2017 Annual Results Announcement

23 March 2018
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Board and Management

Mr. WANG Yilin
Chairman

Mr. WANG Dongjin
Vice Chairman and President

Mr. HOU Qijun
Executive Director and Vice President

Mr. WU Enlai
Secretary to the Board of Directors

Mr. CHAI Shouping
Chief Financial Officer
Welcome Remarks by the Chairman

2017 Financial Results Review and Analysis

2017 Operating Results & 2018 Outlook

Q&A session
Welcome Remarks by the Chairman

Mr. WANG Yilin
Chairman
Achievements in 2017

Operating Performance Beat Targets

- Turnover was RMB2 trillion, profit from operations was RMB 67.7 billion, up 24.7% and 11.7% y-o-y respectively
- Average rate of return on invested capital showed a steady pickup trend
- Debt-to-asset ratio and debt-to-capital ratio were controlled at a reasonable level
- Free cash flow increased by RMB 53.3 billion y-o-y, remained positive for four consecutive years

Steady Development in Principal Oil and Gas Business

- Major production indicators maintained steady growth in general
- Discovered and confirmed a batch of large-scale and quality reserves in domestic oil and gas exploration
- Stabilized domestic crude production, with booming production and sales of natural gas
- Significant achievements were made in the restructuring of refining and chemicals business, bringing profitability to a new height
- New overseas projects proceeded steadily
Achievements in 2017

Reform and Innovation Proceeded Steadily and Precisely

- Reforms on mechanism for the overseas oil and gas business, pricing mechanism for internal oil and gas products, and internal transfer of the first batch of mineral rights and other reforms were successfully implemented
- Oil and gas lifting cost, unit cash processing cost and oil marketing cost dropped
- New results achieved from the applications of a batch of core technologies

Key Programs and Strategic Projects were Completed and Put into Operation

- Swiftly pushed forward the construction of a shale gas project with a capacity of 12 billion cubic meters/year in South Sichuan, light hydrocarbon utilization project in Tarim commenced production successfully
- Yunnan Petrochemical’s refinery project with a capacity of ten million tons commenced operation successfully, and restructuring project of Huabei Petrochemical and Liaoyang Petrochemical was carried out effectively
- The construction of the northern section of the Sino-Russian East-Route Natural Gas Pipeline started, and Second Sino-Russian Crude Oil Pipeline and Fourth Shaanxi-Beijing Gas Pipeline were completed and put into operation
New Progress in M&A of Overseas Assets

• On 21 March, PetroChina signed an agreement with Abu Dhabi National Oil Company (ADNOC) to acquire a 10% interest in the Umm Shaif and Nasr concession and a 10% interest in the Lower Zakum concession. The agreement came into effect starting from 9 March 2018 with a term of 40 years.

• These oil fields have good reserves quality, huge oil & gas geological reserves and remaining recoverable reserves, and high quality of oil.

• The current annual output is about 32 million tons, and the peak annual output is expected to reach 50 million TOE or more.

• The projects can provide more oil supply channels to the Company and contribute to asset portfolio optimization and profitability enhancement of the Company.
Production and Operation Environment

Challenges

• Increased uncertainty of oil price
• Intensified competition in domestic market
• Increased difficulties in organizing production and operation

Opportunities

• Global demand for oil and gas grows rigidly
• Demand for clean energy such as natural gas is rising rapidly
• China deepens oil and gas system reform
• “Belt and Road” initiative is further advanced

Adhered to the Principle of Steady Development in the New Era

1. Implement a new development concept
2. Adjust and optimize structure
3. A shift in driving force for development
4. Fulfill social responsibilities
Strategic Focuses for 2018

- Promote high-quality development
- Broaden revenue streams, cut unnecessary expenses, lower costs and boost efficiency
- Continue to deepen reform and implement innovative management
2017 Financial Results Review and Analysis

Mr. CHAI Shouping

Chief Financial Officer
## Financial Results Highlights

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>2,015,890</td>
<td>1,616,903</td>
<td>+24.7%</td>
</tr>
<tr>
<td>Profit from Operations</td>
<td>67,722</td>
<td>60,635</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Net Profit Attributable to Shareholders of the Company</td>
<td>22,798</td>
<td>7,857</td>
<td>+190.2%</td>
</tr>
<tr>
<td>Basic EPS *</td>
<td>0.12</td>
<td>0.04</td>
<td>+190.2%</td>
</tr>
</tbody>
</table>

* Basic earnings per share: RMB
Reasonable Planning of Capex

2013-2017 Capex Comparison

2017 Capex

- Exploration & Production: 74.9%
- Natural Gas & Pipeline: 11.3%
- Refining & Chemicals: 8.2%
- Marketing: 0.5%
- Headquarter & Others: 5.1%

