



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 Annual Results Presentation

March 2022



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Section 1. Operations in 2021





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**: **665** onshore drilling rigs, of which **316** capable for 7000m+ depth drilling, and **12** offshore drilling platforms
- **Logging**: **142** image logging systems, **435** sets of comprehensive logging instruments
- **Downhole operation**: **376** sets of fracturing vehicles, **42** sets of workover rigs with power higher than 750 HP, **6** offshore operation platforms

Strong R&D Capability

- **77** professor-level researchers
- **1,667** senior researchers
- **3,246** research, design, laboratory and development staffs
- **4** research institutes
- **3** design companies
- **46** professional technical institutes

Geophysics



Drilling Engineering



Logging and Mud Logging



Downhole Operation

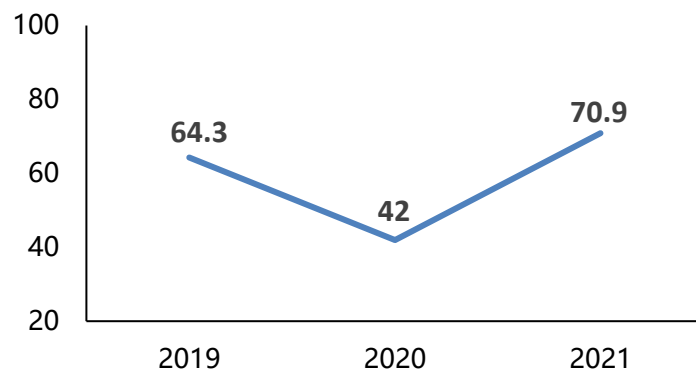


Engineering Construction



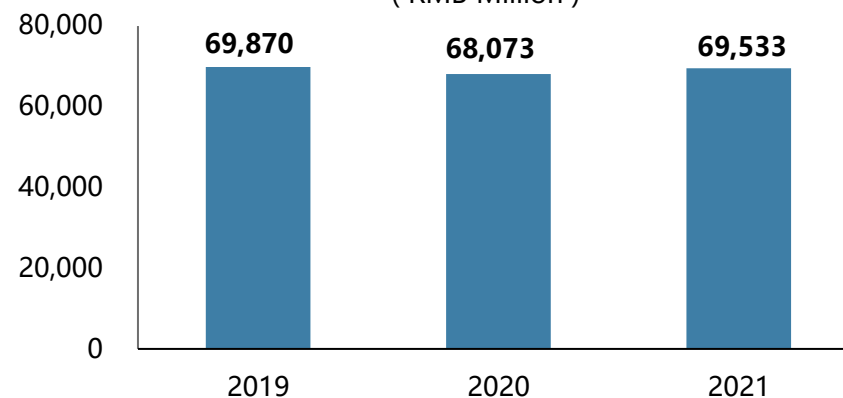
Annual Average Brent Oil Price

(USD/Barrel)



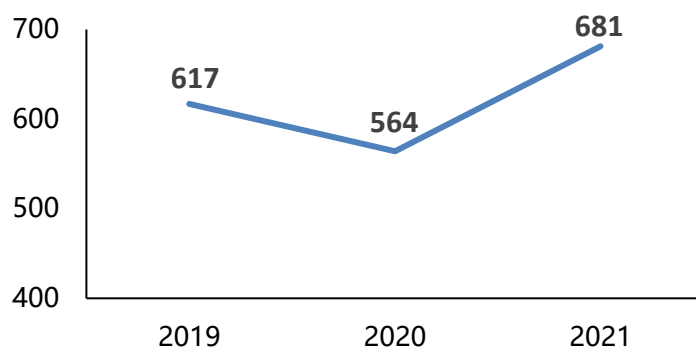
Operating Revenue of 2021

(RMB Million)



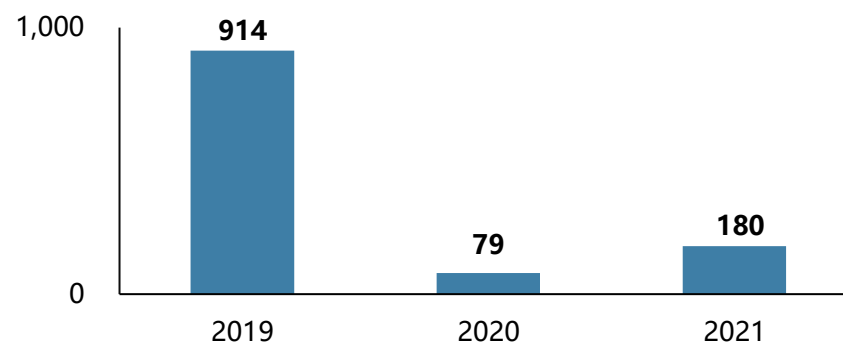
Upstream Capex of SINOPEC

(RMB 100 Million)

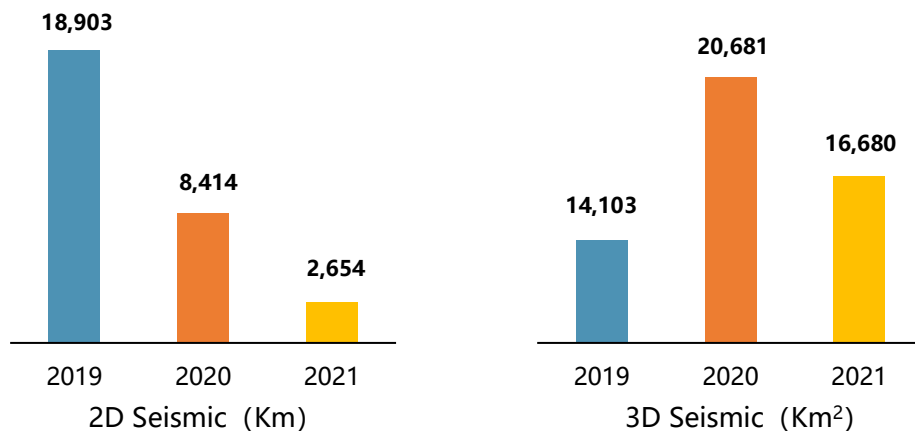


Net Profits of 2021 (ASBE)

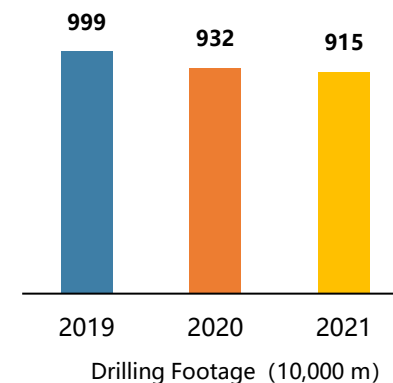
(RMB Million)



