



中海油田服务股份有限公司
China Oilfield Services Limited



2019 Interim Results Presentation

Aug 2019

The information contained in this presentation is intended solely for your personal reference. In addition, such information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on assumptions subject to various risks. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected. Past track record cannot be used as guidance for future performances.



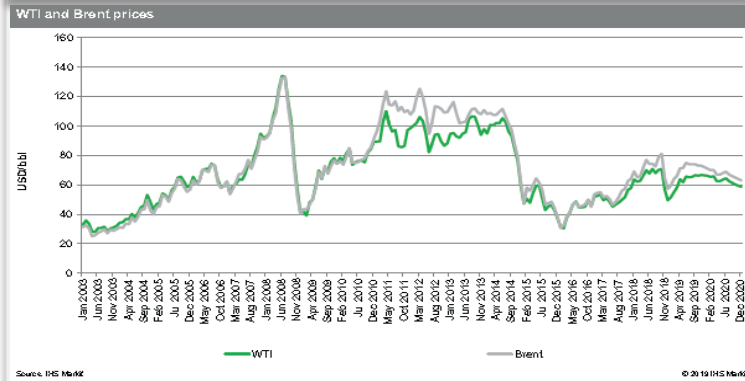
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Content

Results Overview

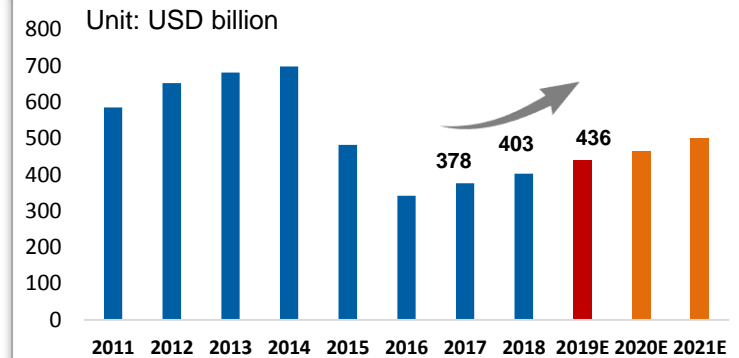
Company Outlook

Gradual Increase in Oil Prices



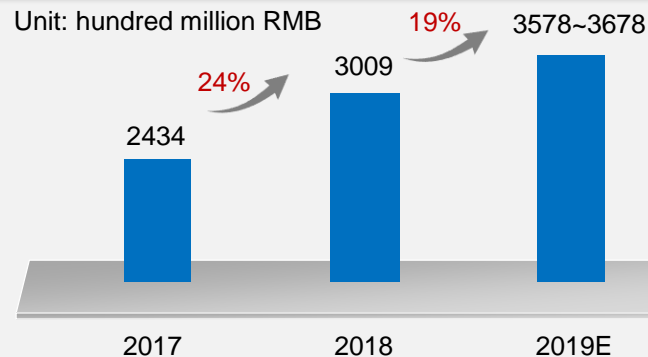
Source: IHS report as of June 2019

Global Upstream E&P CAPEX



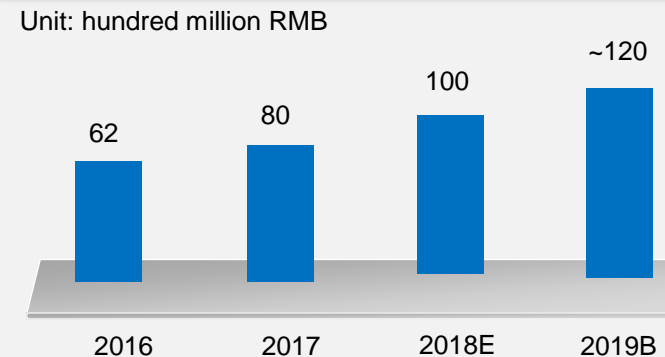
Source: IHS report with market data as of June 2019

