



President's Report

Turnover

2,087.1 billion RMB yuan

Earnings before taxes

87.5 billion RMB yuan

In face of the severe impact and various challenges in 2020 brought by the onslaught of COVID-19 globally, the plummeted international oil price and the drastic shrink of domestic refined products market, the company showed firm resolve in implementing the decisions made by the central government and the requirements of the Board. We promoted coordinated advancement in epidemic prevention and control, work and production resumption, business operation, as well as reform and innovation. We vigorously improved quality and efficiency, effectively put epidemic under control and ensured profit-making. We showed strong resilience with operation along the whole value chain remained stable and performance better than expected, accomplishing the tasks under the thirteenth-five-year plan. Our turnover in 2020 was RMB 2,087.1 billion and earnings before taxes were RMB 87.5 billion.

Significant achievements were registered on COVID-19 prevention and control, and HSE performance was stable and making headway.

As part of the deployments and requirements by the CNPC Leading Group of Epidemic Prevention and Control, we put our employees' life and health at the top priority, launched top level response immediately after the outbreak, and built a joint prevention and control mechanism that pooled and coordinated efforts across the company in a highly efficient and prompt way. We advanced work on epidemic control and production restoration with well-conceived approaches and in good order, which safeguarded lives and health of our employees, their family members, contractors, service providers as well as our communities. We fully leveraged our industrial and resources advantages to render strong support and played an important role in the national efforts for containing the virus. Rooted in the concept of "people-oriented, quality utmost, safety first and environmental protection prioritized", the company strengthened the integrated review on QHSE performance, implemented the three-year-action plan on special rectification for safety production, beefed up supervision on key areas, and earnestly sorted through and fended off risks and potential hazards. No major and above production accidents were recorded in the past year. We also paid high attention to energy conservation and consumption reduction, and saved 790,000 tons of standard coal and 10.33 million cubic meters of water in 2020.

Marvelous results were attained in domestic E&P, and oil and gas production scaled up a new high. To conscientiously act in line with the Chinese President Xi Jinping's instructions on putting more emphasis on domestic exploration and development, we implemented the seven-year-action plan and pooled our strength on the said task to gain initiative in oil and gas production. We registered many strategic breakthroughs and important exploration achievements in areas such as Sichuan, Ordos, Junggar and Tarim, and discovered and proved nine 100-million-ton level oil reserves and nine 100 billion-cubic-meter level gas reserves. We also saw 872.53 million tons of newly added proven oil reserves in place and 648.3 bcm of newly added gas reserves in place. On the production side, the company focused on efficient production capacity building in new areas, and effectively controlled depletion rate of matured oil and gas fields to enhance their recovery. Our domestic oil and gas equivalent production of 2020 recorded 200 million tons for the first time in history reaching 206 million tons. Oil output was 102.25 million tons, slightly increased while maintaining stability. Gas output was 130.6 bcm, exceeding 100 million tons of oil equivalent and outrunning oil for the first time. Our oil and gas production mix was further optimized and we have made remarkable progress on green and low carbon development.

Refining and chemicals business structure underwent steady adjustment, with efforts on reducing refined products and increasing chemicals bearing new fruits. We stayed market-oriented and profit-driven, soundly arranged refining as well as chemicals production and sales, so as to improve profitability through resources optimization and structure adjustment. We made great efforts in reducing refined products and increasing chemicals, properly adjusted diesel to gasoline ratio, and produced more high efficiency and high value-added products. In 2020, the

company's crude runs stood at 160.02 million tons and refined products output was 107.23 million tons. The refined products yield was cut by 3.5 percentage points compared with the annual plan. We maintained high load operation of key chemical units with 6.35 million tons of ethylene produced in China, up 8.2%. We developed and produced 87 grades of new chemicals, and realized notable production growth for PX, synthetic resin and synthetic rubber. Chemicals marketed in China reached 36.66 million tons. Key projects such as the integrated refining and chemicals project of Guangdong Petrochemical Company and the ethane-to-ethylene projects in Changqing and Tarim were progressed steadily.

Marketing business ensured stable sales, sustaining a smooth operation along the industrial chain. In response to severe challenges of a weak market, the company took active actions to better coordinate production and marketing, and ensured that sales of refined products were stable and the overall profitability was maximized. In line with market realities, we promptly adjusted marketing strategies and carried out tailor-made marketing for different regions, varieties, products, time and customers. We piloted the Amoeba business model and emphasized on increasing retail sales via fueling guns and improving marketing quality. In 2020, we sold 106.51 million tons of refined products in China. Efforts were made to strengthen the integrated growth of fuels and non-fuel business, promote online and offline sales in a coordinated way, and accelerate cross-sector cooperation. Our revenue from domestic non-fuel business grew by 7% year-on-year.

