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ALWAYS DO BETTER



# COSL

## 2024 Strategic Guidance

January 2024

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 information that the Company believes are reliable, however, the Company does not claim that such information is accurate or complete, and such information thus may not be relied upon. 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 (if any). Past track record cannot be used as an indicator for future performances.



# Five Development Strategies

Implement the five development strategies, advancing towards becoming a world-class energy services company

Technology-driven

Cost leadership

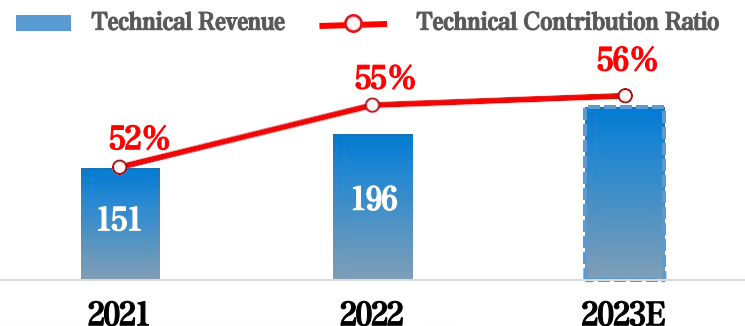
Integration

Internationalization

Regional Development

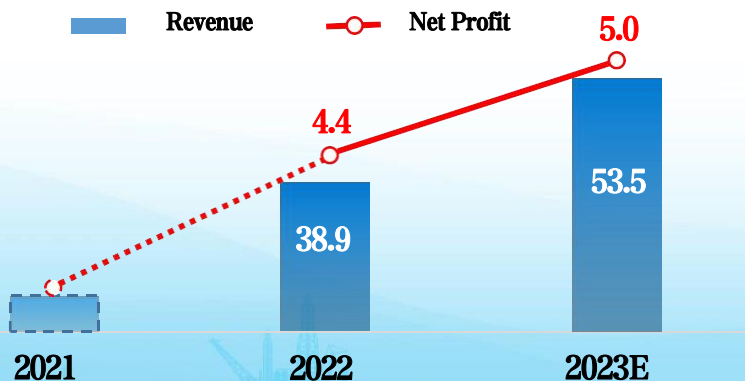
## Revenue proportion from technology segment

Profitability has strengthened year by year, with the main contribution to company profits from specific sectors



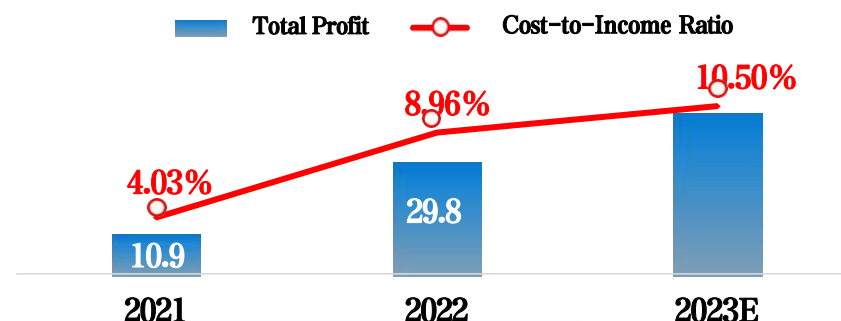
## Integrated business value chain extension

Explore new markets through an integrated new business model



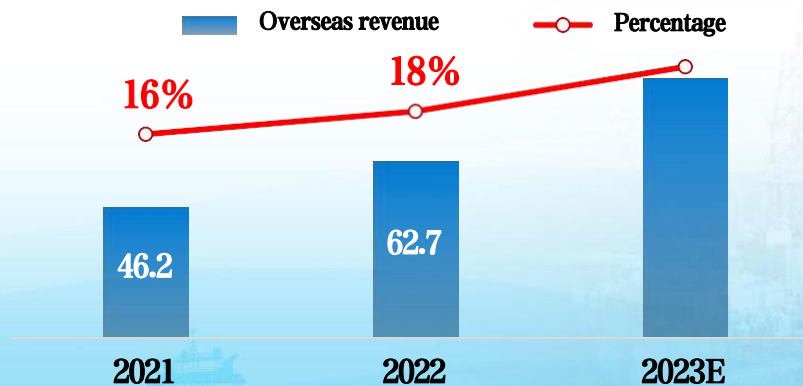
## Comprehensively promote lean cost management

Profitability ratio of cost and expenses significantly rises, with a three-year compound growth rate or 32%



## Overseas market continues to expand

Rapid growth in overseas revenue over the past 3 years



# Five Development Strategies

” One profit, five ratios ” indicators all moving in a positive direction, and the overall operational quality of the company is steadily improving

Technology-driven

Cost leadership

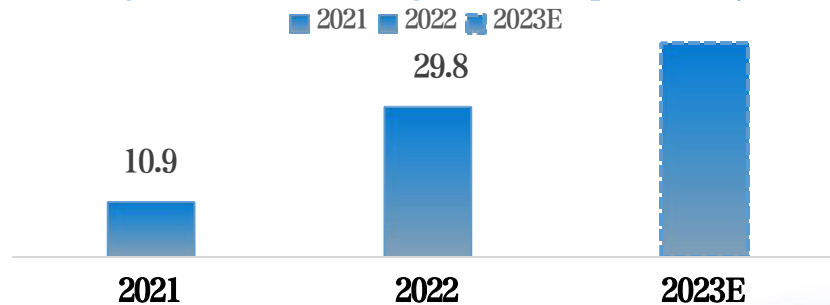
Integration

Internationalization

Regional Development

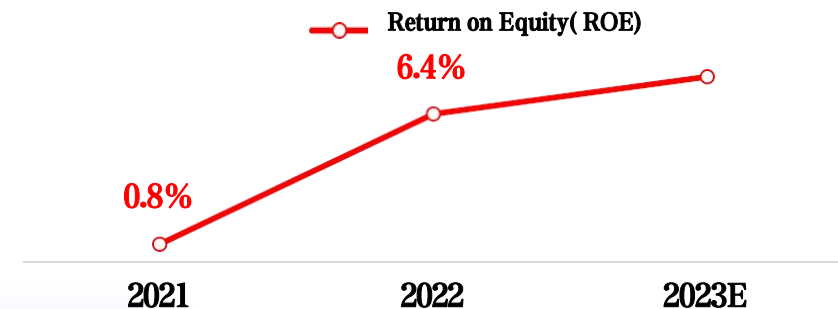
## Profitability

The total profit shows robust growth, with a compound annual growth rate exceeding 50% in the past three years



## Return on Equity (ROE)

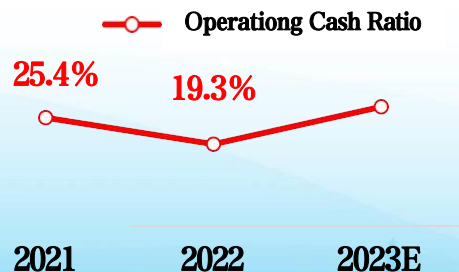
Return on Equity (ROE) continues to improve, expected to reach a new high in 2023



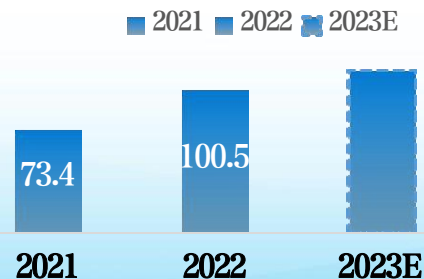
## Operational Quality

Operational quality steadily improves, maintaining stable asset structure

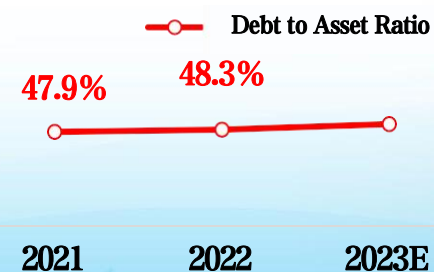
Significant improvement in operating cash ratio



