2021 Mid-Year Review

19 August 2021

CNOOC Limited
中国海洋石油有限公司

Board of Directors and Management at Today's Conference

Chairman Wang Dongjin

CEO Xu Keqiang

President Xia Qinglong

CFO Xie Weizhi

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Agenda

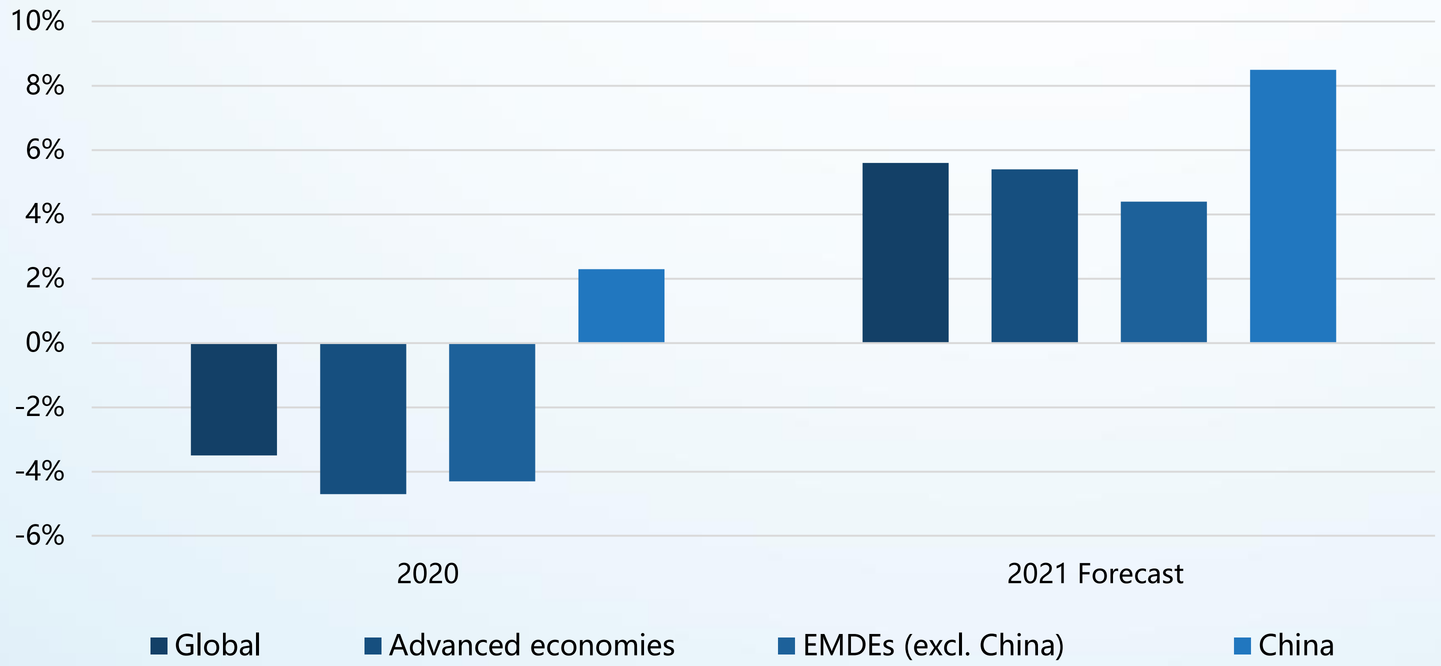
- Macro Environment
- Operating Results
- Performance Highlights
- Outlook

Macro Environment

Robust Global Economic Recovery

- **The World Bank forecasted that the global and China's economy will grow by 5.6% and 8.5% in 2021, respectively**

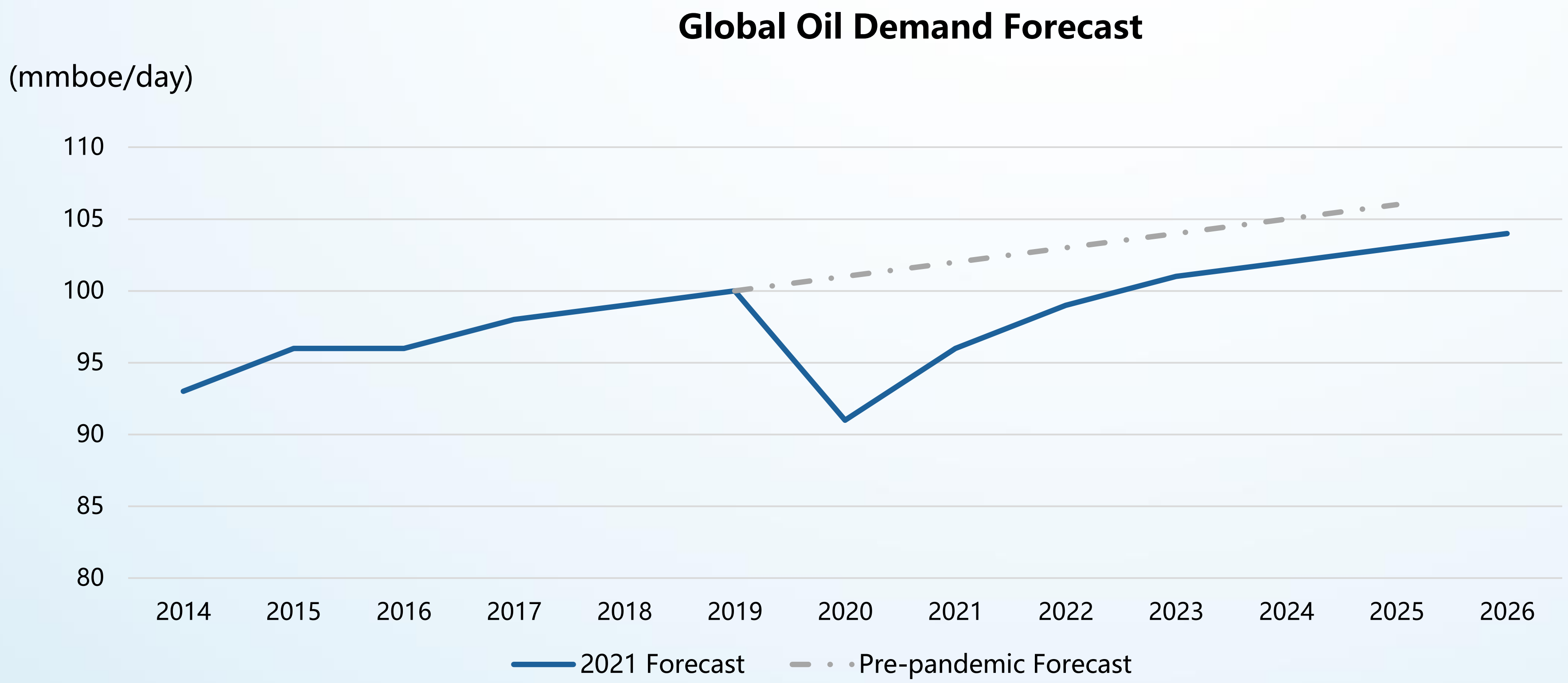
Global economic growth



Source: World Bank

Oil Demand to Grow Steadily

- **IEA forecasted that the global oil demand will continue to grow steadily along with the global economy recovery**

