ALCOA INC
Form 10-Q
October 25, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-3610

ALCOA INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-0317820
(State of incorporation)	(I.R.S. Employer Identification No.)
390 Park Avenue, New York, New York	**10022-4608**
(Address of principal executive offices)	(Zip code)

Investor Relations 212-836-2674

Office of the Secretary 212-836-2732

(Registrant s telephone number including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 19, 2012, 1,067,201,953 shares of common stock, par value $1.00 per share, of the registrant were outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Alcoa and subsidiaries

Statement of Consolidated Operations (unaudited)

(in millions, except per-share amounts)

	Third quarter ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Sales (I)	$ 5,833	$ 6,419	$ 17,802	$ 18,962
Cost of goods sold (exclusive of expenses below)	5,266	5,290	15,518	15,252
Selling, general administrative, and other expenses	234	261	720	759
Research and development expenses	51	47	141	136
Provision for depreciation, depletion, and amortization	366	376	1,098	1,112
Restructuring and other charges (C)	2	9	27	49
Interest expense	124	125	370	399
Other (income) expenses, net (H)	(2)	31	4	(47)
Total costs and expenses	6,041	6,139	17,878	17,660
(Loss) income from continuing operations before income taxes	(208)	280	(76)	1,302
(Benefit) provision for income taxes (K)	(33)	55	19	329
(Loss) income from continuing operations	(175)	225	(95)	973
Loss from discontinued operations				(5)
Net (loss) income	(175)	225	(95)	968
Less: Net (loss) income attributable to noncontrolling interests	(32)	53	(44)	166
NET (LOSS) INCOME ATTRIBUTABLE TO ALCOA	$ (143)	$ 172	$ (51)	$ 802
AMOUNTS ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS:				
(Loss) income from continuing operations	$ (143)	$ 172	$ (51)	$ 807
Loss from discontinued operations				(5)
Net (loss) income	$ (143)	$ 172	$ (51)	$ 802
EARNINGS PER SHARE ATTRIBUTABLE TO ALCOA COMMON SHAREHOLDERS (J):				
Basic:				
(Loss) income from continuing operations	$ (0.13)	$ 0.16	$ (0.05)	$ 0.76
Loss from discontinued operations				(0.01)
Net (loss) income	$ (0.13)	$ 0.16	$ (0.05)	$ 0.75

Diluted:				
(Loss) income from continuing operations	$ (0.13)	$ 0.15	$ (0.05)	$ 0.71
Loss from discontinued operations				
Net (loss) income	$ (0.13)	$ 0.15	$ (0.05)	$ 0.71
Dividends paid per common share	$ 0.03	$ 0.03	$ 0.09	$ 0.09

The accompanying notes are an integral part of the consolidated financial statements.

Alcoa and subsidiaries

Statement of Consolidated Comprehensive (Loss) Income (unaudited)

(in millions)

	Alcoa Third quarter ended September 30,		Noncontrolling Interests Third quarter ended September 30,		Total Third quarter ended September 30,	
	2012	2011	2012	2011	2012	2011
Net (loss) income	$ (143)	$ 172	$ (32)	$ 53	$ (175)	$ 225
Other comprehensive income (loss), net of tax:						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	50	62	2	1	52	63
Foreign currency translation adjustments	202	(1,108)	36	(351)	238	(1,459)
Unrealized gains on available-for-sale securities:						
Unrealized holding gains (losses)	2	(2)			2	(2)
Net amount reclassified to earnings						
Net change in unrealized gains on available-for-sale securities	2	(2)			2	(2)
Unrecognized losses on derivatives (N):						
Net change from periodic revaluations	(135)	149		1	(135)	150
Net amount reclassified to earnings	(18)	32		1	(18)	33
	(153)	181		2	(153)	183

Net change in unrecognized losses on derivatives								
Total Other comprehensive income (loss), net of tax	101	(867)			38	(348)	139	(1,215)
Comprehensive (loss) income	$ (42)	$ (695)	$		6	$ (295)	$ (36)	$ (990)

	Nine months ended September 30,				Nine months ended September 30,			
	2012	2011			2012	2011	2012	2011
Net (loss) income	$ (51)	$ 802	$		(44)	$ 166	$ (95)	$ 968
Other comprehensive loss, net of tax:								
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	181	158			8	4	189	162
Foreign currency translation adjustments	(239)	(386)			(86)	(170)	(325)	(556)
Unrealized gains on available-for-sale securities:								
Unrealized holding gains (losses)	4	(1)					4	(1)
Net amount reclassified to earnings								

