



中国石化
SINOPEC

China Petroleum & Chemical Corporation

2018 Annual Results Announcement

25 March 2019

Hong Kong

中国石油化工股份有限公司
SINOPEC CORP.

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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.

- **2018 Performance Highlights**
- **2018 Operational Results by Segment**
- **2019 Operational Plan**
- **Driving for Sustainable Development**

Agenda



2018 Performance Highlights

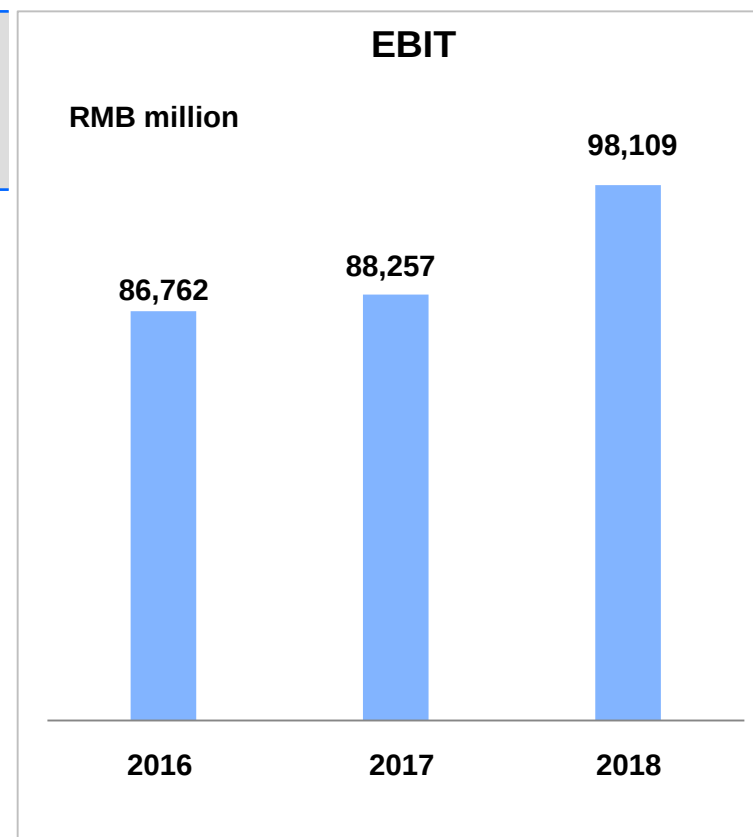


Market Environment in 2018

- China's economy maintained stable growth; GDP grew by 6.6%
- Rapid growth of domestic demand for energy and petrochemicals
 - ◆ Consumption of natural gas grew by 18.1% YoY
 - ◆ Consumption of refined oil products grew by 6.0% YoY
 - ◆ Domestic demand for chemicals kept rapid growth
- International oil price fluctuated with an upward trend in the first three quarters and dropped sharply in the fourth quarter

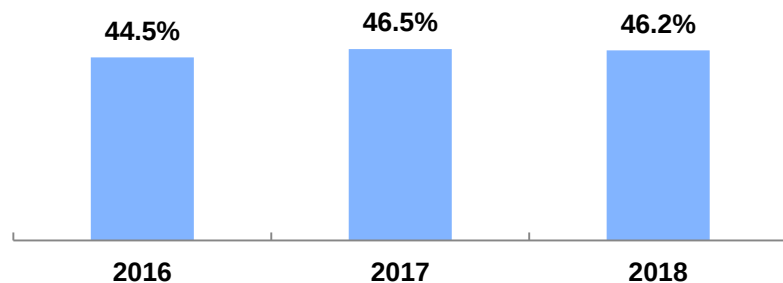
Robust Profit Growth

RMB million	2016	2017	2018	YoY (%)
Turnover and Other Operating Revenues	1,930,911	2,360,193	2,891,179	22.5
EBIT	86,762	88,257	98,109	11.2
Profit Attributable to Shareholders of the Company	46,672	51,244	61,618	20.2
EPS (RMB)	0.385	0.423	0.509	20.2

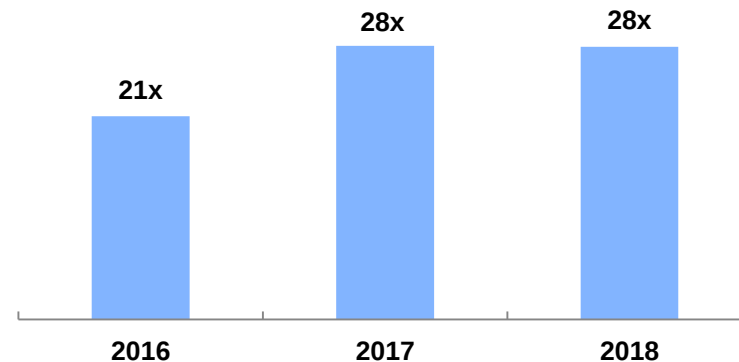


Solid Financial Position

Liability-to-Asset Ratio



EBITDA-to-Interest Coverage



RMB million	As of 31 Dec. 2016	As of 31 Dec. 2017	As of 31 Dec. 2018
Total Assets	1,498,609	1,595,504	1,592,308
Short-term Interest-bearing Debts	74,819	80,649	61,127
Long-term Interest-bearing Debts	81,886	63,564	57,967
Total Equity Attributable to Shareholders of the Company	710,994	726,120	717,284

