



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)

2018 Annual Results

Company Presentation

March 2019

Presenters



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KunLun Energy



LING Xiao
Chairman

Chairman



ZHAO YONGQI
CEO

CEO



MIAO Yong
CFO

CFO



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Operation Highlights



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+1.6%
Sales Volume of
Crude Oil
13.27 mn Barrels

+17.2%
Sales Volume of
Natural Gas
22 bn m³

+6.3%
Sales Volume of LPG
7 mn tonnes

+42.4%
LNG Processing &
Terminal
22.8 bn m³

+27.0%
Natural Gas Pipeline
Transmission
52.9 bn m³

Performance Highlights



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1

Revenue has seen healthy and steady growth to RMB 105.47bn in 2018, or YoY growth of 18.9%

2

Core profit attributable to owners of the Company ⁽¹⁾ of RMB 5.89 bn, or YoY growth of 20.0%

3

Basic Core EPS of RMB 0.729, or YoY growth of 20.0%

4

Healthy and solid financial status with cash and cash equivalents of RMB 20.47 bn

5

Dividend per share RMB 23 cent with dividend ratio of 40.06%

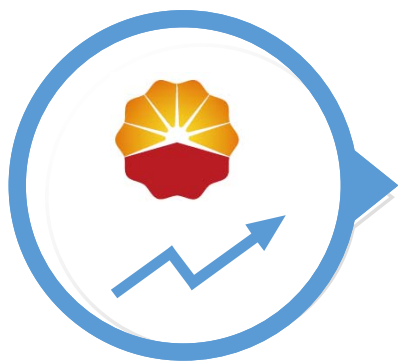
Note: (1) profit attributable to the owners of the Company excluding impairment losses on property, plant and equipment, intangible assets, accounts and other receivables and exchange loss/gain attributable to the owners of the Company and its related tax effect

Management Highlights



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In October 2018, PetroChina optimized and adjusted the natural gas sales management system to implement integrated management of natural gas wholesales and terminal retail business. The move is in response to the national requirements for actively promoting the development and utilization of natural gas and accelerating the construction of natural gas production, supply, storage and marketing systems. The aim is to accelerate the development of the terminal retail market and the sustainable development of the natural gas business by leveraging the overall advantages and synergies of PetroChina.



- ✓ **Clearer positioning**
- ✓ **More prominent resource advantage**
- ✓ **Increased expansion of terminal retail market**



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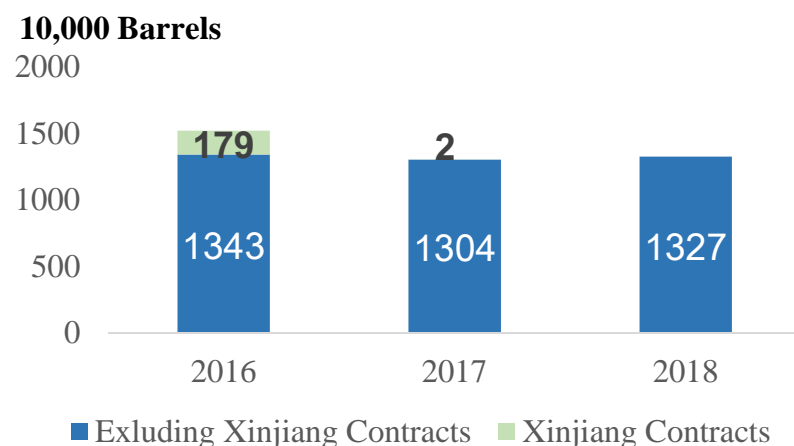
Future Outlook

Exploration & Production Business: Steady Development



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Total Sales Volume of Crude Oil



Distribution of Projects



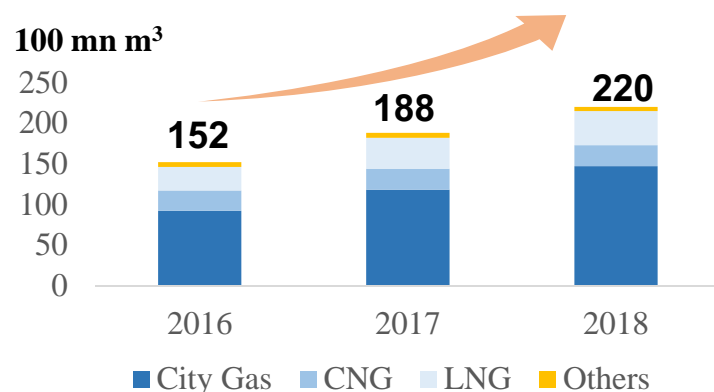
	2018/12/31	2017/12/31	Change
Sales Volume of Crude Oil (10,000 Barrels)	1,326.6	1,305.9	1.6%
ASP of Crude Oil (USD/Barrel)	60.3	46.6	29.4%

