

ANTON 安東

2015 Annual Results



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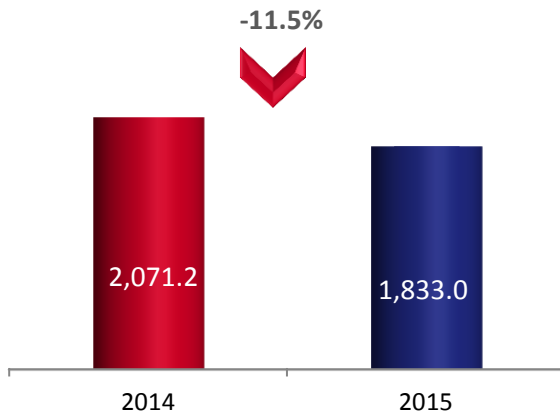


- ▶ **2015 Annual Results Summary**
- ▶ **2016 Outlook**
- ▶ **Q&A**

2015 Annual Results Summary

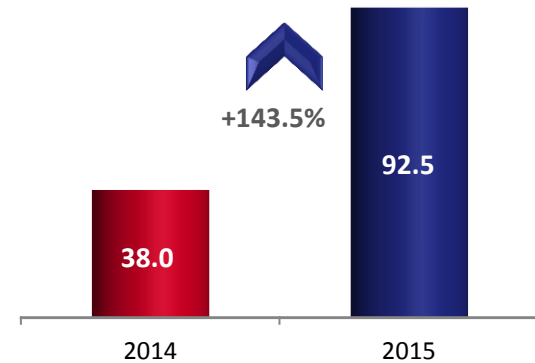
Revenue

RMB million



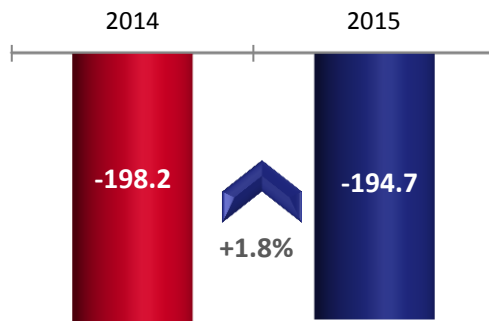
Operating Profit

RMB million



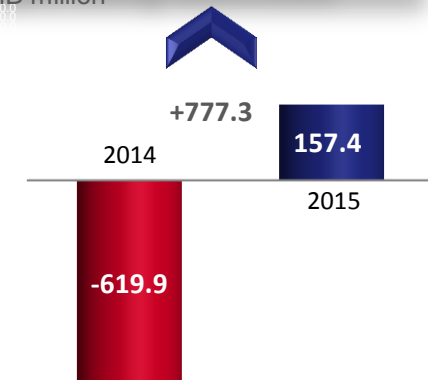
Profit Attributable to Equity Holders of the Company

RMB million



Net Cash Flow from Operating Activities

RMB million





Business Highlights



Despite challenging market conditions, the Group saw smaller-than-average revenue decline and order backlog remained sufficient

A rapid growth in overseas markets, notably Iraq; order backlog hit record high despite market downturn

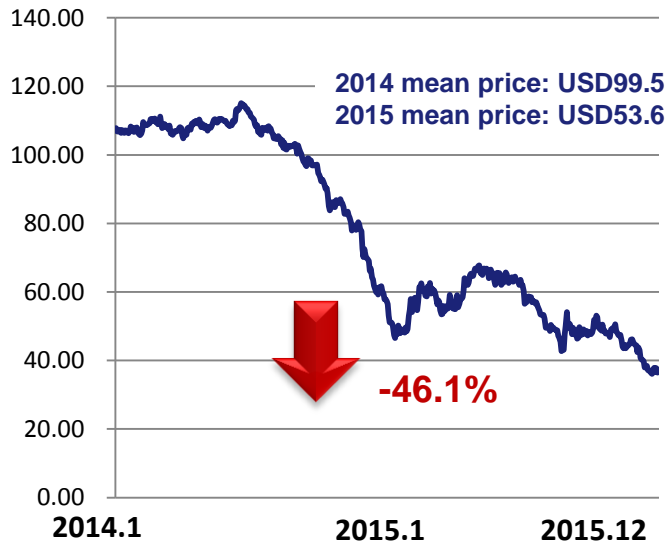
Business transformation showed results; share of revenue from oilfield OPEX activities increased significantly and mitigated the impact of CAPEX reduction of oil companies

Cut cost, resume profitability, after removed cost on personnel optimization, goodwill impairment and exchange loss, the actual operational profit up to RMB320 million

Improved working capital management; CF from operating activities nearly increased RMB777.3 million

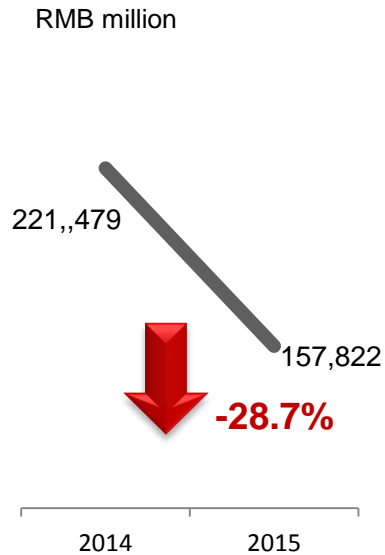
Revenue decline smaller than industry average despite challenging market conditions

