Sinopec s Net Profit Surged 44% YoY to RMB 46.7 Billion in 2016

Dividend Payout Ratio Increases to 65%
The Company Benefits from Its Integrated Business Model

(26 March 2017, Beijing, China) China Petroleum & Chemical Corporation) (HKEX: 386; SSE: 600028; NYSE: SNP) today announced its annual results for the twelve months ended 31 December 2016.

Financial Highlights

- In accordance with IFRS, the Company s total turnover and other operating revenue was RMB 1.93 trillion. Its operating profit was RMB 77.2 billion, representing an increase of 35.9% from the previous year. Profit attributable to shareholders of the Company was RMB 46.7 billion, up by 43.6% year-on-year. Basic earnings per share were RMB 0.385.

- In accordance with ASBE, the was RMB 78.9 billion, representing a 51.0% increase as compared with 2015. Profit attributable to shareholders of the Company was RMB 46.4 billion, up 43.8% year-on-year. Basic earnings per share were RMB 0.383.

- In the face of the challenges from low oil prices, the Company s fully utilized its integrated business model and achieved strong profit growth of downstream operations. Robust growth in refining profit and steady growth in the profit of marketing and chemicals segments enabled the Company to withstand the impacts of low oil prices. Operating profit of the refining segment surged by 168.5% year-on-year to the record high of RMB 56.3 billion. This segment became a key growth.

- -to-asset ratio as at the end of 2016 was 44.5%, which represented a decrease of 0.9 percentage points compared with the end of the previous year and was the lowest annual figure since its listing. Meanwhile, the Company maintained a sound financial position. It possessed abundant cash flow, with its cash and cash equivalents amounted to RMB124.5 billion as at 31 December 2016.

- The Board of Directors proposed a final dividend of RMB 0.17 per share. Together with the interim dividend of RMB 0.079 per share, the total annual cash dividend for 2016 is RMB 0.249 per share. Its dividend payout ratio trended upwards and increased to 64.6% in 2016. Total cash dividend to be paid for the full year was RMB 30.1 billion, the highest since its listing.

- Based on preliminary calculations by the financial department of the Company and in accordance with the ASBE, it is estimated that the net profit attributable to shareholders of the Company for the first quarter of 2017 will increase by approximately 150% year-on-year. The main reasons for the increase in estimated results include: the price of international crude oil increased significantly, which helped the upstream segment to reduce its losses as compared with the corresponding period last year; market demand for middle and downstream products remained stable, and profitability increased as compared with the corresponding period of last year.

Business Highlights

In 2016, global economic recovery remained weak. Meanwhile
maintained stable growth, with its gross domestic product (GDP) grew by 6.7%. As international oil prices hovered at

Mr. Wang Yupu, Chairman of Sinopec Corp.   Over the past year, we focused on the transformation of our growth mode and structural adjustments, which enabled us to improve the quality and efficiency of our assets as well as to upgrade our operations. Under

Exploration and Production: Summary of Operations

	Twelve-month periods ended 31 December		Changes
	2016	2015	%
Oil and gas production (mmboe)	431.29	471.91	(8.6)
Crude oil production (mmbbls)	303.51	349.47	(13.2)
China	253.15	296.34	(14.6)
Overseas	50.36	53.13	(5.2)
Natural gas production (bcf)	766.12	734.79	4.3

Refining

In 2016, the Company completed the upgrading of vehicle gasoline and diesel to National V standards before the schedule and actively promoted the upgrading of oil products to Beijing VI standards. It advanced the adjustment of its product structure and increased output of gasoline (especially premium gasoline) and kerosene, with the diesel-to-gasoline ratio further declining to 1.19. Moreover, the Company actively responded to the challenges of abundant market supply, and succeeded in maintaining the utilisation rate at a high level. Meanwhile, through superior feedstock optimization by its international trading business, the Company further cut crude procurement costs and achieved moderate increase in product exports. It brought its centralized marketing advantages into full play to further improve the margins for LPG, asphalt and other products. In 2016, the Company processed 236 million tonnes of crude and produced 149 million tonnes of refined oil products, up by 0.53% from the previous year. Gasoline production and kerosene production increased by 4.4% and 4.6% respectively.

In 2016, the operating revenues of this segment were RMB 855.8 billion, representing a decrease of 7.6% from 2015. This was mainly attributable to the decrease in refined oil products prices. In 2016, this segment seized the favorable opportunities arising from the bottoming out of crude oil prices to reinforce management in crude oil procurement, adjusted product mix based on market needs, increased export volume, and made great efforts to improve the profitability of self-distributed products. As a result, the operating performance of this segment significantly improved. In 2016, the operating profit of this segment totaled RMB 56.3 billion, representing an increase of RMB 35.3 billion as compared with 2015.

