



中国石化
SINOPEC

中石化石油工程技术服务有限公司

SINOPEC OILFIELD SERVICE CORPORATION

2021 Interim Results Presentation

August, 2021



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Section 1: Operations in 1H 2021





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:** **69** sets of seismic equipment, **174** sets of vibroseis, **47,330,000** collectors
- **Drilling:** **670** onshore drilling rigs, of which **313** capable for 7000m+ depth drilling, and **14** offshore drilling platforms
- **Logging:** **142** image logging systems, **435** sets of comprehensive logging instruments
- **Downhole operation:** **377** sets of fracturing vehicles, of which **215** 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

- **79** professor-level researchers
- **1,600** senior researchers
- **3,200** research, design, laboratory and development staffs
- **4** research institutes
- **3** design companies
- **46** professional technical institutes



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



The "Top 100 Chinese Listed Companies Award"



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



The 5th "Golden Hong Kong Stocks" Best Infrastructure and Public Utilities Company Award



Geophysics



Drilling Engineering



Logging and Mud Logging



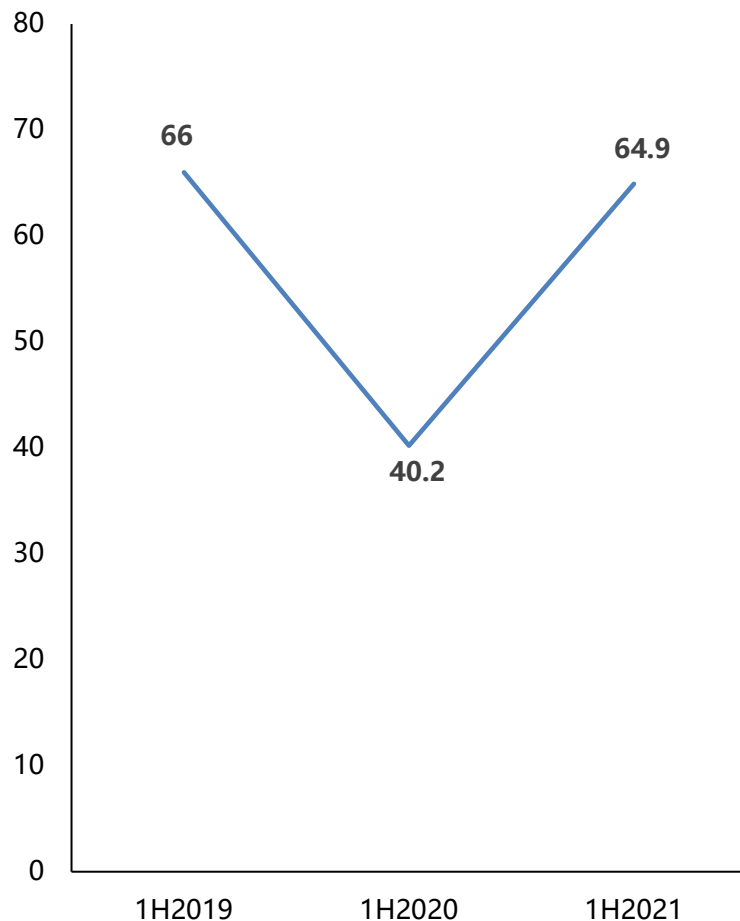
Downhole Operation



Engineering Construction

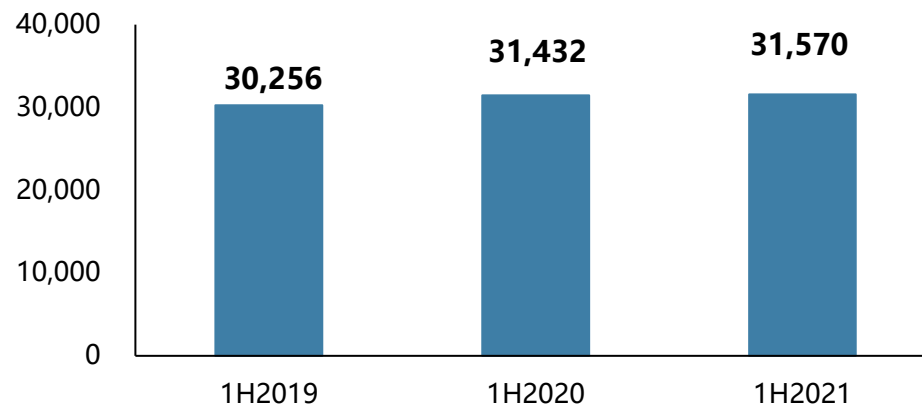
Annual Average Brent Oil Price

(USD/Barrel)



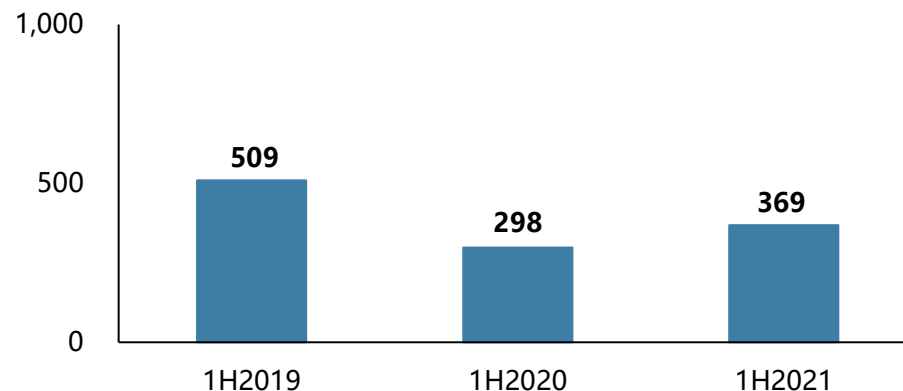
2021 Interim Revenues

(RMB Million)



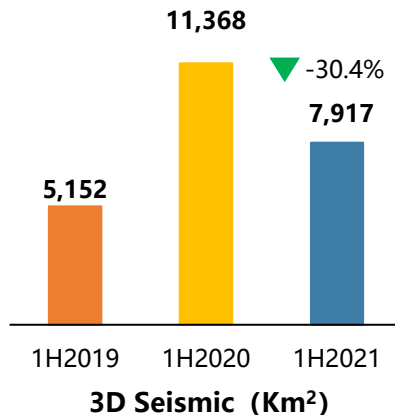
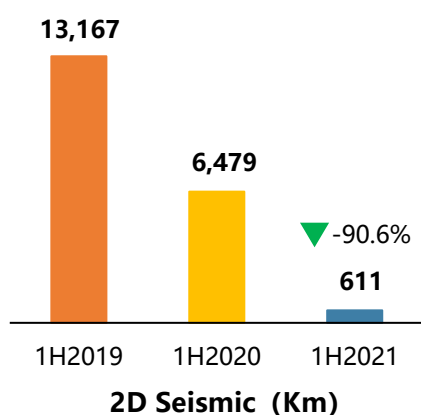
2021 Interim Net Profits(PRC ASBE)

