



SSC

中石化石油工程技术服务有限公司

SINOPEC OILFIELD SERVICE CORPORATION

2015 Interim Result Presentation

August, 2015



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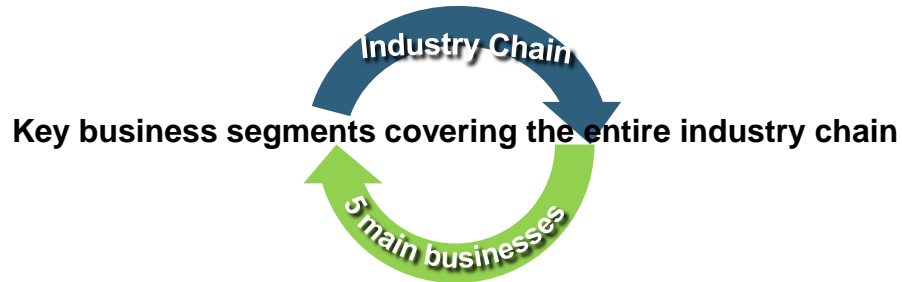
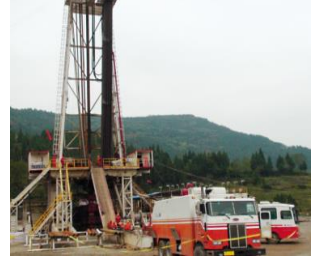
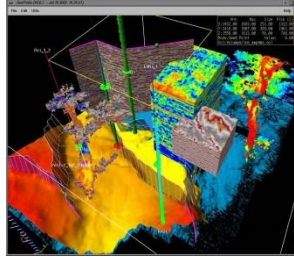
Section 4: 2015 2H Outlook



Section 1.

Company Overview





Geophysics



Drilling engineering



Logging and mud logging



Downhole operations



Engineering construction



Strategic vision : Become a world-leading integrated oilfield engineering and service provider

Specialization

Market orientation

Differentiation

High-end services

Globalization

Onshore

Offshore

Domestic

Overseas

Conventional

Unconventional

E&C services

Comprehensive EPC and PMC business model



Advanced Equipment

- Geophysics: **98 sets** of 428XL seismic acquisition equipment, **35,400** full digital seismic 3C geophones, **3** offshore geophysical vessels
- Drilling: **811** onshore drilling rigs , of which **224** for wells at depth of more than 7,000 meters and **1** for 12,000 meters. And **11** offshore drilling platforms
- Logging: **137** image logging systems, **81** rapid logging platforms, **454 sets** of comprehensive logging instrument
- Downhole operation: **110 sets** of type-2000 fracturing assembly, **98 sets** of 2500 and 3000 fracturing assembly, **47 sets** of workover rigs with power higher than 750 HP, **5** offshore operation platforms



Rich Experiences

- **Fuling shale gas project:** The first successful commercial shale gas project outside North America
- **Pugang gas field project :** The largest marine high-sulphur gas field in China
- **Exploration and development project of multiple reservoirs in Shengli Oilfield :** The second largest oilfield in the PRC
- **Take oil field project:** 1.2 billion-ton reserve large oil field
- **Yuanba gas field project:** The deepest marine-facies reservoir in China



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



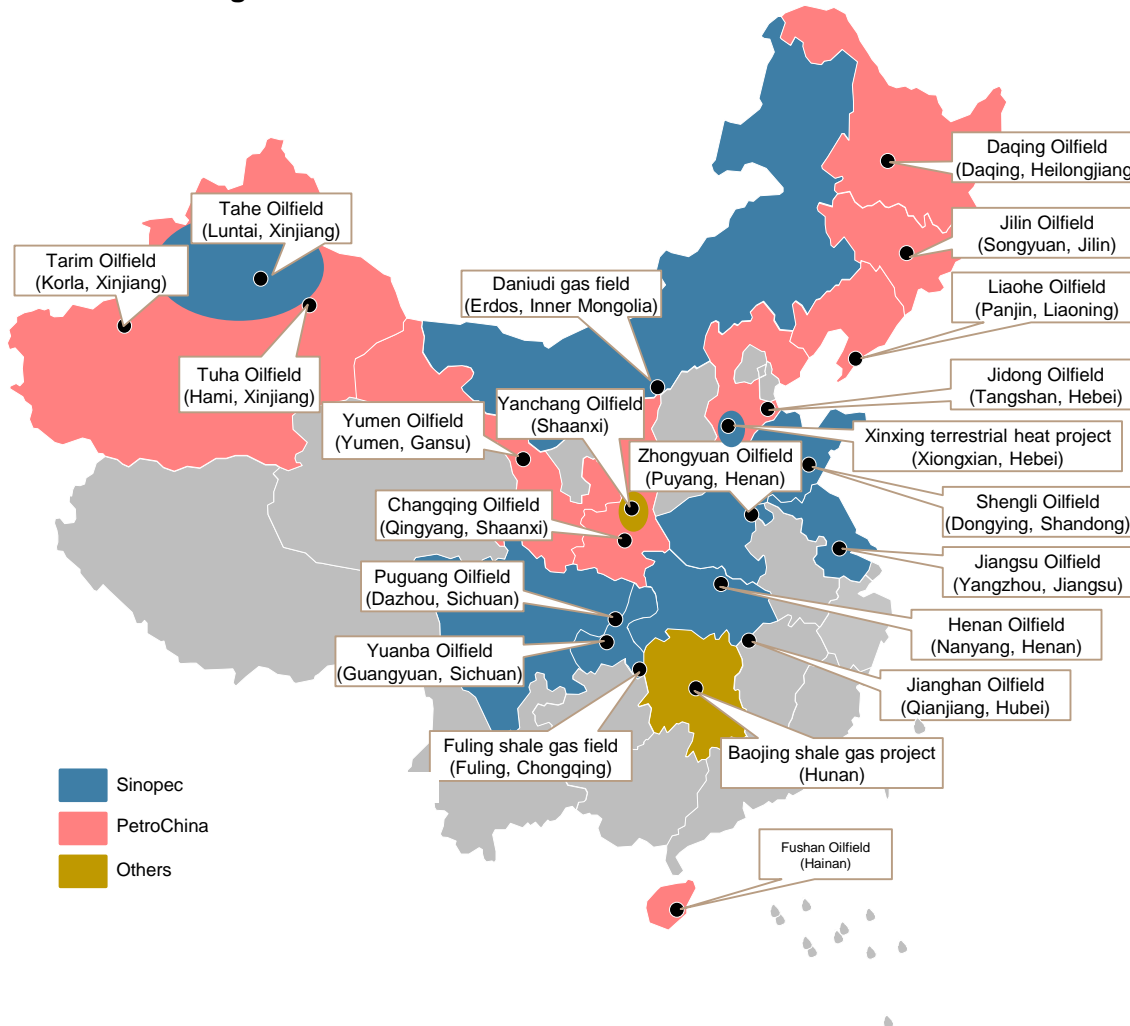
Golden Prize of the National Quality Engineering

Sichuan-East China Gas Transmission Pipeline Project

Strong R&D capabilities

- | | |
|---|---|
| <ul style="list-style-type: none"> • 2 academicians of the Chinese Academy of Engineering • 51 professor-level researchers and more than 1,300 senior researchers • 4,300 research, design, laboratory and development staff | <ul style="list-style-type: none"> • 3 research institutes • 5 design companies • 42 various professional technical institutes • 54 laboratories and full-scale scientific experimental wells |
|---|---|

Sinopec is the second largest oil and gas producer in China. It provides solid basis for our development. Its massive oil and gas reserves as well as future output demands lay a solid foundation for our future revenues and sustainable growth.



SSC has established a rapidly-growing independent third-party client base covering well-known oil and gas companies and official customers at home and abroad

- Servicing a number of energy companies in China



中国石化



1905
延长石油
YANCHANG PETROLEUM



中国神华
CHINA SHENHUA



中国华电
CHD



中国华能
CHINA HUANENG

- The Company provides services to many well-known oil companies abroad



TOTAL



شركة نفط الكويت
Kuwait Oil Company
إحدى شركات مؤسسة النفط الكويتية
A Subsidiary of Kuwait Petroleum Corporation