Certain Covenants

Limitation on Liens

The indenture provides that the Company will not, and will not permit the Issuer or any Principal Subsidiary to, create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness of the Company, the Issuer or such Principal Subsidiary (or any guarantees or indemnity in respect thereof) without, in any such case, making effective provision whereby the debt securities and the guarantees will be secured either at least equally and ratably with such Indebtedness or by such other Lien as shall have been approved by the holders of the debt securities as provided in the indenture, for so long as such Indebtedness will be so secured,

unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (including the Attributable Value of the Sale and Leaseback Transactions set forth below) entered into after the original issue date of the relevant series of debt securities does not exceed 50% of the Company s Adjusted Consolidated Net Worth.

The foregoing restriction will not apply to:

(i) any Lien which is in existence prior to the original issue date of the debt securities and any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased);

(ii) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings; provided that any reserve or other appropriate provision required by IFRS IASB shall have been made therefor;

(iii) any Lien over goods (or any documents relating thereto) arising either in favor of a bank issuing a form of documentary credit in connection with the purchase of such goods or by

Table of Contents

way of retention of title by the supplier of such goods where such goods are supplied on credit, subject to such retention of title, and in both cases where such goods are acquired in the ordinary course of business;

(iv) any right of set-off or combination of accounts arising in favor of any bank or financial institution as a result of the day-to-day operation of banking arrangements;

(v) any Lien either over any asset acquired after the original issue date of the debt securities which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes a Subsidiary of the Company after the original issue date of the debt securities which is in existence at the date on which it becomes a Subsidiary of the Company and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased); provided that any such Lien was not incurred in anticipation of such acquisition or of such company becoming a Subsidiary of the Company;

(vi) any Lien created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the original issue date of the debt securities; provided, however, that (a) any such Lien shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired); (b) the principal amount of the debt encumbered by such Lien shall not exceed the cost of the acquisition or development of such property or asset or any improvement thereto (including any construction, repair or alteration) or thereon and (c) any such Lien shall be created concurrently with or within one year following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

(vii) any Lien pursuant to any order of attachment, execution, enforcement, distraint or similar legal process arising in connection with court proceedings; provided that such process is effectively stayed, discharged or otherwise set aside within 30 days;

(viii) any Lien created or outstanding in favor of the Company or any of the Company s Subsidiaries;

(ix) any easement, right-of-way, zoning and similar restriction and other similar charge or encumbrance not interfering with the ordinary course of business of the Company and the Principal Subsidiaries of the Company;

(x) any lease, sublease, license and sublicense granted to any third party and any Lien pursuant to farm-in and farm-out agreements, operating agreements, development agreements and any other agreements, which are customary in the oil and gas industry and in the ordinary course of the Company s business and any Principal Subsidiary;

(xi) any Lien on any property or asset to secure all or part of the cost of exploration, drilling, development, production, gathering, processing, marketing of such property or asset or to secure Indebtedness incurred to provide funds for any such purpose;

(xii) any Lien over any property or asset to secure Indebtedness incurred in connection with the construction, installation or financing of pollution control, abatement or remediation facilities;

(xiii) any Lien arising in connection with industrial revenue, development or similar bonds or other indebtedness or means of project financing (not to exceed the value of the project financed and limited to the project financed);

(xiv) any Lien in favor of any government or any subdivision thereof, securing the obligations of the Company or any of its Principal Subsidiaries under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;

Table of Contents

(xv) any Lien over any property or asset securing Indebtedness of the Company or any of its Principal Subsidiaries guaranteed by any international finance agency, including the World Bank and the International Finance Corporation, or any subdivision, department or division thereof;

(xvi) any right arising in connection with the sale or other transfer of crude oil, natural gas or other petroleum hydrocarbons in place for a period of time until, or in an amount such that, the transferee will realize therefrom a specified amount (however determined) of such crude oil, natural gas or other petroleum hydrocarbons or a specified amount of money, or the sale or other transfer of any other interest in property of the character commonly referred to as a production payment or overriding royalty;

(xvii) any Lien created in connection with any sale/leaseback transaction, subject to the limitation set forth below under Certain Covenants Limitation on Sale and Leaseback Transactions ;

(xviii) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or asset covered thereby; or

(xix) any Lien in respect of Indebtedness of the Company or any of its Subsidiaries with respect to which the Company or such Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Company or such Subsidiary in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

