



中国石化
SINOPEC

中石化石油工程技术服务有限公司

SINOPEC OILFIELD SERVICE CORPORATION

2020 Annual Results Presentation

March 2021



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Section 1. Operations in 2020





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 oilfield with complex reservoir in China
- **Take Oil Field:** marine carbonate reservoir
- **Yuanba Gas Field:** the deepest marine-facies reservoir in China
- **North Ordos Oil and Gas Field:** the first horizontal well demonstration area in China
- **Shunbei Oil and Gas Field:** the deepest oil and gas field in Asia (Generally Over 8,000m)

Advanced Equipment

- **Geophysics:** **69** sets of seismic equipment, **175** sets of vibroseis, **47,330,000** collectors
- **Drilling:** **674** onshore drilling rigs, of which **309** capable for 7000m+ depth drilling, and **14** offshore drilling platforms
- **Logging:** **142** image logging systems, **450** sets of comprehensive logging instrument
- **Downhole operation:** **175** sets of type-2500 and type-3000 fracturing vehicles, **43** sets of workover rigs with power higher than 750 HP, **6** offshore operation platforms

Strong R&D Capability

- **79** professor-level researchers
- **1,694** senior researchers
- **3,465** research, design, laboratory and development staffs
- **4** research institutes
- **3** design companies
- **46** professional technical institutes



Special Prize
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



The "Top 100 Chinese Listed Companies Award"



First Prize
National Science and Technology Progress Award 2017

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



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



Geophysics



Drilling Engineering



Logging and Mud Logging

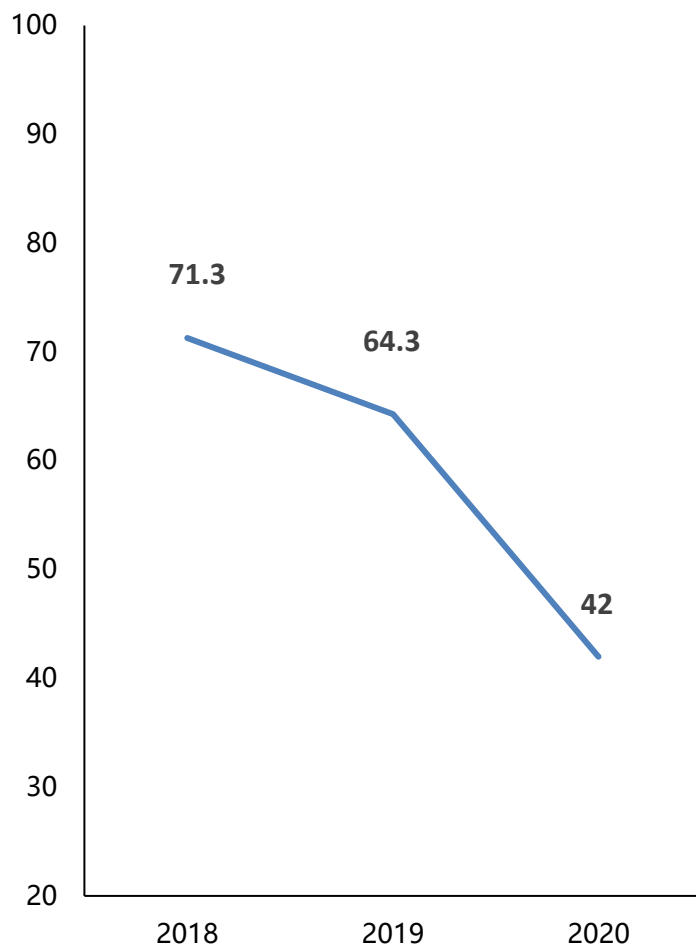


Downhole Operation

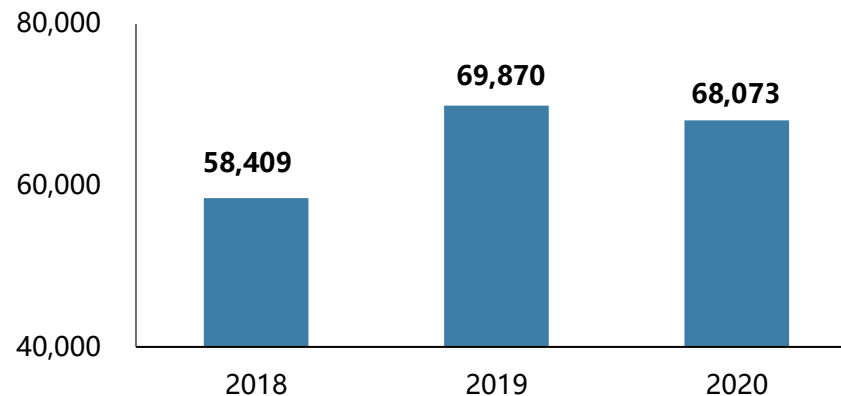


Engineering Construction

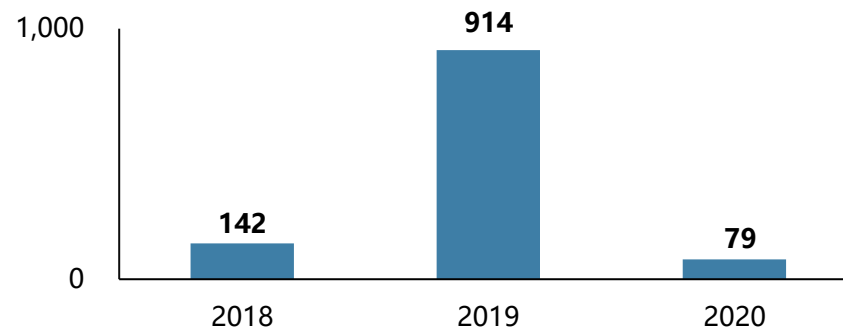
Annual Average Brent Oil Price (USD/Barrel)



Operating Revenue of 2020 (RMB Million)

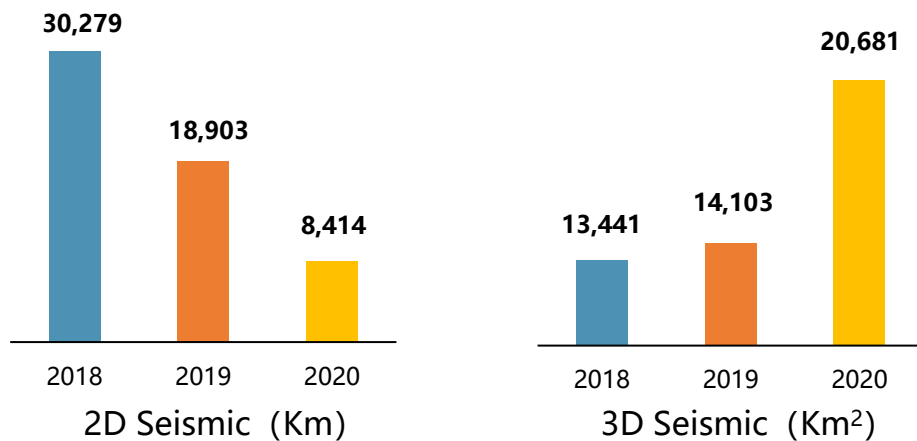


Net Profits of 2020 (ASBE) (RMB Million)

