



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



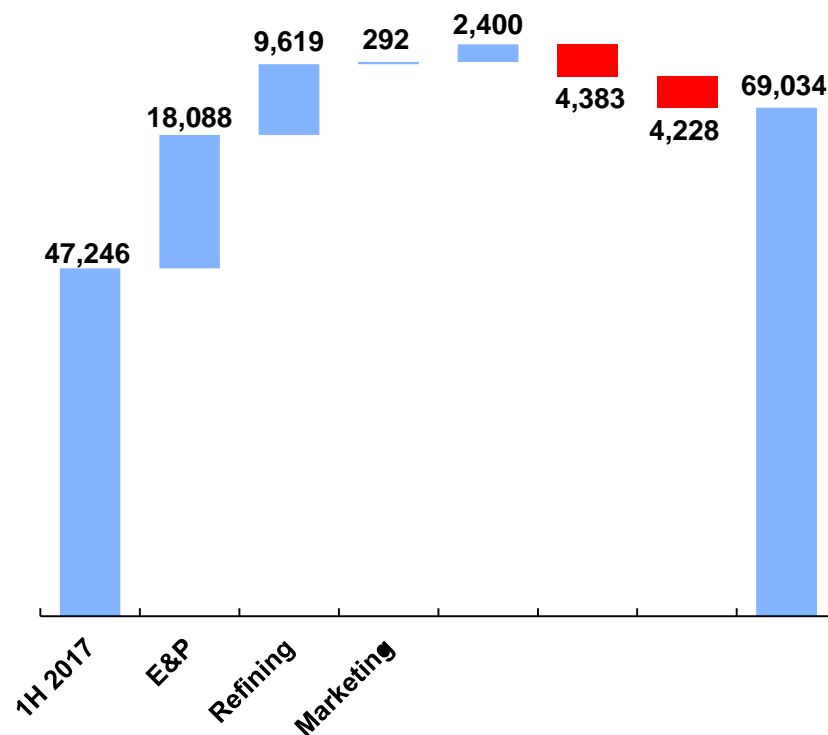
Market Environment in 1H2018

- **China's economy** 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



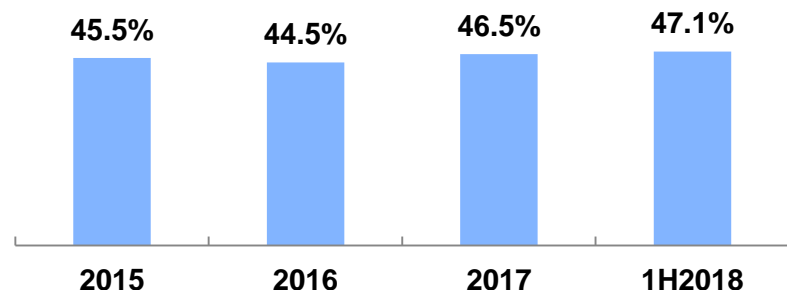
Robust Profitability Growth in All Four Business Segments

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

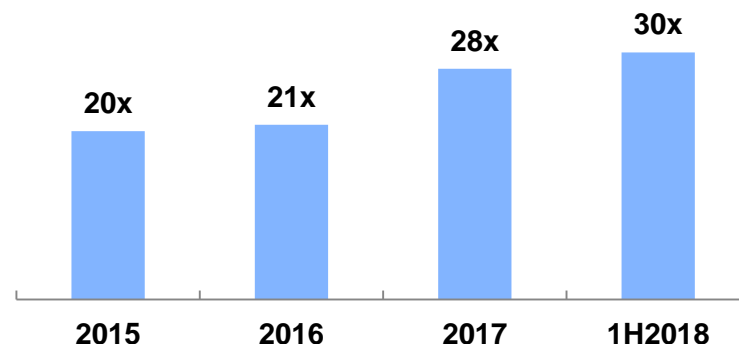


Solid Financial Position Sustained Low Gearing

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

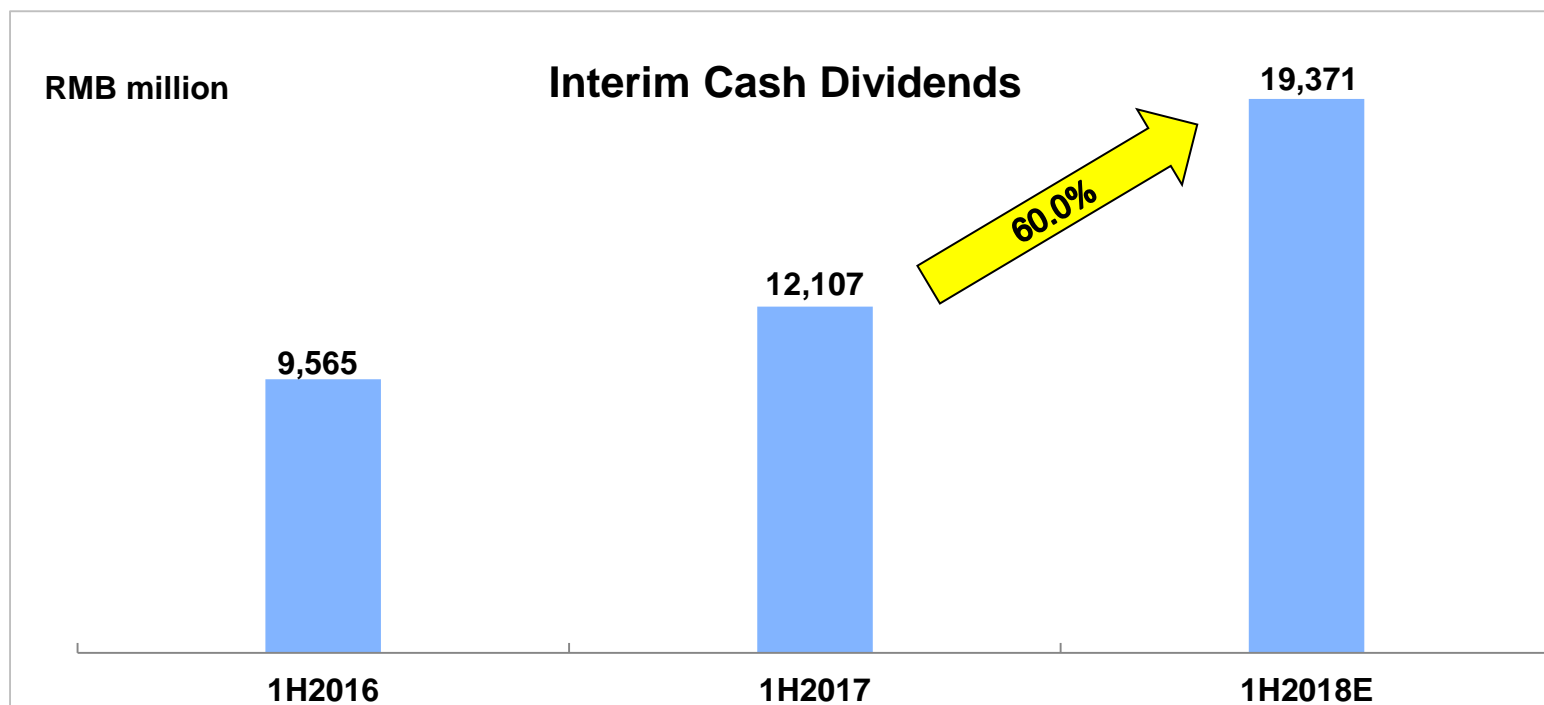
RMB million	1H2017	1H2018
Net Cash Generated from Operating Activities	60,847	71,620
Net Cash Generated from/(Used in) Investing Activities	(40,002)	19,258
Net Cash Generated from/(Used in) Financing Activities	(16,038)	(49,308)