(RMB Million)

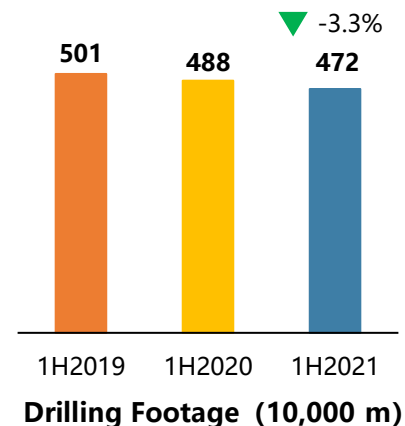


Performance by Segments

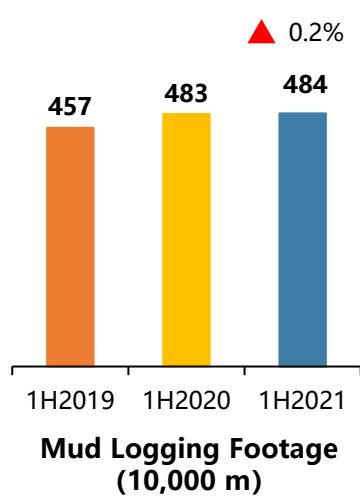
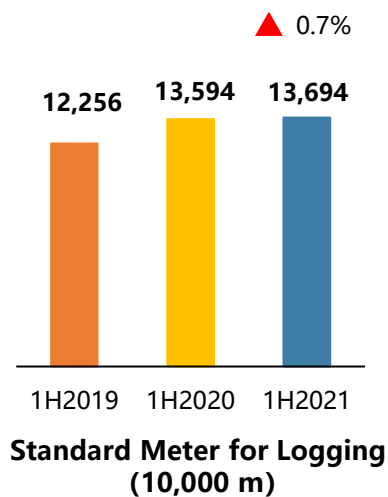
Geophysics



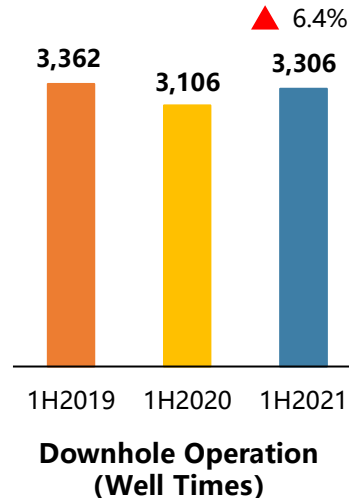
Drilling Engineering



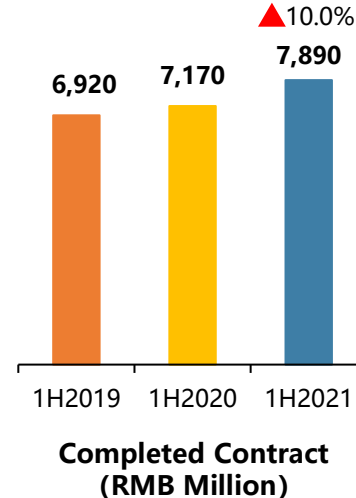
Logging and Mud Logging



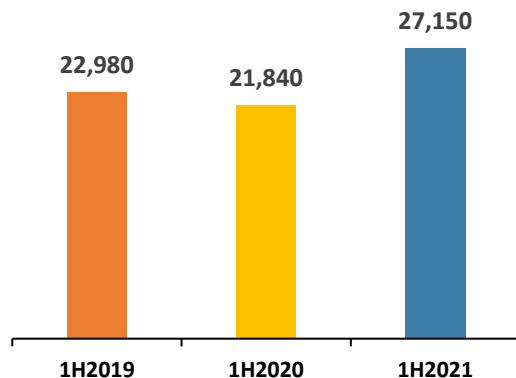
Downhole Operation



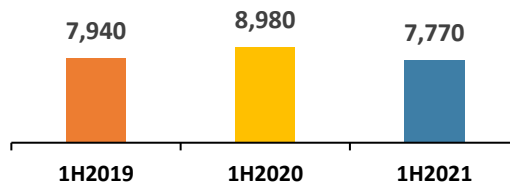
Engineering Construction



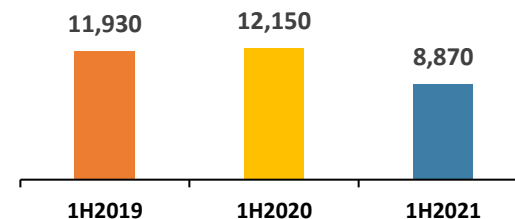
New Contracts Values of Domestic Sinopec Markets
(RMB Million)



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



New Contracts Values of Overseas Markets
(RMB Million)



● **Domestic non-Sinopec markets :**

- Provided high-quality service for oil and gas exploration and development in the mature eastern area, Tarim Basin, Jungar Basin, Sichuan Basin, and Ordos Basin
- Served for the production capacity construction of key industrial areas such as Phase II of Weirong Shale Gas Project, Western Sichuan Marine Gas Field, Shunbei Oil and Gas Field, North China Tight Gas Field
- Implemented the EPC project of the Baima block in Fuling District
- Participated in the construction of China's first megaton-level CCUS (carbon capture, utilization and storage) project - Qilu Petrochemical-Shengli Oilfield CCUS project

● **Domestic non-Sinopec markets:**

- Launched 45 drilling rigs in the PetroChina market and won new contracts valued 1.26 billion yuan
- Awarded PipeChina's construction project with contracts valued 2.115 billion yuan
- Entered the CNOOC's large-scale storage tank construction market with contracts awarded 330 million yuan
- Won the bid for the BEPC project of the south main line of Shandong pipeline with contracts valued 3.465 billion yuan