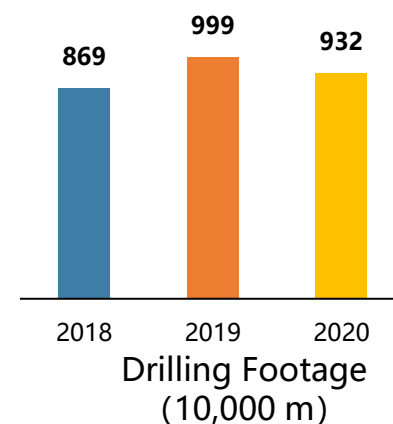


Performance by Segments

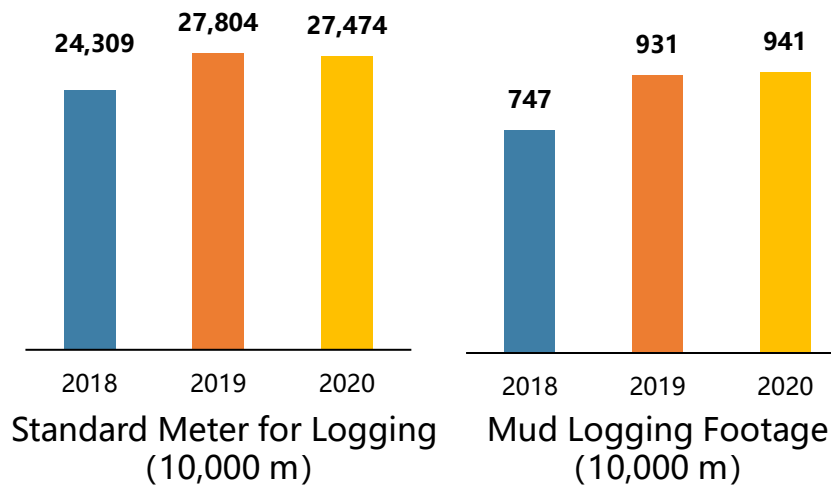
Geophysics



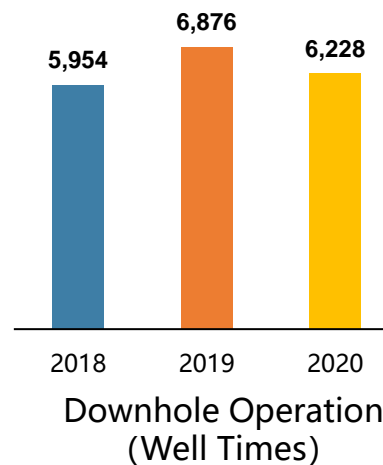
Drilling Engineering



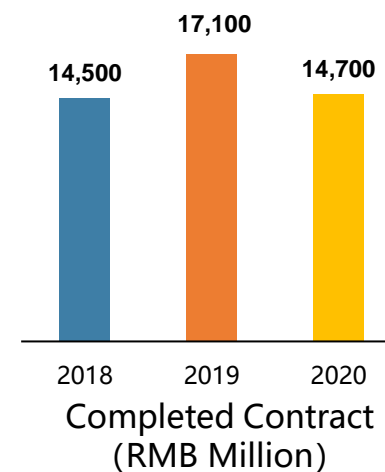
Logging & Mud Logging

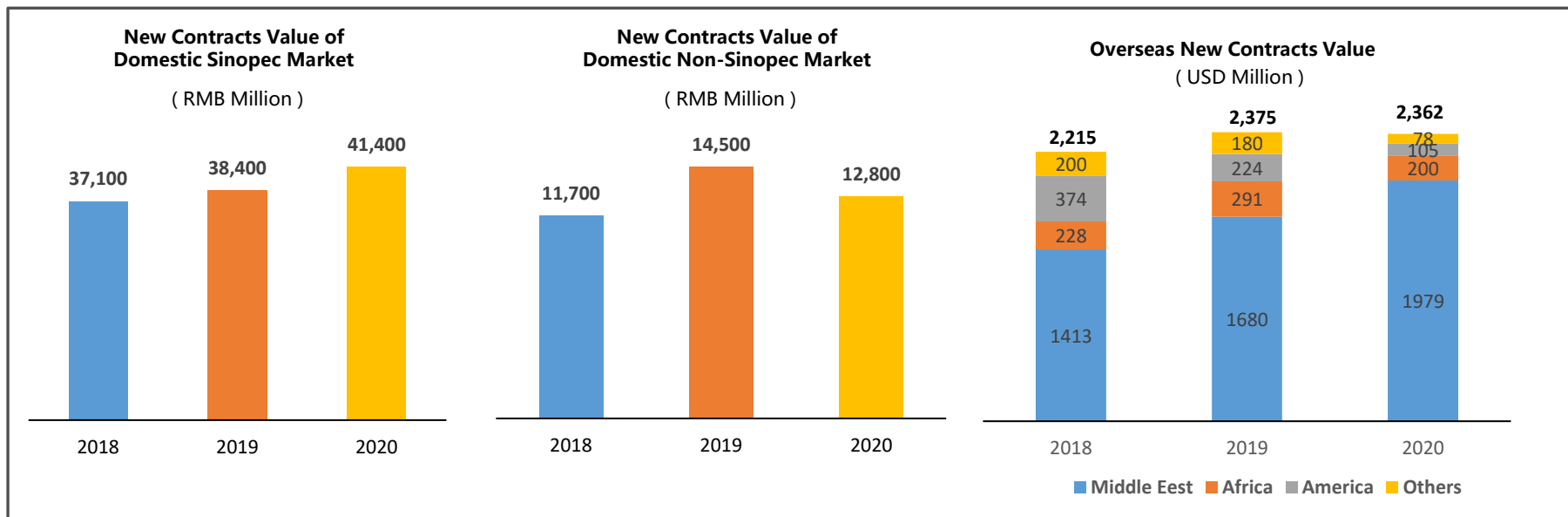


Downhole Operation



Engineering Construction





- **Domestic Sinopec market:**
 - Promoted exploration and operation in the mature eastern area, Fuling shale gas field, Shunbei ultra-deep oil and gas field, North China tight gas field, West Sichuan gas field, and Weirong shale gas field
 - Assisted Shunbei District 1 to build the production capacity of one million tons of crude oil
 - Guaranteed the construction of key projects such as Qingning Pipeline and Commercial Oil Storage Base etc.