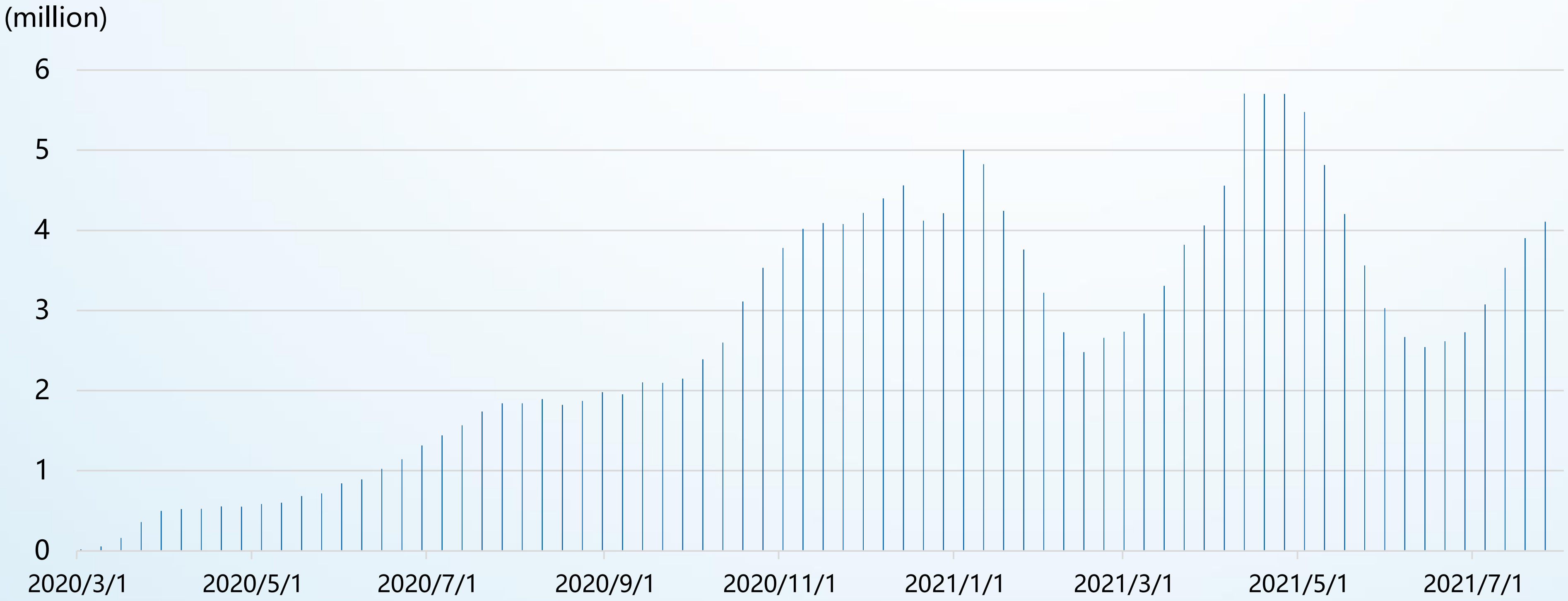


Source: International Energy Agency (IEA)

Global Pandemic Development Remains Uncertain

- **The number of newly confirmed COVID-19 cases worldwide continued to fluctuate, making the economic recovery uncertain**

The number of newly confirmed COVID-19 cases worldwide (weekly)

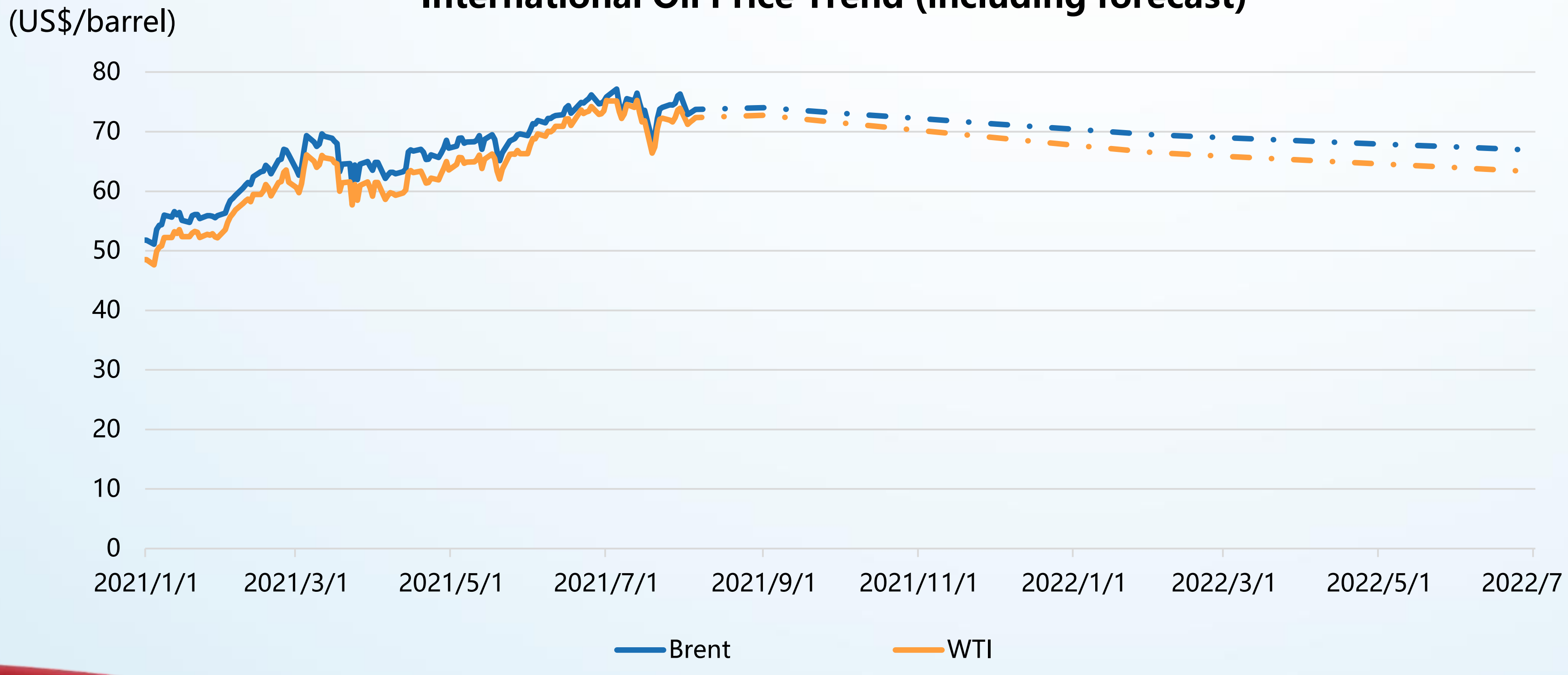


Source: WHO

Oil Price Trend

- International oil price rose significantly in 1H 2021, and the average Brent price increased by 54.9% YoY
- Oil price forecast beyond 2021 expected to fluctuate around the current level

