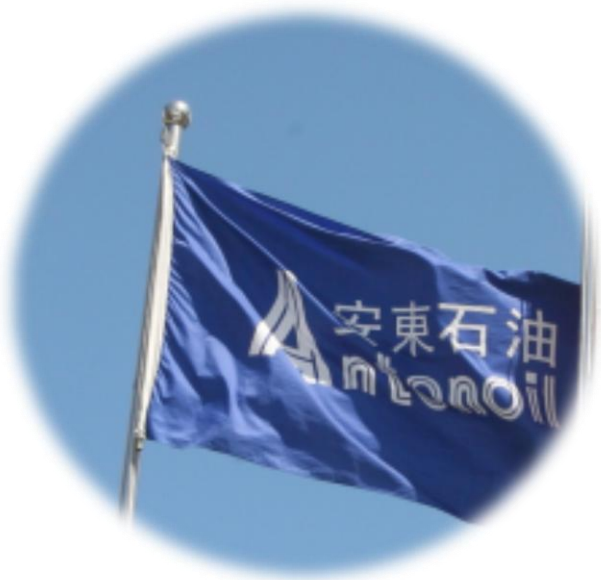


# ANTON OILFIELD SERVICES GROUP

(HKEx: 3337)

## STRATEGIC FRAMEWORK & 2012 STRATEGY UPDATE



# AGENDA

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- STRATEGIC FRAMEWORK
- 2012 STRATEGY UPDATE



