growth of operating cash flow
- ◆ Dividends increased by 60% YoY

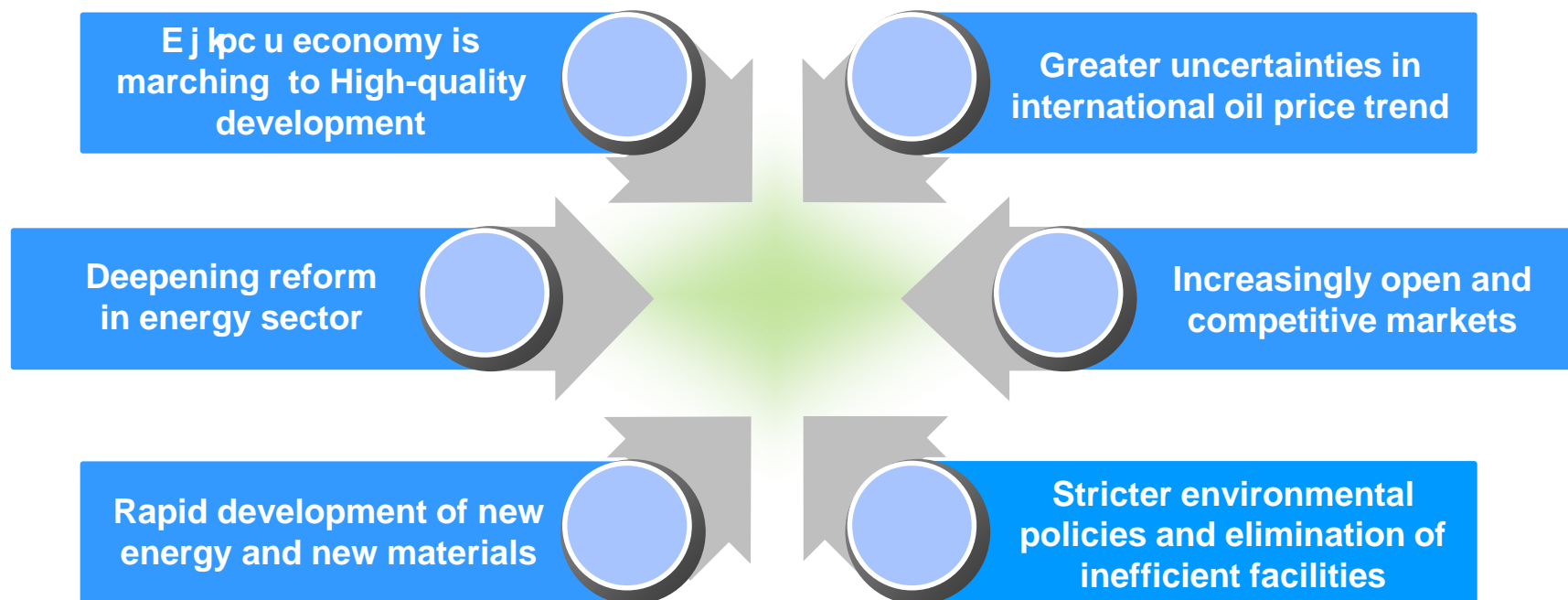
H-share price of Sinopec Corp. increased 40% YTD



Notes: Peer group include PetroChina, CNOOC, ExxonMobil, BP and Royal Dutch Shell

