

COSL

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



2020 Interim Results Presentation

Aug 2020

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

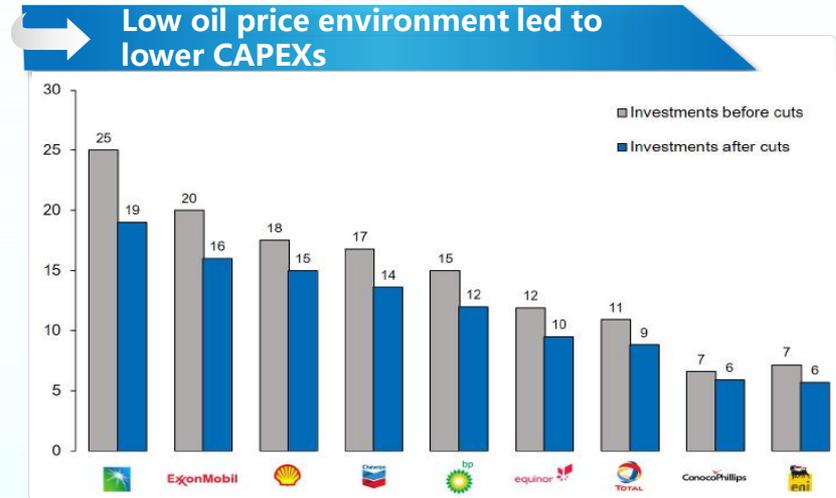
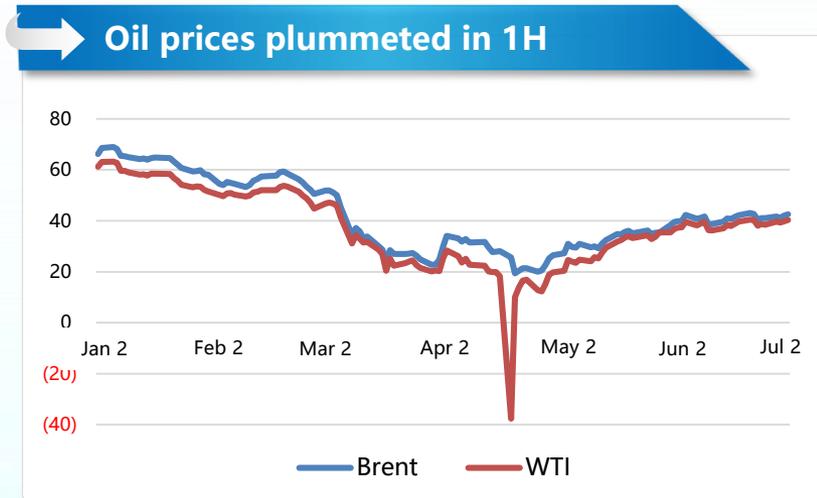


Results Overview



Company Outlook

- Due to the dual impact of the COVID-19 epidemic and the drop in oil prices, CAPEXs of global oil and gas companies drastically reduced
- The competition in the oilfield services industry became intensifying, leading to declines by varying extents in the equipment utilization rate and operating prices
- COSL proactively meet the challenges brought by industry changes



**Proactively Meet industry challenges
Eye on medium- and long term industry layout**

Reinforce market development and customer maintenance

Fine management and strict cost control

Continual technology R&D and application of results

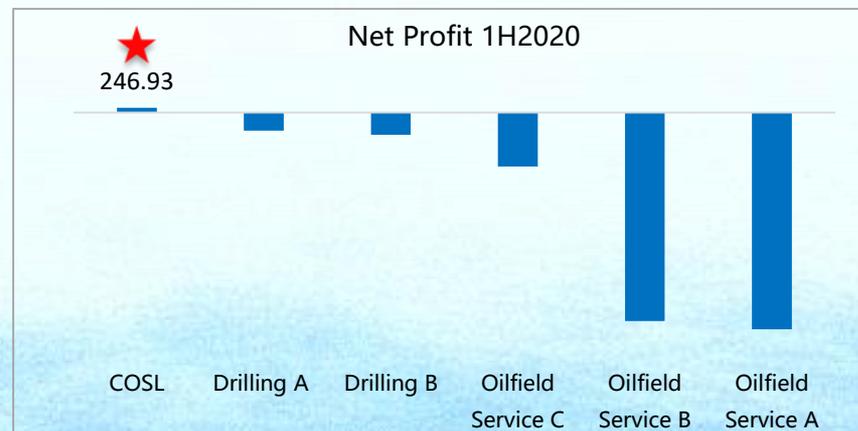
Further optimizing financial structure

Increase in profitability continued in 1H2020

RMB (million)	1H2020	1H2019
Revenue	14,497	13,552
Operating profit	2,222	1,601
Net profit	1,723	986

RMB (million)	1H2020	End of 2019
Total assets	81,427	76,101
Total liabilities	43,525	39,192
Shareholders' equity	37,901	36,910

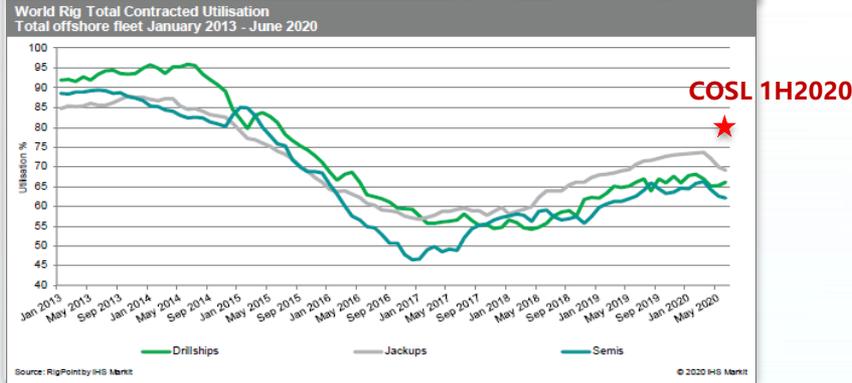
Revenue and net profit compared with international Peers



