


ANTON 安東

2017 Annual Results Announcement

2018.3.27

A large, stylized number '10' is the central focus, rendered in a dark red color with a white outline. A thick, vibrant red ribbon is wrapped around the '1' and the '0', looping through the scene. The background features a grid of blue and purple lines, some of which are blurred, creating a sense of depth and movement.

十載歲月，感恩陪伴
Thank You for 10 Amazing Years 揚帆起航，再續輝煌
Forging Ahead Together for Newer Heights

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1 **Review of 2017 Results** →

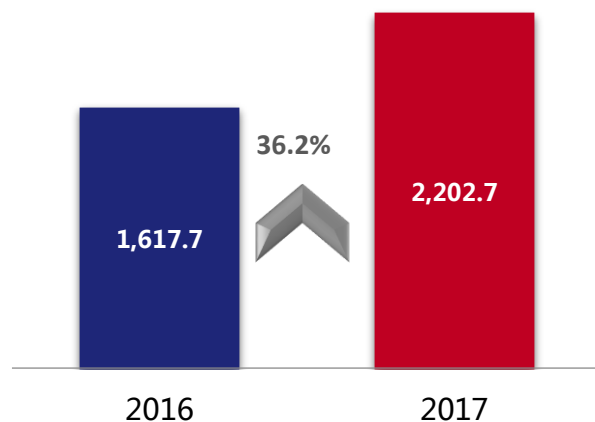
2 **2018 Outlook** →

3 **Q&A** →

Summary of results

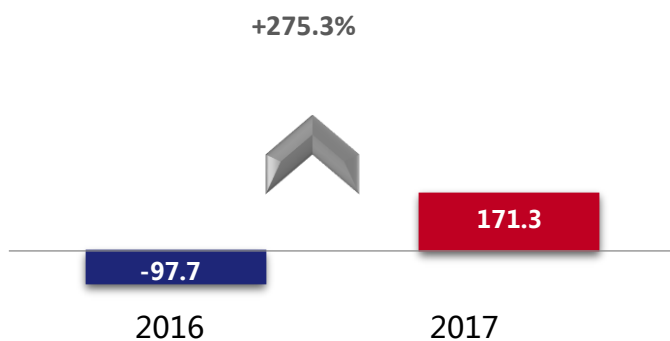
Revenue

(RMB'mn)



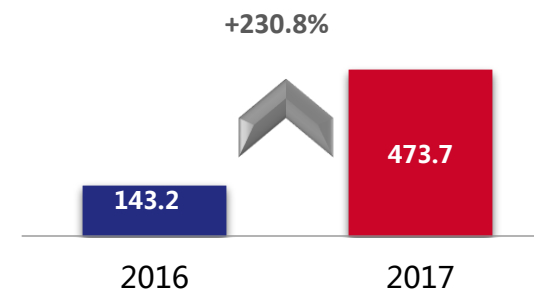
Net profit

(RMB'mn)



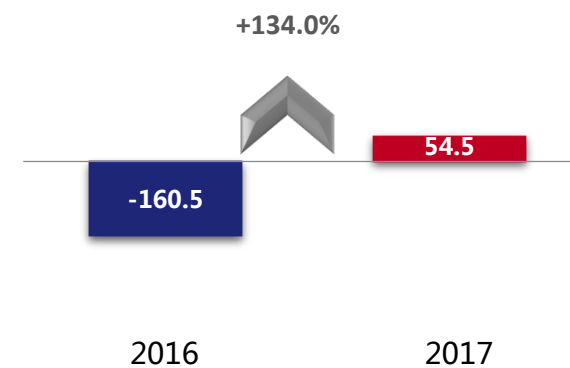
Operating profit

(RMB'mn)



Profit attributable to equity holders

(RMB'mn)



1. Completed refinancing, removed maturity risk, obtained support from financial institutions and solidified fund security

2. Recovered subsidiary- 40% equity interest of Iraq business, and increased profit attributable to equity holders

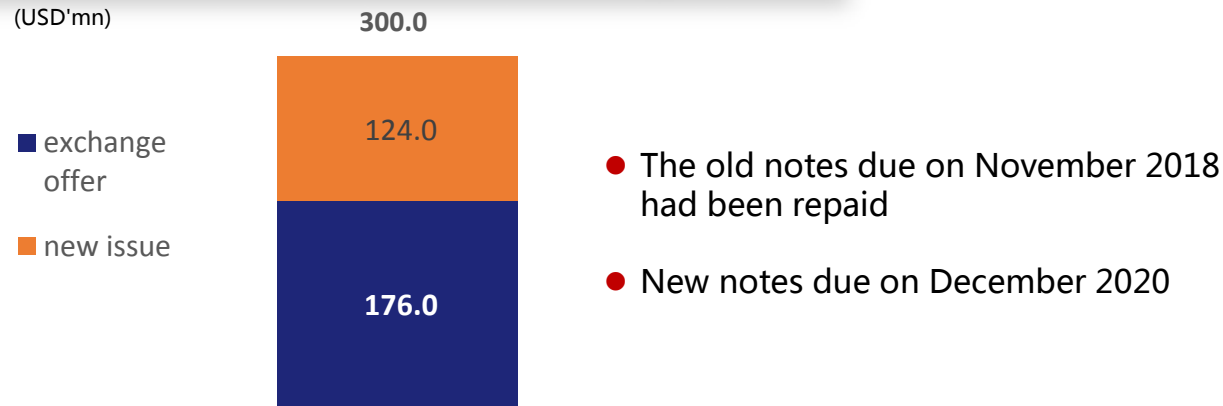
3. Oil price risen, market recovered, orders on hand fully commenced, and revenue increased

4. Optimized business structure, overseas revenue as well as revenue from 'non-Big Three*' customers increased in proportion

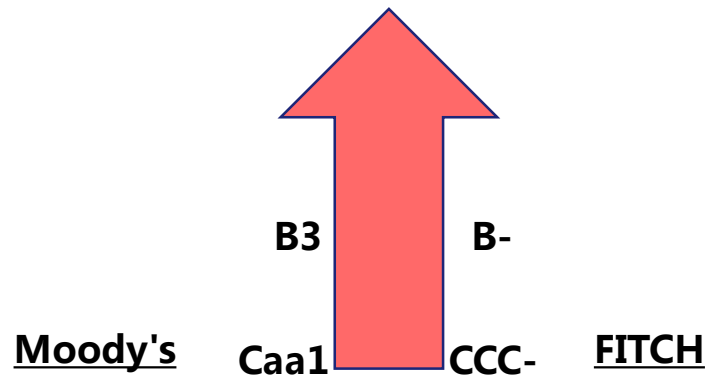
5. Full utilization of existing equipment and personnel, significant cost reduction and efficiency improvement, lead a substantial increase in profits

Completed refinancing, removed maturity risk, obtained support from financial institutions and solidified fund security