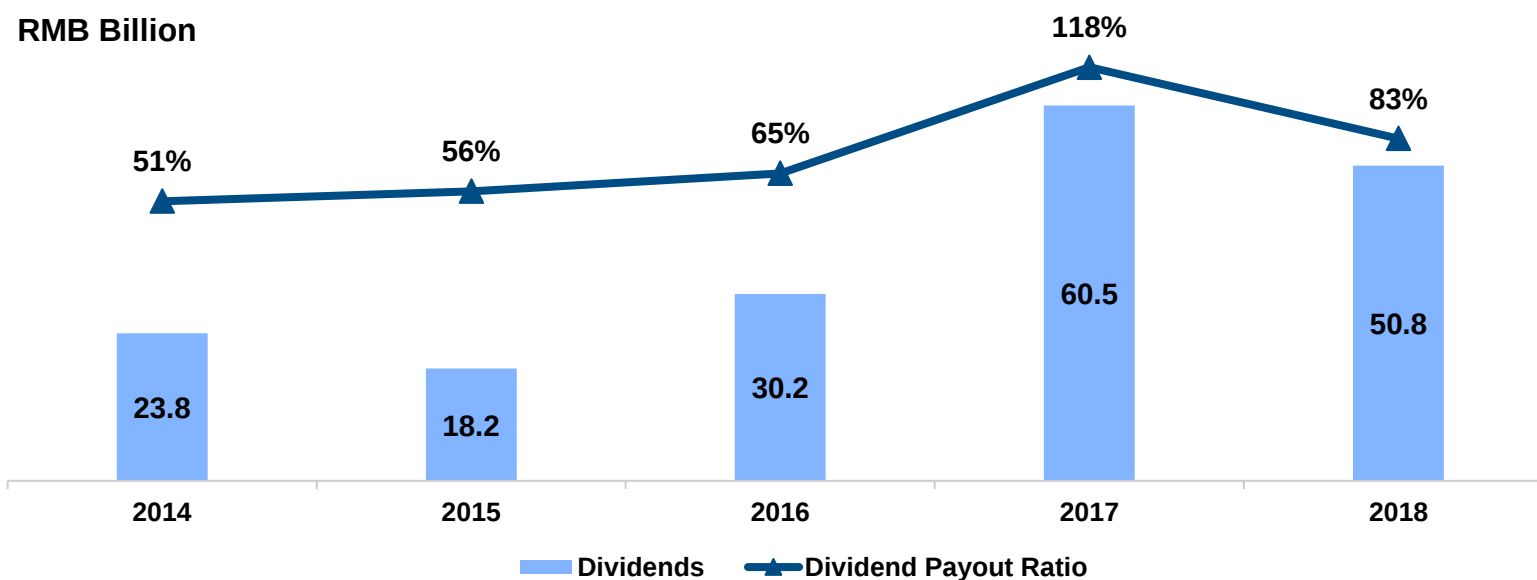
Strong Cash Flow

RMB million	2016	2017	2018
Net Cash Generated from Operating Activities	214,543	190,935	175,868
Net Cash Used in Investing Activities	(66,217)	(145,323)	(66,422)
Net Cash Used in Financing Activities	(93,047)	(56,509)	(111,260)

RMB million	As of 31 Dec. 2016	As of 31 Dec. 2017	As of 31 Dec. 2018
Cash and Cash Equivalents (Incl. Time Deposits)	142,497	165,004	167,015

Dividend – Emphasis on Shareholder Returns

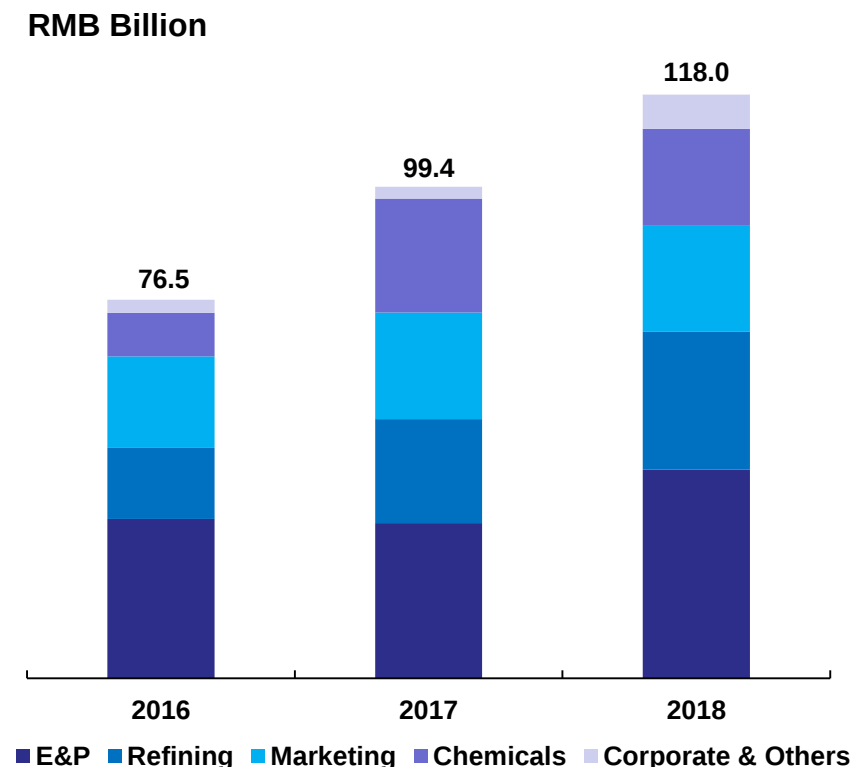
- The Board of Directors proposed a final dividend of RMB 0.26 per share (tax inclusive), with a total dividend of RMB 0.42 per share (tax inclusive) for the whole year
- Payout ratio was 83%
- Dividend yield was 7.4%*