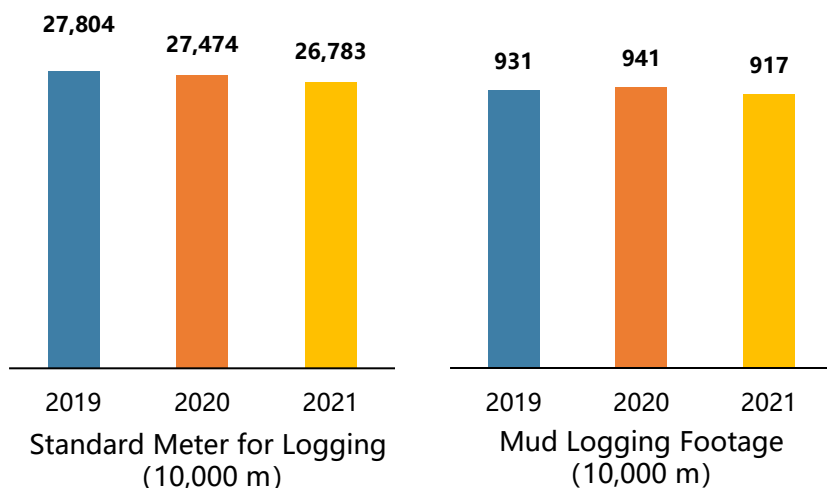
Geophysics



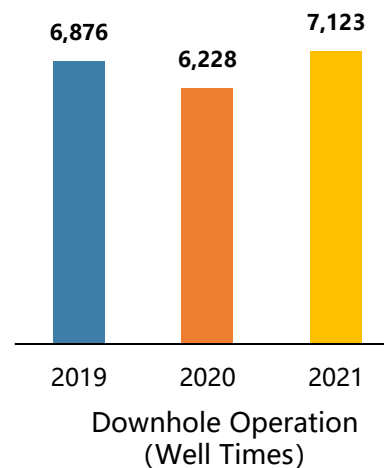
Drilling Engineering



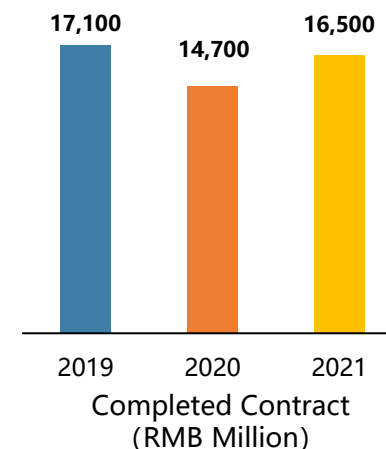
Logging & Mud Logging



Downhole Operation

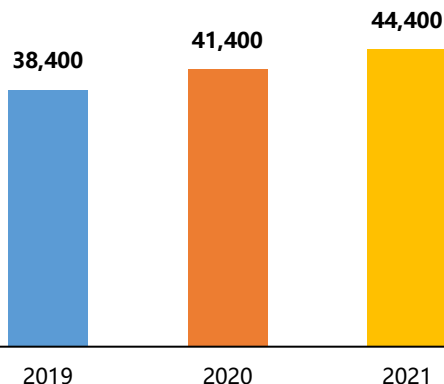


Engineering Construction



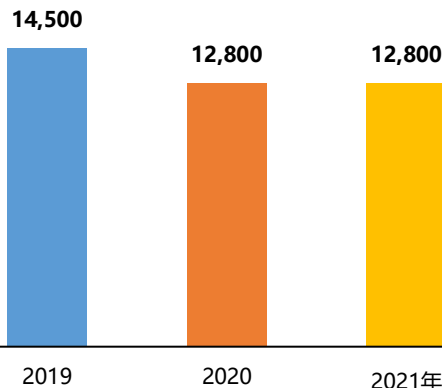
New Contracts Value of Domestic Sinopec Market

(RMB Million)



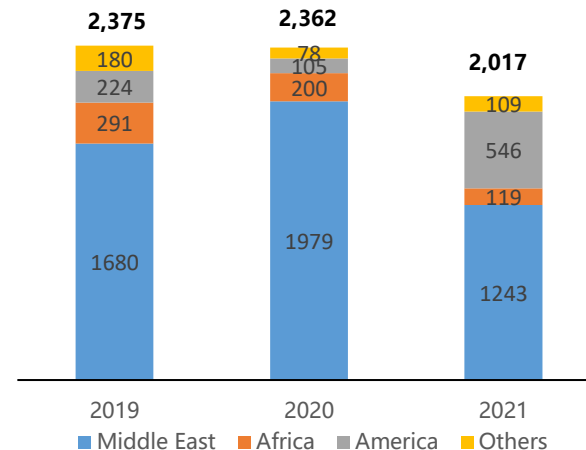
New Contracts Value of Domestic Non-Sinopec Market

(RMB Million)



New Contracts Value of Overseas Market

(USD Million)



● Domestic Sinopec market

- Provided high-quality and efficient services to Sinopec's E&P and capacity construction in northwest, northern China, southwest and eastern mature oil fields.
- Ensured the construction of gas storage and the relocation of Shengli oil storage
- Completed the construction of China's first mega-ton level CCUS (carbon capture, utilization and storage) project - Qilu Petrochemical Plant-Shengli Oilfield CCUS project.

● Domestic non-Sinopec market:

- Deployed 44 drilling rigs to serve the southwest shale gas market of PetroChina, with a new contract value of 4.1 billion yuan.
- Signed new contracts valued 3.0 billion yuan and achieved a market share of 20% in PipeChina market.
- Entered the CNOOC large-scale storage tank construction market for the first time, winning contract valued 330 million yuan.
- Won two tender sections of the southern natural gas trunk line of the Shandong pipeline network at 3.465 billion yuan.

● Overseas Market:

- In the Saudi market, newly signed contracts totaled US\$ 590 million. While stabilizing the drilling market, we won the bids for coiled tubing and well washing projects, and successfully entered new technical service areas.
- In Kuwait market, newly signed contracts totaled US\$ 610 million, signed new contracts for 10 drilling and workover rigs and renewed contracts for 30 drilling and workover rigs, and we passed the shortlisted qualification review of KOC for LSTK drilling.
- We won the bid for PEMEX 3D seismic acquisition and processing projects with contract value of US\$360 million in Mexico and the bids for well drilling and completion projects with contract value of US\$126 million from the national petroleum company of Ecuador.



