



安東油田服務集團
ANTON OILFIELD SERVICES GROUP

(HKEx: 3337)

2011 ANNUAL RESULTS

26 March 2012

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AGENDA

- **2011 RESULTS HIGHLIGHTS**
- **OPERATING & FINANCIAL REVIEW**
- **OUTLOOK**
- **Q&A**



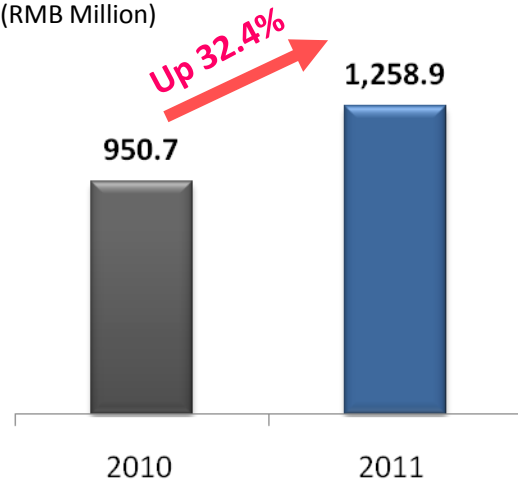
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2011 RESULTS HIGHLIGHTS

2011 RESULTS HIGHLIGHTS

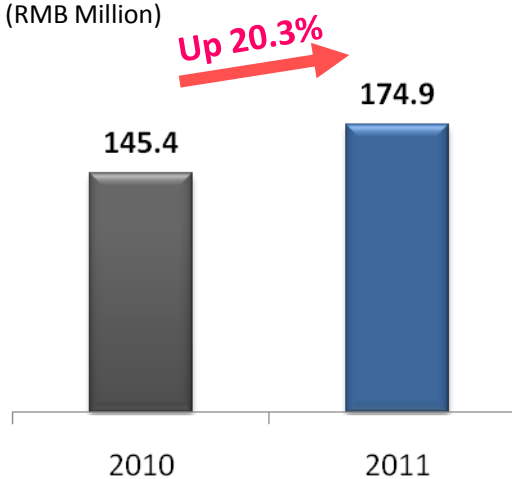
Revenue

(RMB Million)



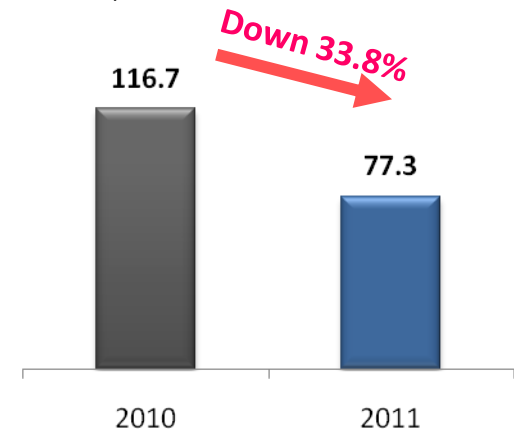
Operating Profit

(RMB Million)



Profit attributable to equity holders of the Company

(RMB Million)



- Strong business development in 2011 with revenue reaching RMB1.26 billion, up 32.4% y-o-y
- Operating profit totaled RMB174.9 million, up 20.3% y-o-y
- Northern Heavy Anton Machinery Manufacturing Co., Ltd., the Group's JV company engaged in tubular manufacturing, recorded a loss of RMB14.3 million, resulting in a provision for impairment of RMB31.9 million made to reduce risk exposure.
- Profit attributable to equity holders of the Company amounted to RMB77.3 million, down 33.8%
- Earnings per share were RMB0.0369; proposed dividend was RMB0.0170 per share

2011 ACHIEVEMENTS



Steady Growth of Natural Gas Business

- Rapid growth in oil and gas field development technical services
- A strong characteristic in natural gas development in China

- Customized integrated technical services for Chinese investors boosted growth
- Middle East has become the Group's largest overseas market



Rapid Growth of Overseas Business



Increase of Talents

- 2011 is a "Year of Talents"
- Further increase in the percentage of core staff
- Further optimization of human resources structure

- The working capital management policy yielded results
- Cash flow from operating activities increased 7.5-fold y-o-y



