



**China Petroleum & Chemical Corporation**

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# **2015 Annual Results Announcement**

**March 30, 2016  
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

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- **2015 Performance Overview**
- **2015 Operational Results by Segment**
- **2016 Operational Plan**



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## 2015 Performance Overview



# Market Environment in 2015

- China's GDP grew by 6.9% YoY
- International crude oil prices fluctuated to new lows
- Quality upgrading of oil products accelerated
- Domestic demand for oil products grew at a slower rate
  - ◆ Domestic consumption of oil products grew by 1.2% YoY, with 7.0% growth in gasoline, 9.3% growth in kerosene and 3.7% decrease in diesel
- Domestic demand for chemicals maintained steady growth
  - ◆ Domestic consumption of ethylene equivalent increased by 4.9% YoY

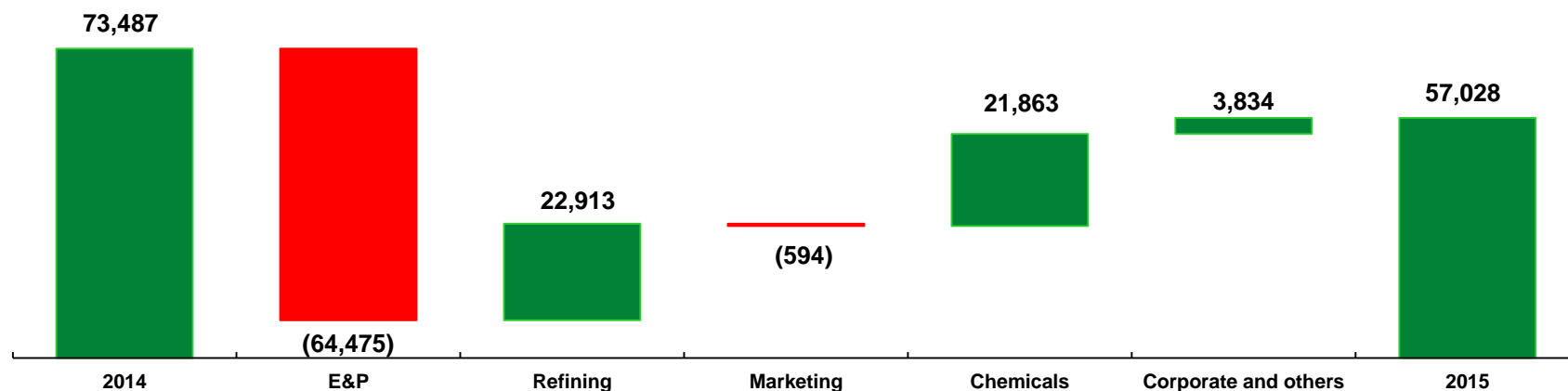


# Resilience from Integrated Business Model

RMB million	2013	2014	2015	15-14 Change%
Revenue	2,880,311	2,825,914	2,018,883	(28.6)
Operating Profit	96,785	73,487	57,028	(22.4)
Profit for the Year	70,289	47,933	43,664	(8.9)
Profit Attributable to Equity Shareholders of the company	66,132	46,466	32,438	(30.2)
EPS (RMB)	0.570	0.398	0.268	(32.7)

## YoY Change in Operating Profit

RMB million

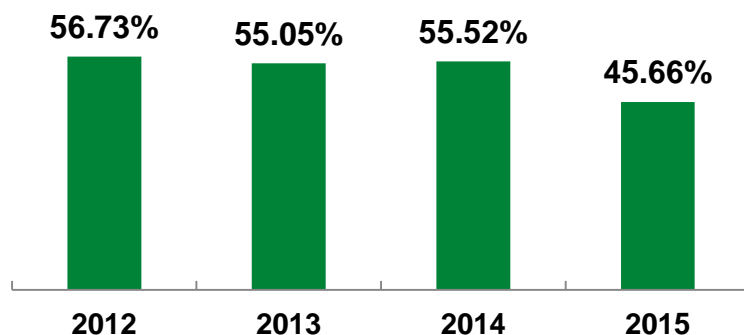




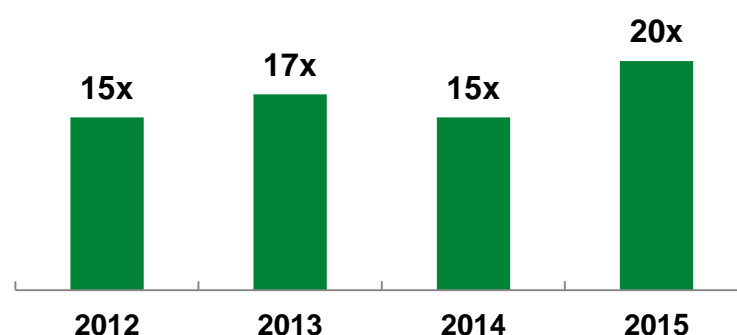
# Improved Asset-liability Structure

RMB million	2013	2014	2015	15-14 Change%
Total Assets	1,382,916	1,451,368	1,443,129	(0.6)
Short-term Interest-bearing Debt	163,870	178,148	115,446	(35.2)
Long-term Interest-bearing Debt	110,029	115,371	104,185	(9.7)
Total Equity Attributable to Shareholders of the Company	568,803	593,041	674,029	13.7