Crude price 2014-2015

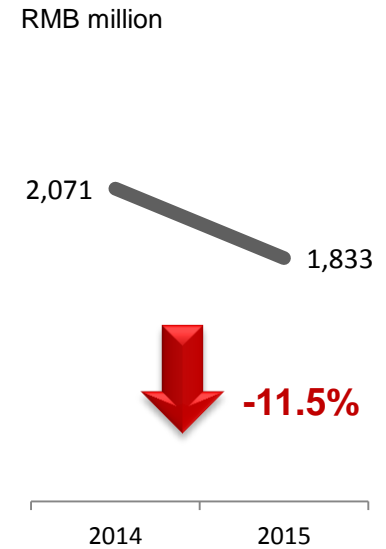


Source: Bloomberg

Customer's Upstream CAPEX



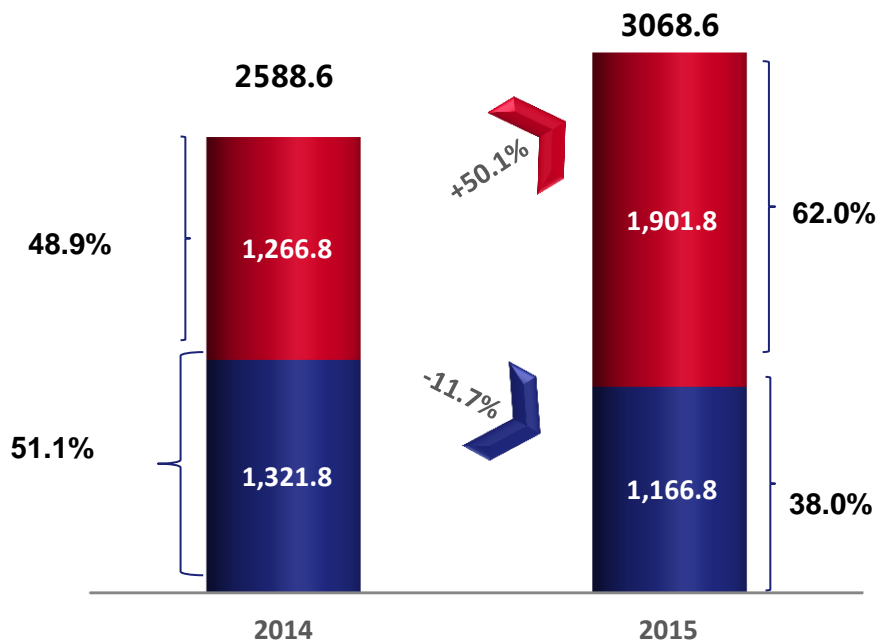
Revenue of the Group



Overseas orders rose significantly; new orders reach record high

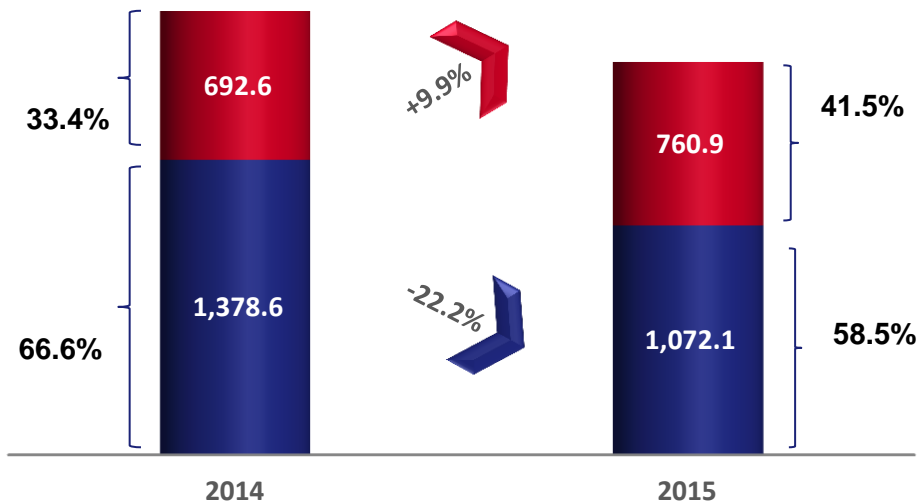
New orders

RMB million



Revenue

RMB million



Domestic market

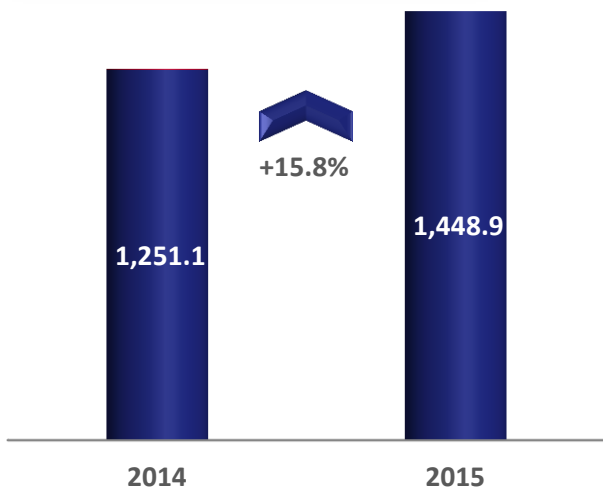


Overseas market

Focus on overseas; Iraq a bright spot

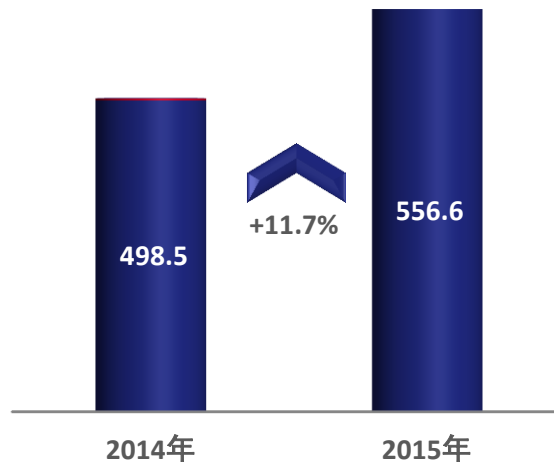
New orders in Iraq

RMB million



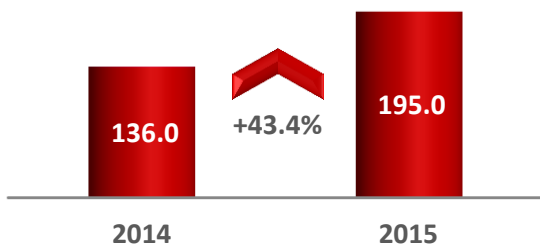
Revenue in Iraq

