



CNOOC LIMITED
中国海洋石油有限公司

2012 Mid-Year Review

August 21, 2012



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 “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 2011 Annual Report on Form 20-F filed on April 20, 2012. 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**
- **Operating Results**
- **Financial Performance**
- **2012 Outlook**



Overview



Mid-year Review

- **Stable production**
 - Net production was 160.9 million boe*
 - Full year production target of 330-340 mm boe on track
- **Successful exploration program**
 - 10 new discoveries and 18 successful appraisal wells
 - Solid foundation for future growth in offshore China
- **Financial performance**
 - Oil and gas sales of RMB 95.7 billion
 - Net income of RMB 31.9 billion
 - Interim dividend of HK\$0.15 per share (tax inclusive)
- **Continuously focus on HSE performance**
- **Agreement reached to acquire Nexen Inc.**
- **Cooperation agreement signed for coalbed methane development onshore China**
 - Subject to independent shareholders' approval

* Including our interest in equity-accounted investees



Summary Results

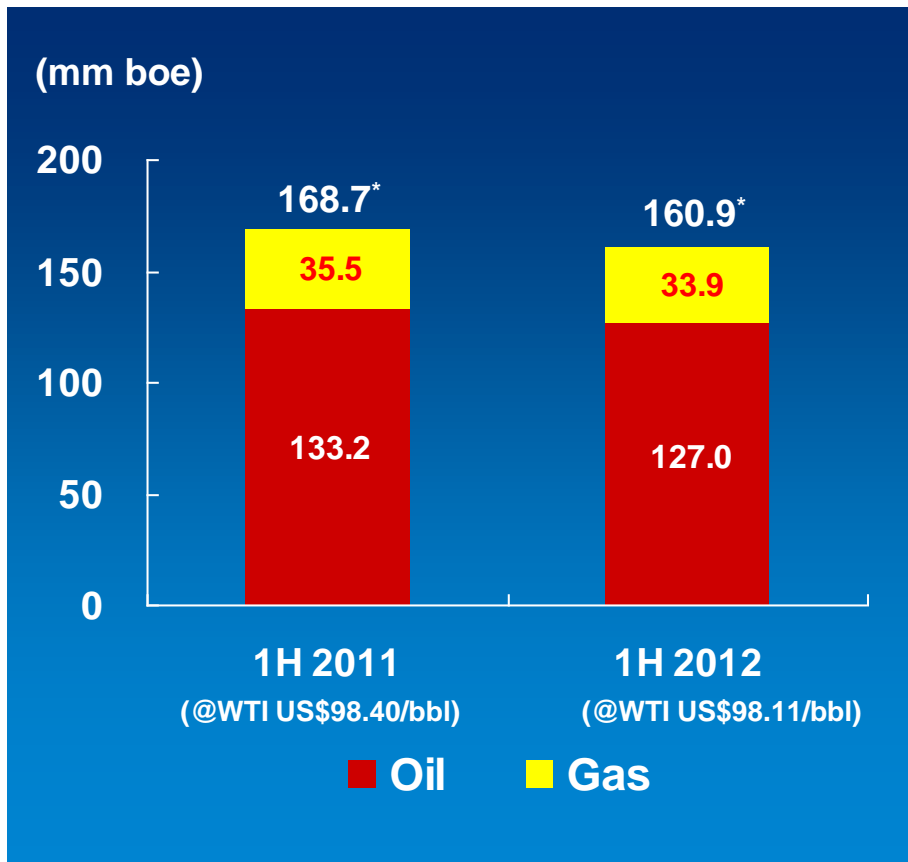
| | 1H 2012 | 1H 2011 | Change% |
|-------------------------------|---------|---------|---------|
| Production (mm boe) | 160.9 | 168.7 | -4.6% |
| - Oil (mm bbls) | 127.0 | 133.2 | -4.7% |
| - Gas (bcf) | 195.7 | 208.2 | -6.0% |
| Realized oil price (US\$/bbl) | 116.91 | 108.16 | 8.1% |
| Realized gas price (US\$/mcf) | 5.90 | 4.92 | 20.0% |
| Oil & gas sales (RMB mm) | 95,658 | 97,030 | -1.4% |
| Net income (RMB mm) | 31,869 | 39,343 | -19.0% |
| Basic EPS (RMB) | 0.71 | 0.88 | -19.0% |



Operating Results



Stable Production



- Net production of 160.9 mm boe, down 4.6% YoY, mainly due to:
 - Penglai 19-3 oilfields
 - Scheduled shutdown and maintenance
 - Expiry of Madura and sale of ONWJ in Indonesia
- 2012 production target of 330-340 mm boe remain unchanged.

