



ANTON 安東

2016 Interim Results

2016/08/29



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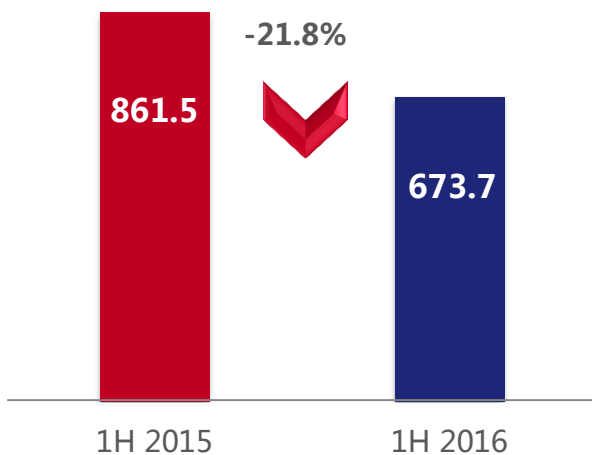


2016 Interim Results Summary



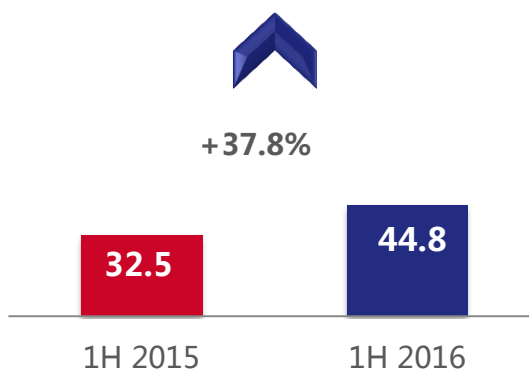
Revenue

RMB million



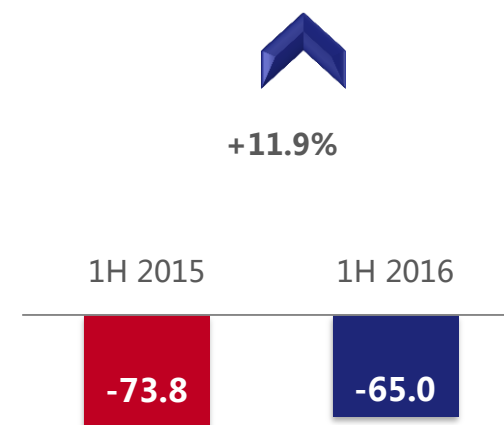
Operating Profit

RMB million



Profit Attributable to Equity Holders of the Company

RMB million





Continued to grow new orders, order backlog reached record high

Total revenue declined affected by low oil price and project delay

Remarkable achievement on cost control with reduced labor cost and operating expenses

Increased cash outflow in H1, overall cash flow still intense

Introduced a strategic partner through transferring 40% of Iraqi business for the ease of financial pressure

