



CNOOC Limited
中国海洋石油有限公司

2019 Mid-Year Review

Analyst Briefing

August 29, 2019







Disclaimer

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 “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” and similar expressions are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate under the circumstances. However, whether actual results and developments will meet the expectations and predictions of the Company depends on a number of risks and uncertainties which could cause the actual results, performance and financial condition to differ materially from the Company’s expectations, including but not limited to those associated with fluctuations in crude oil and natural gas prices, macro-political and economic factors, changes in the tax and fiscal regimes of the host countries in which we operate, the highly competitive nature of the oil and natural gas industry, the exploration and development activities, mergers, acquisitions and divestments activities, environmental responsibility and compliance requirements, foreign operations and cyber system attacks. For a description of these and other risks and uncertainties, please see the documents the Company files from time to time with the United States Securities and Exchange Commission, including the Annual Report on Form 20-F filed in April of the latest fiscal year.

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Agenda

-  **Overview**
-  **Operating Results and Highlights**
-  **Financial Performance and Analysis**
-  **Outlook**

Overview

Significant successes achieved in exploration and development; net production hit a record high

- New achievement made in exploration with 16 new discoveries
- Three out of six new projects planned for 2019 successfully came on stream
- Net production reached 243 million boe*, in line with expectation

Further efforts on cost control; financial status maintained in healthy position

- All-in cost of US\$28.99/boe, down 8.9% YoY
- Net profit of RMB 30.25 billion, up 18.7% YoY, EPS of RMB 0.68
- Gearing ratio of 24.5%

Interim dividend of HK\$0.33 per share (tax inclusive)

Steady HSE performance

*Including our interest in equity-accounted investees



Results Summary

	1H 2019	1H 2018	Change%
Production (mm boe)	243.0	238.1	2.1%
- Crude and liquids (mm bbls)	199.0	194.1	2.5%
- Natural gas (bcf)	254.5	256.6	-0.8%
Realized oil price (US\$/bbl)	64.60	67.36	-4.1%
Realized gas price (US\$/mcf)	6.46	6.42	0.7%
Oil & gas sales (RMB mm)	94,283	90,309	4.4%
Net profit (RMB mm)	30,253	25,477	18.7%
Basic EPS (RMB)	0.68	0.57	18.7%

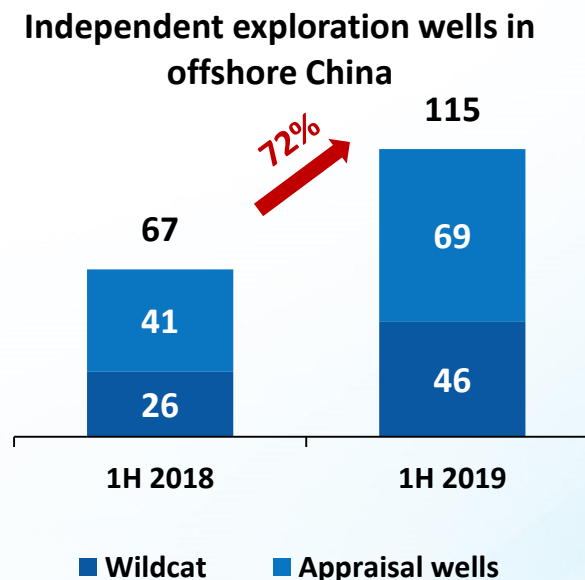
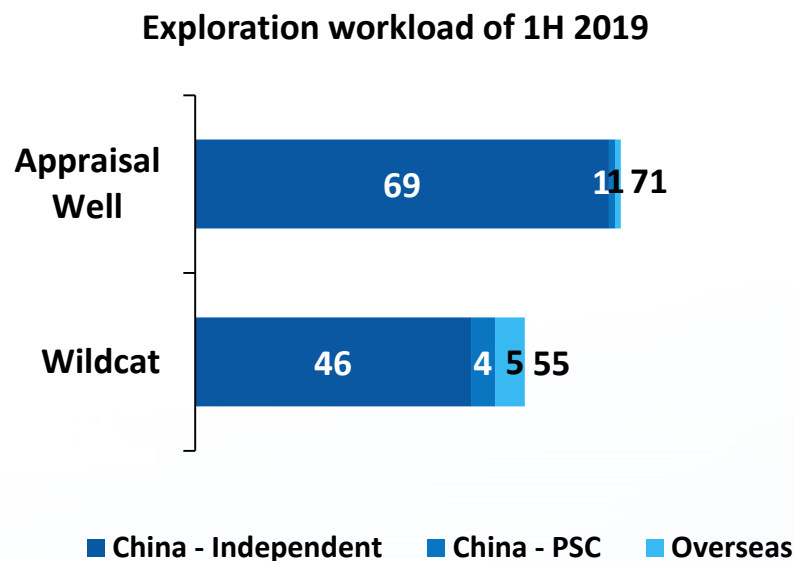




Operating Results and Highlights

Exploration Activities

- 11,304 square kilometers of 3D seismic data were acquired
- Exploration workload continued to increase, with the independent exploration wells in offshore China increasing by 72% YoY
- Success rate of independent exploration wells in offshore China reached 43-68%

