



中国石化
SINOPEC

中石化石油工程技术服务有限公司

SINOPEC OILFIELD SERVICE CORPORATION

2023 Interim Results Presentation

August, 2023



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Section 1: Operations in 1H 2023





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



China Building Construction Luban Awards(National Super Quality Awards)



First Prize for National Science and Technological Progress Award

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



China Ethical Enterprise Award Among China Top 100 Listed Companies

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 Duplex Oil and Gas Project:** one of the largest oilfields with complex reservoir in China
- **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)
- **Shengli Jiyang Shale Oil Project:** The national shale oil demonstration zone in China
- **CCUS Project:** Completion of the largest flue gas CO₂ capture project in China and of the first million-tonne, 100-kilometer supercritical CO₂ pipeline

Advanced Equipment

- **Geophysics:** **61** sets of seismic equipment, **156** sets of vibroseis, **670,000** collectors
- **Drilling:** **335** onshore drilling rigs capable for **7000m+** depth drilling, **11** offshore drilling platforms
- **Logging:** **133** image logging systems, **612** sets of comprehensive logging instruments
- **Downhole operation:** **319** 2500+ fracturing vehicles, **77** well repair machines above 750HP, **7** offshore operation platforms
- **Engineering Construction:** **778** full-automatic welders, **1** straight pipe-laying machine and **2** pipe-laying vessels

Strong R&D Capability

- **61** professor-level researchers
- **1,748** senior researchers
- **3,291** research, design, laboratory and development staff
- **4** research institutes
- **3** design companies
- **53** professional technical institutes

