



CNOOC LIMITED
中国海洋石油有限公司

2008 Mid-Year Review
Analyst Briefing

August 27, 2008



This presentation includes “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, including statements regarding expected future events, business prospectus or financial results. The words “believe,” “intend,” “expect,” “anticipate,” “project,” “estimate,” “plan,” “predict” and similar expressions are intended to identify such forward-looking statements.

These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance and financial condition to differ materially from our expectations, including those associated with fluctuations in crude oil and natural gas prices, our exploration or development activities, our capital expenditure requirements, our business strategy, the highly competitive nature of the oil and natural gas industries, our foreign operations, environmental liabilities and compliance requirements, and economic and political conditions in the People’s Republic of China. For a description of these and other risks and uncertainties, please see the documents we file from time to time with the United States Securities and Exchange Commission, including our 2007 Annual Report on Form 20-F filed on June 26, 2008. Consequently, all of the forward-looking statements made in this presentation are qualified by these cautionary statements. We cannot assure that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected effect on us, our business or our operations.



Agenda

- **Overview**
- **Strong Financial Results**
- **Solid Operating Results**
- **Outlook**



Overview



Mid-Year Summary Highlights

- **Strong production growth**
 - Net production of 92.4 mm BOE, increased by 8.3% YoY, mainly driven by new fields commenced production
 - 2 major projects, Xijiang 23-1 and Wenchang oilfields started
- **Successful exploration program**
 - 6 new discoveries and 3 successful appraisals
 - Breakthroughs in new areas/frontiers
- **Strong financial results**
 - a record net profit of RMB27.54 billion, up 89.3% YoY
- **Good control of production cost**
 - All-in cost up 10.3% YoY excluding production tax and exchange rate factors
- **Continued high dividends payment**
 - Interim dividend of HK\$ 0.20 per share



Summary Results

- Net production recorded a strong growth of 8.3% yoy
- Oil and gas sales increased by 63.9% yoy due to growth of production and realized oil and gas prices
- Driven by sales increase and good control of costs, net profit increased by 89.3% yoy

(RMB MM)	1H 2008	1H 2007	% Change
Net Production (mm BOE)	92.4	85.4	8.3%
Oil and gas sales	54,464	33,222	63.9%
Net marketing revenue	168	129	30.4%
Profit before tax	35,771	20,013	78.7%
Income Tax	8,229	5,462	50.7%
Net profit	27,542	14,551	89.3%
EPS(RMB)	0.62	0.34	82.4%



Production Results

		1H 2008	1H 2007	change %
<u>Net Production</u>				
Oil	mmbbl	72.9	68.1	7.1%
Gas	bcf	112.5	99.7	12.8%
Total	mmboe	92.4	85.4	8.3%
<u>Daily Production</u>				
Oil	bb/d	400,662	376,444	
Gas	mmcf/d	618	551	
Total	boe/d	507,964	471,611	
<u>Realized Price</u>				
Oil	US\$/bbl	102.49	58.80	74.3%
Gas	US\$/mcf	3.66	3.21	14.0%

More projects will come on stream in 2H 2008. 2008 production targets at 195-199 mm BOE



