



# 安东油田服务集团 ANTON OILFIELD SERVICES GROUP

(HKEx: 3337)

**2012 INTERIM RESULTS**

27 August 2012

才先行

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# AGENDA

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**2012 INTERIM RESULTS OUTLINE**

**OPERATING & FINANCIAL REVIEW**

**OUTLOOK**

**Q&A**

安东石油

2012 INTERIM RESULTS  
OUTLINE

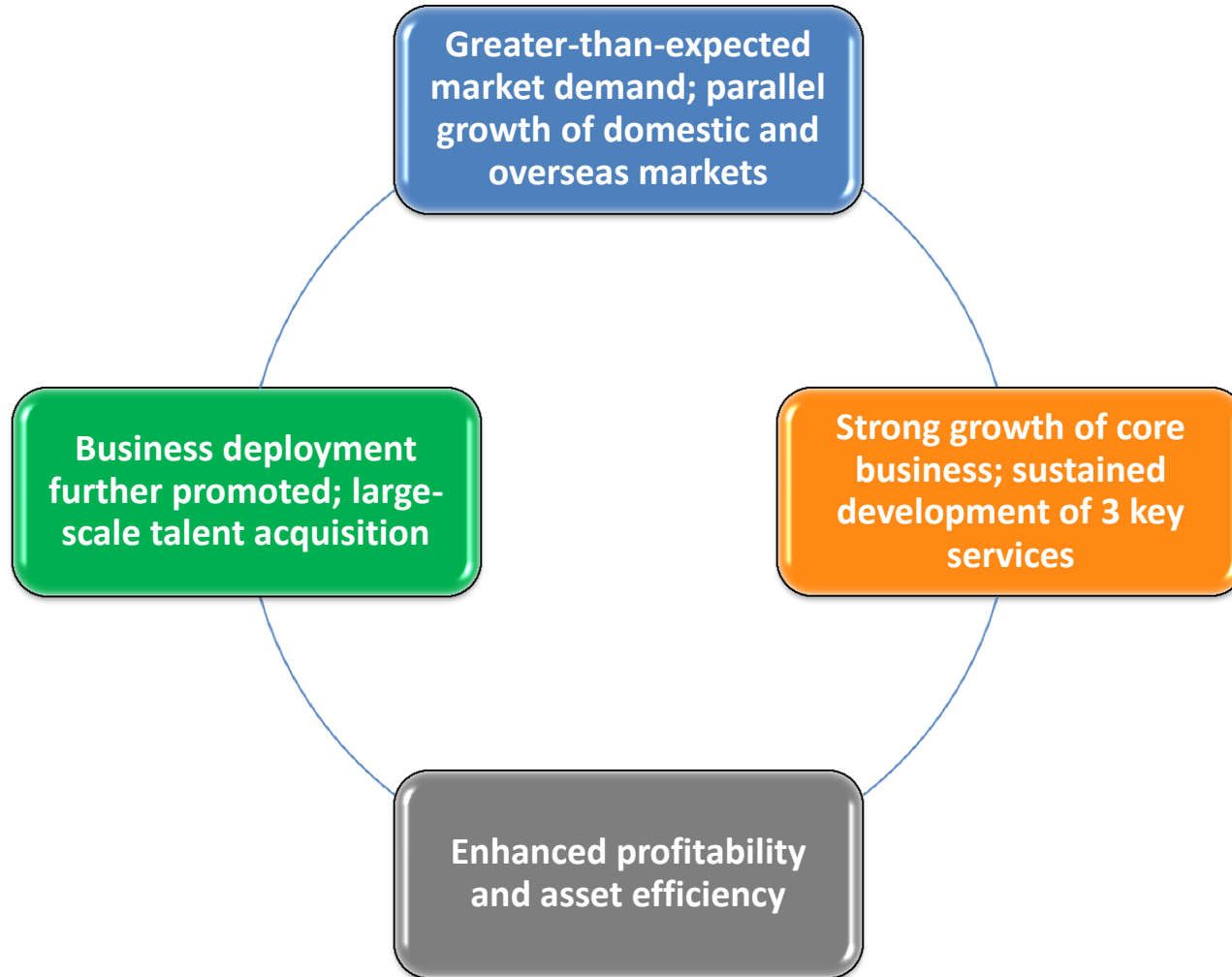


# 2012 INTERIM RESULTS OUTLINE



- Revenue in 1H 2012 totaled RMB803.7 million, up 52.7% y-o-y
- Gross profit totaled RMB384.7 million, up 69.6% y-o-y
- Profit attributable to equity holders of the Company amounted to RMB124.6 million, a significant 145.8% increase
- Earnings per share were RMB0.0592