In 2016, refining gross margin was RMB 471.9 per tonne, representing an increase of RMB 153.8 per tonne as compared with 2015. The unit refining cash operating cost was RMB 165.7 per tonne, representing a decrease of RMB 1.9 per tonne when compared with 2015. The decrease was mainly because the Company enforced strict cost control, improved operating efficiency, as well as decreased operational costs in fuel,50.36

production (million tonnes)			
Gasoline (million tonnes)	56.36	53.98	4.4
Diesel (million tonnes)	67.34	70.05	(3.9)
Kerosene (million tonnes)	25.47	24.35	4.6
Light chemical feedstock production (million tonnes)	38.54	38.81	(0.7)
Light yield (%)	76.33	76.50	(0.17) percentage points
Refining yield (%)	94.70	94.75	(0.05) percentage points

Note: Includes 100% of production of joint ventures.

Marketing and Distribution

In 2016, the Company actively responded to changes in the market environment. It made the advantages of its integrated business model and distribution network into full play and achieved solid operating results. It optimised internal and external resources and achieved growth both in total sales volume and retail scale. It made timely adjustments to its marketing strategies, promoted effective supply and further expanded the retail volume of premium gasoline. It also improved its marketing network by accelerating the planning and construction of service stations and refined oil product pipelines. The Company increased the focus on vehicle-used natural gas business and expedited the construction and operation of CNG/LNG stations, achieving 25% growth in sales volume of vehicle-used natural gas. In 2016, the total sales volume of oil products was 195 million tonnes, of which domestic sales accounted for 173 million tonnes. Its non-fuel business maintained rapid growth with business scale increased and margins strengthened. The non-fuel business transaction volume reached RMB 35.1 billion, up by 41.4% from the previous year.

In 2016, the operating profit of this segment was RMB 32.2 billion, representing an increase of 11.4% when compared with 2015. The increase was mainly because the segment made full use of the advantages of end user marketing network, actively expanded the gasoline market, increased the sales volume of high octane number gasoline, made efforts to improve total sales volume, coordinate internal and external resources, increased the spread between sales and procurement prices as compared with 2015, and achieved better performance.

Marketing and Distribution: Summary of Operations

	For twelve months ended 31 December		Changes
	2016	2015	%
Total sales volume of refined oil products (million tonnes)	194.84	189.33	2.9
Total domestic sales volume of refined oil products (million tonnes)	172.70	171.37	0.8
Retail (million tonnes)	120.14	119.03	0.9
Direct sales and Wholesale (million tonnes)	52.56	52.34	0.4
Annualised average throughput per station	3,926	3,896	0.8

(tonne/station)			

	As of 31 December 2016	As of 31 December 2015	Changes from the end of previous year（%）
Total number of Sinopec-branded service stations	30,603	30,560	0.1
Company-operated	30,597	30,547	0.2

Chemicals

In 2016, the Company accelerated the development of basic and high-end chemicals to promote effective supply, and strengthened the operations of its manufacturing facilities by adjusting production slate and utilisation rates to achieve solid profit margins. It fine-tuned its chemical feedstock mix to lower costs, maximised production of high value-added products customized to meet market demands, and intensified its efforts to enhance research and development, production, marketing and sales of high value added new products, achieving good results. Ethylene output was 11.059 million tonnes, with the differential ratio of synthetic fiber reaching 86.5% and the specialty and new products as a percentage of synthetic resins reaching 61.4%. By implementing low-inventory and differentiated marketing strategies, its full-year chemical sales volume increased by 11.3% from the previous year to 69.96 million tonnes, with all produced chemicals sold.

In 2016, the operating revenue of the chemicals segment was RMB 335.1 billion, representing an increase of 1.9% as compared with that of 2015. This was mainly due to the increase in sales volume of chemical products as compared with 2015. In 2016, the operating profit of this segment was RMB 20.6 billion, representing an increase of RMB 1.1 billion as compared with 2015.

In 2016, this segment seized the favorable opportunities of the low price of feedstocks, further adjusted feedstock and product mix, integrated production with sales, strictly controlled costs and expenses. As a result, the chemical all-in costs further declined and the segment maintained robust profit margins.

Major Chemical Products: Summary of Operations　　Unit of production: 1,000 tonne

	For twelve months ended 31 December		Changes
	2016	2015	(%)
Ethylene	11,059	11,118	(0.5)
Synthetic resin	15,201	15,065	0.9
Synthetic fiber monomer and polymer	857	843	1.7
Synthetic fiber	9,275	8,994	3.1
Synthetic rubber	1,242	1,282	(3.1)

Note: Includes 100% of production of joint ventures.

