



Sinopec Corp. Announces 2009 Interim Results

Beijing, People's Republic of China (PRC) — 23 August, 2008 — China Petroleum & Chemical Corporation ("Sinopec Corp." or "the Company") (HKEX: 386; NYSE: SNP; LSE: SNP; CH: 600028) today announced its interim results for year ended 30 June, 2009.

Financial Highlights:

- In accordance with the PRC Accounting Standards for Business Enterprises ("ASBE"), the Company's turnover was RMB 534.025 billion, down by 26.9% over the same period in 2008. Net profit attributed to equity holders of the company was RMB 33.19 billion, representing an increase of 332.6% over the same period of previous year. Basic earnings per share was RMB 0.383, rising by 332.6% year-on-year.
- In accordance with the International Financial Reporting Standards (IFRS), the Company's turnover, other operating revenues and other income amounted to RMB 534.025 billion, representing a decrease of 30.2%. Net profit attributable to equity holders of the Company was RMB 33.246 billion, up by 332.8% compared to the same period last year. Basic earnings per share was RMB 0.383, up by 332.8% year-on-year.
- The Board of Directors proposed a half year dividend of RMB 0.07 per share with total dividend amount reaching RMB 6.069 billion.

Business Highlights

- The Exploration and Production Segment achieved steady growth in its oil and gas production, however, its operating profit was RMB 5.5 billion, down by 79.7% compared with the same period last year. This decline mainly was due to the decrease of crude price in the reporting period.
- The Refining Segment recorded an operating profit of RMB 19.9 billion, as a result of continuous optimization of crude sources and resultant reduction in crude cost, as well as implementation of domestic pricing mechanism and reform on levies and charges on road transportation.
- The Marketing and Distribution Segment generated an operating profit of RMB12.5 billion, representing a year-on-year decrease of 44.3%. This decline was mainly attributed to weakened domestic demand on oil products in the reporting period and the implementation of domestic pricing mechanism which narrowed gross margin of oil products.
- The Chemicals Segment recorded an operating profit of RMB9.8 billion, representing an increase of 115.3% over the first half of 2008 due to the market development initiatives and the drop in input cost.

Mr. Su Shulin, Chairman of Sinopec, commented: "China's petroleum and petrochemical market was confronted with challenges of declining demand and increased competition in the first half this year, in light of the global financial crisis. Responding to such operating environment, we have implemented a number of adjustments to our business strategy which was driven by market requirements and centered on profitability. We also took measures to further develop market potentials, improve production efficiency, and management effectiveness. "

"The government's fiscal stimulus package has yielded positive results on the national economy, and we saw both demand and pricing of petroleum and petrochemical products starting to recover recently. As a result, our monthly operating performance began to pick up. "

"For the first half of 2009, oil and gas equivalent output grew steadily. Refining business was turned profitable capturing the opportunity of new pricing mechanism and the reform on levies and charges of

road transportation. Chemicals business had continued to improve its capability in defending against market risks. The marketing and distribution business withstood severe operating challenges.”

Mr. Su Shulin continued, “The substantial increase in profit for the first half of 2009 is primarily a reflection of weaker comparatives from the same period of last year. In early 2008, crude prices reached historic highs, but Chinese domestic fuel prices were tightly controlled, to the extent that retail prices were at some stages lower than the underlying crude price. During this period, local refinery businesses suffered huge losses and there was a great shortage in inventory. In order to ensuring effective supply to the domestic market, Sinopec invested heavily to secure crude resources from multiple overseas channels and improve logistics systems. Thus, the company incurred significant operating losses during that period. ”

“With the implementation of the new pricing mechanism and reform of relevant levies and charges on road transportation in 2009, domestic fuel prices were increased. Yet it did not reach to a level that fully reflects crude cost due to considerations of challenging domestic economic situations and the resultant impact on consumers and enterprises, as well as the influence of the international financial crisis. Leveraging the company's advantage in scale and cost-efficiency, as well as its integrated business model, Sinopec turned around its profitability in the first half of 2009.”