## STRATEGIC FRAMEWORK

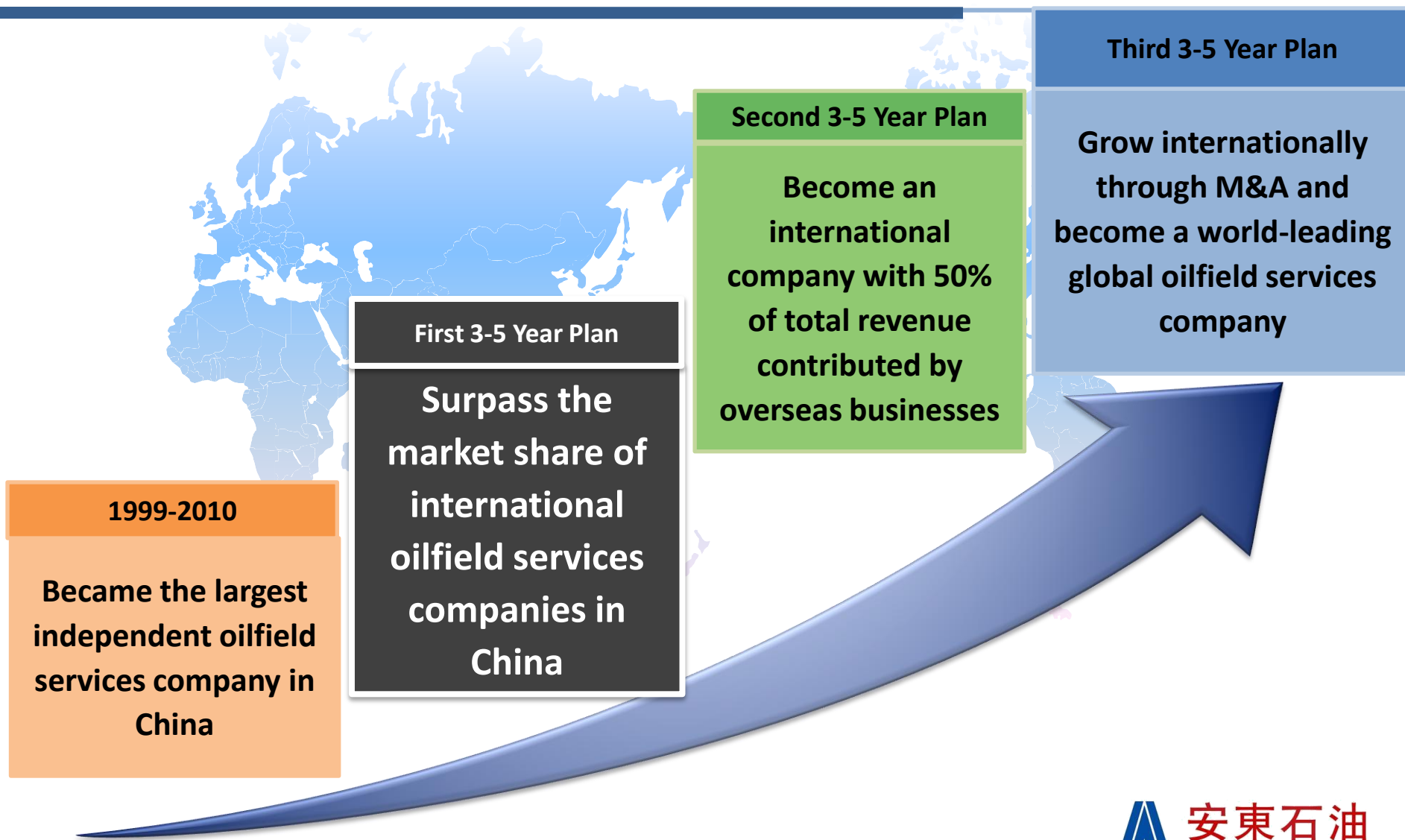
# LONG-TERM STRATEGIC OBJECTIVES

*To be a leading global oilfield services company with a strong foothold in China*

- **One-stop services:** to provide one-stop oilfield technical solutions, establishing a leadership position in one-stop services
- **Globalized:** to aim at the global markets
- **Strong foothold in China:** to supply technical and operational support from China



# STRATEGIC ROADMAP



# LONG-TERM MARKET STRATEGY

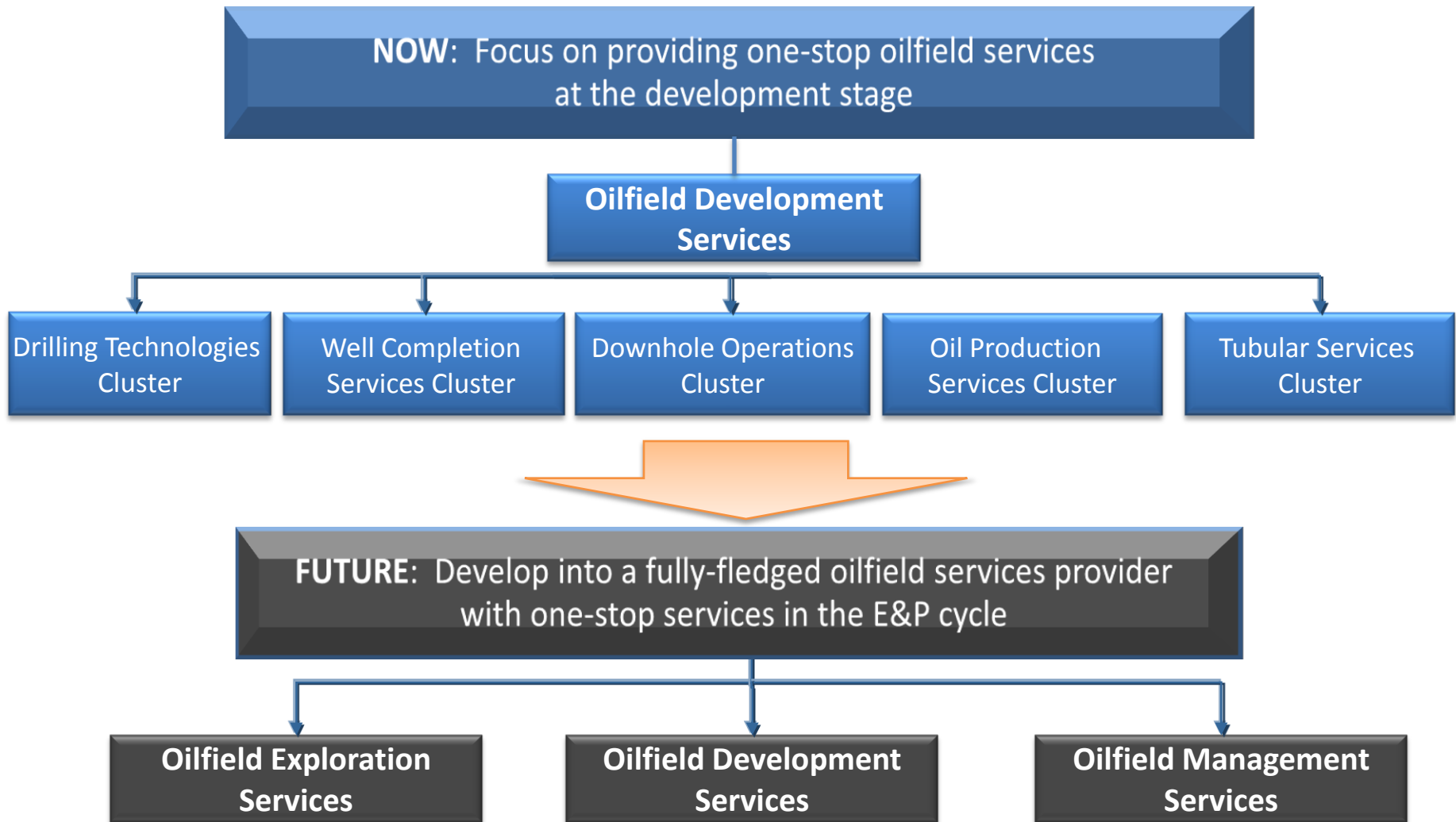
**NOW:** Parallel development of both domestic and international markets. In China, focus on the high-end natural gas market and develop strategic partnerships with clients. In the overseas markets, provide “follow-up” services for Chinese investors.