R&D

In 2016, the Company pushed ahead with innovation-driven strategy, continuing to advance R&D activities with notable results. In upstream business, its development in shale gas exploration technologies enabled it to make breakthroughs in shale gas exploration in Yongchuan, Chongqing. The breakthroughs in Ordovician oil and gas reservoir formation theory and exploration technologies led us to the discovery of the Shunbei field. In refining segment, the Company applied technologies such as those for production of high-octane gasoline from FCC diesel. In chemicals segment, the Company commercialised the production of ethylene glycol from syngas, adopted butadiene tail-gas selective hydrogenation technologies, employed technologies to produce light olefins from coal as well as olefin catalytic cracking technologies, and developed new products including environmentally friendly polypropylene resin with high stiffness and tenacity, and a specialty resin used in high performance medical spun-bond nonwoven fabrics. In 2016, the Company filed 5,612 patent applications at home and abroad, of which 3,942 were granted. The Company also won four second prizes in the National Technology and Innovation Awards

competition.

Capital Expenditures

In 2016, the Company focused on investment quality and efficiency, and continuously optimised its investment portfolio. Total capital expenditures for the year were RMB 76.456 billion. Capital expenditures for the exploration and production segment were RMB 32.187 billion, mainly for Fuling shale gas and Yuanba gas field development projects and the LNG terminal projects in Guangxi and Tianjin, as well as overseas projects. Capital expenditures for the refining segment were RMB 14.347 billion, mainly for gasoline and diesel quality upgrading projects, adjustments in the product mix and refinery revamping projects. Capital expenditures for the marketing and distribution segment were RMB 18.493 billion, mainly for constructing and renovating service stations and building refined oil product pipelines, depots and storage facilities, as well as for rectification of safety hazards. Capital expenditures for the chemicals segment were RMB 8.849 billion, mainly for adjustment of the feedstock and product structure, the Ningdong coal chemical project and the Zhongtianhechuang coal-to-chemical project. Capital expenditures for the corporate and others segment were RMB 2.58 billion, mainly for R&D facilities and information technology application projects.

Health, Safety and the Environment

The Company fully implemented its work safe production and accountability scheme, strengthened the identification and control of risks, completed the reduction of potential hazards from oil and gas pipelines, further pushed forward management on potential hazards from oil storage tanks, reinforced onsite supervision and management, and achieved overall safe production and operations. It standardised measures to enhance worker protection and improved occupational health safeguards for our employees. The Company advanced its green low-carbon strategy, established a more stringent environmental protection management system, completed the Clear Water, Blue Sky environmental protection project, and met emission reduction targets for major pollutants. Compared with the previous year, energy intensity was down by 1.59%, industrial water consumption was down by 1.1%, COD in discharged water was down by 3.86%, sulfur dioxide emissions were down by 4.84%, and all hazardous chemicals, discharged water, gas and solid wastes were properly treated.

Business Prospects

Looking ahead into 2017, the Company expects increasing uncertainties in the global economy. Meanwhile, is expected to maintain steady growth. International oil prices are expected to fluctuate at low levels, with domestic demand for refined oil products continuing to grow as the consumption structure undergoes further adjustments. Domestic demand for petrochemical products will increase steadily as the consumption structure gradually shifts towards the high end. In 2017, the Company will focus mainly on structural reforms on the supply side. It will advance quality and efficiency of its assets, lower costs, expand markets, make structural adjustments, deepen reforms, and consolidate the basis for further growth. The Company will undertake the following work during the year:

Exploration and Production: The Company will sustain its exploration activities, optimising its plans to achieve high efficiency exploration. It will step up efforts to look for low-cost discoveries and expand large-scale reserves to increase its resources. In oil development, the Company will fine-tune plans based on oil price trends and promote oilfield development by increasing the volume and profitability of both incremental and existing reserves. In gas development, it will advance key projects for capacity construction, refine the management of developed gas fields and optimise gas production and marketing plans. In 2017, the Company plans to produce 294 million barrels of crude oil, of which overseas production will account for 46 million barrels. It plans to produce 879.9 billion cubic feet of natural gas.

Refining: The Company will further promote the market-oriented, profitability driven strategy to optimise crude oil outsourcing and resources allocation and to lower purchasing costs. It will comprehensively adjust its production plans to ensure safe and reliable operations. Besides, it will enhance product structure by increasing the production of jet fuel and gasoline (especially premium gasoline) and further lowering the diesel-to-gasoline ratio. It will accelerate the quality upgrades and supply of Beijing VI vehicle-used gasoline and diesel and National V standards regular diesel. In 2017, the Company plans to process 240 million tonnes of crude and produce 150 million tonnes of oil products.