PRINCIPAL FINANCIAL DATA AND INDICATORS

FINANCIAL DATA AND INDICATORS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“ASBE”)

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year
	2009 RMB millions	2008 RMB millions	(%)
Operating profit/(loss)	43,999	(26,023)	—
Profit before taxation	43,768	7,610	475.1
Net profit attributable to equity shareholders of the Company	33,190	7,673	332.6
Net profit before extraordinary gain and loss	33,285	8,351	298.6
Basic earnings per share (RMB)	0.383	0.088	332.6
Net cash flow from operating activities	82,370	5,994	1,274.2

Items	At 30 June 2009 RMB millions	At 31 December 2008 RMB millions	Changes from the end of last year (%)
	Total assets	816,342	763,297
Total equity attributable to equity shareholders of the Company	354,494	329,300	7.7
Net assets per share (RMB) (Fully diluted)	4.089	3.798	7.7
Adjusted net assets per share (RMB)	4.002	3.706	8.0

FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Items	Six-month periods ended 30 June		Changes over the same period of the preceding year
	2009 RMB millions	2008 RMB millions	(%)
Operating profit	46,182	6,837	575.5
Profit attributable to equity shareholders of the Company	33,246	7,682	332.8
Return on capital employed (%) ^{Note}	6.39	1.24	5.15 percentage points
Basic earnings per share (RMB)	0.383	0.089	332.8
Diluted earnings per share (RMB)	0.381	0.057	568.4
Net cash flow generated from operating activities per share (RMB)	0.912	0.028	
	3,204.6		

Note: Return on capital employed = operating profit x (1 - income tax rate)/capital employed

Items	At 30 June 2009 RMB millions	At 31 December 2008 RMB millions	Changes from the end of last year (%)
	Total assets	825,201	779,172

Total equity attributable to equity shareholders of the Company	353,139	327,889	7.7
Net assets per share (RMB)	4.073	3.782	7.7
Adjusted net assets per share (RMB)	3.987	3.690	8.0

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 changes made in the first half of 2009 compared with the first half of 2008.

	Six-month periods ended 30 June		
	2009	2008	Change
	RMB millions	RMB millions	(%)
Exploration and Production Segment			
Operating revenues	46,176	96,659	(52.2)
Operating expenses	40,675	69,561	(41.5)
Operating profit	5,501	27,098	(79.7)
Refining Segment			
Operating revenues	301,864	425,585	(29.1)
Operating expenses	281,966	472,131	(40.3)
Operating profit/(loss)	19,898	(46,546)	—
Marketing and Distribution Segment			
Operating revenues	317,770	396,459	(19.8)
Operating expenses	305,262	373,985	(18.4)
Operating profit	12,508	22,474	(44.3)
Chemicals Segment			
Operating revenues	90,792	132,005	(31.2)
Operating expenses	81,031	127,472	(36.4)
Operating profit	9,761	4,533	115.3
Corporate and others			
Operating revenues	195,426	411,237	(52.5)
Operating expenses	196,912	411,959	(52.2)
Operating loss	(1,486)	(722)	—

BUSINESS REVIEW AND PROSPECTS

In the first half of 2009, the Chinese government implemented stimulus package to promote economic growth, and adopted proactive fiscal policy and relatively easy monetary policy to overcome the negative impact of the international financial crisis on the global economy. As a result, Chinese economy maintained sound growth, domestic demands for oil products stopped falling and gradually went up, demands and prices of chemical products gradually bounced from the bottom of the fourth quarter last year. Meanwhile, the domestic pricing mechanism of oil products is being improved.

Confronted with the unfavorable situation, the Company timely adjusted its operating strategies, invested great efforts in developing markets, enhanced the integration of production, sales and research, and optimised its product mix to satisfy customer needs. Therefore, the Company managed to realise better than expected results in the reporting period.