Agip



REPSOL
YPF



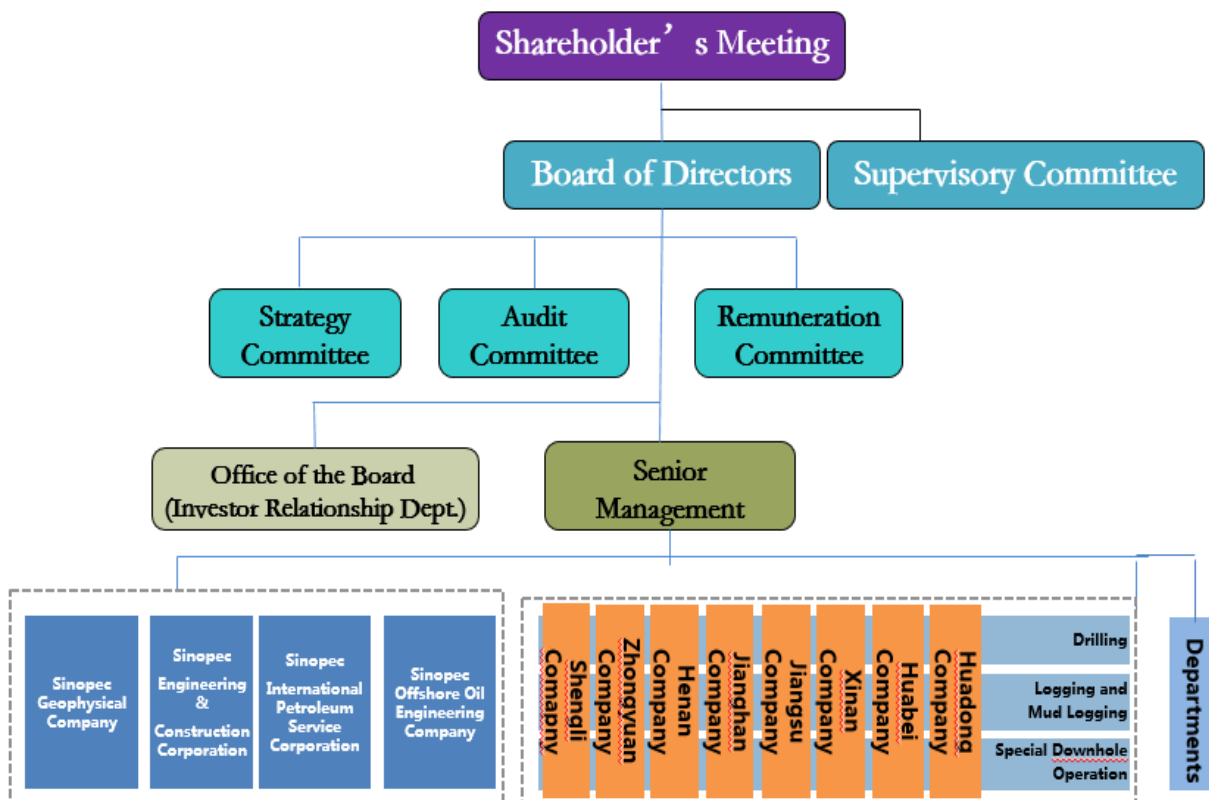
Ministère des
Ressources en Eau



أرامكو السعودية
Saudi Aramco



BR
PETROBRAS



China's 100 Most Valuable Brands of Publicly Listed Companies 2015



Section 2. **Operations in 2015 1H**



BRENT Oil Price Trend

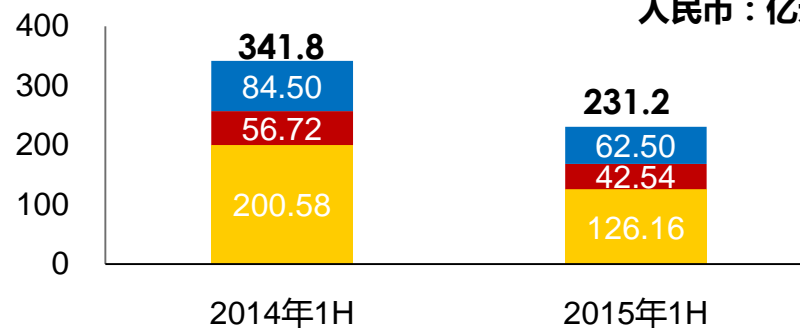
CBU15 - Crude Oil Brent (ICE)



Resource: Website of NASDAQ

Operating Revenue of 2015 1H

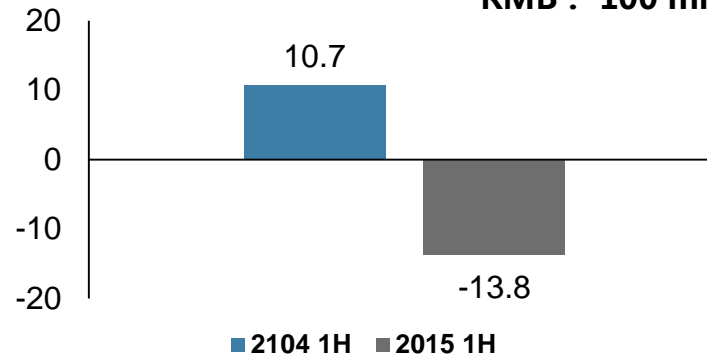
人民币：亿元



- Overseas
- Domestic clients other than SINOPEC
- Inside SINOPEC

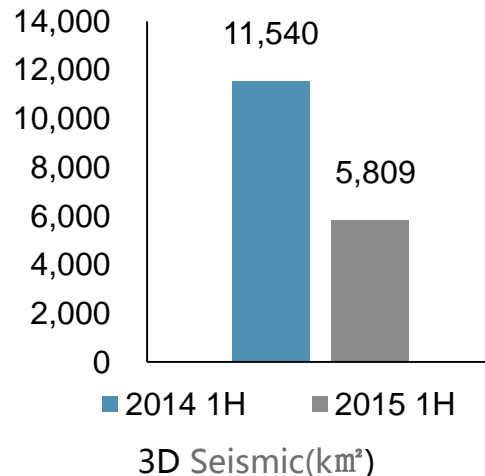
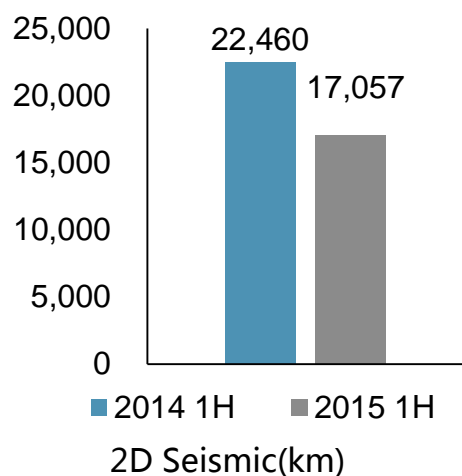
Net Profit of 2015 1H

RMB：100 million

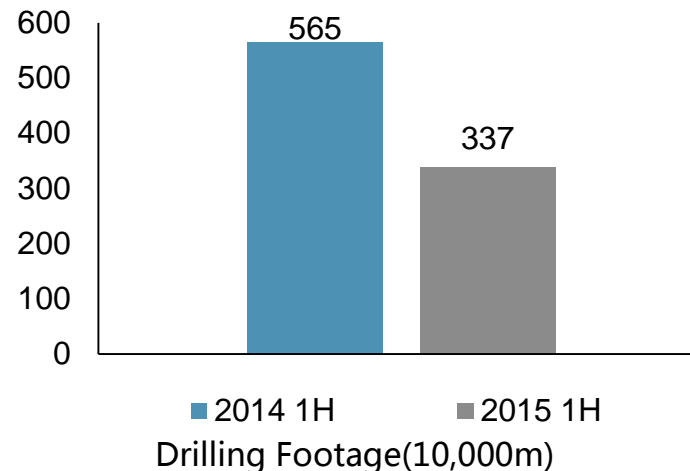


Performance by Segments

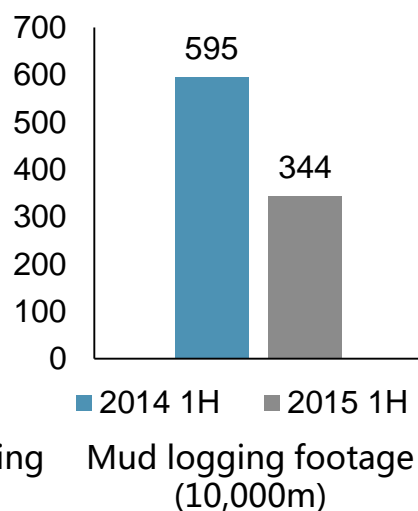
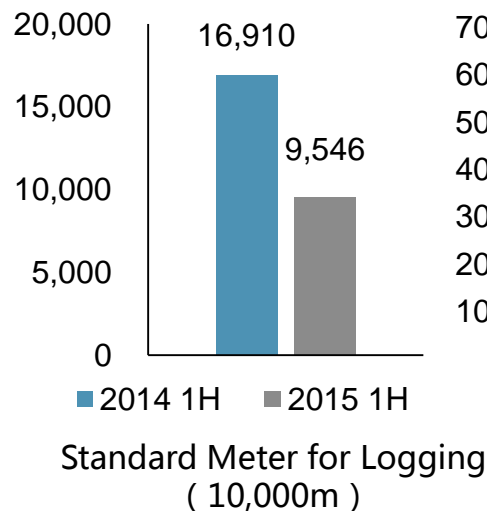
Geophysics



