



**KunLun Energy Company Limited**

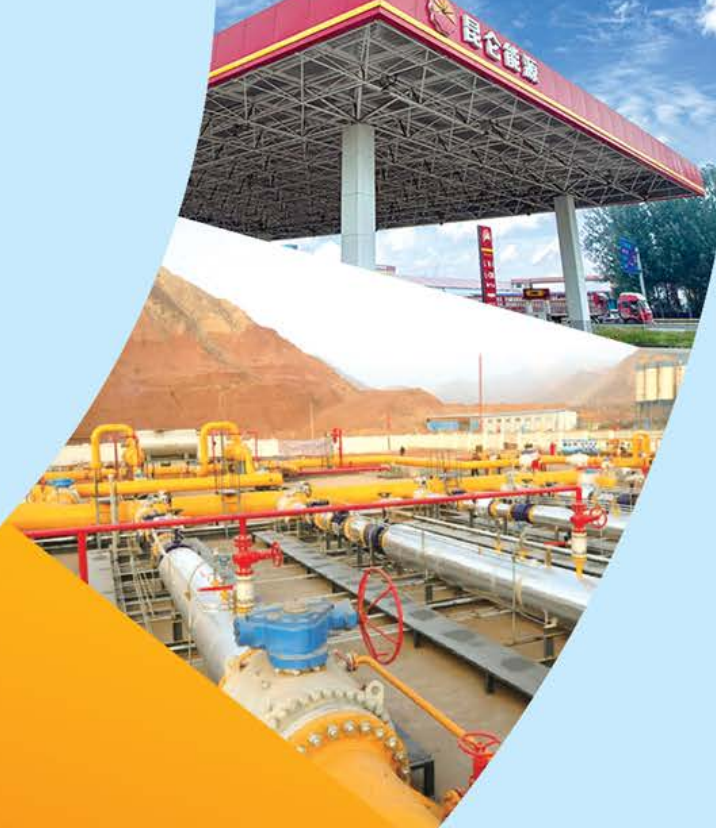
(Incorporated in Bermuda with limited liability 於百慕達註冊之有限公司)

**昆 侖 能 源 有 限 公 司**

(Stock Code 股份代號: 00135.HK)

# 2017 Annual Results Announcement

March 2018





# Disclaimer

Statements made by the representatives of Kunlun Energy during the course of this presentation that are not historical facts are forward-looking statements. These statements are based on certain assumptions and expectation made by the Company which reflect management's experience, estimates and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Actual results in the future may differ materially from those indicated by these forward-looking statements due to a wide variety of risks and uncertainties including, but not limited to, general economic and business conditions, competition and pricing pressures in the technology industry, labor conditions, political instability, unexpected regulatory changes, trade protection measures, changes in tax and other laws, foreign currency exchange rates, the ability to predict and plan for future demand, dependence on certain single-source supplier relationships, and the effect of terrorism, natural disasters, and public health issues.

In addition, any forward-looking statements represent our estimates only as of the date of this presentation and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

The Chinese version shall prevail.

# Board and Management



**LING Xiao**

Chairman



**ZHAO Yongqi**

CEO



**WANG Gang**

CFO



**CHENG Cheng**

Company Secretary



# Agenda

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## 1. Chairman's Greeting







## Macroeconomics

- China's macroeconomic growth picked up
- Ecological civilization construction speeded up

## Industry Conditions

- Natural gas consumption recorded fast growth
- With annual natural gas consumption of 237.3 billion cubic metres, representing an increase of 15.3%

## Kunlun Energy

- Captured market opportunities
- Make full use of its advantages in assets and business structure
- Effectively balanced market risks

## Results Performance

- City gas sales volume recorded rapid growth
- Natural gas pipeline transmission volume maintained steady growth
- The development of natural gas generator and distributed energy projects was fruitful
- The integrated operation of LNG produced initial results
- Accelerate the transformation and upgrading of LPG sales
- Its assets structure and business structure continued to be optimized
- The Company received the Best Investment Value Award for Listed Companies of China Securities Golden Bauhinia Awards. The Company showed a good momentum of rapid and steady growth in general



## Results

- The Group's revenue was RMB88,706 million , representing increase of 26.00%
- Profit before income tax expense was RMB11,480 million, representing increase of 82.48%
- Profit attributable to the owners of the Company and basic earnings per share were RMB4,760 million and RMB59 cents, which increased by 614.71% year-on-year

## Significant events

- The acquisition of 51% equity interest in PetroChina Jingtang LNG Co., Ltd. ("Jingtang Co.") held by PetroChina Company Limited was completed. Three LNG terminals of PetroChina were included in the scope of operation and management of the Company
- No. 4 Shaanxi-Beijing Pipeline commenced operation, which will effectively alleviate the shortage of gas supply in Beijing, Tianjin and Hebei in the winter, facilitate the energy structure optimisation in Beijing and North China
- The Group entered into an equity transfer agreement to dispose of its 100% equity interest in Fortunemate Asset Limited by the Company, which conducts the exploration and production of crude oil in Kursangi and Karabagli oilfields in Azerbaijan. This helps to reinforce the Company's strategic positioning of being committed to developing comprehensive natural gas utilisation



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## 2. 2017 Highlights of Operating Results





# 2017 Highlights of Operating Results



**Exploration and Production Business Saw Steady Development Progress**



**Natural Gas Sales Business Grew Steadily**



**LNG Processing and Terminal Business Increased Rapidly**



**Natural Gas Pipeline Business Proceeded Orderly**

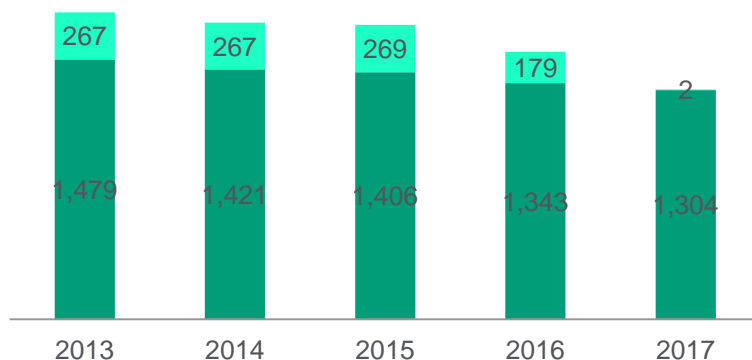
# Exploration and Production Business Saw Steady Development Progress

- ▶ The sales volume of crude oil in the exploration and production business reached 13.06 million barrels, representing a decrease of 2.16 million barrels or 14%, excluding the influence of Xinjiang Contract, decreased by 0.39 million barrels or 3% as compared with last year
- ▶ Average realized crude oil selling price of the Group during the Year was US\$46.63/barrel, representing an increase of 35%
- ▶ Successfully signed an equity transfer agreement of K&K oilfields in Azerbaijan

## Crude oil sales volume

Unit: ten thousand barrels

- Xinjiang Contract
- Excluding Xinjiang Contract



## Distribution of current projects



# Natural Gas Sales Business Grew Steadily



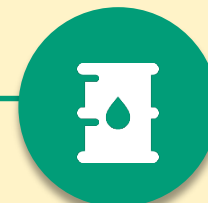
## Natural gas sales business expands high-end and high-profitability market

- ▶ Natural gas sales volume was **18,772 million cubic metres**, representing an increase of 23.6% as compared with last year
- ▶ City gas business grows rapidly, the city gas sales volume was **11,670 million cubic metres**, representing a year-on-year increase of **26.4%**



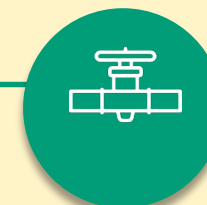
## Vigorously promoted projects for city gas and city coal-to-gas conversion, replacement of coal by industrial gas, and oil replacement by gas

- ▶ The Group developed **110** various utilisation projects
- ▶ Obtained **429,000** new rural coal-to-gas user
- ▶ The monthly average natural gas sales volume in Hebei and Jiangsu exceeded **2 billion cubic metres**, and natural gas sales volume of Shandong, Xinjiang, Gansu each **exceeded 1 billion cubic metres**



## The development of natural gas generator and distributed energy projects was fruitful

- ▶ Operating power plants generated electricity of **6.06 billion kWh** during the Year. Heat supply grew by **18%** as compared with last year, and gas consumption increased by **4%**
- ▶ The Group entered into **25** cooperation agreements. The construction of Zengcheng Power Plant commenced, and the construction of Zhoukou Power Plant recorded smooth progress.



