



China Petroleum & Chemical Corporation

2014 Annual Results Announcement

**March 23, 2015
Hong Kong**



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Agenda

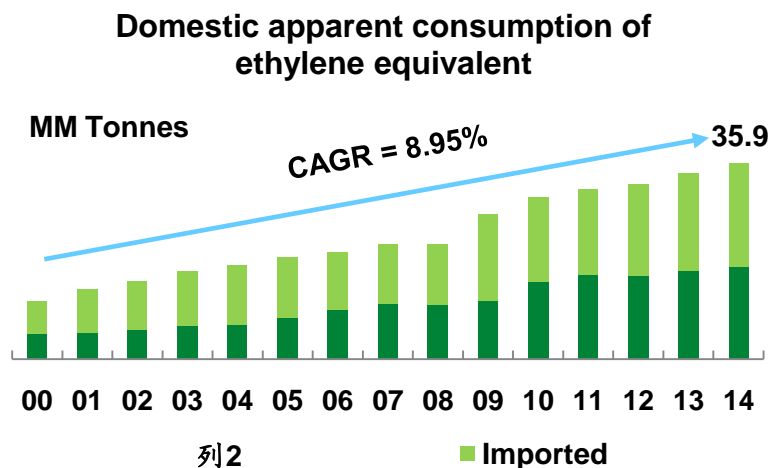
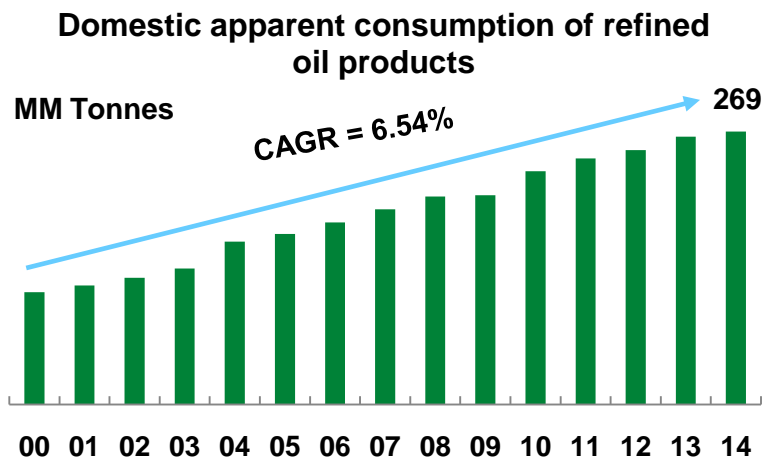
- **2014 Performance Overview & Development Orientation**
- **2014 Operational Results by Segment**
- **2015 Operational Plan**



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
- China's economic growth is phasing into 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