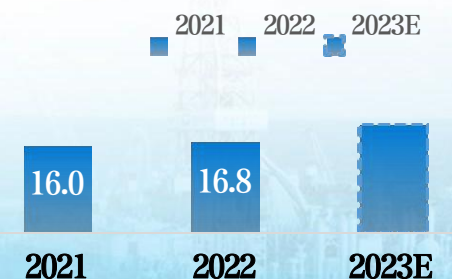
Overall labor productivity steadily improves



The debt-to-equity ratio remains stable



R&D investment continues to increase



# Five Development Strategies

Overseas business is rapidly expanding, the integrated business model continues to exert force, and a new development patten is quickly taking shape

Technology-driven

Cost leadership

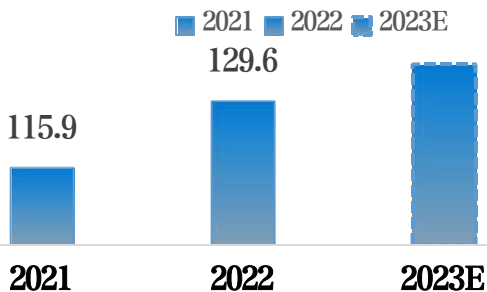
Integration

Internationalization

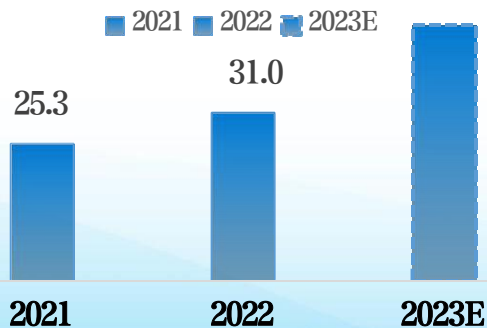
Regional Development

## Equipment segment revenue

Domestic revenue has grown at a rate of 6% in the past three years

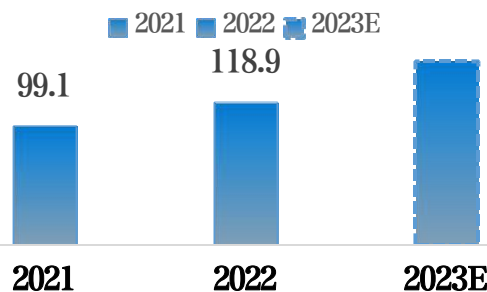


Overseas revenue has grown at a rate of 23% in the past three years

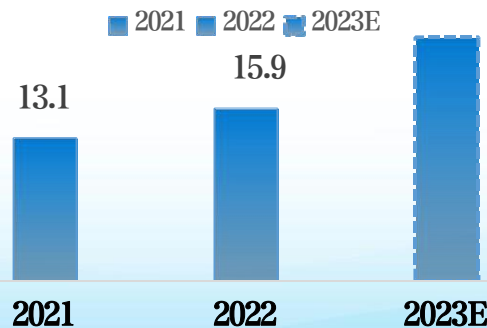


## Technology segment revenue

Domestic revenue has grown at a rate of 16% in the past three years

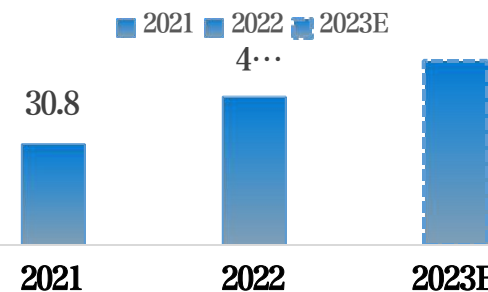


Overseas revenue has grown at a rate of 20% in the past three years

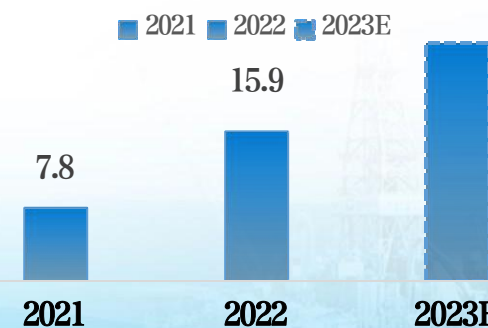


## Integrated revenue

Domestic revenue has grown at a rate of 22% in the past three years



Overseas revenue has grown at a rate of 48% in the past three years



# Five Development Strategies



COSL's operational foundation has further improved, and its ability to withstand risks has significantly increased

Technology-driven

Cost leadership

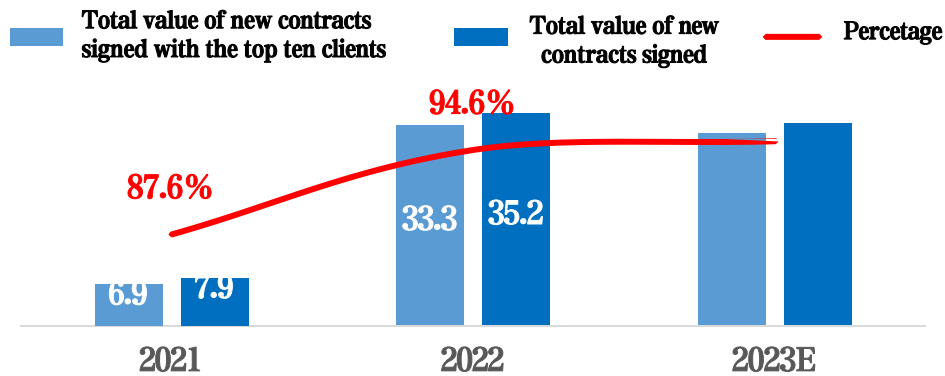
Integration

Internationalization

Regional Development

Increase in long-term, large-scale, and high-value contracts

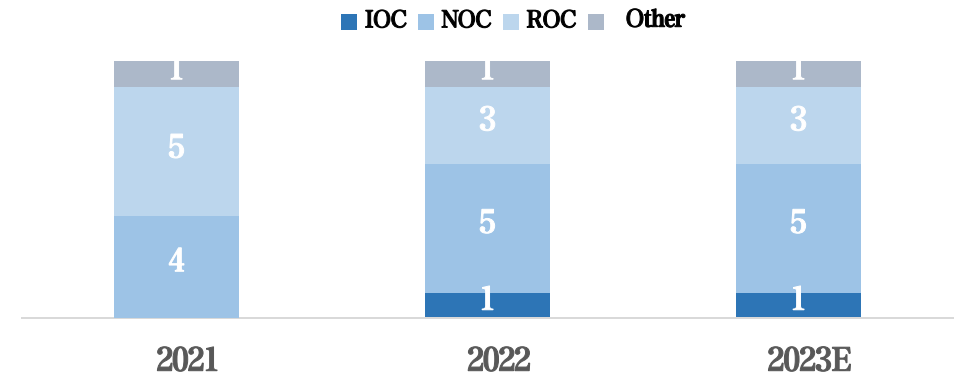
The average proportion of the new contracts signed by the top ten clients in the past three years is 91.9%



Structure of the top ten clients has significantly improved

Customer structure is further upgraded, with NOC and IOC accounting for 60%

Unit: 100 million US Dollars



Proportion of the world's top 10 oil companies in customer structure has increased

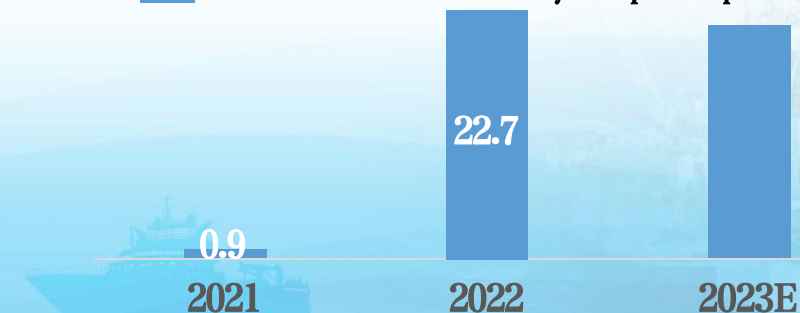
The number of contracts with the top 10 oil companies has steadily increase



Contract amount with the world's top 10 oil companies

The high-quality performance of contracts with the world's top 10 will effectively enhance the company's operational capabilities