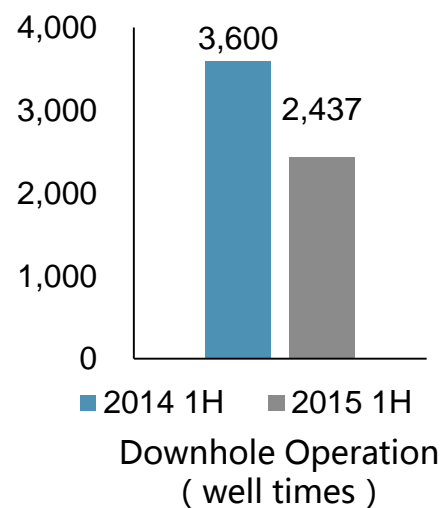
Drilling engineering



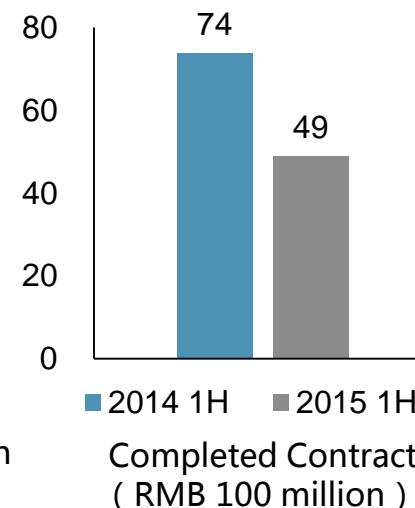
Logging & Mud Logging



Downhole Operation



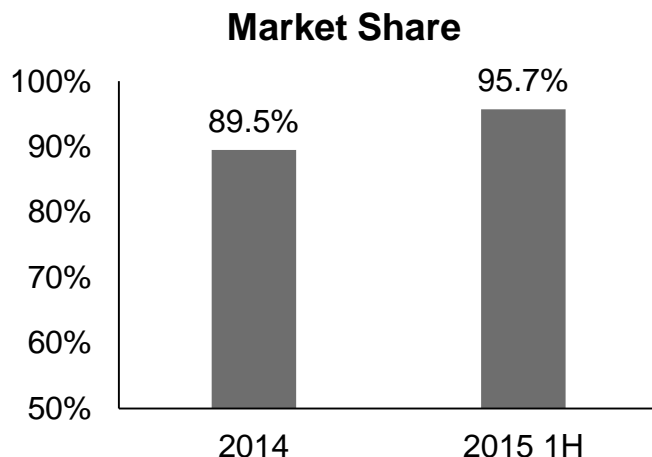
Engineering Construction



Domestic markets grew stably

Inside Sinopec

In 2015 1H , SSC completed drilling footage of 2260 kilometers, decreased by 49.55% over the same period last year. Our share in Sinopec drilling market reached 95.7%, up by 6.2 percentage points over last year.



Outside Sinopec



中国石油

8 drilling crews started to work for CNPC, adding the total number to 84.

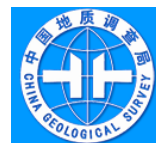


1905
延长石油
YANCHANG PETROLEUM

Additional 16 drilling crews & Strategic Co-operation Frame Agreement of promoting the model of 'Well Factory'



Work volumes of the 3 drilling platforms were stable. Service contracts were signed for 8 vessels



Won 11 bids out of 20 geophysical projects, with reward contract value of RMB 100 million .

Stronger performance against tough environment in the overseas market.

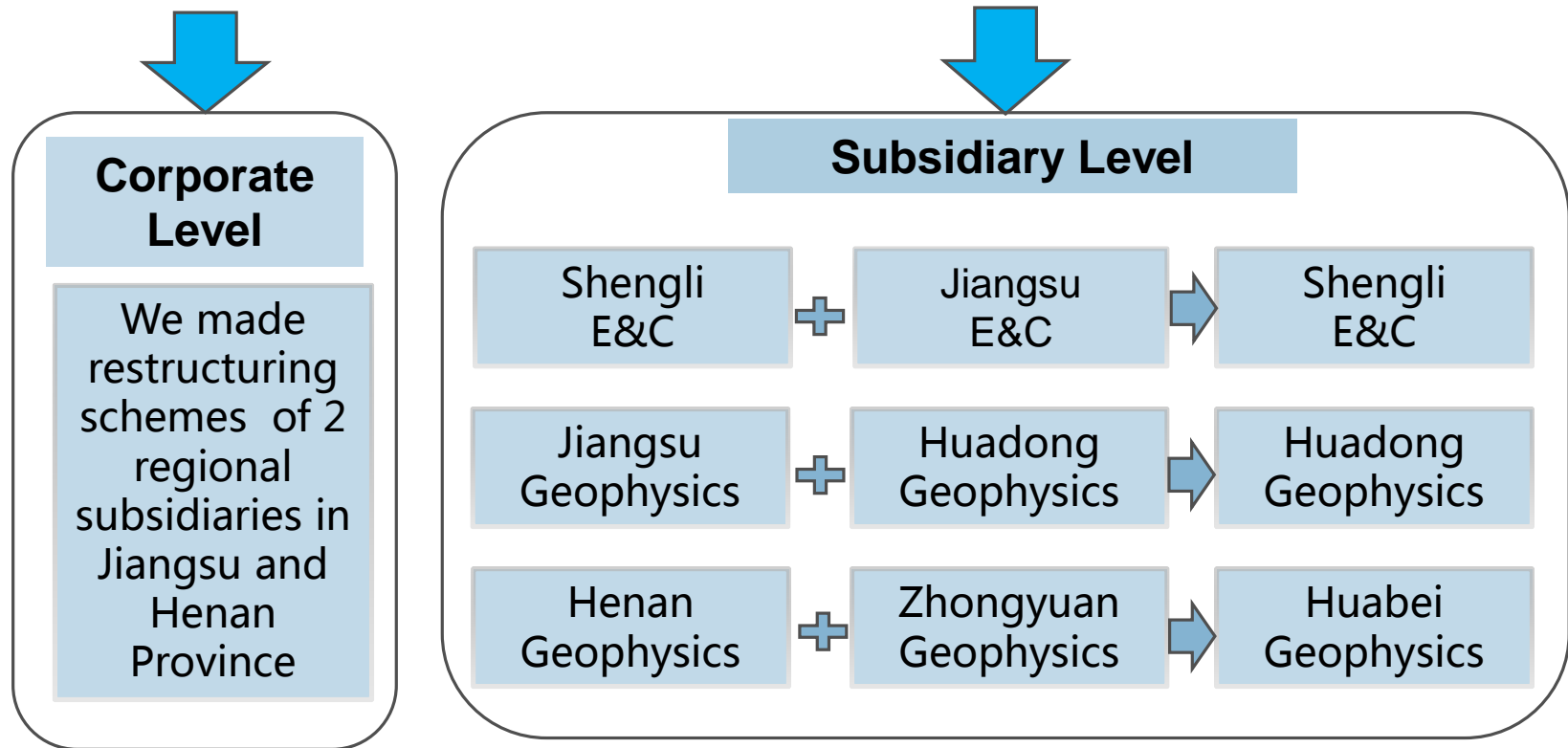
2015 1H newly signed contracts valued USD 1670 million, a YoY increase of 26.6%.

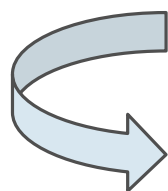
- **New Wellbore Contracts, USD 1290 million , a YoY increase of 11.3%.**
 - Workover project in Kuwait (**USD 140 million**)
 - Drilling project in Saudi Arabia (**USD 240 million**)
 - General drilling project in Kyrgyzstan (**USD 110 million**)

- **New Geophysical Contracts, USD 120 million, a YoY increase of 158%.**
 - 3D geophysical acquisition project in Algeria (**USD 52.09 million**)
 - Integrated acquisition, interpretation and processing geophysical project in Bolivia (**USD 47.32million**)
 - 2D/3D seismic acquisition project in Ecuador (**USD 6.28million**)

- **New Engineering & Construction Contracts, USD 260 million, a YoY increase of 89%.**
 - Interchange construction project in Dammam, Saudi Arabia. (**USD 68.20million**)
 - Road construction project in Boliva (**USD 47.64million**)
 - Road upgrading project in Uganda (**USD 87.10million**)

We continuously optimize resource allocation among different regions and segments, adjust market layout, and fully leverage synergy to achieve specialization and integrated development.





Part of Geophysics Business

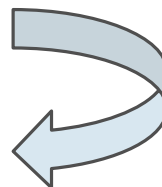
Geographic Information Mapping



- In April, Geographic & Geological Information Survey Co, Ltd. was established .
- Explored the intelligent pipeline management business. The confirmed work volume is 18,000 kilometers and the expected total work volume for the whole year is 20,000 kilometers, with a revenue of 200 million Yuan and 1500 staff transferred into the company.

