



**China Petroleum & Chemical Corporation**

# **2014 Annual Results Announcement**

**March 23, 2015  
Hong Kong**



# Disclaimer

**This presentation and the presentation materials distributed herein include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Sinopec Corp. expects or anticipates will or may occur in the future (including but not limited to projections, targets, reserves and other estimates and business plans) are forward-looking statements. Sinopec Corp.'s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, exploration and development outcomes, estimates of proven reserves, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks and factors beyond our control. In addition, Sinopec Corp. makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.**



# Agenda

- **2014 Performance Overview & Development Orientation**
- **2014 Operational Results by Segment**
- **2015 Operational Plan**

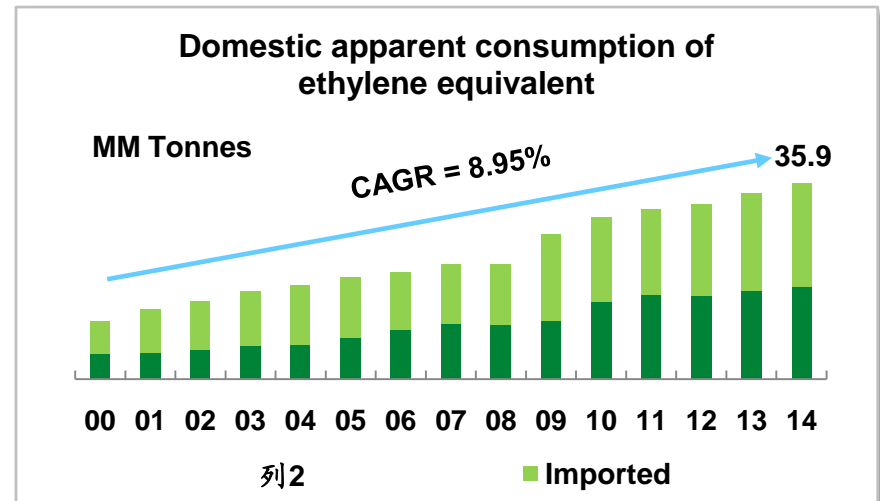
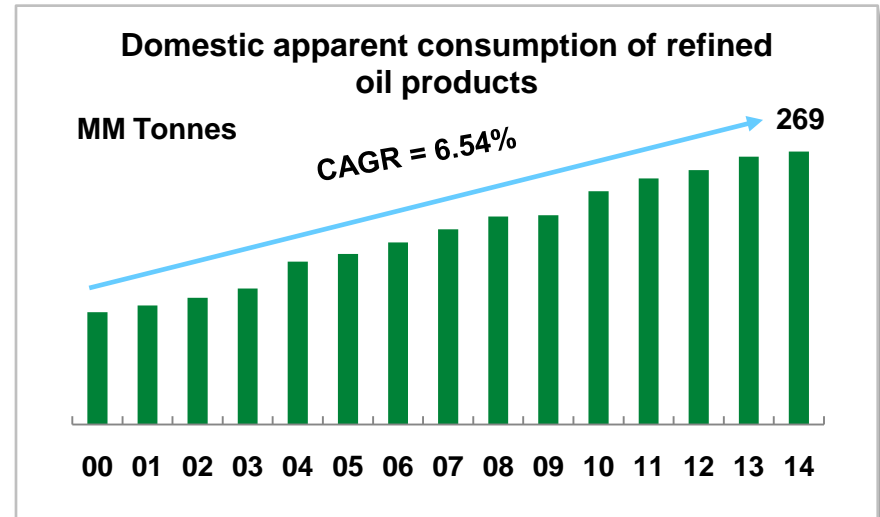


---

# 2014 Performance Overview & Development Orientation

# Market Environment

- Global economy experienced weak recovery
- International crude oil prices fluctuated at a high level in the first half year and plunged in the second half year
- New Normal
- Domestic demand for oil products grew at a slower rate, with consumption of refined oil products increased by 2.0%
- Domestic demand for chemicals continued to grow steadily, with consumption of ethylene equivalent increased by 4.9%
- Domestic refined oil products pricing mechanism fully implemented with a premium





# Operating Highlights

## Reform

- Marketing business realized mixed-ownership operations by restructuring and introducing private capital as scheduled, enhancing our enterprise value; advanced the transition of the business from an oil products supplier to an integrated services provider

## Transformation

- Commercial operations at Fuling shale gas field commenced ahead of plan with a capacity of 2 billion cubic meters
- Quality of refined oil products upgraded
- New era ushered in non-fuel business

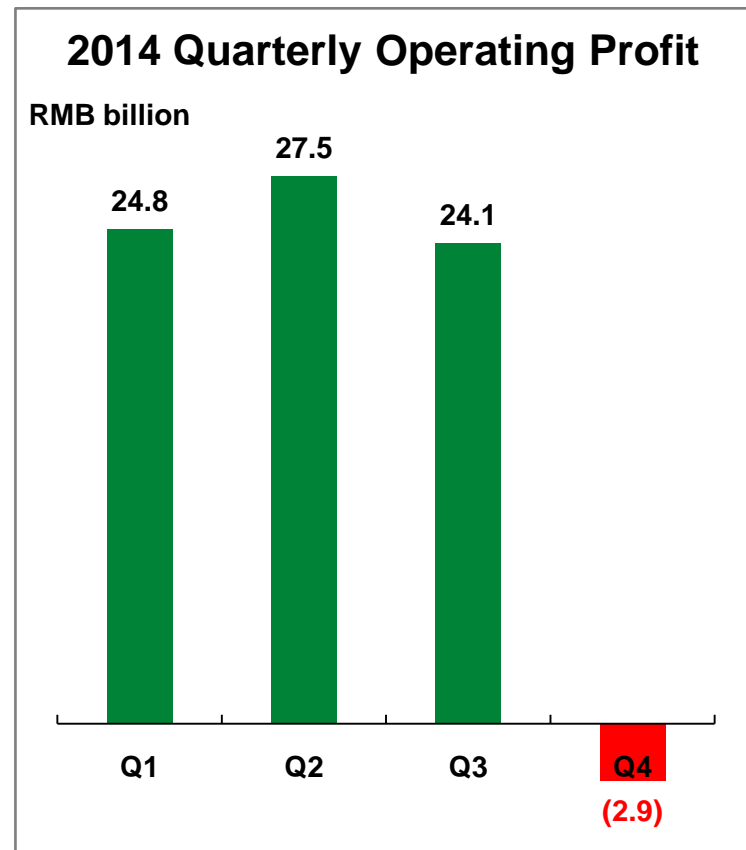
## Management

- Strengthened management of resource optimization; optimized chemical feedstock and product mix
- Achieved safe and stable production
- Efficient cost controls in all business segments