*Including our interest in equity-accounted investees



Production Summary

| Net production | 1H 2012* | 1H 2011* |
|--|-----------------|-----------------|
| Crude oil and liquids (mm bbls) | | |
| Bohai | 72.0 | 76.1 |
| Western South China Sea | 12.6 | 14.2 |
| Eastern South China Sea | 20.1 | 23.7 |
| East China Sea | 0.3 | 0.2 |
| Overseas | 22.0 | 19.0 |
| Subtotal | 127.0 | 133.2 |
| Natural gas (bcf) | | |
| Bohai | 22.9 | 22.8 |
| Western South China Sea | 63.9 | 71.3 |
| Eastern South China Sea | 25.3 | 30.4 |
| East China Sea | 6.0 | 5.0 |
| Overseas | 77.6 | 78.7 |
| Subtotal | 195.7 | 208.2 |
| Total (mm boe) | 160.9 | 168.7 |

* Including our interest in equity-accounted investees, which was approximately 8.7 mmboe in 1H 2012 and 8.8 mmboe in 1H 2011.



Exploration Highlights



| Successful Appraisals | |
|-----------------------|--------------------------------|
| Bohai | QHD 33-3-6 |
| PL15-2-3 | QHD 33-3-7 |
| PL 9-1-4 | QHD 29-2E-4 |
| PL 9-1-5 | QHD 29-2E-2 |
| PL 9-1-7 | Western South China Sea |
| PL 9-1-8 | DF 13-2-2 |
| PL 9-1-11 | WZ 11-7N-4 |
| PL 9-1-12 | WZ 11-7N-5 |
| PL 9-1-13 | Eastern South China Sea |
| PL 9-1-14 | PY 35-1-3D |
| LD 6-2-5 | |

| Successful Wildcats |
|--------------------------------|
| Bohai |
| LD 21-2-1D |
| PL 15-2-1 |
| QHD 27-3-1 |
| KL 2-1-2 |
| LD 6-2-4 |
| BZ 34-1N-4 |
| Western South China Sea |
| DF 13-2-1 |
| Eastern South China Sea |
| EP 18-1-2D |
| LH 29-2-1 |
| LF 15-1-2 |

Western South China Sea Eastern South China Sea

China

Bohai

East China Sea

We achieved 10 new discoveries and 18 successful appraisal wells in 1H 2012.



Exploration Summary

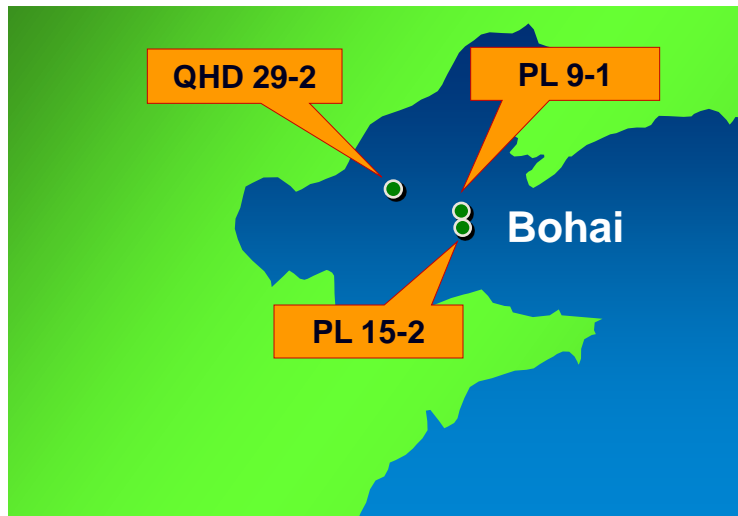
| Exploration well | Wildcat | | Appraisal well | |
|------------------------------|-----------|-------------------|----------------|-------------------|
| | completed | success+uncertain | completed | success+uncertain |
| Offshore China (Independent) | 28 | 10 + 7 | 31 | 18 + 4 |
| Offshore China (PSC) | 2 | 0 + 0 | 0 | 0 + 0 |
| Overseas | 7 | 0 + 2 | 6 | 0 + 4 |

| Seismic data | 2D (km) | 3D (km ²) |
|--------------|---------|-----------------------|
| Independent | 10,950 | 9,000 |
| PSC | 0 | 2,030 |
| Total | 10,950 | 11,030 |

Success rate of independent exploration wells in offshore China was 47-66%.