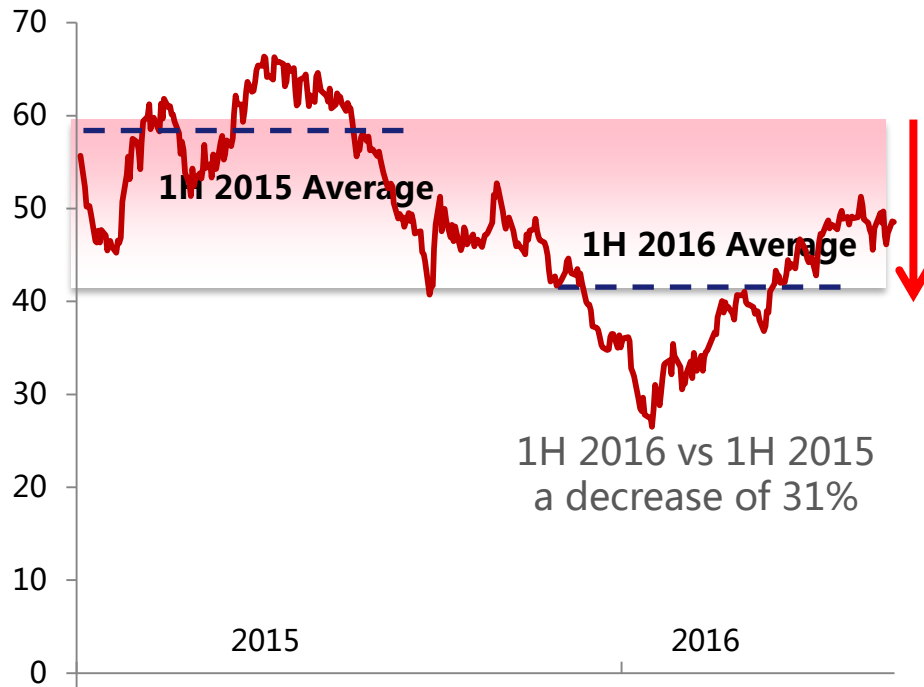


Oil Price Reach a Record Low, CAPEX from Domestic Reduced Continually



BRENT Oil Price

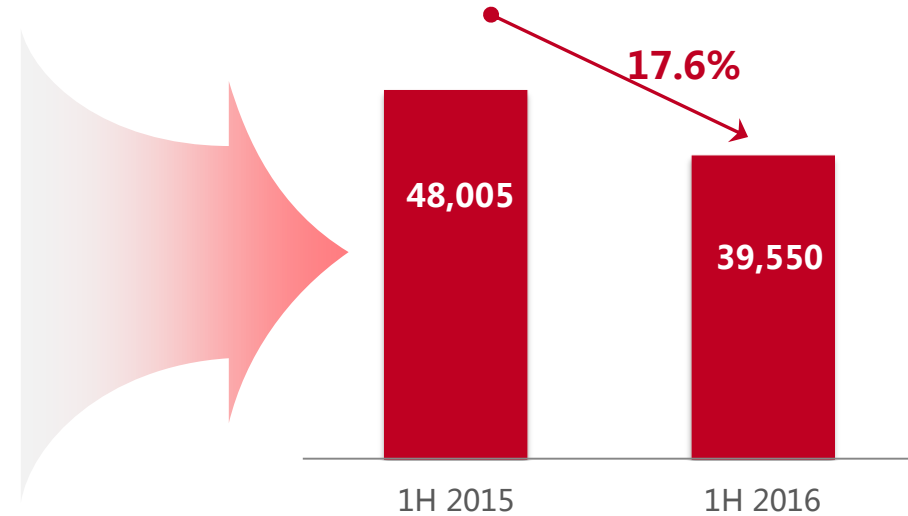
USD/BARREL



Source: Bloomberg

Main Domestic Customer CAPEX

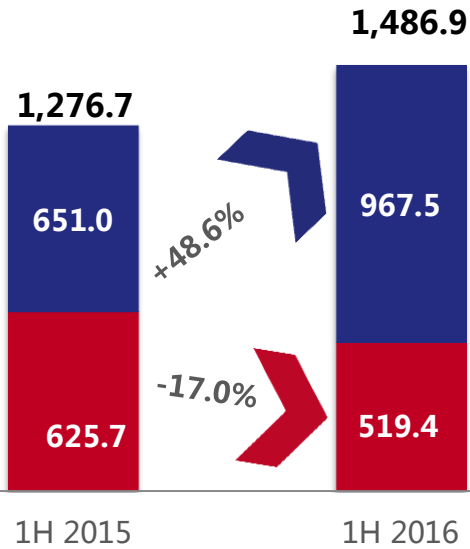
RMB million



New Orders Increased, Revenue Declined

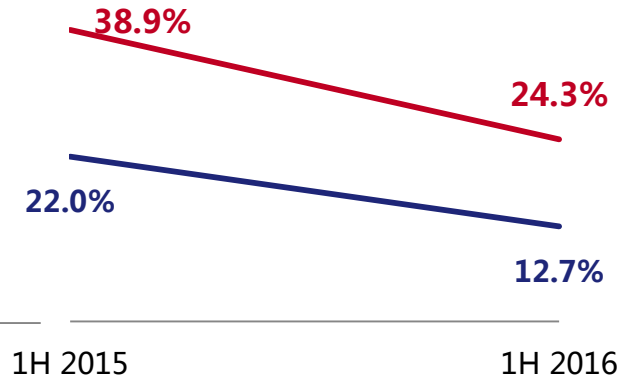
1H New orders

RMB million



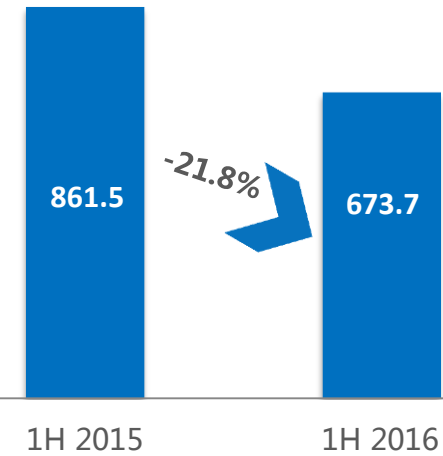
Orders Converting Ratio

Revenue / (initial order backlog+ new orders)