Data are sourced from various companies;
 USD to RMB: 1: 6.9413; Unit: USD in million

International Peers: SLB, HAL, BKR, RIG, NE

Drilling rigs utilization rate: outperform



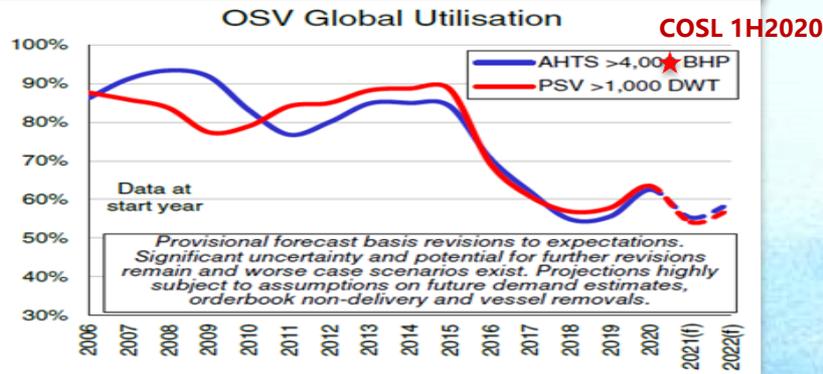
Source: IHS Report

Equipment and technological strengths

- No. 2 globally — Drilling rigs scale
- No. 3 globally — Cementing market scale
- No. 4 globally — Wireline logging market scale
- No. 4 globally — Directional drilling + MWD market scale
- No. 5 globally — Supply Vessels market scale
- No. 7 globally — Drilling & Completion Fluids

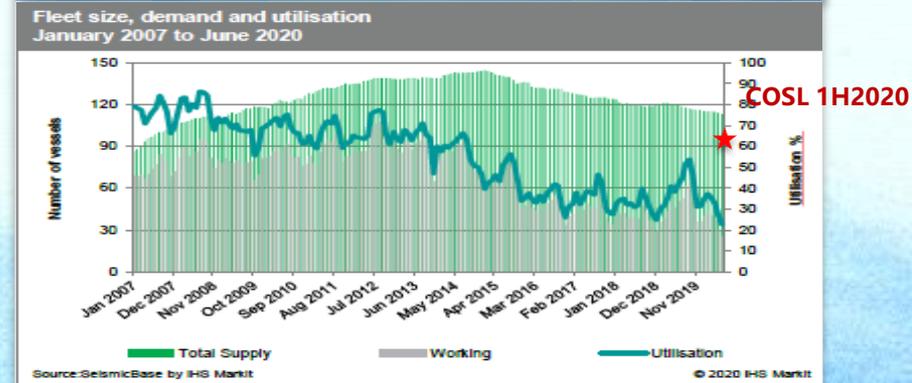
Source: Spears Report as of April 2020

Vessels utilization rate: outperform



Source: Clarksons

Seismic vessels utilization rate: outperform



Source: IHS Report

Further explore the market

- **The stable proportions of revenues from domestic and International**
 - 72% of revenue from domestic market, while 28% from the overseas market
- **Proactively exploring international market**
 - 26 new contracts
- **Robust support on reserves and production, and improving quality and efficiency**

Continue to consolidate the absolute leading position of offshore China market

- Further deepen the strategic cooperation with CNOOC Ltd.
- Self-developed technological put into operation
- Newly lease of 2 drilling rigs
- 2 drilling rigs returning to China from overseas

High quality service widely praised by customers



Sustained and stable development of international business

- Successfully complete service projects in the Asia Pacific region
- Starting the operations of projects in drilling rigs, logging and other aspects on schedule
- Newly securing offshore and onshore services



□ Existing key projects

□ Equipment segment:

- ◆ 3 jack-up rigs services, four-year well workover services, four-year barge services, and 3+2 years of support platform services

□ Technological segment:

- ◆ International oil companies
- ◆ National oil companies



□ Market development achievements

□ Signing of large-scale business contract:

- ◆ Workover rig and workover technological services
- ◆ Barge support services

□ New market development:

- ◆ Entering 2 new markets for the first time, securing 3-year service contract and drilling and completion fluids services

Higher Profitability from technological Upgrading **COSL**

Made frequent breakthroughs in the R&D of new technological products
Further improved the efficiency and profitability of technological products

Logging/ Directional Drilling

- Drilog&Welleader operation proportion steadily improved with revenue contribute to RMB55million
- Large-diameter rotary coring tool at a highest temperature of 166°C , generating a revenue of RMB21million
- The new technolog of wireline formation test, generating a revenue of RMB20million
- ESCOOL HPHT scaled operation, generating a revenue of over RMB20million
- Directional Wave Propagation Resistivity Tool genetating a revenue of over RMB15million

Drilling Fluids/ EPS

- Generate revenue of RMB55 million by using EPS drilling waste reduction technology
- Generate revenue of RMB50 million from BIODRILL environmental drilling fluid