Improving R&D System

- Geological Measurement and Control Technology Institute of Sinopec Matrix set up.
- CCUS (Carbon Capture, Utilization and Storage) and deep and ultra-deep well drilling and completion laboratories of Sinopec jointly built.



Enhancing Integrated Supporting Technology

- Comprehensive expedition for entire shale oil and gas wells, rotary steerable measurement and control, and network fracturing more mature.
- Technologies for Shunbei ultra-deep well drilling acceleration, wellbore stabilization, high-temperature fracturing and testing for application.
- Breakthroughs in the technologies for speeding up tight oil and gas drilling and protection of reserve layer in Ordos.



Tackling Key Technologies

- 542 new patents granted during the year.
- The self-developed Type I rotary steerable system tested and applied to 20 wells in aggregate and achieved "one-trip for 1000 meters drilling" for the first time.
- The ultra-deep high temperature electrical imaging logging tool came to service at 200 °C.
- The record for the deepest onshore directional well of Asia in Shunbei block with a depth of 9300 meters set.
- Comprehensive breakthroughs in technologies such as ultra-short-radius horizontal wells, coiled tube sidetracking, and high-efficiency geophysical exploration made.



Promoting Product Industrialization

- 3 industrial bases for machinery equipment, tools and instruments, and chemical additives built.
- 21 product lines of 7 series developed.



Coordinated market and optimized the resource allocation

- Teams and resources in key working areas in the domestic market optimized and 52 drilling rigs transferred.
- The disposal and utilization of 23 drilling and workover rigs in overseas markets optimized.



Achieved advances in setting up a new project-based management system

- The construction of “two pools, two warehouses and one platform” accelerated.
- 18 “core warehouses” for materials and reduced 44 logistics bases constructed.
- Administrative expenses in the western working area decreased by 9.7% YoY.



Strengthened professional management of main businesses

- The reorganization of testing, logging and directional drilling and the establishment of Sinopec Matrix completed.
- The Drilling Engineering Management Dept. and the Downhole Operations Management Dept (Reservoir Management Department) set up.



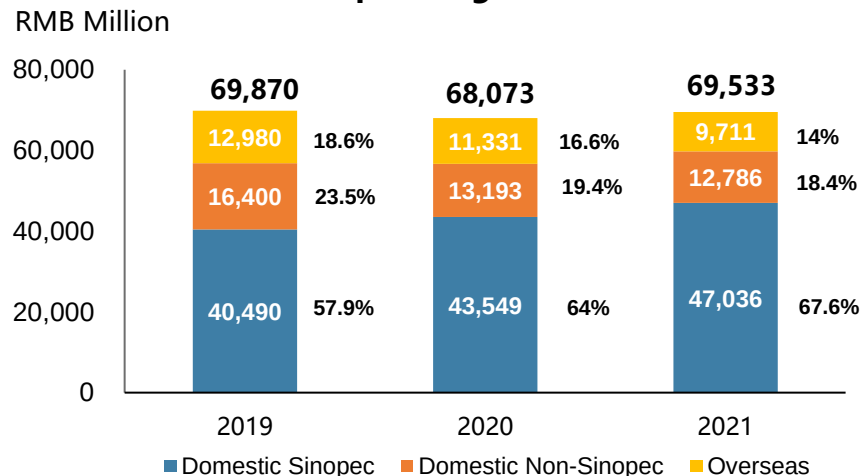
Deepened the reform of incentive system for employees

- The employment duration system and contractual management for the management members implemented. Differentiated measures for job appointment and performance appraisals carried out.
- The linkage to efficiency of work enhanced and the vitality of all productivity factors boosted.