Successful Exploration Program



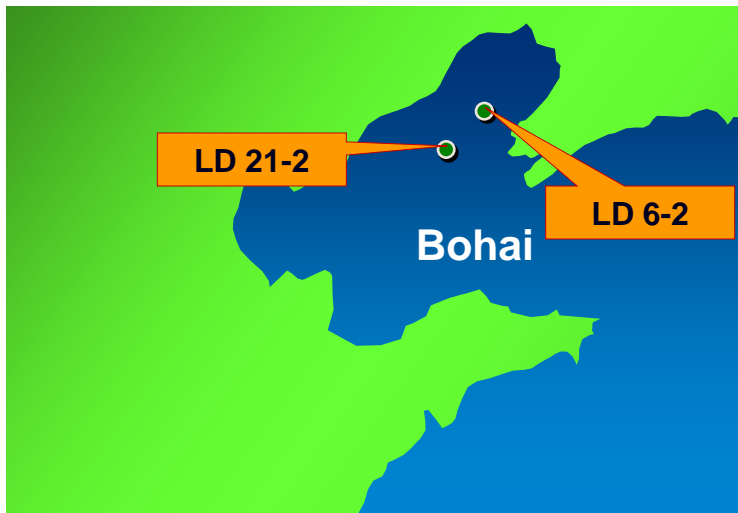
- **Successful appraisal of Penglai 9-1**
 - Located in the Miaoxibei uplift in the eastern part of Bohai
 - Discovery made in 2010
 - The largest oilfield among the recent years' discoveries by scale in Bohai
 - Discovery of Penglai 15-2, 8 kilometers south of PL9-1
- **Successful appraisal of Qinhuangdao 29-2**
 - Located in the central north of Bohai
 - Breakthrough achieved by appraisal well QHD 29-2E-4, which encountered oil pay zones of 218 meters, including a 134 meter thick single oil pay zone
 - Expanded the reserve scale of this area



Successful Exploration Program (cont'd)



- **New discovery Dongfang 13-2**
 - Located in the north of central sag in Yinggehai Basin of Western South China Sea
 - Encountered gas pay zones with total thickness of 35 meters
 - Another breakthrough in high-temperature and high-pressure natural gas reservoir in Yinggehai after successful appraisal of DF 13-1



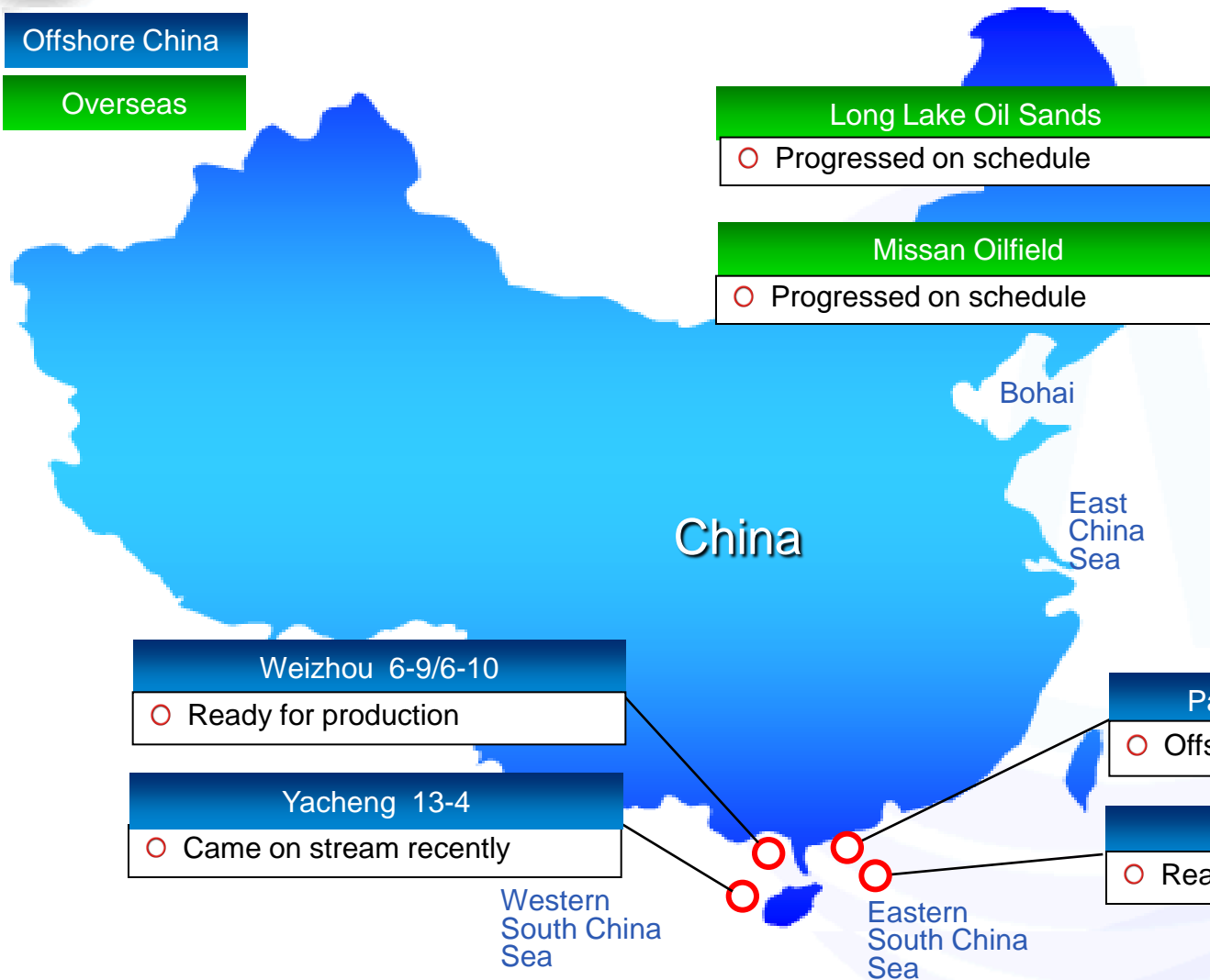
- **New discovery Luda 21-2**
 - Located in south Liaodong Bay in Bohai
 - Encountered oil pay zones of 170 meters
 - A mid-size discovery
- **New discovery Luda 6-2**
 - Located in the Liaodong Bay in Bohai
 - Encountered oil pay zones of 40 meters and 148 meters by LD 6-2-4 and LD 6-2-5 respectively
 - A mid-size discovery