1H Capex

2H Capex
Low-Cost Development Bearing Fruit

Lifting Cost

- USD/bbl
  - 2016: 11.67
  - 2017: 11.53
  - Change: -1.2%

Unit Cash Processing Cost

- RMB/ton
  - 2016: 179.93
  - 2017: 169.04
  - Change: -6.1%

Oil Marketing Cost

- RMB/ton
  - 2016: 314.77
  - 2017: 305.48
  - Change: -3.0%
Sound Financial Position

**Total Assets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (RMB Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 Dec 2016</td>
<td>2,396,651</td>
</tr>
<tr>
<td>As of 31 Dec 2017</td>
<td>2,404,612</td>
</tr>
</tbody>
</table>

**Debt-to-Asset Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 Dec 2016</td>
<td>42.7%</td>
</tr>
<tr>
<td>As of 31 Dec 2017</td>
<td>42.6%</td>
</tr>
</tbody>
</table>

**Debt-to-Capital Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 Dec 2016</td>
<td>27.3%</td>
</tr>
<tr>
<td>As of 31 Dec 2017</td>
<td>25.2%</td>
</tr>
</tbody>
</table>

**Cash Flow**

- **Net Cash Flow from Operating Activities**
  - As of 31 Dec 2016: 265,179 RMB Million
  - As of 31 Dec 2017: 366,655 RMB Million
  - Increase: +38.3%

- **Free Cash Flow**
  - As of 31 Dec 2016: 84,125 RMB Million
  - As of 31 Dec 2017: 137,416 RMB Million
  - Increase: +63.3%
Exploration and Production – Profit from Operations

Exploration and Production

RMB Million

<table>
<thead>
<tr>
<th>2016</th>
<th>Pricing</th>
<th>Sales Volume</th>
<th>Disposal of Trans-Asia Gas Pipeline</th>
<th>Operating Expense</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,148</td>
<td></td>
<td>-794</td>
<td>-24,534</td>
<td>15,475</td>
</tr>
</tbody>
</table>
## Refining and Chemicals – Profit from Operations

### Refining Business

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Margin</th>
<th>Processed Volume</th>
<th>Operating Expenses</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27,565</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>32,573</td>
<td>-4,458</td>
<td></td>
</tr>
</tbody>
</table>

### Chemicals Business

<table>
<thead>
<tr>
<th>Year</th>
<th>Pricing</th>
<th>Sales Volume</th>
<th>Operating Expenses</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>25,592</td>
<td>-35,911</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>7,388</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RMB Million
Marketing – Profit from Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit</th>
<th>Sales Volume</th>
<th>Operating Expense</th>
<th>International Trading</th>
<th>2017 Gross Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>11,048</td>
<td>-7,680</td>
<td>1,620</td>
<td>3,541</td>
<td>8,279</td>
</tr>
</tbody>
</table>

RMB Million
Natural Gas and Pipeline – Profit from Operations

Natural Gas and Pipeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross profit from natural gas</th>
<th>Gross profit from domestic gas transmission</th>
<th>Gross profit from city gas business</th>
<th>Operating expenses</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>17,885</td>
<td>176</td>
<td>-1,403</td>
<td>662</td>
<td>176</td>
<td>15,688</td>
</tr>
<tr>
<td>2017</td>
<td>15,688</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RMB Million
Emphasis on Shareholders Returns

2016 - 2017 Dividend Comparison

- Distribution of annual dividend of RMB0.02489 per share*, representing 45% of net profit as per the IFRS
- Special final dividend of RMB0.03585 per share*
- Final dividend of RMB0.06074 per share*
- Total payout of RMB0.13 per share* for 2017
- Total annual dividend of RMB23.793 billion with payout ratio of 104.4%

*Remarks: including tax
2017 Operating Results & 2018 Outlook

Mr. Wang Dongjin

Vice Chairman and President
Macro Environment in 2017

Brent Crude Oil Spot Price
USD/bbl

Source: Bloomberg

China's Natural Gas Consumption Growth
(%)

Source: National Development and Reform Commission

China's Refined Oil Consumption Growth
(%)

Source: National Development and Reform Commission

China GDP Growth
(%)

Source: National Bureau of Statistics

Average: 39.81
Average: 47.57
Average: 51.72
Average: 56.63
Operating Profitability Improved Steadily in 2017

Domestic oil and gas exploration focused on changing development patterns and reducing costs, profitability picked up steadily.

Overseas Business seized opportunities and promoted cooperation, providing more space for sustainable development.

Refining and Chemicals business optimized operations and restructured, contribution to profit hit a new high.

