



中海石油化学股份有限公司
China BlueChemical Ltd.

2007 Interim Results

Disclaimer

The information contained in our presentation is intended solely for your personal reference. In addition, such information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on assumptions subject to various risks. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.





Interim results overview



Operating overview



Financial performance



Outlook 2007



Interim results overview

● Remarkable production growth

- Urea production : 968k tons in 1H2007 compared to 905k tons in 1H2006, up 7% Y/Y
- Methanol production : 280k tons in 1H2007 compared to 59k tons in 1H2006, significantly up 375% Y/Y

● Record financial performance

- Revenue : RMB 2,312 million, up 43% Y/Y
- Operating net profit : RMB 828 million, up 61% Y/Y¹

● 1H2007 EPS : RMB18 fen per share

Note:

1. Operating net profit = Net profit - excess over the cost of a business combination - gains/losses from cross currency swap - exchange G/ L



Financial highlights

▶ RMB millions

| | Six months ended June 30 | | YoY change (%) |
|---|--------------------------|-------|----------------|
| | 2006 | 2007 | |
| Revenue | 1,614 | 2,312 | 43 |
| Gross profit | 621 | 996 | 60 |
| <i>Gross profit margin (%)</i> | 39 | 43 | |
| EBITDA ¹ | 847 | 1,179 | 39 |
| <i>EBITDA margin (%)</i> | 53 | 51 | |
| Operating net profit ² | 514 | 828 | 61 |
| <i>Operating net profit margin(%)</i> | 32 | 36 | |
| Net profit | 1,085 | 827 | (24) |
| Note : 2006 net profit included RMB578 million one-off gain from Tianye acquisition | | | |
| <i>Net profit margin (%)</i> | 67 | 36 | |
| Basic EPS (RMB fen) | 36.2 | 17.9 | (50) |
| ROE(%) | 29 | 12 | |
| ROA(%) | 15 | 9 | |

Note:

1. EBITDA = Net profit + tax - interest income + interest expenses - exchange gain/loss + DD&A - gains/losses from cross currency swap - excess over the cost of a business combination
2. Operating net profit = Net profit - excess over the cost of a business combination - gains/losses from cross currency swap - exchange G/L

Significant profit growth





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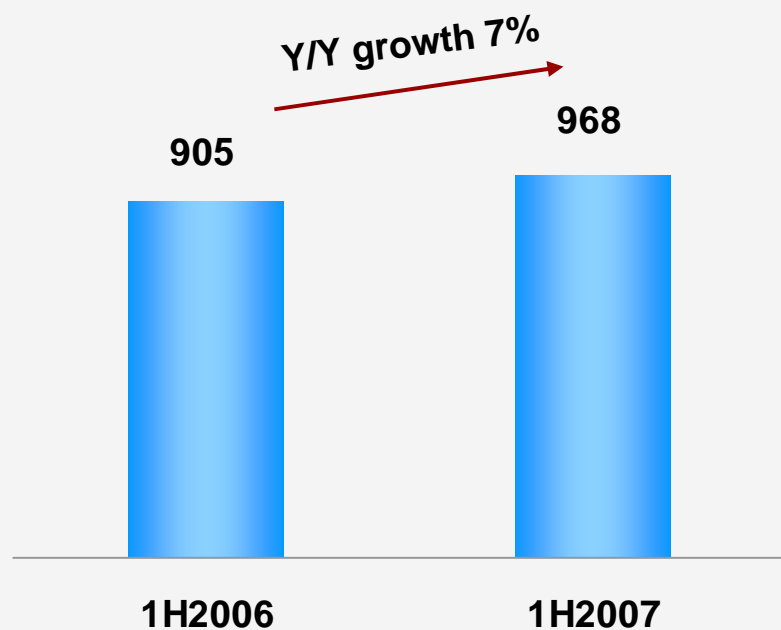


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Production

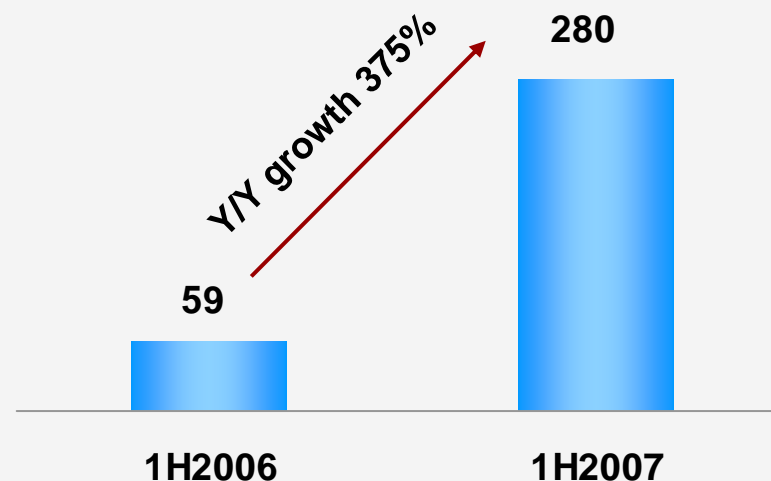
▶ Urea production

(thousand tons)