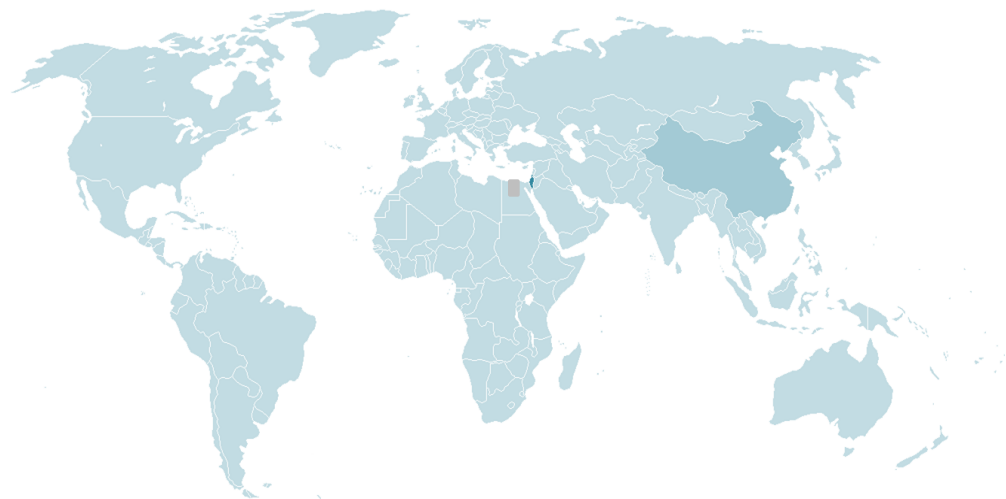
# BUSINESS HIGHLIGHTS



# OPERATING & FINANCIAL REVIEW



# MARKET DEMAND GREATER THAN EXPECTED



## Domestic Market

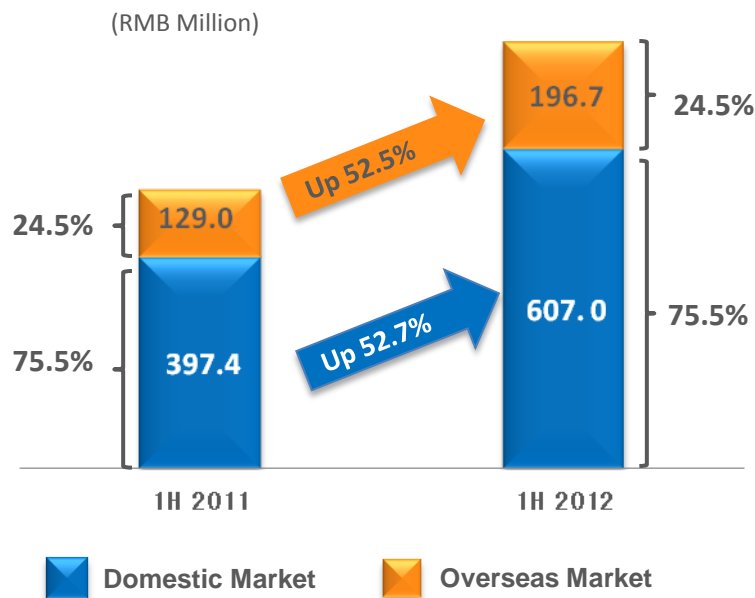
- ▶ Entering the golden age of natural gas
- ▶ Investment in conventional gas and tight gas sped up; construction of underground gas storage facilities fully unfolded
- ▶ Demands for both standard and high-end technologies were boosted