● **Overseas Market:**

- In Kuwait, we won the bid of the 5+1 years project of 10 workover rigs for KOC with contracts valued USD 360 million
- In Ecuador, we entered 5 drilling rig service contracts valued USD 30 million
- Participated in wellbore cleanout service bid of Saudi Aramco for the first time and won the contract valued USD 15 million
- Won the bid of oil & gas gathering and transportation project in Uganda, valued USD 611 million
- Won the contract of 2D geophysical service project of PEMEX, valued USD 31.7 million



Coordinating market and optimized the allocation of resources

- Strengthened integrated operation and redeployed 50 drilling rigs between regional companies
- Optimized the sharing of management institutions and logistics bases in key domestic industrial areas
- Built information platform for joint storage and unified distribution of materials
- Exited ineffective, low-efficiency and high-risk overseas markets



Strengthening professional management of main businesses

- Completed the establishment, opening and transfer of businesses, assets, teams, and equipment of Sinopec Matrix.
- Established the Drilling Engineering Management Department and the Downhole Operations Management Department (Reservoir Management Department) to coordinate the company's drilling, downhole and reservoir operations



Pushing the high-quality development of auxiliary business

- Developed scheme for the integration and optimization of auxiliary businesses
- Integrated auxiliary business units in the same region and promoted cross-regional professional integration
- Reduced 11 auxiliary business in 1H 2021, down 16.2%. 57 auxiliary business units achieved profitability.



Innovating production operation and project management

- Explored the implementation of the “factory-like” drilling construction model, achieved good results in Shengli, Southwest and other work areas
- Explored the cooperative development mode for difficult-to-use reserves, sharing risks and benefits with oil companies
- Constructed project management system with “two pools, two warehouses and one platform” as the support



Improving R&D System

- Established Geological Measurement and Control Technology Institute
- Jointly built CCUS (Carbon Capture, Utilization and Storage) and ultra-deep well drilling and completion laboratories of Sinopec
- Improved the construction of R&D center of geophysical, engineering construction and offshore oil engineering technology
- Explored the whole process management of R&D projects



Tackling key Technologies

- Obtained 315 authorized patents
- In 1H 2021, created 293 new construction records, including 2 Asian records and 14 national records. Shunbei 56X well completed with a depth of 9300 meters, refreshing the record of the deepest onshore directional wells in Asia.
- Drilling rotary steering system entered the trial and application stage on 16 Wells with 8171 meters of drilling footage completed
- Promoted technological breakthroughs of HTHP electric imaging logging and coiled tubing side drilling technology



Promoting Product Industrialization

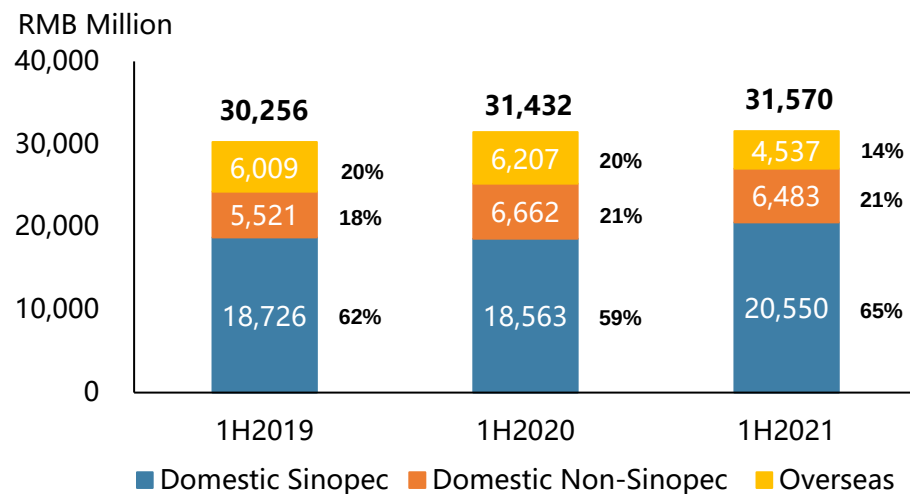
- Formulated product industrialization plan with 3 bases, 7 product series and 21 product lines.
- Made a superior list of 104 products such as high temperature MWD and automatic pipe string installation system to lay a solid foundation for promoting industrialization