1H Revenue

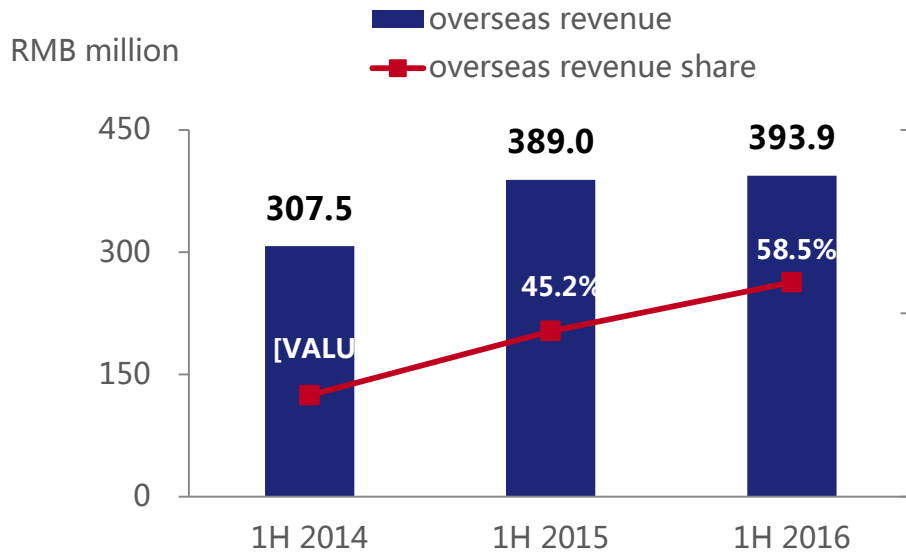
RMB million



Overseas Domestic

Overseas Revenue Exceeded Domestic, New Overseas Markets Expanded

Overseas Market Performance

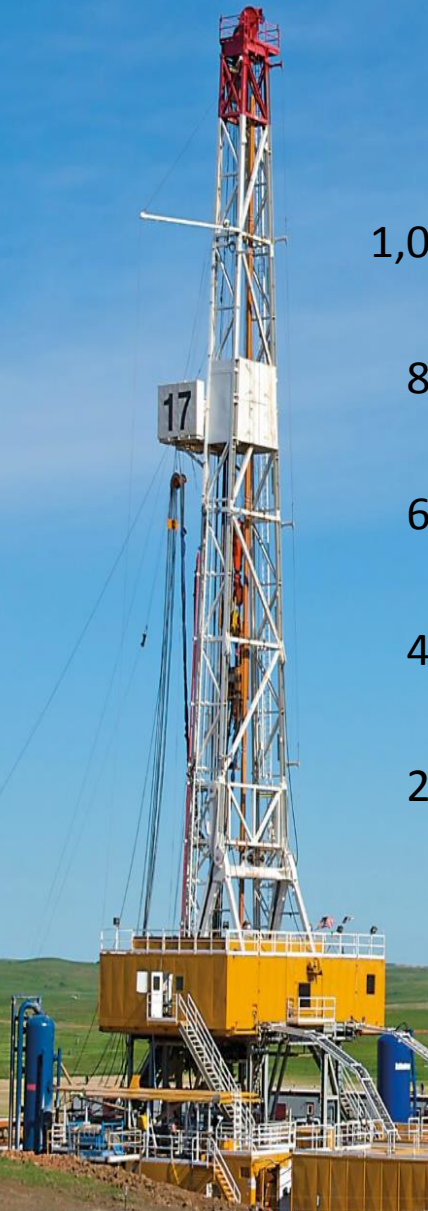
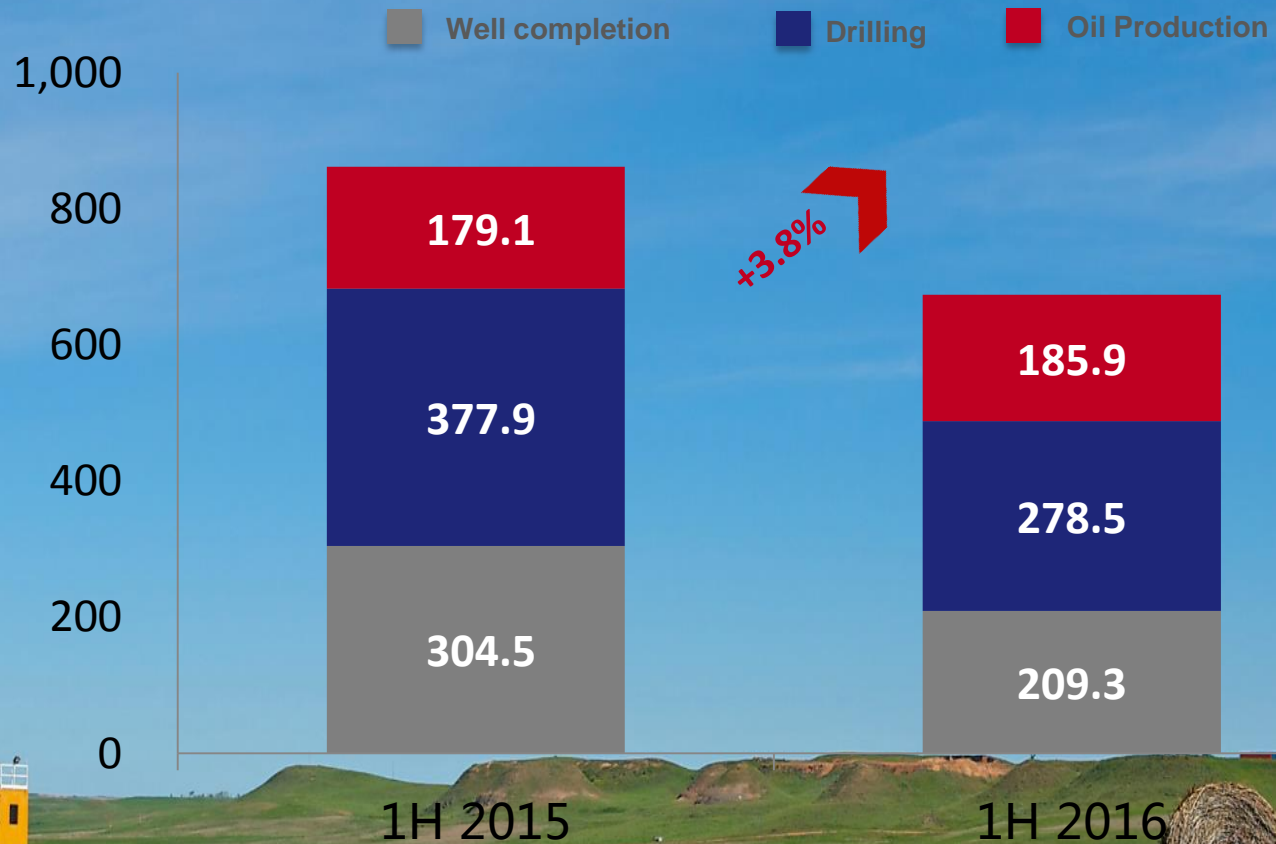


New Markets



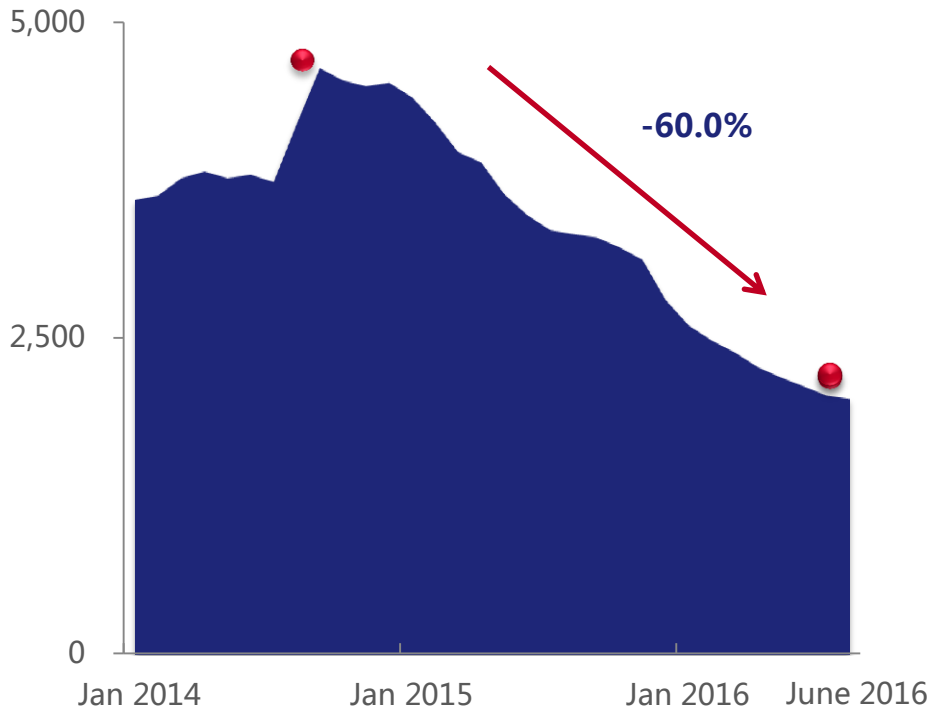
Revenue from Oil Production Continued to Grow