* Based on the volume weighted average share price of the company's H-Share in 2018

Capital Expenditure – Focus on Quality and Profitability

■ 2018 Capital Expenditure: RMB 118.0 Bn



■ E&P: RMB 42.2 Bn

Oil & Gas production capacity, gas storage, natural gas pipeline construction

■ Refining: RMB 27.9 Bn

Construction of Zhongke and Zhenhai refining projects, quality upgrading of refined oil products(GB VI gasoline and diesel, and LSFO) and adjustment of product mix

■ Marketing: RMB 21.4 Bn

Construction of refined oil product storage facilities, pipelines and service stations, as well as non-fuel business development

■ Chemicals: RMB 19.6 Bn

Construction of Zhongke and Zhenhai ethylene projects, Sinopec-Sabic Polycarbonate project and Zhongan coal chemical project

■ Corporate & Others: RMB 6.9 Bn

Jointly establishing Sinopec Capital Co., Ltd with Sinopec Group, and construction of R&D facilities and IT system

Innovation – Supporting and Leading the Company's Development

■ Upstream

- ◆ Further advancement in evaluation technologies of buried hill bedrock and deep carbonate reservoir and fracturing technology of deep shale gas field

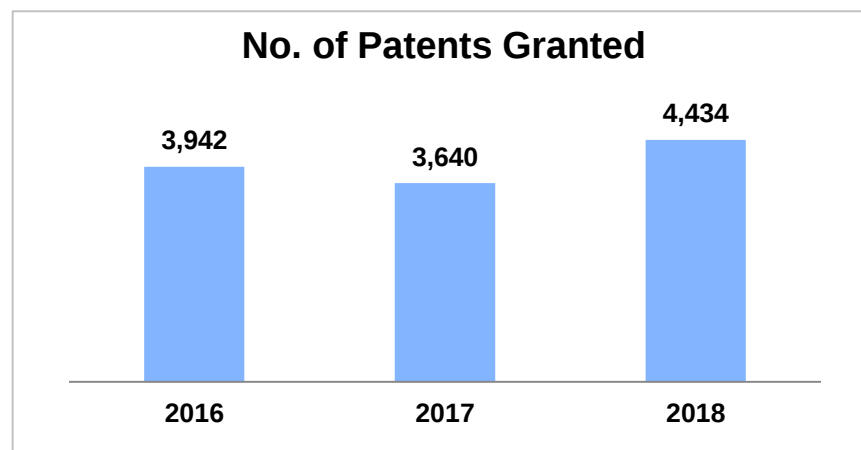
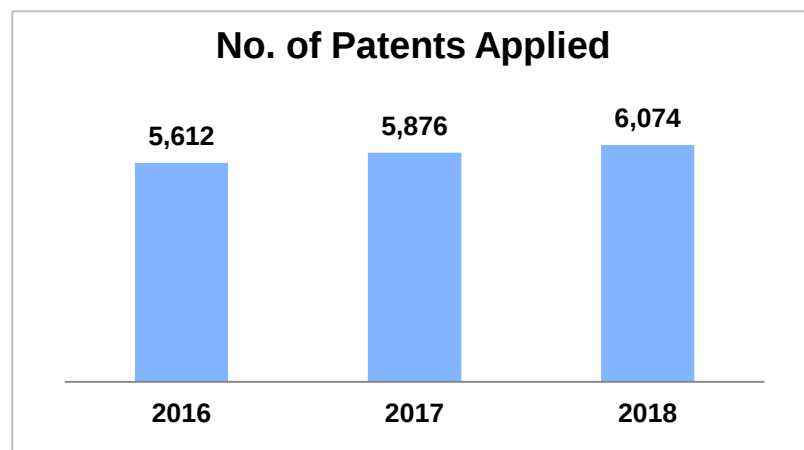
■ Refining

- ◆ Commercialised technologies such as new sulfuric acid alkylation and hydro-isomerisation dewaxing for producing high grade base oil