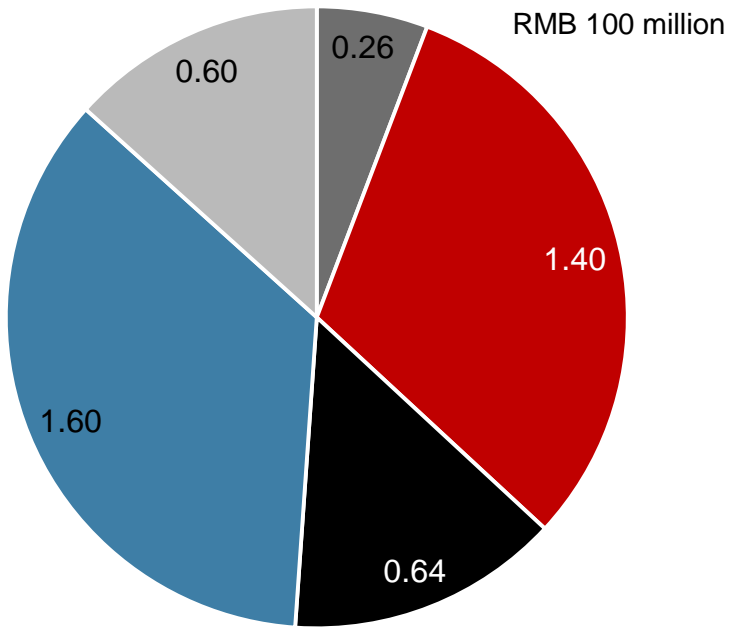
Part of Engineering and Construction

Energy Conservation &
Environmental Protection



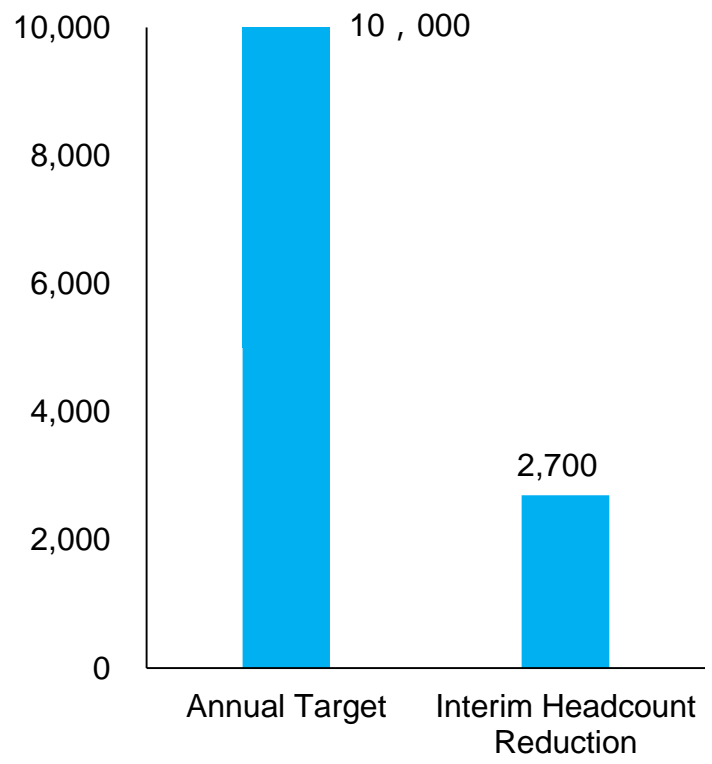
- In August, Energy Conservation & Environmental Protection Co., Ltd. was established.
- integrated core environmental protection technologies of SSC, and will become Sinopec only upstream energy conservation and environmental protection company, focusing on policy research and technology support

450 million Yuan Cost Reduction in 2015 1H



- Operation and Management Fee
- Procurement Cost
- Financial expense
- Labor Cost
- Renting/Maintenance

2700 Headcount Reduction in 2015 1H



More efforts channeled into technical innovation. Breakthrough has been made in developing propriety technologies. 161 patents were granted and 100 patents were applied in 1H.

To support Fuling shale gas project, we developed 5 series of technologies for drilling, logging or mud logging, fracturing and testing for well depth less than 3500 metres equipment manufacturing and engineering construction with the core technologies taking a leading position in China.

Completed designs for techniques for complex mountain front areas, including surface structure investigation and statics correction, shooting, receiving and noise depression, layout system parameter's degradation and optimization analysis

Carried out the structural optimization design on the Strap-down Rotary Steerable System, the Sonic LWD and the System of Gamma Imaging While Drilling, and finished the preproduction and performance test of their key components.

Developed the hydrate treating chemical for deep water drilling fluid, and the liquid cement system with low density for low temperature deep water.

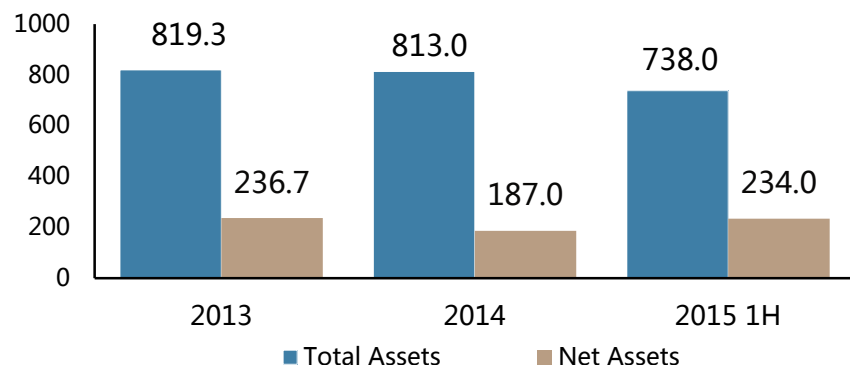
Accomplished the study of the Xin-Yue-Zhe pipeline dynamic simulation and operation optimization, the Calculation of related simulation and transient analysis of the power supply and its distribution for the big-scale electrically-driven pneumatic station, the Test of the Kinetic Buffering and Galloping Startup under the situation of fast cutting or power loss

Section 3. **Financials in 2015 1H**



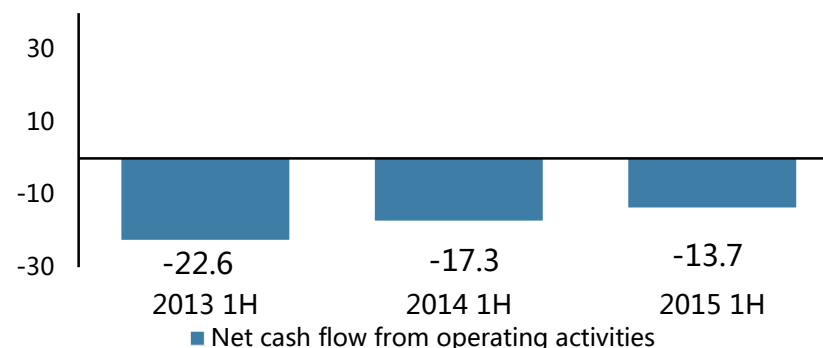
Total Assets and Net Assets

RMB : 100 million



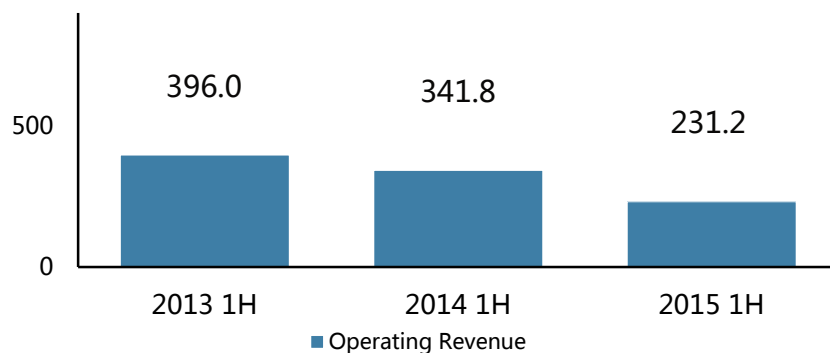
Operating Cash Flow

RMB: 100 million

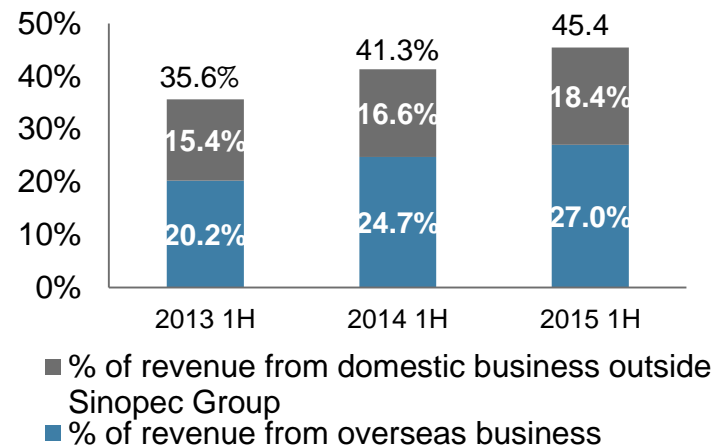


Operating Revenue

RMB: 100 million



% of Revenue from Business outside Sinopec Group



Revenue and Gross Profit of 5 Major Business Segments



RMB100 million

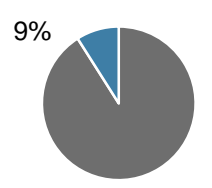
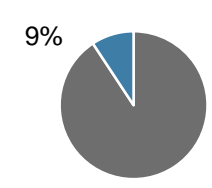
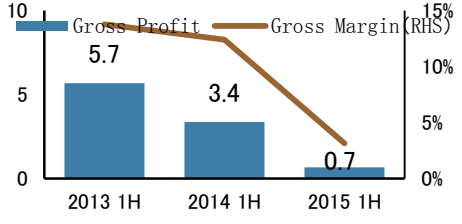
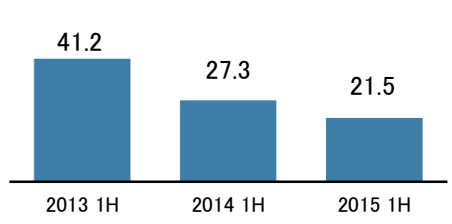
Operating Revenue

Gross Profit

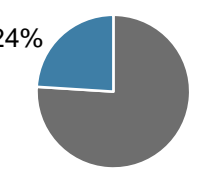
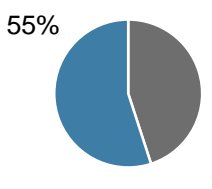
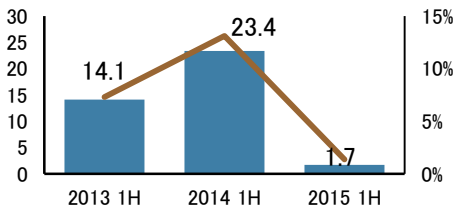
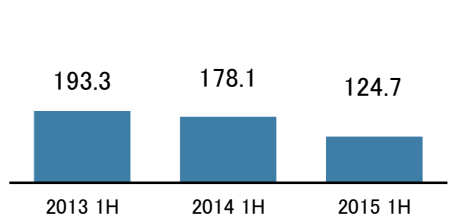
% of Revenue