Issuance of USD300mn bond release pressure

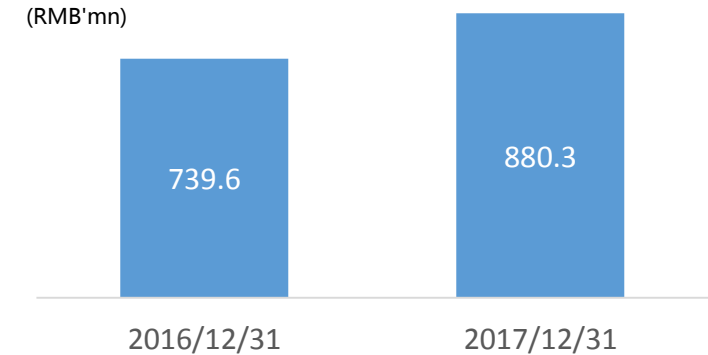


Rating Improved



Supported by domestic commercial banks, successfully rolled over ST debt

Balance of domestic short-term debt



- 100% renewal of the old loan

Cooperation with national policy financial institution, reducing overseas risk exposure



- Obtained USD15 mn of specific insurance
- Obtained corresponding credit from factoring by commercial banks
- Pilot project done, more cooperation going forward

Recovered subsidiary- 40% equity interest of Iraq business, and increased profit attributable to equity holders



Cash part

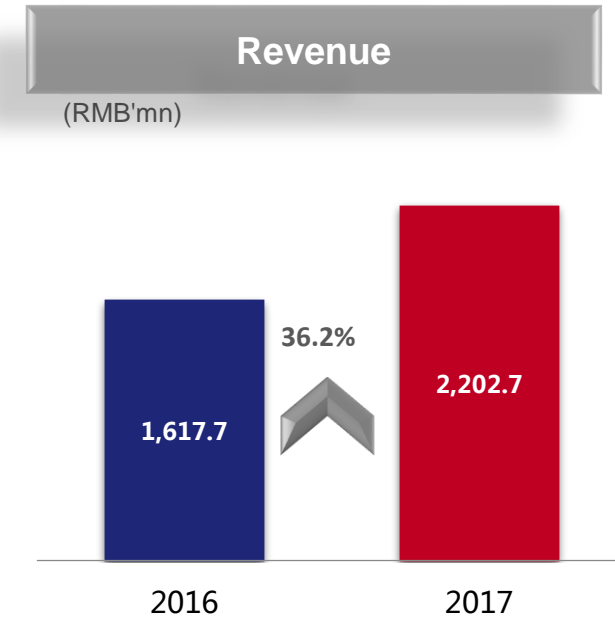
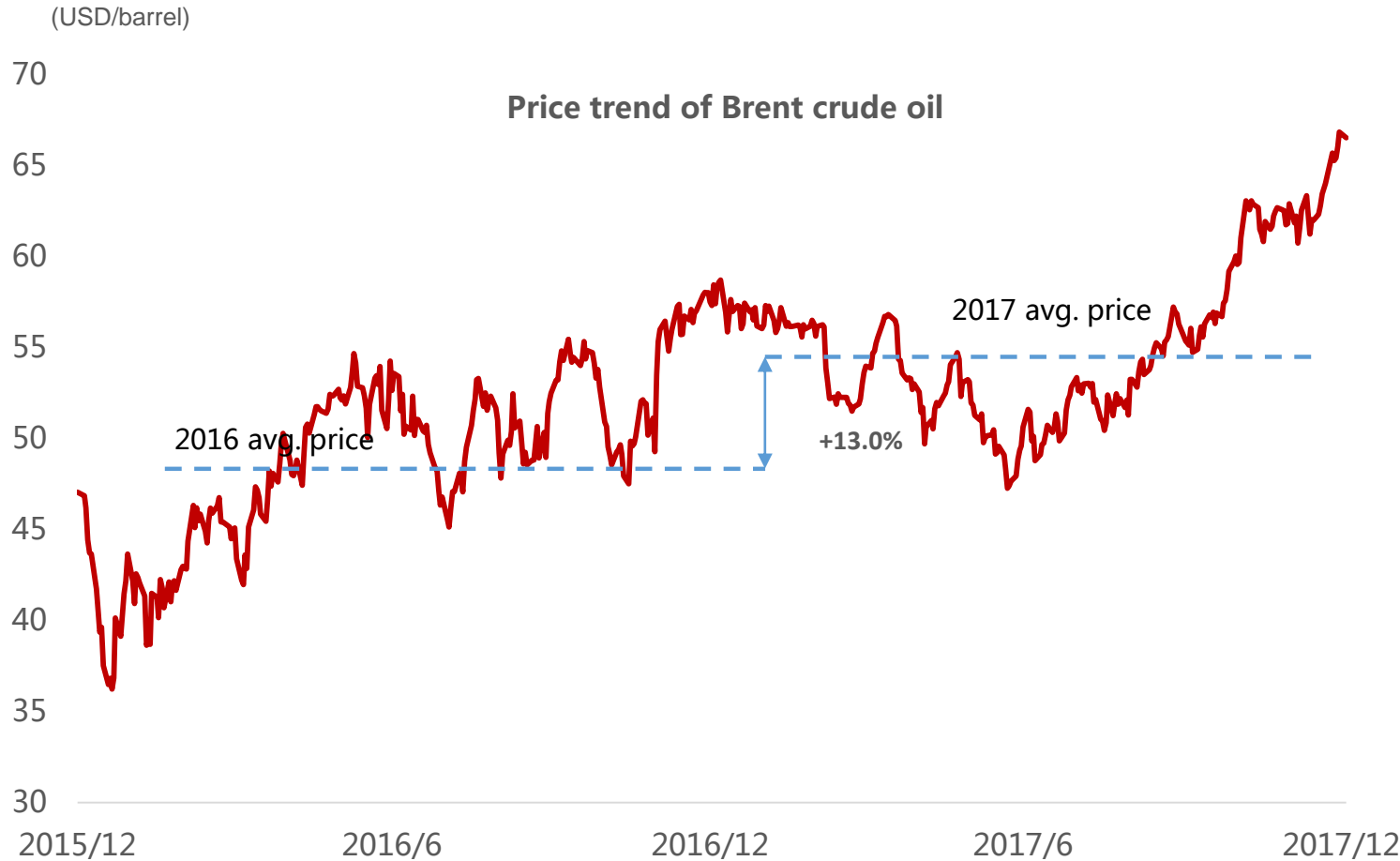
- RMB450 mn in several installations
- RMB300 mn had been paid in 2017

Stock part

- Issued approximately 330mn new shares at HKD1.014/share (total value of about RMB285 mn)
- Pending for the approval from EGM