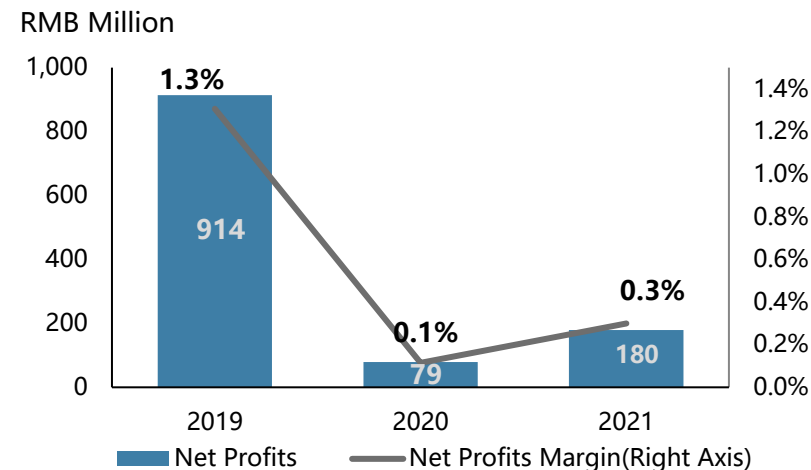
Section 2: Financials in 2021



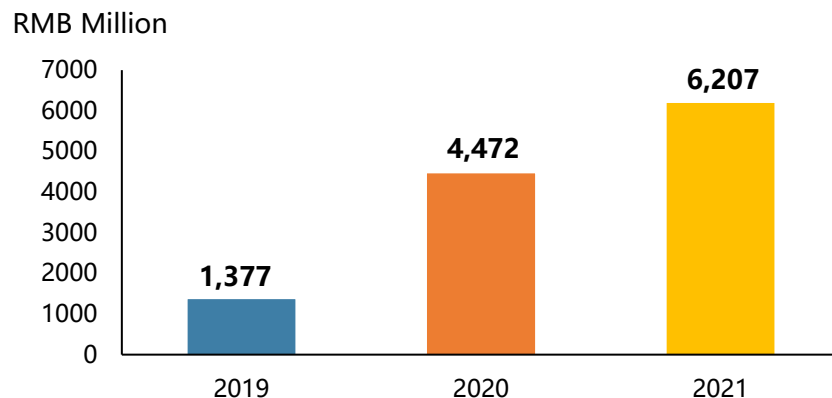
Operating Revenue



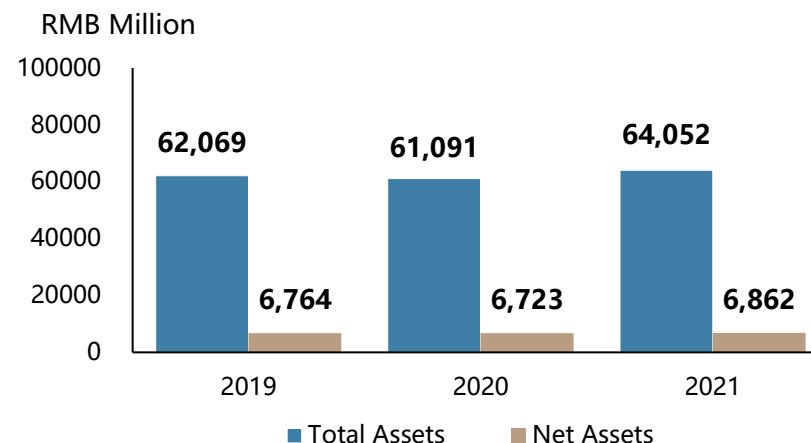
Net Profits & Margin



Operating Cash Flow



Total Assets & Net Assets



Financials of 5 Business Segments and Gross Profits

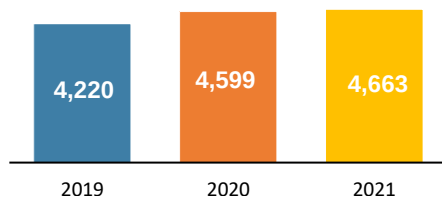


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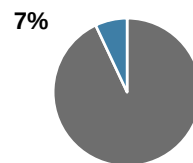


Geophysics

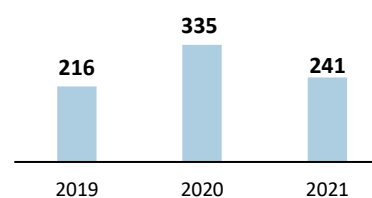
Operating Revenue
(RMB Million)



% of Total Revenue

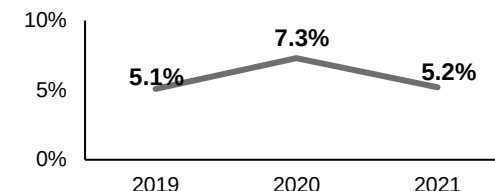


Gross Profit
(RMB Million)

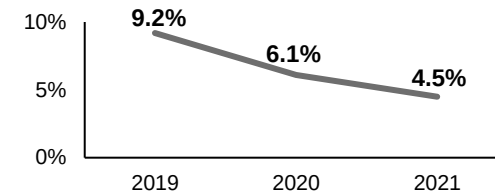
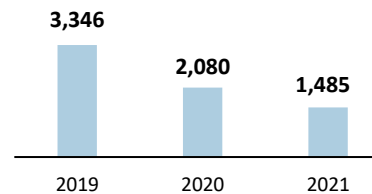
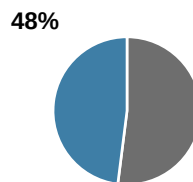
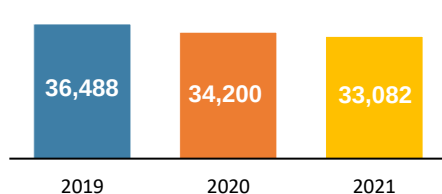


Gross Profit Margin

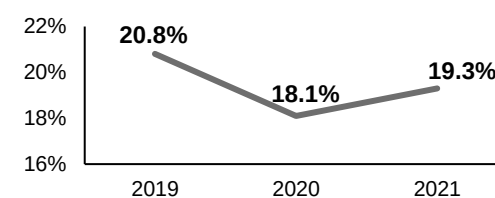
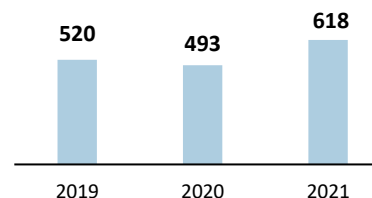
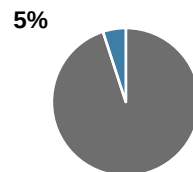
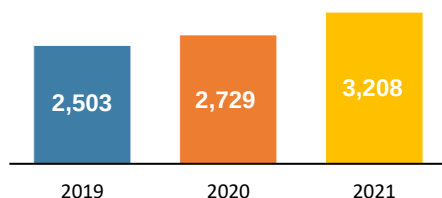
* Note: Affected by the adjustment of accounting policies, the gross profit margin in 2020 and 2021 have been adjusted accordingly.



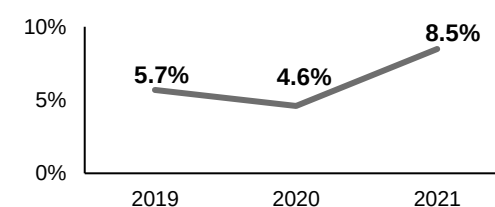
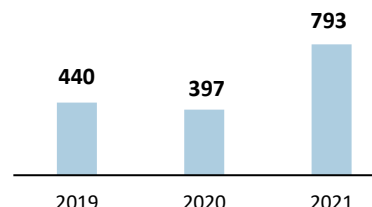
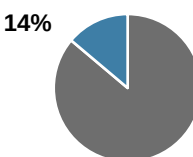
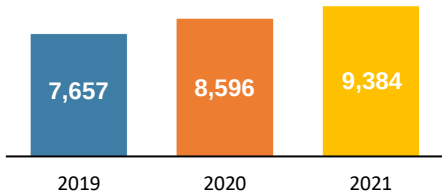
Drilling



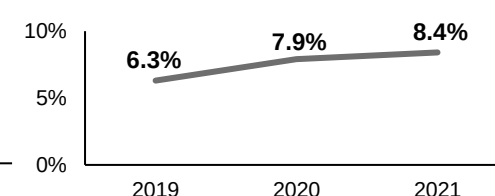
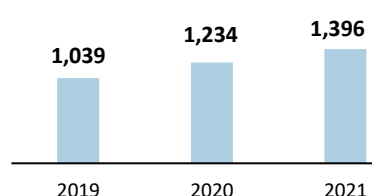
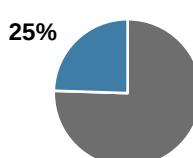
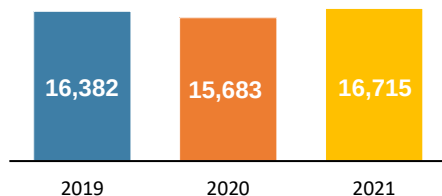
Logging and
Mud Logging