Natural Gas: Growth in Sales Volume & Efficiency

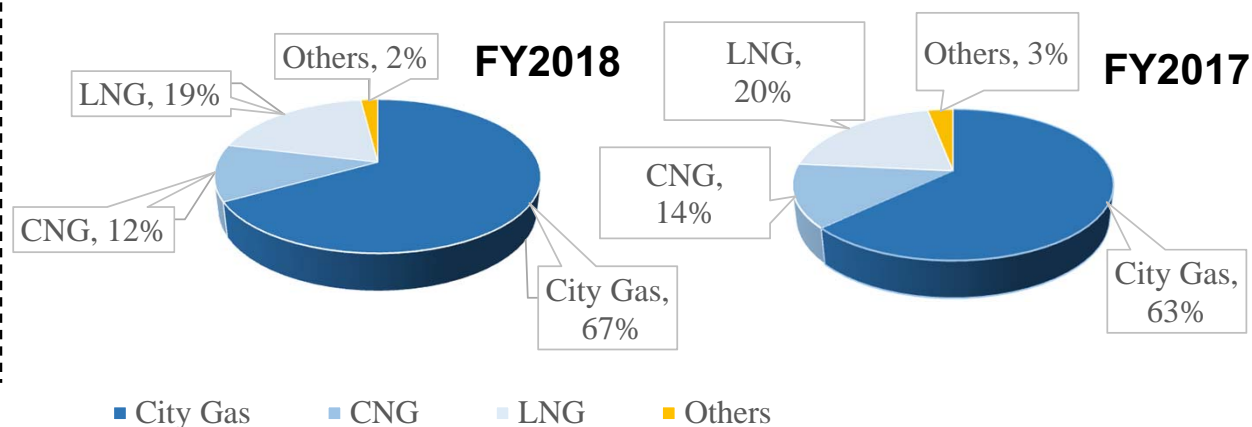


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Sales Volume of Natural Gas



Natural Gas Sales Volume Breakdown



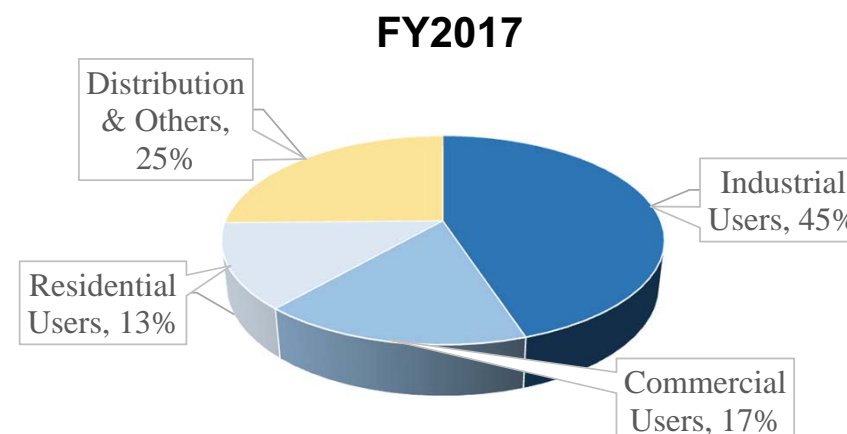
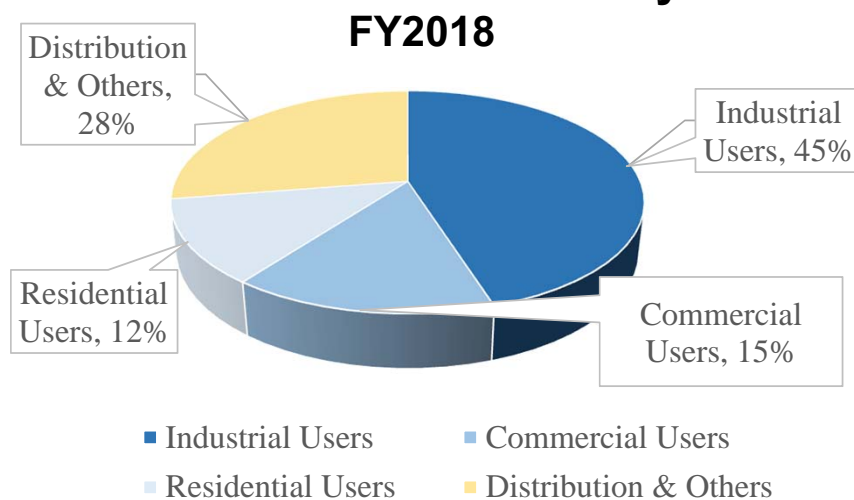
	2018/12/31	2017/12/31	Change
Natural Gas (100 mn m³)	219.9	187.7	17.2%
City Gas	147.1	118.2	24.5%
CNG	26.1	25.4	2.8%
LNG	42.3	38.4	10.2%
Others	4.4	5.7	-22.8%
ASP/Average Cost/Dollar Margin (RMB/m³)	2.48/1.94/0.54	2.31/1.71/0.60	0.17/0.23/-0.06 ₉

City Gas: Strong Growth in Sales Volume (cont.)



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City Gas Sales Volume Breakdown



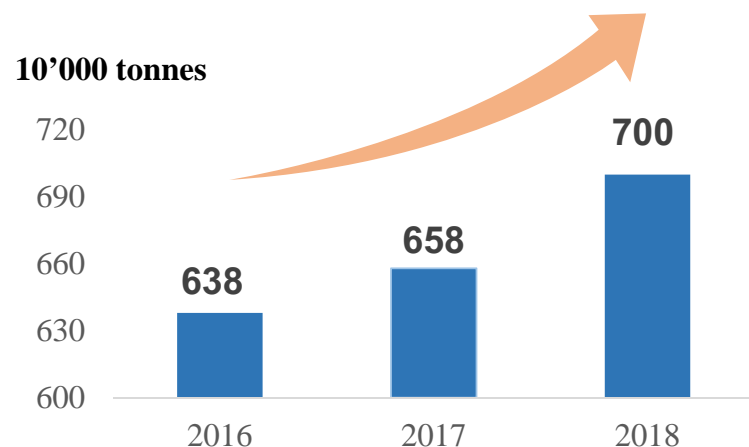
	2018/12/31	2017/12/31	Change
City Gas (100 mn m ³)	147.1	118.2	24.5%
Industrial Users	66.3	53.1	24.9%
Commercial Users	22.4	19.6	14.3%
Residential Users	17.9	15.6	14.7%
Distribution & Others	40.5	29.9	35.5%

LPG: Steady Growth in Sales Volume (cont.)