**Liability-to-Asset Ratio**



**EBITDA-to-Interest Coverage**





# Improved Cash Flow

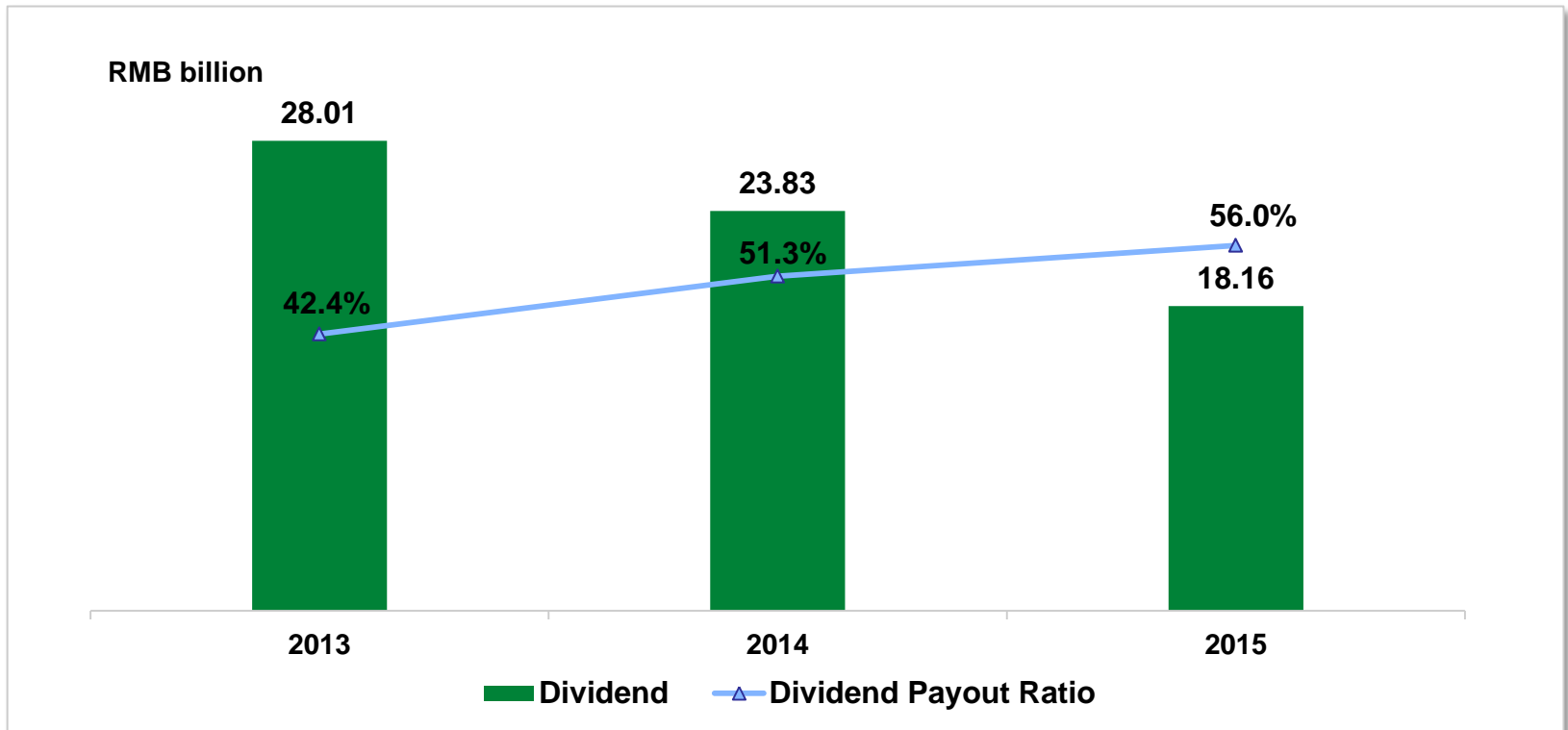
RMB million	2013	2014	2015	15-14 Change%
Net Cash Generated from Operating Activities	151,893	148,347	165,818	11.8
Net Cash Generated from Investing Activities	(178,740)	(132,633)	(116,952)	(11.8)
Net Cash Generated from Financing Activities	31,519	(21,421)	9,310	-
Cash and Cash Equivalent	15,046	9,355	67,824	625.0





## 56% Dividend Payout Ratio

- The Board of Directors proposed a final dividend of RMB 0.06 / share, with full year dividend distribution amounting to RMB 0.15 / share
- Dividend payout ratio increased to 56.0%





# Strengthened Cost Control

Cost of each segment well under control

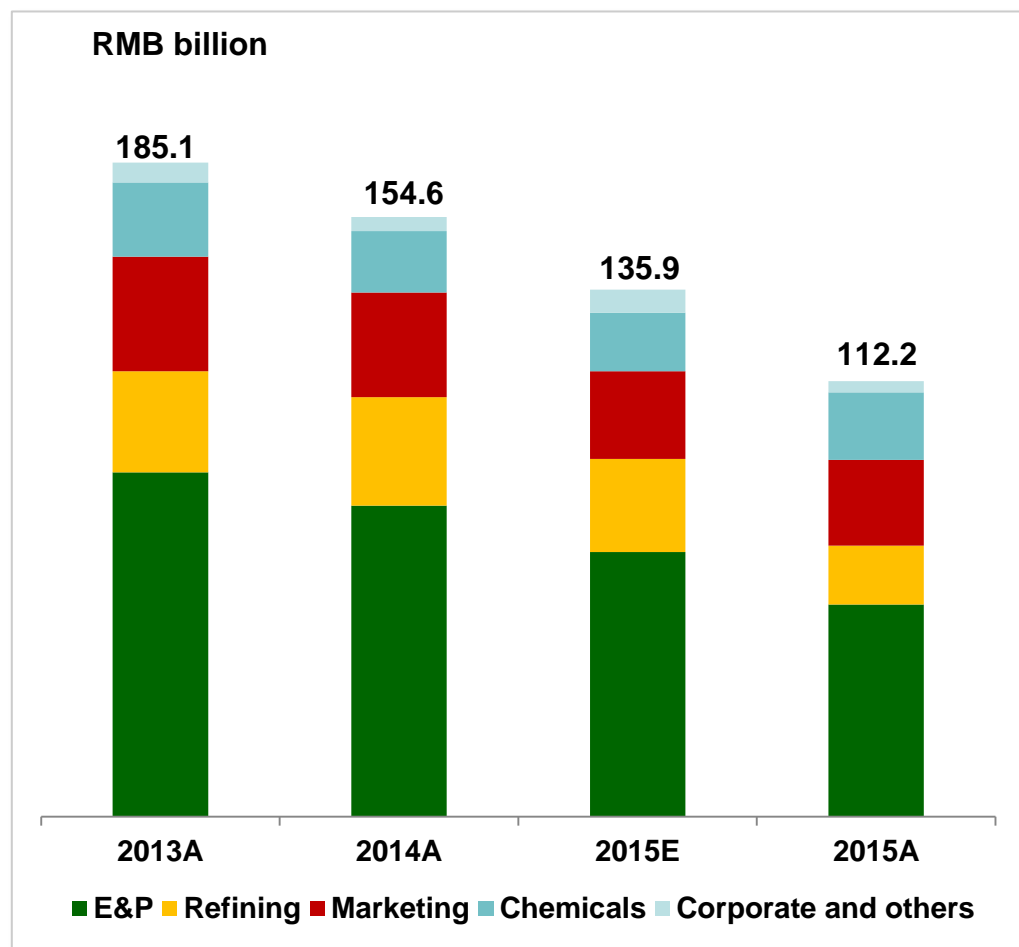
	2012	2013	2014	2015
Lifting Cost	8.89%	3.83%	1.32%	(4.34%)
Refining Cash Operating Cost	7.62%	9.17%	(0.81%)	(0.27%)
Marketing Cash Operating Cost	0.79%	5.30%	(1.70%)	(1.90%)
Unit Chemical All-in Cost	(3.10%)	(0.45%)	(6.24%)	(8.53%)