- **Domestic non-Sinopec market:**
 - 51 drilling rigs served PetroChina southwest shale gas market
 - Won 4 oil and gas pipeline network projects contracts from the National Pipeline Group, valued 700 million yuan
 - Won contracts of local natural gas pipeline market, valued 1.29 billion yuan
 - Won the contract of Beijing-Shanghai Expressway Reconstruction and Expansion Project, valued 930 million yuan
 - Won the contract of Yushan-Zhongjin submarine pipeline construction project with Zhejiang Petroleum & Chemical Co., Ltd, valued 1.42 billion yuan

- **Overseas Market:**
 - **Wellbore business:**
 - Renewed contracts of 17 drilling and workover rigs service in Kuwait.
 - Obtained service qualifications of screw service and unconventional fracturing completion for Saudi Aramco and directional well service for KOC
 - **Geophysics Business:**
 - Won 3 seismic acquisition projects and 2 data processing projects with Sonatrach in Algeria
 - **Engineering Construction Business:**
 - Signed road upgrading project in Kenya and Dammam cultural center project in Saudi Arabia



Coordinated Market Layout And Optimized Resource Allocation

- Optimized rig deployment in Northeast, North China, Northwest and Southwest work areas in China
- Adjusted rigs in overseas low-efficiency markets
- Integrated logistics bases , project departments, material procurement, warehousing in domestic key industrial areas
- Launched mutual supply of internal superior products, with the total annual order amount was nearly 500 million yuan



Streamlined Organization

- Professional crews: 1797 → 1588
- Auxiliary business units: 114 → 68
- Administrative staff: 8335 → 7536



Promoted Professional Reorganization And Established Sinopec Matrix

- Integrated the company's logging, mud logging, and directional well business
- Allocated resources and operated professionally
- Cultivated core technology and equipment, and promoted the industrialization of product
- Increased the proportion of high-end business and enhanced competitiveness



Improved Incentives, Constraints And Performance Appraisal Mechanisms

- Strengthened single-well/single-project evaluation
- Increased performance ratio of total wages to 60%
- Linked performance evaluation with net profit, operating income, and financing management



Improving R&D System

R&D Center	Shengli R&D Center		Zhongyuan R&D Center	
Professional Technology center	Drilling and Completion Technology Center	MWD Technology Center	Mud Logging Technology Center	Logging Technology Center
	Workover Technology Center	Drilling and Completion Fluid Technology Center	Instrumentation And Solid Control Technology Center	Acid Fracturing Technology Center
Characteristic technology center	Acid Gas Technology Center	Shale Gas Technology Center	Oil and Gas Stimulation Technology Center	Tight Oil and Gas Technology Center



Tackling key Technologies

- Obtained 505 newly granted patents
- Succeeded in the first test of **Drilling Rotary Steering System** in the horizontal section of a shale gas well
- Realized accurate judgment and trajectory control of the **Near-bit Geo-steering System**
- Made a breakthrough and successful application of **200 °C HTHP Logging System**
- Made new progress in key technologies such as **Coiled Tubing Sidetracking**, **Controllable Expansion Plugging** and **Carbon Isotope Logging Evaluation**



Transformation Of R&D Results

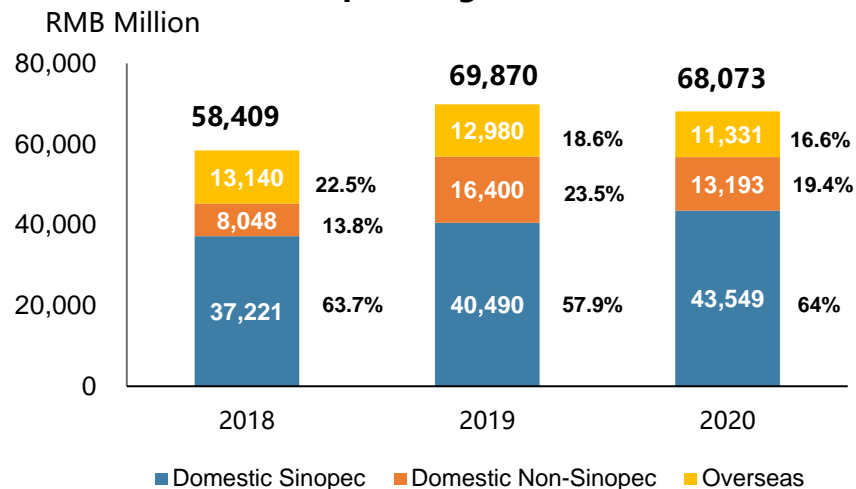
- Released 13 SSC technical standards and Industrialized intelligent node seismic equipment in more than 10 industrial areas
- Promoted and applied of high-density 3D seismic acquisition technology, automatic drilling string processing system, network imaging logging system, etc., created an output value of 230 million yuan
- Set 139 new technology records, including 9 Asian records and 6 national records
- Set a new record of deepest onshore directional well of Asia on Shunbei 53-2H well with a depth of 8,874.4 meters