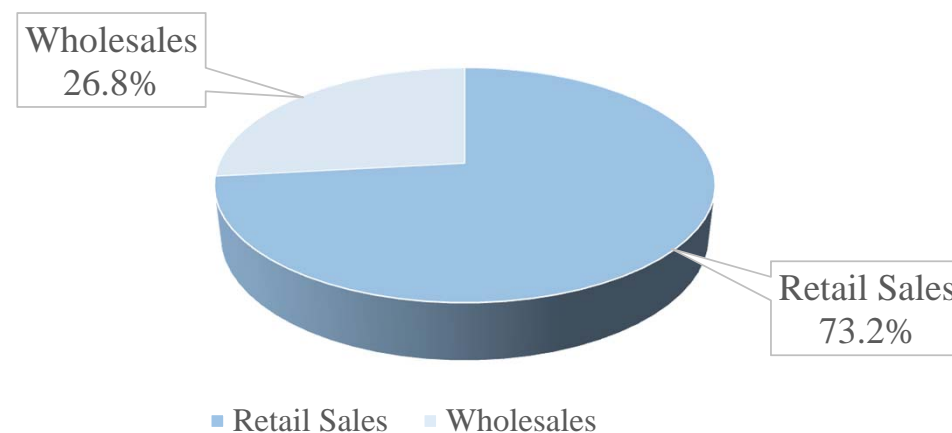


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LPG Sales Volume



LPG Sales Volume Breakdown



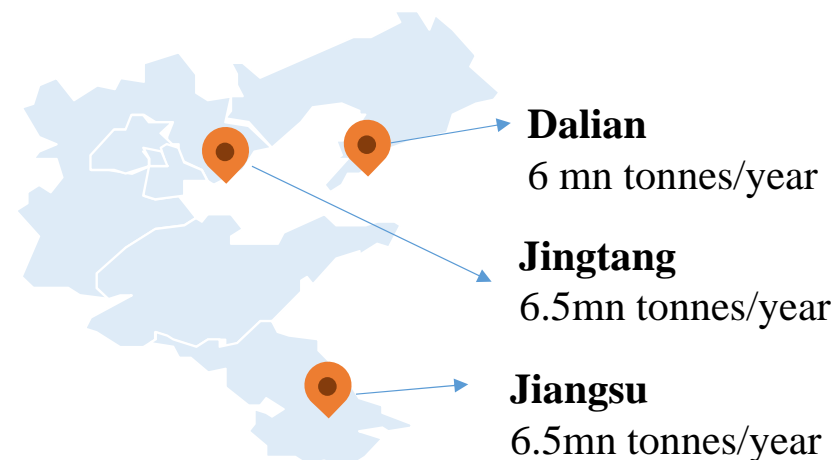
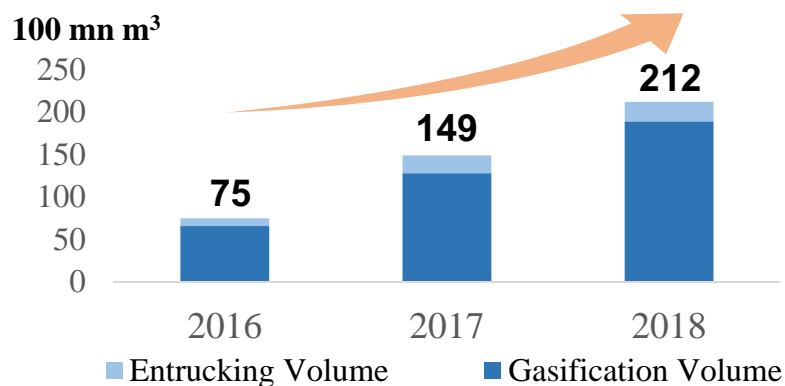
	2018/12/31	2017/12/31	Change
Total LPG Sales Volume (10,000 Tonnes)	699.7	658.3	6.3%

LNG Processing and Terminal: Highly Efficient Growth



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**Gasification & Entrucking Volume
of LNG Terminals**



	2018/12/31	2017/12/31	Change
LNG Processing & Terminal (100 mn m³)	212.3	149.0	42.5%
LNG Gasification Volume	189.0	128.0	47.7%
LNG Entrucking Volume	23.3	21.0	11.0%

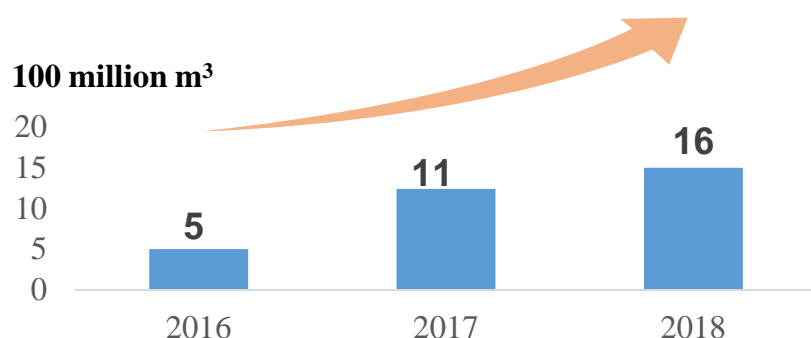
The emergency peak adjustment project of Jingtang LNG Terminal officially commenced; the expansion project of Jiangsu LNG Terminal has entered into tendering process; the above projects are expected to commence operation in 2020 and 2021 respectively

LNG Processing and Terminal: Highly Efficient Growth (cont.)