Section 2: Financials in 1H 2021

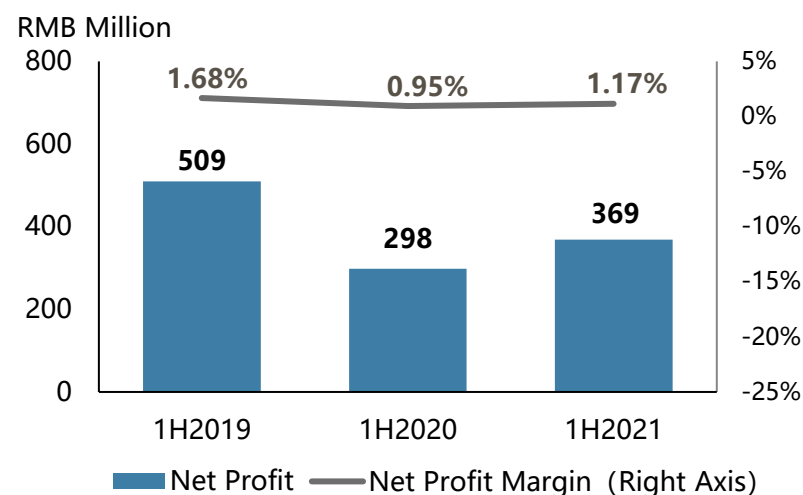


Key Financial Indicators

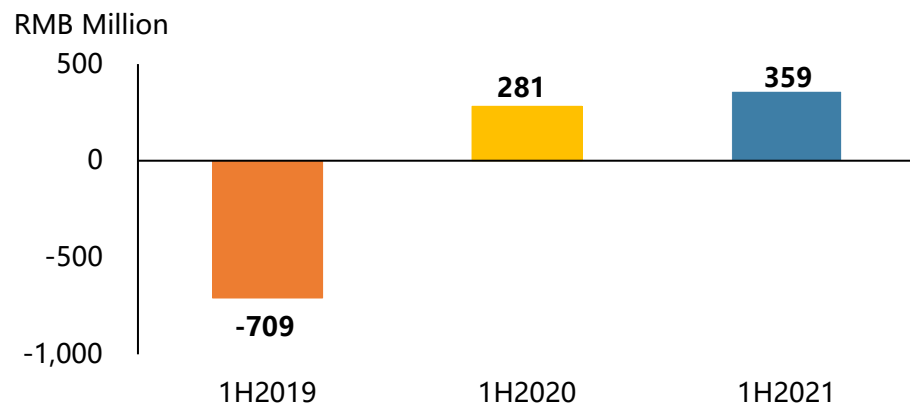
Operating Revenue



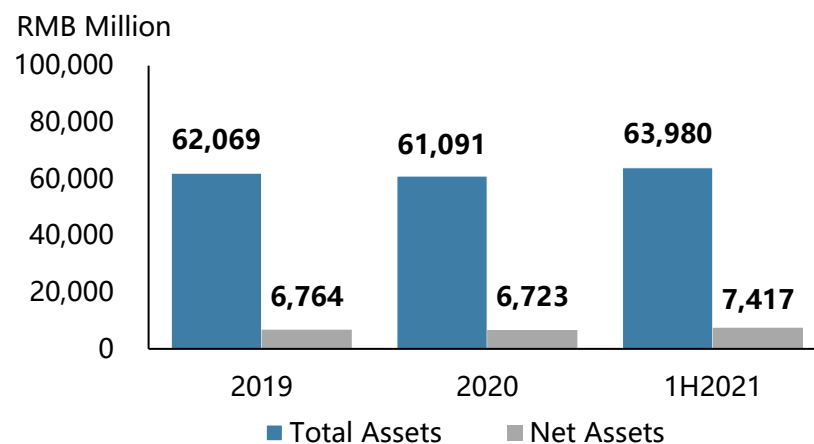
Net Profit & Margin



Operating Cash Flow



Total Assets & Net Assets

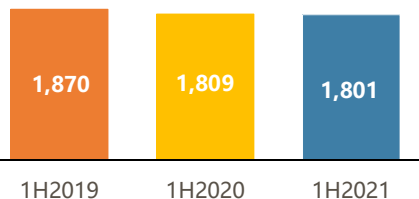


Financials of 5 Business Segments and Gross Profits

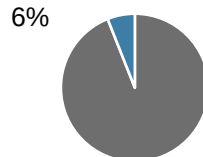


Geophysics

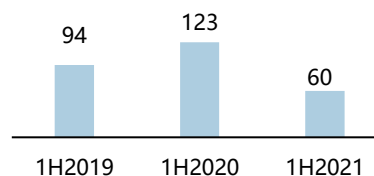
Operating Revenue
(RMB Million)



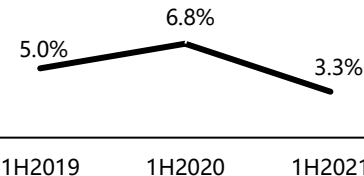
% of Total Revenue



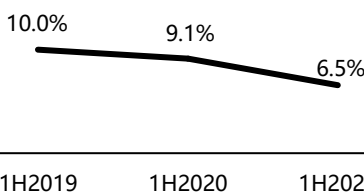
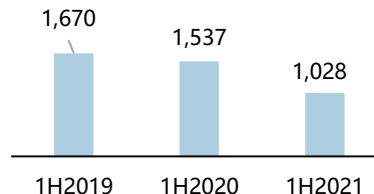
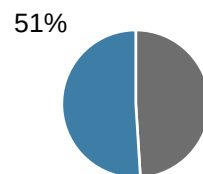
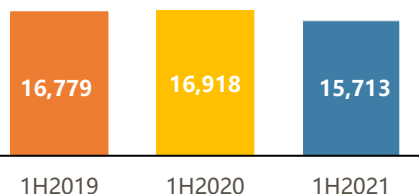
Gross Profit
(RMB Million)



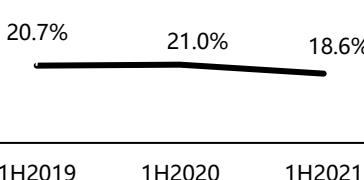
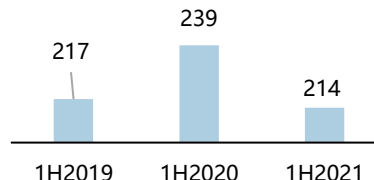
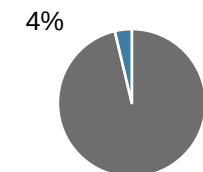
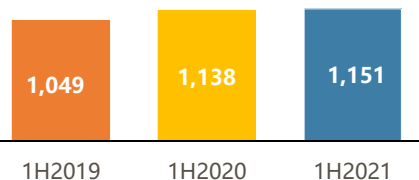
Gross Profit Margin



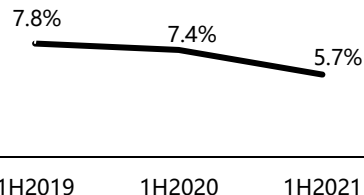
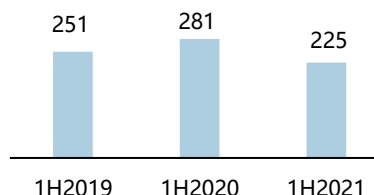
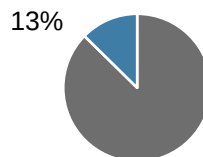
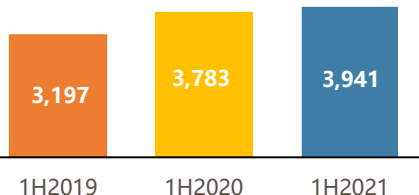
Drilling



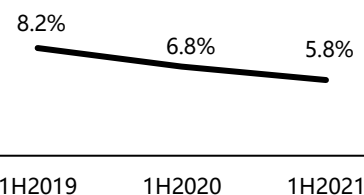
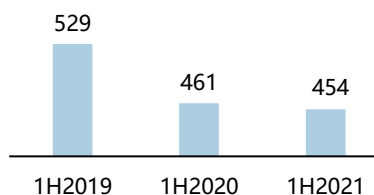
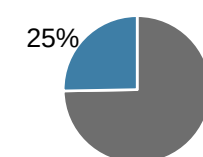
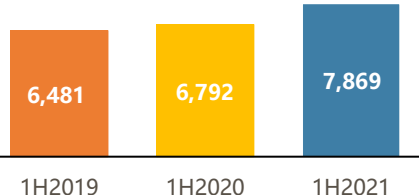
**Logging and
Mud Logging**