Strong Financial Results

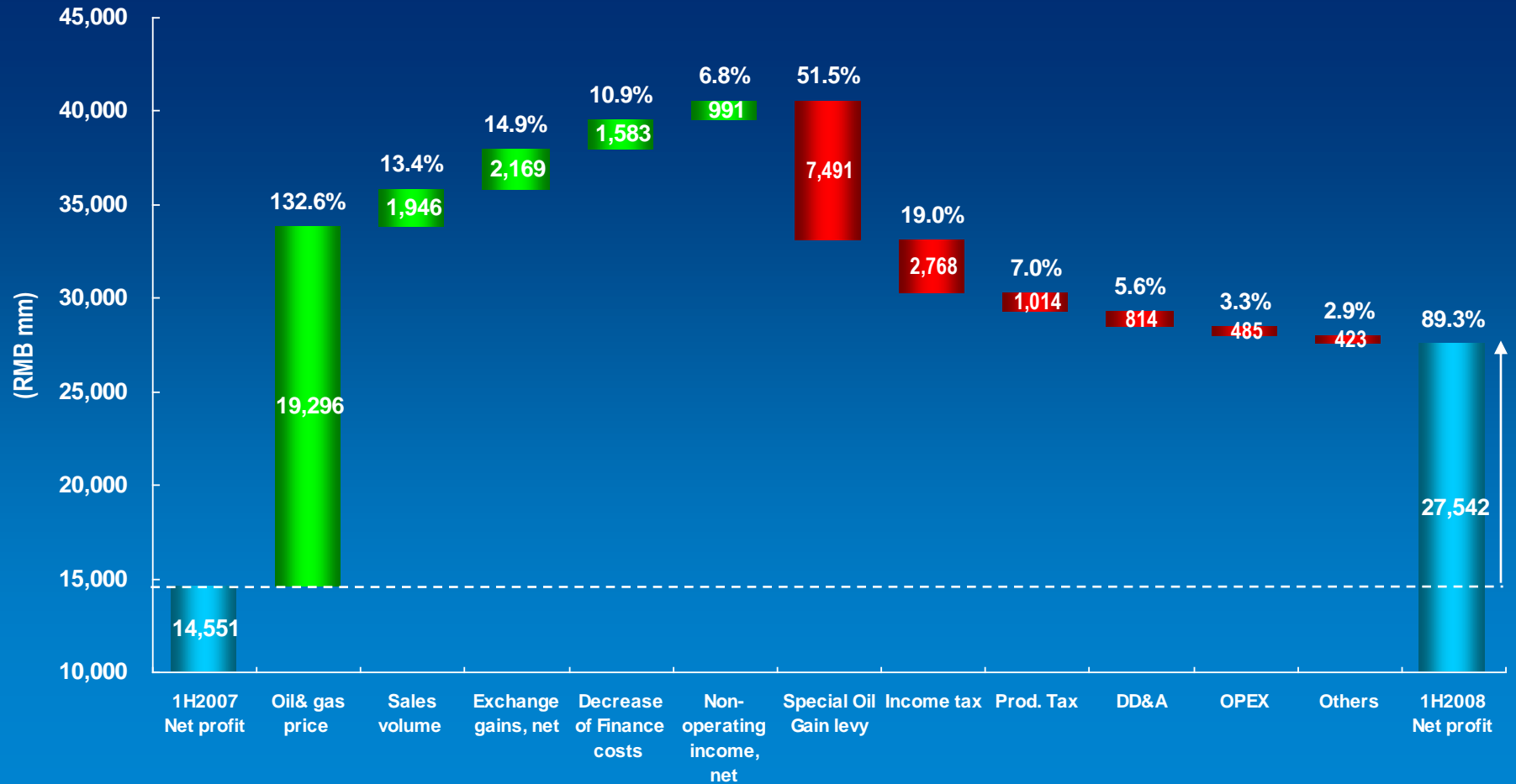


Key Financials Items - Consolidated

(mm RMB)	1H 2008	1H 2007	Change %
REVENUE			
Oil and gas sales	54,464	33,222	63.9%
Marketing revenues, net	168	129	30.4%
Other income	401	65	516.8%
Revenue subtotal	55,033	33,416	64.7%
EXPENSES			
Operating expenses	4,068	3,583	13.6%
Production taxes	2,594	1,580	64.2%
Exploration expenses	1,342	1,221	9.9%
DD&A	4,350	3,536	23.0%
Dismantlement	316	158	99.8%
Special Oil Gain levy	9,746	2,255	332.2%
SG&A	832	706	17.8%
Others	459	96	378.3%
Expenses subtotal	23,707	13,136	80.5%
Interest income	357	247	44.4%
Finance cost	(194)	(1,778)	-89.1%
Exchange gains, net	2,895	726	298.8%
Investment income, net	193	232	-17.0%
Share of profits of associates	206	307	-32.8%
Non-operating income, net	989	(2)	
PROFIT BEFORE TAX	35,771	20,013	78.7%
Income tax	8,229	5,462	50.7%
NET PROFIT	27,542	14,551	89.3%



Contributors to Net Profit Changes



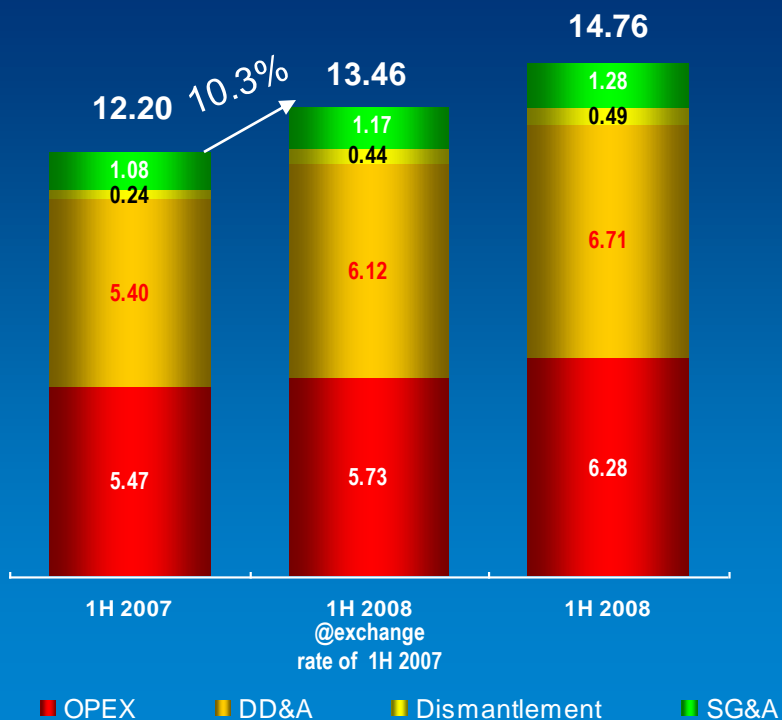
Realised prices increase, volume growth and exchange gains are main drivers to net profit growth



