



**CNOOC LIMITED**  
**中国海洋石油有限公司**

**2013 Mid-Year Review**

August 20, 2013



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## Agenda

- **Overview**
- **Operating Results**
- **Financial Performance**
- **2013 Outlook**



# Overview



## Mid-year Review

- **Strong production growth**
  - Net production was 198.1 mm boe\*, including 24.8 mm boe from Nexen
  - Maintain 2013 production target of 338-348 mm boe (excluding Nexen)
    - Nexen's net production contribution for 2013 expected to reach approximately 59 mm boe
- **Successful exploration program**
  - 7 new discoveries and 18 successful appraisal wells in offshore China
- **Solid financial performance**
  - Oil and gas sales of RMB 110.8 billion, an increase of 15.8% year over year ("YoY")
  - Net income of RMB 34.4 billion, an increase of 7.9% YoY
  - Interim dividend of HK\$0.25 per share (tax inclusive)
- **Stable HSE performance**
- **Focus on the integration of Nexen and TSX listing after the acquisition**



## Summary Results

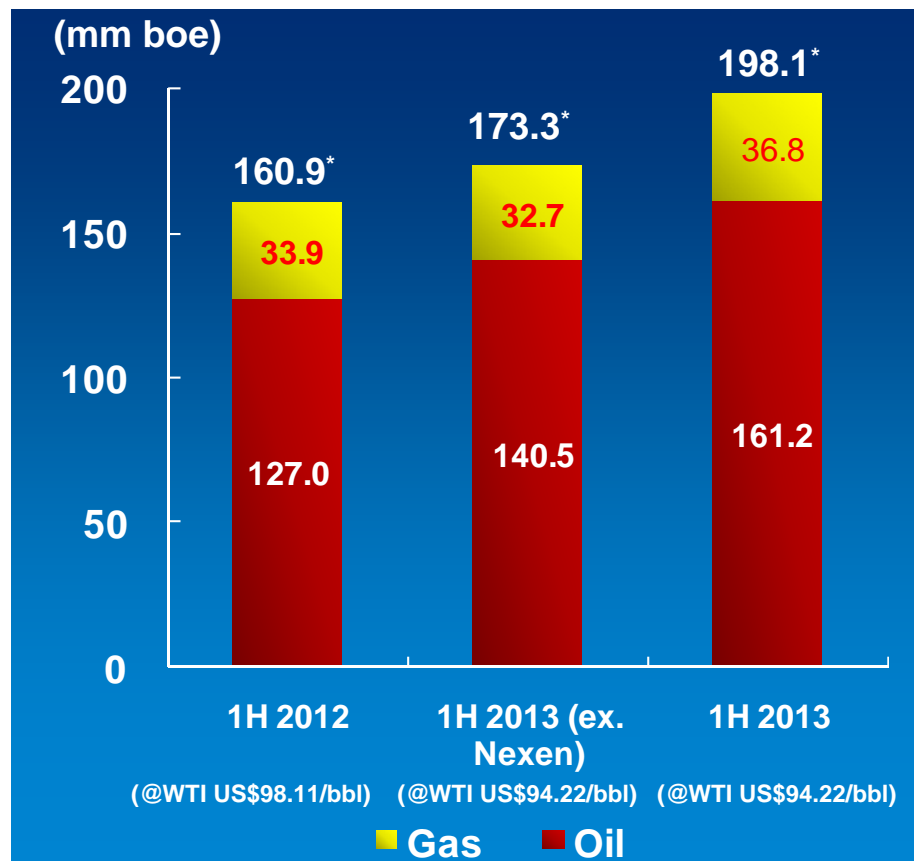
	1H 2013	1H 2012	Change (%)
<b>Production (mm boe)</b>	<b>198.1</b>	<b>160.9</b>	<b>23.1%</b>
- Oil (mm bbls)	161.2	127.0	27.0%
- Gas (bcf)	214.4	195.7	9.5%
<b>Realized oil price (US\$/bbl)</b>	<b>104.20</b>	<b>116.91</b>	<b>-10.9%</b>
<b>Realized gas price (US\$/mcf)</b>	<b>5.68</b>	<b>5.90</b>	<b>-3.7%</b>
<b>Oil &amp; gas sales (RMB mm)</b>	<b>110,799</b>	<b>95,658</b>	<b>15.8%</b>
<b>Net income (RMB mm)</b>	<b>34,383</b>	<b>31,869</b>	<b>7.9%</b>
<b>Basic EPS (RMB)</b>	<b>0.77</b>	<b>0.71</b>	<b>7.9%</b>



