



President's Report

In 2022, faced with major tests like the once-in-a-century pandemic, profound changes in the international landscape, and wild volatilities in the energy market, CNPC followed through the deployments of the Board of Directors, and strived hard for stable operations and better profits. Oil and gas industry chains maintained smooth and efficient operations, main production indices gained steady growth, and performance marked a historical best. In 2022, the Company registered RMB 3.4 trillion in turnover, RMB 266.87 billion in earnings before taxes, and RMB 180.36 billion in net profit, contributing significantly to China's macroeconomic stability.

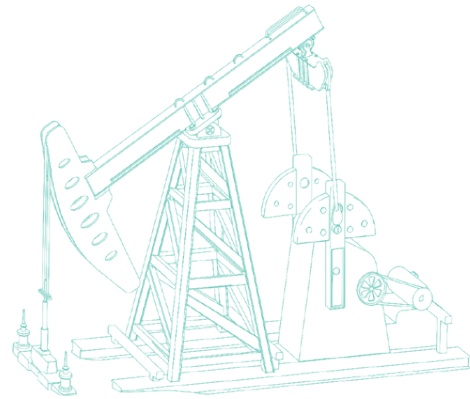
During the past year, with much efforts on reserves and production ramp-up, the oil, gas and new energies segment demonstrated a promising momentum. Domestic E&P made much new progress, having found and secured nine 100-million-ton oil reservoirs and nine 100-BCM gas provinces. Newly added proven and technically recoverable reserves amounted to 139.22 million tons of oil and 335.4 BCM of gas. Domestic crude production was 105 million tons, and natural gas 145.5 BCM, hitting a new high in BOE terms. Overseas oil and gas business also gained new ground, which brought about a total equity production of 102.33 million tons of oil equivalent, exceeding 100 million tons for the fourth consecutive year. Natural gas marketing business yielded impressive results with stable supply and sound profit, selling 217.8 BCM in China. New energies operations fully took off. Installed capacity of wind and solar power projects added up to 1400 megawatts, and total geothermal heating coverage reached 25 million m². Holding an unwavering commitment to technologies, oil field technical service business continued to hone its service delivery and market competitiveness.

During the past year, we strengthened integrated coordination, and further optimized the layout of the refining, chemicals, marketing and new materials segment. Transformation and upgrading of the R&C business made major breakthroughs. Guangdong Integrated Refining and Chemical project and Jilin Petrochemical's ABS plant in Jieyang were both completed. The two ethylene projects of Jilin Petrochemical and Guangxi Petrochemical have begun construction. The Company

persisted in its efforts to cut fuels and boost the production of chemicals and feature products. Throughout the year, crude run was 164.9 million tons, refined products totaled 105.744 million tons, and fuels yield went down by 1.2 percentage points year-on-year. Ethylene production reached 7,419 million tons, up by 10.5%. The output of new materials grew 56.3%, with 119 chemical products newly developed. And chemicals sales of the year amounted to 37.35 million tons. Regarding marketing business, we maximized the synergy between wholesale and retail, and consolidated the mutual promotion between oil and non-oil business. Domestic sales of refined products stood at 104.23 million tons, with market share stable and rising. The Company carried on to enhance crude imports, expand gas import through pipelines, and optimize spot LNG procurement, seeing steady improvement in the supply capabilities of its international trading operations.

During the past year, we focused on capacity building, and achieved constant improvement in the service quality and market competitiveness of the support and service business. Engineering business pressed ahead with the construction of key projects, which provided solid backing for the stability and growth of hydrocarbons output, transformation and upgrading of refining and chemicals business, as well as our green and low-carbon agenda, all while winning three National Quality Engineering Gold Awards. Equipment manufacturing operations pushed for renovations and technical advances, and further strengthened the supply of efficient products and feature services. Following the new architecture and new mechanism, overseas regional companies played a compelling role in terms of comprehensive coordination. In the meantime, all research institutes, consultancies and relevant service providers strived to support the Company's core businesses as well as the task to boost quality and efficiency, having scored fresh achievements along the way.

During the past year, we enhanced industry-finance integration in our finance business, which maintained healthy development with unique characteristics. CNPC Capital leveraged its full set of financial licenses to push for ever stronger industry-finance integration. A number of new businesses were launched as a result, such as green financial leasing



and specialty insurance products for new energies. With market-based governance and operation system in place, Kunlun Capital dived deep into new energies, new materials, and new technologies development. The first of its result transformation projects has kicked off smoothly, marking a promising start.

During the past year, we tightened the accountability system, and QHSE performance remained sound and steady. The Company organized major inspections to fulfill the State Council's 15 hard measures on safe production, bringing the 3-year drive on production safety to a successful conclusion. We fully enforced pollution battling, carried out targeted rectifications on construction project environment management and discharge permits, introduced a 100-day special campaign to improve VOCs control, and continued to sharpen troubleshooting on eco and environmental hazards and relevant risk response. The Company also forged ahead with energy and water conservation, GHGs emissions cutting, and carbon asset management. As a "Low-carbon Model" enterprise for the 11th consecutive year, we saw 2022 energy savings totaling 740,000 TCE, and water savings 9.23 million m³. The upgrading of gasoline products to meet National VI B standard was completed on schedule. Moreover, leaving no detail uncovered in our COVID response, we issued and implemented guidelines on how to strengthen the health management for employees, to safeguard physical and mental health of CNPC staff.

During the past year, we reinforced innovations on reform and management, which brought robust development and vitality. The Company adhered to the three-year action plan for SOE reform, and accomplished all reform tasks in full. Reforms on institutions and mechanisms kept on deepening, with the establishment of Equipment Manufacturing Department and tangible implementation of optimization and adjustment measures on overseas business. The Company also deployed the quality and efficiency improvement as well as value creation campaign that enabled an extra earning of RMB 20.1 billion. The coordinated drive to "promote case-based reforms, tighten financial discipline, and enhance compliance management" brought our compliant and law-based corporate governance to a

new level. The R&D business structure was also polished, featuring the launch of Wisdom Pool Research Institute, and the setting up of South Sea research center to incorporate offshore hydrocarbon expertise. We mapped out the "9 major projects" in oil and gas operations, and "8 main areas" for refining and chemicals business, coupled with accelerated building of two incubators for home-grown technologies. The Company also formulated a ten-year action plan on crucial basic research programs and secured a number of achievements in critical core technologies. "Digital CNPC" construction is well underway, and Kunlun ERP system has realized independent and stable operations.

In 2023, CNPC will continue to encounter much complexities in its operations, facing opportunities and challenges alike. As international geopolitics remain tangled and tough, global inflation stays high, bearish economy dampens oil demand globally, and market competition further intensifies, the year 2023 indicates greater challenges. Meanwhile, Chinese government calls for greater efforts into resources exploration and development, as well as reserves and production ramp-up, quicker steps in planning and building a new energy system, and active endeavors in the development of a green and low-carbon market. It has charted the way forward for our coordinated progress in oil and gas industry chains, as well as new energies, new materials, and new businesses. Given the new realities and new requirements, we will seize opportunities, fend off risks, overcome difficulties, and commit all strengths to the various tasks in our production and operations. The Company will make continuous efforts on new achievements of quality development, in order to lay a solid foundation for faster pace in building a world-class international enterprise.

President

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Hou Qijun