**STEP 2:** Develop the National Oil Companies (NOC) markets in the Middle East and South America, etc.

**STEP 3:** Develop the International Oil Companies (IOC) markets



# LONG-TERM PRODUCT STRATEGY



# LONG-TERM TALENTS STRATEGY

**NOW:** Continue to build up talent reserves by hiring high-end talents from industry veterans, developing general staff through internal training, while beginning to recruit international talents.



**NEXT :** Develop a global base of international talents by introducing team acquisitions and accelerating the recruitment of international talents



# LONG-TERM TECHNOLOGY STRATEGY

**NOW:** Mainly acquire new technologies by learning foreign advanced technical know-how quickly and introduce them into the domestic market, while developing our own technologies in certain areas. Ensure to be the first in China to introduce new and advanced overseas technologies and to achieve the same technical standards with international companies in the local market. Build up strategic partnerships with global technical providers.



**NEXT :** Develop a global base of technical supplies, acquisitions, and development capabilities, to be established as a technical leader in the global industry

# LONG-TERM INVESTMENT STRATEGY

**NOW:** : Investments focused on service-oriented equipments to satisfy current business growth and mid- to long-term business development. Develop strategic partnerships with facilities developers and logistics providers to reduce investments in non-core assets and allocate more resources to invest in core assets.



**NEXT :** Investments to focus on both organic growth and M&A, with more emphasis on global M&A.



## 2012 STRATEGY UPDATE

# 2012 STRATEGIC OBJECTIVES

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- **Market objectives:** expand presence in strategic markets, raise the market share of natural gas and horizontal wells (including conventional and unconventional gas) and increase revenue contributions from the international markets
- **Product objectives:** enhance the integrated service capabilities of natural gas and horizontal wells (including conventional and unconventional gas) to strengthen our competitive edge
- **Financial objectives:** maintain growth momentum of revenue and enhance profitability



A photograph of an oil drilling rig in a desert landscape at sunset. The rig is a tall, dark metal structure with a derrick and various cables. The sun is low on the horizon, creating a bright orange and yellow glow that reflects off the clouds. The sky is filled with dark, dramatic clouds. In the foreground, there are several blue and white modular buildings and other equipment. The overall scene is industrial and captures a moment of natural beauty.