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

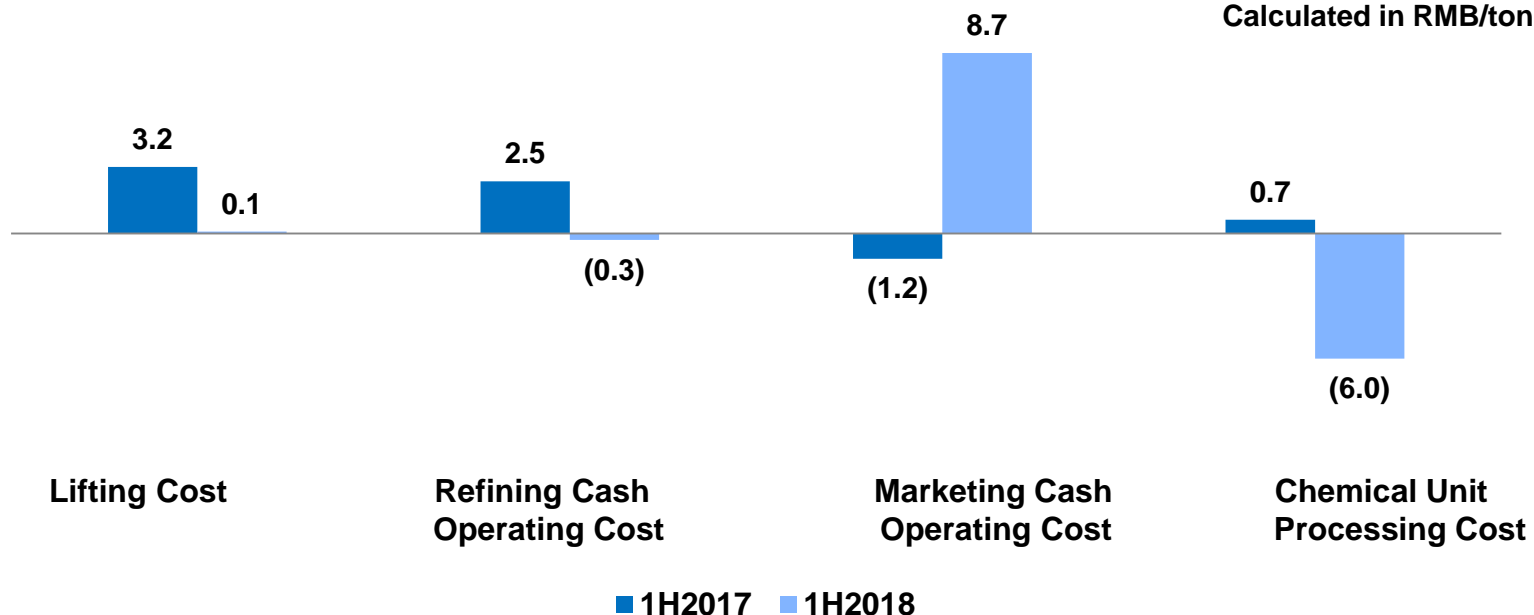


Remarkable Achievements in Cost Reduction

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

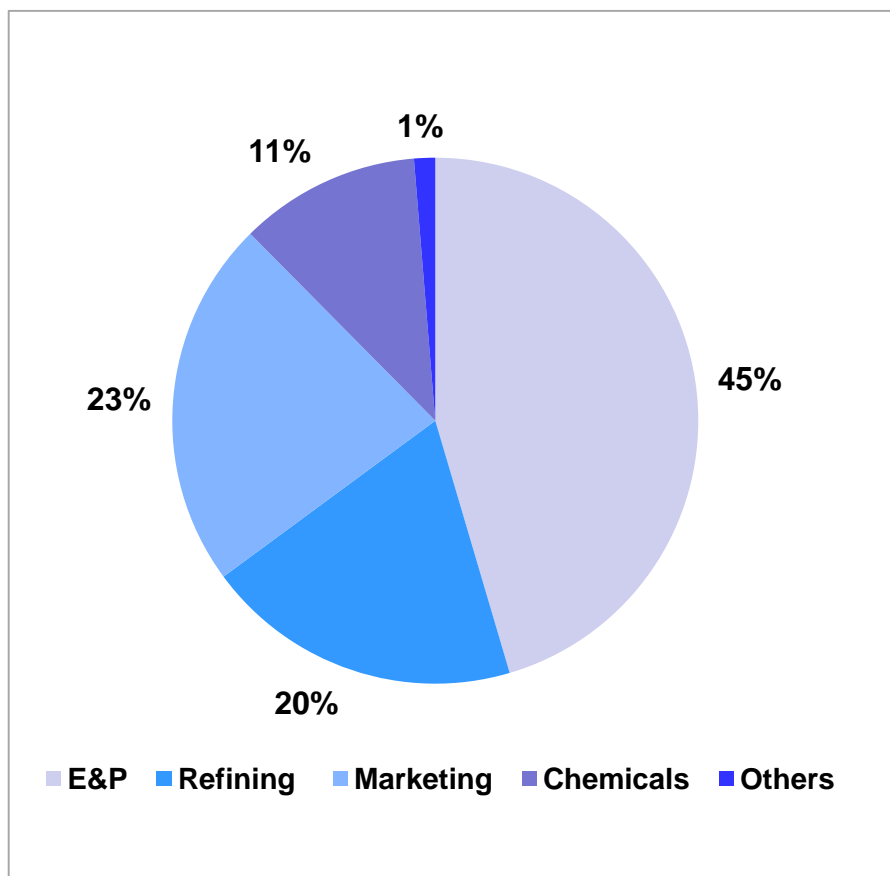
YoY Change in Costs by Segment (%)

