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**COSL**

# 2022 Interim Results Presentation

August 2022

# Disclaimer

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**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.**



**COSL**

**Results Overview**

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**Company Outlook**

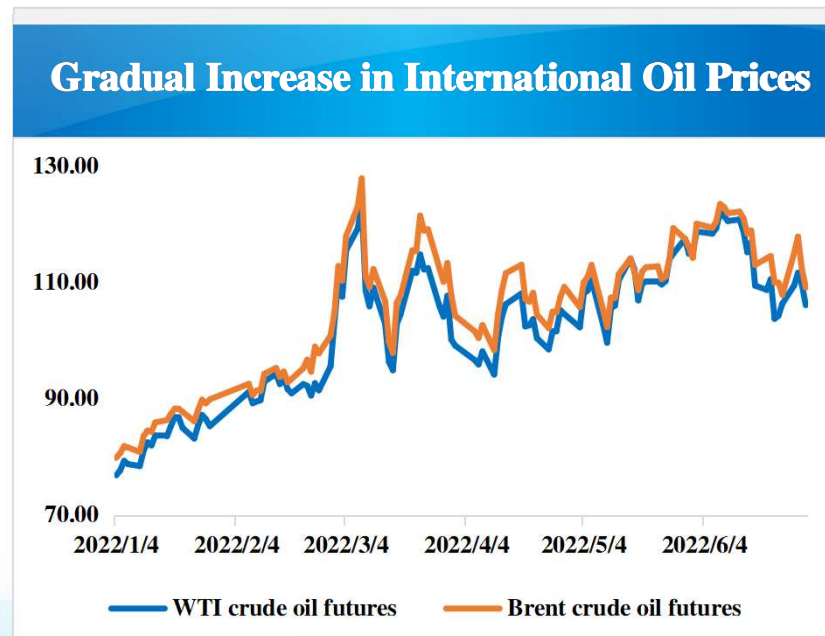
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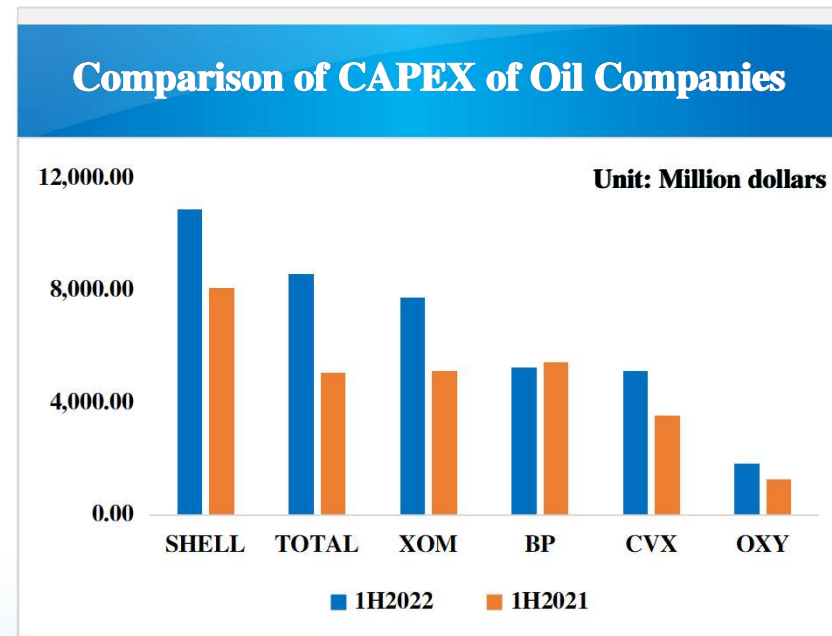
# Industry Environment

➔ In the first half of 2022, the global crude oil demand continued to recover and international oil prices kept rising over the fluctuation

➔ The total global capital expenditure on upstream exploration and production continued to grow and the oilfield service industry gradually recovered