Marketing and Distribution: The Company will intensify marketing strategy of balancing profits and volume, with the priority on profits. It will undertake measures to fully explore markets, expand its retail volume and increase its market share. It will further improve the layout of end market network to reinforce its strengths in the development of network. It will accelerate construction of gas stations to strengthen its presence in the CNG/LNG market. Moreover, it will step up the promotion of key merchandise and proprietary brands and boost the growth of its non-fuel business. The Company will explore to build a new type of customer service center, employ techniques of Big Data analysis to conduct precision marketing and further its transformation into a modern integrated services provider. In 2017, the Company plans to sell 175 million tonnes of oil products in domestic market.

Chemicals: The Company will continue to adjust our feedstock mix to lower costs, fine tune its

Appendix: Key financial data and indicators

FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH ASBE

Principal accounting data

Items	For twelve months ended 31 December		Changes over the same period of the preceding year (%)
	2016 (RMB million)	2015 (RMB million)	
Operating income	1,930,911	2,020,375	(4.4)
Net profit attributable to equity shareholders of the Company	46,416	32,281	43.8
Net profit attributable to equity shareholders of the Company after deducting extraordinary gain/loss items	29,713	28,901	2.8
Net cash flows from operating activities	214,543	165,740	29.4
	At 31 December 2016 (RMB million)	At 31 December 2015 (RMB million)	Change from the end of last year (%)
Total equity attributable to equity shareholders of the Company	712,232	677,538	5.1
Total assets	1,498,609	1,447,268	3.5

Principal financial indicators

Items	For twelve months ended 31 December		Changes over the same period of the preceding year (%)
	2016 (RMB)	2015 (RMB)	
Basic earnings per share	0.383	0.267	43.4
Diluted earnings per share	0.383	0.267	43.4
Basic earnings per share after deducting extraordinary gain/loss items	0.245	0.239	2.5
Weighted average return on net assets (%)	6.68	5.07	1.61 percentage points
Weighted average return on net assets after deducting extraordinary gain/loss items (%)	4.33	4.52	(0.19) percentage points
Net cash flow from operating activities per share	1.772	1.371	29.2

FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH IFRS

Principal accounting data

Items	For twelve months ended 31 December		Changes over the same period of the preceding year (%)
	2016 (RMB million)	2015 (RMB million)	
Operating Profit	77,193	56,822	35.9
Net profit attributable to owners of the Company	46,672	32,512	43.6
Net cash generated from operating activities	1.772	1.371	29.2
	At 31 December 2016 (RMB million)	At 31 December 2015 (RMB million)	Change from the end of last year (%)
Equity attributable to owners of the Company	710,994	676,197	5.1
Total assets	1,498,609	1,447,268	3.5

Principal financial indicators

Items	For twelve months ended 31 December		Changes over the same period of the preceding year (%)
	2016 (RMB)	2015 (RMB)	
Basic earnings per share	0.385	0.268	43.7
Diluted earnings per share	0.385	0.268	43.7
Return on capital employed (%)	7.30	5.23	2.07 percentage points

The following table sets forth the operating revenues, operating expenses and operating profit / (loss) by each segment before elimination of the inter-segment transactions for the periods indicated, and the percentage changes between 2016 and 2015.

	For twelve months ended 31 December		Changes
	2016	2015	
	(RMB million)		(%)
Exploration and Production Segment			
Operating revenues	115,939	138,653	(16.4)
Operating expenses	152,580	156,071	(2.2)
Operating (loss)/profit	(36,641)	(17,418)	-
Refining Segment			
Operating revenues	855,786	926,616	(7.6)
Operating expenses	799,521	905,657	(11.7)
Operating (loss)/profit	56,265	20,959	168.5

About Sinopec Corp.

Sinopec Corp. is one of the largest integrated energy and chemical companies in China. Its principal operations include the exploration and production, pipeline transportation and sale of petroleum and natural gas; the sale, storage and transportation of petroleum products, petrochemical products, coal chemical products, synthetic fibre, fertiliser and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

responsibility, integrity, precision, innovation and win-
values, pursues strategies of value-orientation, innovation-driven development, integrated resource allocation, open cooperation, and green and low-carbon growth, and strives to achieve its corporate vision of building a world leading energy and chemical company.

Disclaimer

This press release includes "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, reserve volume, 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 the price fluctuation, possible changes in actual demand, foreign exchange rate, results of oil exploration, estimates of oil and gas reserves, market shares, competition, environmental risks, possible changes to laws, finance and regulations, conditions of the global economy and financial markets, political risks, possible delay of projects, government approval of projects, cost estimates and other factors beyond Sinopec Corp.'s control. In addition, Sinopec Corp. makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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