Limitation on Sale and Leaseback Transactions

The indenture provides that the Company shall not, and shall not cause or permit any Principal Subsidiary to, enter into any Sale and Leaseback Transaction with any Person (not including any Principal Subsidiary) for a period, including renewals, in excess of three years of any Principal Property which has been owned by the Company or a Principal Subsidiary for more than six months unless either:

(i) the Company or such Principal Subsidiary would be permitted under the Certain Covenants Limitation on Liens covenant to create, incur or permit to exist a Lien on the Principal Property to secure Indebtedness (without equally and ratably securing the debt securities with such Indebtedness) at least equal in amount to the Attributable Value of the Sale and Leaseback Transactions; or

(ii)

the Company or such Principal Subsidiary, within 120 days after such sale or transfer, (x) applies, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof or, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Principal Property so leased (as determined in good faith by any two members of the Board of Directors of the Company or the Board of Directors of such Principal Subsidiary) to (A) the retirement of Indebtedness of the Company or such Principal Subsidiary ranking prior to or on parity with the debt securities, incurred or assumed by the Company or such Principal Subsidiary, which by its terms matures at, or is extendable or renewable at the option of the obligor to, a date more than 12 months after the date of incurring or assuming such Indebtedness; provided, however, that in connection with such application, the Company or such Principal Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount of such Indebtedness so voluntarily retired by the Company or such Principal Subsidiary; or (B) the purchase of other property which will constitute a Principal Property having a fair market value (as determined in good faith by any two members of the Board of Directors of the Company or the Board of Directors of such Principal Subsidiary) at

Table of Contents

least equal to the fair market value of the Principal Property leased in such Sale and Leaseback Transaction; or (y) deposits, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof into an escrow account which is used solely for the purpose of providing for the obligations of the Company or such Principal Subsidiary under the Sale and Leaseback Transaction.

Attributable Value means, at the time of determination, the lesser of (i) the fair market value of the Principal Property subject to the Sale and Leaseback Transaction (as determined in good faith by any two members of the Board of Directors of the Company) and (ii) the present value (discounted at a rate equal to the rate of interest on the debt securities, compounded semi-annually) of the total amount of rent required to be paid under such lease during the remaining term thereof, including any period for which such lease has been extended. Such rental payments shall not include amounts payable by or on behalf of the lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges.

Principal Property means any real property owned at the original issue date of the debt securities or thereafter acquired by the Company or a Principal Subsidiary, the gross book value (including related land and improvements thereon and all machinery and equipment included therein) of which, on the date as of which the determination is being made, exceeds 15% of the Consolidated Total Assets of the Company.

Sale and Leaseback Transaction means any transaction or series of related transactions pursuant to which the Company or any Principal Subsidiary sells or transfers any Principal Property to any Person with the intention of taking back a lease of such Principal Property pursuant to which the rental payments are calculated to amortize the purchase price of such Principal Property substantially over the useful life thereof and such Principal Property is in fact so leased. For purposes of this definition, a Sale and Leaseback Transaction shall not include any transaction relating to farm-in and farm-out agreements, operating agreements, development agreements, and any other similar arrangements which are customary in the oil and gas industry or in the ordinary course of business of the Company and any Principal Subsidiary.

Consolidation, Merger and Sale of Assets

The indenture provides that neither the Company nor the Issuer may consolidate with or merge into any other Person in a transaction in which the Company or the Issuer, as the case may be, is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:

(i) any Person formed by such consolidation or into which the Company or the Issuer, as the case may be, is merged or to whom the Company or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation, partnership, trust or other entity validly existing under the laws of the jurisdiction of its organization and such Person expressly assumes by an indenture supplemental to the indenture all the obligations of the Company or the Issuer under the indenture, the debt securities or the guarantees, as the case may be;

(ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

(iii) any such Person not organized and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) Hong Kong, the PRC or any successor jurisdiction (in the case of the Company) or the United States or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental indenture that its jurisdiction of organization or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Taxing Jurisdictions; and

Table of Contents

(iv) if, as a result of the transaction, any property or asset of the Company or any of the Subsidiaries of the Company would become subject to a Lien that would not be permitted under Certain Covenants Limitation on Liens above, the Company, the Issuer or such successor Person takes such steps as shall be necessary to secure the debt securities at least equally and ratably with the Indebtedness secured by such Lien or by such other Lien as shall have been approved by holders of the debt securities pursuant to the indenture for so long as such Indebtedness will be secured.