Source: Bloomberg, data as of July 2022

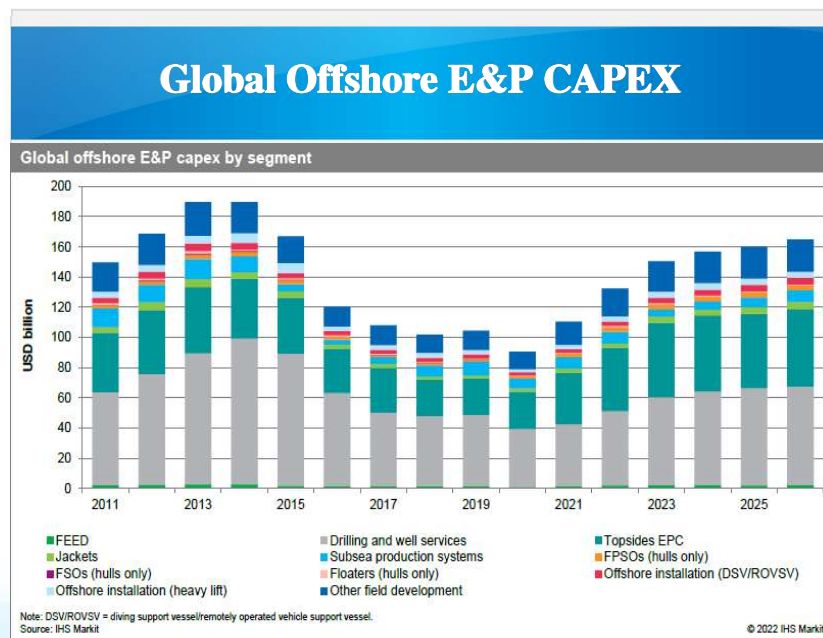


Source: Bloomberg, data as of August 2022

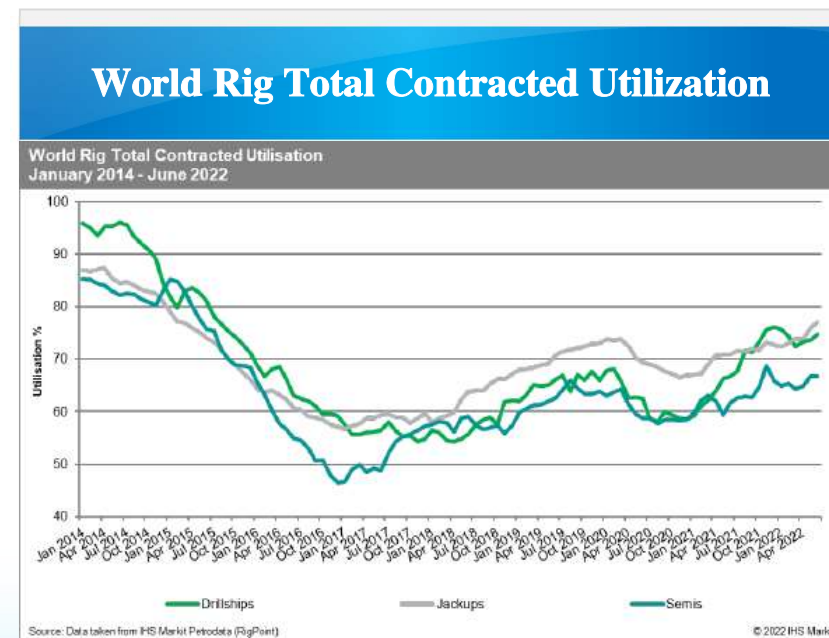
# Industry Environment

➔ The activity of the main segments of oilfield services has been improved to varying degrees, especially the drilling and completion businesses

➔ The contracted utilization rate of global rigs continued to increase, the surplus of equipment gradually improved



Source: IHS Markit, data as of June 2022



Source: IHS Markit, data as of June 2022

# Financial Performance

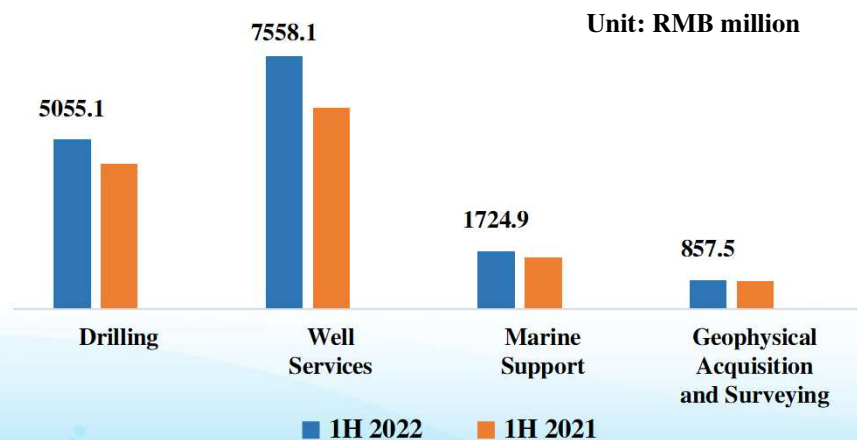


## Overall financial performance in the first half of 2022

| RMB (million)          | 1H 2022 | 1H 2021 |
|------------------------|---------|---------|
| Revenue                | 15,196  | 12,723  |
| Profit from operations | 1,268   | 1,355   |
| Profit for the period  | 1,108   | 809     |

| RMB (million)        | 1H 2022 | 2021   |
|----------------------|---------|--------|
| Total assets         | 73,738  | 73,311 |
| Total liabilities    | 35,252  | 35,095 |
| Shareholders' equity | 38,486  | 38,216 |

## Revenue of each segment



- Revenue of each segment has increased to varying degrees
- Revenue from Well Services accounts for 49.7%
- Operating revenue of Well Services increased by 25.5% over the same period
- Operating profit of Well Services has been continuously improved

# Technical Capability Improvement



- Focused on the customer demand, seized the opportunities of industry development, and continuously improved the core competitiveness of Well Services

## Exploration

- Focused on deep water, built an integrated exploration technology, and effectively supported the efficient discovery of offshore oil and gas reserves
  - "Two wide and one high" seismic technology has enhanced the imaging of fuzzy areas
  - Interpretation and processing technology has helped many new discoveries of 100 million tons of reserves
  - The market share of ESCOOL logging technology has increased to 82%

## Development

- The operation scale and system stability of its own core technology have been further improved, effectively helping development and mining "two increases and one reduction"
  - "Xuanji" has achieved full-scale technical service capability, replacing 65% of imported products
  - The success rate of rotary steering technology is close to 92% at one time
  - Deep water HEM drilling fluid and all liquid low-hydration hot water mud system helped the successful production of "Shen Hai-1" large gas field

Remarks: two wide and one high refers to broadband, wide azimuth and high density; two increases and one reduction refers to enhancing oil recovery, increasing single well production and reducing decline rate

Note: the self-developed rotary steering and logging while drilling is referred to as "Xuanji" system

■ In the first half of the year, the Company obtained 40 invention patents with a increase of 80% year-on-year. Important breakthroughs were made in scientific and technological innovation