Cost Structure

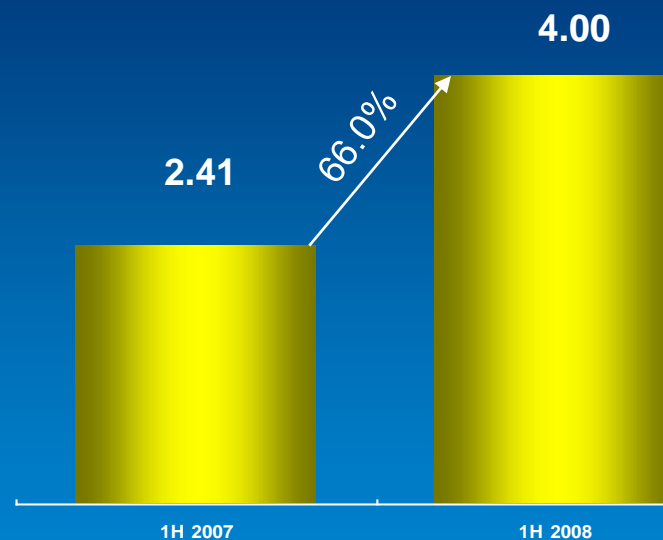
All-in Production Cost (excl. Production Tax)

US\$/BOE



Production Tax

US\$/BOE

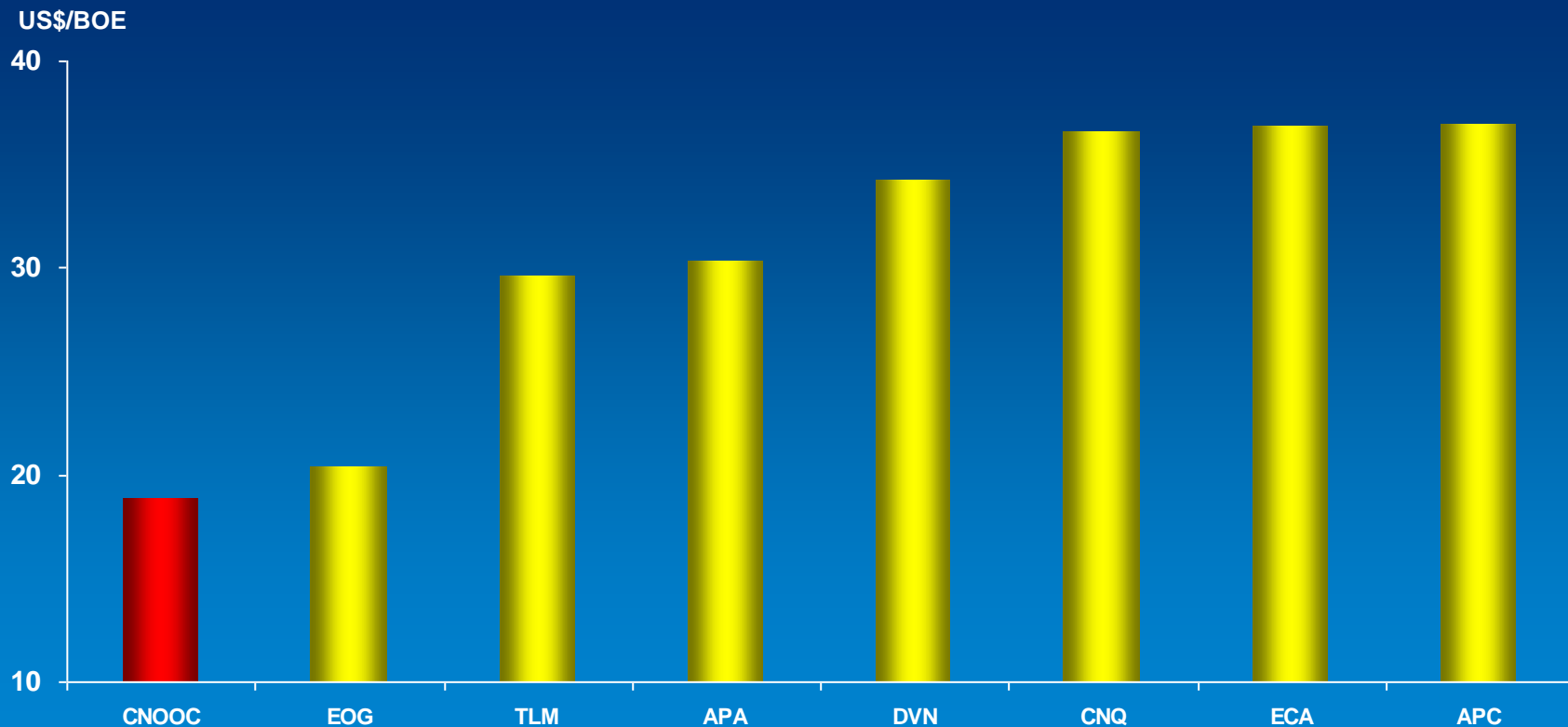


