



## **Sinopec Corp's Net Profit for 9M 2018 Surges 52.7% Y-o-Y to RMB 60.1 billion**

### **Improved Performance in Four Core Business Segments with Remarkable Cost Savings and Efficiency Enhancement**

(30 October 2018, Beijing, China) **China Petroleum & Chemical Corporation** ("Sinopec Corp." or the "Company"; HKEX: 386; SSE: 600028; NYSE: SNP) today announced its unaudited results for the nine months ended 30 September 2018.

#### **Financial Highlights :**

- In accordance with the International Financial Reporting Standards (IFRS), the Company's operating profit was RMB 85.865 billion, up 54.0% year-on-year; net profit attributable to equity shareholders of the Company was RMB 60.155 billion, up 52.7% year-on-year; basic earnings per share ("EPS") were RMB 0.497, up 52.7% year-on-year.
- In accordance with China Accounting Standards for Business Enterprises ("ASBE"), the Company's operating income was RMB 2,072.970 billion, up 18.8% year-on-year; net profit attributable to equity shareholders of the Company was RMB 59.980 billion, up 56.3% from the same period last year; basic earnings per share ("EPS") were RMB 0.495, up 56.3% year-on-year.
- The Company's financial position continued to improve during the first three quarters this year. In accordance with IFRS, its cash and cash equivalents at the end of the third quarter were RMB 172.284 billion.

#### **Business Review :**

In the first three quarters of 2018, global economy recorded slow recovery, while China's overall economy maintained stable performance and grew steadily with its gross domestic product (GDP) up by 6.7% year-on-year. International crude oil prices fluctuated with upward trend. The average Brent crude oil spot price for the period increased by 39.0% year-on-year. According to the statistics of NDRC, domestic apparent consumption of refined oil products increased by 5.4% compared with the same period last year. Gasoline consumption increased by 6.4% year-on-year, consumption growth for kerosene and diesel was 9.2% and 3.7% year-on-year, respectively. Domestic demand for natural gas remained robust with apparent consumption up by 18.0% compared with the same period last year. Domestic consumption of major chemicals maintained significant growth with consumption of ethylene equivalent up by 7.8% year on year, and gross margin of chemical products remained at a high level. During the reporting period, the Company captured market opportunities and made the product quality as its top priority. It attached great importance to efficiency, focused on improving the quality and efficiency of its operations, strengthened efforts in cost reduction, market

expansion, structural adjustment, reform implementation and management reinforcement. Through these efforts, it delivered solid operating results.

### Exploration and Production:

Exploration and Production: With the recovery of crude oil price, the Company pursued efficient exploration and effective production to increase proved reserves. Our continuing efforts in exploration paid off with new oil and gas discoveries in Sichuan Basin, Tarim Basin, Yin'e Basin and southern Songliao Basin. In development, we adopted a profit-oriented approach to speed up the crude oil new production. We also accelerated natural gas development by enhancing production-supply-storage-marketing system building to realise synergy along the entire value chain. In the first three quarters, oil and gas production of the Company was 335.34 million barrels of oil equivalent, of which domestic crude oil production increased by 0.2% while natural gas grew by 5.9%. The Exploration and Production Segment's operating loss narrowed by RMB 25.442 billion to RMB 1.081 billion compared with same period last year.

Exploration and Production	Unit	For nine-month period ended 30 September		Changes
		2018	2017	(%)
Oil and gas production <sup>1</sup>	million boe	335.34	332.63	0.8
Crude oil production	million barrels	216.49	220.21	(1.7)
China	million barrels	186.50	186.09	0.2
Overseas	million barrels	29.82	34.12	(12.6)
Natural gas production	billion cubic feet	713.77	674.15	5.9
Realised crude oil price	USD/barrel	65.12	47.05	38.4
Realised natural gas price	USD/thousand cubic feet	5.91	5.23	13.0

Note 1: Conversion: for domestic production of crude oil, 1 tonne = 7.10 barrels. For overseas production of crude oil in 2017 1 tonne = 7.21 barrels, in 2018 1 tonne=7.20 barrels. For production of natural gas, 1 cubic meter = 35.31 cubic feet. 1 barrel of oil equivalent=6,000 cubic feet.