## **Operating Results**



## Strong Production Growth



- Net production of 198.1 mm boe, up 23.1% YoY
  - Increments mainly from Nexen
- Excluding Nexen, net production of 173.3 mm boe, up 7.7% YoY
  - Start-up of new oil and gas fields
  - Resumption of production of Penglai 19-3 oilfield
  - Ramp-up of Eagle Ford and Missan oilfields

**2013 production target of 338-348 mm boe (excluding Nexen) remains unchanged. Nexen's production contribution for 2013 is expected to reach approximately 59 mm boe.**





# Production Summary

**1H 2013\***

**1H 2012\***

	<b>Oil</b> (mm bbls)	<b>Gas</b> (bcf)	<b>Oil</b> (mm bbls)	<b>Gas</b> (bcf)
<b>Offshore China</b>				
Bohai	72.3	23.7	72.0	22.9
Western South China Sea	12.7	60.2	12.6	63.9
Eastern South China Sea	27.3	26.6	20.1	25.3
East Sea	0.23	5.5	0.26	6.0
<b>Subtotal</b>	<b>112.5</b>	<b>116.0</b>	<b>104.9</b>	<b>118.1</b>
<b>Overseas</b>				
Asia	5.0	22.7	2.1	32.0
Oceania	0.7	15.5	0.7	14.1
Africa	13.0	-	11.4	-
North America	12.7	32.6	3.5	8.5
South America	4.1	23.0	4.3	22.9
Europe	13.1	4.6	-	-
<b>Subtotal</b>	<b>48.6</b>	<b>98.4</b>	<b>22.0</b>	<b>77.6</b>
<b>Total</b>	<b>161.2</b>	<b>214.4</b>	<b>127.0</b>	<b>195.7</b>
<b>Total Net Production(mm boe)</b>	<b>198.1</b>		<b>160.9</b>	

\* Including our interest in equity-accounted investees, which was approximately 8.0 mmboe in 1H 2013 and 8.7 mmboe in 1H 2012.

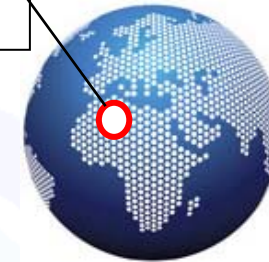


# Exploration Highlights

- Offshore China
- Overseas

Successful Appraisals	
<b>Bohai</b>	<b>Western South China Sea</b>
PL15-2-6	DF13-1-8
PL15-2-7	DF13-1-10
PL15-2-8d	DF13-2-7
PL15-2-9d	DF1-4-2
PL15-2-10d	WZ12-11-2
PL9-1-18	
PL9-1-19	
QHD29-2E-5	
QHD29-2E-6	
KL2-1-3	
BZ8-4-3	
BZ8-4-4	
BZ8-4-5d	

Algeria
○ RDA-1



Successful Wildcats
<b>Bohai</b>
BZ23-3-1
KL9-6-1
BZ8-4-2
BZ34-9-1
KL10-4-1
<b>Western South China Sea</b>
DF1-4-1
WZ12-11-1d

Western South China Sea Eastern South China Sea

**In 1H 2013, we made 7 new discoveries and 18 successful appraisal wells in offshore China, and 1 new discovery in overseas.**



