



中国石化
SINOPEC

中石化石油工程技术服务有限公司

SINOPEC OILFIELD SERVICE CORPORATION

2022 Interim Results Presentation

August, 2022



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Section 1: Operations in 1H 2022





Special Prize for National Science and Technological Progress Award

Technologies for safe and efficient development of extra-large ultra-deep high acid gas fields & industrial applications



First Prize for National Science and Technological Progress Award

High-Efficiency Exploration and Development in Fuling Large-scale Marine Shale Gas Field



China Building Construction Luban Awards(National Super Quality Awards)



China Corporate ESG Best Governance Case Award



"Best Infrastructure and Public Utilities Company" at the 5th Golden Hong Kong Stock award

Rich Experiences

- **Fuling Shale Gas**: the first successful commercial shale gas project outside North America
- **Puguang Gas Field**: the largest marine-facies high-sulphur gas field in China
- **Shengli Oil Field**: one of the largest oilfields with complex reservoir in China
- **Take Oil Field**: marine carbonate reservoir
- **Yuanba Gas Field**: the deepest marine-facies reservoir in China
- **North Ordos Oil and Gas Field**: the first horizontal well demonstration area in China
- **Shunbei Oil and Gas Field**: the deepest oil and gas field in Asia (Generally Over 8,000m)

Advanced Equipment

- **Geophysics**: **59** sets of seismic equipment, **174** sets of vibroseis, **494,500** collectors
- **Drilling**: **661** onshore drilling rigs, of which **328** capable for 7000m+ depth drilling, and **12** offshore drilling platforms
- **Logging**: **133** image logging systems, **483** sets of comprehensive logging instruments
- **Downhole operation**: **408** sets of fracturing vehicles, (**249** set of fracturing truck with 2500HHP and 3000HHP) , **24** sets of 5000 HHP electric fracturing skid, **202** sets of workover rigs, **7** offshore operation platforms

Strong R&D Capability

- **69** professor-level researchers
- **1,592** senior researchers
- **3,284** research, design, laboratory and development staffs
- **4** research institutes
- **3** design companies
- **48** professional technical institutes

Geophysics



Drilling Engineering



Logging and Mud Logging



Downhole Operation

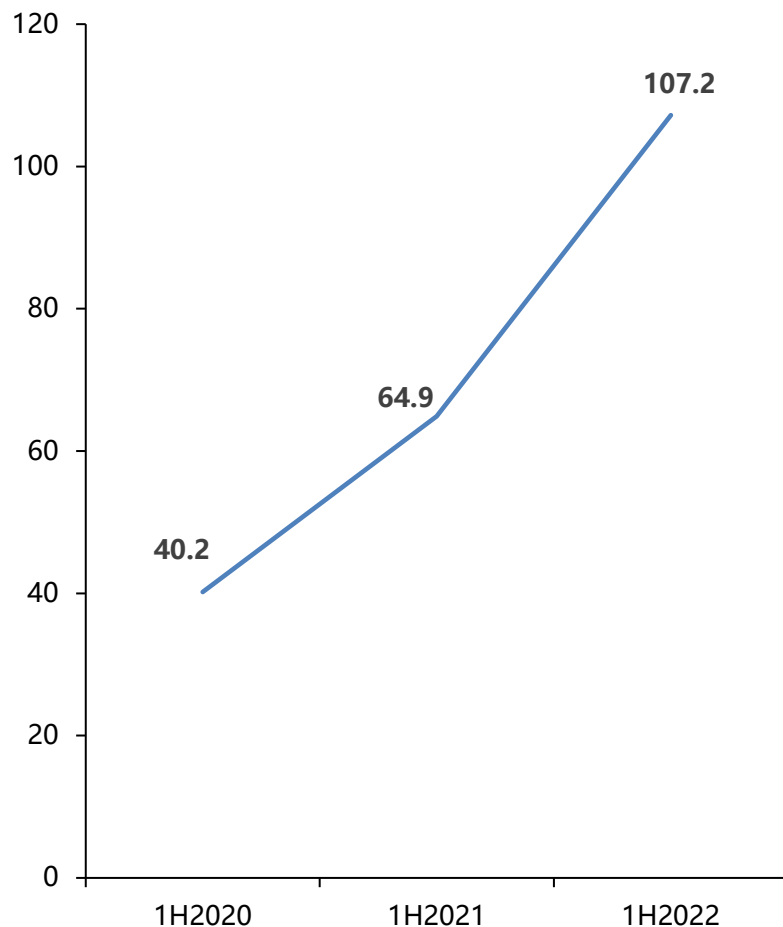


Engineering Construction



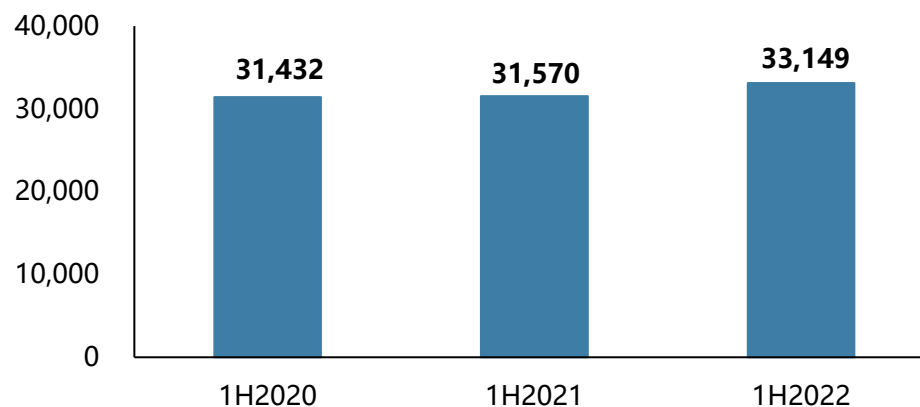
Annual Average Brent Oil Price

(USD/Barrel)



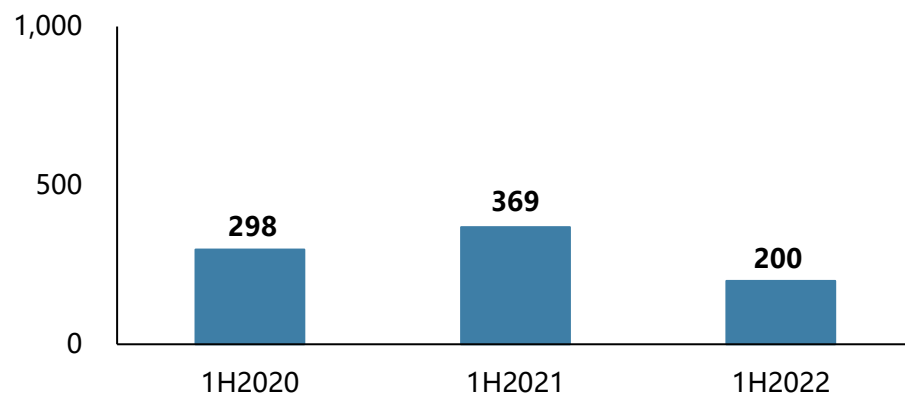
2022 Interim Revenues

(RMB Million)