■ Chemicals

- ◆ The industrial unit of green HPPO achieved stable operation
- ◆ SOR, the framework type code of a novel structured zeolite synthesized by us, has been approved by the International Zeolite Association

■ Integration of IT technologies and industrialization



HSSE Management



Focused more on employees' physical health and mental health



Promoted elimination of safety and environment hazard, enhanced emergency response capabilities with intrinsic safety concept



Improved risk assessment, monitoring and emergency response mechanisms for public security



Launched "Green Enterprise Campaign"

Fulfillment of Corporate Social Responsibilities

- Improved communication with local communities through *Sinopec Open Day* activities
- Helped to improve infrastructure, cultural, educational and healthcare conditions in locations we operate
- Targeted poverty alleviation helped people to fight poverty



32,250
Population Lifted
Out of Poverty
in 2018



3,456
Cataract Patients Cured
by the Lifeline Express
in 2018



600,000
People Covered by the
Warm Station Program
in 2018

2018 Operational Results by Segment



Upstream – Enhanced High-Quality Exploration and Profitable Development

- Enhanced high-quality exploration with domestic crude oil reserves replacement ratio of 132%
- Prioritised profit-oriented development and resumed crude production based on profitability
- Accelerated construction of natural gas production, supply, storage and marketing system, achieved rapid growth in natural gas production

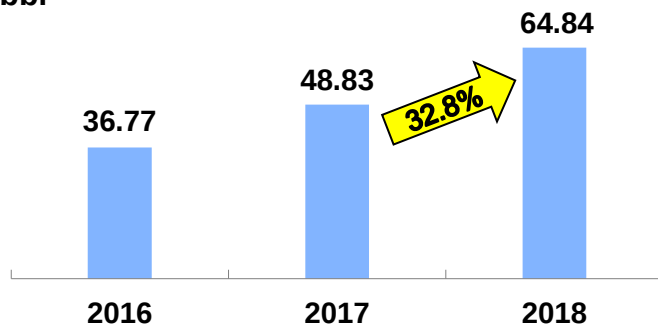
	2016	2017	2018	YoY (%)
Oil and Gas Production(mmboe)	431.29	448.79	451.46	0.6
Crude Oil Production(mmbbls)	303.51	293.66	288.51	(1.8)
China(mmbbls)	253.15	248.88	248.93	0.02
Natural Gas Production(bcf)	766.12	912.50	977.32	7.1
	2016	2017	2018	YoY (%)
Proved Reserves of Crude Oil(mmbbls)	1,552	1,599	1,666	4.2
Proved Reserves of Natural Gas(bcf)	7,178	6,997	6,807	(2.7)

* 1 cubic meter=35.31 cubic feet

Upstream –Significant Reduction in Loss

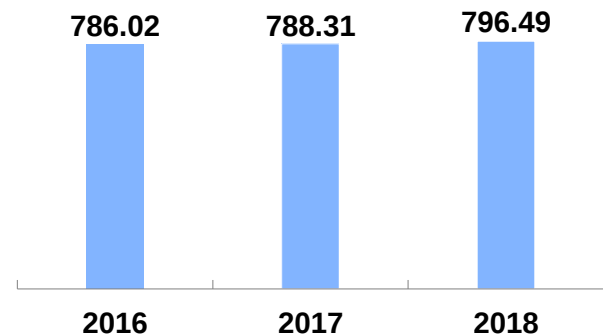
Realised Price of Crude Oil

USD/bbl



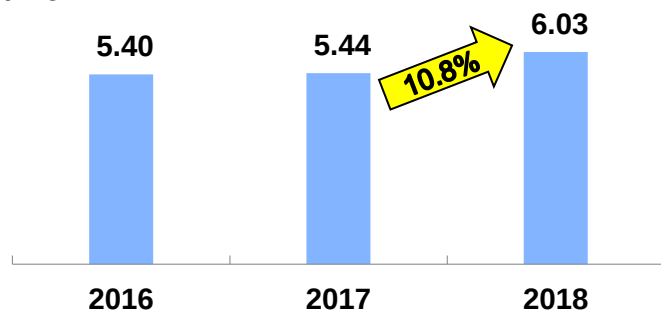
Lifting Cost

RMB/tonne



Realised Price of Natural Gas

USD/mcf



EBIT of E&P

RMB
million

	2016	2017	2018
EBIT	(37,820)	(44,455)	(7,512)