All-in cost increased 10.3% YoY excluding production tax and exchange rate factors



Costs Leading Peers

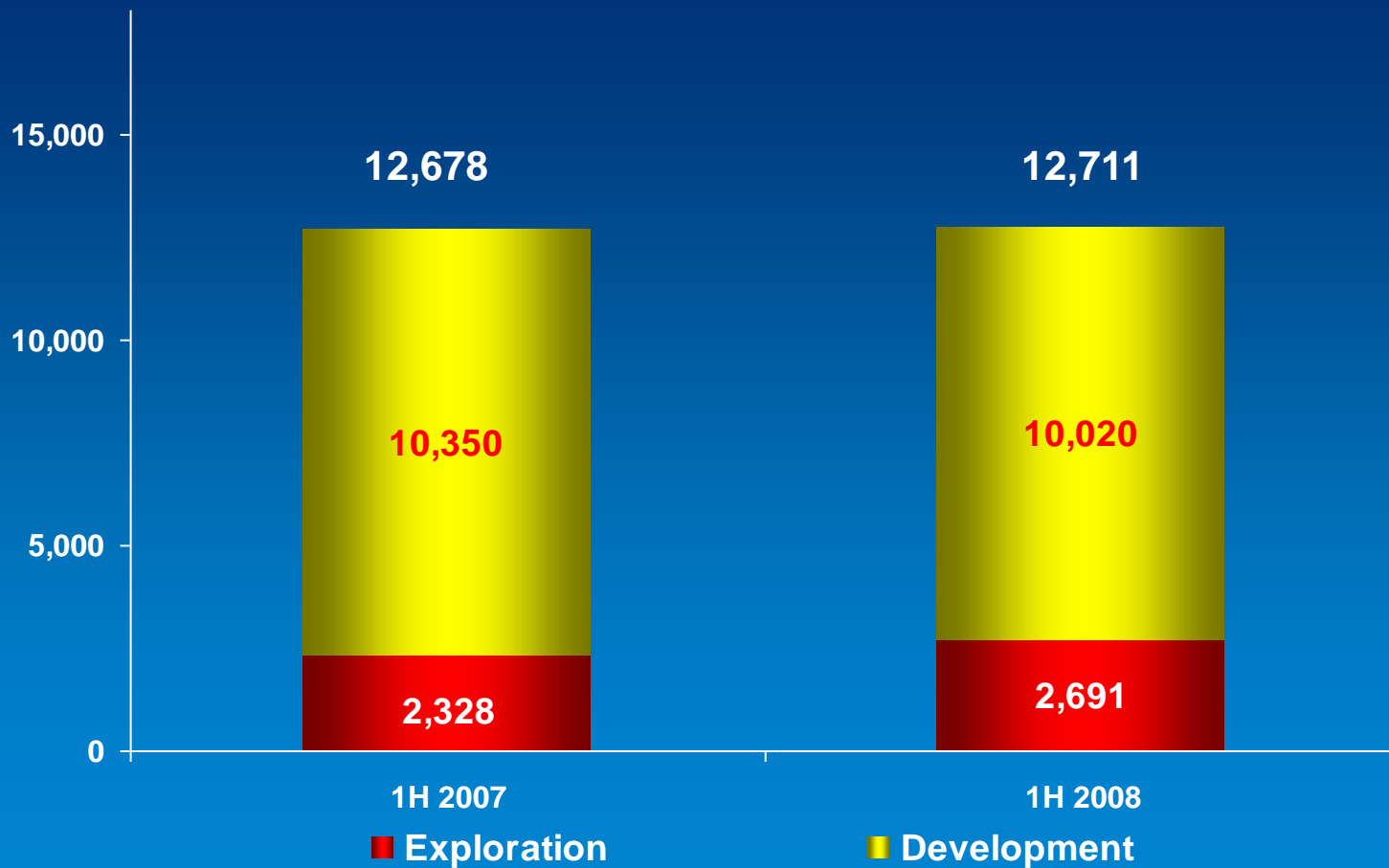
1H 2008 Unit All-in Costs





Capital Expenditure

(RMB Million)