# Profitability

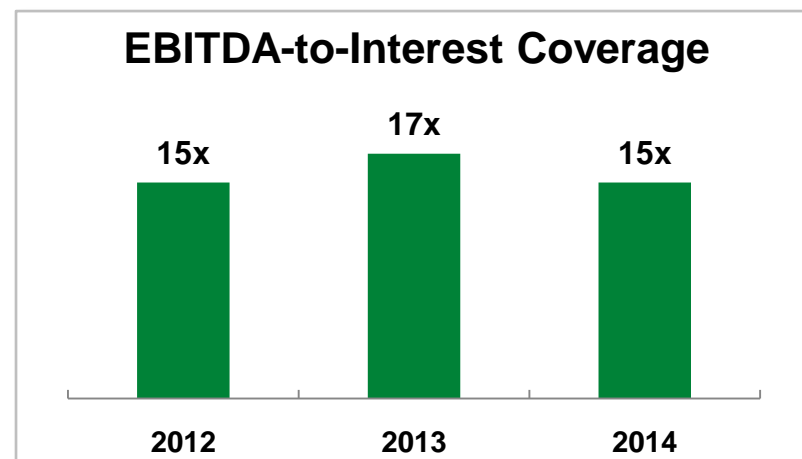
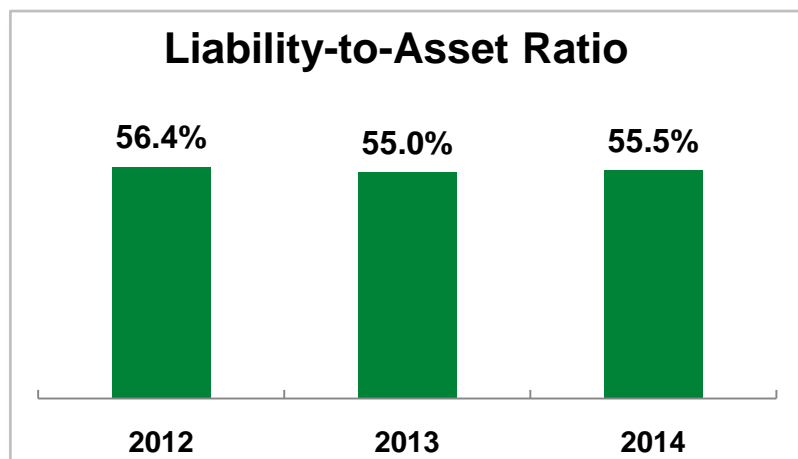
RMB billion	2012	2013	2014	14-13 Change %
Revenue	2,786.05	2,880.31	2,825.91	(1.89)
Operating Profit	98.66	96.79	73.49	(24.07)
Profit Attributable to Shareholders	63.88	66.13	46.47	(29.74)
EPS (RMB)	0.736	0.57	0.398	(30.18)





# Stable Asset-liability Structure

RMB billion	2012	2013	2014	14-13 Change%
Total Assets	1,257.944	1,382.916	1,451.368	4.95
Short-term interest-bearing debt	115.98	163.87	178.15	8.71
Long-term interest-bearing debt	126.56	110.03	115.37	4.86
Total equity attributable to shareholders of the Company	510.914	568.803	593.041	4.26