# Exploration Summary

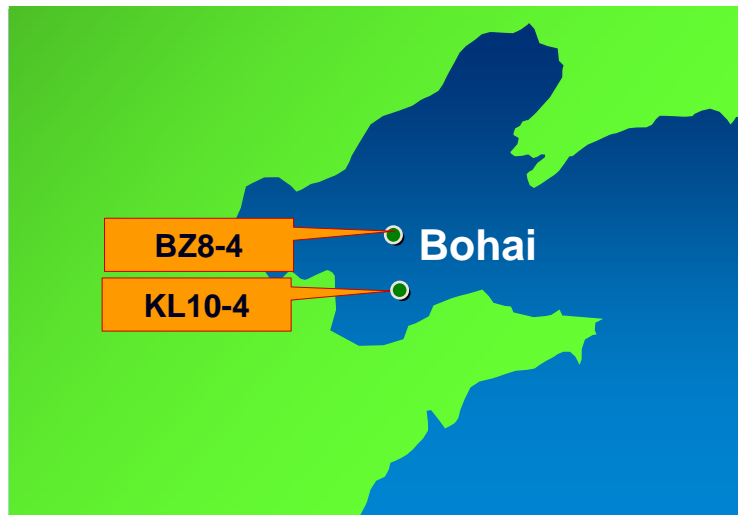
Exploration well	Wildcat		Appraisal well	
	completed	success+uncertain	completed	success+uncertain
Offshore China (Independent)	20	7 + 8	27	18 + 5
Offshore China (PSC)	1	0 + 1	0	0 + 0
Overseas	5	1 + 3	4	3 + 0

Seismic data	2D (km)	3D (km <sup>2</sup> )
Independent	15,025	6,147
PSC	0	3,346
Total	15,025	9,493

**Success rate of independent exploration wells in offshore China was 53-81%.**



# Successful Exploration Program



- **New discovery of Bozhong 8-4**
  - Located in the west of Bozhong Sag of Bohai
  - Encountered oil pay zones with total thickness of 50 meters and gas pay zones of 11 meters
  - Mid-size discovery\*
  - A breakthrough in the exploration of Western slope of Bozhong Area
- **New discovery of Kenli 10-4**
  - Located in Laizhou Sag of Bohai
  - Encountered oil pay zones with total thickness of 45 meters
  - Mid-size discovery\*
  - Open new horizon in the exploration of South slope of Laizhou Sag

\*According to *Regulation of Petroleum Reserves Estimation of China*, a mid-size oil and gas structure is defined as with recoverable oil resources of  $\geq 2,500 \sim < 25,000$  thousand cubic meters



# Major New Projects in 2013

Offshore China  
Overseas



Rochelle Gas Field in North Sea

To come on stream in 2H



2013 new projects progressed on schedule. Weizhou 6-12 and Wenchang 8-3E came on stream.



## HSE Performance

- Health, safety and environment protection are always our top priority.
- Continue to closely monitor the production operations of all oil and gas fields.
- Continue to proactively perform social responsibilities.

	1H 2013	1H 2012
Rate of Recordable Cases (per 200,000 man hours)	0.08	0.09
Rate of Lost Workdays Cases (per 200,000 man hours)	0.05	0.04