Major New Projects in 2012

Offshore China

Overseas



Long Lake Oil Sands

○ Progressed on schedule

Missan Oilfield

○ Progressed on schedule



Panyu 4-2/5-1 adjustment

○ Offshore installation

Lihua 4-1

○ Ready for production

2012 new projects progressed on schedule.



HSE Performance

- Health, safety and environment protection are always our top priority.
- 2012 was made “Safety and environment protection promotion year” of the Company.
- Continue to closely monitor the production operations of all oil and gas fields.
- Continue to proactively perform social responsibilities.

| | 1H 2012 | 1H 2011 |
|--|---------|---------|
| Rate of Recordable Cases (per 200,000 man hours) | 0.09 | 0.13 |
| Rate of Lost Workdays Cases (per 200,000 man hours) | 0.04 | 0.05 |



Agreement Reached to Acquire Nexen Inc.

On July 23, 2012, we announced that the Company and Nexen have entered into a definitive agreement under which we will acquire all of the outstanding common shares of Nexen for US\$27.50 per share in cash.

| | |
|--------------------------|---|
| Structure | <ul style="list-style-type: none">○ Acquire 100% of the outstanding common and preferred shares of Nexen○ Structured as a Plan of Arrangement |
| Consideration | <ul style="list-style-type: none">○ Approximately US\$15.1 bn ⁽¹⁾ of total cash consideration paid for Nexen's common and preferred shares<ul style="list-style-type: none">○ Cash consideration of US\$27.50 per common share of Nexen, representing a 61% premium to the closing price of July 20, 2012○ Cash consideration of C\$26.00 per preferred share of Nexen○ Nexen's current debt of approximately US\$4.3 bn will remain outstanding |
| Financing | <ul style="list-style-type: none">○ Plan to fund the acquisition from existing cash and external financing |
| Other Information | <ul style="list-style-type: none">○ Unanimous recommendation by Nexen and CNOOC Limited Boards of Directors○ Transaction is subject to customary regulatory approvals (e.g. Canada, US, China), 2/3 vote cast by Nexen common shareholders and Canadian court approval |
| Timing | <ul style="list-style-type: none">○ Nexen shareholder meeting to be held in late Q3, 2012○ Closing expected in Q4, 2012 |

1. Value based on basic shares, options and preferred shares outstanding as at June 30, 2012; CAD values converted to USD at 0.9887 (July 20, 2012 Bank of Canada noon rate).



Delay in Dispatch of Circular

We recently announced delay in dispatch of circular in relation of the Nexen transaction.

- The HK Listing Rules set out extensive requirements for disclosure of information in the shareholders circular for a transaction of this nature.
- These requirements include financial and technical disclosures, which in some cases require the preparation of reports by third parties.
- Given the scale and complexity of Nexen and its business, this information takes some time to compile and prepare. The time required significantly exceeds the 15 business days usually required under the HK Listing Rules.
- As a result, the HK Stock Exchange has granted the Company a waiver to permit the Company to have additional time to prepare the information necessary for inclusion in the circular and to dispatch the circular.
- This is a common market practice in Hong Kong, and other listed companies have adopted the same approach in other transactions of comparable size and complexity.
- This delay relates only to the circular for this transaction and does not affect any other disclosures or reporting by the Company.
- **This also will not impact the expected closing of the transaction** as the transaction has been approved by the controlling shareholder of the Company.



