



ANTON 安東

2016 Annual Results

2017/03/28

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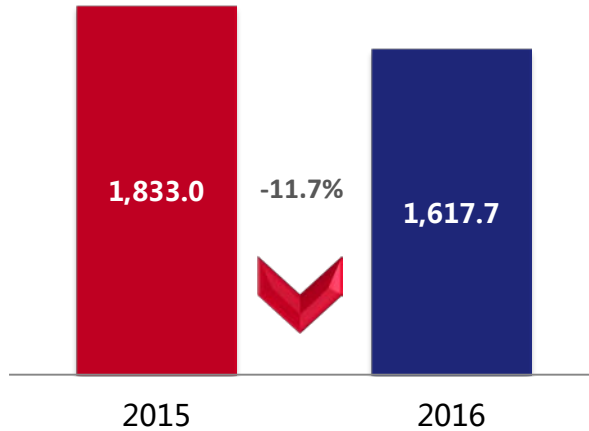
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- 1** 2016 Annual Results Summary
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2016 Annual Results Summary

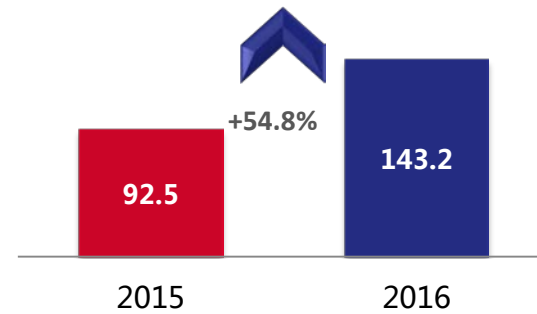
Revenue

(RMB million)



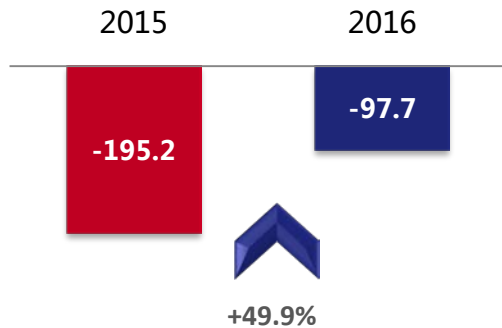
Operating Profit

(RMB million)



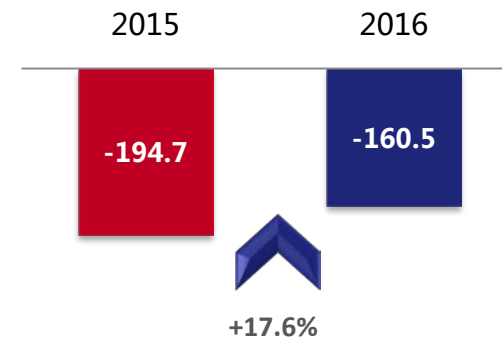
Net Profit

(RMB million)



Profit Attributable to Equity Holders of the Company

(RMB million)



Oil price was at its lowest in 12 years, market was weak, and revenue decreased

Market distribution was optimized, with overseas revenue surpassing domestic revenue, and revenue from non-3 majors* clients increasing proportion dramatically

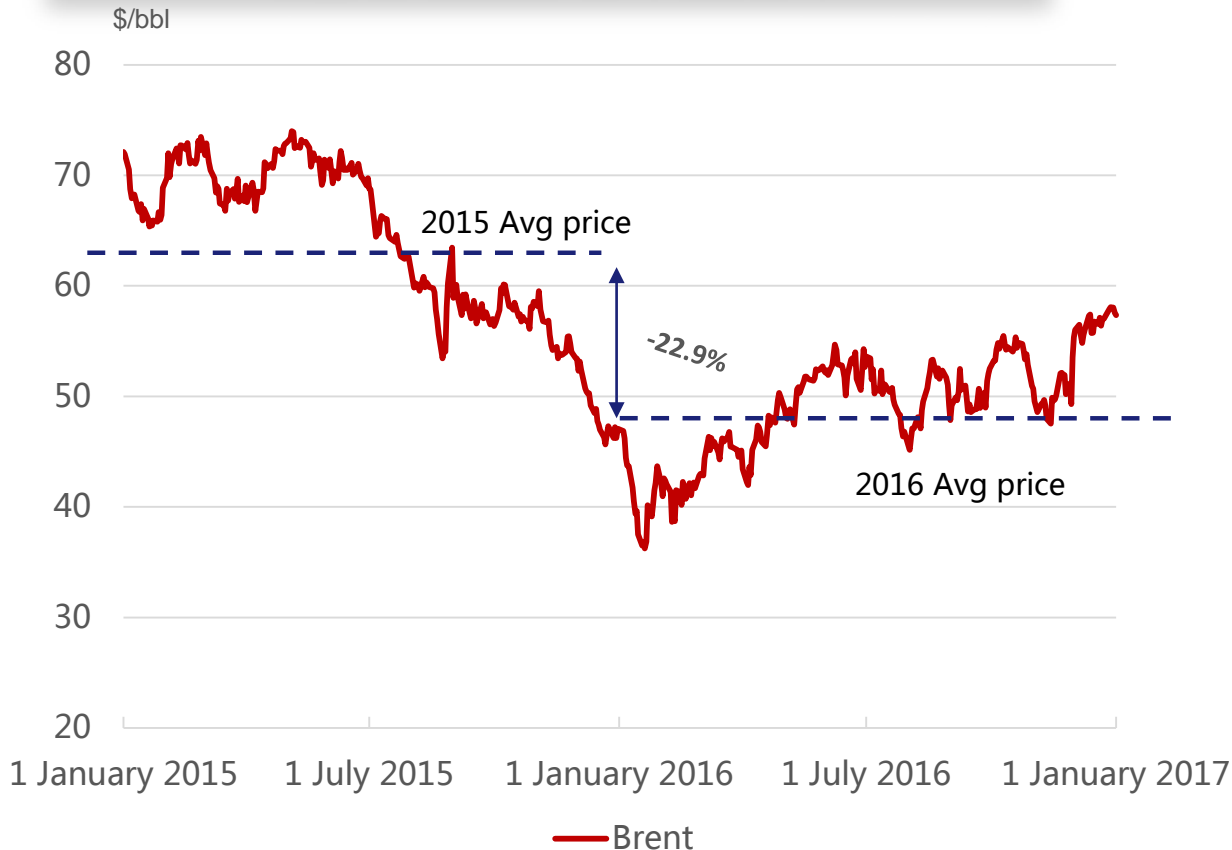
Significant results were achieved from reducing cost and boosting efficiency, with raw material, human resources and financial cost all decreasing

