



中国石化
SINOPEC

中石化石油工程技术服务有限公司

SINOPEC OILFIELD SERVICE CORPORATION

2020 Interim Results Presentation

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Section 1 : Operations in 1H 2020



Overview



**National Science and
Technology Progress
Award 2012&2013**

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



**National Science and
Technology Progress
Award 2017**

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

Rich Experiences

- **Fuling Shale Gas Project:** the first successful commercial shale gas project outside NA
- **Puguang Gas Field:** the largest marine-facies high-sulfur gas field in China
- **Shengli Oil Field:** one of the largest oilfield 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 capacity construction demonstration area in China
- **Shunbei Oil and Gas Field:** the deepest onshore oil and gas field in Asia (average depth over 8,000m)

Advanced Equipment

- **Geophysics:** **69** sets of seismic acquisition equipment, **174** sets of Vibrator, **416,100** collecting instrument,
- **Drilling:** **690** onshore drilling rigs, of which **301** capable for **7000m+** depth drilling, and **14** offshore drilling platforms
- **Logging:** **142** image logging systems, **445** sets of comprehensive logging instrument
- **Downhole operation:** **133** sets of type-2500 and type-3000 fracturing vehicles, **43** sets of workover rigs with power higher than 750 HP, **6** offshore operation platforms

Strong R&D capability

- **72** professor-level researchers
- **1,563** senior researchers
- **3,404** research, design, laboratory and development staff
- **4** wellbore research institutes
- **3** design companies
- **46** specialized subordinate research institutes

Geophysics



Drilling Engineering



Logging and Mud Logging



Downhole Operation



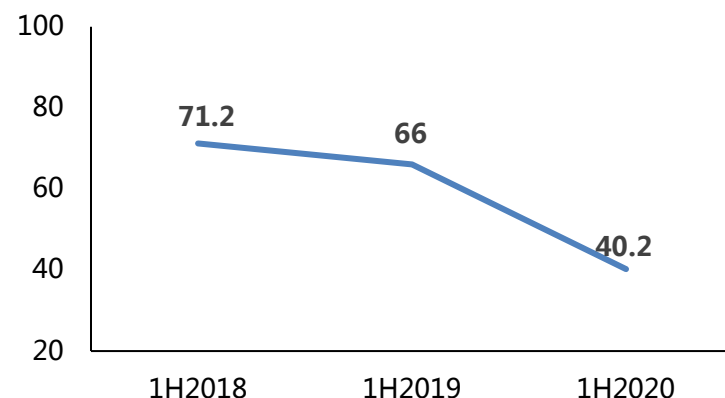
Engineering Construction



Operations in 1H 2020

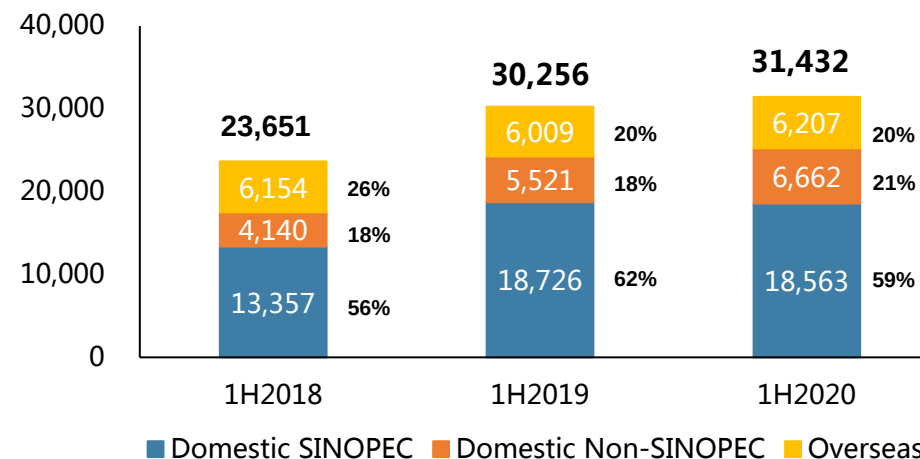
Average Brent Oil Price

(USD/Barrel)

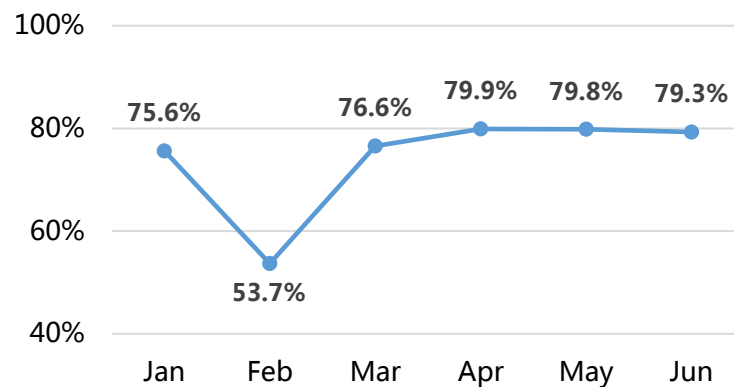


Interim Operating Revenue

(RMB Million)