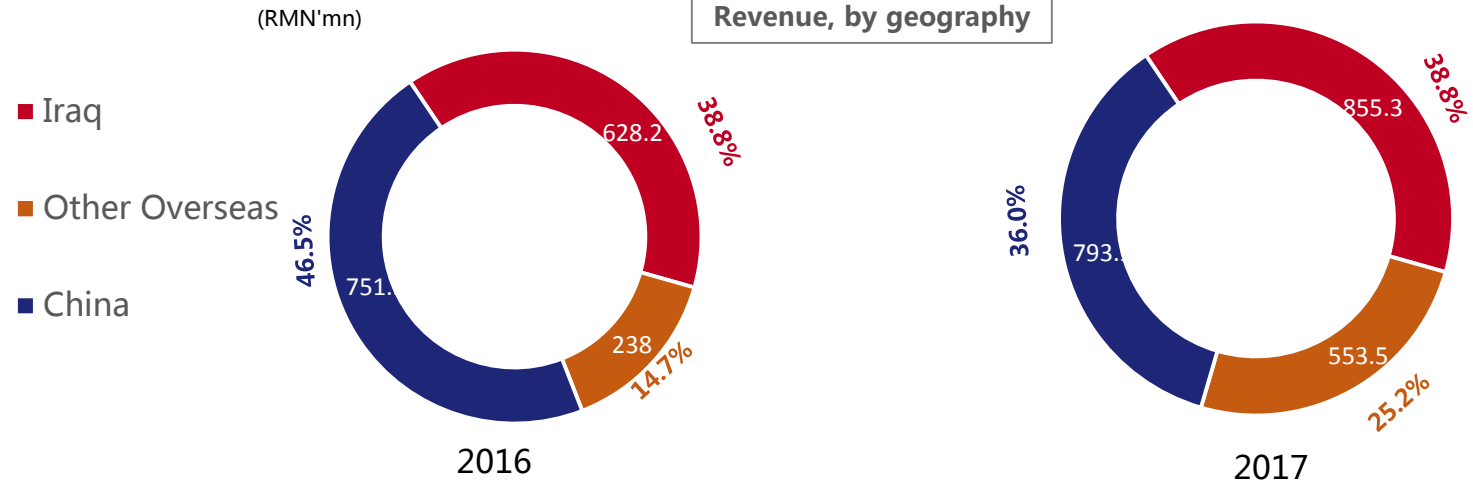
Oil price risen, market recovered, orders on hand fully commenced, and revenue increased

- Benefitting from OPEC reducing production and recover of global economy, oil price has increased as compared with 2016
- Full commencing of orders on hand lead to increased revenue



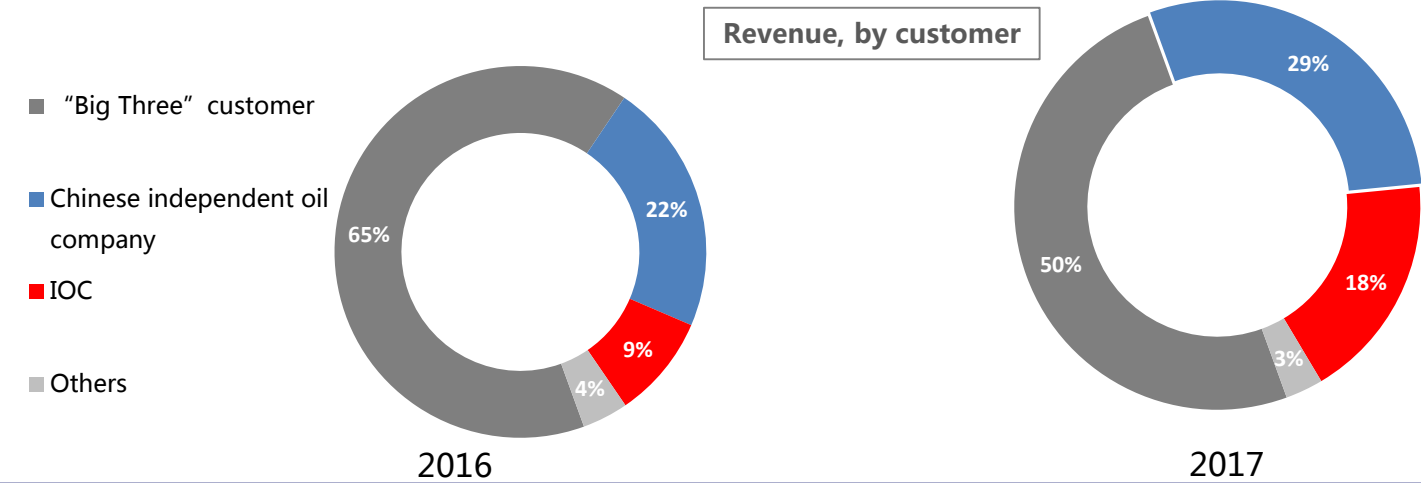
Optimized revenue structure, overseas revenue as well as revenue from 'non-Big Three' customers increased in proportion

Overseas revenue increased to 64% of total revenue, with Iraq continuing stable growth, and other overseas markets rapidly increase in scale



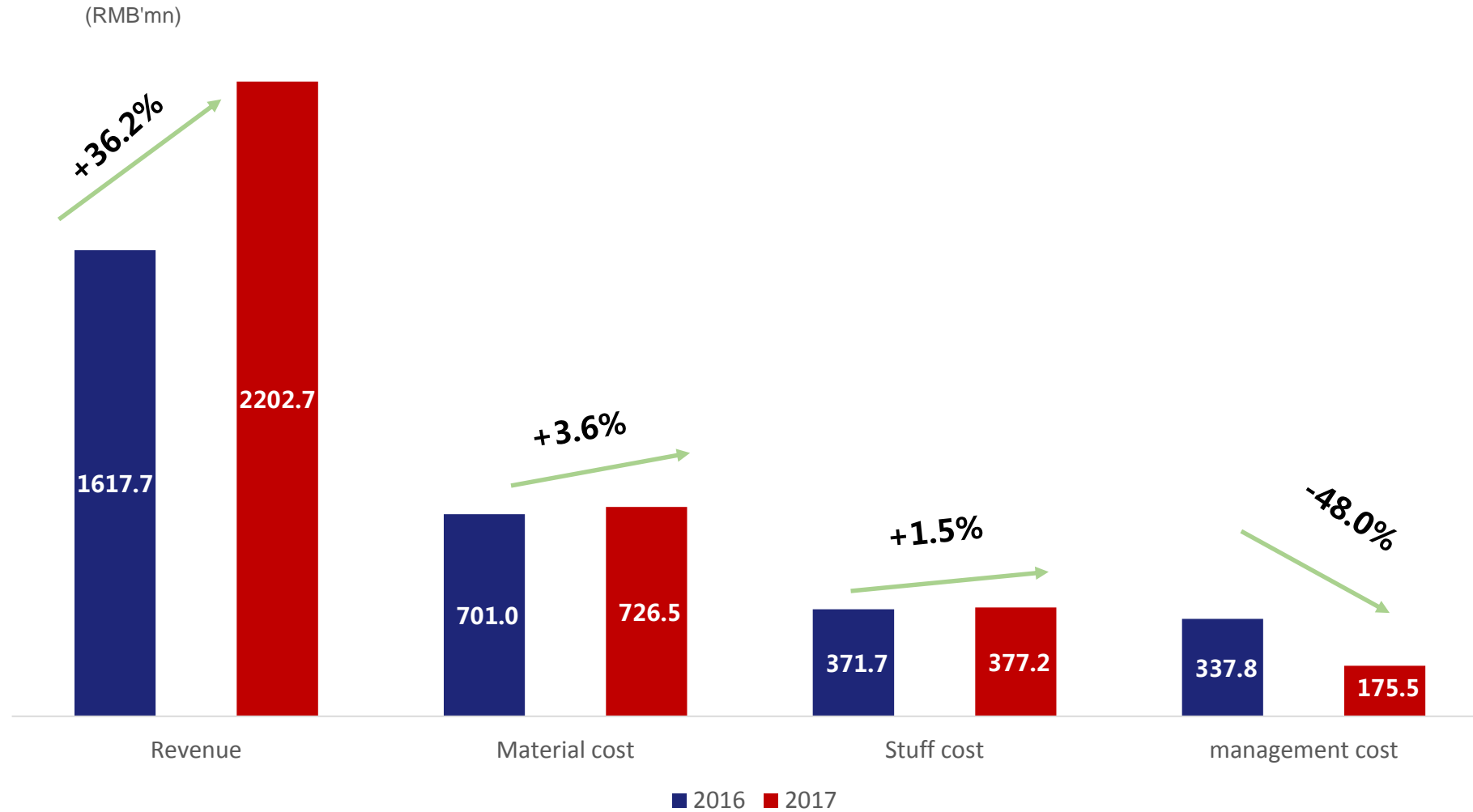
- Iraq increased 36.2% , proportion maintain at 38.8%
- Other Overseas increased 132.6% , proportion increased to 25.2%
- China increased 5.6% , proportion dropped to 36.0%