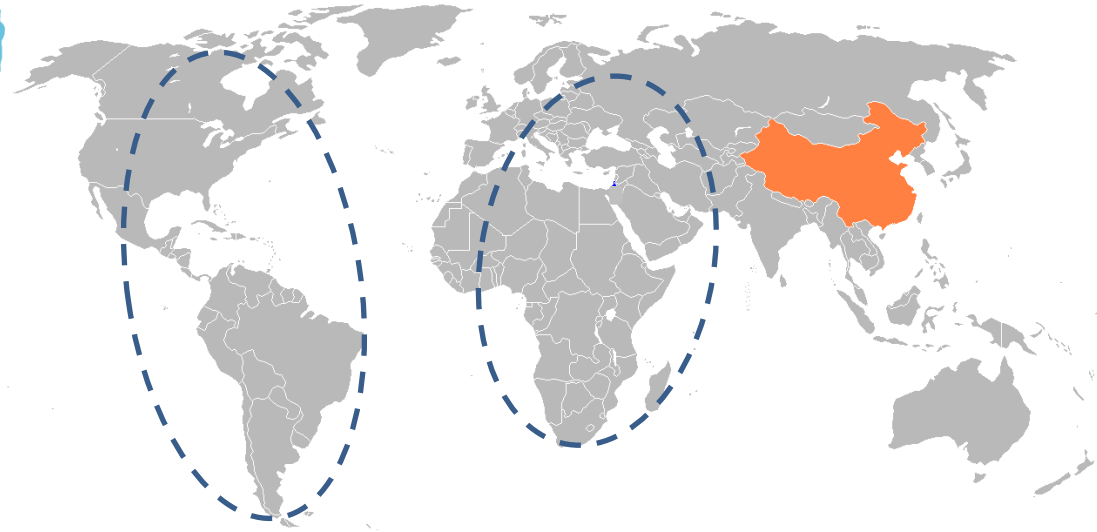
# 2012 MARKET STRATEGIES



# 2012 STRATEGIC FOCUS

1. CHINA Market: Unlock the potential of natural gas development

2. OVERSEAS Markets: Fuel growth through “follow-up” strategy



# OVERVIEW OF NATURAL GAS DEVELOPMENT MARKET IN CHINA

## INDUSTRY OUTLOOK

- An increase in domestic development activities
- Conventional and tight gas development underscore major market growth
- Unconventional gas development and underground storage facilities emerging as new market catalysts
- The kick-off of natural gas price reforms will likely further stimulate demand for domestic development activities