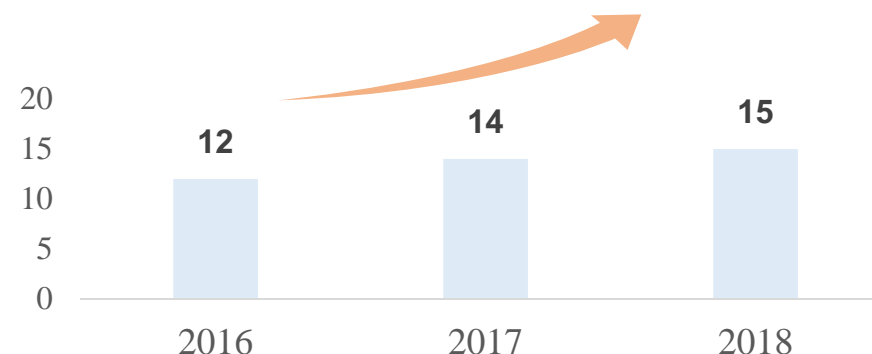


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Processing Volume of LNG Plants



Number of LNG Plants in Operation



	2018/12/31	2017/12/31	Change
LNG Processing Volume (100 mn m³)	15.5	11.0	40.9%

As of December 31 2018, there are 15 LNG plants in operation.

Depending on the construction of LNG processing plants network, the construction plan of LNG storage facilities for emergency peak adjustment will be completed.

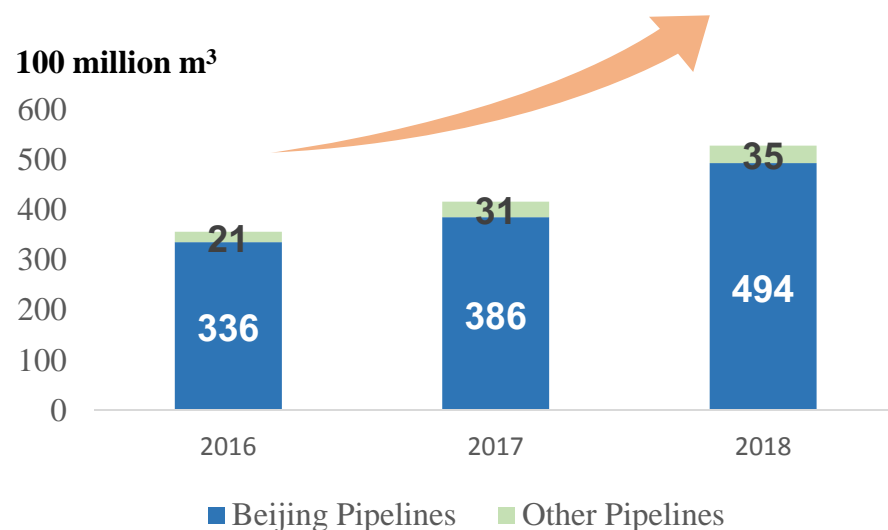
Actively organize activities and forums on natural gas engine fuel vehicles along China-Kazakhstan-Russia highway, promoting the application of LNG in transportation use

Natural Gas Pipeline: Stable and Efficient



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Transmission Volume of Gas Pipelines



Map: Shaanxi-Beijing Pipeline



	2018/12/31	2017/12/31	Change
Gas Pipeline Transmission Volume (100 mn m ³)	529.5	416.9	27.0%

In November 2017, No. 4 Shaanxi-Beijing Pipeline commenced operation with total planned capacity of 25 bn m³; Phase 1 capacity reached 21 bn m³



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Income Statement



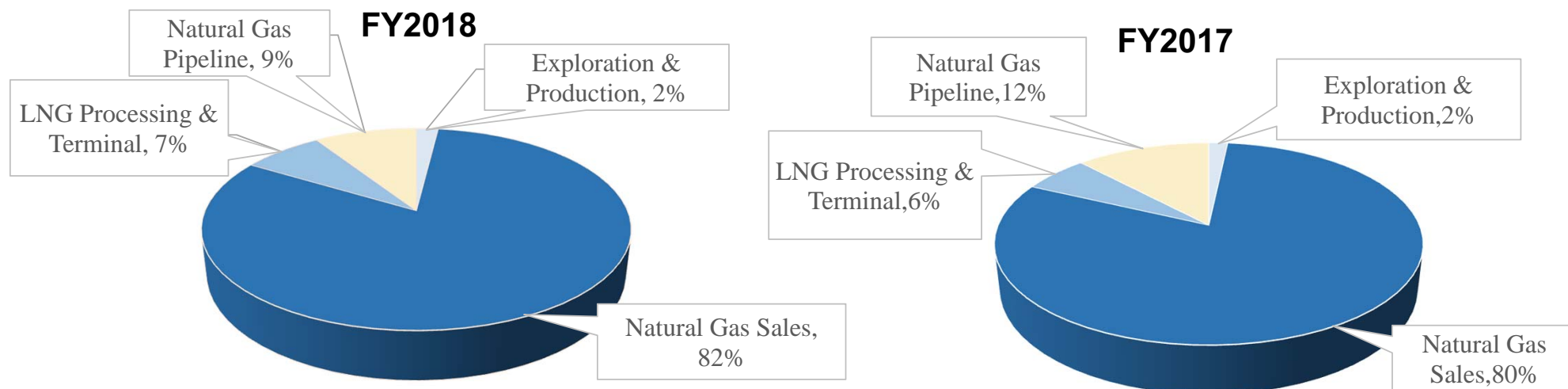
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(RMB 100 mn)	2018/12/31	2017/12/31	Change
Revenue	1054.7	887.1	18.9%
Core Profit before Income Tax Expense	132.8	116.6	13.9%
Core Profit Attributable to Owners of The Company	58.9	49.1	20.0%
Adjusted EBITDA	203.0	182.4	11.3%
Core EPS-Basic (RMB cents)	72.9	60.8	19.9%
Annual Dividend Per Share (RMB cents/share)	23.0	21.0	9.5%