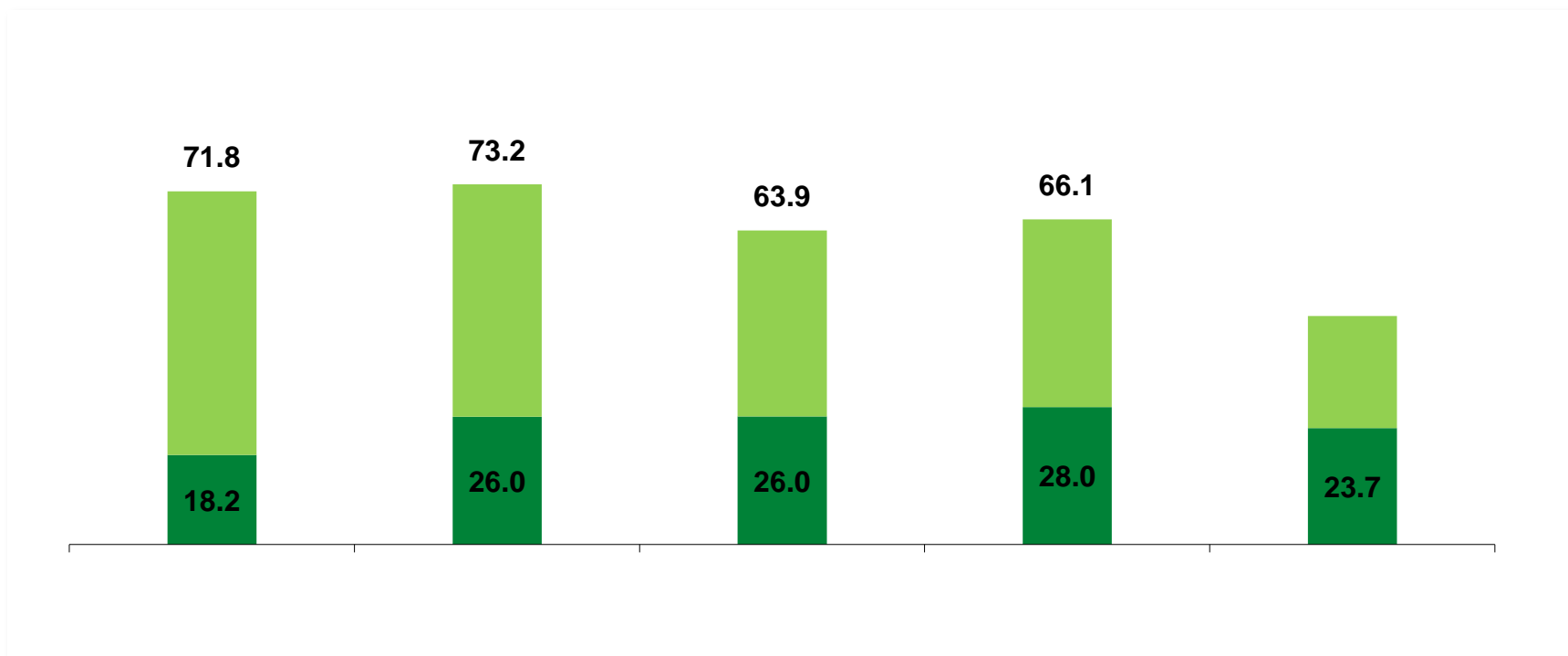




# Improving Cash Flow Status

RMB billion	2012	2013	2014	14-13 Change %
Net cash generated from operating activities	142.38	151.89	148.35	(2.33)
Net cash used in investing activities	(162.20)	(178.74)	(132.63)	(25.80)
Net cash generated from financing activities	5.63	31.52	(21.42)	--

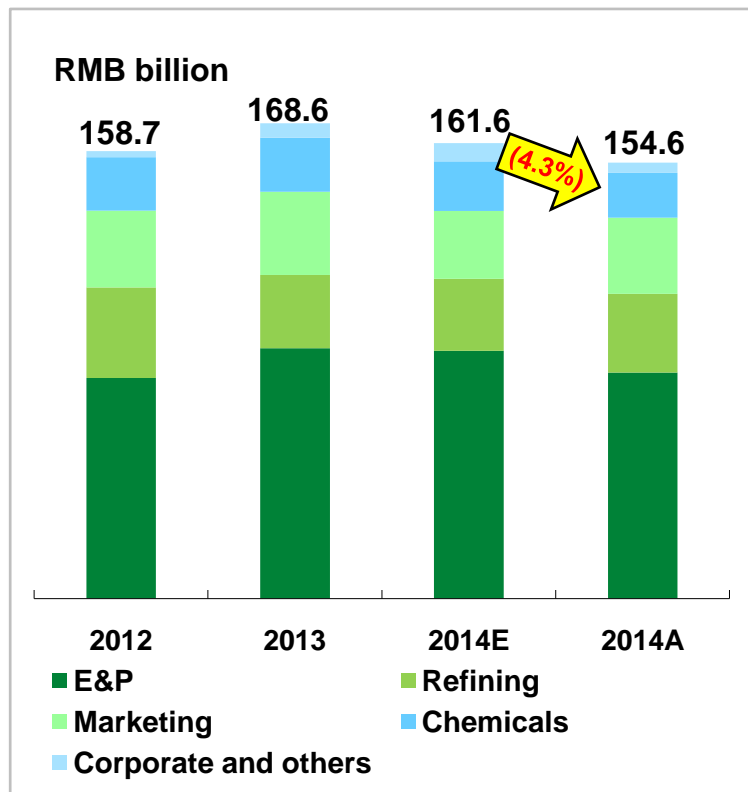
- In 1Q2015, Sinopec Marketing Co. successfully completed its restructuring and capital injection as scheduled, raising RMB105 billion
- Financial position will be greatly improved
  - ◆ Debt-to-capital ratio will be further improved
  - ◆ Cash flow will significantly increase





# Capital Expenditure

- Optimized capital expenditure with a focus on quality and efficiency; CAPEX in 2014 was RMB154.6 billion



- **E&P: RMB 80.2 Bn**

- ◆ Accelerated the investment in Fuling Shale Gas project; promoted oil and gas production, LNG and pipeline construction

- **Refining: RMB 28.0 Bn**

- ◆ Quality upgrade projects and refinery expansion

- **Marketing: RMB 27.0 Bn**

- ◆ Construction of service stations, storage and logistics networks, and development of non-fuel business

- **Chemicals: RMB 15.9 Bn**

- ◆ Key projects and structural adjustment of raw materials

- **Corporate and others: RMB 3.6 Bn**

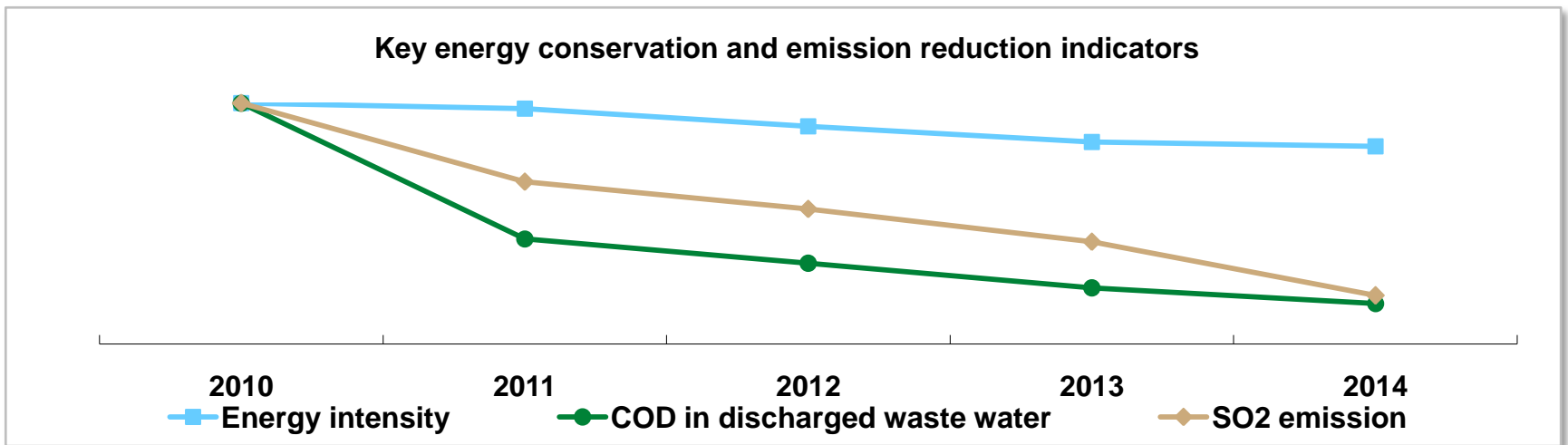
- ◆ R&D facilities and IT system

Capex for the Clear Water, Blue Sky Project and the Energy Conservation Campaign included