Note: Lifting cost and refining cash operating cost are calculated in USD/bbl, Marketing cash operating cost and Unit chemical all-in cost are calculated in RMB/tonne



# Capex reduced by 27.4% yoy

## ■ Focus on quality and profitability of business development



## ■ E&P: RMB 54.7 Bn

- ◆ Mainly for Fuling Shale Gas project, LNG projects and construction of nature gas pipelines

## ■ Refining: RMB 15.1 Bn

- ◆ Mainly for quality upgrading projects and revamping of refining facilities

## ■ Marketing: RMB 22.1Bn

- ◆ Mainly for revamping of service stations and construction of storage and logistics facilities

## ■ Chemicals: RMB17.5 Bn

- ◆ Mainly for equity participation in Sibur Holding and Zhenhai ethylene revamping projects

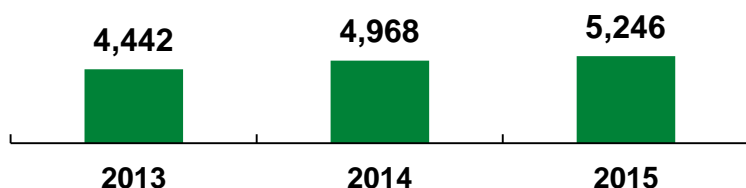
## ■ R&D facilities and IT application projects etc.: RMB 2.8 Bn



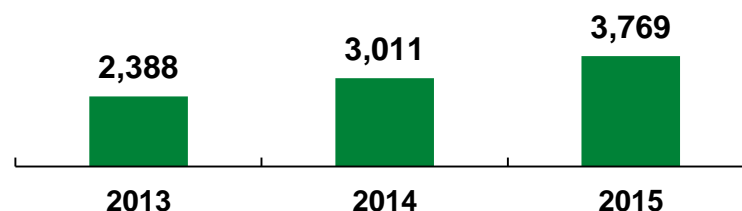
# Innovation-driven Development

- Tightened links among production, marketing and R&D; enhanced vitality of innovation; and continuously stepped up R&D efforts
- Upstream
  - ◆ Developed in-house package of shale gas explosion and development technology
- Refining
  - ◆ Commercialised the integrated technology of hydrotreating and FCC process to maximise light oil products
  - ◆ Commercialised process of FCC Diesel to Gasoline
- Chemicals
  - ◆ The proprietary, high-efficiency, and environmentally friendly aromatics technology commercialised and the National Science and Technology Progress Award granted
  - ◆ Commercialised products of optical-film-grade polyester performance compounds and styrene-butyl-rubber for high-performance tyres

**No. of Patent Applied**



**No. of Patents Granted**





# Reliable Operation and HSE Performance

- By 2015, 13,132 potential hazard items were rectified
- Continue to implement Clear Water and Blue Sky campaign, Energy Conservation Plan.
  - ◆ Totally invested RMB18.9 bn
- Level of emissions and energy intensity continued to drop despite operation expansion in 12<sup>th</sup> Five-Year Plan
  - ◆ Energy intensity decreased by 8.3%
  - ◆ Industrial water consumption decreased by 6.1%
  - ◆ Chemical oxygen demand of waste water discharge decreased by 12.7%
  - ◆ Sulphur dioxide emissions decreased by 27.3%
  - ◆ All hazardous chemicals and discharged liquid, gas, and solid wastes were properly treated



# Actively Fulfill Corporate Citizenship

- Uphold the philosophy of sustainable development, actively fulfill social responsibility and respond to concerns of stakeholders
- Actively participate in poverty and disaster relief and other philanthropy activities
  - RMB 1 bn donation in last five years
  - Over 16,000 cataract patients cured in Sinopec Brightness Lifeline Express Program
- Organized Public Open Day in 62 subsidiaries



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# 2015 Operational Results by Segment