Revenue Breakdown by Cluster



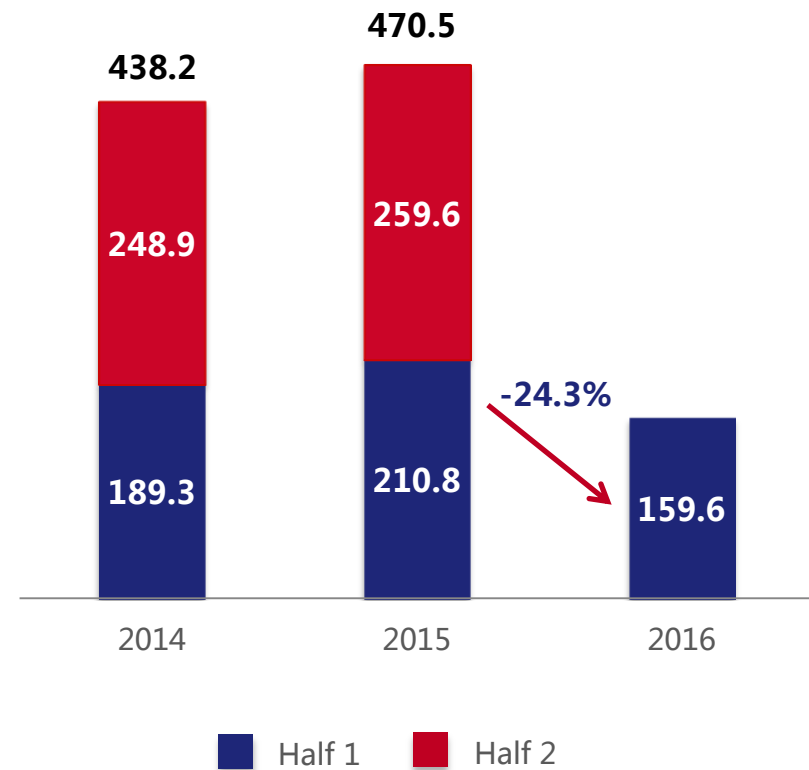
Continuous Workforce Optimization, Labor Cost Substantially Decreased

Employee Headcount



Labor Cost

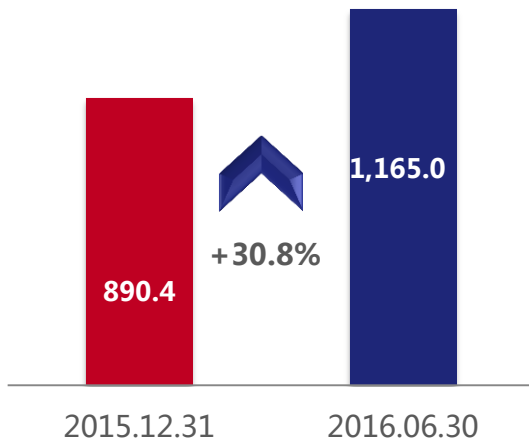
RMB million



Increased Working Capital , Overall Cash Flow Intense

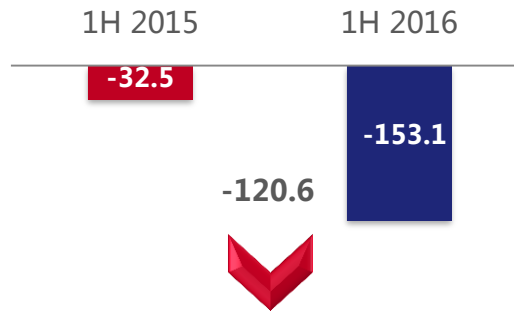
Net Working Capital

RMB million



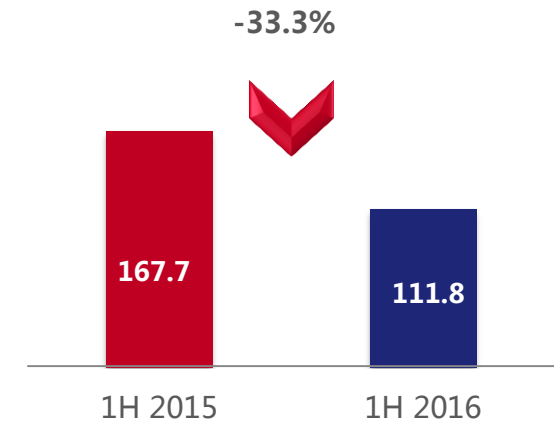
Operating Cash flow

RMB million



Capital Expenditure

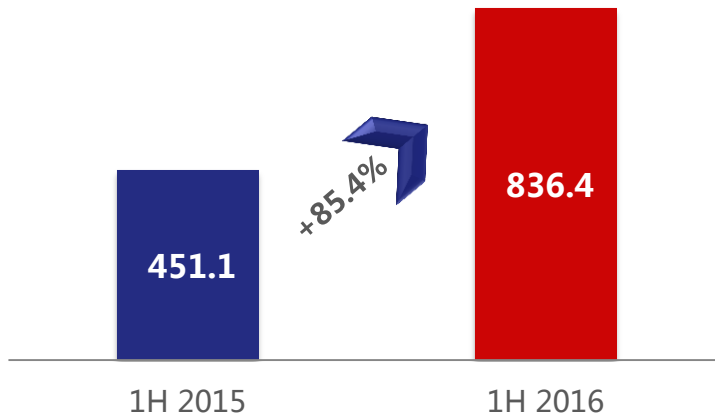
RMB million



Stable Development in Iraq, Introduced a Strategic Partner

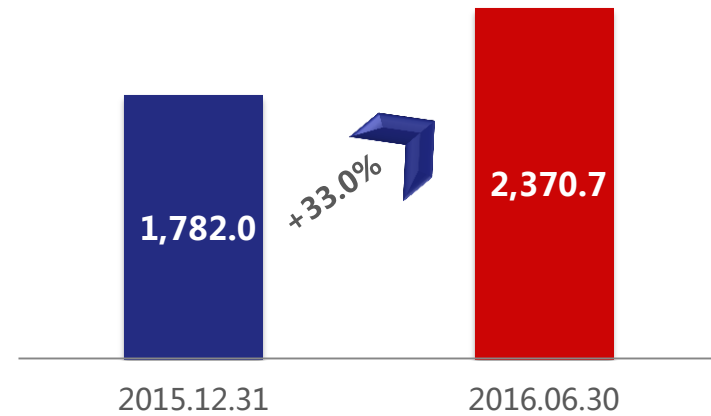
New Orders in Iraq

RMB million



Order Backlog in Iraq

RMB million



HBP

Surface EPC Business

- Engineering
- Procurement
- Construction







Iraqi Market

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Subsurface Wellbores Business