Completion Stimulation

- Generated revenue of RMB 24 million from the expanded application of nano-microsphere profile control and flooding technology
- Generated revenue of RMB 6.5 million from the continual promotion of single-step acidizing system

Take advantage of the integrated technology of “Research, Production and Application “
Accelerate the commercialization of new technology products

- ❑ Improve the lost control and prevention technologies
- ❑ Shorten the well construction period

- With gel plugging LCM agent applied, the overall success rate of lost control exceeds 90%
- Lost control technology for severe leakage formations, shortens the well construction period by 8-20%
- Time limit is improved by applying the crystal early strength cement system

- ❑ Accelerated industrialization of new tools and technologies
- ❑ Increase in the operational time limit

- 9-5/8" single-run multi-layer gravel packing sand control tool completed the difficult packing operation
- The series of workover technology have shortened the time of well shutdown by 10%
- Integrated technology of Milling, Washing, Cutting and Fishing improves the comprehensive efficiency

- ❑ Upgrading of drilling equipment and tools
- ❑ Improves the timeliness of drilling operations

- The rotary tool drilling speed-increasing technology has increased average speed in igneous rock formations by above 60%
- After the NH8 platform windlass drive system was developed, the speed of retracting and releasing an anchor chain was increased by 3 times

Practice innovative development

Create high-end technological products

Effectively help customers to increase both reserves and production

Exploration

- **New geophysical technology improves the quality of offshore seismic exploration, and self-developed technology products helps new discovery of reserves**
 - Dual-sensor summing based on full information correction and other OBC processing technologies help in solving the difficult problem of complex structural exploration
 - ESCOOL HPHT logging system has been applied, estimated increase of oil and gas reserves is more than 10 million tons

Development

- **Create high-end technological products such as edge-detecting-while-drilling tools, and effectively helping increase oilfield development capacity**
 - Boundary detecting while drilling can be used to have a real-time inversion of changes in reservoir boundaries and physical properties
 - IFPT high-end tools with real-time, intelligent testing and high-speed transmission of pressure data

Production

- **New technologies of stimulation drives the increase in recovery ratio, and helps oilfields enhance development and production performance**
 - After new stimulation measures, get 40,000m³ oil gain
 - Since new fracture water-plugging process get 3500m³ oil gain so far
 - The compound profile control and flooding technology get 6100m³ oil gain by now
 - The single-step acidizing measures increased injection water 400,000 m³

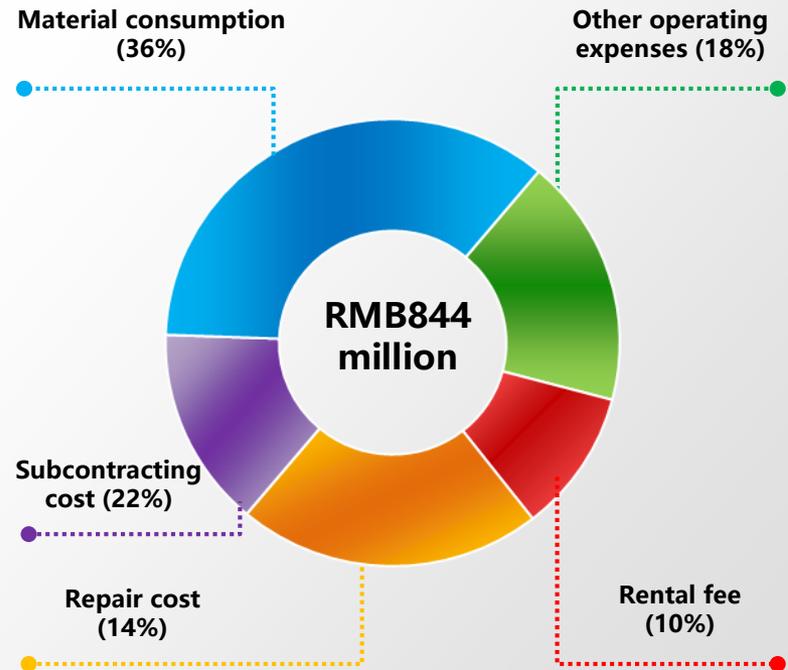
Initial results in reducing variable cost

- In early 2020, the company proposed the general goal of reducing the annual variable, which was broken down into each business unit for implementation
- From January to June of 2020, the variable cost was reduced by RMB844 million

Increase efficiency

- **Reduce cost**: increase proportion of self-repairing, reduce outsourcing maintenance costs
- **Cultivate potentials** : share transportation resources and increase bargaining power
- **Optimize** : speed up scientific and technological industrialization, serialized production, speed up localization
- **Increase revenue**: revitalize idle assets and increase domestic and foreign market development
- **Innovation** : innovate and breakthrough technical capabilities, and improve work efficiency

Breakdown of the decrease in variable cost



- The World's Worst Public Health Crisis in a Century
- The number of confirmed cases of COVID-19 worldwide exceeded 20 million, and the death toll exceeded 700,000

Source: World Health Organization (as at 14 August 2020)