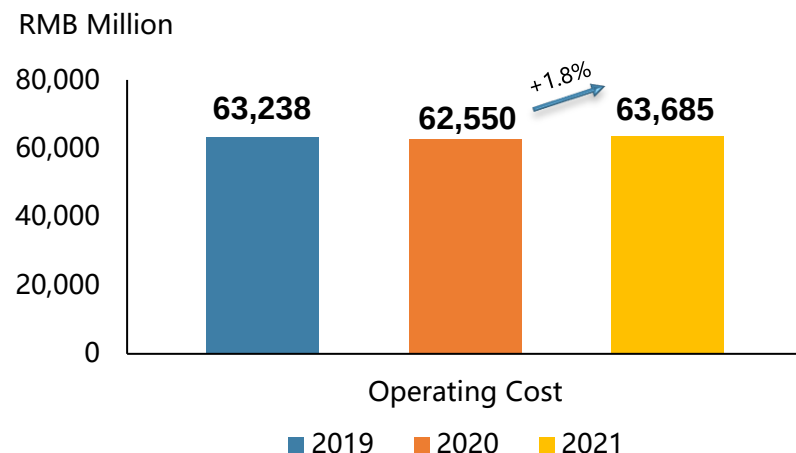
Downhole
Operation



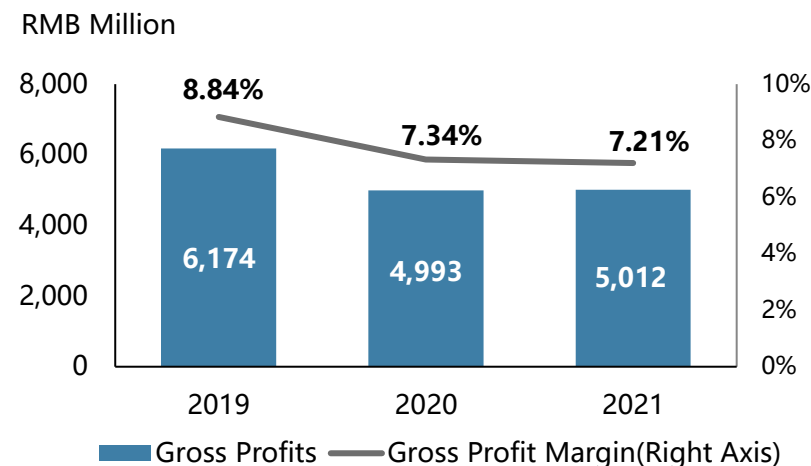
Engineering
Construction



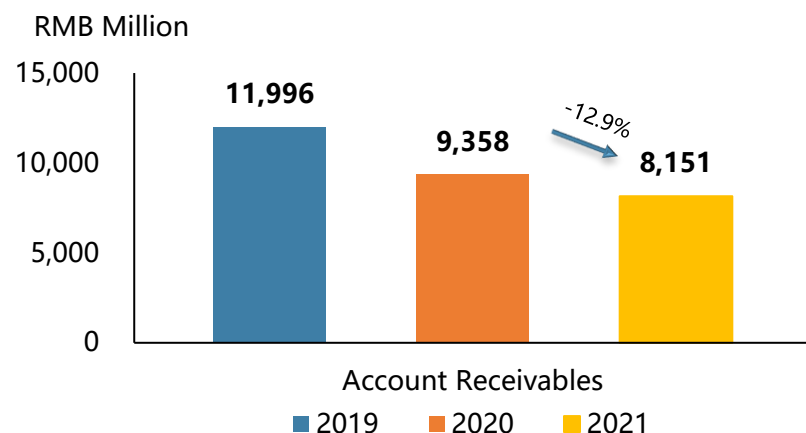
Operating Cost



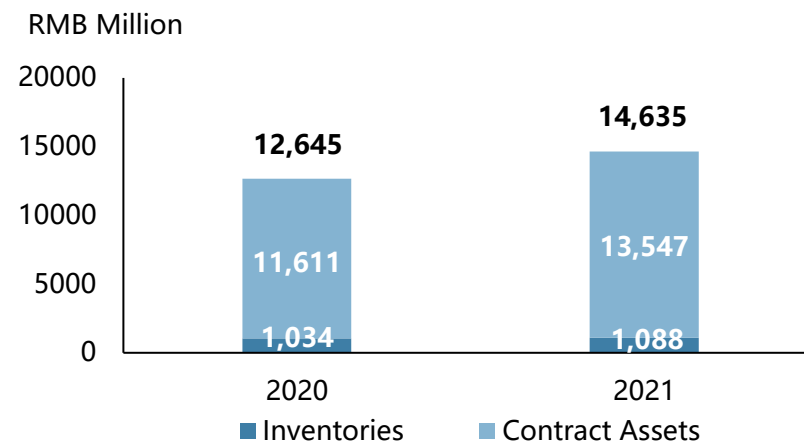
Gross Profit & Margin



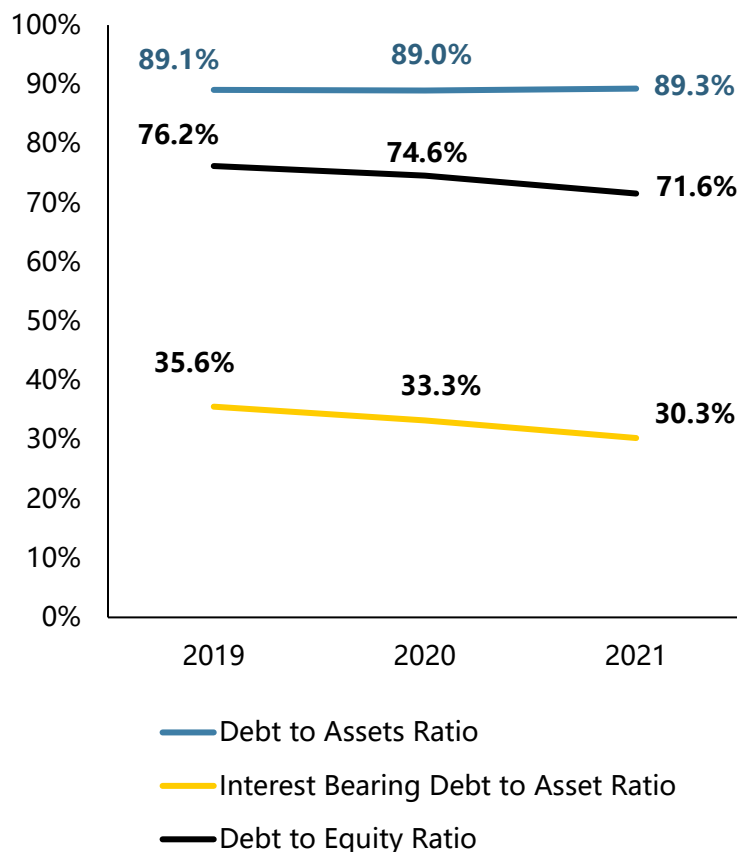
Account Receivables



Inventories & Contract Assets

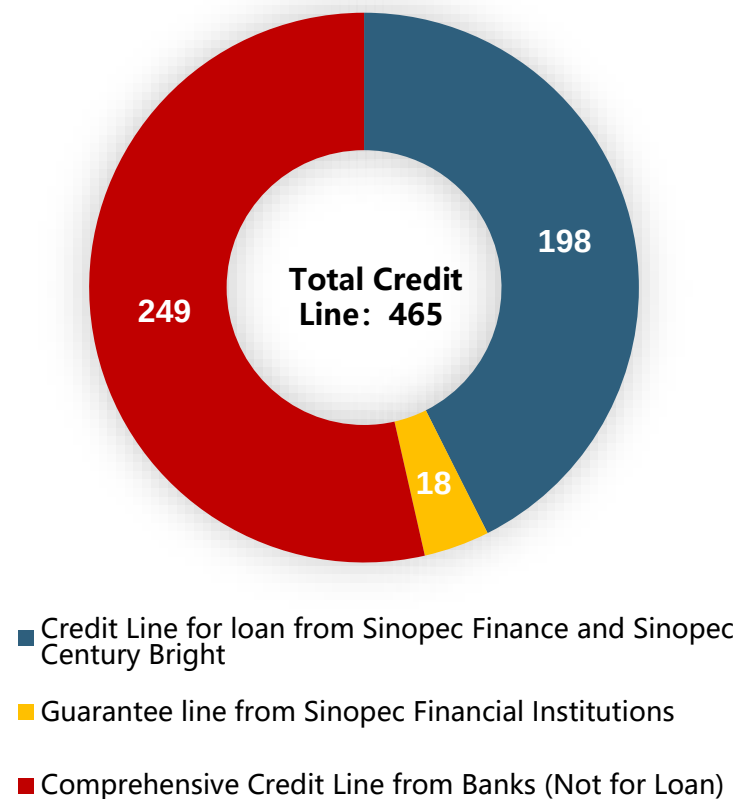


Structure of Assets and Liabilities