Financial strain was relieved through bank financing, asset sale and equity offering

The Group conducted internationalized technology cooperation, and is fully prepared for recovery

Weak market and decreasing revenue

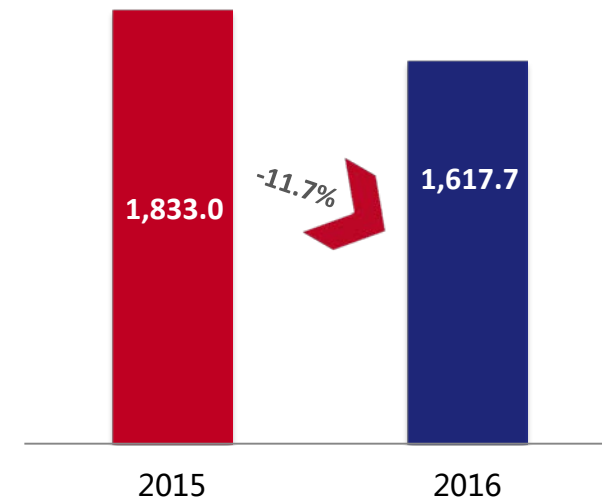
Oil price between 2015 and 2016



resources:
Bloomberg

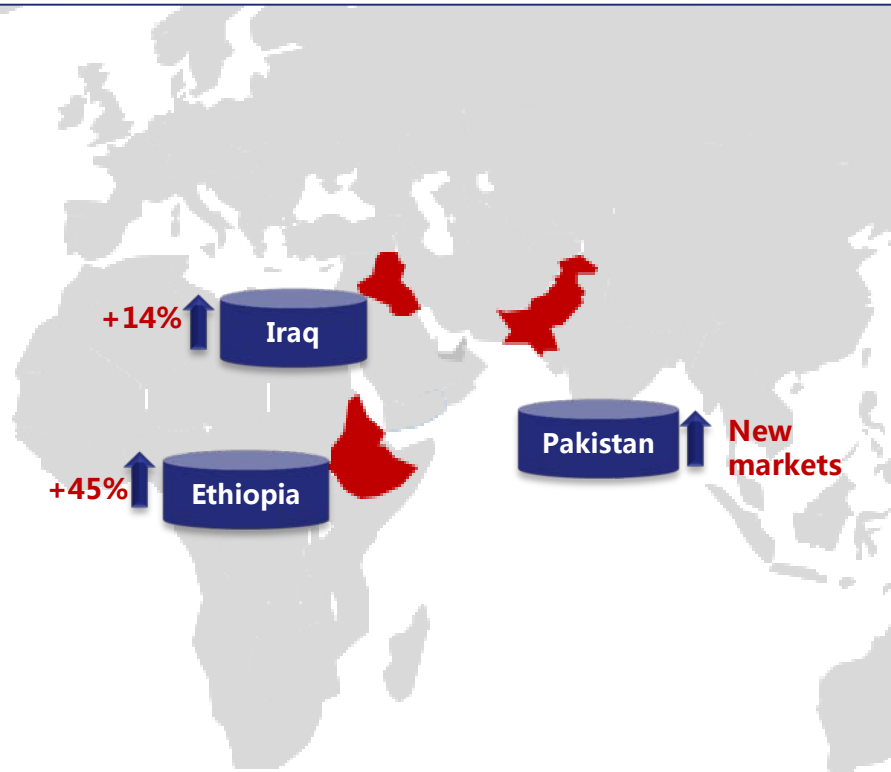
Revenue

(RMB million)



- In first half of 2016, oil price touched a new low in 12 years, and Brent dropped about 22.9% in average from 2015 to 2016. Clients have delayed project commencing and revenue has dropped.

Achieved major breakthrough cooperating with IOCs, with high growth in new markets



Existing markets: major breakthrough in working with international oil companies

- In Iraq, major breakthrough cooperating with international oil companies was achieved, winning several large-scale long-term projects.