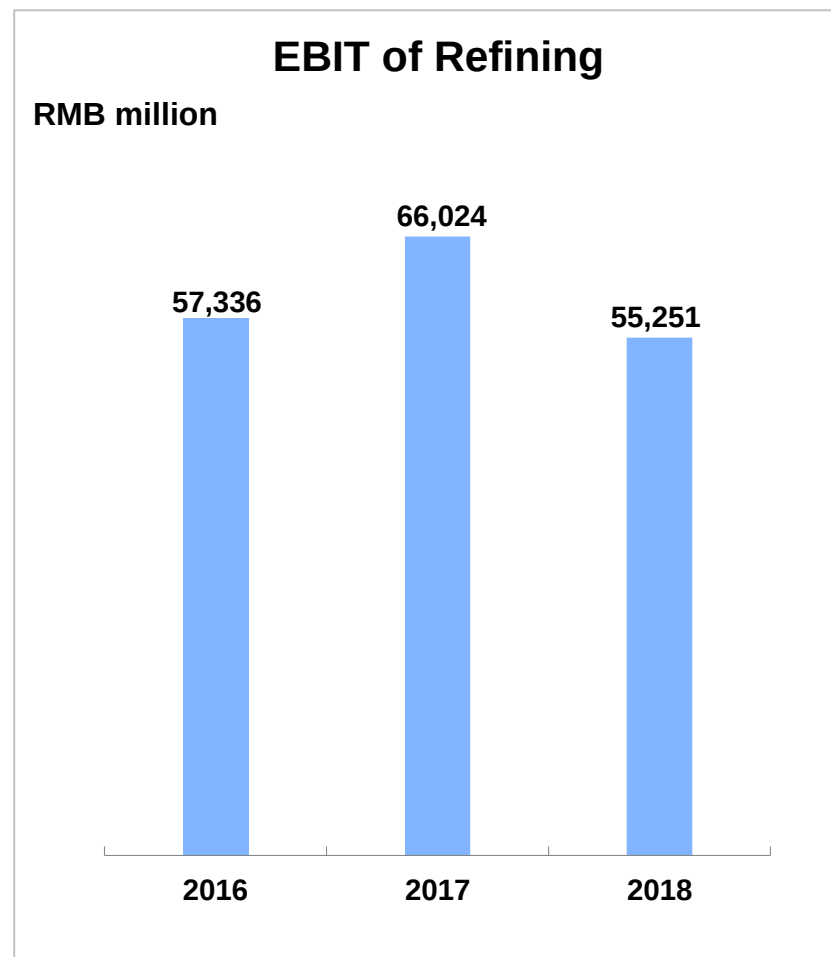
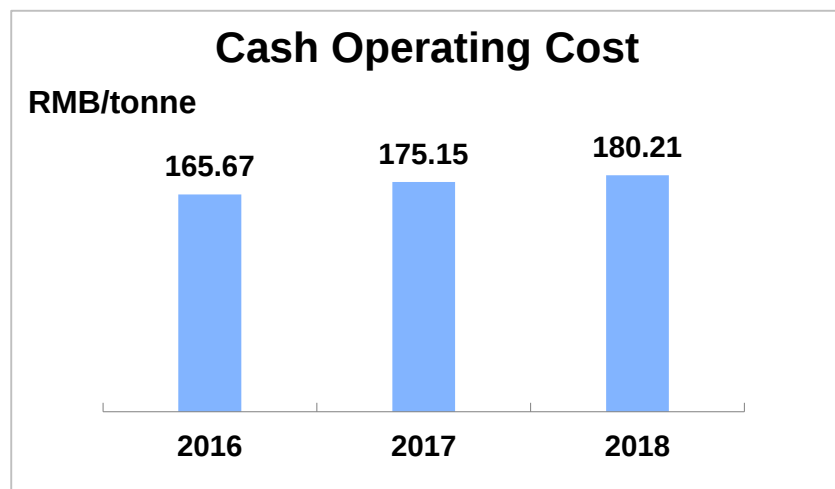
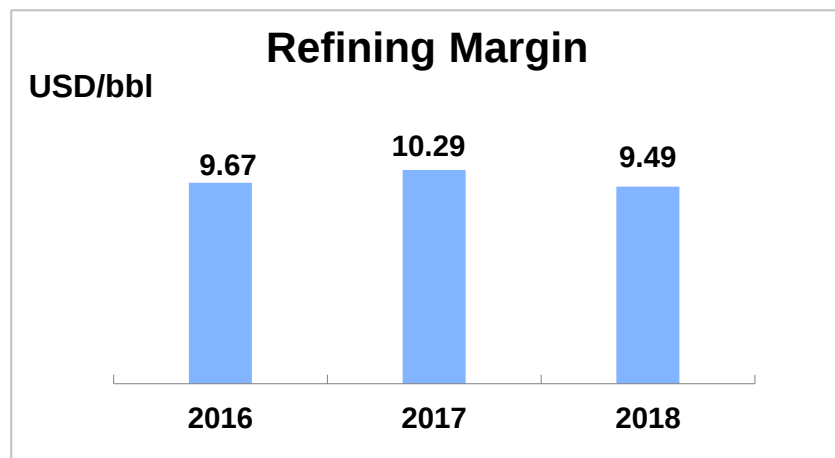
Refining –Continuous Optimisation of Product Mix

- Optimised product mix with diesel-to-gasoline ratio down to 1.06
- Accomplished GB VI quality upgrading of refined oil products
- Prepared for LSFO production
- Maintained high utilisation rate of refining facilities
- Optimised resource allocation and reduced crude oil cost