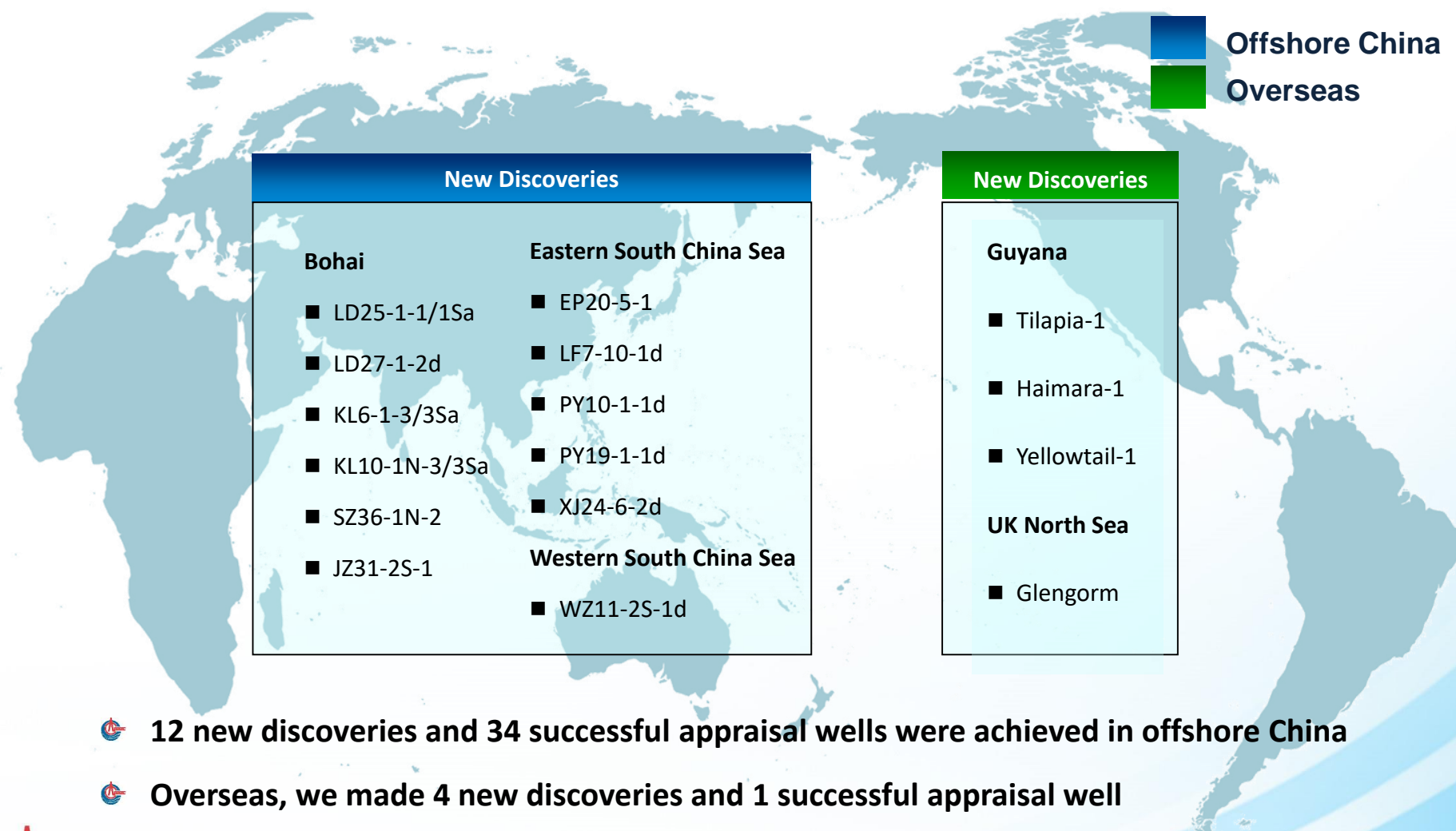


*Excluding onshore unconventional wells

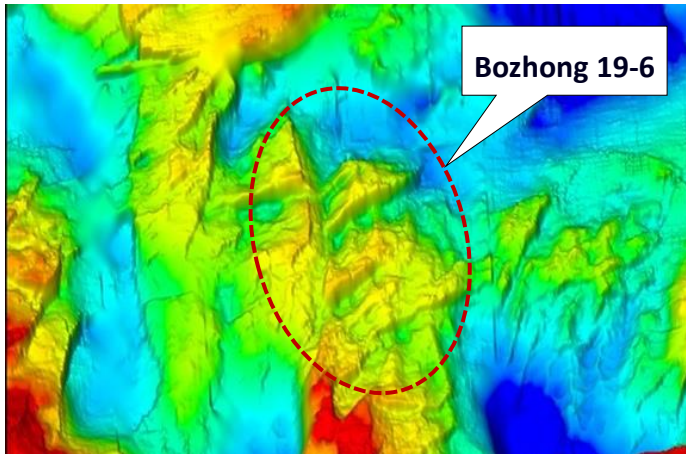


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Exploration Achievements



Exploration Achievements – Offshore China



Appraisal of Bozhong 19-6 achieved new successes

- Located in the Bozhong Sag in South-central of Bohai
- 4 appraisal wells were completed in 2019 and all encountered gas layers above 100 meters
- More than 100 million tons of oil equivalent of proved in-place volume were added