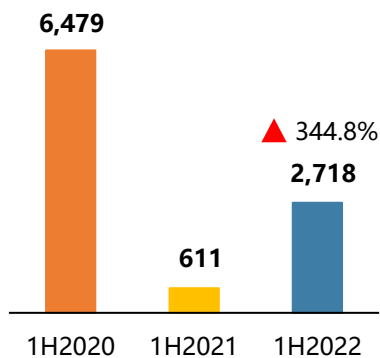
2022 Interim Net Profits (PRC ASBE)

(RMB Million)

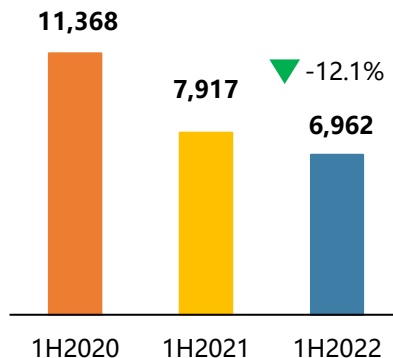


Performance by Segments

Geophysics

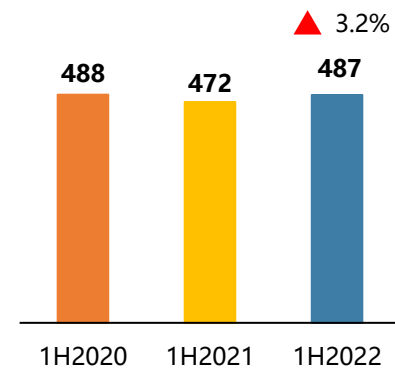


2D Seismic (Km)



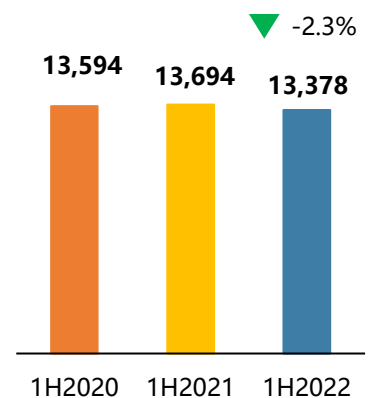
3D Seismic (Km²)

Drilling Engineering

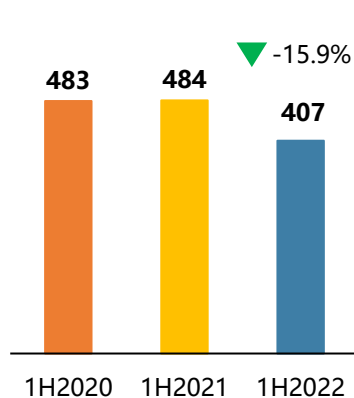


Drilling Footage (10,000 m)

Logging and Mud Logging

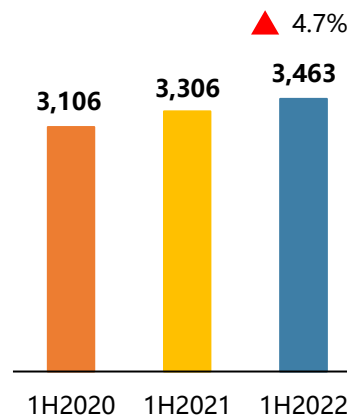


Standard Meter for Logging
(10,000 m)



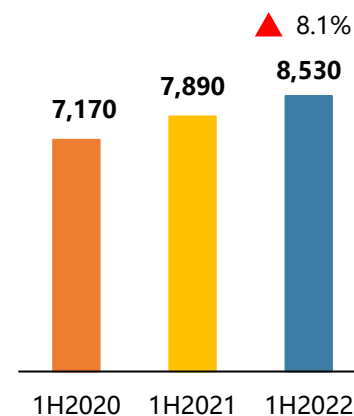
Mud Logging Footage
(10,000 m)

Downhole Operation



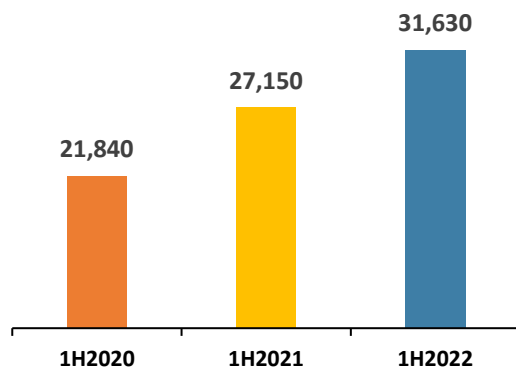
Downhole Operation
(Well Times)

Engineering Construction

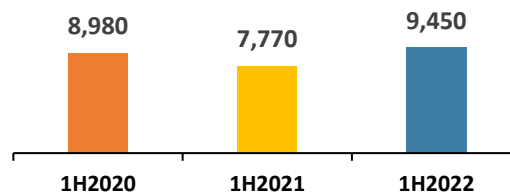


Completed Contract
(RMB Million)

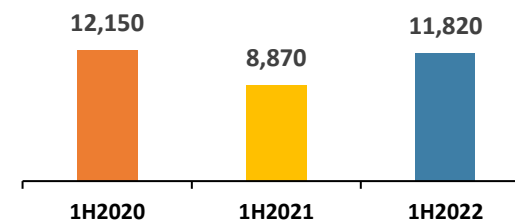
New Contracts Values of Domestic Sinopec Markets
(RMB Million)



New Contracts Values of Domestic Non-Sinopec Markets
(RMB Million)



New Contracts Values of Overseas Markets
(RMB Million)



- **Sinopec market:**

- Providing high-quality and efficient services to Sinopec' s E&P and production construction in Northwest, Northern China, Southwest and Eastern mature Oilfields
- Facilitating Sinopec' s discovery of the second trillion-cubic-metre shale gas resources following the Fuling shale gas field.
- Advancing the high-quality development of key projects such as the Dongying crude oil depot relocation project and Shengli shale oil national demonstration area

- **Domestic Non-Sinopec markets:**

- In Petrochina market, deploying 52 drilling rigs and signing new contracts worth RMB 3 billion.
- Awarded projects of two sections of the West-East Gas Pipeline III of PipeChina, with contracts worth RMB 730 million.
- In CNOOC market, entering new contracts worth RMB 500 million.
- Awarded the BEPC project of Shandong east trunk line of pipeline network with contracts worth RMB 6.27 billion.