(mm tonnes)	2016	2017	2018	YoY (%)
Refinery Throughput	235.53	238.50	244.01	2.3
Gasoline, Diesel and Kerosene Production	149.17	150.67	154.79	2.7
Gasoline Production	56.36	57.03	61.16	7.2
Diesel Production	67.34	66.76	64.72	(3.1)
Kerosene Production	25.47	26.88	28.91	7.6
Light Chemical Feedstock Production	38.54	38.60	38.52	(0.2)
Diesel-to-Gasoline Ratio	1.19	1.17	1.06	Decline by 0.11

*Refinery throughput is calculated based on 1 tonne= 7.35 bbls
100% production of domestic joint ventures included

Refining – Refining Margin Maintained at High Level



Marketing – Leverage Network Advantage in Response to Competition

- Continuous growth in total domestic sales volume and retail scale
- Continuous growth in the number of convenience stores
- Great efforts in developing business of natural gas for automobile

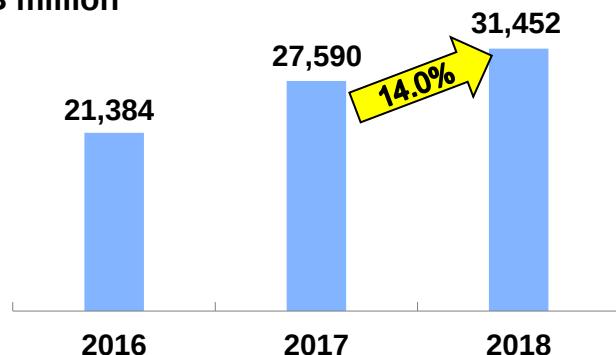
mm tonnes	2016	2017	2018	YoY (%)
Total Sales Volume of Refined Oil Products	194.84	198.75	198.32	(0.2)
Domestic Sales of Refined Oil Products	172.70	177.76	180.24	1.4
Retail	120.14	121.56	121.64	0.1
Wholesale and Distribution	52.56	56.20	58.61	4.3
Annual Average Throughput per Station (tonne/station)	3,926	3,969	3,979	0.3

Station	As of 31 Dec. 2016	As of 31 Dec. 2017	As of 31 Dec. 2018	Change(%)
Number of Sinopec-Branded Service Stations	30,603	30,633	30,661	0.1
Number of Convenience Stores	25,591	25,775	27,259	5.8