Customer base continues to optimize, and the Group gradually enters premium market of high-level customers



- Revenue proportion from IOC increased from 9% to 18%
- Revenue proportion from Chinese independent oil companies increased from 22% to 29%

Full utilization of existing equipment and personnel, significant cost reduction and efficiency improvement, lead a substantial increase in profits



1 Review of 2017 Results



2 2018 Outlook

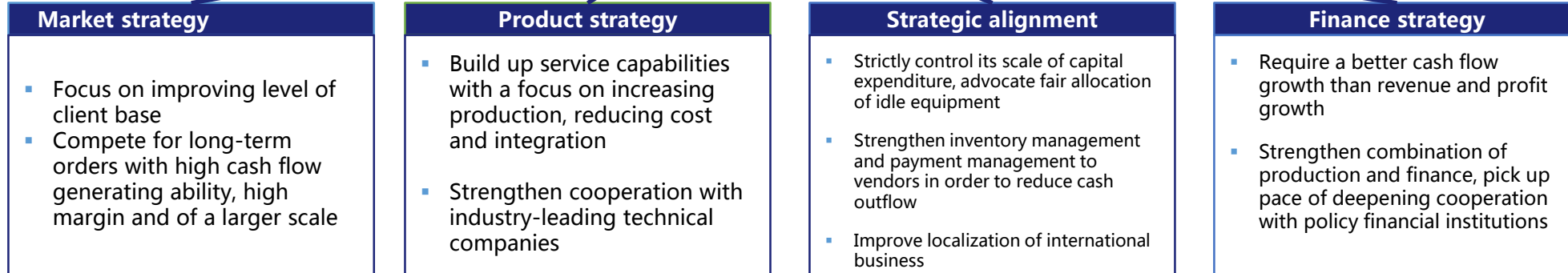


3 Q&A



strategic objective in three recent years:
becoming the most competitive cost-reducing and production-increasing integrated technology service company in the global emerging markets of oil and gas development industry

Focus on cash flow management and recover a strong operating net cash flow generating capability during the year, emphasize on business quality, increase level of internationalization, and promote the healthy growth of revenue and profit based on a growing cash flow.



Execution of plentiful orders on hand will pick up pace and safeguard the fast growth in 2018

In Iraq, multiple large projects with international oil companies are running smoothly

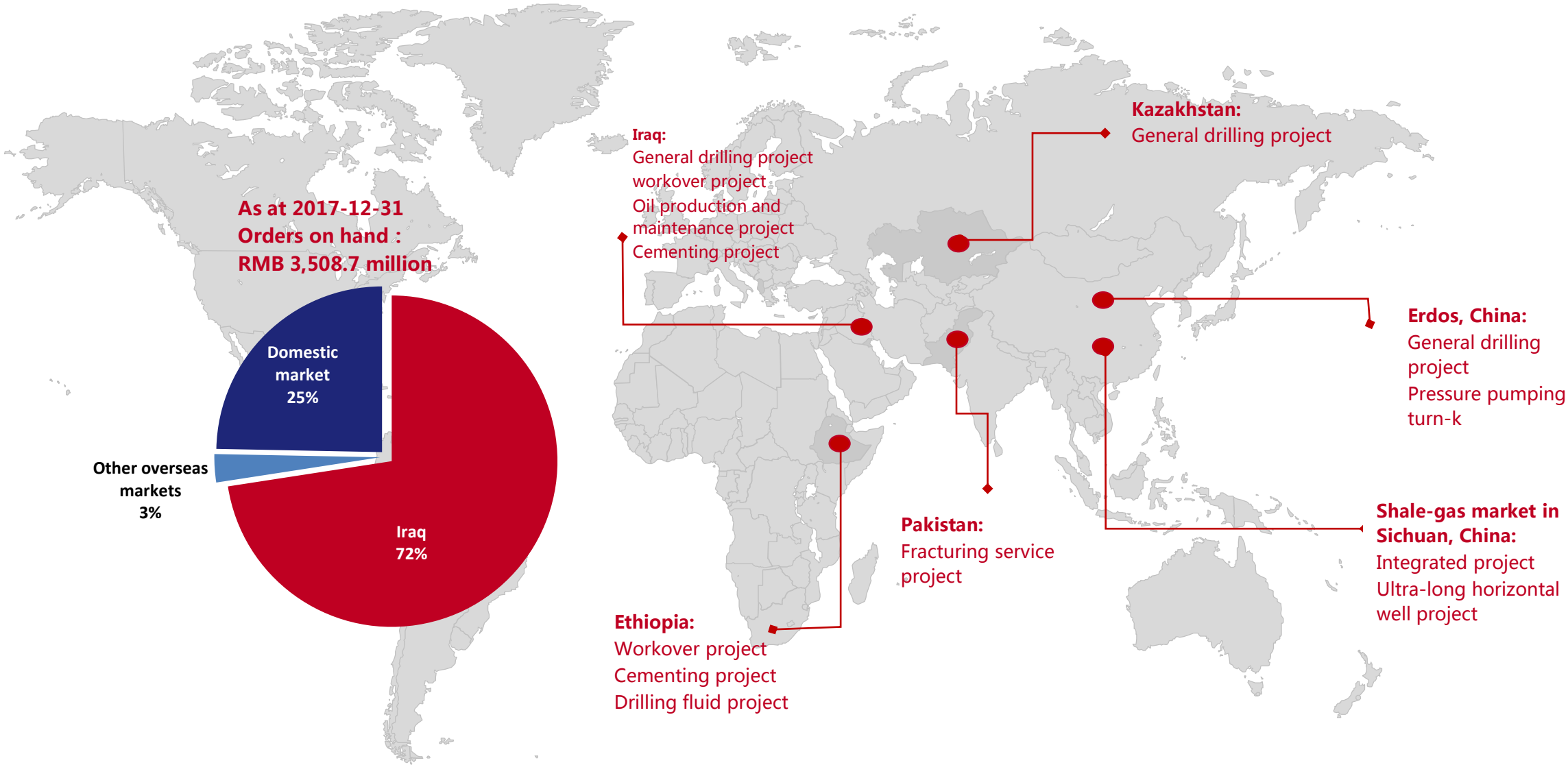
In Belt and Road market, multiple integrated projects with Chinese independent oil companies are under preparation