Domestic E&P CAPEX



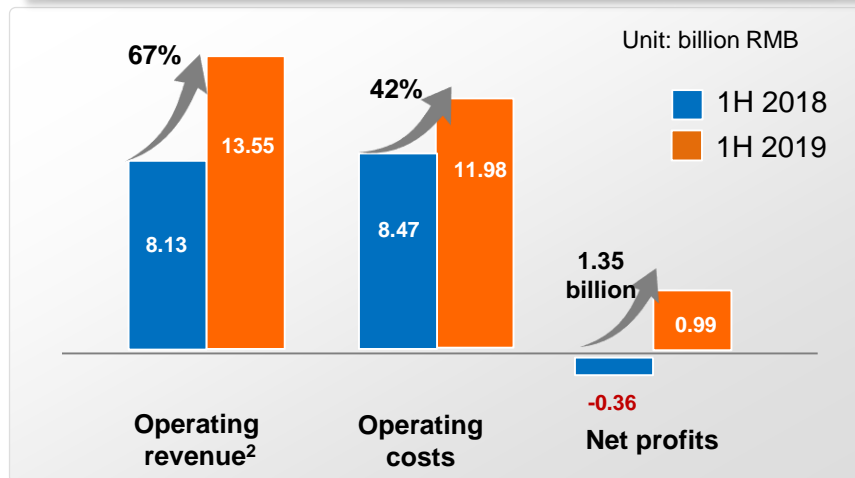
Source: 3 domestic E&P Companies

Domestic Exploration Investment by CNOOC Limited

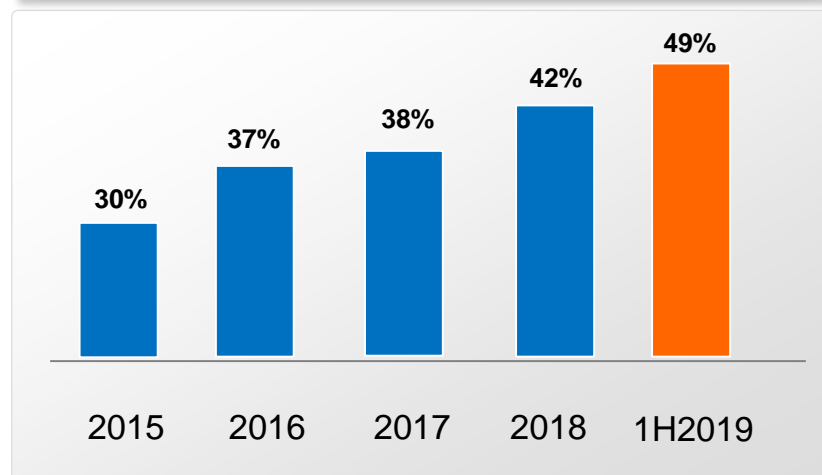


Source: : CNOOC Limited 2019 Strategy Preview

Rapid Improvement in Profitability



Contribution of Technology Segment



■ External environment

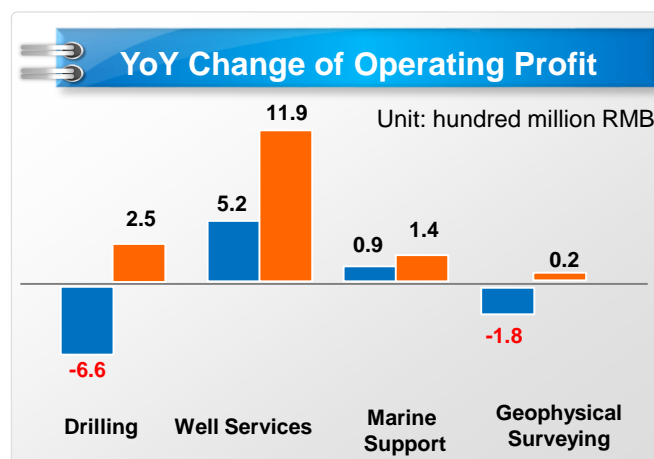
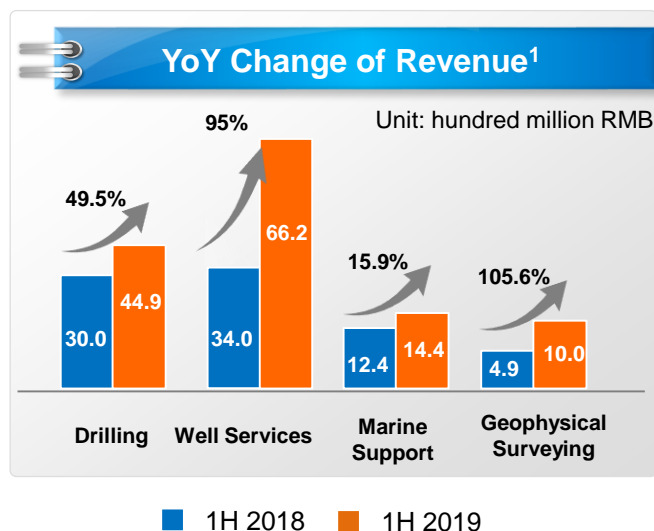
- Recovery of the oilfield service market with increase in global capital expenditures on upstream exploration and development
- Certain increase in operation volumes in domestic and overseas markets

■ Internal promotion

- Enhanced regional economies of scale and improvement in operation efficiency
- Enhanced equipment capability and significant increase in utilization rate
- Increase in operation volume of HTHP wells
- Technology innovation led to the increase in operation volume
- Developed new business and new markets

1. Financial data was extracted from the unaudited financial report of the Company prepared in accordance with the Hong Kong Financial Reporting Standards and was as of 30 June 2019

2. Revenue, net of sales surtaxes



Drilling: 38 Jack-ups and 14 Semi-sub

- Operation days and utilization rate continued to increase
- Operation days: increased by 1747 days or 33.8% YoY
- Calendar day utilization rate: increased by 12.5 to 76.6%
- Capacity: increased 6 rigs, up 13%

Well services: Enhanced investment in technology R&D for more advanced technology

- Operation volume and revenue of all businesses increased remarkably, with revenue up 95% YoY
- Enhanced technology and capacity
- Breakthrough in self-developed technology
- Breakthrough in overseas market
- Synergy driven by operation volume of drilling rigs
- Increase in HTHP operation
- Services expansion to plugging and abandonment project

Marine support: 97 self-owned vessels and 40 vessels under management

- Calendar day utilization rate of self-owned vessels: increased to 94.8%
- Number of chartered vessels increased, and operation volume surged 45.8% YoY

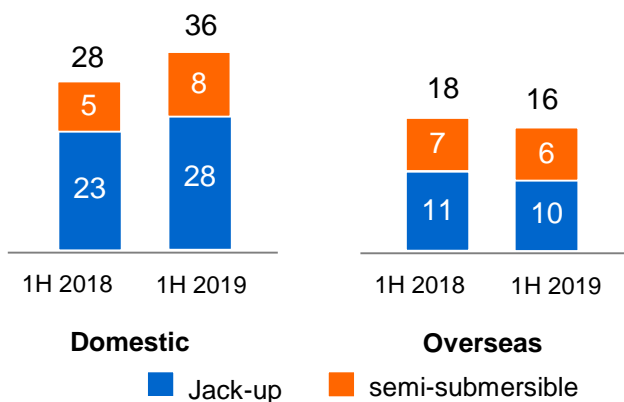
Geophysical surveying: 10 seismic vessels, 5 surveying vessels

- Operation volume of OBC increased by 146.3% YoY
- Operation volume of 3D acquisition increased by 11.9% YoY
- Self-developed technology Hailiang was put into use
- The newly launched multi-client business started to make profit