- Drilling
- Well Completion
- Oil Production

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The Second Half Outlook



Market condition remains tough, recovery starts in partial markets, and it is expected to show on next year

Prepared for resuming rapid growth upon market recovery with 3.56 billion order backlog

**Expand Iraqi market and Chinese company invested overseas markets;
Speed up replacement of international service companies overseas**

Enhance technology innovation, increase competitiveness in both domestic and overseas to improve business profitability

Intensify account receivables collection, strictly control CAPEX, enhance fund management efficiency

Speed up development in dominate overseas markets

1

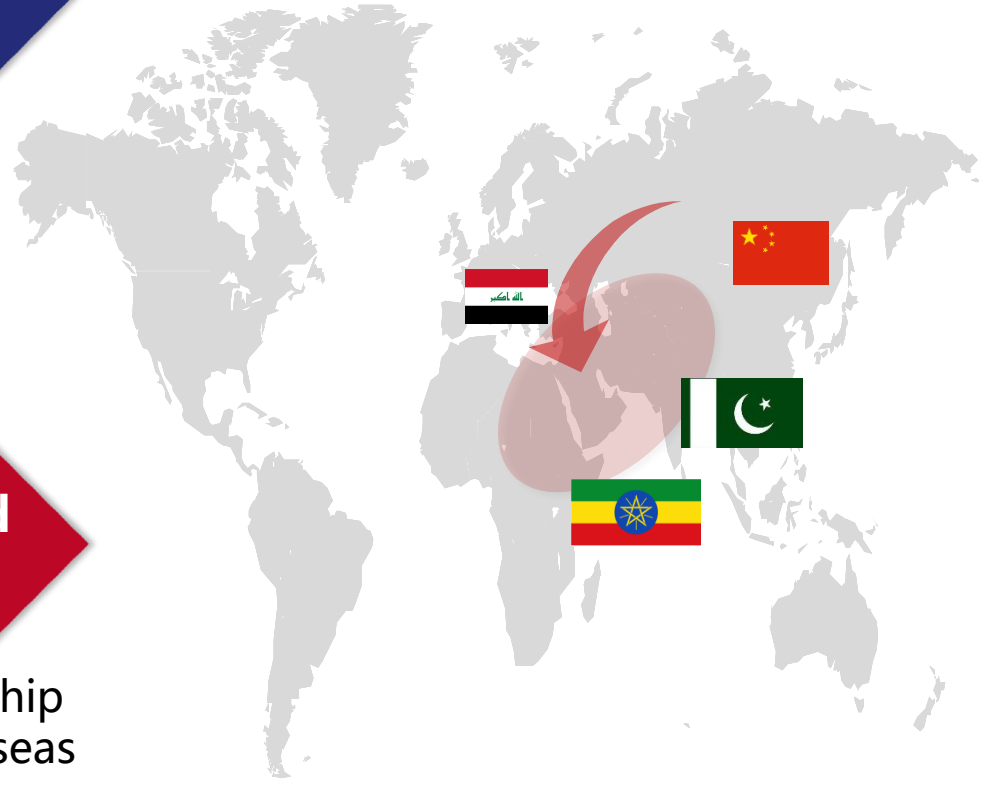
Iraqi markets

- Enhance cooperation with IOCs
- Replace the market share of international oil services companies

2

Chinese company invested overseas markets

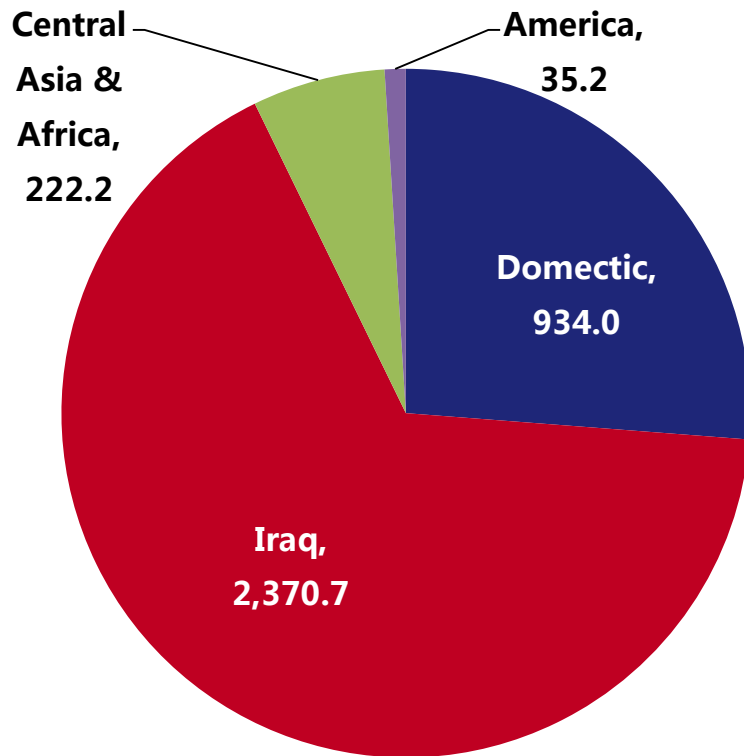
- Construct strategic partnership with Chinese investors overseas
- Foster key markets along "belt and road" region, such as Pakistan and Ethiopia