Limitation on the Issuer s Activities

For so long as the applicable series of debt securities are outstanding, the Issuer will conduct no business or any other activities other than the offering, sale or issuance of Indebtedness and the lending of the proceeds thereof to the Company or a company controlled by the Company and any other activities in connection therewith. Upon any merger of the Issuer into the Company or of the Company into the Issuer, this covenant will no longer apply.

In addition, the Company will maintain 100% of direct or indirect equity ownership of the Issuer during the period that any debt securities remain outstanding.

For so long as any debt securities are outstanding, neither the Issuer nor the Company will take any action to change the Issuer s status from, or election to be, a disregarded entity for U.S. federal income tax purposes.

Events of Default

Each of the following shall constitute an Event of Default under the indenture for a series of debt securities:

(i) failure to pay principal of any debt securities of that series within two Business Days after the date such amount is due and payable, upon optional redemption, acceleration or otherwise;

(ii) failure to pay interest on any debt securities of that series within 30 days after the due date for such payment;

(iii) failure to perform any other covenant or agreement of the Company or the Issuer in the indenture, and such failure continues for 60 days after there has been given, by registered or certified mail, to the Company or the Issuer, as the case may be, by the trustee or by the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding (with a copy to the trustee) a written notice specifying such failure and requiring it to be remedied and stating that such notice is a Notice of Default under the indenture;

(iv)

the guarantees shall cease to be in full force or effect or the Company shall deny or disaffirm its obligations under the guarantees;

(v) (a) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Company, the Issuer or any Principal Subsidiary, (b) acceleration of the maturity of any Indebtedness of the Company, the Issuer or any Principal Subsidiary following a default by the Company, the Issuer or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within ten days after receipt by the trustee of the written notice from the Company or the Issuer as provided in the indenture, or (c) failure to pay any amount payable by the Company, the Issuer or any Principal Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within ten days after receipt of written notice as provided in the indenture; provided, however, that no such event set forth in clause (a), (b) or (c) shall constitute an Event of

Table of Contents

Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds the greater of (x) US$100,000,000 (or its equivalent in any other currency) and (y) 2% of the Shareholders Equity of the Guarantor as determined under IFRS IASB; and

(vi) certain events in bankruptcy, insolvency or reorganization in respect of the Company, the Issuer or any Principal Subsidiary as provided in the indenture.

If an Event of Default (other than an Event of Default described in clause (vi) above) with respect to the debt securities of that series shall occur and be continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding by written notice as provided in the indenture may declare the unpaid principal amount of such debt securities and any accrued and unpaid interest thereon (and any Additional Amounts payable in respect thereof) to be due and payable immediately. If an Event of Default in clause (vi) above with respect to the debt securities of that series shall occur, the unpaid principal amount of all the debt securities of that series and any accrued and unpaid interest thereon (and any Additional Amounts payable in respect thereof) will automatically, and without any action by the trustee or any holder of debt securities of that series, become immediately due and payable. After any such acceleration but before a judgment or decree based on acceleration has been obtained, the holders of at least a majority in aggregate principal amount of the debt securities of that series then outstanding may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the non-payment of accelerated principal, have been cured or waived as provided in the indenture. For information as to waiver of defaults, see Modification and Waiver. See also Notices below.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default shall occur and be continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of debt securities unless such holders shall have offered to the trustee pre-funding, security and/or indemnity satisfactory to the trustee. Subject to certain provisions, including those requiring pre-funding, security and/or indemnification of the trustee, the holders of a majority in principal amount of the debt securities of a series then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities. However, the trustee may refuse to follow any direction that conflicts with applicable law or the relevant indenture, that may involve the trustee in personal liability or cause it to expend or risk its own funds or otherwise incur any financial liability in following such direction and may take any other action it deems proper that is not inconsistent with any such direction received from holders. No holder of any debt securities of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture, the debt securities or the guarantees or for the appointment of a receiver or a trustee, or for any other remedy thereunder unless (i) such holder has previously given to the trustee written notice of a continuing Event of Default with respect to the debt securities of that series, (ii) the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding have made written request, and such holder or holders have offered to the trustee pre-funding, security and/or indemnity satisfactory to the trustee, to institute such proceeding in the trustee s own name and (iii) the trustee has failed to institute such proceeding, and has not received from the holders of a majority in aggregate principal amount of the debt securities of that series then outstanding a

direction inconsistent with such request, within 60 days after such notice, request and offer. However, such limitations do not apply to a suit instituted by a holder of a debt security for the enforcement of the right to receive payment of the principal of or interest on such debt security on or after the applicable due date specified in such debt security.