International Oil Price Trend (including forecast)



Source: Bloomberg

Operating Results

Overview

- **Major project of Lingshui 17-2 gas fields commenced production**
  - A breakthrough in 1500m ultra-deepwater independent exploration and development
- **Significant results in reserve and production growth**
  - 9 new discoveries were made and 14 oil and gas structures were successfully appraised
  - 6 out of 19 new projects planned for 2021 successfully came on stream
  - Net production reached 278.1 million boe*, a new record high
- **Strong growth in net profit**
  - Oil & gas sales of RMB 100.63 billion, up 51.7% YoY
  - Net profit of RMB 33.33 billion , up 221.0% YoY
- **Interim dividend of HK$0.30 per share (tax inclusive)**

** Including our interests in equity-accounted investees*

Results Summary

	1H 2020	1H 2021	Change %
Production (mm boe)	257.9	278.1	7.9%
- Crude and liquids (mm bbls)	205.5	222.6	8.4%
- Natural gas (bcf)	304.5	323.1	6.1%
Realized oil price (US$/bbl)	38.72	62.38	61.1%
Realized gas price (US$/mcf)	6.29	6.60	5.0%
Oil & gas sales (RMB mm)	66,335	100,625	51.7%
Net profit (RMB mm)	10,383	33,326	221.0%
Basic EPS (RMB)	0.23	0.75	221.0%

*受同一控制下企业合并的影响，2019年上半年报表数据已经重述

Production Summary

	1H 2020			1H 2021		
	Crude and Liquids (mm bbls)	**Natural Gas** (bcf)	**Total** (mm boe)	**Crude and Liquids** (mm bbls)	**Natural Gas** (bcf)	**Total** (mm boe)
China						
Bohai	82.1	28.3	86.8	87.8	30.7	92.9
Western South China Sea	20.0	76.3	33.2	19.2	80.7	33.3
Eastern South China Sea	36.2	73.2	48.4	46.0	71.7	58.0
East China Sea	1.1	10.4	2.8	1.2	13.2	3.3
Onshore	-	16.0	2.7	-	31.9	5.3
Subtotal	139.4	204.2	173.9	154.1	228.1	192.8
Overseas						
Asia (Ex. China)	7.8	27.0	12.6	11.9	27.3	16.8
Oceania	0.8	21.9	5.1	0.7	19.0	4.4
Africa	17.3	-	17.3	15.9	-	15.9
North America (Ex. Canada)	11.7	24.3	15.8	11.9	22.1	15.5
Canada	9.6	0.05	9.6	11.3	-	11.3
South America	8.5	25.4	12.9	9.9	26.0	14.3
Europe	10.4	1.6	10.7	7.0	0.6	7.1
Subtotal	66.1	100.3	83.9	68.5	95.0	85.4
Total*	**205.5**	**304.5**	**257.9**	**222.6**	**323.1**	**278.1**

** Including our interests in equity-accounted investees, which is approximately 9.6 mm boe in 1H 2021 and 9.7 mm boe in 1H 2020.*
In 1H 2021, production percentage of China and overseas was 69% v.s. 31%; Crude and liquids and natural gas was 80% v.s. 20%.

Exploration Activities

- **Aiming at mid-to-large sized oil and gas discoveries, increased efforts on venture exploration and strengthened integration of exploration and development**
- **7 new discoveries and 14 successfully appraised oil and gas structures in offshore China，2 new discoveries were made overseas**

Exploration workload and new discoveries*

Type	1H 2020		1H 2021	
	Offshore China	Overseas	Offshore China	Overseas
Wildcat	32**	2	32**	4
Appraisal	79	0	74	4
3D Seismic（km^2）	12,388	3,512	6,421	2,701
New discovery	4	1	7	2

** Excluding onshore unconventional wells (31 exploration wells and 304 km^2 of 3D seismic acquisition in 1H 2020; 55 exploration wells and 431 km^2 of 3D seismic acquisition in 1H2021)*
*** Including PSC wells (1 well in H1 2020; 1 well in H1 2021)**

New projects in 2021

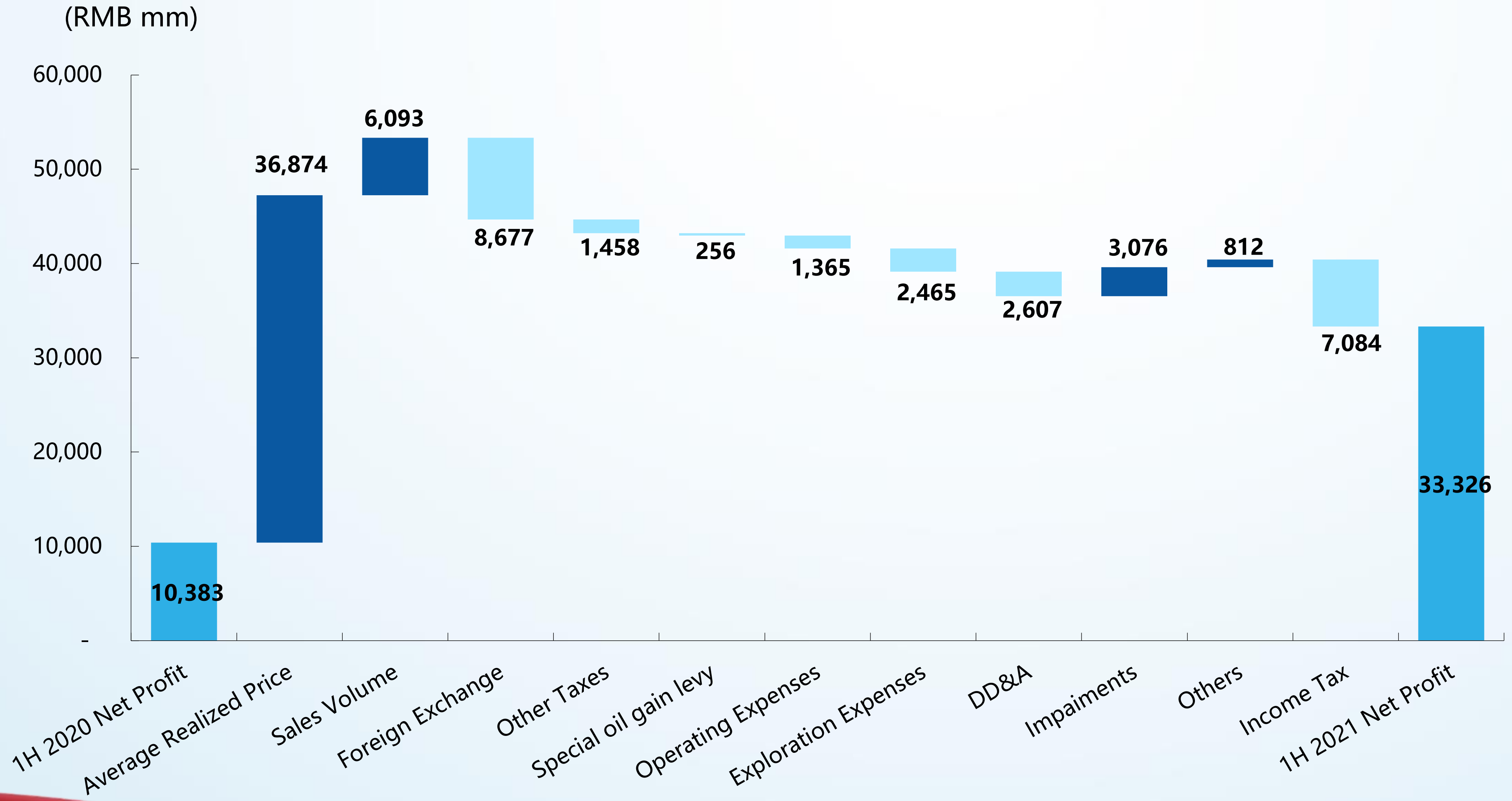
Project	Status	Peak Production (boe/d)	Working Interests
Offshore China			
Bozhong 19-4 oilfield adjustment	Onshore construction	9,300	83.8%
Bozhong 26-3 oilfield expansion	Installation and commissioning	2,060	100%
Caofeidian 11-6 oilfield expansion	Installation and commissioning	4,600	51%
Caofeidian 6-4 oilfield	Commenced production	15,000	100%
Jinzhou 31-1 gas field	Onshore construction	2,100	100%
Kenli 16-1 oilfield	Onshore construction	7,500	100%
Kenli 6-1 oilfield block 4-1 development project	Onshore construction	3,400	100%
Luda 29-1 oilfield	Commenced production	2,890	100%
Luda 4-2 oilfield block 4-3	Installation and commissioning	5,900	100%