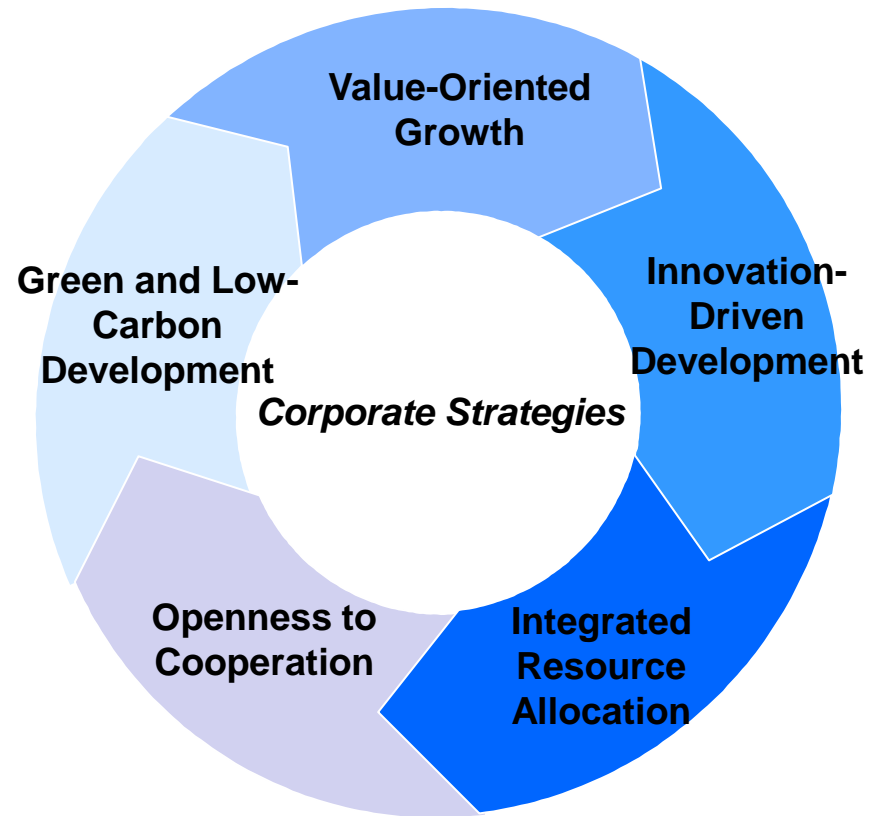
Sources: Wind, as of 24th, August, 2018

Seize Strategic Opportunities, Combat Challenges Proactively

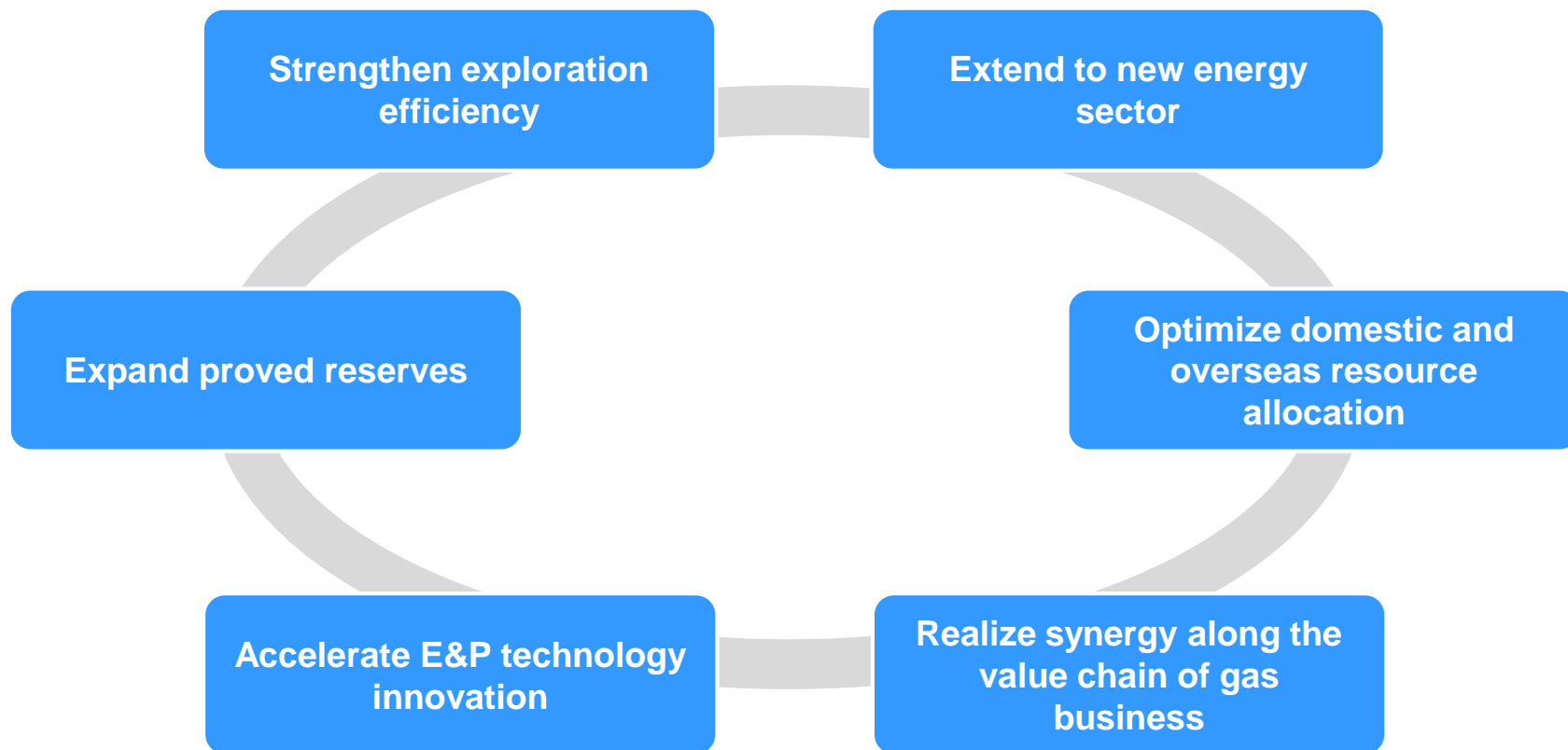


Adhere to *Corporate Strategies*