Neither the Company nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of any debt securities of any series for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the debt securities of that series unless such consideration is offered to be paid or agreed to be paid to all holders of the debt securities of that series that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Table of Contents

The trustee need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so, and the trustee may assume that no such event has occurred and that each of the Company and the Issuer is performing all of their respective obligations under the indenture and related debt securities and guarantee unless a responsible officer of the trustee has received written notice of the occurrence of such event or facts establishing that the Company or the Issuer, as the case may be, is not performing all of its obligations under the indenture and related debt securities and guarantee, as the case may be.

Defeasance

The indenture provides that, upon the conditions set forth therein, the Company and the Issuer may each be discharged from all their respective obligations with respect to debt securities of a series (except for certain obligations to exchange or register the transfer of debt securities, to replace stolen, lost or mutilated debt securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the holders of such debt securities of money in U.S. dollars or U.S. Government Obligations (as defined in the indenture), or both, which, through the payment of principal and interest thereon in accordance with their terms, will provide money in an amount sufficient to pay the principal of and interest on the debt securities (and any Additional Amounts in respect thereof) in accordance with the terms of the indenture and the debt securities (defeasance). Such defeasance may occur only if, among other things, the Company and the Issuer have delivered to the trustee an opinion of independent legal counsel of recognized standing licensed to practice law in the United States to the effect that holders of the debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred, which opinion of counsel must be based on a ruling received by the Company or the Issuer from the U.S. Internal Revenue Service, a published ruling of the U.S. Internal Revenue Service or other changes in applicable U.S. federal income tax law after the original issue date of the debt securities.

Prescription

Any moneys deposited with or paid to the trustee or any paying agent of the debt securities, or then held by the Issuer, in trust, for the payment of the principal of, premium (if any) or interest on (or any Additional Amount payable in respect of) any debt security and not applied but remaining unclaimed for two years after the date upon which such principal, premium (if any) or interest or any Additional Amount payable shall have become due and payable, shall, upon the written request of the Issuer or the Company be repaid to the Issuer or the Company, as the case may be, by the trustee or such paying agent or (if then held by the Issuer) be discharged from such trust, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, and the holder of such debt security shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer or the Company for any payment which such holder may be entitled to collect, and all liability of the trustee or any paying agent of the debt securities with respect to such moneys shall thereupon cease.

Under New York law, any legal action upon the debt securities must be commenced within six years after the payment thereof is due. Thereafter, the debt securities will generally become unenforceable.

Concerning the Trustee

The Bank of New York Mellon will be the trustee under the indenture. The Corporate Trust Office of the trustee is currently located at 101 Barclay Street, New York, New York 10286, United States, Attention: Global Corporate Trust.

The indenture provides that the trustee, subject to the following sentence, undertakes to perform such duties and only such duties as are specifically set forth in the indenture. If an Event of Default has occurred and is

Table of Contents

continuing, the trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it by the indenture as a prudent person would exercise under the circumstances in the conduct of such person s own affairs. The indenture also provides that the trustee and any paying or other agent of the debt securities, in their individual or any other capacity, may become the owner or pledgee of debt securities with the same rights it would have if it were not the trustee or such agent and may otherwise deal with the Company and the Issuer and receive, collect, hold and retain collections from the Company and the Issuer with the same rights it would have if it were not the trustee or such agent; provided, however, that all moneys received by the trustee shall, until used or applied as provided in the indenture, be held in trust thereunder for the purposes for which they were received and need not be segregated from other funds except to the extent required by law.

The trustee will be under no obligation to exercise any rights or powers conferred under the indenture for the benefit of the holders unless such holders have offered to the trustee pre-funding, security and/or indemnity satisfactory to the trustee against any loss, liability or expense. In the exercise of its duties, the trustee shall not be responsible for the calculation or computation of any amount payable under the debt securities and the guarantees or the verification of any such calculations or computations or any verification of the accuracy or completeness of any certification, opinion or other documents submitted to it by the Company or the Issuer.