Project	Status	Peak Production (boe/d)	Working Interests
Luda 5-2 oilfield North	Installation and commissioning	6,900	100%
Luda 6-2 oilfield	Installation and commissioning	9,000	100%
Qinhuangdao/Caofeidian onshore power project	Installation and commissioning	7,400	75.5%
Lingshui 17-2 gas fields development	Commenced production	58,000	100%
Weizhou 11-2 oilfield phase II	Commenced production	5,600	100%
Liuhua 21-2 oilfield	Commenced production	15,070	100%
Liuhua 29-2 gas field	Commenced production	7,200	100%
Lufeng oilfields regional development	Installation and commissioning	42,600	100%
Overseas			
Buzzard oilfield Phase II	Installation and commissioning	12,000	43.21%
Mero oilfield phase I	Onshore construction	171,000	10%

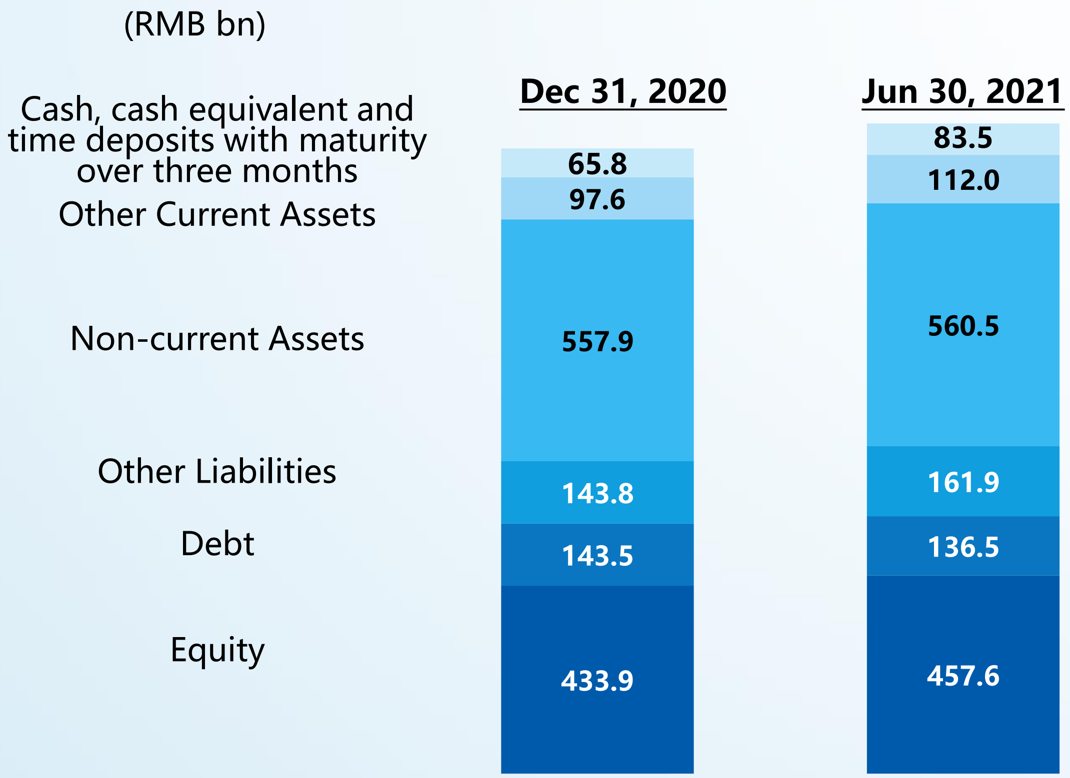
Key Financial Items - Consolidated

(RMB mm)		1H 2020	1H 2021	Change %
Revenue				
	Oil and gas sales	66,335	100,625	51.7%
	Marketing revenues	6,497	6,370	-2.0%
	Other revenue	1,728	3,238	87.4%
	Revenue subtotal	**74,560**	**110,233**	**47.8%**
Expenses				
	Operating expenses	(11,346)	(12,711)	12.0%
	Taxes other than income tax	(3,421)	(4,879)	42.6%
	Exploration expenses	(2,560)	(5,025)	96.3%
	DD&A	(26,309)	(28,916)	9.9%
	Special oil gain levy	(79)	(335)	324.1%
	Impairment and provision	(3,133)	(57)	-98.2%
	Crude oil and product purchases	(6,179)	(6,251)	1.2%
	SG&A	(3,807)	(3,872)	1.7%
	Others	(2,147)	(2,738)	27.5%
	Expenses subtotal	**(58,981)**	**(64,784)**	**9.8%**
Profit from Operating Activities		**15,579**	**45,449**	**191.7%**
	Interest income	758	542	-28.5%
	Finance costs	(3,130)	(2,838)	-9.3%
	Exchange (losses)/gains, net	(16)	177	-1206.3%
	Investment income	1,786	1,079	-39.6%
	Share of profits of associates	202	365	80.7%
	(Loss)/profit attributable to a joint venture	(224)	104	-146.4%
	Other (expense)/income, net	(9)	95	-1155.6%
Profit before tax		**14,946**	**44,973**	**200.9%**
	Income tax expense	(4,563)	(11,647)	155.2%
Net profit		**10,383**	**33,326**	**221.0%**