PRODUCTION AND OPERATION

Exploration and Production Segment

In the first half of 2009, capital expenditure for exploration and production segment was RMB19.438 billion. The newly-built production capacity of crude oil and natural gas was 3.01 million tonnes per year and 437 million cubic meters per year respectively. In exploration, the Company made such new

achievements as high-yield hydrocarbon flows from exploration well in Toputai block in Tahe oil field, and from continental-phase Ziliujing well groups and marine-phase Leikoupo well groups in Yuanba region by improving overall geological research, optimising exploration layout, investing more in exploration and technological debottlenecking. In development, the Company attached great importance to development efficiency and quality, increased recovery rate and production per well, controlled development progress in the marginal blocks, enhanced operational management to increase production.

In the first half of this year, the Company produced 21 million tonnes of crude oil, representing an increase of 1.2% compared with the same period last year, and produced 4.037 billion cubic meters of natural gas, representing a decrease of 1.1% compared with the same period last year. The operating revenues of this segment were RMB46.2 billion, representing a decrease of 52.2% over the first half of 2008. The operating profit was RMB5.5 billion, representing a decrease of 79.7% over the first half of 2008. In the reporting period, this segment achieved cost saving of RMB322 million.

	Six-month periods ended 30 June		Changes
	2009	2008	%
Crude oil production (mmbbls) Note	149.12	147.38	1.2
Natural gas production (bcf) Note	142.51	144.15	(1.1)
Newly added proved reserve of crude oil (mmbbls)	137.74	158.74	(13.2)
Newly added proved reserve of natural gas (bcf)	(131.64)	186.92	—

Refining Segment

In the first half of 2009, adapting to changes in oil products market and demands for chemical feedstocks, the Company optimised its production process to adjust product mix in a timely manner, increased export volume and increased yield of gasoline and jet fuel. Meanwhile, the Company optimised the procurement of crude oil and improved the efficiency of pipeline networks, with a view to reduce the cost of imported crude oil and to improve efficiency in a cost-effective manner. In the first half of this year, the refinery throughput was 86.90 million tonnes, representing an increase of 1.8% compared with the same period last year and the production of oil products was 54.04 million tonnes, representing an increase of 3.5% compared with the same period last year. Operating revenues of this segment was RMB301.9 billion, representing a year-on-year decrease of 29.1%. This was mainly attributable to the fall in the price of refined oil products and sales volume of diesel. However, the operating expenses were RMB282.0 billion, representing a year-on-year decrease of 40.3%, mainly attributable to the sharp drop in crude oil price.

The company worked hard to reduce the cost of crude oil processed to raise the profit. In the first half of 2009, the total costs of crude oil processed were RMB191.0 billion, representing a year-on-year decrease of 55.3%. The capital expenditure for refining segment was RMB5.345 billion which was mainly used for refinery revamping projects and product quality upgrading projects. Cost saved in the refining segment achieved RMB457 million in the reporting period. The operating income of the segment totaled RMB19.9 billion in the first half of 2009, however, in the same period last year, the company suffered an operating loss.

	Six-month periods ended 30 June		Changes
	2009	2008	%
Refinery throughput (million tonnes) Note	86.90	85.35	1.8
Gasoline, diesel and kerosene production (million tonnes)	54.04	52.23	3.5
Including: Gasoline (million tonnes)	16.99	14.04	21.0
Diesel (million tonnes)	32.40	34.25	(5.4)
Kerosene (million tonnes)	4.64	3.94	17.8
Light chemical feedstock production (million tonnes)	12.04	12.14	(0.8)
Light products yield (%)	74.94	74.64	0.3
			percentage points
Refining yield (%)	93.84	93.86	(0.02)

Note: Refinery throughput is converted at 1 tonne = 7.35 barrels

Marketing and Distribution

In the first half of 2009, domestic demand for oil products declined and third party supplies increased, which resulted in intensive competition in domestic market. The Company made great efforts to explore markets, expand sales to end users, strengthen management, improve services and enhance brand image. Besides, the Company greatly expanded the marketing of lubricants and fuel oil, promoted sales of non-fuel products and provided customers with all-round services by using IC cards. The total sales volume of oil products reached 57.71 million tonnes, and sales volume increased on a monthly basis.

