



## President's Report

2021 witnessed economic recovery and rising international oil prices. CNPC acted upon the guidelines set by the Board of Directors and pressed ahead with our work on various fronts, including business development, reform and innovation, improving quality and efficiency, HSE efforts, as well as COVID response. Oil and gas operations remain stable across the value chain. Main production indices grew steadily, and major financial indicators reached new highs. The Company achieved RMB 2,807.3 billion in turnover, RMB 166.5 billion in earnings before taxes and RMB 100.3 billion in net profit, delivering the best performance since the round of industry cycle in 2014 and marking a good beginning for the 14<sup>th</sup> Five-Year-Plan period.

During the past year, we worked on reserves and production ramp-up as well as green and low-carbon transition, achieving new milestones and new breakthroughs on oil, gas and new energies business. We strengthened domestic E&P, and discovered eleven 100-million-ton oil reserves and twelve 100-BCM gas provinces. Newly added proven recoverable oil and gas reserves totaled 147 million tons and 365.8 BCM respectively. Crude production registered 103.11 million tons and gas output reached 137.8 BCM, setting a new record in BOE terms. Overseas oil and gas cooperation maintained steady progress and made several 100-million-ton discoveries. Throughout the year, overseas equity production amounted to 101.39 million tons of oil equivalent, exceeding 100 million tons for the third consecutive year. Natural gas marketing business gained ground in both volume and profit, with sales within China reaching 205.6 BCM, surpassing 200 BCM for the first time. Solid progress was made in new energies business. 39 new energies projects were constructed and operated, including the 200,000-kilowatt photovoltaic power plant in Yumen, Gansu Province. The Beijing-Tianjin-Hebei geothermal heating demonstration base, together with a number of wind and solar power generation and CCUS projects in Jilin, Heilongjiang (Daqing), and Qinghai were all well underway. Oilfield technical service business continued to debottleneck on key technologies and further improved service quality and market competitiveness.

During the past year, we promoted transformation and upgrading as well as production-marketing synergy, achieving steady improvement in quality and profitability of refining, chemicals, marketing and new materials business. We remain committed to cutting oil products while adding more chemical products. In 2021, the Company processed 166.74 million tons of crude in China and produced 108.92 million tons of refined products, with a yield down by 1.7 percentage points year-on-year. Chemical plants were operated at high capacity producing 6.713 million tons of ethylene, up by 5.8%. Production growth was also achieved on lucrative products like synthetic resin, up by 6%, and synthetic rubber, up by 4.3%. We worked to speed up new materials development and realized a significant year-on-year surge in new materials output. As for the marketing business, we improved quality on retail and increased volume on wholesale and direct sales. Domestic sales of refined oil products stood at 111.26 million tons, with the market

share rising by 0.1 percentage points. The marketing network layout for chemical products was optimized, and product lines management strengthened. Chemicals sales of the year reached 37.16 million tons, picking up in both volume and profitability. Based on resources and markets in China and beyond, we devoted greater efforts to sell oil and gas of overseas equity, and explored markets abroad for refining and chemical products, playing a notably stronger role in ensuring supply and reaping profits in global trade.

During the past year, we endeavored to improve service and competence, bringing the role of support and service business into more effective play. Engineering and construction companies pursued lean management and advanced key projects with high quality. Two projects won the National Quality Engineering Gold Award. Equipment manufacturing subsidiaries deepened R&D and the application of core technologies, and promoted the models of "manufacturing + service" and "product + service", seeing an ever-improving production efficiency and product quality. Research institutes and consulting agencies carried out profound research, consulting services, as well as economic and technical evaluation on macroeconomic, industry and market trends, providing valuable support for decision-making.

During the past year, we employed "dual drivers" of market service and industry-finance integration, making new headway in capital and finance business. CNPC Capital took initiative to tap into businesses such as green finance and new energies, and consolidated its compliance and risk alarm system. Its service and marketing capabilities were further strengthened and asset quality reinforced, delivering a net profit of RMB 11.56 billion. China Petroleum Finance Company and Generali China Life Insurance Company were awarded the Golden Dragon Prize as the best in-house finance company and the best joint venture in life insurance respectively at the Chinese Financial Institutions Gold Medal List. Kunlun Capital, with the founding investment of RMB 10 billion, set up its first green and low-carbon innovation fund in the market, kicking off with good momentum.

We doubled down on reform, innovation as well as quality and efficiency improvement, further fortifying the foundation for quality development. CNPC followed thoroughly on the three-year action plan for SOE reform, and carried out a series of major reform measures in the "oil company" model, and in labor, HR and remuneration management etc., all gaining substantial progress. We optimized the organizational structure at headquarters level, and reorganized the Company into four business groups which all function properly. We worked on an "upgraded version" of quality and efficiency improvement, adding RMB 12.8 billion to the annual earnings. Strenuous efforts were exerted to straighten up loss-making companies. As a result, losses across the Company declined significantly, with the amount of loss and the count of loss-making operations and entities all falling to a 10-year low. We took stronger steps to improve self-reliance in top-notch technologies, deployed a number of major science and technology projects as well as

debottlenecking tasks on key technologies, and achieved landmark results and breakthroughs. We also went all out to push digital transformation and smart development. Our intelligent operation center was set up and brought on stream. The pilot program of digital transformation was launched across the board. The Kunlun ERP system, which we hold proprietary IPR, filled the gap in China and measured up to the world-leading level.

We strengthened accountability and rigorous management, enjoying a stable and improving HSE performance. We took concrete steps to advance the three-year drive in promoting workplace safety, carried out staff education under the new Work Safety Law, employed an integrated, differentiated and targeted approach to QHSE review, strengthened major hazard prevention measures on well control and oil & gas leakage etc., and continued to tighten contractor management. Throughout the year, no major or above production accidents were recorded. The number of general Class-A industrial accidents and the death tolls went down to single digit for the second consecutive year. We formulated and acted upon the guidelines on building a green enterprise, promoted clean, low-carbon and recycle-enabling development across the value chain, improved coordinated control of GHGs and VOCs, and completed the removal of all remaining oily sludge from previous operations. The year 2021 saw no major environmental pollution or ecological incidents. Moreover, energy conservation totaled 740,000 tons of coal equivalent, and water conservation 10.49 million m<sup>3</sup>. CNPC was awarded "China's Low-carbon Model" and "Carbon Neutrality Model Enterprise in 2021".

In 2022, CNPC faces even more intricate environment for its production and operation. "Black swan" and "grey rhino" incidents kept rolling in. Prices of commodities fluctuated at high levels. The spread of new COVID variants caused uncertainties for future economic growth. China's economy remains stable while seeking growth and shows sound and long-term prospect, but it still bears the triple pressure from demand contraction, supply shock and weakening expectations. The Chinese government is promoting the implementation of "1+N" policy portfolio on carbon peak and carbon neutrality, presenting greater opportunities yet higher demands for CNPC to accelerate the development of oil and gas together with new energies and new materials. In light of the new circumstances, new dynamics and new requirements, CNPC will maintain strategically focused, make sound analysis and well-grounded judgment, seize development opportunities and effectively address challenges. We will ride on the tide of the times to deliver on the tasks of the year through continuous production and profit growth, in an effort to achieve high quality development and advance on our way to become a world-class enterprise built to last.

President

Hou Qijun