Calculated in RMB/tonne



Capital Expenditure Focus on Quality and Profitability

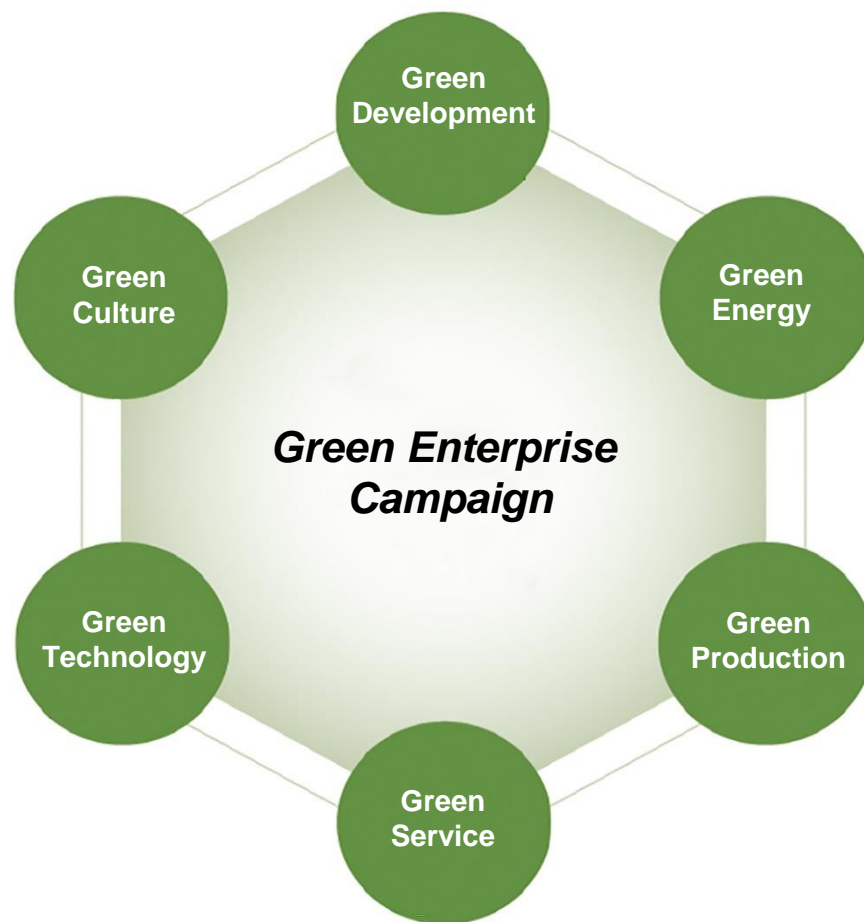
- 1H2018 Capital Expenditure: RMB 23.7 Bn, increased by 48% YoY



- **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

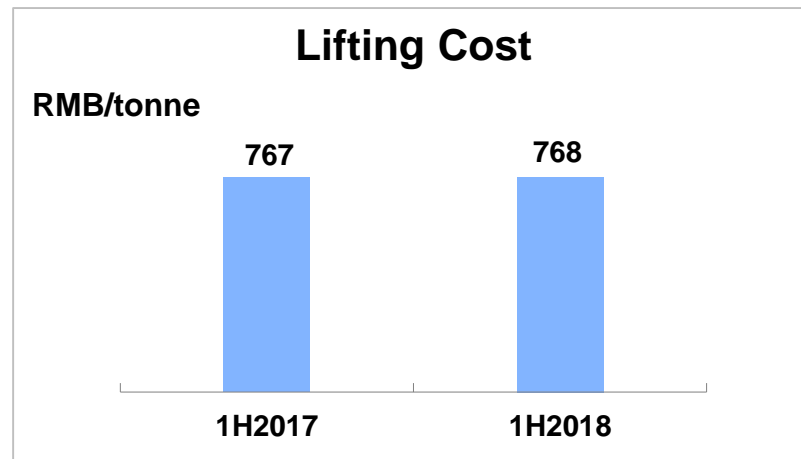
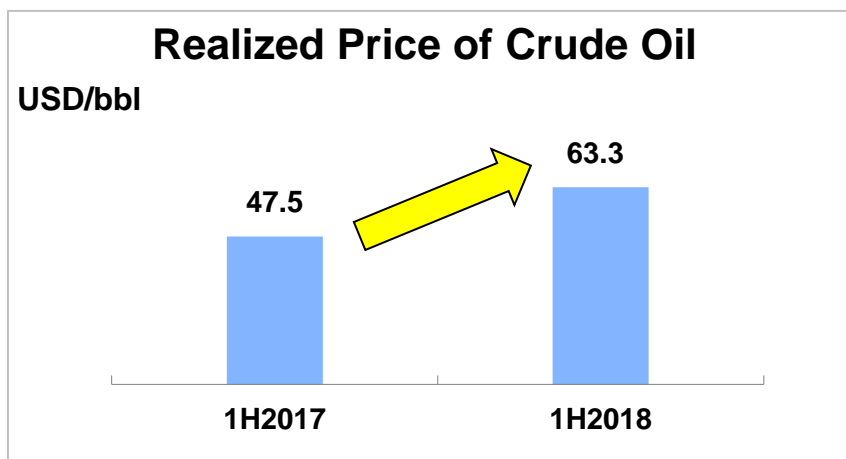
- Sustained exploration efforts with new domestic discoveries
- Adopted profit-oriented development and resumed profitable crude oil production
- Adjusted development pattern with sustained growth of natural gas production

	1H2017	1H2018	YoY (%)
Oil and Gas Production(mmboe)	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