Exploration Achievements – Offshore China

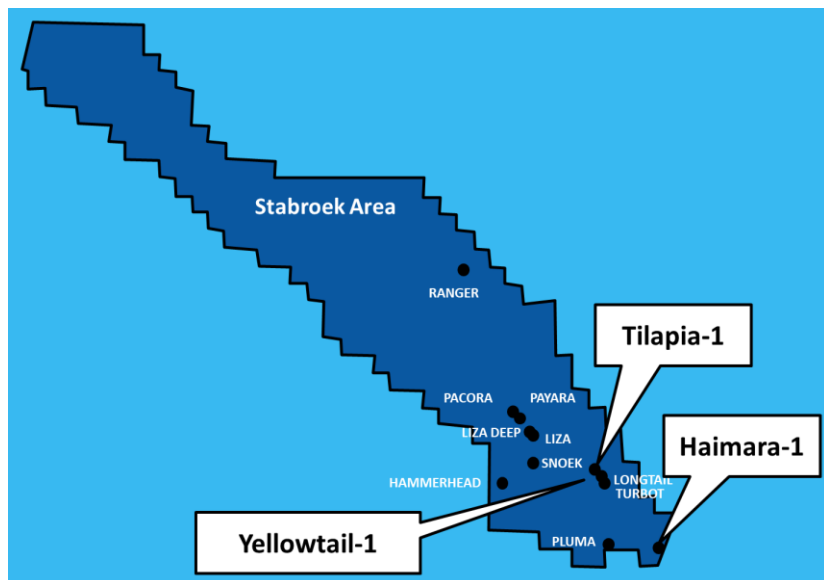


New discovery of Enping 20-5

- Located in the Yangjiang Sag in Eastern South China Sea
- Discovery well Enping 20-5-1 was drilled to a depth of 3,426 meters with water depth of 87.4 meters
- Encountered oil pay zones with a thickness of ~93 meters
- Further confirmed the hydrocarbon generation capacity of Enping 20 depression
- Expected to become mid-sized oil fields



Exploration Achievements – Overseas



3 new discoveries were made in Stabroek block in Guyana

- The 11th, 12th and 13th discoveries, Tilapia, Haimara and Yellowtail, were made in the block
- Drilled at the depth of 5,726 meters, 5,575 meters and 5,622 meters, respectively
- Encountered ~90 meters oil and gas pay zones, ~60 meters gas-condensate pay zones and ~90 meters oil pay zones, respectively
- Exploration potential proved to be huge with deepen understanding of the block

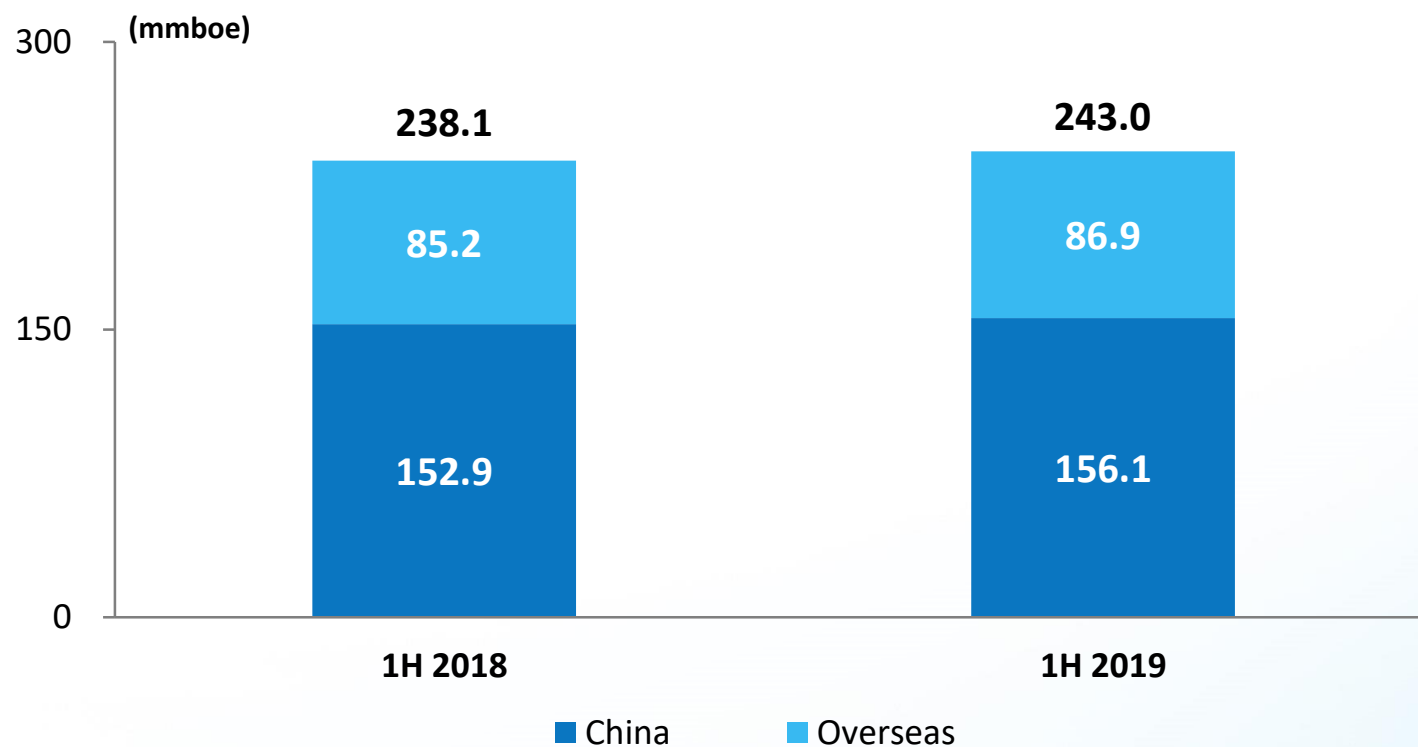


Total recoverable resources of the block exceeded 6.0 billion BOE*

	2015-2016	2017	2018	1H 2019
Recoverable resources* (Billion Boe)	>1.0	3.0	5.0	>6.0
New discoveries	Liza, Liza Deep	Payara, Snoek, Turbot	Ranger, Pacora, Longtail, Pluma, Hammerhead	Tilapia, Haimara, Yellowtail