Note: The above financial data was as of 30 June 2019
1. Revenue, net of sales surtaxes

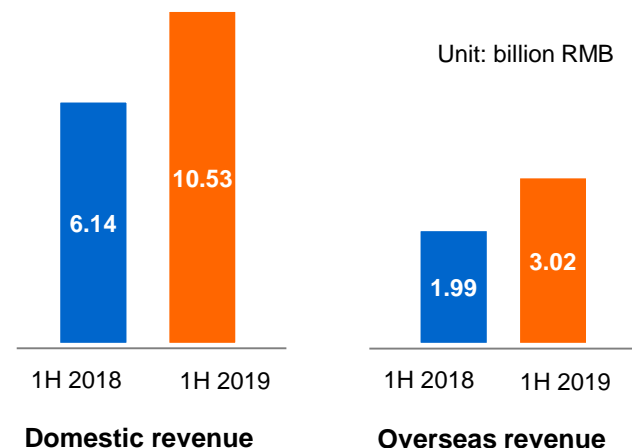
Domestic Market

- ◆ Flexible allocation of domestic and overseas resources to meet the increasing demand;
 - 36 domestic drilling rigs, increased by 8
 - Increase in the volume of both exploration well and adjustment well
 - Substantial increase in operation volume of 3D acquisition and submarine cable business



Overseas Market

- ◆ Acquired 36 new overseas contracts, 2 new markets, 5 new clients
- ◆ Breakthroughs in the well services segment
 - Increase in the volume of HTHP wells
 - Successful first attempt of the plugging and abandonment project
 - Sales of MUIL to overseas markets



Note: The above equipment data was as of 30 June 2019

HTHP Wells

Logging capability



- **The high-temperature** ESCOOL logging equipment (205 °C&140Mpa) has been applied in exploration wells, offshore high-temperature wells
- **The extremely high-temperature** ESCOOL logging equipment (232°C& 172Mpa) is conducting high-temperature well operations in Bohai

Oilfield chemical and Drilling

- The upper temperature resistance limit of HTODRILL high-temperature, oil-based drilling fluids exceeds 230°C
- HYSY932 completed drilling can overcome major challenges such as HTHP, poor drill ability of target stratum, overflow, etc.

Great market potential

- In 2019, it is planned to drill and explore more HTHP wells in offshore China
- The high temperature and pressure areas in the onshore regions are in high demand



Multifunction Ultrasonic Imaging Logging Tool (MUIL)

Functions

- High-end ultrasonic logging equipment for wellbore integrity testing, guidance of engineering operations and improvement of wellbore safety

Equipment sales

- Bulk sale to world-class oil service companies for the first time with a revenue of nearly RMB100 million
- Tailor-made technology upgrades, generating revenue of nearly RMB10 million

Difficulties in high-precision 3D wellbore integrity operation

- Wellbore integrity testing
- Confirmation of interlayer sealing of lightweight cement
- Increasing demand for cementing quality with high reliability



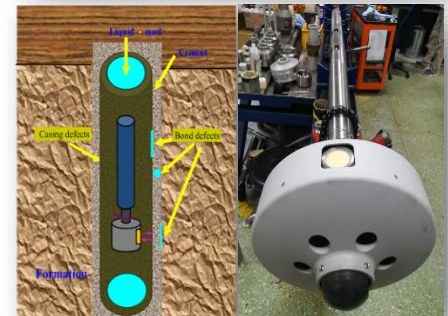
Mitigation of environmental pollution risks

- Marine ecological damage
- Offshore, Deep-water well, HTHP
- Blowout, fire or explosion



Problem solving of well structure damage

- Annular pressure
- Frequent workover and increased costs
- Early shutdown and abandonment of oil and gas wells



MUIL

Integrated Plugging and Abandonment (P&A) Project

Plugging and Abandonment Project

- The first overseas integrated P&A project of COSL
- Accumulate experience and optimize standards

Great market potential

- Great demand in Southeast Asia, of which the well P&A operations in the Gulf of Thailand exceeds 200 wells/year.



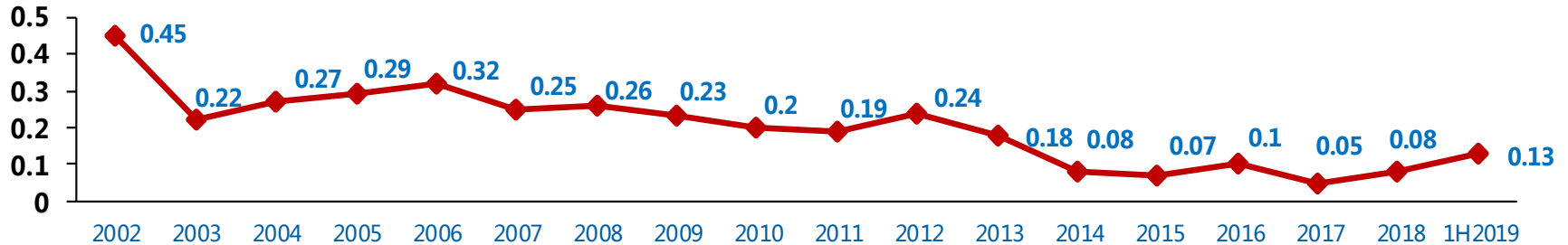
Well Abandonment with different complexities

~50 Wells in 2019

~40 Wells in 2020

~60 Wells in 2021

Excellent OSHA Safety Management Index



Fulfillment of Social Responsibility and Capital Market Awards

Social responsibility

- Marine salvage
- Effective promotion of environmental protection
- Proactively integrated into local cultures and carried out public welfare activities