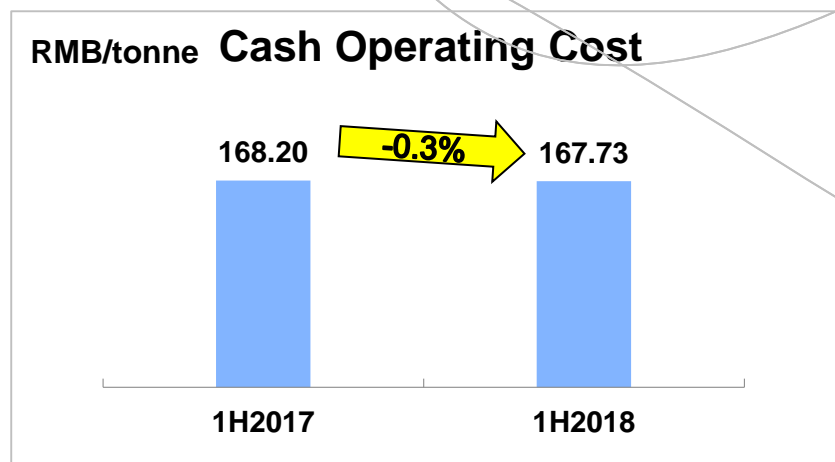
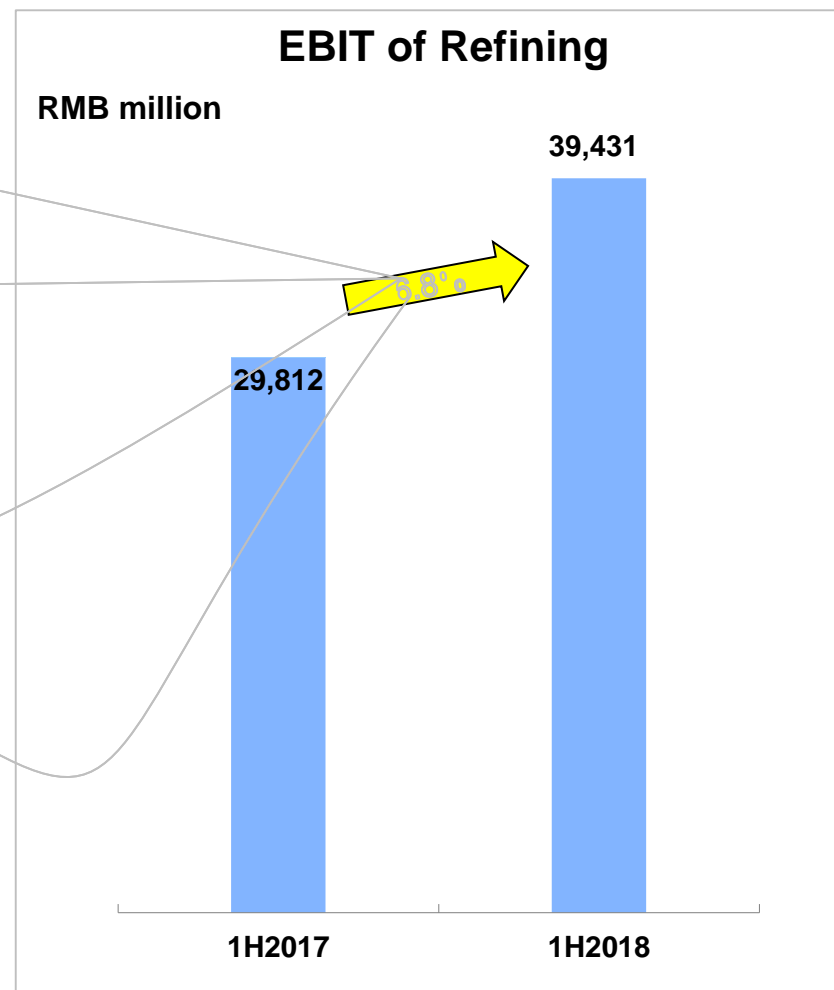
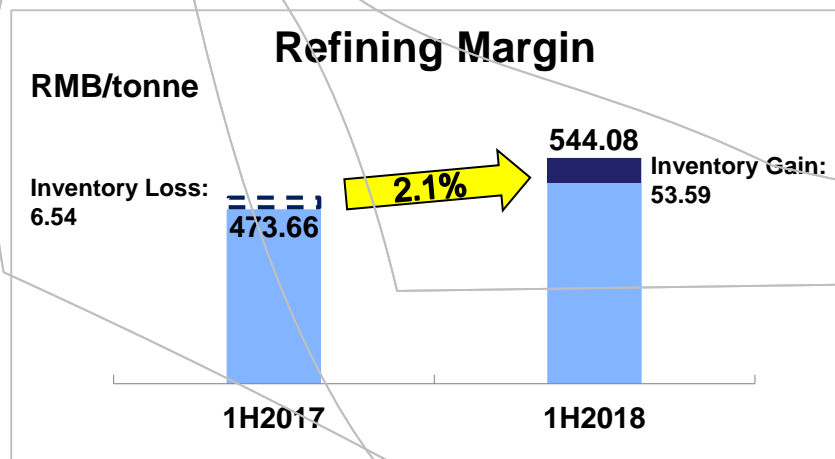
- Optimized product mix with diesel-to-gasoline ratio further declined to 1.07
- Actively promoted refined oil products quality upgrading to GB VI
- Maintained high utilization of refining facilities
- Maintained good profitability of LPG, asphalt and sulfur

(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



Refining Refining Margin Maintains at High Level



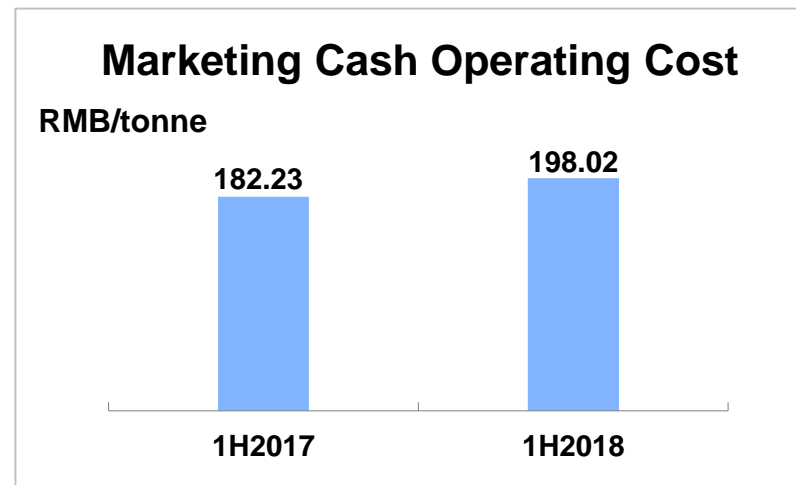
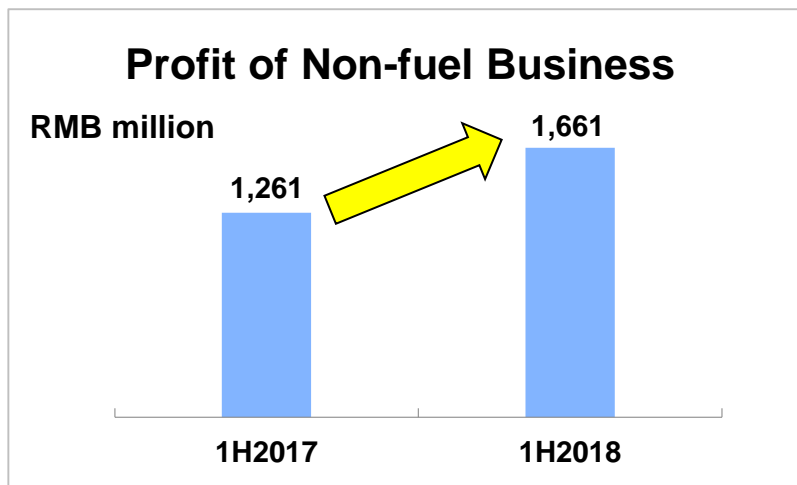
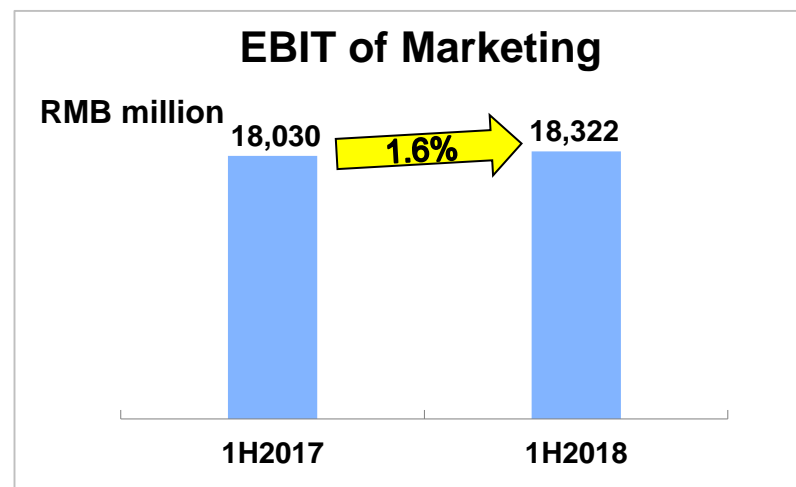
Marketing Leverage Network Advantage in Response to Competition