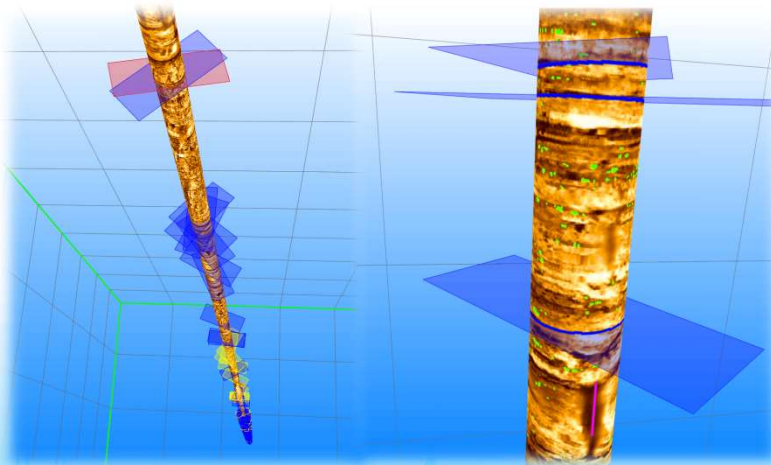
## *High temperature acoustic imaging*

- Realize the connection of high-temperature acoustic imaging and fiber-optic gyroscope, and the technical indicators reach the **international leading level**

**Ultra-HPHT logging technology and equipment support high temperature and high pressure oil and gas exploration and production**

## *High temperature large diameter coring instrument*

- 205 °C / 140MPa small hole high temperature electric large diameter coring instrument realizes commercialization and reaches the **international leading level**

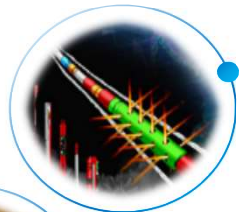


Note: HPHT, high temperature and high pressure

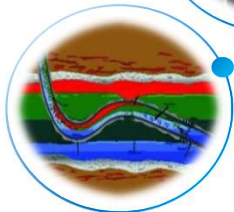


# Technology Breakthrough Overseas

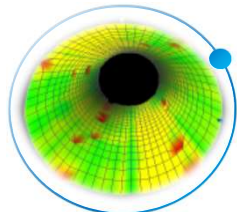
- Always adhere to becoming self-reliant in science and technology, accelerate the implementation of “technology-driven” and provides continuous supports to overseas market development



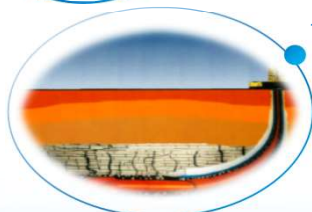
◆ Cementing service and drilling & completion fluids technical services entered into the **Mexico onshore market for the first time**



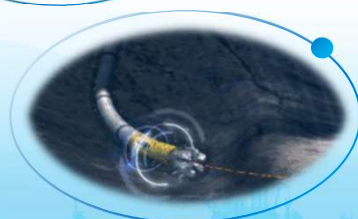
◆ Swelling cement slurry system performance indicator was introduced into technical tender by the customer, **outputting technical standard for the first time**



◆ High-end customer breakthrough in Africa of the technology sector has been **achieved in Uganda's Total project**, with a contract amount exceeding US\$100 million



◆ “Xuanji” system has been put into use in Indonesia and Iraq to provide supports to the **independent high-end technology of overseas market development**



◆ ESCOOL high-temperature and high-speed logging system entry into the **high-value market service in America**

# Equipment Structure Optimization



Equipment quality and quantity reached a new high

Safe and efficient operation and management of more than **240** large-scale equipment, more than **180** sets of drilling rigs and workover rigs and **900** sets of core technical equipment

Implementing global resource scheduling, the number of domestic large-scale equipment increased by **more than 30 year-on-year**, and the utilization rate of domestic drilling rigs exceeded **90%**

Overall planning of equipment resources improve effectiveness

**3 drilling rigs** were newly leased, **6 LNG offshore ships** were newly put into operation, and **17 "Xuanji" systems** were newly expanded

Promote "new, excellent and fast", improve the efficiency of a well by **24%**, the quality qualification rate is **100%**, and the overproduction is **16.67%**, saving **RMB191 mn**

## Equipment and technical strength was ranked in the forefront

**First**  
in the world

Drilling rig scale

**Second**  
in the world

Marine market scale

**Third**  
in the world

Cementing market scale

**Fourth**  
in the world

Wireline logging market scale

**Fourth**  
in the world

Directional drilling+MWD market scale

Source: Spears and Associates, data as of April 2022

Note: the self-developed rotary steering and logging while drilling is referred to as "Xuanji" system

In the first half of the year, realised the accumulated cost reduction of **RMB420 million**

01

## In terms of technological innovation to enhance the efficiency

- ◆ The core competitiveness of the technology is continuously enhancing, the new products and new techs are used in a wider range
- ◆ Costs has been lowered by RMB120 million by alternative subcontracting for independent operation and raw material cost reduction through “tech chain”

02

## In terms of efficiency creation of large equipment

- ◆ Advance factory dock repair and reconstruction projects, save 162 days and cost reduction of RMB60 million
- ◆ Through lean resource management, improve the utilization rate of large equipment and create benefits of 200 million yuan

03

## In terms of material control and cost reduction

- ◆ Optimize inventory structure, strengthen inventory management and improve inventory turnover
- ◆ Realise cost reduction of RMB40 million by deepening the supply chain and accelerating the construction of strategic partners

# Integration Breakthrough

- Established an integrated and new energy business division to promote the transformation of integrated service to “strategic”

*Operation capacity of integration significantly improved*

*Integration advantages increasingly prominent*

## Achieve "zero" breakthrough

The Company undertakes service integration projects of Mexico company in eight fields, i.e. mud, cementing, directional well, logging, perforation, completion tools, fracturing and oil well testing, marking the “zero” breakthrough of the company integrated technical services in the land oil fields of Mexico.