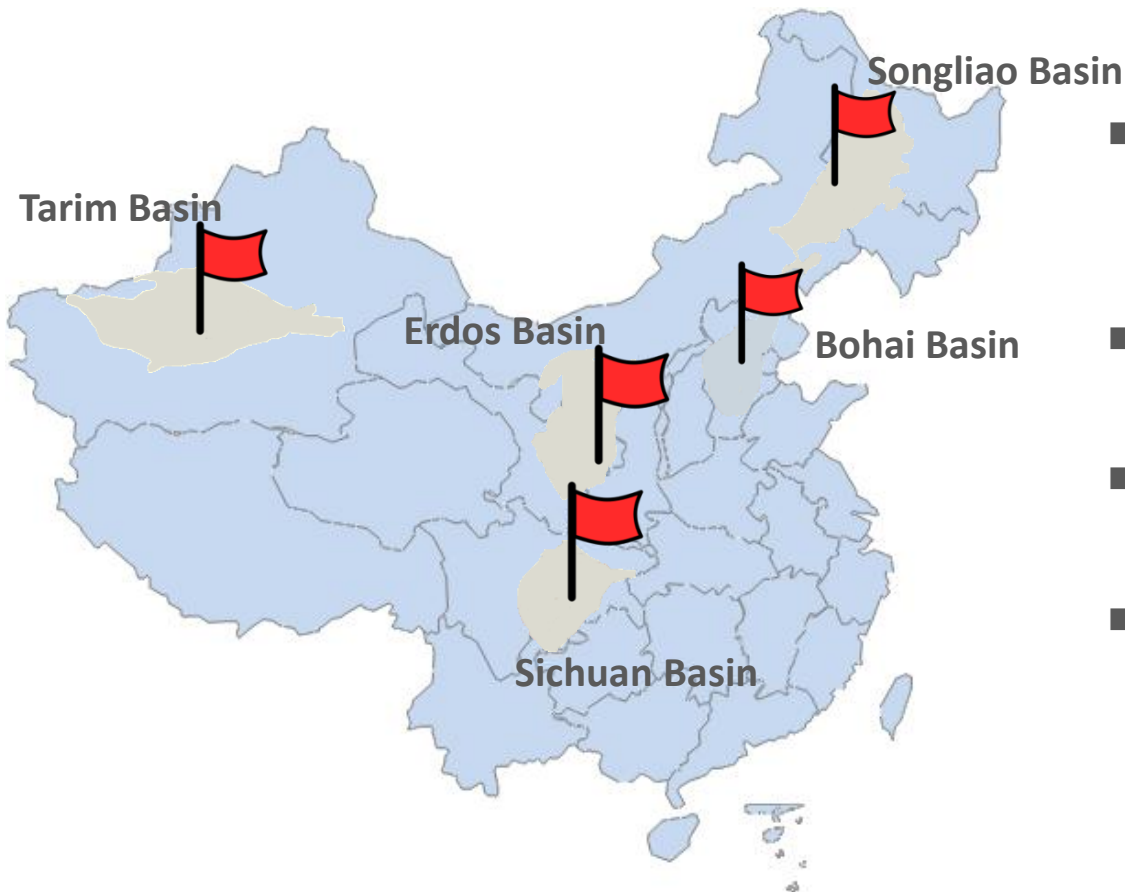


## 2012 STRATEGY IN NATURAL GAS DEVELOPMENT MARKET

- Continue to develop high-end integrated services for the technical needs of natural gas development

# MAJOR NATURAL GAS DEVELOPMENT MARKETS IN CHINA

In 2012, Antonoil will focus on the major natural gas basins as the most important markets



- **Conventional gas:** Tarim Basin, Sichuan Basin, Bohai Basin, Songliao Basin
- **Tight gas:** Erdos Basin, Sichuan Basin
- **Unconventional gas:** Erdos Basin, Sichuan Basin
- **Underground gas storage facilities:** Xinjiang, Chongqing, Liaohe etc.

# OVERVIEW OF OVERSEAS MARKETS

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## INDUSTRY OUTLOOK

- Chinese investors continue to “go abroad” to acquire overseas oil and gas resources, broadening the investor base



## 2012 OVERSEAS STRATEGY

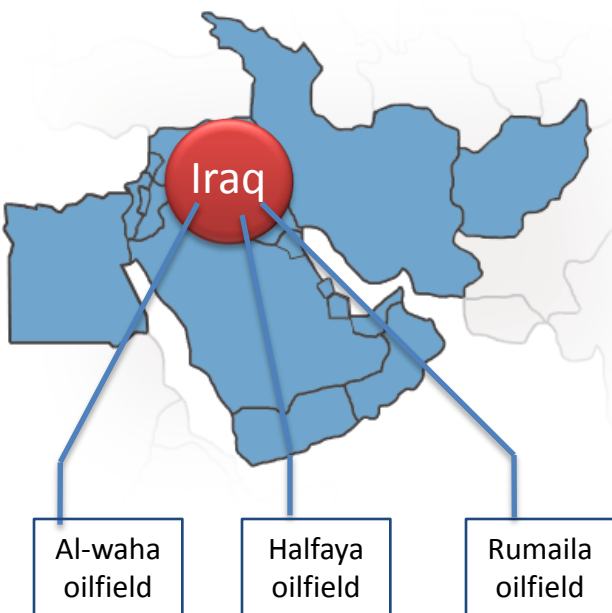
- Continue to pursue the “follow-up” strategy, i.e. be the indispensable technical partner of Chinese investors going abroad
- Start providing services to NOCs