# Vigorous Implementation of Green and Low Carbon Development Strategy

- Implemented the *Clear Water, Blue Sky Project* and the *Energy Conservation Campaign*
- First one to publish an ESG report for shale gas concerns
- Level of emissions and energy intensity continued to drop despite expansion of scale, achieved the annual target of emissions reduction



Note: 2010 figures benchmarked to 100



# Remarkable Achievements from Stringent Management

- E improved
- Continue to optimize the internal process and regulation
- Effectively improved managerial capacity in production optimization, risk control, safe operations
- Overall financing cost reduced YoY

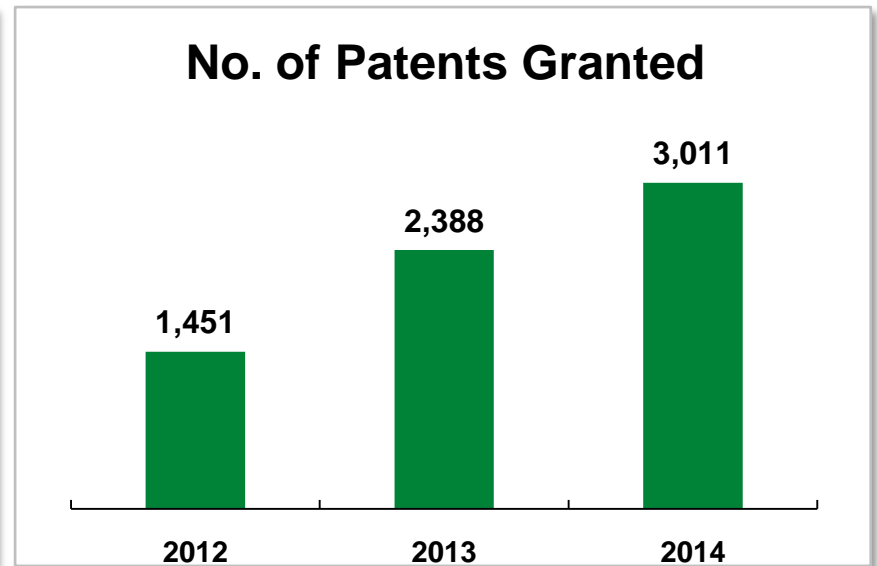
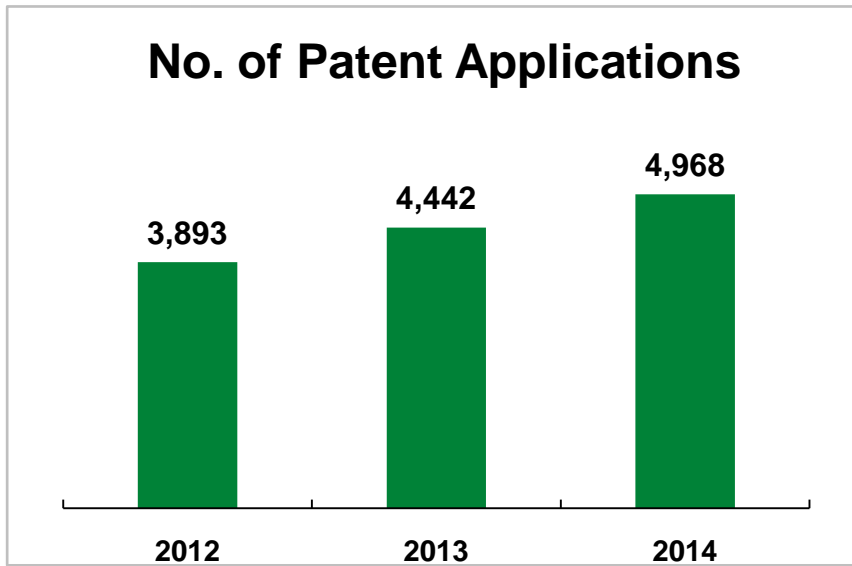
## Cost inflation well under control

	2012	2013	2014
Lifting cost	6.43%	1.85%	0.48%
Refining cash operating cost	5.34%	6.97%	(1.50%)
Marketing cash operating cost	0.79%	5.30%	(1.70%)
Unit chemical all-in cost	(3.10%)	(0.45%)	(6.24%)