Geophysics



Drilling Engineering



Logging and Mud Logging



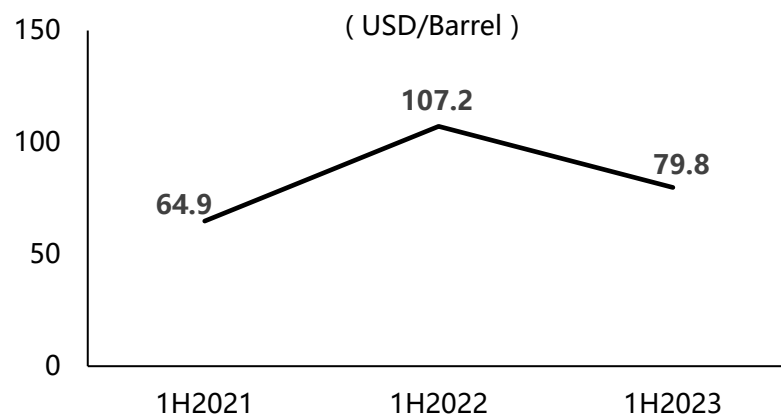
Downhole Operation



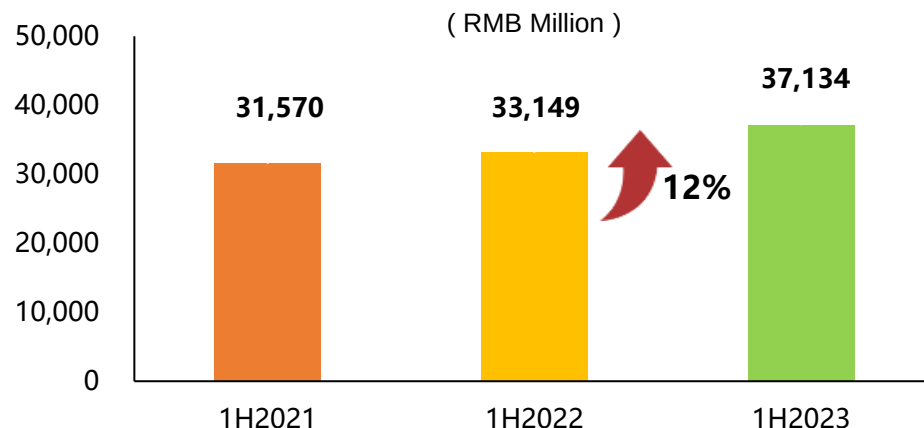
Engineering Construction



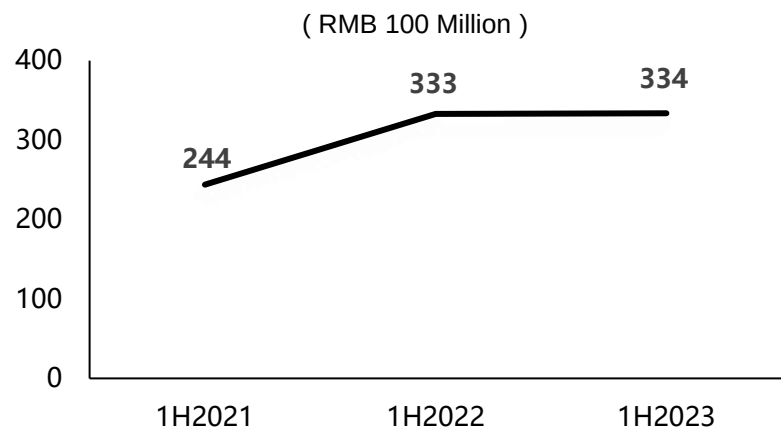
Average Brent Oil Price



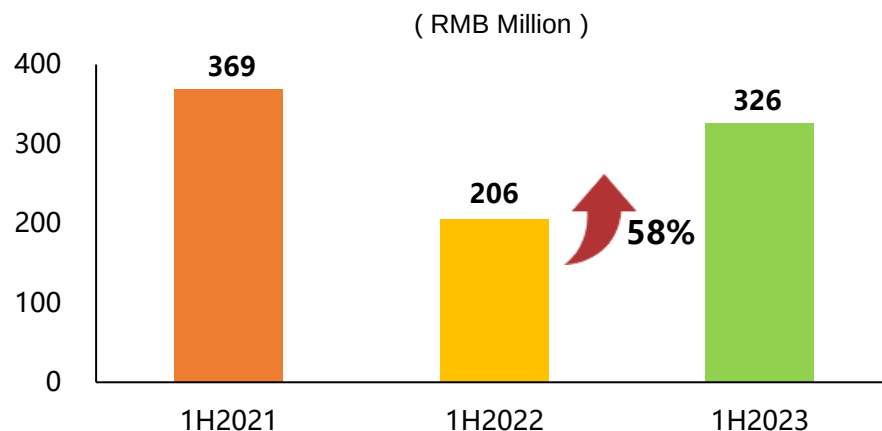
2023 Interim Revenues



Sinopec Upstream Capital Expenditure

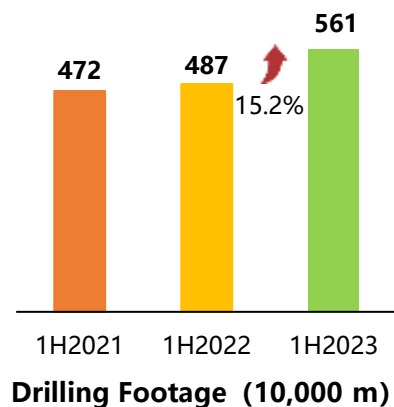


2023 Interim Net Profits (PRC ASBE)

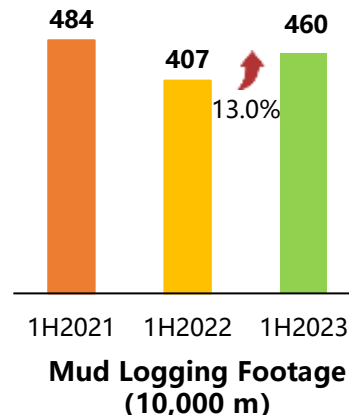
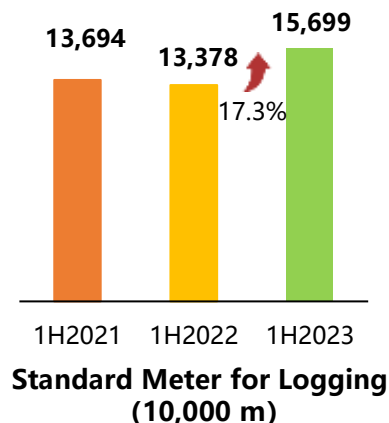


Performance by Segments

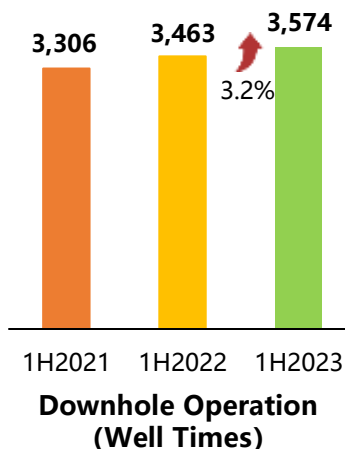
Drilling Engineering



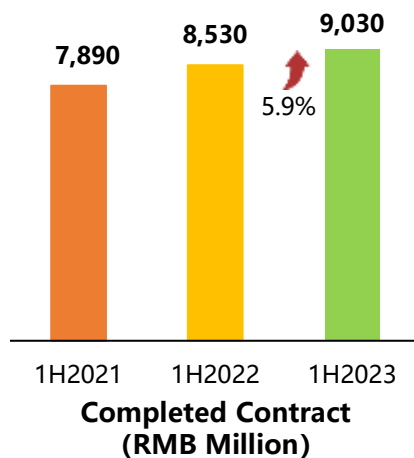
Logging and Mud Logging



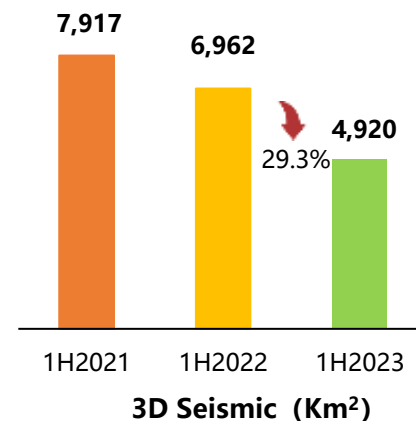
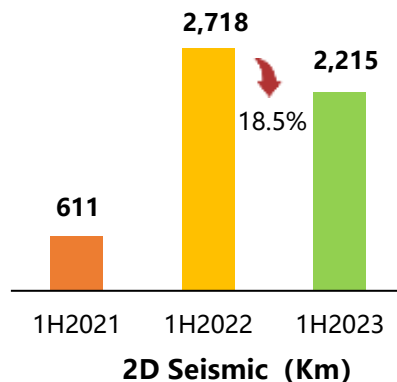
Downhole Operation



Engineering Construction

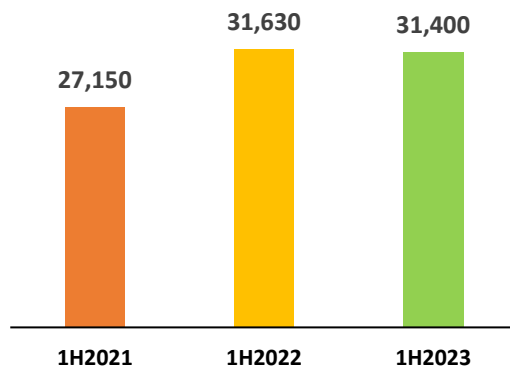


Geophysics

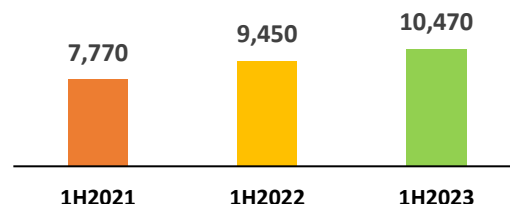


Newly signed contracts of 1H2023 is RMB53.44 billion

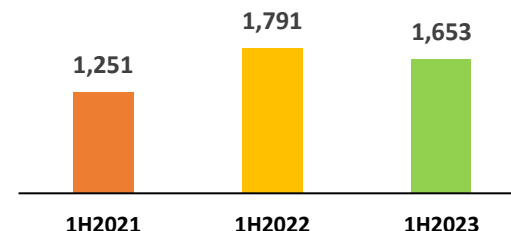
New Contract Values of Domestic Sinopec Markets
(RMB Million)



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



New Contract Values of Overseas Markets
(USD Million)



- **Domestic Sinopec Markets:**

- Serving the construction of Sinopec's "Project Deep Earth", the Shunbei 84X well with the vertical depth of 8956.25 meters is the deepest "thousand tonne well" on shore in Asia.
- Signed contracts for shale oil and gas worth RMB6.5 billion, assisting in the construction of the Shengli Jiyang Shale Oil National Demonstration Zone.

- **Domestic Non-Sinopec Markets:**

- Contracts signed with the three large-scale markets of CNPC, CNOOC and Pipe China worth RMB8 billion, high-quality markets being more concentrated.
- Newly signed contracts with CNPC worth RMB2.2 billion, CNOOC RMB1 billion, Pipe China RMB4.8 billion.

- **Overseas Markets:**

- A new drilling (workover) project worth USD 540 million signed and a 3D seismic data acquisition project worth USD 60 million renewed with Saudi Aramco.
- A new US\$400 million drilling (workover) project renewed with Kuwait Oil Company.
- SACHA general contracting project in Ecuador renewed, initiating the annual drilling plan for the EBANO oilfield in Mexico in advance.