- **Overseas markets:**

- **Wellbore business** : winning the project of 6 unconventional gas drilling rigs service for Saudi Aramco and the project of drilling bit services for KOC and passing the preliminary qualification of drilling fluid.
- **Geophysics business** : signing the extension agreement of 3D seismic with Saudi Aramco worth USD 58 million.
- **Engineering construction** : entering a general contracting project of oilfield gathering and transportation system in Uganda, with a contract value of USD 611 million.



Carrying forward the construction of a project-based management system

- “Human pool” , “fund pool” , “equipment warehouse” and “material warehouse” were put into operation.
- A data resource center for the integrated cloud platform was built to realize data sharing.



Actively proceeding with the development of differentiated businesses

- We focused on the five industrial chains of geophysics, drilling, logging and mud logging, downhole operations and engineering construction, screened 17 types of differentiated businesses and coordinated the development of specialized engineering and technical services.



Continuously improving the organizational structure

- We established the southwestern project management department to further strengthen the integration and optimization of resources in key regions.
- We established the petroleum engineering equipment management centre to make coordinated allocation of equipment resources precisely.



Steadily deepening the reform of human resources system

- We deepened the tenure system and contractual management.
- We carried out in-depth human resources efficiency analysis.
- We improved the total salary and performance appraisal methods in line with work efficiency.



Enhancing Integrated Supporting Technologies

- We facilitated the construction of "Deep-earth No.1 Project" -- Shunbei Deep Oil and Gas Development project.
- We set the record of deepest vertical wells (8445 meters) in the Sichuan Basin and the record for the longest horizontal section of shale gas wells in China (4,035 meters).



Making Breakthroughs in Key Technologies

- 488 new patents were granted.
- We accelerated the product approval before final mass production of Type I rotary steering system.
- Technical performance of ultra-deep high-temperature electrical imaging logging instrument and high-temperature MWD was substantially enhanced.
- We have successfully developed the first integrated DC driven fine pressure control drilling system in China.



Accelerating the Layout of New Energy Technologies

- We established the new energy technology R&D center.
- We designed and constructed the first long-distance pipeline of supercritical CO₂ in China with a distance of over 100 kilometers. We developed the first megaton CO₂ capture process package in China, which is applied to smoke and gas from coal-fired power plants
- We developed technologies of exploration and assessment of resources of wind power, fine prospecting of offshore wind farm, design, and engineering construction.
- We developed technologies of producing "green hydrogen" and "blue hydrogen", pipeline transportation supporting technologies and standardized design of hydrogen refueling stations.



Facilitating Product Industrialization

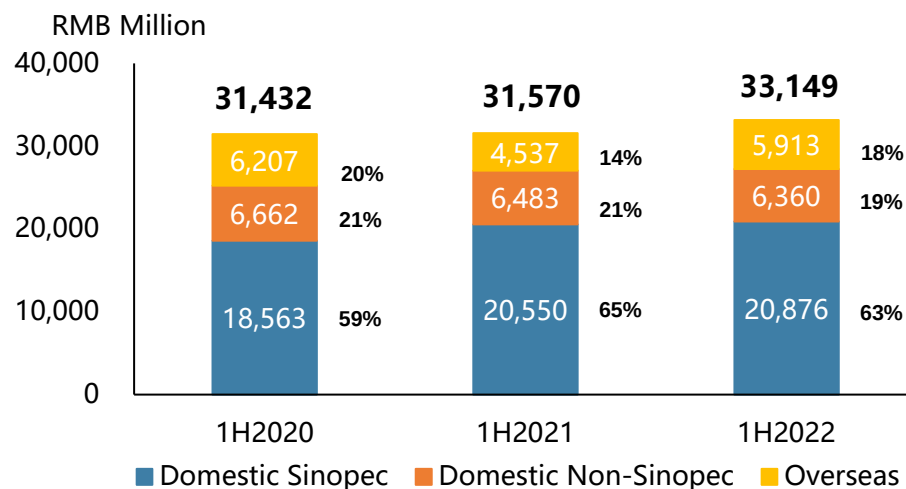
- We steadily advanced the development of our industrialization bases, improved our product series, and upgraded our product lines.
- We realized the industrialization of products and the transformation of R&D achievements of RMB1.39 billion in 1H 2022.