# MAJOR OVERSEAS MARKETS

Key Market: Iraq

New Market: S. America

Stable Markets: C. Asia and Africa





# 2012 PRODUCT STRATEGIES





# OVERVIEW — ENHANCE INTEGRATED SERVICE CAPABILITIES

Enhance integrated supply chain

Tools

+

Chemicals

+

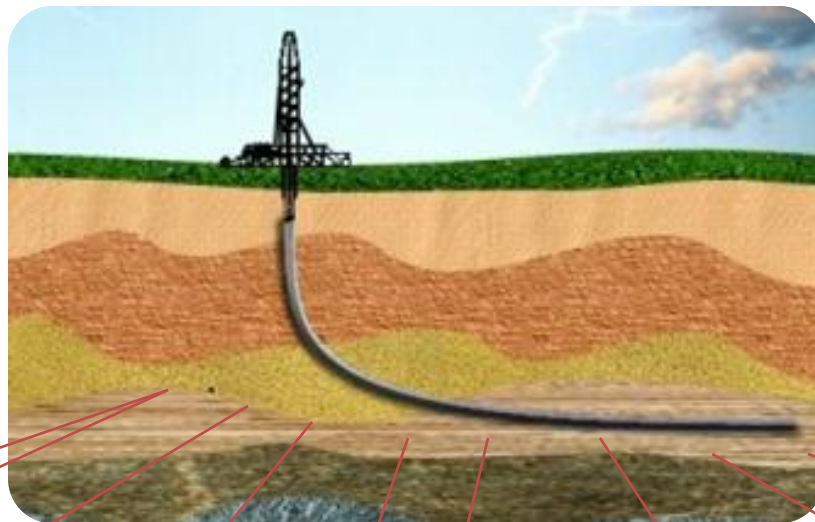
Equipments

+

Technologies

+

People



LWD

MWD

Mud  
Solutions

Sand-  
screen

Gravel  
Packing

Intelligent  
Well  
Completion

Coiled  
Tubing

Multistage  
Fracking

Oil  
Production

Expand full services along the value chain

# PRODUCT STRATEGY BY CLUSTERS

## CLUSTER

## STRATEGIC FOCUS ON PRODUCT DEVELOPMENT

### DRILLING

- Strengthen directional drilling services
- Add mud solutions services
- Closer partnership with 3<sup>rd</sup> party rig units

### WELL COMPLETION

- Build up a one-stop testing center in Tianjin for well completion tools combining R&D, testing and assembly in one industrial base
- Add intelligent well-completion services

### DOWNHOLE OPERATIONS

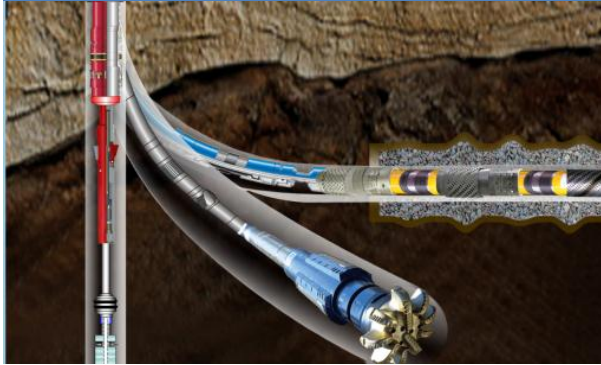
- Increase the applications of multistage fracking for horizontal wells
- Expand the service capacity of coiled tubing services and tubular helium testing services
- Add pressure pumping services
- Build up proppant supplies and other chemical supplies

