



## Message from the President

*2004 was a record year for CNPC. We recorded, in all business segments, our best performance in the history of the company, building upon our proud past and carrying forward into the future. In 2004, CNPC maintained its scientific approach in pursuing overall coordinated development and spared no efforts in shaping a new image of the company, while accelerating development, improving the management structure and increasing returns. We built momentum in our core businesses and delivered good results in safety and in production. We pushed forward major reforms and saw new progress in technological and management innovation, which led to rapid development and good economic results.*

### **Delivering record results with enhanced integrated strength**

The record results reflect business achievements in operation, management, and R&D, as well as exceptional oil prices during the year. In 2004, we recorded sales revenue of 570.7 billion yuan, profits of 128.9 billion yuan, and a total asset base of 913.7 billion yuan.

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### **Sizable reserve discoveries, and record production**

With intensified efforts in exploration activities, CNPC has accelerated to build up new production capacity while enhancing oil recovery in mature fields. In 2004, a total of 166 million tons of proved oil reserves were added, of which 110 million tons discovered inside China and 55.87 million tons overseas. 134.5 billion cubic meters of natural gas were added for reserve replacement. The company's oil and gas production worldwide exceeded 150 million tons of oil equivalent, of which 128 million tons was oil and 31.25 billion cubic meters natural gas.

### **Robust refining & chemicals results with improved margins**

To meet the demand for oil products and chemicals in the marketplace, refining capacity was fully utilized to increase supply to the market, with an improvement in both quality and quantity. Domestic crude processing volume, production in gasoline, kerosene and diesel, and major chemicals were 110.78 million tons, 70.56 million tons and 11.49 million tons respectively. Oil products sales were 67.01 million tons, and chemicals sales were 13.05 million tons.

### **Notable progress in oil & gas pipeline construction**

On December 30 of 2004, the West-East Gas Pipeline, a symbolic project in the development of West China, officially celebrated its commercial operation. CNPC fulfilled its commitment to the country and the world. The Zhongxian-Wuhan gas pipeline entered commissioning ahead of schedule. Construction began on the Shaan-Jing Parallel Pipeline and Western China oil products and crude pipelines.

### **Remarkable achievements in international business**

In 2004, CNPC produced 30.12 million tons of crude and 3.55 billion cubic meters of natural gas overseas, representing a year-on-year increase of 19.5% and 84.7% respectively. International oil and gas investments were accelerated with 7 newly signed E & P contracts, and a good start in exploration projects. Meanwhile, a number of key

overseas projects such as Sino-Kazakh Oil Pipeline project saw smooth progress. The company participated in international energy cooperation in a broader and larger scale. The year 2004 also witnessed a rapid increase in the market share of the international engineering and services business of the company. Our self-developed petroleum machinery and equipment were sold in 58 countries around the world.

*CNPC is up to the challenges brought about by its new situations, opportunities and tasks. It will firmly uphold a scientific approach to development, keep steadfast to our mission to "Caring for Energy, Caring for You," remain committed to promoting economic and social development, value highly our social responsibilities and commitments to our shareholders through continuous structural optimization, technical advancement, and growth of our core businesses, and by offering clean, quality and reliable products to the market.*

*CNPC is writing a new chapter in history with its concerted efforts and pioneering spirit.*

Chen Geng President