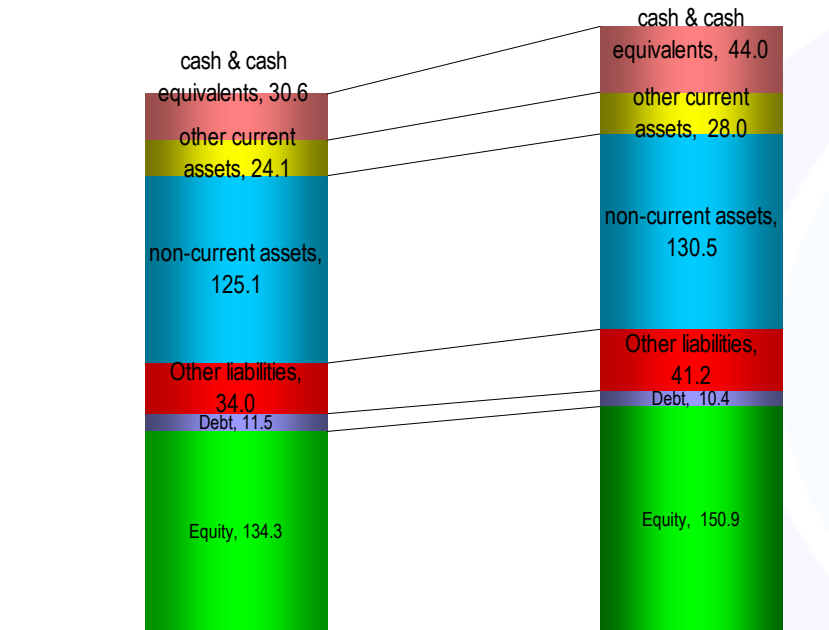
Our CAPEX mainly goes to projects including BZ28-2S, XJ23-1, LD and Wenchang



Balance Sheet Movement

Billion RMB

Dec. 31, 2007 $\xrightarrow{+12.6\%}$ Jun. 30, 2008



Including:

- 44bn cash and cash equivalent;
- 8.3bn available-for-sale financial investment

16.6bn increased in equity, among which

- 27.5bn net profit of 1H 2008
- 6.8bn dividend paid

Total Assets: 166.26 bn 202.51 bn

Debt/(Debt+Equity) Ratio: 7.9% 6.5%



Change in Cash Position

Million RMB

Cash inflow (outflow)	1H 2008	1H 2007
Net cash flow from operating activities	29,164	20,050
Net cash used in investing activities	(7,340)	(16,414)
Net cash outflow from financing	(5,683)	(5,472)
Net increase in cash	16,141	(1,836)
Change by exchange rate	(279)	(253)
Cash & Equivalents at beginning of the period	23,357	14,364
Cash & Equivalents at end of the period	39,219	12,275
Time deposits with maturity over 3 months	4,800	14,641
Cash and deposits with banks	44,019	26,916



Mid-Year Dividend

- **The Board of Directors has approved a dividend of HK\$ 0.20 per share for 1H 2008**
 - **Approximately 28.5% payout of net profit**
 - **1.85 %⁽¹⁾ interim dividend yield**
 - **Total interim dividend per share increased by 53.8 % yoy**
- **The dividend is in line with the publicly stated policy**