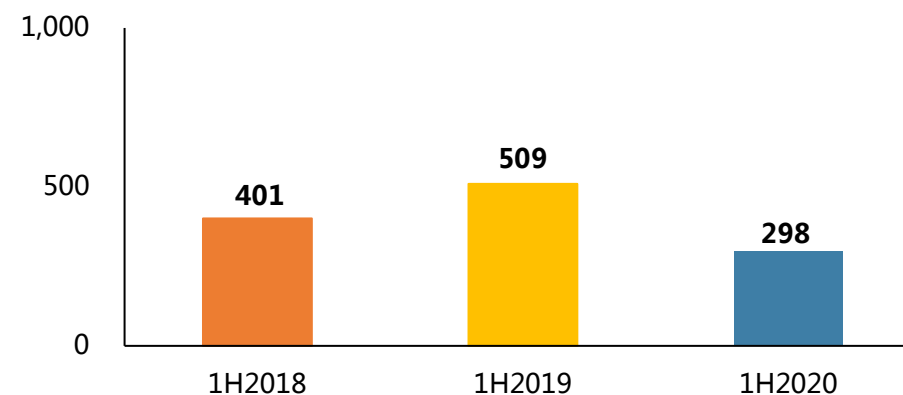


Monthly Average Utilization Rate of Drilling Rigs



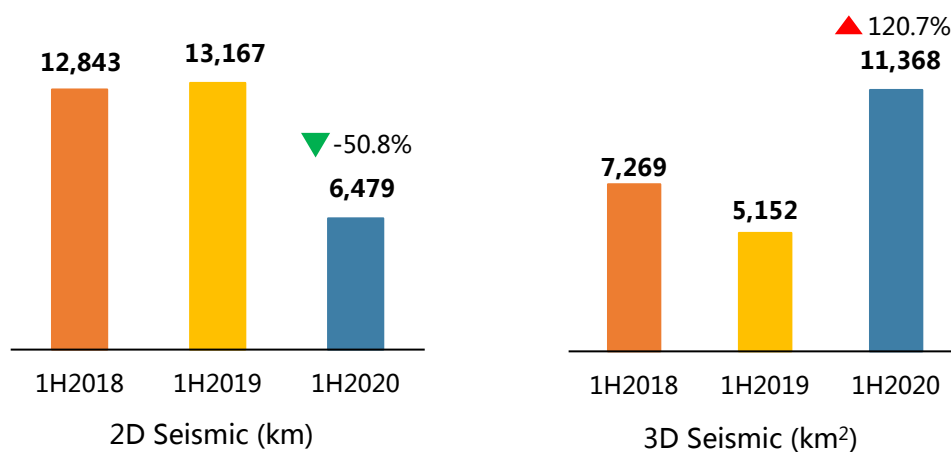
Interim Net Profit (PRC ASBE)

(RMB Million)

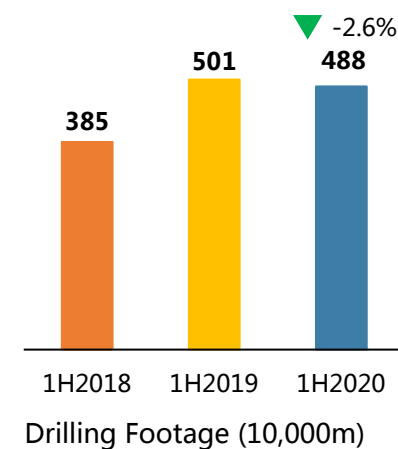


Performance by Segments

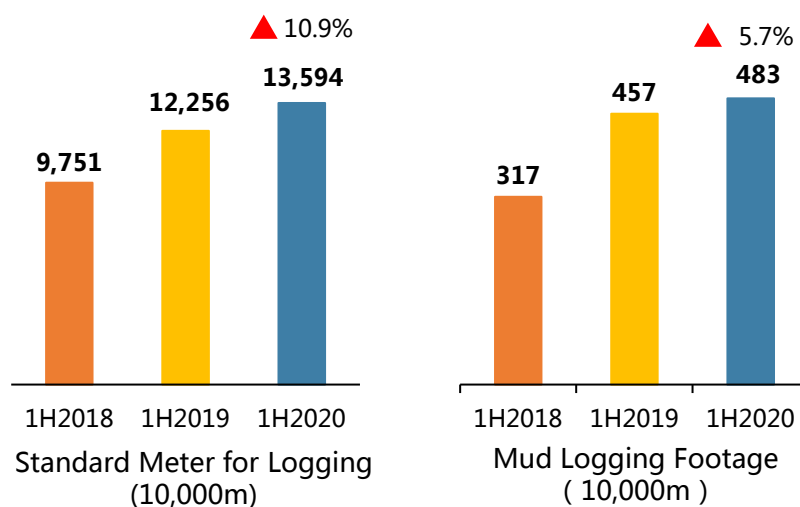
Geophysics



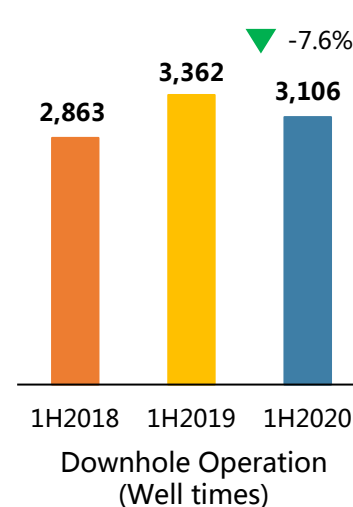
Drilling Engineering



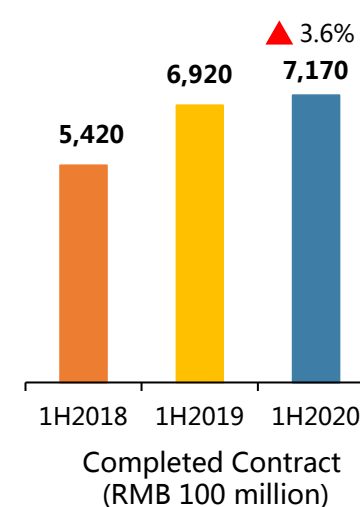
Logging & Mud Logging



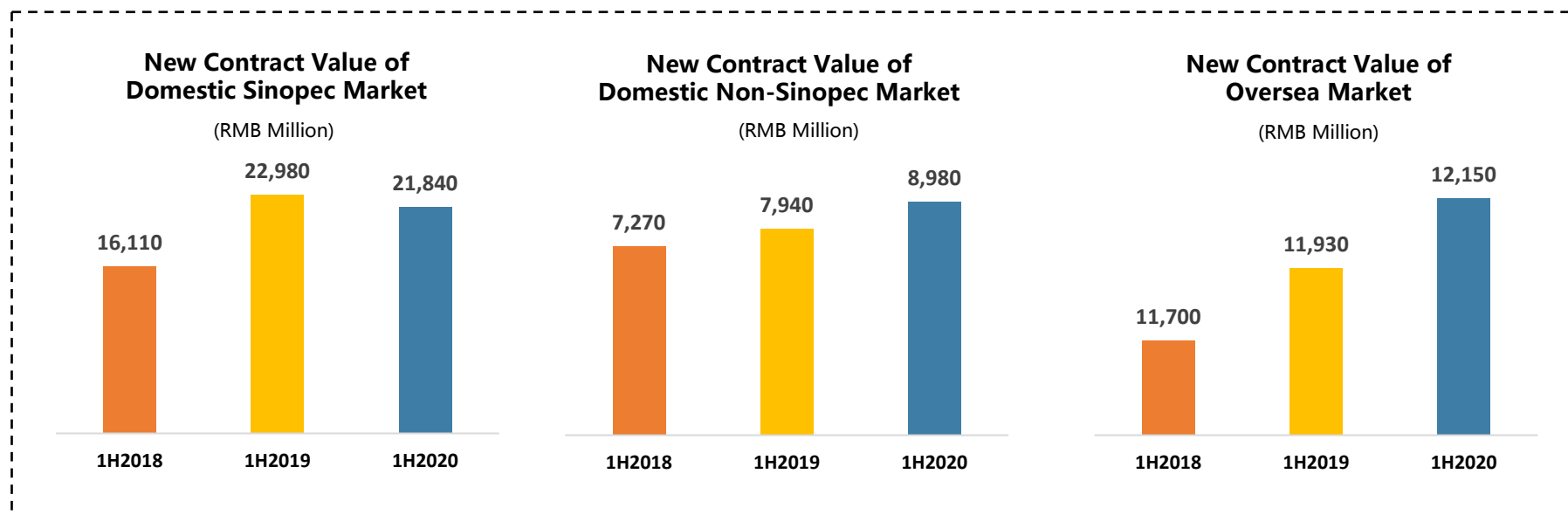
Downhole Operation



Engineering Construction



Market Expansion



● Domestic Sinopec Market :