Financial Highlights-- Revenue Breakdown



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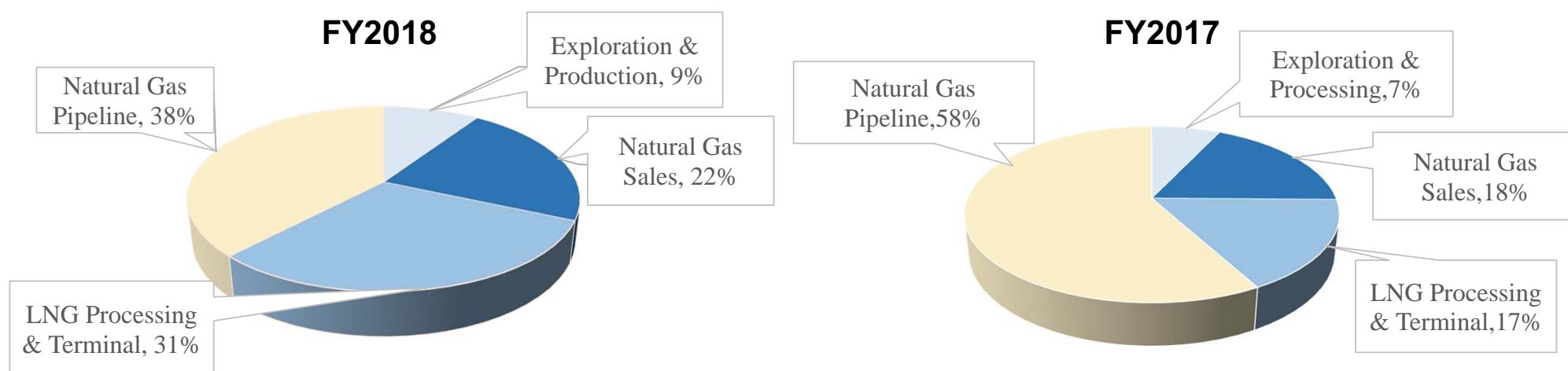


(RMB 100 mn)	2018/12/31	2017/12/31	Change
Total Revenue	1054.7	887.1	18.9%
Exploration & Production	20.7	15.1	37.1%
Natural Gas Sales	860.9	712.0	20.9%
LNG Processing & Terminal	76.2	52.5	45.1%
Natural Gas Pipeline	96.9	107.5	-9.9%

Financial Highlights-- Profit Before Income Tax Breakdown



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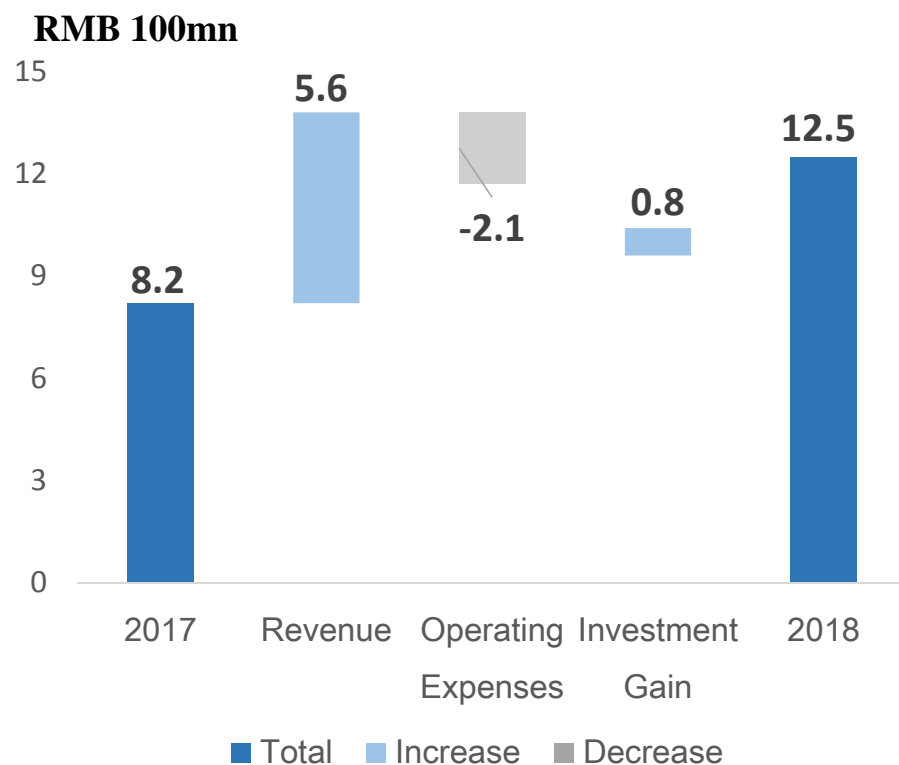
(RMB 100 mn)	2018/12/31	2017/12/31	Change
Exploration & Production	12.5	8.2	52.4%
Natural Gas Sales	29.4	21.1	39.3%
LNG Processing & Terminal	40.6	19.5	108.2%
Natural Gas Pipeline	50.2	67.3	-25.4%