Capital market awards

- 2019 Outstanding Brand Image Award
- Outstanding Technological Innovation Award
- Included in the list of IR interactive activity of A-share listed companies





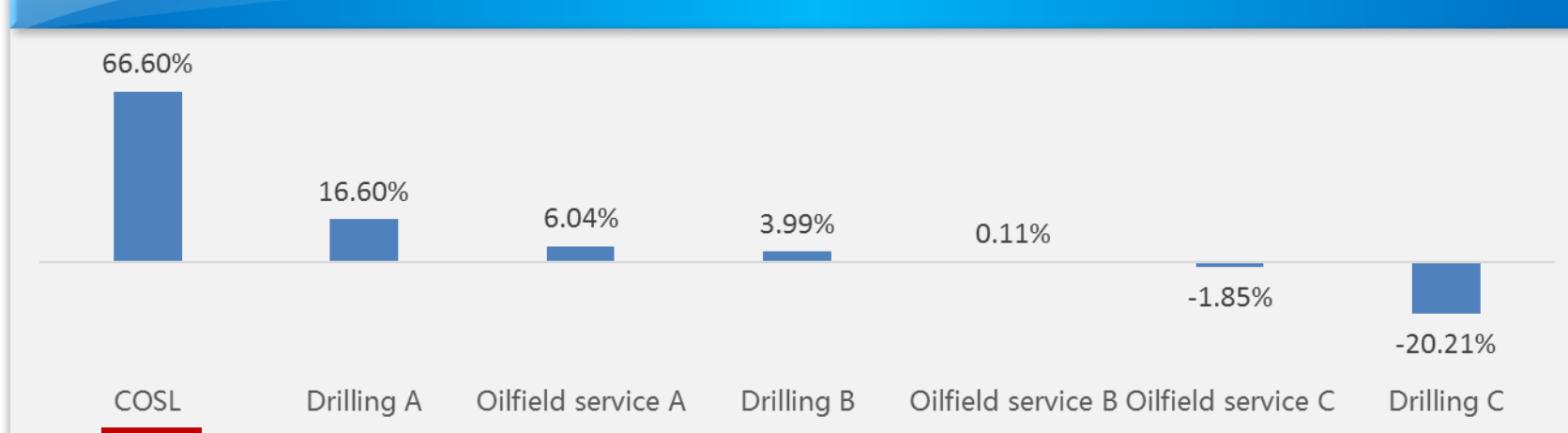
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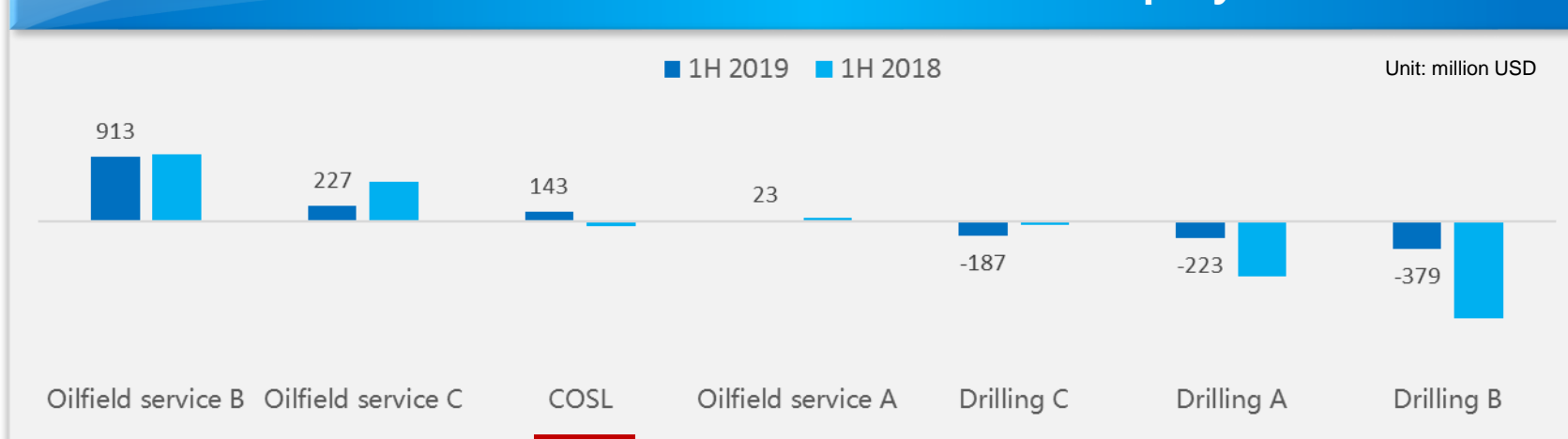
Results Overview

Company Outlook

Revenue Growth YOY of International Peers in 1H 2019



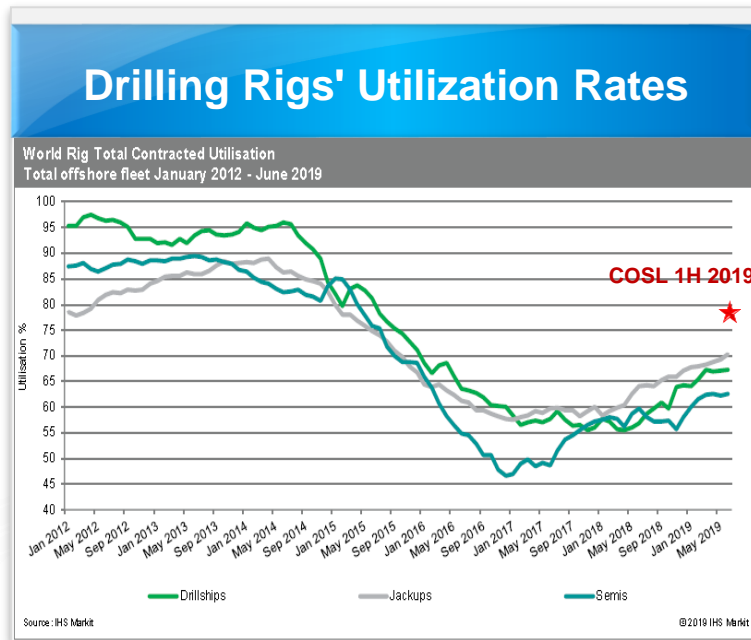
Net Profit Attributable to Owners of Company