- 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



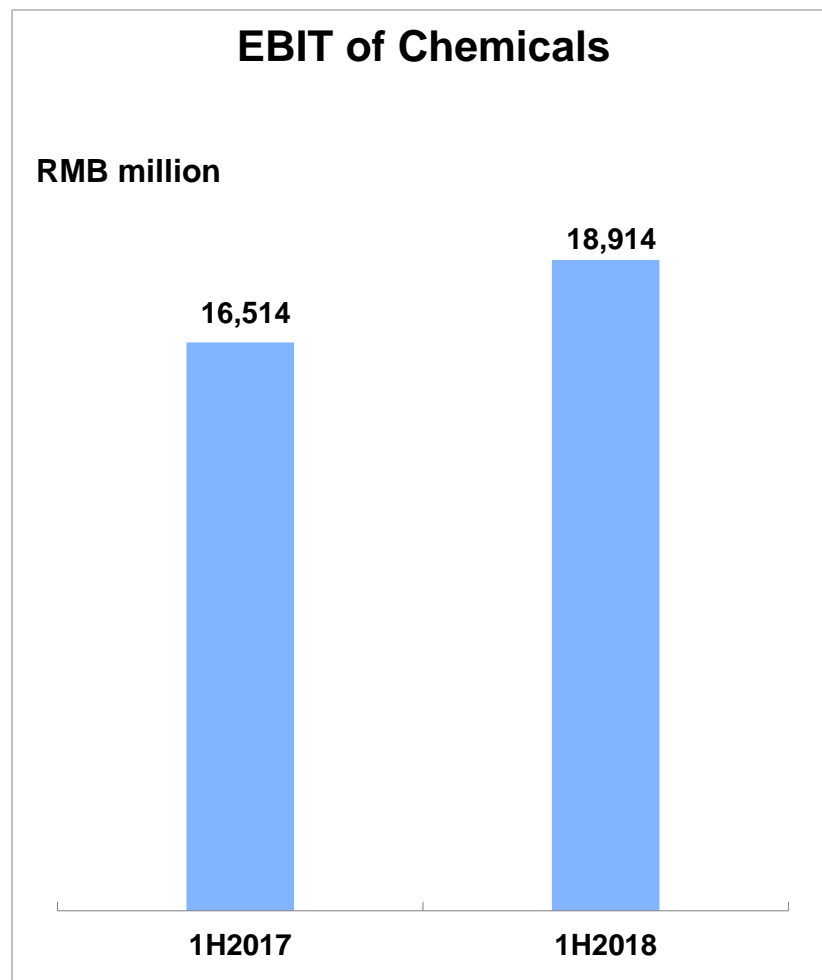
Chemicals Strengthened Structural Adjustment

tonnes	1H2017	1H2018	YoY (%)
Ethylene Production	5,609		

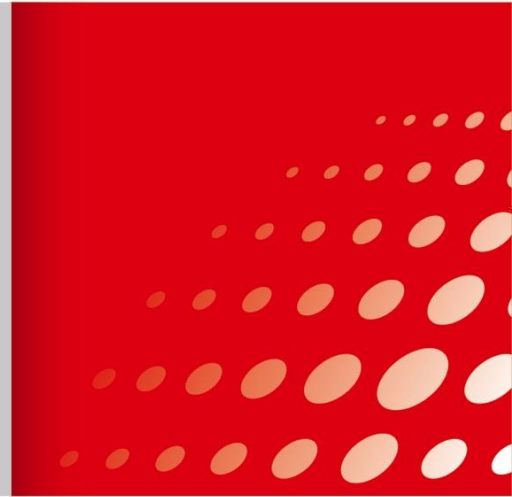
* 100% production of domestic joint ventures included



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
tonnes)	5,734	11,520	11,610	(0.8)