Section 2: Financials in 1H 2022

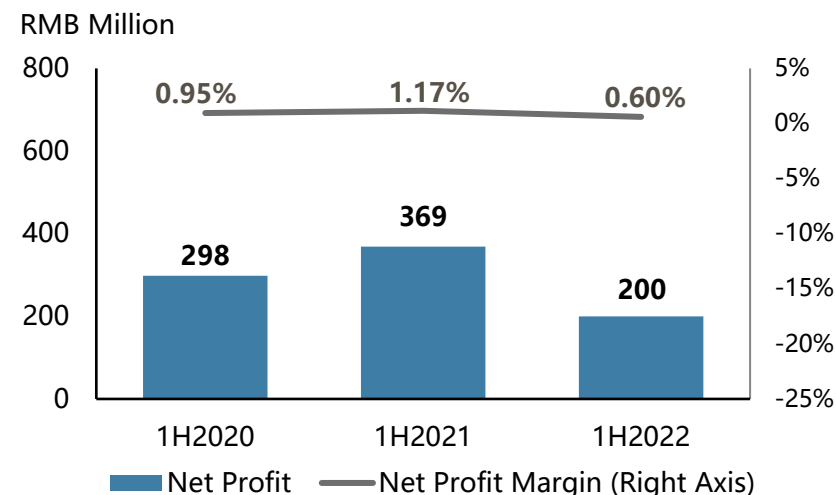


Key Financial Indicators

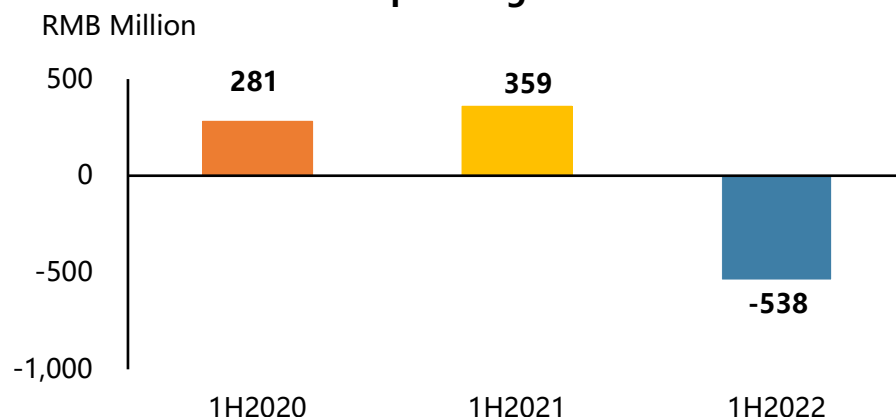
Operating Revenue



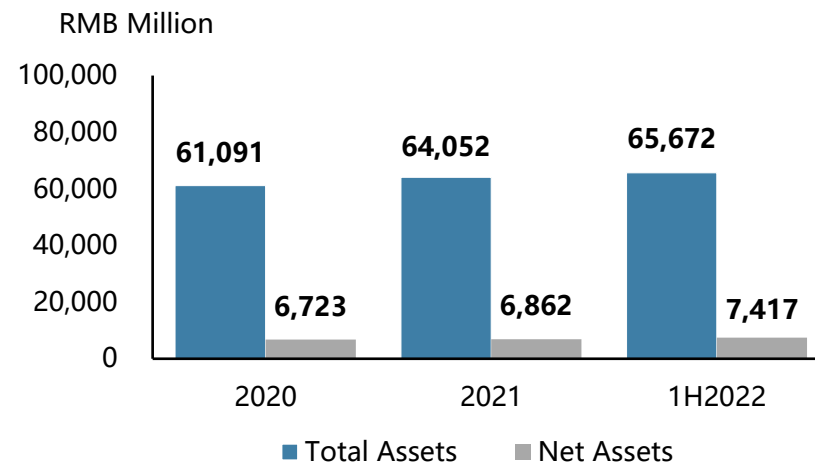
Net Profit & Margin



Operating Cash Flow



Total Assets & Net Assets



Financials of 5 Business Segments and Gross Profits



Geophysics



Drilling



Logging and
Mud Logging

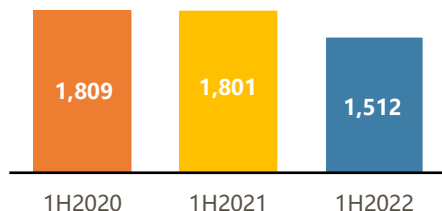


Downhole
Operation

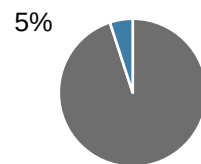


Engineering
Construction

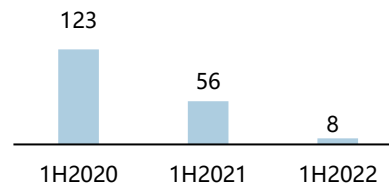
Operating Revenue
(RMB Million)



% of Total Revenue

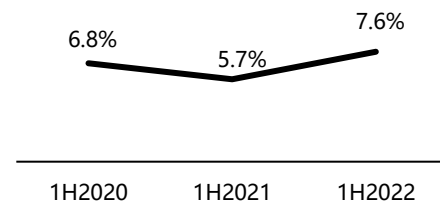
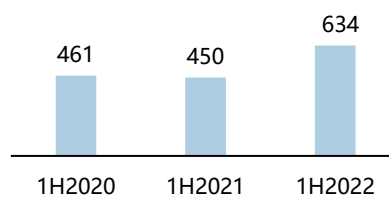
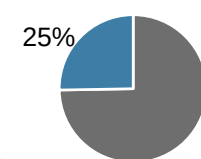
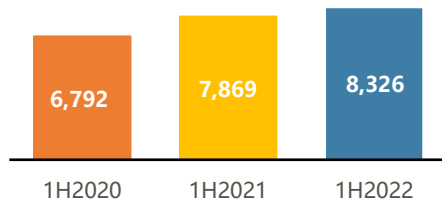
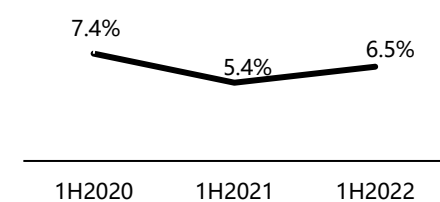
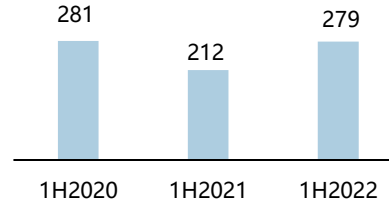
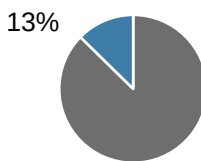
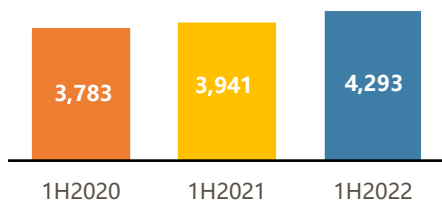
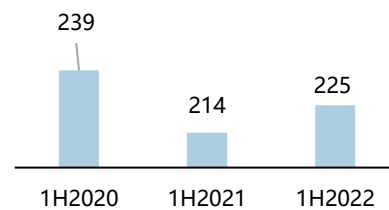
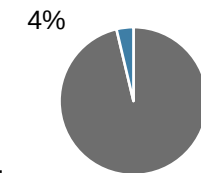
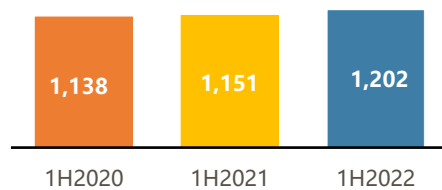
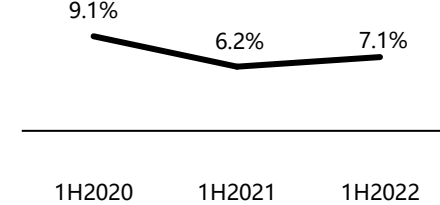
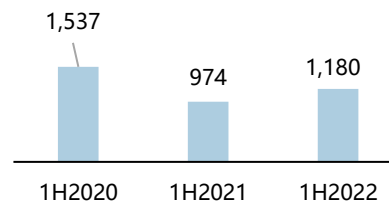
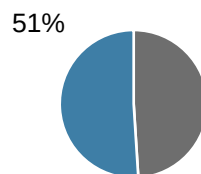
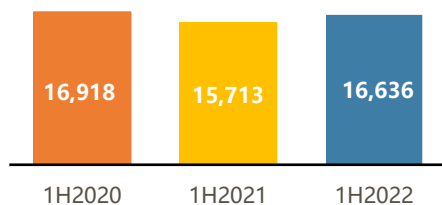
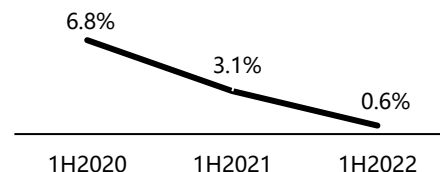