Profit Before Income Tax Analysis

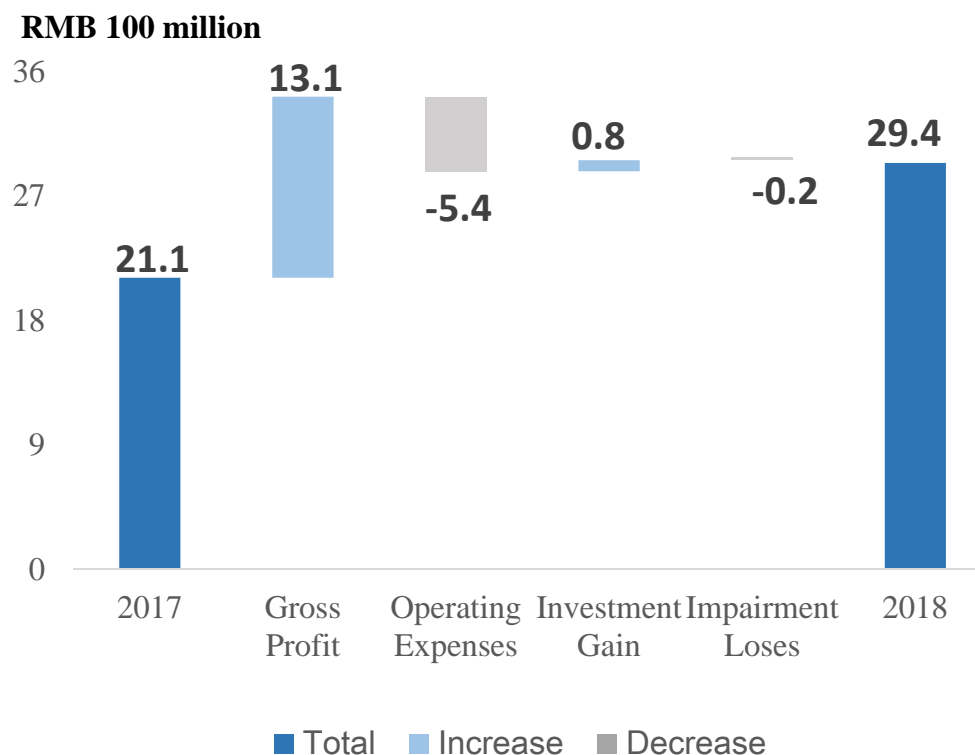


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Exploration & Production



Natural Gas Sales

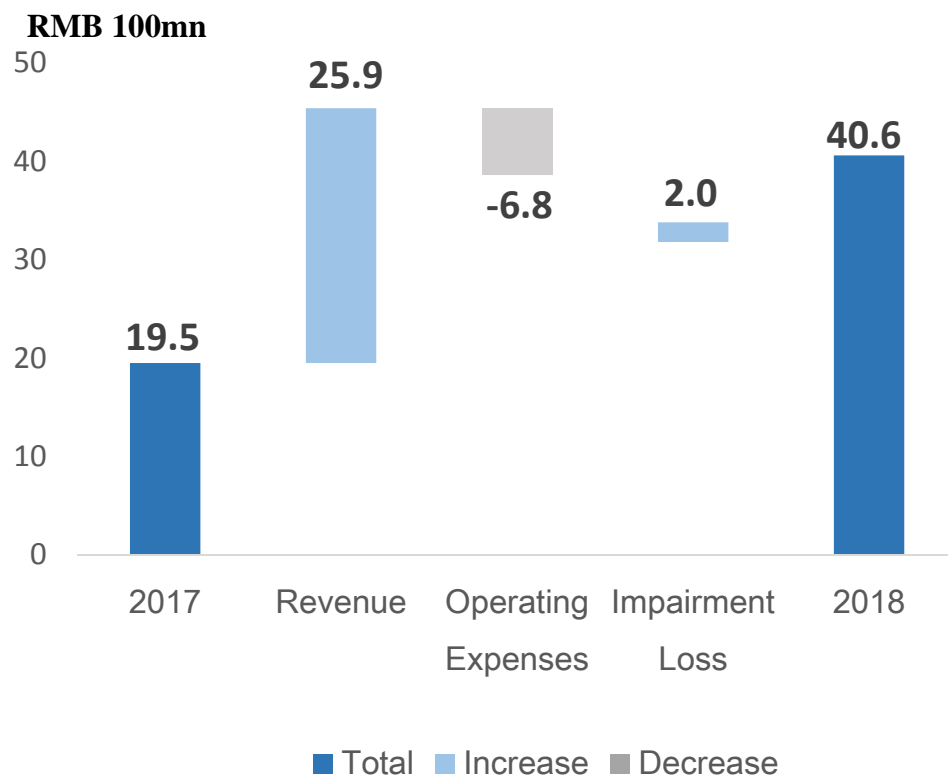


Profit Before Income Tax Analysis (cont.)