Section 2: Financials in 2020

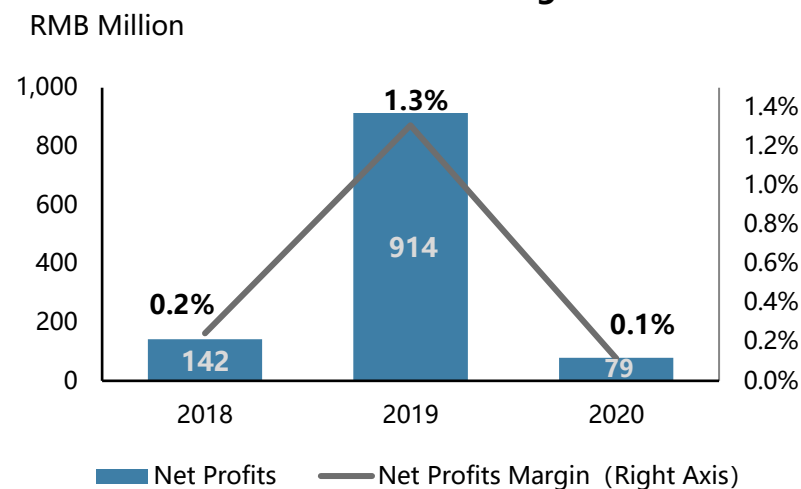


Main Financial Indicators

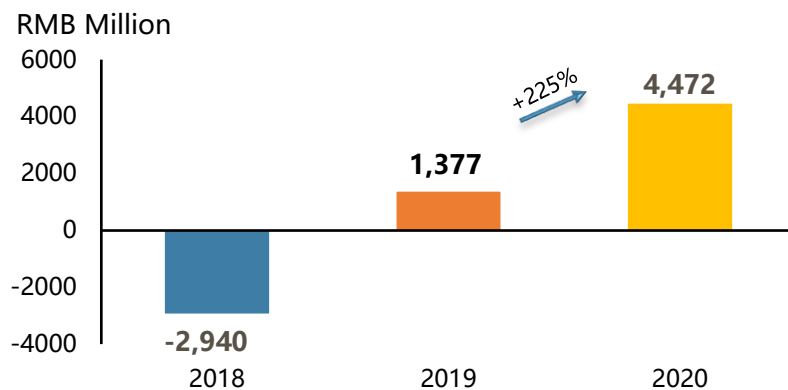
Operating Revenue



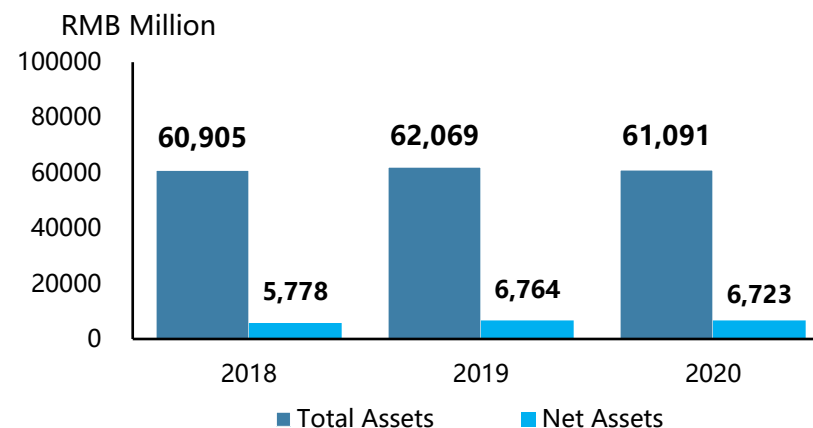
Net Profits & Margin



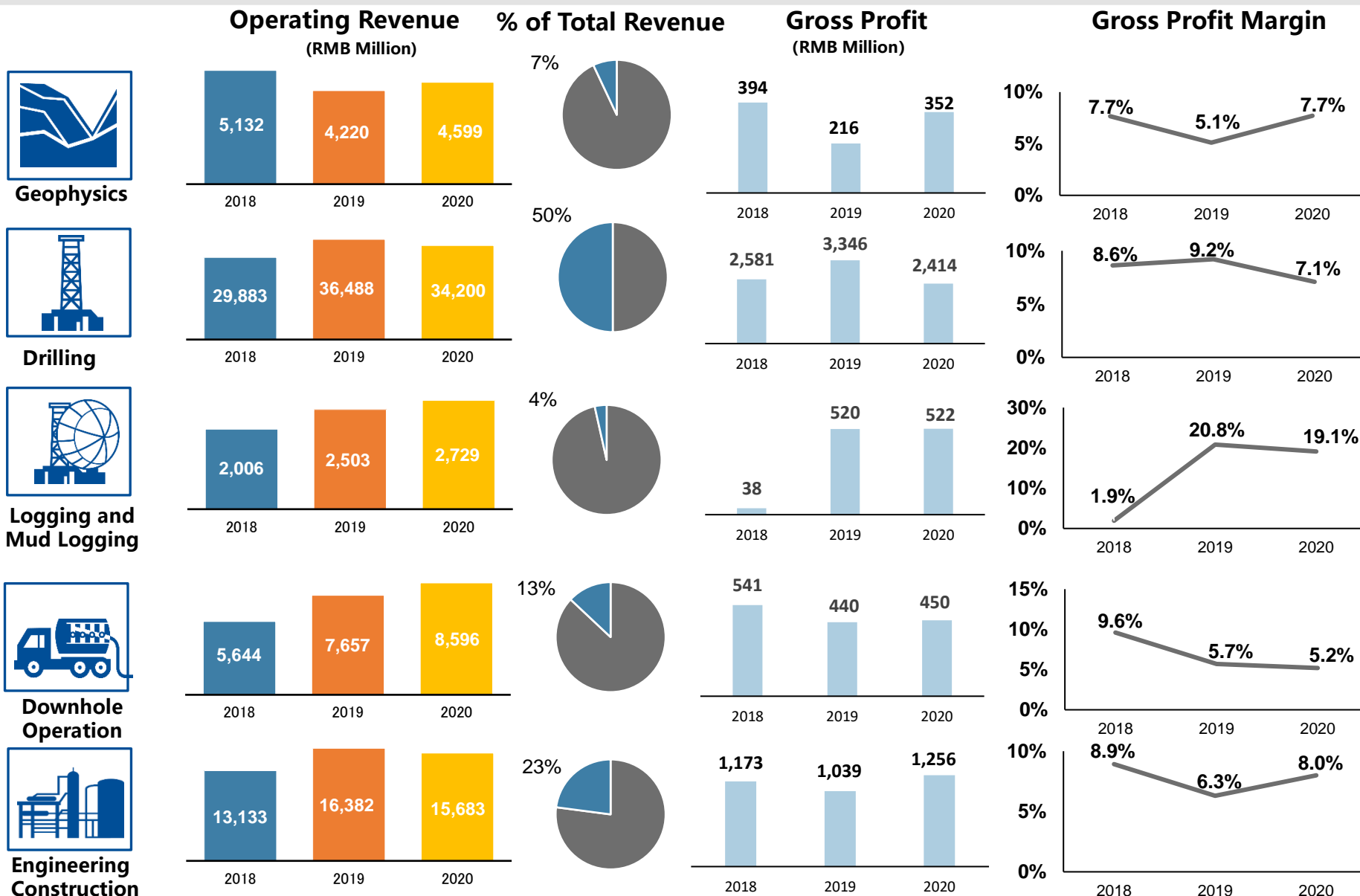
Operating Cash Flow



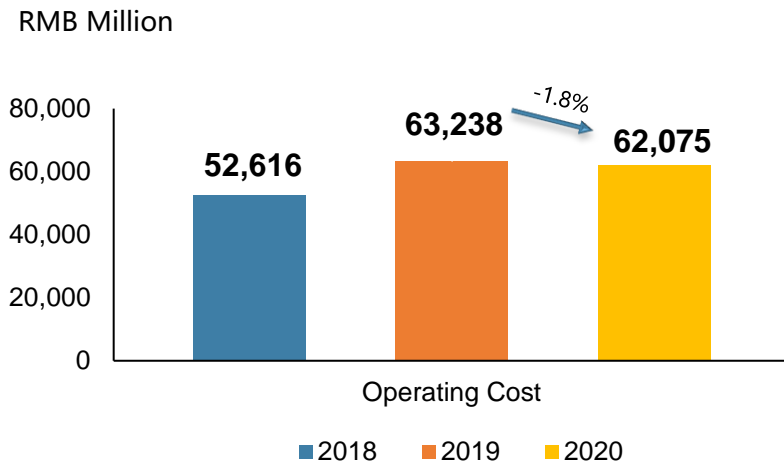
Total Assets & Net Assets



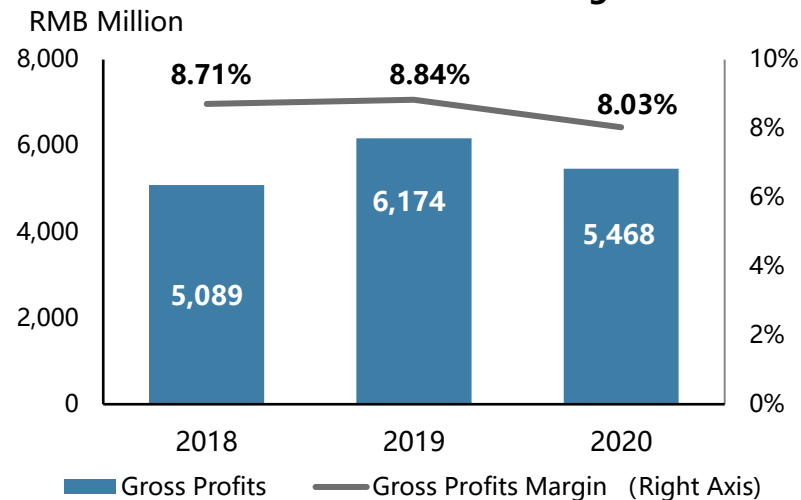
Financials of 5 Business Segments and Gross Profits