- Signed drilling contracts for 5 platforms of Weirong Phase II shale gas with approximately 1.9 billion-yuan contract value
- Signed Sinopec' s key projects valued 4.72 billion yuan, including Shunbei productivity construction, Hainan Refinery and Crude oil commercial reserve
- Signed contracts of seismic acquisition projects valued 559 million yuan in Shunbei and Wulong block in East China

● Domestic Non-Sinopec Market :

- Won the bid for LSTK drilling projects for 7 drilling platforms in CNPC shale gas market in Sichuan, with a contract value of 1.05 billion yuan.
- Provided geophysics and vessel service for CNOOC with a new-signed contract value of 240 million yuan
- Awarded the reconstruction project of Huaian-Jiangdu section of the Beijing-Shanghai Expressway, with a contract value of 930 million yuan
- The energy conservation and environmental protection business won the bid for the PetroChina Tarim Environmental Protection Project with a contract value of 90 million yuan.

● Overseas Market :

- Wellbore business: Signed Aramco' s 5-year oil well workover projects for 4 rigs and unconventional gas well drilling projects for 6 rigs, with a total contract value of USD 1.22 billion, and obtained Aramco' s screw service qualification; In Kuwait, signed 10 drilling and workover rig projects valued USD 90 million, extended contracts of 6 drilling rigs valued USD 90 million and passed KOC' s directional well service qualification; In Ecuador, signed 10 drilling and workover contracts valued USD 60 million.
- Geophysics business: Signed 3 contracts of 3D seismic acquisition and 2 contracts of data processing projects with SONATRACH, a total contract value of USD 80 million in Algeria. Signed a 3D acquisition project valued USD 12 million in Nigeria.
- Engineering construction business: Signed a road upgrade and renovation project in Kenya and a road and bridge project in Daman in Saudi Arabia.

Deepening Reform

- Compiled the company's 14th Five-Year Plan to determine action guidelines for the company to move towards mid-to-high end
- Introduce guidance on the overall planning of market layout and optimization of resource allocation to promote the centralization and unification of markets in major industrial areas and the optimal allocation of resources

Strengthened the Top-level Design from Headquarters

Promoted HR System Reforms

- Strictly controlled the total amount of labor, revitalized the stock, and continued to optimize the team structure
- 311 administration units personnel were streamlined, and 6000 various personnel were coordinated and transferred

- Continued to improve the construction of the six major systems and promote the refined and scientific project management
- Strengthened performance appraisal, increase work efficiency linkage, and fully implement single-well single-project assessment

Improved the Management System Construction

Promoted Business Professional Development

- Formulated a specialization development plan for logging, mud logging and directional well drilling and integrated development of geophysical prospecting
- Reduced auxiliary business units from 114 at the beginning of the year to 88

Technology R&D

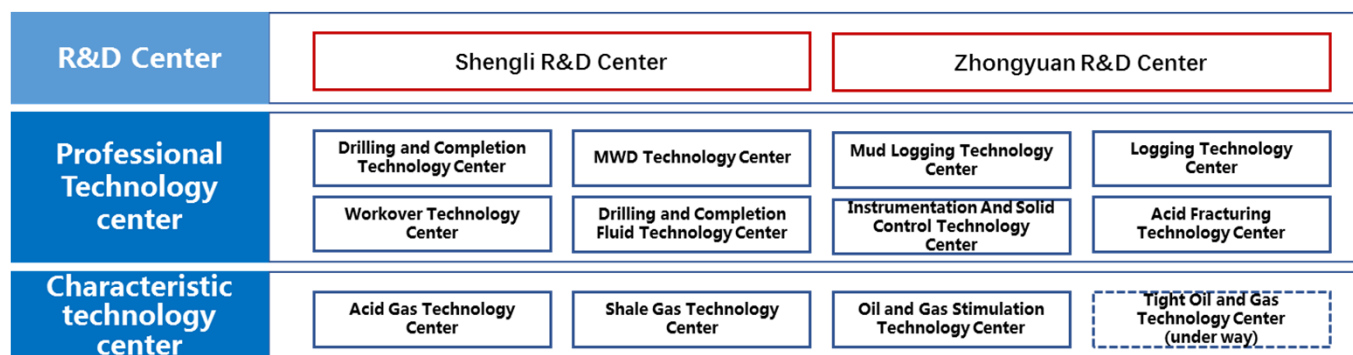
Patents

Patents : we applied for 364 news patents at home and abroad, 234 granted, an increase of 15%.

Transformation Of Scientific Achievement

- Set a new record of deepest onshore directional well of Asia on Shunbei 55X well with a depth of 8,725m.
- 175°C high-temp MWD tool finalized production and realized industrial application.
- SINOLOG900 network imaging logging tool finalized production and realized industrial application.
- "Dual sweet spots" mud logging technology provided strong support for the staged and clustered fracturing of horizontal wells.
- Self-developed node seismic tool realized large-scale application.