### TUBULAR

- Accelerate operations in the capital market

# 2012 STAR SERVICES

## Drilling



### DIRECTIONAL DRILLING

**Major Markets:** Tarim Basin

**Key Applications:** HPHT

## Downhole Operations



### MULTISTAGE FRACKING FOR HORIZONTAL WELLS

**Major Markets:** Erdos Basin,  
Sichuan Basin

**Key Applications:** Tight gas,  
shale gas

## Downhole Operations



### COILED TUBING

**Major Markets:** the Middle  
East, Sichuan Basin, Erdos  
Basin

**Key Applications:** Acidizing,  
sand blast and perforation

New services in the past 1-2 years now turning to be star performers in 2012

# SERVICES IN THE PIPELINE

## NEW SERVICES IN 2012

- Mud Solution
- Intelligent Well-Completion
- Pressure Pumping Services

## FUTURE SERVICES

- Strategic partnership with 3<sup>rd</sup> party rig units and strengthen the capacity of integrated drilling services
- Develop in-house well-completion tools and build up an international brand for self-made tools
- Develop in-house proppants supplies and other chemical supplies

**Aim to be star performers in 2013 and beyond**





A 安東石地  
Antonei

# 2012 SERVICE CAPACITY DEVELOPMENT STRATEGY

# 2012 MAJOR AREAS OF SERVICE CAPACITY DEVELOPMENT

## HR

- Emphasize “Talents First” strategy, i.e. start a project by getting the right people in place first
- Continue to expand talent reserves. Mature talents are recruited from the industry whereas young talents are developed through internal training
- Allocate ~15% of annual revenue to HR

## R&D

- Expand research on technical applications and localizing foreign technologies into domestic applications
- Continue to develop more in-house production
- Continue to invest in Houston R&D Center and research institutes in China
- Allocate ~6% of annual revenue to R&D

## Investments

- Areas of CAPEX: directional drilling, pressure pumping equipments, mud solutions services, coiled tubing, well completion one-stop testing center
- Overseas infrastructure: Halfaya base
- More M&A efforts: seek market leaders in single technologies along the value chain among both domestic and overseas players



# 2012 FINANCIAL STRATEGY



# MEASURES TO RAISE PROFITABILITY

	(Compared to the growth rate of revenue)
Revenue	Maintain steady growth of revenue ↑
Operating costs	
Materials and Services	Tighten the control of material procurement costs ↓
Staff Costs	Maintain same level
Depreciation and Amortization	Minor increase due to more strategic investments ↑
Sales Tax and Surcharges	In line with revenue growth rate
Others: R&D Costs	Maintain same level
Others: Management Costs	Improve operating efficiency to reduce management costs ↓
Operating Profits	
Finance Costs	Increase financial leverage on a discretionary basis ↑
Share of Loss of a Jointly Controlled Entity	Improve operating performance of JV and/or dispose of non-performing assets ↓
Profit before Income Tax	
Income Tax Expense	In line with revenue growth rate
Profit for the Period	
Profit Attributable to Equity Holders	

# MEASURES TO ENHANCE ROE

## ENHANCE MANAGEMENT OF WORKING CAPITAL

- Shorten A/R turnover days
- Shorten inventory turnover days

## INCREASE FINANCIAL LEVERAGE

- Attain long-term development capital through long-term debt financing

## STRENGTHEN CORE- ASSET INVESTMENTS

- Deploy capital to invest in assets to facilitate future development

**Increase ROE**



The image shows three flags flying on tall poles against a clear blue sky. From left to right, the flags are: a blue flag with the 'Anto' logo and the Chinese characters '安东石油' (Anto Petroleum), the national flag of the People's Republic of China, and a white flag with a blue 'A' logo and the Chinese characters '石油' (Petroleum). In the background, a modern building with a glass facade and a large glass dome entrance is visible. The building has a sign on its upper part that reads '安东石油' in large red characters. In the foreground, there is a black metal fence with white spherical ornaments on the pillars, and some green bushes.

# 2012 — A YEAR OF SELF-IMPROVEMENT AND ACHIEVING HIGH PERFORMANCE