R&D system construction

- The Company applied for 431 patents, among which, 217 were invention patents.
- Sinopec Matrix, was selected into the list of "Creating World-class Specialized and Special New Demonstration Enterprises" and "Technology Reform Enterprises" by SASAC.
- The National Petroleum Drilling Instrumentation Industry Measurement and Testing Center was officially approved for construction.



Key technologies

- The self-developed rotary steering system has been further applied. In 1H2023, it was applied in 68 wells and 97,000 drilling footage meters, an increase of 51 wells and 86,000 meters YOY.
- HTHP logging devices have effectively addressed the critical technical challenges related to high temperature and high pressure resistance.



Industrialization of products

- The acceleration of establishing tools and instruments maintenance base, as well as chemical auxiliaries base in key industrial zones such as Shengli, Southwest, Northwest, and Jiangnan has facilitated the expansion of production and sales for key products and competitive products.
- In 1H2023, the product industrialization and reciprocal supply of the competitive products resulted in an output value of RMB2.1 billion.



Integration of digital industries

- The application of "Digital Base Construction for Petroleum and Petrochemical Oil and Gas Field Surface Engineering" won the first prize in the first "SOE Digital Scene Innovation Professional Competition" by SASAC.
- China's first real-time data-driven digital twin system for the process and working condition of drilling and downhole operation enables the operational management with digital technologies.



Project-based management system fully implemented

- With resource utilization efficiency and project profitability enhanced, managed the performance of 10,000 personnel within the “talent pool” and achieved an income of RMB153 million. The “cash pool” basically realized the online monitoring of the project cash inflow and outflow.



Optimization and allocation of internal resources comprehensively intensified

- Crew function was enhanced in a more refined and effective manner, with the total number of operational drilling crews at approximately 534, down by over 20 crews from the beginning of 2023, while drilling footage reached 5,610 kilometers, an increase of 740 kilometers year on year.



Implementation on development strategy of Specialization vigorously advanced

- Leveraging specialization development, clarified the positioning of 66 specialized businesses within 5 major segments of wellbore, offshore, geophysics, engineering construction, and measurement and control, signed annual framework contract for workover and fishing with the Northwest Work Zone, and signed a strategic framework agreement for geothermal drilling with Sinopec Green Energy Geothermal Development Company.



New energy and CCUS business development expedited

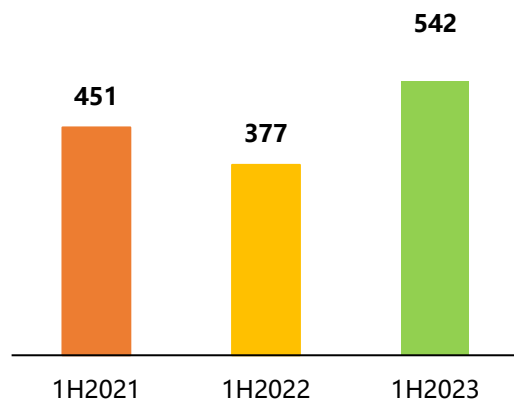
- Provided design service for China's first inter-provincial, large-scale and long-distance pure hydrogen pipeline project, the Ulanqab-Yanshan Petrochemical Project.
- The million-tonne CCUS project pipeline for Qilu-Shengli achieved all-line connection and completed its initial operation, achieving long-distance dense phase pipeline transportation of liquid carbon dioxide in China for the first time.

Section 2: Financials in 1H 2023

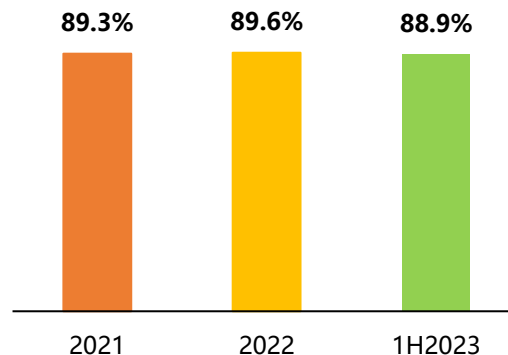


Income Before Tax

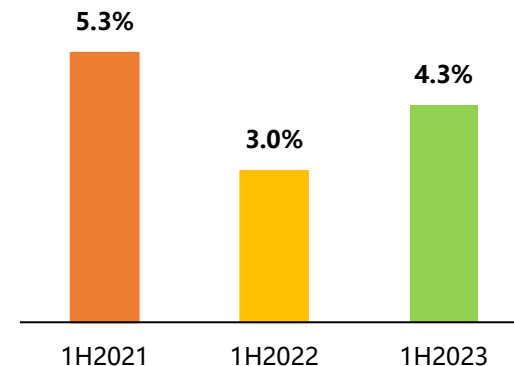
(RMB Million)