Gross Profit
(RMB Million)



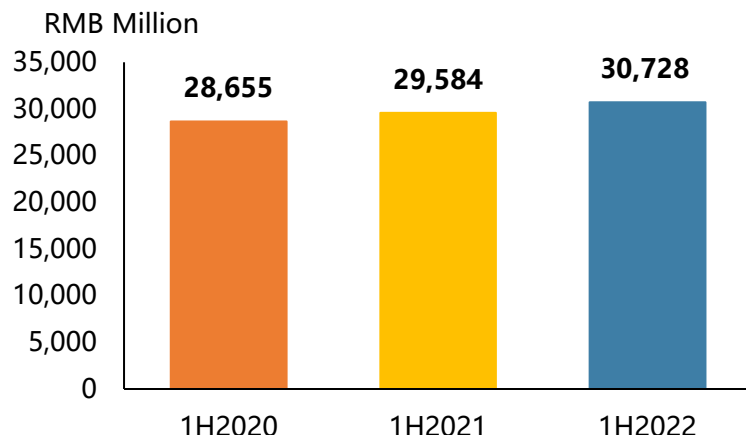
Gross Profit Margin

* Note: Affected by the adjustment of accounting policies, the gross profit and gross profit margin in 1H 2021 have been adjusted accordingly.



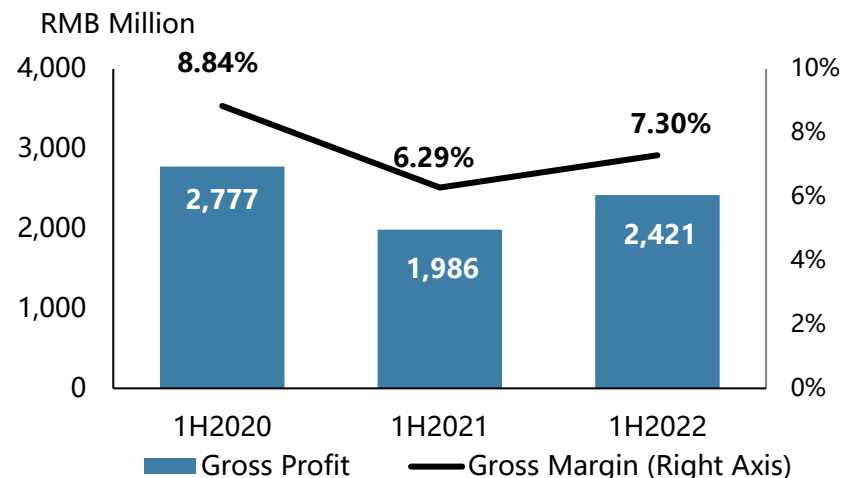
Profitability, Receivables and Inventory

Operating Cost



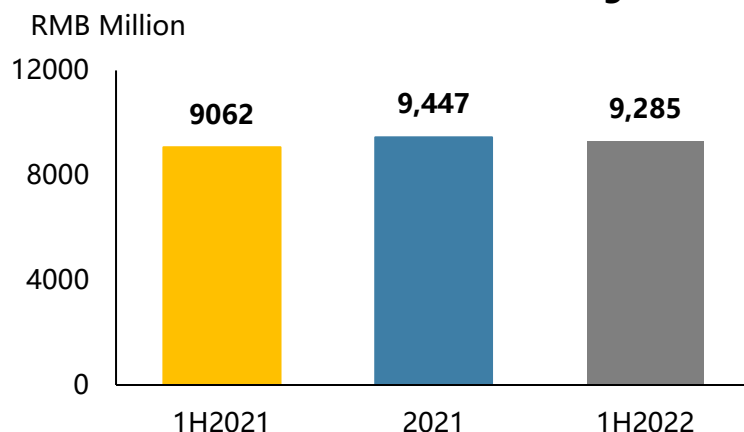
* Note: Affected by the adjustment of accounting policies, the operating cost in 1H 2021 have been adjusted accordingly.

Gross Profit & Margin

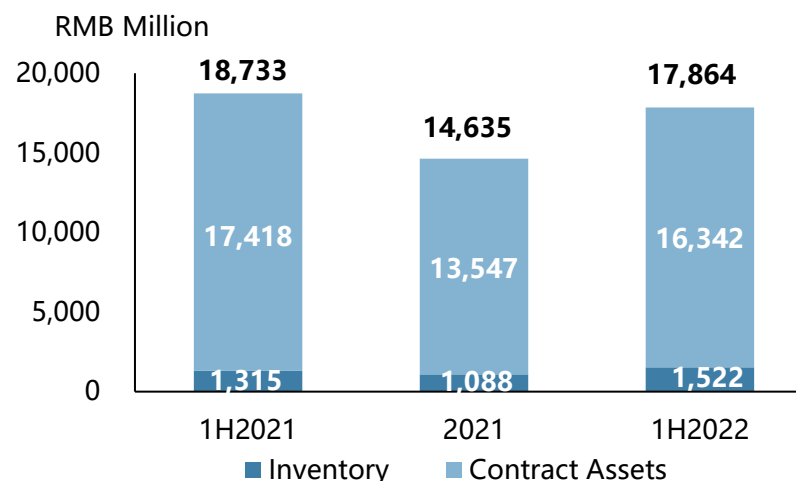


* Note: Affected by the adjustment of accounting policies, the gross profit in 1H 2021 have been adjusted accordingly.