% of Gross Profit

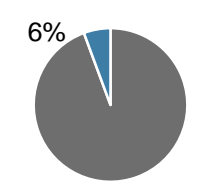
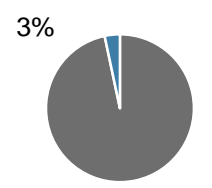
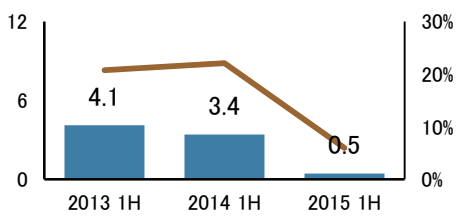
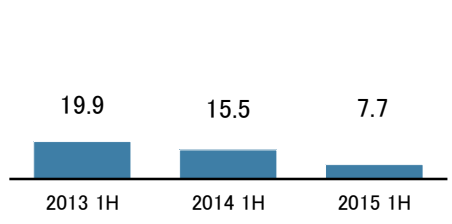
Geophysics



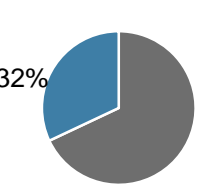
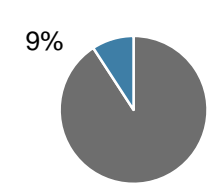
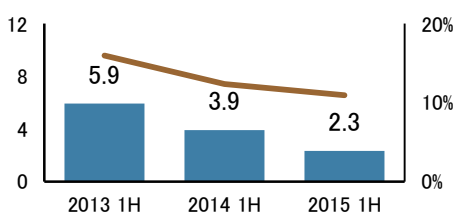
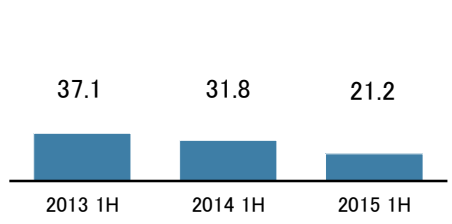
Drilling



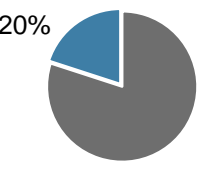
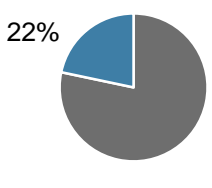
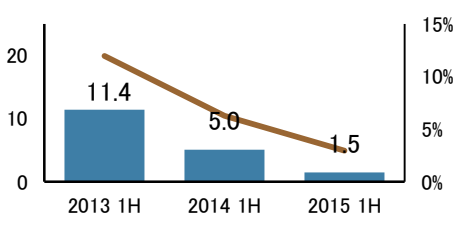
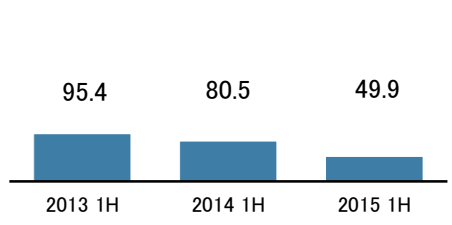
Logging and Mud Logging



