





Message from the Chairman

A profound post-crisis restoration in the world economy continued in 2015. The recovery was tortuous, with international oil prices dropping steeply. As Chinese economy entered the “New Normal”, domestic oil and gas demand growth slowed down and market competition further intensified. Facing up to the changes in the new situation, CNPC focused on oil and gas businesses and accelerated the shift in its development concepts and thinking from a scale and speed-oriented pattern of growth to a more quality and efficiency-focused approach for steady development. We have worked hard to cope with daunting tasks, risks and challenges emerging from our reforms, and obtained new achievements and progress in the process.

Steady growth in core businesses: The company's overall operating performance was better than expected, thanks to a series of pertinent initiatives in improving business coordination among production, transportation, marketing, stockpiling and trading, optimizing production & operation, cutting investment and cost, increasing income, reducing expenditure, and enhancing efficiency. Our oil and gas output recorded a historical high, and the crude runs as well as sales of oil products and natural gas increased steadily. In addition, our oilfield services, engineering construction and equipment manufacturing segments gathered pace in international market development and business transformation.

Continued deepening of enterprise reform: Being problem oriented, we furthered our reform efforts, targeting bottlenecks in our production & operation and business development. Significant progress has been made in streamlining administration and power decentralization, expanding management autonomy of our subsidiaries, optimizing management system for overseas operations, conducting asset consolidation, promoting joint-venture cooperation and facilitating the market-based reform of staff community-related services. In particular, pipeline asset restructuring has become a highlight of the company's capital operating initiatives in recent years.

Enhanced technological innovation capability: We maintained world leading position in exploration and development technologies, achieved leaping development in refining and petrochemicals technologies and became a frontrunner in oil and gas storage & transportation technologies by continually improving our innovation system, and promoting the development of key theories and applied techniques. In particular, “Theoretical and technological innovations for the exploration and development of ultra-low-permeability tight oil and gas reservoirs” was awarded the first-class National Science and Technology Progress Award.

Effectively fulfilling green development: With the corporate mission of “Caring for Energy, Caring for You”, we have been upholding the sustainability concept of safe, clean and energy-saving development. We continue to change the mode of energy production and consumption, keep improving our HSE system, fulfill our corporate social responsibility and promote emission reduction, energy conservation and environmental protection, so as to fight climate change and boost socioeconomic development where we operate.

The year 2015 marks the completion of the 12th Five-Year Plan. Over these years, the company has achieved significant enhancement in both comprehensive strength and international competitiveness. Our ranking on the Fortune Global 500 has risen from 10th to 4th and on the World's Top 50 Oil Companies from 5th to 3rd. Our crude output, natural gas output and crude runs leaped to 1st, 2nd and 3rd place respectively among international peers. As at the end of 2015, the company's total assets stood above RMB 4 trillion.

2016 is the first year of China's 13th Five-Year Plan, and is also a crucial year for CNPC to tackle the challenges of low oil prices and achieve steady growth. CNPC as an international company faces increasingly complicated economic and geopolitical environments across the globe. In particular, oil price drifting low has constituted severe challenges for our ongoing production and operations. Nevertheless, national programs, such as the Belt and Road Initiative, the Yangtze River Economic Belt and Beijing-Tianjin-Hebei Metropolitan Region Development, are providing new opportunities for the company's prospective development. Also, low oil prices represent a window of opportunity for the company to seek promising oil and gas projects worldwide and optimize our assets portfolio. We will maintain a firm commitment to the development concept focusing on innovation, coordination, eco-friendliness, openness and mutual benefits, and the business guideline highlighting steady growth in implementing our strategies for resources, market, internationalization and innovation, with quality and efficiency at the heart of our business activities. Meanwhile, we will continue to optimize our business structure and promote reform and innovation with a focus on our core businesses, in a bid to reduce cost and increase benefits and mitigate risks on our way towards building CNPC into a major integrated international energy corporation.

Chairman