# Financial Performance



## Key Financial Items - Consolidated

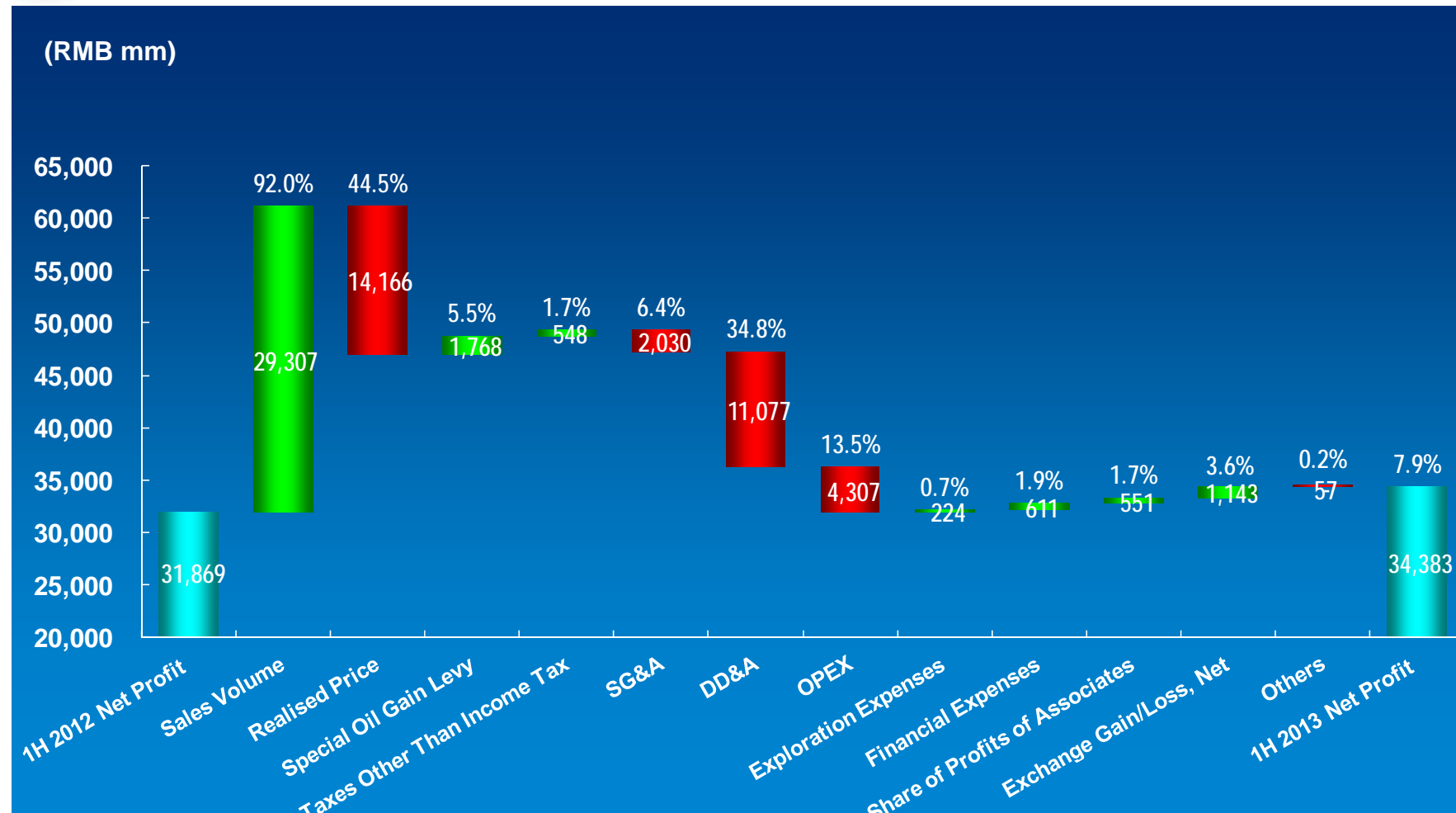
(RMB mm)	1H 2013	1H 2012	Change %
<b>Revenue</b>			
Oil and gas sales	110,799	95,658	15.8%
Marketing revenues	26,586	21,884	21.5%
Other income	1,642	726	126.2%
<b>Revenue subtotal</b>	<b>139,027</b>	<b>118,268</b>	<b>17.6%</b>
<b>Expenses</b>			
Operating expenses	(13,060)	(8,753)	49.2%
Taxes other than income tax	(7,486)	(8,034)	-6.8%
Exploration expenses	(4,360)	(4,584)	-4.9%
DD&A	(26,440)	(15,172)	74.3%
Special Oil Gain levy	(11,871)	(13,639)	-13.0%
Crude oil and product purchases	(25,614)	(21,780)	17.6%
SG&A	(3,276)	(1,246)	162.9%
Others	(1,284)	(552)	132.6%
<b>Expenses subtotal</b>	<b>(93,391)</b>	<b>(73,760)</b>	<b>26.6%</b>
<b>Profit From Operating Activities</b>	<b>45,636</b>	<b>44,508</b>	<b>2.5%</b>
Interest income	556	633	-12.2%
Finance cost	(1,461)	(850)	71.9%
Exchange (loss)/gain, net	787	(356)	-
Investment income	1,224	1,037	18.0%
Share of profits of associates	116	156	-25.6%
Share of profits of a joint venture	645	54	1094.4%
Non-operating income/(expenses), net	264	27	877.8%
<b>Profit Before Tax</b>	<b>47,767</b>	<b>45,209</b>	<b>5.7%</b>
Income tax	(13,384)	(13,340)	0.3%
<b>Profit for the Period*</b>	<b>34,383</b>	<b>31,869</b>	<b>7.9%</b>

\*Including Nexen's net profit of RMB 197 mm.