In Chinese market, thanks to booming in natural gas and shale gas market, we will recover growth

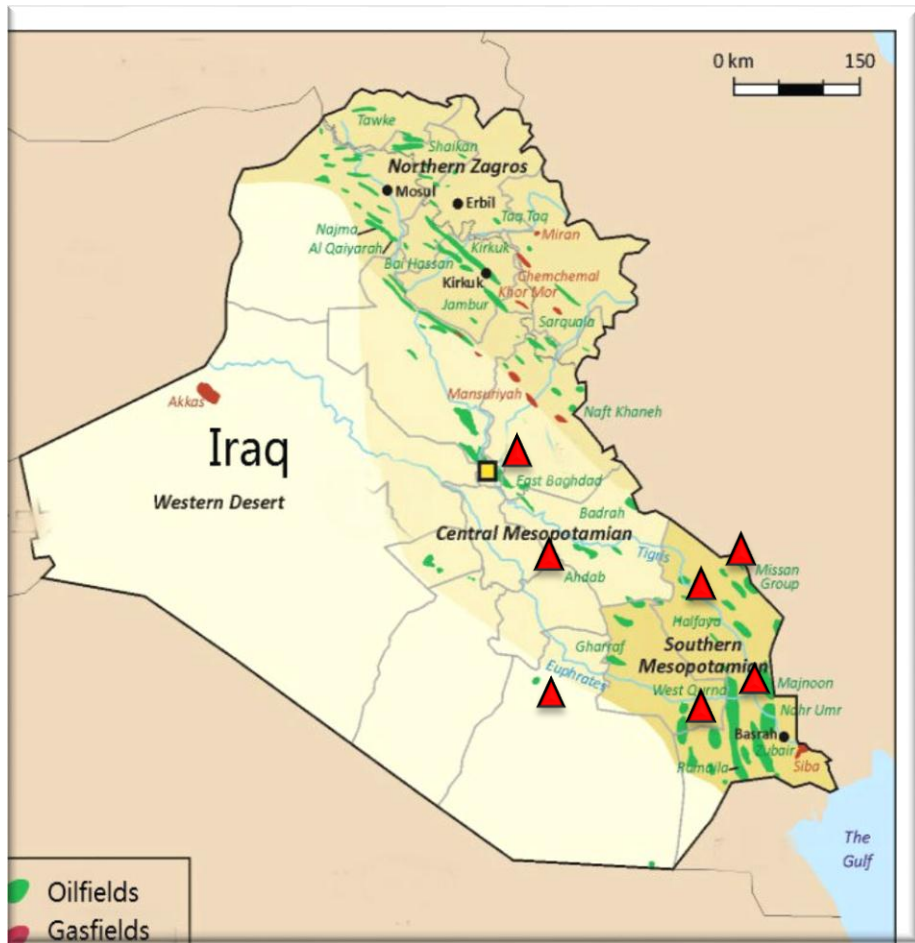
Cash is king, and we will recover strong capability to generating operating cash flow

We will push forward internationalization of talent to help international business growing

Execution of plentiful orders on hand will pick up pace and safeguard the fast growth in 2018



In Iraq, multiple large projects with international oil companies are running smoothly



Key market opportunities

- Obtained general drilling project from IOC: with a value of more than ten million USD
- Multiple projects in bidding process in center and south oilfields, with total value of several hundreds million USD

High grade customer

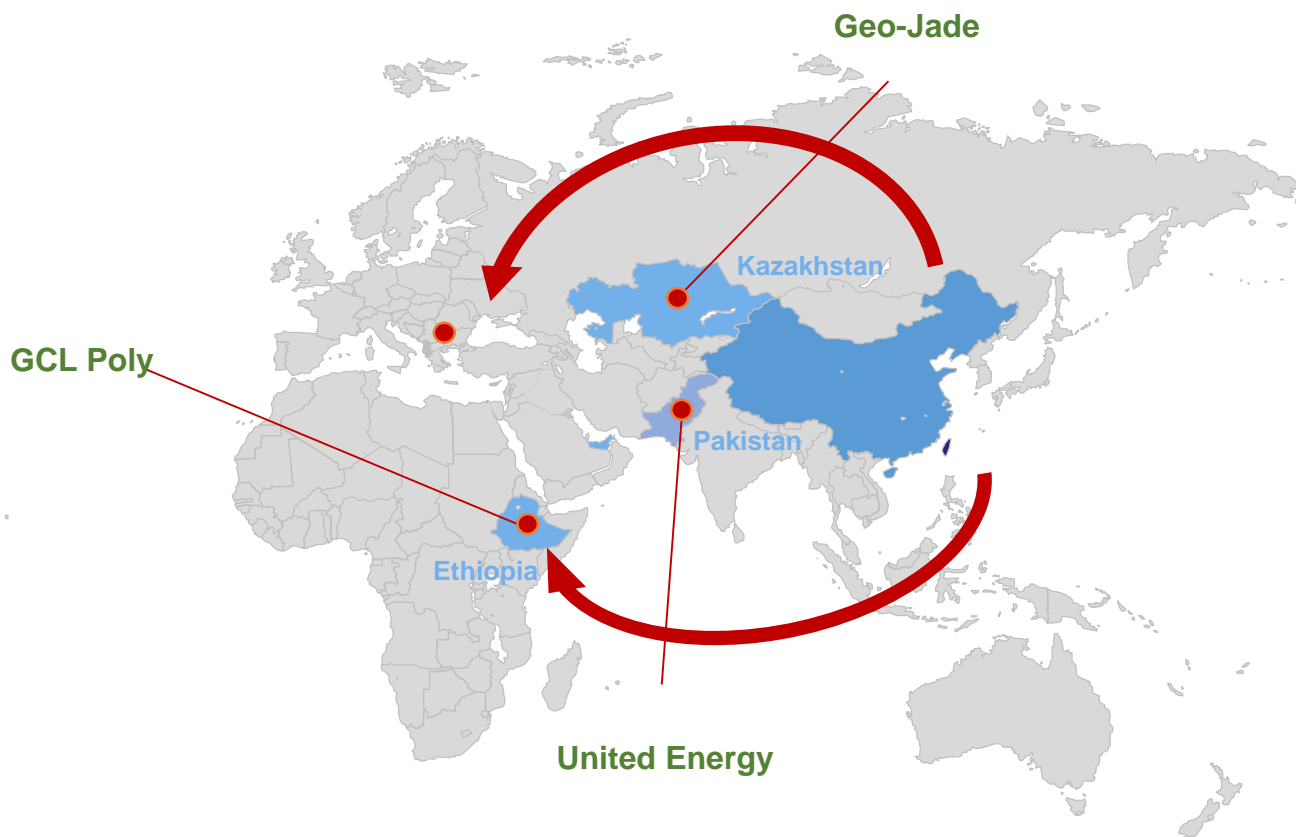
- Focus on increasing market share from large international oil companies