## LPG sales to achieve quality improvement

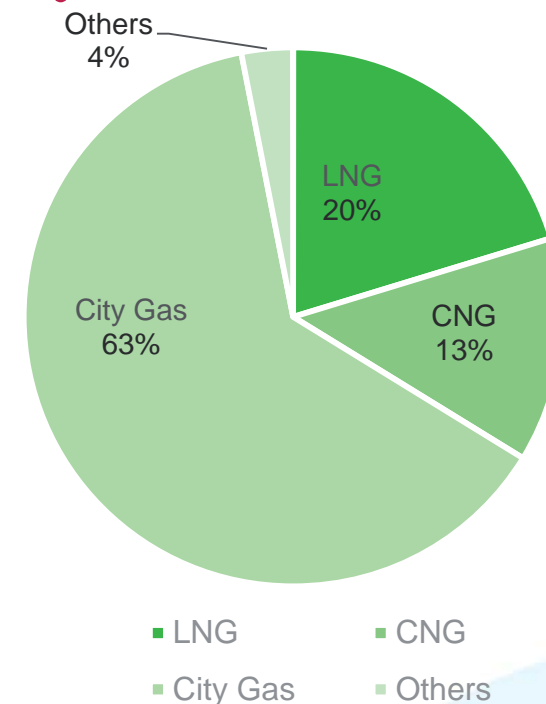
- ▶ LPG sales focused on key links including increasing resources, strengthening terminals, optimising flows and lowering costs
- ▶ The sales volume of **6.55 million tonnes** for the Year was recorded, representing the best operational results achieved in recent years



## Natural Gas Sales Business Grew Steadily (Continued)

Unit: hundred million m3	2017	2016	Growth rate(%)
<b>Natural Gas</b>	<b>187.7</b>	<b>151.9</b>	<b>23.6</b>
Liquefied natural gas (LNG)	37.5	28.6	31.1
Compressed natural gas (CNG)	24.9	25.1	-0.8
City Gas	116.7	92.3	26.4
Others	5.7	5.6	1.8
(ten thousand tons)	2017	2016	Growth rate(%)
<b>Liquefied petroleum gas (LPG)</b>	<b>658.0</b>	<b>638.1</b>	<b>3.1</b>

Structure of natural gas sales business in 2017





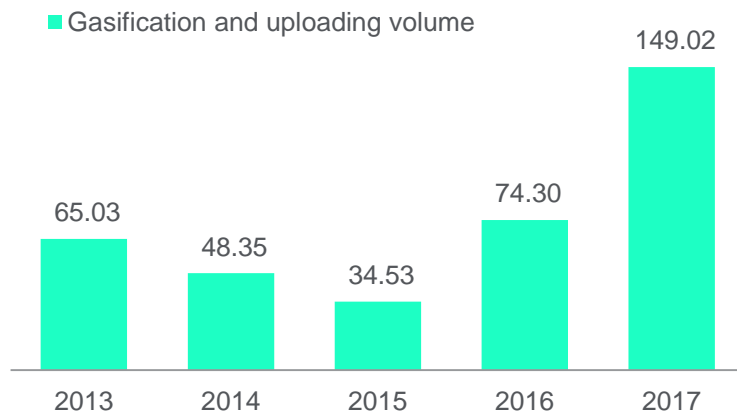
# LNG Processing and Terminal Business Increased Rapidly

Sales volume of LNG processing and terminal was **15,995 million cubic metres**, increased 8,067 million cubic meters or **101.75%** as compared with 7,928 million cubic metres last year

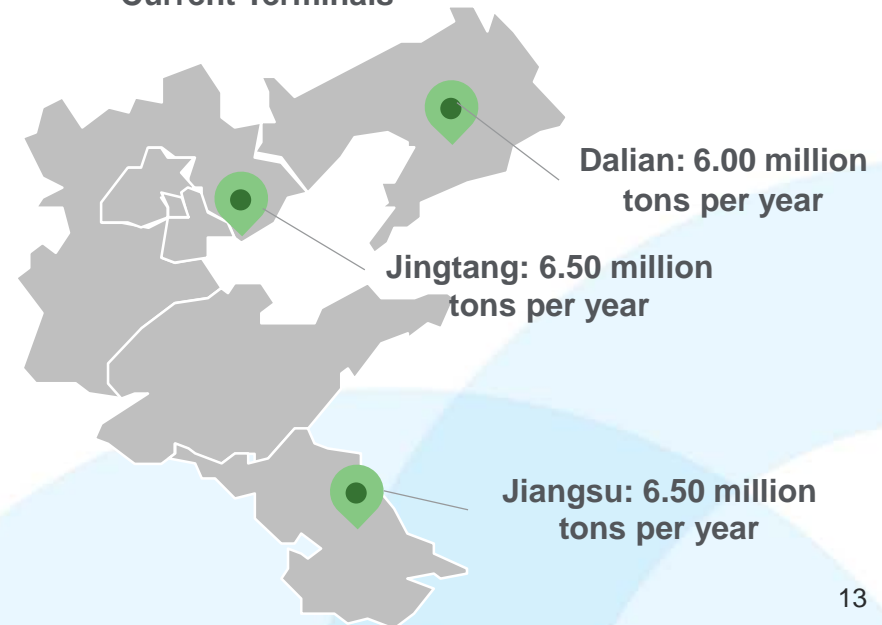
## ► LNG Terminal

- Completed the acquisition of Jingtang LNG Terminal, increased **6.5 million tons** of receiving capacity per year, and the capacity of three terminals reached **19 million tons per year**
- The annual LNG gasification and uploading capacity hit a record high, achieving a gasification and loading volume of 14,902 million cubic meters, a year-on-year increase of 101%, and reached **54.9% of total capacity**.
- Jingtang Terminal implements third-party opening; Dalian Terminal adopts ladder operation mode; Jiangsu Terminal completes ship loading project reconstruction

