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Anton Oilfield Services Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3337)

Announcement

Operational Update on the Second Quarter of 2022 and Outlook for the Third Quarter of 2022

The Board of Directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**", together with its subsidiaries, collectively, the "**Group**") is pleased to announce the operational update and order backlog for the three months from 1 April to 30 June 2022 (the "**Quarter**").

OPERATIONAL OVERVIEW OF THE SECOND QUARTER OF 2022

During the Quarter, energy supply remained tight, and international oil prices remained elevated. Oil companies continued to increase capital expenditure, and the oil and gas industry as a whole saw bullish growth. The Group actively seized the industry upturn opportunity and vigorously expanded its domestic and overseas businesses. During the Quarter, the Group's business in overseas markets made a strong recovery.

ORDERS IN THE SECOND QUARTER OF 2022

In the Quarter, thanks to the industry's upward trend, the Group secured a large number of new orders, adding approximately RMB1,271.5 million to its orderbook during the Quarter. While, in the same period last year (2021), the Group renewed the order for the large integrated oilfield management project in Iraq, which significantly boosted the value amount of new orders in that period, so on that base, the amount of new orders for the Quarter decreased by 28.4% compared to the same period last year. Among the new orders for the Quarter, the Group added approximately RMB302.1 million in Iraq, a decrease of 74.1% compared to the same period last year due to the aforementioned reason, while the value of new orders booked in the domestic market doubled, increasing by approximately RMB851.0 million during the Quarter, or 114.0% compared to the same period last year. New orders from other overseas markets amounted to RMB118.3 million, down 44.3% compared to the same period last year.

In the domestic market, during the Quarter, oil company customers continued to aggressively advance the development of natural gas resources. The Group fully leveraged its technical advantages and further promoted precision engineering services with reservoir geology at the core to help customers achieve the efficient development of resources. In particular, the Group drove progress across product lines such as production stimulation, fracturing, and inspection, and the Group secured multiple kinds of projects such as shale gas, tight gas, and coalbed methane in various regions such as the Southwest, Ordos, and Shanxi. Such success accounted for the bulk of the Group's incremental business in China during the Quarter.

In overseas markets, in Iraq, oilfield customers accelerated their capacity ramp-up and intensified resource development. The Group seized the market opportunity and won orders for stimulation technology and operations, oilfield operation and maintenance, and workover services, among other projects. In the same quarter of 2021, the Group renewed the contract for integrated management services of the large Majnoon oilfield, which significantly inflated the new order value for that period. As such, in terms of comparable data in aggregate terms, the new orders in the Iraqi market in the Quarter decreased compared with the same period last year, but in terms of market dynamics, the Iraqi market has significantly outperformed the same period last year. When adjusted for the one-off impact of the renewal of the said integrated oilfield management project in the second quarter of last year, the new order value for other technical services achieved year-over-year growth of approximately 60.6%. In other overseas markets, the Group continued to expand into global emerging markets for oil and gas development, and the Group secured projects such as completion tools sales, inspection, and directional drilling worth RMB118.3 million during the Quarter. Overall upstream exploration and development activities are buoyant in overseas markets, presenting tremendous market opportunities for the Group.

ORDER FULFILLMENT IN THE SECOND QUARTER OF 2022

In the Quarter, the Group's principal markets began to enter the peak operating season, and the execution of various orders in overseas markets moved ahead in full swing. In the Iraqi market, the Group restarted one rig in the Halfaya oilfield in the Quarter, which was previously suspended due to the COVID epidemic; it has now fully resumed production on the two rigs deployed in this market. The Group has also made swift progress on the other project orders. In other overseas markets, the Group has maintained full workloads across all business clusters. In the domestic market, during the Quarter, the Group continued to implement lean operations and build exemplary teams to help customers improve development efficiency and maximize the value of their reservoir assets.

As at 31 March 2022, the Group had an order backlog of approximately RMB8,752.0 million. In particular, the order backlog in the China market was approximately RMB4,553.8 million, accounting for approximately 52.0% of the Group's total order backlog; order backlog in the Iraqi market was approximately RMB3,418.6 million, accounting for approximately 39.1% of the Group's total order backlog; in other markets, order backlog was approximately RMB779.6 million, accounting for approximately 8.9% of the Group's total order backlog.

Note: Order backlog is the estimated work volume available for future execution as at a certain date, based on the judgment and calculation by management with reference to the contracts and agreements entered into between the Group and clients. Order backlog is reduced through the execution of orders, and it may be subject to adjustment by management due to unexpected changes in market conditions.