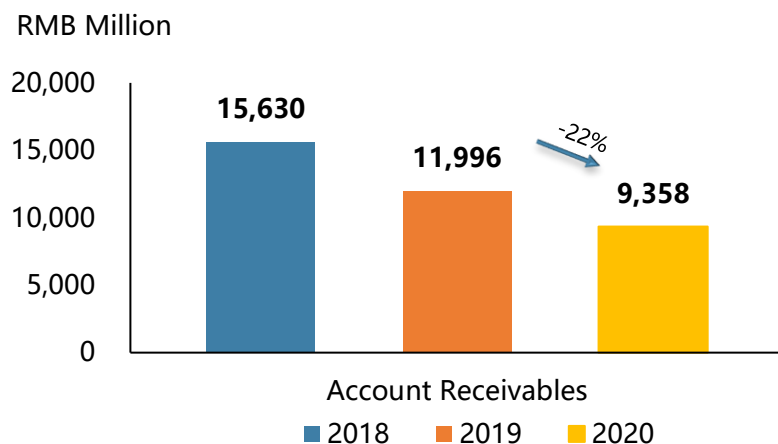
Operating Cost



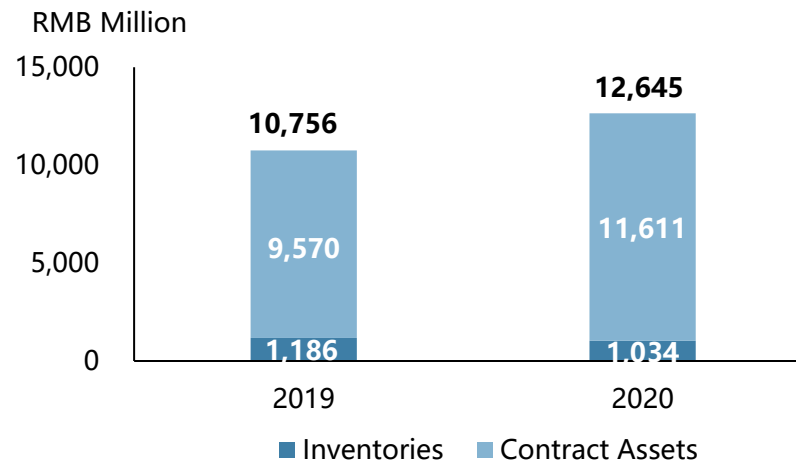
Gross Profit & Margin



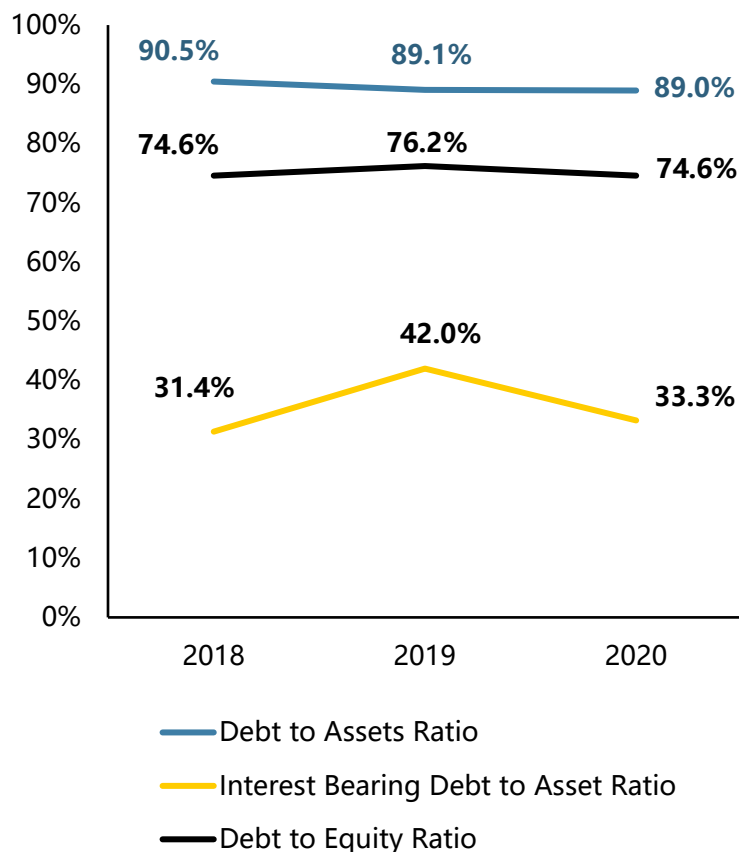
Account Receivables



Inventories & Contract Assets

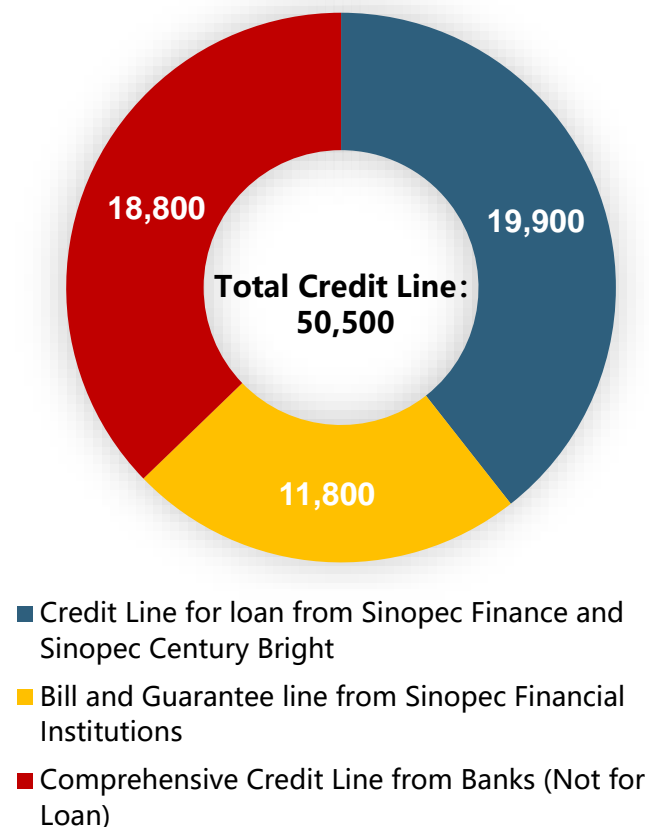


Structure of Assets and Liabilities