Natural gas marketing expanded in both volume and profits, and steadily improved capacity in peak-shaving and supply. In face of staggering market growth and mounting competition, we continued to optimize resources portfolio and allocation, enhanced the development of lucrative and high-end markets, and adopted multiple measures to expand market. While pushing for more gas consumption from key areas and large users, we moved faster to bring our own end-user facilities and new direct-supply customers on stream, and carried out pilot marketing around oil and gas fields. We effectively reversed the sales decline in the first half of the year, and sold 184.7 bcm of natural gas in China in 2020, up 1.9% year-on-year. The construction of key storage and transport facilities such as Jingtang LNG terminal and Jiangsu LNG terminal was proceeding smoothly, and that of Hutubi gas storage expansion project, among others, was accelerated, adding 1.8 bcm per annum storage capacity. Focusing on demand-side management, we worked out winter supply contingency plan in advance to ensure safe and stable supply to key areas and users.

Overseas oil and gas cooperation made steady progress, and the role of international trade was brought into effective play. Amid the raging global COVID-19 pandemic and growing geo-political risks, our overseas projects withstood pressure and mounting difficulties, ensured zero infection in workplaces and well-organized work resumption and staff relocation, achieving sound production and operation performance. Over 500 million tons of proven oil reserves in place were newly added in Buzios project in Brazil, and important exploration discoveries were realized in Chad, Niger and Kazakhstan. In general, our oil and gas production was stable with over 100 million tons of oil and gas equivalent equity output. Progress was also made in new project development and joint ventures. We completed the transactions of Aram project in Brazil and Abu Dhabi Offshore project, signed extension agreements for production blocks, and further optimized business portfolio. In international trade, we enhanced sales of overseas equity oil, calibrated the timing of importing natural gas, gave flexibility to refined products export, and explored overseas market for chemical products. With efforts made to hedge against price risks, the company saw steady improvement in service, marketing and transaction capability and realized a trade volume of 490 million tons in 2020.

Supporting businesses showed strong momentum with an increased market share against the downtrend. Oilfield service business furthered efforts in the R&D and application of new technologies, continued to

enhance quality, speed, production and efficiency to support E&P business. With vigorous market expansion, we were awarded many important service projects. Our engineering and construction business strengthened whole-process management and saw key projects proceeding smoothly. A number of belt and road interconnectivity projects were put into operation, such as the mid-section of the East-Route of Russia-China Gas Pipeline. Financial service business pressed ahead with financial-industrial combination and synergy-achieving among various financial operations. Risk control was reinforced to better serve our core business and clients along the industrial chain. Equipment manufacturing business focused on lean management, actively explored the new business models of "manufacturing + service" and "product + service", and achieved improvements in production efficiency, product quality, business structure and profit-gaining.

Reform and innovation made concrete progress with notable results in improving quality and efficiency. The company stayed committed to the key deployments of the central government on reforming SOEs and the oil and gas industry, successfully concluded the spin-off and transaction of oil and gas pipelines of PetroChina. We drew out and acted on the three-year reform action plan based on the company's arrangements to promote corporate governance system and capacity building. Annual targets were fulfilled across the board regarding the socialized management of retirees, divestment and transfer of utilities, heating and property management services for employees, as well as the reform of "big collectives" affiliated to our enterprises. We placed high value on innovation and carried out a number of major R&D programs and debottlenecking projects for core technologies. Sound progress was made on continental shale oil development and million-ton level ethane-to-ethylene technologies. We set up the Kunlun Digital Technology Company and delivered IT projects like the industrial internet platform. Application of information systems like ERP and data warehouse kept deepening, and digitalization and smart development were stepped up. We made vigorous efforts to improve quality and efficiency through prudent budgeting in operation, careful planning in production, targeting fineness in management, and seeking excellence in technology. Major cost indicators registered solid declines, contributing to the company's annual profit by RMB 32 billion. We formulated CNPC 14th Five-Year Development Plan in line with the guiding principles set by the central government.

2021 marks the beginning of China's 14th Five-Year Plan. That China deepens reforms and opening up, works to expand domestic demand, further improves business environment, and encourages the development of real economy, will help to create an enabling environment and conditions for the growth of businesses. In this year, CNPC will fully implement the new development concept, seize the important window of opportunities for development, apprehend the new dynamics of opportunities and challenges, set the bottom-line thinking, strengthen awareness for opportunities and risks, shore up confidence for victory, focus on business development, and firmly hold on to the initiative of production and operation, to ensure that the 14th Five-Year Plan is off to a good start. CNPC remains committed to building a world-leading integrated international energy company with high quality, and making new contributions to underpin China's energy security and economic growth.

President



Li Fanrong