



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 Annual Results Presentation

March 2024



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Section 1. Operations in 2023





Top 100 ESG Listed
Companies in China



Outstanding Board Practices
Award for Chinese 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 first 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-ton, 100-kilometer supercritical CO₂ pipeline

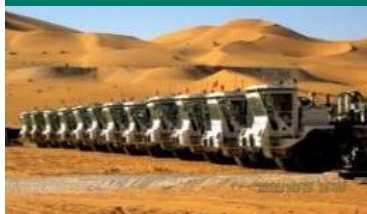
Advanced Equipment

- **Geophysics:** 60 sets of seismic equipment, 156sets of vibroseis, 660,000 collectors
- **Drilling:** 337 onshore drilling rigs capable for 7000m+ depth drilling, 9 offshore drilling platforms
- **Logging:** 120 image logging systems, 471 sets of comprehensive logging instruments
- **Downhole operation:** 357 2500+ fracturing vehicles, 76 well repair machines above 750HP, 7 offshore operation platforms
- **Engineering Construction:** 869 full-automatic welders, 1 straight pipe-laying machine and 2 pipe-laying vessels

Strong R&D Capability

- 69 professor-level researchers
- 2,038 senior engineers
- 3,367 R&D, design, and testing staffs
- 4 research institutes
- 3 design companies
- 53 professional technical institutes

Geophysics



Drilling Engineering



Logging and Mud Logging



Downhole Operation

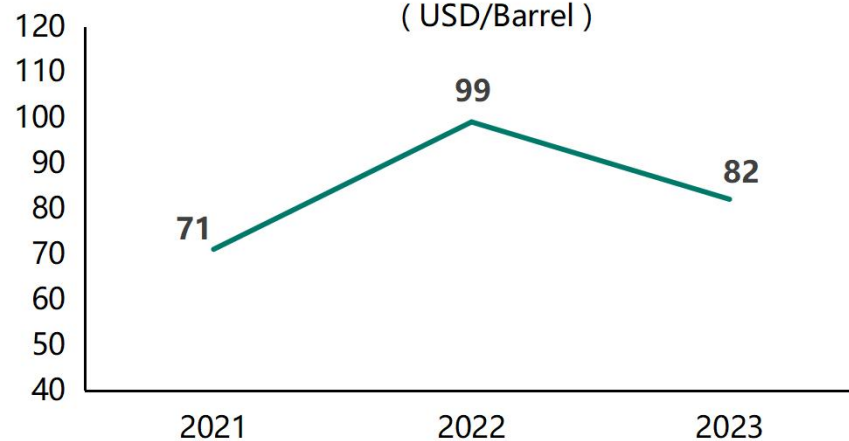


Engineering Construction



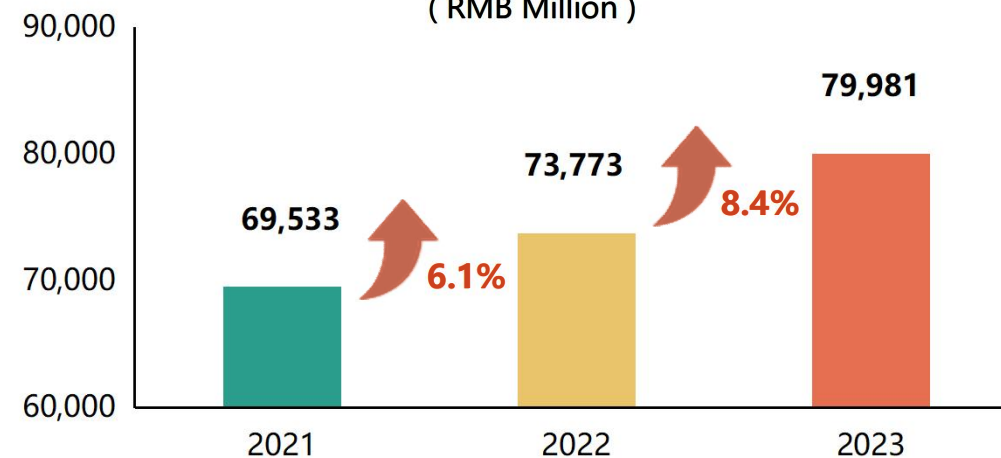
Average Brent Oil Price

(USD/Barrel)

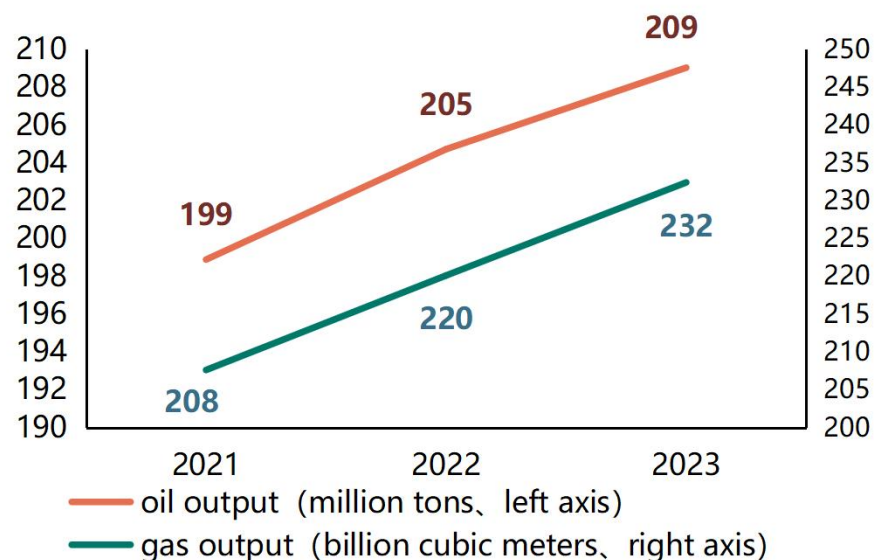


Operating Revenue

(RMB Million)