# Upstream - Flexible Operation amid Sluggish Oil Price

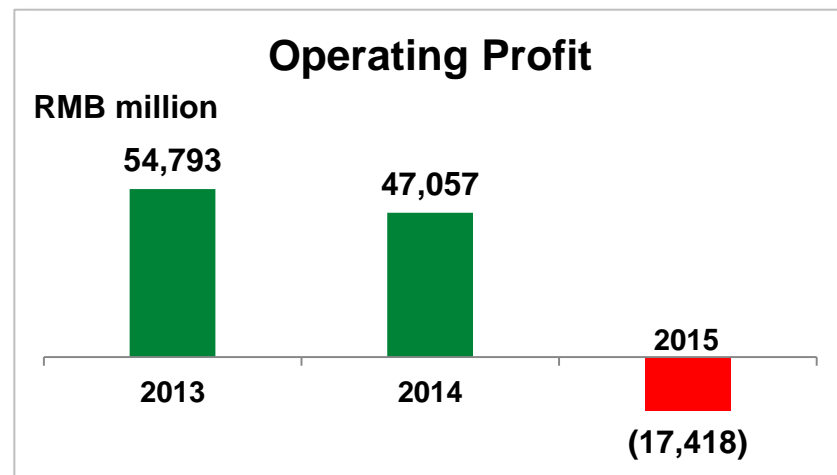
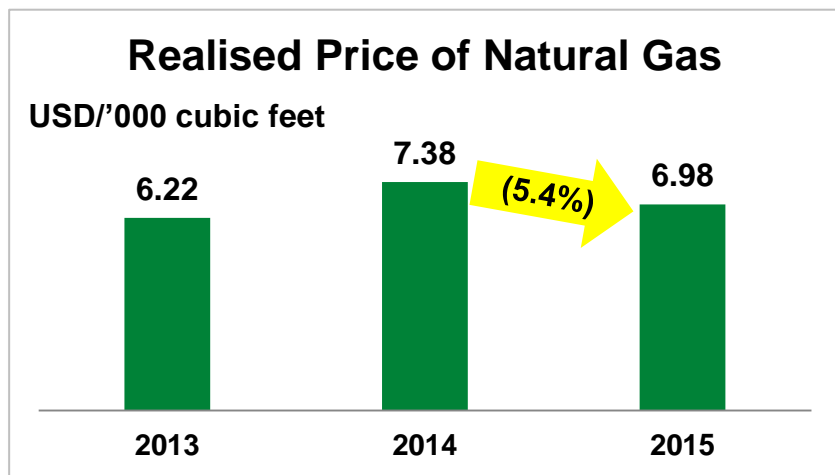
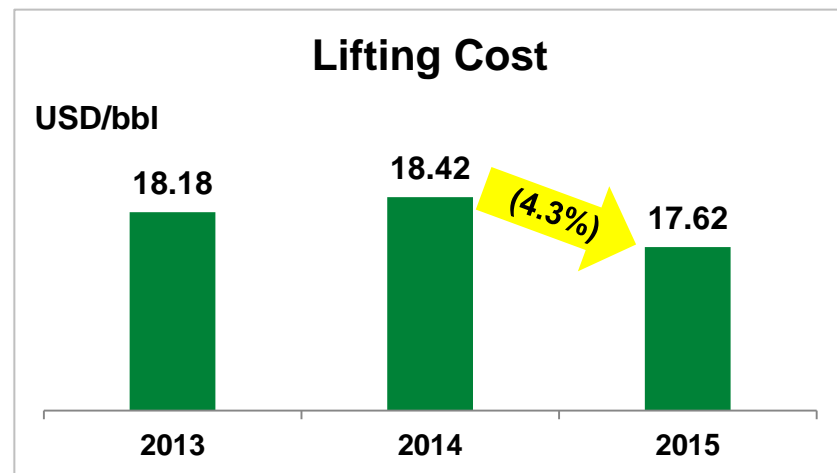
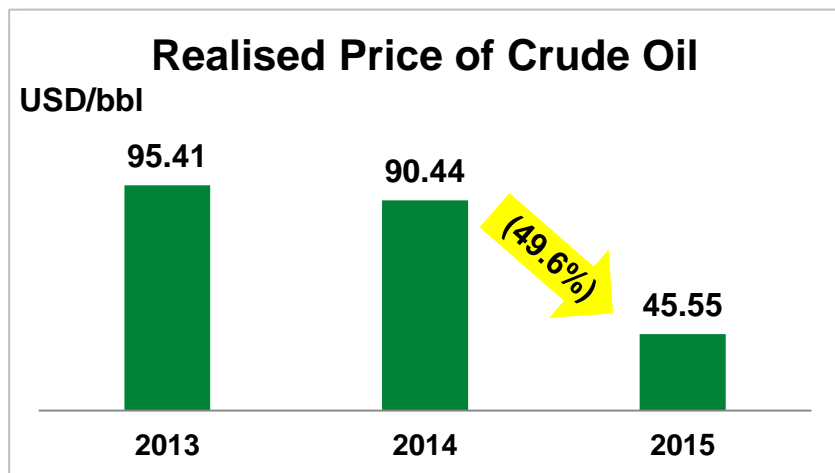
- Deepen reform by reducing management hierarchy
- Innovation supports efficient exploration and development and cost reduction
- Optimization of existing production and increase natural gas capacity

	2013	2014	2015	15-14 Change%
<b>Oil and Gas Production (mmboe)</b>	<b>442.84</b>	<b>480.22</b>	<b>471.91</b>	<b>(1.7)</b>
<b>Crude Oil Production (mmbbls)</b>	<b>332.54</b>	<b>360.73</b>	<b>349.47</b>	<b>(3.1)</b>
<b>China</b>	<b>310.84</b>	<b>310.87</b>	<b>296.34</b>	<b>(4.7)</b>
<b>Overseas</b>	<b>21.70</b>	<b>49.86</b>	<b>53.13</b>	<b>6.6</b>
<b>Natural Gas Production (bcf)</b>	<b>660.18</b>	<b>716.35</b>	<b>734.79</b>	<b>2.6</b>
	2013	2014	2015	15-14 Change%
<b>Proved Reserves of Crude Oil (mmbbls)</b>	<b>3,130</b>	<b>3,048</b>	<b>2,243</b>	<b>(26.4)</b>
<b>Proved Reserves of Natural Gas (bcf)</b>	<b>6,520</b>	<b>6,741</b>	<b>7,570</b>	<b>12.3</b>