## The first "four-in-one"

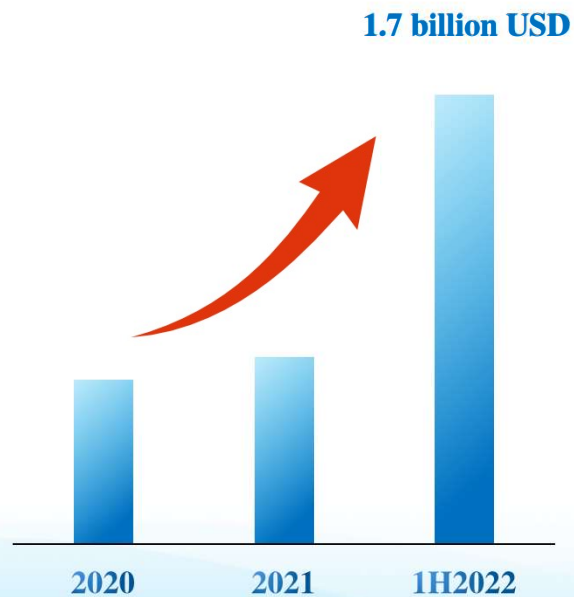
The Company won the bid for the integrated project of Indonesian company covering 7 businesses including cementing, completion fluid, logging, salvaging and steel wire operation. It is the first “four-in-one” integrated project obtained in Indonesia and is of great significance to expanding the regional market.

Remarks: Four-in-one refers to drilling and completion integration, stimulation integration, well repair integration and disposal integration

# High-end Market Breakthrough



In the first half of 2022, over 140 new signed overseas contracts, representing an increase of 180% over the same period last year. The total amount of newly signed overseas contracts was about USD1.7 billion, representing an increase of 724% over the same period last year.



COSL won a 5-year wireline logging project in Indonesia, the **largest wireline logging project in Southeast Asia**

COSL won the drilling service project in Saudi Aramco, obtaining **the largest overseas order**

“Xuanji” system made its first overseas debut, making **the breakthrough in the overseas high-end market**

COSL won the sales contracts of logging equipment in Saudi Arabia and Kuwait and became **a new business growth point**

COSL won the bid for Mud and cementing services in Malaysian and cooperated with **Exxon Mobil overseas for the first time**

# Regional Markets Breakthrough



- **Firmly grasped the rising trend of the industry, continuously optimised the layout of overseas markets, deeply cultivated regional markets, and obtained a number of large-scale, long-term and high-value contracts**

**Domestic market:** Intensify the supply and allocation of equipment resources and steadily improve the quality of large-scale equipment operations

- Post-casing neutron density logging tool **helps customers to obtain full geological data safely and efficiently**
- The good run ratio of Xuanji rotary steering system has reached **the international advanced level**
- The application of domestic subsea release wiper plug system **broke the technological monopoly**
- Self-developed low hydration heat slurry system **successfully blocked hydrate formation**
- **The first application of coiled tubing optical fiber testing in steam flooding of offshore horizontal wells**
- **The cumulative oil increase of profile control technology for buried hill fractured reservoir exceeds 20,000 m<sup>3</sup>**

**Overseas market:** Promotion and application of new technologies help to increase the market share of Well Services

- Won the bid for Iraq drilling general contracting and workover rig project, and successfully expanded the Middle East market
- The first 8,000 meter silent and zero-emission drilling rig customized for Uganda drilling and completion integration project was put into operation



**COSL**

**Results Overview**

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**Company Outlook**

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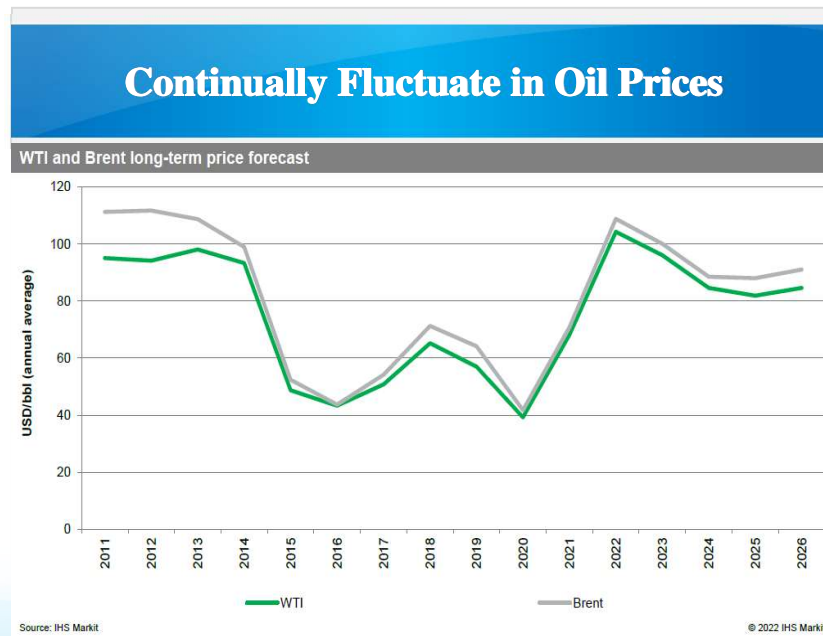