▶ Methanol production

(thousand tons)



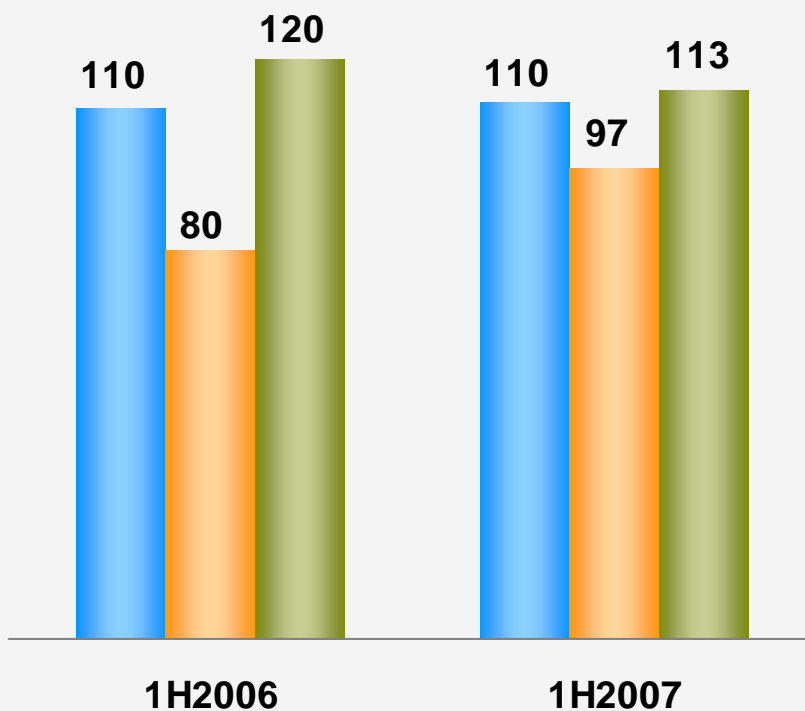
Remarkable methanol production growth



Facility utilization

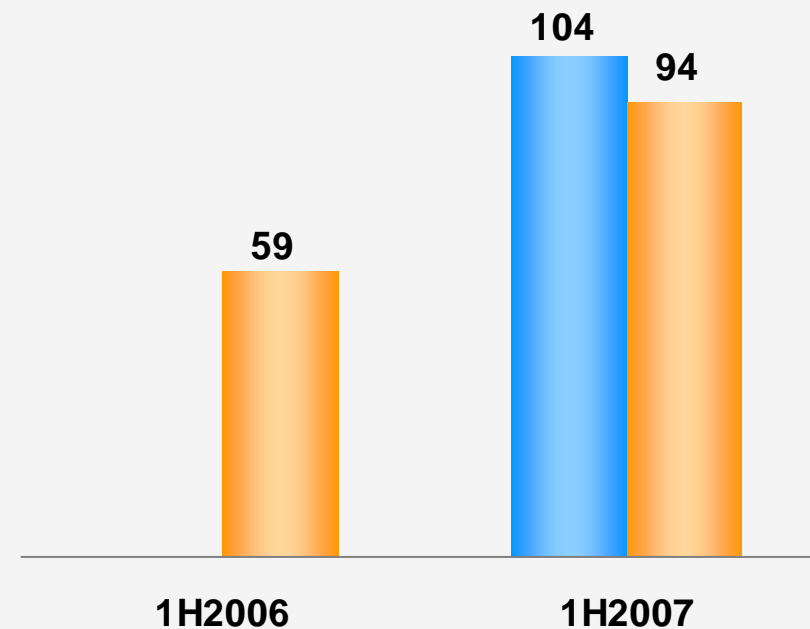
▶ Urea facility utilization rate (%)

■ Fudao-I ■ Fudao-II ■ Tianye Urea



▶ Methanol facility utilization rate (%)