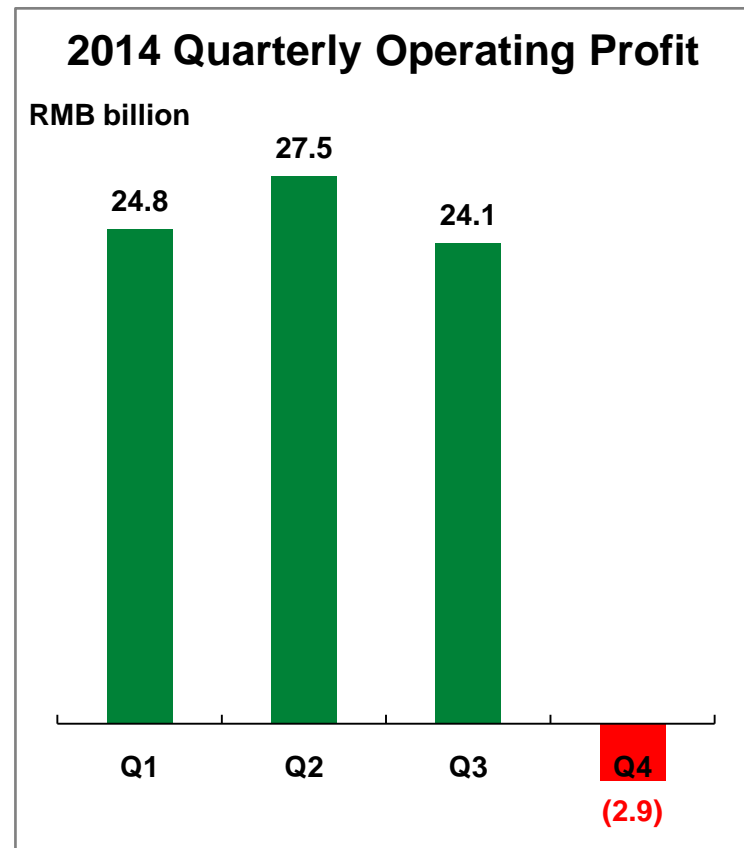
Management

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



Profitability

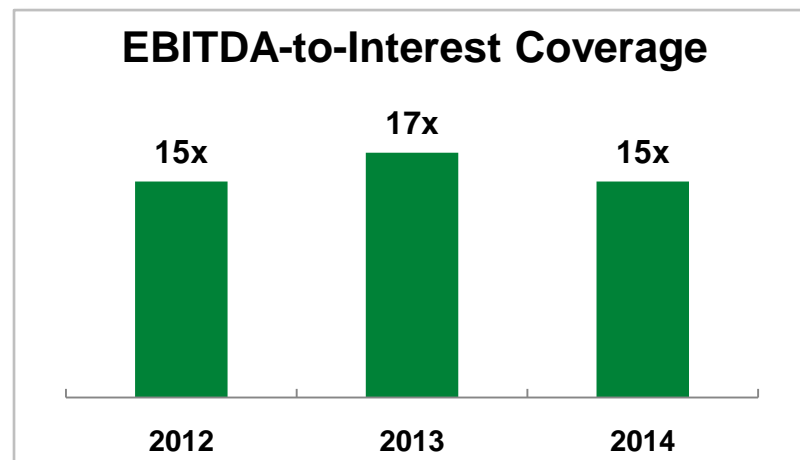
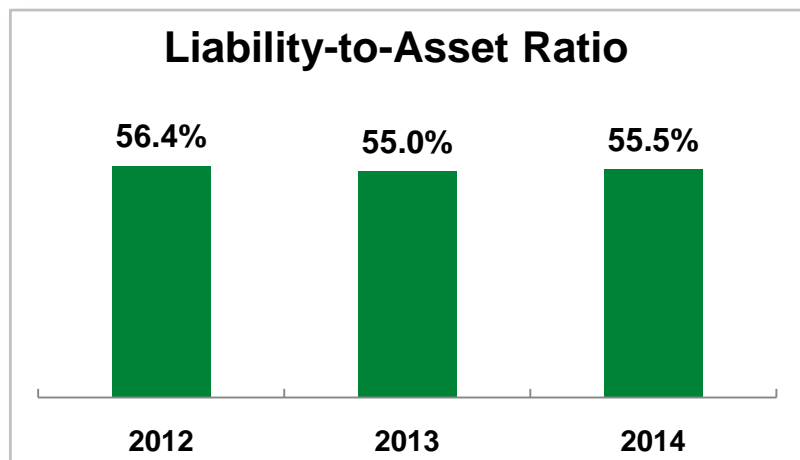
RMB billion	2012	2013	2014	14-13 Change %
Revenue	2,786.05	2,880.31	2,825.91	(1.89)
Operating Profit	98.66	96.79	73.49	(24.07)
Profit Attributable to Shareholders	63.88	66.13	46.47	(29.74)
EPS (RMB)	0.736	0.57	0.398	(30.18)