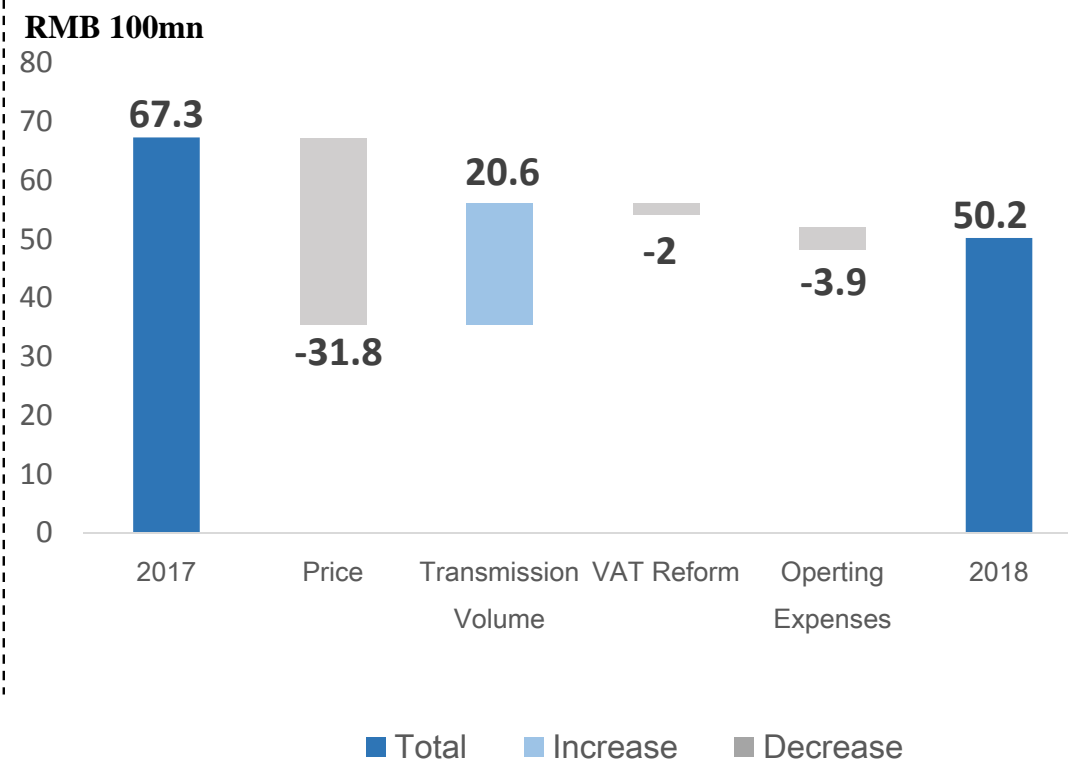


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LNG Processing & Terminal



Natural Gas Pipeline



Further Strengthened Financial Position



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	2018/12/31	2017/12/31	Change
Net Profit Margin	9.0%	9.2%	-0.2
Core Return on Total Assets (Core ROA)	6.7%	5.9%	0.8
Core Return on Capital Employed (Core ROCE)	13.7%	12.4%	1.3
Debts-to-Net Assets Ratio	55.3%	68.1%	-12.8
Gearing Ratio	35.6%	40.5%	-4.9
Debts-to-Assets Ratio	27.6%	31.8%	-4.2
Average Finance Cost	3.89%	3.65%	0.24

Balance Sheet



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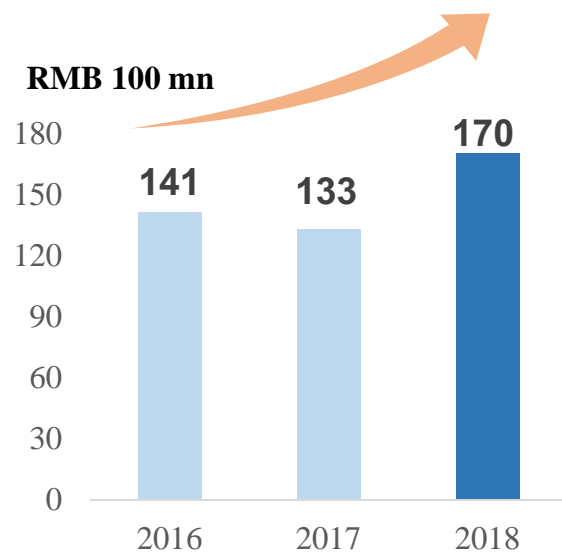
(RMB 100 mn)	2018/12/31	2017/12/31	Change
Total Asset	1,405.9	1,405.6	0.02%
Cash	204.7	218.5	-6.3%
Total Debt	387.4	446.8	-13.3%
-- Current Liabilities	105.3	119.6	-12.0%
-- Non-Current Liabilities	282.1	327.2	-13.8%
Equities	427.0	400.3	6.7%
Debts-to-Net Assets Ratio	55.3%	68.1%	-12.8

Healthy Cash Flow

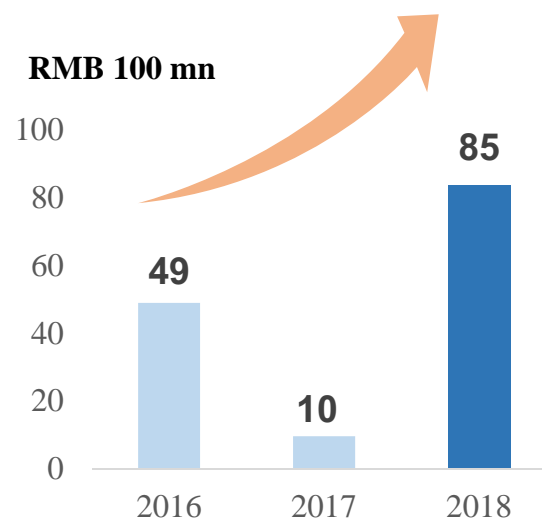


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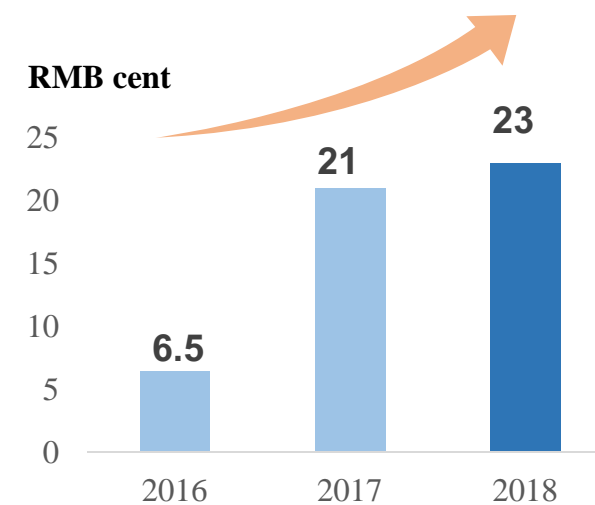
Operating Cash Flow