Significant Improvements of Working Capital

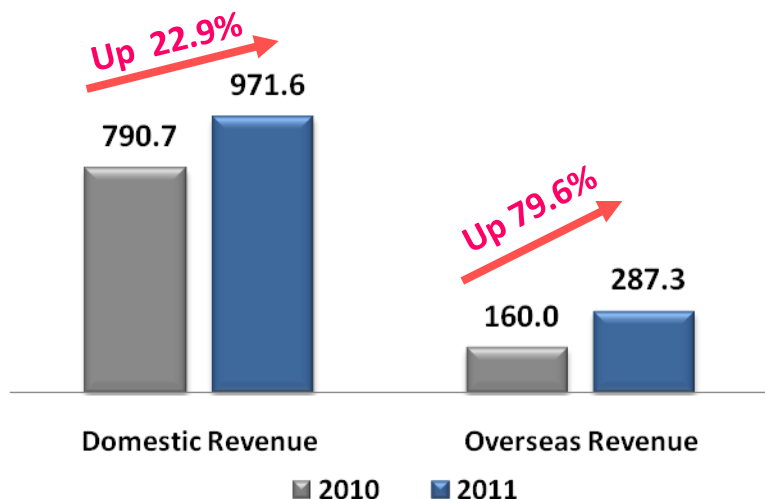


OPERATING & FINANCIAL REVIEW

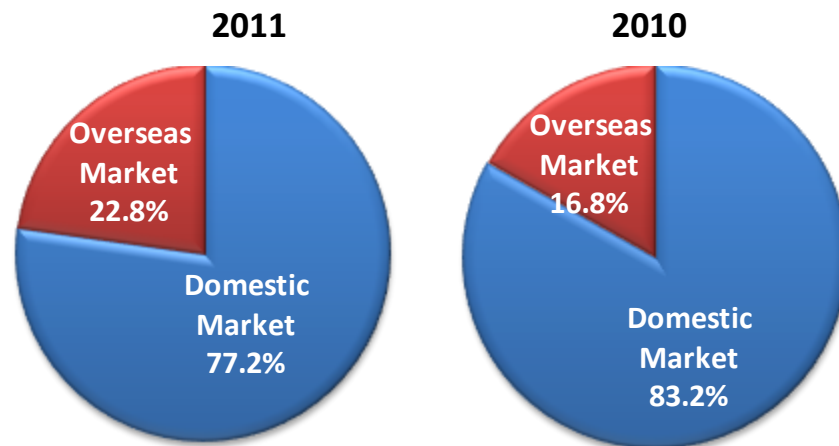
MARKET DISTRIBUTION

Revenue by Geography

(RMB Million)