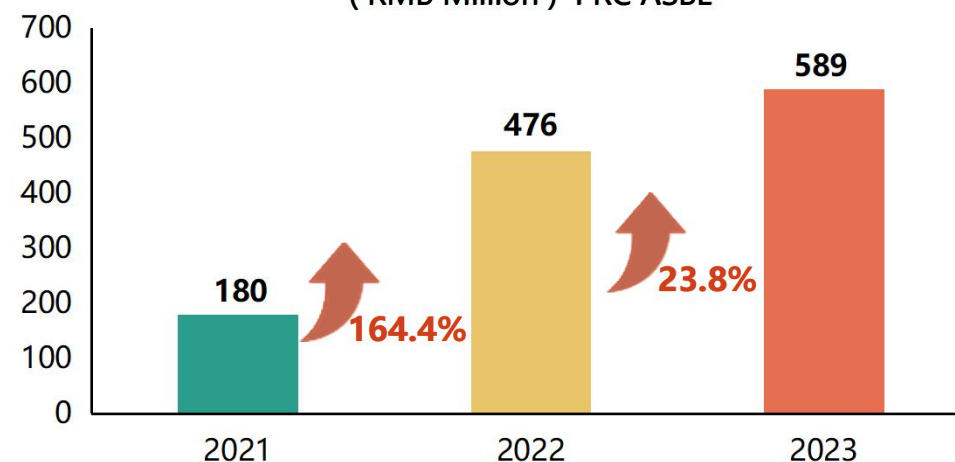


Domestic Oil And Gas Output

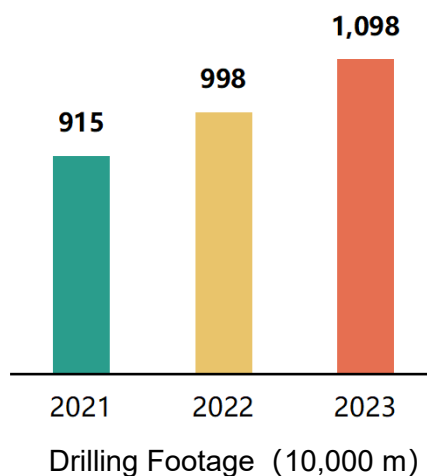


Net Profits

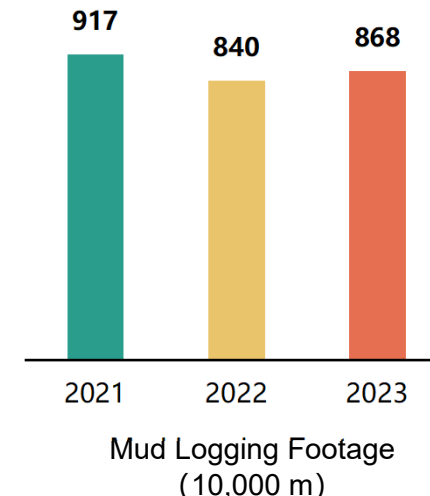
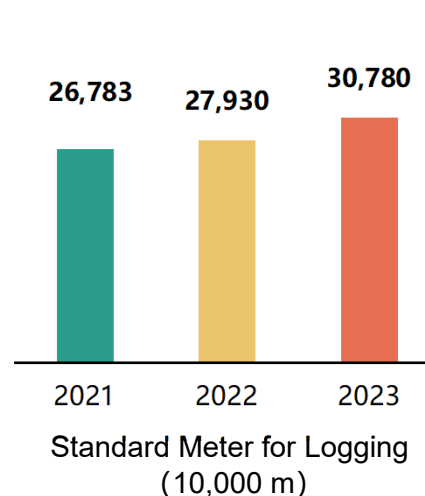
(RMB Million) PRC ASBE



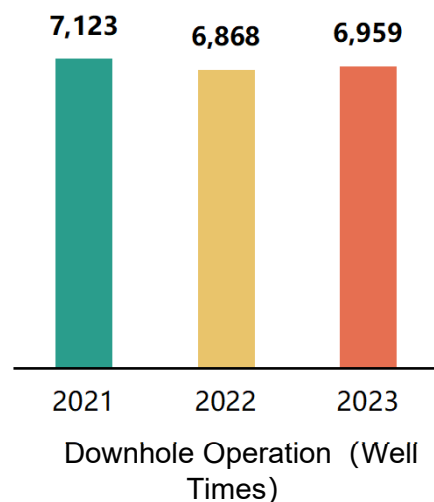
Drilling Engineering



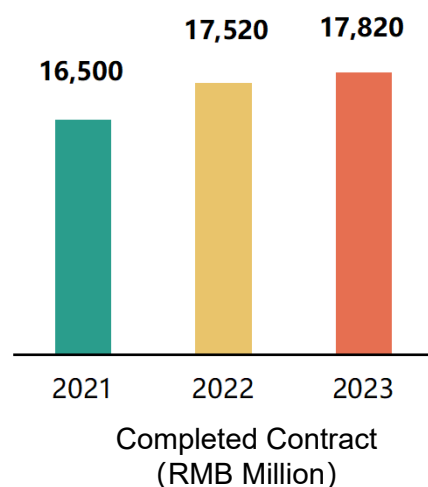
Logging and Mud Logging



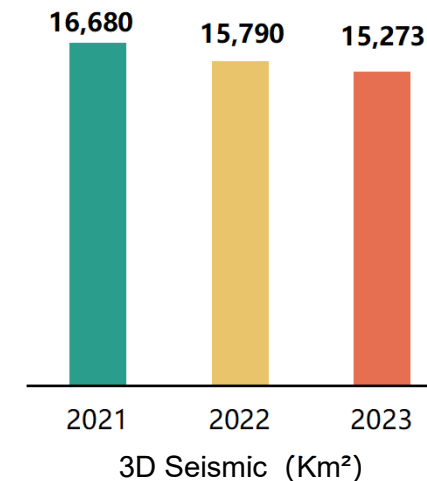
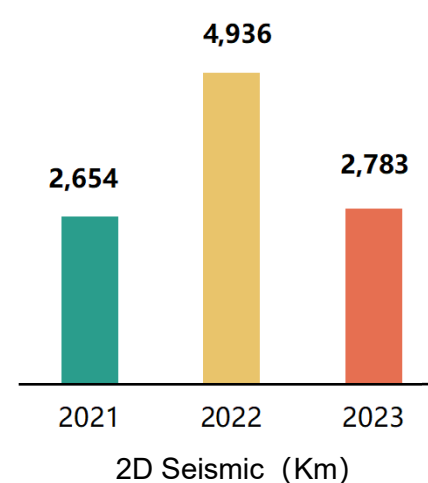
Downhole Operation



Engineering Construction



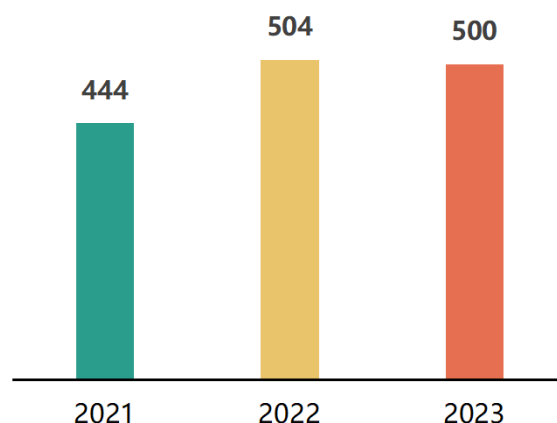
Geophysics



In 2023, newly signed contracts amounting to 82.4 billion yuan, increase of 1.4 billion yuan compared to the previous year, representing a growth rate of 1.7%

Domestic Sinopec Markets

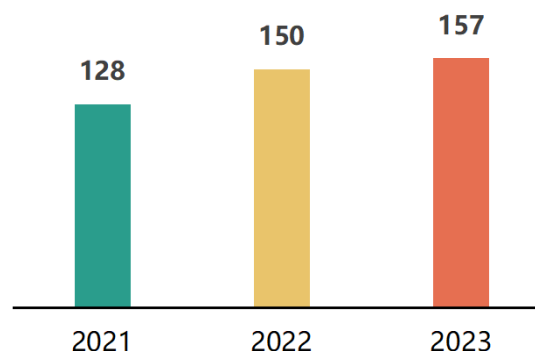
(RMB 100 Million)



- Fully deepened the integration and coordination in the Sinopec group, optimised resource allocation in a coordinated manner, and accelerated investment release, with a team utilisation rate of 88.7%, maintaining efficient operation
- Focused on actively exploring new cooperation models for difficult-to-use blocks, prioritising improving comprehensive reservoir services, with newly signed contracts amounting to RMB 2.52 billions