Year-end contract amount held by the top 10 companies



Note: Contract customers do not include CNOOC

# Five Development Strategies



Regional synergy development, with a significant increase in contributions from key overseas areas

Technology-driven

Cost leadership

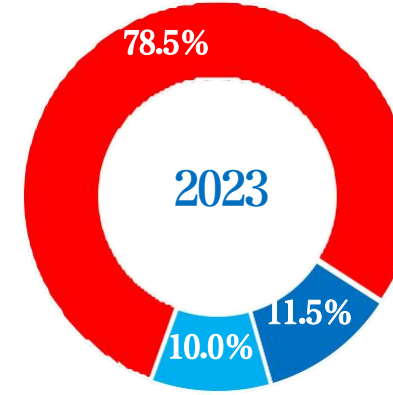
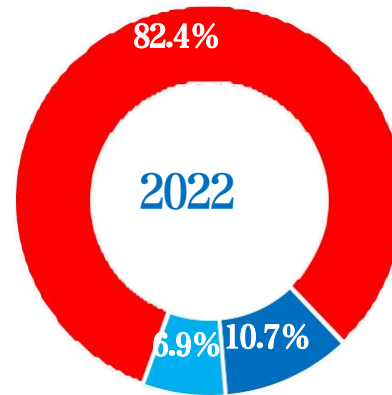
Integration

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## Income Structure

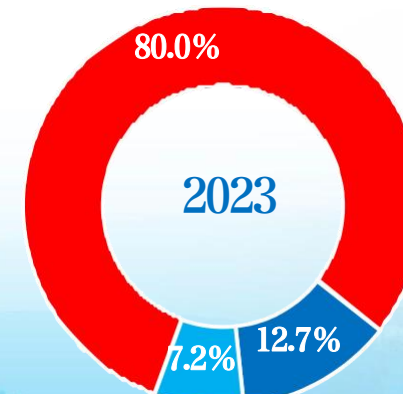
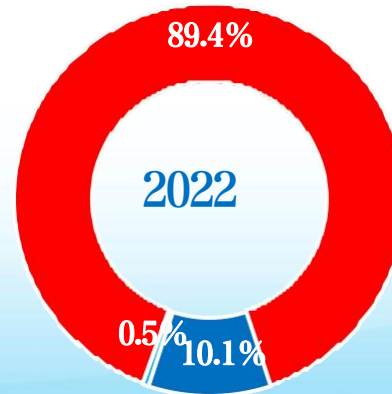
Expansion of overseas revenue, with steady growth contributed by the "Middle East+Asia-Pacific" region, resulting in an increase of over 3P in the overseas revenue ratio



- China
- Middle East + Asia-Pacific
- other

## EBITDA Structure

Continuous improvement in overseas business performance, with a expanding contribution from "Middle East + Asia-Pacific" to EBITDA, leading to an increase of over 9 percentage points in the overseas EBITDA ratio.



- China
- Middle East + Asia-Pacific
- other

The background of the slide is a photograph of an offshore oil rig in the middle of the ocean. The rig is yellow and white, with a tall derrick. A large, dark pipe extends from the rig towards the foreground. The pipe's end is a large, circular, metallic structure with several smaller pipes or nozzles protruding from it. The ocean is a deep blue, and the sky is a lighter blue with some white clouds. The overall scene is industrial and maritime.

## I. Industry Outlook

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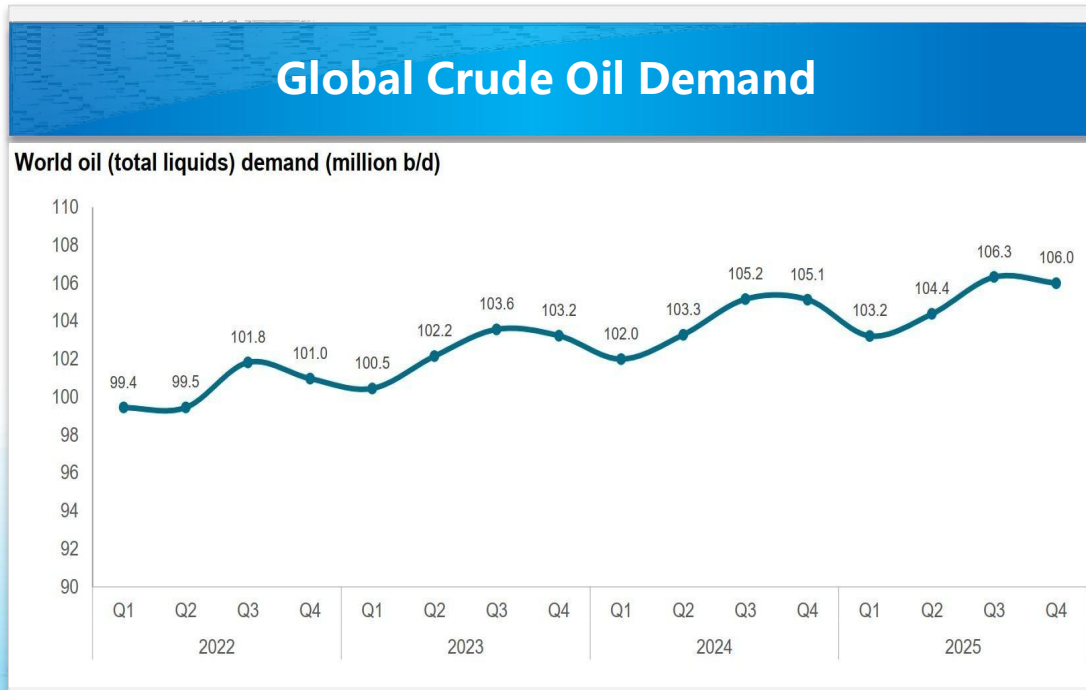
## II. Company Outlook

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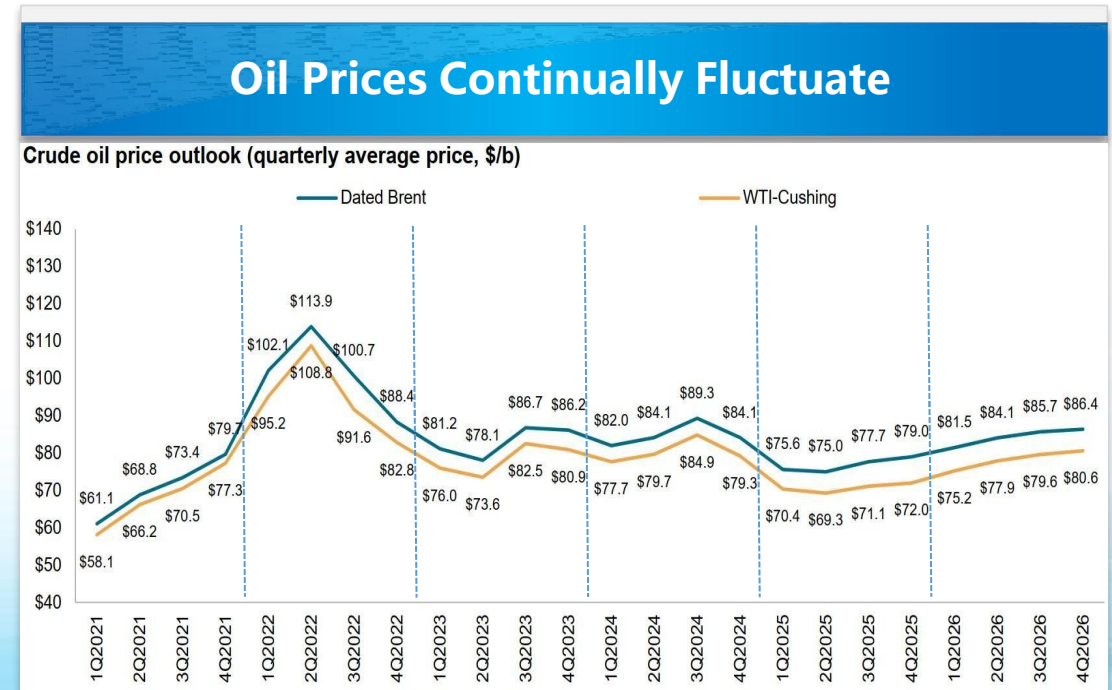


➔ In 2024, the global supply and demand for crude oil will remain in a delicate balance. Factors such as changes in OPEC+ production policies and geopolitical conflicts will influence the fluctuation of international oil prices.

