Sinopec Achieves Operating Profit RMB35.1 Billion in 1H2016

Integrated Value Chain Exerts Greater Benefits, Downstream Businesses Ensures Profit Stability

(28 August 2016, Beijing, China) China Petroleum & Chemical Corporation ("Sinopec" or the "Company")(HKEX: 386; SSE: 600028; NYSE: SNP) today announced its interim results for the six months ended 30 June 2016.

Financial Highlights：

- In accordance with the International Financial Reporting Standards (IFRS), the Company's operating profit was RMB 35.1 billion, representing a decline of 13.3% from the same period last year. Profit attributable to equity shareholders of the Company was RMB 19.9 billion. Basic earnings per share were RMB 0.165.

- In accordance with China Accounting Standards for Business Enterprises ("ASBE"), the Company's operating profit was RMB 34.3 billion, representing a decrease of 12.9% over the same period of 2015. Net profit attributable to the equity shareholders of the Company was RMB 19.3 billion. Basic earnings per share were RMB 0.159

- In accordance with IFRS, the Company's liability-to-asset ratio was 43.46%, representing a decrease of 1.98 percentage points compared with the end of last year, the lowest level since its listing. The Company's cash and cash equivalents increased by RMB 4.1 billion as compared to the beginning of this year. The Company's cash flow and financial position further improved.

- The Board of Directors declared an interim dividend of RMB0.079 per share, which was in line with payout ceiling set out in the Articles of Association.

Business Highlights：

The first half of 2016 saw weak global economic recovery. China's GDP grew by 6.7% year on year. The oil products pricing mechanism was further improved and the floor on refined oil price was established. Domestic apparent consumption of refined oil products was up 4.4% year on year. Gasoline and kerosene consumption remained growth momentum, while diesel consumption declined further, showing continuous divergence in the consumption mix of oil products. Domestic consumption of major chemicals continued to grow. Ethylene equivalent consumption increased by 1.7% when compared with the first half of 2015. Chemical prices dropped amid the decline in feedstock prices, but chemical products margin maintained at high levels.

- Exploration and Production: the Company effectively optimised exploration and development activities. Its continuing efforts in exploration paid off with major discoveries in a number of regions. It attached great importance to the development of natural gas and actively expanded shale gas business. As for production operation, the Company strengthened cost discipline, substantially reduced low-efficiency and high-cost oil production, and increased natural gas production. This segment realized an operating loss of RMB 21.9 billion in the first half of 2016 but continued to generate cash inflow from operating activities.

- Refining: the Company adjusted its product mix in response to sharp increase of throughput from other refineries and abundant market supply. The Company further optimised its oil product mix by increasing the production of gasoline, kerosene and light chemical feedstock with a further decline in diesel-to-gasoline ratio. In the first half of 2016, this segment realised an operating profit of RMB 32.6 billion, representing an increase of 113% year on year. The refining margin was RMB 514.4 per tonne, representing an increase of 47.9% year on year.

- Marketing and Distribution: the Company coordinated and optimised internal and external resources and took full advantage of the synergies between its fuel and non-fuel businesses, achieving growth in their total business volume and retail transactions despite ample fuel supply and strong competition in the market. In addition, the Company adjusted marketing efforts by increasing the retail operation of premium products with high-octane numbers. Non-fuel business sustained rapid development with transaction amount significantly increased by 43% year on year. This segment's operating profit was RMB 15.8 billion, representing an increase of RMB 600 million year on year.

- Chemicals: the Company continued to adjust the structure of its feedstock, products and facilities. The Company further lowered the feedstock cost for ethylene, strengthened the integration among production, sales, product R&D and customer needs. The proportion of performance polymer and differentiated products further increased. The Company maintained low inventory operation and implemented differentiated marketing strategy. Total transaction of chemical products increased by 8.3% year on year. This segment's operating profit in the first half of 2016 stabilized at RMB 9.7 billion.