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





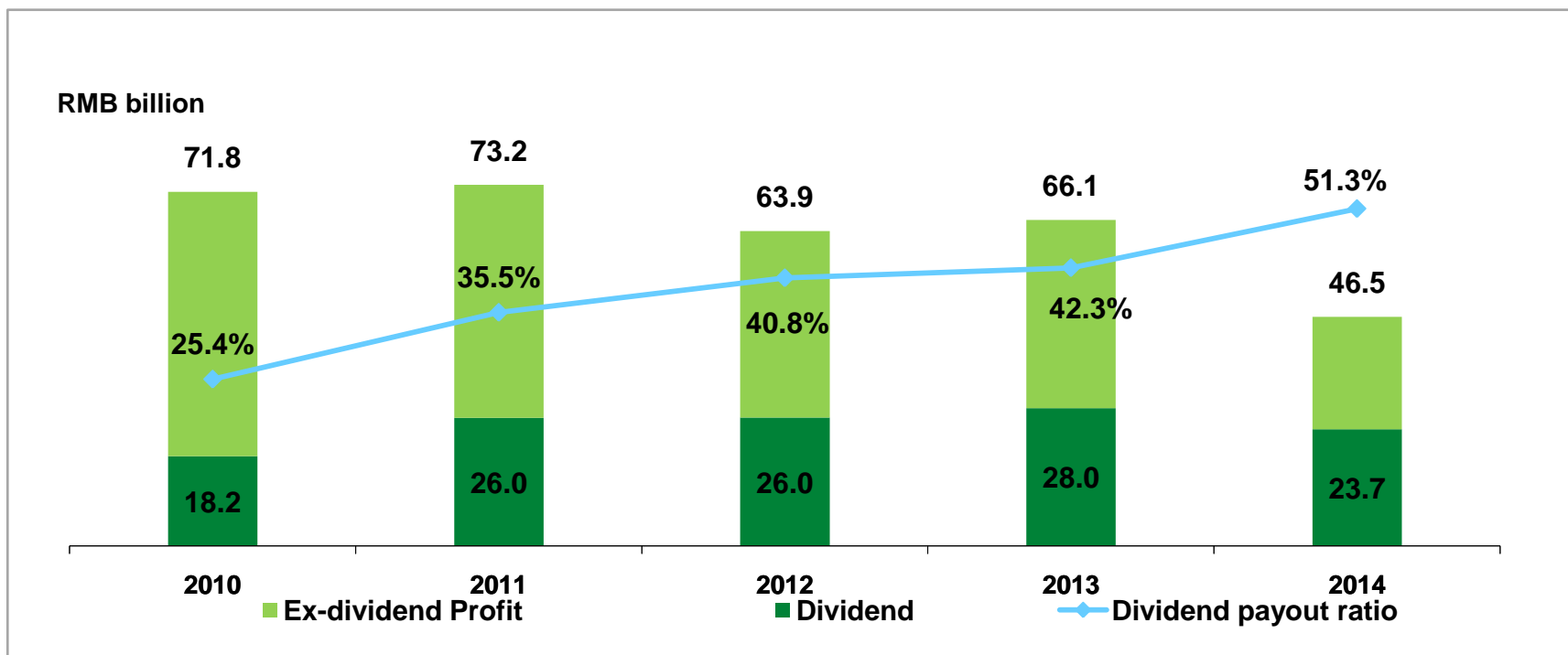
Improving Cash Flow Status

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

Dividend

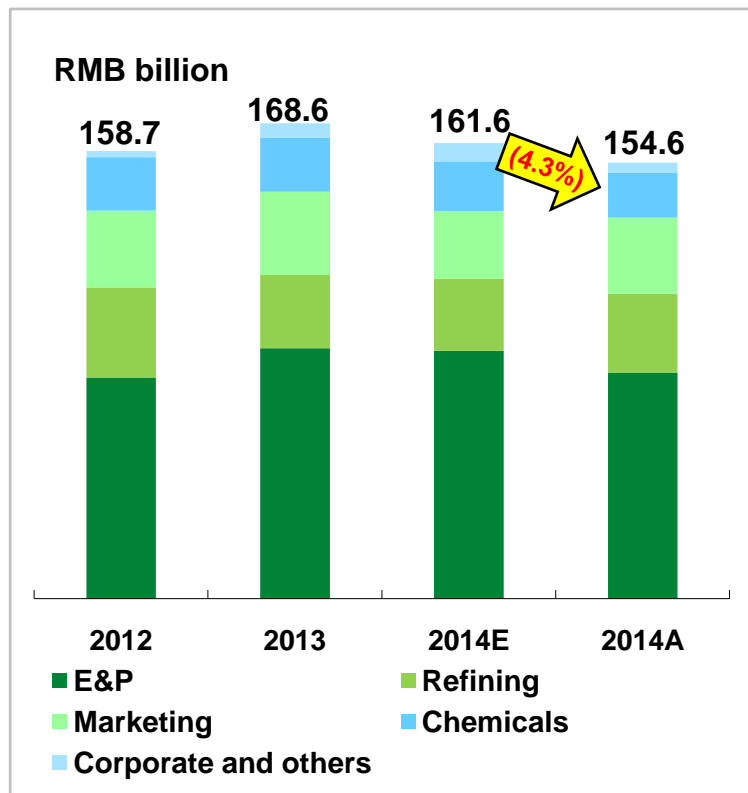
- Considering the company's profitability, shareholder returns, and future development needs, the company announced a year-end dividend of RMB 0.11 / share, with the full year dividend distribution amounting to RMB 0.20 / share
- Dividend payout ratio increased to 51.3%