* 100% production of domestic joint ventures included



Business Development Plan in 2018-2020

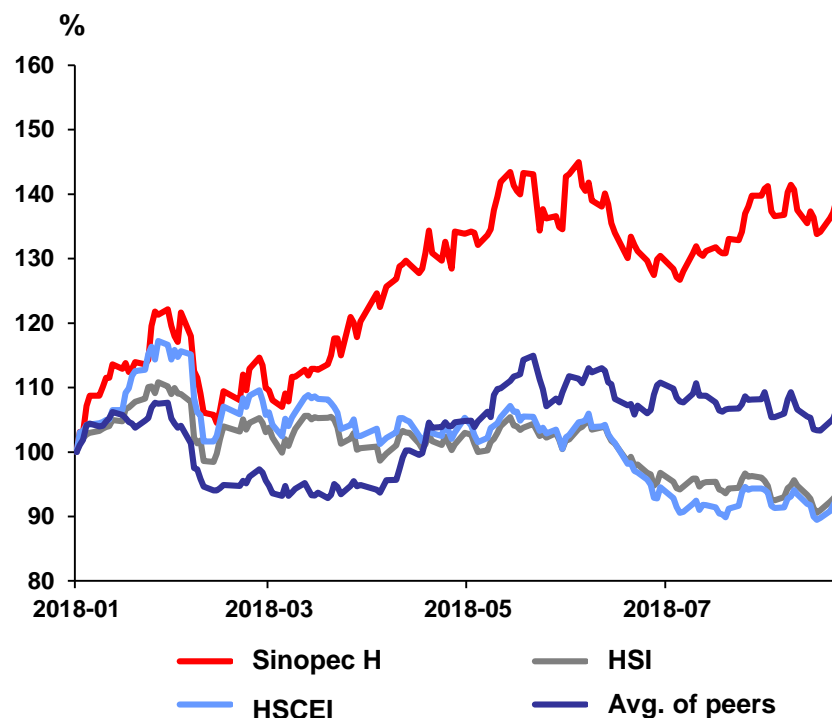


Created Greater Value for Shareholders by Delivering Outstanding Results

■ 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

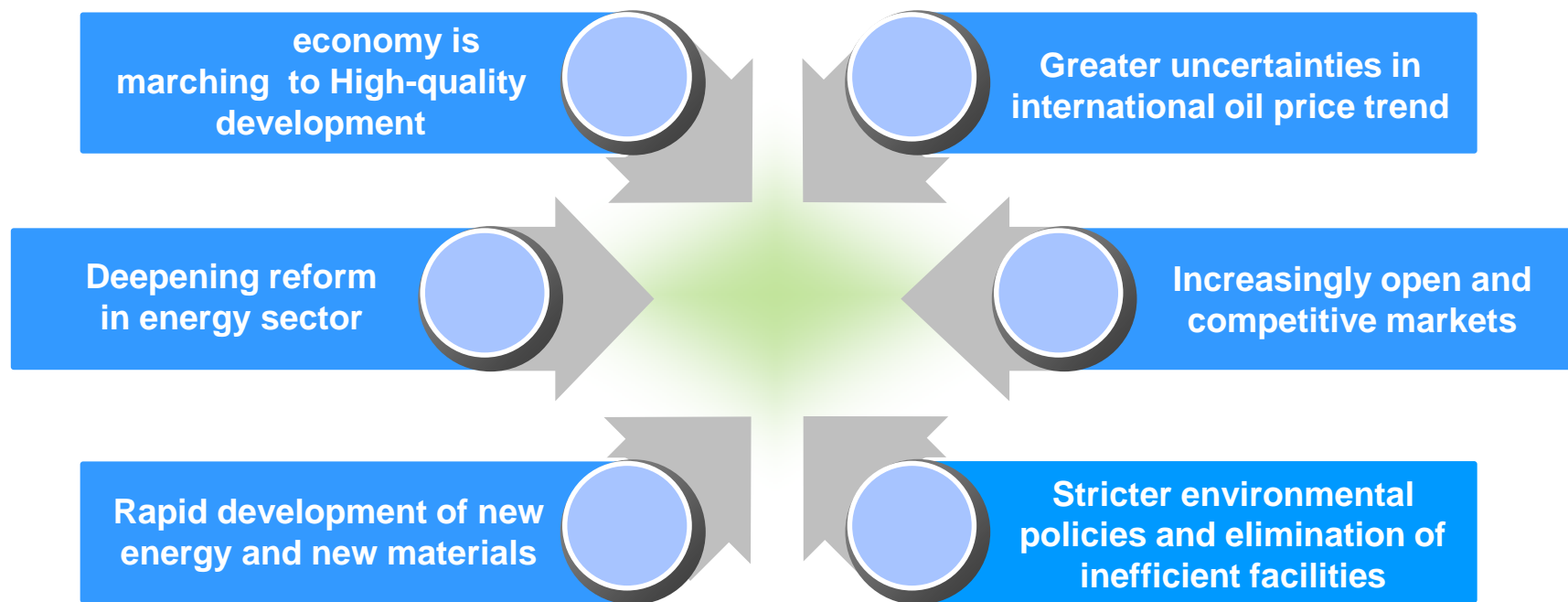


Notes: Peer group include PetroChina, CNOOC, ExxonMobil, BP and Royal Dutch Shell