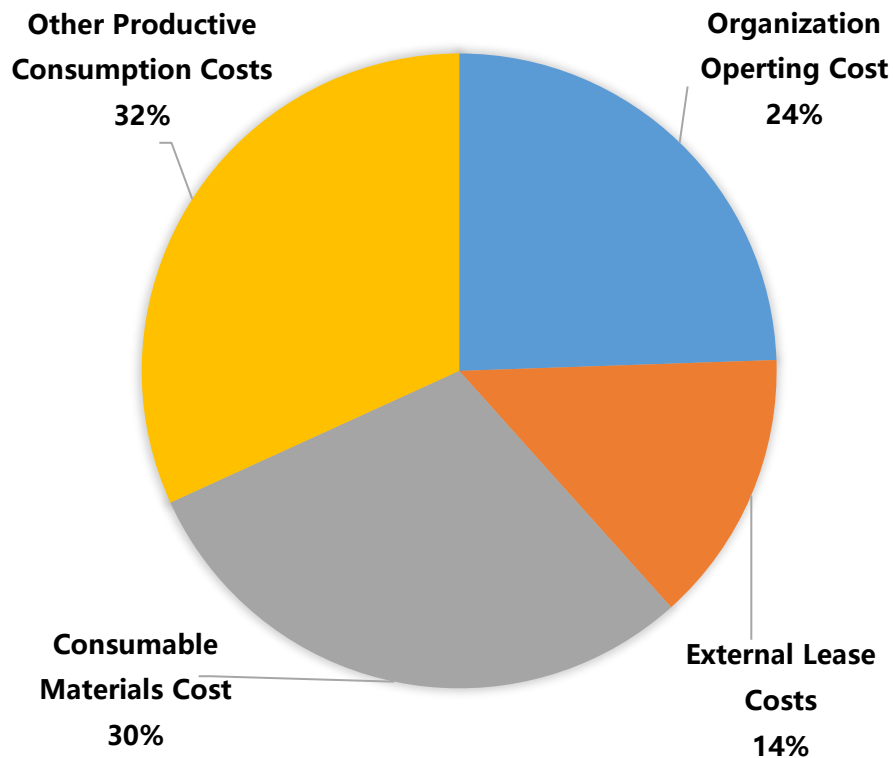


Credit Facility from Financial Institutions

(Unit: RMB Million)



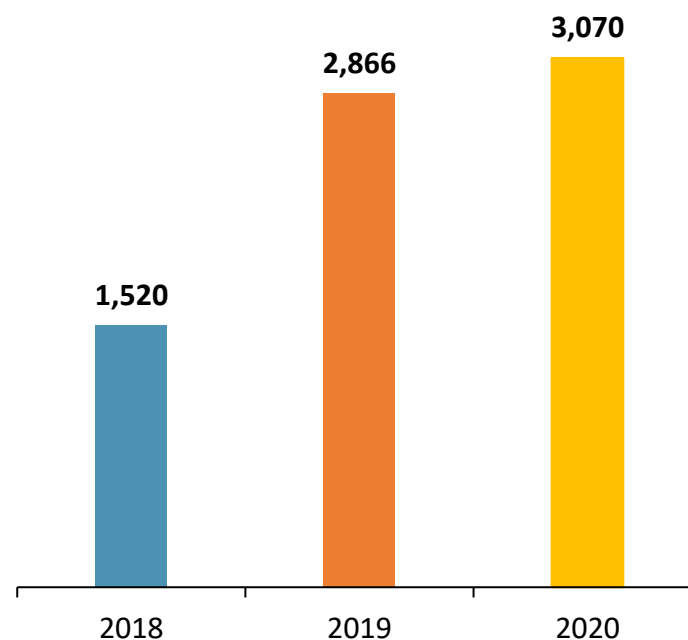
Costs Reduction in 2020



- The costs reduction in 2020 was 503 million yuan, completing the annual target

Capital Expenditure in 2020

(Unit: RMB million)