Processing Capacity Unit: hundred million m<sup>3</sup>



Current Terminals







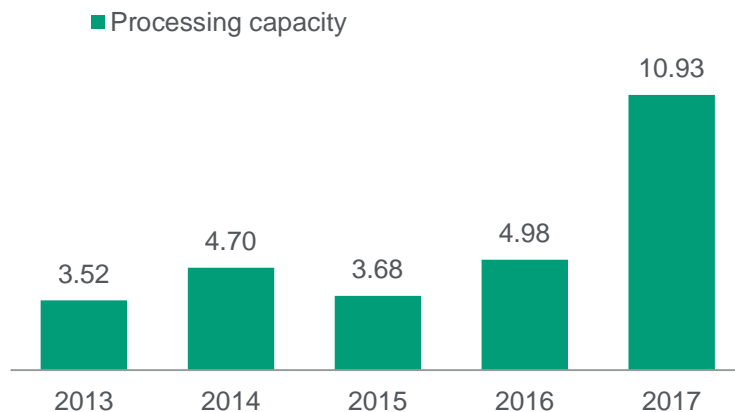
# LNG Processing and Terminal Business Increased Rapidly

## ► LNG processing

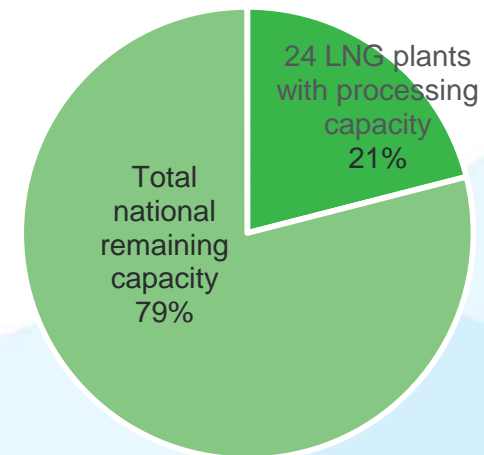
- Total 24 LNG processing plants with a designed processing capacity of 22.9 million cubic meters per day, accounting for 21% of the country's total production capacity
- LNG processing volume was **1,093 million cubic meters**, an increase of 595 million cubic meters or 119.48% over 498 million cubic meters of the same period of last year
- The Group's 8 LNG processing plants and PetroChina have signed an entrusted processing agreement to increase the utilization of production facilities at LNG plants
- Operated 14 factories throughout the year, reached 30% of total capacity and an increase of 18.6%

Processing Capacity

Unit: hundred million m<sup>3</sup>



24 LNG processing plants with designed processing capacity of 22.9 million cubic meters per day

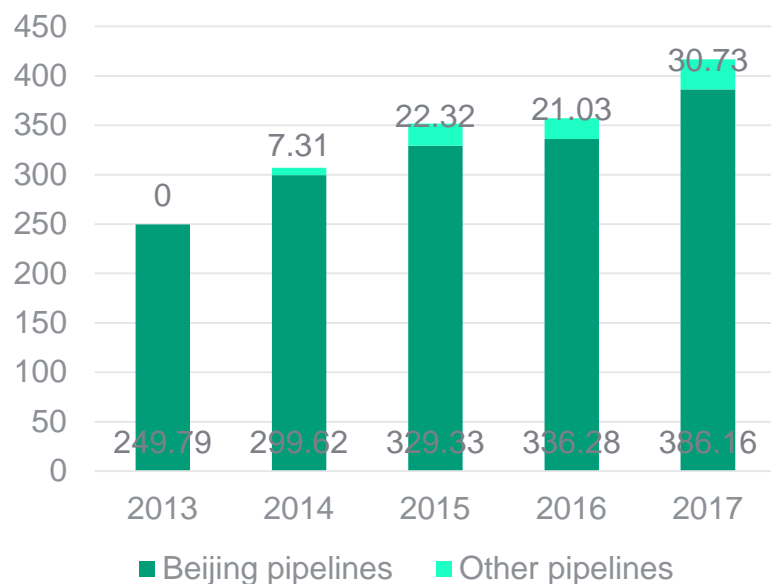


# Natural Gas Pipeline Business Proceeded Orderly

- ▶ Natural gas pipeline transmission volume was **41,689 million cubic metres**, increased **16.67%** as compared with last year, the Beijing pipeline's gas transmission volume was 38,616 million cubic metres, increased **14.83%** as compared with last year
- ▶ The No. 4 Shaanxi-Beijing Pipeline commenced operation at the end of November 2017, with a pipeline capacity of **25 billion cubic metres**
- ▶ The new transmission unit price of Beijing Pipeline is **RMB0.2857 /thousand cubic meters · kilometers**, and implemented from September 1, 2017

## Annual gas transmission of pipelines

Unit: hundred million m<sup>3</sup>



## Current Pipeline Projects





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### 3. 2017 Financial Results Review and Analysis





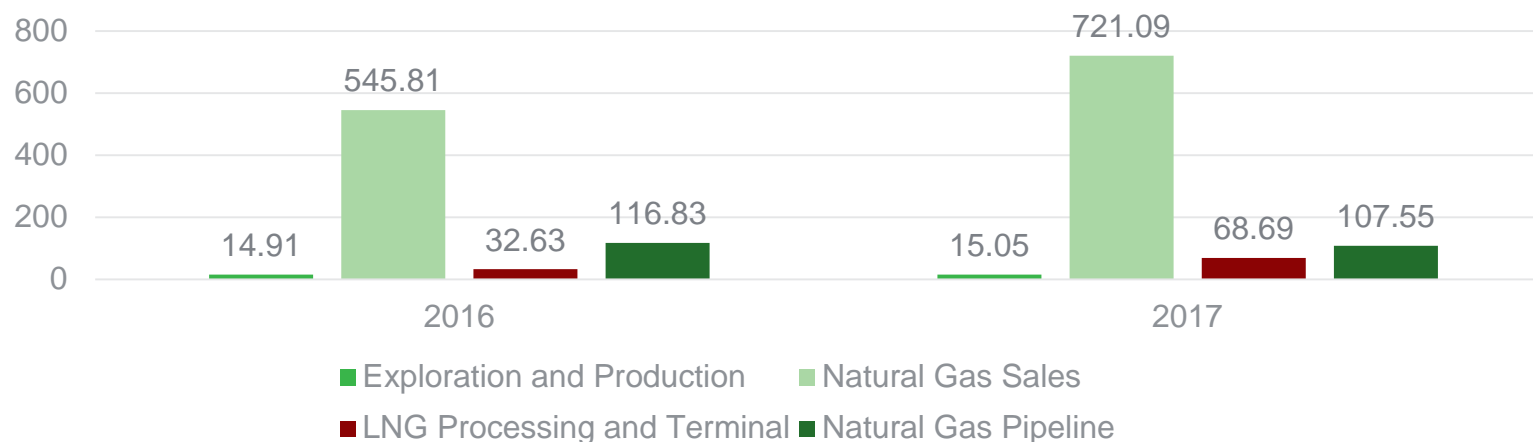
# Key Financial Highlights

Unit: RMB hundred million	2017	2016	Change
Revenue	887.06	704.00	26.00%
Profit before income tax expense	114.80	62.91	82.48%
Profit Attributable to Owners of the Company	47.60	6.66	614.71%
Basic EPS (RMB cents)	58.97	8.25	614.79%
<b>Core</b> Profit Attributable to Owners of the Company	55.22	38.57	43.17%
Basic <b>Core</b> EPS (RMB cents)	68.41	47.78	43.18%
EBITDA	188.53	162.46	16.05%