Indemnification for Judgment Currency Fluctuations

To the fullest extent permitted by law, the obligations of the Company or the Issuer to any holder of the applicable series of debt securities under the indenture, the debt securities or the guarantees, as the case may be, shall, notwithstanding any judgment in a currency (the Judgment Currency) other than U.S. dollars (the Agreement Currency), be discharged only to the extent that on the day following receipt by such holder or the trustee, as the case may be, of any amount in the Judgment Currency, such holder or the trustee, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such holder or the trustee, as the case may be, in the Agreement Currency, the Company and the Issuer agree, as a separate obligation and notwithstanding such judgment, to pay the difference and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such holder, such holder or the trustee, as the case may be, agrees to pay to or for the account of the Company or the Issuer, as the case may be, such excess; provided that such holder or the trustee, as the case may be, shall not have any obligation to pay any such excess as long as a default by the Company or the Issuer in its obligations under the indenture or the debt securities has occurred and is continuing, in which case such excess may be applied by such holder or the trustee, as the case may be, to such obligations.

Notices

Notices to holders of debt securities will be mailed to them (or the first named of joint holders) by first class mail (or, if first class mail is unavailable, by airmail) at their respective addresses in the register and will be deemed to have been given on the fourth Business Day after the date of mailing. So long as and to the extent that the debt securities are represented by global securities and such global securities are held by DTC, notices to owners of beneficial interests in the global securities may be given by delivery of the relevant notice to DTC for

communication by it to entitled account holders.

Waiver of Immunity

To the extent that the Company or the Issuer has acquired or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from non-exclusive jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, the Company and the Issuer each irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or

Table of Contents

hereafter exist, and agrees not to assert any such right or claim in any action or proceeding against it arising out of or based on the debt securities, the guarantees or the indenture.

Governing Law and Consent to Jurisdiction

The debt securities, the guarantees and the indenture are governed by and will be construed in accordance with the laws of the State of New York.

The Company and the Issuer will each irrevocably submit to the non-exclusive jurisdiction of any state or United States federal court located in the Borough of Manhattan, the City of New York, New York (each a New York Court) in any suit, action or proceeding arising out of or relating to the indenture, the debt securities, the guarantees or any transaction contemplated thereby, and will irrevocably waive, to the fullest extent permitted by applicable law, any objection to the venue of any such suit, action or proceeding in any such New York Court and any claim of an inconvenient forum. The Company will appoint the Issuer as agent for service of process with respect of any such suit, action or proceeding.

Certain Definitions

Set forth below are definitions of certain of the terms used herein. Additional terms are defined elsewhere above or in the indenture.

Adjusted Consolidated Net Worth means the sum of the (a) shareholders equity of the Company as determined under IFRS IASB and (b) Subordinated Indebtedness of the Company.

Capital Stock means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation).

Consolidated Total Assets means the consolidated total assets of the Company and its Subsidiaries as shown on its most recent audited consolidated balance sheet.

Indebtedness of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person; provided, however, that, for the purpose of determining the amount of Indebtedness of the Company outstanding at any relevant time, the amount included as the Indebtedness of the Company in respect of finance leases shall be the net amount from time to time properly characterized as obligations under finance leases in accordance with the IFRS IASB.

Lien means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind.

Person means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any

agency or political subdivision thereof or any other entity.

Principal Subsidiary at any time shall mean one of the Subsidiaries of the Company:

(i) as to which one or more of the following conditions is/are satisfied:

(a) its net profit or (in the case of one of the Company s Subsidiaries which have Subsidiaries) consolidated net profit attributable to the Company (in each case before taxation and exceptional items) is at least 10% of the consolidated net profit of the Company (before taxation and exceptional items); or

Table of Contents

(b) its net assets or (in the case of one of the Company s Subsidiaries which have Subsidiaries) consolidated net assets attributable to the Company (in each case after deducting minority interests in Subsidiaries) are at least 10% of the consolidated net assets of the Company (after deducting minority interests in Subsidiaries); all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Company and the then latest consolidated financial statements of the Company; or

(ii) to which is transferred all or substantially all of the assets of the Subsidiary of the Company which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Subsidiary of the Company to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the Company s auditors as to whether or not the Company s Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

Shareholders Equity means, as of any date, the aggregate amount of shareholders equity (including but not limited to share capital, contributed surplus and retained earnings) of a Person as shown on the most recent annual audited or quarterly unaudited consolidated balance sheet of the Person and computed in accordance with IFRS IASB.

Subsidiary means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person.