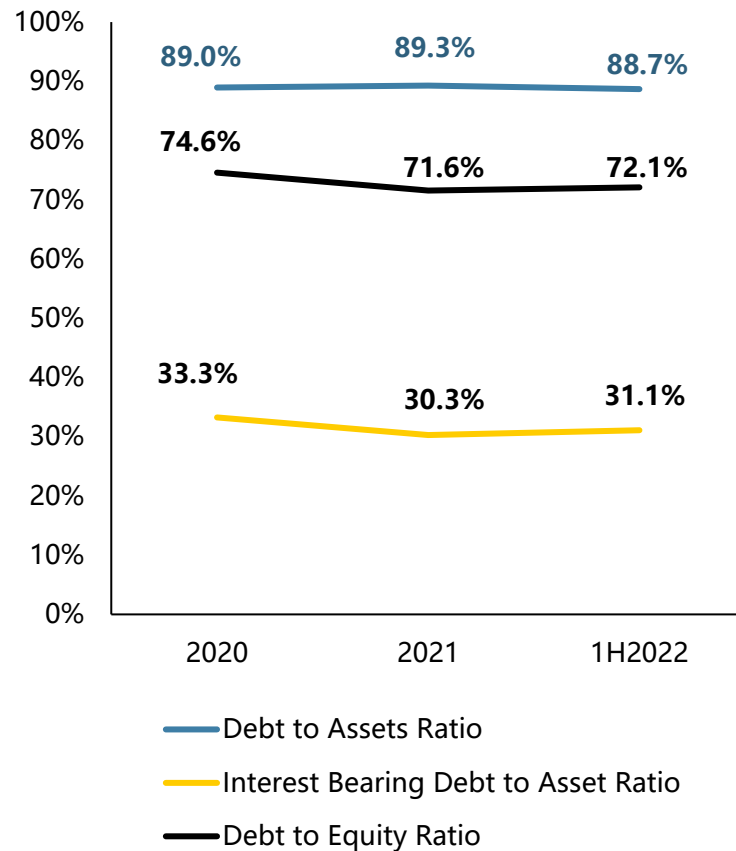
Accounts Receivable & Accounts Receivable Financing



Inventory & Contract Assets

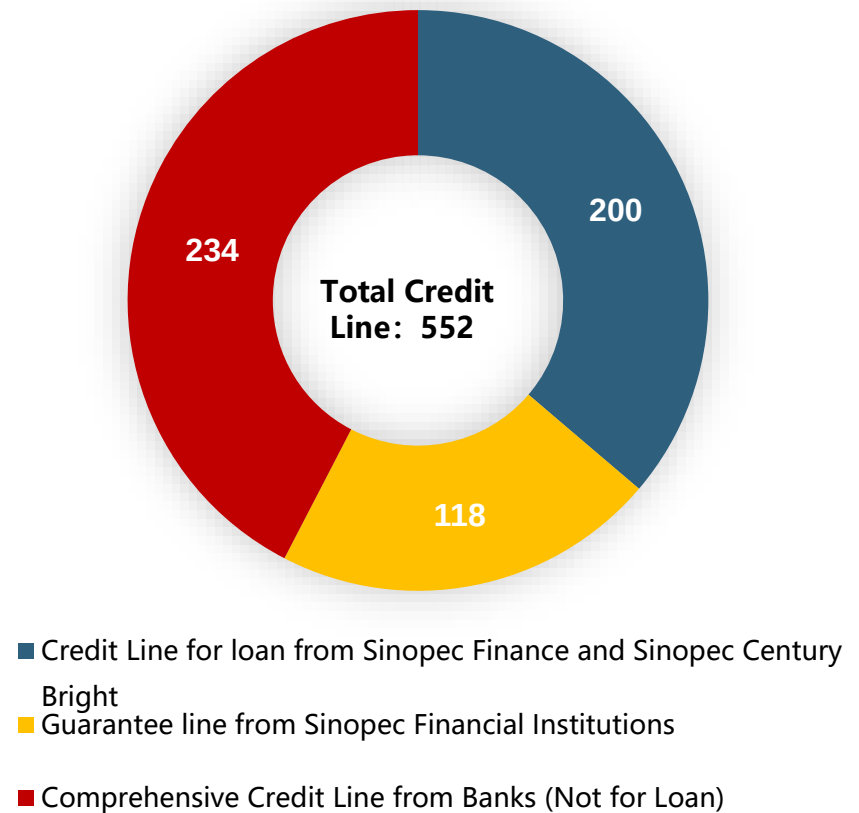


Structure of Assets and Liabilities

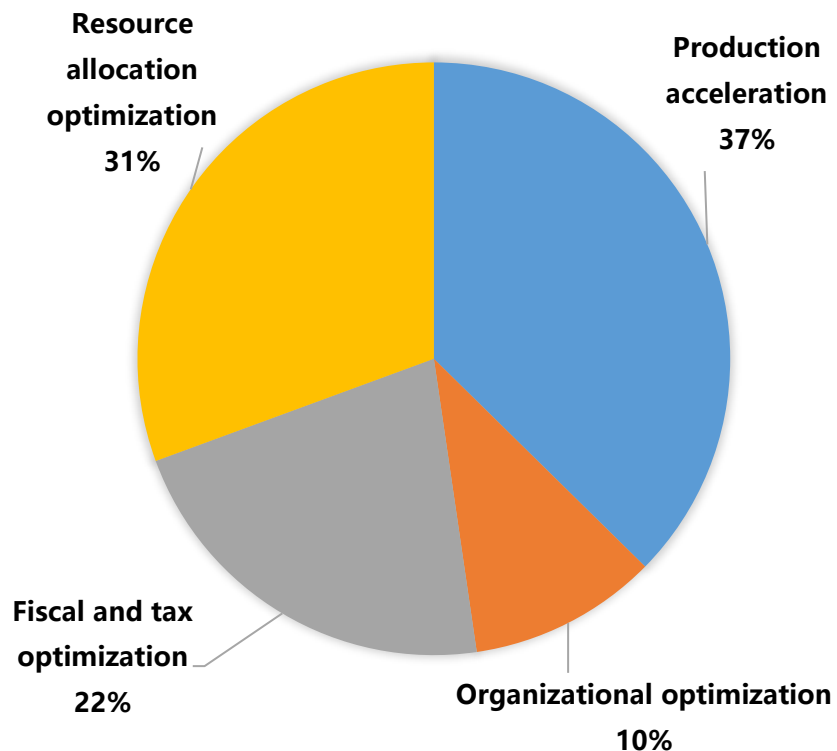


Credit Facility from Financial Institutions

(RMB 100 Million)