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

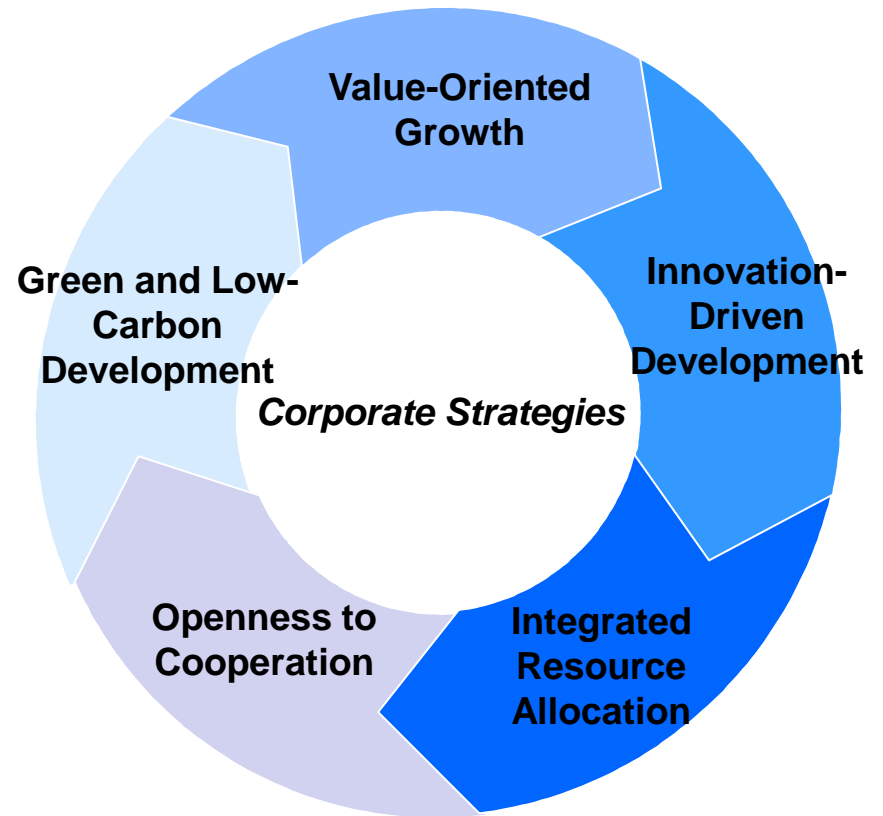


Seize Strategic Opportunities, Combat Challenges Proactively

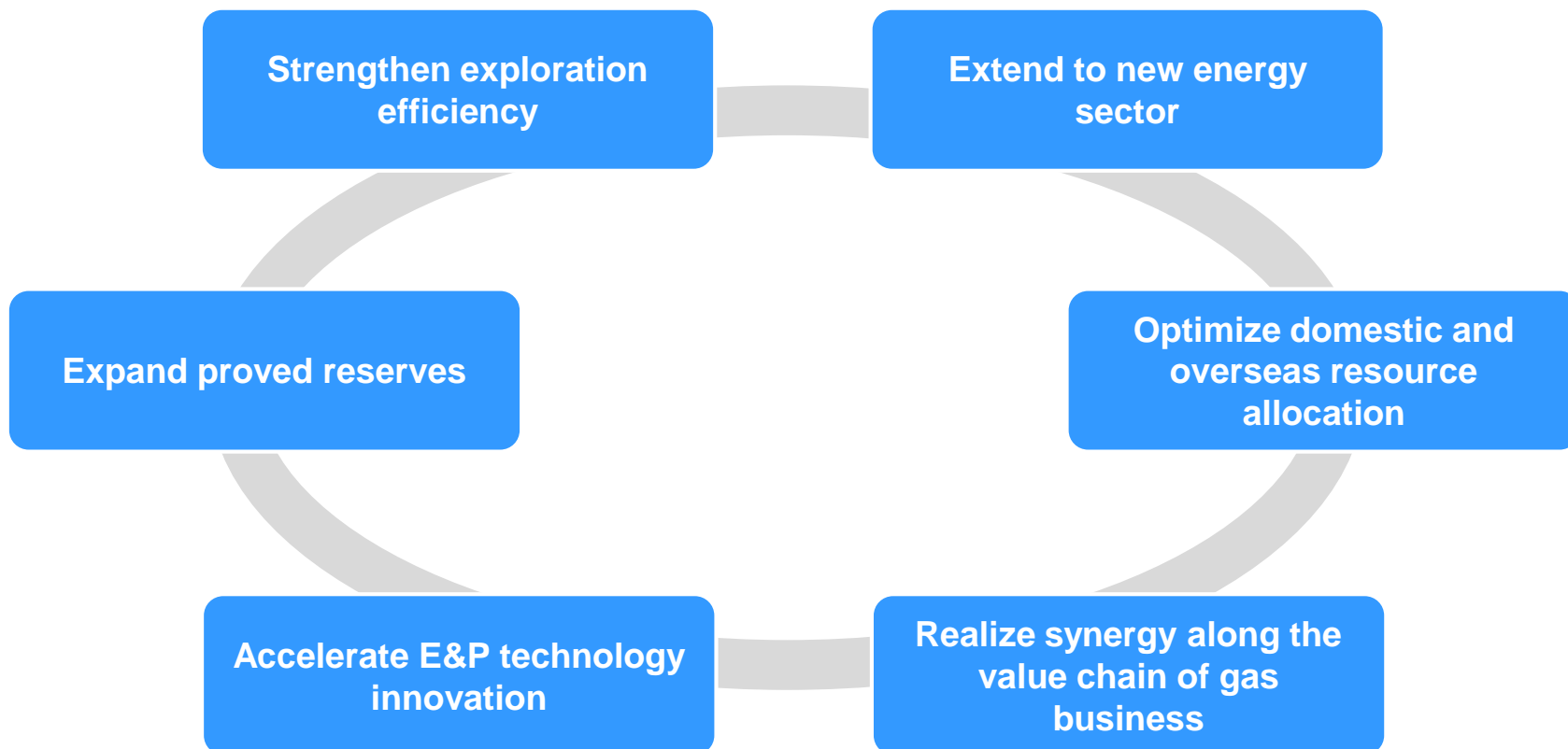


Adhere to *Corporate Strategies*

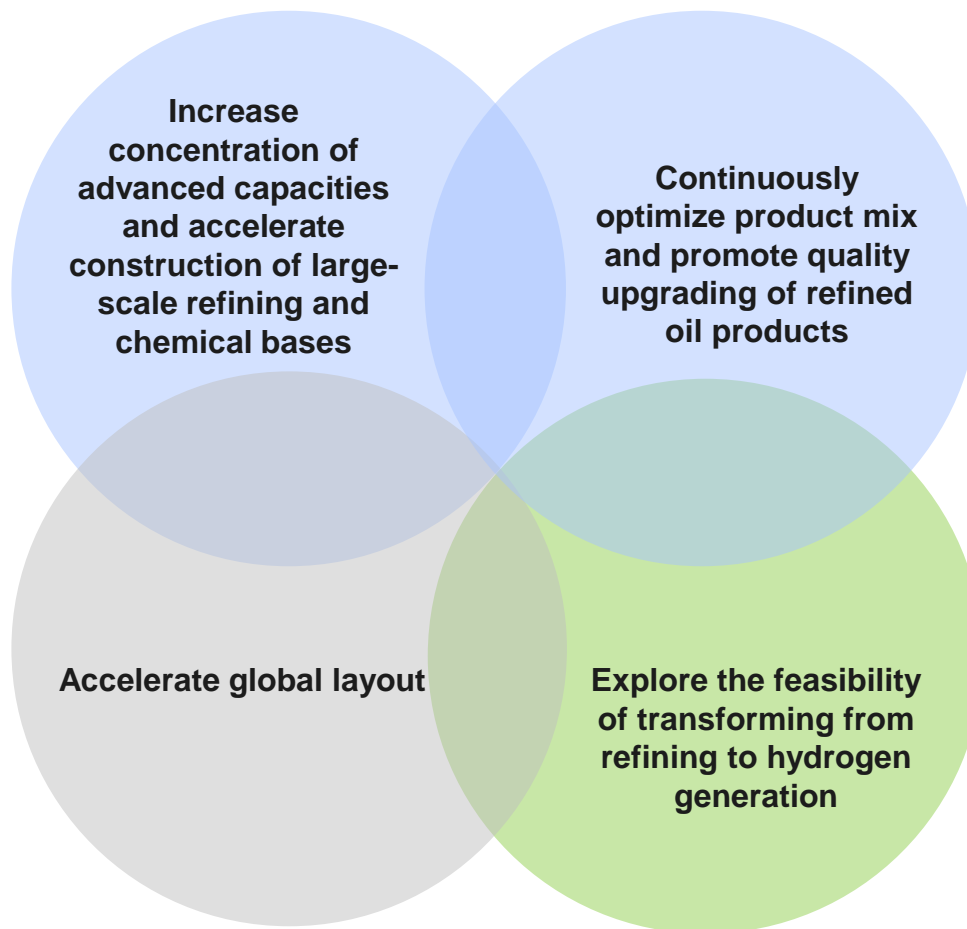
- Deepen supply-side structural reform
- Innovation as prime development driver
- Accelerate upgrading of value chain
- Expand overseas markets



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



Reinforce Profitability of Traditional Businesses Focus on basic and high-end materials, transform from provider of traditional chemicals to chemicals+materials

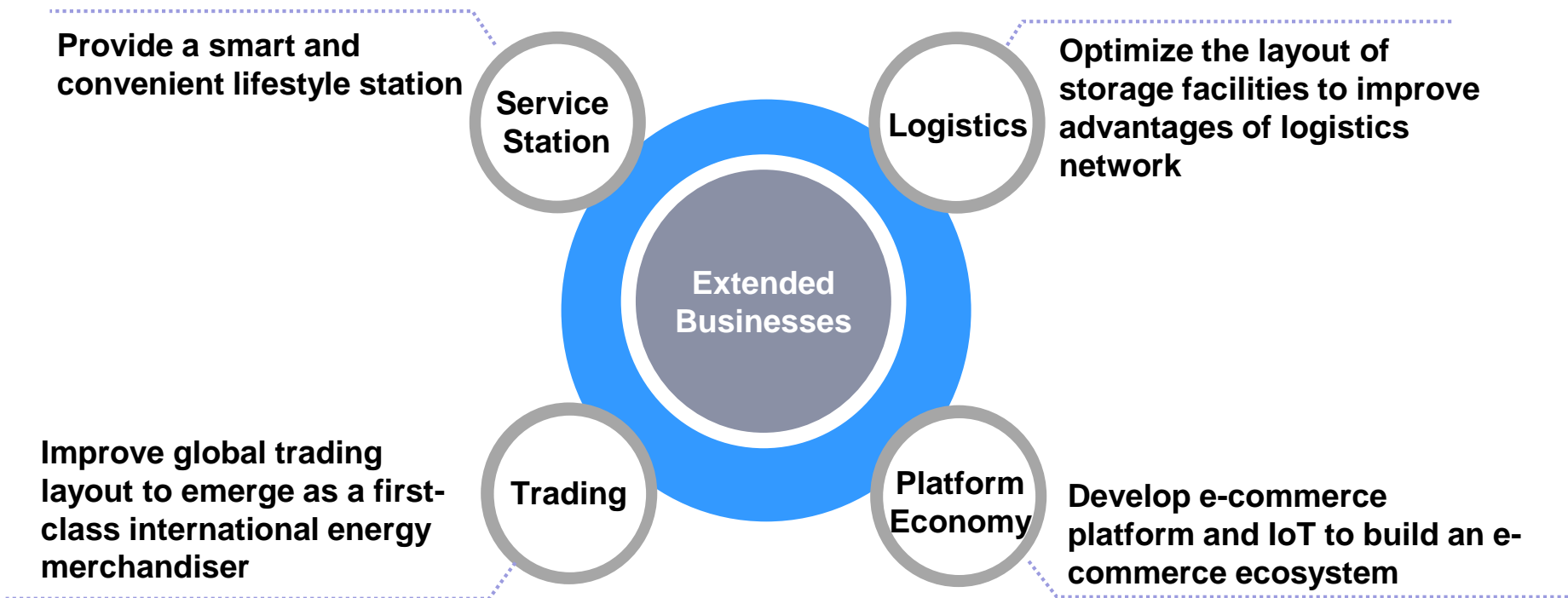
1 Expedite the construction of advantageous facilities to improve market competitiveness