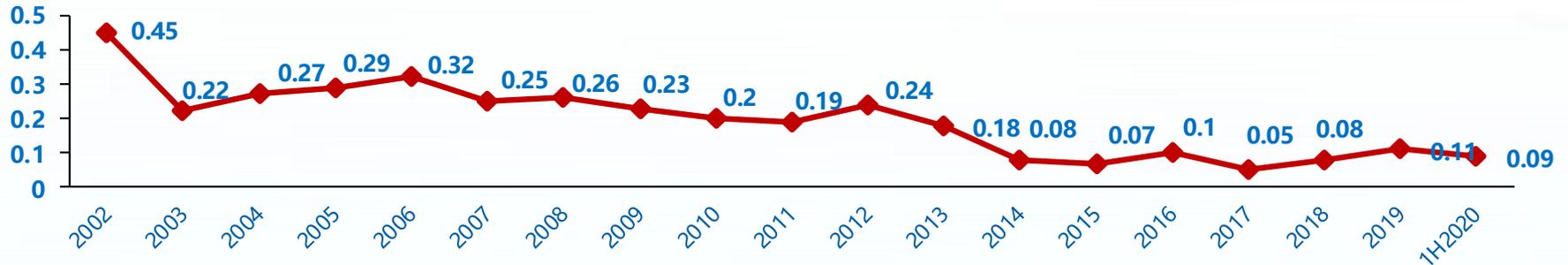
**Resumption of production
and operation**



Situation of checkups

- Quickly establish a four level leadership and command system, covering all areas at home and abroad
- Establish a prevention and control system, establish seven major support systems, and formulate a multi-level return to work security system
- Fully consider the actual business, take measures according to local conditions, and the epidemic situation has almost zero impact on the company's production and operation
- No suspected or confirmed case confirmed by medical institutions has been found at home and abroad

Excellent Safety Management



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

- Best Investor Relations Award and Best New Media Operation
- Listed Company with Most Popular Brand
- China Star Enterprise Award and Best Innovative Listed Company





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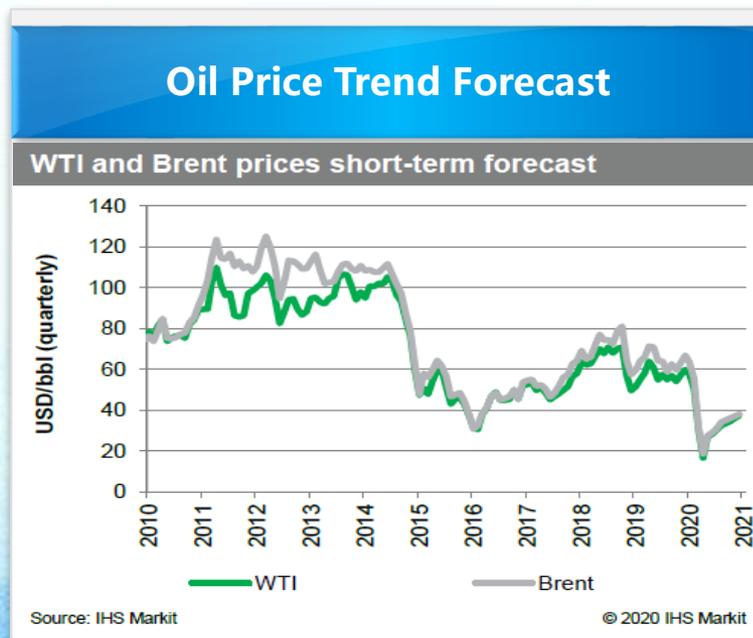
Results Overview



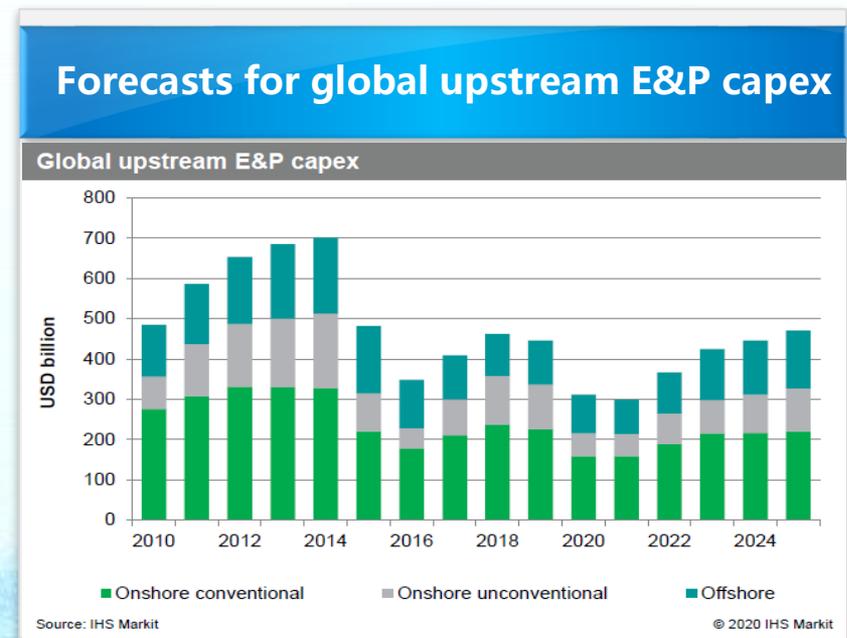
Company Outlook

➔ According to the forecast of IHS report, Brent's average oil price in 2020 is USD42/barrel, which is expected to increase slightly in 2021

➔ International oil prices may run at low levels for a long run. In 2021, global upstream capital expenditures will still fall further from 2020



Source: IHS Markit (Market data as of July 2020)