■ CNOOC Jiantao¹ ■ Tianye Methanol

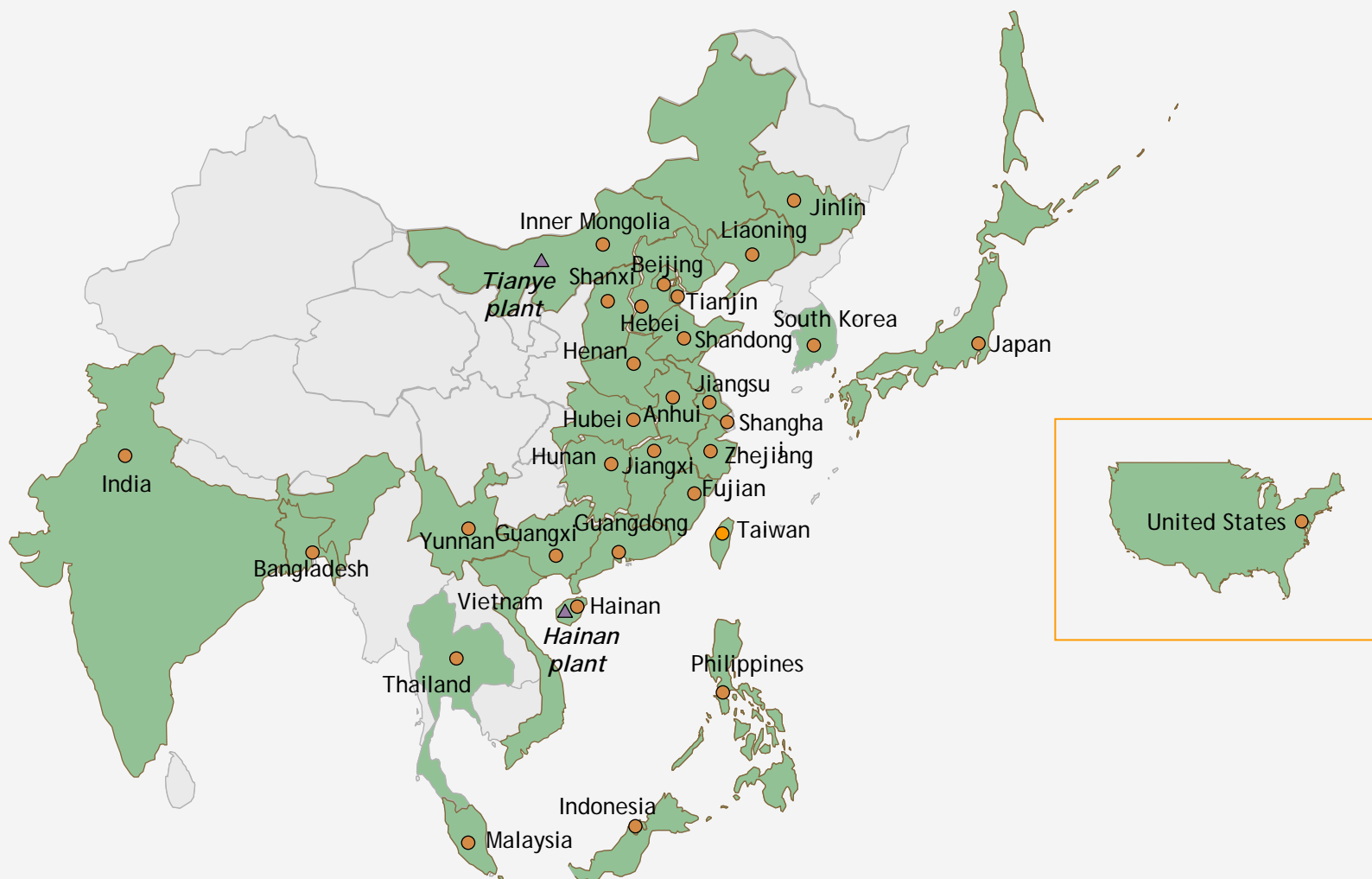


Note: 1. No methanol production for CNOOC Jiantao in 1H2006

Methanol facilities running stably



Sales and market coverage



- 186k tons of Urea exported through agents in 1H 2007, covered more than 21 provinces in domestic markets and 5 overseas markets
- 134k tons of methanol exported in 1H2007.
- Methanol pricing power enhanced in southern China market