In the first half of 2009, the operating expenses were RMB305.3 billion, representing a year-on-year decrease of 18.4%, mainly attributable to the sharp drop in crude oil price. Capital expenditure in marketing and distribution segment was RMB2.55 billion, sales network of refined products was further improved and 288 service stations were added. In the first half of 2009, the marketing and distribution segment's operating profit was RMB12.5 billion, representing a year-on-year decrease of 44.3%. This decline was mainly attributed to the decrease of domestic demand and sales volume of oil products in the first half of 2009 and implementation of domestic pricing mechanism of oil products and reform on taxation and charges of road transportation, resulting in weakened gross margin of oil products. The marketing and distribution segment and the chemicals segment achieved cost saving of RMB455 million.

	Six-month periods		Year-on-year
	ended 30 June		changes
	2009	2008	%
Total domestic sales volume of oil products (million tonnes)	57.71	63.02	(8.4)
Including: Retail sales (million tonnes)	37.43	42.91	(12.8)
Direct sales (million tonnes)	11.44	10.37	10.3
Wholesale (million tonnes)	8.83	9.73	(9.2)
Average annual throughput per station (tonne/station)	2,596	3,006	(13.6)

	Increase/ decrease at the end of the reporting period		over that of the last year (%)
	At 30 June	At 31 December	
	2009	2008	
Total number of service stations	29,484	29,279	0.7
Including: Number of company-operated service stations	28,842	28,647	0.7
Number of franchised service stations	642	632	1.6

Chemicals

In the first half of 2009, the Company invested great efforts in developing potential markets. It also further promoted technical cooperation and alliance with customers, expanding marketing networks and channels while satisfying customer needs, strengthened the integration of production, sales and research and reinforced the development of new products according to the demand of customers. The Company increased production of new synthetic resin specialty and polyester specialty with an enhanced differential ratio for synthetic fibers. It enhanced management efficiency and improved operational efficiency. As a result, the total sales of chemical products increased despite of maintenance shut down of some facilities. The output of major chemical products reached 13.36 million

tonnes. The operating expense of the chemicals segment was RMB81.0 billion, representing a decrease of 36.4% over the first half of 2008. This was mainly attributable to the decrease of raw and auxiliary materials of RMB46.4 billion from the first half of 2008.

In the first half of 2009, the operating profit of the chemicals segment was RMB9.8 billion, representing an increase of 115.3% over the first half of 2008. This was mainly because the Company tried its best in market development, resulting in an increase in sales volume of chemical products, meanwhile the extent of unit price of raw materials decrease was higher than the extent of product prices decrease, which contributed to profit increase. The chemicals segment achieved cost saving RMB397 million in the reporting period. The capital expenditure in chemicals segment of RMB11.158 billion was primarily for ethylene projects in Tianjin and Zhenhai.

Output of Major Chemical Products	Unit: 1,000 tonnes		
	Year-on-year		
	Six-month periods ended 30 June		
	2009	2008	%
Ethylene	2,973	3,307	(10.1)
Synthetic resin	4,738	4,945	(4.2)
Synthetic fiber monomer and polymer	3,721	3,768	(1.2)
Synthetic fiber	629	681	(7.6)
Synthetic rubber	409	460	(11.1)
Urea	892	685	30.2

Note: 100% production of two ethylene joint ventures, namely BASF-YPC and SHANGHAI SECCO was included.

ENERGY SAVING AND EMISSION REDUCTION

The Company made remarkable achievements in resource saving, environment protection, energy saving and emission reduction. It conducted the publicity and education work of energy-saving and emission reduction, promoted the activity of energy efficiency benchmarking, carried out a post-project evaluation and focused on the promotion of advanced and new energy-saving technologies, such as grid powered drilling machine, model heating furnace, pulsed electric desalting and vapour collection. In the first half of this year, the energy intensity, industrial water consumption and COD in discharged waste water dropped by 3.8%, 2.6% and 4% respectively over the same period last year.