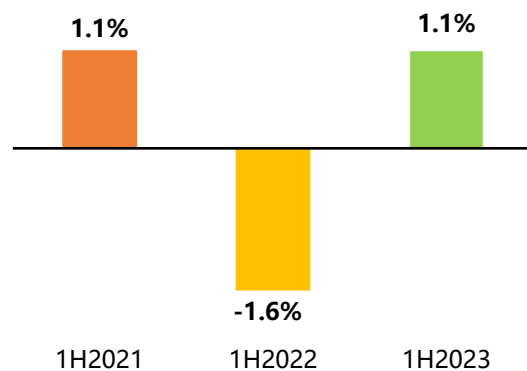
Debt-to-assets Ratio



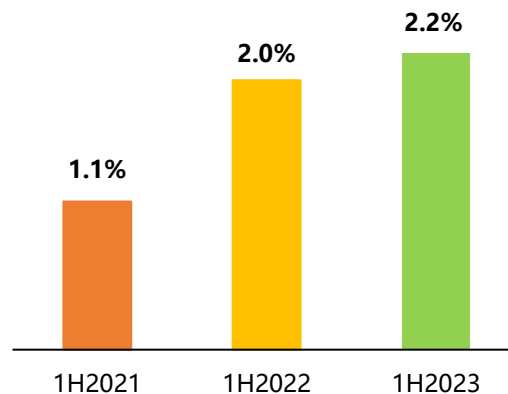
Return on Equity



Operating Cash Ratio

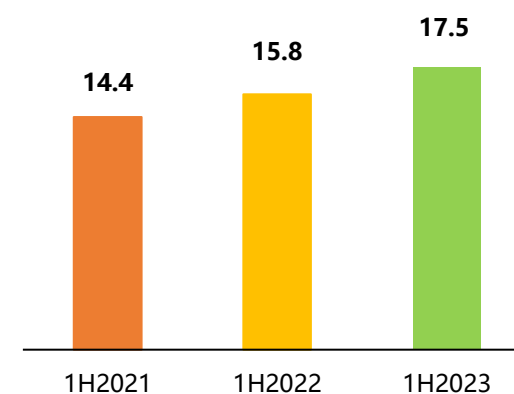


R&D Investment Intensity



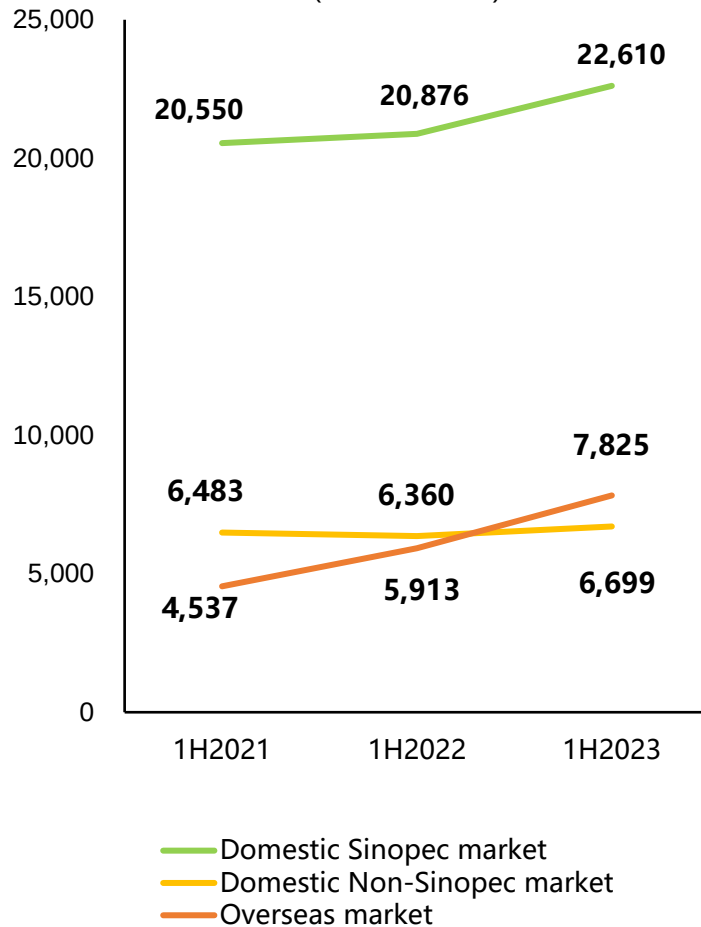
Overall Labor Productivity

(RMB 10 Thousand / Person)



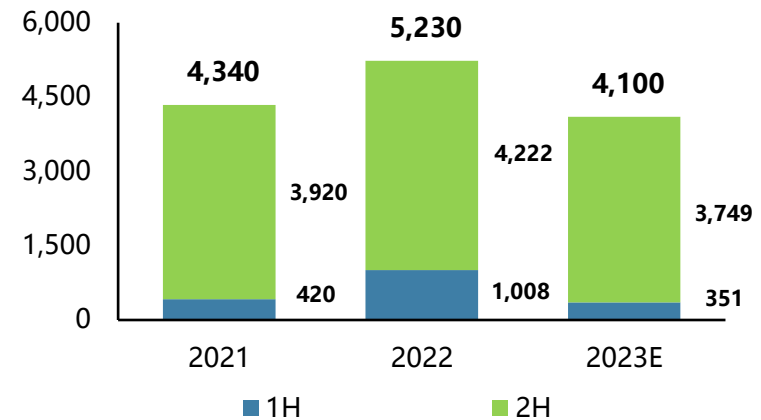
Operating Revenue Trend

(RMB Million)



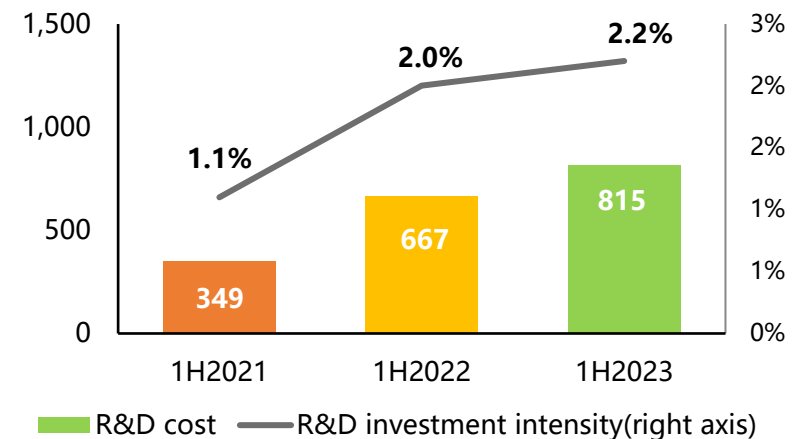
Capital Expenditure

(RMB Million)



R&D Expenditure

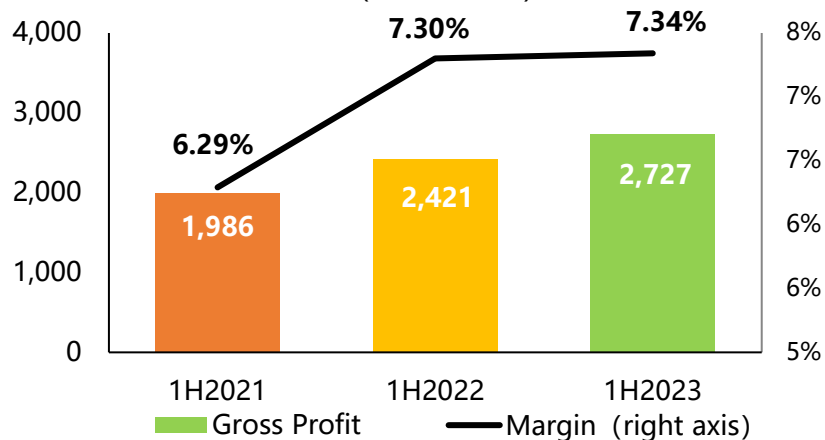
(RMB Million)