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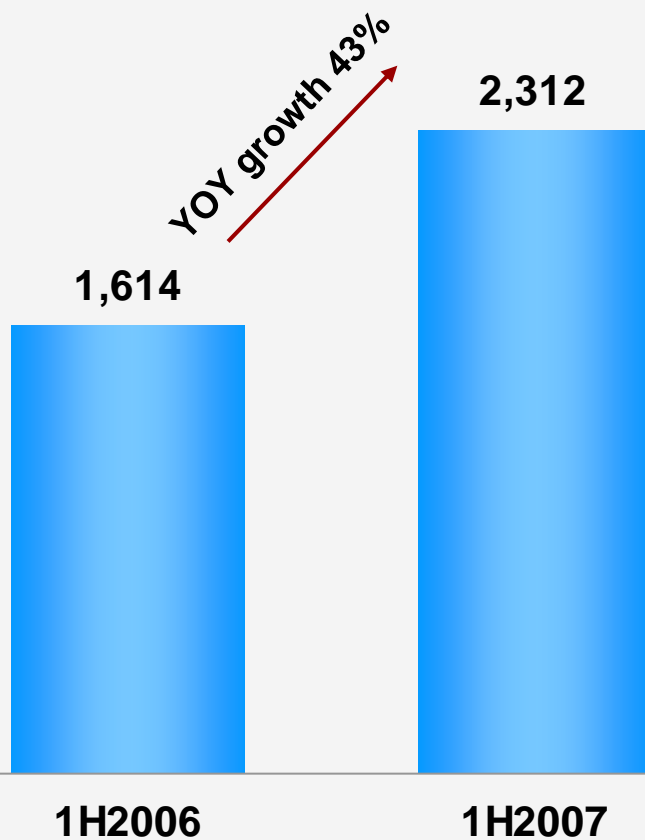
Outlook 2007



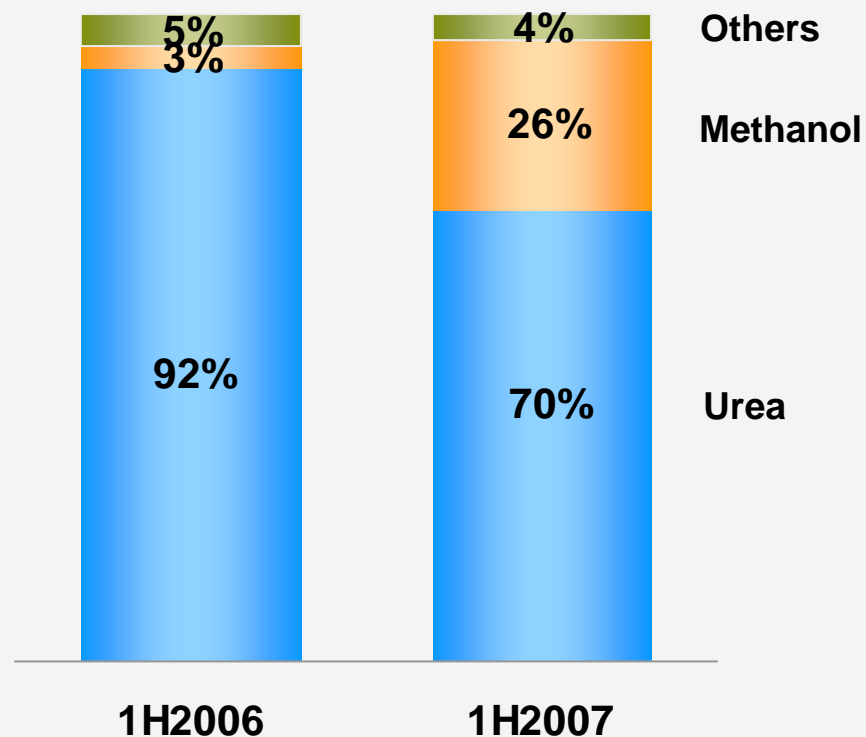
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Strong revenue growth

▶ Revenue (RMB millions)



▶ Revenue breakdown(%)