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**

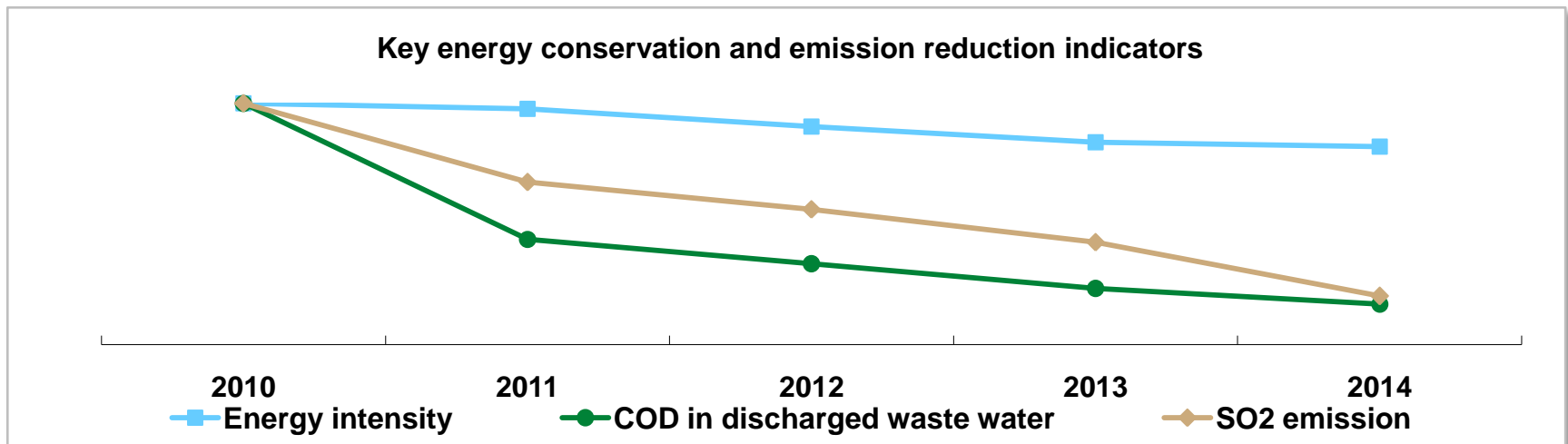
- ◆ R&D facilities and IT system

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 development in China, addressing stakeholders' 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

- Enhance potential safety risk management, safe operation's situation continuously 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

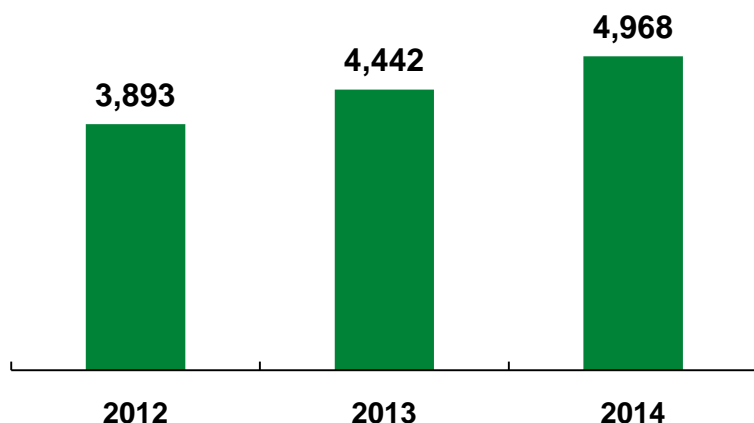
	2012	2013	2014
Lifting cost	6.43%	1.85%	0.48%
Refining cash operating cost	5.34%	6.97%	(1.50%)
Marketing cash operating cost	0.79%	5.30%	(1.70%)
Unit chemical all-in cost	(3.10%)	(0.45%)	(6.24%)



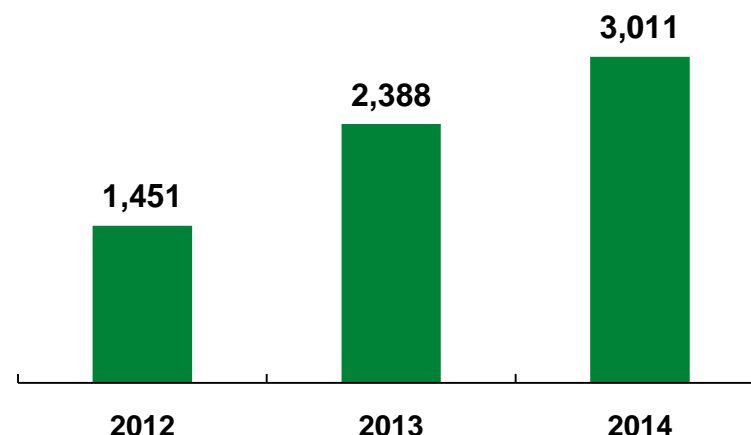
Accelerated R&D Efforts: Innovation-driven Development

- 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 3rd in PRC)