Government policy support

- Strong support from national policy financial institutions of Chinese companies in Iraq
- Repeated visits to Anton by Ministry of Oil of Iraq
- Anton will benefit from Ministry of Oil of Iraq's approval for Geo-Jade to operate in small oil and gas fields

In Belt and Road market, multiple integrated projects with Chinese independent oil companies are under preparation

- In O&G market of Belt and Road countries, we have the natural gene of cooperating with independent Chinese oil companies
- Thanks to strong support from national policy financial institutions, we have high hopes for projects combining production and financing to materialize in multiple markets



Potential explosive growth in Belt and Road markets

Kazakhstan:

- Cooperation with strategic clients will strengthen, with new orders in 2018 reaching about RMB130 mn

Albania:

- Cooperation model of oilfield production management under discussion with customers

Ethiopia:

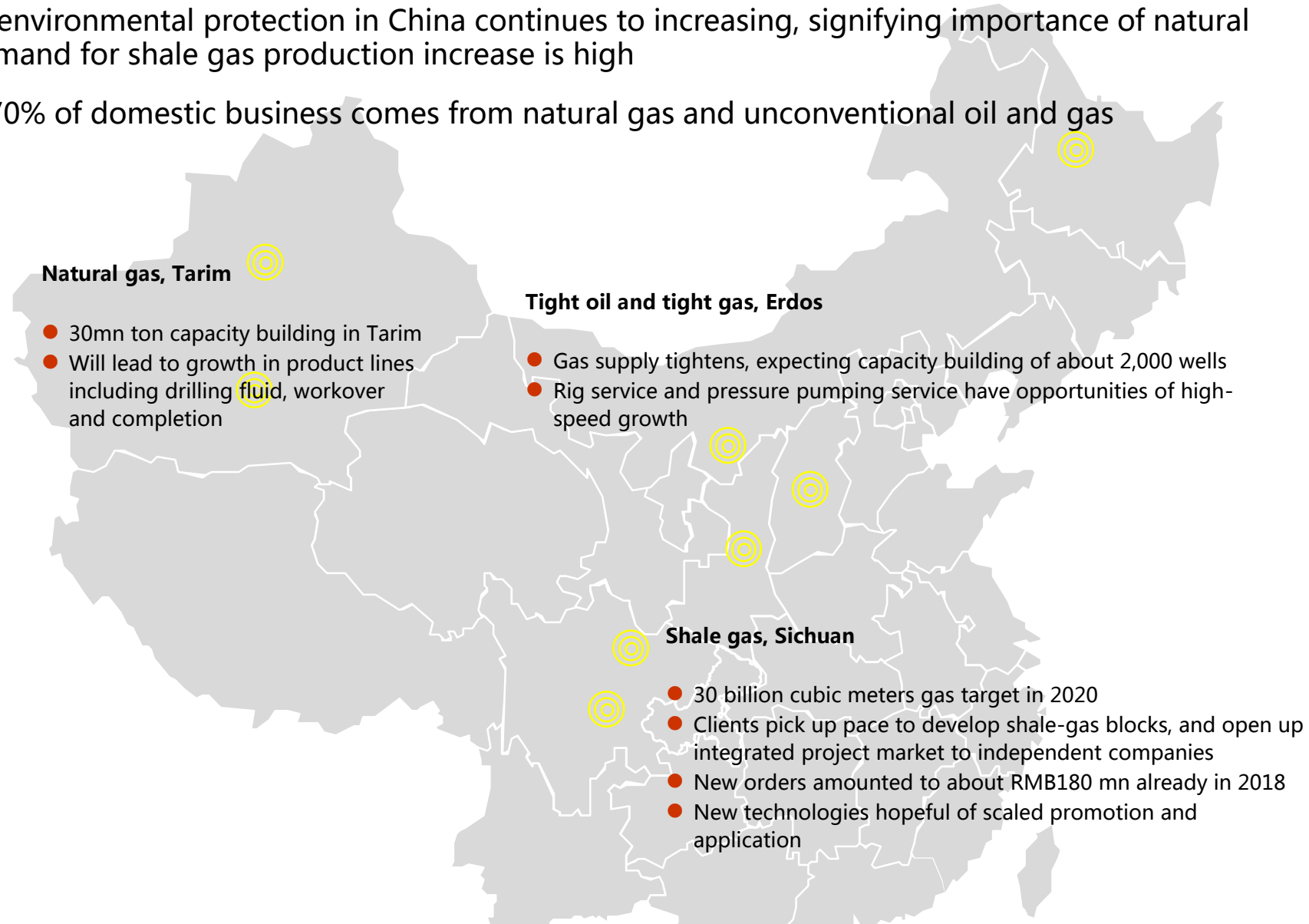
- Stable growth of existing businesses, with total value of renewed contracts in 2018 about RMB140 mn.
- Integrated services project under discussion with customers

Pakistan:

- Several integrated services project under discussion with customers

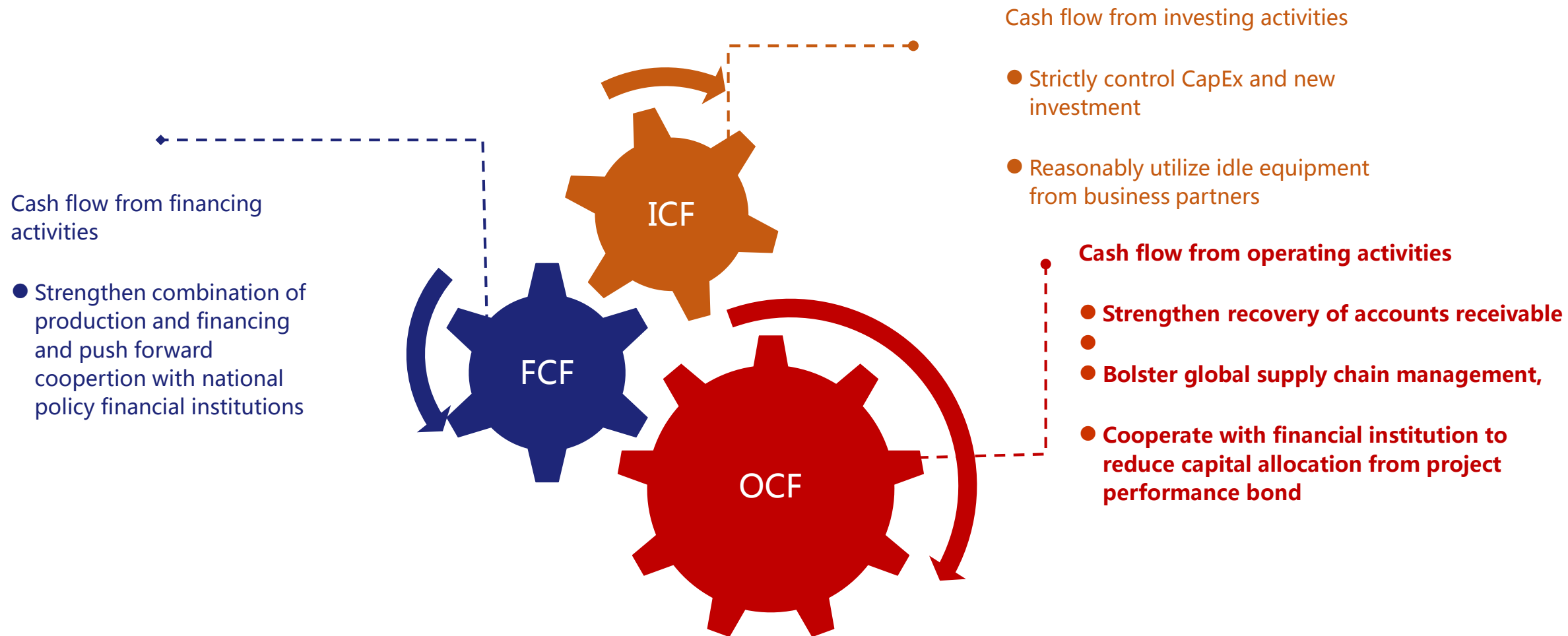
In Chinese market, thanks to booming in natural gas and shale gas market, we will recover growth