**Downhole
Operation**

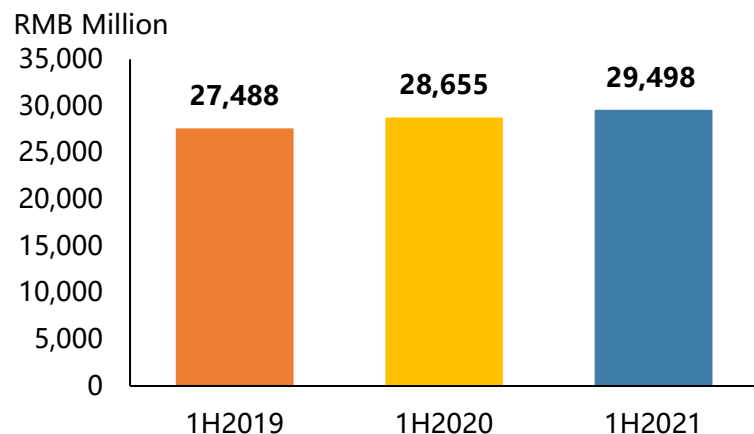


**Engineering
Construction**

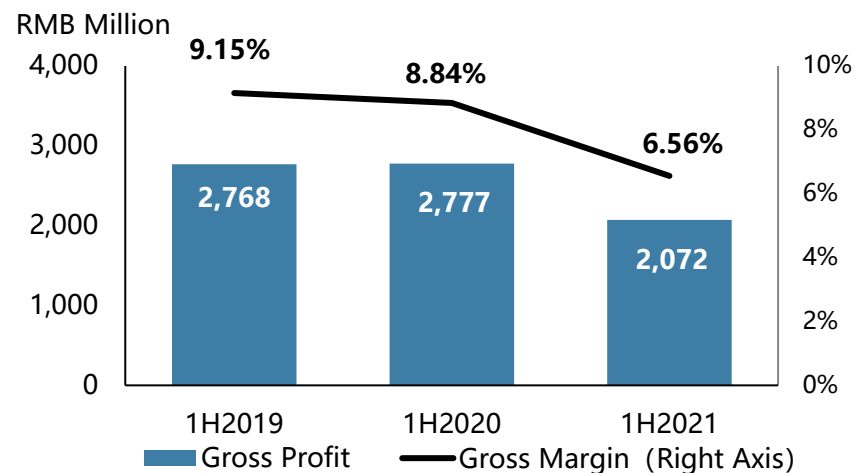


Profitability , Receivables and Inventory

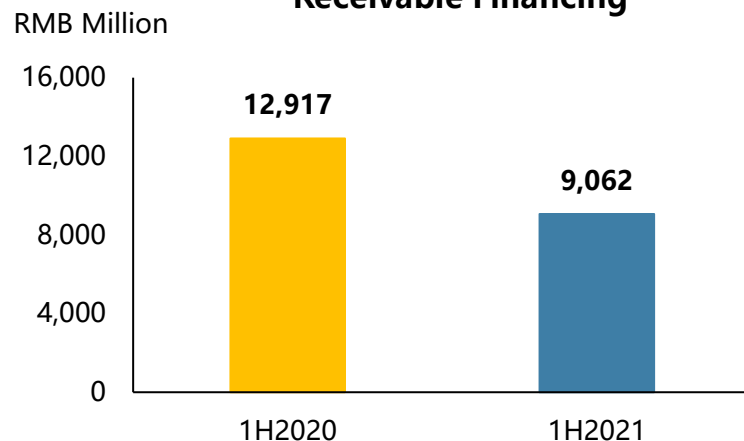
Operating Cost



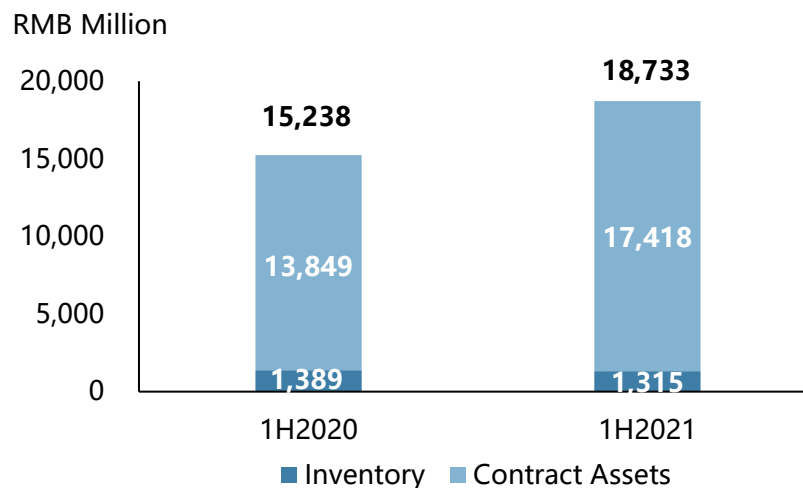
Gross Profit & Margin



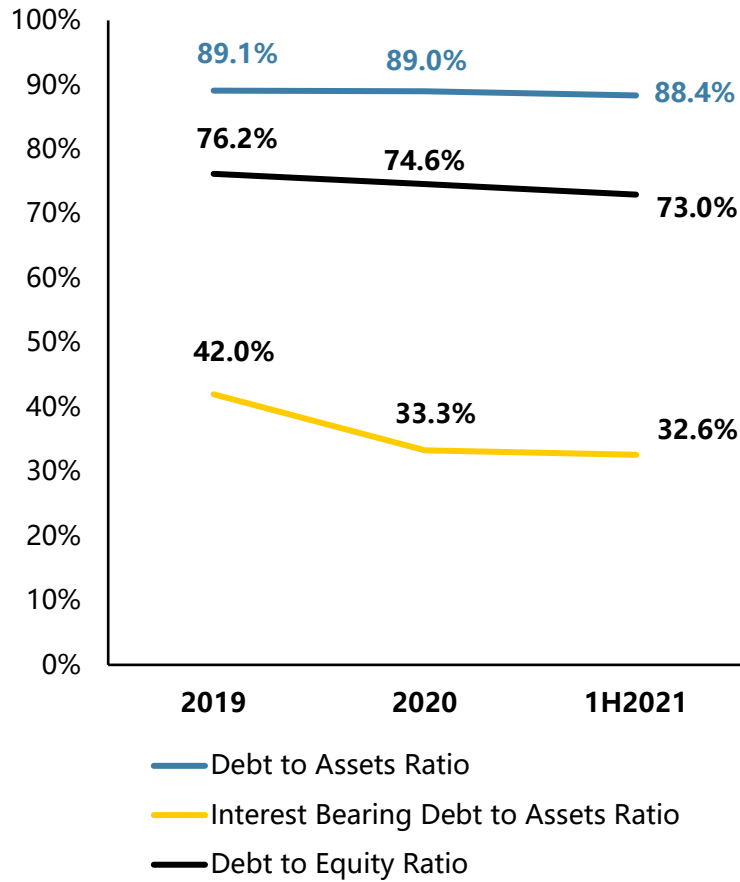
Accounts Receivable & Accounts Receivable Financing