Domestic Non-Sinopec Markets

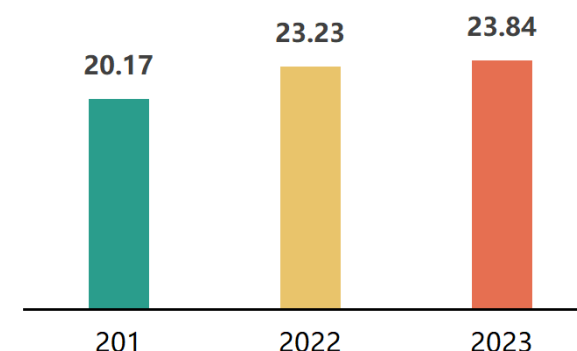
(RMB 100 Million)



- Conducted market classification and grading, developed featured and advantageous businesses, and vigorously expanded high-quality scale markets
- Signed contract with CNPC amount of RMB 3.17 billion, Signed contract with CNOOC amount of RMB1.79 billion, and Signed contract with Pipe China amount of RMB5.98 billion. Accounting for 70% of the total value of newly signed contracts in the domestic Non-Sinopec markets

Overseas Markets

(RMB 100 Million)



- In the Saudi Arabian market, entered the Saudi Aramco exploration well service market for the first time, signing 5 new exploration well daily fee drilling rig projects with a contract value of US\$330 million. Market share in the unconventional field continued to expand as signed two new unconventional daily fee drilling rig projects with a contract value of US\$210 million
- In the Kuwaiti market, renewed contracts for 18 drilling and workover rigs, with a total contract value of US\$180 million. Among which, 9 were extended for the 8th year beyond the 5+1 year contract, setting a record for the longest contract period for KOC drilling and workover rigs



R&D system construction

- High standard construction of the National Industry Metrology and Testing Center for Petroleum and Petrochemical Industry - Petroleum Drilling Instrument Industry Metrology and Testing Center has been approved
- Jingwei, a subsidiary of the Company, was awarded of "Creating World-class Specialized and Special New Demonstration Enterprises" and "Science and Technology Reform Enterprises" by SASAC
- Achieved a record of 419 new construction projects throughout the year and won 29 provincial ministerial-level scientific and technological awards, forging a "sharp weapon" for exploration and development



Key technologies

- Key core technologies such as ultra-deep oil and gas well fast drilling and completion have helped Sinopec to develop its "deep ground engineering", with a drilling depth of 9,432 meters in the Yuejin 3-3XC well, set the record for the deepest horizontal well in Asia
- The self-developed rotary geosteering drilling system has been selected as one of the "Top Ten Iconic Achievements of National Oil and Gas Exploration and Development in 2023", with a large-scale application of 190 wells and drilling footage of 220,000 meters
- Developed China's first set of 260°C/206MPa ultra-high temperature and pressure cable logging series instruments, with on-site applications completed in six wells



Industrialization of products

- 37 products were included in the group company's advantageous product catalogue, and 88 equipment and instruments such as pipe string automation equipment and direct push storage-style logging instruments achieved large-scale application
- In 2023, the product industrialization and reciprocal supply of the competitive products resulted in an output value of RMB3.1 billion



Integration of digital industries

- The integrated cloud platform for petroleum engineering has been launched and operated well. The functionality modules and application scenarios are gradually improving
- The in-depth integration and application of well site acquisition and decision-making integration, drilling and completion digital twins, geological engineering integration and other systems have effectively supported real-time optimization and intelligent decision-making throughout the drilling and completion cycle



Project-based management system was fully implemented

- With the support of “two pools, two warehouses and one platform” , promoted the transformation of project management from functional to project-based, reallocated and activated 2,631 sets of various equipment, saving 11.4% of material procurement funds, and further enhancing resource utilisation efficiency and profit generating capabilities of projects



Optimization and allocation of internal resources was comprehensively promoted

- The annual drilling depth per team increased from 18,000 meters to 21,000 meters, with an 18% increase in efficiency, and the team's revenue and profit generating capabilities continued to strengthen
- Integrating 3 professional operating units, merging 97 homogeneous project departments , thereby further improving management efficiency and reducing operating costs



New cooperation models of hard-to-recover blocks was vigorously improved

- Steadily advanced the reservoir operation business, achieving a leap from participating in capacity construction, cooperating in capacity construction to contracting capacity construction
- In the Xu'er gas reservoir in Xinchang – Hexingchang of western Sichuan, accelerated the reserve increase and capacity construction of scale through cooperative development, turning difficult utilisation into efficient utilisation and helping to discover a super-deep integrated gas field with a reserve of over 100 billion cubic meters



The promotion of the green development concept was accelerated

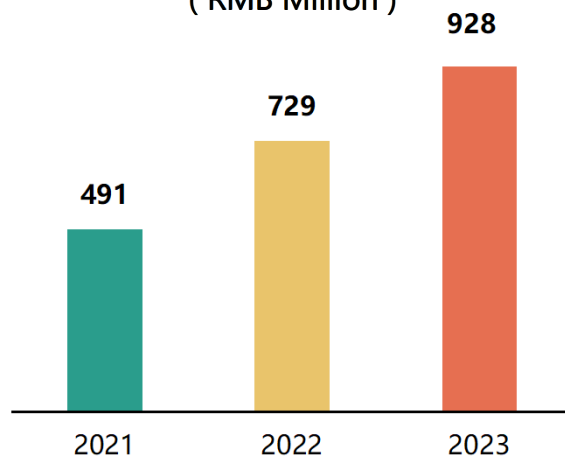
- The “Qilu Petrochemical-Shengli Oilfield Million-ton CCUS” pipeline undertaken by the Company has been officially put into operation, and the Xinjiang Kuqa Green Hydrogen Project we participated in has been completed for hydrogen production
- Promoted equipment upgrade and renovation, with the proportion of electrification of drilling rigs reaching 63%, reducing carbon dioxide emissions by approximately 1.02 million tons
- Actively participated in rural revitalisation and charity commitments , donating to He Long Middle School and primary schools and middle schools in Mabian Yi Autonomous County, Leshan City

Section 2: Financials in 2023

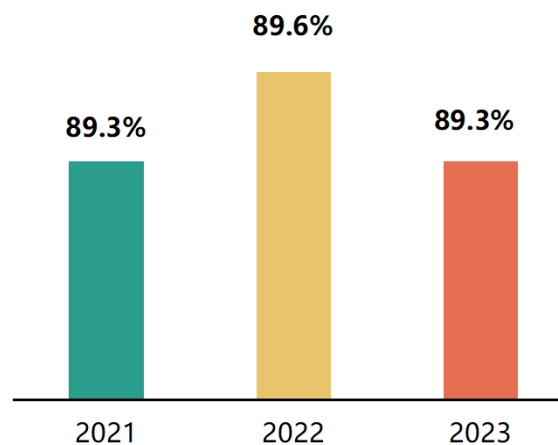


Total profit

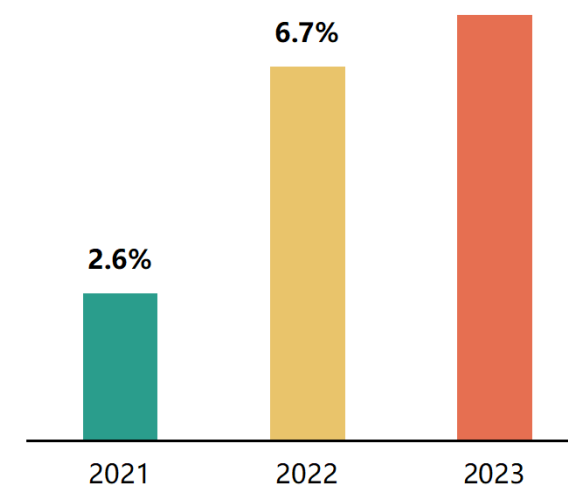
(RMB Million)