(1) Based on share price of HK\$10.80 as of August 5 , 2008

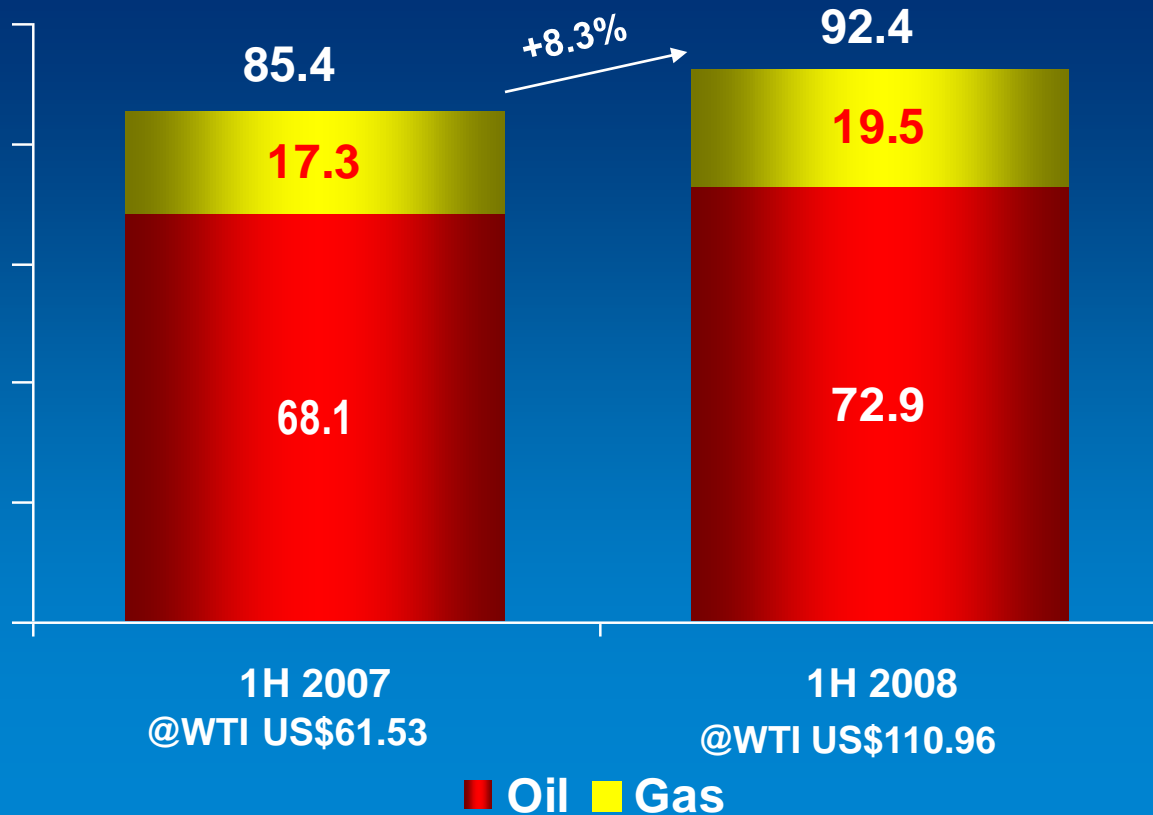


Solid Operating Results



Production Growth

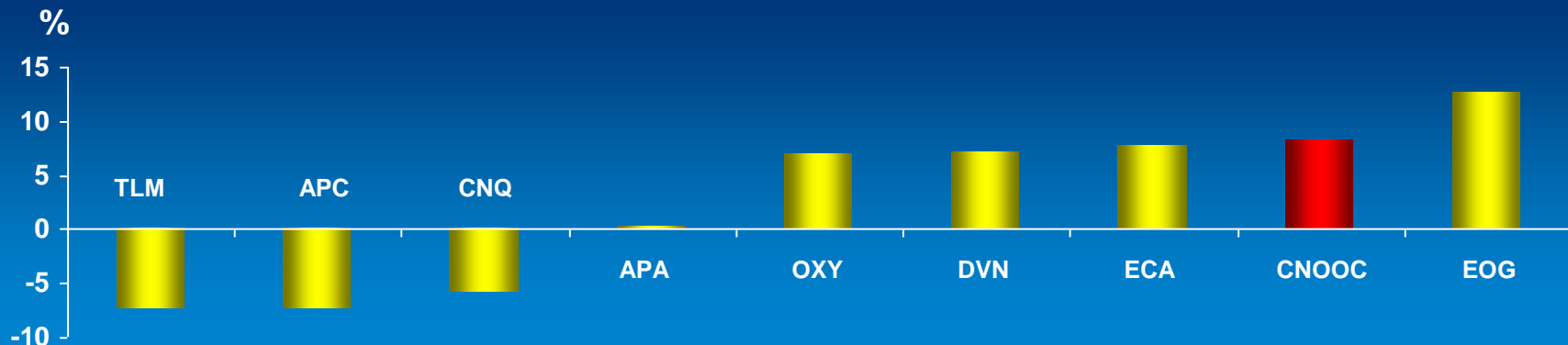
mm BOE



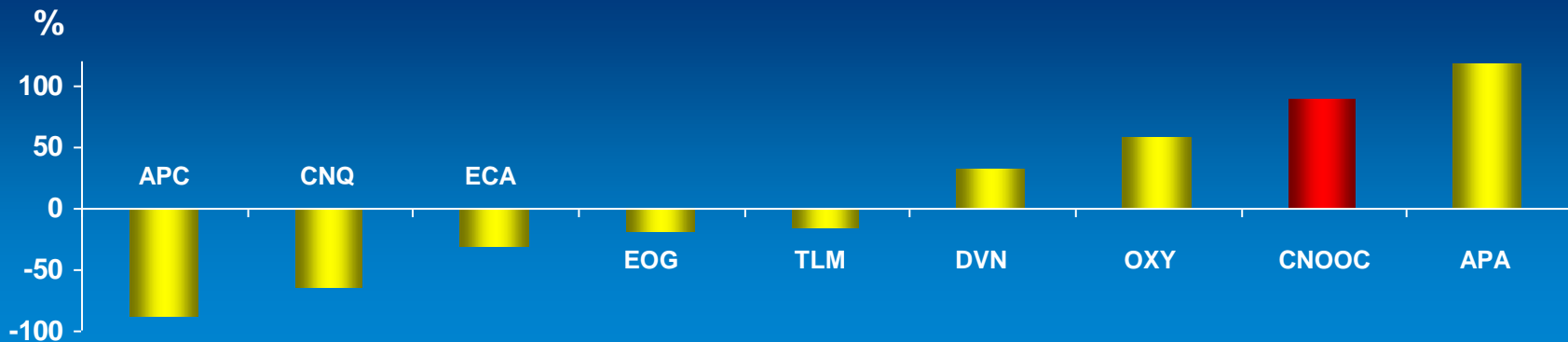


Strong Growth Momentum

1H 2008 Production Growth YoY



1H 2008 Net Profit Growth YoY



We are leading peers in production growth and costs control



Major Development Highlights





Exploration Highlights

	2008 Planned	1H 2008 Completed	Work in Progress	Successful + uncertain Wells