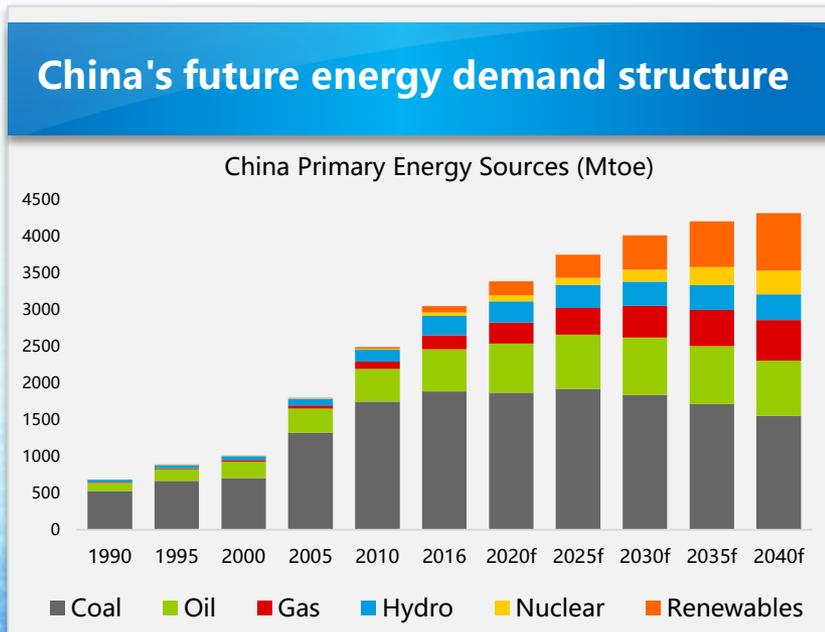


Source: IHS Markit (Market data as of July 2020)

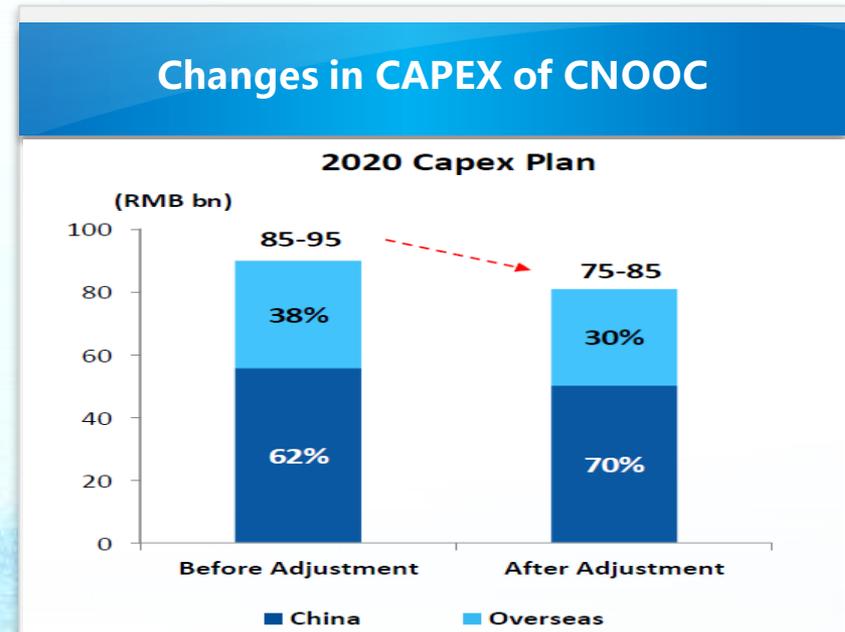
- ➔ Oil and gas energies continue to occupy important positions in China's energy consumption structure

- ➔ The “Seven-year action Plan” of domestic oil and gas companies will provide a period of prosperity for the oilfield service industry

- ➔ Although the CAPEX of CNOOC Ltd. dropped to an extent in 2020, the capex in the domestic market remained rather unchanged

