

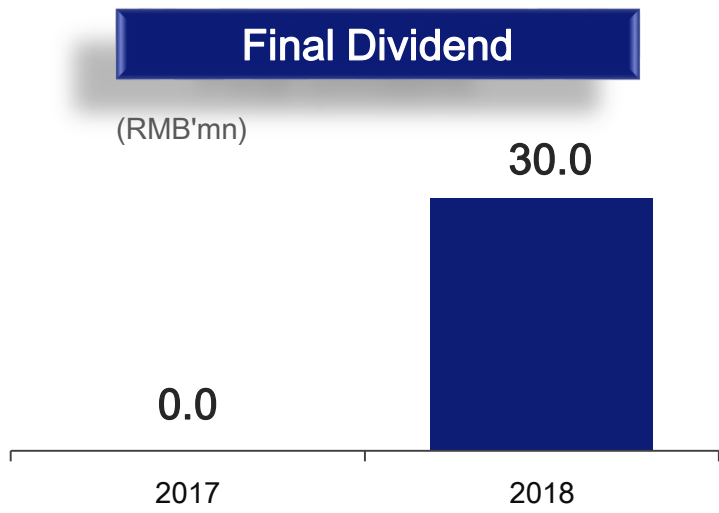
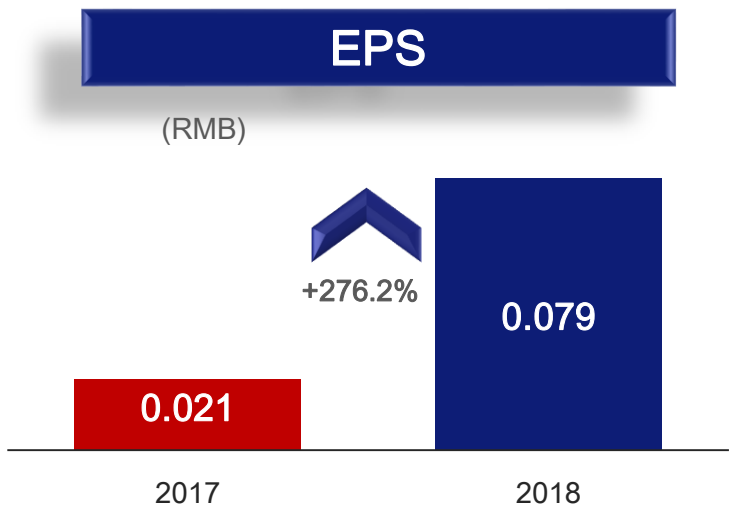
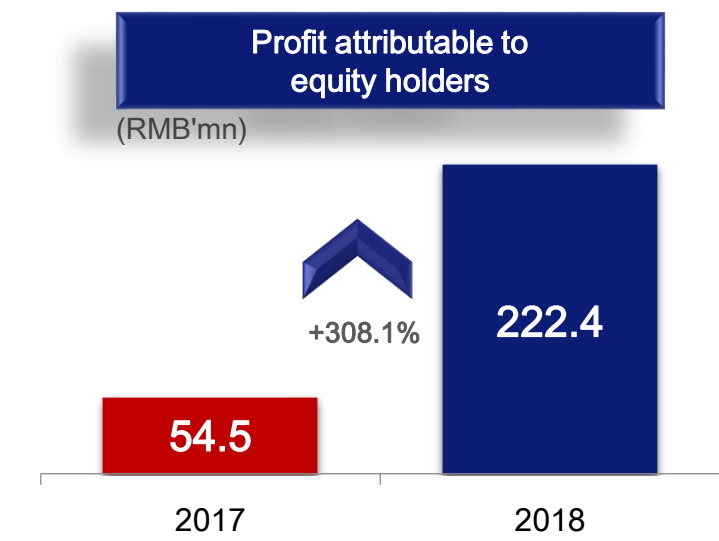
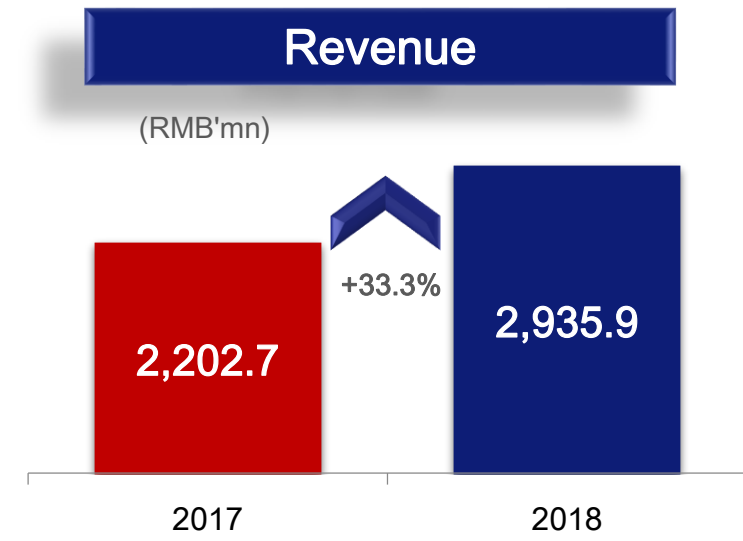
**2018
Annual Results
Announcement**

2019. 3. 25





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01 Achieved market breakthroughs, orders amounted record high

02 High-graded business model

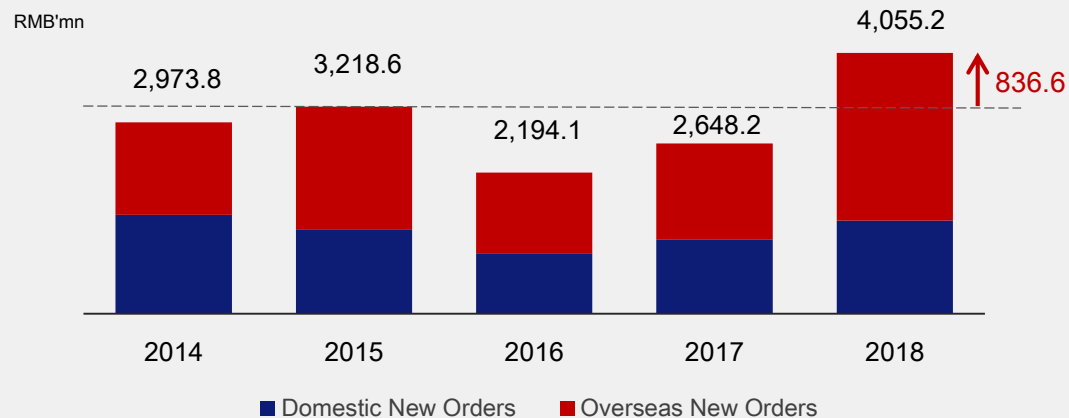
03 Strong technical strengths, leading peers in all aspects