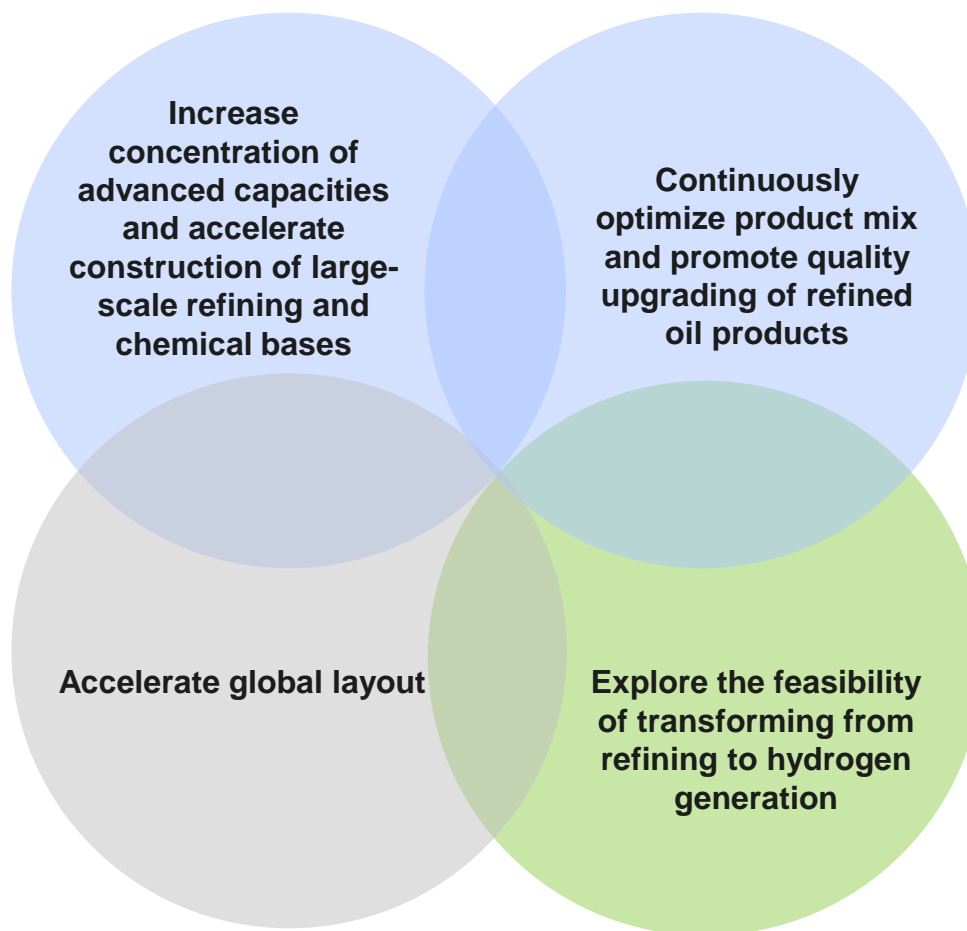
- Deepen supply-side structural reform
- Innovation as prime development driver
- Accelerate upgrading of value chain
- Expand overseas markets