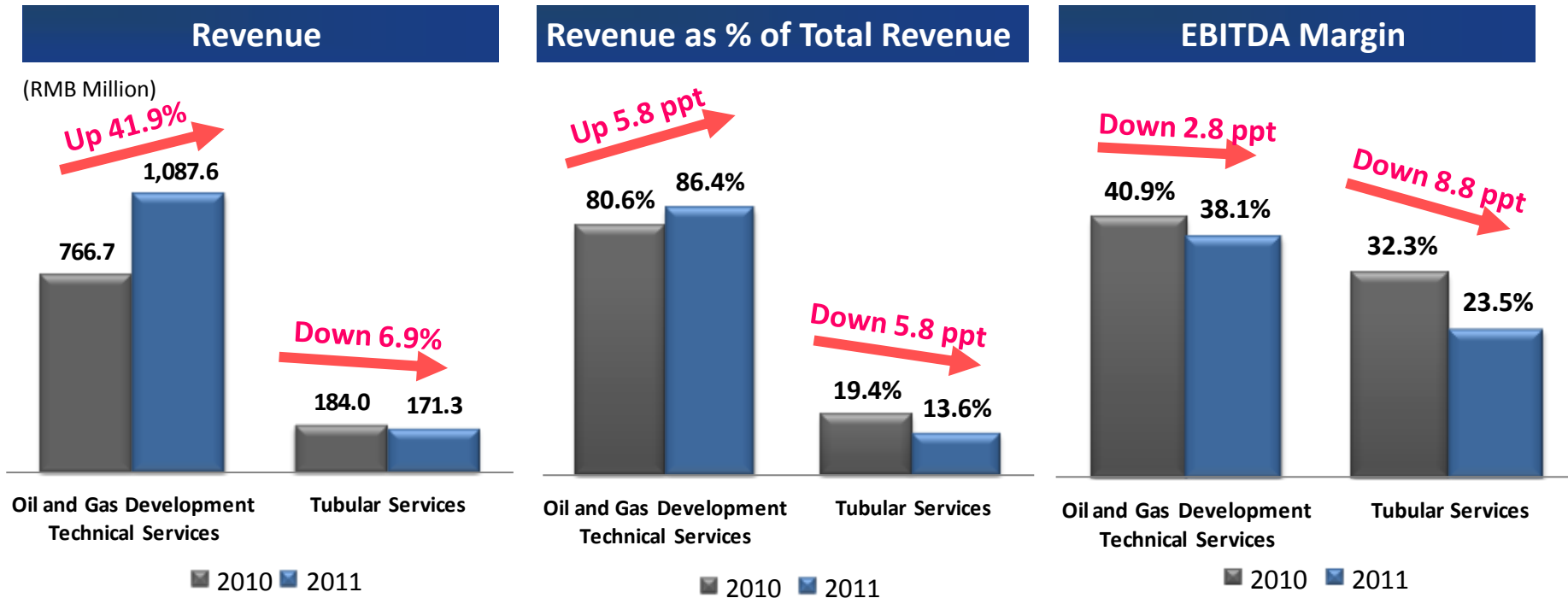


Revenue Breakdown by Geography



- Steady domestic market growth with strong characteristics in natural gas development, covering conventional gas, tight gas, shale gas and coal-bed methane gas
- With Iraq being established into a stable, rapidly developing market, overseas market saw robust growth, up 79.6% y-o-y, accounting for 22.8% of the Group's total revenue

CORE BUSINESS IN CONJUNCTION WITH A SUPPLEMENTARY BUSINESS



- Well-defined business structure
 - Core business: oil and gas field development technical services (including drilling technology, well completion and down-hole operation cluster)
 - Supplementary business: tubular services cluster
- Core business grew rapidly and increased its contribution to the total revenue
- EBITDA dropped due to surging material and other costs

THREE BEST-PERFORMING SERVICES

Down-hole operation cluster



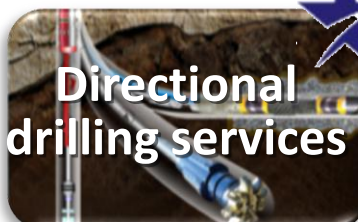
- Leading position cemented in the tight gas market
- Applied in the first shale gas horizontal well in China

Down-hole operation cluster



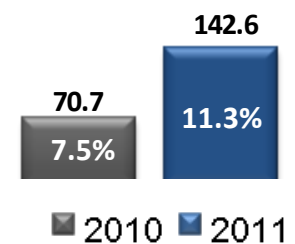
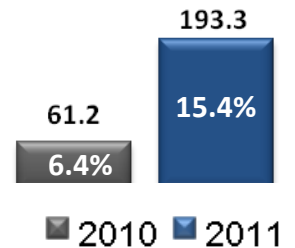
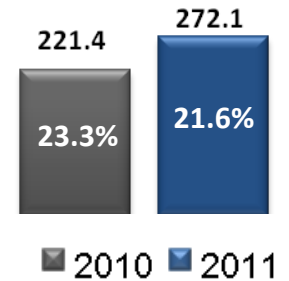
- Widely applied in domestic and overseas markets
- Became the strategic partner of customers in the Iraq market

Drilling technology cluster



- Effective solution for solving horizontal drilling technical problems
- Enhancing its market leading position

Revenue (RMB Million)
% to Revenue



3 core services contributed 48.3% of total revenue

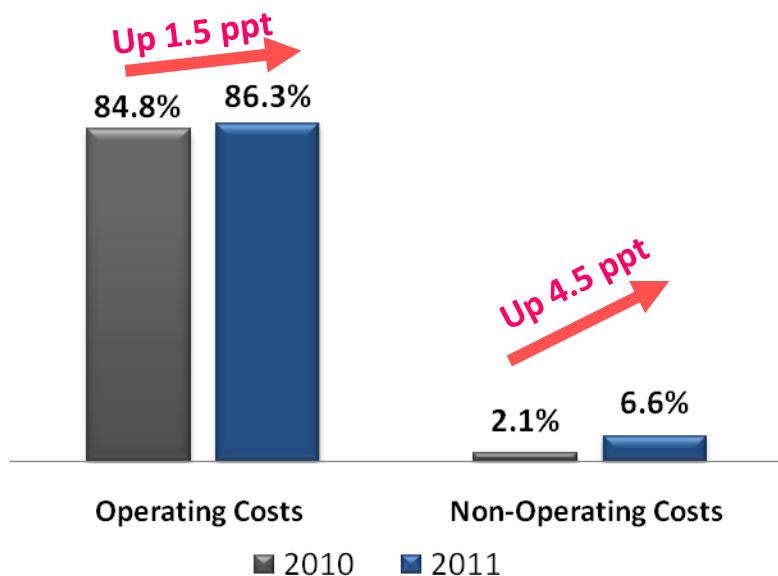
YEAR OF TALENTS

- Number of employees under contract: 1,262, up 21.6%
- Adhered to the philosophy of 'Talents First' in 2011
 - New recruitment of 191 young talents from campuses and 183 talents from society
 - Non-core staff were converted to labor outsourcing
 - 90.3% of the Group's employees were technical services and marketing staff. The percentage of high-end staff and core positions increased to 25%
- The number of oversea staff totaled 169, fostering the rapid growth of overseas market