➔ According to the IHS report, global crude oil demand is expected to continue growing in 2024, and the annual average price of Brent oil will be at around USD85/bbl.



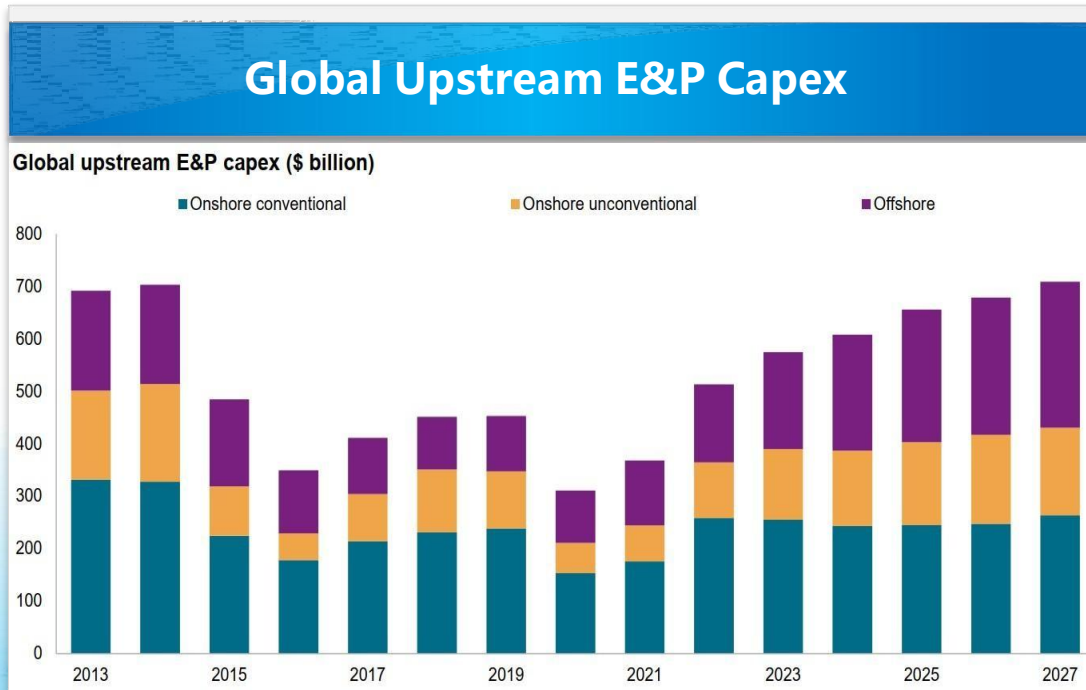
Source: IHS Markit, data as of 27 November 2023



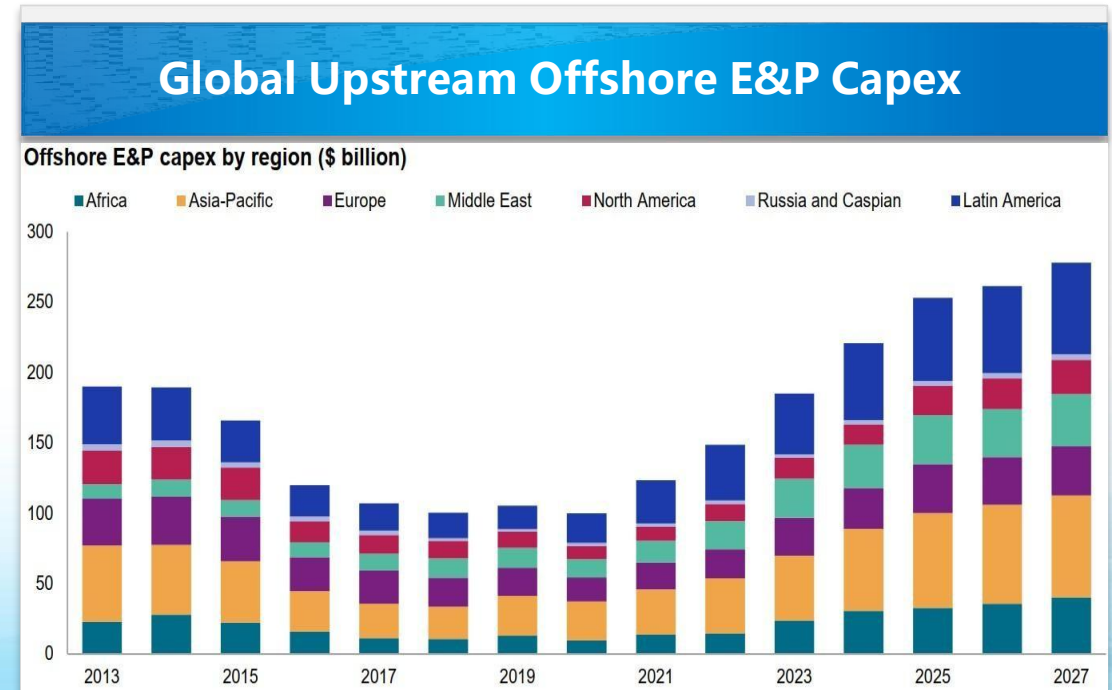
Source: IHS Markit, data as of November 2023

➡ Total global upstream E&P CAPEX is expected to exceed USD600 billion in 2024, representing an increase of 5.7% compared to 2023

➡ Total global upstream offshore E&P CAPEX is expected to increase by 19% in 2024 compared to 2023