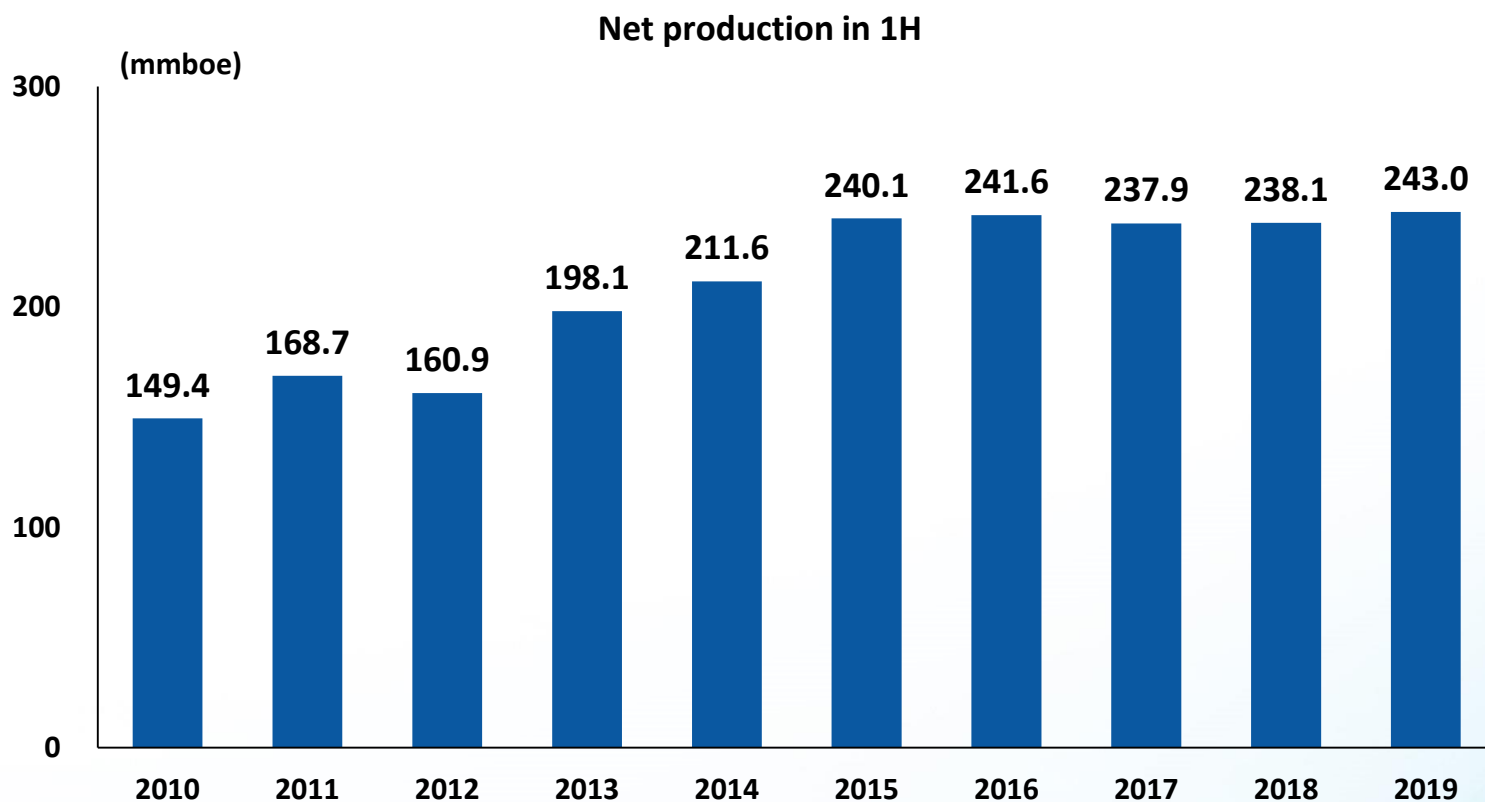


Production in Line with Expectation



1H production reached 243.0 mmboe, in line with expectation.

Net production Hit a Record High



「Sustainable growth brought record high net production.」



Production Summary

	1H 2019			1H 2018		
	Crude and Liquids (mm bbls)	Natural Gas (bcf)	Total (mm boe)	Crude and Liquids (mm bbls)	Natural Gas (bcf)	Total (mm boe)
China						
Bohai	77.2	28.0	81.9	78.5	30.2	83.6
Western South China Sea	18.7	51.5	27.5	19.9	46.7	27.8
Eastern South China Sea	32.3	69.6	43.9	29.3	58.8	39.1
East China Sea	0.8	9.0	2.3	0.8	10.2	2.4
Subtotal	129.0	158.0	156.1*	128.5	145.9	152.9*
Overseas						
Asia (Ex. China)	6.8	25.4	11.3	12.1	29.0	17.3
Oceania	0.6	15.2	3.6	0.7	17.3	4.0
Africa	21.1	-	21.1	11.9	-	11.9
North America (Ex. Canada)	10.4	23.9	14.4	9.2	23.3	13.1
Canada	12.6	1.3	12.8	11.3	6.5	12.4
South America	5.8	28.5	10.7	5.1	30.8	10.4
Europe	12.6	2.2	13.0	15.3	3.9	16.0
Subtotal	70.0	96.5	86.9	65.6	110.7	85.2
Total**	199.0	254.5	243.0	194.1	256.6	238.1

* Including other production from onshore China, which is approximately 0.6 mm boe in 1H 2019 and 0.05 mm boe in 1H 2018.

** Including our interests in equity-accounted investees, which is approximately 10.3 mm boe in 1H 2019 and 10.6 mm boe in 1H 2018.

In 1H 2019, production percentage of China and overseas was 64% v.s. 36%; Crude and liquids and natural gas was 82% v.s. 18%.



New Projects in 2019

Project	Location	Status	Expected Startup	Peak Production (boe/d)	Working Interests
Egina oil field	Nigeria	Commenced production	First half	200,000	45%
Huizhou 32-5 oil field comprehensive adjustment/Huizhou 33-1 oil field joint development project	Eastern South China Sea	Commenced production	First half	19,200	100%
Bozhong 34-9 oil field	Bohai	Commissioning	First half	22,500	100%
Appomattox project	U.S. GoM	Commenced production	Second half	175,000	21%
Caofeidian 11-1/11-6 comprehensive adjustment project	Bohai	Commissioning	Second half	28,700	51%~60%
Wenchang 13-2 comprehensive adjustment project	Western South China Sea	Onshore construction	Second half	11,500	100%

Three out of six new projects planned for this year successfully commenced production and other projects are promoted actively.