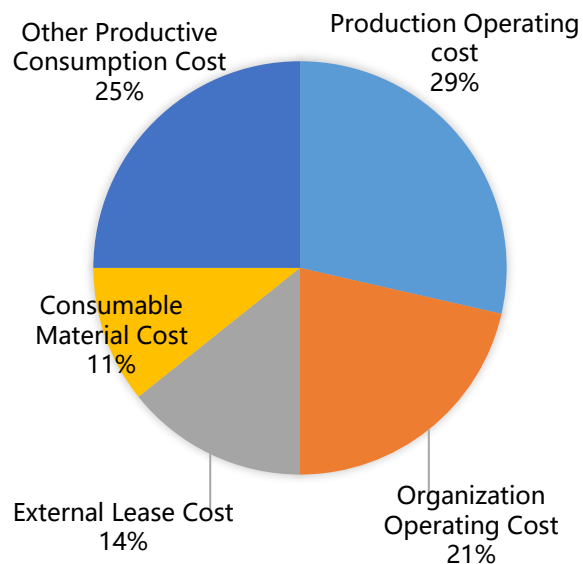


Credit Facility from Financial Institutions

(RMB 100 Million)



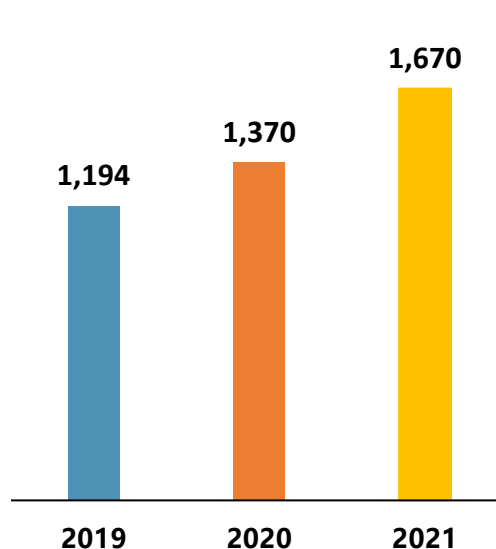
Costs Reduction in 2021



- The costs reduction in 2021 was 560 million yuan

R&D Expenses in 2021

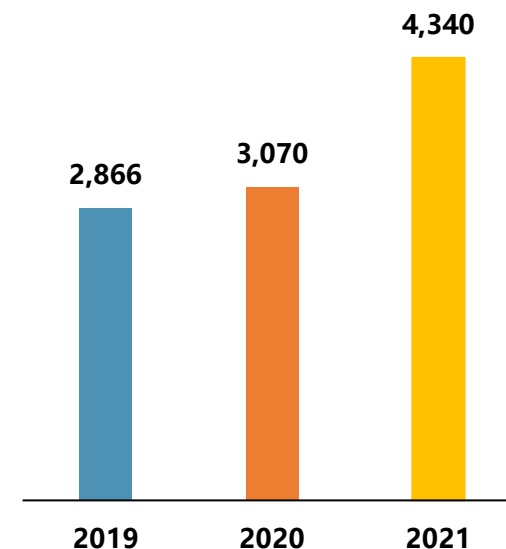
(Unit: RMB million)



- In 2021, the company invested 1.67 billion yuan in R&D expenses, up 21.9% YoY.