No. of Patent Applications

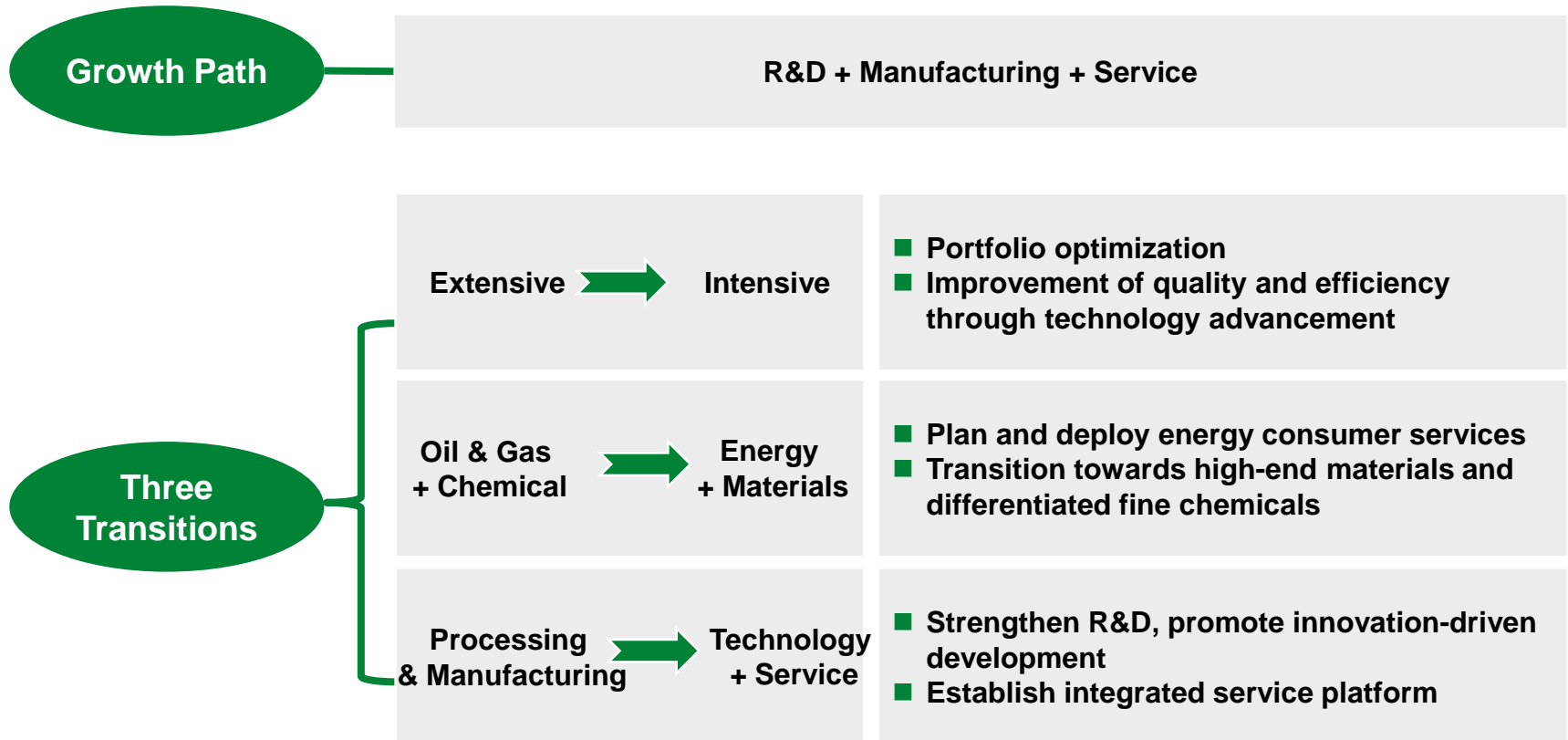


No. of Patents Granted





Adapt to “New Normal” and build new drivers for development





2014 Operational Results by Segment



Upstream - Steady Growth of Oil & Gas Production

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

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

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;

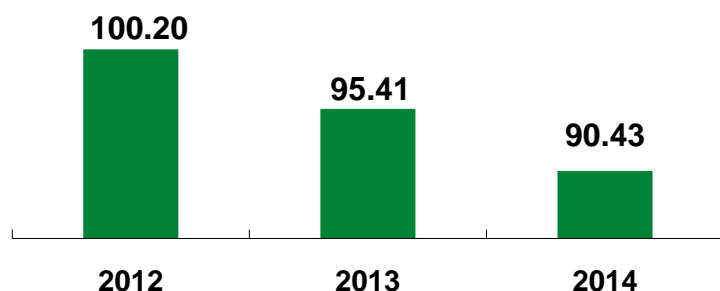
2. Lifting cost (USD/bbl) : 0.48% y-o-y growth excl. exchange rate effect