Change Analysis of Net Profit



Movement of Financial Position



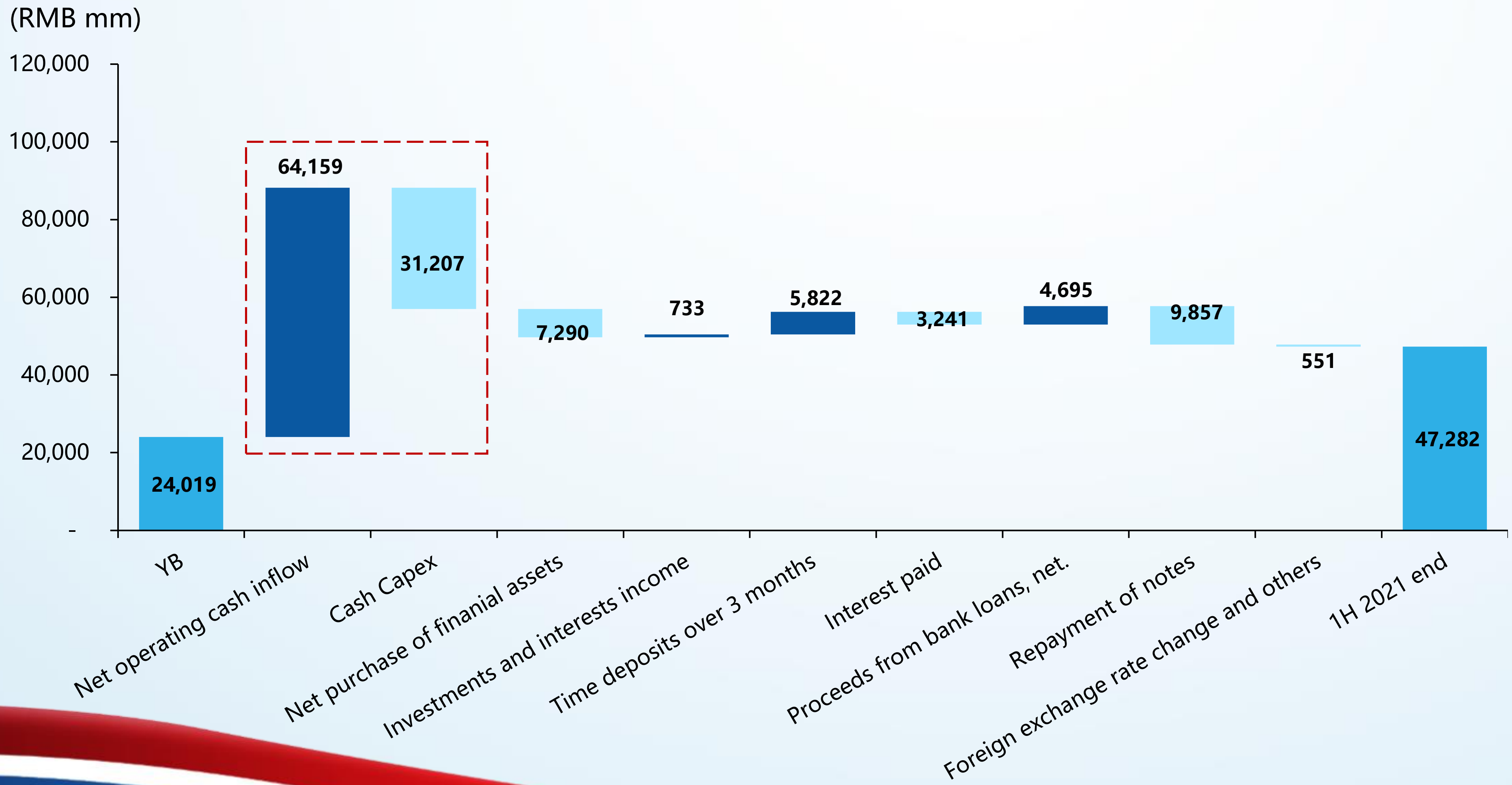
- **Total assets mainly include:**
  - RMB448.1 bn of PP&E
  - RMB68.8 bn of corporate wealth management
- **Equity increased by RMB23.7 bn:**
  - Net profit of RMB33.3 bn
  - Dividend paid of RMB9.3 bn
  - Other comprehensive income

	As at Dec 31, 2020	As at Jun30, 2021
Total Assets (RMB bn):	721.3	756.0
Gearing Ratio*	24.9%	23.0%

** Gearing ratio = Interest Bearing Debt / (Interest Bearing Debt + Equity)*

Movement of Cash and Cash Equivalents

- Free cash flow reached RMB 32.95 bn



Free cash flow = Net operating cash inflow - Cash capex outflow .

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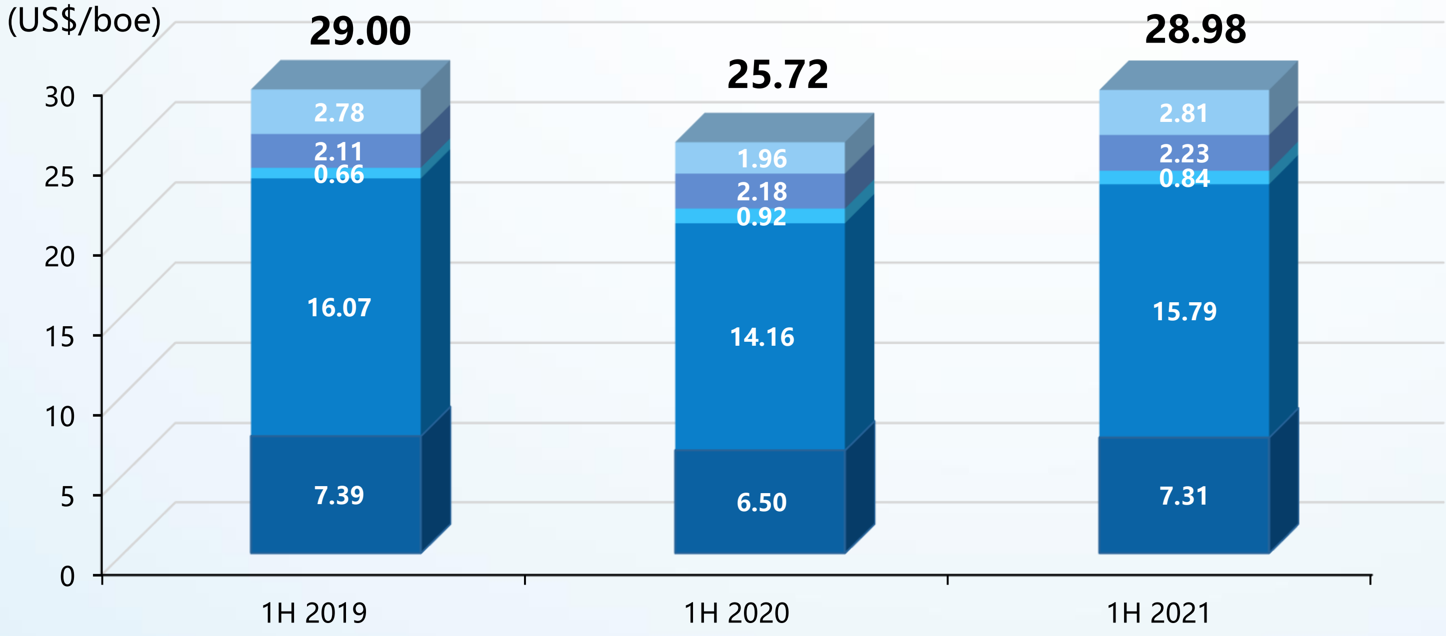
All-in Cost per BOE