Capital Expenditure in 2021

(Unit: RMB million)

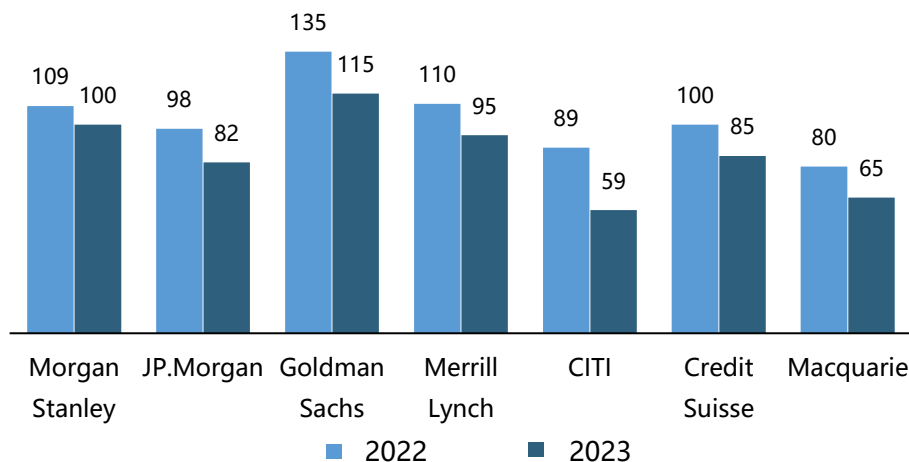


- CAPEX in 2021 was 4.34 billion yuan, mainly used for equipment upgrading, safety management, and environmental protection.

Section 3: 2022 Outlook

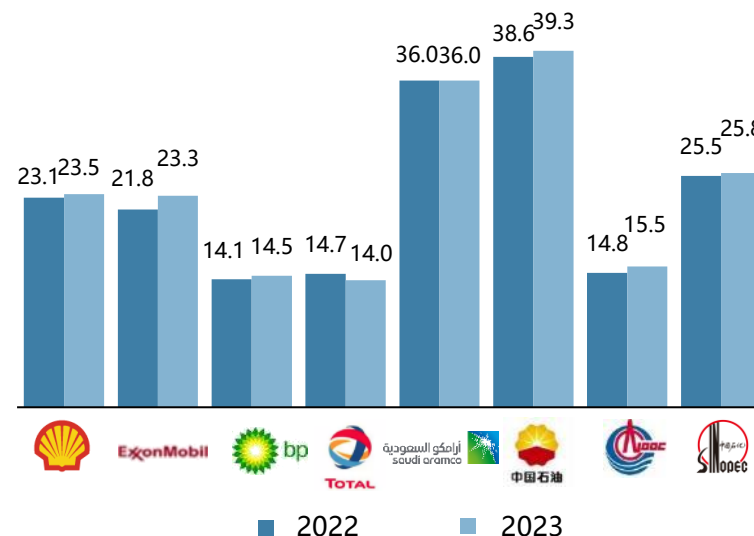


2022-2023 Brent Oil Price Outlook
(USD/Barrel)



(Source: Institutional Research Report)

CAPEX Forecast for Major Upstream Companies
(USD billion)

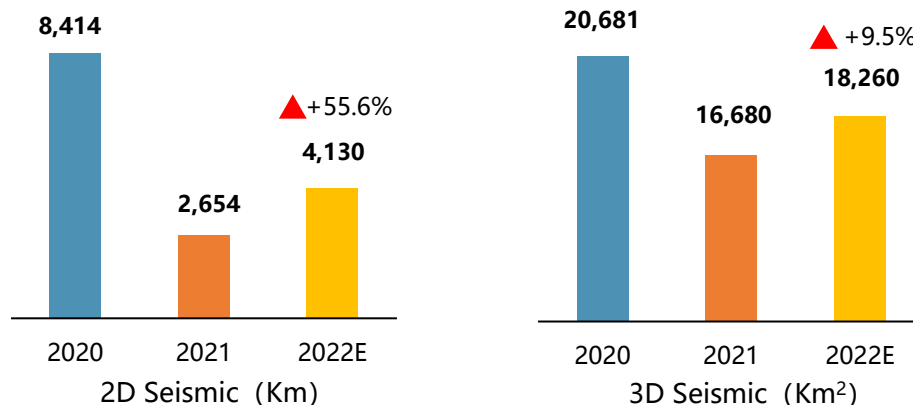


(Source: Morgan Stanley)

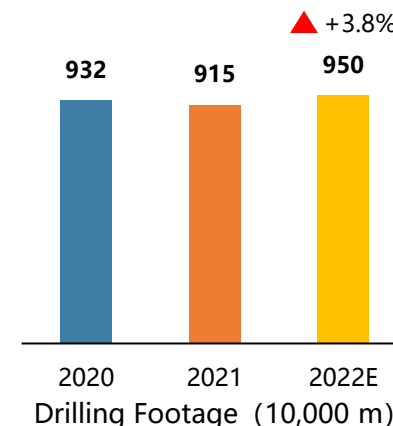
Industry Outlook

- International oil price is estimated to stay at a high level, and the general view within the international research institutions is that the oil and gas prices would remain high in the future
- The CAPEX of oil companies will significantly increase in the future, driving the prospect of the oil service industry to be further rebound
- the oil companies have raised higher requirements for high-quality, high-efficiency and low-cost exploration, meanwhile amidst such backdrop of dual carbon .and the oil service companies will face greater pressure and challenges.