04 Deepened cooperation between industry and finance

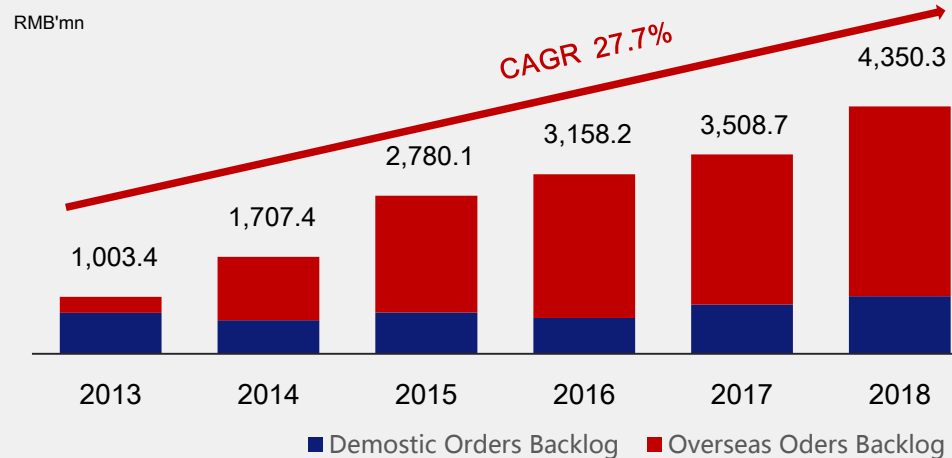
05 Closed transaction of repurchase of Iraqi business

06 Optimized business philosophy, better FCF and ROE

New orders



Order Backlog



China

- Became the general contract service provider for the first time in Sichuan shale gas market
- Developed circum-Mahu-Lake market in Xinjiang successfully

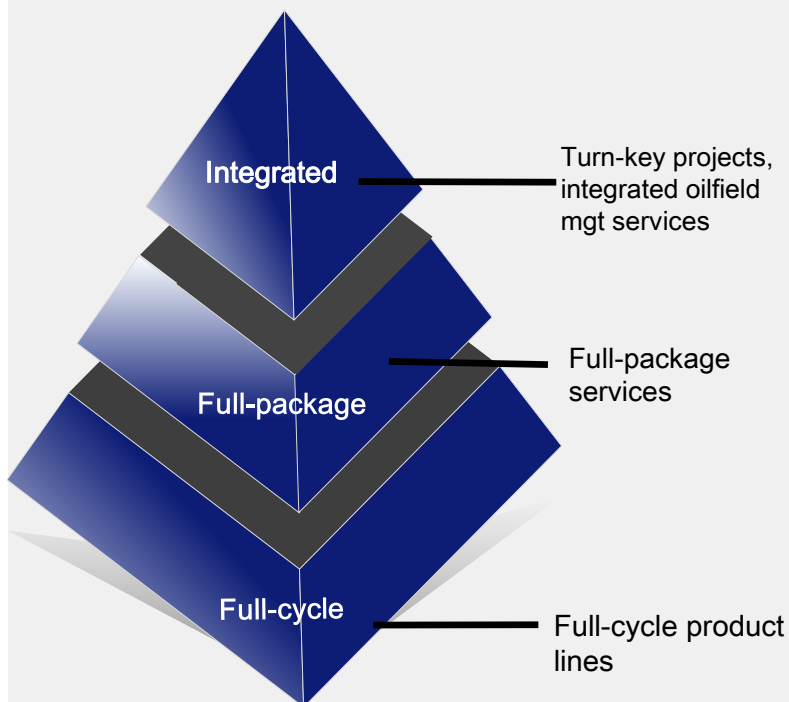
Iraq

- Major breakthrough in winning IFMS project of Majnoon oilfield
- Won the turn-key drilling project in Graf Market

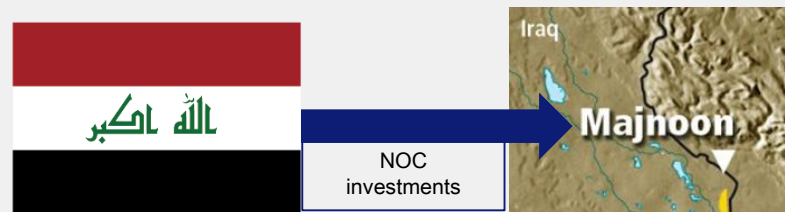
Other overseas markets

- Entered the Chad market to provide full-range services

Full-range product and service system



Majnoon – case of integrated oilfield mgt



ANTON 安東

Manager

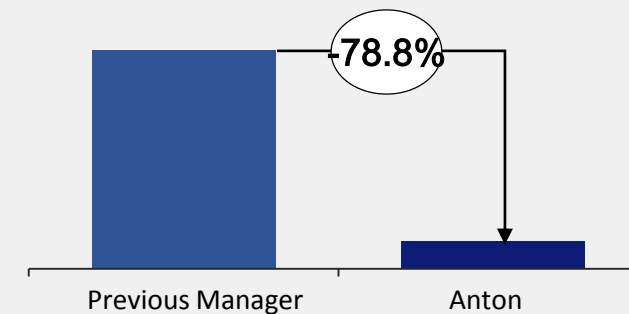


Drilling&Well Completion
Services company

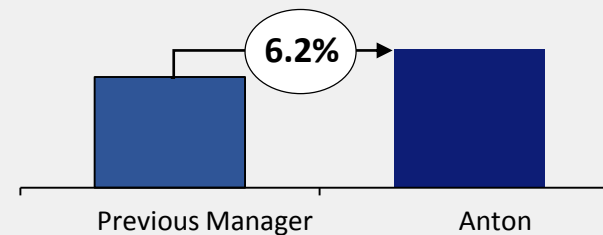
Other Services Company

Impressive performance after taking over

Non-productive time



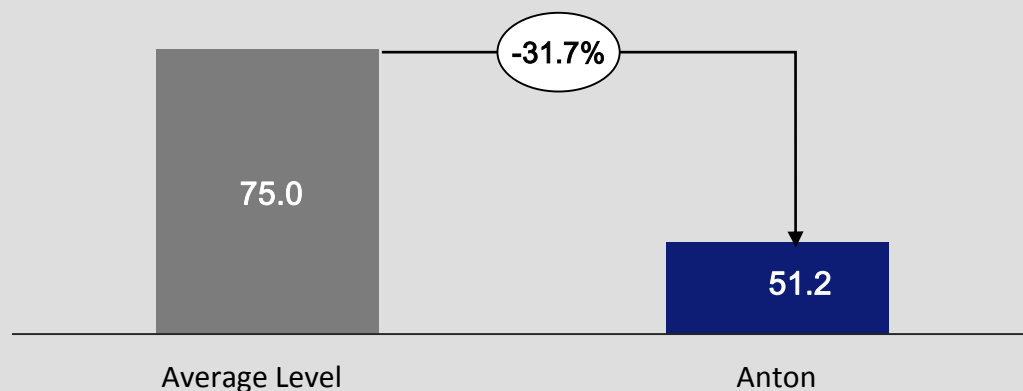
Production



- Contract execution ratio reaching 117.0%
- 60-80 days of receivables turnover

New drilling efficiency record in shale gas block

Single well drilling cycle



- Outperforming efficiency allowed mobilization of third-party drilling rigs to serve the shale gas block.

individual technologies Boosted exploration in Xinjiang

Huge discovery of 100bn-cubic-meter level condensate gas reservoir in Tarim area

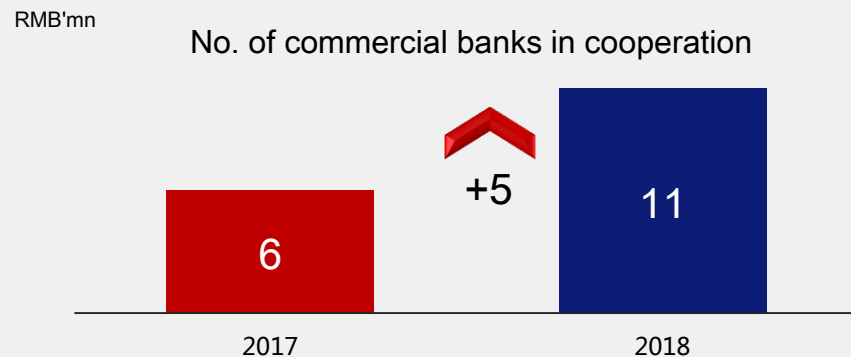
- Applied key technologies incl. performance drilling and oil-based drilling fluid