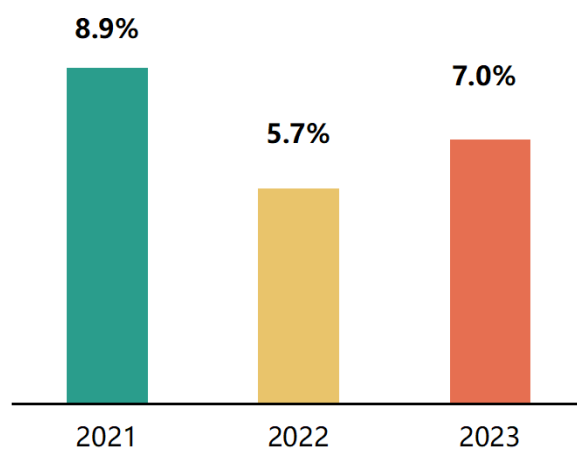
Gearing ratio



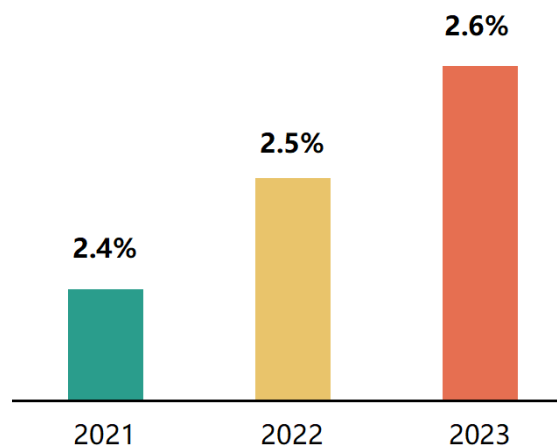
Return on net assets



Operating cash ratio

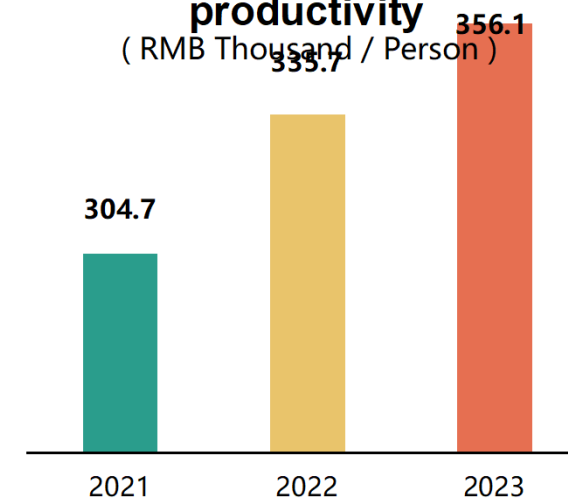


R&D investment intensity



Overall labor productivity

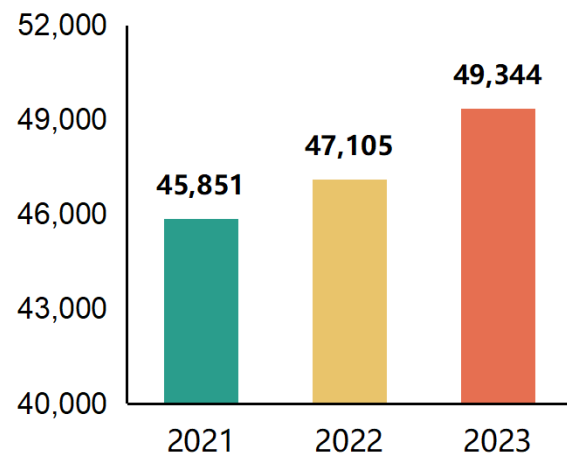
(RMB Thousand / Person)



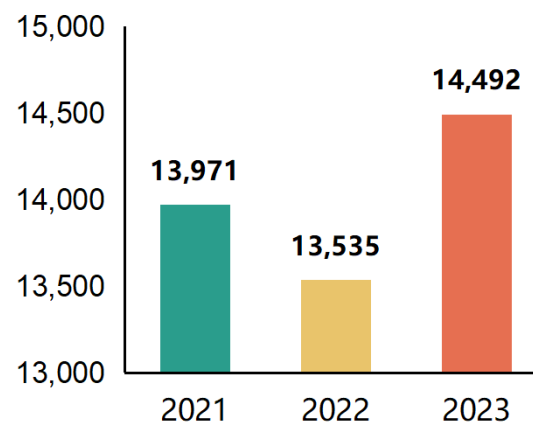
Operating Income trend

(RMB Million)

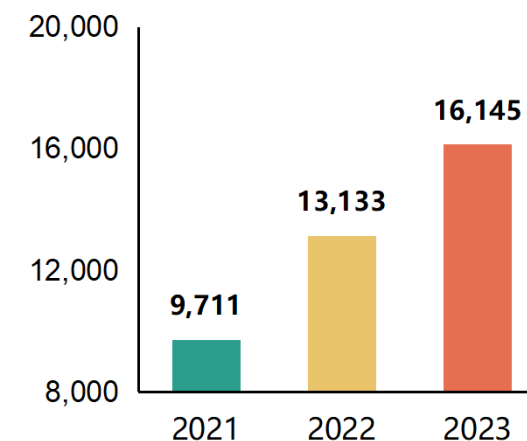
Domestic Sinopec Markets



Domestic Non-Sinopec Markets

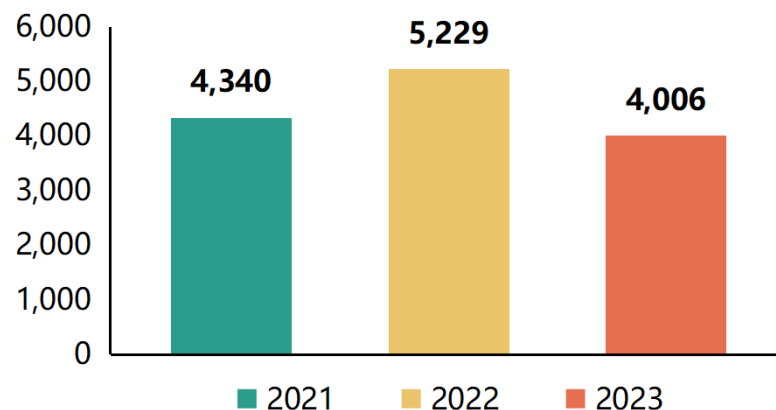


Overseas Markets



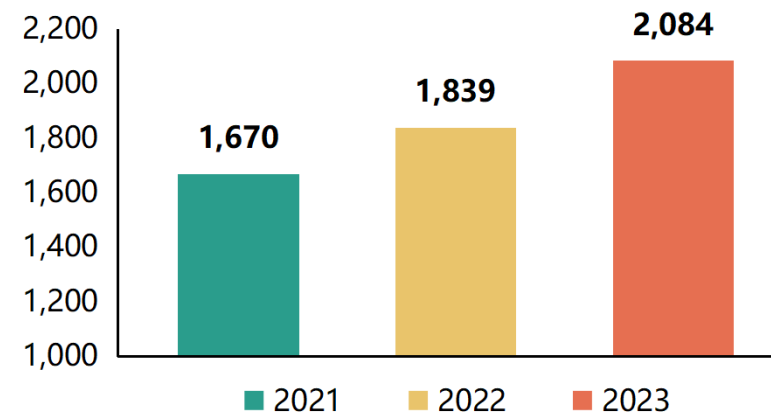
Capital Expenditure

(RMB Million)