Following the Chief Executive Officer, the Group's employees are classified into 8 ranks. The 8th rank is Executive Vice President and Senior Vice-president level and the 5th rank is senior engineer level

COST ANALYSIS

Cost Structure Analysis (% to Revenue)



- Non-operating cost surged
- Operating cost up slightly due to the rise in materials and services costs , R&D costs

	2011	2010
Operating Costs	% to revenue	
Materials and Services	45.4%	41.6%
Staff Costs	10.8%	13.0%
Operating Lease Expenses	1.0%	1.3%
Depreciation and Amortization	4.7%	5.3%
Sales Tax and Surcharges	2.2%	2.0%
Others: Other SG&A expenses	17.9%	19.6%
Others: R&D Expense	3.3%	1.3%
Others: Impairment of Receivables	0.9%	0.7%
Non-operating costs	% to revenue	
Loss Attributable to a Jointly Controlled Entity	1.1%	0.0%
Impairment Loss of Long-term Equity	2.5%	0.0%
Investment in a Jointly Controlled Entity		
Finance Costs	1.3%	0.3%
Income Tax Expense	1.7%	1.7%
Total Cost	92.9%	86.9%

WORKING CAPITAL MANAGEMENT

	2011	2010	Change
Trade receivable turnover days	178	195	-17 days
Inventory turnover days	131	161	-30 days
Trade payable turnover days	102	97	+5 days
(RMB Million)	2011	2010	Change
Trade and notes receivables	671.0	672.0	-0.2%
Trade and notes payables	257.8	218.4	+18.0%
Inventories	271.4	265.4	+2.3%
Cash flows from operating activities	220.4	26.0	+7.5 times
Bank Loan	320.0	184.8	+73.2%
Cash and bank deposits	477.5	339.3	+40.7%

2011 CAPEX

Items	2011 (RMB Million)	2010 (RMB Million)
Investments in fixed assets	158.5	89.5
Investments in intangible assets	36.1	39.5
Payment for equity investments of prior years	4.0	8.5
Total	198.6	137.5

Use of proceeds:

- Newly established 2 directional well operation services; 10 directional well operation service teams in aggregate have been established
- Newly set up 1 coiled tubing operation team; 4 coiled tubing operation teams in aggregate have been set up
- Formation of integrated pressure pumping services capability by purchasing 10 sets of pressure pumping equipment. Once delivered in the 2H of 2012, the Group will possess the service capacity of 20,000 HHP
- The construction of industrial bases for several business clusters and on-site bases in the Middle East