Orders Backlog abundant, Execution Progress Accelerated

Order Backlog

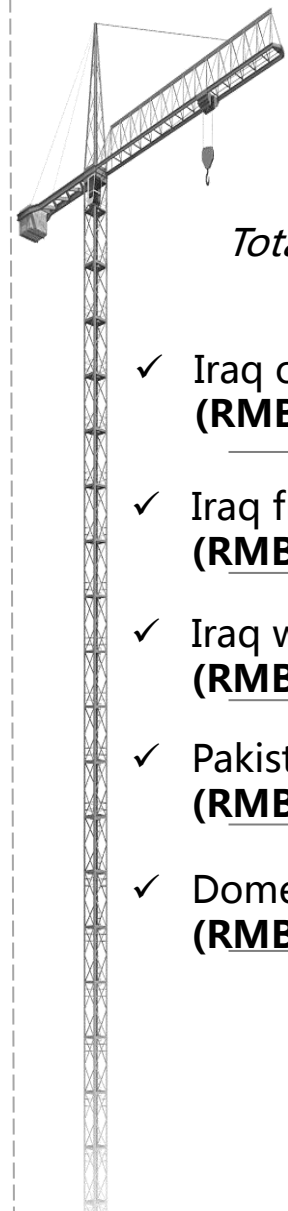
RMB million



Key Projects in execution or those received notice of commence from customer

Total projects amounted to RMB 1,620 million

- ✓ Iraq oil production maintenance project (RMB 510 million)
- ✓ Iraq fracturing project (RMB105 million)
- ✓ Iraq workover and well completion project (RMB 940 million)
- ✓ Pakistan fracturing and well completion project (RMB 20 million)
- ✓ Domestic 5 drilling rigs projects (RMB 45 million)



»» Promote Cost Reduction and Lift Efficiency Compete Internationally

- ✓ Promote equipment utilization rate
- ✓ Promote project execution efficiency



Promote Cost Reduction and Lift of Efficiency
Fully Compete in International Market

- ✓ Reduce labor cost and operating expenses

Strengthen Technology Innovation, Improve Business Profitability

Strengthen technology innovation, plan to publish a series of proprietary and internationally competitive products and services , to improve profitability

Anton Sand Control products



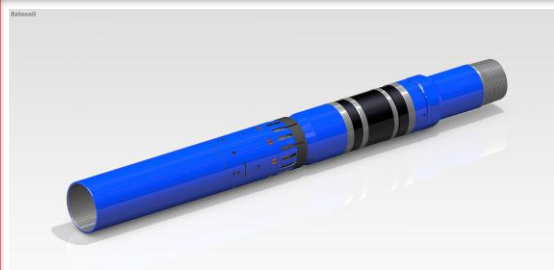
Anton Coiled Tubing services



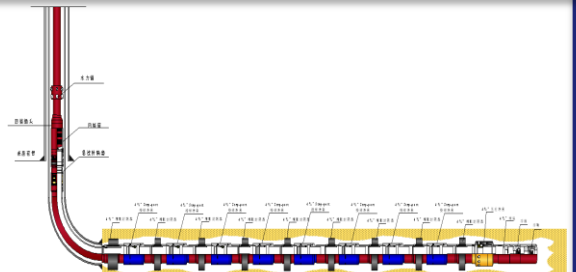
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Part of the published products and technologies