### Refining:

With the market-oriented approach, we optimised product mix to produce more gasoline and jet fuel, and the diesel-to-gasoline ratio further decreased. The GB VI refined oil products quality upgrading was constantly pushed forward. We allocated domestic and overseas resources as a whole and export of refined oil products was increased to help maintain high utilisation of refining facilities. Crude oil sourcing optimisation continued to lower our feedstock cost. We comprehensively optimised our production plans to ensure safe and reliable operations. The advantage of centralised marketing was given full play, and profitability of LPG, asphalt, and sulphur maintained at a high level. In the first three quarters, refinery throughput increased by 3.0% compared with the same period last year. Refined oil products production increased by 3.5%, among which gasoline up by 7.0%, kerosene up by 9.0% and diesel down by 1.8% compared with the same period last year. The Refining Segment realised an operating profit of RMB 54.680 billion, up by 24.7% compared with the same period last year.

Refining <sup>2</sup>	Unit	For nine-month period ended 30 September		Changes (%)
		2018	2017	
Refinery throughput	million tonnes	182.74	177.46	3.0
Gasoline, diesel and kerosene production	million tonnes	116.13	112.20	3.5
Gasoline	million tonnes	45.74	42.73	7.0
Diesel	million tonnes	48.62	49.50	(1.8)
Kerosene	million tonnes	21.77	19.97	9.0
Light chemical feedstock	million tonnes	29.01	28.54	1.6
Light product yield	%	76.11	75.84	0.27 percentage points
Refining yield	%	94.98	94.76	0.22 percentage points

Note 2: Including 100% production of domestic joint ventures.

### Marketing and Distribution:

Faced with the intensified marketing competition, the Company brought our advantages in integrated operation and distribution network into full play and coordinated internal and external resources. We proactively promoted precision marketing and differentiated marketing to achieve sustained growth in total domestic sales volume and retail business scale. We improved our environmental protection measures for our service station and revamped the storage and transportation facilities of refined oil products. We further promoted integration of fuel business and non-fuel business, perfected the system for self-owned brand products and accelerated the construction of integrated service stations. Our non-fuel business kept increasing rapidly. In the first three quarters, total sales volume of refined oil products was 148 million tonnes. Total domestic sales volume of refined oil products was 135 million tonnes, up by 1.3%. The operating revenues of non-fuel business reached RMB 24.250 billion, up by 13.4% compared with the same period last year. The Marketing and Distribution Segment realised an operating profit of RMB 23.389 billion, basically flat year on year.

Marketing and Distribution	Unit	For nine-month period ended 30 September		Changes (%)
		2018	2017	
Total sales volume of refined oil products	million tonnes	147.78	150.23	(1.6)
Total domestic sales of refined oil products	million tonnes	135.02	133.26	1.3
Retail	million tonnes	90.82	90.67	0.2
Direct sales & Distribution	million tonnes	44.20	42.60	3.8
Throughput per station <sup>3</sup>	tonnes	3,953	3,935	0.5

Note 3: Throughput per station was annualised.

Unit: stations

	As of 30 September 2018	As of 31 December 2017	Changes from the end of last year to the end of the reporting period (%)
Total number of Sinopec-branded service stations	30,643	30,633	0.03
Number of company-operated stations	30,637	30,627	0.03
Number of convenience stores	26,981	25,775	4.68

### Chemicals:

With the clients-oriented approach, we provided more products needed by the market through enhancing the dynamic optimisation of facilities and product chains and continued adjusting our product mix to reduce chemical feedstock cost and pressed ahead optimisation of product slate. We improved the coordination among mechanism combining production, marketing, research and application, advance new high-end products development, promotion and application. We put advantages of marketing network into full play and conducted differentiated and tailor-made measures to expand sales scale. We focused on value-added, green, and eco-friendly materials to satisfy clients' requirement on high quality. In the first three quarters, ethylene production reached 8.784 million tonnes, up by 2.9% and chemical sales volume was 64.98 million tonnes, up by 12.8% compared with the same period last year. The differential ratio of synthetic fibre reached 90.4% and ratio of specialty products of synthetic resin reached 64.0%. The Chemicals Segment realised an operating profit of RMB 23.944 billion, up by 43.1% compared with the same period last year.

Chemicals <sup>4</sup>	Unit	For nine-month period ended 30 September		Changes (%)
		2018	2017	
Ethylene	thousand tonnes	8,784	8,534	2.9
Synthetic resin	thousand tonnes	12,171	11,791	3.2
Synthetic rubber	thousand tonnes	646	642	0.6
Monomers and polymers for synthetic fibre	thousand tonnes	7,100	7,061	0.6
Synthetic fibre	thousand tonnes	940	923	1.8

Note 4: Including 100% production of domestic joint ventures.