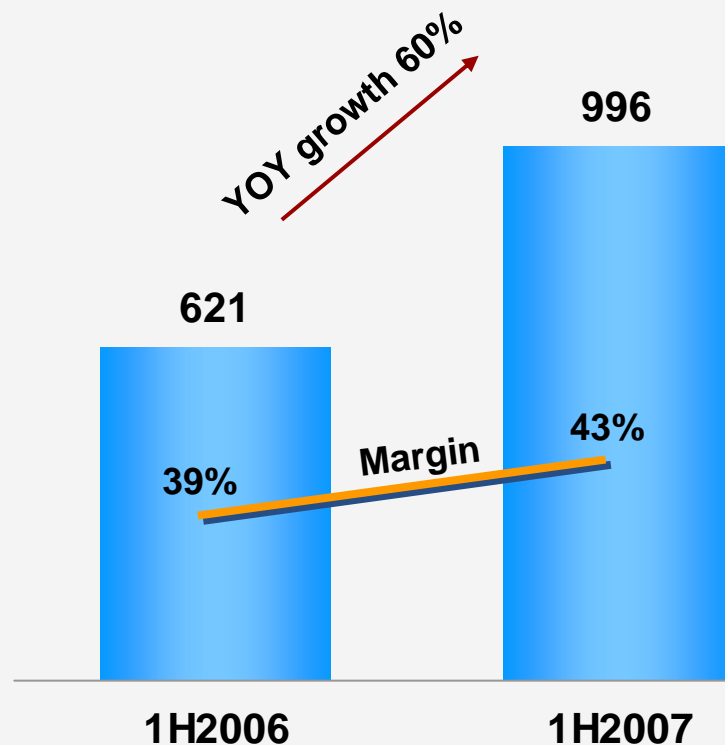
Strong top-line growth from expanded methanol production



Gross profit and EBITDA growth

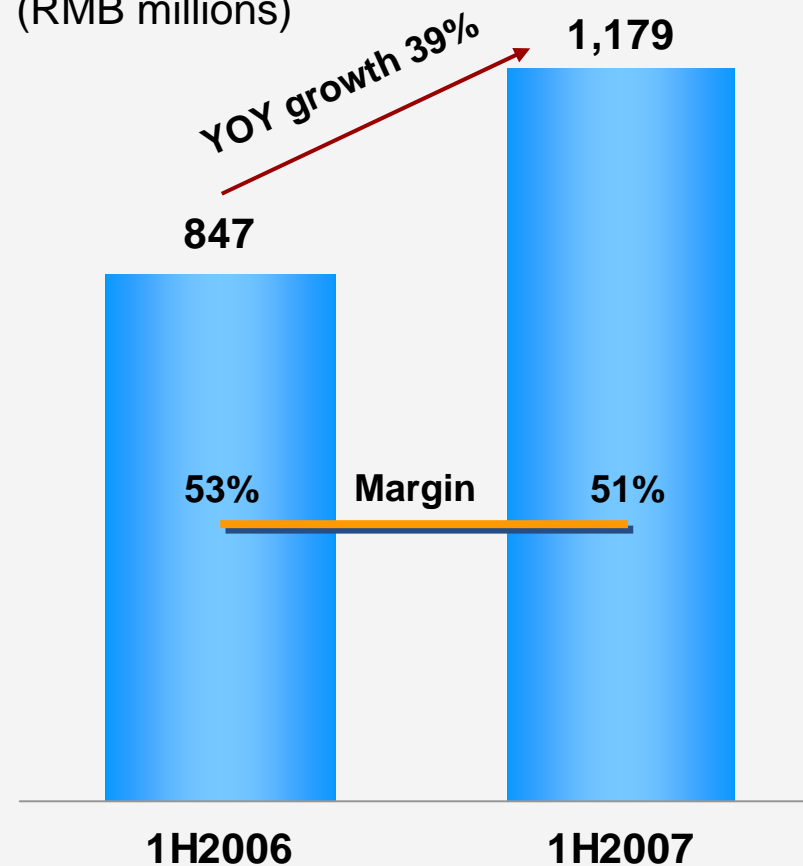
▶ Gross profit

(RMB millions)



▶ EBITDA¹

(RMB millions)



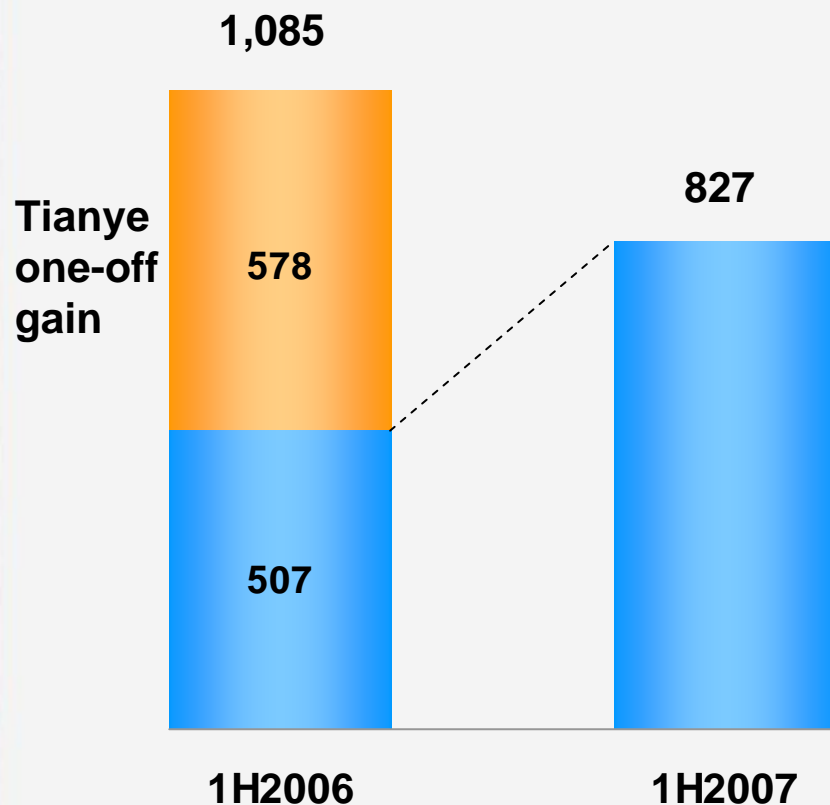
Note:

1. EBITDA = Net profit + tax - interest income + interest expenses - exchange G/L + DD&A - gains/losses from cross currency swap - excess over the cost of a business combination

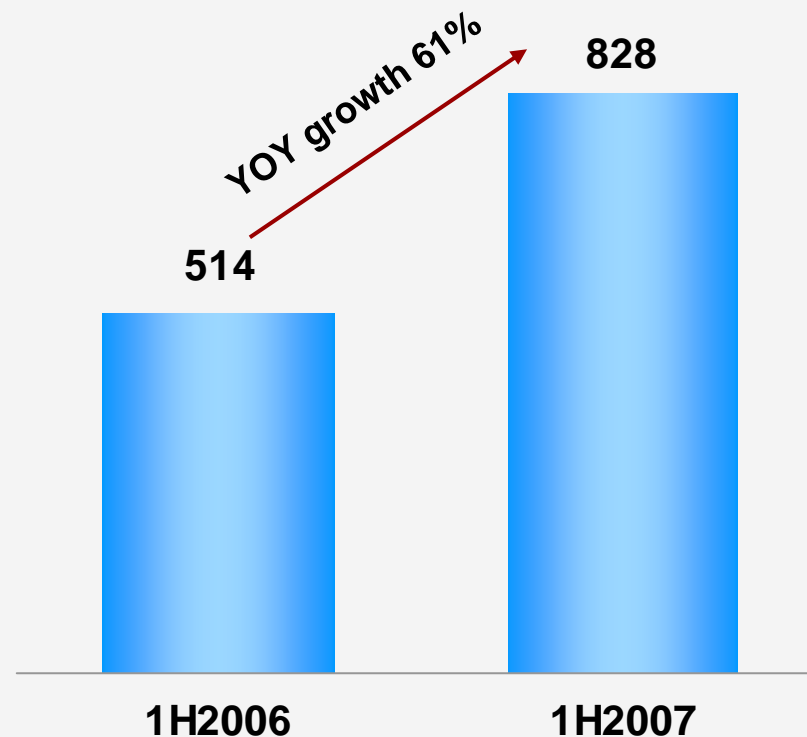


Robust operating net profit growth

▶ **Net profit**
(RMB millions)



▶ **Operating net profit¹**
(RMB millions)



Note:

1. Operating net profit = Net profit - excess over the cost of a business combination - gains/losses from cross currency swap - exchange G/L