Source: IHS Markit, data as of November 2023

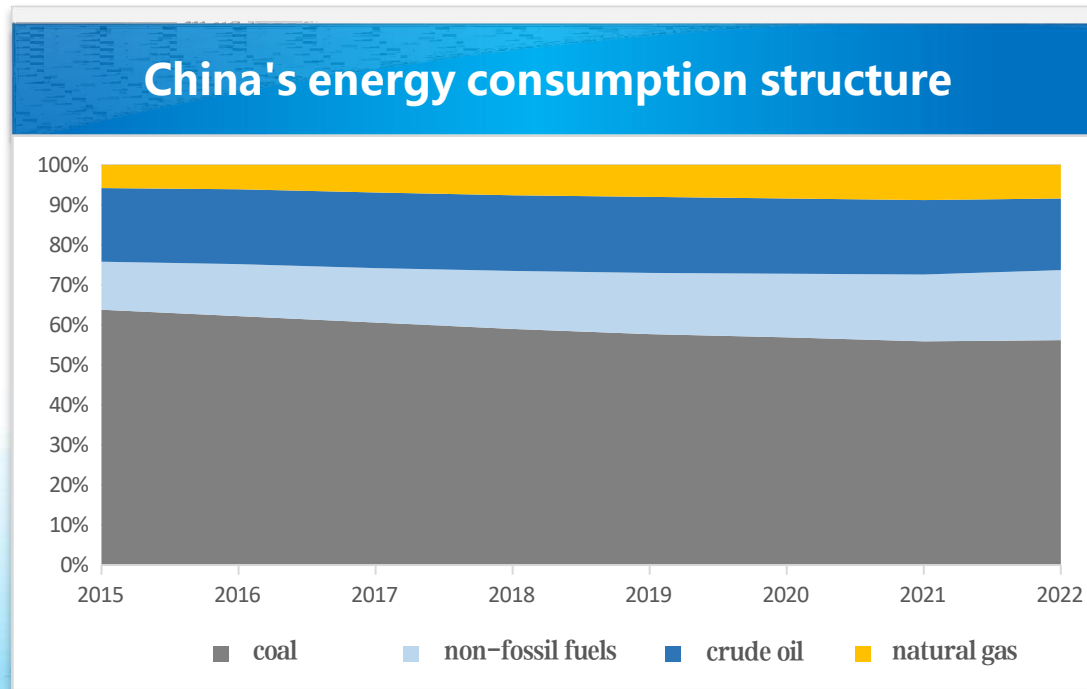


Source: IHS Markit, data as of November 2023

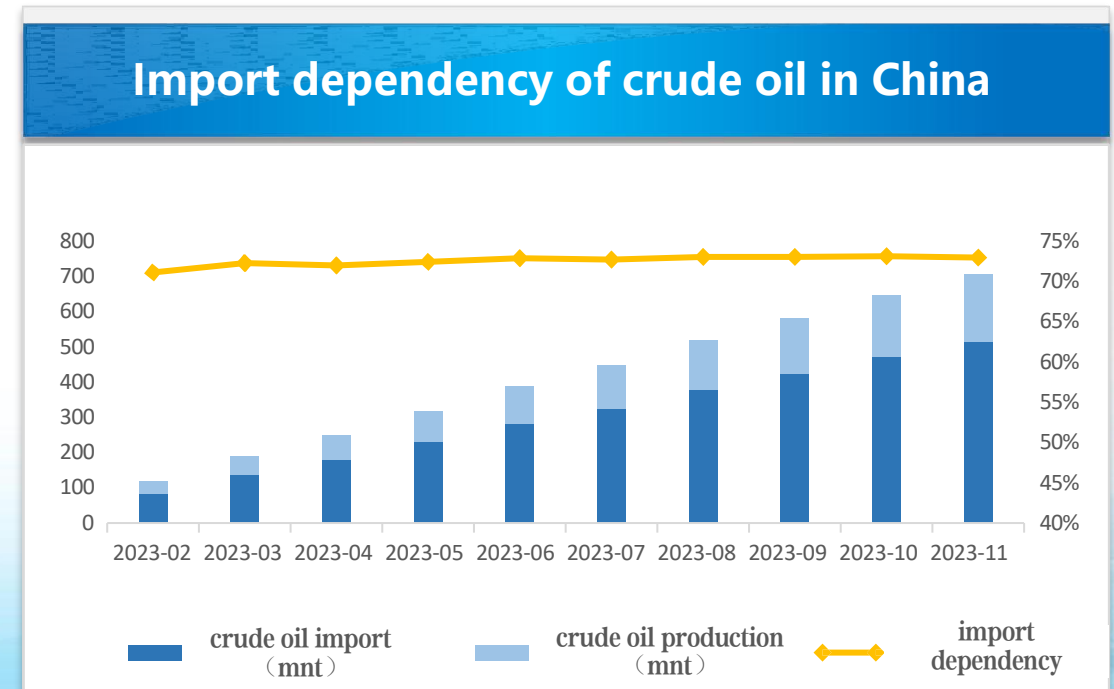
Oil and gas continue to make up a large proportion of China's energy consumption structure in 2024

China's external dependence on crude oil import exceeds 70%, and the country will continue to increase oil and gas

E&P as well as investment to ensure energy security.



Source: National Bureau of Statistics

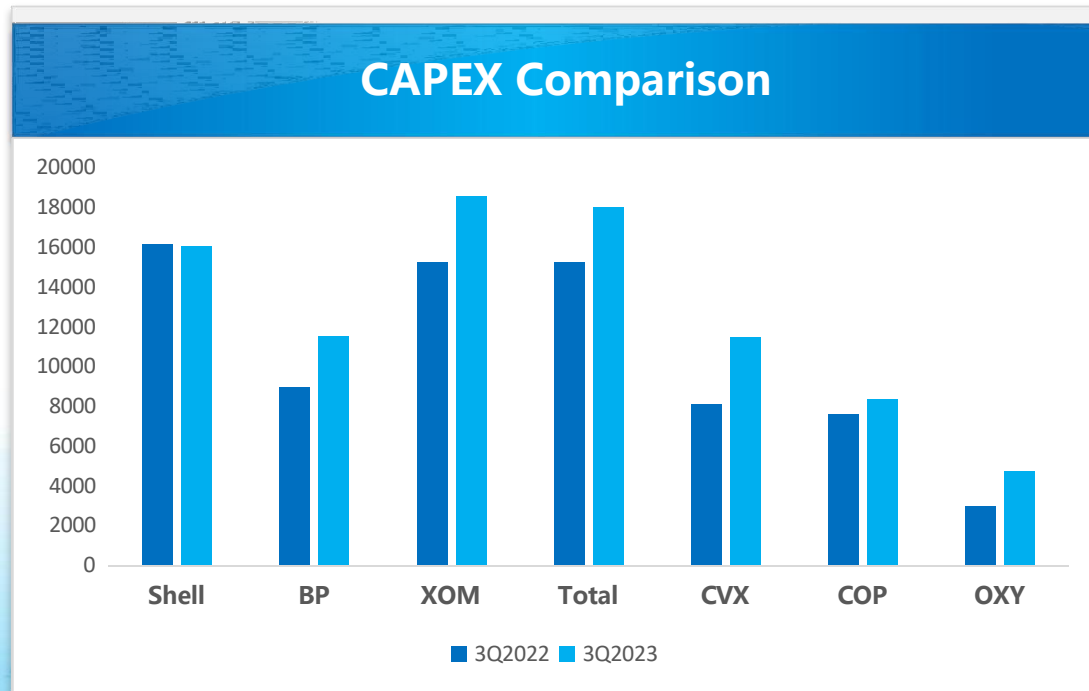


Source: General Administration of Customs

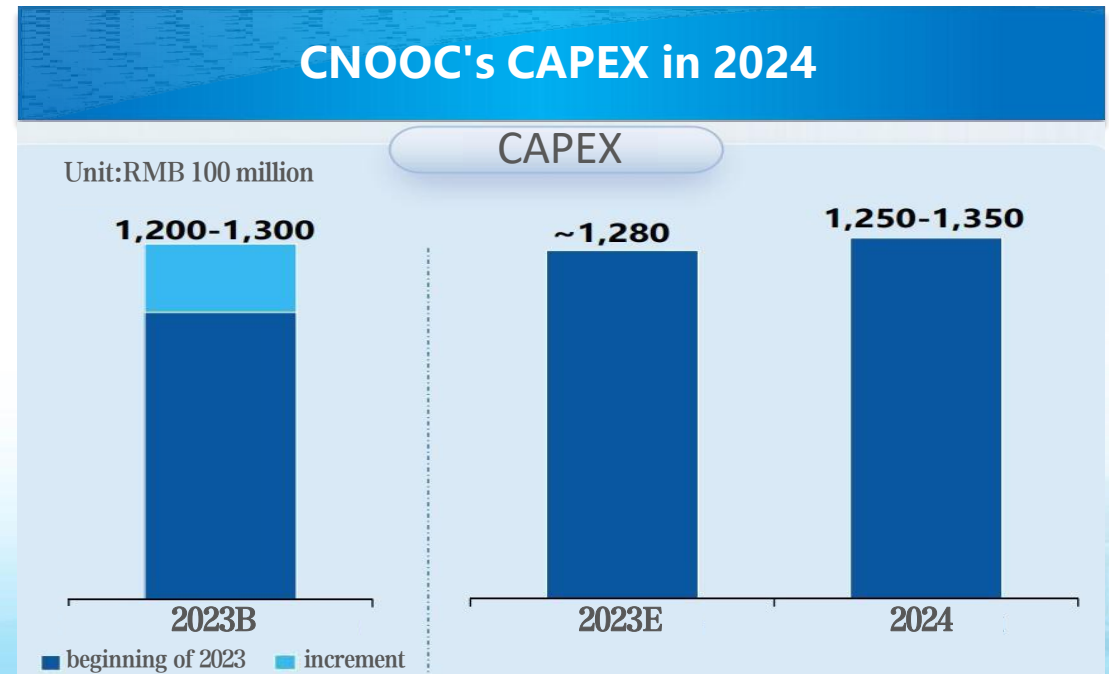
# CAPEX Continuously Increases

International oil companies continue to increase exploration and development, leading to an improvement in the oilfield services market outlook

In 2024, CNOOC Limited's CAPEX is expected to be in the range of RMB125-135 billion, with an anticipated increase in its domestic workload in 2024



Source: Bloomberg



Source: CNOOC



## I. Industry Outlook

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## II. Company Outlook

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# Development Outlook in 2024

Focus on "COSL" Brand Management, Anchoring to Become a World-class Energy Service Company

Technology-driven

Cost leadership

Integration

Internationalization

Regional Development

Ensure increased oil and gas reserves and production, leveraging regional collaborative efforts