Upstream - Performance

Realized Price of Crude Oil

USD/bbl



RMB million

2012

2013

2014

Operating Profit
of E&P Segment

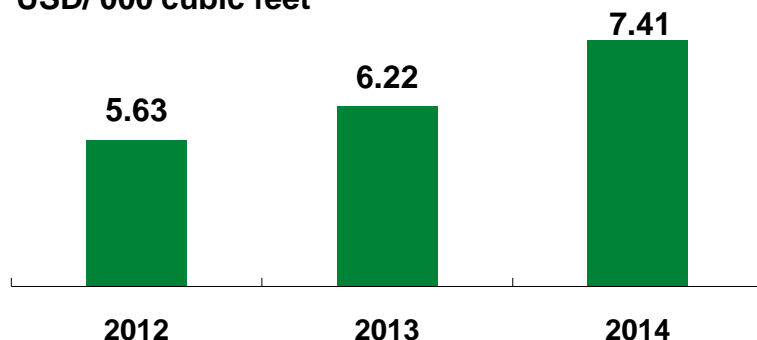
70,054

54,793

47,057

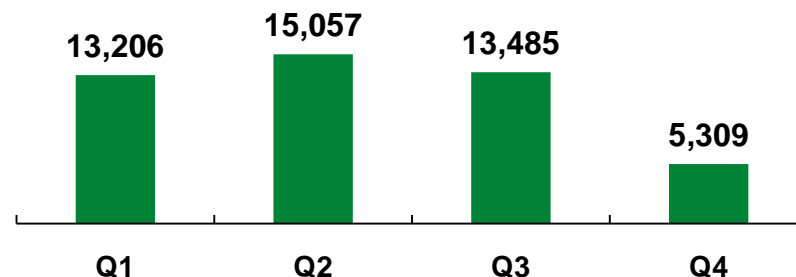
Realized Price of Natural Gas

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

3.37

5.74

4.72

2012

2013

2014

RMB million

2012

2013

2014

Operating Profit of
Refining Segment

(11,444)

8,599

(1,954)

Operating Cost

USD/bbl

3.39

3.70

3.67

2012

2013

2014

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



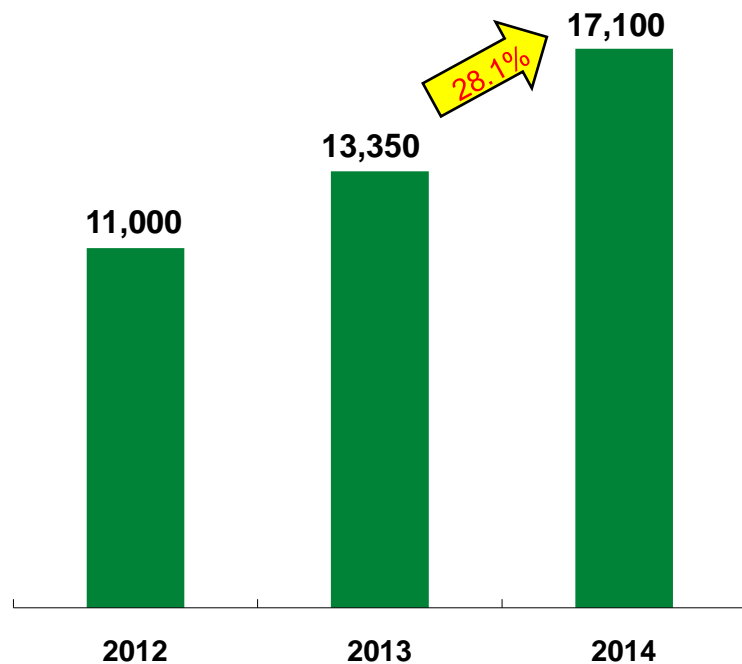
Marketing - Expanding Retail Volume of Refined Oil