- Intensity of environmental protection in China continues to increasing, signifying importance of natural gas, and demand for shale gas production increase is high
- More than 70% of domestic business comes from natural gas and unconventional oil and gas



Cash is king, and we will recover strong capability to generating operating cash flow

- Focus on cash flow management, ensuring a healthy operating cash flow



We will push forward internationalization of talent to help international business growing



Internationalization of management

- Increase internationalization level in HQ
- Increase ratio of internationalized talents for overseas business

Business localization

- Increase ratio of local employees overseas to lower labor cost
- Increase total headcount overseas appropriately in accordance with business development

Big growth of international business

- Recruit mature talents in the industry to propel growth of international business

Outlook for 2018

- In 2018, O&G market will be brimming with activity and opportunities, with obvious signs of recovery
- Based on healthy cash flow and profit , we will get back to fast growth track

1 Review of 2017 Results



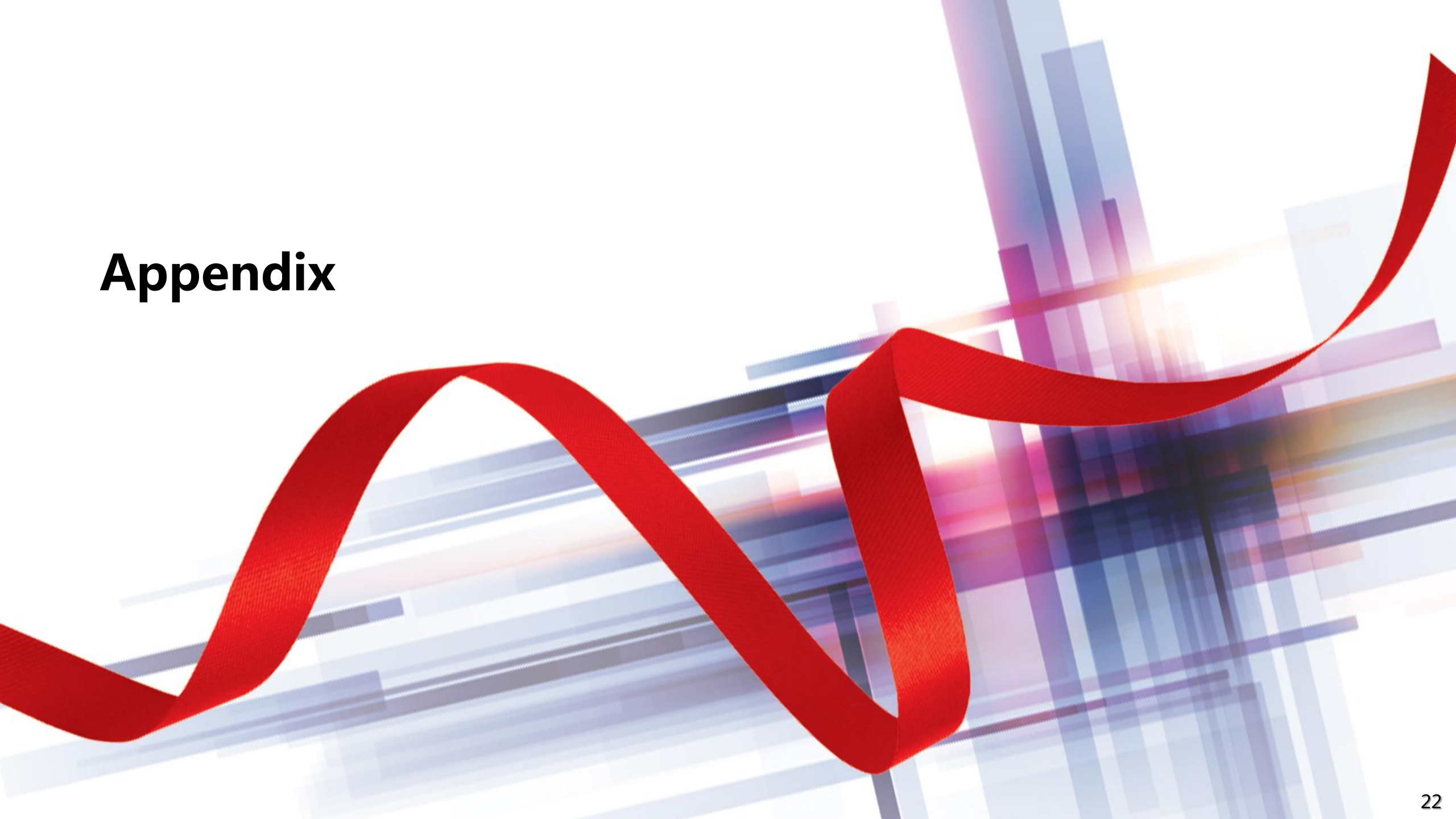
2 2018 Outlook



3 Q&A



Appendix



Appendix 1: Consolidated Income Statement

As at 31 December(RMB million)	2017	2016
Revenue	2,202.7	1,617.7
Cost of Sales	(1,373.0)	(1,073.8)
Gross Profit	829.7	543.9
Other gains, net	9.7	69.0
Selling expenses	(152.6)	(110.8)
Administrative expenses	(175.5)	(337.8)
Research and development expenses	(26.5)	(16.5)
Sales tax and surcharges	(11.1)	(4.6)
Operating Profit	473.7	143.2
Finance costs, net	(267.9)	(173.4)
Share of loss of a joint venture	(0.9)	(0.4)
Profit before Income Tax	204.9	(30.6)
Income tax expenses	(33.6)	(67.1)
Profit for the Year	171.3	(97.7)
Profit attributable to owners of the Company	54.5	(160.5)
Non-controlling interests	116.8	62.8