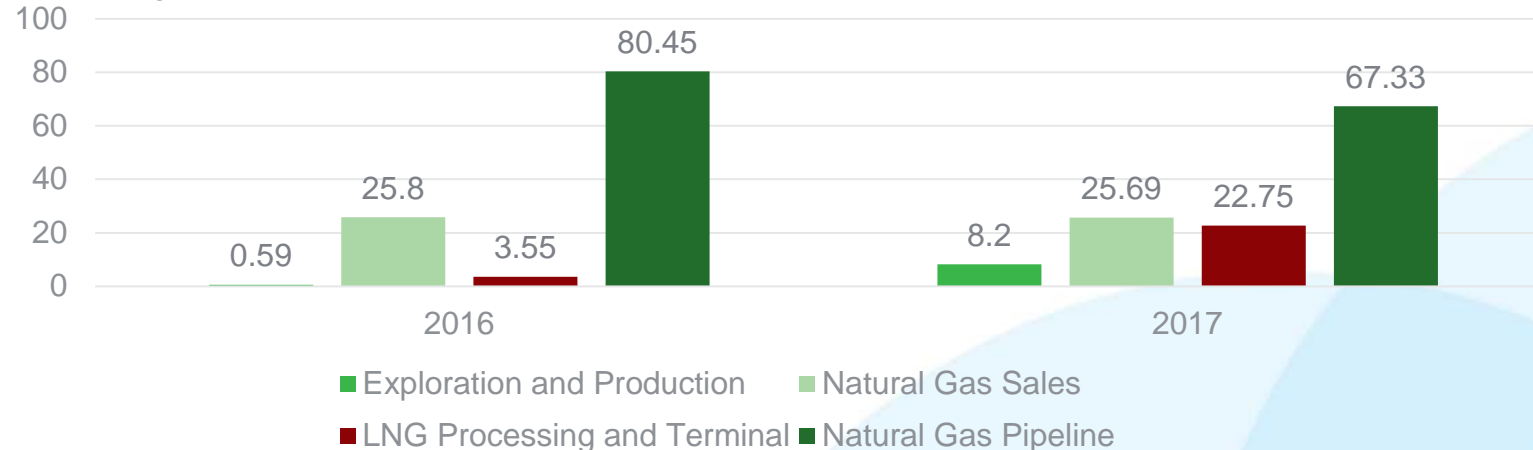


# Summary of Financial Results Review

RMB hundred million **Comparison of Business Income in 2016 – 2017**  
(Before Elimination)



RMB hundred million **Comparison of Core Profit Before Tax in 2016-2017**



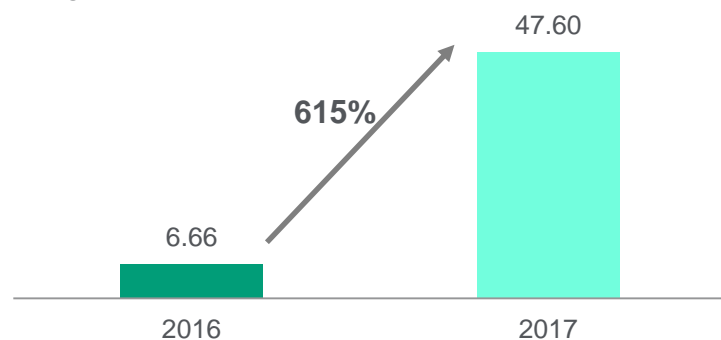




# Operating Results

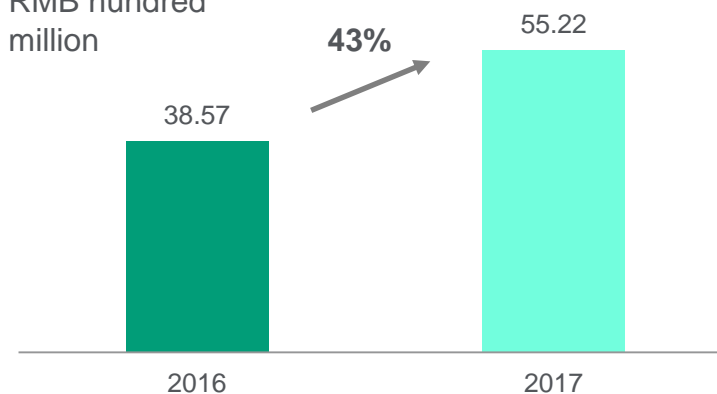
## Profit Attributable to the Owners of the Company