Profitability Continues to Grow

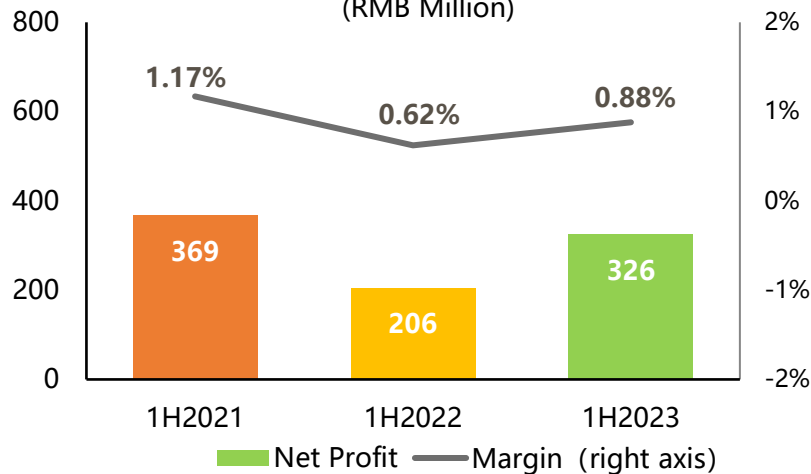
Gross Profit and Gross Margin

(RMB Million)

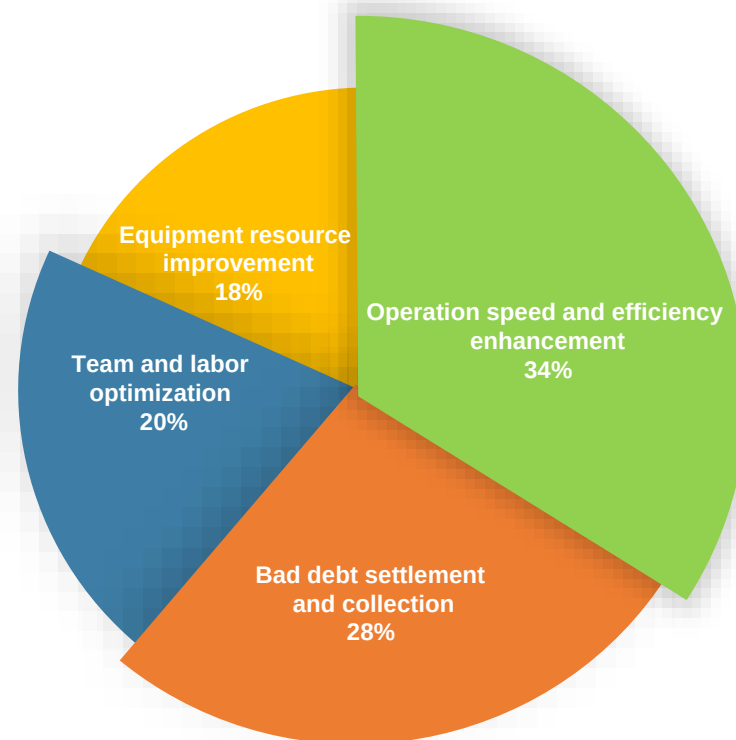


Net Profit and Net Profit Margin

(RMB Million)



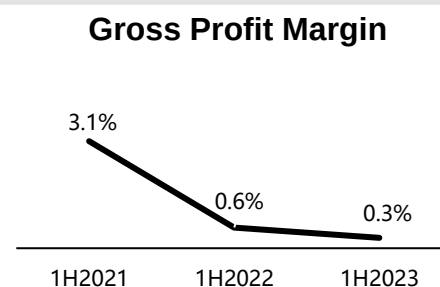
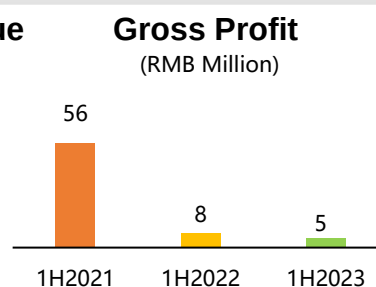
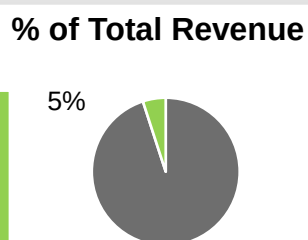
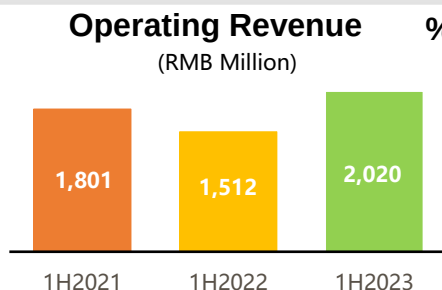
Reduced Costs and Fees by RMB 314million



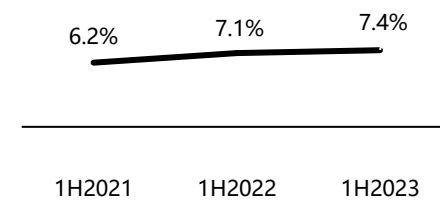
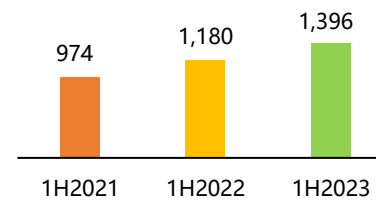
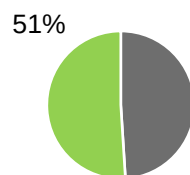
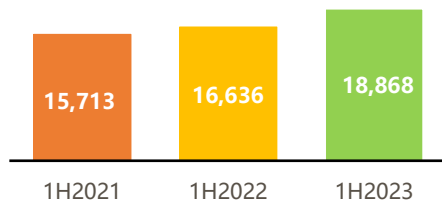
Financials of 5 Business Segments and Gross Profits



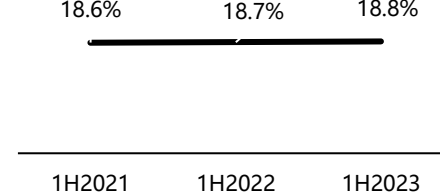
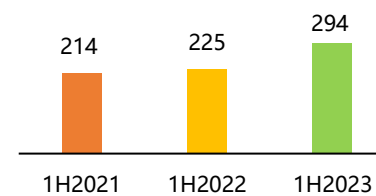
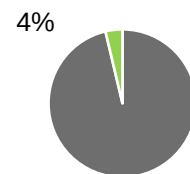
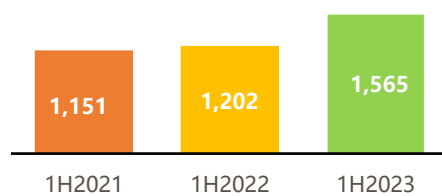
Geophysics