Mr. Wang Yupu, Chairman of Sinopec, said, "In the first half of 2016, the Company spared no effort to expand its markets, optimise its operations, control costs, adjust asset structure and manage risks. Focusing on the growth of quality and profitability, the Company emphasised on structural adjustment, deepening reform, innovation-driven strategy and strengthening coordination of all aspects of work. Looking ahead into the second half of 2016, China's economic growth is expected to remain steady, which will drive the growth of domestic demand for refined oil products and petrochemical products. We will remain focused on implementing the development plan for 2016 through 2020—transforming the pattern of growth, adjusting asset structure, upgrading asset quality and promoting sustainable growth to achieve superior business results."

Business Review

Exploration and Production

To address the challenges of low oil prices, the Company optimised exploration and production activities in the first half of this year and achieved satisfactory results. Its continuing efforts in exploration paid off with major discoveries in the Tahe of Xingjiang Autonomous Region, Beibu Gulf of the Guangxi, and the Yin-E Basin in Inner Mongolia Autonomous Region and new nature gas findings in west Sichuan and the Erdos Basin. A strong focus was placed on the development of natural gas. Phase Two shale gas development project in Fuling Shale Gas field further facilitated its shale gas development. Production in the first half of 2016 was 218.99 million barrels of oil equivalent, of which domestic crude production was 128.38 million barrels, overseas crude production was 25.79 million barrels, and total gas production was 388.69 billion cubic feet. In production, The Company strengthened cost discipline, reduced high-cost oil production, and increased natural gas production.

In the first half of 2016, operating revenues of the segment were RMB 52.5 billion, representing a decrease of 25.4% year on year. This was mainly due to lower sales prices of crude oil and decreased city-gate price of natural gas which was adjusted by the Chinese government in November 2015. In the first half of 2016, the oil and gas lifting cost was RMB 744 per tonne, representing a decrease of 3.6% year on year mainly due to the Company's strict control over costs and expenses.

Exploration and Production: Summary of Operations

	Six-month period ended 30 June		Changes
	2016	2015	(%)
Oil and gas production (mmboe)	218.99	232.95	(5.99)
Crude oil production (mmbbls)	154.17	174.07	(11.43)
China	128.38	147.47	(12.95)
Overseas	25.79	26.60	(3.05)
Natural gas production (bcf)	388.69	353.26	10.03

Refining

In the first half of this year, the Company adjusted its product mix in response to sharp increase of throughput from independent refineries and ample market supply. The Company further optimised its oil product mix by increasing the production of gasoline, kerosene and light chemical feedstock and decreasing the ratio between diesel and gasoline, reduced its crude purchasing costs, moderately increased refined oil products export and pressed ahead with oil products standards upgrading. Centralized marketing of the lubricant, LPG and asphalt businesses helped enhance the profitability of those products. In the first half of 2016, the Company processed 116 million tonnes of crude oil and produced 73.26 million tonnes of refined oil products, with production of gasoline and kerosene up by 3.74% and 3.36%, respectively, from levels in the first half of 2015.

In the first half of 2016, operating revenues of the segment were RMB 397.0 billion, representing a decrease of 18.3% year on year. This was mainly attributable to sharply decreased prices of products.

In the first half of 2016, the refining margin (defined as sales revenues less crude oil and refining feedstock costs and taxes other than income tax, divided by the throughput of crude oil and refining feedstock) was RMB 514.4 per tonne, representing an increase of 47.9% year on year. The change was mainly attributable to refining segment's efforts in advancing oil products quality upgrading, optimising product mix, increasing high-value-added products yield and expanding the market to increase the profitability of other refined oil products. In the first half of 2016, the segment realised an operating profit of RMB 32.6 billion, representing an increase of RMB 17.3 billion year on year.

Refining: Summary of Operations

	Six-month period ended 30 June		Changes
	2016	2015	(%)
Refinery throughput (million tonnes)	115.90	118.89	(2.51)
Gasoline, diesel and kerosene production (million tonnes)	73.26	74.75	(1.99)
Gasoline (million tonnes)	28.03	27.02	3.74
Diesel (million tonnes)	32.93	35.82	(8.07)
Kerosene (million tonnes)	12.30	11.90	3.36
Light chemical feedstock production (million tonnes)	19.37	19.07	1.57
Light yield (%)	76.61	76.69	(0.08) percentage points
Refining yield (%)	94.75	94.98	(0.23) percentage points

Note: Includes 100% of production of domestic joint ventures.