Health, Safety and Environment (HSE)

- Health, safety and environmental protection are always our top priority
- OSHA statistics maintained at a good level in the first half

	1H 2019	1H 2018
Rate of Recordable Cases	0.09	0.08
Rate of Lost Workdays Cases (per 200,000 man hours)	0.03	0.03



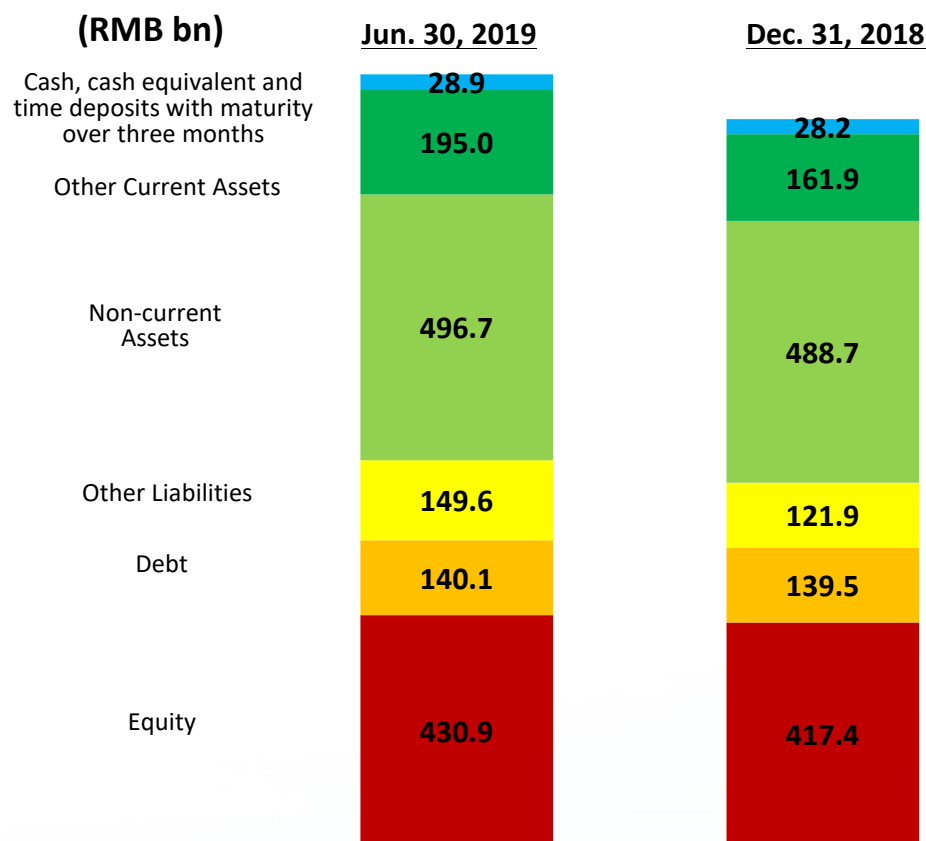
Financial Performance and Analysis

Key Financial Items - Consolidated

(RMB mm)		1H 2019	1H 2018	Change%
Revenue				
	Oil and gas sales	94,283	90,309	4.4%
	Market revenues	12,073	12,538	-3.7%
	Other revenue	2,524	2,802	-9.9%
	Revenue subtotal	108,880	105,649	3.1%
Expenses				
	Operating expenses	(11,610)	(11,610)	0.0%
	Taxes other than income tax	(4,396)	(4,245)	3.6%
	Exploration expenses	(6,238)	(2,260)	176.0%
	DD&A	(26,392)	(27,221)	-3.0%
	Special oil gain levy	(520)	(1,117)	-53.4%
	Impairment and provision	188	(159)	-218.2%
	Crude oil and product purchases	(11,008)	(11,700)	-5.9%
	SG&A	(3,276)	(3,135)	4.5%
	Others	(2,318)	(2,964)	-21.8%
	Expenses subtotal	(65,570)	(64,411)	1.8%
Profit from Operating Activities		43,310	41,238	5.0%
	Interest income	477	327	45.9%
	Finance costs	(2,611)	(2,471)	5.7%
	Exchange (losses)/gains, net	(211)	254	-183.1%
	Investment income	2,369	1,675	41.4%
	Share of profits of associates	249	237	5.1%
	profit/(loss) attributable to a joint venture	228	(6,509)	-103.5%
	Other income, net	231	766	-69.8%
Profit before tax		44,042	35,517	24.0%
	Income tax expense	(13,789)	(10,040)	37.3%
Net profit		30,253	25,477	18.7%