Subordinated Indebtedness means the Indebtedness of the Company (including perpetual debt, which the Company is not required to repay) which (i) has a final maturity and a weighted average life to maturity longer than the remaining life to maturity of the debt securities and (ii) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the debt securities including (x) a provision that in the event of the bankruptcy, insolvency or other similar proceeding of the Company, the holders of the debt securities shall be entitled to receive payment in full in cash of all principal, Additional Amounts and interest on the debt securities (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (y) a provision that, if an Event of Default has occurred and is continuing under the indenture for the debt securities, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (z) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any debt securities are outstanding.

Voting Shares means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person

(irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

Table of Contents

PLAN OF DISTRIBUTION

We may sell the securities described in this prospectus from time to time in one or more transactions, including without limitation:

- to or through underwriters, brokers or dealers;
- through agents;
- on any national exchange on which the securities offered by this prospectus are listed or any automatic quotation system through which the securities may be quoted;
- directly to one or more purchasers;
- or through a combination of any of these methods.

In addition, we may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with such a transaction, the third parties may sell securities covered by and pursuant to this prospectus and the applicable prospectus supplement. If so, the third party may use securities borrowed from us or others to settle such sales and may use securities received from us to close out any related short positions. We may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement.

We may sell the securities offered by this prospectus at:

- a fixed price or prices, which may be changed;
- market prices prevailing at the time of sale;
- prices related to such prevailing market prices;
- or negotiated prices.

We will identify the specific plan of distribution, including any underwriters, dealers, agents or direct purchasers, and their compensation in a prospectus supplement.

23

Table of Contents

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a limited liability company formed in and under the laws of the State Delaware, and we are a company incorporated with limited liability in Hong Kong. A substantial portion of our assets are located in China. In addition, substantially all of our directors and officers reside outside the United States (principally in the PRC or Hong Kong) and certain experts named in this prospectus also reside outside the United States. All or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons to enforce against them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by our Hong Kong counsel, Davis Polk & Wardwell, that there is doubt as to the enforceability in Hong Kong in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon the U.S. federal or state securities laws.

In addition, there are uncertainties as to whether the courts of the PRC would (i) recognize or enforce the judgments of United States courts obtained against the Issuer or the Company, or their respective directors and officers, predicated upon the civil liability provision of the U.S. federal or state securities laws; or (ii) entertain original actions brought in the courts of the PRC against the Issuer or the Company or such persons predicated upon the U.S. federal or state securities laws.

Table of Contents

LEGAL MATTERS

Certain legal matters with respect to the debt securities and the guarantees will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York, as to matters of United States federal securities and New York State law, and by Davis Polk & Wardwell, Hong Kong, as to matters of Hong Kong law, respectively.

EXPERTS

The consolidated financial statements incorporated in this Prospectus by reference from the Company s Annual Report on Form 20-F for the year ended December 31, 2017, and the effectiveness of the Company s internal control over financial reporting as of December 31, 2017 have been audited by Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Certain reserve information relating to our oil and gas reserves included in our annual report on Form 20-F for the year ended December 31, 2017 was based in part upon reserve reports prepared by independent consultants Ryder Scott Company, L.P., Gaffney, Cline & Associates (Consultants) Pte Ltd., RPS, McDaniel & Associates Consultants Ltd. and DeGolyer and MacNaughton. We have incorporated this information in this prospectus by reference to such annual report and included certain of this information in this prospectus in reliance on the authority of such firms as experts in estimating proved oil and gas reserves.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 8. Indemnification of Directors and Officers

Under the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the Ordinance) a company may indemnify and purchase insurance for any director or officer of the company. In accordance with the Ordinance, however, directors and officers are not indemnified against any liability arising out of negligence, default, breach of duty or breach of trust with respect to the company, unless such liability is incurred in defending any proceedings, whether civil or criminal, in which judgment is given in the director s or officer s favor, or in which the director or officer is acquitted, or in connection with any application in which relief is granted to the director or officer by the court pursuant to the Ordinance from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.

Pursuant to our Articles, we have agreed to indemnify our directors and officers, to the extent permitted by the Ordinance, against all liabilities and expenses that such persons may incur in the execution of their respective office. In addition, we maintain a director s and officer s insurance policy and our officers and directors are covered by this insurance (with certain exceptions and limitations), which indemnifies them against losses for which we grant them indemnification and for which they become legally obligated to pay on account of claims made against them for wrongful acts committed before or during the policy period.

Item 9. Exhibits

The exhibits to this registration statement are listed in the Index of Exhibits below.