Note: 1 ton=7.1 bbls for crude oil production in China, 1 cubic meter=35.31 cubic feet for natural gas production  
1 ton=7.21 bbls for overseas crude oil production



# Upstream – Lifting Cost Reduced by 4.3%





# Refining – Optimized Product Mix in Respond to Demand Change

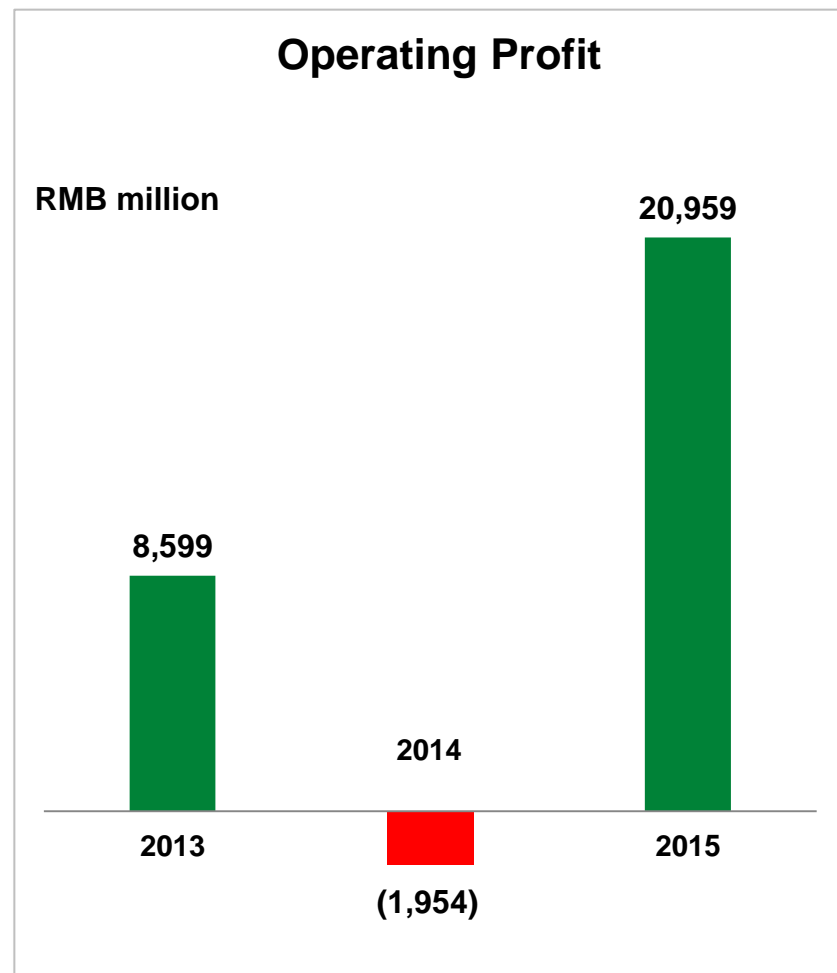
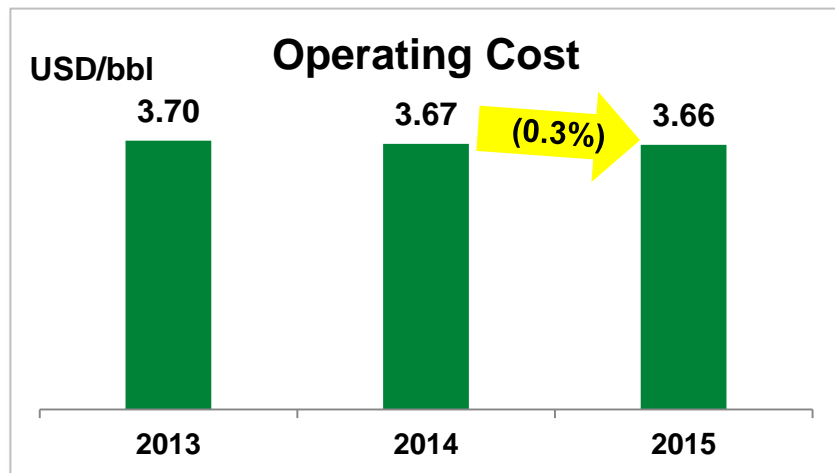
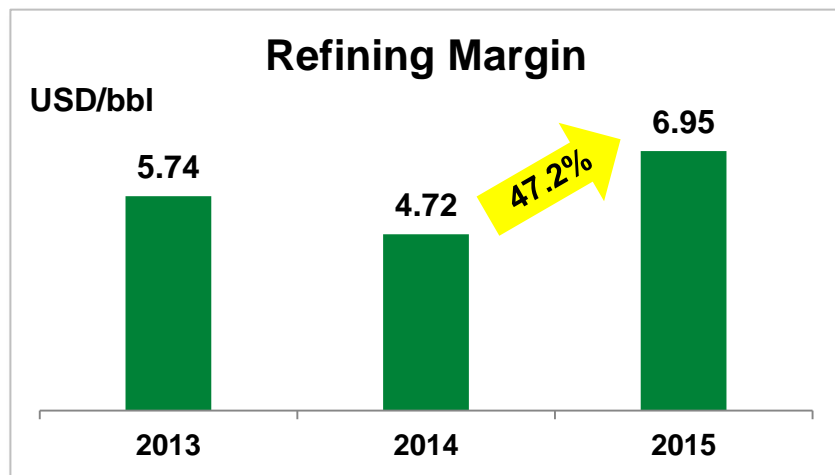
- Leveraging advantages of economic scale, professional and integrated operation
- Optimize product mix to increase yield of gasoline and jet fuel
- Realizes stable and safe operation
- Improved operational quality