RMB hundred million

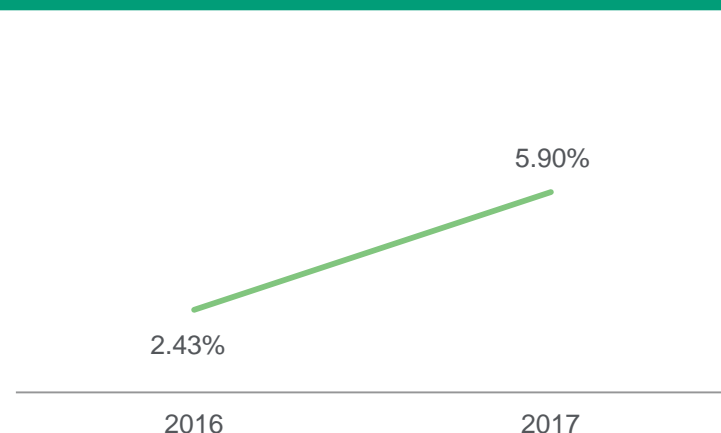


## Core Profit Attributable to the Owners of the Company

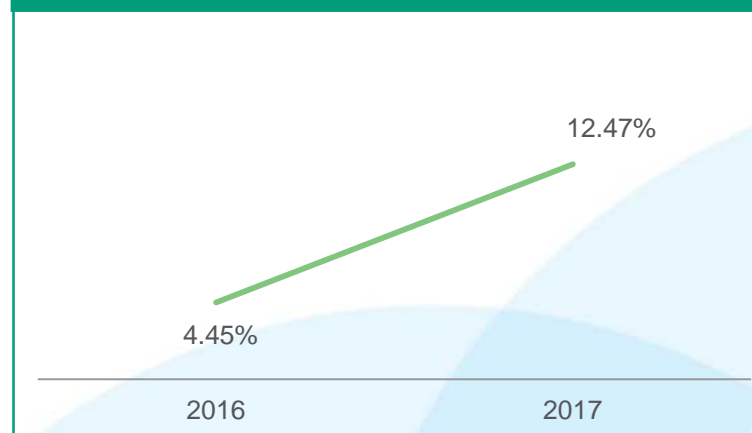
RMB hundred million



## Return on Total Assets

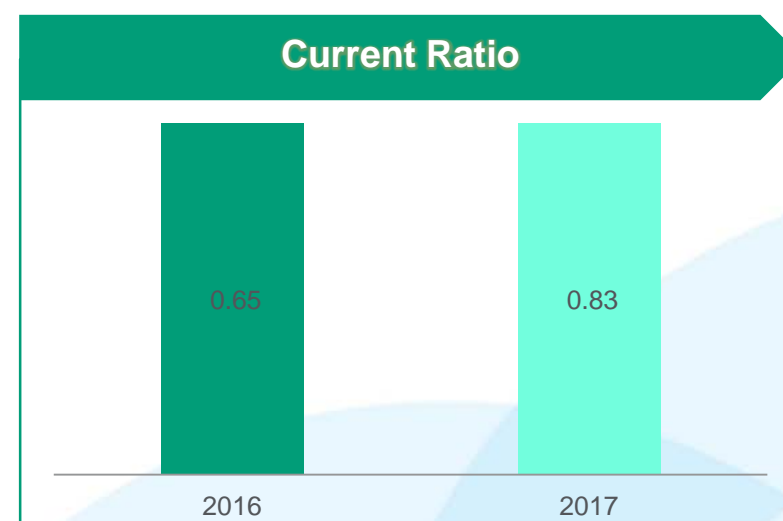
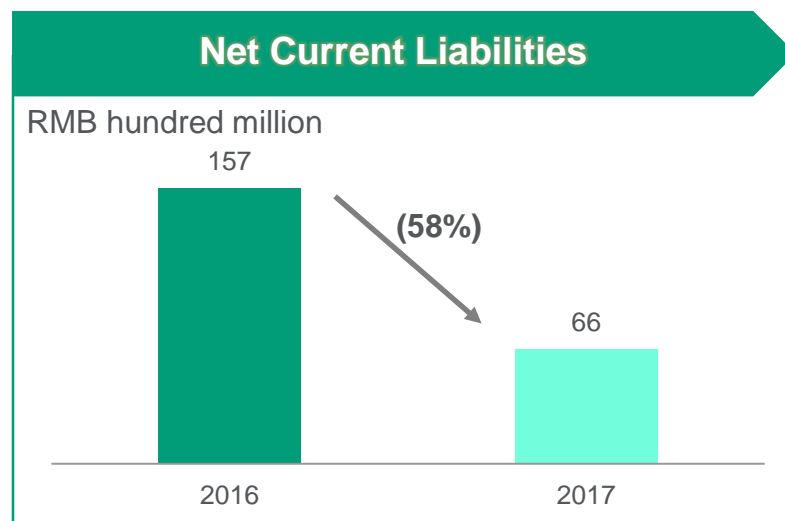
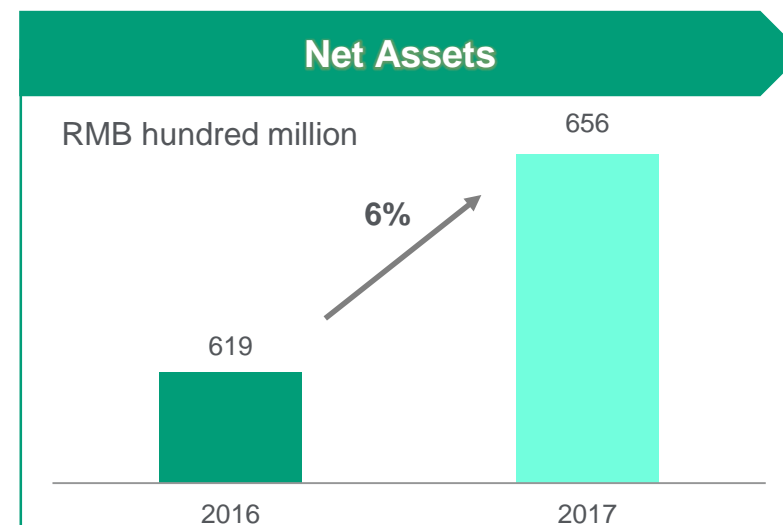
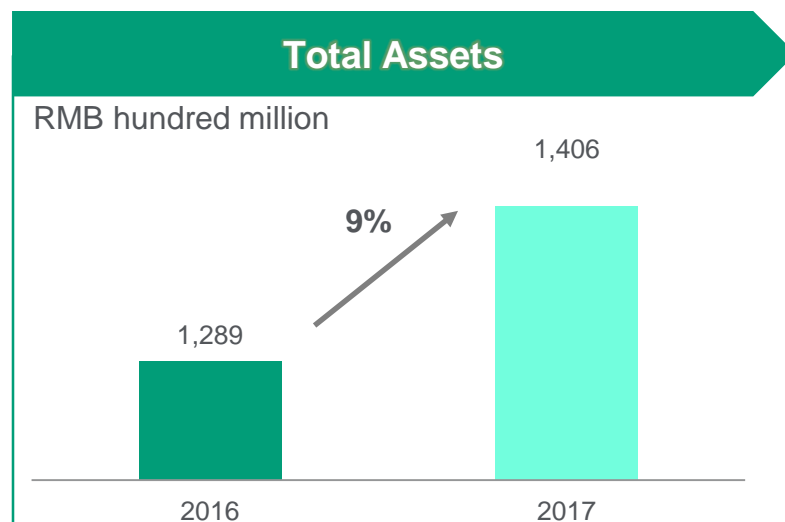