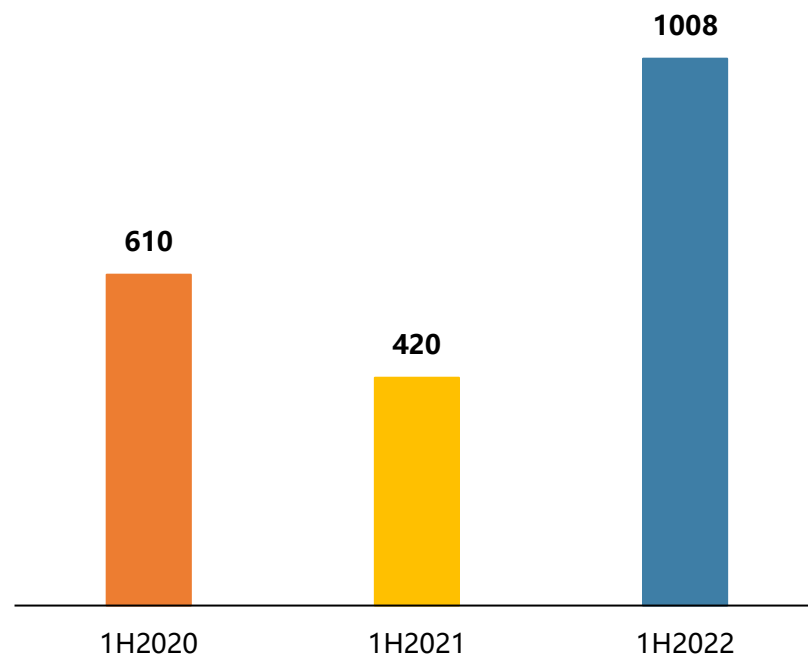
Cost Reduction in 1H 2022



■ In 1H 2022, the cost reduction was RMB 280 million.

Capital Expenditure in 1H 2022

(RMB Million)



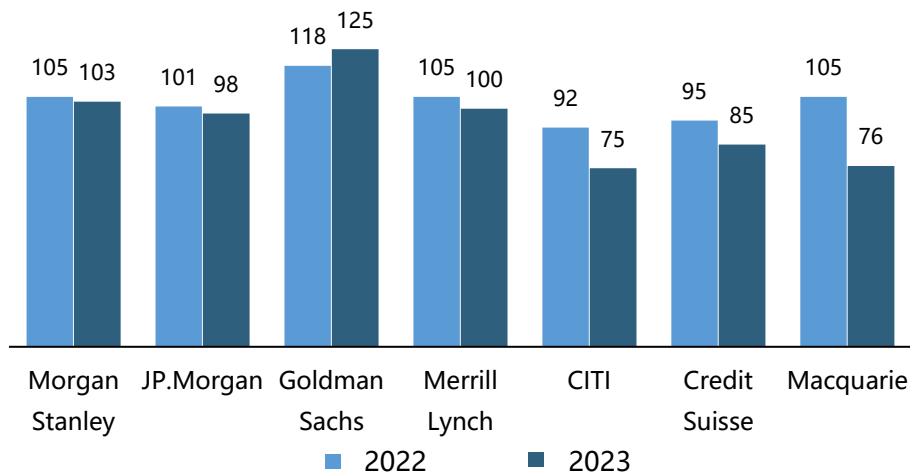
■ In 1H 2022, the capital expenditure was RMB 1.008 billion, which was mainly used for purchasing and upgrading drilling rigs, electric drive fracturing, seismic acquisition equipment, and automatic welding equipment.

Section 3: Outlook for 2H 2022



2022-2023 Brent Oil Price Outlook

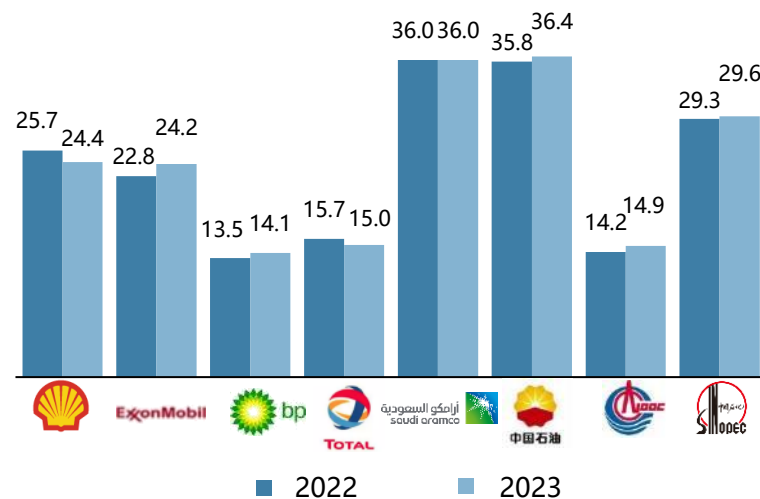
(USD/Barrel)



(Source: Institutional Research Report)

CAPEX Forecast for Major Upstream Companies

(USD billion)



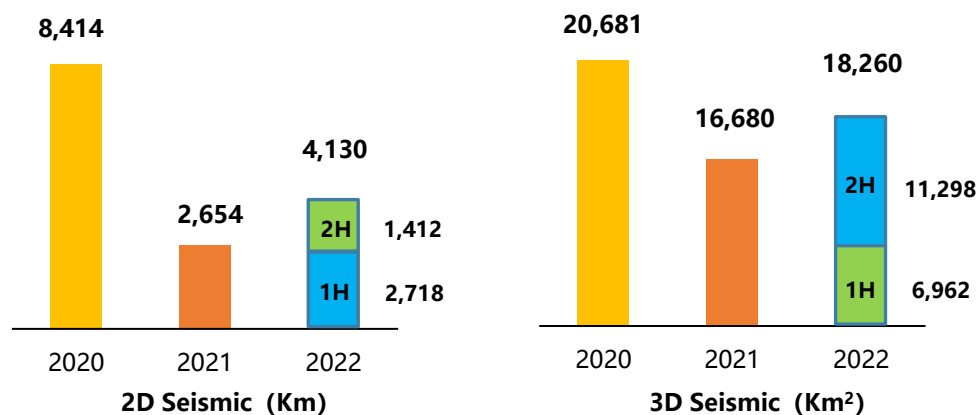
(来源: Morgan Stanley)

Industry Outlook

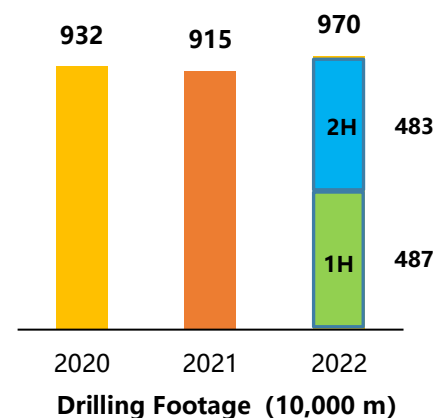
- Looking ahead to 2H 2022, the oil price is expected to fluctuate at a high level. Global E&P Capex is estimated to rebound and global oilfield service market will keep an upward trend.
- Domestic oil majors will continue to promote the implementation of national energy security strategy to fully guarantee domestic oil and gas production and supply, which will result in an increase in activities of the oilfield service market.
- Oil companies will have higher requirements for cost, technology, quality, safety and environmental protection, resulting in oilfield service companies' further upgrading.