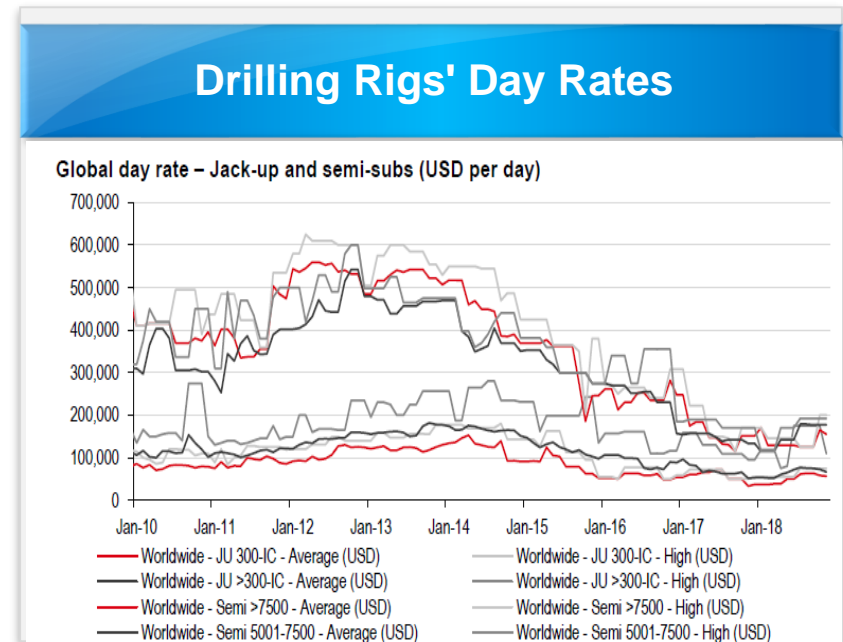
Source: companies reports. Exchange Rate : 1H.2019 1:6.78 , 1H.2018 1:6.37

Benchmarking companies: Baker Hughes , Halliburton, Schlumberger, Transocean, Noble, Diamond Offshore Drilling

- ➡ The commodity prices still face uncertain factors
- ➡ In spite of the recovered oilfield service market, more frequent bidding activities and increasing utilization rate of equipment, overcapacity will still be an issue in the short-to-mid term



Source: IHS report, data as of Jun 2019

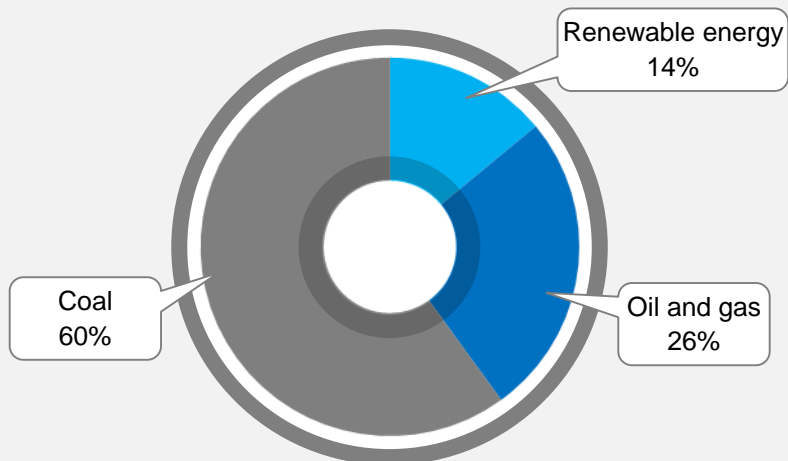


Source: Clarksons report with data as of December 2018

Continues to Increase Exploration and Development in China

- ➡ Oil and gas continue to make up a large proportion in China
- ➡ The "Seven-Year Action Plan" implemented will benefit the oilfield service industry
- ➡ CNOOC's CAPEX in China will increase substantially in 2019
- ➡ In line with the low-carbon trend, COSL actively explore the development opportunities in renewable energy industry such as offshore wind power

Energy Consumption Structure in China



Source: National Bureau of Statistics

Drilling Rigs Under Construction

	Under construction (in China)	Contracted	Rate
Jack-up	68 (46)	4	6%
Semi-submersible	11 (6)	2	18%
Drillship	19 (3)	1	5%
Total	98 (55)	7	7%

Source: IHS report with data as of June 2019

- Mexico: drilling, cementing and marine support service projects
- Canada: logging service project, sales project, 2D geophysical acquisition project
- Brazil: 3D geophysical acquisition project

America

- Norway: drilling service project
- UK: drilling service project

- Iraq: the first and second integrated services in Missan oilfield, etc.
- Saudi Arabia: drilling project
- Kuwait: off-shore well drilling projects