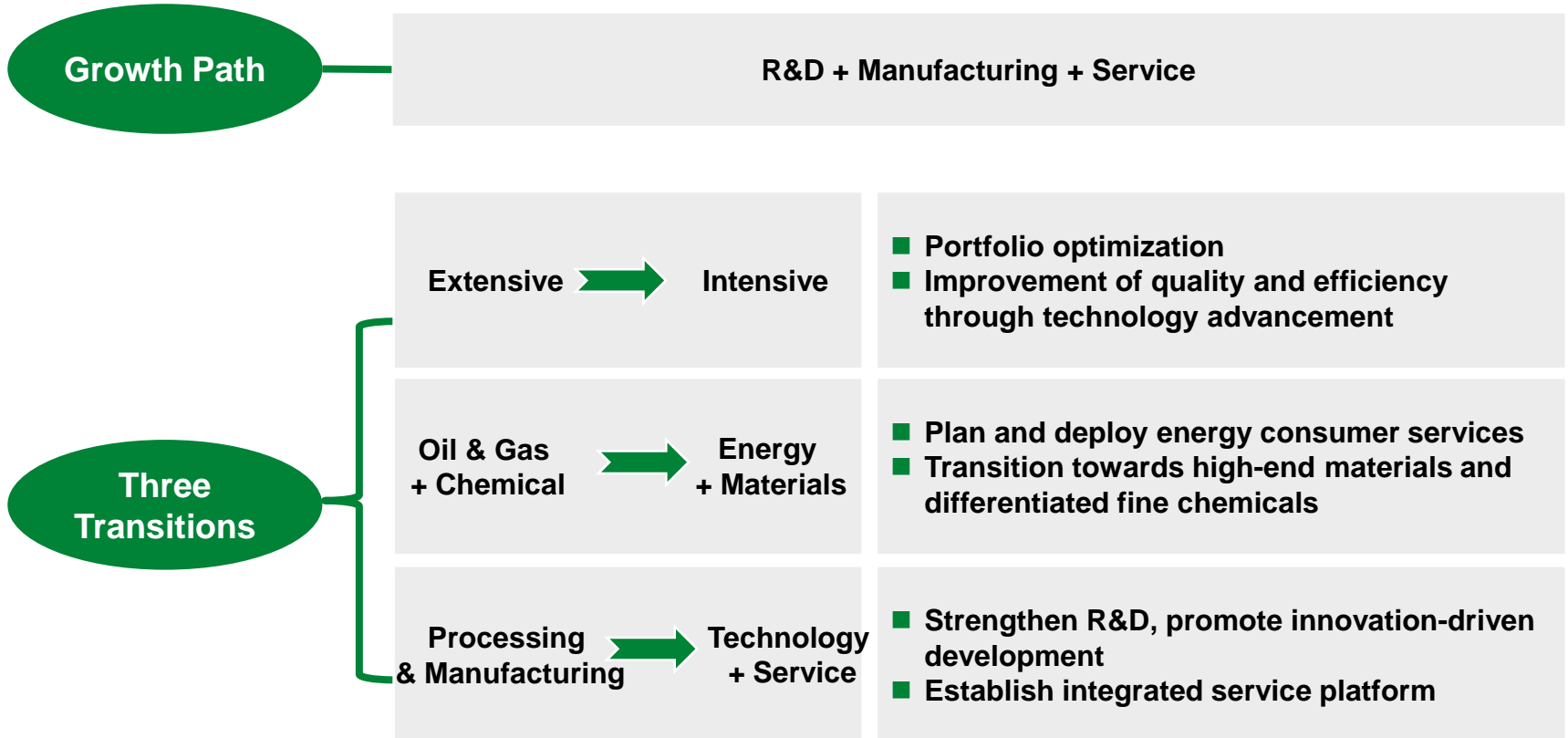
# Accelerated R&D Efforts: Innovation-driven Development

- Explored the reform of R&D mechanism, created innovative platforms through multiple channels
- Integrating R&D with production and marketing; effectively embraced the role of technology
  - ◆ Shale gas exploration and development technology
  - ◆ New coal chemical technology
  - ◆ New materials, energy conservation and environmental friendly technology
- In 2014, 4,968 patent applications were made and 3,011 patents were granted (including 1,978 patents for invention, ranking the 3<sup>rd</sup> in PRC)





# Adapt to build new drivers for development





# 2014 Operational Results by Segment





# Upstream

	2012	2013	2014	14-13 Change%
<b>Oil and gas production (mmboe)</b>	<b>427.95</b>	<b>442.84</b>	<b>480.22</b>	<b>8.44</b>
<b>Crude oil production (mmbbls) <sup>1</sup></b>	<b>328.28</b>	<b>332.54</b>	<b>360.73</b>	<b>8.48</b>
<b>China</b>	<b>306.60</b>	<b>310.84</b>	<b>310.87</b>	<b>0.01</b>
<b>Overseas</b>	<b>21.68</b>	<b>21.70</b>	<b>49.86</b>	<b>129.77</b>
<b>Natural gas production (bcf)</b>	<b>598.01</b>	<b>660.18</b>	<b>716.35</b>	<b>8.51</b>
<b>Lifting cost (USD/bbl) <sup>2</sup></b>	<b>17.51</b>	<b>18.18</b>	<b>18.42</b>	<b>1.32</b>

	As of Dec. 31, 2012	As of Dec. 31, 2013	As of Dec. 31, 2014
<b>Proved reserves of oil and gas(mmboe)</b>	<b>3,964</b>	<b>4,217</b>	<b>4,172</b>
<b>Proved reserves of crude oil(mmbbls)</b>	<b>2,843</b>	<b>3,130</b>	<b>3,048</b>
<b>China</b>	<b>2,771</b>	<b>2,773</b>	<b>2,700</b>
<b>Proved reserves of natural gas(bcf)</b>	<b>6,730</b>	<b>6,520</b>	<b>6,741</b>

Note: 1. 1 ton=7.1 barrels for crude oil production in China, 1 m3=35.31 c.f. for natural gas production in China, 1 ton=7.22 barrels for overseas crude oil production;

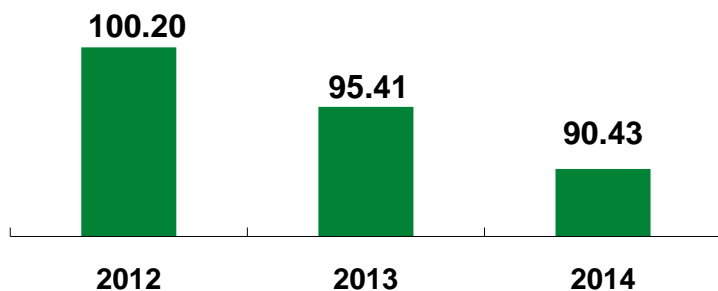
2. Lifting cost (USD/bbl) : 0.48% y-o-y growth excl. exchange rate effect