Marketing and Distribution

In the first half of 2016, the Company coordinated and optimised resources and took full advantage of the synergy between its fuel and non-fuel businesses, achieving growth in both total business volume and retail sales despite ample fuel supply and strong competition in the market. In addition, the Company adjusted marketing efforts by increasing the retailing of premium products with high-octane numbers. The Company further improved its product pipeline network, accelerated the building of service stations and optimised marketing network. The total sales volume of refined oil products in the first half of 2016 was up by 4.5% from the corresponding period last year to 97.17 million tonnes, of which domestic sales accounted for 86.51 million tonnes, up by 3.1%. Non-fuel business transaction was up by 43% from the first half of 2015 to 18.5 billion yuan owing to Internet+ marketing promotions and other measures.

In the first half of 2016, the operating revenues of the segment were RMB 501.0 billion, decreased by 11.4 % year on year. This was mainly due to declined prices of gasoline and diesel. The Company has actively expanded the sales volume, which has partially offset the effect of the declined prices. In the first half of 2016, due to higher retail ratio of high-value-added and high octane number oil products and more external resources, the margin of oil product sales was increased. The segment's operating profit was RMB 15.8 billion, representing an increase of RMB 600 million year on year.

Marketing and Distribution: Summary of Operations

	Six-month period ended 30 June		Changes
	2016	2015	(%)
Total sales volume of refined oil products (million tonnes)	97.17	92.97	4.52
Total domestic sales volume of refined oil products (million tonnes)	86.51	83.92	3.09
Retail (million tonnes)	59.65	58.19	2.51
Direct sales and Wholesale (million tonnes)	26.86	25.73	4.39
Annualised average throughput per station (tonne/station)	3,889	3,816	1.91

	As of 30 June 2016	As of 31 December 2015	Change from the end of last year（%）
Total number of Sinopec-branded service stations	30,688	30,560	0.42
Company-operated	30,675	30,547	0.42

Chemicals

In the first half of this year, the Company continued to adjust the structure of its feedstock, products and facilities to address market changes and maximize profit. The Company further lowered the feedstock cost for ethylene, strengthened the integration among production, sales, product R&D and customer needs, and continuously optimised operations of its manufacturing facilities, which has achieved great results. Ethylene production for the first half of 2016 was 5.478 million tonnes, up by 0.38% from the corresponding period last year. The Company strengthened the R&D, production and marketing capability of new higher value products, with the specialty performance polymer reaching 58% and the differential ratio of synthetic fiber reaching 83.2%. At the same time, the Company held firm to its strategies of low inventories and differentiated marketing. In the first half of 2016, total chemicals sales volume increased by 8.3% from the corresponding period last year to 32.82 million tonnes.

In the first half of 2016, operating revenues of the chemicals segment were RMB

149.2 billion, representing a decrease of 11.0% year on year, which was mainly due to declined chemical products prices year on year. In the first half of 2016, the operating expenses of the segment were RMB 139.5 billion, representing a decrease of 11.5% year on year, which was mainly due to continuous optimisition of raw materials mix and efforts to reduce production costs. The segment's operating profit in the first half of 2016 was RMB 9.7 billion, representing a decrease of 3.8% year on year.

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

	Six-month period ended 30 June		Changes
	2015	2014	(%)
Ethylene	5,478	5,457	0.38
Synthetic resin	7,500	7,476	0.32
Synthetic fiber monomer and polymer	4,672	4,322	8.10
Synthetic fiber	637	638	(0.16)
Synthetic rubber	411	453	(9.27)

Note: Includes 100% of production of domestic joint ventures.

Health, Safety and the Environment

Work safety has always been at the core of its operations and the Company continued to strengthen its safety management in the first half of 2016. The Company conducted special work to reduce safety risks in its oil and gas pipelines and tank farms, put protective measures in place to cope with strong rainfall and bad weather, and realised safe production on general.