New markets: followed Chinese investors into new emerging markets overseas

- Experienced huge growth in Ethiopia
- Entered the Pakistan market

New domestic markets: participated in non-3 majors clients' projects

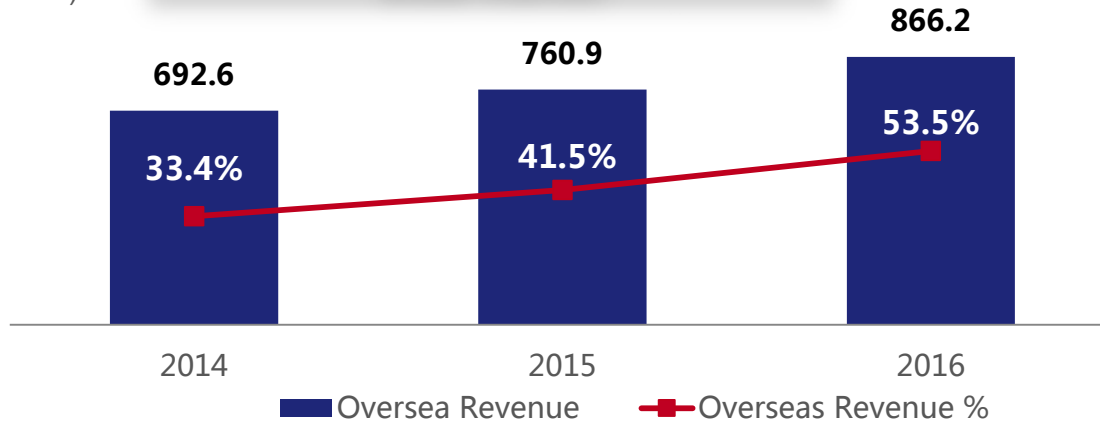
- Won multiple CBM projects from new clients



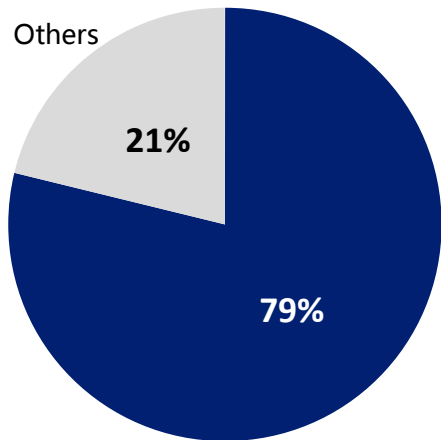
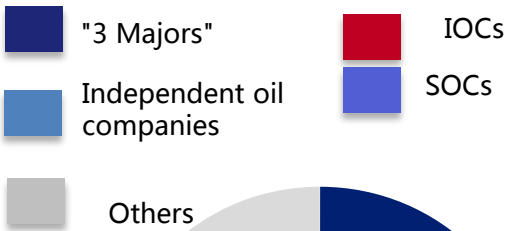
Overseas business grew and arger proportion from non-3 majors clients

Continued overseas growth against weak market

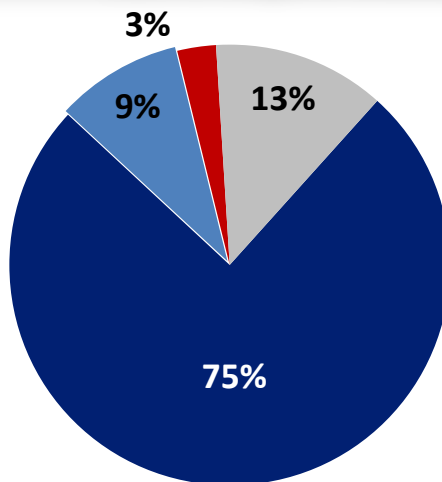
(RMB Million)



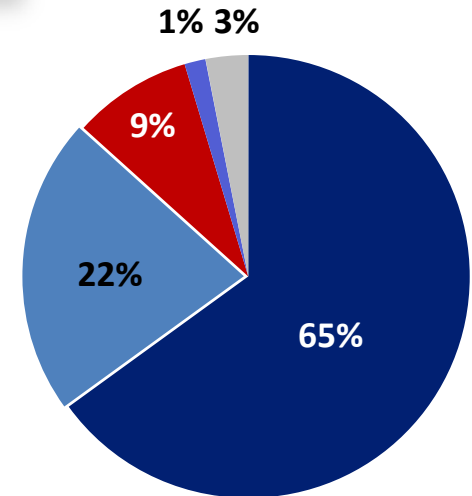
Large increase of proportion from non-3 majors clients