## Net Return on Assets



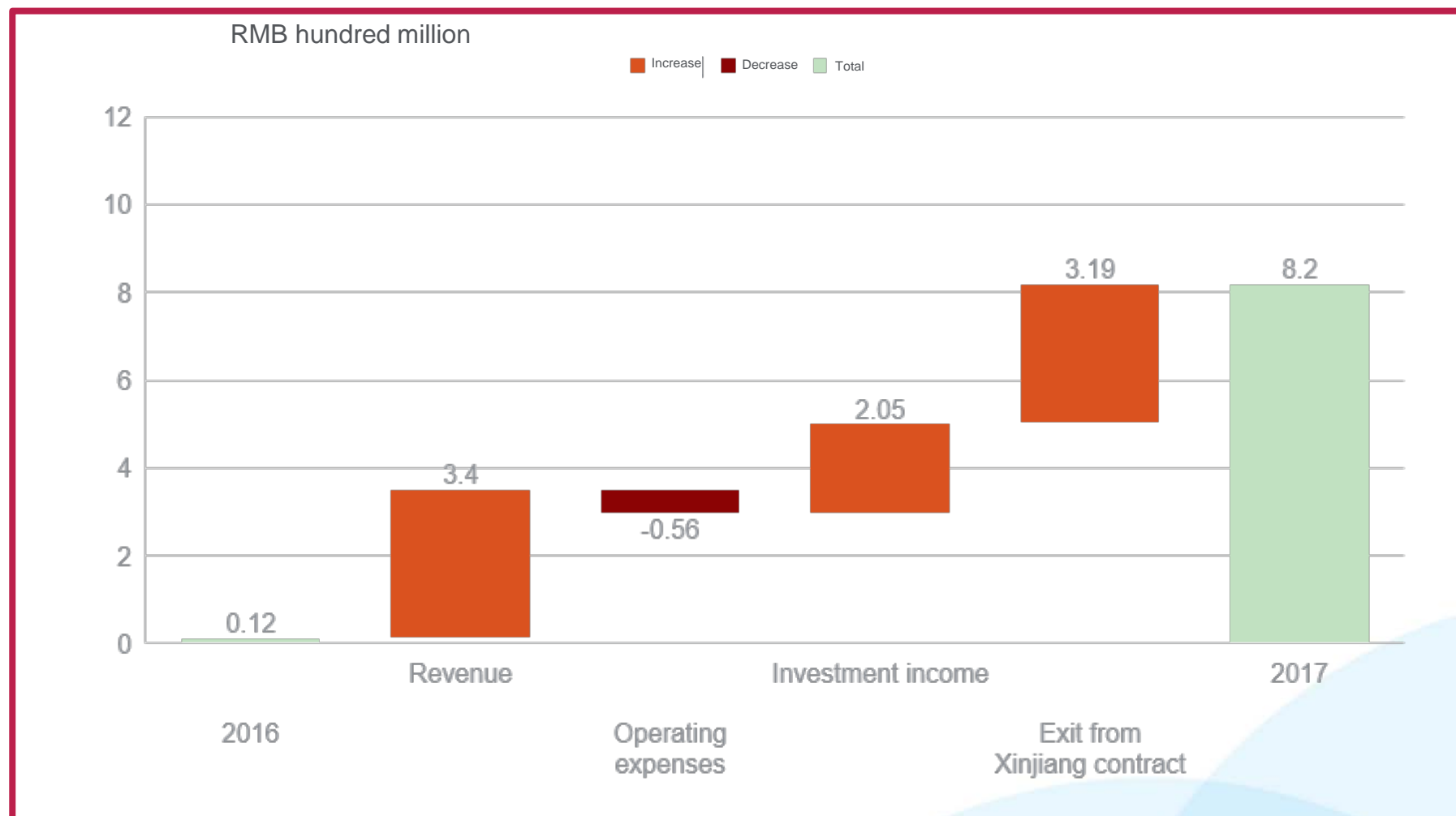


# Assets and Liabilities



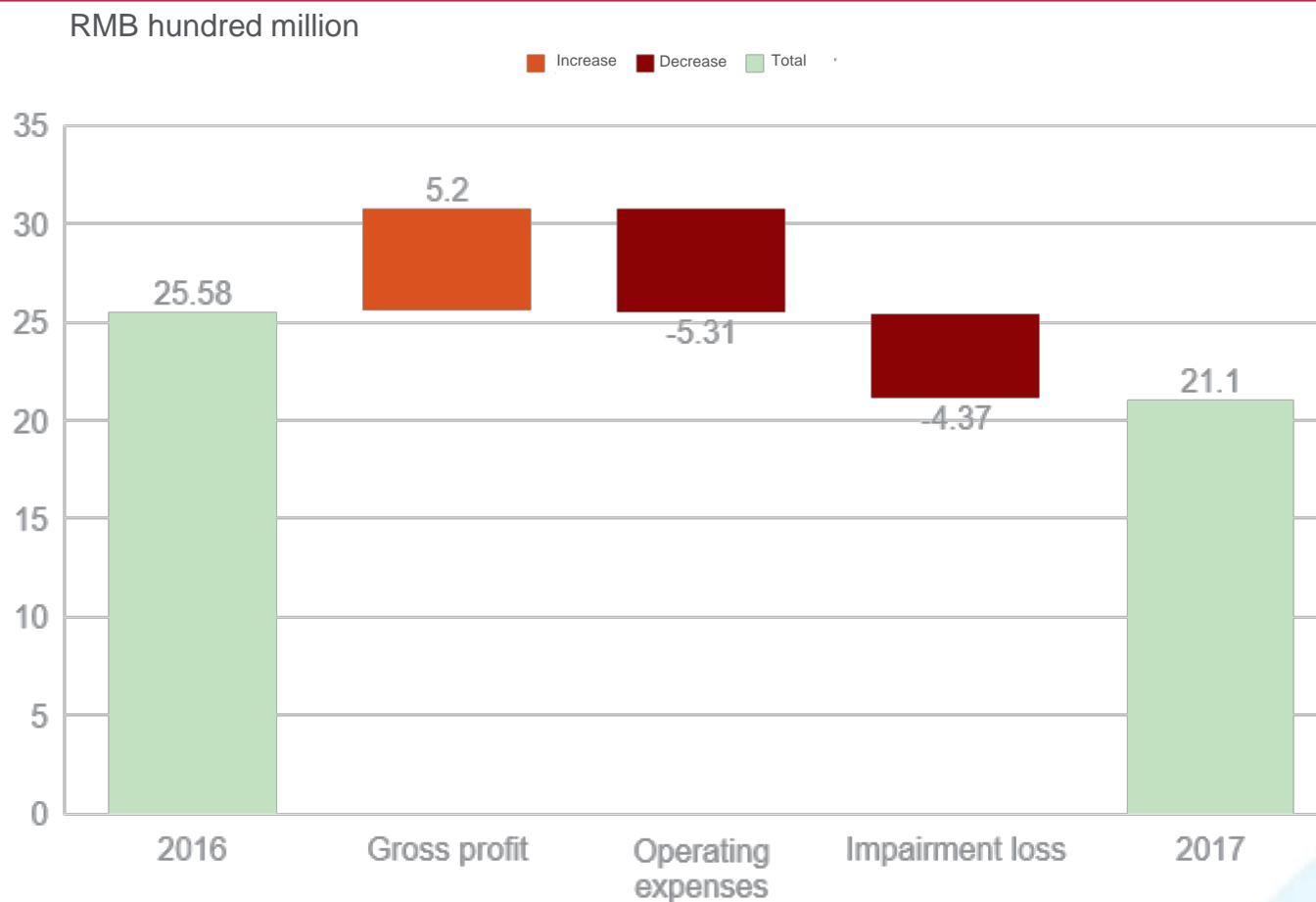


## Exploration and Production Business - Profit analysis



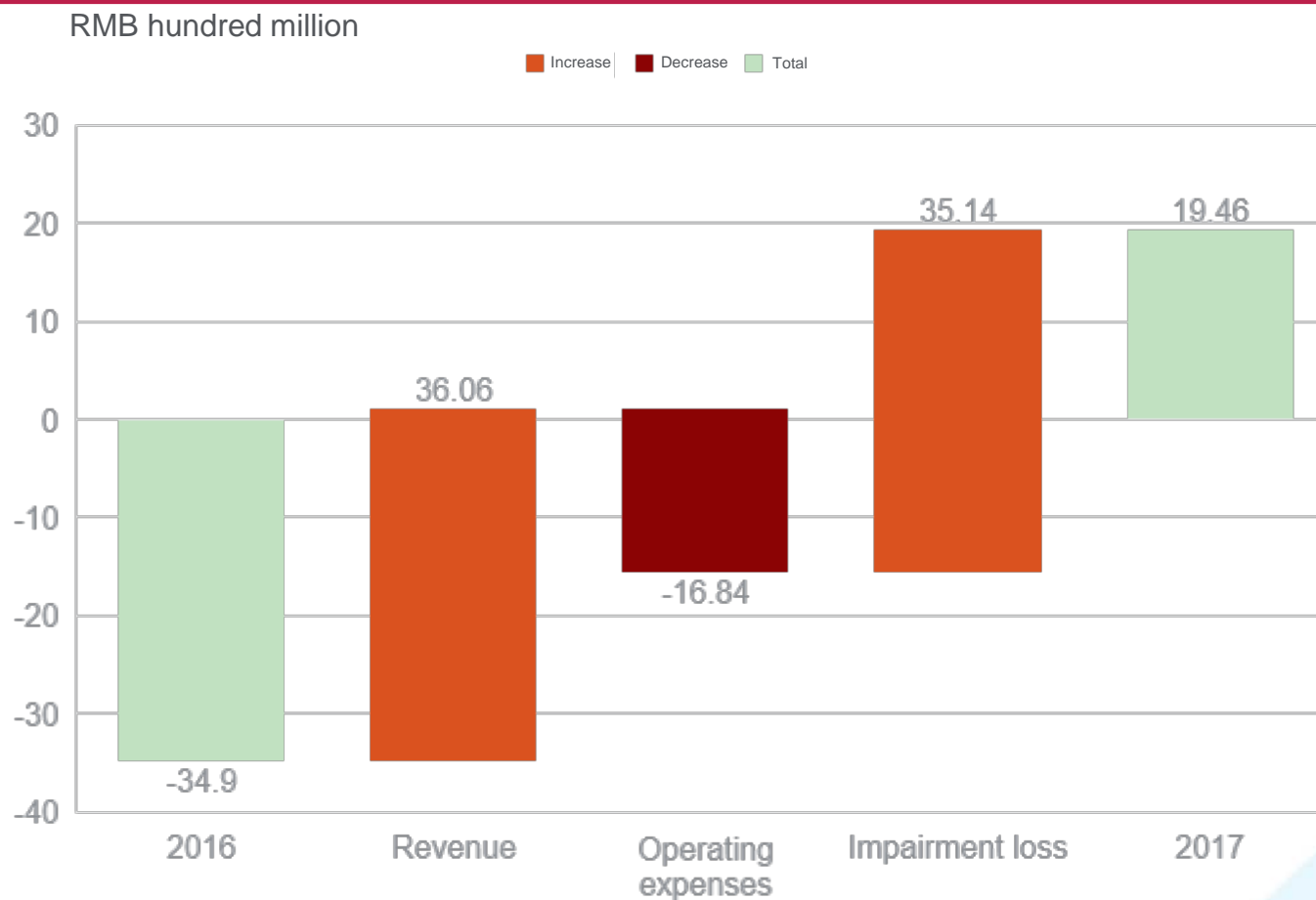


## Natural Gas Sales Business – Profit analysis





## LNG Processing and Terminal Business – Profit analysis



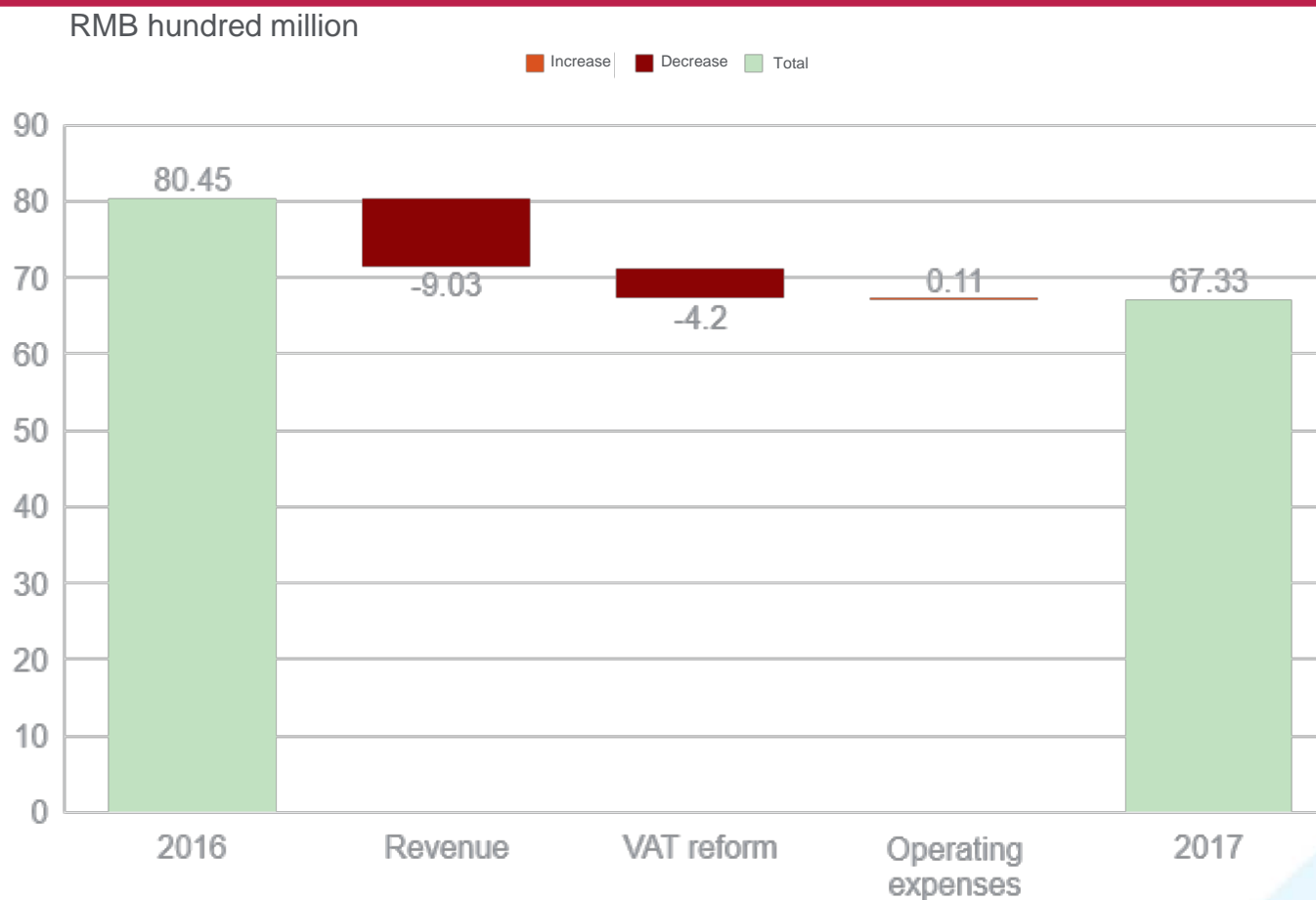




## Natural Gas Pipeline Business – Profit analysis

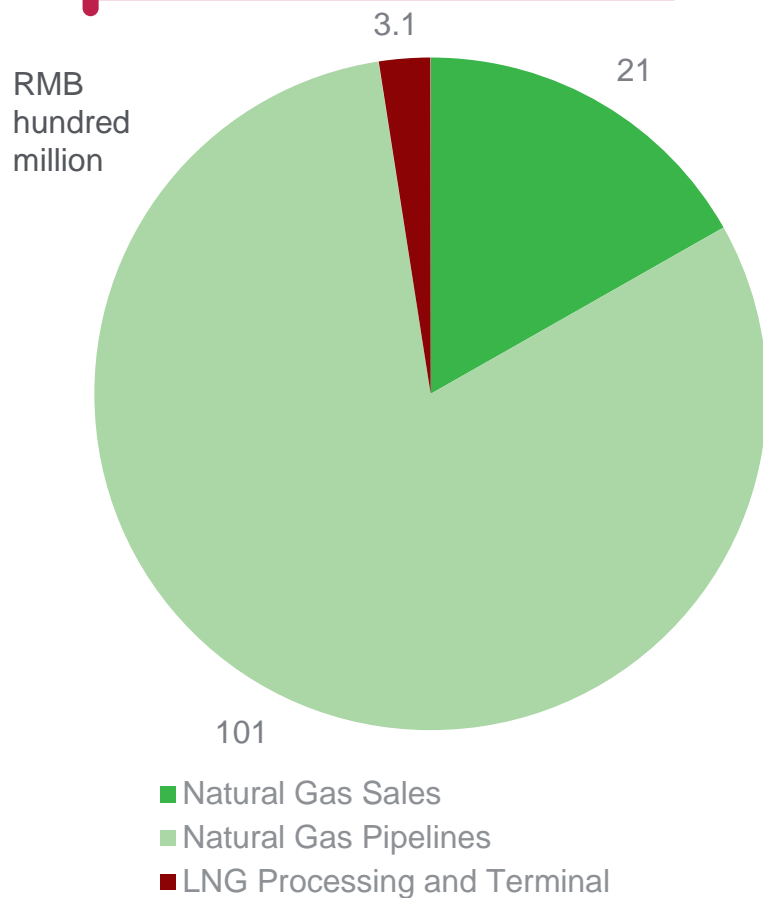


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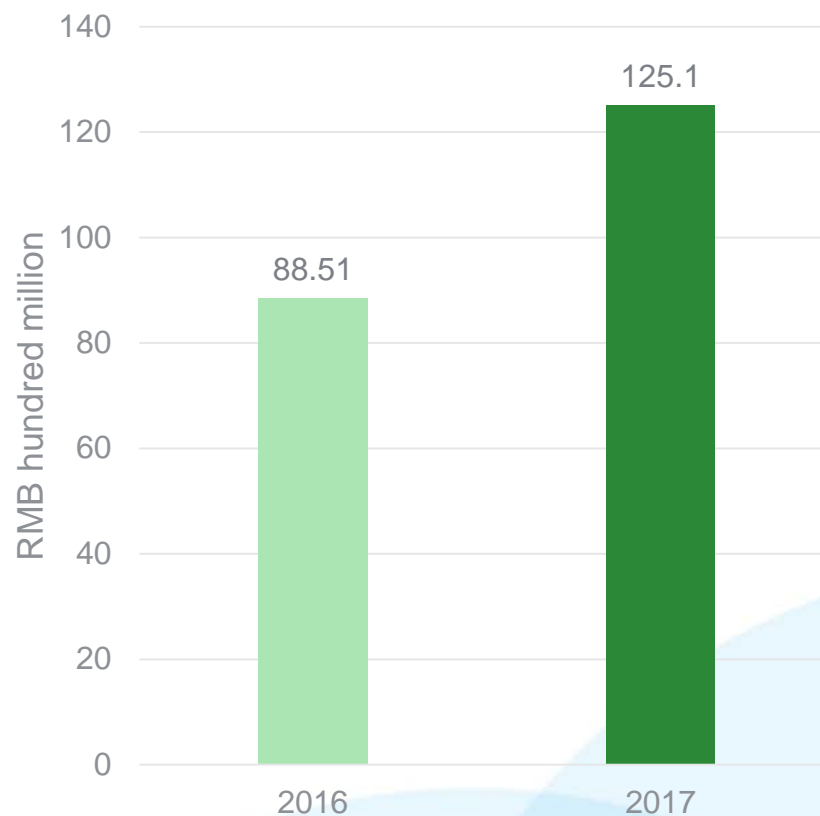


# Capital Expenditure Review in 2017

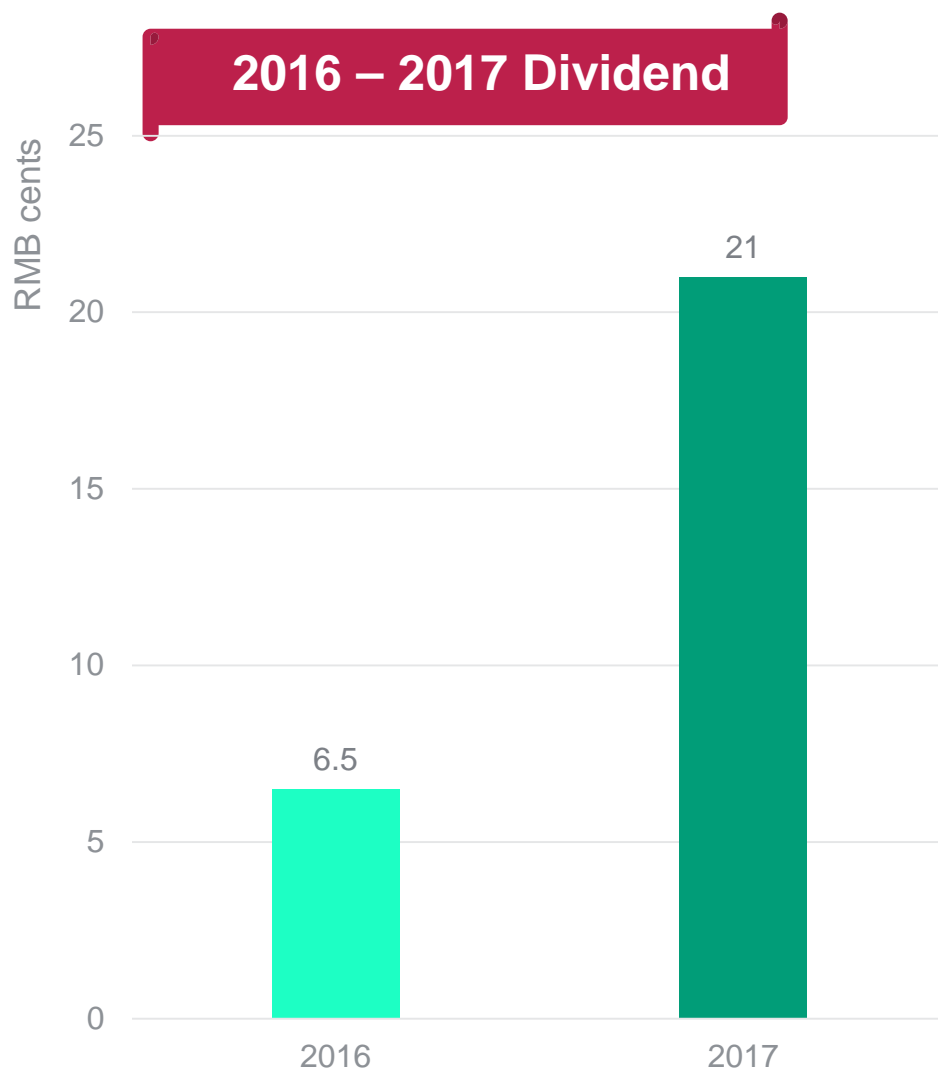
Capital Expenditure  
in 2017



Comparison of Capital Expenditure  
In 2016-2017



# Dividend Distribution in 2017



**Share the performance growth**

**Reward our shareholders**

- ▶ Increasing the proportion of cash dividends, the final dividend payout ratio for 2017 is 35.61%
- ▶ The Board of Directors resolved that the final dividend for 2017 was RMB21 cents per share, an increase of RMB14.5 cents per share



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## 4. 2018 Business Prospects