The Company strengthened its green and low-carbon strategy by intensifying its work in environmental protection, energy conservation and emissions control. The Company continued to advance its energy performance contract model and energy management system, defined the projects of its Energy Efficiency Doubling initiative, and completed its Clear Water, Blue Sky program. In the first half of 2016, energy intensity was down by 0.69%, chemical oxygen demand in discharged waste water was down by 7.88%, ammoniac nitrogen emissions were down by 3.96%, sulfur dioxide emissions were down by 6.88%, and NOx emissions were down by 3.02% from levels in the corresponding period last year, and all hazardous chemicals, discharged water, gas, and solid waste were properly treated.

Capital Expenditures

To address the changing business environment in the first half of 2016, the Company improved the decision-making mechanism for investments and focused on managing investment return and increasing growth quality and efficiency. Total capital expenditures were 13.474 billion yuan. Capital expenditures for the exploration and production segment were 5.168 billion yuan, mainly for Phase Two of shale gas development in Fuling, the LNG terminals in Guangxi and Tianjin, and Phase Two of the Jinan-Qingdao gas pipeline. Capital expenditures for the refining segment were 2.774 billion yuan, mainly for gasoline and diesel quality upgrading and refinery optimisation projects. Capital expenditures for the marketing and distribution segment were 2.61 billion yuan, mainly for renovations of service stations, refined oil products pipelines and depots and safety projects. Capital expenditures for the chemicals segment were 2.44 billion yuan, mainly for feedstock and product optimization projects and coal chemical projects of East Ningxia project and Zhongtianhechuang project. Capital expenditures for corporate and others were 482 million yuan, mainly for R&D facilities and IT application projects.

Business Prospects

China’s economic growth is expected to be steady in the second half of 2016, which will drive the growth of domestic demand for refined oil products and petrochemical product. The consumption mix of oil products shall continue to change, and demand for chemical products shall be gradually going for more high-end products. Yet over-supply in the international oil market is likely to persist, and international oil prices will stay at a low level. The competitiveness of naphtha based chemicals as feedstock will remain strong. Against this background, The Company will spare no effort to expand its markets, optimise its operations, control costs, adjust asset structure and manage risks with the following focuses in each business segment:

The Company will maintain the level of input intensity in exploration and optimise planning of its exploration program to achieve high efficiency. For oil products, the Company will strengthen phased exploration and reservoir evaluation for oil projects to increase the quality of new projects and apply refined management over existing projects. For natural gas, the Company will speed up key capacity building projects, optimise production and sales, intensify reservoir assessment in west Sichuan and Northeast China, and press ahead with development of Fuling Shale Gas field. In the second half of 2016, the Company plan to produce 147 million barrels of crude oil, of which domestic production will account for 125 million barrels and overseas production will account for 22 million barrels. The Company plan to produce 421.2 billion cubic feet of natural gas during the period.

The Company will base its refining facility utilisation rates on market conditions, allocate crude resources and refining throughput according to profit margins and regional conditions, optimise its product slate to increase high-value-added products, and emphasise technology R&D. The Company will continue to lower the diesel-to-gasoline ratio, upgrade the refiled oil products" quality, increase clean fuel production and expand the sales volume of lubricants, LPG and asphalt. The Company plan to process 120 million tonnes of crude in the second half of the year.

The Company will focus on both sales volume and profits in marketing and distribution business, with profits as priority goals of operation. The Company will redouble efforts to expand its markets, increase its retail volume, optimise its sales structure, develop its automotive gas business by building and operating more CNG/LNG stations, and promote its non-fuel businesses by improving operations of convenience stores, adding new and specialty products and innovating its business model, and shall facilitate its transformation into a modern, comprehensive service provider. The Company plan to sell 84 million tonnes of refined oil products in the domestic market in the second half of the year.