Europe

Middle East

Africa

- Cameroon: service project
- Ethiopia: logging project

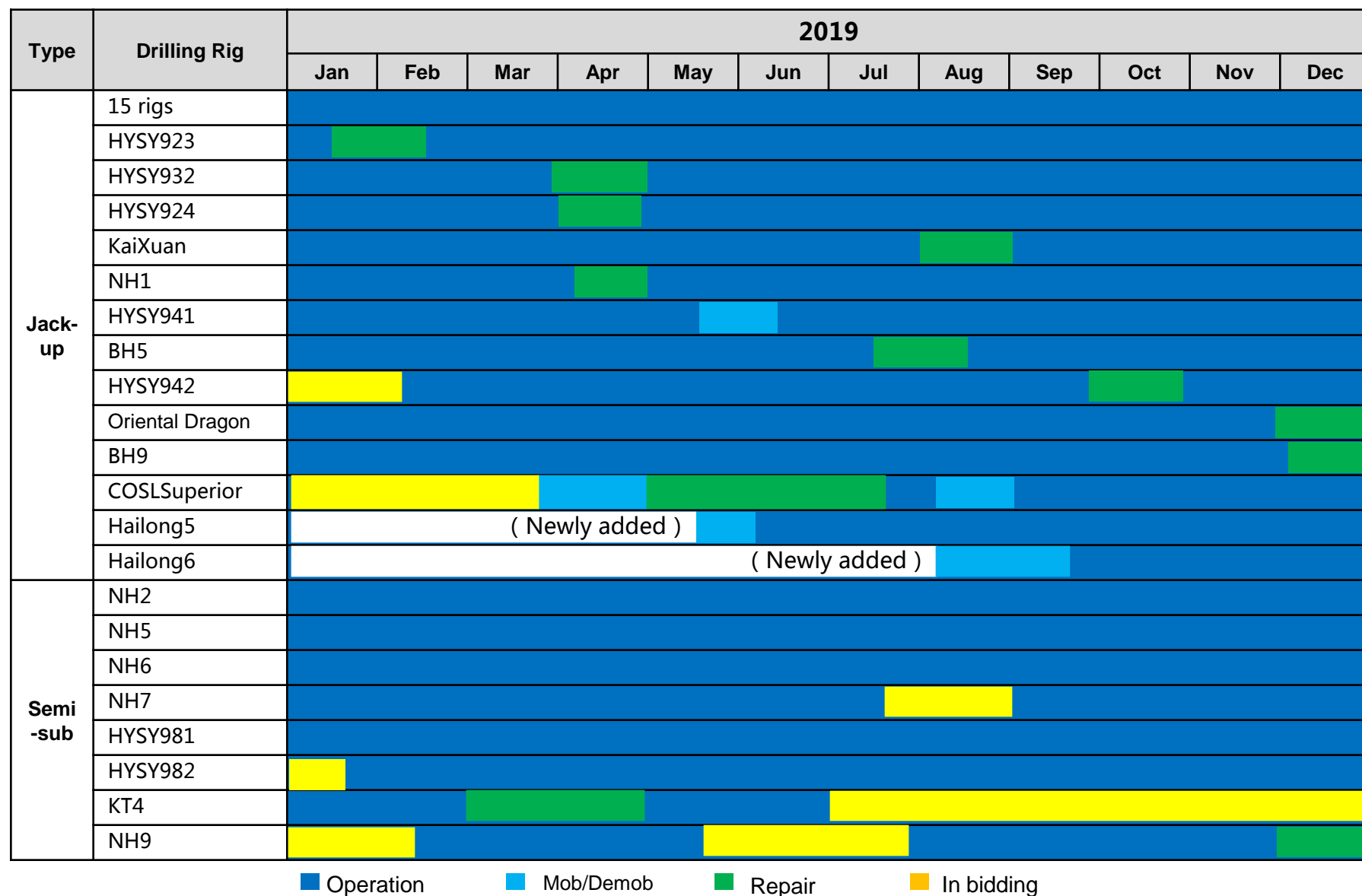
- NH8 drilling service project
- NH10 drilling service project

Far East

Asia-Pacific

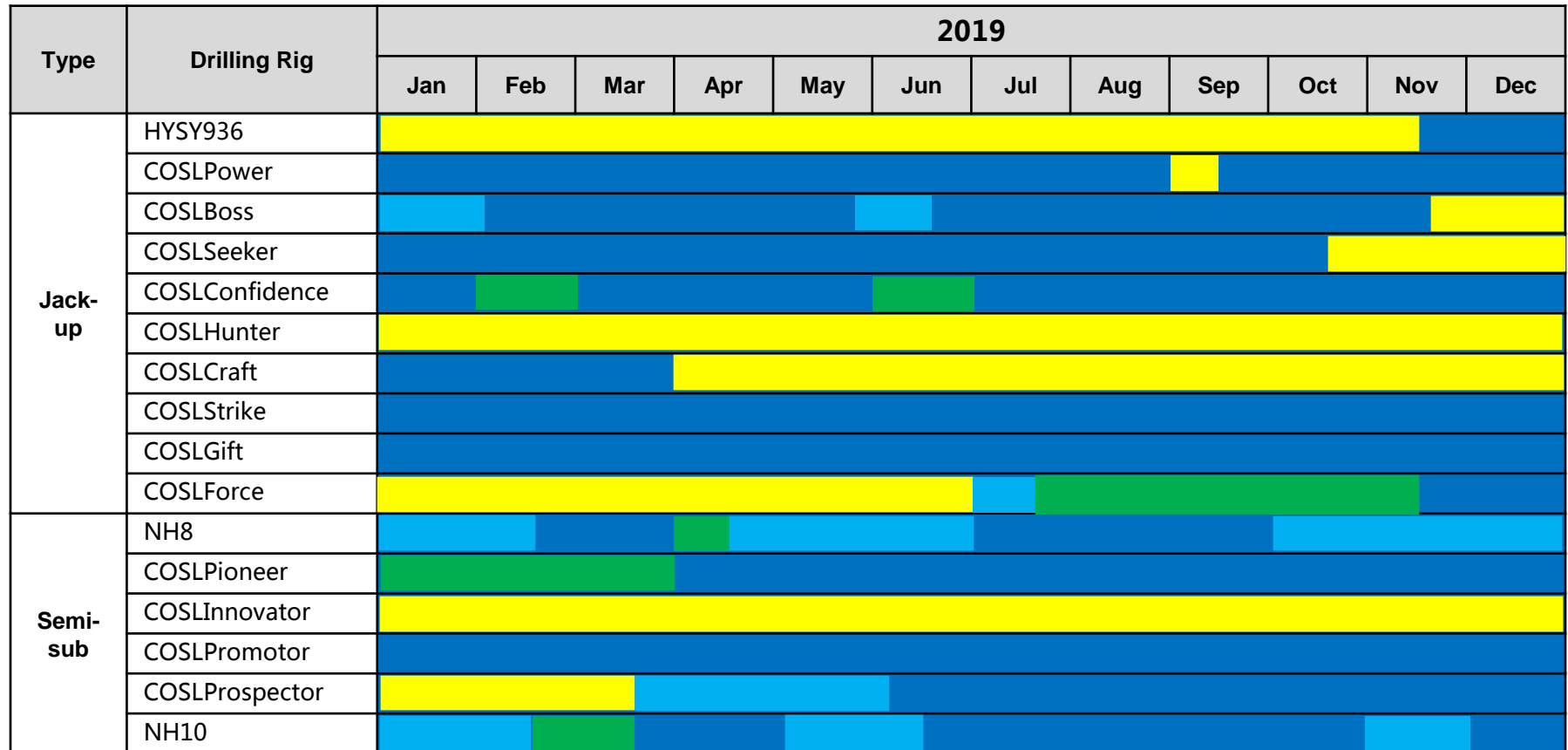
- Indonesia: drilling projects, barge, workover, cementing, stimulation and logging projects
- Malaysia: drilling and completion fluid and cementing projects
- New Zealand: drilling service project
- Myanmar: cementing, logging and perforating projects