(MM tonnes)	2013	2014	2015	15-14 Change%
Refinery Throughput	231.95	235.38	236.49	0.5
Gasoline, Diesel and Kerosene Production	140.40	146.23	148.38	1.5
Gasoline Production	45.56	51.22	53.98	5.4
Diesel Production	77.40	74.26	70.05	(5.7)
Kerosene Production	17.43	20.75	24.35	17.3
Light Chemical Feedstock Production	37.97	39.17	38.81	(0.9)
Light Yield (%)	76.19	76.52	76.50	(2bps)
Refining Yield(%)	94.82	94.66	94.75	9bps

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



# Refining – Realized RMB 21 bn in Operating Profit





# Marketing – Expanding Market and Improving Efficiency

- Increase premium product sales
- Optimize logistics
- Increase operational efficiency
- Promotes non-fuel business to realize one-stop services

(mm tonnes)	2013	2014	2015	15-14 Change%
Total Sales Volume of Refined Oil Products	179.99	189.17	189.33	0.1
Domestic Sales of Refined Oil Products	165.42	170.97	171.37	0.2
Retail	113.73	117.84	119.03	1.0
Wholesale and Distribution	51.69	53.13	52.34	(1.5)
Annualised Average Throughput of Company-operated Stations (tonne/station)	3,707	3,858	3,896	1.0

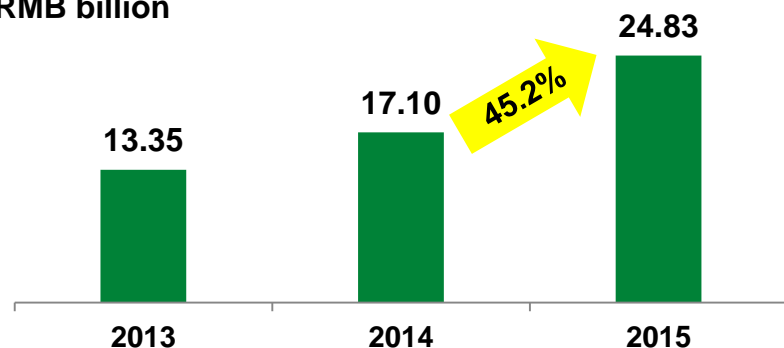
	As of Dec. 31 2013	As of Dec. 31 2014	As of Dec. 31 2015	15-14 Change%
Total Number of Domestic Service Stations	30,536	30,551	30,560	0.03
Number of Company-operated Stations	30,523	30,538	30,547	0.03