# International Environment Benefits Recovery

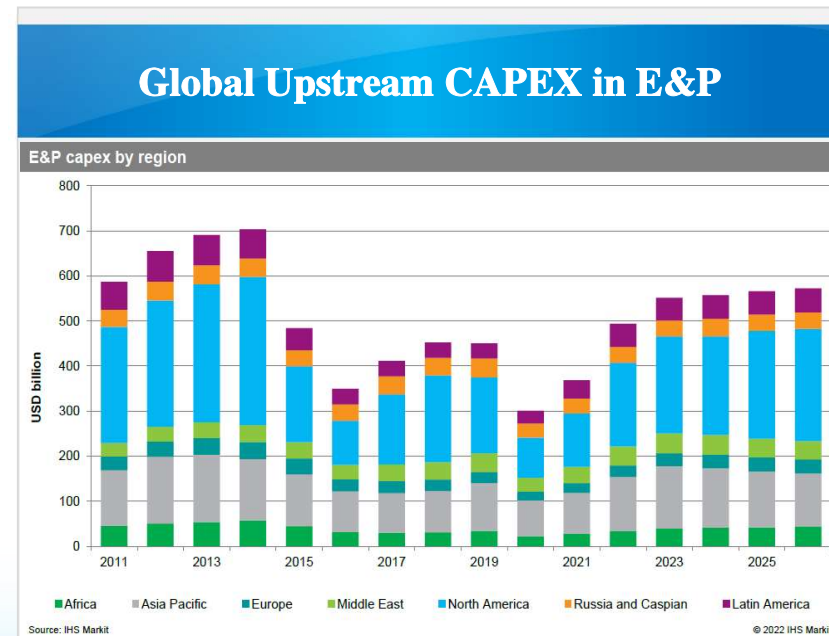


➔ Driven by high oil price and increase in production of oil and gas, global exploration and production investment scale will be increased

➔ Oil service market is expected to further expand while service fee will be gradually raised



Source: IHS Markit, as of June 2022



Source: IHS Markit, as of June 2022



# Five Development Strategies

World-class Energy Service Company with Chinese Characteristics

Technology-driven

Cost leadership

Integration

Internationalization

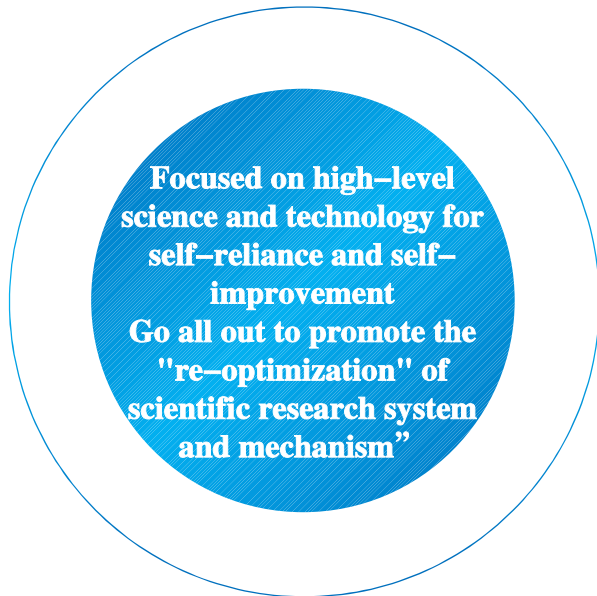
Regional Development

- Focus on domestic market, domestic and overseas coordinated development
- Domestic: focus on increasing reserves and production and green development
- Overseas: focus on long-term cooperation and build a global resource pattern

Domestic  
+  
Overseas

Equipment  
+  
Technology

- Continue to optimize the equipment structure
- Continue to promote major technique breakthrough
- Build up the integrated service capability of the whole oilfield life cycle based on digitization



## ■ Established a high-level discipline laboratory

- Do well in the regional layout of high-end R&D laboratories, utilise domestic and international mature resources to carry out discipline laboratory design, improve laboratory construction standards

## ■ Built a disciplinary R&D system

- The R&D system that promotes scientific and technological research and development with discipline construction and feeds back the discipline construction with scientific research cooperation results

## ■ Sped up the layout of new business technology system

- Participate in the joint research of storage scheme, shipping, drilling and completion and monitoring technology, and gradually became the leader of domestic offshore CCUS business

## ■ Comprehensively promoted digital transformation

- Further expanded the digital transformation, focused on promoting projects such as digital drilling and repairing machines, intelligent ships, oil-based operation systems, and intelligent monitoring systems for key equipment of drilling platforms

# Continuously Improve Technical Capability **COSL**

- Accelerated the efforts to tackle key core technologies, continued to accelerate the pace of industrialization and built core competitive advantages

## Equipment

- A self-developed small trace interval towing acquisition equipment with 12 geophysical vessels will be applied, **achieving a historic breakthrough.**
- The domestic sewage treatment device of the highest standard drilling rig in China has realized serialization, standardization and modularization, and **will be popularized and applied in the drilling rig in succession.**
- The Company will continue to increase the utilisation of LNG clean energy, expand the scale of LNG ships, and **meet the requirements of peak carbon dioxide emissions and carbon neutrality.**



## Technology

- With the commercial application of 475 DWPR, COSL will become the **world's first company with full-scale instruments.**
- The performance of five high-end treatment agents for drilling fluid has reached the international level, and **will be applied on a large scale replace imported ones.**
- The application of horizontal well staged fracturing technology in offshore buried hill condensate gas reservoirs **will expand the domestic offshore large-scale fracturing technology service market.**



DWPR: Directional Wave Propagation Resistivity Tool

# Continuously Optimize Equipment Structure



Focused on the value management of full lifecycle, and go all out to promote the "further improvement" on the large equipment value

## Scientifically allocated large-scale equipment resources

Continuously improved the equipment structure and ensured that the investment in large-scale equipment met the development strategy and the market demand.