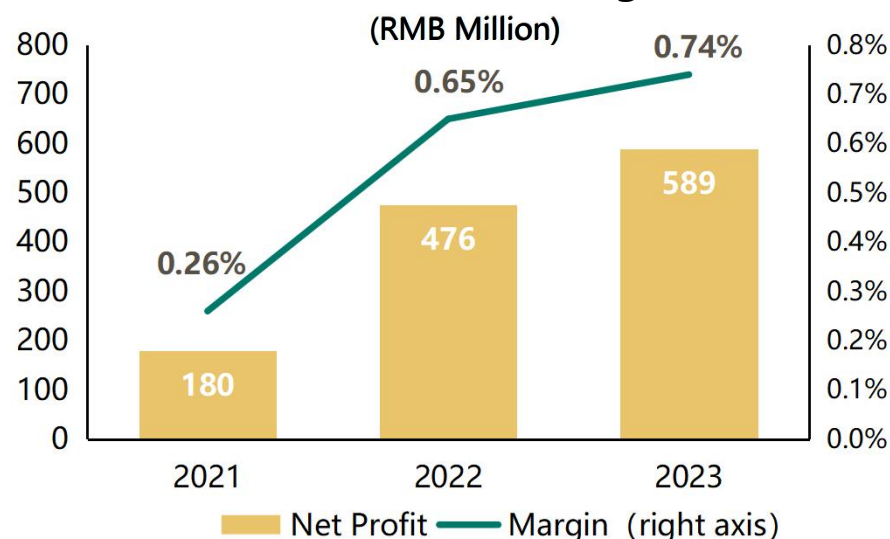


R&D Expenses

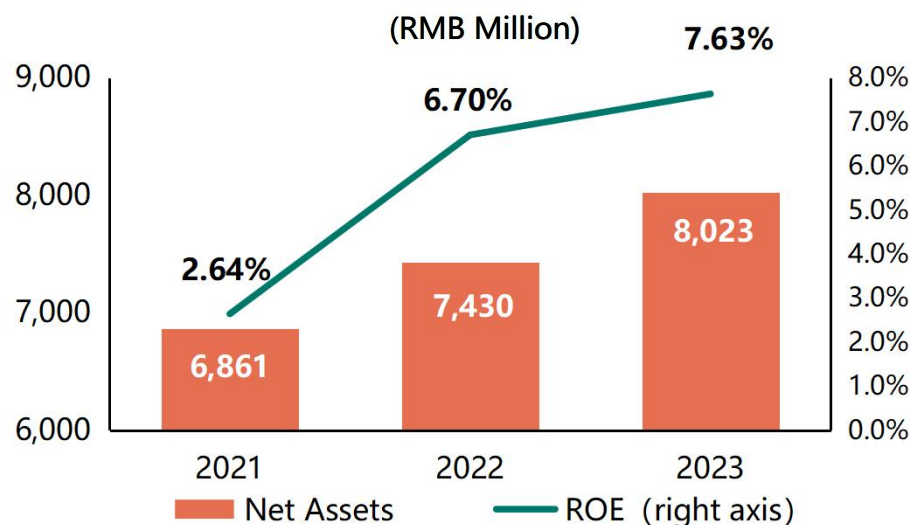
(RMB Million)