- **Overcame the pressure of rising commodity prices, RMB appreciation against USD and strengthened our cost competitiveness**



Brent price (US$/boe)	66.17	42.10	65.23

Opex DD&A Dismantlement SG&A Taxes other than income tax

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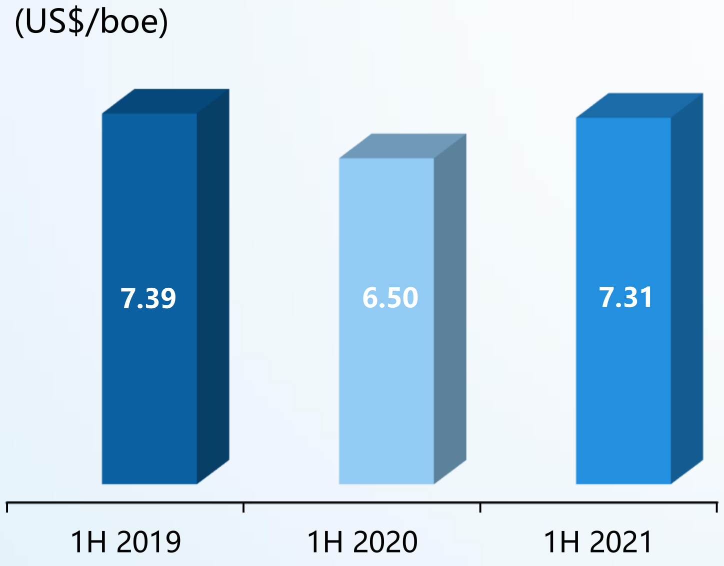
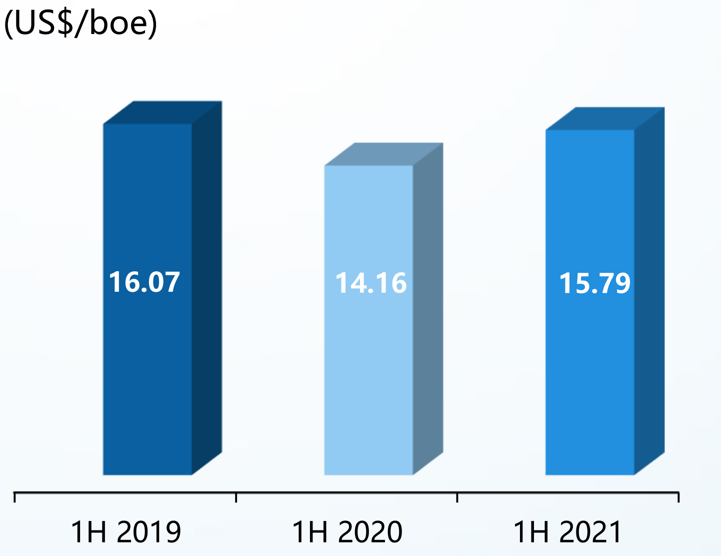
Cost Analysis

Opex



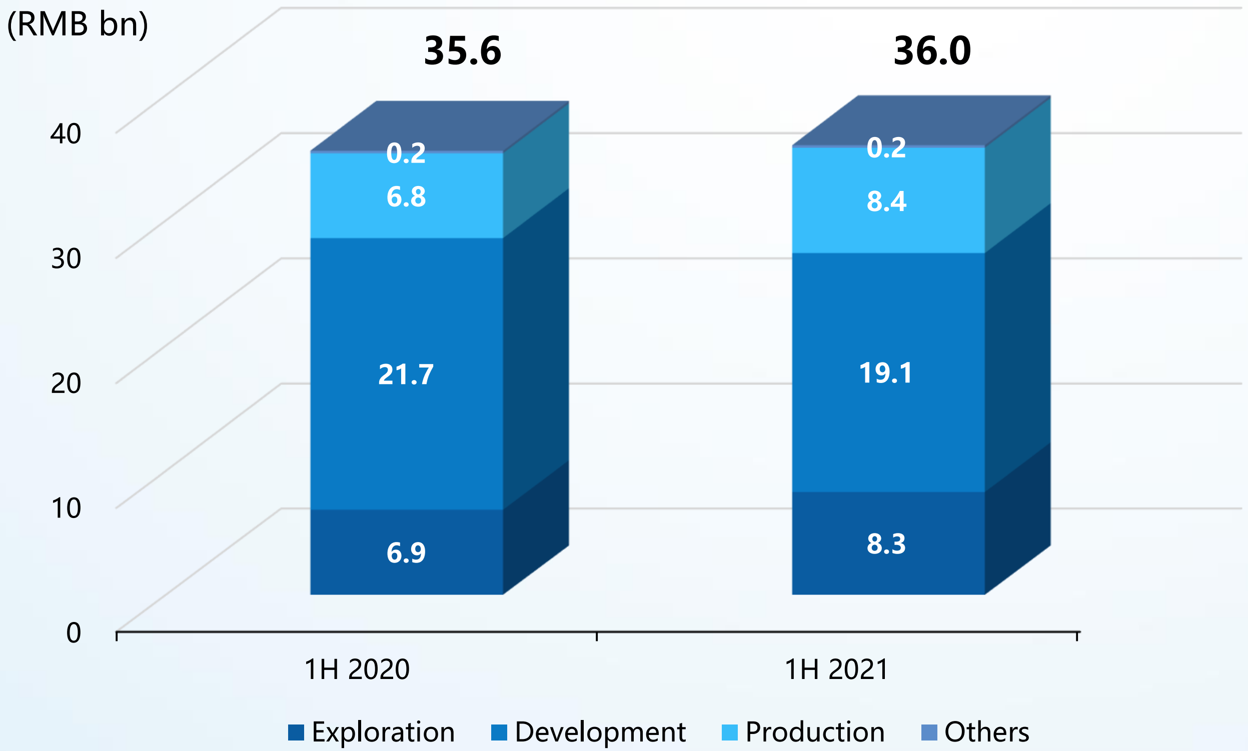
- Slightly increased year over year, mainly due to certain oil fields' scheduled overhaul and changes in RMB exchange rate

DD&A



- Slightly increased year over year, mainly due to the changes in production mix and RMB exchange rate

Capex



Note: Above amounts exclude capitalized interest of RMB1.3 bn and RMB1.1 bn in 1H 2020 and 1H 2021 respectively.