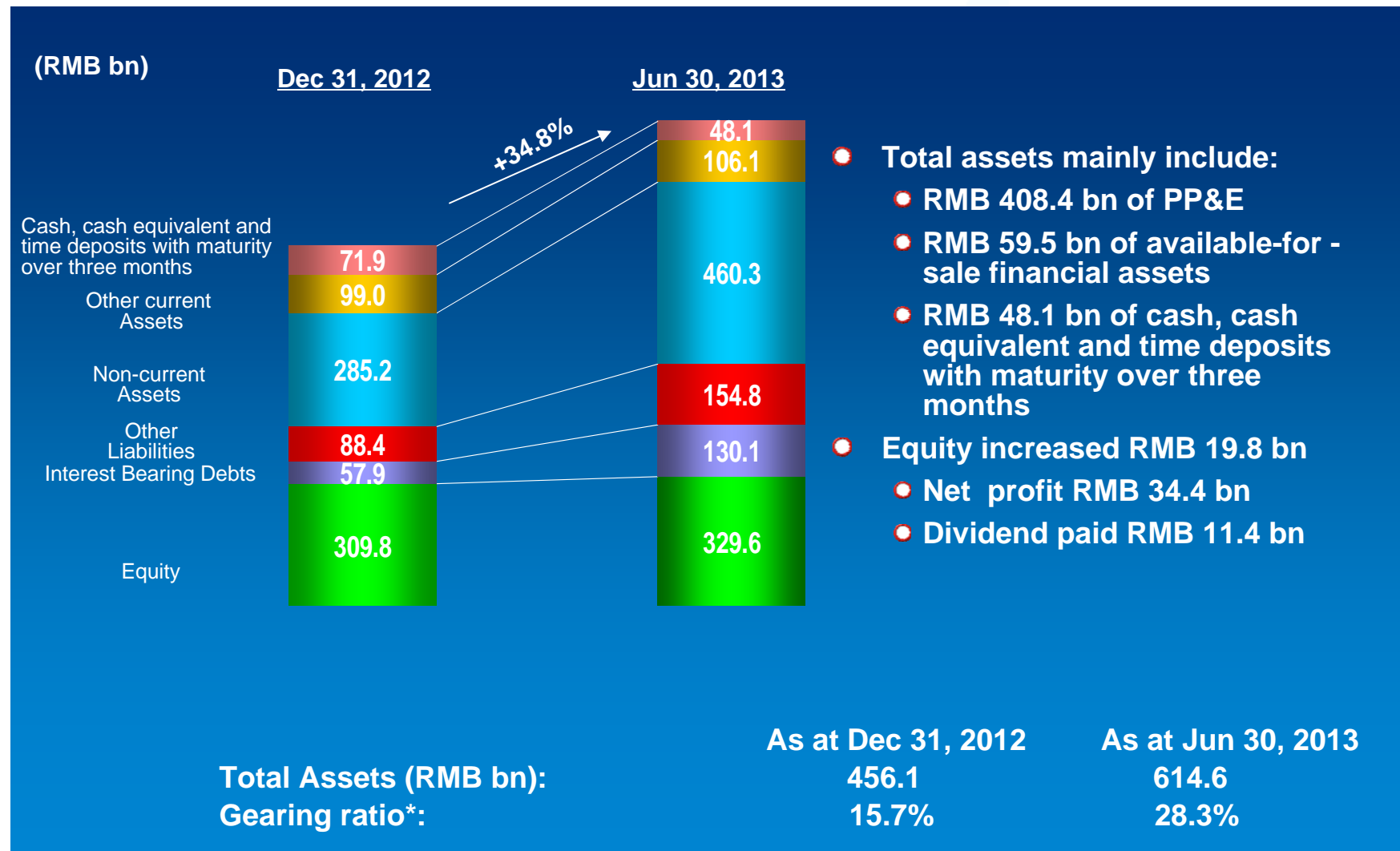
# 1H 2013 vs. 1H 2012 Net Profit Analysis