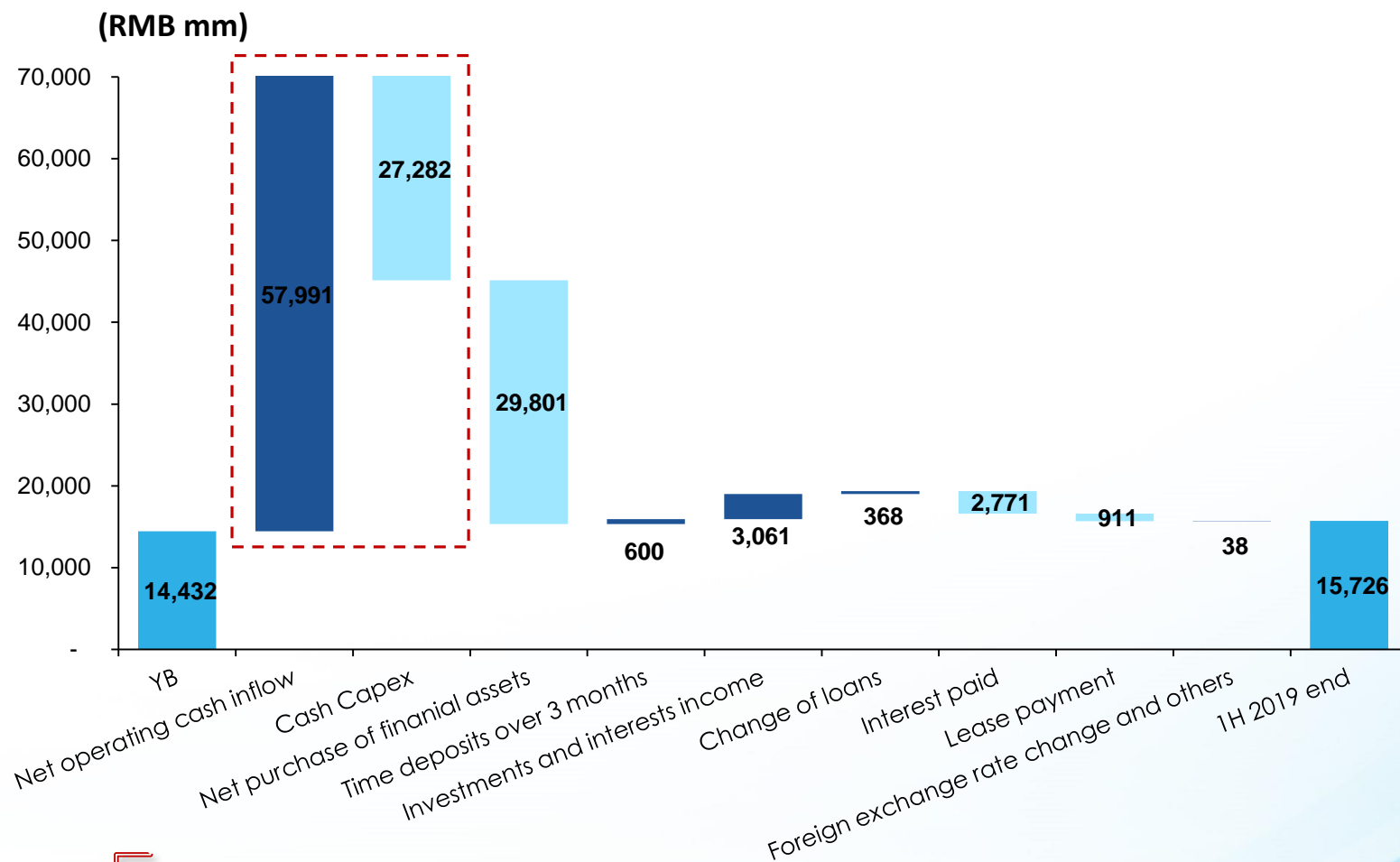
Movement of Financial Position



- Total assets mainly include:
 - PP&E of RMB410.1 bn
 - Other financial assets of RMB154.6 bn
- Equity increased RMB13.5 bn:
 - Net profit of RMB30.3 bn
 - Dividend paid RMB15.7 bn
 - Currency translation differences and other comprehensive income

	As at June 30, 2019	As at Dec 31, 2018
Total Assets (RMB bn):	720.5	678.8
Gearing Ratio*:	24.5%	25.1%