Reinforce Profitability of Traditional Businesses Strengthen Resource Base for Upstream



Reinforce Profitability of Traditional Businesses Pursue Structural Adjustment of Refining



Reinforce Profitability of Traditional Businesses Enhance Competitiveness in Differentiation for Marketing

Leverage the advantages of brand, network and quality to increase market share

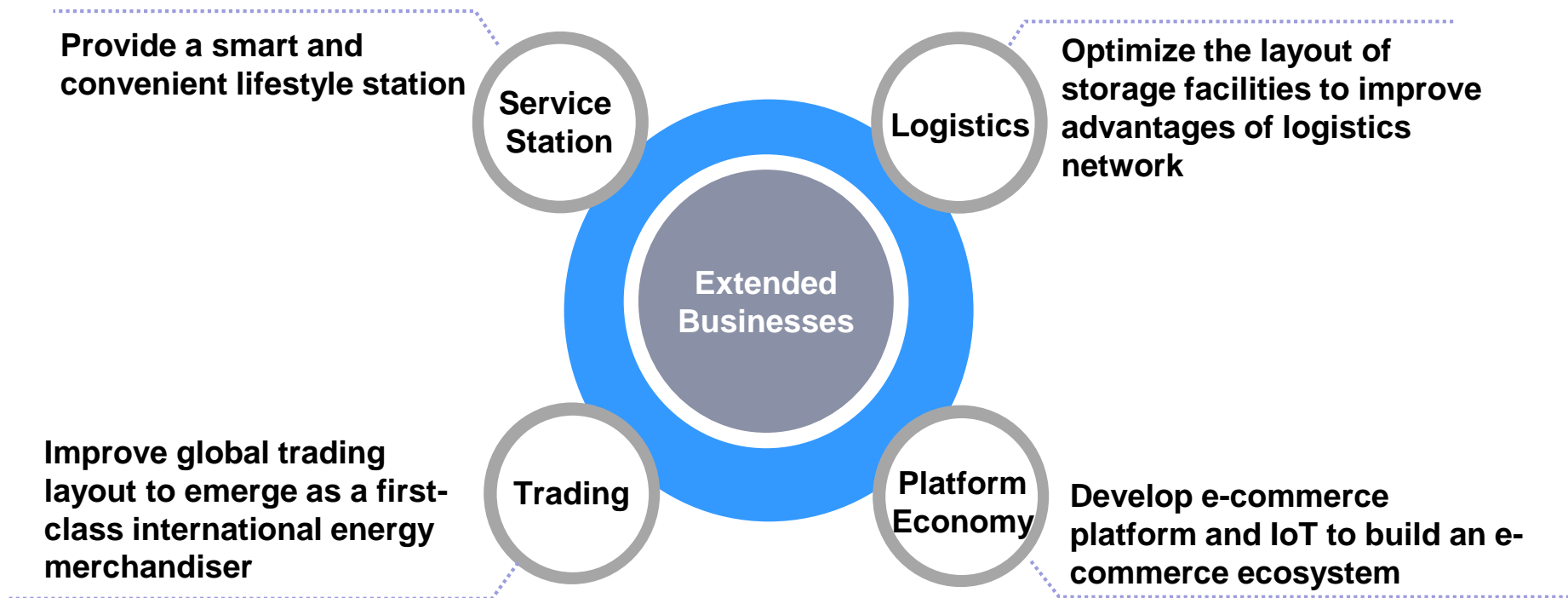
Business model innovation to further advance non-fuel business

Accelerate industrialization and informatization, explore service stations providing oil, natural gas, hydrogen and electricity