RMB million



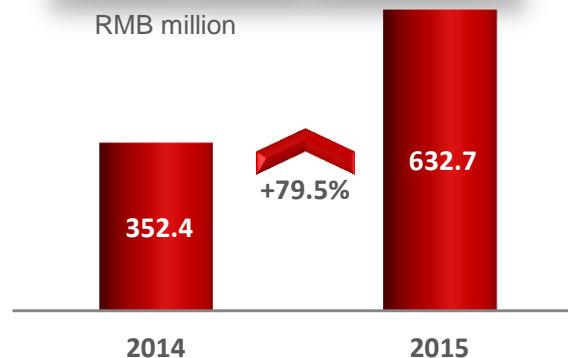
Profit on Iraq business

RMB million



Receivables collection

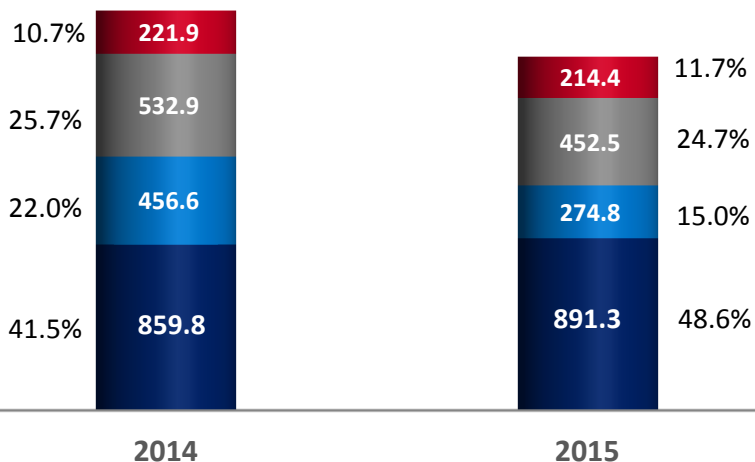
RMB million



Business transformation showed results, OPEX-related business increased

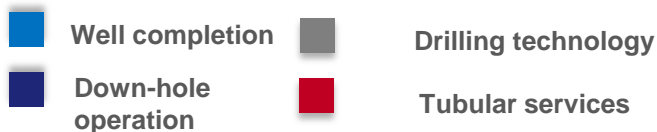
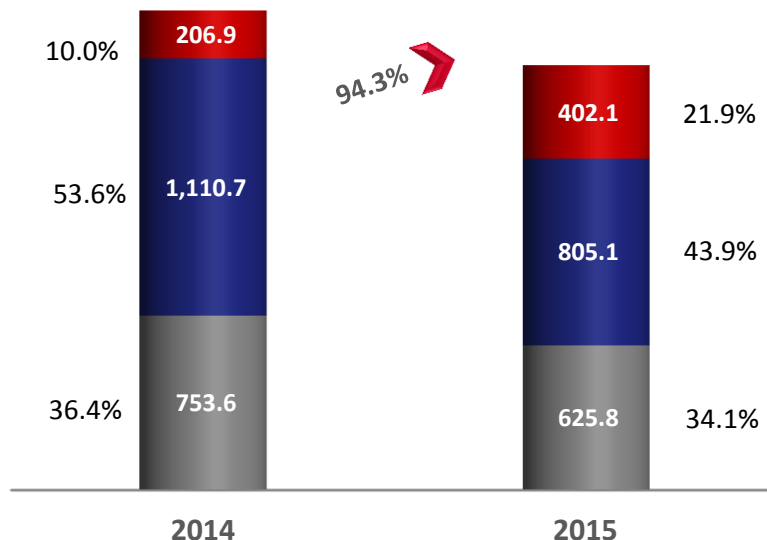
Revenue divided from former four cluster

RMB million



Revenue divided from present three clusters

RMB million



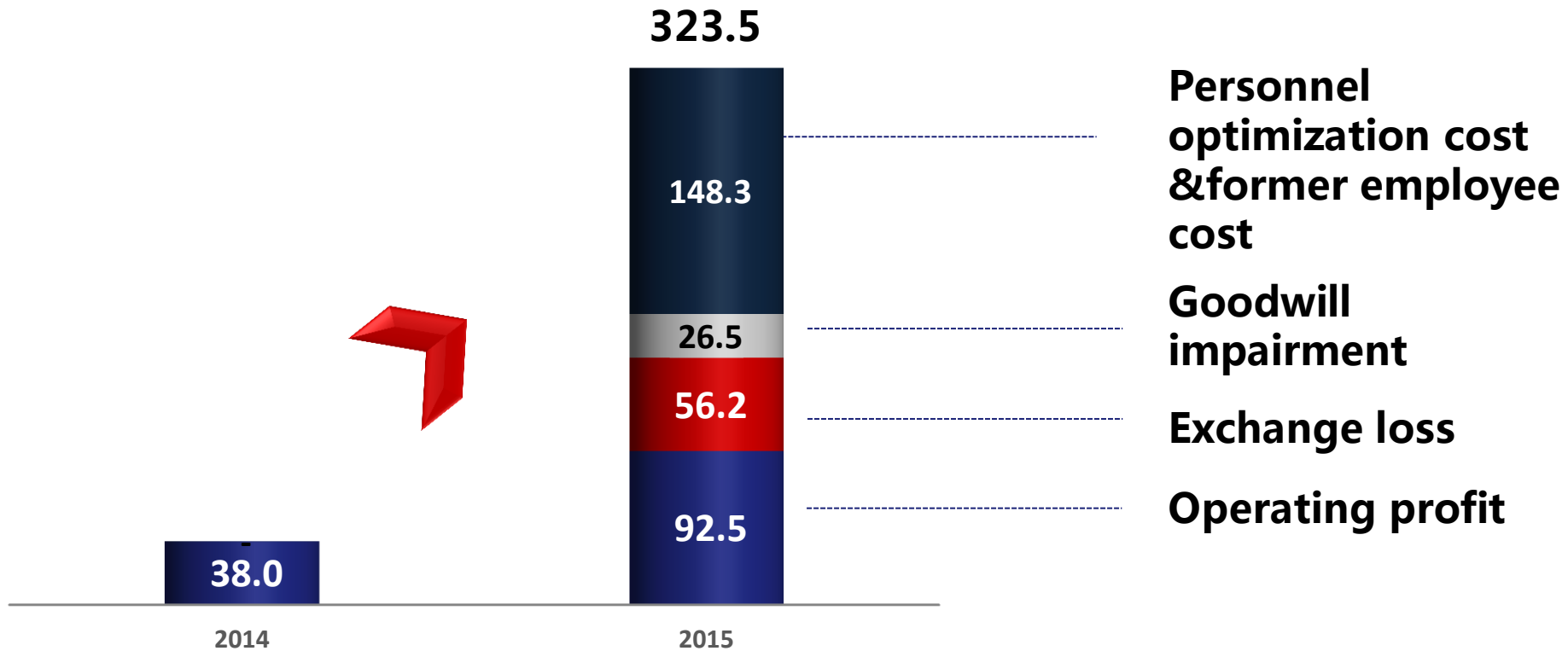


Cost-saving and efficiency programs achieved visible results; operating profit rose significantly