E&P in circum-Mahu-Lake area in Xinjiang

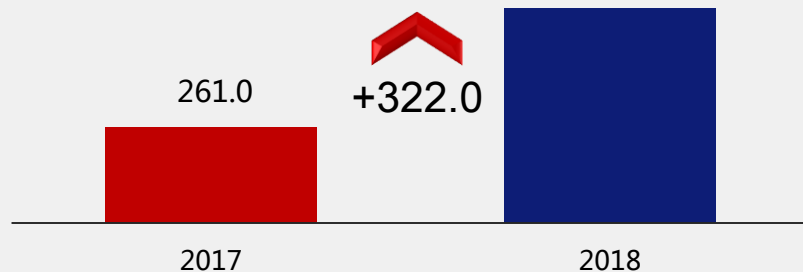
- Applied industry leading over 30 stages coiled tubing drag fracturing technology



Acknowledged by more commercial banks



Undrawn credit line



Expanded financial cooperation reduced overseas risks



中国出口信用保险公司
CHINA EXPORT & CREDIT INSURANCE CORPORATION

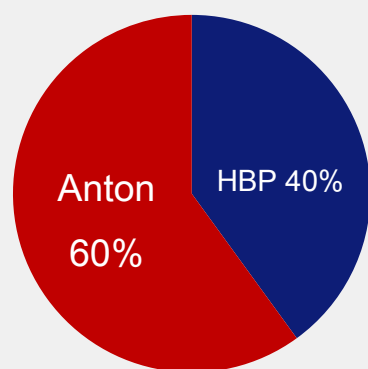
- Performance bond: US\$50 mn
- Insurance coverage: US\$40 mn



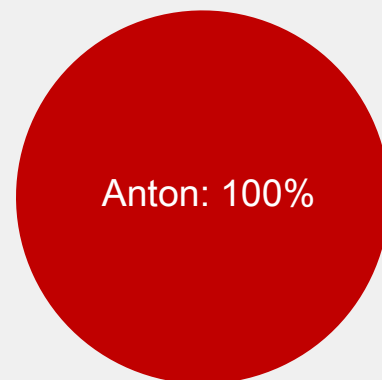
中铁建金融租赁有限公司
CRCC FINANCIAL LEASING CO., LTD.

- Financial leasing: RMB270 mn

Acquired EGM approval on 20 July 2018

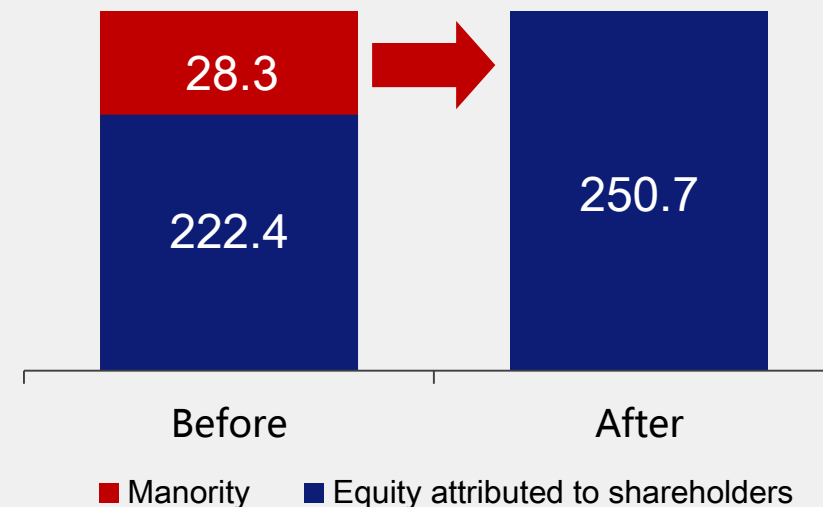


Pre-agreement shareholding



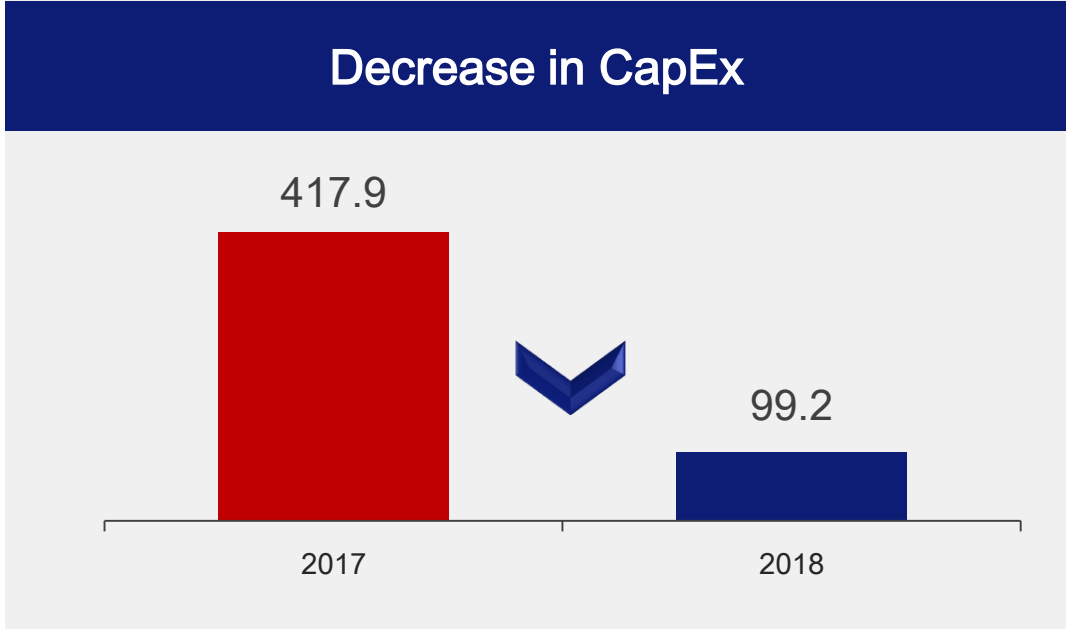
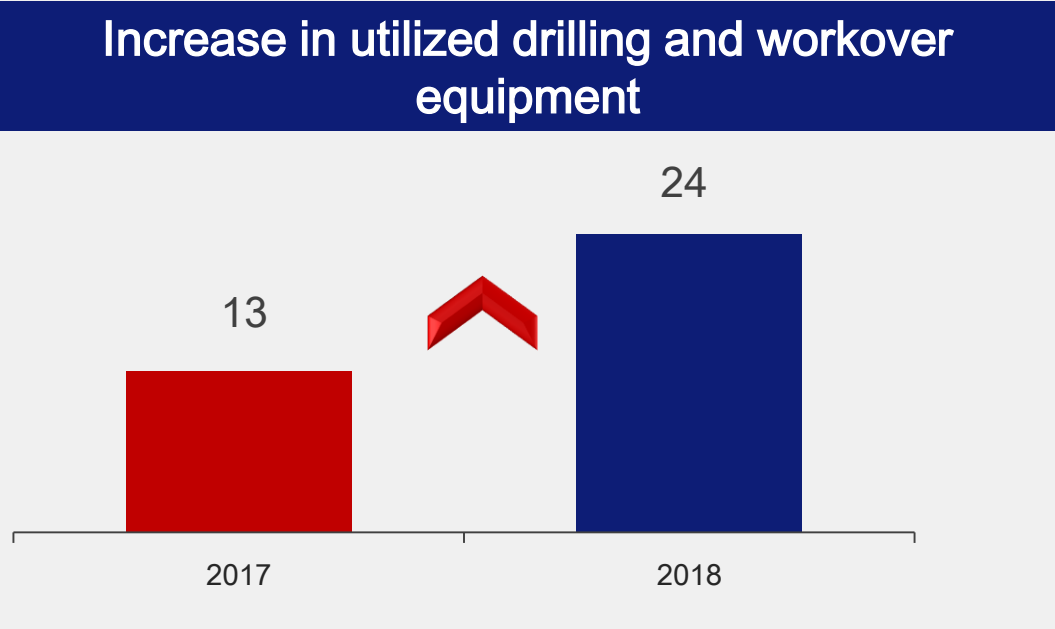
Post-agreement shareholding