## Overseas Market

- ▶ Overseas construction exceeding expectation
- ▶ The first phase of Iraq's Halfaya Project was put into commercial operations ahead of schedule



# PARALLEL GROWTH OF DOMESTIC AND OVERSEAS MARKETS



## Domestic Market

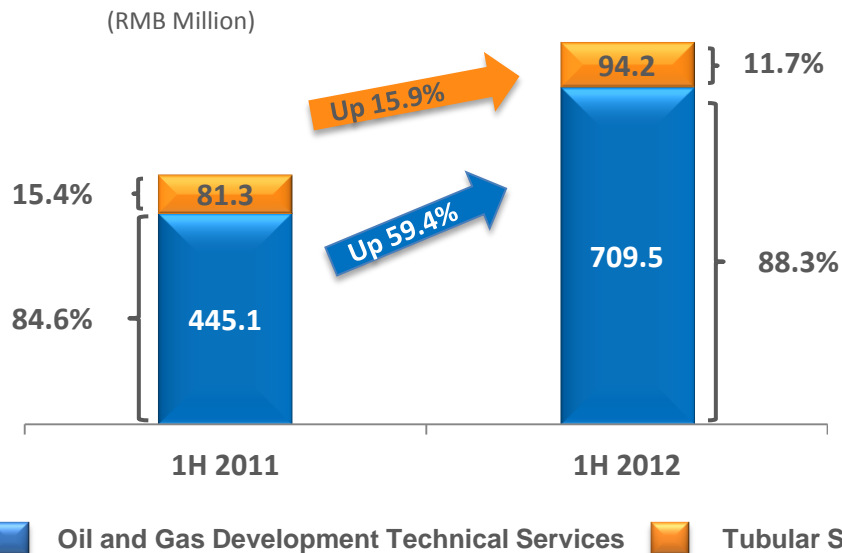
- ▶ Secured high-value contracts/batch orders of multistage fracking, drilling fluid, integrated drilling, oil production, etc.
- ▶ Standard technical services and high-end technical services recorded simultaneous growth

## Overseas Market

- ▶ Added the Halfaya Project to the clientele, and forged long-term business partnership

# CORE BUSINESS ON MOMENTOUS GROWTH

## Revenue by core and supplementary business



- ▶ The core business of oil and gas development technical services (including drilling technology, well completion technology and down-hole operation clusters) continued to dominate the Group's revenue growth
- ▶ Respective growth rate of each business cluster:
  - ▶ Down-hole operation (+42.7%); well completion technology (+63.5%); drilling technology (+97.8%); tubular services (+15.9%)

# THREE KEY SERVICES ON UPWARD TREND

3 key services recorded RMB329 million of revenue, up 45.8% y-o-y, accounting for 40.9% of the Group's total revenue

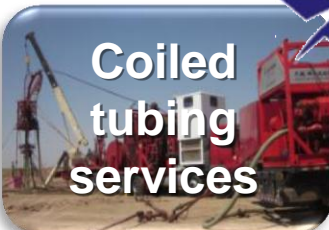
Down-hole operation cluster



Multistage  
fracking  
services

- ▶ Demand propelled by accelerating development of tight gas; won several tenders from Sinopec providing a total backlog of 70 jobs

Down-hole operation cluster



Coiled  
tubing  
services

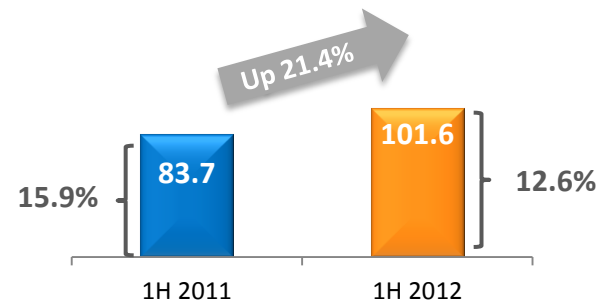
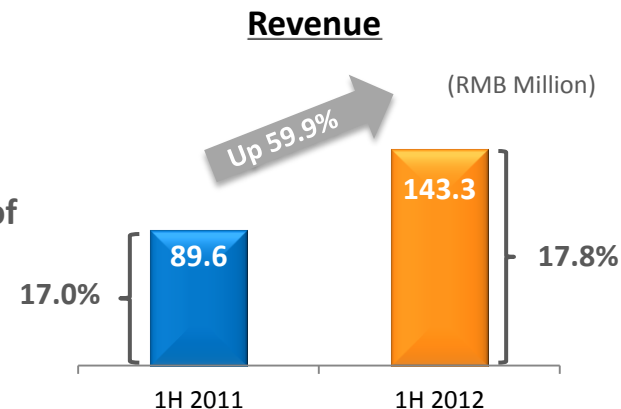
- ▶ Added Halfaya Project as a major client, with the potential of creating stronger work volume