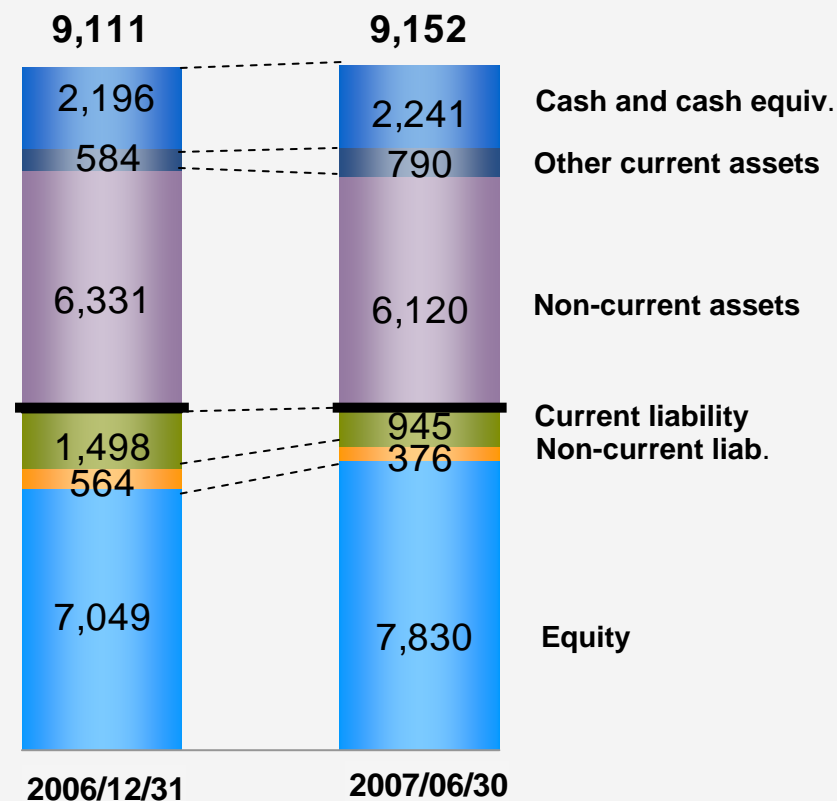
Balance sheet movement

▶ Balance sheet ratios

| | 2006/ 12/31 | 2007/ 06/30 |
|---|----------------|----------------|
| Current ratio (%) | 1.9 | 3.2 |
| Inventory turnover (day) | 41.7 | 46.2 |
| A/R turnover (day) | 16.1 | 8.6 |
| A/P turnover (day) | 12.0 | 12.7 |
| Total debt/ total capitalization (D/(D+E)) (%) | 11.4 | 4.4 |

▶ Balance sheet movement

(RMB millions)



Healthy balance sheet provides solid support for future expansion



Capital expenditure

- Capital expenditure : RMB 103 million
- 1.13 million t/a methanol project and 60,000 t/a POM project were delayed due to additional information required for environmental assessment
- Studies on other projects are in progress





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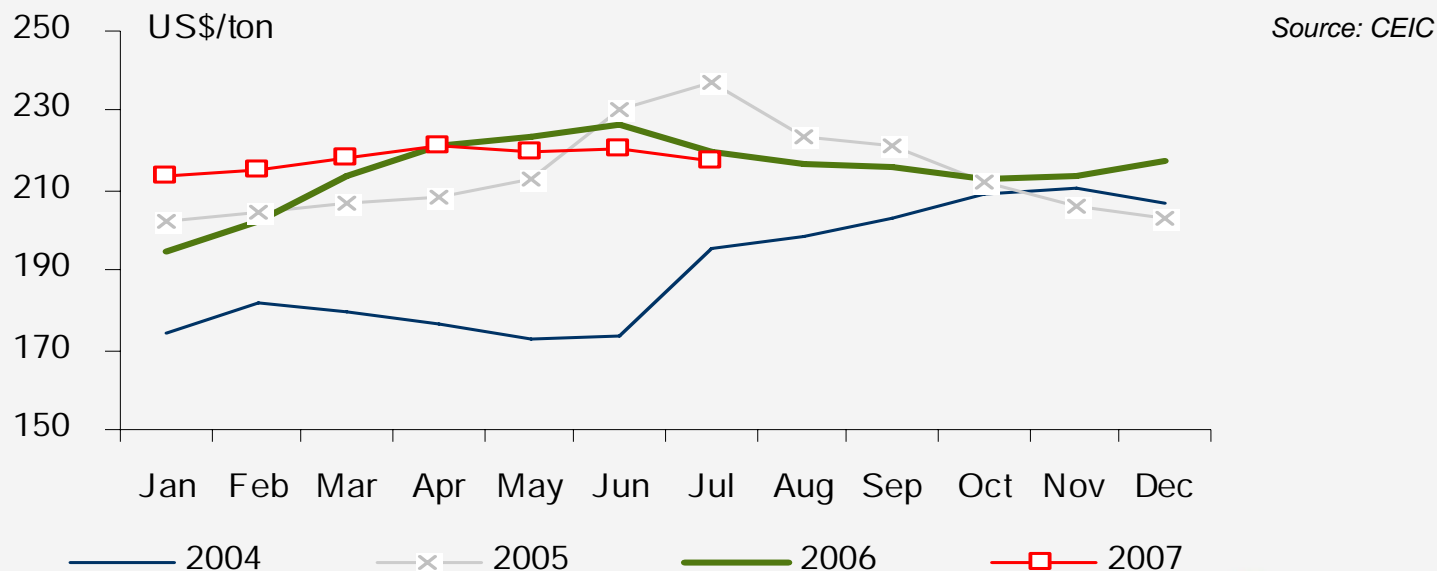
Strong domestic support for urea market