The Company will further optimise its chemical feedstock structure to further reduce cost of feedstock, and operations and intensify profit analysis and evaluation of its product value chain and facilities. Contribution to profit margins will determine the slate of production and utilisation of facilities, and the Company will strengthen optimisation of product mix, produce more new and high-value-added products in accordance with market demand. The Company will strengthen the development and application of new products, and upgrade three major synthetic materials. The Company will also make further improvements to the marketing network and customer services by providing its customers with value-added services and integrated solutions. The Company plan to produce 5.56 million tonnes of ethylene in the second half of 2016.

In the second half of the year, The Company will remain focused on implementing the development plan for 2016 through 2020—transforming the pattern of growth, adjusting asset structure, upgrading asset quality and promoting sustainable growth to achieve superior business results.

Appendix: Key financial data and indicators

FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH ASBE

Principal accounting data

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year (%)
	2016 RMB million	2015 RMB million	
Operating income	879,220	1,041,131	(15.6)
Net profit attributable to equity shareholders of the Company	19,250	24,456	(21.3)
Net profit attributable to equity shareholders of the Company after deducting extraordinary gain/loss items	18,290	23,431	(21.9)
Net cash flows from operating activities	76,112	67,095	13.4
	At 30 June 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	692,934	677,538	2.3
Total assets	1,432,624	1,447,268	(1.0)

Principal financial indicators

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year (%)
	2016 RMB	2015 RMB	
Basic earnings per share	0.159	0.203	(21.7)
Diluted earnings per share	0.159	0.203	(21.7)
Basic earnings per share after deducting extraordinary gain/loss items	0.151	0.194	(22.2)
Weighted average return on net assets (%)	2.81	3.80	(0.99) percentage points
Weighted average return on net assets after deducting extraordinary gain/loss items (%)	2.67	3.65	(0.98) percentage points

FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH IFRS

Principal accounting data

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year (%)
	2016 RMB million	2015 RMB million	
Operating Profit	35,108	40,496	(13.3)
Net profit attributable to owners of the Company	19,919	25,423	(21.6)
Net cash generated from operating activities	76,112	67,095	13.4
	At 30 June 2016 RMB million	At 31 December 2015 RMB million	Change from the end of last year (%)
Equity attributable to owners of the Company	691,642	676,197	2.3
Total assets	1,432,624	1,447,268	(1.0)

Principal financial indicators

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year (%)
	2016 RMB	2015 RMB	
Basic earnings per share	0.165	0.211	(21.8)
Diluted earnings per share	0.165	0.211	(21.8)
Return on capital employed (%)	3.18	3.52	(0.34) 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 the first half of 2016 and the first half of 2015.

	Six-month periods ended 30 June		Changes
	2016	2015	
	RMB million		(%)
Exploration and Production Segment			
Operating revenues	52,509	70,401	(25.4)
Operating expenses	74,438	72,227	3.1
Operating (loss)/profit	(21,929)	(1,826)	1,100.9
Refining Segment			
Operating revenues	396,969	485,735	(18.3)
Operating expenses	364,381	470,415	(22.5)
Operating (loss)/profit	32,588	15,320	112.7
Marketing and Distribution Segment			
Operating revenues	500,969	565,638	(11.4)
Operating expenses	485,192	550,450	(11.9)
Operating (loss)/profit	15,777	15,188	3.9
Chemicals Segment			
Operating revenues	149,186	167,644	(11.0)
Operating expenses	139,508	157,588	(11.5)
Operating (loss)/profit	9,678	10,056	(3.8)
Corporate and others			
Operating revenues	312,816	415,790	(24.8)
Operating expenses	312,394	415,014	(24.7)
Operating (loss)/profit	422	776	(45.6)
Elimination of inter-segment profit/(loss)	(1,428)	982	-

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 ransportation 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.

Sinopec 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.

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.

Investor Inquiries：

Beijing

Tel：(86 10) 5996 0028

Fax：(86 10) 5996 0386

Email：ir@sinopec.com

Hong Kong

Tel：(852) 2824 2638

Fax：(852) 2824 3669

Email：ir@sinopechk.com

Media Inquiries：

Tel：(86 10) 5996 0028

Fax：(8610) 5996 0386

Email：ir@sinopec.com

Tel：(852) 2522 1838

Fax：(852) 2521 9955

Email：sinopec@prchina.com.hk