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

Transaction from Non-oil Business

RMB million



RMB million

2012

2013

2014

Operating Profit of
Marketing Segment

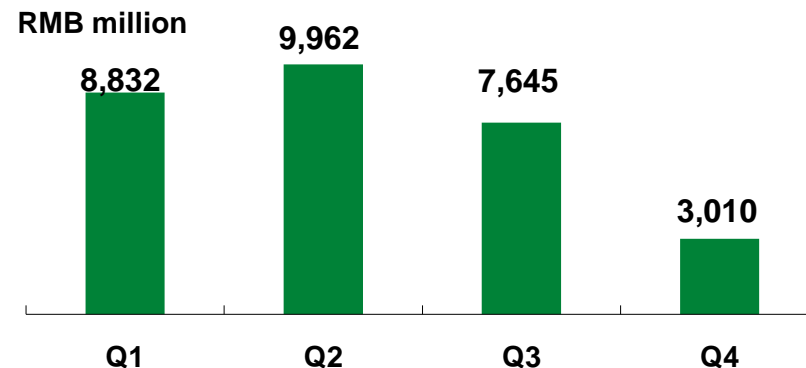
42,652

35,143

29,499

Quarterly Operating Profit: Marketing

RMB million





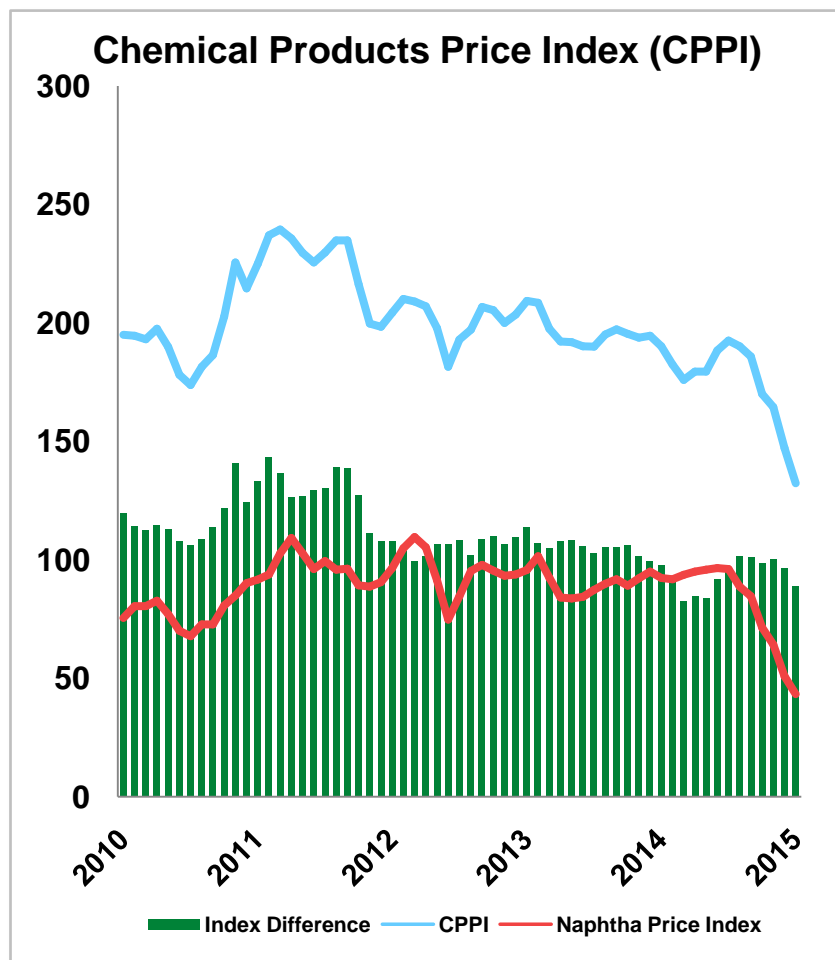
Chemicals- Optimized Feedstock & Product mix

'000 tonnes	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)

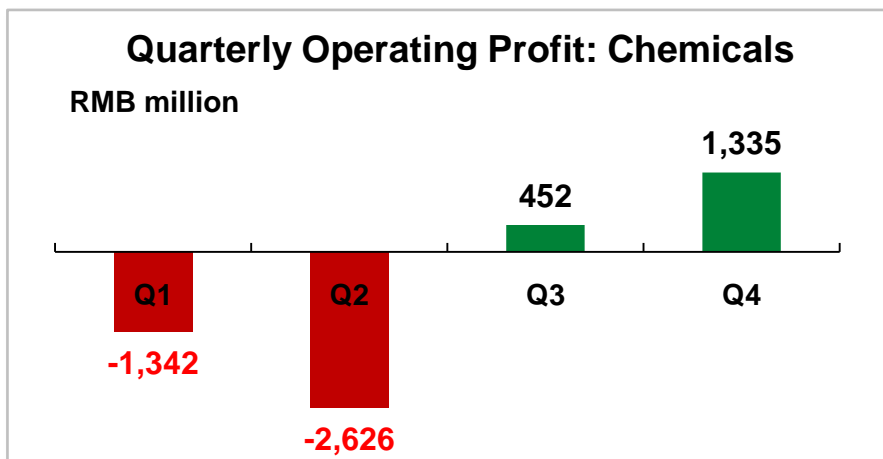
Note: 100% production of joint ventures included

Chemicals - Performance

- Operating profit turnaround in Q3 and further increased in Q4



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 Normal”
 - ◆ 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

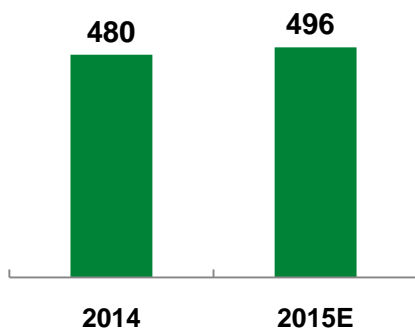
- Enhance safe operational situation
- Continue to implement *the Clear Water, Blue Sky Project*
- Continue to implement *the Energy Conservation Campaign*
- Achieve the company's target of 12th five-year energy conservation and emissions reduction