# Upstream - Performance

### Realized Price of Crude Oil

USD/bbl



RMB million

2012

2013

2014

Operating Profit  
of E&P Segment

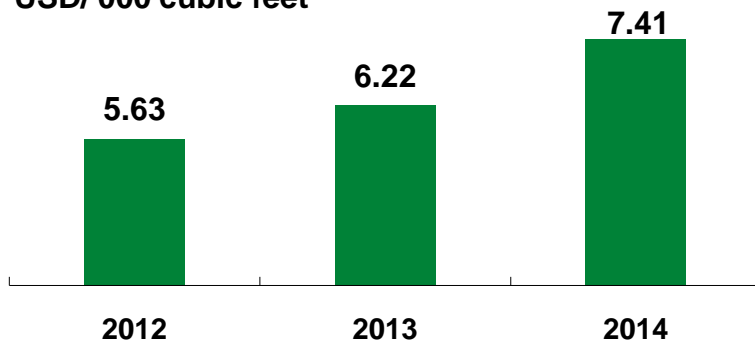
70,054

54,793

47,057

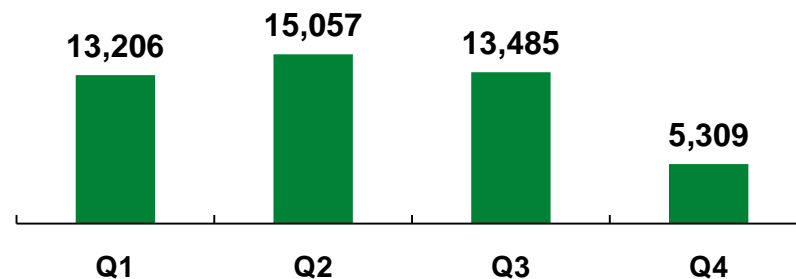
### Realized Price of Natural Gas

USD/'000 cubic feet



### Quarterly Operating Profit: E&P

RMB million





# Refining - Structure Upgrades and Adjustments

mm tonnes	2012	2013	2014	14-13 Change%
Refinery throughput	221.31	231.95	235.38	1.48
Gasoline, diesel and kerosene production	132.96	140.40	146.23	4.15
Gasoline production	40.55	45.56	51.22	12.42
Diesel production	77.39	77.40	74.26	(4.06)
Kerosene production	15.01	17.43	20.75	19.05
Light chemical feedstock production	36.33	37.97	39.17	3.16
Light yield (%)	76.75	76.19	76.52	33 bps
Refining yield (%)	95.15	94.82	94.66	(16 bps)

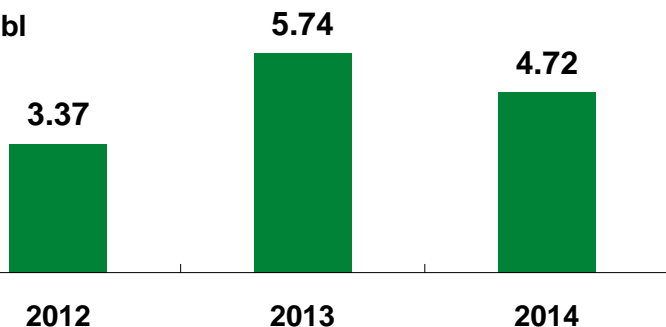
Note:1. Refinery throughput is calculated based on 1 tonne= 7.35 bbls;  
2. 100% production of joint ventures included



# Refining - Performance

## Refining Margin

USD/bbl



RMB million

2012

2013

2014

Operating Profit of Refining Segment

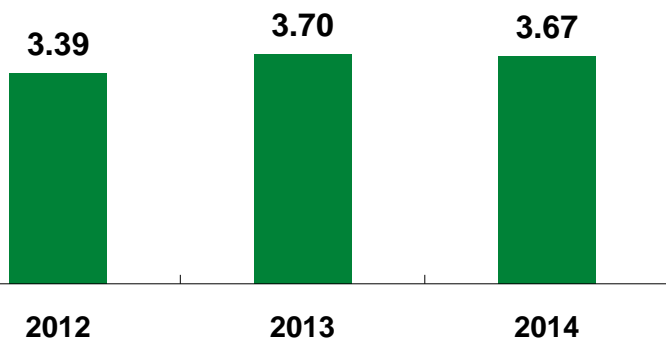
(11,444)

8,599

(1,954)