## Natural Gas Remains Growth Momentum

- The National Energy Administration issued the 13<sup>th</sup> Five-year Plan for Energy Development
- Increase natural gas production to 220,000 million cubic metres by 2020
- Actively promote the oil and gas system reform and the natural gas price mechanism reform for natural gas market development
- Reduce the natural gas utilization cost and expand the size of natural gas consumption



## The macro-environment for the development of the Group

- China will continue to facilitate energy production and consumption revolution to promote the replacement of major energy consumed by green energy with low carbon-emission
- Environmental supervision will become an important driving force for rapid growth of the demand for natural gas
- The trend for natural gas to become a major energy in the PRC will become more obvious. It is expected that city gas and industrial gas consumption will maintain rapid growth
- The demand for natural gas generator and distributed energy will steadily increase. Imported natural gas will maintain growth momentum.



# Grasping development opportunities; Enhancing Corporate Value and Shareholder Returns

Fully promote increase in both sales volume and efficiency of city gas

Coordinate and optimise the integrated LNG operation

Accelerate strategic planning for natural gas generator and distributed energy projects

Advance the construction of key strategic branch pipelines in an orderly manner

Accelerate the transformation and upgrading of LPG sales

## ✓ Providing clean energy to serve a harmonious society



- Continue to adhere to its operational and management philosophy of safety, environmental protection, compliance with laws and regulations, cooperation and sharing, openness and integration
- continue to implement its market, resource, capital, quality and innovation strategies
- Implement “Providing clean energy to serve a harmonious society” as the corporate objective
- Implement its innovation strategies and actively practice its social responsibility
- Continue to improve its corporate values and bring favorable returns to its shareholders



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**谢谢  
THANK  
YOU!**

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昆侖能源

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