Domestic + Overseas

Equipment + Technology

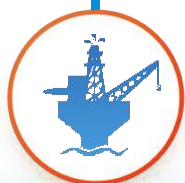
Enhance profitability of large equipment and advance digital transformation

Emphasize high-end customer collaboration and build a global resource framework

Continuous breakthroughs in core technology, iterating and developing technological innovations

# Strong Domestic Demand

Focus on the needs of our core clients and continue to work hard and overcome difficulties, make every effort to guarantee the central task of increasing our reserves and production of oil and gas resources in domestic market



Vigorously promote the development of **low-permeable heavy** oil and gas fields, and assist in the construction of deep-water trillion-cubic meters gas accumulating area; increase the exploration of **deep-water, deep strata, high-temperature and high-pressure** and other risky areas

Integrated efforts in heavy oil thermal recovery in the Bohai Sea, **geological engineering integration** in the eastern South China Sea, and expanding core customer base with external partners like **Roc Oil and Smart Oil**

Closely track the needs of our core clients in offshore area of China



Continuously promote the application of our self-developed equipment in the domestic market



Continue invest in expending integrated services general contracting business market



Practise green development, to increase our market share in new energy market



Continuously meet the need for important and difficult technologies used for domestic offshore exploration and development, increase the coverage of our high-value services such as **high-temperature and high-pressure equipments, formation testing, and large-diameter well-wall coring**, helping to increase reserves and production

Develop our **oilfield environmental disposal** business, continue to expand our offshore operations and strive for more onshore opportunities; in terms of **green and low-carbon transformation**, exploring key technologies such as CCUS for differentiation

# Enhanced Overseas Performance

Lay emphasis on co-operation with high-end clients and build a global resource pattern, to steadily improve the quality and benefit of our overseas development

## Middle East region

Launch service plus sales by virtue of equipment along with technology, to make our whole industry chain to enter into the region

### Nearshore Regions

- High-quality operation of regional drilling **platform resources**
- Seize market opportunities, achieve direct contracts for **vessel service**
- Equipment driving **offshore technical services**, establishment of after-sales support center

### Onshore market

- Standardization and serialization upgrade of onshore large equipment, and **regional resource assurance**
- Enhance onshore **integrated project management capability** and promote the application of self-developed drilling acceleration tools

## Asia Pacific region

Focus on national-level oil and gas company clients in the region and expand into the international large oil and gas companies market

### Business Layout

- Continuously building a stable and long-term service in **exploration and acquisition business**
- Self-elevating **drilling platform services** in the Indonesian market
- High-temperature and high-pressure **cable logging**, high-end LWD services and other high-value-added business; balanced development of **cementing/drilling fluid business**

### Key Expansion

- Gradually expanding the market share in **high-end deepwater engineering surveys**
- Focusing on regional **deepwater drilling, geothermal well** markets, and supporting technologies, as well as shipp services
- Emphasis on developing **integrated services** such as “abandonment”, “well intervention”, “comprehensive management”, and “drilling and completion”
- Sales of oilfield equipment and chemicals, creating an integrated network of “**sales+services**”



# Enhanced Overseas Performance



## Americas region

Adhere to the equipment + technology dual-wing drive and base in the Canadian and Mexican markets, radiating to other regions

### North American Market

- Steady **integrated drilling and completion projects** in North America and Canada **oil sands**
- Continuously increase the proportion of the **technology segment**, with technical services covering traditional oil and gas as well as **renewable energy** sectors

### South American Market

- Regional layout comprehensive **engineering survey ships/seismic survey vessels**
- Stabilize **high-end logging and directional well services** in Mexico, enhance the **cementing/drilling fluid market**, and deepen **integrated technical services** for offshore and onshore operations
- Focus on the deepwater **semi-submersible platform and well intervention** support potential market in South America, meeting the demand for high-end regional **marine services**



## Europe region

Expand the "equipment + technology" service channel and provide customers with "one-stop" services

### Business Layout

- Monitor high-end semi-submersible platform service demand, execute **high-value contracts** with high standards
- Actively participate in the integrated **abandonment project** in the North Sea region
- Promote **platform + support vessel service model**



## Africa region

Shift from marketing-led to demand-led, with lean customer management

### Business Layout

- The potential for oilfield electric logging, perforation, directional wells, and oil and chemistry market is enormous. Promote the "**service+sales**" model to IOC in other countries' equit markets
- Leveraging the advantages of the **entire industry chain**, with teh breakthrough of the **integrated drilling and completion project** in Uganda

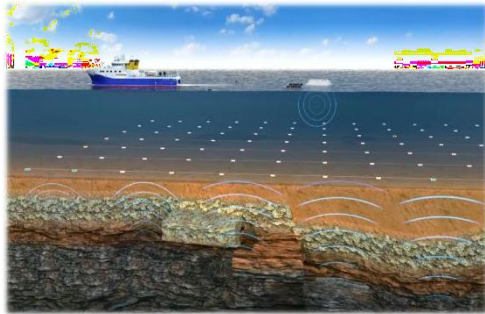
### Market Outlook

- Expanding **deep-sea exploration and deep-water drilling services** based on the Guinea Gulf CNOOC project

# Focus On Technology -driven

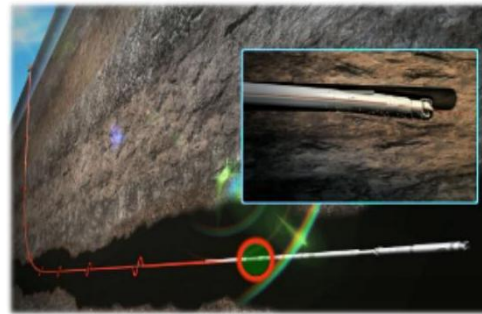
Being customer needs-oriented and aiming at international leading-edge technologies, we continue to improve the "two main and one characteristic" technical system and have created a batch of industry-leading characteristic technologies and excellent products

Comprehensive mainstream technology



Geophysical E&P

Outstanding main technology



Directional Drilling Logging

Prominent characteristic technology



Oilfield Production Stimulation

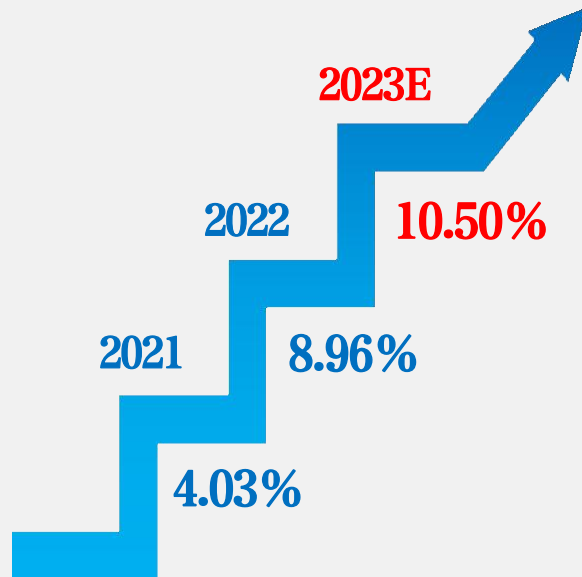
Drilling & Completion

- ❑ Boasting 15 business product lines , 62 core technology series and 21 characteristic technologies
- ❑ Innovative mechanisms drive system R&D vitality, fostering a positive cycle of technological iteration. In 2023, the investment-output ratio reached a historic high of 1:2.89
- ❑ Application of technological achievements overseas or outside the system:
  - “Hai Jing” system goes abroad, securing a contract for three-dimensional seismic acquisition in Indonesia; “Xuan Ji” achieves large-scale applications in Uganda, Iraq, and Indonesia; ultra-high-temperature and high-pressure well completion tools stabilize in the deep well completion market in Xinjiang
- ❑ Future focus on key technology breakthroughs: Enhanced seismic nod equipment “Hai Mai” , high-definition multo-layer propagation resistivity, clay-free synthetic based drilling fluid, and other crucial core technologies