minority interest ceased on 1 Jan. as per contract

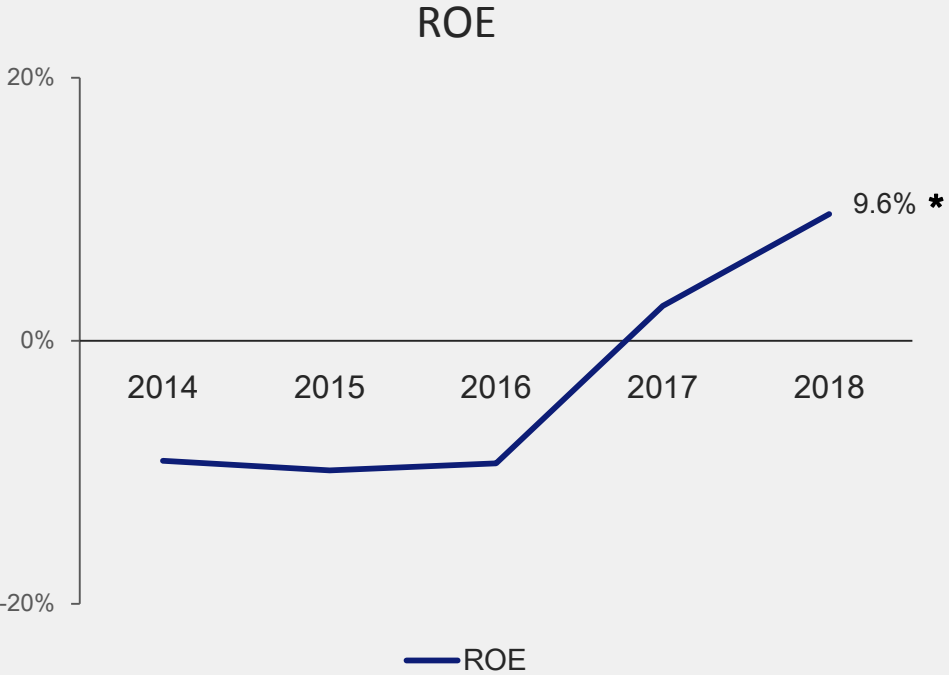


- ◆ Minority interest occurred during the year had been consolidated into equity attributable to shareholders

Cash flow(RMB'mn)	2017	2018	Change
Net operating cash flow	195.6	424.3	228.7
Interest expenses	177.9	278.5	100.6
Capital expenditure	417.9	99.2	-318.7
Free cash flow	-400.2	46.6	446.8

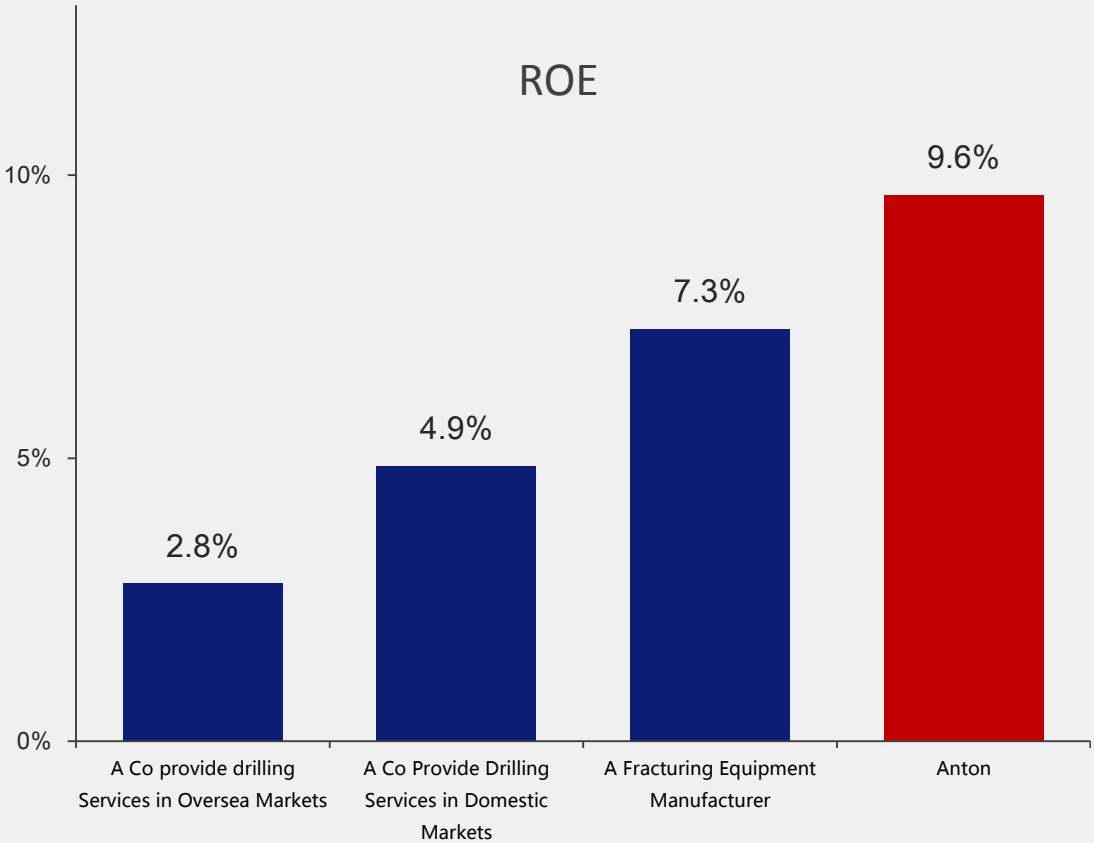


Crossing cycle with large increase of ROE



• ROE of 2018 counted in the minority interest affected by shareholder approval procedure, ROE before adjustment was about 8.5%