Rig Operation Status in Domestic



Remarks: Data up to 30 Jun 2019. Operation status may be changed due to some projects are in the bidding stage.

Rig Operation Status in Overseas



■ Operation
 ■ Mob/Demob
 ■ Repair
 ■ In bidding

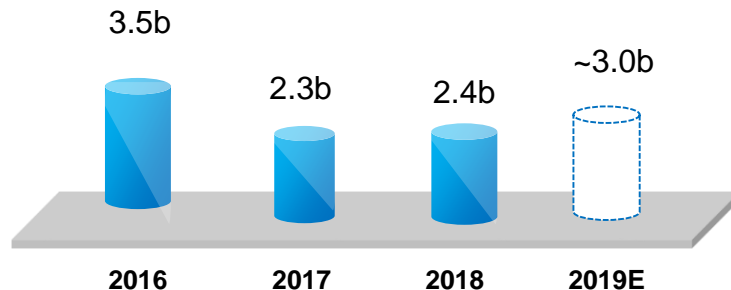
Remarks: Data up to 30 Jun 2019. Operation status may be changed due to some projects are in the bidding stage.

Steady Financial Situation

- Prudent capital expenditures, optimizing growth mode to technology intensive and light assets
- Healthy cash flows and sound gearing ratio
- Smooth financing channels and relatively low financing costs
- Abundant credit facilities (As of 30 June 2019, totally RMB42.4billion of credit line was obtained, with balance of approximately RMB36.3 billion)

Capital Expenditure

Unit: RMB



Focus on Cost Management

- Strict control over cost increase which caused by the operation volume increasement
- Structural cost reduction
 - Institutional reform
 - Management process optimization
 - Boosting labor productivity

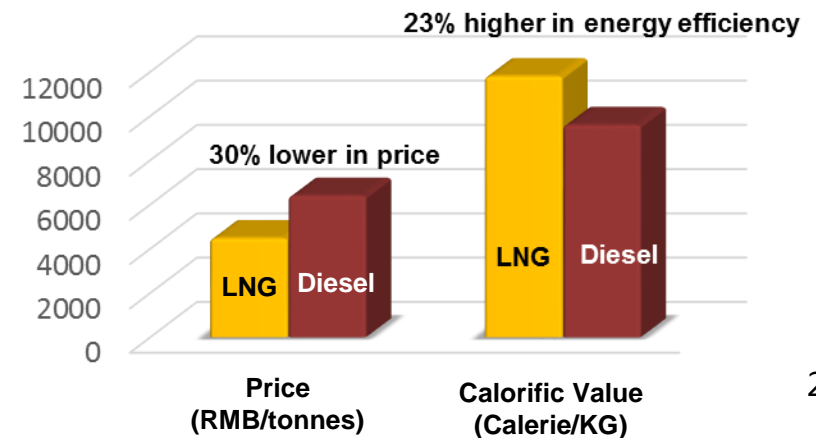
LNG Vessel

Leading the trend

- Trend of low-carbon disposal of the global energy industry
- Leading the clean, low-carbon and highly efficient transformation
- 12 LNG-powered oilfield supply vessels will put into use in 2020

Advantage of LNG

- Effective reduction of environmental pollution
- Effective cost reduction. Taking 5,000 HP horsepower vessel as an example, using LNG contributes to the saving of nearly RMB4 million per year as compared with diesel



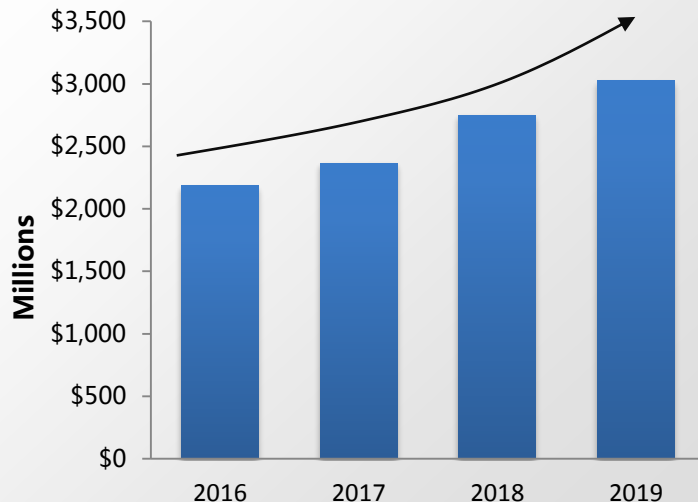
EPS for Well Drilling Wastes

Environment Protection Solutions



Well drilling wastes: refers to the wastes generated during drilling operations, including drill cuttings by drilling bit, wasted drilling and well completion fluids, drilling wastewater, etc.