**Net profit increased 7.9% YoY, mainly attributable to the sales volume growth.**



# Movement of Financial Position





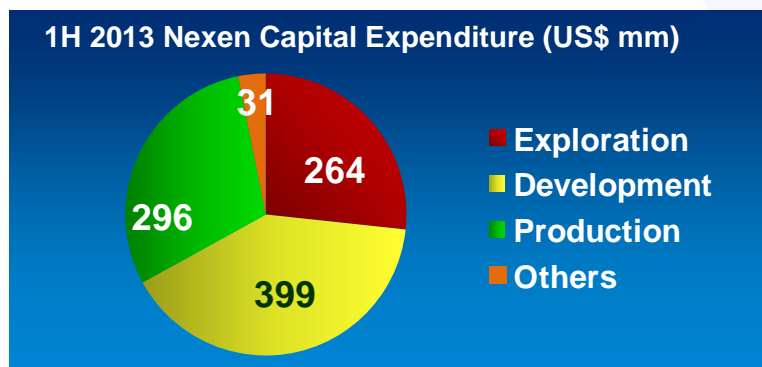
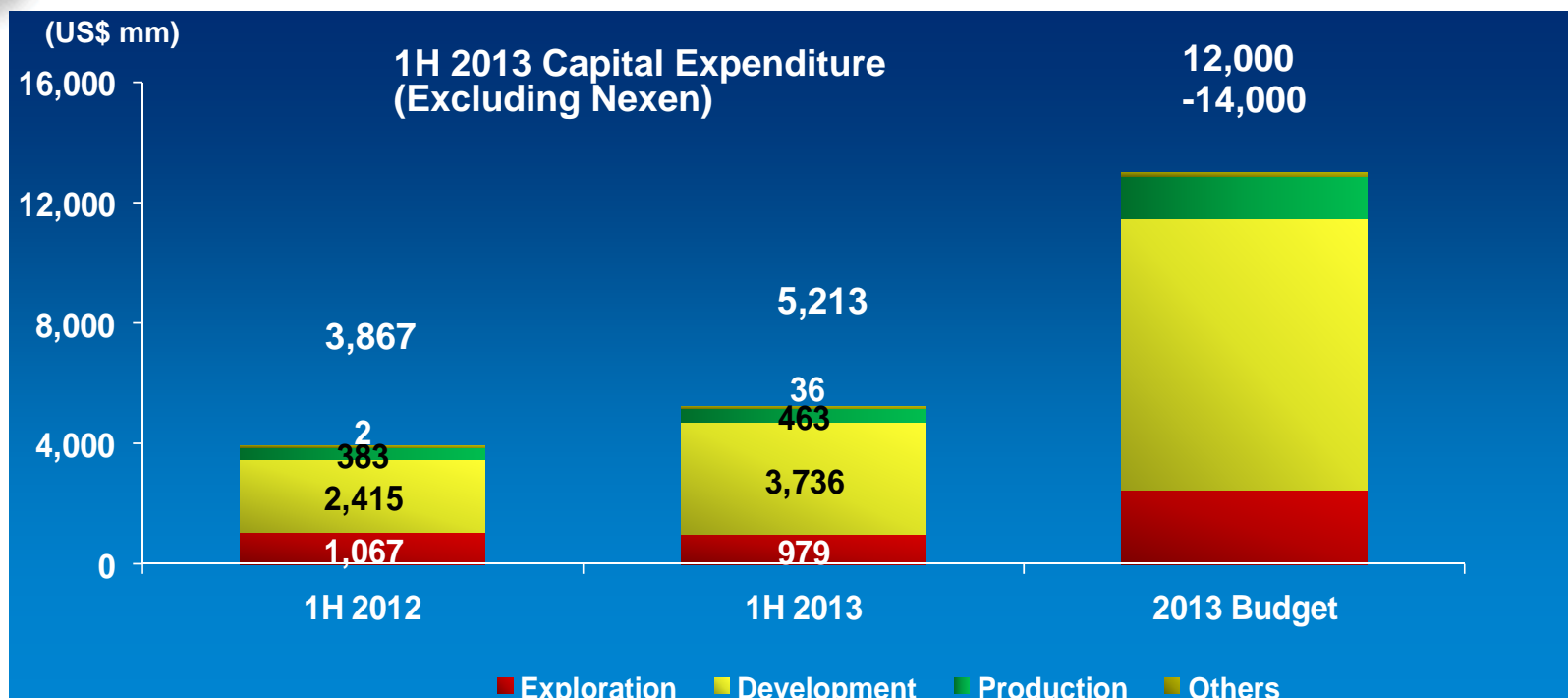
## Change in Cash Position

(RMB mm)	1H 2013	1H 2012
Cash Balance - Beginning of period	55,024	23,678
Net Cash Flow	(33,419)	(9,898)
Cash flow from operating activities	52,602	36,240
Cash flow from investing activities	(124,114)	(51,845)
Cash flow from financing activities	38,093	5,707
Effect of the change of exchange rate	(107)	21
Cash Balance - End of period	21,498	13,801
Time deposits with maturity over three months	26,617	36,785

In the first half of 2013, our cash balance remained stable despite the cash outflow for Nexen acquisition.