2014

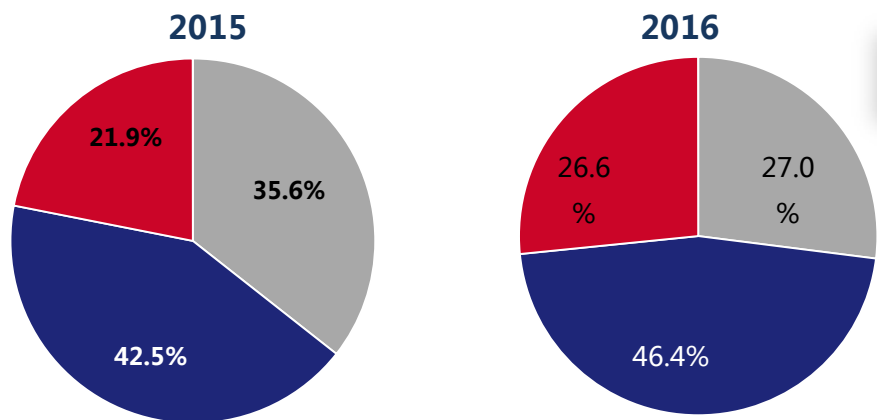


2015

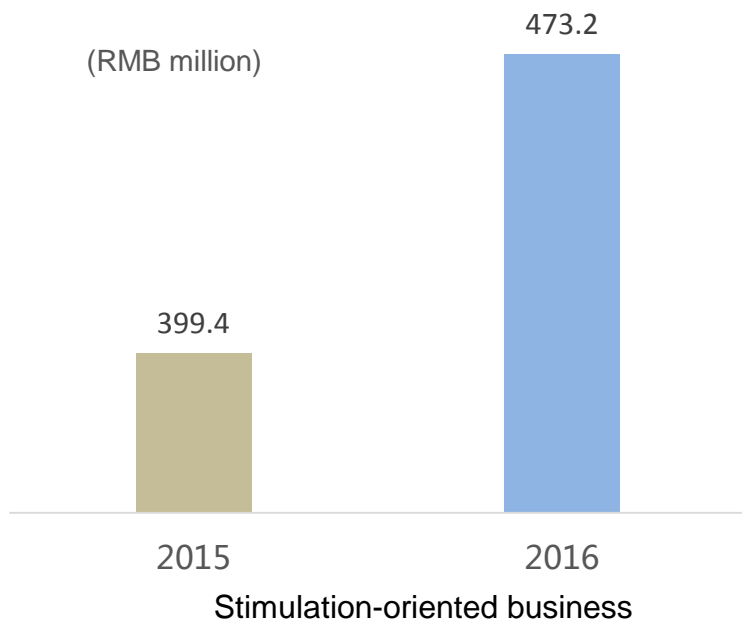


2016

Adjusted revenue distribution with growth in stimulation, cost reduction and integration-oriented businesses



■ Drilling ■ Completion ■ Production



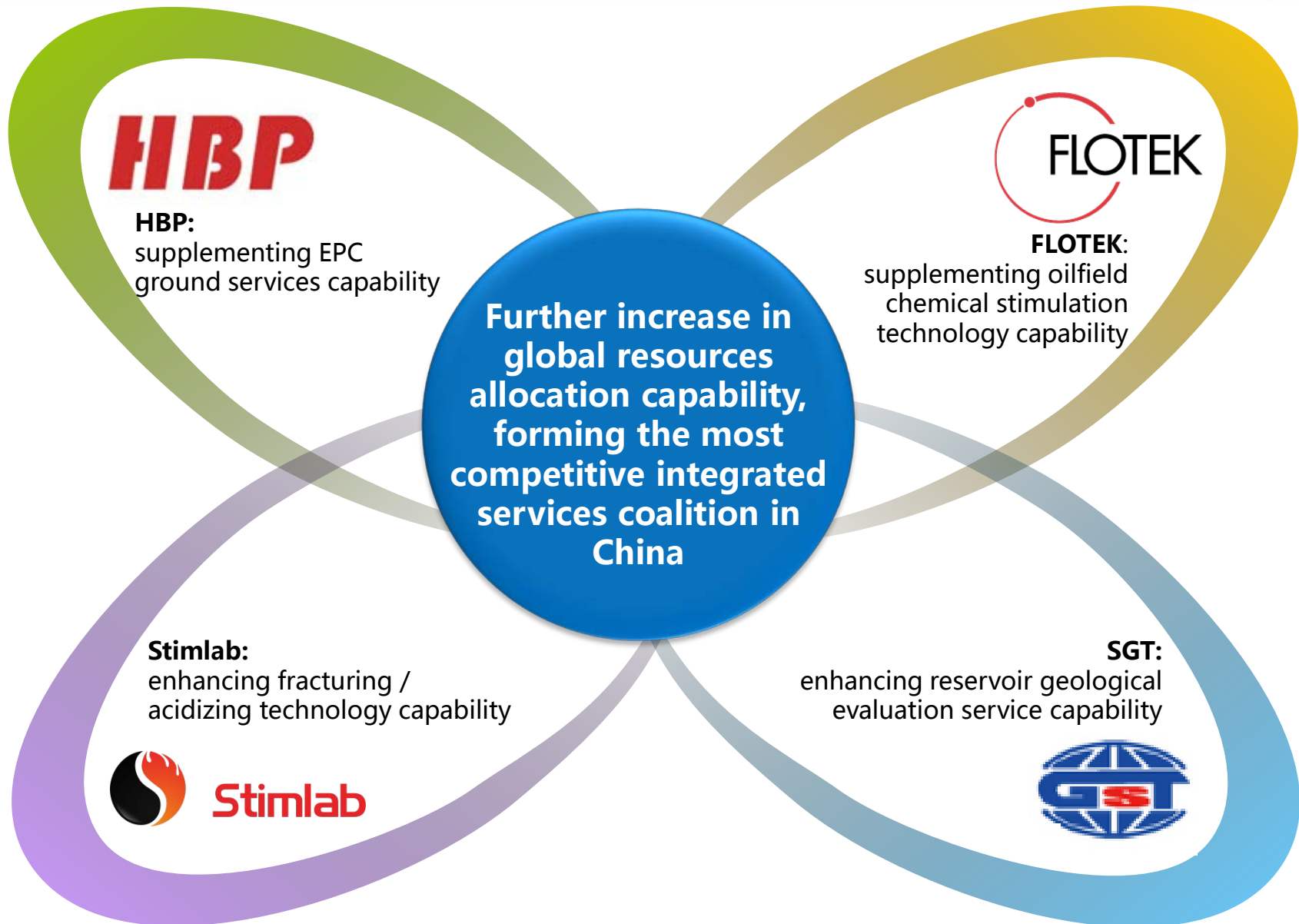
Long-term contract model

- The Group obtained multiple long-term service contracts from the same client in Iraq, providing mainly production services. This segment has witnessed continued growth in revenue and revenue proportion.

