



Message from the Chairman

In line with the decisions of the CPC Central Committee and the State Council, CNPC implemented our strategies of resources, market, internationalization and innovation in 2017 steadily in pursuit of stable and sound growth and operational excellence, and made new headway in our business activities.

Under the leadership of the Board of Directors, the company saw moderate yet stable and healthy growth over the year. Our production and operation were under well control amidst steady progress of reforms. Business development was achieved in a harmonious environment with corporate image being continuously improved. Our operational results outperformed targets, thanks to stronger capabilities in supplying oil and gas, major breakthroughs in international operations and remarkable performance in the services market. Our development concepts were more in line with the government requirement and our business environment was favorable, leading to an uplifted morale of employees.

In 2017, our domestic newly proven reserves exceeded 1 billion tons of oil equivalent for the 11th consecutive year. Crude oil production remained stable at over 100 million tons, and natural gas production mounted to over 100 billion cubic meters for the first time. Refining and chemicals business became a main source of earning after constant optimization. The sales network of refined products kept expanding with continuous improvement in quality and efficiency. A number of oil and gas pipelines became operational and gas sales surged. Major breakthroughs in overseas operations led to double-digit growth in both equity production and profits and we achieved important results in new project development. In services business, the value of contracts newly signed and market shares both increased, and there was ongoing improvement in competence and competitiveness.

In 2017, the company reviewed and launched a range of key reform initiatives and made new progress in reforms with regards to corporate governance, work process of the Board of Directors, specialized restructuring and mixed ownership etc. Meanwhile, the company pushed forward the reform of its R&D system and implemented the innovation strategy, resulting in a wide range of achievements in technology development and application. The reform of overseas operation systems, ongoing restructuring of oilfield services and optimization of headquarters functions moved forward as scheduled. The ownership reform towards the structure of a limited liability company was successfully completed. The pilot program for promoting autonomy in management advanced steadily. China Petroleum Engineering Co., Ltd. (CPEC) and CNPC Capital Co., Ltd. were publicly listed.

During the convening of Belt and Road Forum for International Cooperation in Beijing in May 2017, CNPC held the first Belt and Road Roundtable for Oil and Gas Cooperation to share ideas and promote international cooperation in the oil and gas circle. In face of new historic opportunities, CNPC expected to work closely with our peers and partners home and abroad to further expand oil and gas cooperation. In the principle of "achieving shared growth through discussion and collaboration", the partners would address major changes in the energy sector and create a win-win and mutually beneficial oil and gas community of common interests. With these efforts, we would supply more high-quality clean energy and facilitate the sustainable and healthy development of human society.

With a strong commitment to regulatory compliance, corporate social responsibility, poverty alleviation and brand building, the company continued to reshape its corporate image. Our business activities remained stable and harmonious as a whole, without major safety or environmental accidents or violence incidents related to oil and gas. Our achievements in the past year were by no means easy to accomplish. I would like to take this opportunity to express my sincere gratitude to all sectors of the society for their support!

The year 2018 is the beginning year to implement the decisions of the 19th CPC National Congress. It also marks the 40th anniversary of China's Reform and Opening-Up Policy, 20th anniversary of our corporate restructuring and a milestone in the "13th Five-Year Plan" period. In line with the fundamental requirements for operational excellence and the general principle of stable and sound development, the company will adopt a holistic approach in stabilizing growth, promoting reforms, shoring up weak points, mitigating risks and increasing profits as well as improving the corporate image. We will accomplish all business objectives and achieve further progress in our business activities in support of the sustainable and healthy development of China's economy and society.

Chairman