■ National policies for urea

- Preferential policies such as VAT exemption, natural gas price concessions, special railway transportation rates, special power tariff
- Restrictive export tariff - 30% during Jan-Sep, 15% during Oct-Dec
- Government guidance on ex-factory price for domestic sales

■ Domestic urea wholesale prices

- Y/Y price increase is possible in 2H07 given increasing producers cost
- Export market will provide continuous support to domestic prices
- Full year 07 average selling price is expected to be at least flat from 06

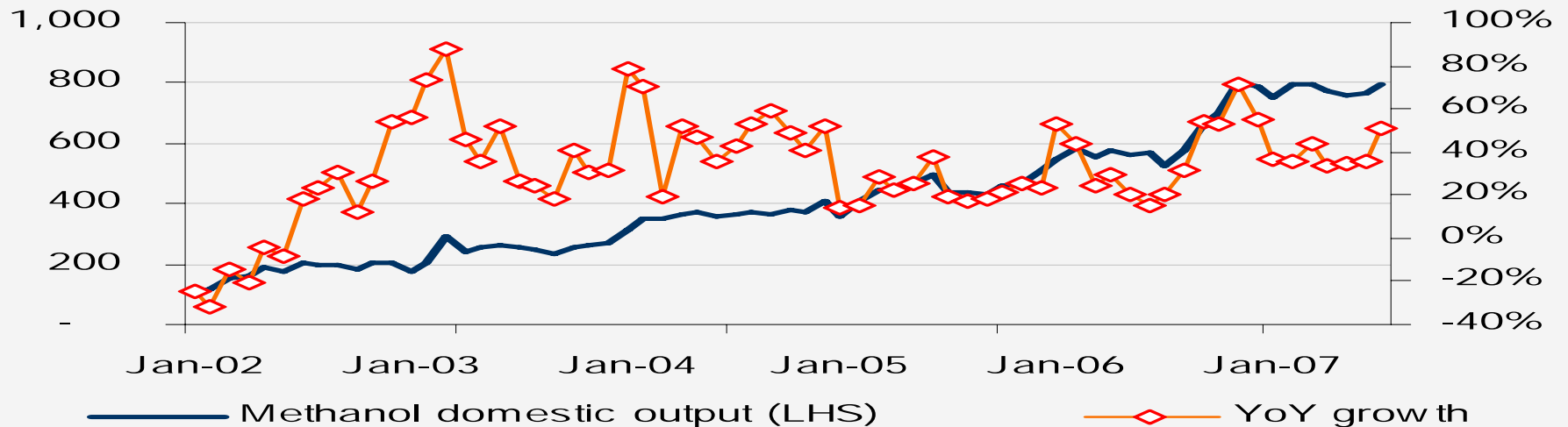


China wholesale methanol price to stabilize

Domestic output of methanol

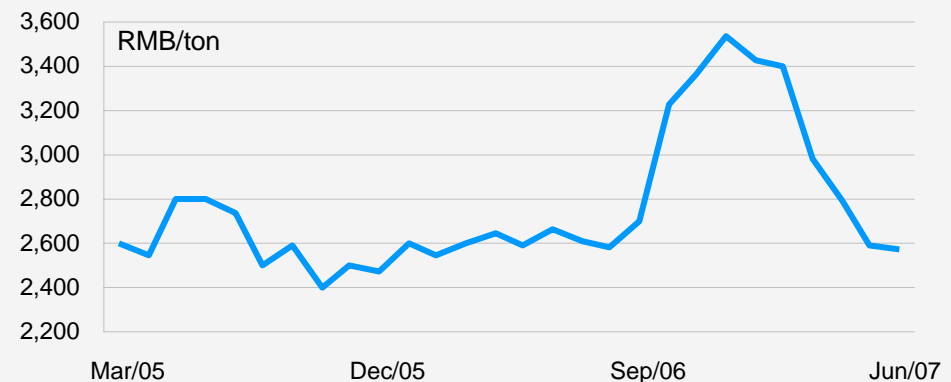
- Domestic producers have responded to falling prices by cutting production
- Output from China started to decline on a sequential basis since April

Source: CEIC



Domestic methanol price trends

- Domestic prices stopped falling since late May and rose in July, with strong demand growth in Chinese market, especially DME
- Expect limited long-term pressure – Fall in China exports should push up international market prices, which will in turn support local prices



Source: CEIC



Thank You

The management is committed to achieve solid development and deliver sustainable returns to shareholders