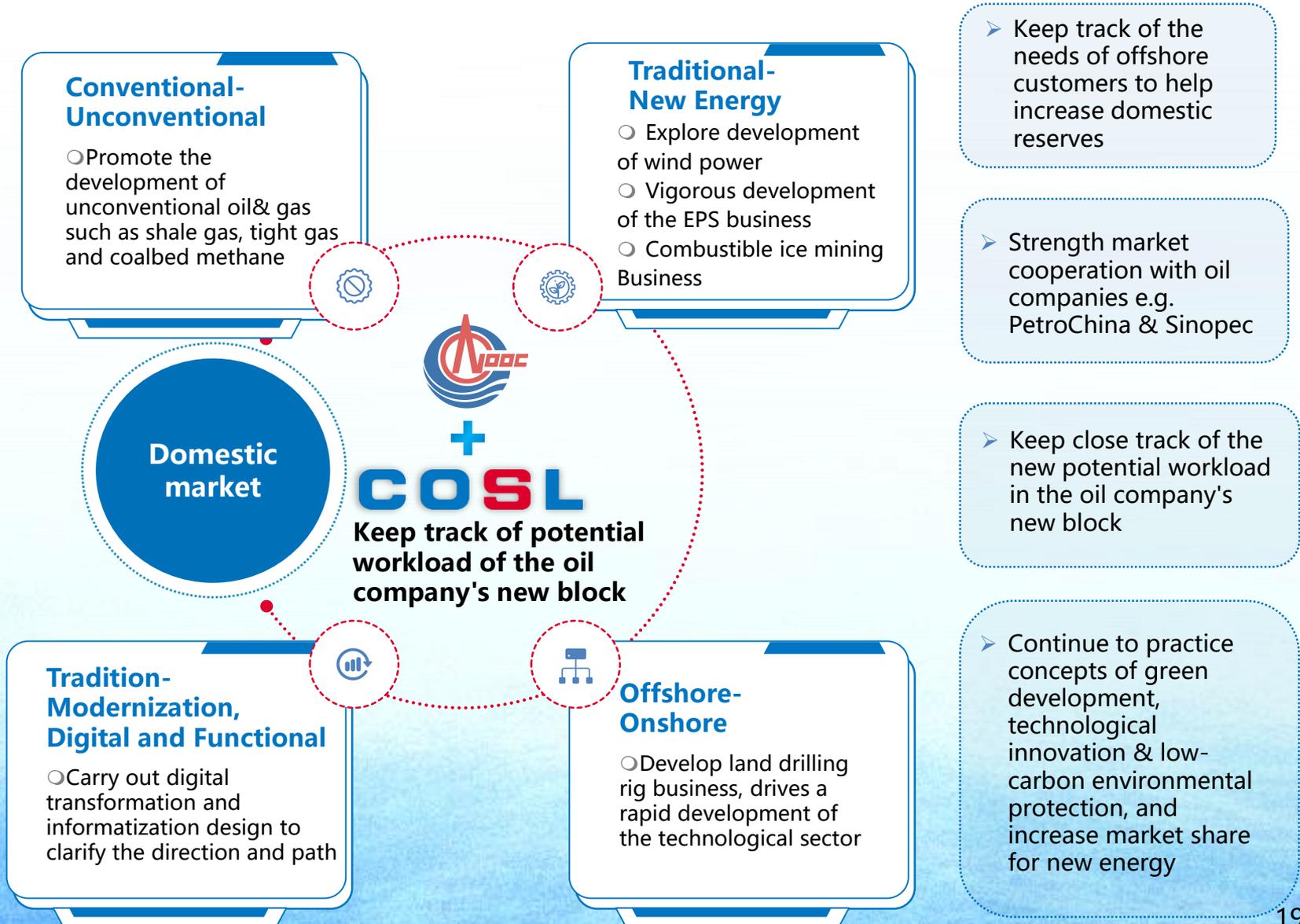


Source: IHS Markit

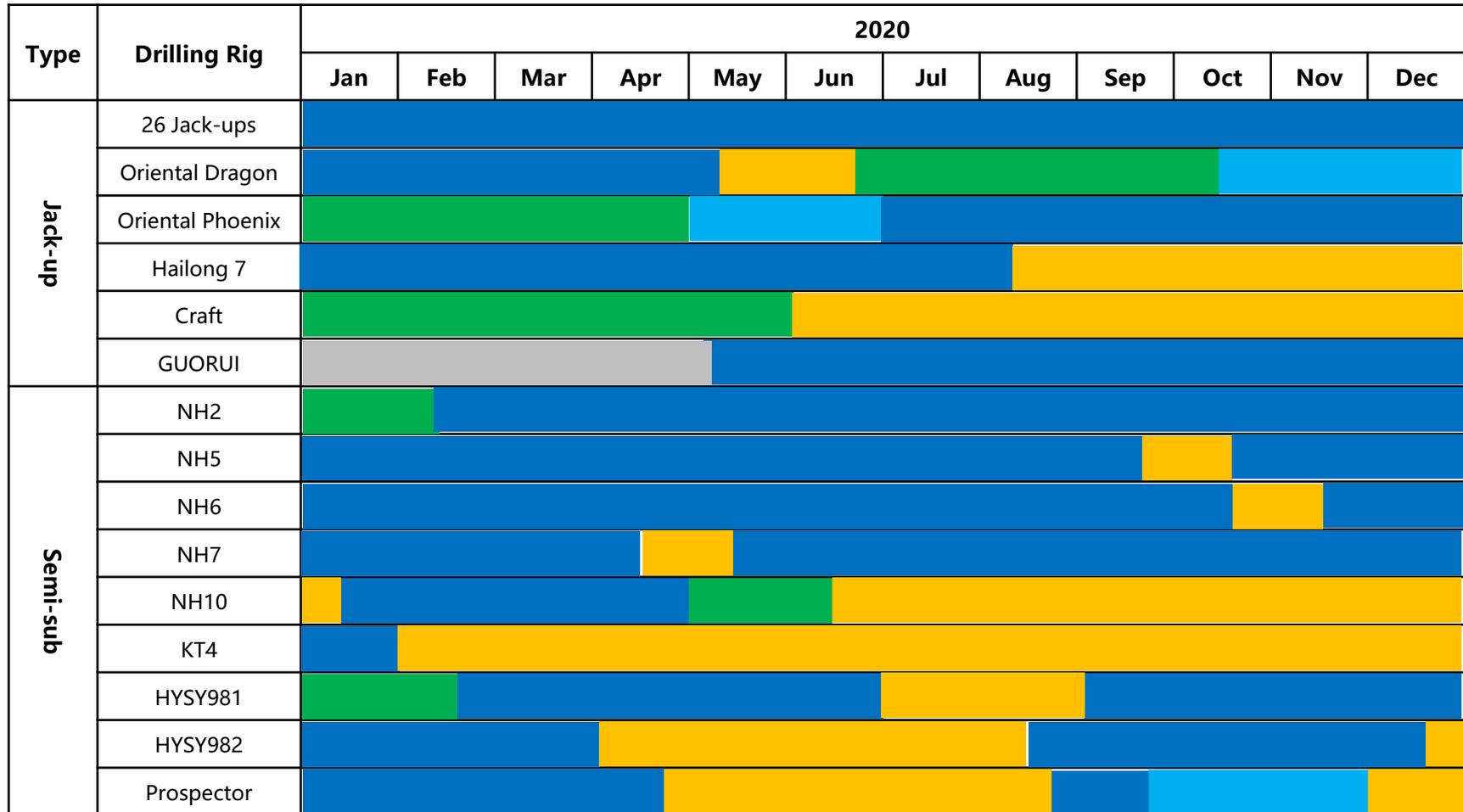


Source: CNOOC Limited





Domestic Rig Operation Status



■ Operation
 ■ Mob/Demob
 ■ Repair
 ■ Standby

Remarks: Data up to 30 June 2020. Operation status may be subject to changes as some projects are in the process of bidding or negotiation.