Actual operating profit

RMB million



Personnel optimization cost & former employee cost

Goodwill impairment

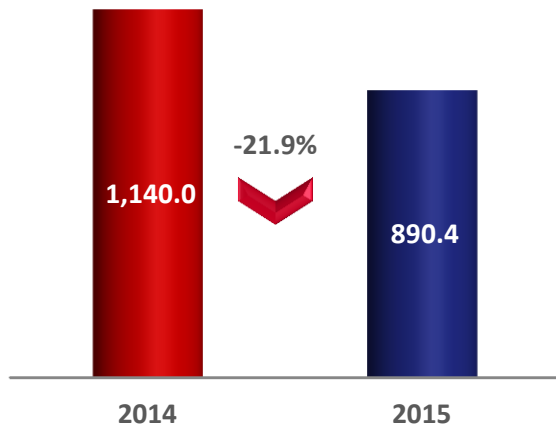
Exchange loss

Operating profit

Improved working capital management; CF from operating activities improved

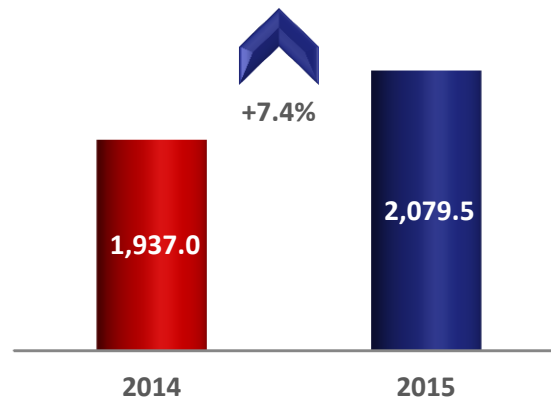
Net working capital

RMB million



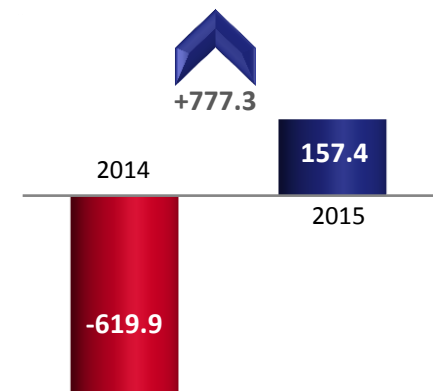
Receivables collection

RMB million



Net operation CF

RMB million





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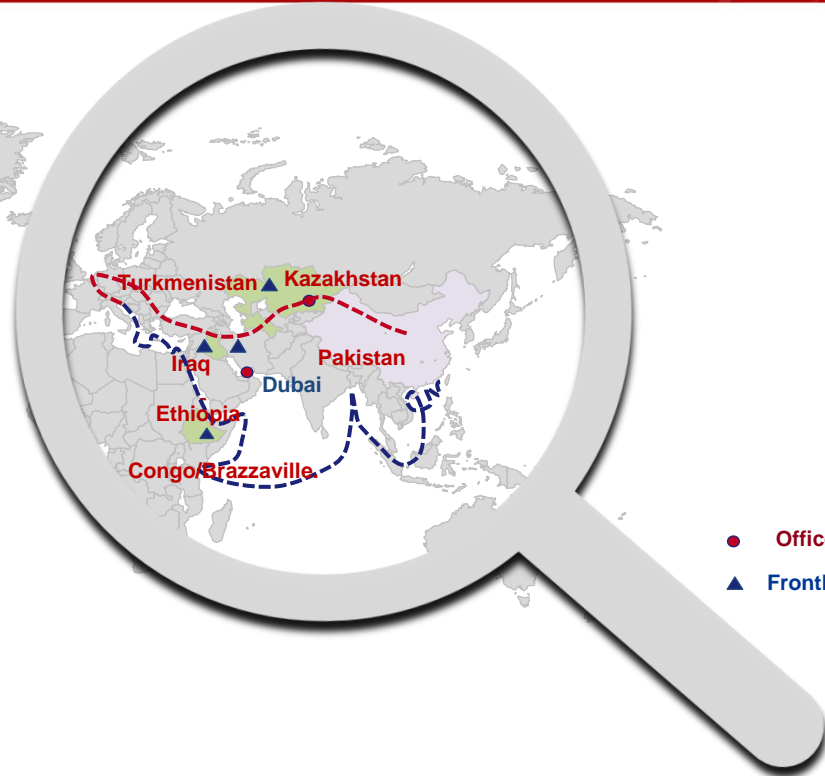
**Global oil prices struggle in the trough;
competition remains fierce**

**Chinese OFS companies are gradually displacing
international OFS firms for oil companies are need to cut
cost**

**China increases exploration and development investment
in countries along the Belt and Road**

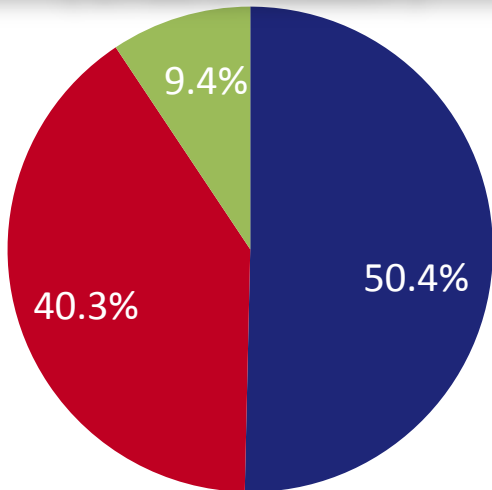
**In the long-term, natural gas development persists in
China; SOE reform brings about new opportunities**