Marketing – Sustained Growth of Non-fuel Business

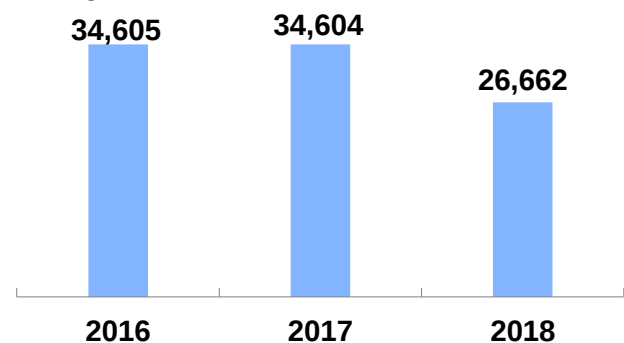
Revenue of Non-fuel Business

RMB million



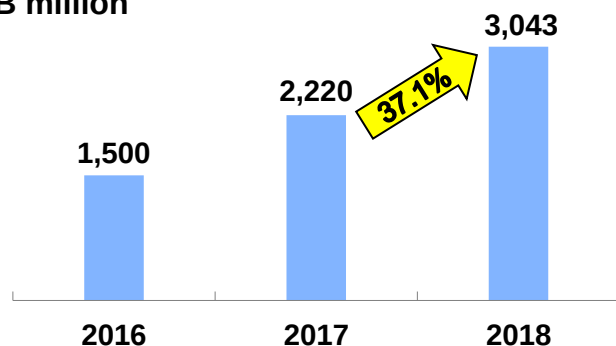
EBIT of Marketing

RMB million



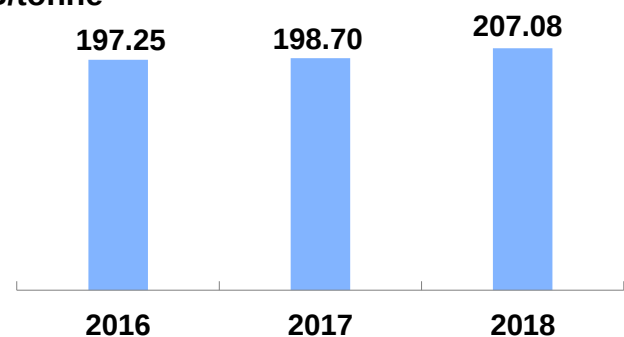
Profit of Non-fuel Business

RMB million



Marketing Cash Operating Cost

RMB/tonne



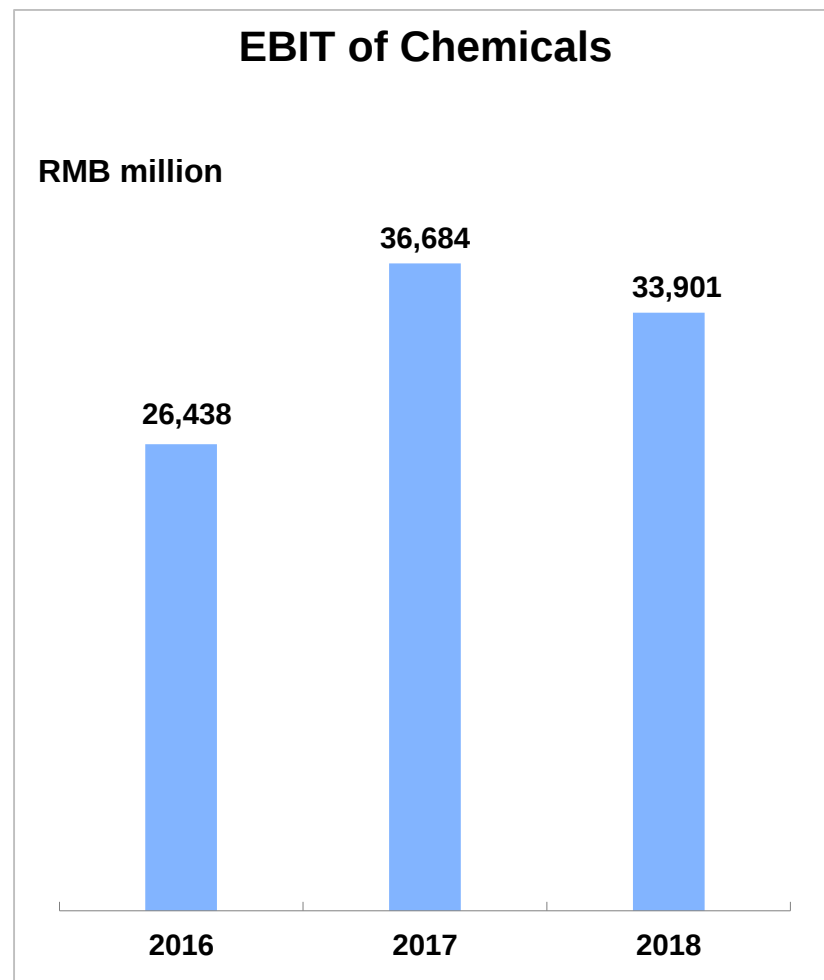
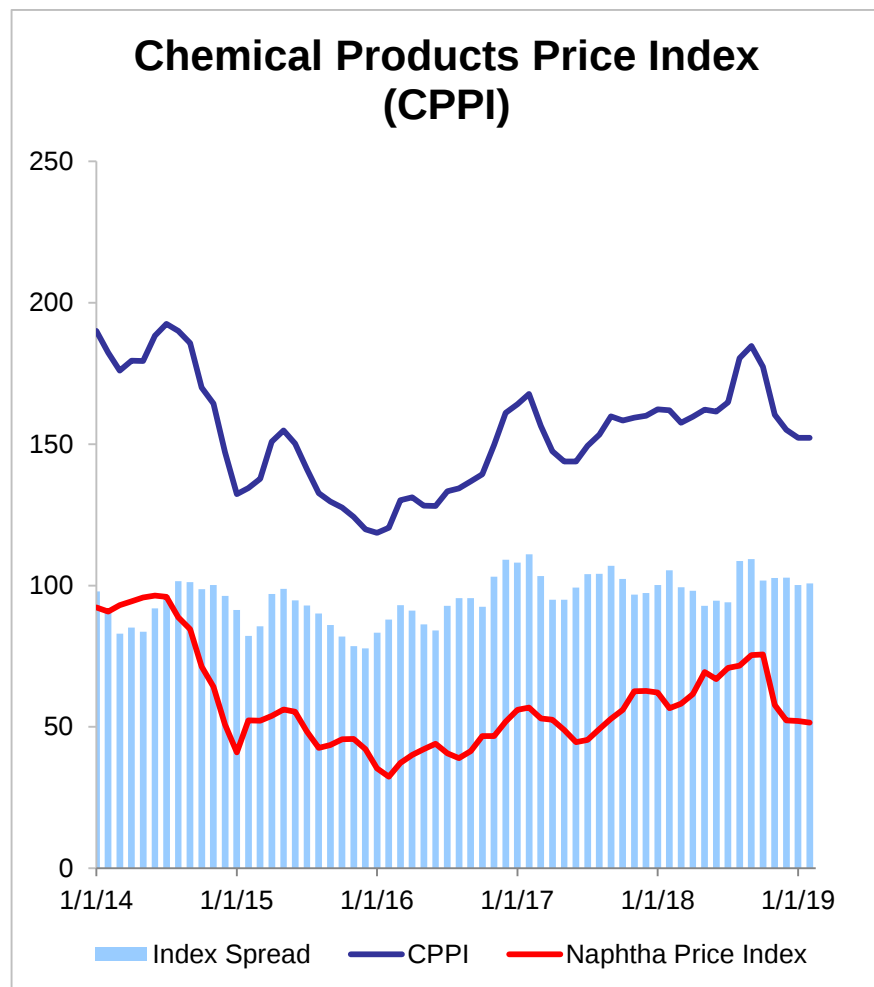
Chemicals – Strengthened Structural Adjustment