2015 Production Plan

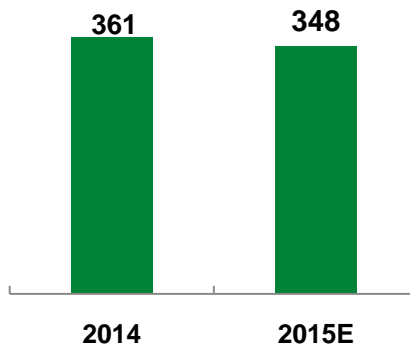
Oil and gas production

mmboe



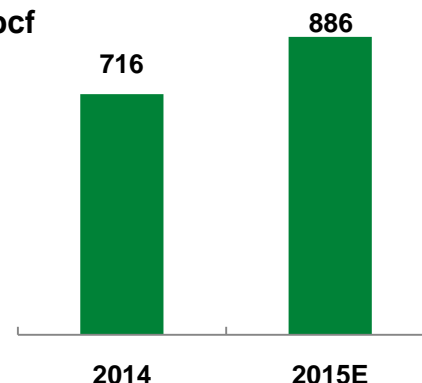
Crude oil production

mmbbls



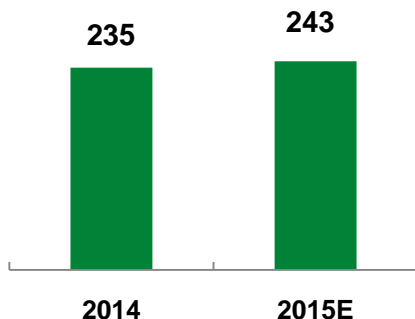
Natural gas production

bcf



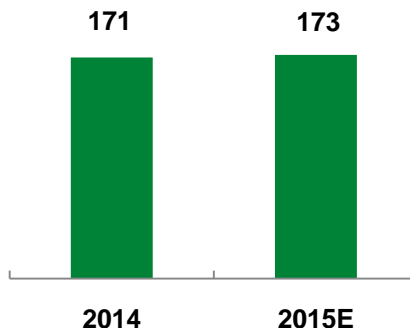
Refinery throughput*

mm tonnes



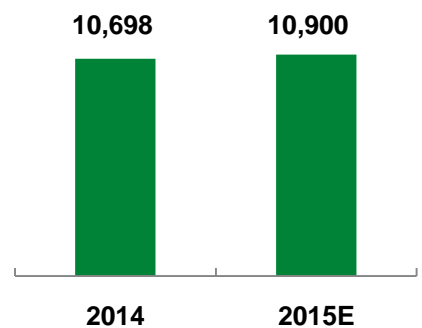
Total domestic sales of refined oil products

mm tonnes



Ethylene Production*

'000 tonnes



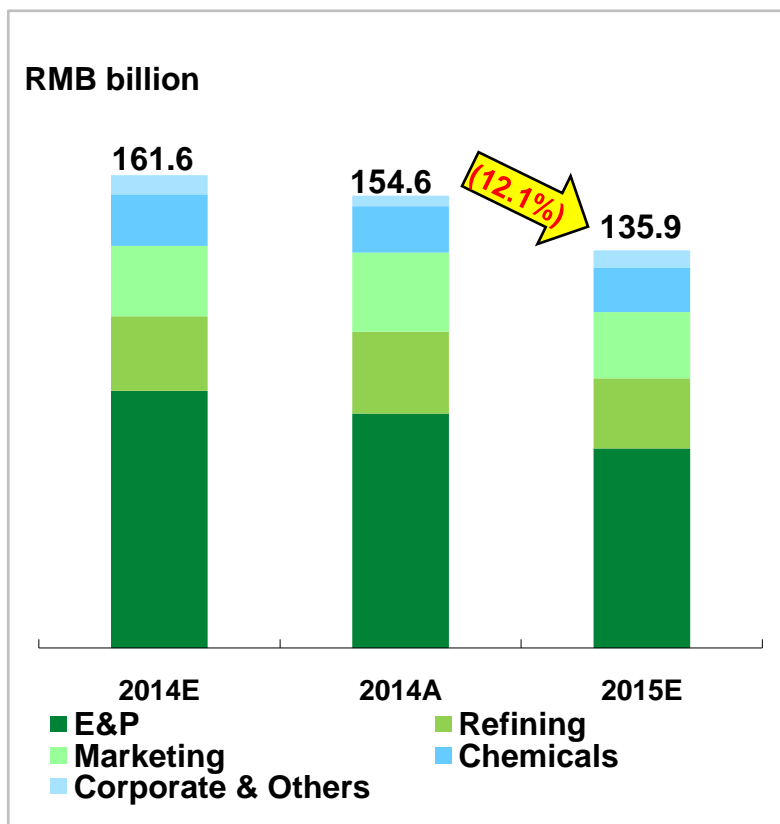
Note:*100% production of joint ventures included

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, optimize management hierarchy, improve employee's 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



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