## Strengthened the evaluation and monitoring of effectiveness

Established the comprehensive evaluation model of large-scale equipment to form the optimal equipment effectiveness strategy of "one equipment one strategy"

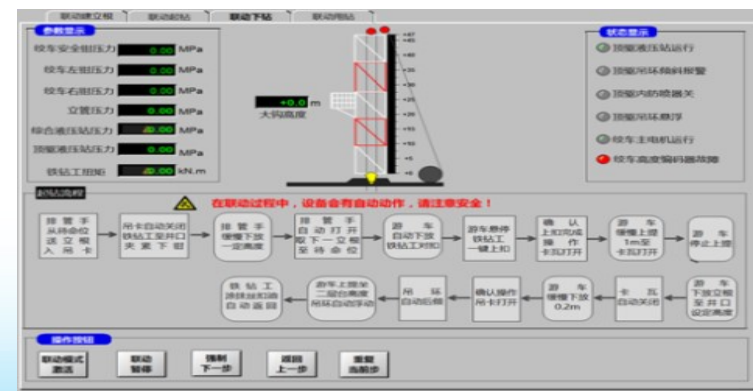
## Established an exit mechanism for the transformation of old equipment

Grasped the development trend of the industry and focused on the new and potential market demand.

We will continue to **expand the offshore wind power market** by taking advantage of the engineering fields such as offshore surveying, offshore transportation and hoisting.



Digital drilling rig



Intelligent drilling and workover rigs

# Green Low-carbon Development



**Focused on green and low-carbon development, promoted industrial transformation and helped promote the Company's high-quality development**

## Actively developed the CCUS industry

- Gave play to the integration advantages of Geophysics, geological reservoir, equipment and drilling and completion technology
- Explored mobile platform CCUS equipment, and promoted the implementation of new enhanced oil and gas fields recovery process measures

## Built a complete capacity for gas storage

- Focused on the reuse of exhausted oil and gas fields, arranged aquifer gas storage and salt cavern gas storage, and developed technical systems such as geological survey, well construction technology, surface facilities, operation and maintenance of gas storage.

## Integrated service capacity for offshore wind power

- Based on deep water, aiming at deep and open sea, COSL implemented the strategy of training troops in the offshore and developed forces in the open sea, and expanded the integrated business of surveying, installation, transportation and disposal

## Differentiated layout of hydrogen energy and hydrate mining technology

- Carried out independent and complete sets of drilling and completion technologies and equipment research and development, and explored the industrialization mode of offshore natural gas hydrate development with the help of existing large-scale offshore equipment



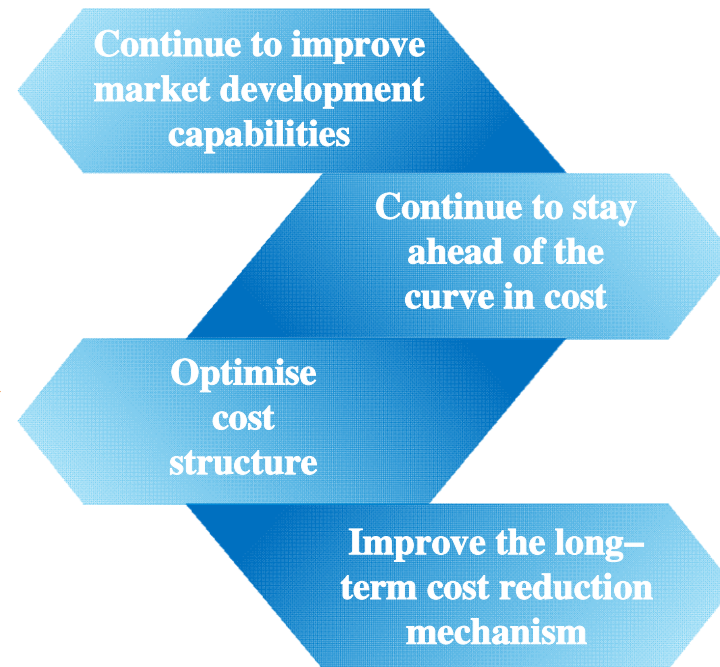
# Continuously Deepen Cost Control

“Tapping potential and reducing costs” to continuously improve and optimise systematic, structural and long-term quality and efficiency enhancement mechanisms

- Implement the technology-driven strategy and leverage the high-end operation demand of oil companies

- Seize the opportunity of the global oilfield services market recovery to accelerate overseas market expansion

- Strengthen the assessment management of "single well, single rig and single project", and promote the improvement of operational unit cost control ability



- Continue to improve the information system for operation quality monitoring and improve the scientific matching of resources

- Provide customers with low-cost "one-stop" comprehensive solutions

- Expand the industrialization of scientific research achievements and the efficiency of large-scale equipments

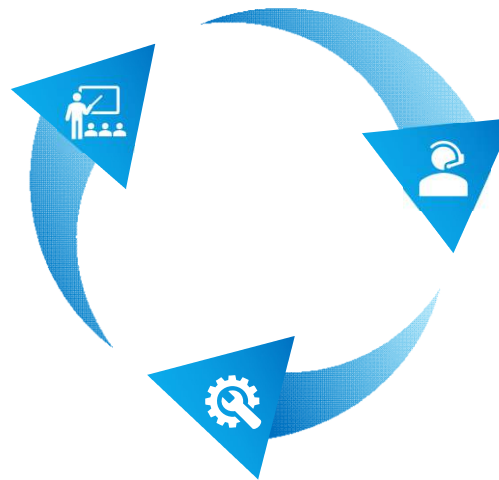
# Expand Advantage of Integration



*Close to customer needs, accelerated the integration of geological engineering, geophysical exploration, drilling engineering, drilling and completion, and disposal engineering, and actively provided low-cost "one-stop" comprehensive solutions for oil company.*

## Efficient performance of established projects

Sped up the progress of reconstruction project of Saudi Aramco's drilling rigs, promoted the drilling rigs project efficiently, launched Uganda's integrated project in strict accordance with the plan, and created a brand image



## Increased overseas sales of technical products

Actively explored effective cooperative operation mode, accelerated the construction of product sales and marketing network, and laid a foundation for the large-scale entry of technology and integrated business into overseas markets.