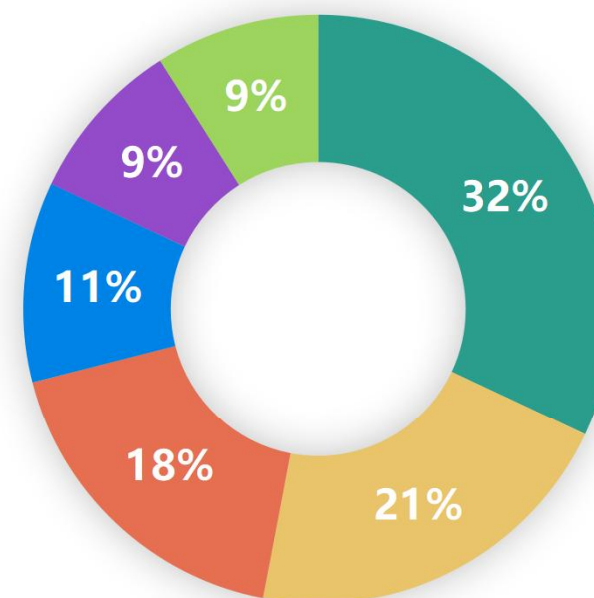
Net Profit and Margin



Net Assets and ROE

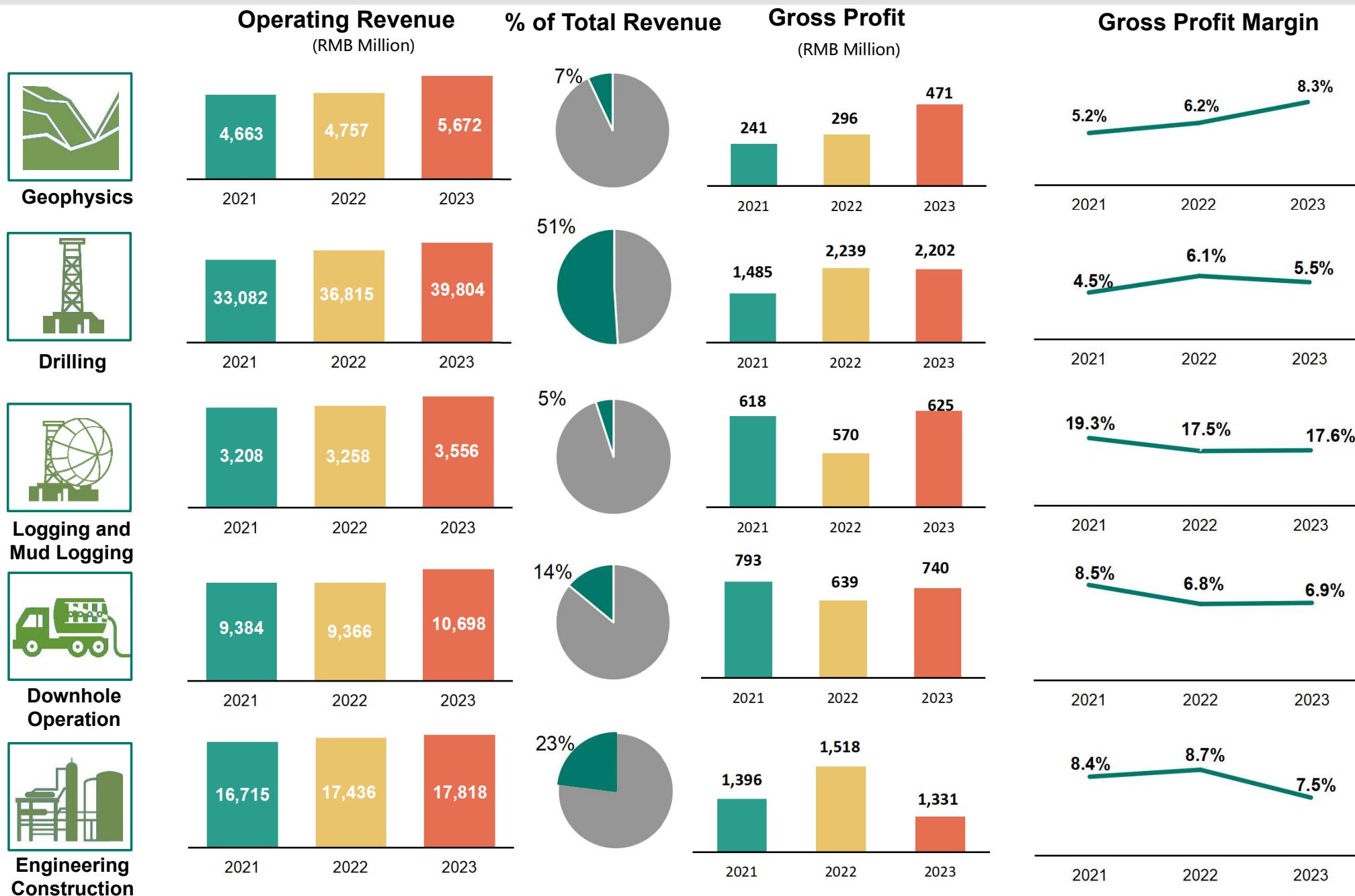


Reduce Costs and Expenses by RMB 560 million

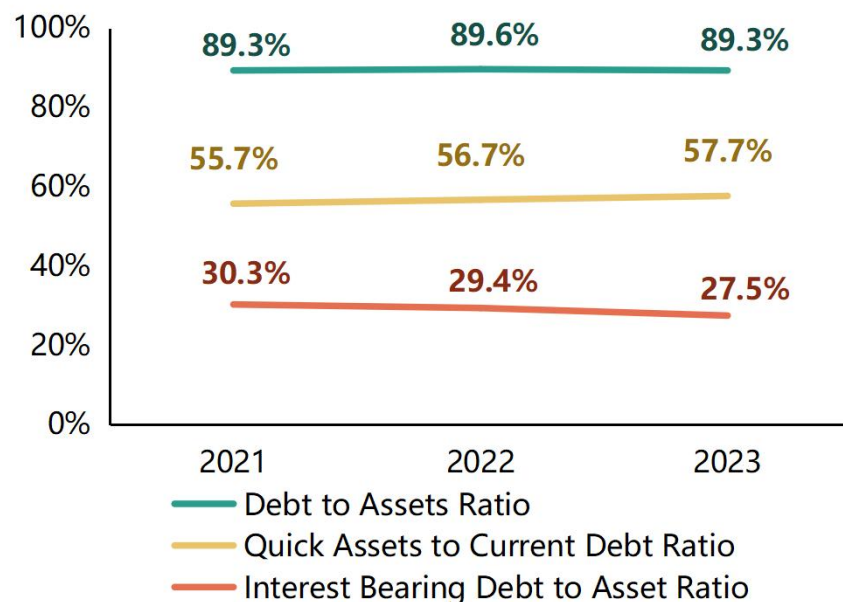


- Speeding up efficiency
- Optimizing team resources
- Enhancing bad debt recovery
- Optimizing equipment resources
- Improving the efficiency of research results transformation
- Optimizing financial and tax expenses

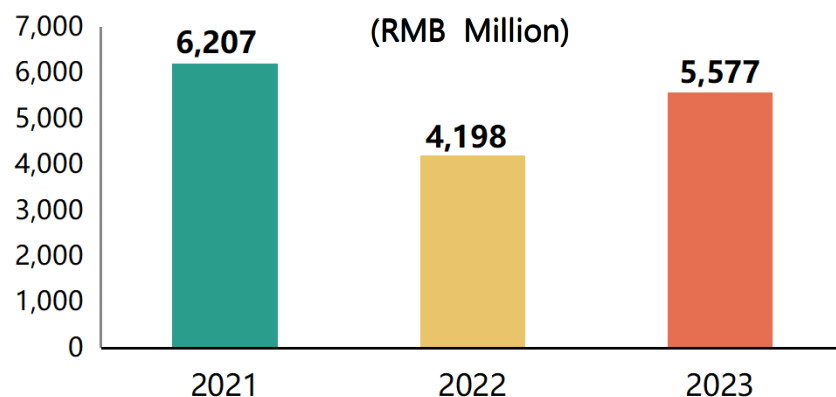
Analysis of 5 Business Segments



Structure of Assets and Liabilities

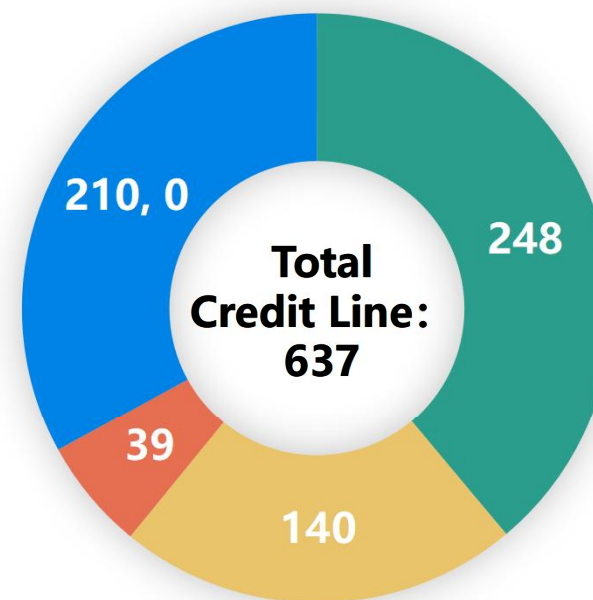


Operating Cash Flow



Credit Line from Financial Institutions

(RMB 100 Million)



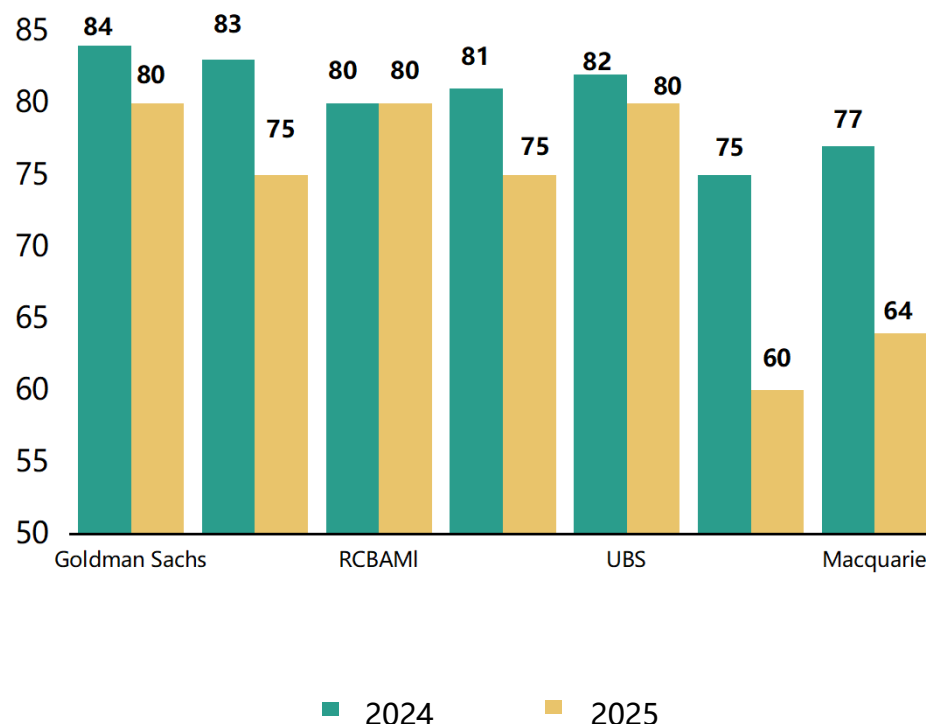
- Credit Line for loan from Sinopec Finance and Sinopec Century Bright
- Guarantees and bill credit line from Sinopec Financial Institutions
- Non-financing credit line from Sinopec Century Bright
- Comprehensive Credit Line from Banks (Not for Loan)