Inventory & Contract Assets

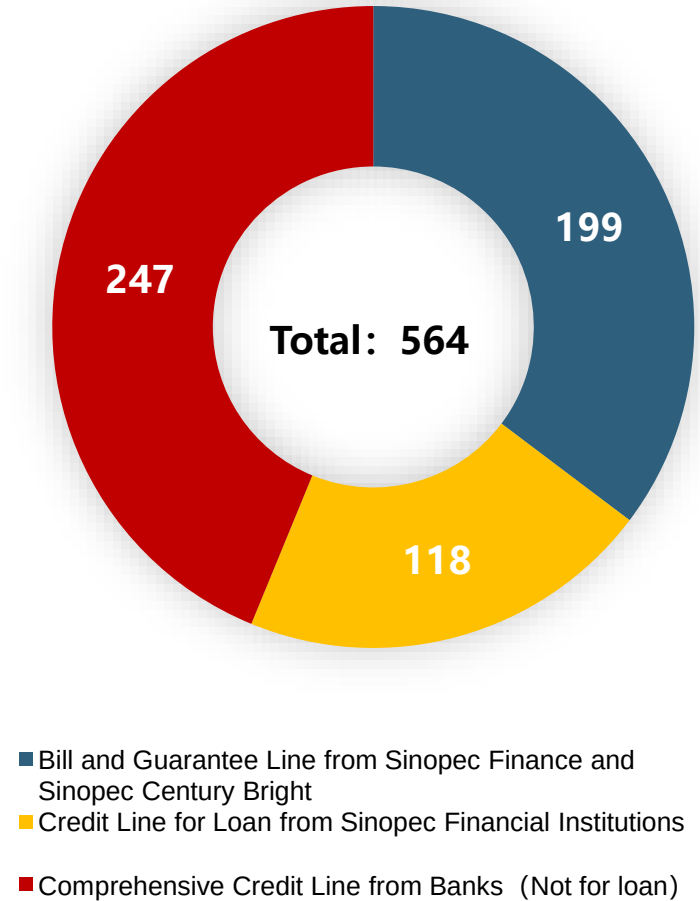


Structure of Assets and Liabilities

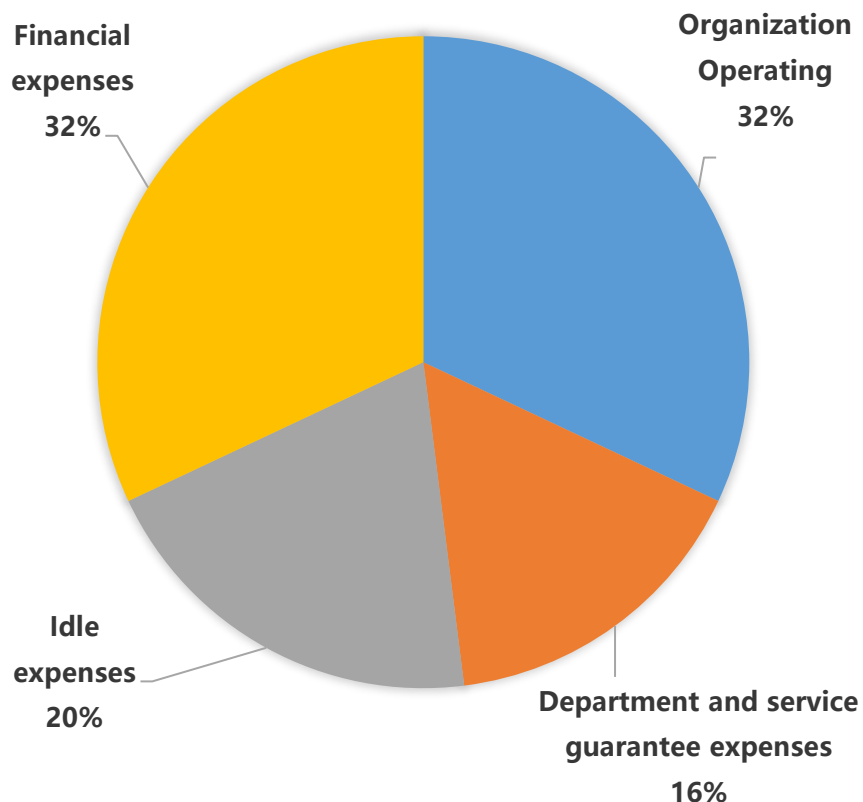


Credit Facility from Financial Institutions

(RMB 100 Million)



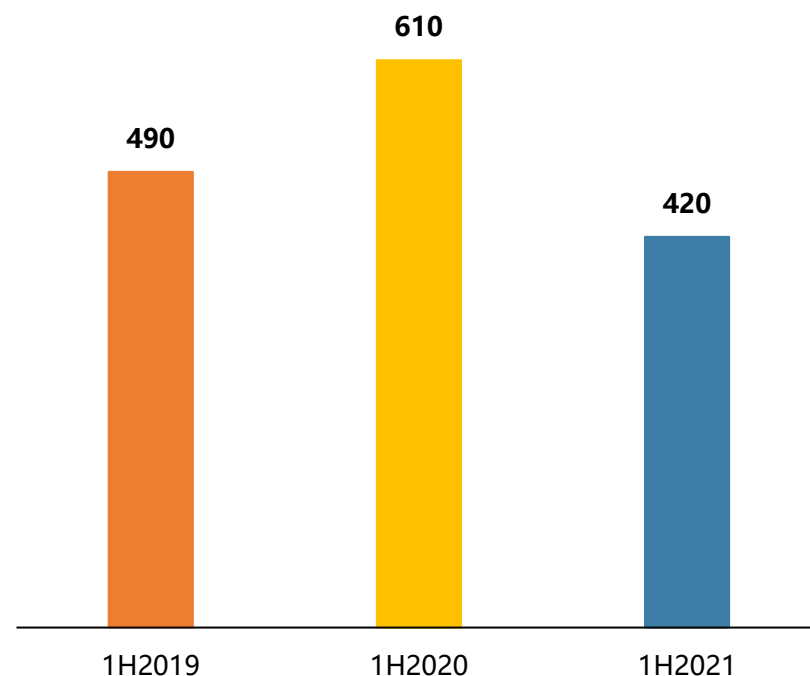
Cost Reduction in 1H 2021



■ In 1H 2021, the cost reduction was 250 million yuan

Capital Expenditure in 1H 2021

(RMB Million)