Stimulation-oriented business thrived

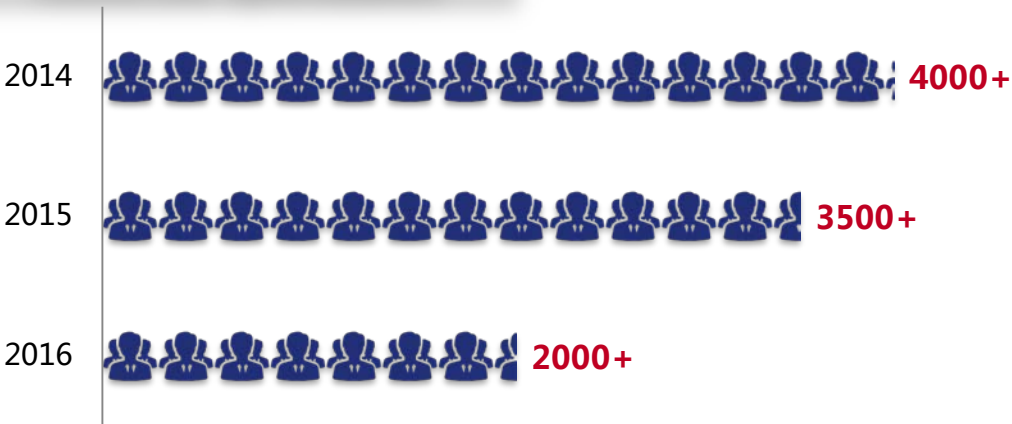
- Coiled tubing, pressure pumping and chemical stimulation, which specialize in stimulation and cost reduction, thrived in 2016, and their revenue has increased significantly
- Pressure pumping had allocated 10,000 WHP capability to both Iraq and Pakistan. Coiled tubing has a large scale of development with a processing of its international allocation.

Commenced international technological cooperation and formed the most competitive integrated services coalition in China



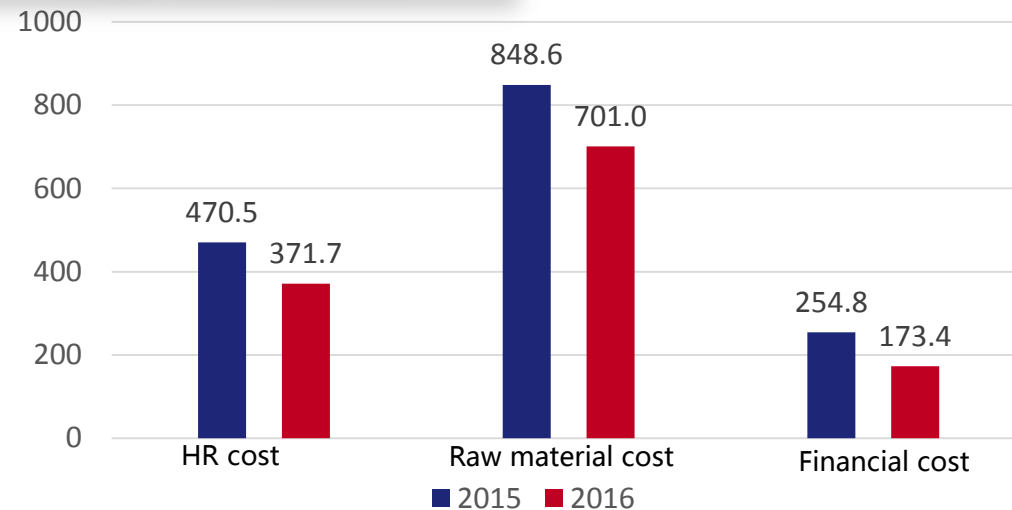
Optimized human resources with large cost reduction

Lower cost from human resources optimization



Large cost reduction

(RMB million)



-42.8%

Headcount decreased about 42.8% from 2015

-21.0%

HR cost decreased about 21.0% from 2015

-17.4%

Raw material cost decreased about 17.4% from 2015

-31.9%

Financial cost decreased about 31.9% from 2015

Optimized capital structure, broadened financing channels, and eased financial pressure



1

Deepened cooperation with commercial banks

- Signed strategic cooperation agreement of RMB2 billion with SPD Bank
- Consolidated facility cooperation with multiple banks



2

Introduced HBP as strategic partner in Iraq business

- Sold 40% of equity interest in Iraq business for RMB700 million

3

Introduced strategic investors of oil company and technological cooperation partner

- Geo-Jade Petroleum, about 8.33%
- HBP, about 4.0%





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Oil price will gradually recover with improving market sentiment and recovering industry

Expecting the beginning year of high growth, with full-scale commencement of ample orders on hand, the Group will come back strong in 2017