business model Leading industry peers

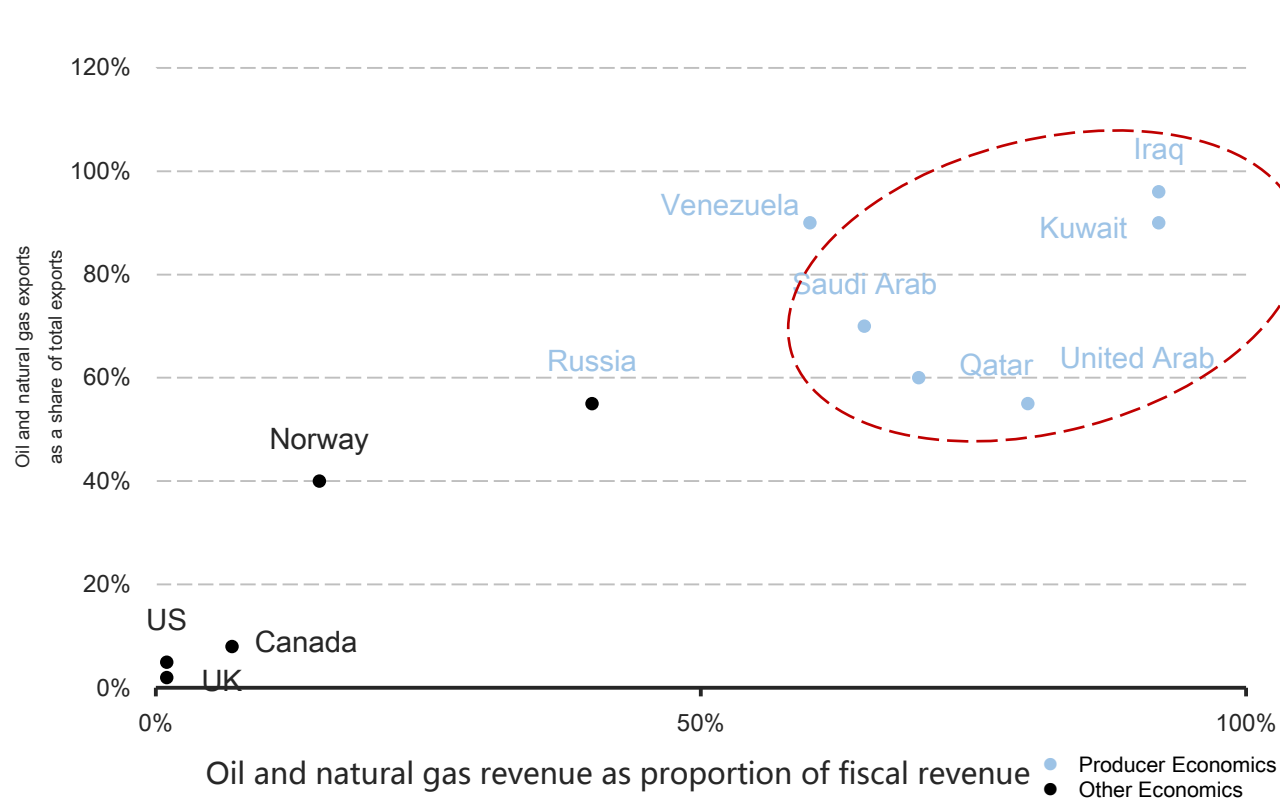


According to public data



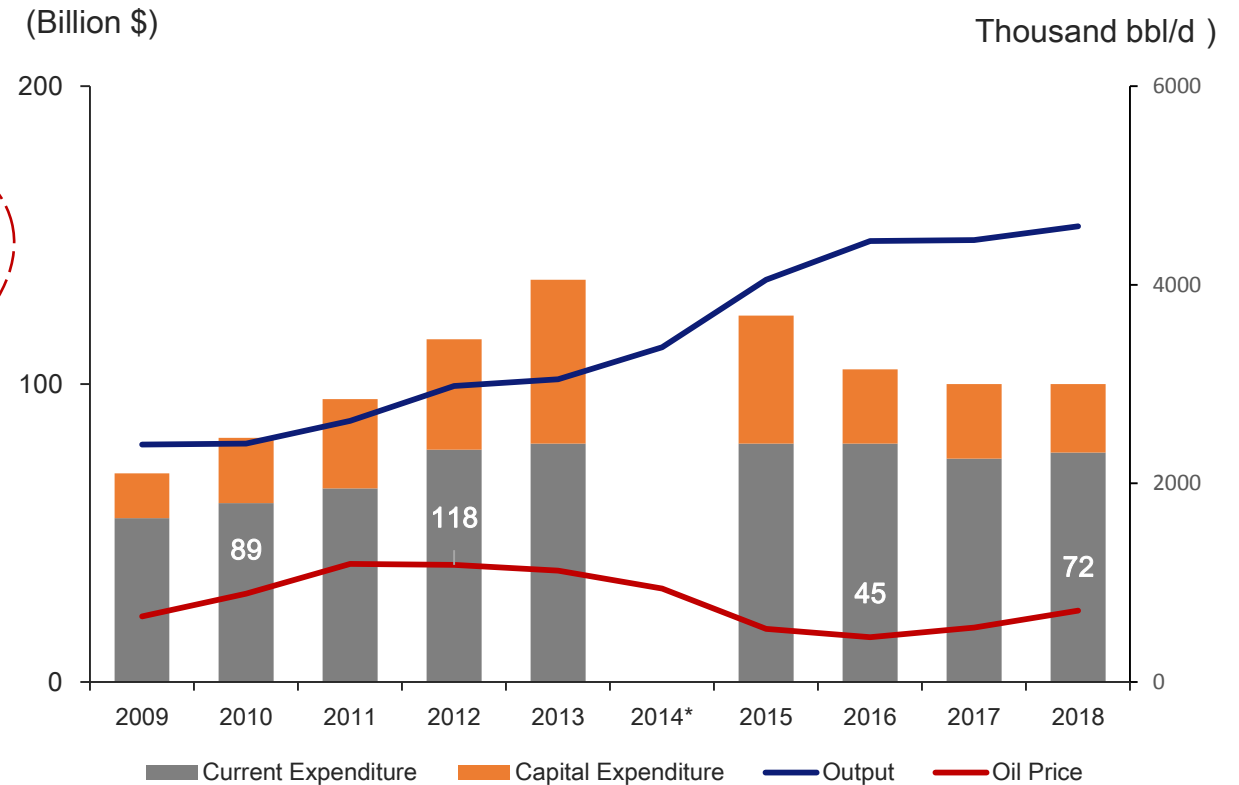
- 01** Target global oil & gas emerging market
- 02** Seize huge opportunities
- 03** Break bottleneck by full round strategy
- 04** Leverage the effect of culture and incentive
- 05** Achieve high quality development based on ROE and FCF