# Marketing – Stable Operating Profit with Growing Non-fuel Business

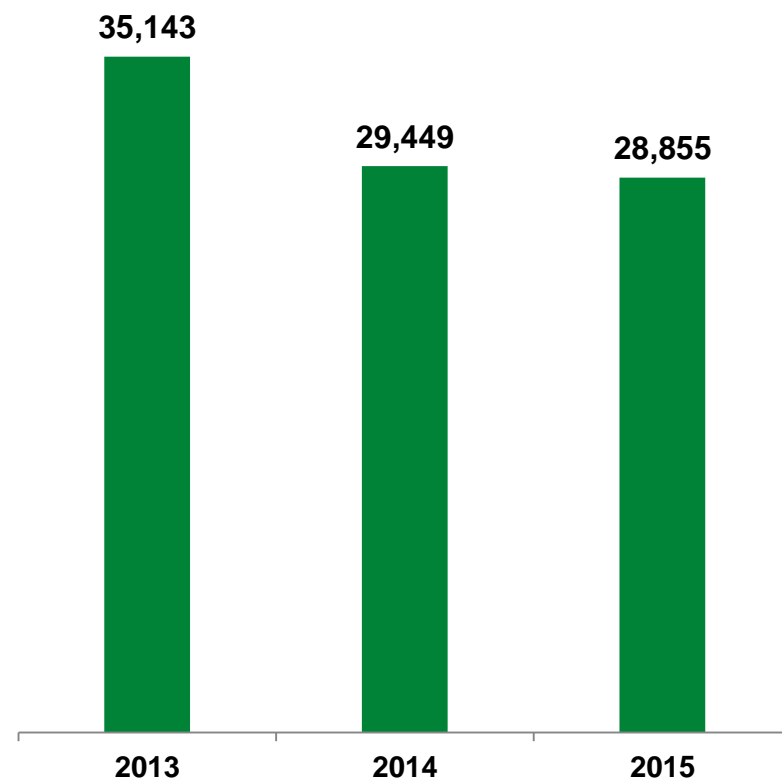
## Sales from Non-fuel Business

RMB billion



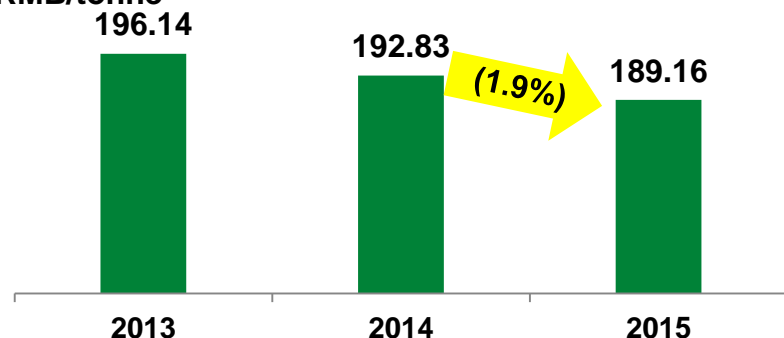
## Operating Profit

RMB million



## Marketing Cash Operating Cost

RMB/tonne





# Chemicals – Emphasizing Structural Adjustment

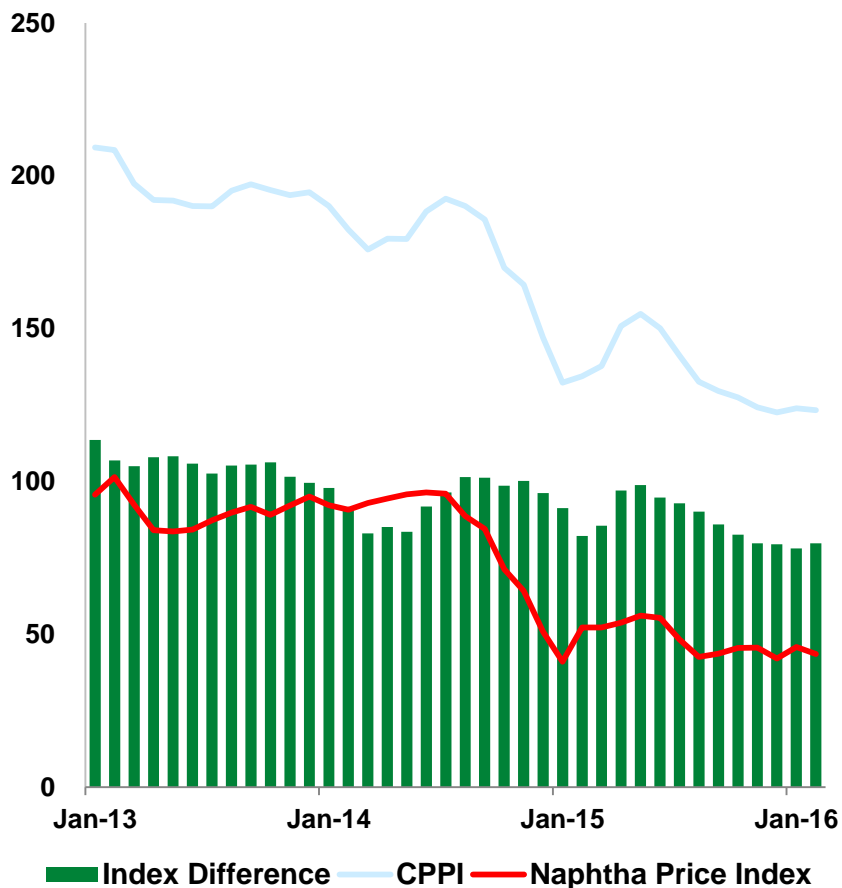
- Optimization on feedstock and product mix, increased high-value-added product
- Integration among R&D, marketing and production

'000 tonnes	2013	2014	2015	15-14 Change%
Ethylene	9,980	10,698	11,118	3.9
Synthetic Resins	13,726	14,639	15,065	2.9
Synthetic Rubber	960	939	843	(10.2)
Monomers & Polymers for Synthetic Fibres	9,227	8,383	8,994	7.3
Synthetic Fibres	1,392	1,315	1,282	(2.5)

Note: 100% production of joint ventures included

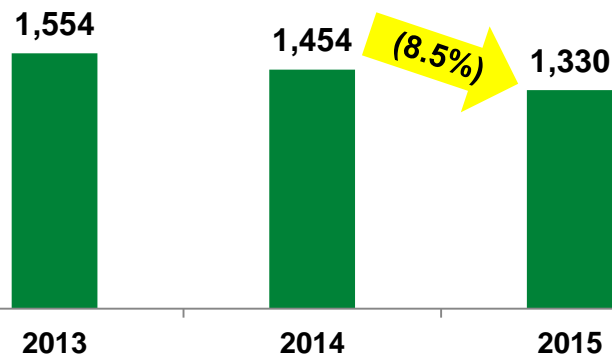
# Chemicals – Cost Reduced with Significant Increase in Profit

## Chemical Products Price Index (CPPI)



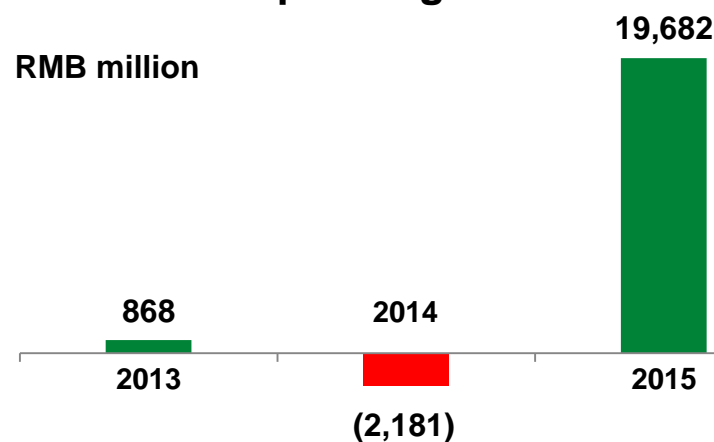
## Unit Chemical All-in Cost

RMB/tonne



## Operating Profit

RMB million





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# 2016 Operational Plan





# 2016 Market Outlook

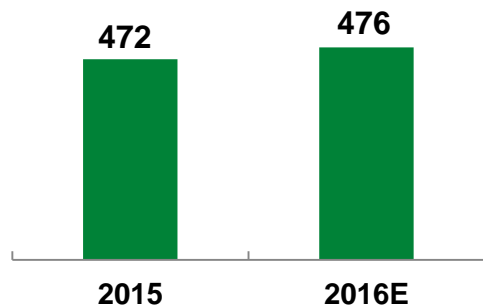
- **China's economy will maintain steady growth**
- **International oil prices are expected to continue fluctuating at a low level**
- **Gradual opening up of import licenses for crude oil may introduce more competitions in domestic refining and oil products market**
- **Quality upgrading of oil products will advance steadily and demand pattern will be further adjusted**
- **Domestic demand for major petrochemical products will continue to grow**