Improving R&D System

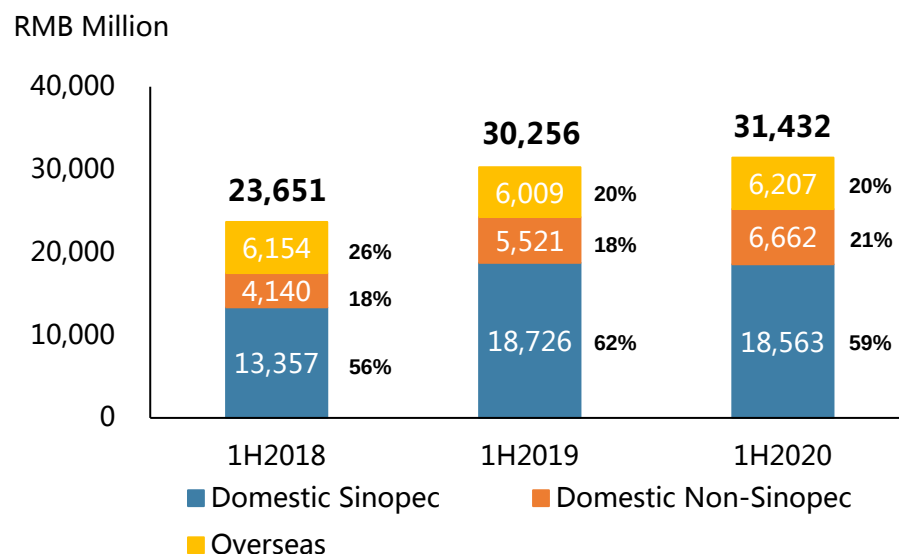


Section 2: Financials in 1H 2020

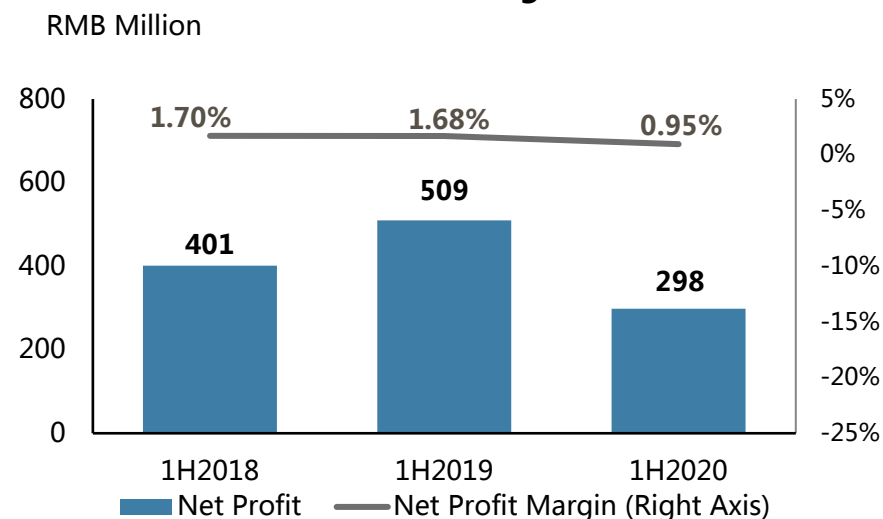


Key Financial Indicators

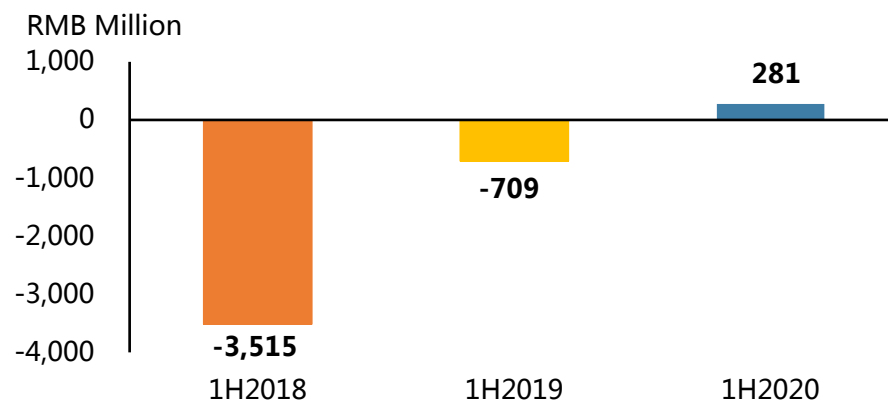
Operating Revenue



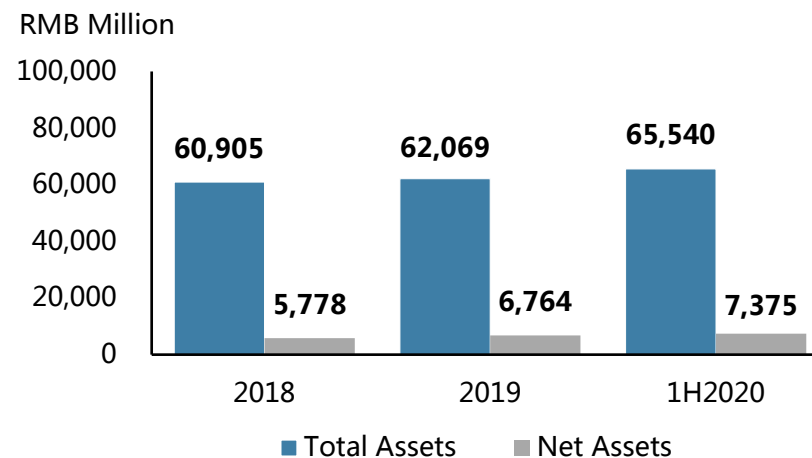
Net Profit & Margin



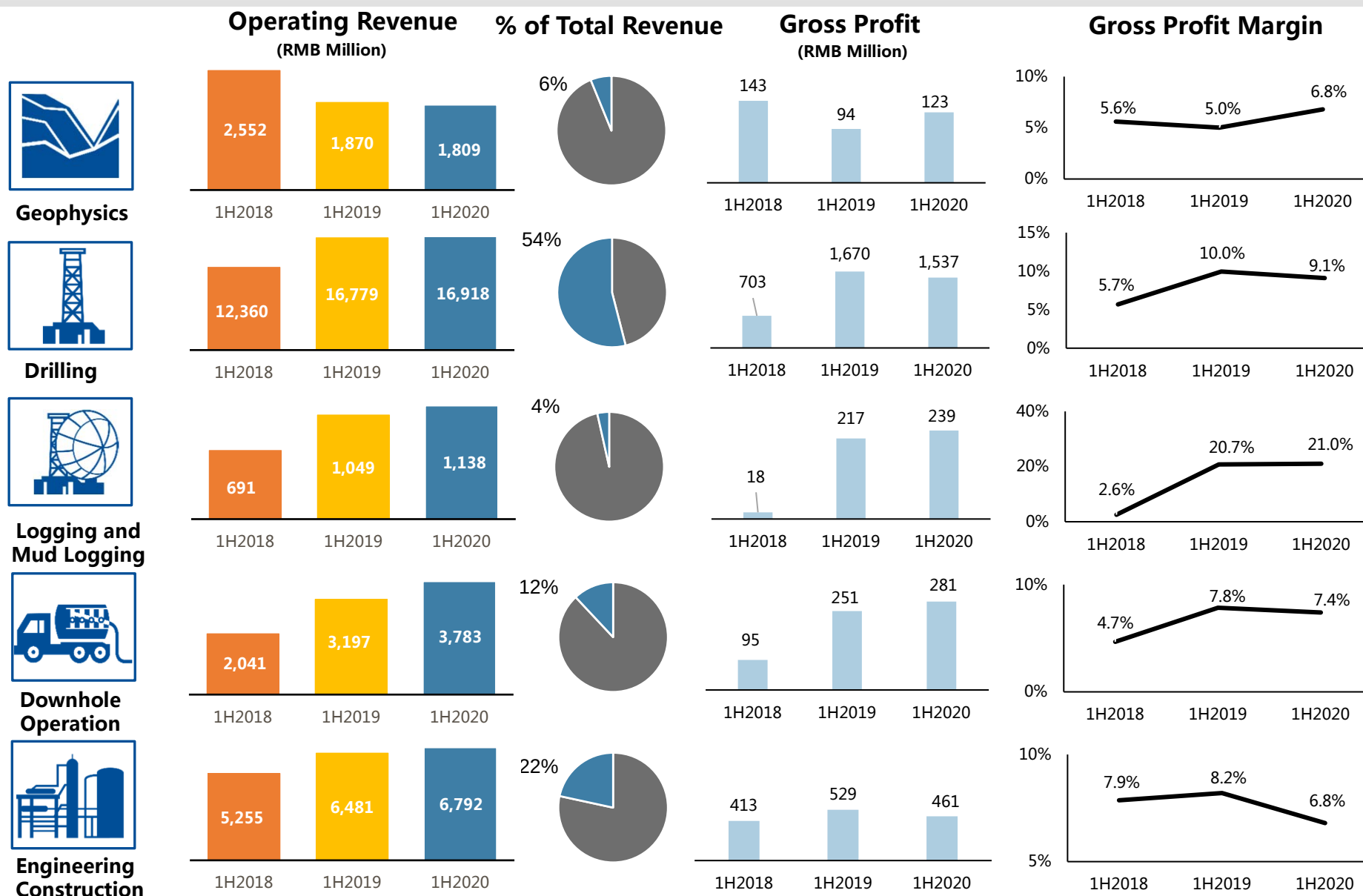
Operating Cash Flow



Total Assets & Net Assets

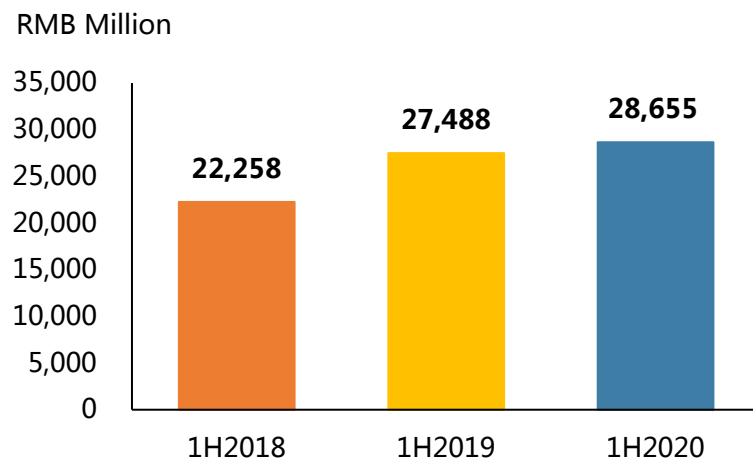


Financials of 5 Business Segments