Section 3: 2024 Outlook



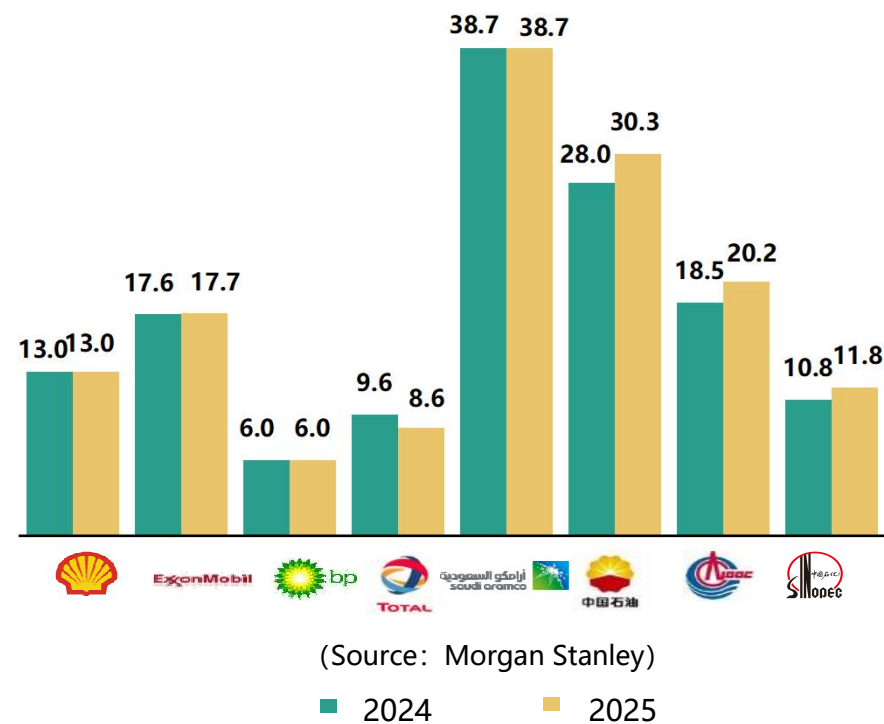
Brent Oil Price Outlook

(USD/Barrel)



CAPEX Forecast for Major Upstream Companies

(USD billion)

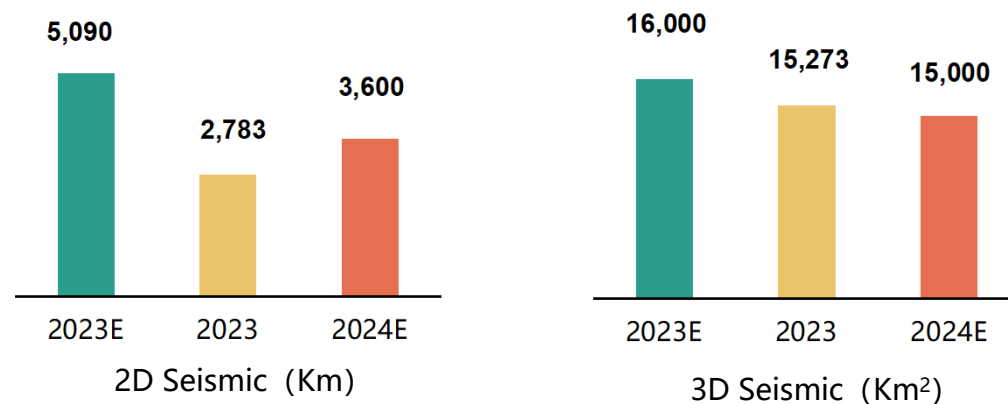


(Source: Morgan Stanley)

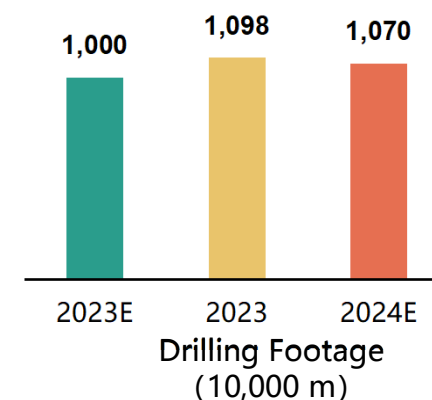
Industry Outlook

- Looking ahead to 2024, it is expected that international crude oil demand will continue to grow, and international oil prices will remain at middle to high levels with wide fluctuations, which will support the continuous improvement of the oilfield service industry's prospects
- Within China, against the backdrop of ensuring energy security, comprehensively enhancing supply support capabilities, and achieving the "dual-carbon" goal, oil companies will continue to increase upstream capital investment, focus on building a versatile, mutually complementary, coordinated, safe and reliable green energy supply system, which will bring significant business expansion potential to oilfield service companies