Natural gas and pipeline business coordinated resources and expanded market, sales volume increased with stable profitability.

Marketing Business increased sales volume and adopted strict benchmarking, marketing capabilities gradually enhanced.

Reform and innovation raised efficiency and vitality, improved operational management standard.
Domestic Oil and Gas Exploration Focused on Changing Development Patterns and Reducing Costs, Profitability Picked up Steadily

Carried out efficient exploration

- New discoveries were made in Junggar Basin, with an oil-bearing scale of over 200 million tons
- High-yield and enriched area was found in Ordos Basin, with an oil-bearing scale of over 200 million tons
- Three new gas-bearing structures were found in Tarim Basin, with a scale of over 150 billion cubic meters
- New discovery was made in Sichuan Basin, revealing broad prospects for natural gas exploration

Adhered to Efficient Development

- Projects in Mahu of Xinjiang and Halahatang of Tarim as well as other key production projects were carried out steadily
- Unlocked production potential of gas fields in Changqing, Tarim, Southwest and Qinghai and other gas fields
- Shale gas production in Changning and Weiyuan achieved 3.02 billion cubic meters, a y-o-y increase of 6.1%
Overseas Business Seized Opportunities and Promoted Cooperation, Providing More Space for Sustainable Development

- Fully leveraged the strategic opportunities brought by the “Belt and Road” initiative, pushed forward development of new projects and construction of major projects in an orderly manner
- Focused on discovery of quality reserves that can be recovered quickly, major progress was made in rolling exploration and risk exploration in many overseas regions
- Projects in Rumaila and Hafaya of Iraq as well as in Chad and other projects over fulfilled their production plans
- New Progress was made in M&A of Overseas Assets, providing more space for the Company’s sustainable development
## Exploration and Production – Key Oil and Gas Production Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017 Actual</th>
<th>2017 Target</th>
<th>Change (Actual vs Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Output (MM bbl)</td>
<td>887.0</td>
<td>879.0</td>
<td>+0.9%</td>
</tr>
<tr>
<td>Domestic (MM bbl)</td>
<td>743.1</td>
<td>739.5</td>
<td>+0.5%</td>
</tr>
<tr>
<td>Overseas (MM bbl)</td>
<td>143.9</td>
<td>139.6</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Marketable Natural Gas Output (bcf)</td>
<td>3,423.4</td>
<td>3,307.9</td>
<td>+3.5%</td>
</tr>
<tr>
<td>Domestic (bcf)</td>
<td>3,153.0</td>
<td>3,039.4</td>
<td>+3.7%</td>
</tr>
<tr>
<td>Overseas (bcf)</td>
<td>270.4</td>
<td>268.5</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Oil &amp; Gas Equivalent Output (MM boe)</td>
<td>1,457.8</td>
<td>1,430.5</td>
<td>+1.9%</td>
</tr>
<tr>
<td>Domestic (MM boe)</td>
<td>1,268.8</td>
<td>1,246.2</td>
<td>+1.8%</td>
</tr>
<tr>
<td>Overseas (MM boe)</td>
<td>189.0</td>
<td>184.3</td>
<td>+2.6%</td>
</tr>
</tbody>
</table>
Refining and Chemicals Business Optimized Operations and Adjusted Structure, Contribution to Profit Hit a New High

**Crude Processing Volume**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>MM bbl</td>
<td>953.3</td>
<td>1,016.9</td>
<td>+6.7%</td>
</tr>
</tbody>
</table>

**Production of Major Refined Oil Products**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refined oil products</td>
<td>92,715</td>
<td>86,022</td>
<td>+7.8%</td>
</tr>
<tr>
<td>Including: Gasoline</td>
<td>37,363</td>
<td>33,275</td>
<td>+12.3%</td>
</tr>
<tr>
<td>Kerosene</td>
<td>7,111</td>
<td>6,058</td>
<td>+17.4%</td>
</tr>
<tr>
<td>Diesel</td>
<td>48,241</td>
<td>46,689</td>
<td>+3.3%</td>
</tr>
</tbody>
</table>

**Production of Chemical Products**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethylene</td>
<td>5,764</td>
<td>5,589</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Synthetic resin</td>
<td>9,284</td>
<td>9,078</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Synthetic fiber materials and polymers</td>
<td>1,390</td>
<td>1,410</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Synthetic rubber</td>
<td>809</td>
<td>760</td>
<td>+6.4%</td>
</tr>
<tr>
<td>Urea</td>
<td>1,439</td>
<td>1,900</td>
<td>-24.3%</td>
</tr>
</tbody>
</table>
Marketing Business Increased Sales Volume and Adopted Strict Benchmarking, Marketing Capabilities Gradually Enhanced