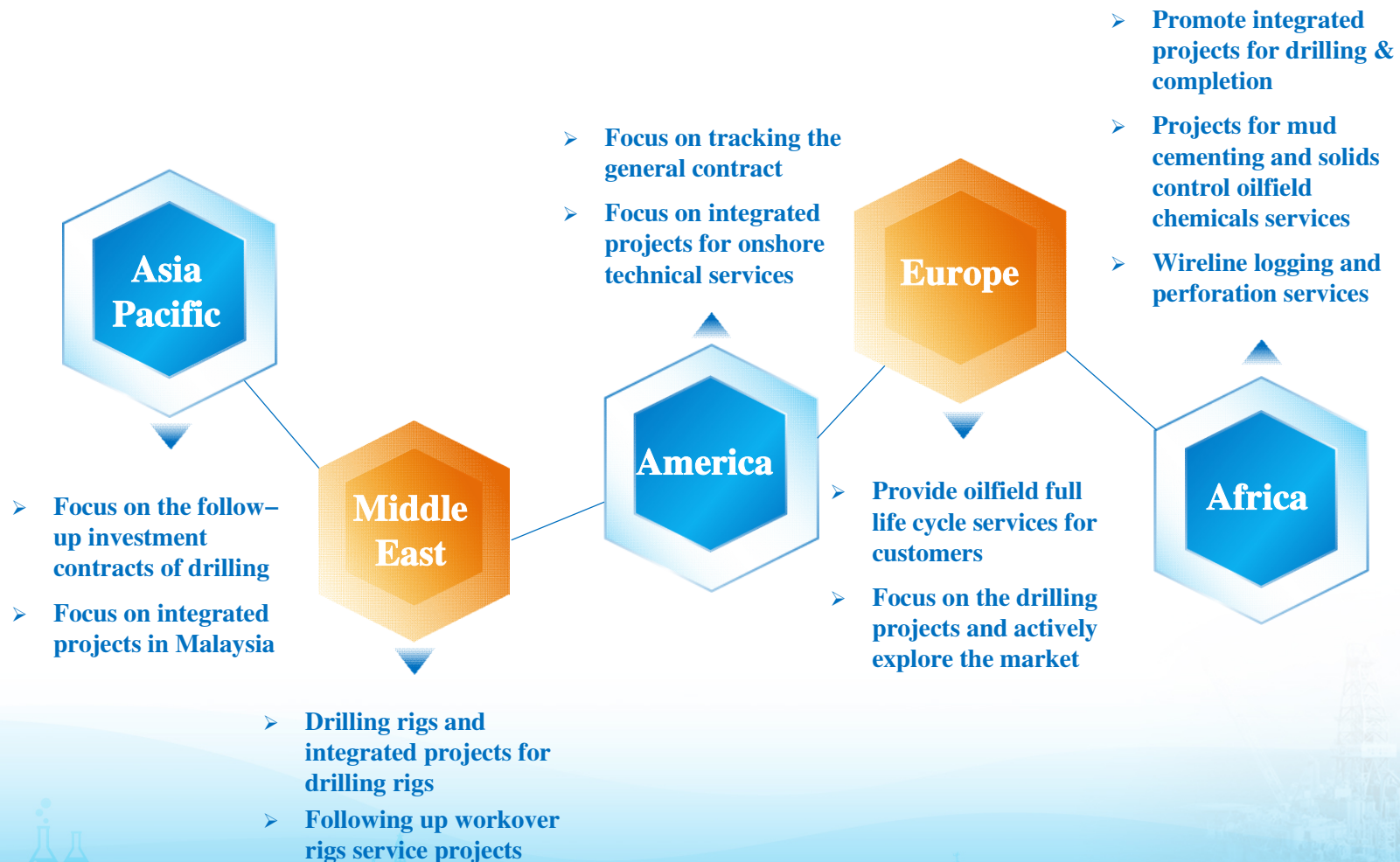
## Accelerating the cultivation of overseas pillar markets

COSL strived to win larger orders in Saudi Aramco's new round bids of drilling rigs in Middle East; obtain integrated drilling projects, integrated disposal projects, and integrated work-over service projects, etc. in Indonesia

# Promotion Internationalization Strategy



**In 2022, the amount of new overseas contracts signed will exceed 2.2 billion USD, and the profitability will be significantly improved year-on-year**





# Customer Oriented Regional Development



- Stabilize old oilfields: enhancing recovery techniques
- Accelerate the development of new oilfields: overcoming the problem of lifting in the development of extremely thickened oil
- For low-edge thickened oilfields: thermal recovery of thickened oil and low permeability fracturing