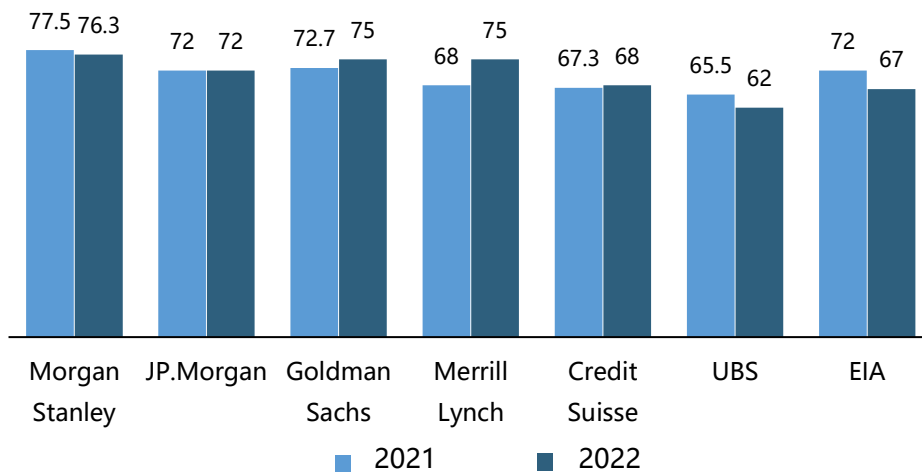
■ In 1H 2021, the Capex was 420 million yuan, mainly used for purchasing fully automatic standard welding machine, drilling rig electrical equipment, cementing and mud logging equipment.

Section 3: Outlook for 2H 2021



2021-2022 Brent Oil Price Outlook

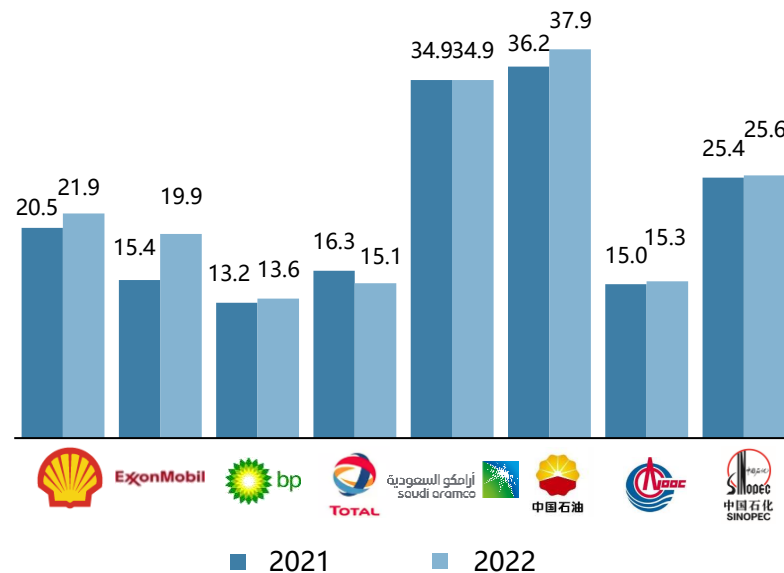
(USD/Barrel)



(Source: Institutional Research Report)

CAPEX Forecast for Major Upstream Companies

(USD billion)

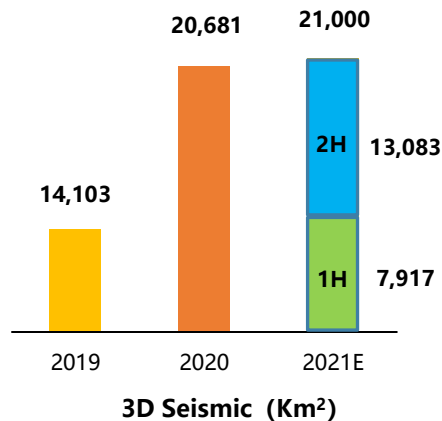
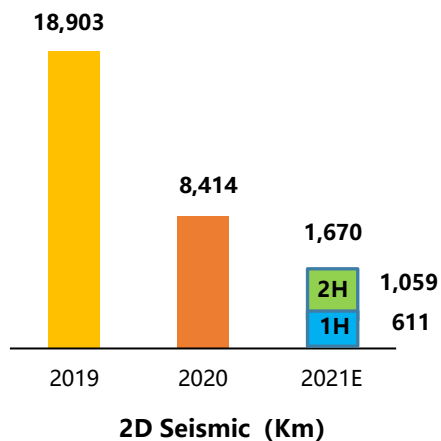


(Source: Morgan Stanley)

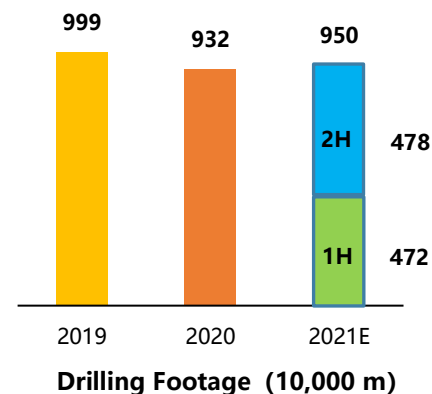
- There will be uncertainty about the impact of the COVID-19 on the domestic and foreign economies, and oil price is expected to fluctuate at a high level.
- The rebounded oil price will encourage oil companies to increase their upstream CAPEX, and the international oilfield service market is expected to bottom out. Domestic oil majors will fully implement the Seven-Year Action Plan, and domestic oilfield service market will accelerate its recovery.
- Under the background of carbon peak and carbon neutrality, oil companies and oilfield service companies accelerate their layout in the new energy to seek transformation and development.