Cooperation with IOCs will further scale up, and new markets will prosper with limitless possibilities

Stimulation-oriented services will have a larger proportion of revenue, and the Group will focus on building reservoir geological technology capabilities

The Group will emphasize the importance of cash, and take multiple measures to ensure healthy cash flow

With ample orders on hand, project execution will pick up

3,158 million

As at 31 December, 2016, orders on hand are at historical high of RMB3,158 million

Double-digit growth

In Q1, order execution experienced double-digit growth compared with the same period in 2016

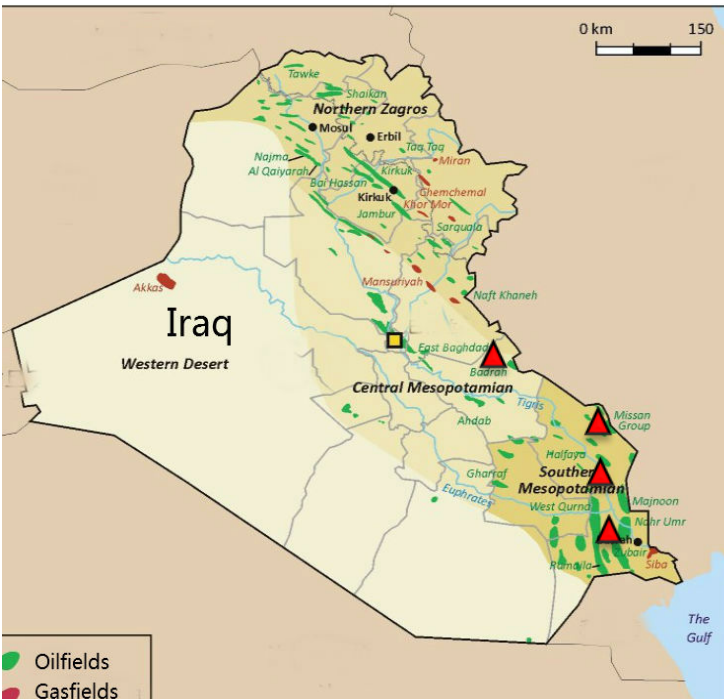
3 billion

As at present, about 3 billion worth of orders have commenced operations:

- ✓ **Iraq workover and completion integrated project** (RMB940 million)
- ✓ **Iraq production operations and maintenance project** (RMB460 million)
- ✓ **Drilling services of 5 rigs in domestic market** (RMB55 million)
- ✓ **Iraq fracturing services project** (RMB100 million)
- ✓ **Iraq drilling services project** (RMB330 million)
- ✓ **Domestic CBM integrated projects** (RMB65 million)



Iraq will continue its rapid growth



Full commencement of about RMB2.4 billion of orders on hand

- Production operation and maintenance project (RMB460 million), the client sped up construction process and will complete the contract early
- Workover and completion integrated project (RMB960 million), the Group has completed construction of first well with ample subsequent workload
- Fracturing services project (RMB100 million), the trial well has outperformed expectation, raising production from about 100bbl/day to 600bbl/day
- Drilling services project (RMB330 million), the Group has received official notice from client to prepare for commencement



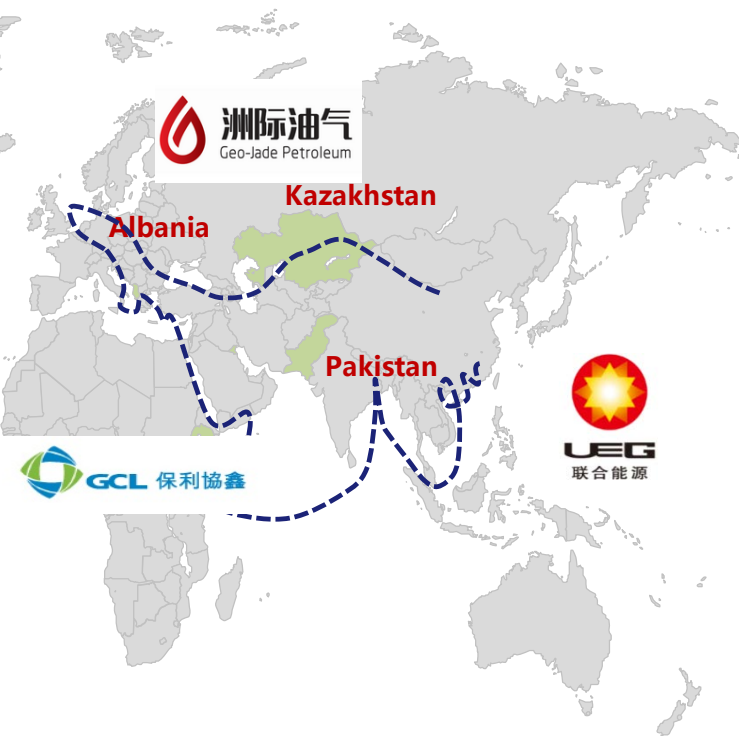
Fully enter IOC market

- Continue to expand cooperation with IOCs including LUKOIL, PETRONAS and GAZPROM
- Explore opportunities with IOCs including BP and SHELL

Continue the “follow-up” strategy and enter new markets with limitless potentials

Overall Planning

Continue the “ follow-up” strategy and enter new markets, and aim to enter and develop 1~2 overseas markets per year