Drilling technology cluster

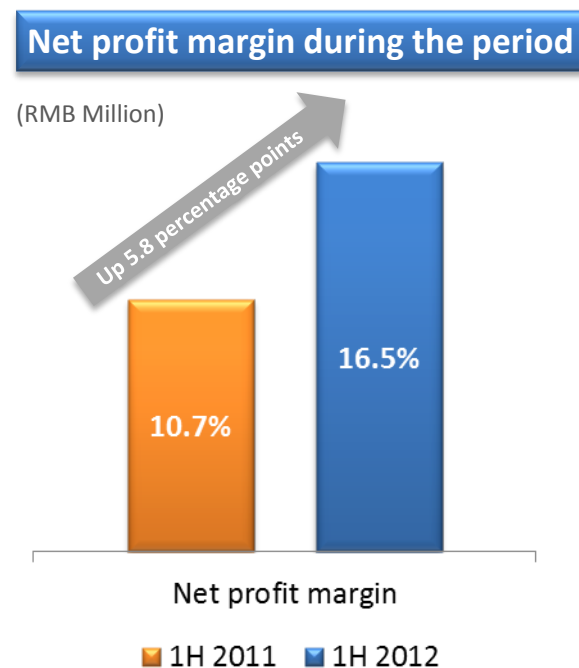


Directional  
drilling  
services

- ▶ Combined domestically manufactured standard technologies with imported high-end technologies, forging more price competitiveness



# PROFITABILITY SIGNIFICANTLY IMPROVED



- ▶ Established strategic suppliers to lower procurement price while boosting the application of self-developed products. Cost of sales to revenue decreased by 4.8 percentage points y-o-y
- ▶ Enhanced performance assessment system. Selling and administration expenses to revenue down by 1.2 percentage points y-o-y. Profit margin grew substantially

# ENHANCED WORKING CAPITAL MANAGEMENT EFFICIENCY

	1H 2012	1H 2011	Change
	<b>As at 30 June</b>		
Trade receivables turnover days	<b>170</b>	236	<b>-66</b>
Trade payables turnover days	<b>127</b>	118	<b>+9</b>
Inventory turnover days	<b>137</b>	165	<b>-28</b>

▶ Distributed turnover day targets to marketing and business units, applied a reward and penalty system aligned with the targets to incentivize the achievement of targets

▶ Strengthened inventory management with specific measures to process overdue inventory