2 Promote the upgrading of three major synthetic materials and development of new materials

3 Optimize feedstock structure, promote integration of refining and chemicals

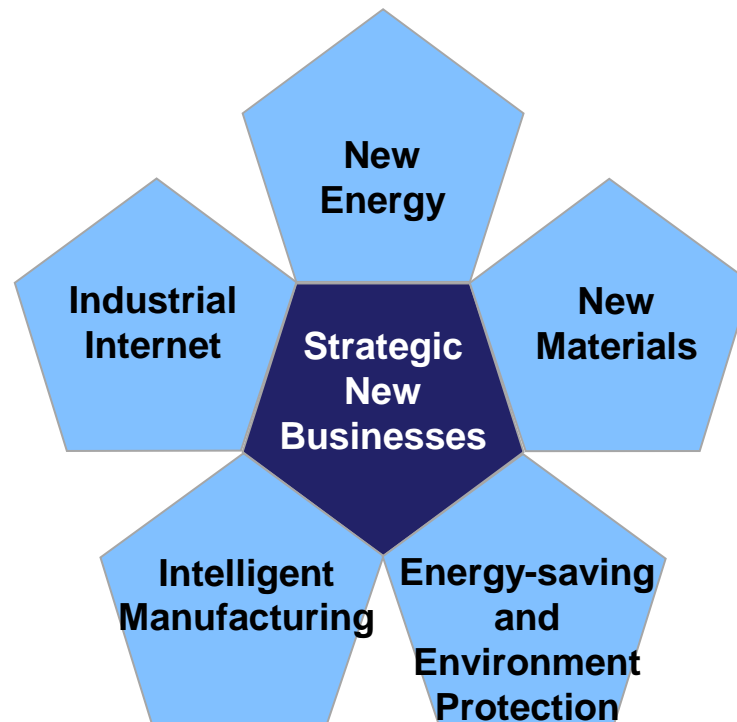
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Strengthen Synergy of Extended Businesses

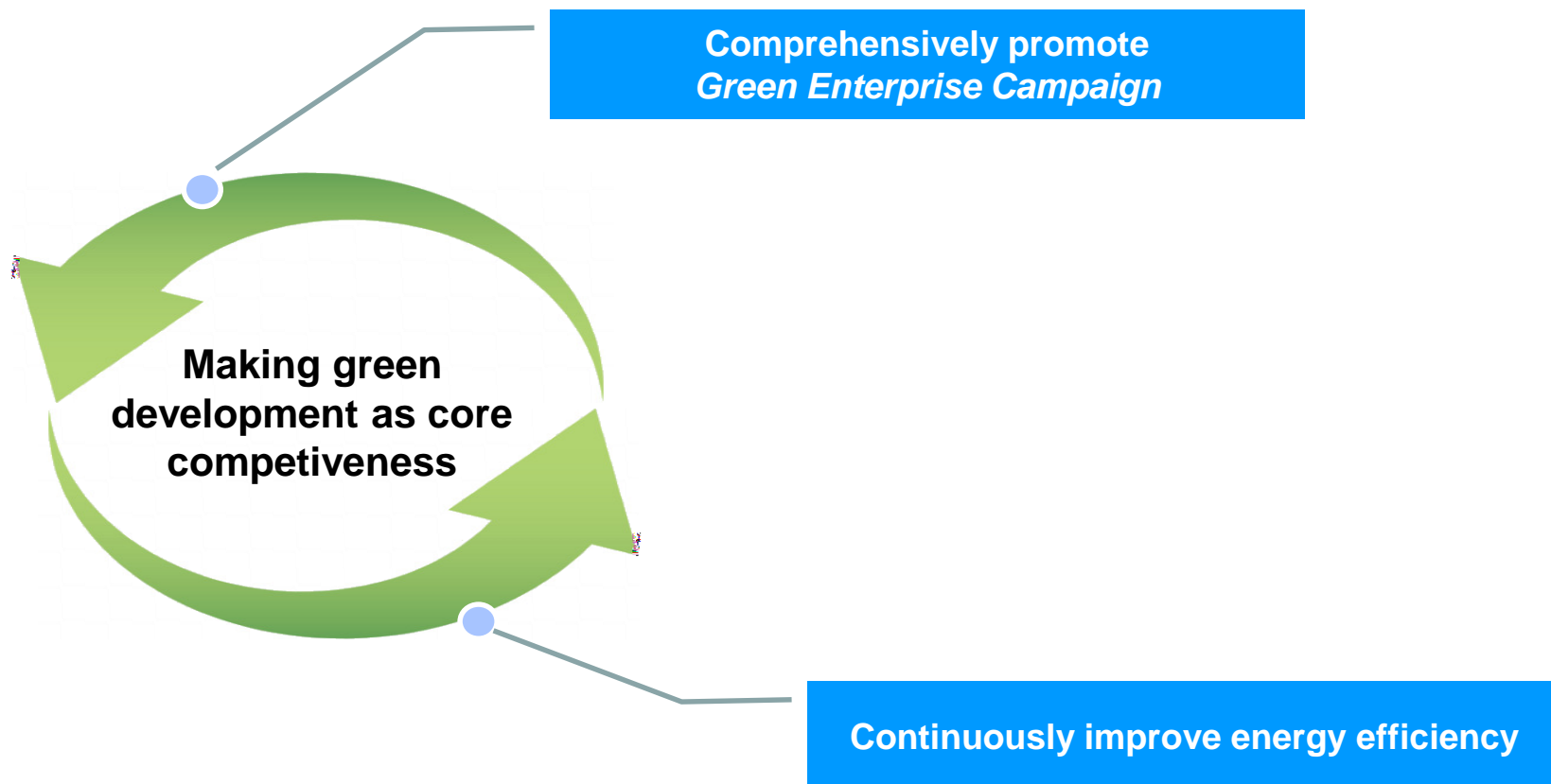


Enhance Sustainability of New Businesses

- 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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