----- “the Belt and Road” Economy Zone

Existed markets—Steady Growth of Ethiopia

- Actively seek for opportunities and bring more product lines into this market

Entered Markets-large scale development of Pakistan

- Larger workload for fracturing services, and opportunities for large-scale cooperation in shale-gas projects
- Enhance geological reservoir support and compete for production risk-linked stimulation service projects
- Aim to build another “Iraq market”

New markets

Kazakhstan and Albania

- Huge potential with shareholder and strategic partner as our client
- Anton’ s technological support will stimulate production potentials

Other Asia and Africa markets

- Continue to watch out for potential opportunities to enter new markets

Domestic unconventional market opportunities

Huge room of growth for shale gas

The Thirteenth Five-Year Plan aims to achieve 30 billion cubic meter of shale gas production by 2020

Shale gas projects

Ultra-long horizontal well integrated services will drive up workload, service price for drilling and fracturing will be increased

CBM projects

Guizhou and Shanxi CBM stimulation services and integrated projects will bring workload to the Group



Service model optimization will help improve revenue distribution

Higher proportion of stimulation-oriented services

- Stimulation-oriented services will have higher proportion of revenue

Greater revenue from reservoir geological services

- The Group will strengthen the reservoir geological services capability and take on large-scale integrated reservoir geological related projects

Larger scale of same-client services

- The Group will providing more product lines and services to same clients or countries, increase scale of services

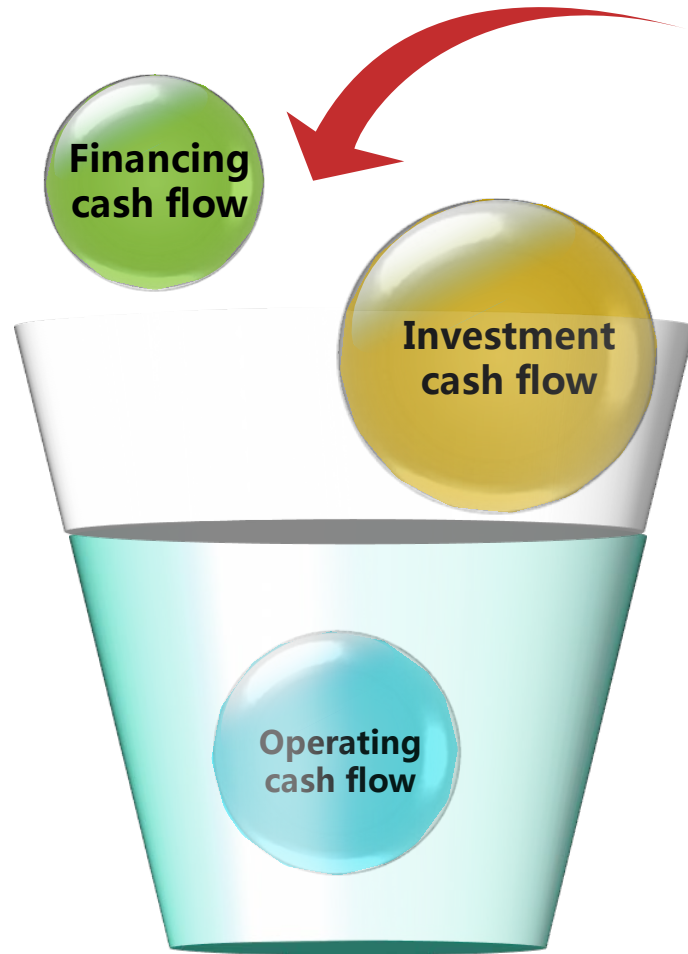
**Increase staff matching with business recovery,
Strengthen reservoir technology capabilities**

- Increase staff in the overseas markets especially in the emerging markets, Introduce reservoir geological services talents and integrated project management talents on a large scale

Enhance integrated services coalitions

- Enhance integrated services coalitions, increase service capabilities by international resource allocation in “asset-light” strategy

Emphasize the importance of cash, and take multiple measures to ensure healthy cash flow