USD/bbl

## Operating Cost



## Quarterly Operating Profit: Refining

RMB million

3,739

6,016

1,347

Q1

Q2

Q3

Q4

-13,056

Note: Declined by 1.5% excluding exchange rate effects

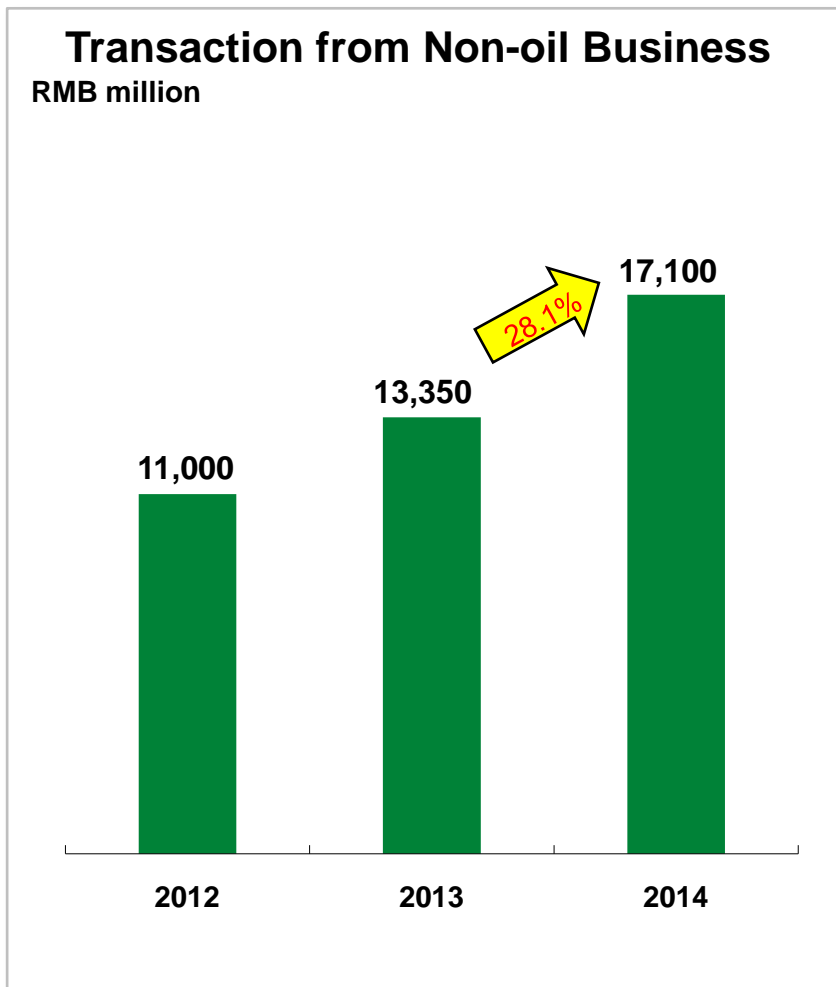


# Marketing - Expanding Retail Volume of Refined Oil

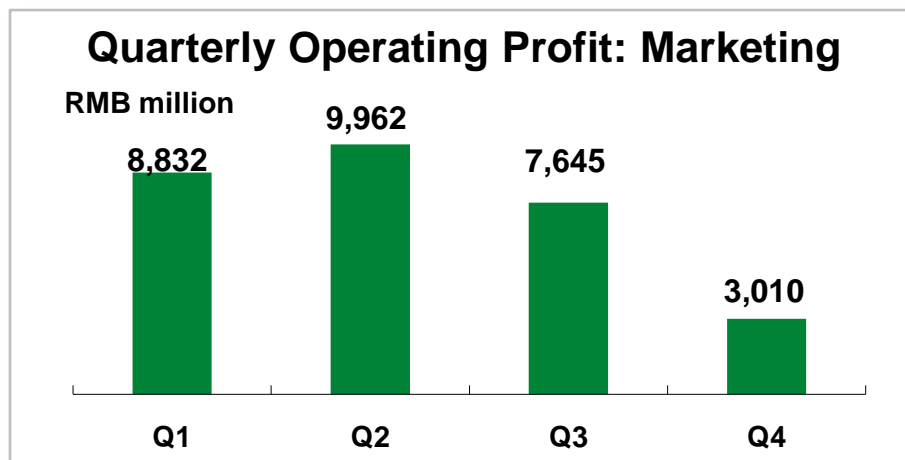
mm tonnes	2012	2013	2014	14-13 Change%
Total sales of refined oil products	173.15	179.99	189.17	5.10
Domestic sales of refined oil products	158.99	165.42	170.97	3.36
Retail	107.85	113.73	117.84	3.61
Wholesale & Distribution	51.14	51.69	53.13	2.79
Annualized average throughput of Company-operated stations (tonnes/station)	3,498	3,707	3,858	4.07
		As of Dec. 31, 2012	As of Dec. 31, 2013	As of Dec. 31, 2014
Total number of domestic service stations		30,836	30,536	30,551
Company-operated stations		30,823	30,523	30,538



# Marketing - Performance



RMB million	2012	2013	2014
Operating Profit of Marketing Segment	42,652	35,143	29,499





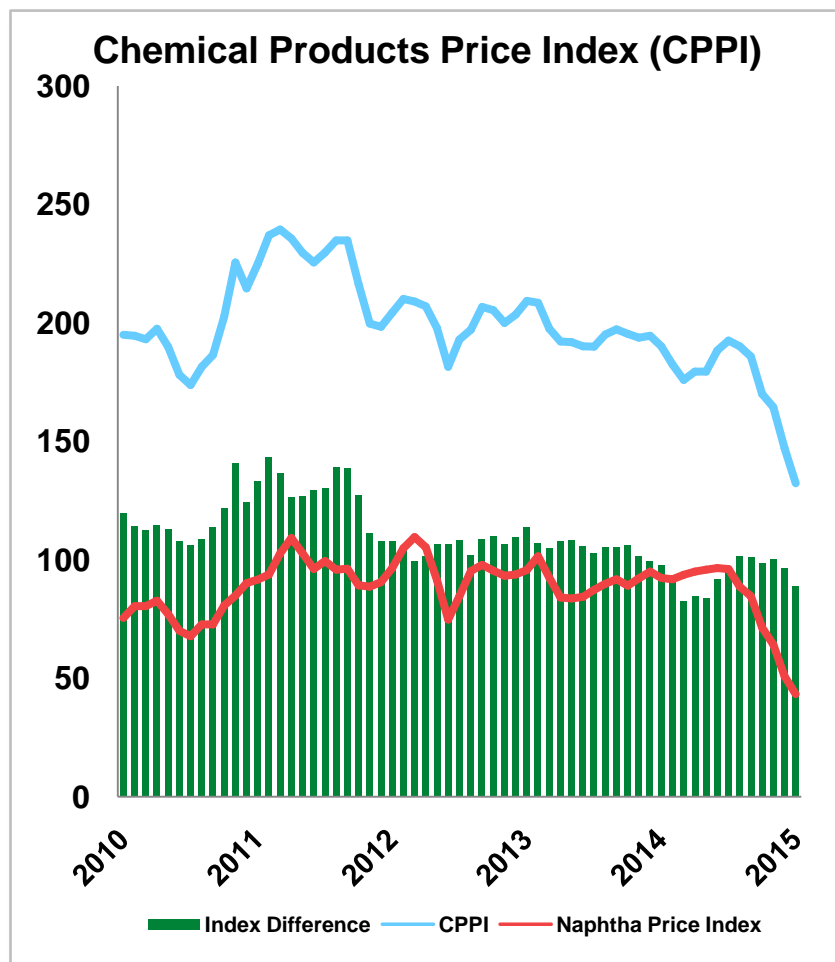
# Chemicals- Optimized Feedstock & Product mix