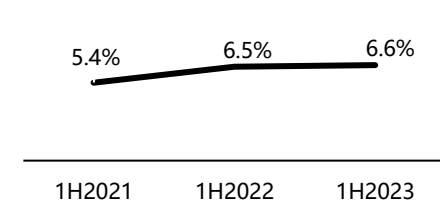
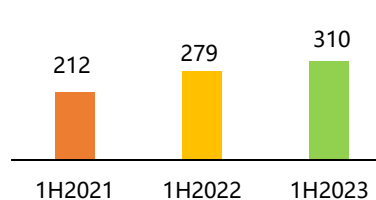
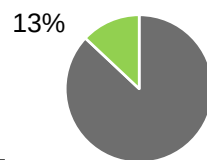
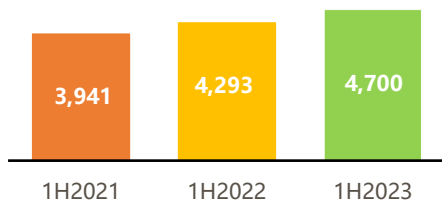
Drilling



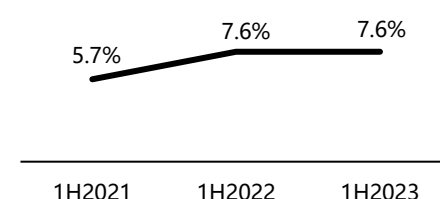
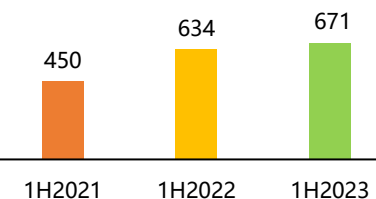
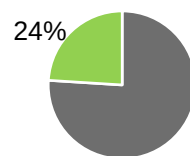
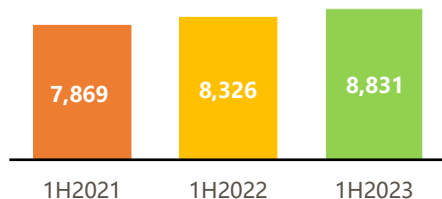
Logging and Mud Logging



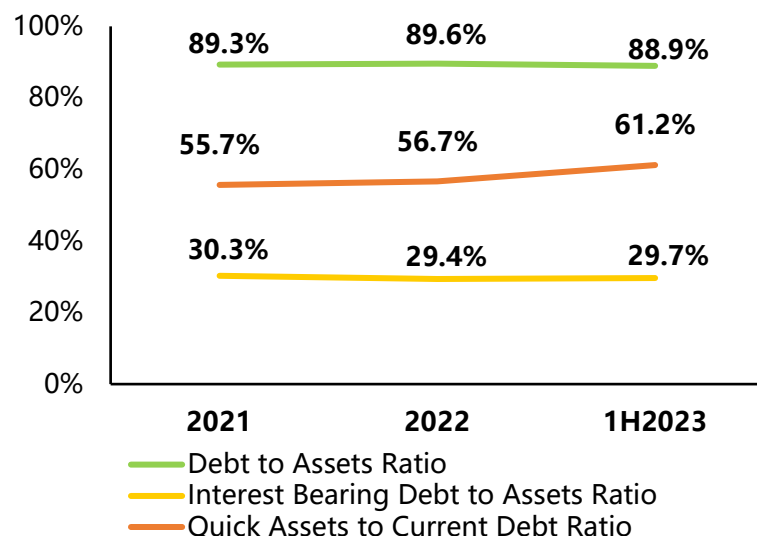
Downhole Operation



Engineering Construction

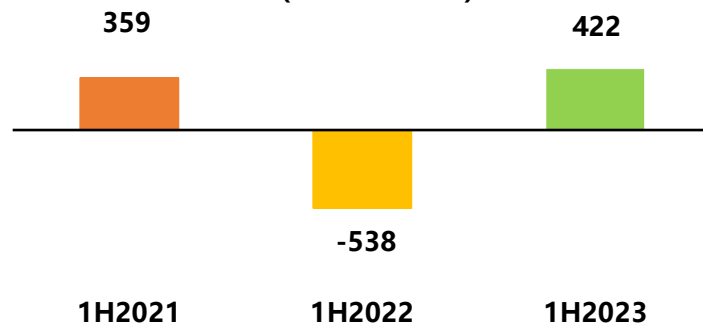


Structure of Assets and Liabilities



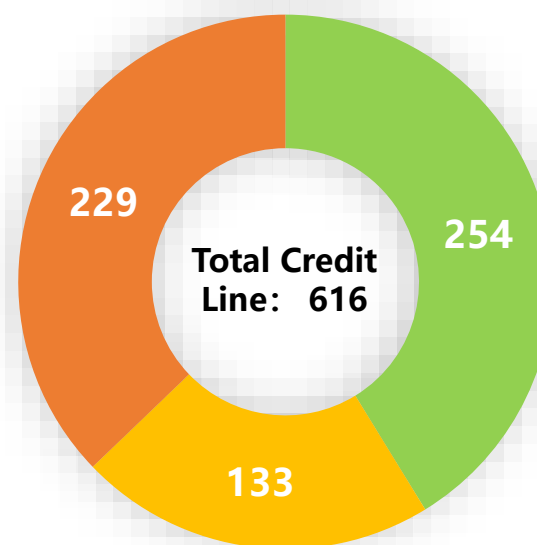
Operating Cash Flow

(RMB Million)



Credit Facility from Financial Institutions

(RMB 100 Million)



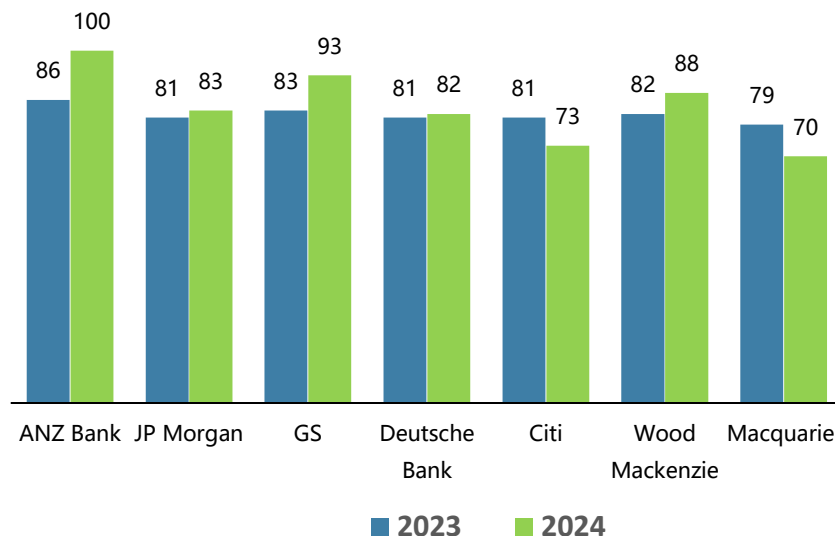
- Credit Line for loan from Sinopec Finance and Sinopec Century Bright
- Guarantees and bill credit from Sinopec Financial Institutions
- Comprehensive Credit Line from Banks (Not for Loan)