Work Volume Plan in 2H 2022

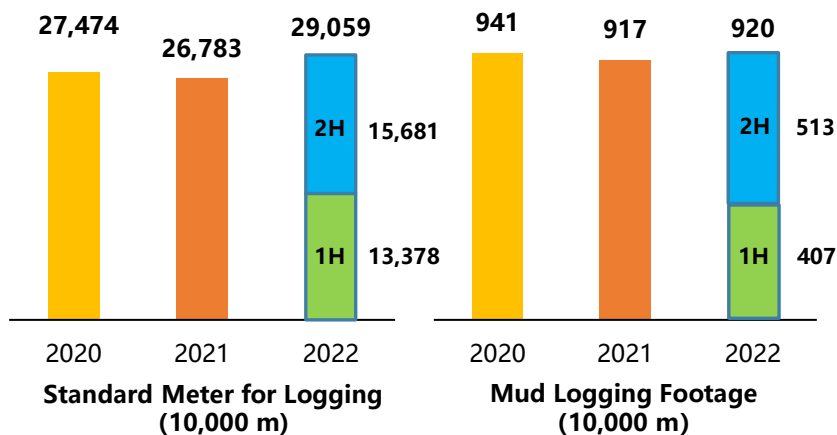
Geophysics



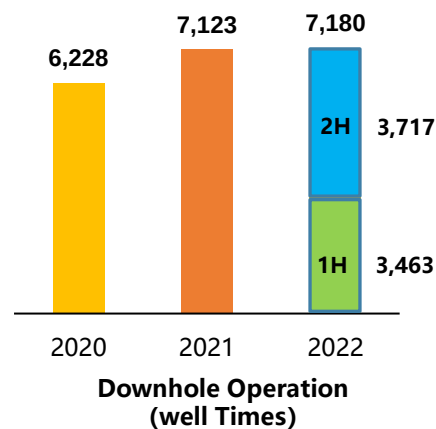
Drilling Engineering



Logging & Mud Logging



Downhole Operation

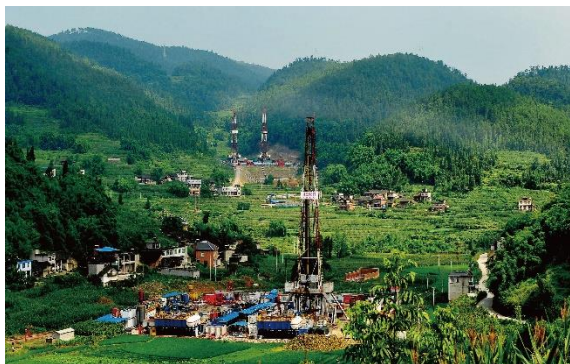


Engineering Construction



Domestic Sinopec Market

- New contract value: RMB 14.3 billion in 2H 2022
- To ensure the capacity construction of key industrial zones including Shunbei, Tahe, western Sichuan, Dongsheng, Baima and Weirong, as well as the fine development of mature oilfields.
- To advance the Dongying crude oil depot relocation and the construction of the Shengli shale oil national demonstration zone with high quality and efficiency.



Domestic Non-Sinopec Market

- New contract value: RMB 3.6 billion in 2H 2022
- To consolidate our key markets such as PetroChina's shale gas market in Sichuan and Chongqing and CNOOC's Bohai market.
- To accelerate breakthroughs in the Qinghai oilfield, Xinjiang oilfield and CNOOC's South China Sea market.
- To focus on the oil and gas pipeline market of PipeChina.



Overseas Market

- New contract value: RMB 3.2 billion in 2H 2022
- To refine and advance our three major markets, namely Saudi, Kuwait and Ecuador, and strive to break new grounds in fracturing, general contracting drilling and high-end technology services.
- To nurture our two oil reservoir projects in Mexico and Ecuador.
- To foster progression in our key projects, including Saudi Aramco's unconventional drilling of, the 3D seismic acquisition and processing in Mexico, as well as the surface construction in Uganda.





To facilitate the construction of project-based management system

- To improve the supporting operation systems and mechanisms and complete the system transitioning and models promotion in our subsidiaries.
- To complete the joint debugging of each subsystem of the Sinopec Integrated Cloud Platform and improve the online system operation.
- To guide all subsidiaries to accurately focus on project profitability and implement single-well and single-project assessment.



To foster optimal allocation of market resources

- To deepen the overall allocation, sharing of materials, equipment, logistics and other resources in key industrial areas.
- To break down barriers between professional business units and further reduce homogeneous project departments.
- To coordinate the allocation of major professional teams in each industrial area, and control the number of teams within 1,600.



To accelerate the development of differentiated business

- 
- To highlight economies of scale and continuously improve the concentration of differentiated business in accordance with the principle of supporting the optimal and strong businesses.
 - To leverage the technical advantages of differentiated businesses to create a "highlighted board" for the Company's development.



To deepen the reform of HR system

- 
- To strengthen project manager team building, and implement professional development for project managers.
 - To establish a normalized human resources efficiency analysis mechanism, and promote double-contract management of "labor contract+employment agreement"
 - To promote work-efficiency linkage in depth and fully activate grass-roots efficiency creation.

To reinforce key technological breakthroughs and equipment upgrading

- To strengthen core technologies including rotary steering system with higher build-up rate and ultra HTHP measurement and controlling devices.
- To promote the integrated application of supporting technologies such as deep and ultra-deep oil and gas, shale oil and gas, branch well drilling, and intelligent drilling.



To proceed with the development of product industrialization

- To accelerate the standardization, serialization and templatization of self-developed new technologies.
- To promote the upgrading of Shengli High-end Center and the construction of the maintenance base of Sinopec Matrix in Southwest Industrial Zone.
- To cultivate 10 single products of 10 million yuan, and promote the scale of self-developed products and continue to expand the scale of self-developed products.



To accelerate the construction of IT/IS application

- To dovetail the underlying data between systems such as "two pools and two warehouses", team qualification management, and well site standardization management, and establish an intelligent decision-making analysis platform that integrates project production and operation management.
- To build a "digital" well factory to improve the integration of different data systems, and establish an integrated decision-making command center for the well site.





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