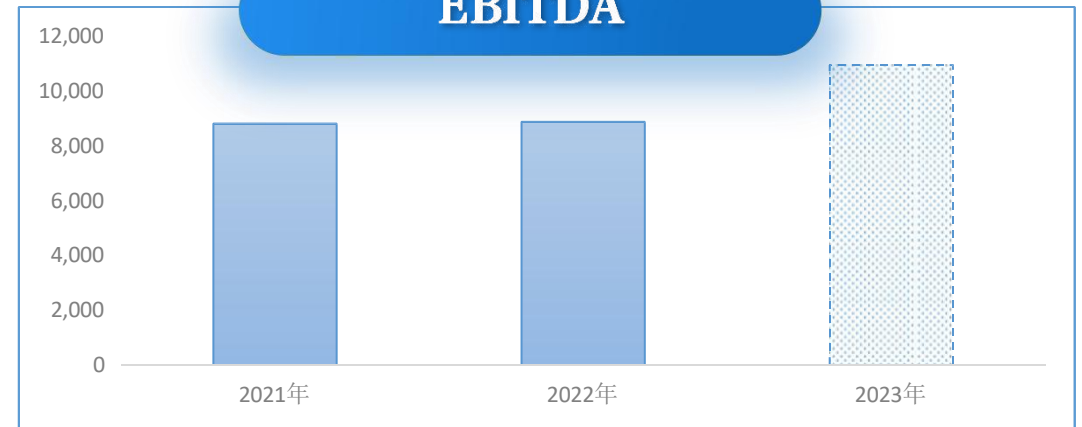
Implementing the cost leadership strategy, enhancing operational capabilities for further improvement, precision management, and comprehensively advancing lean cost management into a new era

## Ratio of profits to cost

Continuous optimization of cost and expense profit margin, achieving the optimal level in the past three years!

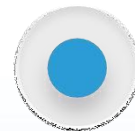


## EBITDA

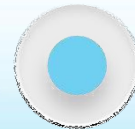


Note: Illustrative diagram

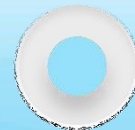
The concept of "**systematic, structural, and long-term effectiveness**" cost reduction endows the cost leadership strategy with new connotations



**Systematic:** Respond to challenges in the complex external environment and continuously improve our own operation capabilities



**Structural:** Gather the synergy of all links of production and operation, to achieve all-round quality and efficiency improvement

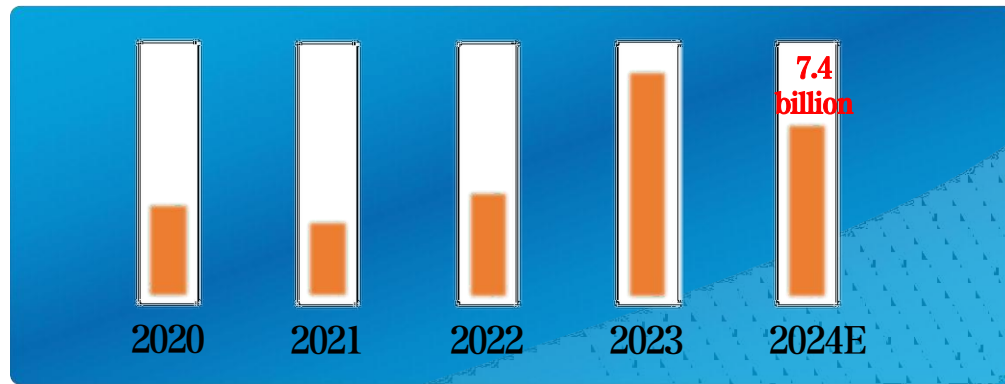


**Long-term:** Optimize internal management efficiency with integrated cross-functional initiatives

# Sound Financial Condition

The CAPEX is expected to be around RMB**7.4 billion** in 2024

Aligns with company capital expenditure plan



Third-party ratings remain in good stability

MOODY'S

COSL	A3 (Stable)
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FitchRatings

COSL	A (Stable)
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Dagong Global

COSL	AAA (Stable)
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Sound financial structure, Sufficient cash flow

	2021	2022	2023E
Interest-bearing debt ratio	66.1%	59.1%	54.9%
End-of-period available cash (RMB100 million)	129.0	117.3	119.8

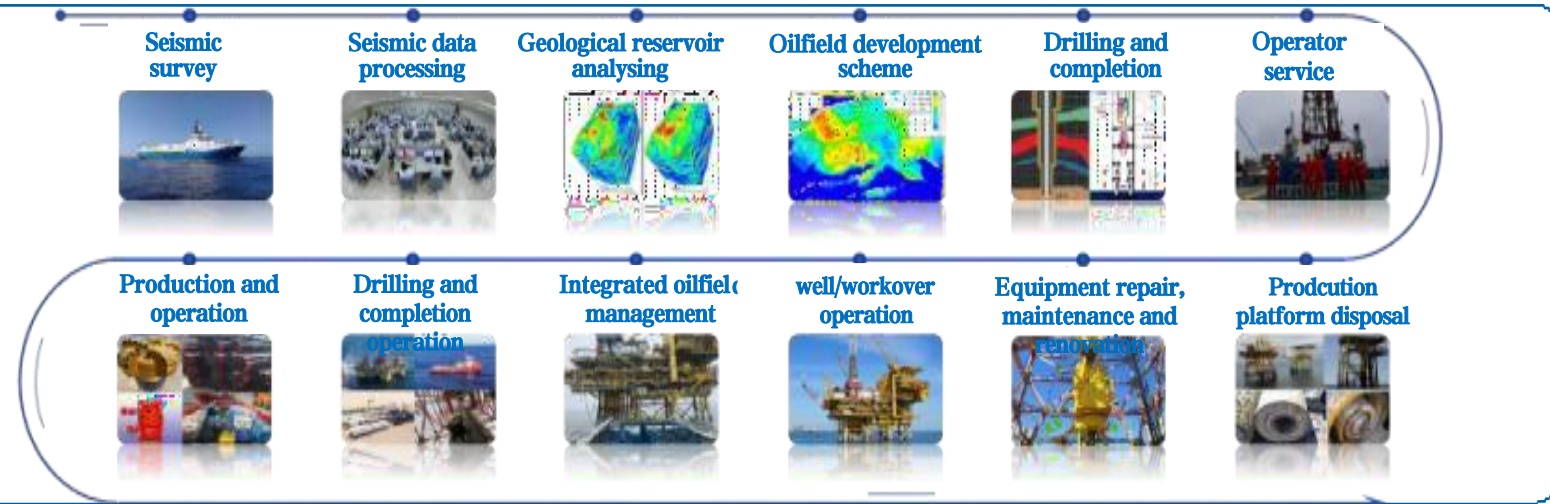
# Showcasing Integration Strategy Advantages

Leveraging the synergy of the multiple business lines, increasing the development of the integrated business by virtue of whole oilfield life cycle management, and realizing the appreciation of customers assets

## “Tailor-made” integration solutions

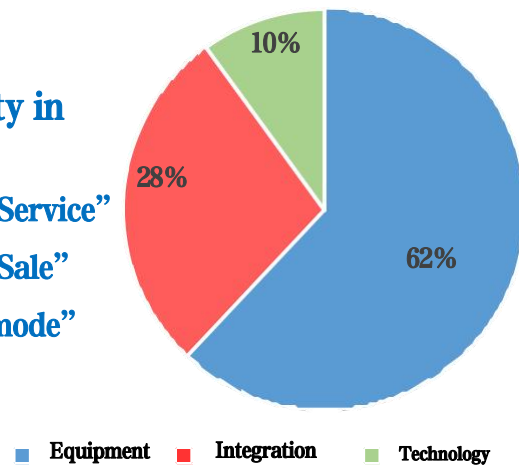
- **Whole oilfield life cycle**

- Geological Engineering Integration
- Development Engineering Integration
- Drilling & Completion Integration
- Integrated Oilfield Management
- Disposal Integration



- **Greater Diversity in Combinations**

- “Product” + “Service”
- “Product” + “Sale”
- “Service” + “mode”



## Integrated overseas Market

- ◆ Asia Pacific region: Our **disposal integrated service** enters the Malaysian high-end disposal market for the first time
- ◆ Middle East region: In Iraq, we follow the policy of “**thoroughly develop the existing market and strive to expand into the external market**”
- ◆ Americas region: Expand our **offshore technical services** in Mexico and develop **the conventional oil and gas market** in Canada
- ◆ Africa region: Expand the business scope of integrated services of drilling and completion, **wireline logging** and **perforation** services in Uganda