Accelerate overseas growth Stabilize domestic shares



- Offices/Branches
- ▲ Frontline Operation Support

**Order backlog
(2780.1 million)**



- China state-owned oil company
- NOC & IOC
- Independent oil company

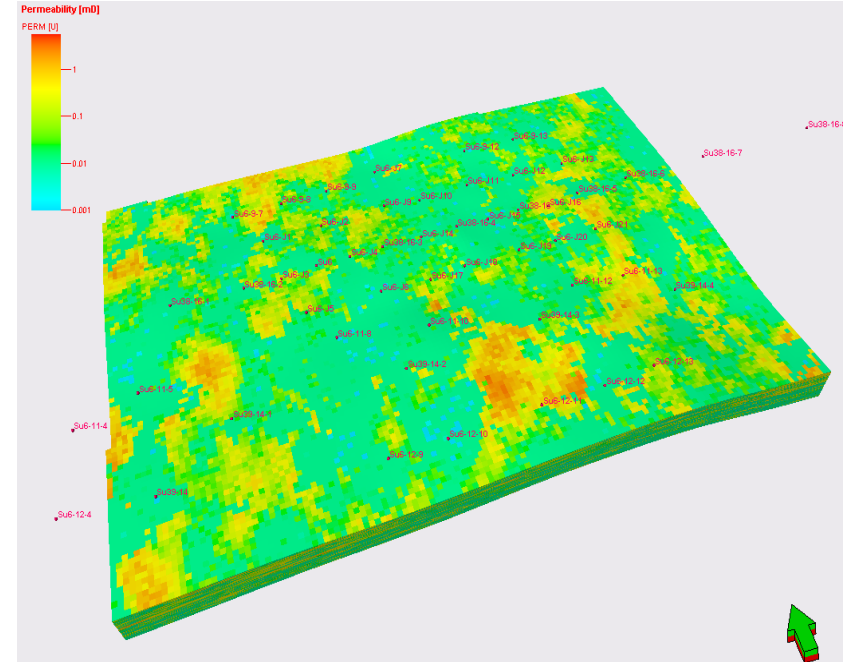
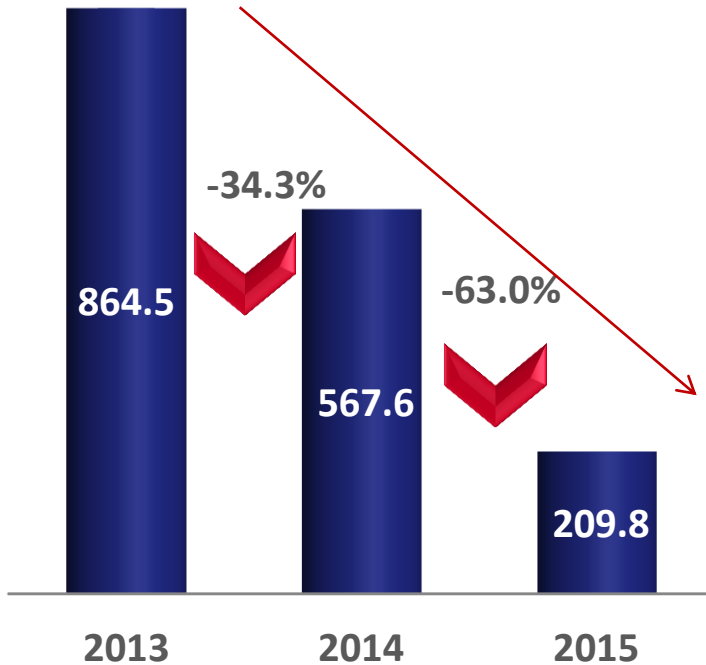


“Light-asset” product strategy increase capacity utilization, improve product profitability