Government revenue relies on oil



Resource : WEO Report_2018_Special Report

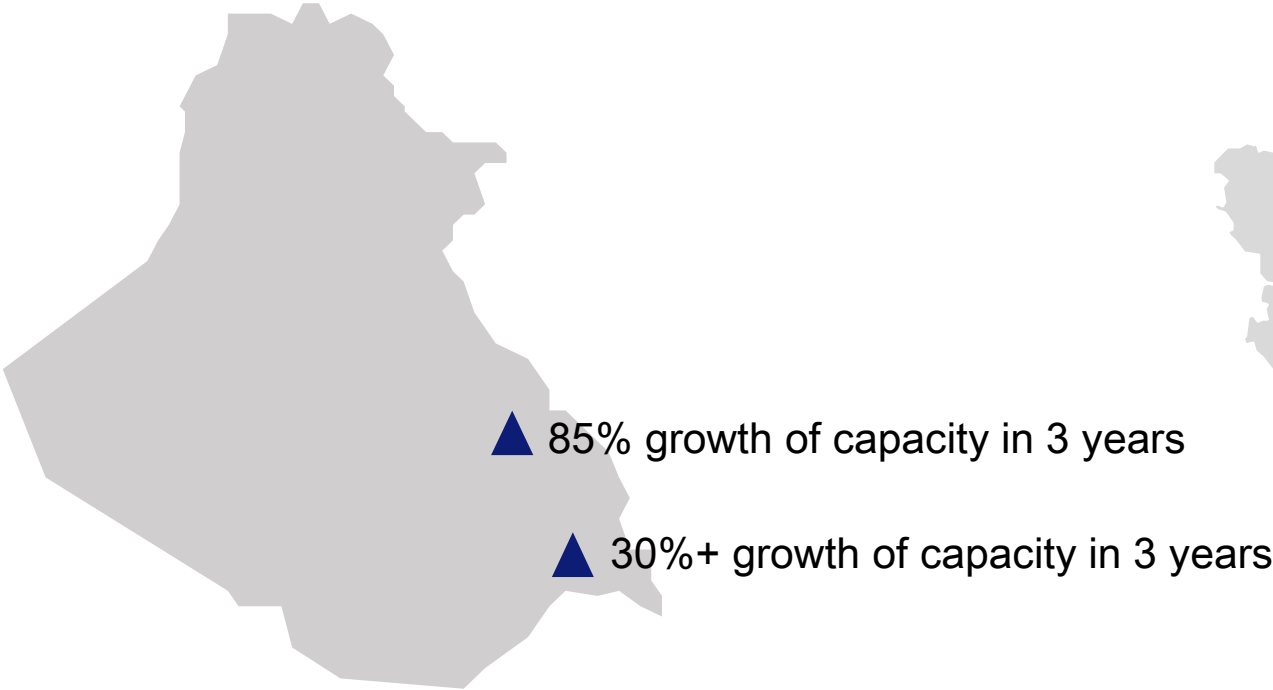
Less sensitivity to oil price



Resource : WEO Report_2018_Special Report

Iraq

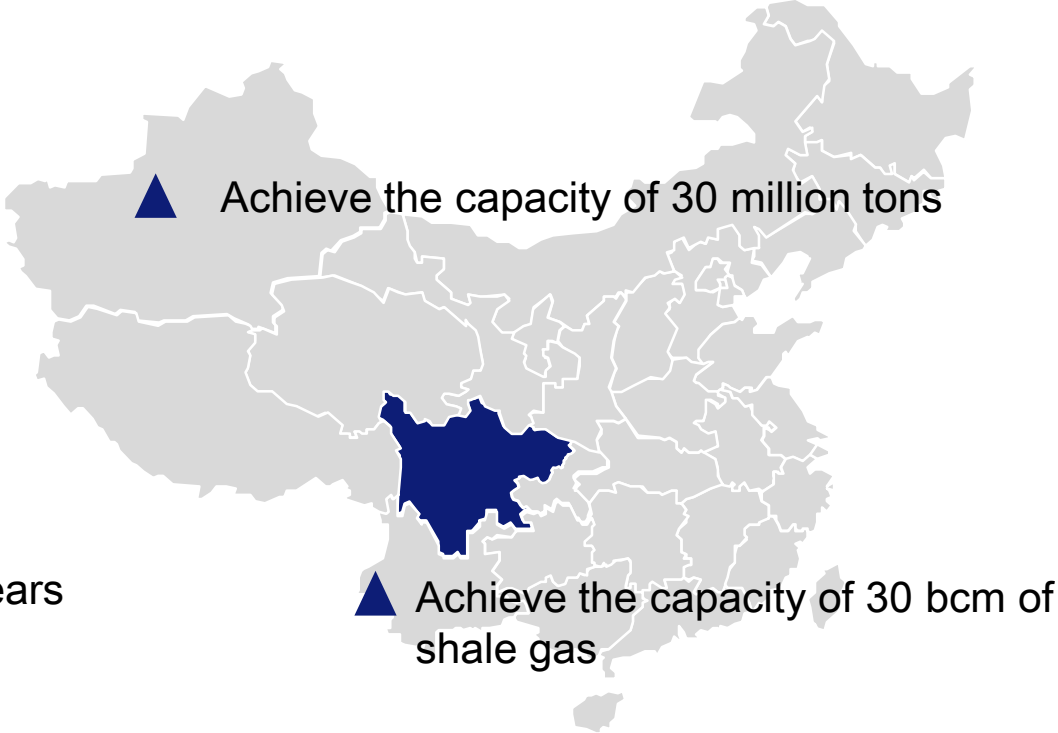
Rebuild the country



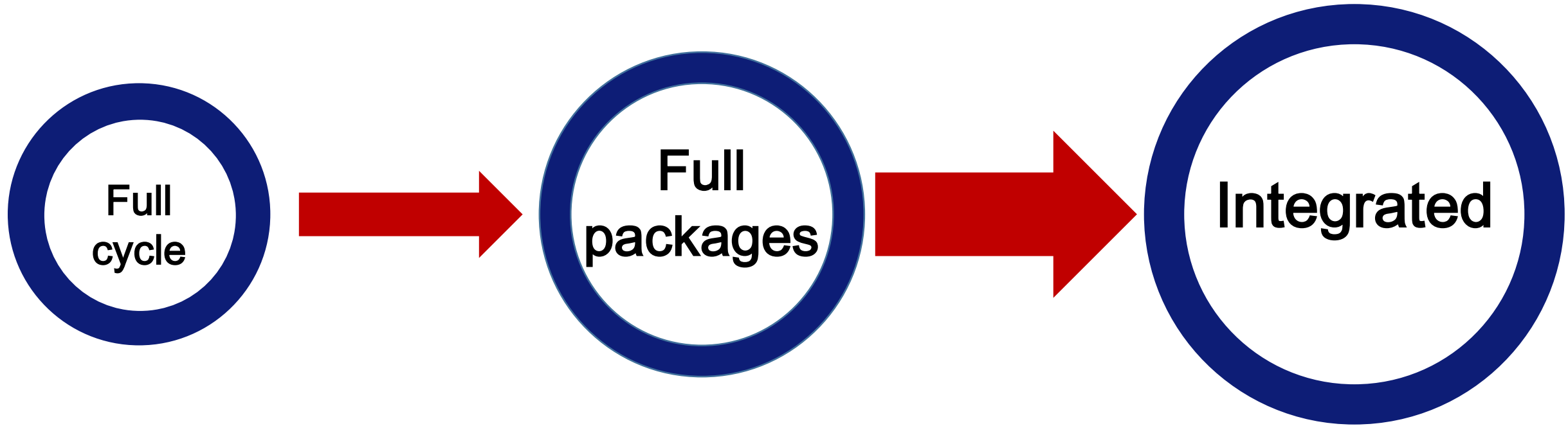
Resource : [www. Iraq Business News.com](http://www.Iraq Business News.com)

China

Energy Safety



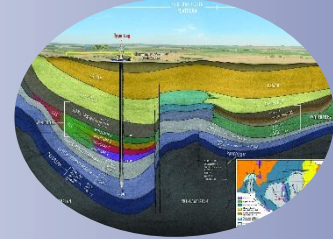
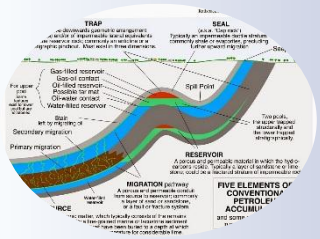
Resource : PetroChina News Center