OUTLOOK

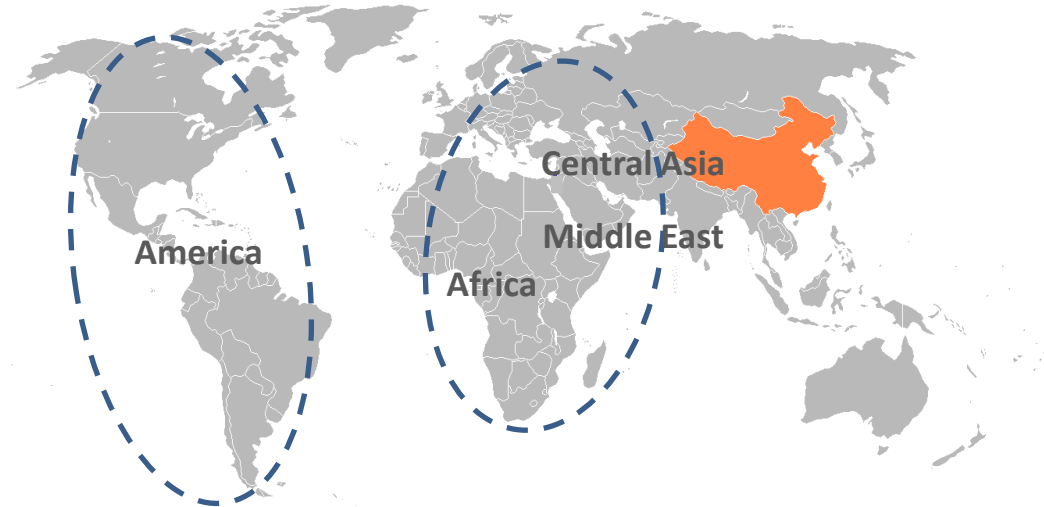
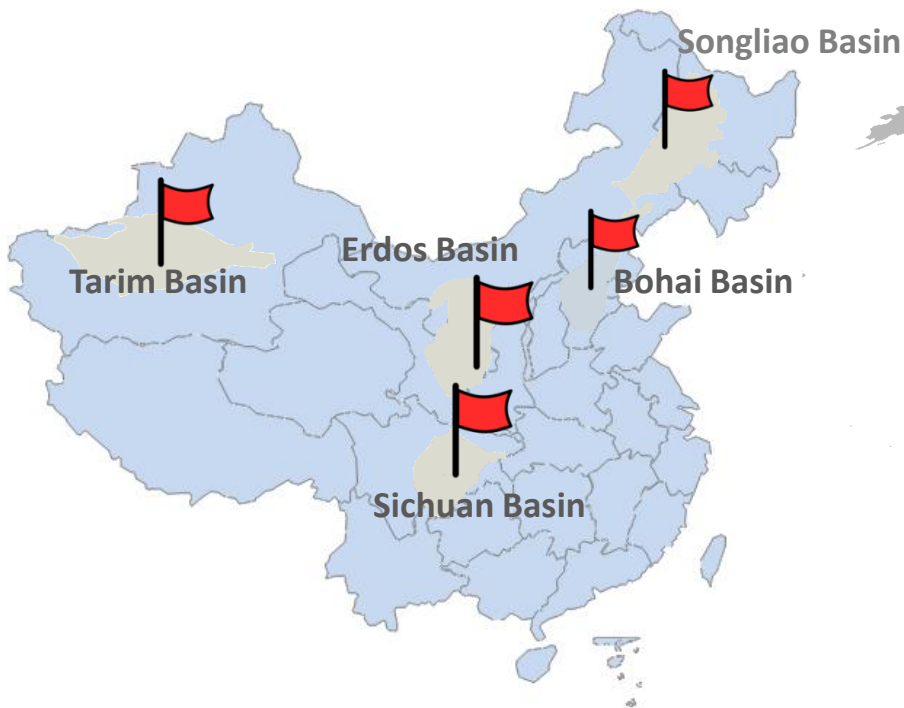
2012 STRATEGIC OBJECTIVES

- **Market objectives:** adhere to natural gas strategies in the domestic market and the “follow up” strategy in the overseas market; continue to increase the Group's market share in the natural gas sector and revenue contribution from the overseas markets
- **Product objectives:** commit to becoming an oil and gas field development technical services company with a focus on well-bore technologies; resolve production enhancement and engineering difficulties encountered by its customers by providing integrated products and services.
- **Financial objectives:** maintain steady growth in revenue, enhance profitability and strengthen management of asset efficiency

MARKET OPPORTUNITIES

CHINA Market: entering the golden age of natural gas development

OVERSEAS Markets: China investors increasing their investments abroad; their projects entering the development phase