CAPEX

RMB million



- Tighten control on investment scale , CAPEX decreased substantially

- Reasonable allocation asset into overseas market , improve utilization

- Improve profitability through technology innovation

Advance on cost reduction and efficiency gain

**Cut
cost**

Labor cost

**Material
cost**

**Operation
cost**

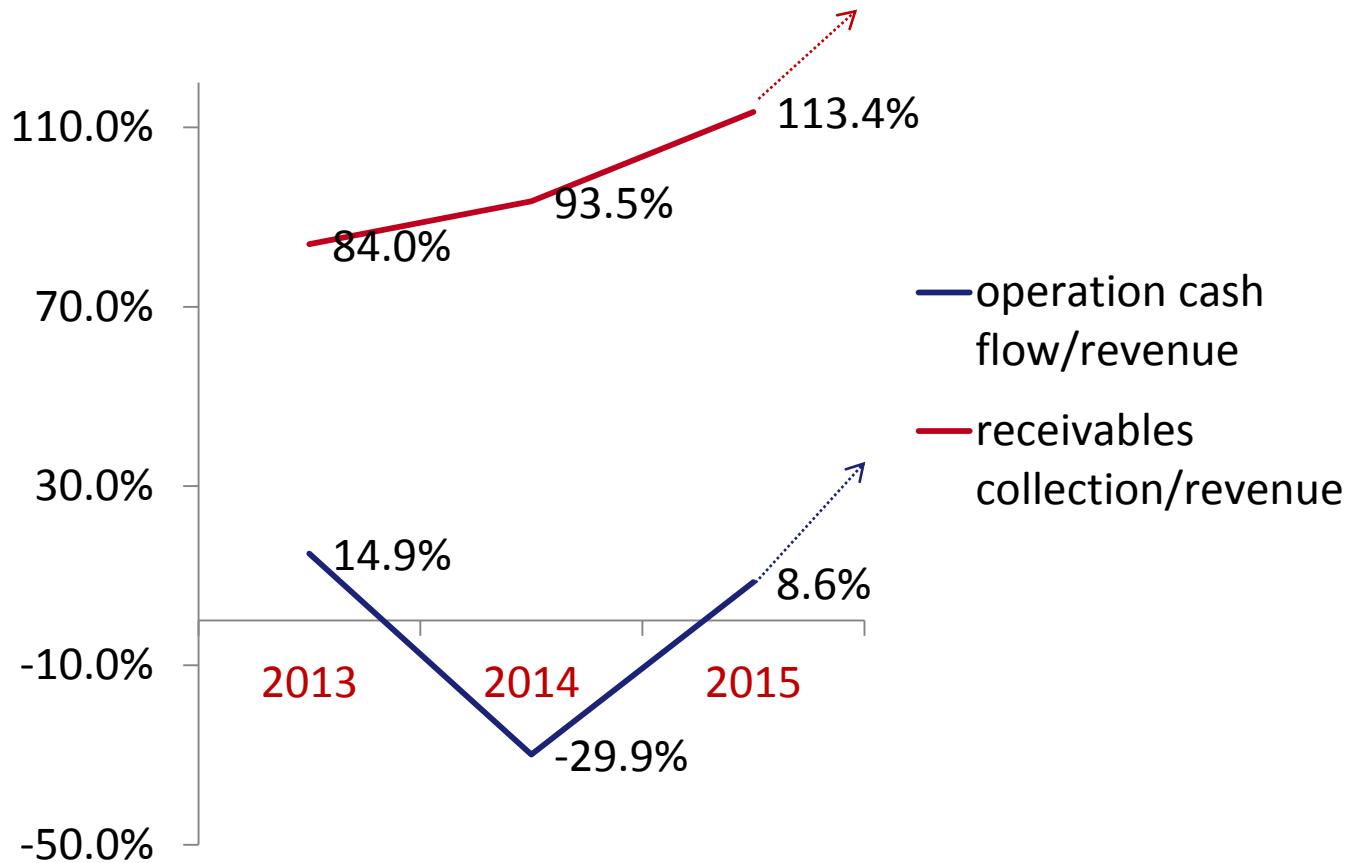
**Optimize
cost
structure**

**Shut down the
product lines of
low profit and
high cost , focus
on profitable
product lines**

**Refinement
project
manageme
nt**

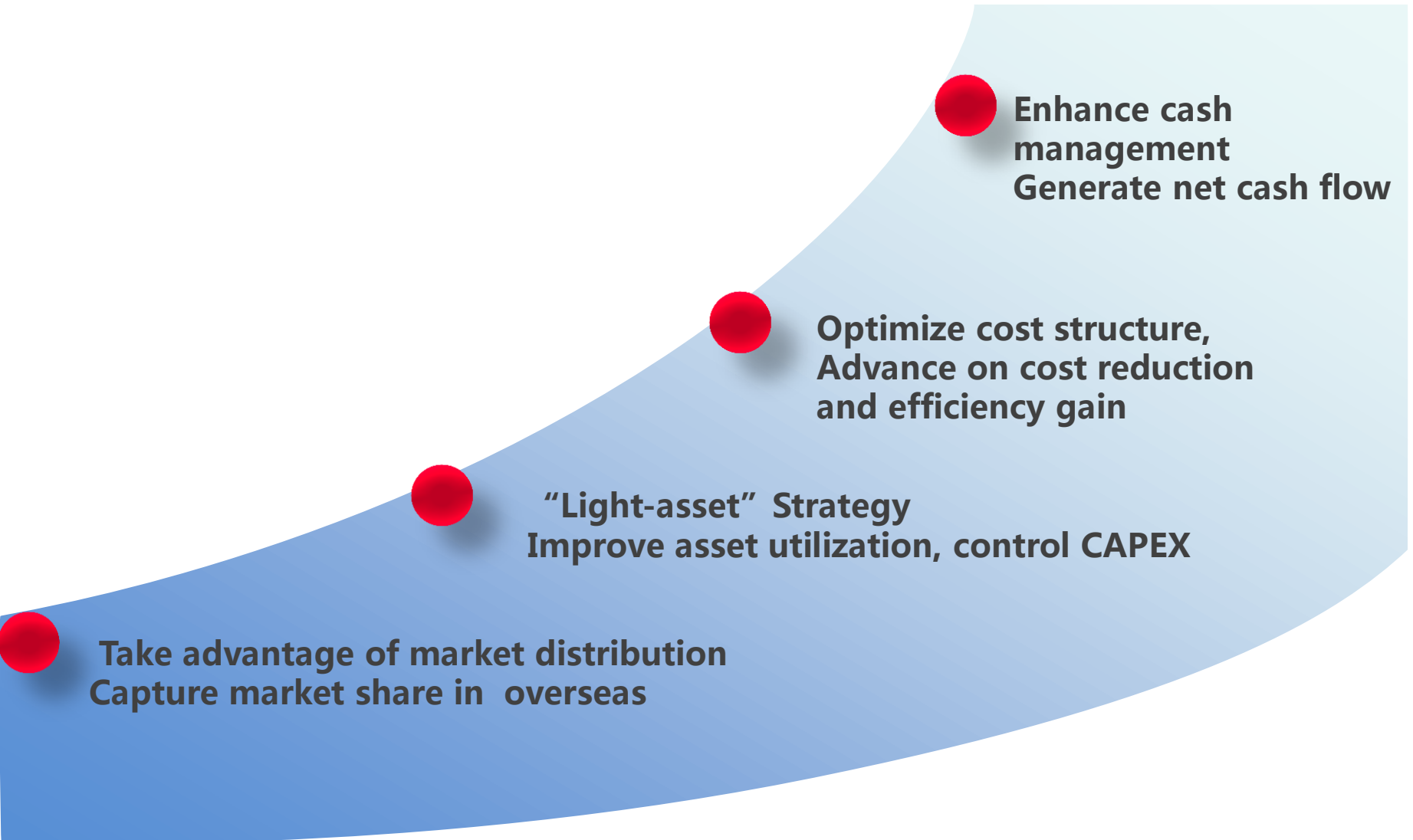
**Promote every
project refined
through
The SAP put
into use**

Further improved working capital management



Advance cash flow guidance on marketing project; decide whether to execute based on cash flow

Tighten working capital management, lower its occupation



Take advantage of market distribution
Capture market share in overseas

“Light-asset” Strategy
Improve asset utilization, control CAPEX

Optimize cost structure,
Advance on cost reduction
and efficiency gain

Enhance cash management
Generate net cash flow

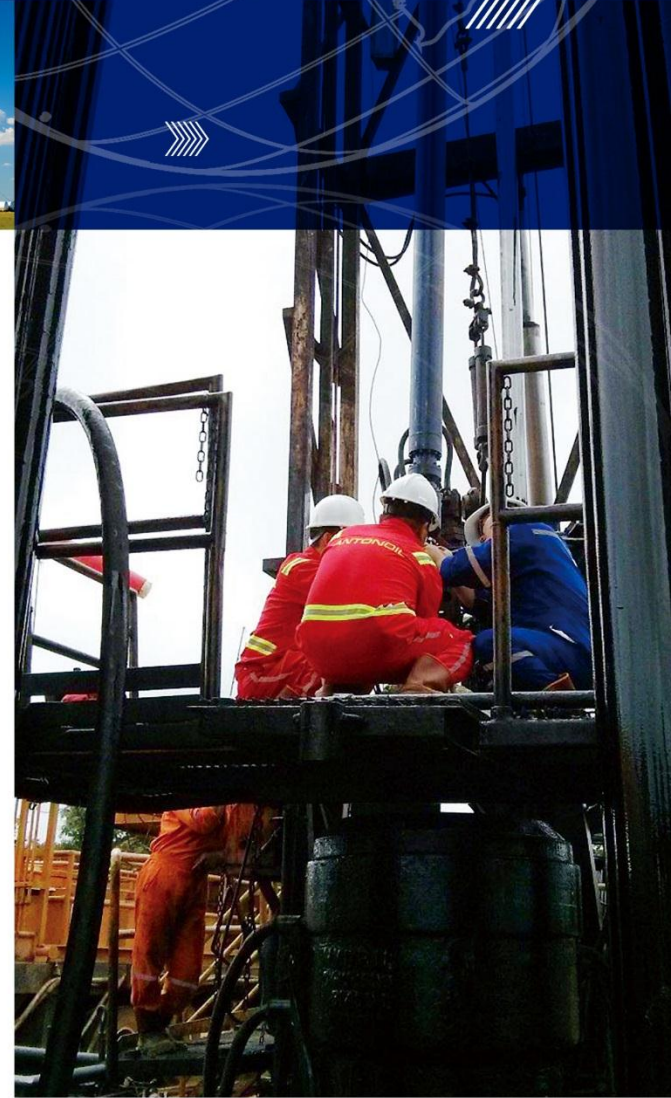
**Adapt swiftly to trends
Demonstrate competitive advantage
at industry trough,
Realize recovery growth!**