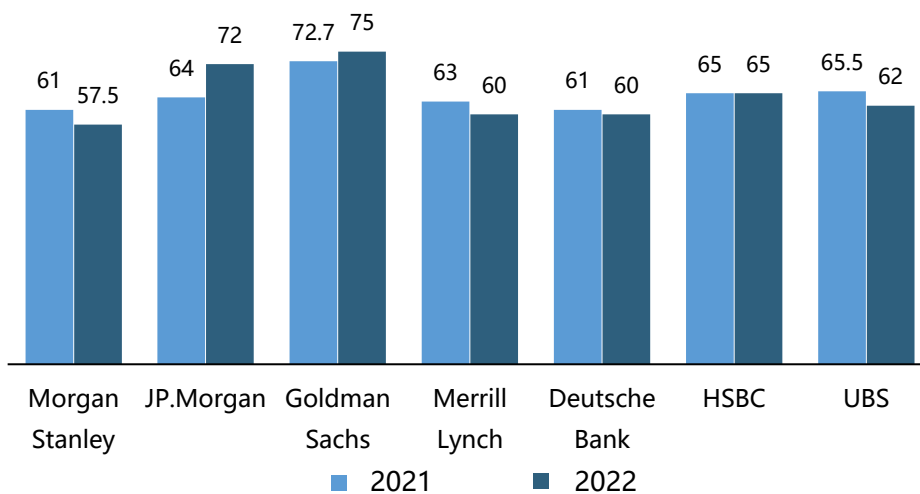
- CAPEX in 2020 was 3.07 billion yuan, mainly used for equipment upgrading, safety management, and environmental protection.

Section 3: 2021 Outlook



2020-2021 Brent Oil Price Outlook

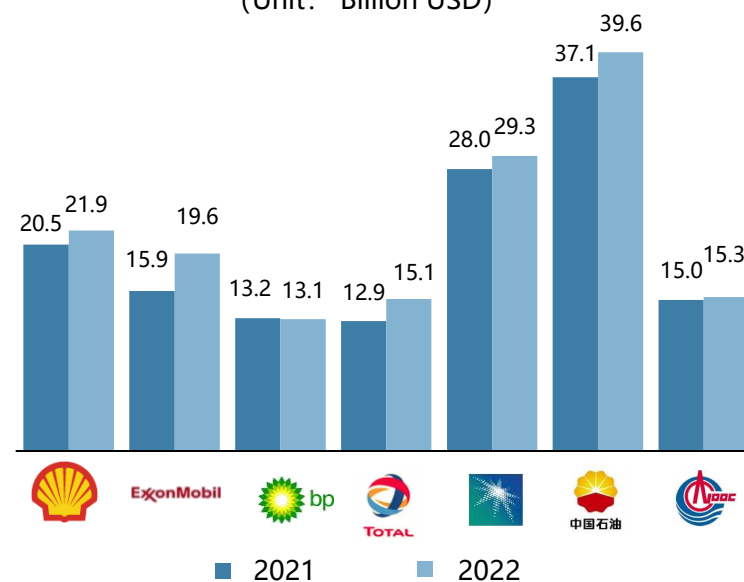
(Unit: USD/barrel)



(resource: Reuters, URS)

CAPEX Forecast for Major Upstream Companies

(Unit: Billion USD)



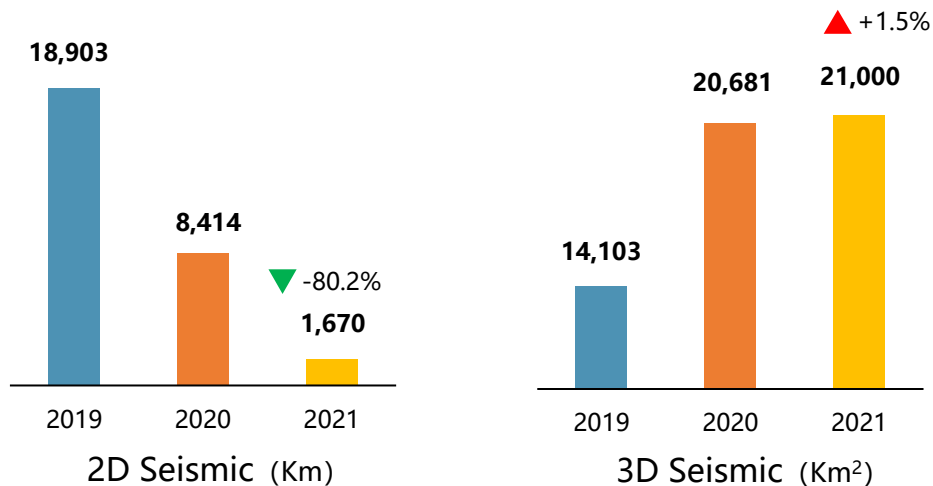
(resource: Morgan Stanley)

Trends in oilfield service industry

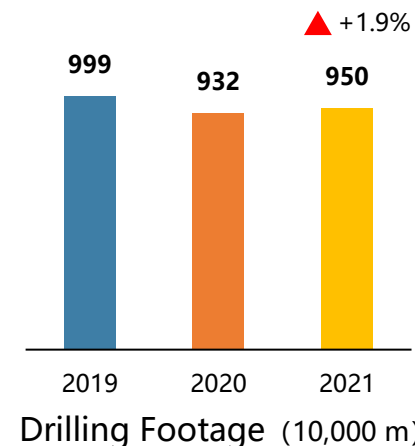
- The global economy and the oil and gas industry will recover, and the upstream Capex of oil companies is expected to increase
- Oil prices is expected to rebound, and the average annual Brent price is estimated to be above 60 USD/barrel.
- Domestic oil companies will fully implement the Seven-Year Action Plan, promoting the continuous recovery of the oilfield service industry.