Work Volume Plan in 2021

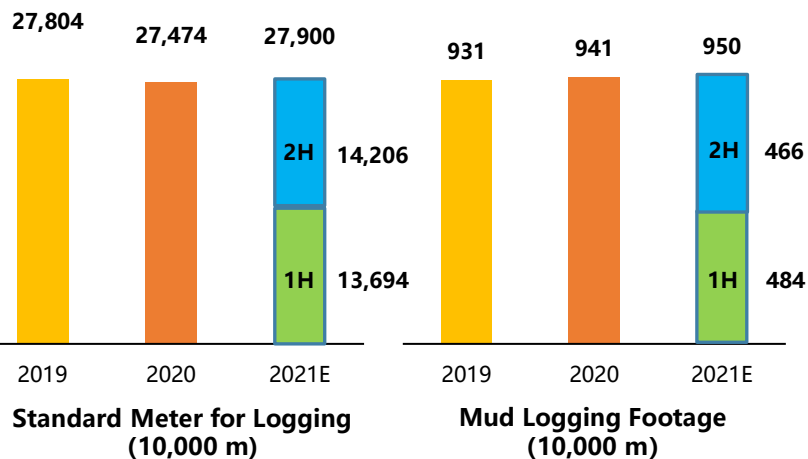
Geophysics



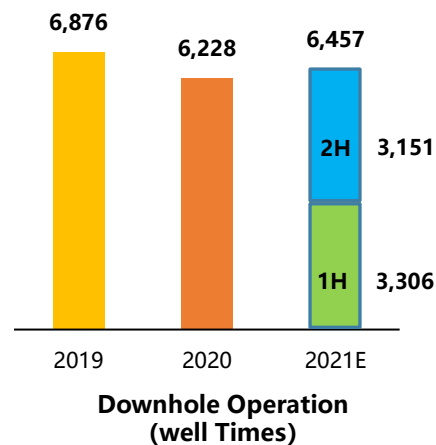
Drilling Engineering



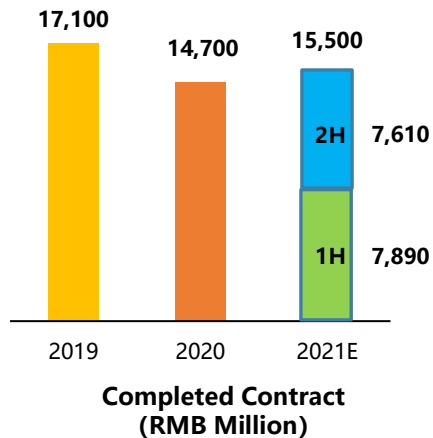
Logging & Mud Logging



Downhole Operation

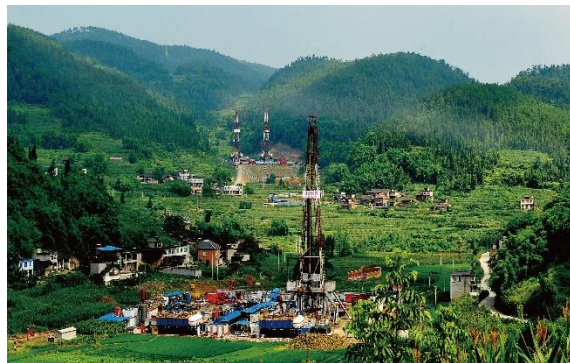


Engineering Construction



Domestic Sinopec Market

- New contracts value 17.7 billion yuan in 2H 2021
- Strengthen technical support for Sinopec' s ultra-deep wells, shale gas, tight oil and gas, and production stimulation in mature oilfields in east China
- Execute key projects such as Weirong Shale Gas Phase II, Western Sichuan Marine Gas Field, Shunbei Oil and Gas Field, Tight Gas Field in North China and gas storage construction



Domestic Non-Sinopec Market

- New contracts value 4.8 billion yuan in 2H 2021
- Focus on PetroChina' s South Sichuan shale gas, Tarim oilfield and CNOOC' s Bohai Bay markets
- Focus on the oil and gas pipeline market of the National Pipeline Network Group
- Develop CCUS, offshore engineering, wind power and special terrain pipeline markets



Overseas Market

- New contracts value 3.7 billion yuan in 2H 2021
- Renew contracts in key markets such as Saudi Arabia and Kuwait
- Accelerate the full resumption of production in Mexico
- Sign and start the Ecuador drilling and completion turnkey project
- Follow up projects such as EPC fracturing project of Saudi Aramco, the directional well project of KOC and the 3D seismic project of PEMEX





Deepen the reform of HR distribution system

- Promote tenure system and contractual management of managers
- Improve the long-term mechanism of dynamic regulation of total labor
- Establish the new performance appraisal system that match the development of technology-leading enterprises



Optimize resource allocation and reduce costs

- Promote the resource integration of regional companies to further reduce costs and increase efficiency
- Strengthen development of key markets and withdraw from inefficient and ineffective markets
- Explore the potential of cost reduction in reform, management and technology to realize the annual target of reducing costs and fees by 500 million yuan



Comprehensively promoting the construction of a project management system

- Flat management organization
- Marketization of incentive mechanism
- Lean management process
- Integrated support platform
- Service logistics systemization



Promote the construction of R&D system and digital development

- Continuing to promote the construction of the four R&D platforms of geophysics, wellbore engineering, engineering construction and offshore engineering.
- Improving the scientific and technological innovation platform and strengthen the construction of Sinopec Group's MWD, ultra-deep well drilling and CCUS key laboratories.
- Establishing a petroleum engineering digital center and improve IT application and digital operations.



Tackle core technologies and improve technical service capability

- **Innovative integrated supporting technologies:** shale gas, tight oil and gas, deep oil and gas, shale oil, and difficult-to-produce reserves development technology.
- **Core technologies:** acquisition system with low-frequency controllable seismic source, a new generation of nodal seismic acquisition system, drilling rotary steering instruments, and downhole HTHP logging tools.
- **Featured special technologies:** pressure drilling, foam cementing, automatic welding of long-distance pipelines, and energy saving and environmental protection.
- **Prospective basic application research:** underground hydrogen production, and comprehensive utilization of new energy.



Strengthen technology application and product industrialization

- Promoting the large-scale application and industrial development of mature technologies such as node seismographs, oilfield chemical additives, drilling rig string automation equipment, and staged fracturing tools.
- Accelerating the engineering application and market promotion of the core technology of CCUS's entire industrial chain.
- Fully implementing the product industrialization plan and the large-scale application of superior technology products.





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