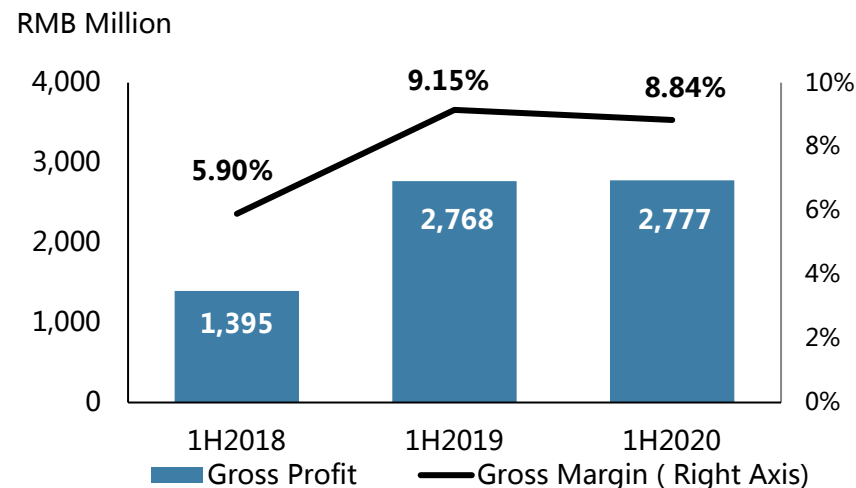


Profitability , Receivables and Inventory

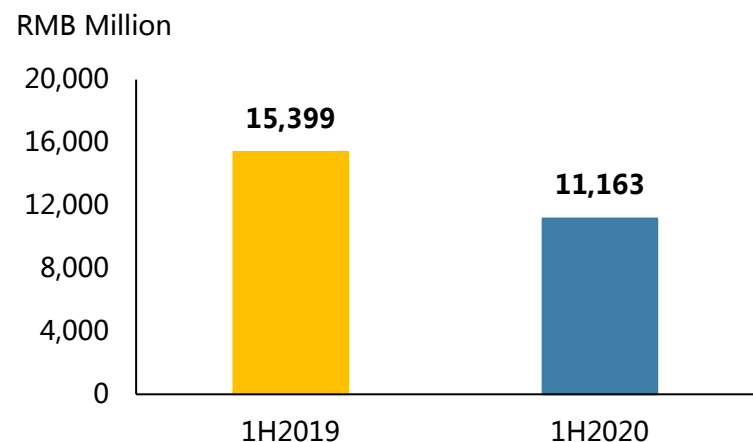
Operating Cost



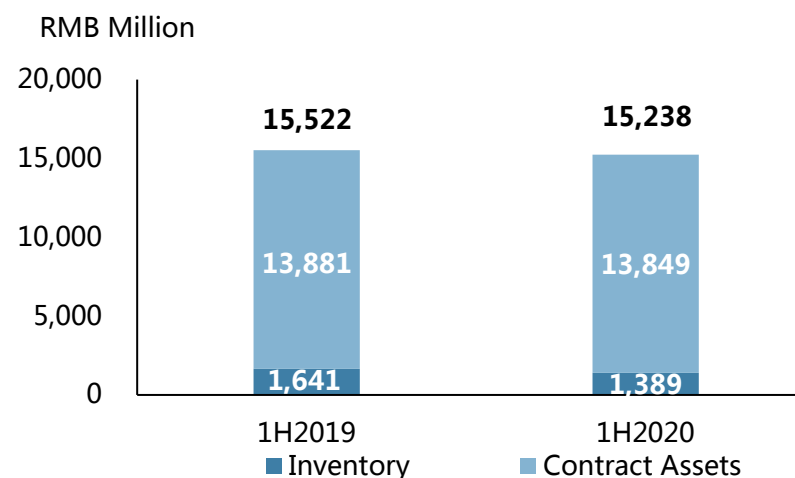
Gross Profit & Margin



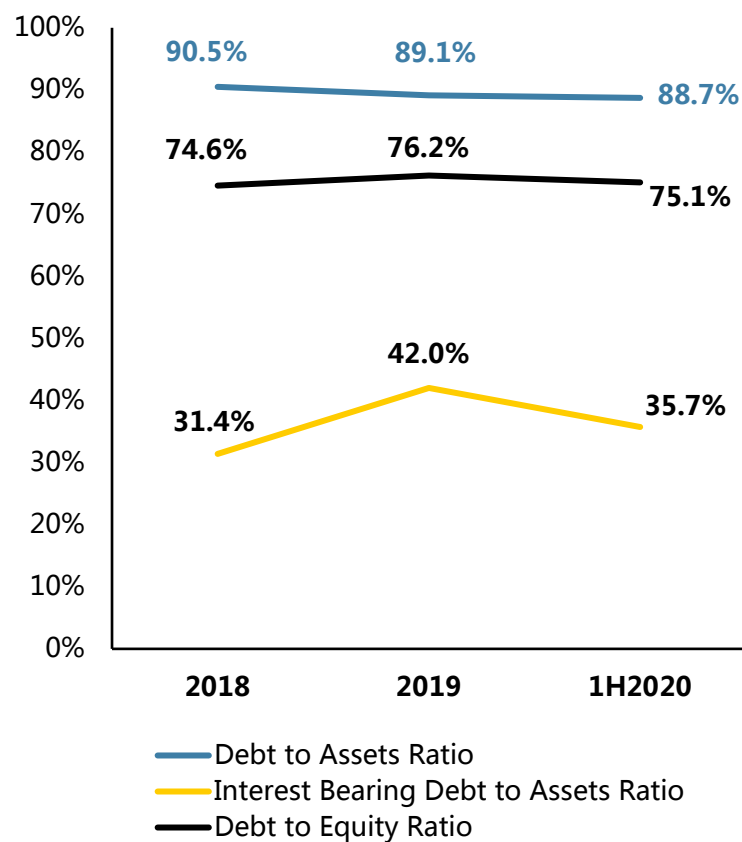
Notes Receivable & Accounts Receivable



Inventory & Contract Assets

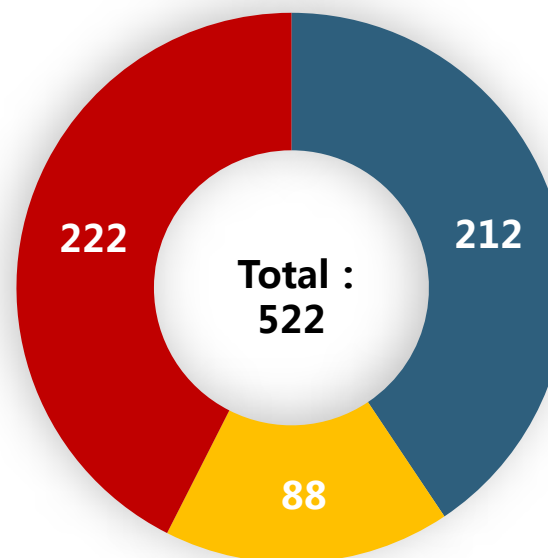


Structure of Assets and Liabilities



Credit Facility from Financial Institutions