Movement of Cash and Cash Equivalents

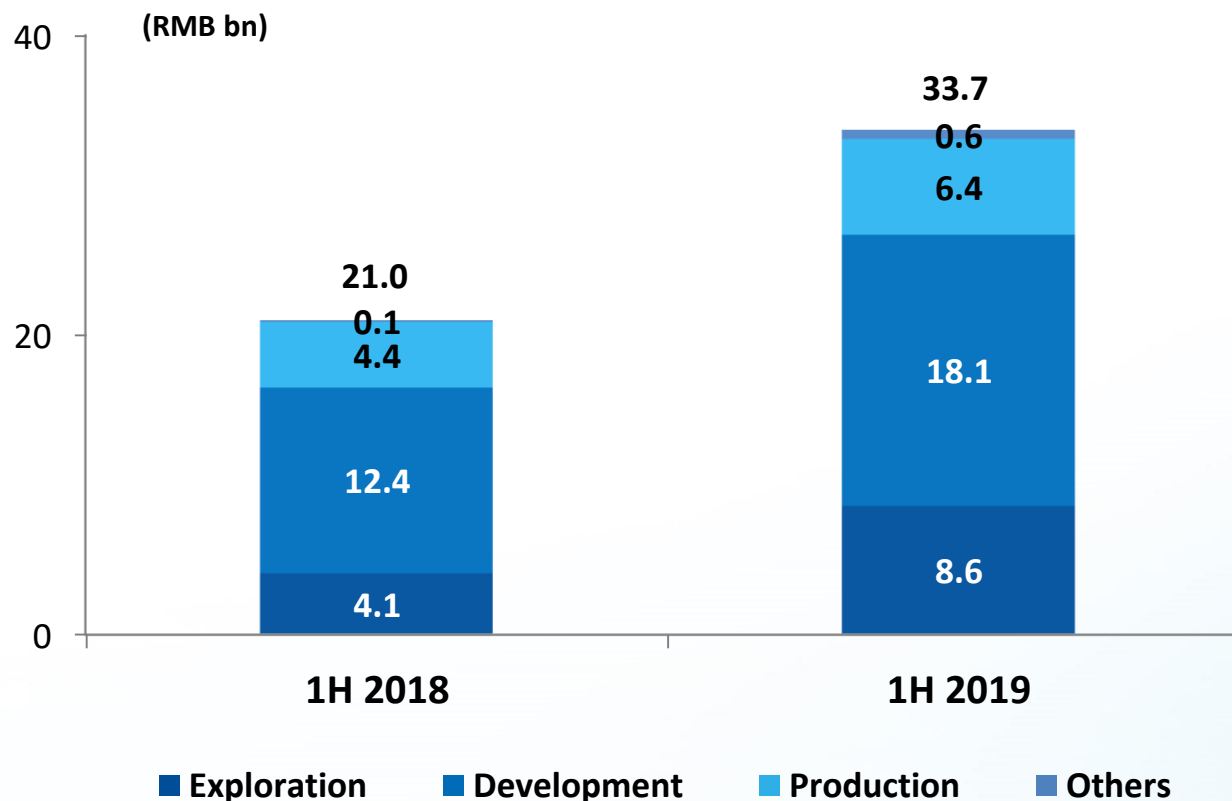


The balance of RMB30.7 bn resulted from net operating cash inflow and cash capex outflow was sufficient to cover interest payment.



CAPEX Implemented Well

 Well implemented Capex strongly supported the increasement of oil and gas reserve and production



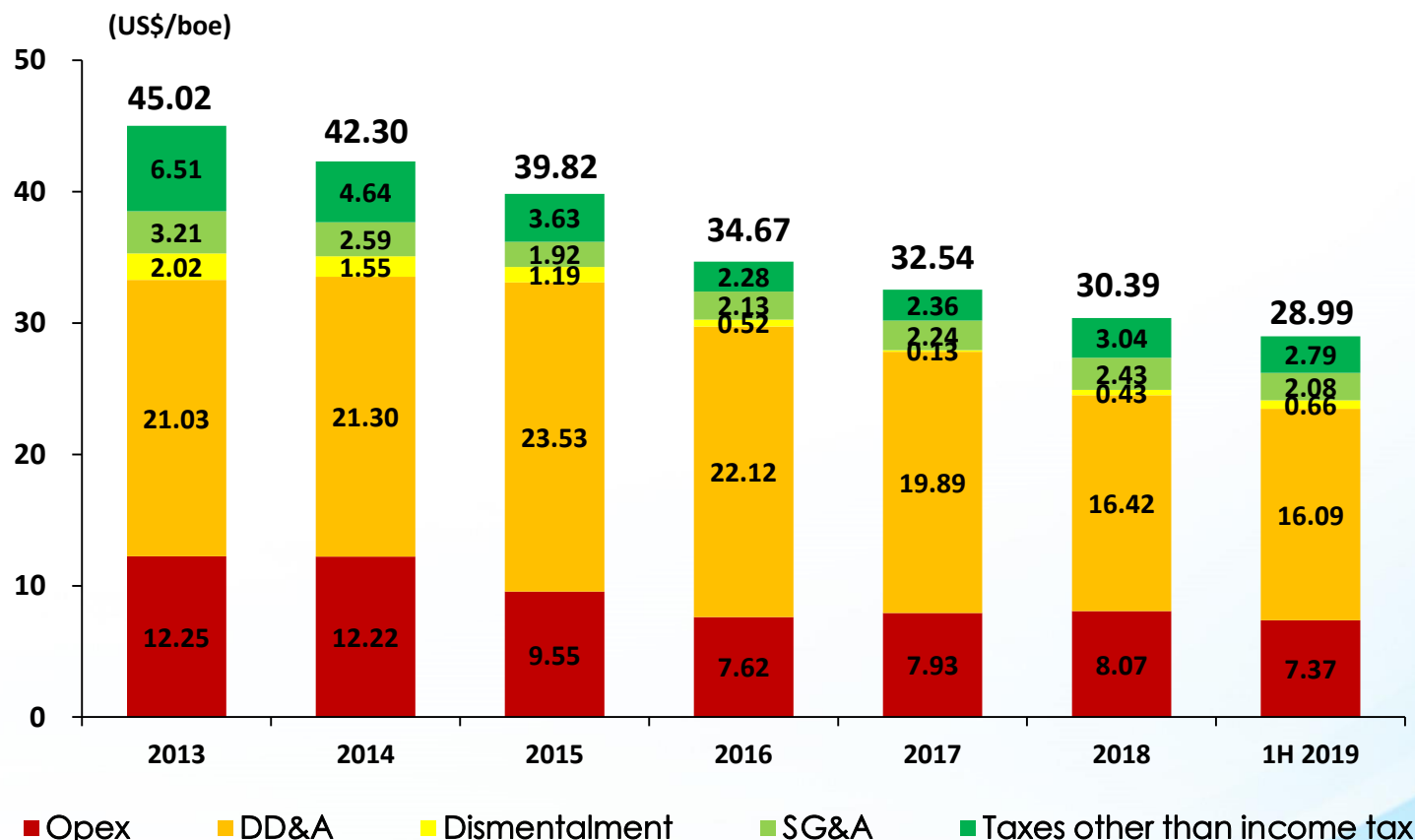
Capex was RMB33.7 billion in 1H 2019, representing a significant increase of 60% YoY.

Note: Above amounts exclude capitalized interest of RMB1.3 bn and RMB1.6 bn in 1H 2018 and 1H 2019 respectively.