Enhance synergy of integrated business model, expand overseas marketing network



Strengthen Synergy of Extended Businesses

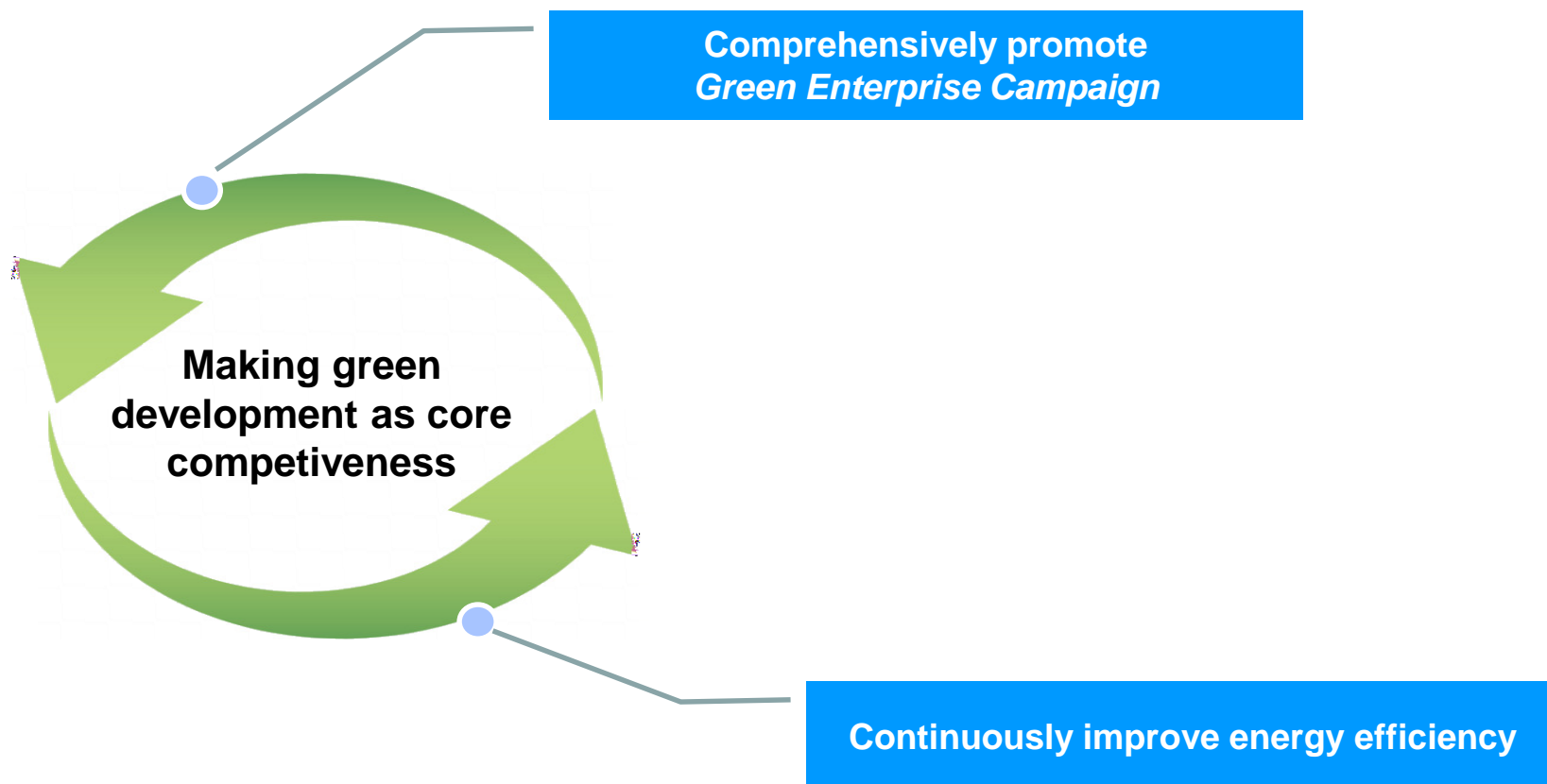


Enhance Sustainability of New Businesses

- To cultivate new development momentum, Sinopec Capital Ltd is establish
- Actively extend industry chain and create cross-industry synergy



Create Competitiveness of Green Development



Step into a New Stage of High Quality Development

1

Adhere to sustainable development

2

Adhere to deepening reform

3

Ensure full compliance with laws and regulations in corporate governance

4

Persist to utilize the advantages created by Party Building to promote development

Growing stronger, better and bigger

Creating new and greater value

Q&A

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