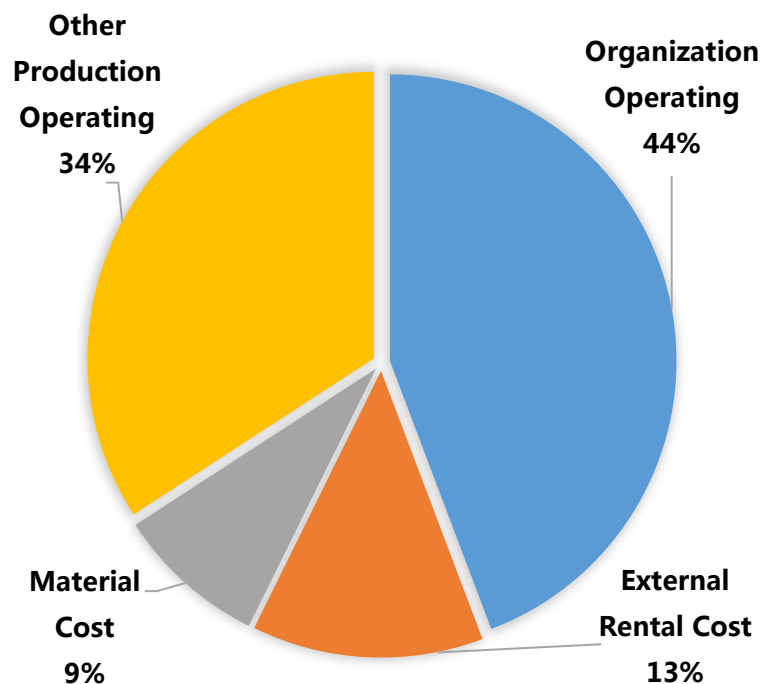
(RMB Million)



- Credit Line for Loan from Sinopec Financial Institutions
- Bill and Guarantee Line from Sinopec Finance and Sinopec Century Bright
- Comprehensive Credit Line from Banks (Not for Loan)

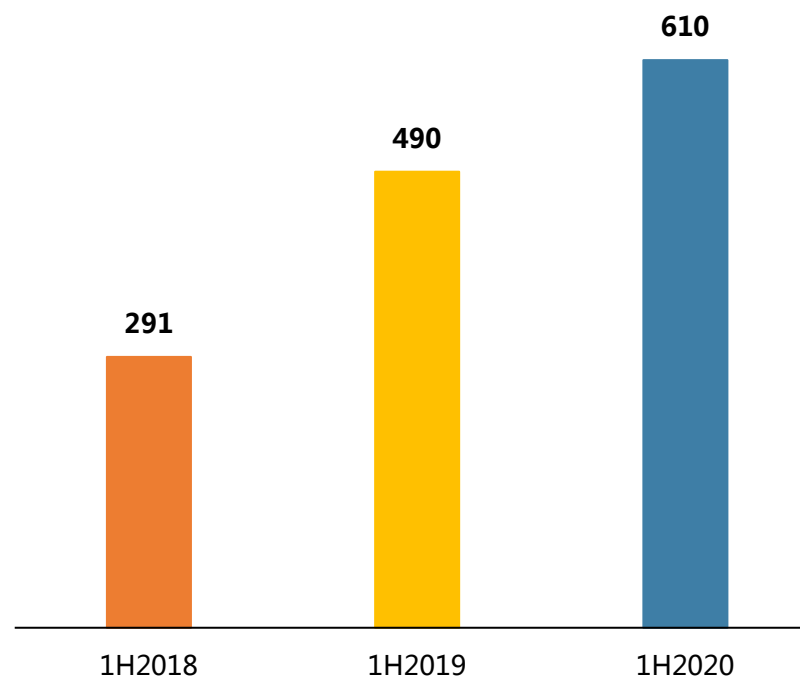
Cost Reduction and Capital Expenditure

Cost Reduction in 1H 2020



■ In 1H 2020, the cost reduction was 190 million yuan

Capital Expenditure in 1H 2020 (RMB Million)