BUSINESS PROSPECTS

Looking into the second half of this year, the State will continue applying the proactive fiscal policy and relatively easy monetary policy, further improving and implementing the integrated economic stimulus package, and increasing domestic demand. The Chinese economy is expected to maintain relatively fast growth. International crude oil price in the second half is expected to be higher than the first half, fluctuating within a narrow range. While domestic demand for refined oil products will maintain steady growth, the demand for chemical products will continue to recover. Domestic ethylene production capacity is expected to grow significantly.

In the second half of this year, the Company will make more efforts in market development, strengthen the coordination between production, marketing and R&D. Throughout intensified and refined management and cost saving, the Company shall make optimal arrangement for various production and operation activities.

In Exploration and Production Segment, the Company will enhance wild cat exploration activities, and try to make break through in newly explored regions, and enhance integrated management over both exploration and development in key regions, as well as proactively tap the potentials of existing oil fields, and further improve their recovery rate. In terms of natural gas development, the Sichuan-East China Gas Project is expected to start-up in the fourth quarter of this year. In the second half of this year, the Company plans to produce 21.40 million tonnes of crude oil and 4.963 billion cubic meters of natural gas.

In Refining Segment, the Company will try to operate at high utilisation rate, optimise the purchase and

allocation of crude oil resources, and make efforts to reduce the cost of crude oil procurement. In line with market changes, the Company will timely adjust the product mix, and increase the output of high value-added products. The Company will start-up the newly built refining projects such as Fujian and Tianjin, and prepare for the production of GB III standard gasoline. In the second half of this year, the Company plans to 97.10 million tonnes of crude oil.

In Marketing and Distribution Segment, the Company will proactively deal with the changing market, implement flexible marketing strategy, in order to consolidate and expand sales to end-users. The Company will optimise its logistics, improve marketing network. Meanwhile, the Company will refine the management activities, improve its service, actively promote and develop such businesses as non-fuel products and IC cards. In the second half of this year, the Company plans a total domestic sales volume of oil products at 63 million tonnes.

In Chemical Segment, the Company will persist in such strategies as market oriented and customer centered, and to adjust product mix to produce more products well-received by the market. The Company will enhance coordination between production, sale and R&D and to promote the development of new products, and make more efforts to expand the market shares of chemical products. The Company will improve production management, maintain stable operation of facilities. Fujian and Tianjin, the two newly built ethylene projects will be put into operations. In the second half of this year, the Company plans to produce 3.727 million tonnes of ethylene.

In light of the market environment and the concrete situation, the new Board of Directors approved the rolling development program for the period starting from 2009 to 2011. We will continue to grow the domestic production of crude oil and substantially increase natural gas production. Furthermore, we will promote the integration of the refinery and petrochemical enterprises in three regions – the Yangtze River Delta, Pearl River Delta, and Bohai Rim – to ensure the steady supply of refined oil and petrochemical products. By 2011, domestic oil equivalent production is expected to amount to 55 million tonnes (approximately 43 million tonnes of crude oil and 17 billion cubic meters of natural gas); crude oil processing volume 202 million tonnes; ethylene productivity 9.3 million tonnes per year; and the total sales volume of domestic refined oil products 135 million tonnes.

In the next half year of 2009, with the support of all the shareholders and the whole society, the Board of Directors, with the joint efforts of the corporate management and all employees, through implementation of the above mentioned development strategies, and by proactively confronting the challenges, Sinopec Corp. will make further progress and delivery good results to our shareholders, employees, customers, and the society.

About Sinopec Corp.

Sinopec Corp. is the first Chinese company that has been listed in Hong Kong, New York, London and Shanghai. The Company is an integrated energy and chemical company with upstream, midstream and downstream operations. The principal operations of Sinopec Corp. and its subsidiaries include: exploring, developing, producing and trading crude oil and natural gas; processing crude oil into refined oil products; producing, trading, transporting, distributing and marketing refined oil products; and producing and distributing chemical products. Based on 2007 turnover, Sinopec Corp. is the largest listed company in China. The Company is one of the largest crude oil and petrochemical companies in China and Asia. It is also one of the largest gasoline, diesel and jet fuel and other major chemical products producers and distributors in China and Asia.

For additional information about Sinopec Corp., please visit the Company's website at www.sinopec.com.

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