All-in Cost Decreased Continuously

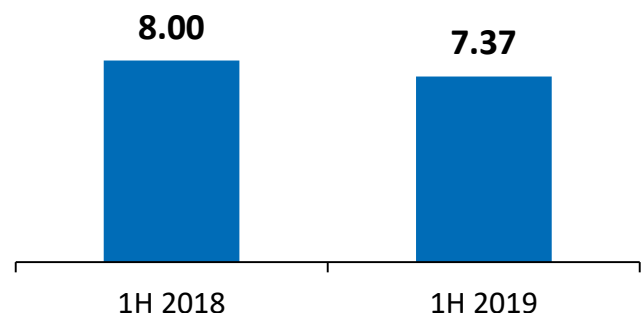
- All-in cost per boe decreased below US\$30, further consolidating the cost competitiveness
- Excluding the impact of foreign exchange rate change of the RMB against the US dollar, all-in cost in the first half of the year was US\$29.97



Cost Analysis

Opex

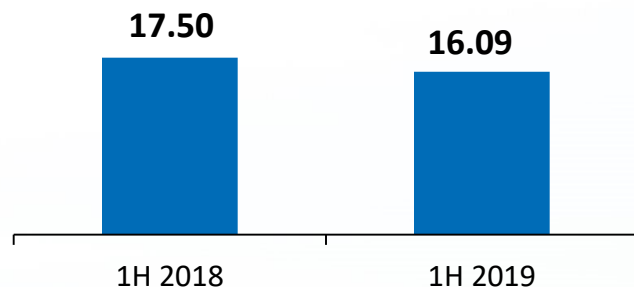
(US\$/boe)



- Opex of US\$7.37/boe, down 7.9% YoY, mainly due to effective cost control, sales volume increase and RMB exchange rate changes

DD&A

(US\$/boe)



- DD&A of US\$16.09/boe, down 8.1% YoY, mainly due to change in production mix and increased reserve



Dividend

- **2019 interim dividend: HK\$0.33 per share (tax inclusive)**
 - **An increase of HK\$0.03 per share, or 10%, from 2018 interim dividend**
 - **Dividend yield of 5.6%⁽¹⁾, payout ratio of 42.8%⁽²⁾**

- **Time arrangement:**
 - **Book close period: September 16 - September 20**
 - **Payment date: October 16**

(1) Based on closing share price of HK\$12.94 as of July 31, 2019

(2) Exchange rate quoted as HK\$1 = RMB0.87984 as of July 31, 2019

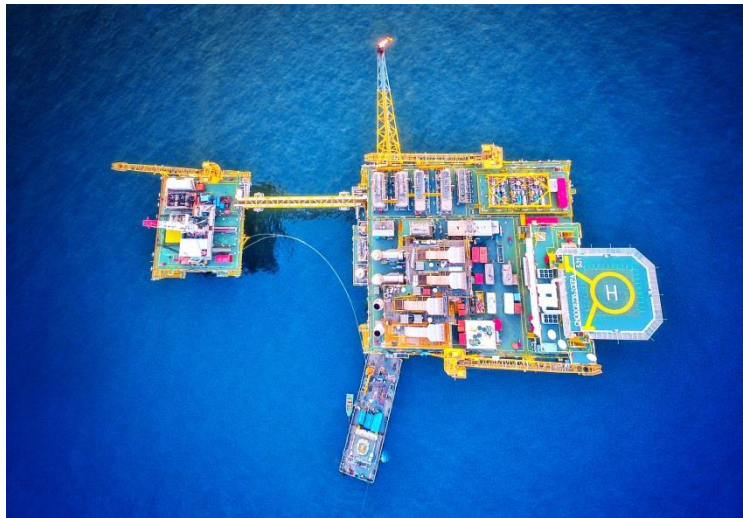




Outlook

2019 Overview

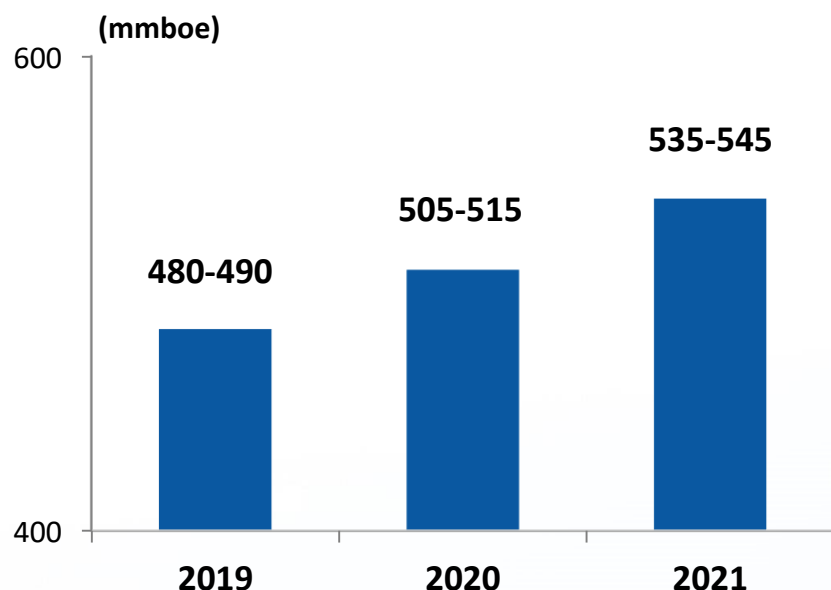
- 🚢 Capex budget of RMB70-80 billion
- 🚢 Production target of 480-490 mmboe
- 🚢 Six new projects to come on stream in 2019
- 🚢 Reserve Replacement Ratio (RRR) of 120%
- 🚢 Maintain high standards on HSE performance



Solid Foundation for Sustainable Production Growth

- Actively promote the evaluation and construction of new projects and lay a solid foundation for sustainable production growth

Production Guidance



New projects bring production growth

2020	2021	2022
Luda 16-3 oil field	Caofeidian 6-4 oil field	Bozhong 19-4 comprehensive adjustment
Luda 21-2oil field	Luda 5-2N oil field	Kenli 16-1 oil field
Jinzhou 25-1 oil field 6/11 area	Luda 6-2 oil field	Liuhua 21-2 oil field
Liuhua 20-2 oil field	Wushi 17-2 oil field	Panyu 10-4 oil field
Liuhua 16-2 oil field	Lufeng oil fields	Liza oil field phase II
Liza oil field phase I	Mero oil field phase I
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