Section 3: Outlook for 2H 2023



Brent Oil Price Outlook

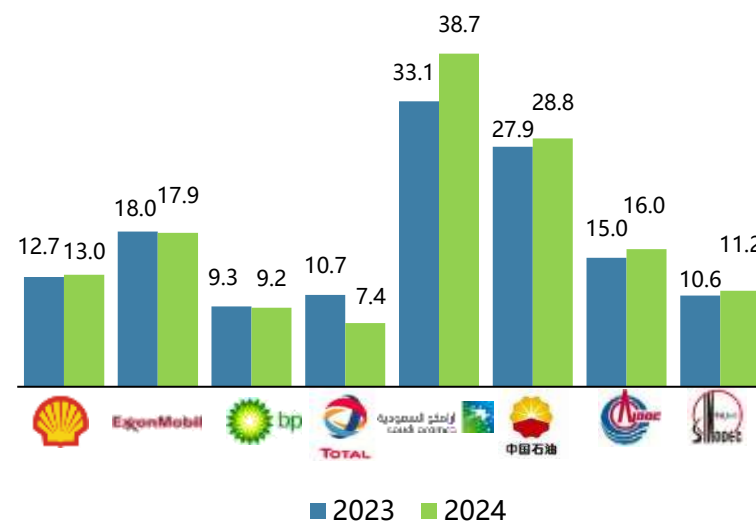
(USD/Barrel)



(Source: Institutional Research Reports)

CAPEX Forecast for Major Upstream Companies

(USD billion)



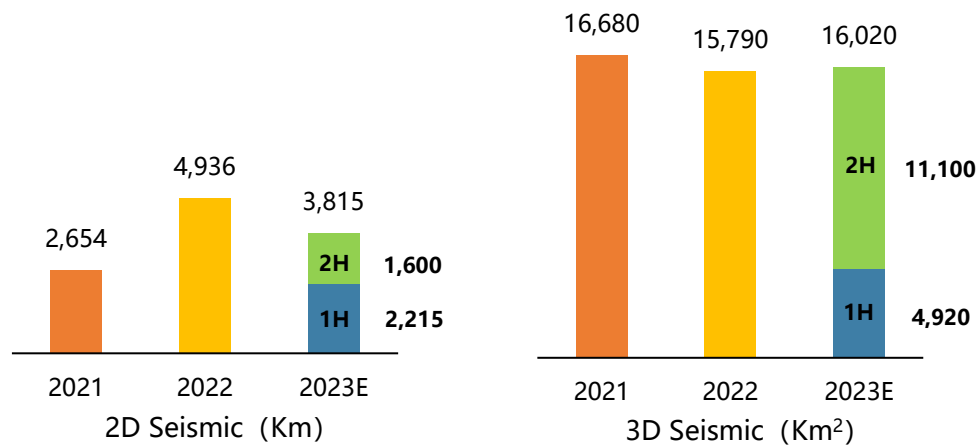
(Source: Morgan Stanley)

Industry Outlook

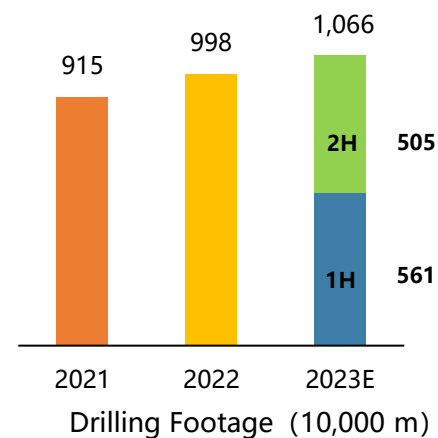
- Looking forward to the second half of 2023, the trend of oil prices is highly uncertain. It is expected that international oil prices will fluctuate broadly within a medium to high range.
- The "Seven-year Action Plan" for increasing domestic oil and gas storage and production has been carried forward, and oil companies continue to increase investment in oil and gas E&P, ramping up the storage, production and efficiency of oil and gas fields. It is expected that the overall workload of the oilfield service market and the demand for drilling rigs will steadily improve.
- Oil companies have set higher requirements for cost of construction engineering technology, quality of service, safety and environmental protection, prompting oil service companies to further upgrade their quality.