Offshore China				
<u>Exploration Wells</u>				
Wildcat	43-53	18	2	4+3
Appraisal	25-29	13	1	7+0
Offshore China Total	68-82	31	3	11+3
Overseas	19-27	5	1	0+3

Seismic acquisition

2D Seismic (km) 16,636 (Independent 4,015 km, PSC 10,930 km , Oversea 1,691 km)

3D Seismic (km²) 7,129 (Independent 1,883 km², PSC 2,053 km², Oversea 3,193 km)

- Exploratory well success rate: 35-45% (Offshore China)

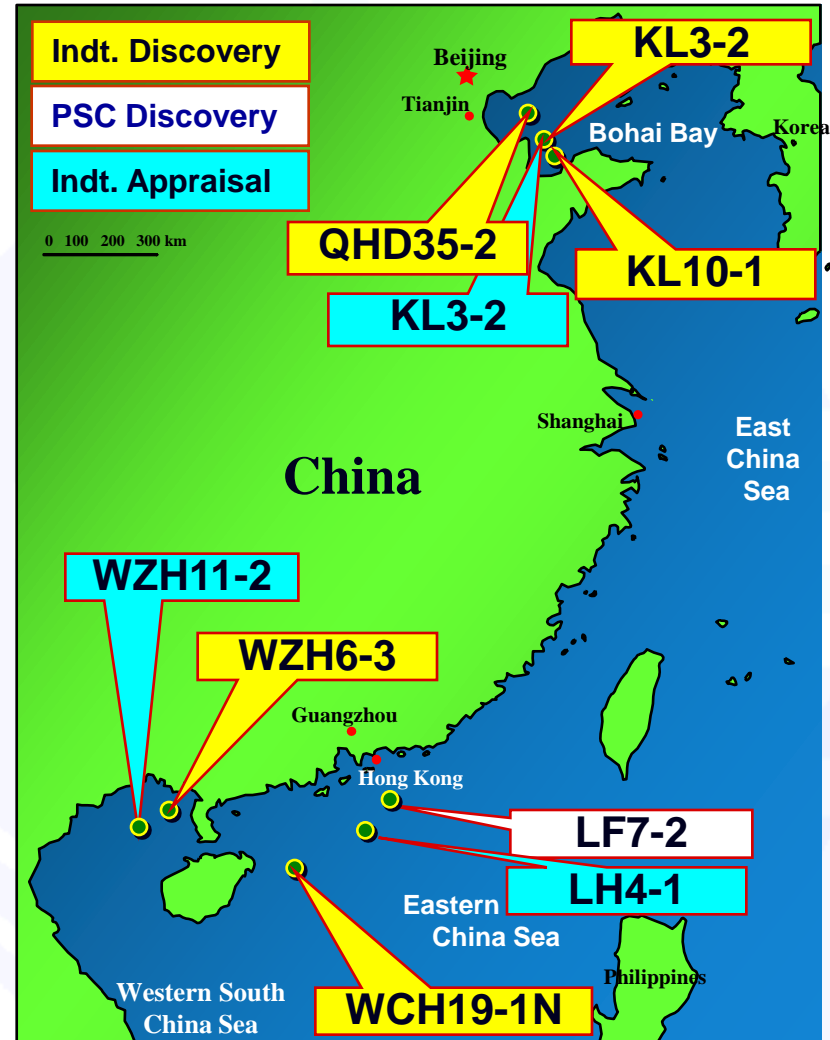
We successfully maintained high success rate of 35-45% in 1H 2008