Financial Performance

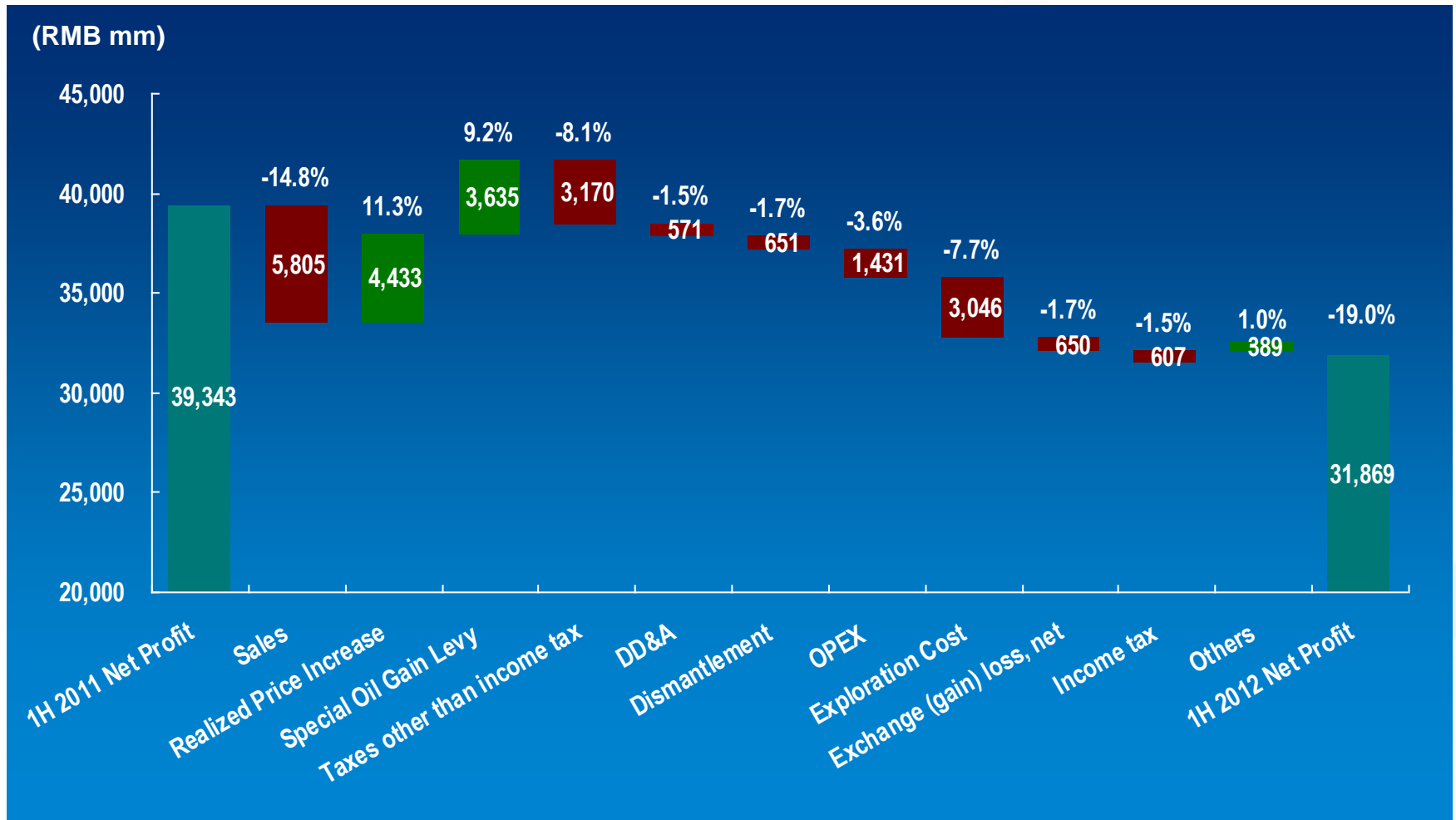


Key Financial Items - Consolidated

| (RMB mm) | 1H 2012 | 1H 2011 | % Change |
|---|-----------------|-----------------|---------------|
| Revenue | | | |
| Oil and gas sales | 95,658 | 97,030 | -1.4% |
| Marketing revenues | 21,884 | 27,110 | -19.3% |
| Other income | 726 | 428 | 69.6% |
| Revenue subtotal | 118,268 | 124,568 | -5.1% |
| Expenses | | | |
| Operating expenses | (8,753) | (7,322) | 19.5% |
| Taxes other than income tax | (8,034) | (4,864) | 65.2% |
| Exploration expenses | (4,584) | (1,538) | 198.0% |
| DD&A | (15,172) | (13,950) | 8.8% |
| Special Oil Gain levy | (13,639) | (17,274) | -21.0% |
| Crude oil and product purchases | (21,780) | (27,026) | -19.4% |
| SG&A | (1,246) | (1,204) | 3.5% |
| Others | (552) | (603) | -8.5% |
| Expenses subtotal | (73,760) | (73,781) | 0.0% |
| Profit From Operating Activities | 44,508 | 50,787 | -12.4% |
| Interst income | 633 | 442 | 43.2% |
| Finance cost | (850) | (566) | 50.2% |
| Exchange (loss)/gain, net | (356) | 294 | -221.1% |