Downhole Operation



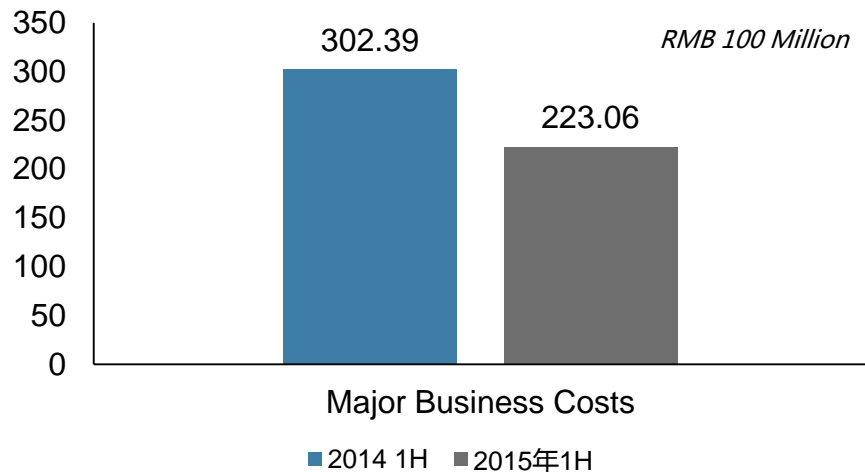
Engineering Construction



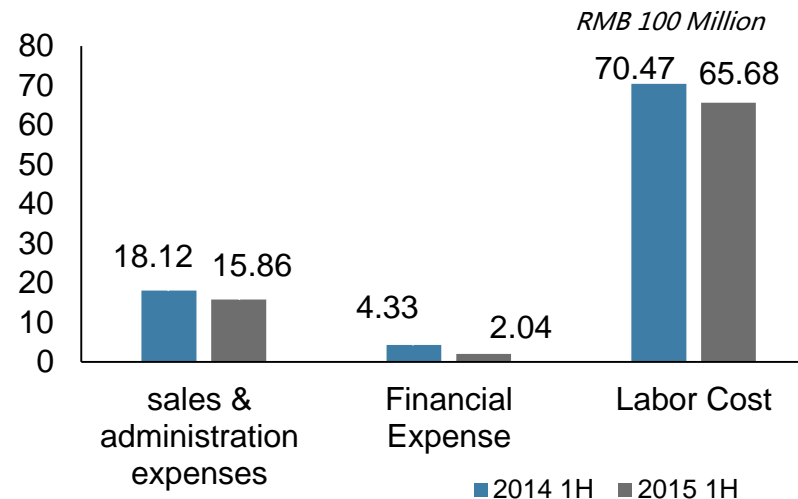
Note: % based on 2015 1H data

Cost and Profitability Analysis

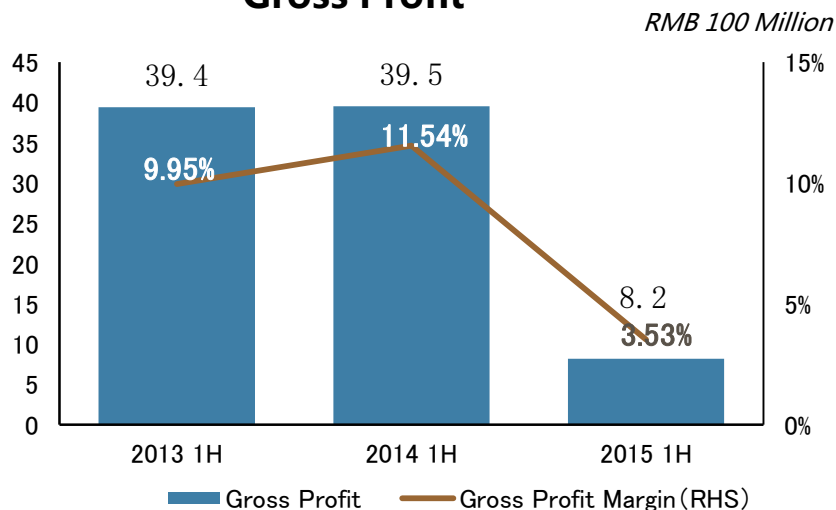
Operating Cost



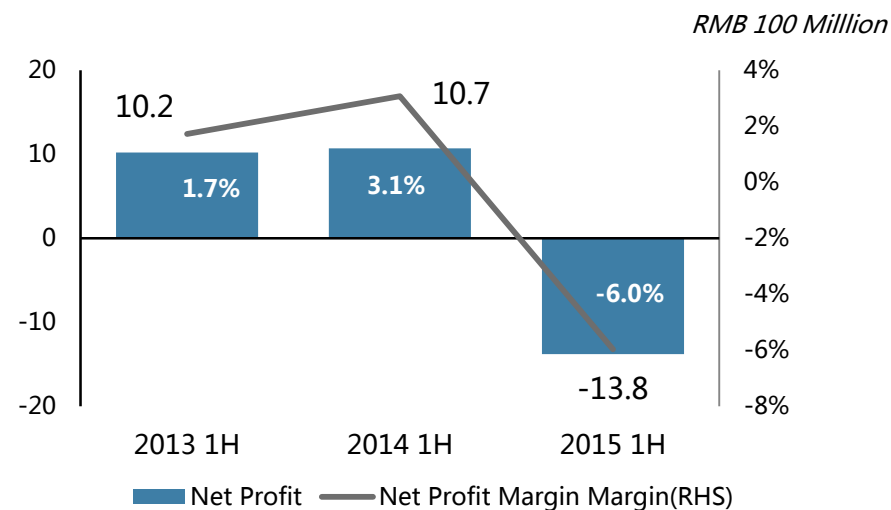
Expenses and Labor cost



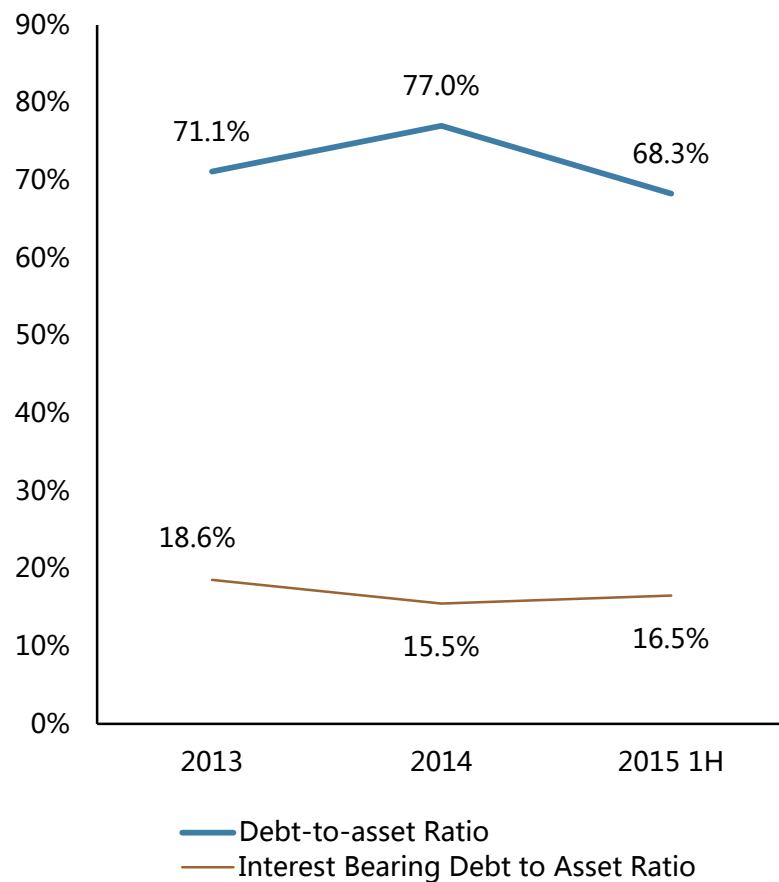
Gross Profit



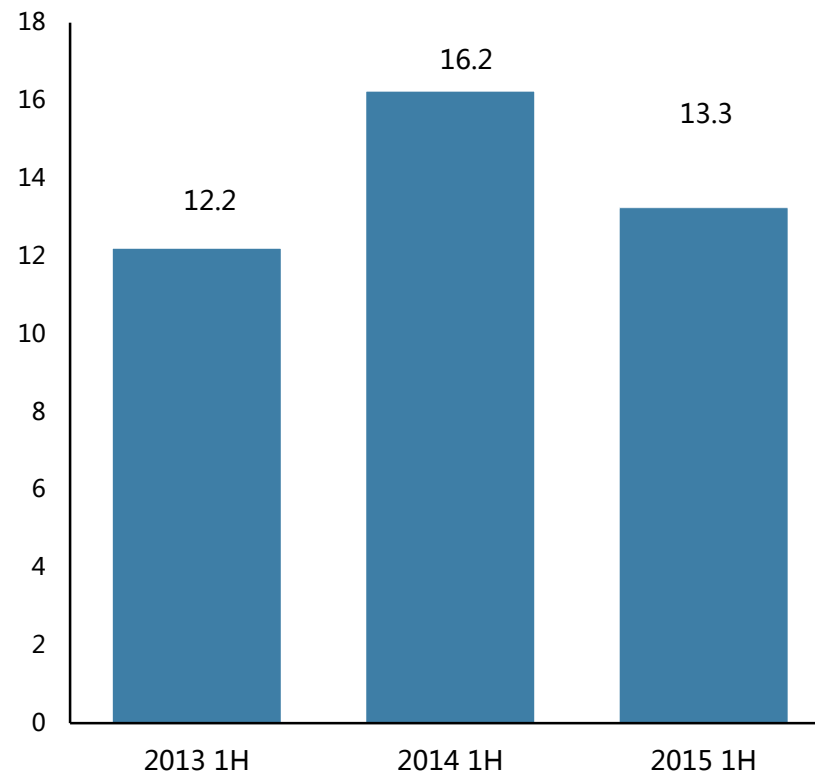
Net Income



Structural condition of Assets and Liabilities

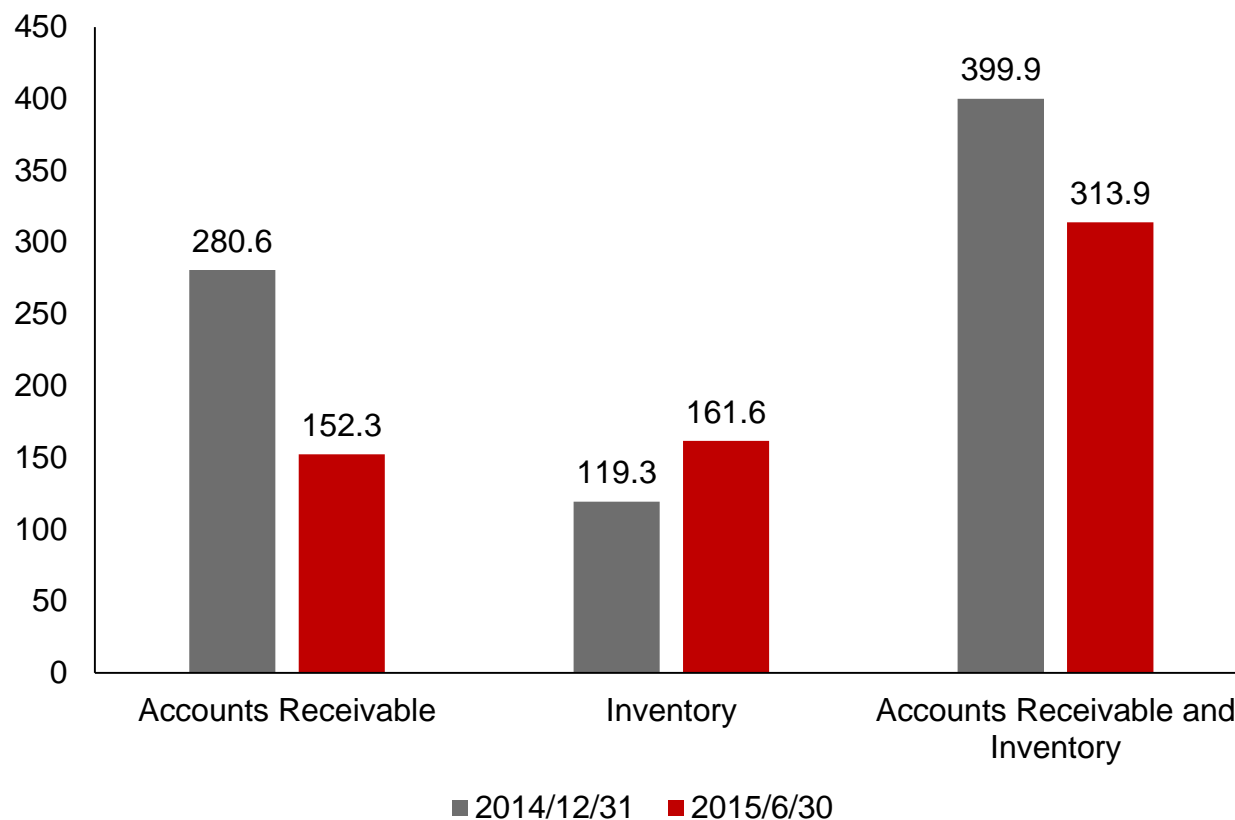


EBITDA Interest Coverage Ratio

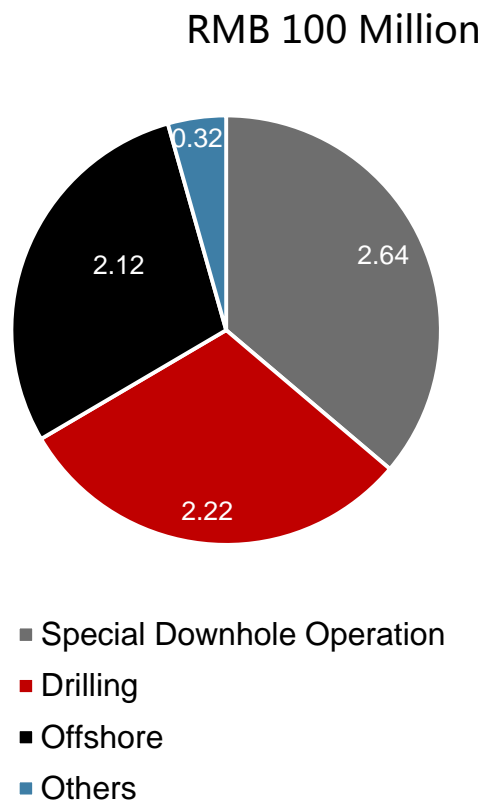


Changes in the Inventory and Accounts Receivable

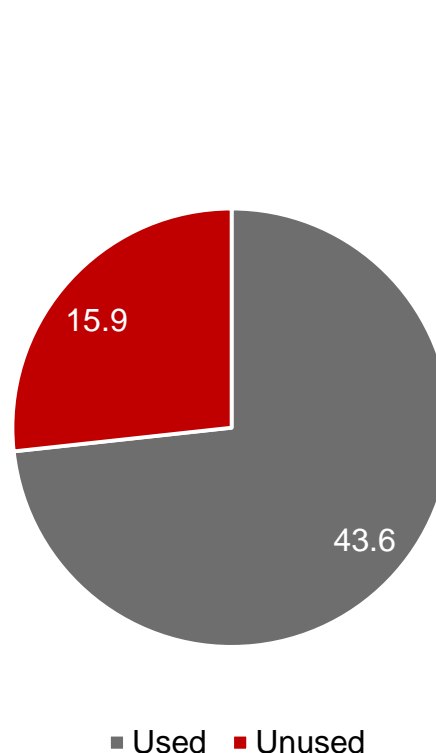
RMB 100 Million



Capital Expenditure of 2015 1H



Usage of Proceeds



Detailed CAPAX from Funds Raised

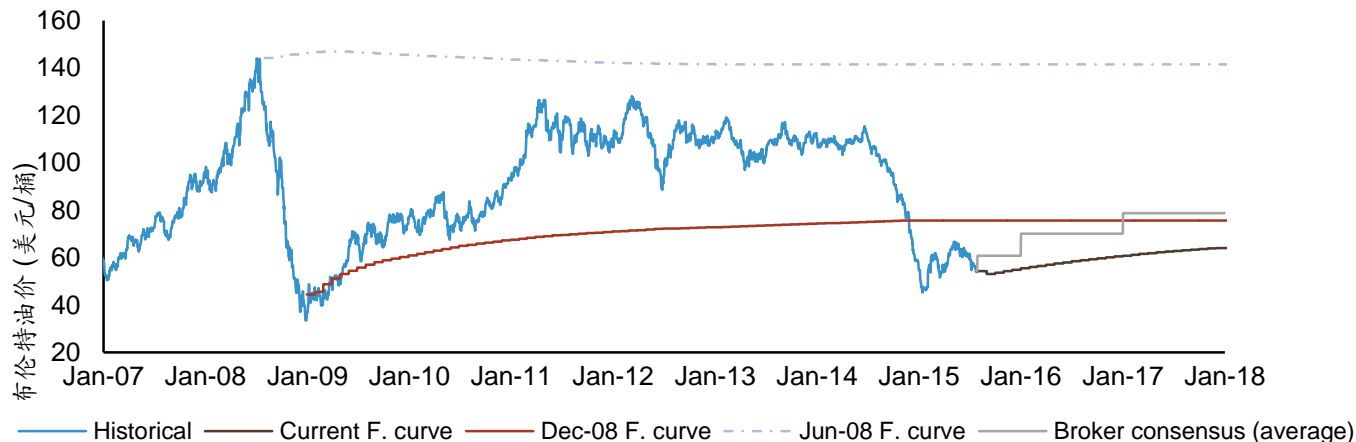
Projects	Amounts