Hong^{AT} Rotating Liner Hanger

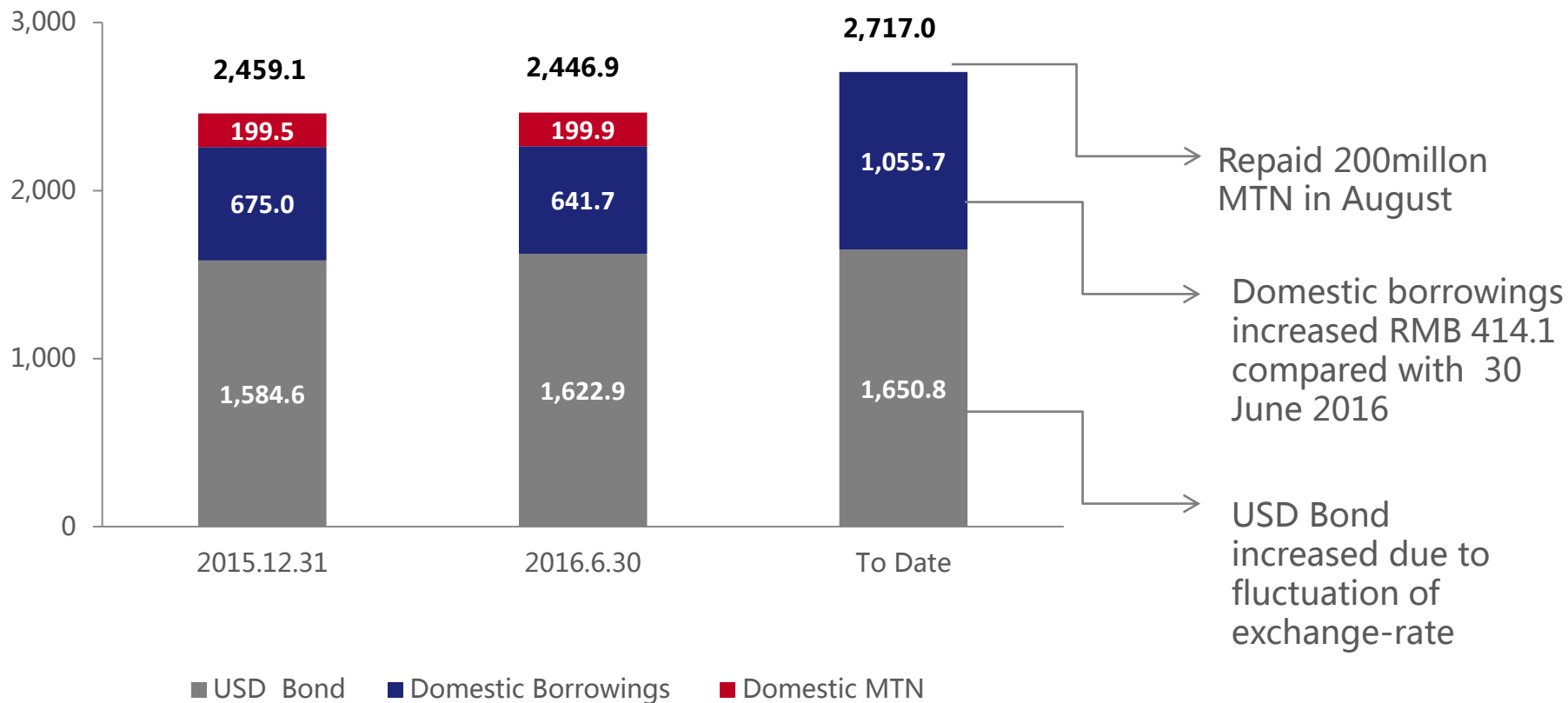


Anton Step-Port Frac Sleeve









Debt Structure Changes to Date



To date, the overall debt amounted to RMB 2,717.0 million

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Three-year Strategy Update



**Back to Growth Path
upon Market Recovery**

**“Stimulation and Cost
Reduction” Strategy**
Distinguished by continuous
technology innovation

“Integrated” Product Strategy
Develop products and technologies
with reservoirs needs as the core





“Globalized” Market Strategy
Speed up coverage in markets where
Chinese companies dominants

“Internationalized” Talent Strategy
Reconfigure the talent pool according
to business and technical needs as
well as international requirements

An oil drilling rig is the central focus, standing tall in a vast green field. The rig's derrick is a complex structure of red and white metal, with various cables and equipment attached. At its base, there are several white modular buildings and a large pile of yellow earth. The background is a clear blue sky with scattered white clouds. The overall scene is bright and clear, suggesting a sunny day.

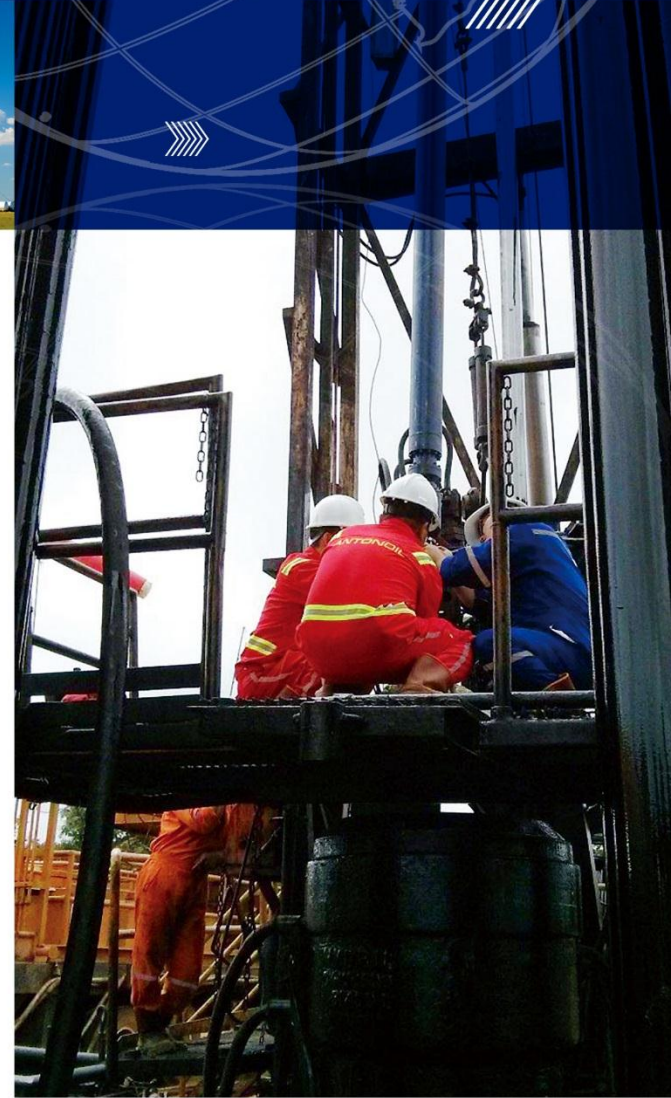
We are experiencing a most difficult year, while we have been well adapted to current oil price through fully adjustments. We will strive further to replace market share of international competitors in overseas markets ,taking advantage of our international technology products and low cost , back to growth path.

THANKS !

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Appendix



Appendix 1: Consolidated Income Statement

As at 30 June (RMB million)	2016	2015
Revenue	673.7	861.5
Cost of Sales	(499.6)	(625.0)
Gross Profit	174.1	236.6
Other gains, net	65.5	13.8
Selling expenses	(49.9)	(72.0)
Administrative expenses	(123.6)	(129.1)
Research and development expenses	(17.2)	(9.2)
Sales tax and surcharges	(4.0)	(7.6)
Operating Profit	44.8	32.5
Finance costs, net	(83.1)	(95.1)
Share of loss of a jointly controlled entity	(0)	(1.0)
Profit before Income Tax	(38.3)	(63.7)
Income tax expenses	(27.0)	(12.4)
Profit for the Year	(65.3)	(76.1)
Profit attributable to equity holders of the Company	(65.0)	(73.8)
Non-controlling interests	(0.2)	(2.3)

Appendix 2: Balance Sheet

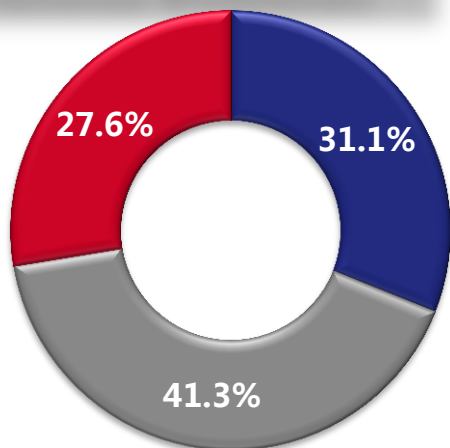
RMB million	As at 30 June 2016	Ass at 31 December 2015
Property, plant and equipment	2,236.8	2,355.5
Land use rights	48.5	59.9
Intangible assets	386.1	379.5
Investment in a jointly controlled entity	0	4.0
Other non-current assets	63.0	67.3
Deferred income tax assets	56.6	64.7
Inventories	788.0	834.2
Trade and notes receivables	1,292.3	1,284.4
Prepayments and other receivables	394.9	373.6
Restricted bank deposits	202.4	158.2
Term deposits with an initial term of no less than 3 months	11.0	11.0
Cash and cash equivalents	207.0	458.2
Total Assets	5,819.1	6,183.2
Capital and reserves attributable to equity holders of the Company	1,789.9	1,894.0
Non-controlling interests	65.3	65.6
Total Equity	1,855.3	1,959.6
Non-current liabilities	1,749.4	1,589.0
Current liabilities	2,214.5	2,634.5
Total Liabilities	3,963.8	4,223.5
Total Equity and Liabilities	5,819.1	6,183.2