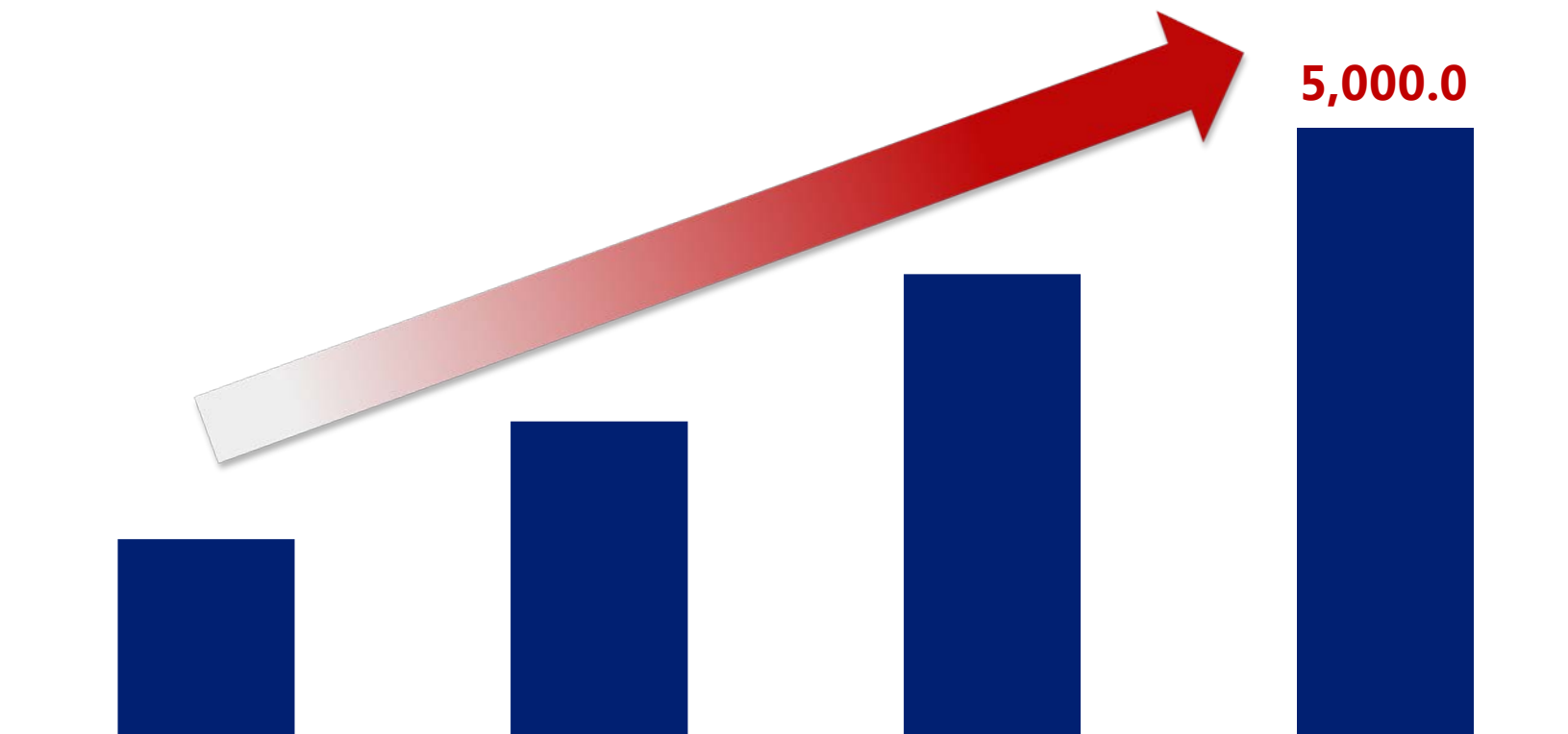


Strengthen cash management and maintain healthy cash flow!

- Increase net inflow by deepening cooperation with financial institutions
- Reduce outflow by continuing the asset-light strategy and strictly controlling CapEx
- Increase net inflow by increasing revenue and profit margin, as well as less working capital allocation in overseas high quality projects

Return to the track of high-speed growth

- We believe the Group has returned to its track of high-speed growth in 2017!
- We will continue the asset-light strategy, and maintain production capacity in the next few years, and achieve our RMB5 billion revenue target!



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Appendices



Appendix 1: Consolidated Income Statement

As at 31 December(RMB million)	2016	2015
Revenue	1,617.7	1,833.0
Cost of Sales	(1,073.8)	(1,250.3)
Gross Profit	543.9	582.7
Other gains, net	69.0	20.7
Selling expenses	(110.8)	(137.5)
Administrative expenses	(337.8)	(339.0)
Research and development expenses	(16.5)	(18.9)
Sales tax and surcharges	(4.6)	(15.6)
Operating Profit	143.2	92.5
Finance costs, net	(173.4)	(254.8)
Share of loss of a jointly controlled entity	(0.4)	(1.0)
Profit before Income Tax	(30.6)	(163.3)
Income tax expenses	(67.1)	(31.9)
Profit for the Year	(97.7)	(195.2)
Profit attributable to equity holders of the Company	(160.5)	(194.7)
Non-controlling interests	62.8	(0.5)

Appendix 2: Balance Sheet

RMB million	As at 31 December 2016	As at 31 December 2015
Property, plant and equipment	2,272.2	2,355.5
Land use rights	48.0	59.9
Intangible assets	415.2	379.5
Investment in a jointly controlled entity	3.6	4.0
Other non-current assets	62.0	67.3
Deferred income tax assets	52.3	64.7
Inventories	781.2	834.2
Trade and notes receivables	1,298.0	1,284.4
Prepayments and other receivables	725.3	373.6
Restricted bank deposits	381.2	158.2
Term deposits with an initial term of no less than 3 months	11.0	11.0
Cash and cash equivalents	507.3	458.2
Total Assets	6,661.3	6,183.2
Capital and reserves attributable to equity holders of the Company	1,544.9	1,894.0
Non-controlling interests	432.0	65.6
Total Equity	1,976.9	1,959.6
Non-current liabilities	2,504.2	1,589.0
Current liabilities	2,180.2	2,634.5
Total Liabilities	4,684.4	4,223.5
Total Equity and Liabilities	6,661.3	6,183.2

Appendix 3: Cash Flow Statement

As at 31 December (RMB million)	2016	2015
Net cash generated from operating activities	(66.0)	157.4
Net cash generated from investing activities	(422.1)	(133.3)
Net cash generated from financing activities	519.6	(329.5)
Net increase (decrease) in cash and cash equivalents	31.6	(305.4)
Cash and cash equivalents, at beginning of the year	458.2	759.8
Currency translation loss on cash and cash equivalents	17.7	3.8
Cash and cash equivalents, at end of the year	507.3	458.2