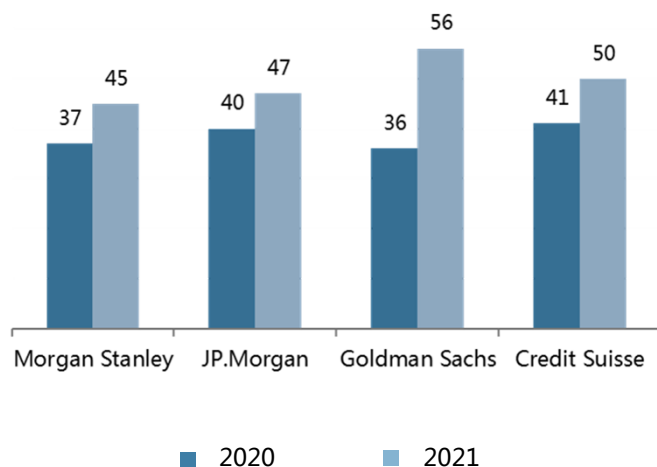
■ In 1H 2020, the Capex was 610 million yuan, mainly used for purchasing gas rigs, deep drilling rigs, fracturing equipment and geophysical acquisition equipment

Section 3: Outlook for 2H 2020



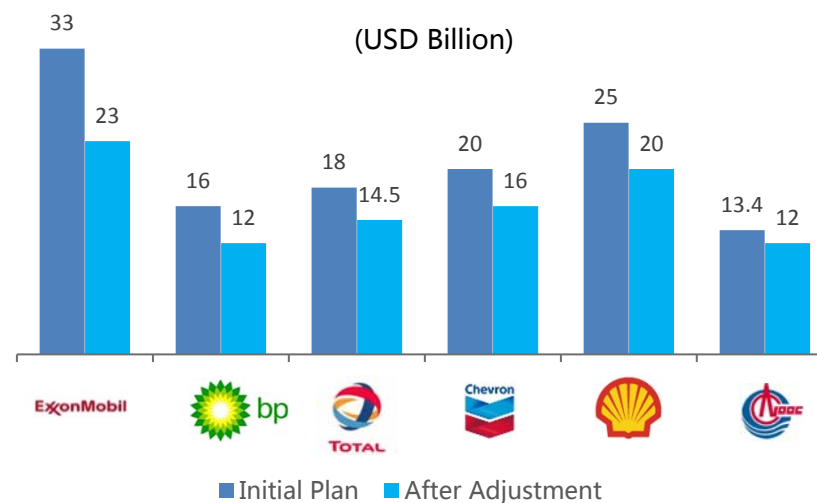
2020-2021 Brent Price Forecast

(USD/Barrel)



2020 CAPEX Guidance of Upstream Enterprises and Adjusted Numbers

(USD Billion)

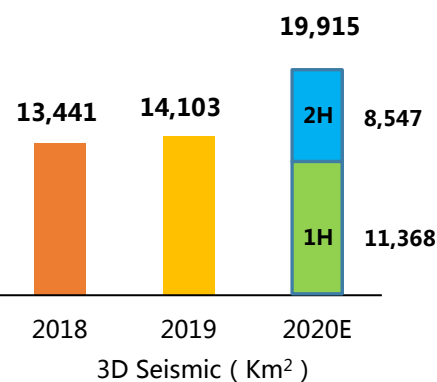
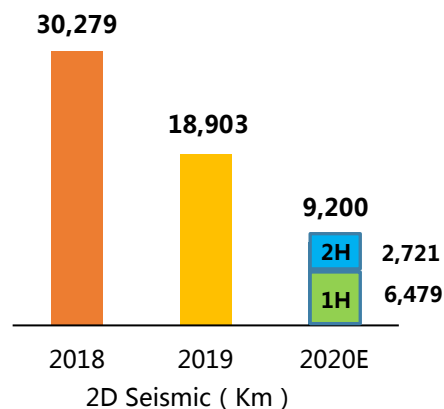


Industry Outlook

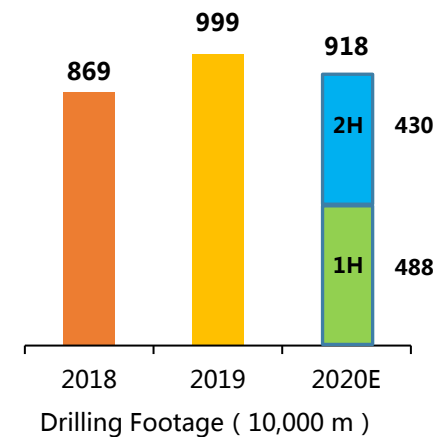
- The global spread of the epidemic has brought a huge impact on the world economy. International oil prices are expected to remain low and fluctuate due to the decline in the demand side. Oil companies have adjusted their strategies and tightened investment. The requirements for improving the quality, speed, efficiency and production through oilfield service have become more intense and urgent.
- The fundamentals of China's economic stability and improvement remain unchanged, and it is expected that the momentum of China's economic recovery in the second half of the year will continue.
- The three domestic oil majors will continue to carry on the seven-year action plan for oil and gas exploration and development, providing opportunities for the domestic oilfield service industry.

Work Volume Plan in 2H 2020

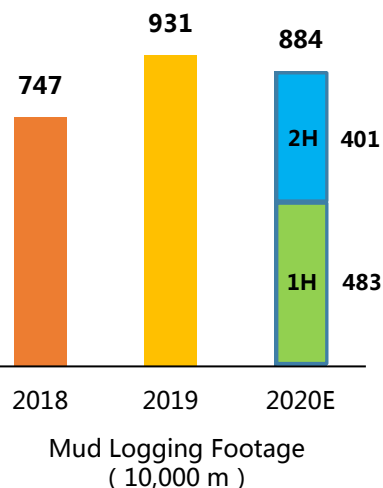
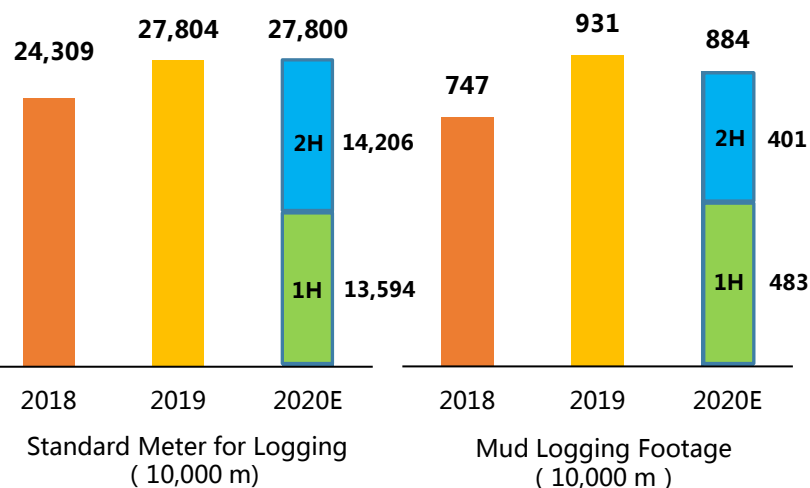
Geophysics