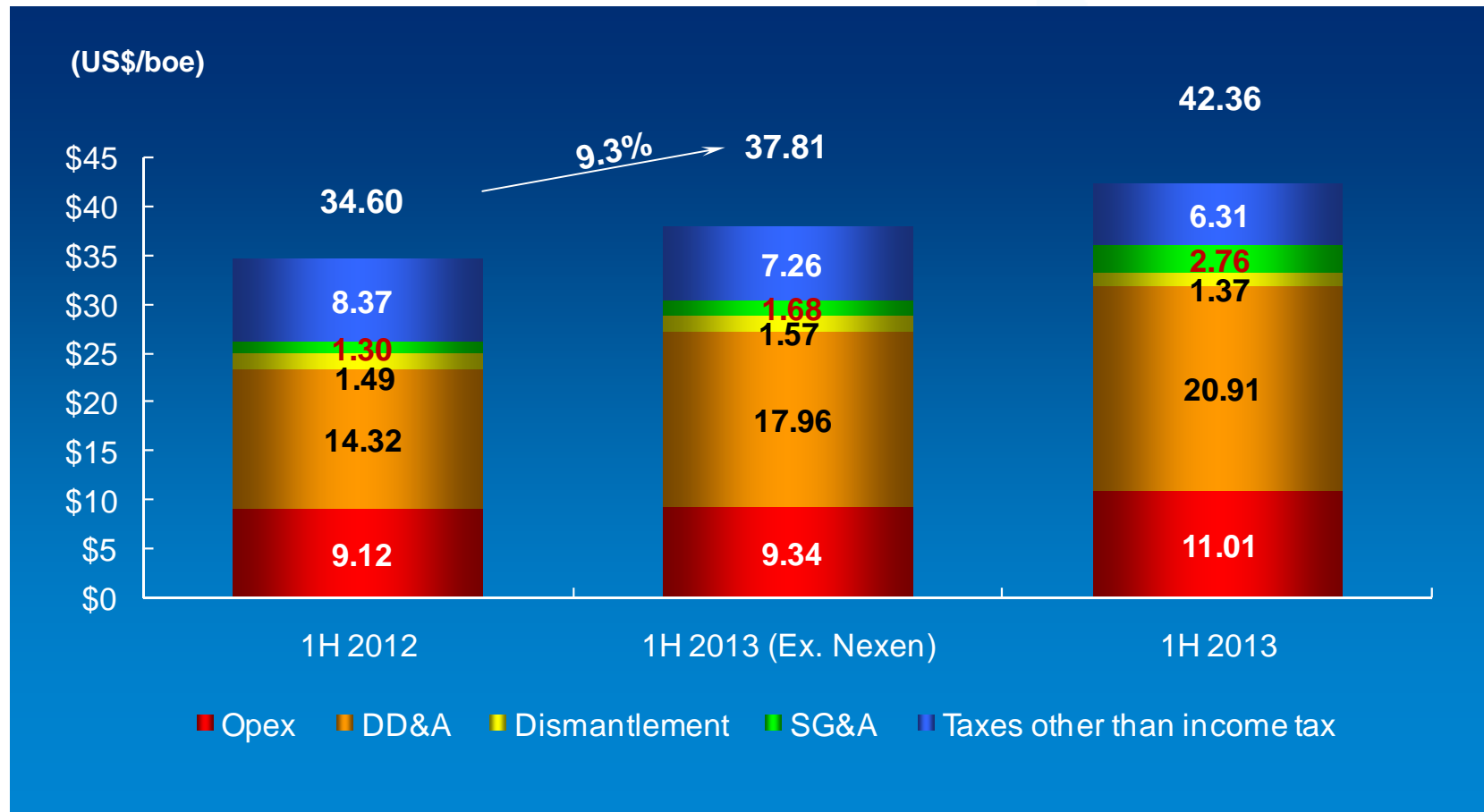
# Capital Expenditure



- 1H 2013 capital expenditure (excluding Nexen) is US\$5.21 bn, up 34.8% YoY
- Nexen's capital expenditure budget for 2013 is US\$3.16 bn, among which US\$0.99 bn was spent in 1H 2013