| Investment income | 1,037 | 663 | 56.4% |
| Share of profits of associates | 156 | 177 | -11.9% |
| Share of profits of a joint venture | 54 | 317 | -83.0% |
| Non-operating income/(expenses), net | 27 | (38) | -171.1% |
| Profit Before Tax | 45,209 | 52,076 | -13.2% |
| Income tax | (13,340) | (12,733) | 4.8% |
| Profit for the Period | 31,869 | 39,343 | -19.0% |



1H2012 vs. 1H2011 Net Profit Analysis

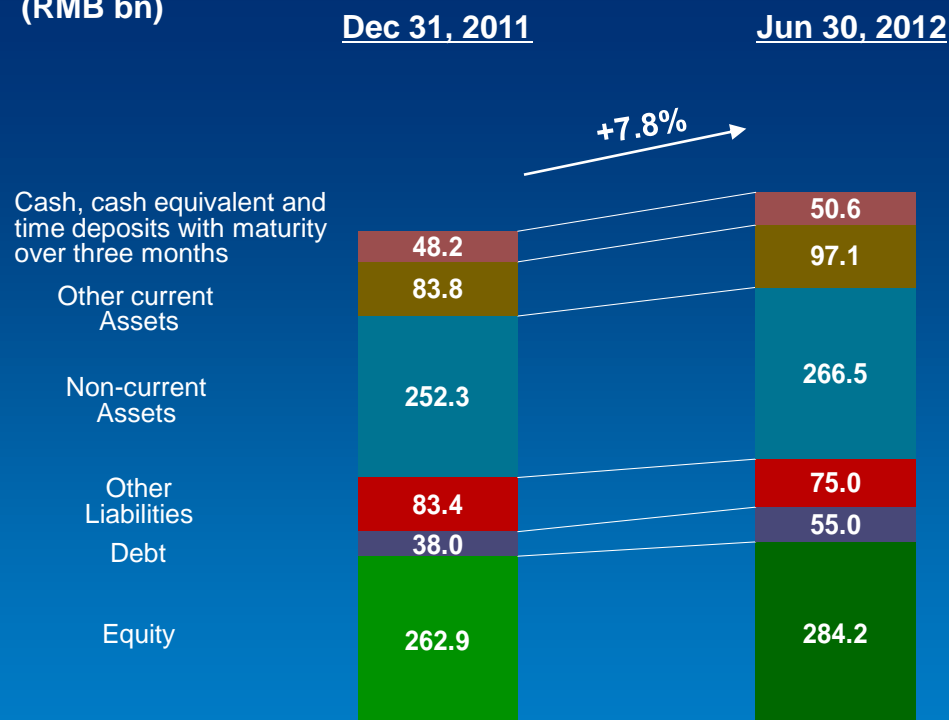


Net profit decline 19.0% YoY, mainly due to the sales decrease and resource taxes.



Movement of Financial Position

(RMB bn)



- Total assets mainly include:
 - RMB236.8 bn of PP&E
 - RMB69.7 bn of available for sale financial assets
 - RMB50.6 bn of cash, cash equivalent and time deposits with maturity over three months
- Equity increased RMB21.3 bn
 - Net profit RMB31.9 bn
 - Dividend paid RMB10.2 bn

| | As at Dec 31, 2011 | As at Jun 30, 2012 |
|-------------------------------|--------------------|--------------------|
| Total Assets (RMB bn): | 384.3 | 414.2 |
| Gearing ratio*: | 12.6% | 16.2% |