The overseas integration projects realized scale development

# Accelerating Internationalization Process

## Leverage full-service chain for international expansion and comprehensive regional market development

- Enhancing operational capability and profitability in the Middle East Region for large-scale equipment, and accelerating the business breakthrough in the technology segment; Continue to thoroughly develop the Missan market in Iraq, and develop new oilfield markets in the southern part of the country
- Achieving full business chain services for equipment, technology, integration, and sales in the Asia Pacific region, targeting at medium- and long-term high-quality projects, and building the brand effect of the integration of workover and disposal in Malaysia
- One new semi-sub rig has been added in Europe, entering the stage of high-value contract execution
- The integration project in Americas region has entered a period of rapid growth, and increased investment in self-developed equipment for the Americas market.
- Project KF and TL in Uganda, Africa will commence comprehensively, creating the foundation for expanding into surrounding markets



# Significant Efficiency Improvement in Regional Development

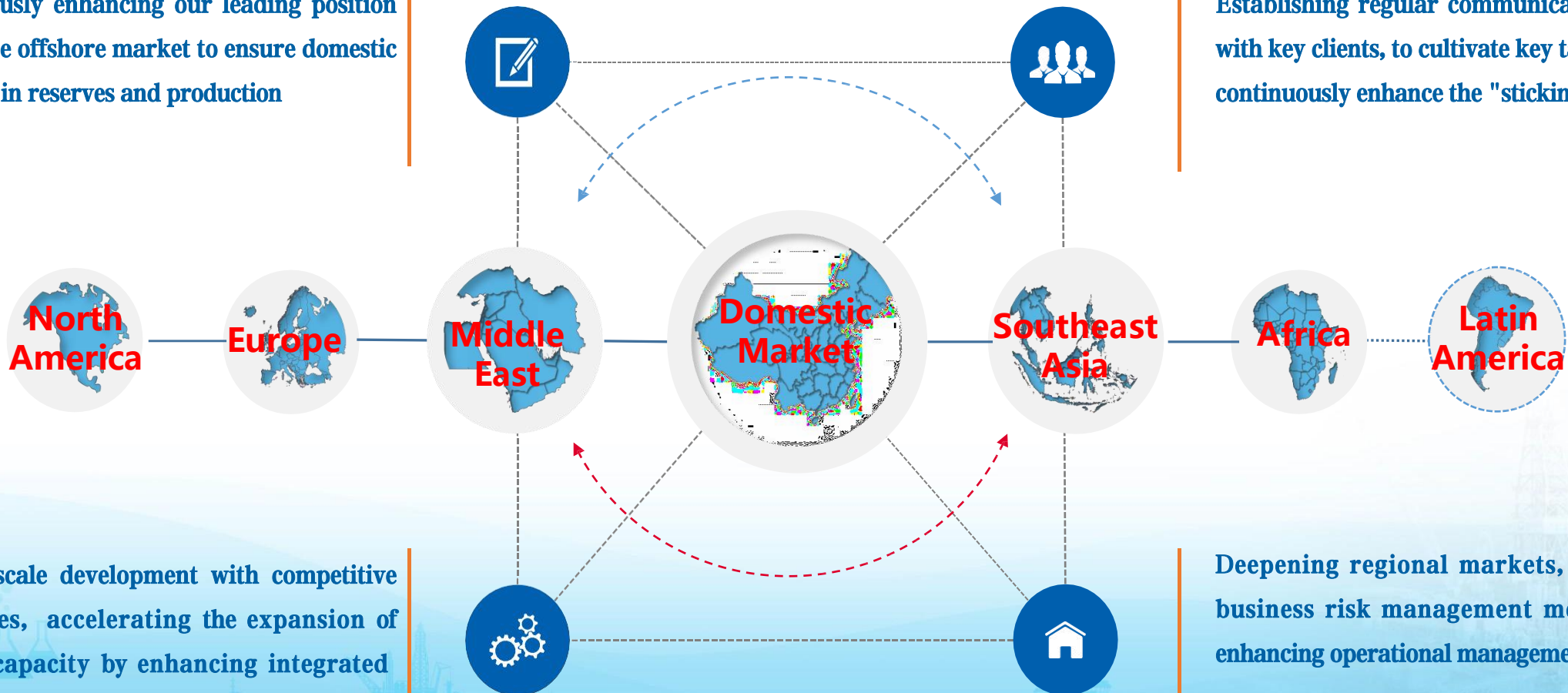


Focusing on core customers needs, with market expansion and benefit improvement as the main guideline, enhancing operational quality as a guarantee, and promoting regional development strategies to new heights

A new market pattern of "1+2+N", with the domestic market as the base, the Middle East and Southeast Asia markets as the two "wings", driving the benign development of overseas potential regions

Continuously enhancing our leading position in Chinese offshore market to ensure domestic increases in reserves and production

Establishing regular communication mechanisms with key clients, to cultivate key target clients and continuously enhance the "stickiness"



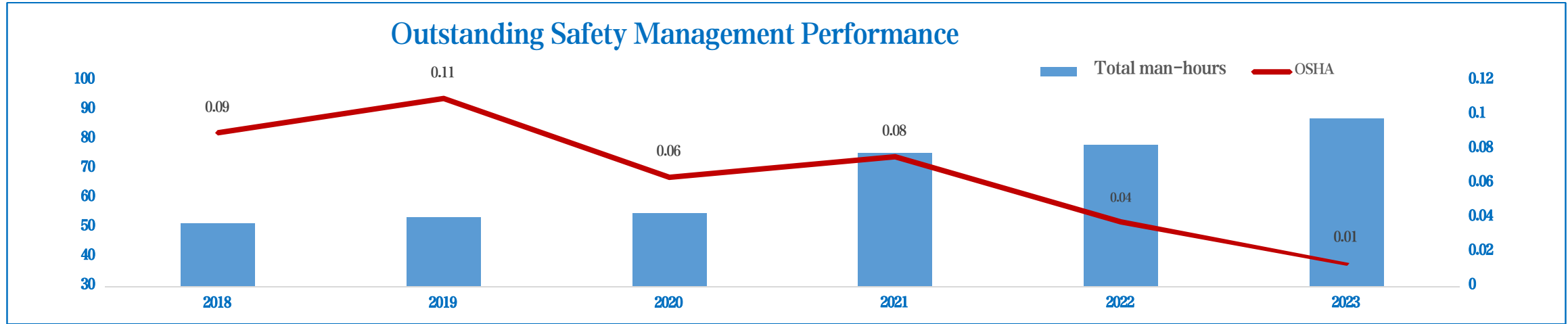
Driving scale development with competitive businesses, accelerating the expansion of market capacity by enhancing integrated service capabilities

Deepening regional markets, strengthening business risk management mechanisms and enhancing operational management level

# Security, Environmental Protection, and Social Responsibility



Comprehensively strengthen safety barriers, with continuous improvement in safety management indicators



## Maritime rescue shows commitment, and builds a strong maritime safety defense line

- ◆ Participated in 17 sea rescues
- ◆ Rescued 9 vessels in distress
- ◆ Rescued 54 persons in distress



## Enrich and expand the support carriers, and continue the revitalization of rural education

- ◆ Precision assistance for rural education
- ◆ Upgrade the quality of the education environment
- ◆ Continuously enhance humanistic care





In the face of the industry trend of continuous upward investment in oil and gas exploration, COSL will continuously strengthen its equipment strength, continuously promote scientific and technological innovation, and build an integrated service capability oriented to customer needs covering the full life cycle of oilfield.

Based on its unique integration advantage, stable financial structure, high-quality and efficient operation team, under the guidance of its "Technology-driven", "Cost Leadership", "Integration", "Internationalization" and "Regional Development" five development strategies, COSL is gradually moving forward to become a world-class energy service company with Chinese characteristics, and achieve win-win situation with and maximize value for its customers, employees, partners and shareholders!

**Traditional Chinese Spring Festival is coming soon. We wish you all a happy Spring Festival and Good Health.**



# COSL



我们必须做得更好  
ALWAYS DO BETTER