	2012	2013	2014	14-13 Change%
Ethylene	9,452	9,980	10,698	7.19
Synthetic resins	13,343	13,726	14,639	6.65
Synthetic rubbers	936	960	939	(2.19)
Monomers & polymers for synthetic fibers	8,950	9,227	8,383	(9.15)
Synthetic fibers	1,339	1,392	1,315	(5.53)

Note: 100% production of joint ventures included

# Chemicals - Performance

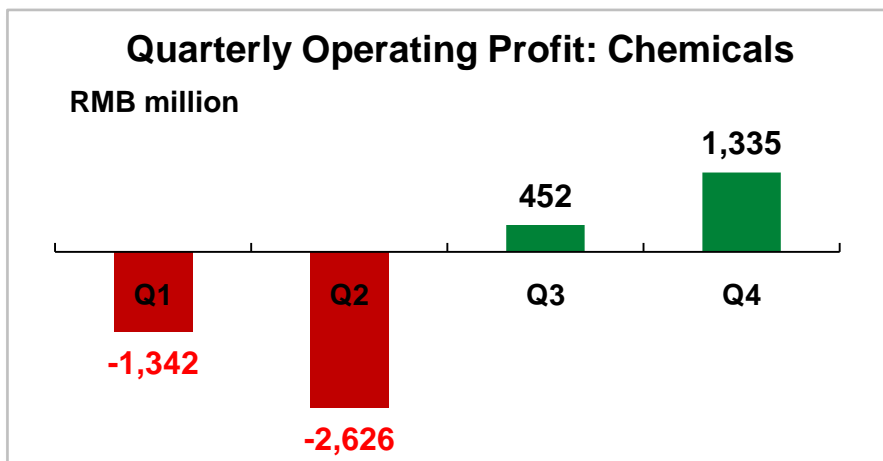
- Operating profit turnaround in Q3 and further increased in Q4



Source: Sinopec Corp.

2015-3-23

RMB million	2012	2013	2014
Operating Profit of Chemicals Segment	1,178	868	(2,181)







# 2015 Operational Plan



# 2015 Market Outlook

- **Chinese economy will enter into New**
  - ◆ From high growth to moderate-high growth
  - ◆ Structure adjustments, proportion increase in the service sector
  - ◆ Shift in drivers of economic development
- **International oil price is expected to remain at low level**
- **Steady growth in domestic demand for refined oil products and chemicals**



# Improvement of Safe Operation and Environmental Protection

- Enhance safe operational situation
- Continue to implement *the Clear Water, Blue Sky Project*
- Continue to implement *the Energy Conservation Campaign*
- **0<sup>th</sup> five-year energy conservation and emissions reduction**



# 2015 Production Plan

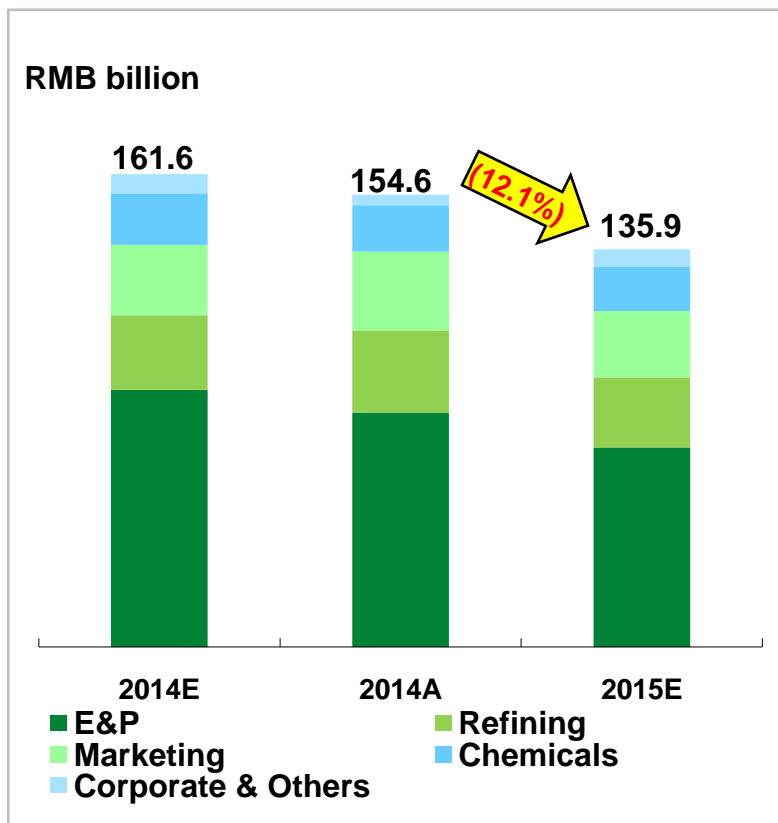


Note:\*100% production of joint ventures included

2015-3-23

# 2015 Capex Plan

- Continue to focus on quality and efficiency, and further optimize investments



- E & P: RMB 68.2Bn
  - ◆ Expedite conventional gas & shale gas development, LNG and natural gas pipeline constructions
- Refining: RMB 24.0Bn
  - ◆ Quality upgrading in refined oil products and revamping of refining facilities
- Marketing: RMB 22.6Bn
  - ◆ Construction and upgrade of service stations, promote pipeline network construction; optimize oil depot outlay; improve facilities at gas stations and non-fuel business, and facilitate new business development
- Chemicals: RMB 15.1Bn
  - ◆ Jinling propylene oxide and LPG project, Hainan aromatics project
- Corporate and others: RMB 6.0Bn



# Strengthening the cost control

- At low oil price, strengthen the control of fuel, power and other operational cost, improve the operational efficiency
- Increase the intensity of reform, efficiency, and reduce administrative cost
- Further reinforce inventory management and capital expenditure, broaden the channels to reduce the financing cost
- Actively react the fluctuation of the crude oil price, reduce procurement cost of crude oil



# For Further Information

---



<http://www.sinopec.com>