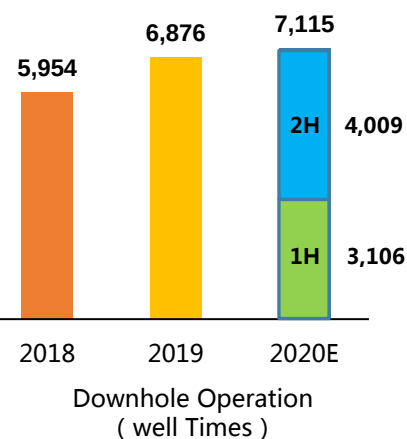
Drilling Engineering



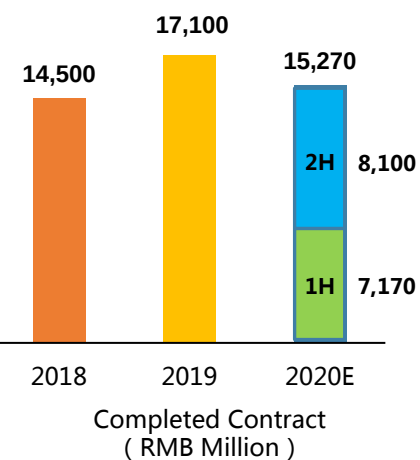
Logging & Mud Logging



Downhole Operation



Engineering Construction



Domestic Sinopec Market

- Planned new contracts value of 16.1 billion yuan
- Strengthen technical support for ultra-deep wells, shale gas, tight oil and gas, and production stimulation in mature oilfield in east China
- Go all out to execute key projects, such as Weirong Shale Gas Phase II, Western Sichuan Marine Gas Field, Shunbei Oil and Gas Field, and North China Tight Gas Field



Domestic Non-Sinopec Market

- Planned new contracts value of 4.5 billion yuan
- Consolidate traditional CNPC Tarim and East Hebei markets, expand CNPC's Sichuan-Chongqing shale gas market, stabilize CNOOC's East China Sea and South China Sea markets
- Consolidate seismic market of China Geological Survey Bureau.
- Follow up the national oil and gas pipelines, public works, local roads and bridges and other markets



Overseas Market

- Planned new contracts value of 4.5 billion yuan
- Expand gas drilling, drilling fluid, testing and promote unconventional businesses in Saudi Arabia, follow up deep well drilling and workover, mud logging and well site construction businesses in Kuwait
- Follow up the LSTK drilling projects in Ecuador and geophysics Projects in Mexico
- Promote pipeline project in Iraq and a natural gas processing plant project in Nigeria



Coordinate the layout of domestic and foreign markets



- Strengthen the development of key industrial areas, and withdraw from inefficient and ineffective markets.
- Supporting the superior companies, making overall plans to utilize the advantages of each regional companies, and improving the overall efficiency and effectiveness of the company.
- Keep no more than four market service entities in one key industrial area or country. Keep no more than two market service entities in one general industrial area or country



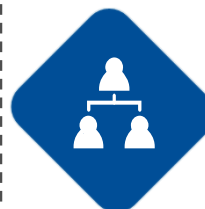
Improve the allocation of equipment resources

- Enhance the construction of asset leasing centers, and intensify the disposal of obsolete, high-depreciation equipment and inefficient assets, strictly control the scale of equipment,
- Strengthen unified procurement and centralized management of materials in key areas and optimize integration of logistics service bases to realize the sharing of regional resources

Optimize the allocation of human resources



- Strengthen the optimization and overall planning of human resources to increase labor productivity
- Effectively reduce workforce, establish a market-based employment mechanism, eliminate surplus social employment and improve efficiency of human resources



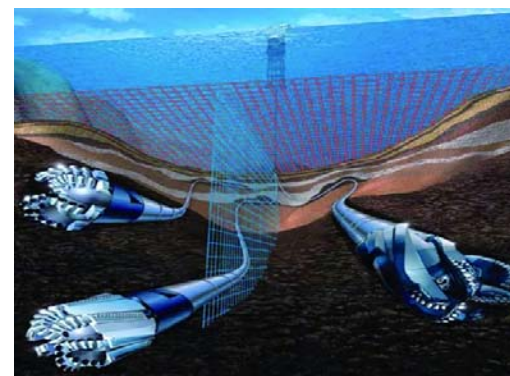
Deepen reforms to reduce costs and increase efficiency

- Promote the specialized development of logging, mud logging ,directional drilling and promote the internal professional integration and resource optimization among regional companies and professional companies
- Streamline the organization, promote the "small organization and large department system", and reduce auxiliary units by 40% throughout the year
- Strictly control costs for detailed project management , and the annual capital expenditure is 2.96 billion yuan, a decrease of 440 million yuan compared with the former plan. Costs and expenses to be deducted by 500 million yuan in 2020, an increase of 200 million yuan over the old annual target

Enhancing Technology Innovation

Speed up making breakthroughs in bottleneck technology

- To focus on key technologies such as rotary steering system, high-temperature logging, multilateral well drilling, etc.; to accelerate the breakthroughs in bottleneck technology .
- To enhance R&D in high-end technologies such as coiled tube drilling, intelligent drilling and completion, resonance frequency seismic methods, and underwater node seismic acquisition technology.



Speed up the application of scientific and technological achievements

- To strengthen the promotion of integrated technologies, promote templated design, standardized technology, and normalized operation in key work areas.
- To promote efficient and safe drilling of shale gas and ultra-deep drilling in Shunbei oilfield to enhance speed and efficiency.
- To strengthen implementation for the application of R&D results, promote the application of 95 technical achievements to improve benefits.





中石化石油工程技术服务有限公司
SINOPEC OILFIELD SERVICE CORPORATION

<http://ssc.sinopec.com>

Investors Relations

电话 : +86 10 5996 5998
传真 : +86 10 5996 5997
邮箱 : ir.ssc@sinopec.com