MANAGEMENT UPDATE IN THE SECOND QUARTER OF 2022

In the Quarter, in terms of management, the Group prudently dealt with potential global inflation risks and the consequent upward pressure on costs. While actively promoting the restart of execution at large overseas projects, the Group further streamlined supplier management by engaging with top-performing suppliers and establishing strategic partnerships through our platform-based advantages to cope with the inflation risk. The Group continued its tight discipline on costs and expenses, while further optimizing management processes to further boost management efficiency.

During the Quarter, the Group made encouraging gains on management efficiency, and its profit margin continued to improve.

In terms of cash flow management, the Group adhered to the core principle of cash flow operating, strictly controlled cash flow management throughout the overall project cycle, and intensified efforts on accounts receivable recovery. During the Quarter, the Group achieved a substantial increase in cash recoveries compared to the same period last year, allowing the Group to achieve cash flow performance in excess of its budget.

In terms of environmental, social, and governance (ESG) matters, the Group published its *2021 Sustainability Report*, in which, the Group formally set out clear and quantifiable, long-term emissions reduction targets. Also in the report, the Group formulated and disclosed its Human Resources Social Responsibility Policy, in line with international norms.

In terms of debt management, bond prices have been fluctuated sharply due to macro shocks. In this market environment, the Company implemented flexible debt management and further buybacks of the Group's USD300,000,000 7.50% senior notes due December 2022 ("**the 2022 Notes**") through the secondary market during the Quarter, following the completion of the partial exchange in July 2021. As at the end of the Quarter, the Group had further repurchased USD43,205,000 worth of the 2022 Notes in the secondary market. Upon completion of the cancellation of all repurchased Notes, the balance of the 2022 Notes will stand at USD134,382,000, representing approximately 44.8% of the total initial principal amount of the Notes. The Company may further repurchase the outstanding Notes in the public market in due course, depending on market conditions and bond prices and will make separate announcements in accordance with the Listing Rules.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2022

Entering the third quarter, the world faces economic slowdown headwinds, while, due to a chronic lack of capital investment in upstream oil and gas exploration and development, oil and gas supply growth remains sluggish, and supply will likely remain tight for a prolonged period. The Group expects that customers in key markets in the Middle East will further accelerate the pace of production capacity ramp-up, while project construction in the domestic market will advance at full steam. The Group will closely align its activities with customers' plans, continue to adopt the high standards and requirements of "Lean Operations", and accelerate the execution of order backlog in each region of the overseas and domestic markets with a view to achieving the annual budget targets.

In terms of markets, overseas markets are prioritized by the Group. The Group will seize the opportunity of the upward momentum of the industry cycle, target key international oil companies and national oil companies, and capture market opportunities in Northern Africa and Southeast Asia to achieve new project wins and additional orders. In the domestic market, the Group will continue to focus on natural gas and unconventional energy projects while vigorously expanding new businesses to secure high-quality, asset-light orders around its increasingly-robust core competency of geo-engineering expertise.

In terms of products and technologies, the Group will further implement a multi-entity business strategy to promote the independent and efficient development of each business entity with the goal of helping customers maximize the value of their asset portfolio.

In terms of cash flow management, the Group will guard the most critical source of liquidity, (i.e., the recovery of accounts receivable), focus on cash flow management for each business line, further enhance the efficiency of capital turnover, and generate healthy operating cash flow through rigorous cash flow management throughout the project cycle. At the same time, the Group will manage its bonds in a highly-responsible manner, maintain sufficient liquidity, and make appropriate arrangements for the repayment of bonds upon maturity.

The above statements are based on the Group's current operations and current market conditions and are not a warranty of the Group's performance. The Group's performance mainly depends on market conditions and the broader financial environment.

Disclaimer

- *The above-mentioned information on operational updates is unaudited and is based on preliminary internal information of the Group. Due to various uncertainties arising from the contract signing process, execution progress, and client plans, etc., such information may differ from the Group's periodic financial disclosures. Therefore, the quarterly operational updates in this announcement only serve the purpose of periodic reference.*

- *The above-mentioned quarterly operational updates do not constitute, nor should they be construed as, invitations or solicitations to buy or sell any securities or financial instruments of the Group, nor are they intended as an offer of any investment services or advice. Investors are advised to exercise caution and not to place undue reliance on such information when dealing in the securities of the Company. When in doubt, investors are advised to seek professional advice from professional or financial advisers.*

By order of the Board
Anton Oilfield Services Group
LUO Lin
Chairman

Hong Kong, 11 July 2022

As at the date of this announcement, the executive Directors of the Company are Mr. LUO Lin, Mr. PI Zhifeng, and Mr. FAN Yonghong; the non-executive Director is Mr. HUANG Song; and the independent non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping, and Mr. WEE Yiaw Hin.