Appendix 3: Cash Flow Statement

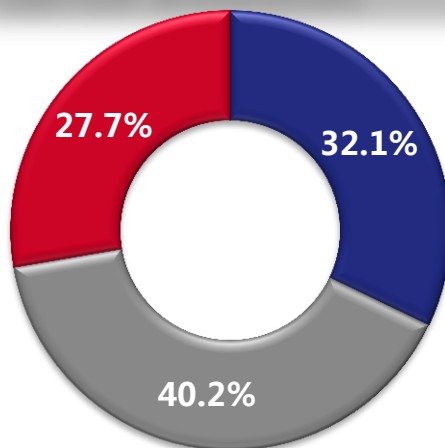
As at 30 June (RMB million)	2016	2015
Net cash generated from operating activities	(153.1)	(32.4)
Net cash generated from investing activities	(34.8)	(168.7)
Net cash generated from financing activities	(67.7)	(296.7)
Net increase (decrease) in cash and cash equivalents	(255.6)	(497.8)
Cash and cash equivalents, at beginning of the year	458.2	759.8
Currency translation loss on cash and cash equivalents	4.4	3.2
Cash and cash equivalents, at end of the year	207.0	265.1

Appendix 4: Business Cluster Mix

1H 2016
Revenue Breakdown

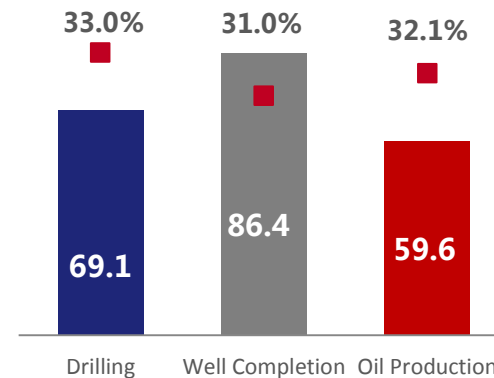


1H 2016
EBITDA Breakdown

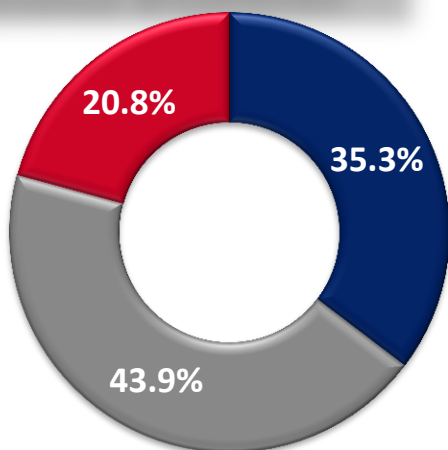


1H 2016 EBITDA/
EBITDA Margin

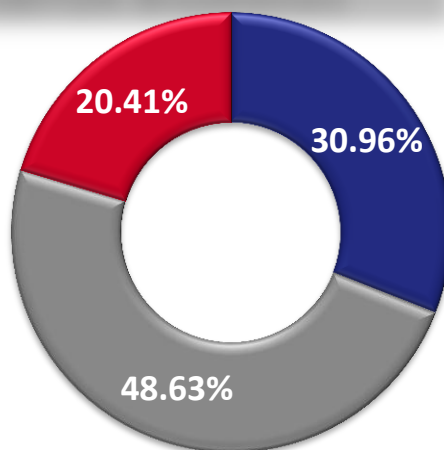
RMB million



1H 2015
Revenue Breakdown

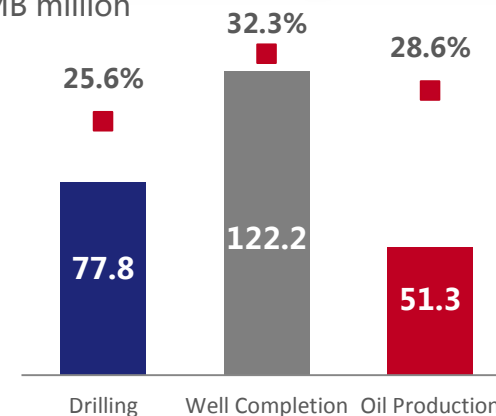


1H 2015
EBITDA Breakdown



1H 2015 EBITDA/
EBITDA Margin

RMB million



■ Drilling technology
 ■ Well completion
 ■ Oil production

Appendix 5: Cost Analysis

Costs/Expenses by function	1H 2016	1H 2015	Change	1H 2016	1H 2015	Change
	% of Revenue			RMB million		
			%			%
Cost of sales	74.2%	72.5%	+1.7	499.6	625.0	-20.1%
Selling expenses	7.4%	8.4%	-1.0	49.9	72.0	-30.7%
Administrative expenses	18.3%	15.0%	+3.3	123.6	129.1	-4.3%
R&D expenses	2.6%	1.1%	+1.5	17.2	9.2	87.0%
Sales tax & surcharges	0.6%	0.9%	-0.3	4.0	7.6	-47.4%
Finance expenses	12.4%	11.4%	+1.0	83.9	98.6	-14.9%
Income tax expenses	4.0%	1.4%	+2.6	27.0	12.4	117.7%

Costs/Expenses by nature	1H 2016	1H 2015	Change	1H 2016	1H 2015	Change
	% of Revenue			RMB million		
			%			%
Material & services	48.5%	43.1%	+5.4	326.8	371.10	-11.9%
Staff overhead	23.7%	24.5%	-0.8	159.6	210.9	-24.3%
Depreciation & amortization	14.7%	11.2%	+3.5	99.0	96.1	3.0%
Other expenses	15.6%	18.3%	-2.7	104.9	157.3	-33.3%

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