Dividend

- **2021 interim dividend: HK$0.30 per share (tax inclusive)**
  - Dividend yield of 7.1% (1) , payout ratio of 33.4% (2)

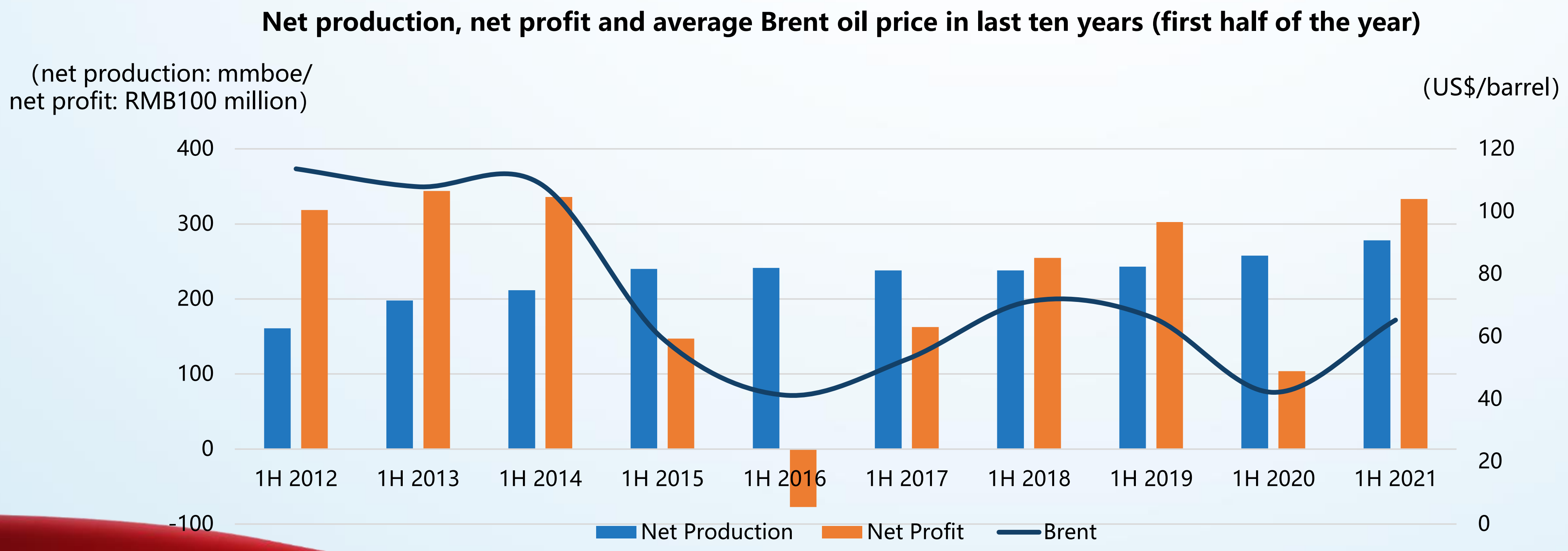
- **Time arrangement:**
  - Book close period: September 6 – September 10
  - Payment date: October 13

(1) Based on closing share price of HK$7.70 as of July 30, 2021
(2) Exchange rate quoted HK$1= RMB0.83120 as of July 30, 2021

Performance Highlights

Significant Improvement of Operating Results

- **Ramped up reserve and production, net production reached a record high of 278.1 million BOE**
- **Profitability improved significantly, with Brent price at $65.2, net profit reached a level similar to the years with Brent price above $100**



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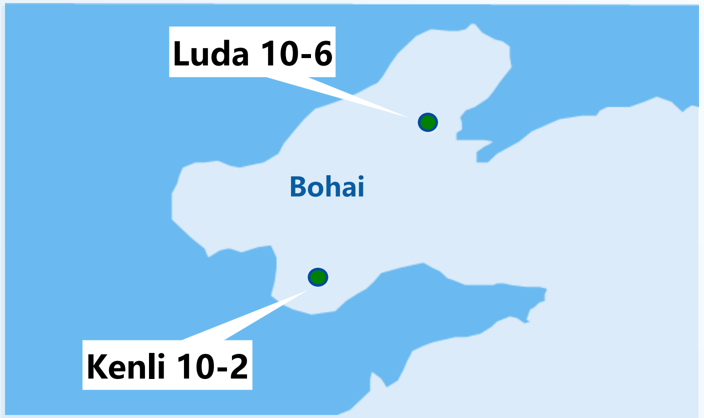
Major Project of Lingshui 17-2 Gas Fields Commenced Production

- **Gaining the capability of 1500m ultra-deepwater independent exploration and development**
    - The "Shenhai-1" energy station supporting Lingshui 17-2 gas fields project came on stream on 25th June
    - Streamlined the management and completed construction in only 3 years

- **Enhanced natural gas supply capacity**
    - Produce 3 billion cubic meters of natural gas for 10 consecutive years
    - Promote efficient development of adjacent gas fields in the future
    - Provide low-carbon energy supply to the Guangdong, Hong Kong, and Hainan region

Exploration Achievements – Offshore China

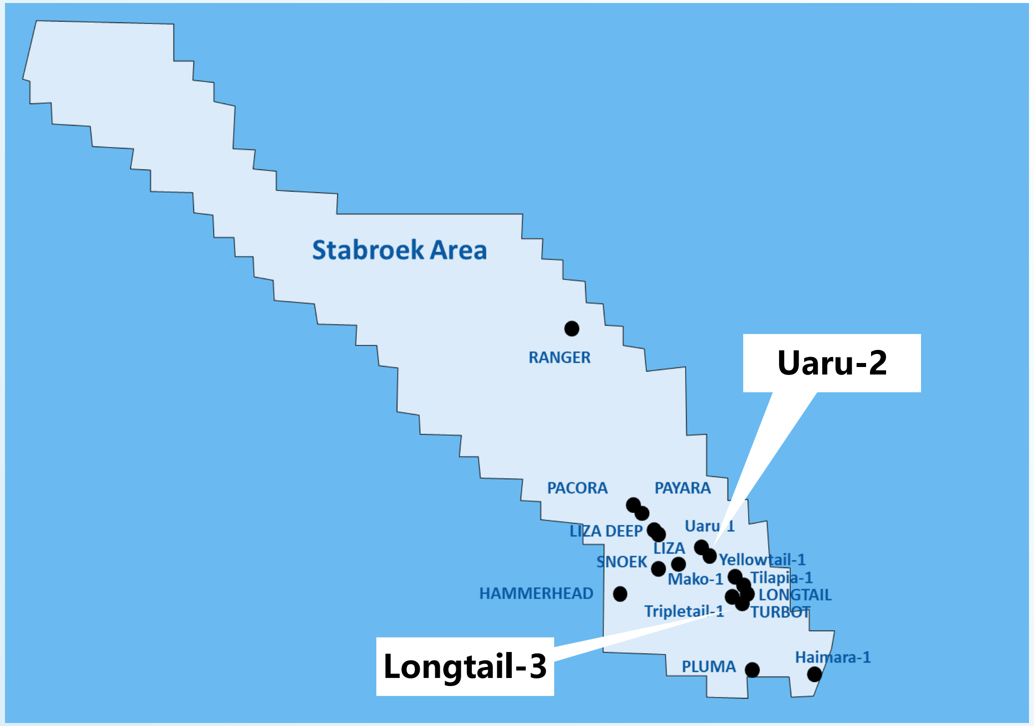
- **Continued to promote the appraisal of mid-to-large sized oil and gas fields, expanded the venture exploration of new areas, new fields, new types and new layers**