Global Drilling Waste Management Market



Great Market Potential and Service Capability

Market Potential

- Grand View Research: scale of the global drilling waste management market will reach US\$7.13 billion by 2025
- Domestic offshore waste is estimated to exceed 500,000 tonnes/year

Services Capacity

- COSL achieved zero safety and environmental pollution accidents
- EPS service for over 230 wells and an operation team comprising nearly 100 people
- Integrated service : EPS+ Reusable drilling fluid

New Business, New Growth Point

Multi-client Business

Business mode



Current development

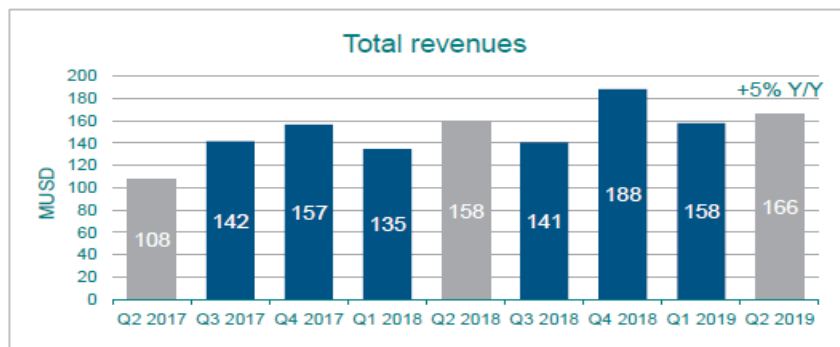
- The multi-client business refers to a mode for current global geophysical companies which records satisfactory operating performance.

Business capability

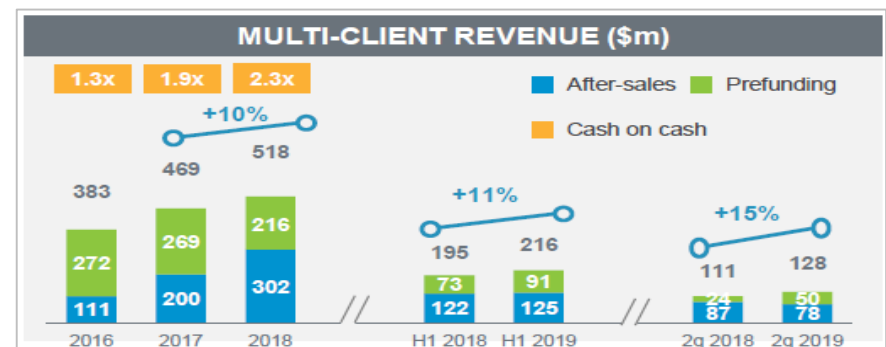
- 5 towing streamer vessels

Business progress

- Argentina project: approximately US\$10 million revenue
- Brazil project: in operation
- 3D multi-client project in Gabonese Republic: data processing has been completed, and data sales is in progress



Source: periodic report of a peer geophysical acquisition company



Source: periodic report of a peer geophysical acquisition company

Expand the Scope of Service

Wind Power

Offshore wind power market

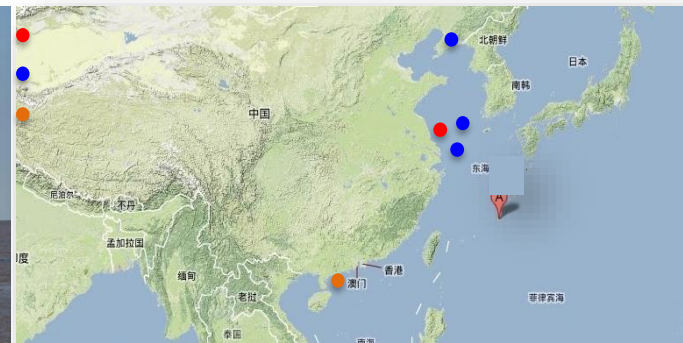
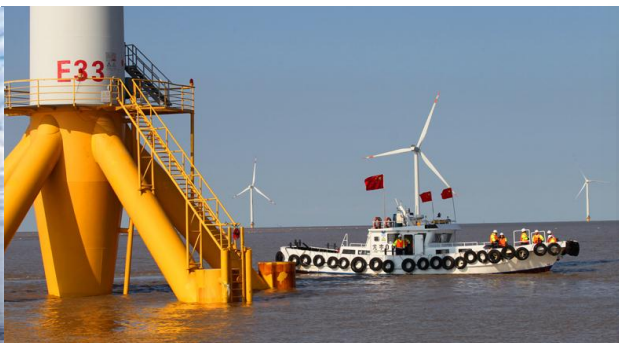
- In 2018, totally 4.45 million KW onshore wind power was installed and 6.47 million KW was under construction in China
- China has become the third largest offshore wind power country after the UK and Germany

Wind power survey projects

- Obtained the projects of SPIC
- Promoted the offshore wind power survey projects of CNOOC
- Kept track of the opportunities in Guangdong and Fujian
- Extension of drilling service to the wind power field

Company goals

- Increased investment in the wind power industry and strengthen market development to increase its share in domestic wind power market



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