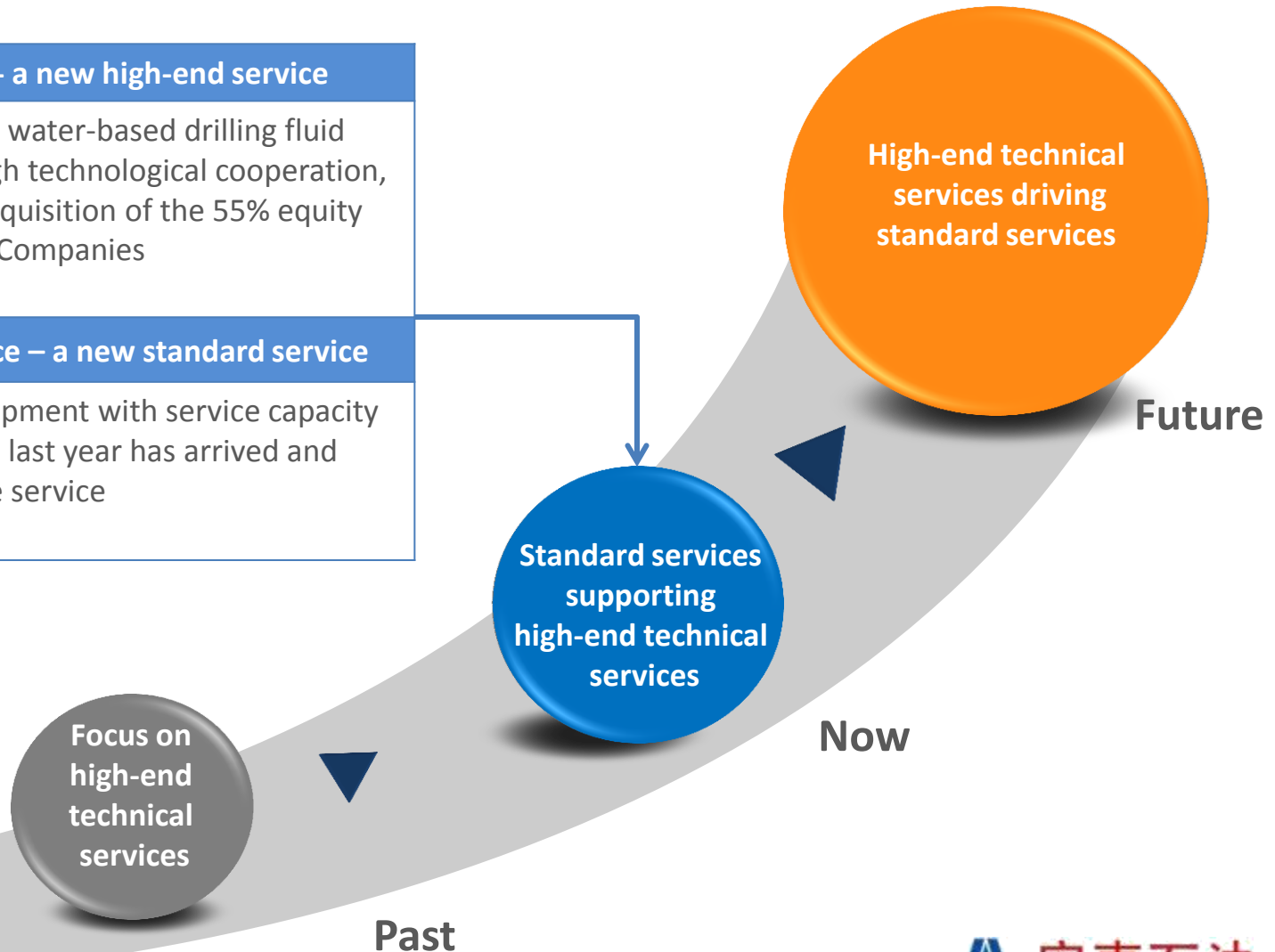
# NEW BUSINESS ARCHITECTURE

## Drilling Fluid Service - a new high-end service

- ▶ Establish oil-based and water-based drilling fluid service capacity through technological cooperation, investment, and the acquisition of the 55% equity interest in the Bazhou Companies

## Pressure Pumping Service – a new standard service

- ▶ Pressure pumping equipment with service capacity of 20,000 HHP ordered last year has arrived and commenced to provide service



# CAPITAL EXPENDITURE

<i>Items</i>	1H 2012 (RMB Million)	1H 2011 (RMB Million)
Fixed Asset Investment	111.9	90.3
Land Use Right Investment	22.9	-
R&D-related Intangible Asset Investment	8.0	12.6
Payment for equity investments	39.9	4.1
<b>Total</b>	<b>182.7</b>	<b>107.0</b>

## Use of proceeds:

- ▶ Newly established five new directional well operating units; by far completed the buildup of an aggregate of 15 directional well operating units
- ▶ Newly established two pressure pumping operating units
- ▶ The construction of industrial bases for several business clusters and on-site bases in the Middle East
- ▶ The acquisition of the 55% equity interest in the Bazhou Companies, a high-end water-based drilling fluid company