Kuwait Drilling Project	2.53
25 Meter Drilling Platform Construction	1.13
Purchase 8000 HP Multi-Purpose Vessel	0.69
Purchase Downhole Test Equipment	0.96
Purchase Top Drive Equipment	1.10
Purchase Pipeline Construction Equipment	0.20
Total	6.62

Section 4. **2015 2H outlook**



New Normal of Low Oil Price

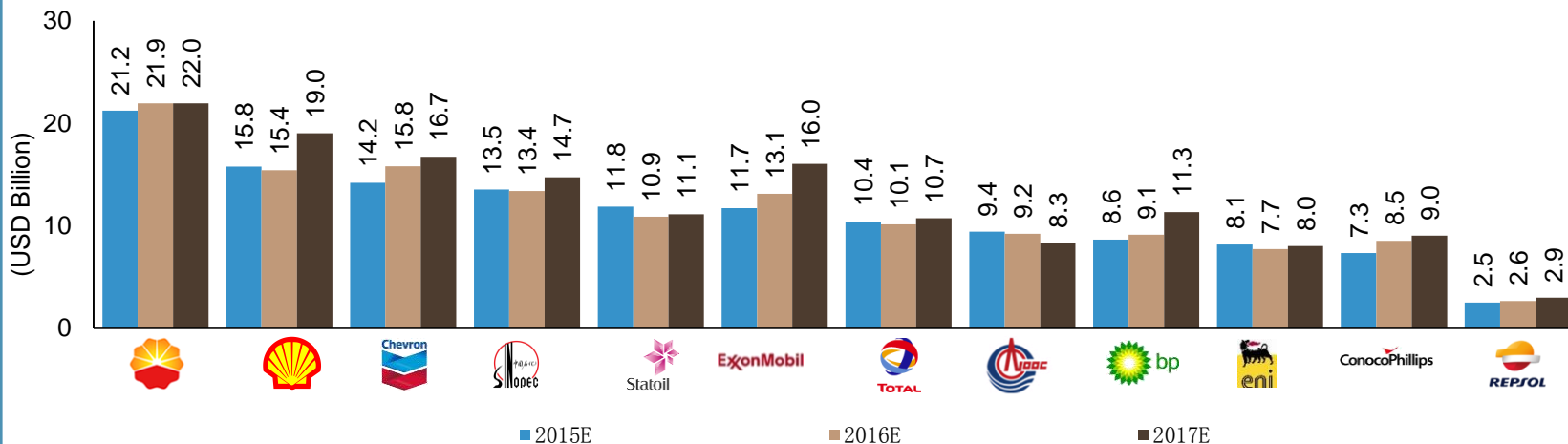
Brent Crude Oil Outlook (USD / Barrel)



source: Thomson Eikon, Datastream, ended on July 28, 2015

Predicted CAPEX of Major Upstream Enterprises (USD Billion)

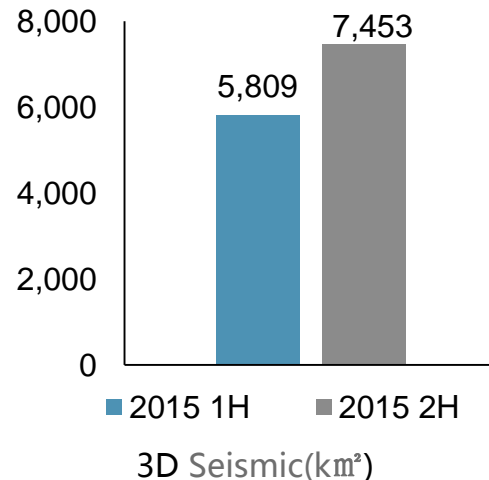
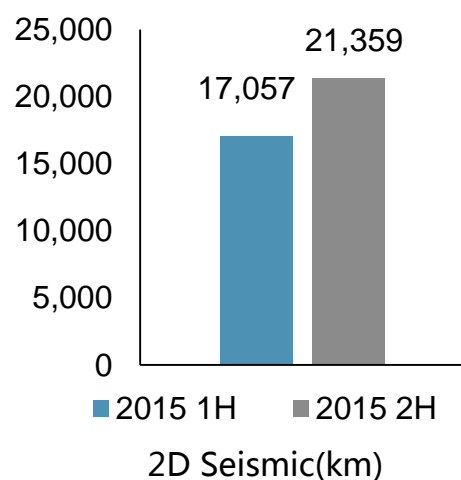
Challenges to Oil Companies & Oilfield Service Companies



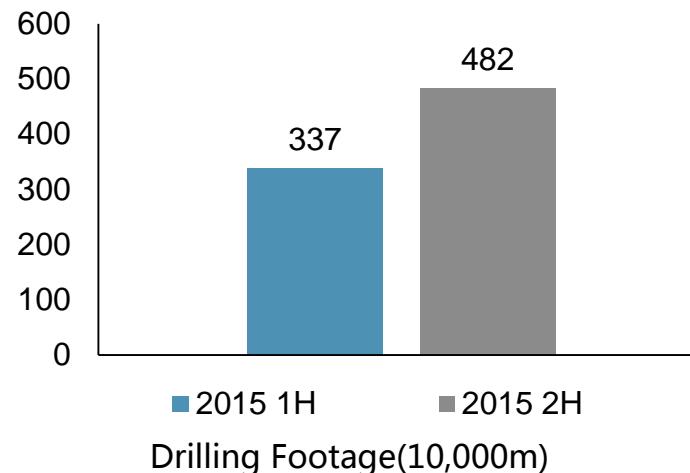
Source: FactSet, July 28, 2015

2015 2H Business Volume Plan

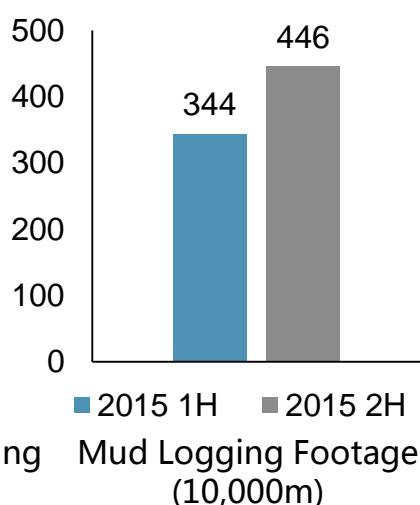
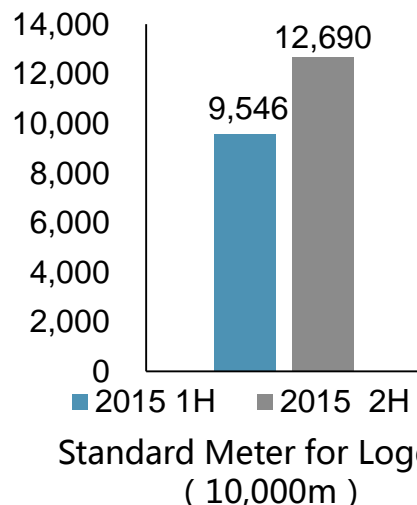
Geophysics