# All-in Cost



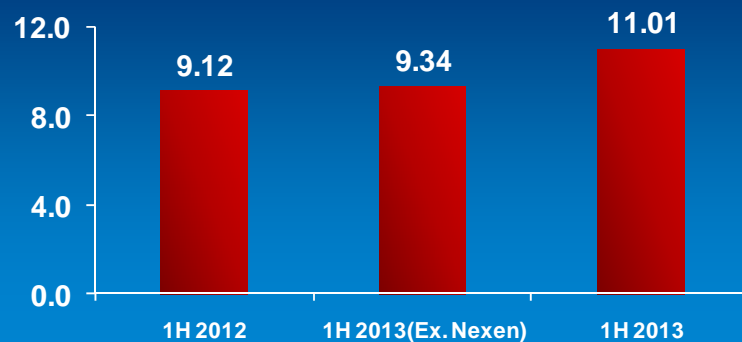
- The increase of our all-in cost was mainly due to the acquisition of Nexen.
- Excluding Nexen, our all-in cost would be US\$ 37.81 per boe, up 9.3% YoY.



## Opex and DD&A

### OPEX

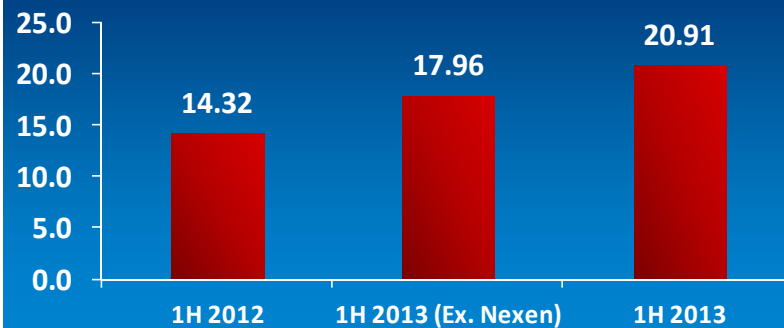
(US\$/boe)



- Opex of US\$11.01/boe, up 20.7% YoY.
- Only a small increase of 2.4% YoY in Opex excluding Nexen

### DD&A

(US\$/boe)



- DD&A of US\$20.91/boe, up 46.0% YoY
- An increase of 25.4% in DD&A excluding Nexen
  - New projects brought on stream were constructed under high cost environment
  - Production from unconventional oil and gas projects increased



## Interim Dividend

- **2013 Interim dividend: HK\$0.25 per share (tax inclusive)**
  - An increase of HK\$0.10 per share, or 66.7%, from 2012 interim dividend
  - 4.1%<sup>(1)</sup> dividend yield
  - Interim dividend payment will be approximately RMB 8.90 billion<sup>(2)</sup>, representing about 8.8% of cash and cash equivalents, time deposits with maturity over three month and available-for-sale financial assets at the end of June 2013, which will not affect cash flow requirements for operations
- **Schedule:**
  - **Record date:** September 13
  - **Book close period:** September 9-13
  - **Payment date:** October 10

(1) Based on closing share price of HK\$14.00 as of July 31, 2013

(2) Exchange rate quoted as HK\$ 1 =RMB 0.79672 of July 31, 2013



## 2013 Outlook





## Sustainable, Stable and Profitable Growth

### Reserves

- Continue to add reserves through exploration and M&As

### Development

- RRR: >100%
- 10 new projects in offshore China scheduled to come on stream

### Production

- Production target of 338-348 mm boe (excluding Nexen)

### Overseas Development

- Focus on the integration of Nexen and TSX listing of the Company

### Financial Management

- Maintain prudent financial discipline

### HSE

- Maintain company-wide focus and high standard on HSE



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