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Appendices



Appendix 1: Consolidated Income Statement

RMB million	2015	2014
Revenue	1,833.0	2,071.2
Cost of Sales	(1,250.3)	(1,425.8)
Gross Profit	582.7	645.4
Other gains, net	20.7	(1.8)
Selling expenses	(137.5)	(190.9)
Administrative expenses	(339.0)	(361.2)
Research and development expenses	(18.9)	(37.6)
Sales tax and surcharges	(15.6)	(16.0)
Operating Profit	92.5	38.0
Finance costs, net	(254.8)	(178.5)
Share of loss of a jointly controlled entity	(1.0)	(19.1)
Profit before Income Tax	(163.3)	(159.6)
Income tax expenses	(31.9)	(31.3)
Profit for the Year	(195.2)	(190.8)
Profit attributable to equity holders of the Company	(194.7)	(198.2)
Non-controlling interests	(0.5)	7.4

Appendix 2: Balance Sheet

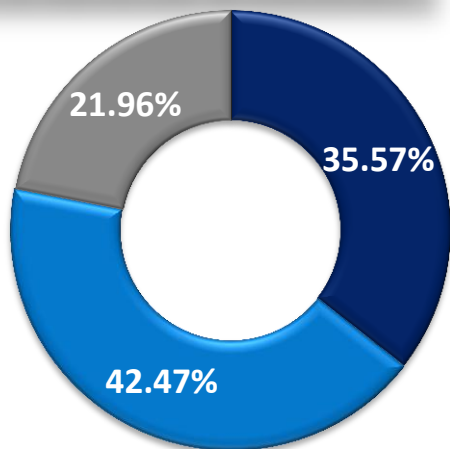
RMB million	2015	2014
Property, plant and equipment	2,355.5	2,293.4
Land use rights	59.9	61.0
Intangible assets	379.5	392.4
Investment in a jointly controlled entity	4.0	5.0
Other non-current assets	67.3	88.6
Deferred income tax assets	64.7	57.3
Inventories	834.2	709.7
Trade and notes receivables	1,284.4	1,588.2
Prepayments and other receivables	373.6	418.3
Restricted bank deposits	158.2	72.3
Term deposits with an initial term of no less than 3 months	11.0	8.0
Cash and cash equivalents	458.2	759.8
Total Assets	6,183.2	6,491.2
Capital and reserves attributable to equity holders of the Company	1,894.0	2,053.9
Non-controlling interests	65.6	94.9
Total Equity	1,959.6	2,148.8
Non-current liabilities	1,589.0	1,700.5
Current liabilities	2,634.5	2,641.9
Total Liabilities	4,223.5	4,342.4
Total Equity and Liabilities	6,183.2	6,491.2

Appendix 3: Cash Flow Statement

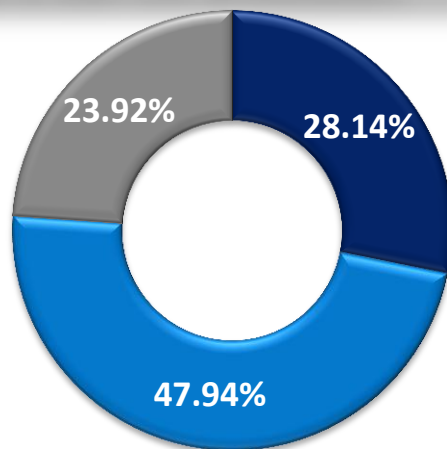
RMB million	2015	2014
Net cash generated from operating activities	157.4	(619.9)
Net cash generated from investing activities	(133.3)	(575.6)
Net cash generated from financing activities	(329.5)	193.1
Net increase (decrease) in cash and cash equivalents	(305.4)	(1,002.5)
Cash and cash equivalents, at beginning of the year	759.8	1,770.2
Currency translation loss on cash and cash equivalents	3.8	(7.9)
Cash and cash equivalents, at end of the year	458.2	759.8