# 2016 Production Plan

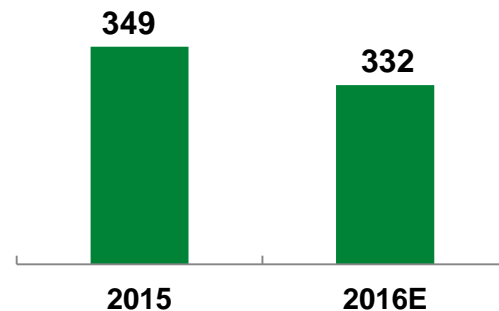
## Oil and Gas Production

mmboe



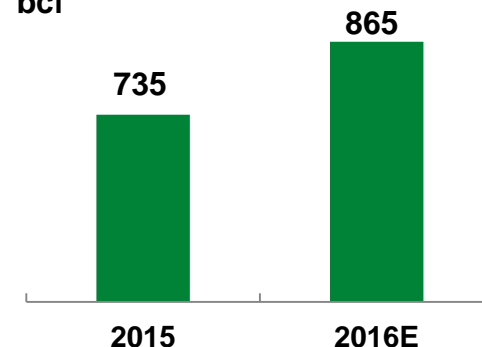
## Crude Oil Production

mmbbls



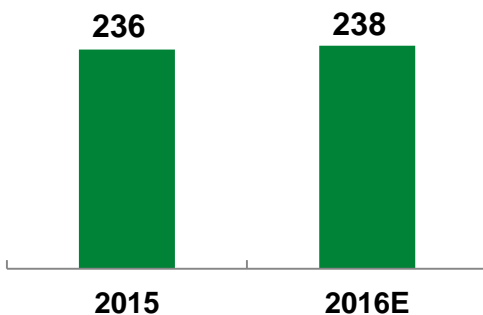
## Natural Gas Production

bcf



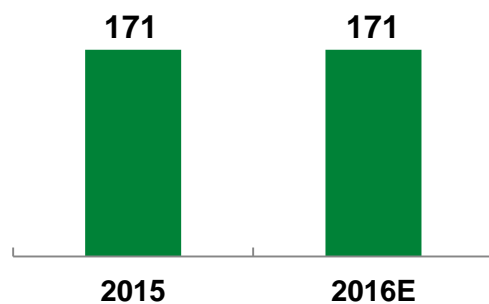
## Refinery Throughput\*

mm tonnes



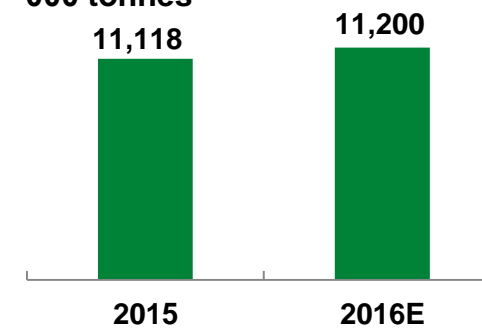
## Total Domestic Sales of Refined Oil Products

mm tonnes



## Ethylene Production\*

'000 tonnes

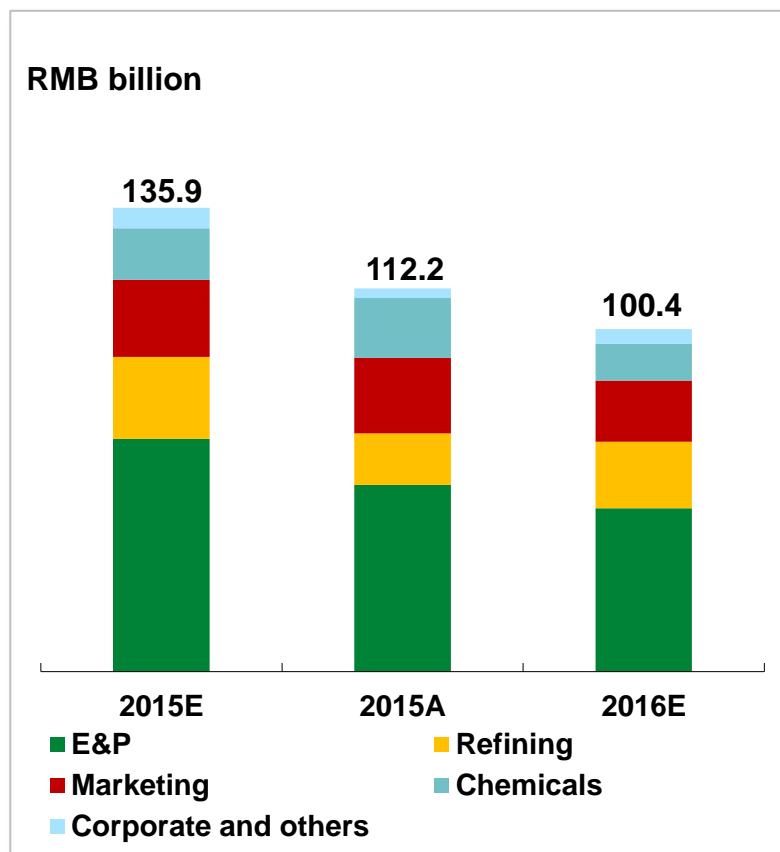


Note: 100% production of joint ventures included



# Prudential 2016 Capex Plan

- Focus on investment quality and profitability, with an optimized capex plan of RMB 100.4 Bn



- **E&P: RMB 47.9 Bn**

- ◆ Mainly for domestic oil and gas exploration and Fuling Shale Gas project (phase II)

- **Refining: RMB 19.5 Bn**

- ◆ Mainly for refinery revamping and gasoline and diesel quality upgrading

- **Marketing: RMB 17.9 Bn**

- ◆ Mainly for revamping service stations and construction of storage and logistics facilities

- **Chemicals: RMB 10.8 Bn**

- ◆ Mainly for Jinling propylene oxide and Maoming ethylene oxide projects

- **R&D facilities and IT application projects etc.: RMB 4.3 Bn**



## Q&A



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