Appendix 2: Balance Sheet

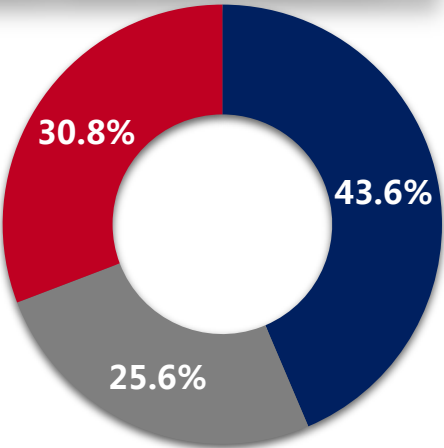
RMB million	As at 31 December 2017	As at 31 December 2016
Property, plant and equipment	2,331.6	2,272.2
Prepaid lease payments	77.6	46.9
Intangible assets	224.3	173.2
Interest in a joint venture	2.7	3.6
Other non-current assets	304.8	56.7
Deferred income tax assets	63.7	52.3
Inventories	597.2	781.2
Trade and notes receivables	1,760.4	1,298.0
Prepayments and other receivables	467.0	672.2
Restricted bank deposits	415.1	381.3
Term deposits with initial term of over three months	-	11.0
Cash and cash equivalents	1,133.1	507.3
Total Assets	7,747.5	6,661.3
Capital and reserves attributable to owners of the Company	2,558.0	1,544.9
Non-controlling interests	389.0	432.0
Total Equity	2,947.0	1,976.9
Non-current liabilities	1,932.7	2,504.2
Current liabilities	2,867.8	2,180.2
Total liabilities	4,800.5	4,684.4
Total equity and liabilities	7,747.5	6,661.3

Appendix 3: Cash Flow Statement

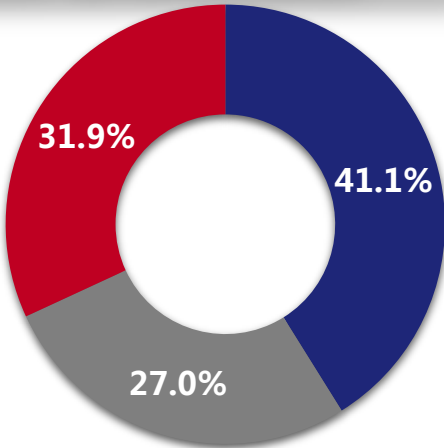
As at 31 December (RMB million)	2017	2016
Net cash generated from operating activities	195.6	115.6
Net cash used in investing activities	(399.5)	(422.1)
Net cash generated from financing activities	862.9	337.9
Net increase in cash and cash equivalents	659.0	31.4
Cash and cash equivalents at beginning of the year	507.3	458.2
Exchange (loss)/gain on cash and cash equivalents	(33.1)	17.7
Cash and cash equivalents at end of the year	1,133.1	507.3

Appendix 4: Business Cluster Mix

2017 Revenue Breakdown

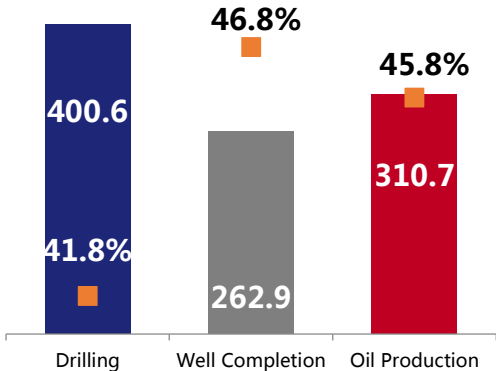


2017 EBITDA Breakdown

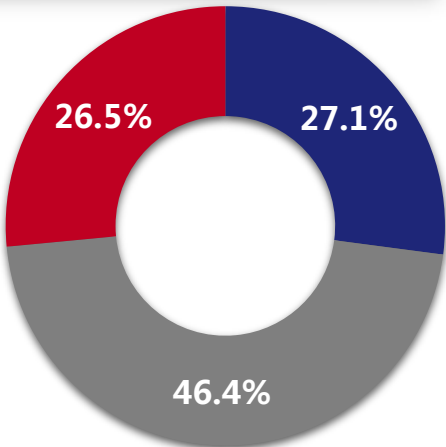


2017 EBITDA/EBITDA Margin

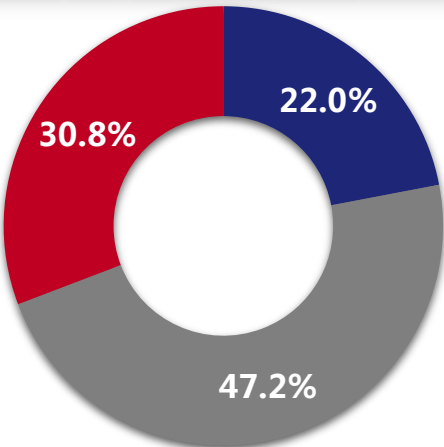
RMB million



2016 Revenue Breakdown

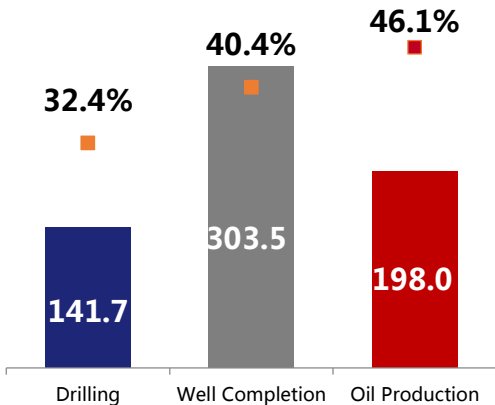


2016 EBITDA Breakdown



2016 EBITDA/EBITDA Margin

RMB million



Appendix 5: Cost Analysis

Costs / Expense by function	2017	2016	Change	2017	2016	Change
	% of Revenue			RMB million		
			%			%
Cost of sales	62.3%	66.4%	-4.0%	1,373.0	1,073.8	27.9%
Selling expenses	6.9%	6.8%	0.1%	152.6	110.8	37.7%
Administrative expenses	8.0%	20.9%	-12.9%	175.5	337.8	-48.0%
R&D expenses	1.2%	1.0%	0.2%	26.5	16.5	60.6%
Sales tax & surcharges	0.5%	0.3%	0.2%	11.1	4.6	141.3%
Finance expenses	12.2%	10.7%	1.4%	267.9	173.4	54.5%
Income tax expenses	1.5%	4.1%	-2.6%	33.6	67.1	-49.9%

Costs / Expenses by nature	2017	2016	Change	2017	2016	Change
	% of Revenue			RMB million		
			%			%
Material & services	33.0%	43.3%	-10.4%	726.5	701.00	3.6%
Staff overhead	17.1%	23.0%	-5.9%	377.2	371.70	1.5%
Depreciation & amortization	9.9%	12.8%	-2.9%	218.0	207.5	5.1%
Other expenses	17.9%	16.3%	1.6%	395.0	264.1	49.6%

Appendix 6: Product Line Summary

Drilling Technology Cluster	Description
Integrated Services Management	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 Drilling Services	Implements project organization and economic assessment through reservoir geological assessment and integrated geological and engineering design
Directional Drilling	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
Drilling and Completion Fluid Service	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 Technology Cluster	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
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

Appendix 6: Product Line Summary

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

Appendix 6: Product Line Summary

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

Thank You