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

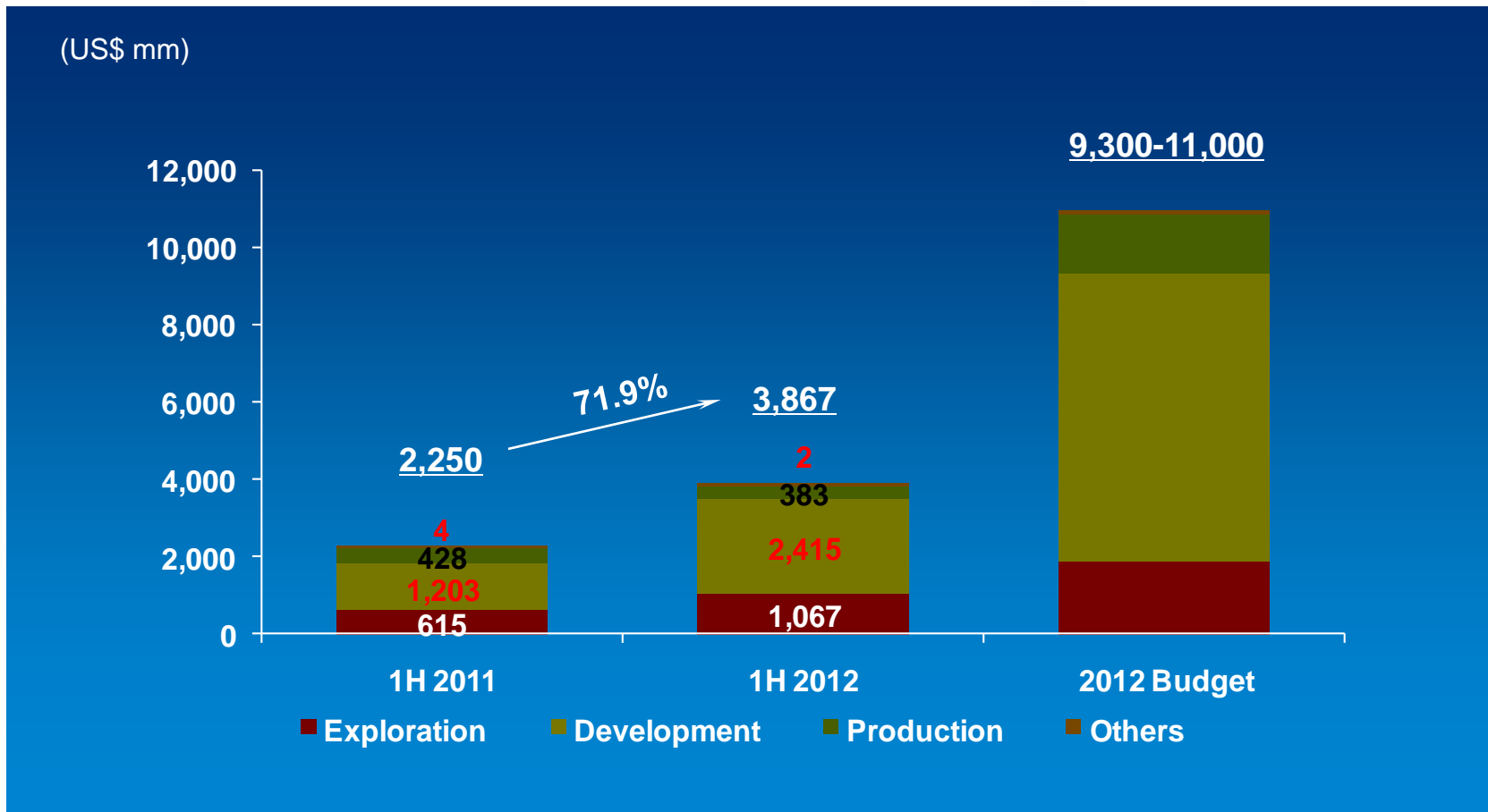


Change in Cash Position

| (RMB mm) | 1H 2012 | 1H 2011 |
|---|----------|----------|
| Cash Balance - Beginning of period | 23,678 | 27,287 |
| Net Cash Flow | (9,898) | (4,035) |
| Cash flow from operating activities | 36,240 | 50,534 |
| Cash flow from investing activities | (51,845) | (56,360) |
| Cash flow from financing activities | 5,707 | 1,791 |
| Effect of the change of exchange rate | 21 | (230) |
| Cash Balance - End of period | 13,801 | 23,022 |
| Time deposits with maturity over three months | 36,785 | 26,976 |