Work Volume in 2021

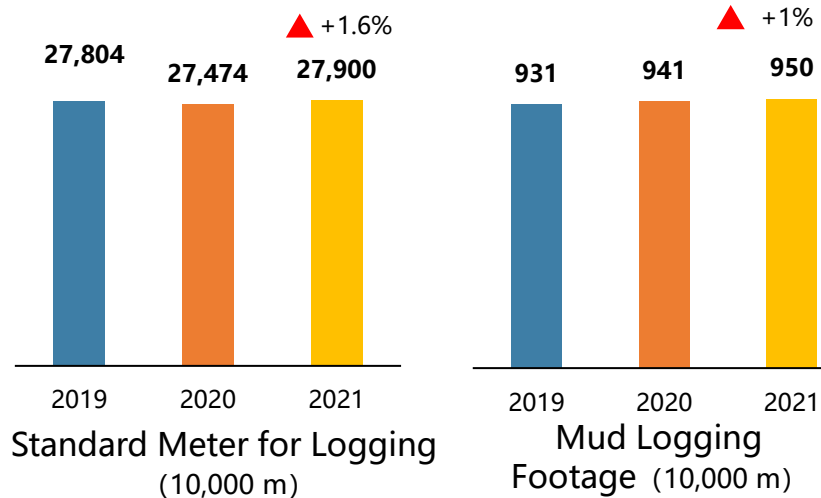
Geophysics



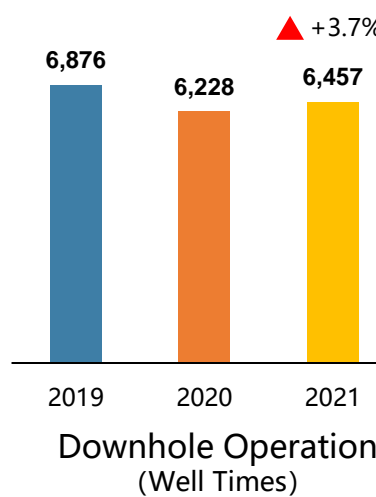
Drilling Engineering



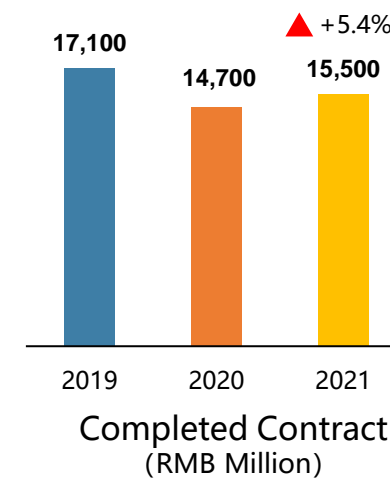
Logging & Mud Logging



Downhole Operation

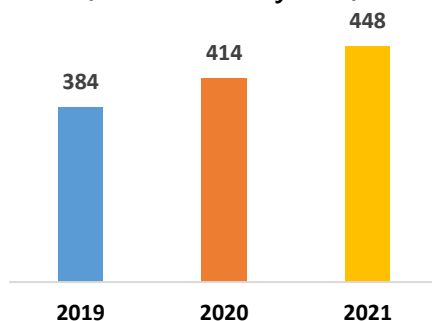


Engineering Construction



Domestic Sinopec Market

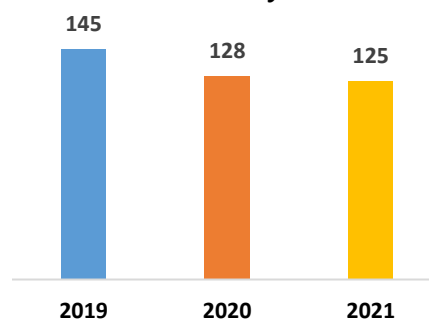
New Contract Value
(100 million yuan)



- Provide high-quality service for oil and gas exploration and development in the mature eastern area, Tarim Basin, Junggar Basin, Sichuan Basin, and Ordos Basin
- Serve for the production capacity construction of key industrial areas such as Weirong Shale Gas Phase II, Western Sichuan Marine Gas Field, Shunbei Oil and Gas Field, North China Tight Gas Field, etc.
- Promote the development of Sinopec's key construction projects

Domestic Non-Sinopec Market

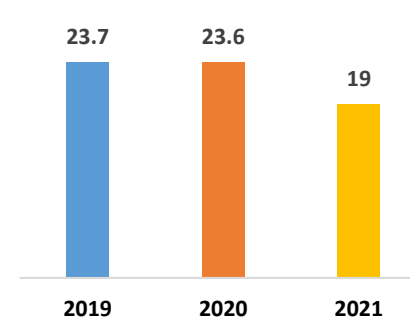
New Contract Value
(100 million yuan)



- PetroChina's Southwest Shale Gas and Northwest Conventional Oil and Gas market
- CNOOC's East China Sea and South China Sea market
- PipeChina market
- Important clients such as China Geological Survey, Yanchang Group
- Local pipelines, roads and bridges projects

Overseas Market

New Contract Value
(100 million USD)

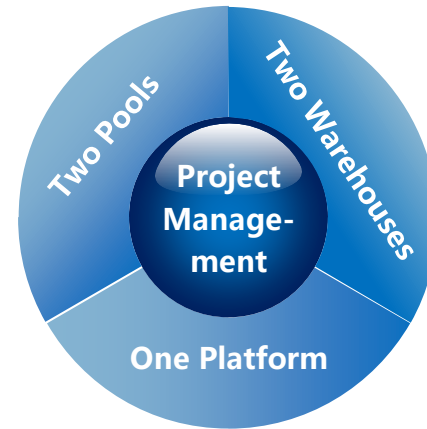


- Consolidate and expand key markets such as Saudi Arabia, Kuwait and Ecuador
- Effectively develop potential markets such as Algeria and Nigeria
- Pay close attention to service projects such as unconventional and shale gas projects, and drive the development of logging, cementing, mud, directional, fracturing.



Deepen Optimized Market Layout and Overall Resource Allocation

- Integrated "talent pool" and "cash pool"
- Unified "equipment warehouse" and "material warehouse"
- Service Integrated Cloud Platform (SICP)



Deepen the Integration of Business Units and Auxiliary Business

- Integrate logging, mud logging and directional drilling business, and the effective operation of Sinopec Matrix
- Promote regional integration of engineering construction
- Integrate auxiliary business unit in the same area



Deepen Reform of HR

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

Improve the Technical Series to Achieve Market-oriented and Professional Development

- **Improve integrated supporting technology:** Innovative integrated technologies for petroleum engineering such as shale gas, acid gas, tight oil and gas, deep oil and gas, shallow seas oil and gas, and exploration and development of mature oil fields in the east
- **Break through core technologies:** Drilling rotary steering instruments, downhole high temperature and high pressure measurement logging test tools, low-frequency controllable seismic source acquisition equipment, a new generation of node seismic acquisition system, carbon isotope logging, etc.
- **Create special technology:** Managed pressure drilling, leak prevention and plugging, high-end environmentally friendly drilling aids, fine logging, characteristic perforation, spectral logging, automatic long-distance pipeline welding and defect detection, large-diameter submarine cable laying, energy saving and environmental protection, etc.



Build a R&D system to Support High-end Development

- Four R&D platforms consisting of wellbore engineering, geophysics, engineering construction and offshore engineering
- Optimize research and development resources such as MWD, logging, and mud logging, and establish a Geological Survey and Control Research Institute
- Further improve the wellbore technology R&D system



Strengthen Informatization and Automation and Promote Digital Transformation

- Scientifically promote the construction of integrated cloud platform, and build a wellbore engineering data center
- Promote the application of intelligent node seismic equipment, intelligent pipeline construction, automation of drilling rigs, electric fracturing pumps, etc.





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