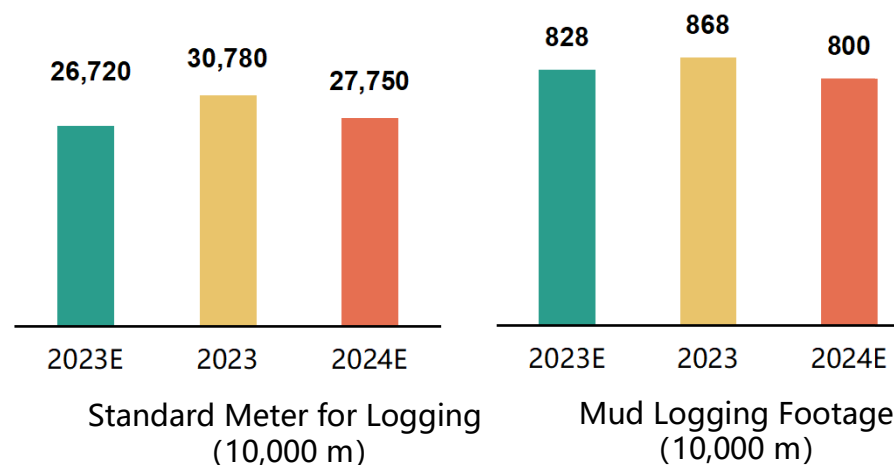
Geophysics



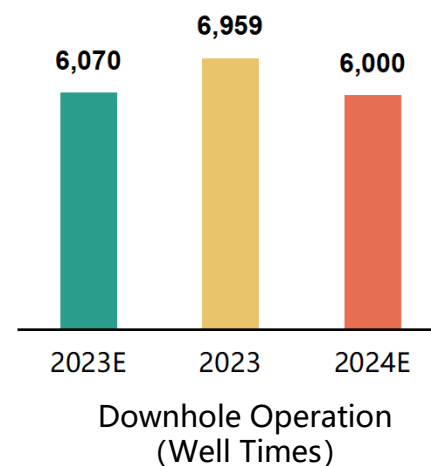
Drilling Engineering



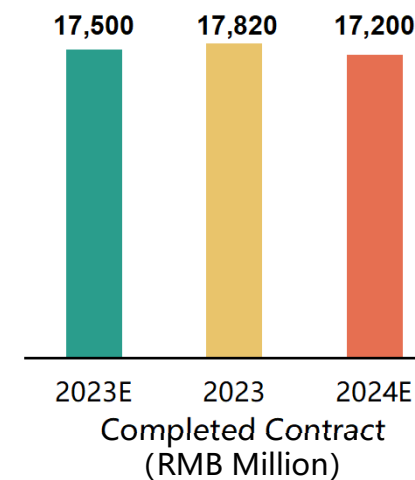
Logging & Mud Logging



Downhole Operation



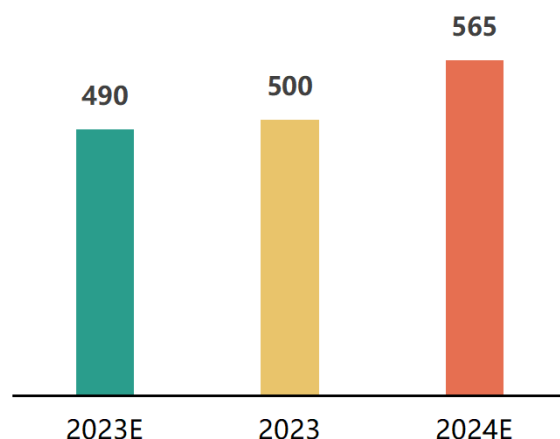
Engineering Construction



The planned new contracts in 2024 is 83.5 billion yuan

Domestic Sinopec Market

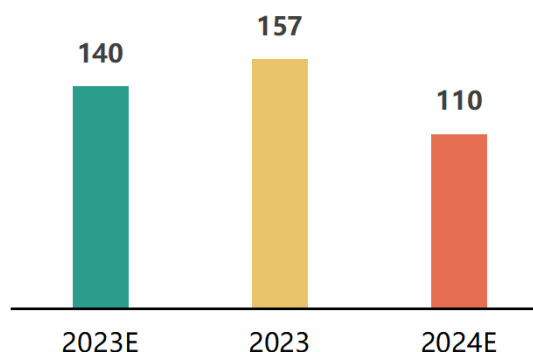
(RMB 100 million)



- Strengthen the coordinated and integrated operation between parties A and B, and steadily improve the investment conversion rate and team utilisation rate
- Expanding the “factory” construction model of drilling and fracturing orderly, sparing no effort in improving construction efficiency

Domestic Non-Sinopec Market

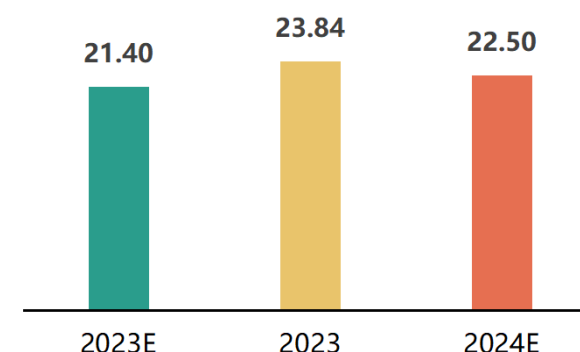
(RMB 100 million)



- Adhere to the “prior planning to win” principle, focus on source control, continuously improve the concentration of high-quality scale markets, and enhance the overall profit generation capabilities in external markets.
- Enhancing the concentration of high-quality and large-scale markets continuously, and increasing overall efficiency creation capabilities

Overseas Market

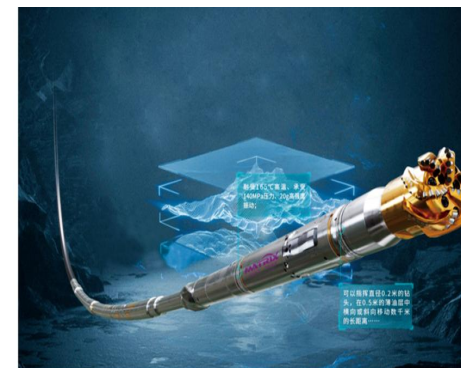
(USD 100 million)



- Increasing its efforts to develop target markets such as Saudi Arabia, Kuwait, Ecuador, Mexico
- continues to expand the market expansion of technical services such as coiled tubing and well washing, and strives to meet the business qualification review of technical services such as drilling fluid, cementing and fracturing

To strive to advance the key core technology

- Actively apply for the "14th Five-Year Plan" major national science and technology projects, and focus on promoting difficulty resolution for the "1025 Special Project" of the SASAC
- Accelerating the iterative upgrade of high-quality and rapid drilling and completion technologies for deep, ultra-deep and shale oil and gas, and promoting the R&D and application of key core equipment such as fully automated drilling rigs for shale oil, high-temperature and high-build rate high-build rate rotary steering tools, and ultra-high-temperature and high-pressure oil and gas well testing tools



To promote the products industrialization vigorously

- Through in-depth industrial development, promoting the large-scale application of advantageous featured products such as rotary steering, drilling and completion tools, automation equipment and oilfield chemical additives
- The annual output of product industrialization and commercialization of scientific and technological achievements will reach over RMB3.5 billion



To promote informatization construction steadily

- Leverage the support of the New Energy Technology R&D Centre and fully utilise the platform of Sinopec Carbon Technology Company
- Strengthen research on photovoltaics, wind power, geothermal, and waste heat utilisation engineering technologies, promote the iterative technology upgrading of the whole chain of CCUS, and tackle key technological difficulties in hydrogen energy production, storage, and transportation to better support the integrated development of the new energy business and the traditional oil and gas business for oil companies



Aim to build low-cost competitiveness and promote high-quality development



Promote optimisation of equipment resources

Actualise the functions of the equipment centre, improve equipment utilisation efficiency through internal reallocation and leasing, dispose of old and inefficient equipment while making precise investments, and enhance the alignment of market demand and the Company's equipment



Streamline the hierarchy of the management

Accelerate the construction of a project-based management system, integrate, cancel and merge more than 33 homogenised project departments. Use cost indicators to force units and project departments at all levels to streamline personnel, with the annual operating expenses of institutions decreasing by more than RMB200 million



Promote optimisation of financial and tax resources

Continue to carry out the reduction of "accounts receivable and inventory", coordinate the deepening application of funds pool and bill pool, and optimise the loan structure. Increase legal collection efforts for difficult debts



Promote optimisation of human resources

By reducing the size of major professional teams, increasing the efforts to revitalise personnel, adjusting the structure of overseas employment and other measures, achieve the peak management of labour costs



Promote cost reduction in the production process

Strengthen cost reduction in solving difficulties in the development of key core technologies, reduce "non-production time", strictly control outsourcing, subcontracting, and collaboration expenses based on the "internal before external" principle, achieving a meaningful year-on-year decline in unit production costs

Implement the "action to deepen and upgrade reforms", and further promote resource optimisation



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SINOPEC OILFIELD SERVICE CORPORATION

<http://ssc.sinopec.com>

Investors Relations

Tel: +86 10 5996 5998

Fax: +86 10 5996 5997

Mailbox: ir.ssc@sinopec.com

<http://ssc.sinopec.com>