- **Significant progress in appraisal of Kenli 10-2**
  - Located in the southern part of Laizhou Bay Depression in Bohai
  - The proved in-place volume was nearly 100 million tons, indicating broad exploration prospects of shallow lithologic reservoirs in Bohai
- **Medium-sized commercial discovery made in Luda 10-6**
  - Located in the Liaoxi uplift in Bohai
  - Discovered commercial high-yielding oil and gas flow, expected to become a medium-sized oil and gas field
- **Breakthrough in appraisal of Wenchang 9-7**
  - Located in Wenchang, A Depression in the Pearl River Mouth Basin
  - The largest oil discovery in this depression in the past 10 years, expected to become a medium-sized oil and gas field
- **New exploration progress made in Baodao 21-1**
  - The high-yield gas flow achieved from the test showed the prospect of 100 billion cubic meters of resources in Baodao sag and adjacent area

Note: According to the Regulation of Offshore Petroleum Reserves Estimation of China, a mid-size oil field is defined as a field with technically recoverable resources of ≥2,500 ~ <25,000 thousand cubic meters and a large-size oil field is defined as a field with technically recoverable resources of ≥25,000 ~ <250,000 thousand cubic meters.

Exploration Achievements – Overseas



- **Two new discoveries of Uaru-2 and Longtail-3 achieved in Stabroek Block, Guyana**
  - Well Uaru-2 encountered oil pay zones with a thickness of ~37 meters, at a water depth of 1,725 meters
  - Well Longtail-3 encountered oil pay zones with a thickness of ~70 meters, at a water depth of 1,860 meters
  - Total recoverable resources exceeded 9 billion boe*, expected to be further enhanced

** According to the disclosure of the Operator*

Stable Oil and Gas Production Growth

- **Accelerated production capacity construction**
  - Lingshui 17-2 gas fields, Caofeidian 6-4 oil field and other projects commenced production ahead of schedule
- **Increased oil and gas production through various measures**
  - High workload of water control and oil stabilization, which effectively lowered oil and gas field decline rate
  - Shortened cycle of infill drilling wells, improving production performance
  - Continuously carried out thermal recovery of heavy oil and improvement of low efficiency wells
- **Optimized production and operation procedure**
  - Accelerated the speed of drilling and completion

Maintain Cost Competitiveness

- **Continued to explore the law of cost reduction and efficiency enhancement**
- **Established a KPI system of cost control**
  - Formed a system covering the whole process of exploration, development, production, sales and other aspects
  - Strengthened benchmarking analysis, early warning and monitoring of key costs items
  - Implementing cost control throughout the whole cycle
- **Strengthened cost competitiveness through collaboration and integration of business operation and financial management**

Impressive Results in Technology Innovation

- **New achievements in key scientific and technological development**
  - The world's first 100,000-ton deepwater semi-submersible production and storage platform, "Shenhai-1", independently developed and put into production
  - Increased production by intelligent water injection and heavy oil thermal recovery technologies
  - Promoted drilling and completion technology research and improved drilling efficiency

- **Digitalization progressed smoothly**
  - Built Dongfang Gas Fields, with the intellectualized system covering the whole production process
  - Completed the unmanned technical transformation of 9 offshore platforms, launched the trial of intelligent oilfield system

Low-carbon Transition and Sustainable Development

- **Accelerated the progression of low-carbon operation and emission reduction**
  - Implemented entire process of energy saving and emission reduction plan
  - Promoted reduction of effluent from offshore platforms
  - Increased proportion of natural gas exploration and development
  - Consistently promoted onshore power project

- **Actively developed new energy business**
  - Established New Energy Department to proactively develop new business
  - Leveraged differentiated advantages and continued to develop offshore wind power projects

ESG Management

- **Practice the concept of environmental protection**
  - Strengthened the complete management process for environmental protection, enforced corporate environmental responsibility throughout all operating aspects
- **Fulfill social responsibility**
  - Includes offshore rescue, targeted poverty alleviation, community development, volunteer services, etc.
- **Strict corporate governance**
  - Adhere to high standards of business ethics, operating with integrity and compliance

- **Market recognition**
  - Ranked 13th place in "2021 Brand Finance Top 50 Most valuable Global Oil & Gas Brands' list", February 2021
  - Recognized as "2021 Forbes China - Most Sustainable Employer of the Year", July 2021
  - Honoured as Oil & Gas sector's "Best ESG" in *Institutional Investor's* "2021 All Asia Executive Awards", July 2021

Pandemic Control and Safety Responsibility

- **Strictly implement regular prevention and control of the pandemic**
  - Strengthened pandemic prevention efforts and control in offices and work sites
  - Encourage vaccination for staff, the vaccination rate of offshore employees reached 99.2%
- **Strengthened safety management**
  - Define safety management responsibilities, completed full inspection of major production facilities and drilling rigs
  - Established an expert database, conducted regular well control inspections
  - Improve safety management based on lessons learned from the V platform accident

Outlook

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Low-carbon Development Strategy

- **Build a low-carbon development system**
  - Leveraging the company's comparative advantages to integrate the development of oil and gas business and new energy business
  - Continuously increasing the supply of natural gas and promote green and low-carbon products
  - Accelerate the construction of green oil fields, focusing on energy saving and carbon reduction in the entire development process
- **Actively explore new energy development**
  - Drive development of offshore wind power projects
  - Develop onshore photovoltaic and onshore wind power on a selective basis

2H 2021 Plan

- **Strive to achieve the annual production and operation targets**
  - Production target of 545-555 mmboe
  - Capex plan of RMB 90-100 billion
  - Reserve replacement ratio of over 120%
- **Continue to promote high-quality development**
  - Accelerate reserve and production growth
  - Strengthen cost control
- **Maintain high standards on HSE performance**

Thank you!

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