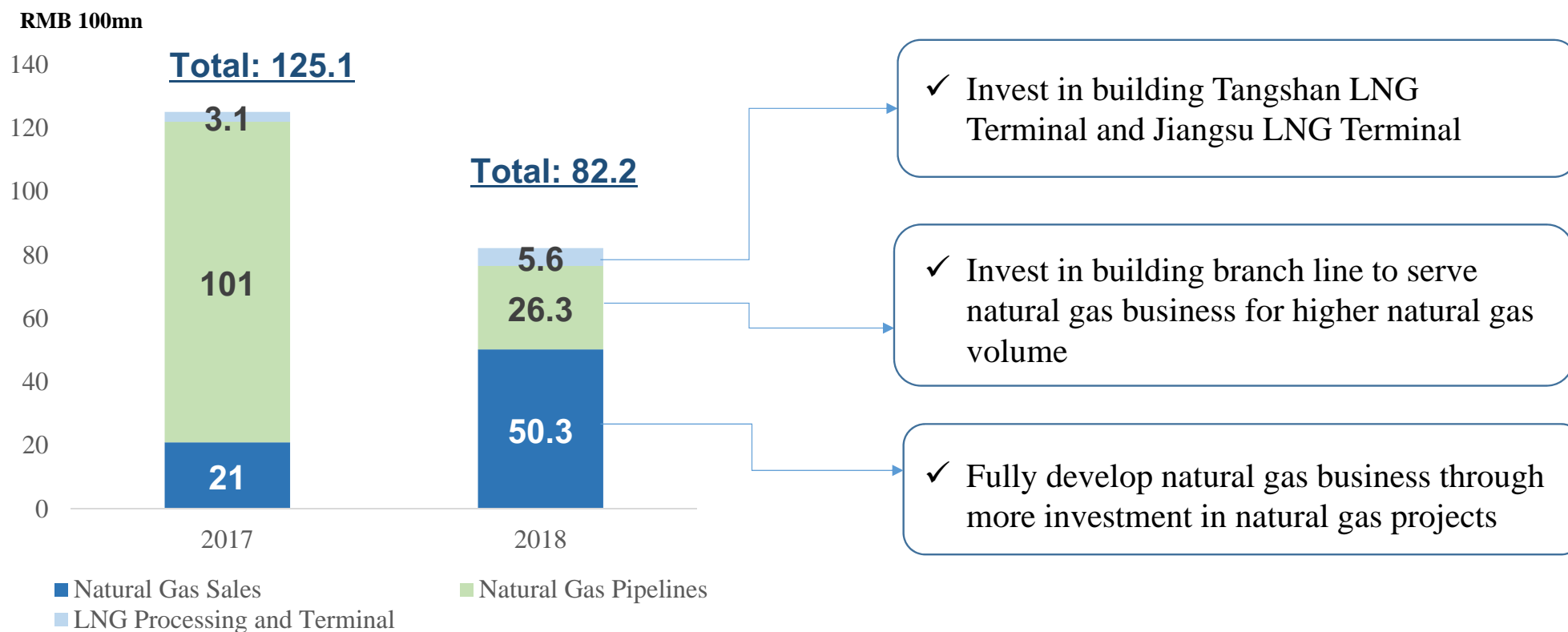
Free Cash Flow



Divided per share



CAPEX for Strategic Development





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2019 Business Prospects



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Natural Gas Industry Keep Growing

- The National Energy Administration issued the 13th Five-year Plan for Energy Development (the “plan”), which states the objective to increase the percentage of natural gas consumption to primary energy consumption to 10% by 2020.
- The government shall actively promote the oil and gas system reform and the natural gas price mechanism reform and natural gas market development, reduce the natural gas utilization cost and expand the size of natural gas consumption.
- Domestically, the natural gas industry will continue to develop rapidly.



Macro-Environment Benefit the Development of the Group

- In 2019, 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, and 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, and the demand for natural gas generator and distributed energy will steadily increase. Imported natural gas will maintain growth momentum. The macro-environment for the development of the Group will be more favorable.

Grasping Development Opportunities; Increasing Enterprise Value & Shareholder Returns



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A

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

B

Coordinate &
optimize the
integrated
LNG
operation

C

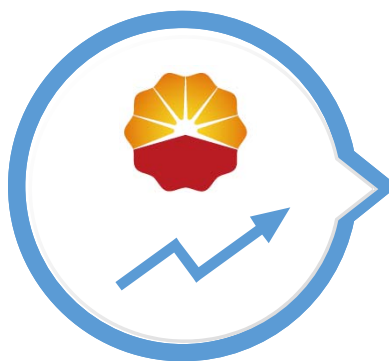
Accelerate
strategic
planning for
natural gas
generator
& distributed
energy projects

D

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

E

Accelerate the
transformation
& upgrading of
LPG sales



Providing Clean Energy to Serve a Harmonious Society

- Confident to grasp the opportunities and challenges of development, will give full play to the advantages of industrial structure.
- Adhere to the concept of green development; achieve its coordinated development with PetroChina's natural gas business.
- Play an active role in the construction of ecological civilization and the promotion of clean and low-carbon development in the economy and society.
- The Group will continue to integrate its business in order to enhance its asset-creating capabilities.
- Continuously enhance its corporate value to bring more returns to shareholders.

Disclaimer



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This presentation of Kunlun Energy includes historical facts and forward-looking statements. Forward-looking statements are based on assumptions and expectations, management experience, assessments and observations on historical trends, current conditions, predictable future trends, and other factors. Due to a wide range of risks and uncertainties, future actual results may not be consistent with the forward-looking statements. These risk and uncertainty factors include, but are not limited to, overall economic and commercial conditions, pricing pressures caused by competition and processes, labor conditions, political uncertainty, unpredictable regulatory changes, trade protection measures, tax and legal regulations changes, fluctuations in foreign exchange rates, capabilities on forecasting and planning of future demand, dependence on a single source supply relationship, and the impact of terrorist activities, natural disasters and public health issues.

In addition, any forward-looking statements represent our assessments as of the date of the statement and do not constitute an evaluation of any subsequent period. We are not responsible for any possible updates to any forward-looking statements, even if the assessment changes in the future.

The Chinese version shall prevail.

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