GROWTH ENGINES

Market Demand

Tremendous Market Opportunities for the Group's Services

**Production
Enhancement**

To provide customized
technical services

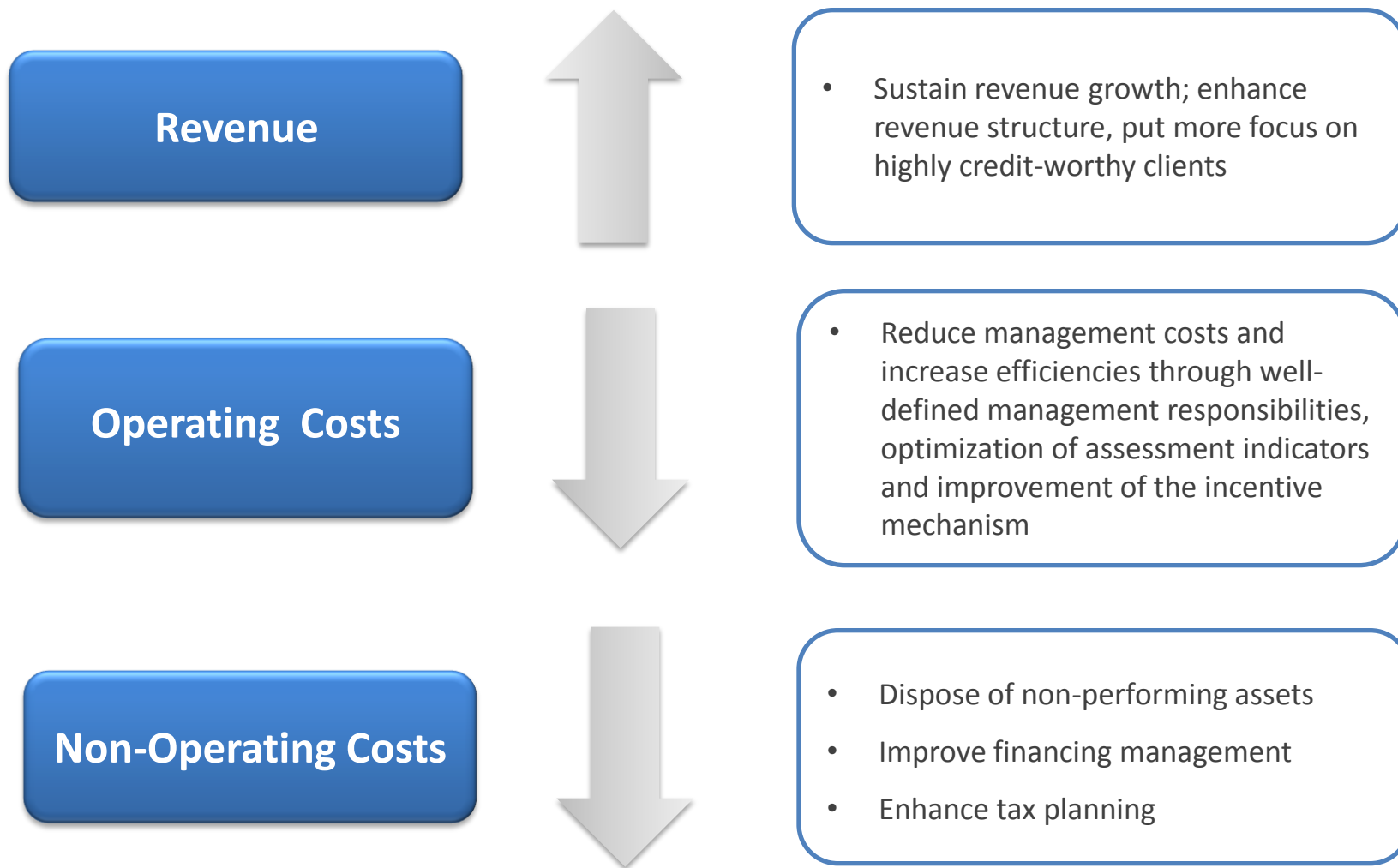
- Multistage fracking services
- Coiled tubing services
- Pressure pumping services