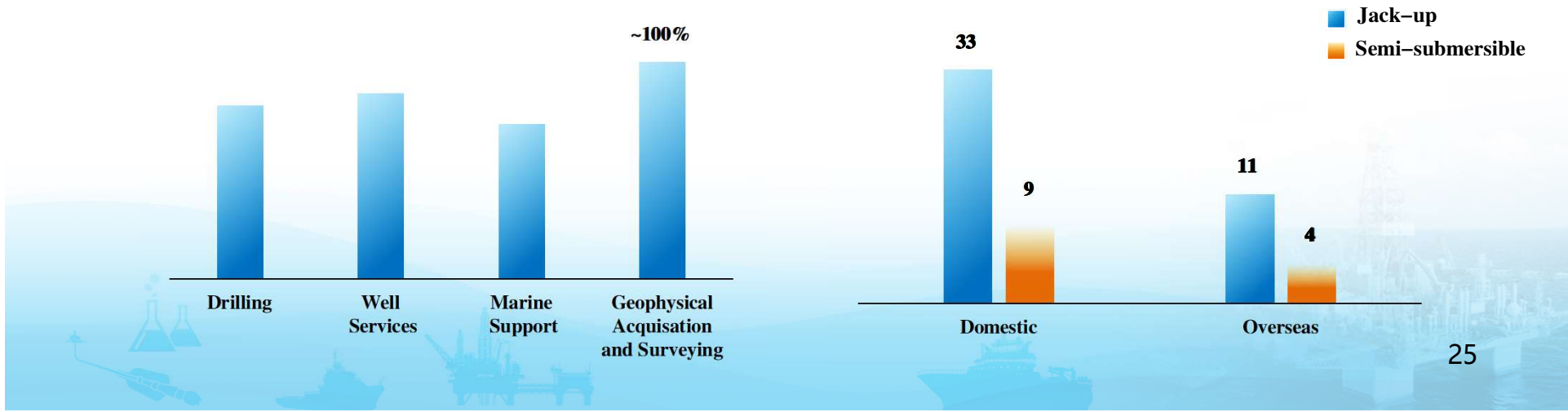
**Domestic Market**

**Focus on difficult problems and continue to tackle. Always focus on strengthen reserves and production.**

**Overseas Market**

- Focus on customer needs and adopt different strategies in different regions
- Coordinated development of equipment and technology sectors to achieve regional large-scale development
- Create cost leading advantages and improve the competitiveness of integrated services

## Continue to consolidate the leading role in the China Sea market



# Continuously Improve Domestic Businesses **COSL**

Follow the needs of core customers

1

- Vigorously promote the development of low, marginal and heavy oil gas fields
- Continuously improve HPHT equipment, stratigraphic testing and large-diameter well wall coring, etc.

Keep promoting the application of self-developed equipment

2

- Continue to solve the difficult technical needs of domestic offshore E&P
- Commercialize ESCOOL HPHT equipment and large-diameter well wall coring on a large scale, etc.

Provide low-cost technology system for onshore oil E&P

3

- Continuously strengthen the integrated service capability of logging in the onshore market
- Enhance the cooperation with core customers on land

Continue to implement green development

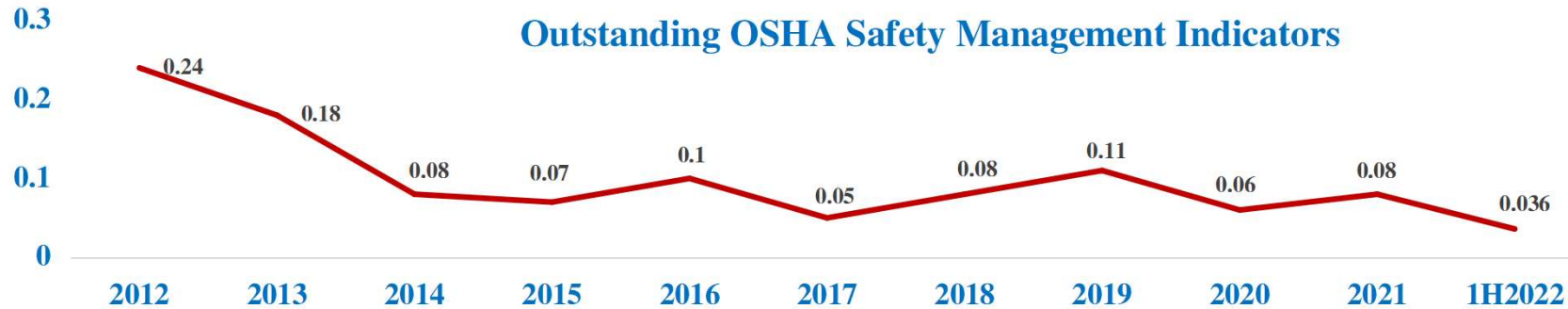
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- **Wind power business:** offshore wind power marine support service, wind power installation rig
- **Green and low-carbon:** expand the scope of offshore operations and seek more opportunities

# Perform Well in QHSE and Pandemic Prevention



## Excellent Safety Management



## Social Responsibility and Pandemic Prevention

### Fulfilled Social Responsibility

- Fully carried out maritime salvage
- Effectively promoted environmental protection
- Actively carried out charity activities

### Perform Well in Pandemic Prevention

- Make solid efforts to prevent and control the epidemic
- Ensure stable and orderly production operation
- Strictly adhered to the bottom line goal of "zero" infection



**Five Development Strategic**

**Technology-driven**

**Cost leadership**

**Integration**

**Internationalization**

**Regional Development**

**Increasingly clear understanding of the energy industry**

**Increasingly perfect layout of new energy development**

**Increasingly clear of differentiated customer demands**

**Increasingly strong adaptability to the market**

**Increasingly confident in the company's development**



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