Continue to Expand Overseas Opportunities



Implement international developmental strategies

2016

2017

2018

2019

2020

- Establish 6 major overseas areas
- Cultivation of 4 new markets

- Substantially entered the Gulf of Mexico market
- Newly cultivated 4 national markets

- Return to Australian and New Zealand high-end market
- Achieve breakthrough in the high-end market

- Established cooperative relation with international oil companies
- Acquired a 3-dimensional project

- Enhance protection of resources in key overseas regions
- Promote high-quality development of overseas business

Units: RMB100 million

EXPECTED OVERSEA REVENUE INITIATIVE



Innovate the business model and increase the development of international market

- Portray unique business advantages to promote the application of the IPM services in the international market
- Tap potential from the original market, introduce more industrial chains and actively explore new market opportunities
- Optimize instrumental contract connections, improve rental, utilization rate and charge rate

◆ Middle East

- Prepare the Kuwait KOC project
- Continue to track the Missan drilling and completion turnkey project

◆ Asia Pacific

- Continue the consolidation of the Indonesia, Malaysia, Thailand and Myanmar markets

◆ America

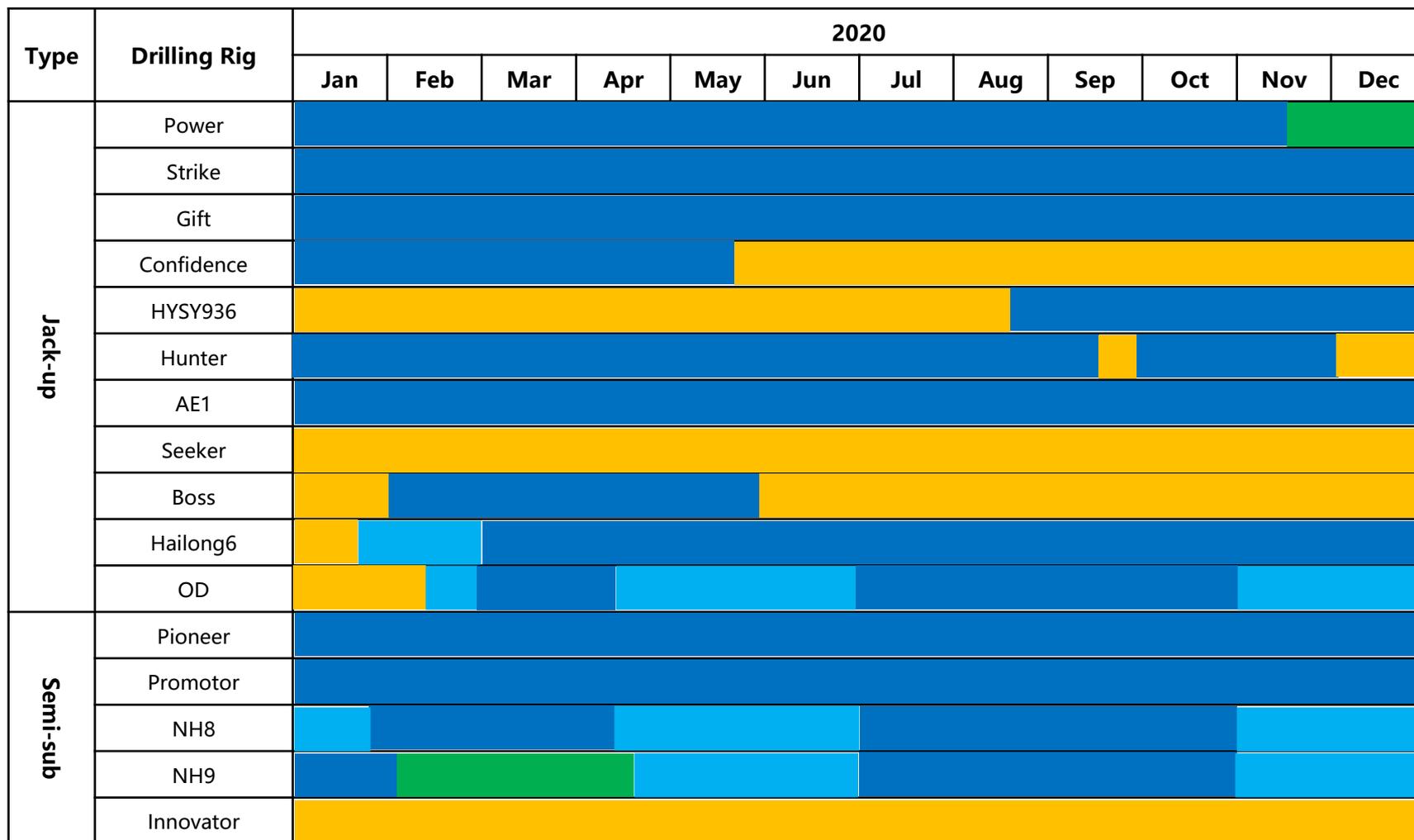
- Consolidate the Mexican PEMEX market, seek for other contracting opportunities
- Continue to promote the Canadian screen-pipe sales, logging, and geophysical surveying services