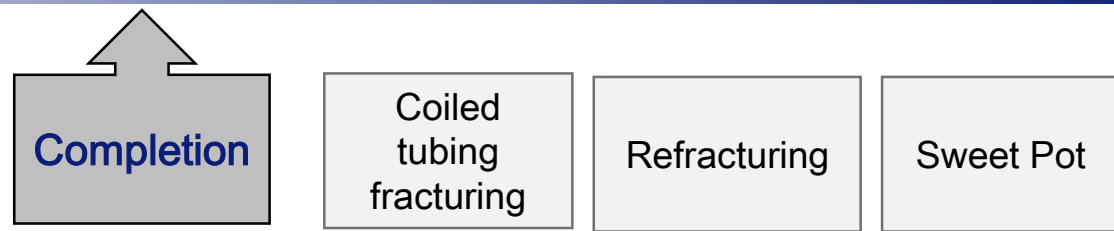
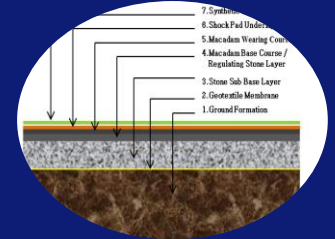
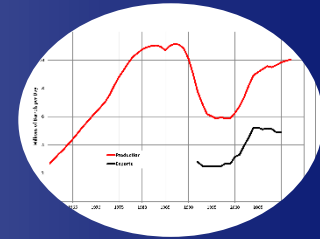
Cover the full cycle of development of oil & gas

Provide the full packages of manpower, material and equipment

IPM and integrated oilfield management

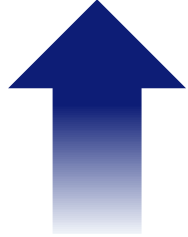


Reservoir and geology



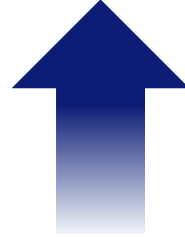
Leverage the advantage of market and technology to mobilize resource

Manpower
service



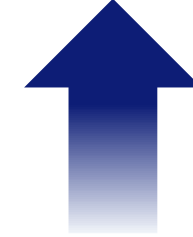
Set up human
resource co, to
mobilize global
manpower
resource

Procurement
Service

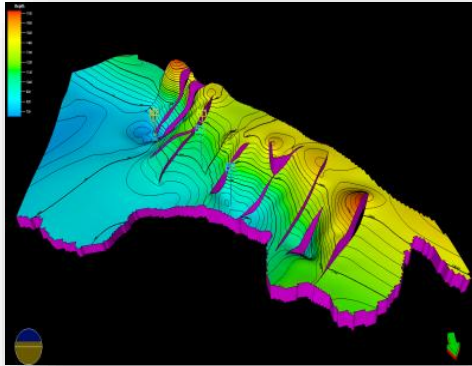


Cooperate with
SOE, to mobilize
material resource

Equipment
Service



Establish alliance of rig
and pressure pump, to
mobilize equipment
resource



**Integrated oilfield
management**



IPM



Bundling Services

Hard working



- Encourage hard working under harsh environment

Ameoba

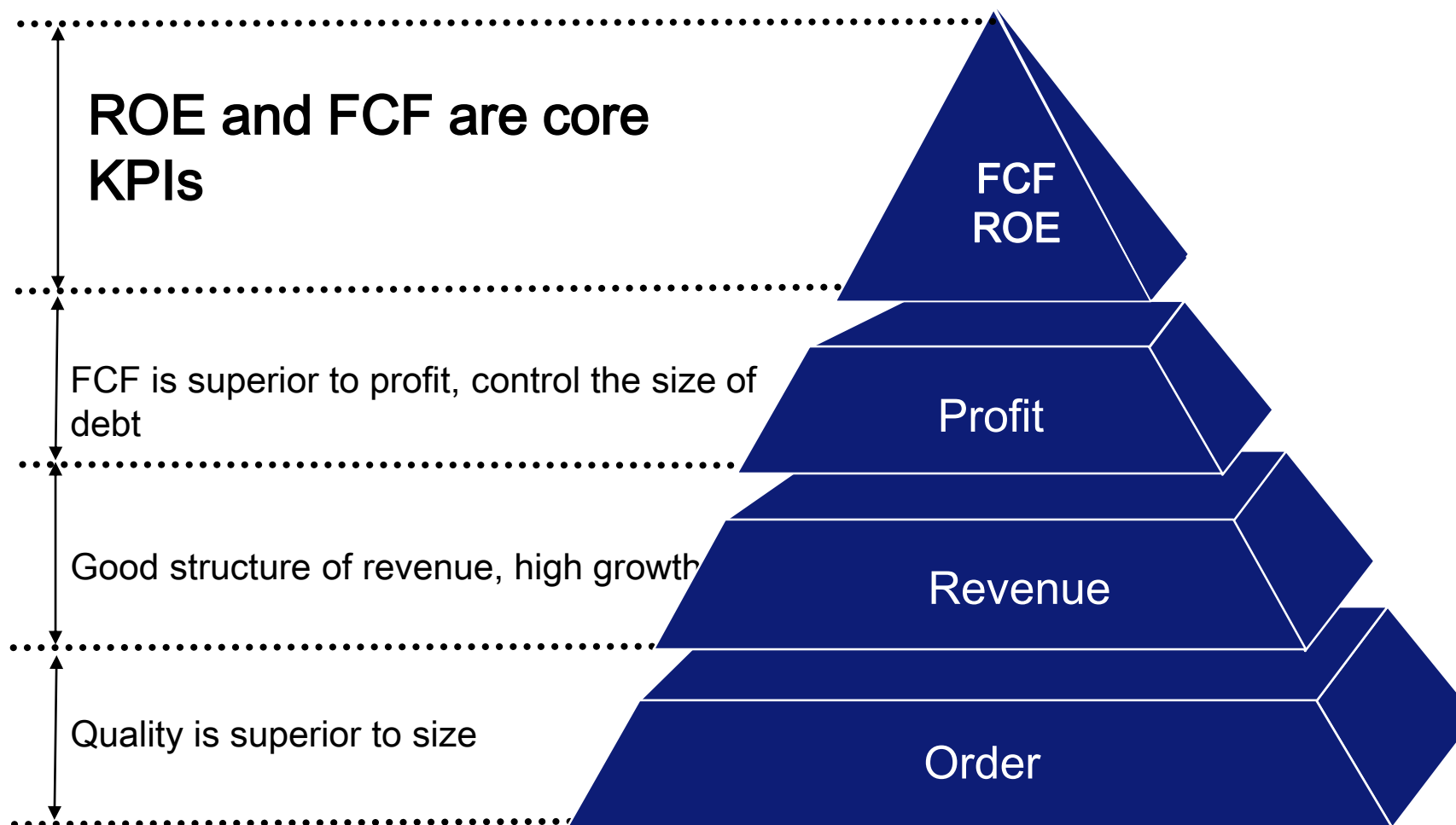


- Divide division into the smallest amoeba, which undertake KPI

Incentive



- Stimulate employee by incentive



- In 2019 , upstream is expanding, the market is dynamic!
- Target global oil & gas emerging market !
- Execute the strategy of full round product and service !
- Realize high quality development based on ROE and FCF !