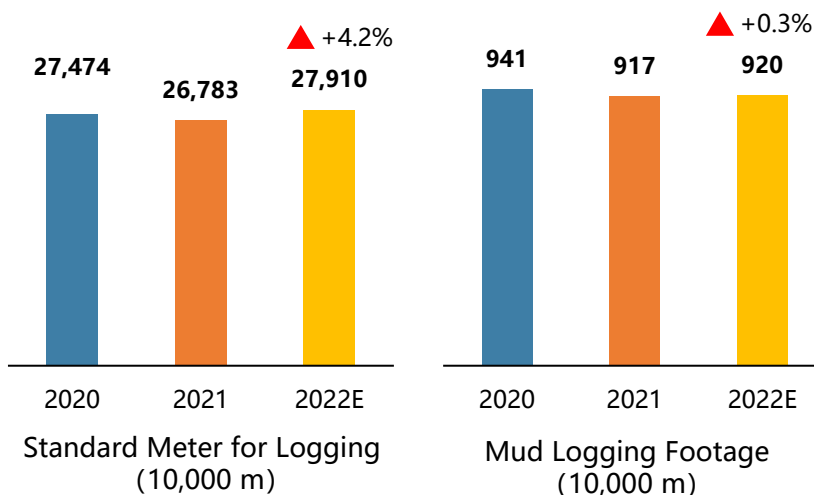
Geophysics



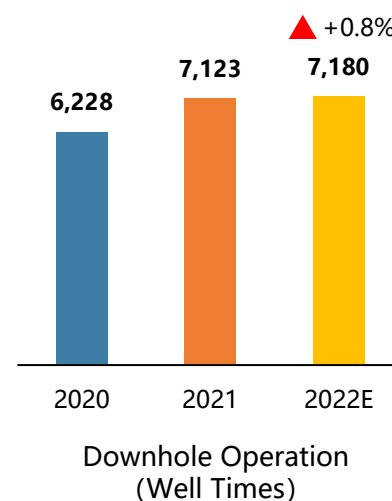
Drilling Engineering



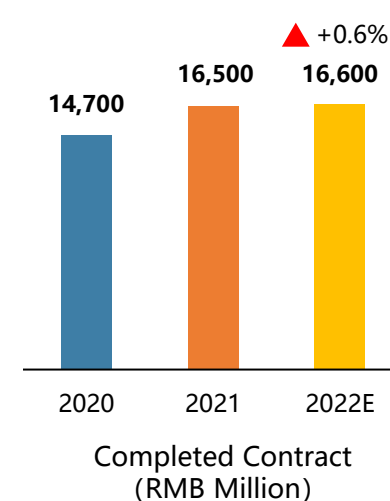
Logging & Mud Logging



Downhole Operation

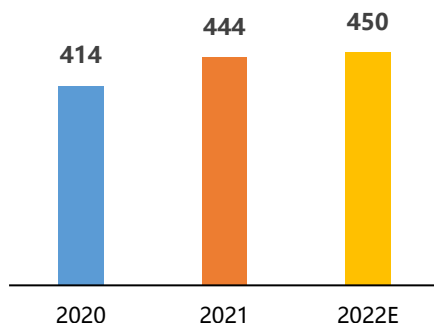


Engineering Construction



Domestic Sinopec Market

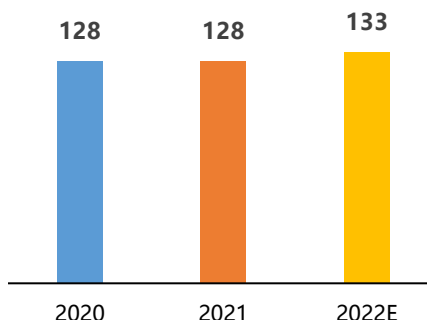
New Contract Value
(RMB 100 Million)



- To provide high-quality E&P services and construction of oil and gas storage for Sinopec.
- To put great efforts into shale oil development and key engineering construction.
- To expand the cooperative development of difficult-to-use reserves in key potential blocks such as eastern Shengli and western Sichuan
- To closely follow the low-carbon businesses, including CCUS, hydrogen energy utilization, and PV power generation, to achieve green transformation and development

Domestic Non-Sinopec Market

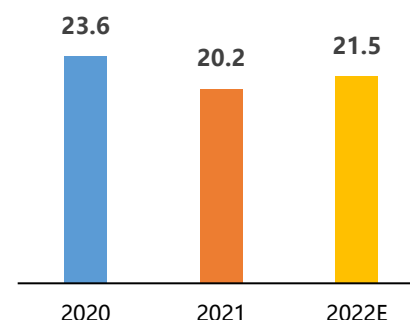
New Contract Value
(RMB 100 Million)



- To focus on the Tarim, Sichuan and the Junggar Basin, reinforce the high-quality markets of Petrochina such as the conventional oil in Northwest China and shale gas in Southwest China.
- To steadily expand the oil and gas pipeline market share of PipeChina.
- To actively deepen energy development and cooperation with CNOOC, China Geological Survey, local energy companies and pipeline companies.

Overseas Market

New Contract Value
(RMB 100 Million)



- To further expand market size, consolidate high-quality development of large-scale markets such as Saudi Arabia, Kuwait and Ecuador.
- To strengthen the conventional business advantages of onshore drilling and workover and actively expand high-end service markets such as logging, cementing, drilling fluid, directional well, and fracturing.
- To enhance comprehensive oil reservoir project in Mexico and Ecuador to improve market quality and efficiency.

To accelerate the improvement of technological series and realize market-oriented and professional development

- To improve 9 integrated supporting technologies such as ultra-deep and shale oil and gas, promote the application of 18 applicable technologies such as vertical drilling and fine managed pressure drilling, and strive to achieve breakthroughs for key technologies including 10,000-meter ultra-deep wells, 5,000-meter ultra-long sections, 50-stage fracturing, ultra-deep oil and gas testing and deep horizontal shale gas wells.

To promote the construction of R&D system and support the distinctive and high-end development

- To make breakthroughs in 17 key core technologies such as MWD, HTHP logging, achieve finalized mass production of Type I drilling rotary steering system and speed up on-site testing applications of type II high build-rate drilling rotary steering system, establish a new energy technology research and development center to promote "dual carbon" business.

To promote the transformation of achievements and the industrialization of products

- To expand the application scale of self-developed products, such as the automatic drilling string processing system, series of drilling speed-up tools, key drilling fluid chemicals, and intelligent seismic node collectors.

To promote the integration of "IT application and industrialization" and facilitate digital transformation

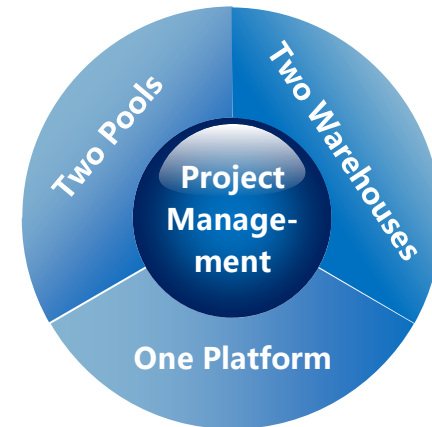
- To prepare to set up a digital center of petroleum engineering, accelerate the construction of SICP, develop a digital twin system of well drilling and completion techniques, and establish an integrated decision-making steering center for drilling and fracturing wells.





To transform our mechanism into a project-oriented one

- To accelerate the construction of a system centered on project management and supported by "Talent Pool, Capital Pool, Material Warehouse, Equipment Warehouse and SICP platform" .
- To break down the hierarchical barriers of institutions and facilitate its core resources, such as talents, funds, equipment, materials and information, to be concentrated on projects.



To deepen market coordination and overall resource allocation

- To enhance the optimization and integration of internal resources of our subsidiaries to further reduce costs and increase efficiency.
- To strengthen the development of high-quality markets and withdraw from inefficient and ineffective markets.



To improve the incentive mechanism and performance evaluation mechanism

- To fully implement the single project (single well) assessment to synergize the organizational and individual performance.
- To revitalize the stock resources of talents, and effectively stimulate the motivation of employees.



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