### Capital Expenditure:

In the first three quarters, total capital expenditures were RMB 48.012 billion. Capital expenditures for the exploration and production segment were RMB 19.761 billion, mainly for oil and gas capacity building, Wen 23 Gas Storage Project, Erdos-Anping-Cangzhou Gas Pipeline Project, the first phase of Xinqi Pipeline Project as well as overseas projects. Capital expenditures for the refining segment were RMB 9.689 billion, mainly for the Zhongke integrated refining and chemical project, product mix optimisation of Zhenhai, Maoming and Tianjin, GB VI gasoline and diesel quality upgrading projects, and crude oil pipeline construction of Rizhao-Puyang-Luoyang as well as other Pipeline Storage & Transportation construction.

Capital expenditures for the marketing and distribution segment were RMB 9.712 billion, mainly for constructing refined oil products depots, pipelines and service stations and revamping of underground oil tanks, as well as other safety and environmental protection hazard removal projects. Capital expenditures for the chemicals segment were RMB 6.304 billion, mainly for integrated refining and basic chemical projects of Zhongke, Gulei, high-efficiency and environment-friendly aromatics project in Hainan, Zhong'an United Coal Chemical project and high-end value-added projects of Zhongsha PC, Yangzi EVA and Yizheng high-performance fibre. Capital expenditures for corporate and others were RMB 2.546 billion, mainly for R&D facilities and information technology application projects.

## Appendix

### Principal financial data and indicators

Principal financial data and indicators prepared in accordance with China Accounting Standards for Business Enterprises (ASBE)

Units: RMB million

Items	As of 30 September 2018	As of 31 December 2017	Changes from the end of last year to the end of the reporting period (%)
Total assets	1,662,760	1,595,504	4.2
Total equity attributable to equity shareholders of the Company	722,317	727,244	(0.7)

Items	Nine Months		Changes compare with the same period last year (%)
	2018	2017	
Net cash flow from operating activities	137,919	111,193	24.0
Operating income	2,072,970	1,744,955	18.8
Net profit attributable to equity shareholders of the Company	59,980	38,373	56.3
Net profit attributable to equity shareholders of the Company excluding extraordinary gains and losses	57,150	36,718	55.6
Weighted average return on net assets (%)	8.28	5.37	2.91 percentage points
Basic earnings per share (RMB)	0.495	0.317	56.3
Diluted earnings per share (RMB)	0.495	0.317	56.3

<b>Extraordinary (gain)/loss items</b>	<b>Third Quarter 2018 RMB million</b>	<b>Nine Months 2018 RMB million</b>
Net loss/(gain) on disposal of non-current assets	143	(75)
Donations	27	84
Government grants	(1,709)	(3,742)
Gains on holding and disposal of various investments	(525)	(993)
Other extraordinary income and expenses, net	549	763
<b>Subtotal</b>	<b>(1,515)</b>	<b>(3,963)</b>
Tax effect	338	994
<b>Total</b>	<b>(1,177)</b>	<b>(2,969)</b>
Equity shareholders of the Company	(1,021)	(2,830)
Minority interests	(156)	(139)

**Principal financial data and indicators prepared in accordance with International Financial Reporting standards (IFRS)**

Units: RMB million

	<b>As of 30 September 2018</b>	<b>As of 31 December 2017</b>	<b>Changes from the end of last year to the end of the reporting period (%)</b>
Total assets	1,662,760	1,595,504	4.2
Equity attributable to equity shareholders of the Company	721,261	726,120	(0.7)

	<b>Nine Months</b>		<b>Changes compare with the same period last year (%)</b>
	<b>2018</b>	<b>2017</b>	
Operating profit	85,865	55,757	54.0
Net profit attributable to equity shareholders of the Company	60,155	39,404	52.7
Basic earnings per share (RMB)	0.497	0.325	52.7
Diluted earnings per share (RMB)	0.497	0.325	52.7
Return on net assets (%)	8.34	5.51	2.83 percentage points
Net cash generated from operating activities	137,919	111,193	24.0

## **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 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.

Sinopec Corp. sets 'fueling beautiful life' as its corporate mission, puts 'people, responsibility, integrity, precision, innovation and win-win' as its corporate core 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 with solid and healthy foundation.

## **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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