◆ Africa

- Take the Uganda and Cameroon project as an opportunity to gradually complete the dual-track layout in Eastern and Western Africa

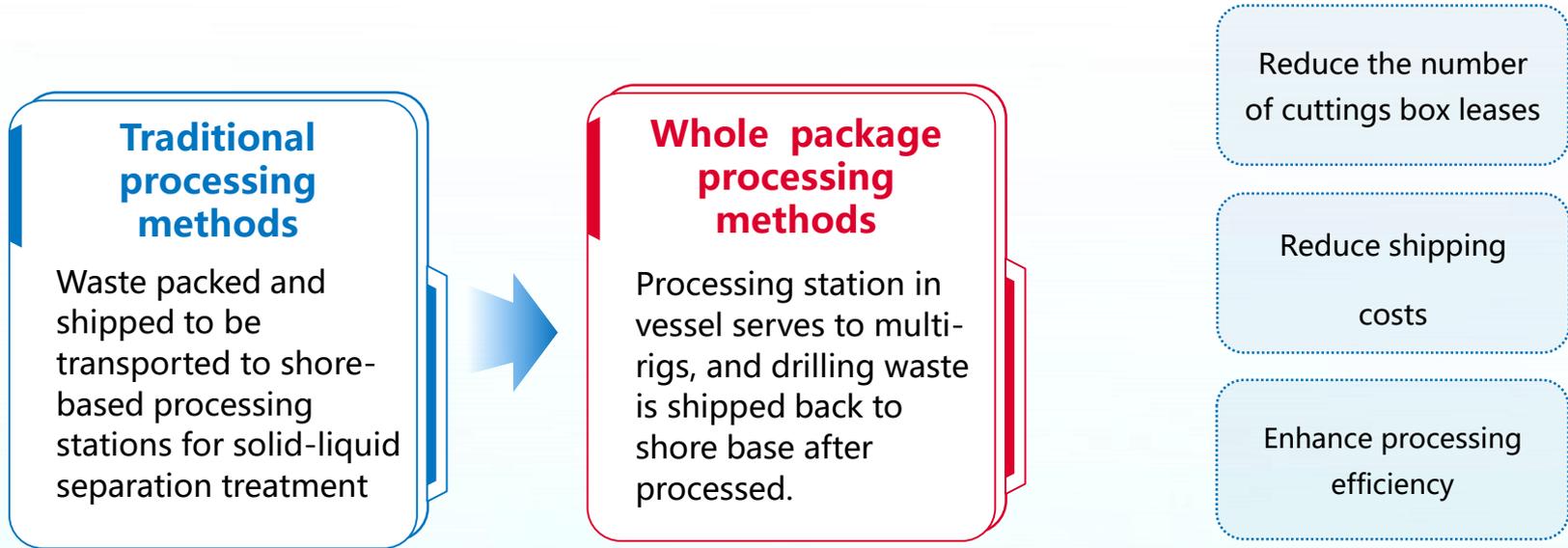


Overseas Rig Operation Status



■ Operation
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No.	Turnkey project	No. of wells	Traditional methods cost	EPS Total package cost reduction (RMB)
2020	Project 1	7	16million	1.5million
	Project 2	13	30million	3.5million
	Project 3	30	50million	10million

Digital transformation design

- Through the organization and the carrying out of digital transformation and top-level information design to promote the goal of company development, and clarify the directions and path for information development and digital transformation

Clarify information upgrade path and blueprints

- Formulating a digital and informatization development path plan for 2020-2035 by integrating business needs and strategic goals, and comprehensively improve the overall informatization and digitalization management abilities.



Picture of Seismic Data Acquisition



Schematic Diagram of the intelligence management and control platform of offshore exploration and 25 production vessel

Stable Financial Status

- Sufficient cash available ¹: RMB129.2 billion
- Assets and liabilities of 53.5%, net debt-to-equity ratio 48.8%
- Financial cost: lower than the average level of international peers

Flexible Financing Channels

- Multiple Financing Method, priority will be given to more recent debt financing
- RMB39.5 billion bank credit line, which can guarantee a safe and stable development in the future
- Successfully issued 800 million US dollars of senior bonds to enhance the company's financial flexibility

Lower financing cost attributable to excellent rating

	Company	Moody's	S&P	Fitch
Services companies	Schlumberger	A2 (Neg.)	A (Neg.)	-
	Baker Hughes	A3 (Neg.)	A- (Neg.)	-
	Halliburton	Baa1 (Neg.)	BBB+ (Neg.)	-
	Weatherford	B2 (Neg.)	CCC (Neg.)	-
	COSL	A3 (Stable)	BBB+ (Stable)	A (Stable)
Offshore drilling companies	Noble	Baa3 (Neg. Observation)	BBB- (Positive Observation)	-
	Ensco	Ca (Neg.)	D	-
	Transocean	Caa1 (Neg.)	CCC (Neg.)	BBB (Positive)
	Seadrill	Caa3 (Neg.)	SD	-
	Rowan		D	-

1. Available cash includes monetary assets and purchased wealth management products.



Cost Control

- ◆ Continue Precise Cost Management
- ◆ Update Technology to Improve Efficiency
- ◆ Apply Meticulous Supply-chain Saves Cost
- ◆ Match Development with Capital Expenditure



Market Exploration

- ◆ Improve International business
- ◆ Optimize Equipment structure
- ◆ Accelerate Scientific achievements
- ◆ Ensure excellent Operation and services

我们必须做得更好

ALWAYS DO BETTER

COSL