**Construction
Difficulties**

To provide customized
technical services

- Directional drilling
- Drilling fluid
- Well cementing

MEASURES TO INCREASE PROFITABILITY



MEASURES TO INCREASE ASSET EFFICIENCY

Current Assets

- Shorten A/R & inventory turnover days

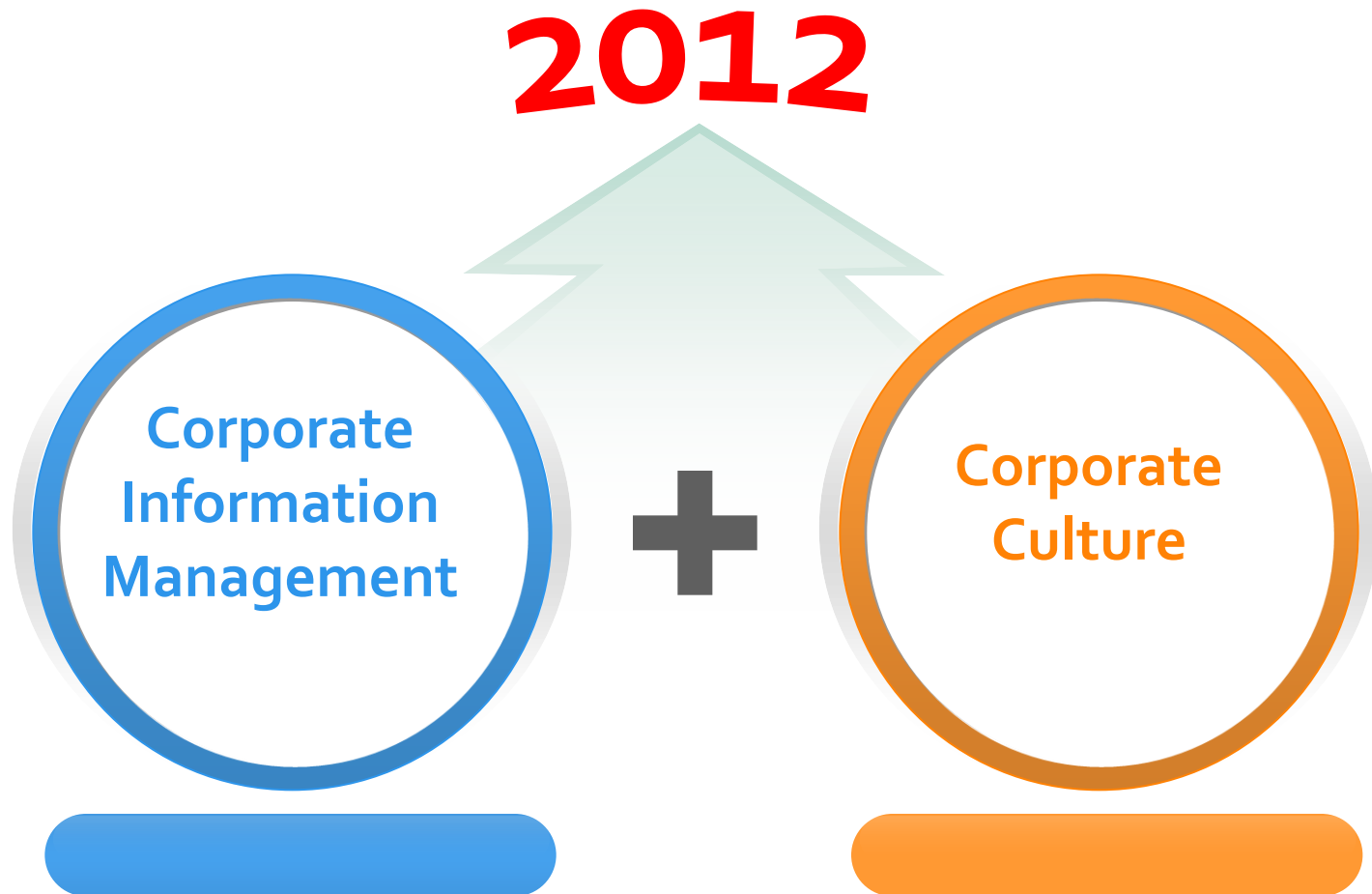
Long-term Assets

- Increase investment in high-return, core assets
- Dispose of non-performing assets

Financial Leverage

- Increase gearing ratio to a healthy level and match mid/long term funding requirements through long-term financing

THE YEAR 2012





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Q&A

APPENDIX 1 – BALANCE SHEET

As at 31 December 2011 (RMB Million)	2011	2010
Property, plant and equipment	538.6	419.5
Land use rights	31.3	25.5
Intangible assets	365.4	345.9
Investment in a jointly controlled entity	4.0	50.2
Deferred income tax assets	17.6	3.0
Inventories	271.4	265.4
Trade and notes receivables	671.0	672.0
Prepayments and other receivables	120.8	70.1
Restricted bank deposits	10.4	144.4
Cash and cash equivalents	462.2	189.0
Other current assets	5.0	6.0
Total assets	2,497.6	2,190.9
Profit attributable to equity holders of the Company	1,666.1	1,641.0
Non-controlling interests	74.0	36.5
Non-current liabilities	15.8	2.2
Current liabilities	741.7	538.2
Total liabilities	757.5	540.4
Total equity and liabilities	2,497.6	2190.9

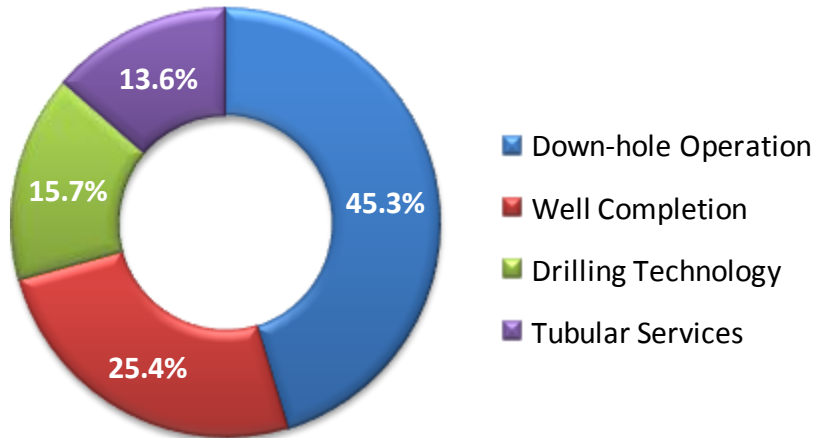
APPENDIX 2 – CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011 (RMB Million)	2011	2010
Revenue	1,258.9	950.7
Other gains, net	2.2	0.6
Operating costs	(1,086.2)	(805.9)
Materials and services costs	(571.9)	(395.1)
Staff costs	(135.9)	(123.5)
Operating lease expenses	(12.7)	(12.7)
Depreciation and amortization	(59.0)	(50.8)
Sales tax and surcharges	(28.0)	(18.6)
Others	(278.8)	(205.1)
Operating profit	174.9	145.4
Interest income	2.3	3.1
Financial expenses	(18.3)	(5.8)
Finance income /(costs), net	(16.1)	(2.7)
Share of loss of a jointly controlled entity	(14.3)	(0.4)
Impairment loss of long-term investment in a jointly controlled entity	(31.9)	-
Profit before income tax	112.5	142.3
Income tax expense	(20.8)	(16.4)
Profit for the year	91.7	125.9
Profit attributable to equity holders	77.3	116.7