Appendix 4: Business Cluster Mix

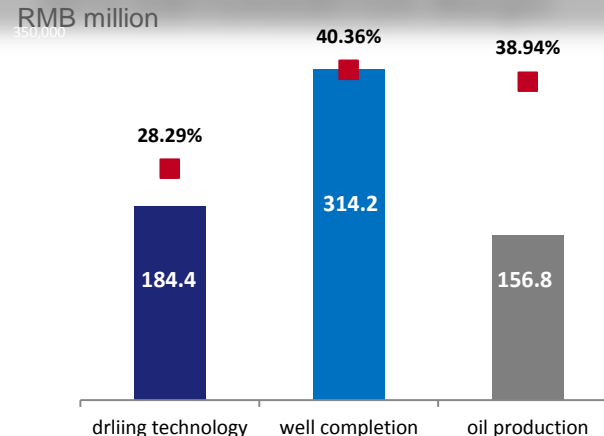
2015 Revenue Breakdown



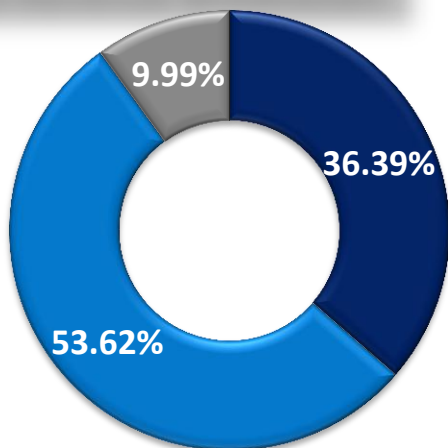
2015 EBITDA Breakdown



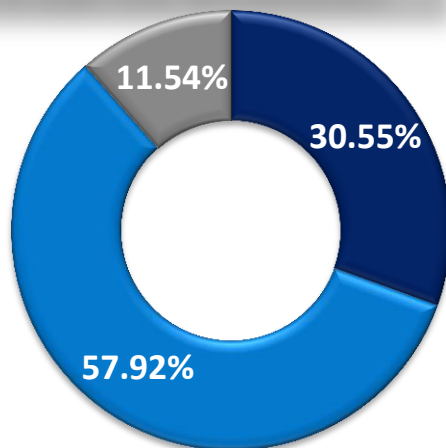
2015 EBITDA/EBITDA Margin



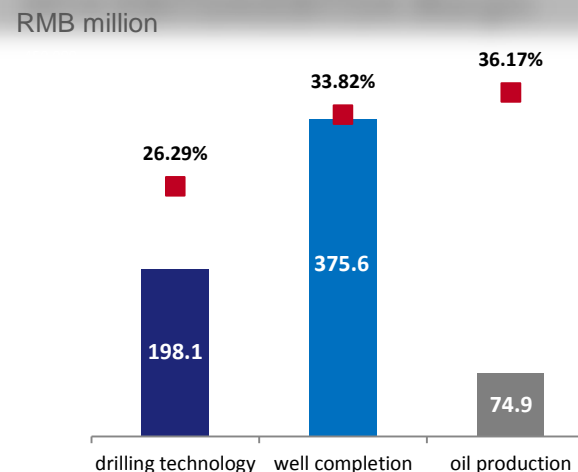
2014 Revenue Breakdown



2014 EBITDA Breakdown



2014 EBITDA/EBITDA Margin



Appendix 5: Cost Analysis

Costs/Expenses by function	2015	2014	Change	2015	2014	Change
	% of Revenue		%	RMB million		%
Cost of sales	68.21%	68.8%	-0.59%	1250.3	1,425.80	-12.31%
Selling expenses	7.50%	9.2%	-1.70%	137.5	190.9	-27.97%
Administrative expenses	18.49%	17.4%	1.09%	339	361.2	-6.15%
R&D expenses	1.03%	1.8%	-0.77%	18.9	37.6	-49.73%
Sales tax & surcharges	0.85%	0.8%	0.05%	15.6	16	-2.50%
Finance expenses	14.14%	9.30%	4.84%	259.2	192.7	34.51%
Income tax expenses	1.74%	1.50%	0.24%	31.9	31.3	1.92%

Costs/Expenses by nature	2015	2014	Change	2015	2014	Change
	% of Revenue		%	RMB million		%
Material & services	46.30%	49.20%	-2.90%	848.6	1,019.90	-16.80%
Staff overhead	25.67%	21.20%	4.47%	470.5	438.2	7.37%
Depreciation & amortization	10.95%	10.70%	0.25%	200.7	221.7	-9.47%
Costs/Expenses by nature	12.32%	16.20%	-3.88%	225.9	335.6	-32.69%

Appendix 6: Product Line Summary

Business Clusters and Constituent Business Lines	Description
Drilling Technology Cluster	Provides engineering technical services and products during the drilling stage to solve problems encountered in directional drilling, drilling assessment, drilling acceleration, enhanced reservoir contact and integrated drilling
Integrated Services Management	Implements project organization and economic assessment through reservoir geological assessment and integrated geological and engineering design
Integrated Drilling Services	Integrates new technologies for drilling, well completion and special tools; provides comprehensive technical services from design to matching tools, production technique and related equipment; integrates individual competitive drilling technologies and provides integrated drilling and well completion technical solutions
Directional Drilling	Engineers operate the drilling tool set to drill wellbores along the pre-set path to enhance the oil and gas recovery rate by reaching the best position in the reserves
Drilling and Completion Fluid Service	Provides drilling fluid system comprising oil-based muds and high-performance water-based muds, intended to address down-hole complications, shorten the drilling cycle and increase drilling speed
Cementing Technology Service	Provides technical services such as gas storage tank and shale gas well completion water-based mud; provides regular water-based mud, well completion equipment service and well completion project supervision service
Drilling Tool Rental and Technical Service	Provides drilling tool rental, rehabilitation and anti-abrasion service, tubular processing and manufacturing and storage solutions
Land Drilling Service	Operates rigs to complete drilling jobs, including the delivery of service with self-owned rigs and third party owned rigs under management
Oilfield Waste Management	Applies advanced technology and combines domestic and international resources to offer waste and pollutants management service throughout oil and gas exploration and development such as oil-based drilling fluid and drill cutting treatment and fracture flowback fluid treatment.
Oil and Gas Production Facilities Inspection and	Enjoys China National Accreditation Service (CNAS) lab status for instruments and Chinese and US Non-destructive Testing (NDT) qualifications; adopts international standards to conduct site testing service for oil production equipment, devices and instruments for customers across petrochemical, pharmaceutical, machinery manufacturing and electronics

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Business Clusters and Constituent Business Lines	Description
Well Completion Cluster	Provides integrated well completion and stimulation services from integrated solutions for well cementing and completion, production well completion, equipment, tools and materials
Integrated Completion Services	Provides well completion engineering design and implementation service for low-permeability naturally fractured reservoirs and shale gas reservoirs; provides integrated services ranging from reservoir geological analysis consulting to well completion engineering design, well completion tools and liquid material; provides monitoring service for stimulation measures
Completion Tools	Provides a host of well cementing and completion tools and production well completion tool services; addresses various kinds of technical complications in open-hole well completion and casing well completion
Sand Screen and Water Control services	Provides the most diverse range of sand control completion tools and integrated design for sand control well completion, sandscreen and water control; provides sand control well completion stimulation service with high-pressure gravel packing as the core offering; provides supporting services for AICD water control
Fracturing/Acidizing Technique and Chemical materials	Provides integrated solutions from stimulation technology evaluation, design, down-hole chemicals and equipment engineering to enable integrated stimulation; provides R&D, manufacturing, marketing and technical services for down-hole chemicals for acidizing, fracturing, killing, and recovery (inflow and profile control) operations
Fracturing and Pumping	Leverages pressure pumping hydraulic horsepower and related service capacity to complete the implementation of pressure pumping design on different scales
Coiled Tubing Services	Combines equipment and tools to form different processes and technologies with broad applications, including stimulation in low-permeability wells, special operations in ultra-complicated wells and regular operations in conventional wells including horizontal well cable testing and workover services such as sidetrack drilling, milling and fishing
Proppant	An important material in oil development process when applying fracturing to stimulate oil and gas production. Its role is to support the fractures and keep oil and gas passage in order to increase production

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Business Clusters and Constituent Business Lines	Description
Oil Production Cluster	Provides engineering services and products for oil companies during well completion and production; enables economical recovery based on reservoir geological conditions through production operation management and ground process services
Production Operation Management	Provides production operation management services for oilfield ground stations, including power engineering construction, operation, inspection and maintenance, artificial life technology design, management, optimization operation support, water injection, profile control, ground equipment maintenance and rehabilitation, re-engineering, installation overhaul and oil and gas field ground construction projects
Workover Services	Provides conventional and major workover for oil and gas wells, sidetrack, fishing, oil testing and well completion integrated operation and routine maintenance operation services
Tubing/ Casing Repair and Anti-corrosion Service	Provides featured tubing and casing technical services with Premium Thread Design as the core offering; a reputable supplier of specialized tubes and casings for Chinese and overseas customers