Item 10. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Item 8.A. of Form 20-F if such financial statements and information are contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(5) That, for the purpose of determining liability under the Securities Act to any purchaser:

(i) each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or

made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Table of Contents

(7) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(8) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the SEC under section 305(b)(2) of the Trust Indenture Act.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, CNOOC Limited certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, China, on April 20, 2018.

CNOOC LIMITED

By: /s/ Guangyu Yuan
Name: Guangyu Yuan
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below hereby constitutes and appoints Jian Pang and Xiaobing Kuang (with full power to each of them to act alone), as such person s true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for such person and in such person s name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission any and all amendments and post-effective amendments to this registration statement, with exhibits thereto and any and all other documents that may be required in connection therewith, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact and agent, or any substitutes therefor, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date

/s/ Hua Yang Hua Yang	Chairman of the Board and Non-executive Director	April 20, 2018
/s/ Jian Liu Jian Liu	Vice Chairman and Non-executive Director	April 20, 2018
/s/ Guangqi Wu Guangqi Wu	Non-executive Director	April 20, 2018
/s/ Guangyu Yuan Guangyu Yuan	Executive Director, Chief Executive Officer (Principal Executive Officer)	April 20, 2018
/s/ Keqiang Xu Keqiang Xu	Executive Director and President	April 20, 2018
/s/ Sung Hong Chiu Sung Hong Chiu	Independent Non-executive Director	April 20, 2018
/s/ Lawrence J. Lau Lawrence J. Lau	Independent Non-executive Director	April 20, 2018

Table of Contents

Signature	Title	Date
/s/ Aloysius Hau Yin Tse Aloysius Hau Yin Tse	Independent Non-executive Director	April 20, 2018
/s/ Kevin G. Lynch Kevin G. Lynch	Independent Non-executive Director	April 20, 2018
/s/ Weizhi Xie Weizhi Xie	Chief Financial Officer (Principal Financial and Accounting Officer)	April 20, 2018
/s/ Kimberly D. Woima Kimberly D. Woima	Authorized Representative in the United States	April 20, 2018

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, CNOOC FINANCE (2015) U.S.A. LLC certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, China, on April 20, 2018.

CNOOC FINANCE
(2015) U.S.A. LLC

By: /s/ Jian Pang
Name: Jian Pang
Title: Chief Executive Officer and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below hereby constitutes and appoints Jian Pang and Xiaobing Kuang (with full power to each of them to act alone), as such person s true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for such person and in such person s name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission any and all amendments and post-effective amendments to this registration statement, with exhibits thereto and any and all other documents that may be required in connection therewith, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact and agent, or any substitutes therefor, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ Jian Pang Jian Pang	Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial Officer)	April 20, 2018
By: /s/ Jie Geng Jie Geng	Chief Accounting Officer (Principal Accounting Officer)	April 20, 2018
By: /s/ Kimberly D. Woima Kimberly D. Woima	Authorized Representative in the United States	April 20, 2018
By: /s/ Kimberly D. Woima Kimberly D. Woima, for and on behalf of Nexen Energy Holdings U.S.A. Inc.	Sole Member	April 20, 2018

Table of Contents

INDEX OF EXHIBITS

Exhibit

Number	Description of Document
1.1	Form of Underwriting Agreement.
4.1	Form of Indenture for Debt Securities of the Issuer.
4.2	Form of Debt Security (including the form of Guarantee endorsed thereon) for Debt Securities of the Issuer (included in Exhibit 4.1).
5.1	Opinion of Davis Polk & Wardwell LLP, U.S. counsel to the Company and the Issuer, relating to Debt Securities of the Issuer.
5.2	Opinion of Davis Polk & Wardwell, Hong Kong counsel to the Company, relating to the Debt Securities of the Issuer.
12.1	Computation of Ratio of Earnings to Fixed Charges.
23.1	Consent of Deloitte Touche Tohmatsu.
23.2	Consent of Ryder Scott Company, L.P.
23.3	Consent of Gaffney, Cline & Associates (Consultants) Pte Ltd.
23.4	Consent of RPS.
23.5	Consent of McDaniel & Associates Consultants Ltd.
23.6	Consent of DeGolyer and MacNaughton.
23.7	Consent of Davis Polk & Wardwell LLP (included in Exhibit 5.1).
23.8	Consent of Davis Polk & Wardwell (included in Exhibit 5.2).
24.1	Powers of attorney (included on signature page).
25.1	Form T-1 Statement of Eligibility Under the Trust Indenture Act of 1939 relating to the Debt Securities of the Issuer.