# BROADER BASE OF SKILLED AND YOUNG TALENTS

- ▶ Permanent staff as at 30 June: 1,395, an increase of 133 from the end of last year, new employees mainly of senior engineer level or above
- ▶ Large-scale introduction of skilled talents; hired senior executives from Fortune 500 companies to lead the Group's human resources management; also recruited top-class industry leaders and experienced professionals to oversee new business units such as pressure pumping, drilling fluid, and new materials
- ▶ Recruited 218 graduates from campuses at home and abroad, to be on board in the second half year and receive comprehensive training







# OUTLOOK

# OUTLOOK

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- ▶ Demands from domestic and overseas markets maintain strong growth trend; strong order backlog supporting revenue growth
- ▶ In China, adhere to “natural gas” strategy by focusing on the development of conventional gas and tight gas; in the overseas markets, adhere to the “follow-up” strategy and extend the services to overseas national oil companies
- ▶ Continue to strengthen high-end technical capabilities through technical cooperation; enhance the integrated development of the business clusters through self-investment and M&A
- ▶ Adhere to “Talents First” strategy and roll out large-scale recruitment of skilled talents
- ▶ Continue to implement the scheme to enhance profitability and strengthen asset efficiency; improve the overall financial results



# Q&A

# APPENDIX 1 : CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 June (RMB Million)	1H 2012	1H 2011
Revenue	803.7	526.4
Cost of sales	(419.0)	(299.6)
<b>Gross profit</b>	<b>384.7</b>	<b>226.8</b>
Other gains	0.7	2.2
Selling expenses	(72.3)	(42.5)
Administrative expenses	(94.8)	(73.3)
Research and development fees	(28.9)	(21.8)
Sales tax and surcharges	(15.7)	(8.6)
<b>Operating profit</b>	<b>173.7</b>	<b>82.7</b>
Interest income	1.2	1.1
Finance expenses, net	(16.9)	(6.5)
Share of loss of a jointly controlled entity	-	(5.9)
<b>Profit before income tax</b>	<b>157.9</b>	<b>71.4</b>
Income tax expense	(25.0)	(15.1)
<b>Profit for the period</b>	<b>132.9</b>	<b>56.2</b>
<b>Profit attributable to equity holders of the Company</b>	<b>124.6</b>	<b>50.7</b>
Non-controlling interests	8.3	5.6

## APPENDIX 2: BALANCE SHEET

As at 30 June 2012 (RMB Million)	1H 2012	1H 2011
Property, plant and equipment	702.0	538.6
Land use rights	60.6	31.3
Intangible assets	406.5	365.4
Investment in a jointly controlled entity	4.0	4.0
Deferred income tax assets	15.9	17.6
Inventories	368.1	271.4
Trade and notes receivables	966.8	671.0
Prepayments and other receivables	200.6	120.8
Restricted bank deposits	32.2	10.4
Cash and cash equivalents	333.0	462.2
Other current assets	1.4	5.0
<b>Total assets</b>	<b>3,091.0</b>	<b>2,497.6</b>
Equity attributable to equity holders of the Company	1,767.3	1,666.1
Non-controlling interests	83.2	74.0
Non-current liabilities	338.8	15.8
Current liabilities	901.7	741.7
<b>Total liabilities</b>	<b>1,240.5</b>	<b>757.5</b>
<b>Total equity and liabilities</b>	<b>3,091.0</b>	<b>2,497.6</b>

# APPENDIX 3: CASH FLOW STATEMENT

<b>For the half year ended 30 June 2012 (RMB Million)</b>	<b>1H 2012</b>	<b>1H 2011</b>
Net cash generated from operating activities	(84.2)	(63.2)
Net cash generated from investing activities	(179.2)	(106.0)
Net cash generated from financing activities	135.1	135.9
<b>Net decrease in cash and cash equivalents</b>	<b>(128.2)</b>	<b>(33.3)</b>
<b>Cash and cash equivalents, at beginning of the period</b>	<b>462.2</b>	<b>189.0</b>
Exchange loss on cash and cash equivalents	(0.9)	(3.8)
<b>Cash and cash equivalents at end of the period</b>	<b>333.0</b>	<b>151.9</b>



*Year 2012 – Fully Geared Up for Stronger Growth*