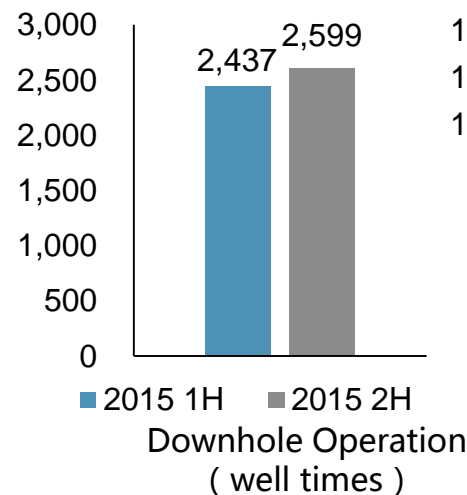
Drilling Engineering



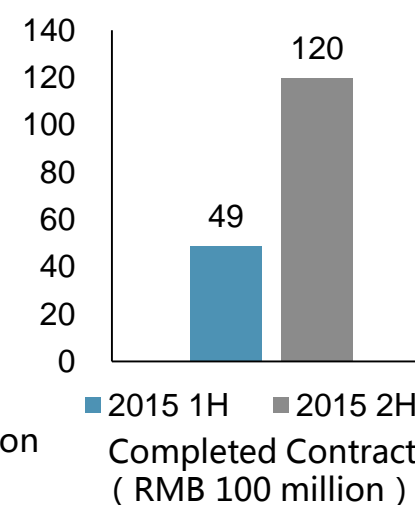
Logging & Mud Logging



Downhole Operation



Engineering Construction



Strengthen domestic traditional markets

Inside Sinopec

- Consolidate our marketing-leading position and increase the market share inside Sinopec Group with high-quality service
- Focus on key markets including marine-facies hydrocarbon exploration and development in west Sichuan
- Follow up the Phase II of Fuling shale gas project and the Xinjiang-Zhejiang-Guangdong pipeline project.

Outside Sinopec

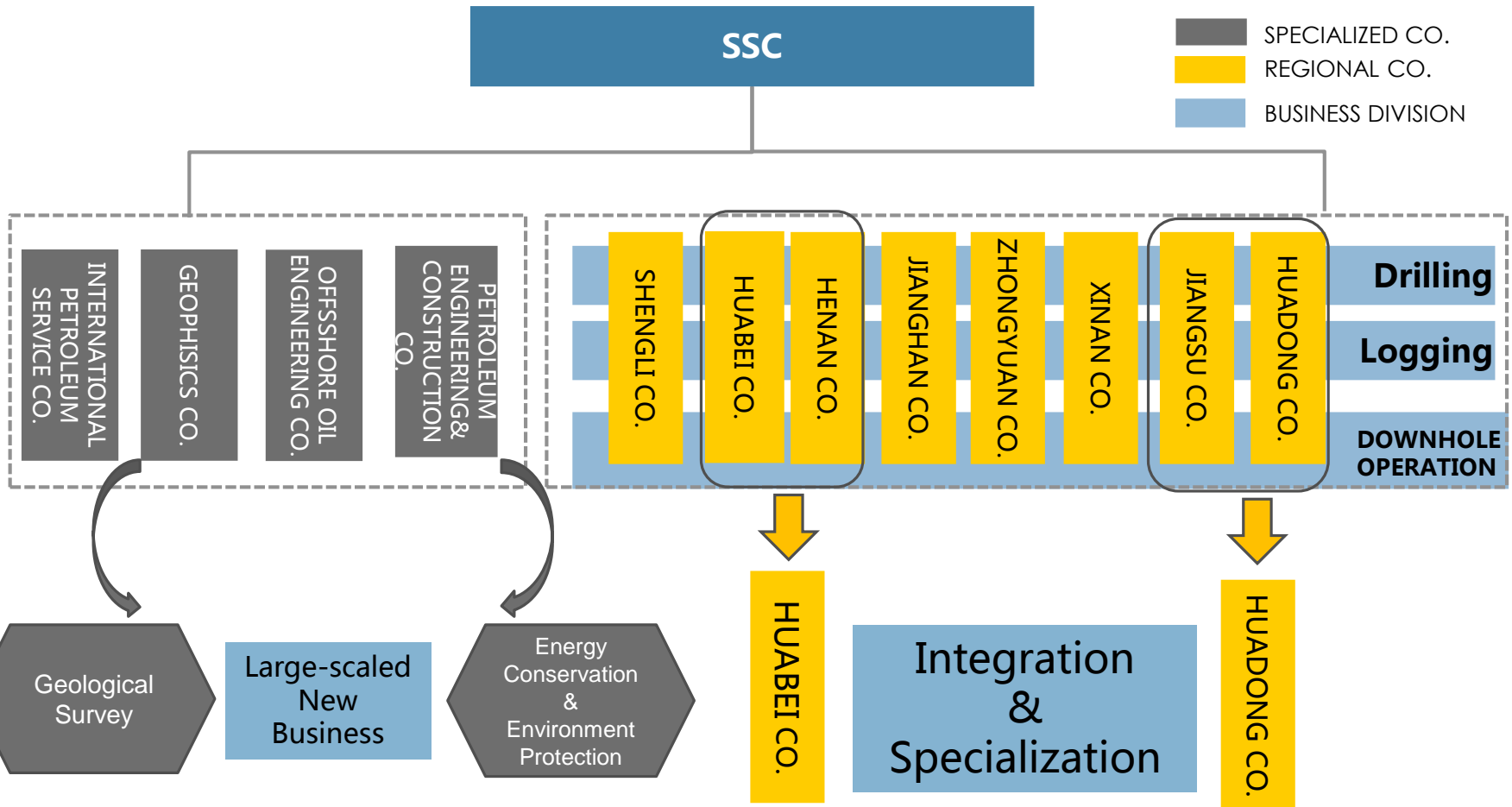
- Allocate resources to meet market demands and optimize our market layout,
- Leverage advantages of large scale and advanced technologies, consolidate the existing market presence
- Expand domestic unconventional market, including shale gas, coal bed methane, and geothermal, etc.



Further explore overseas markets

- Enhance resource sharing and optimize market layout. Following China's "Belt and Road Initiatives", consolidate and expand the market share in the Middle East, Central Asia, Africa, and South America.
- Pay close attention to key and emerging projects, such as drilling projects of Ecuador's state oil company, geophysical exploration projects in Saudi Arabia, drilling lump sum projects in Kuwait, the drilling lump sum projects in Kazakhstan and comprehensive services for Kasuri block in Indonesia, striving to cultivate new growth points.
- Revenue from overseas business is expected to contribute more than 35% of the total till 2020.

- At corporate level, we will continue to promote integration and restructuring to achieve specialize and integrated development of our crews in the same region.
- At regional and subsidiary level, we will merge the branches of same businesses and streamline management.



RMB 800 million dropped in 2015

RMB : 100 M

categories	Completed 2015 1H	Annual Target
Decrease of Operation Expense	0.26	0.50
Decrease of Labor Cost	1.40	2.50
Decrease of Procurement Cost	0.64	1.50
Decrease of Renting and Maintenance	1.60	2.50
Decrease of Financial Expense	0.60	1.00
Total	4.5	8

Optimize resource allocation

Dynamic adjustment of crews to meet market changing demands. Sharing of surplus resources and maximizing utilization of existing equipment

Reduce Headcount and Enhance Efficiency

- Enhance outsourcing of operation and services, reducing temporary staff. Planned to dismiss 5k – 10k personnel.
- Adjust structures of crews and equipments, further reduce 133 crews following the reduction of 152 crews last year.

- Start to establish key labs of wellbore engineering, and improve application of innovation and technology advances.
- Continuously strengthen the technological achievements in the first period of Fuling Project; optimizing and improve the design method of low-frequency scanned signal of Vibroseis ; carrying out the test of RSS, MWD and Imaging Logging System, programme the software for wellbore pressure analysis of dual density drilling in deep water and the software for forecasting the gas hydrate zone and its prevention; accomplish the related simulation experiment of export pipeline of coal gas.
- Introduce, absorb and re-innovate technologies to strengthen high-end service capabilities through joint ventures and acquisitions.
- Apply “Internet Plus” and other information technologies to upgrade integrated services.
- Develop technologies of independent intellectual property, including 6 sets of supporting technologies and 8 core ones in the following 5 years. The number of applied patents is expected to reach 500, and technology commercialization ratio is expected to be 70%.



- When low oil price becomes the new normal, the Company needs to ride through the industry “winter” in the years to come.
- But challenges always come with opportunities. SSC will leverage the opportunity of oil price declines to deepen reform, adjust structures, transform and upgrade business models to achieve intensive growth. We will continue to foster high-end businesses and improve core competitiveness through technology advances and acquisitions. Stock incentive schemes will be launched in due time to let the management share both risks and gains with shareholders so as to deliver solid performance despite the challenging environment.
- Adhering to its corporate mission of expanding markets, improving service and maximizing returns,, SSC carefully prepares the 13th Five- year Plan. We will further promote innovation, leverage the advantages of integrated businesses and services, pursue our five strategies and improve our brand images to achieve sustainable, healthy and coordinated development.





SSC

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