Oil and Gas Discoveries/Appraisals

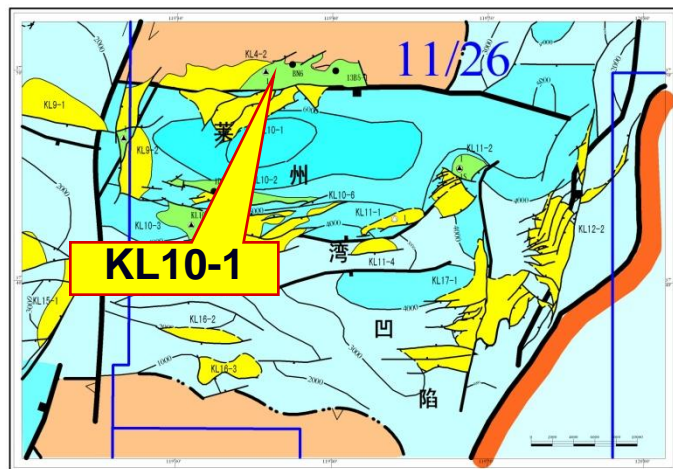
Discoveries/Appraisals

- 5 independent discoveries
 - KL3-2
 - KL10-1
 - QHD35-2
 - WZH6-3
 - WCH19-1N
- 1 PSC discovery
 - LF7-2
- 3 independent appraisals
 - KL3-2
 - LH4-1
 - WZH11-2

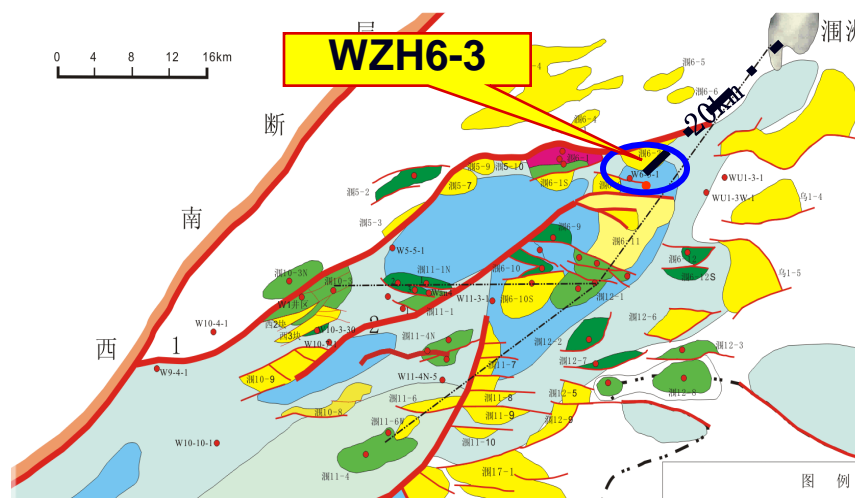
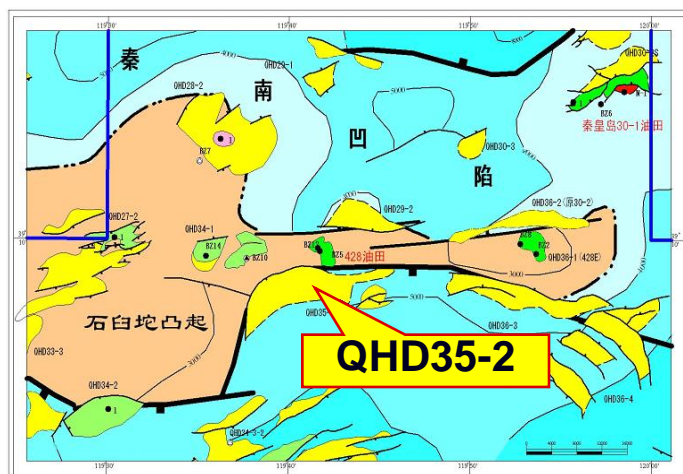




Breakthroughs in New Areas/Frontiers



- Kenli 10-1 opened new area for Bohai exploration
- Qinhuangdao 35-2 and Weizhou 6-3 marked new discoveries in the deep zone of Bozhong and Weixinan trough and enlarged our exploration area





HSE Performance

- CNOOC Limited strives to achieve the highest standards in terms of its health, safety and environmental performance
 - Health and safety incidents are closely monitored and recorded and promptly reported to government agencies and organizations
 - HSE records are kept improving

	<u>1H 2008</u>	<u>1H 2007</u>
Rate of Recordable Cases (per 200,000 man hours)	0.12	0.13
Rate of Lost Workdays Cases (per 200,000 man hours)	0.01	0.09



Outlook



2008 Outlook

Reserves

- Continue to add reserves through exploration and acquisitions
- RRR: >100%

Development

- 10 development projects scheduled to come on stream in 2008

Production

- Production target of 195-199 mmboe

Financial Management

- Maintain prudent financial discipline

HSE

- Maintain company-wide focus and high standard on HSE



<http://www.cnooc.com>