- Optimised feedstock mix to further reduce feedstock costs
- Optimised product slate to increase the proportion of high-end products
- Optimised unit operations to appropriately arrange utilisation and scheduling
- Sales volume of chemicals increased by 10.3% YoY, achieving a record high

'000 tonnes	2016	2017	2018	YoY (%)
Ethylene Production	11,059	11,610	11,512	(0.8)
Synthetic Resin Production	15,201	15,938	15,923	(0.1)
Synthetic Fibre Monomers & Polymers Production	9,275	9,439	9,343	(1.0)
Synthetic Fibre Production	1,242	1,220	1,218	(0.2)
Synthetic Rubber Production	857	848	896	5.7
Total Sales Volume of Chemicals	69,957	78,499	86,600	10.3

* 100% production of domestic joint ventures included

Chemicals – Maintained High Profitability



2019 Operational Plan



Market Outlook of 2019

- Growth of global economy is expected to slow down
- China's economy will maintain steady growth, with anticipated GDP growth rate of 6.0%-6.5%
 - ◆ Domestic demand for refined oil products will continue to grow steadily
 - ◆ Domestic demand for chemical products is expected to grow steadily with increasing demand for high-end products
- China's energy mix will continue to improve, and demand for natural gas will maintain rapid growth
- International oil price is expected to fluctuate in a wide range

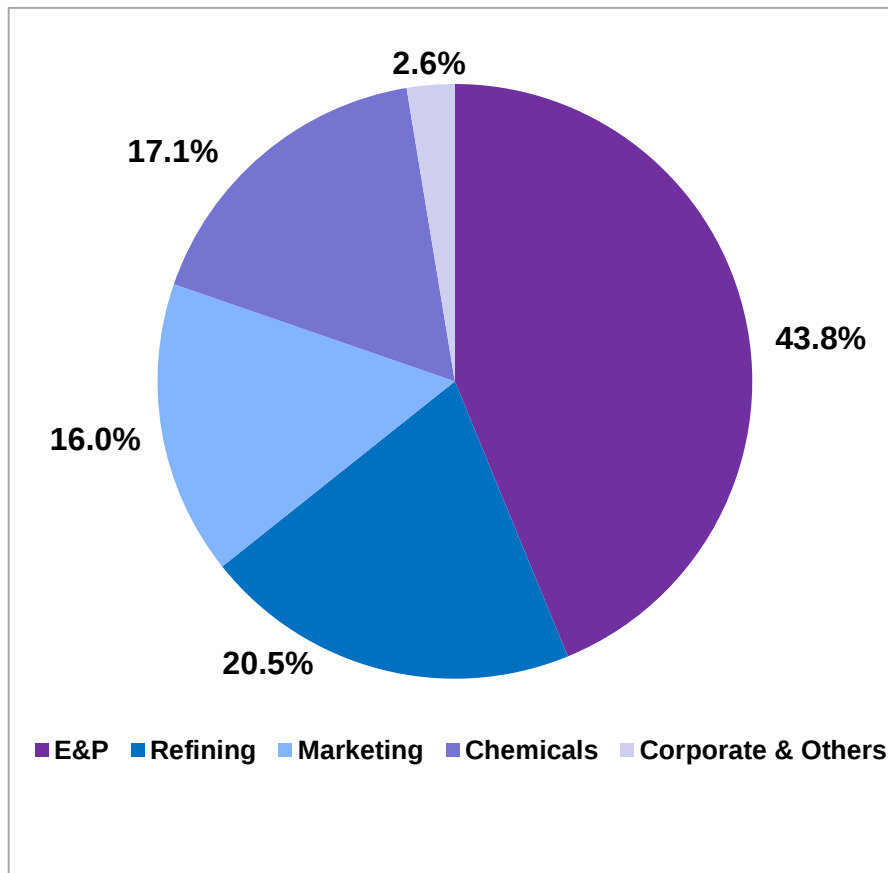
2019 Production Plan

	2018A	2019E
Oil and Gas Production (mmboe)	451	458
Crude Oil Production (mmbbls)	289	288
Natural Gas Production (bcf)	977	1,019
Refinery Throughput* (mm tonnes)	244	246
Total Domestic Sales Volume of Refined Oil Products (mm tonnes)	180	182
Ethylene Production* ('000 tonnes)	11,510	12,120

*100% production of domestic joint ventures included

Capex Plan for 2019

■ 2019 Capital Expenditure Plan: RMB 136.3 Bn



■ E&P: RMB 59.6 Bn

Oil & Gas production capacity, gas storage, natural gas pipeline construction

■ Refining: RMB 27.9 Bn

Construction of Zhongke and Zhenhai projects, adjustment of product mix

■ Marketing: RMB 21.8 Bn

Construction of refined oil product storage facilities, pipelines and service stations, as well as non-fuel business development

■ Chemicals: RMB 23.3 Bn

Construction of Zhongke, Zhenhai, Gulei projects, coal chemical projects, and comprehensive resources utilisation and structural adjustment projects

■ Corporate & Others: RMB 3.7 Bn

Construction of R&D facilities and IT system

Q&A

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