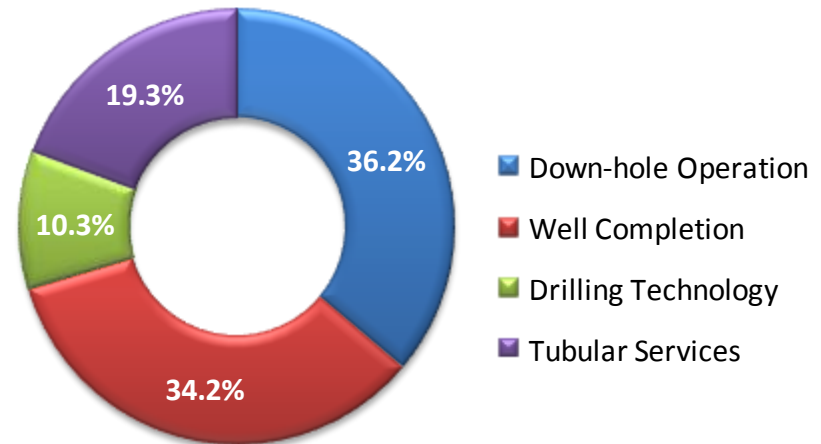
APPENDIX 3 –

BUSINESS CLUSTER REVENUE AND EBITDA BREAKDOWN

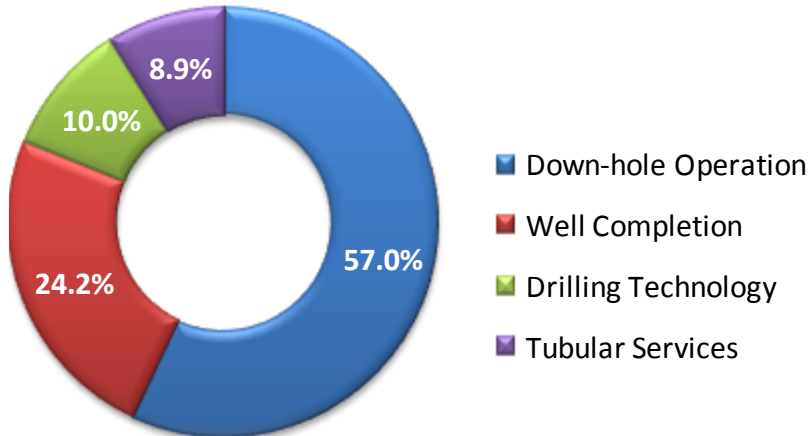
2011 Revenue Breakdown



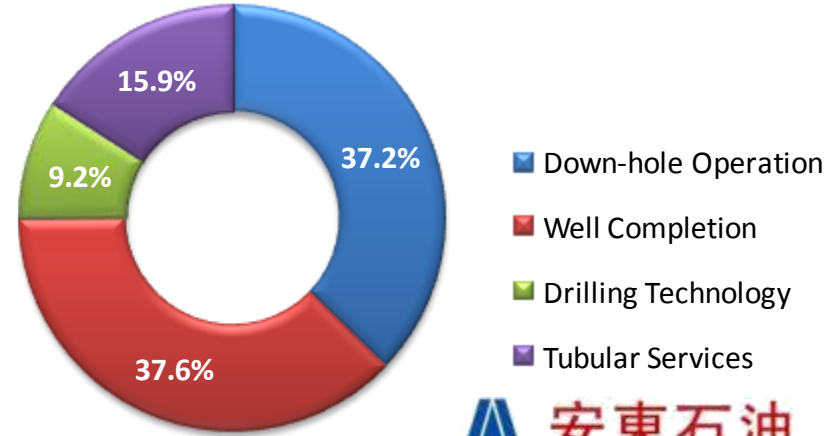
2010 Revenue Breakdown



2011 EBITDA Breakdown



2010 EBITDA Breakdown





**2012 – STRIVE FOR IMPROVEMENT AND
ENHANCE PERFORMANCE**