Appendix



Appendix 1: Consolidated Income Statement

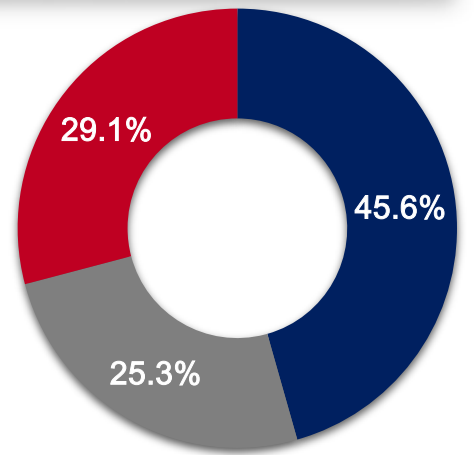
As at 31 December(RMB million)	2018	2017
Revenue	2,935.9	2,202.7
Cost of Sales	(1,821.6)	(1,373.0)
Gross Profit	1,114.3	829.7
Other gains, net	11.9	9.7
Selling expenses	(171.2)	(152.6)
Administrative expenses	(197.2)	(163.5)
Research and development expenses	(28.0)	(26.5)
Sales tax and surcharges	(10.3)	(11.1)
Operating Profit	644.3	473.7
Finance costs, net	(297.5)	(267.9)
Share of loss of a joint venture	0.4	(0.9)
Profit before Income Tax	347.2	207.9
Income tax expenses	96.4	(33.6)
Profit for the Year	250.7	171.3
Profit attributable to owners of the Company	222.4	54.5
Non-controlling interests	28.3	116.8

Appendix 2: Balance Sheet

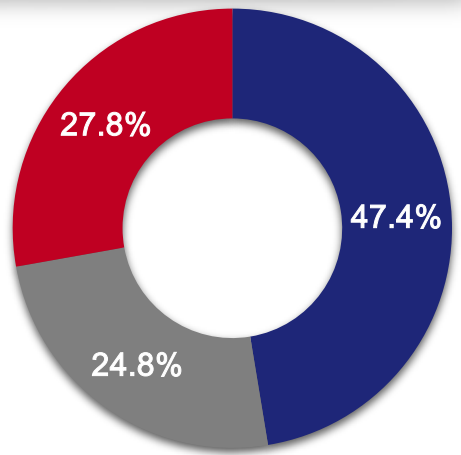
RMB million	Dec. 31st 2018	Dec. 31st 2017
Property, plant and equipment	2,255.8	2,331.6
Prepaid lease payments	75.6	77.6
Intangible assets	252.7	224.3
Interest in a joint venture	3.0	2.7
Other non-current assets	8.4	304.8
Deferred income tax assets	52.1	63.7
Inventories	774.4	597.2
Trade and notes receivables	1,948.0	1,760.4
Prepayments and other receivables	426.5	467.0
Restricted bank deposits	330.9	415.1
Term deposits with initial term of over three months	-	-
Cash and cash equivalents	691.0	1,133.1
Total Assets	7,239.5	7,747.5
Capital and reserves attributable to owners of the Company	2,645.9	2,558.0
Non-controlling interests	48.7	389.0
Total Equity	2,694.6	2,947.0
Non-current liabilities	2,305.2	1,932.7
Current liabilities	2,239.7	2,867.8
Total liabilities	4,544.9	4,800.5
Total equity and liabilities	7,239.5	7,747.5

As at 31 December (RMB million)	2018	2017
Net cash generated from operating activities	424.3	195.6
Net cash used in investing activities	(98.2)	(399.5)
Net cash generated from financing activities	(795.5)	862.9
Net increase in cash and cash equivalents	(46.9)	659.0
Cash and cash equivalents at beginning of the year	1,133.1	507.3
Exchange (loss)/gain on cash and cash equivalents	27.3	-33.1
Cash and cash equivalents at end of the year	691.0	1,133.1

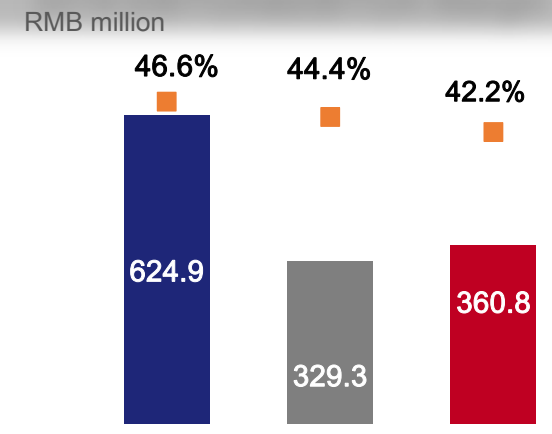
2018 Revenue Breakdown



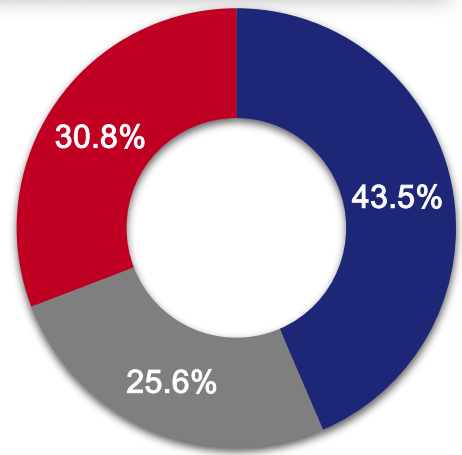
2018 EBITDA Breakdown



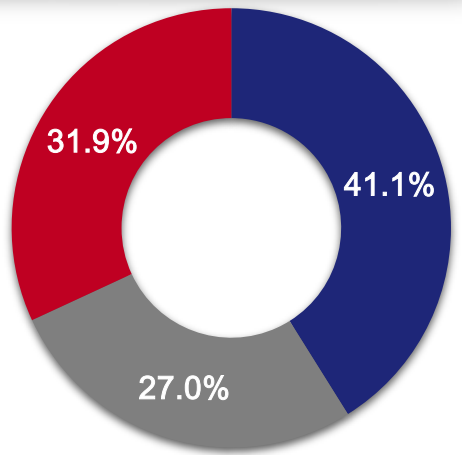
2018 EBITDA&EBITDA Margin



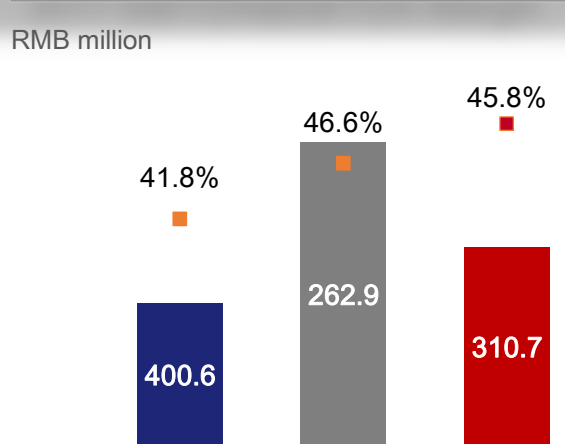
2017 Revenue Breakdown



2017 EBITDA Breakdown



2017 EBITDA&EBITDA Margin



Costs / Expense by function	2018	2017	Change	2018	2017	Change
	% of Revenue			RMB million		
			%			%
Cost of sales	62.0%	62.3%	-0.2%	1,821.6	1,373.0	32.7%
Selling expenses	5.8%	6.9%	-1.1%	171.2	152.6	12.2%
Administrative expenses	6.7%	6.9%	-0.2%	197.2	152.6	29.2%
R&D expenses	1.0%	1.2%	-0.2%	28.0	26.5	5.7%
Sales tax & surcharges	0.4%	0.5%	-0.1%	10.3	11.1	-7.2%
Finance expenses	10.2%	12.3%	-2.1%	300.0	271.6	10.5%
Income tax expenses	3.3%	1.5%	1.8%	96.4	33.6	186.9%

Costs / Expenses by nature	2018	2017	Change	2018	2017	Change
	% of Revenue			RMB million		
			%			%
Material & services	28.5%	33.0%	-4.5%	835.7	726.5	15.0%
Staff overhead	19.6%	17.1%	2.5%	576.0	377.2	52.7%
Depreciation&amortization	9.5%	9.9%	-0.4%	278.8	218.0	27.9%
Other expenses	19.7%	17.9%	1.8%	579.1	395.0	46.6%

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

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

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

Thanks!