Work Volume in 2H 2023

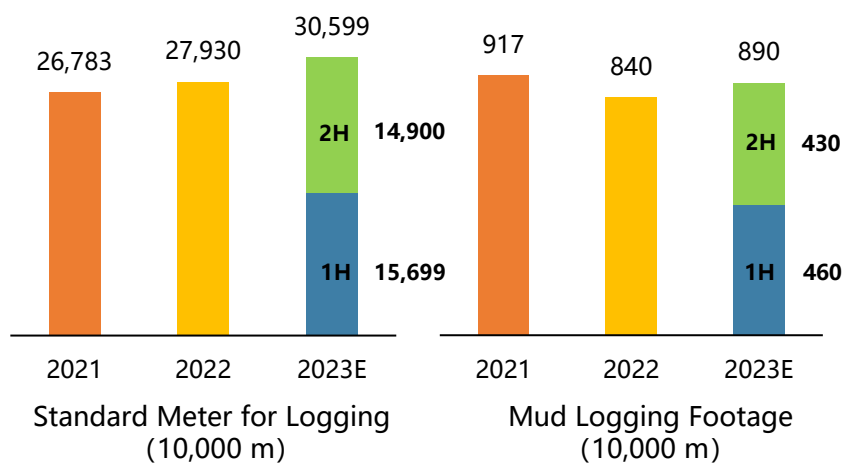
Geophysics



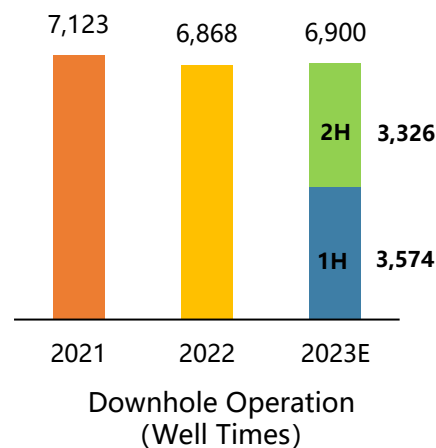
Drilling Engineering



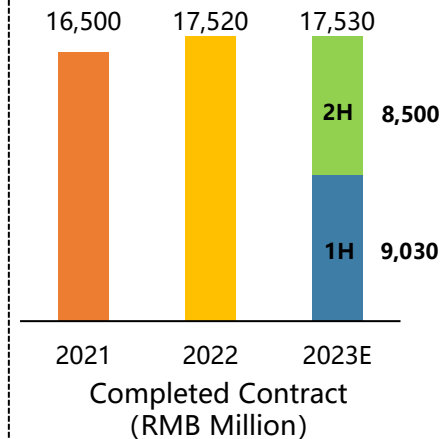
Logging & Mud Logging



Downhole Operation



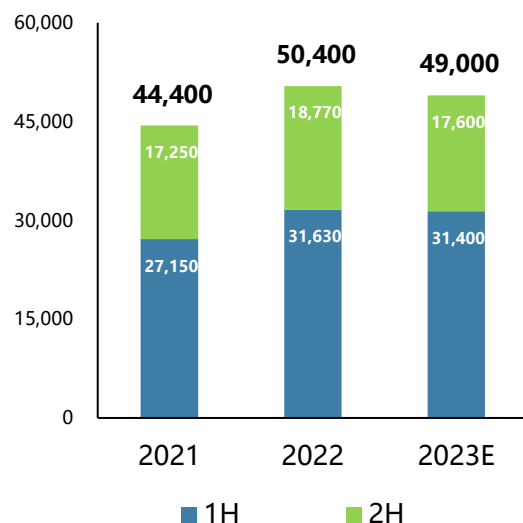
Engineering Construction



Expected newly signed contracts in 2023 will be over RMB 78 billion

Domestic Sinopec Market

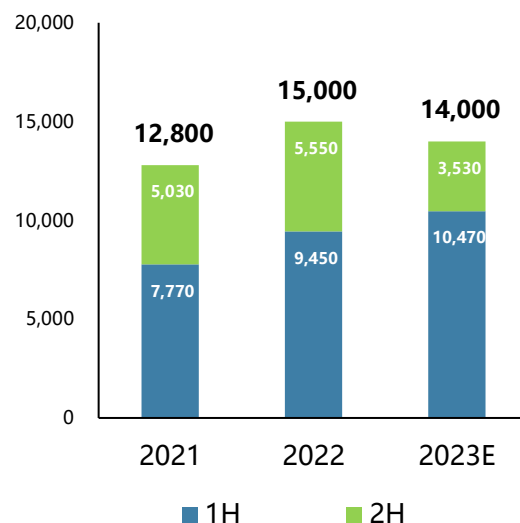
(RMB million)



- To seize the strategic opportunity of Sinopec's oil and gas production, supply, storage and sales system construction, expanding the incremental market space vigorously.
- To focus our efforts on securing important construction projects in eastern Shengli, Junghar Basin and Sichuan Basin.
- To move faster to release and distribute geophysical exploration projects.

Domestic Non-Sinopec Market

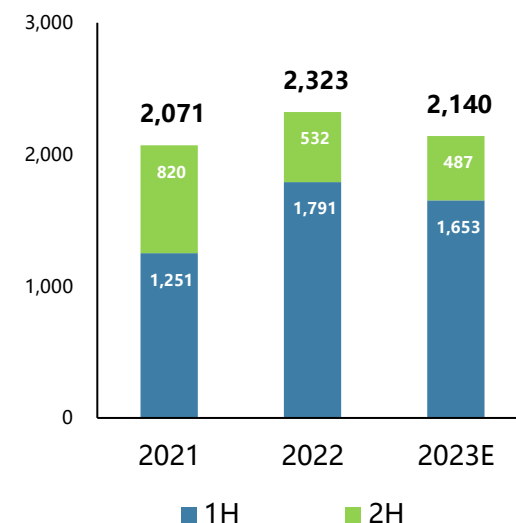
(RMB million)



- To focus on CNPC's shale gas market in Sichuan Basin to develop a scale effect of more than 50 drilling rigs.
- To sign more contracts for high-quality engineering projects by seizing the favorable opportunities brought by the intensive launch of Pipe China's key projects such as long-distance pipeline projects in 2H.

Overseas Market

(USD million)



- To follow the bidding progress of the unconventional well drilling rigs of Saudi Aramco, the well drilling (workover) rigs of KOC, the 3D seismic data acquisition in Mexico, etc..
- To facilitate the characteristic technologies and products as drilling fluid, fracturing and well cementation to "go global". To expand the industrial chain and value chain in overseas markets.

To advance the key core technologies

- Ensuring the R&D and equipment for drilling wells as deep as 10,000 meters to underpin Sinopec's endeavor to explore the deep earth projects.
- Developing hydrogen infrastructure and low-cost CCUS technology to support the development of new business in pursuit of the "dual carbon" goal.



To push forward the product industrialization

- Strengthening the standardization construction and product quality control, accelerating the construction of industrialization bases and upgrades of product lines, expanding application of self-developed technologies such as rotary steering system, pipe string automation equipment, and drilling fluid treatment additives so as to achieve increase in both scale and efficiency of industrialization.
- Ensuring an annual output of over RMB3 billion for product industrialization and commercialization of technological achievements.



To consolidate IT/IS construction

- Optimizing the function of well site integrated decision-making command center, advancing the upgrading of digital technologies such as digitization and IoT in wells, by developing new technologies and devices such as the MRO IoT and geological guidance systems.
- Enhancing the application of smart platforms among the project departments to facilitate the project-based management system.



To fully carry forward the operation of the project-based management system

- To leverage the operation of the project-based management system and the functions of “two pools, two warehouses and one platform” in management as well as resource sharing to continually optimize internal resources and improve management.

To keep advancing the development of Specialized businesses

- To advance the development of featured businesses by efficiently aggregating specialized businesses, to increase differentiation competitiveness and enhance ability to expand markets and generate efficiency.

To strengthen the cost target management for all employees

- To carry out initiatives such as management and optimization on resources, integration of logistics bases, reduction of management bodies, transformation of scientific research achievements, preferential fiscal and tax policies and settlement of bad or doubtful debts, to achieve an annual increase of RMB540 million in tapping potential and efficiency increase.

To actively cultivate and develop low-carbon and new energy businesses

- Basing on its technological advantages and industry characteristics, to leverage the platform of Sinopec Carbon Technology Company to actively expand low-carbon and new energy businesses such as CCUS, hydrogen and PV with its new energy technology R&D centers as the pillar.



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