Sales Volume of Major Oil Products

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Refined Oil Products</td>
<td>169,466</td>
<td>159,107</td>
<td>+6.5%</td>
</tr>
<tr>
<td>Including: Gasoline</td>
<td>65,293</td>
<td>62,406</td>
<td>+4.6%</td>
</tr>
<tr>
<td>Kerosene</td>
<td>16,849</td>
<td>16,533</td>
<td>+1.9%</td>
</tr>
<tr>
<td>Diesel</td>
<td>87,324</td>
<td>80,168</td>
<td>+8.9%</td>
</tr>
</tbody>
</table>

International Trading Volume

2016: 326 MM tons, 2017: 320 MM tons, -2.0%

Domestic Sales Volume of Oil Products

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>48,988</td>
<td>51,622</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Kerosene</td>
<td>6,018</td>
<td>6,746</td>
<td>+12.1%</td>
</tr>
<tr>
<td>Diesel</td>
<td>57,192</td>
<td>54,841</td>
<td>-4.1%</td>
</tr>
</tbody>
</table>

Total Service Stations

2016: 20,895 Station, 2017: 21,399 Station, +2.3%
Natural Gas and Pipeline Business Coordinated Resources and Expanded Market, Sales Volume Increased with Stable Profitability

Sales of Natural Gas

<table>
<thead>
<tr>
<th>Year</th>
<th>Billion cubic meters</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>183.2</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>186.6</td>
<td>+1.8%</td>
</tr>
</tbody>
</table>

Domestic Sales Volume of Natural Gas

<table>
<thead>
<tr>
<th>Year</th>
<th>Billion cubic meters</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>108.8</td>
<td>+11.2%</td>
</tr>
<tr>
<td>2017</td>
<td>121.0</td>
<td></td>
</tr>
</tbody>
</table>

Natural Gas Business

- Continued to optimize resource allocation
- Established natural gas sales system

Pipeline Construction

- Northern part of east section of Sino-Russia natural gas pipeline commenced construction
- The Second Sino-Russian Crude Oil Pipeline and the Fourth Shaanxi-Beijing Gas Pipeline commenced operation as planned
- The Company's pipelines measured a total length of 82,374 km
  - Over 70% of domestic natural gas pipelines
  - Over 70% of domestic crude oil pipelines
  - Over 40% of domestic refined product pipelines
Reform and Innovation Raised Efficiency and Vitality, Improved Operational Management Standard

- Continued to deepen the pilot scheme to expand the autonomy of business operations, the internal pricing mechanism for oil and gas products was further streamlined, and the internal circulation of the first batch of mineral rights progressed smoothly.
- Optimized investment structure to make it more investment-oriented and concentrated
- Continued to broaden revenue streams, cut unnecessary expenses, lower costs and boost efficiency
- Continuously deepened the review of HSE system with a focus on risk management and control
- Continued to push forward the applications of advanced technologies in management innovation and business model innovation

- Evaluation technology for complex structure traps in foreland thrust belts
- Water-driving enhanced oil recovery technology in low permeability to special low permeability oil reservoirs
- Shallow shale gas extraction at 3,500m supported by six main technologies
- Development and application of new products such as high-value oil products and high value-added synthetic materials
Outlook for 2018

Positive Factors

The trend of rigid growth in oil consumption remains unchanged

Demand for natural gas grows rapidly

Deepen state-owned enterprise and oil and gas system reforms

China strengthens management of consumption tax on refined oil products

Push forward “Belt and Road” initiative

Uncertainties

Lack of fundamental support for rising international oil prices

Increased volatility in demand from domestic oil and gas market

Intensified industry competition
Key Works and Plans for 2018

Adhere to Principle of Steady Development

1. **Domestic exploration and production**
   - Place emphasis on efficient exploration and low-cost development to stabilize oil output, increase gas output and raise efficiency.

2. **Overseas exploration and production**
   - Implement signed agreements and measures for increasing output and efficiency to make more achievements in overseas oil and gas cooperation.

3. **Refining and chemicals**
   - Continue to optimize resource allocation and product mix to maintain safe and efficient operation of refining and chemicals production.
Key Works and Plans for 2018

Adhere to Principle of Steady Development

4. Marketing
   Strengthen delicacy marketing and network construction to improve the profitability of the sales of refined oil products

5. Natural gas and pipeline
   Concentrate on resource coordination and market development to improve operations of natural gas and pipeline business

6. Safety and environmental protection
   Strengthen the implementation of responsibilities as well as risk prevention and control to ensure that safety and environmental situation continues to improve

7. Reform and innovation
   Continue to promote reform and management innovation to strengthen internal driving force for development
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