Capital Expenditure



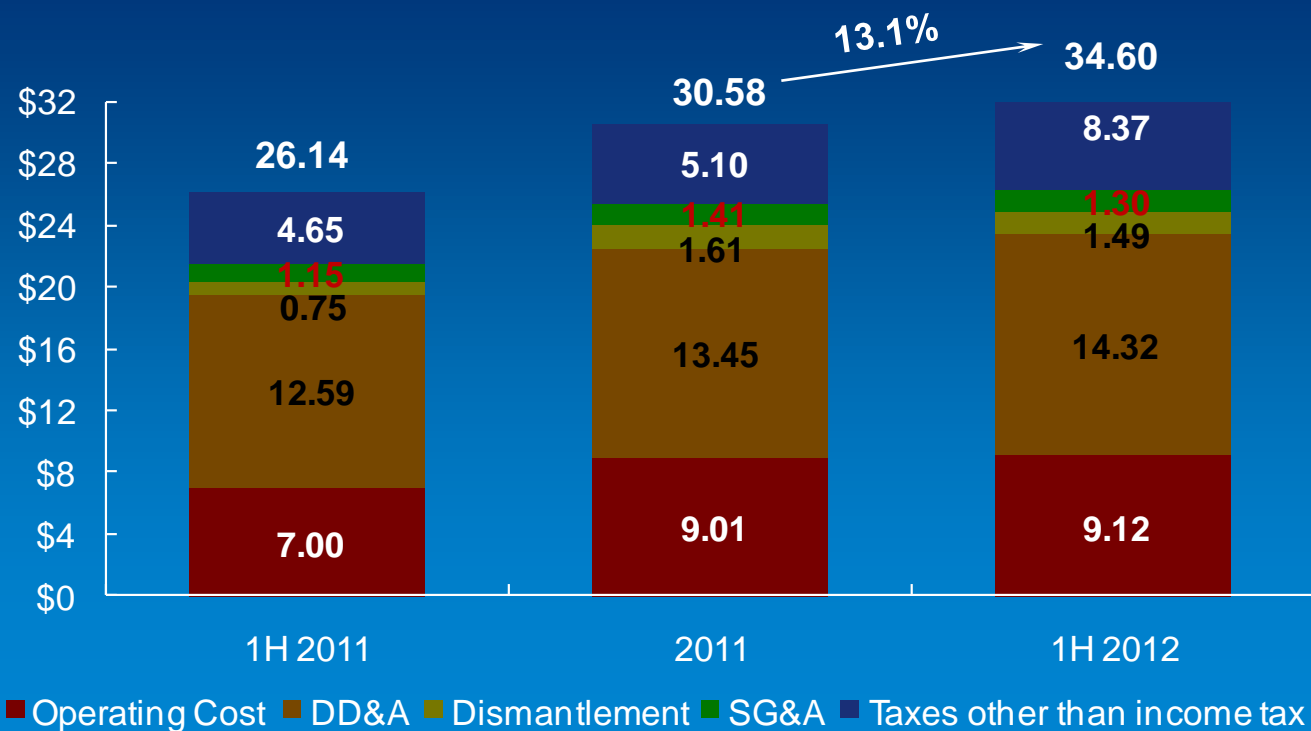
Note: Excluding M&A expenditure

Capex increased 71.9% YoY in 1H 2012 to facilitate future growth.



All-in Cost

(US\$/boe)



- The biggest contributor of the cost inflation is the levy of resource tax.
- YoY decline of production, increasing industry costs, as well as some newly acquired overseas assets which have higher costs, are other factors of the cost increase.



Opex and DD&A

OPEX

(US\$/boe)



- Opex of US\$9.12/boe, increased 1.2% from 2011 level.
- Inflation on industry costs, such as raw materials price and service fees
- Increased operation workload
- Some newly acquired overseas projects have relatively higher opex

DD&A

(US\$/boe)



- DD&A of US\$14.32/boe, increased 6.4% from 2011 level.
- New projects in recent years were built under cost inflation environment
- Some newly acquired overseas projects have relatively higher DD&A



Interim Dividend

- **2012 Interim dividend: HK\$0.15 per share (tax inclusive)**
 - 17.2%⁽¹⁾ payout of 1H 2012 net profit
 - 2.8%⁽²⁾ dividend yield
 - Interim dividend payment will be approximately RMB 5.48 billion⁽³⁾
- **In consideration of:**
 - Capital requirements of the Nexen transaction
 - To maintain financial flexibility and support the Company's long-term growth
- **Schedule:**
 - **Record date:** September 14
 - **Book close period:** September 10-14
 - **Payment date:** October 10

(1). (3) Exchange rate quoted as 1 HK\$=0.8180 RMB of August 17, 2012

(2) Based on closing share price of HK\$15.58 as of August 17, 2012



2012 Outlook



Sustainable, Stable and Profitable Growth

Reserves

- Continue to add reserves through exploration and M&As
- RRR: >100%

Development

- 4 new projects in offshore China scheduled to come on stream in 2012

Production

- Production target of 330-340 mm boe

Financial Management

- Maintain prudent financial discipline

HSE

- Maintain company-wide focus and high standard on HSE



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