



**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)



# 2020

## Interim Results

### Company Presentation

August 2020

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**1** Chairman Speech

**2** Business Review

**3** Financial Highlights

**4** Business Outlook



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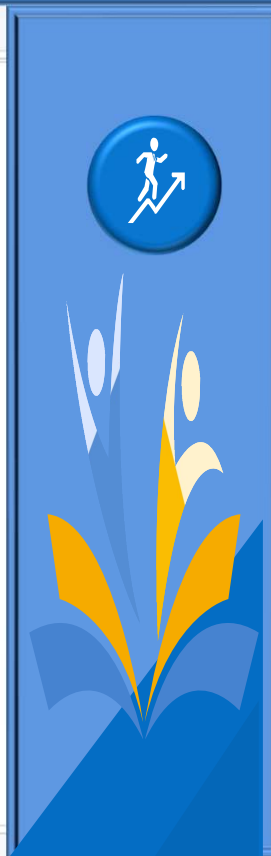
## Business Highlights

### Operating Results

Total Sales Volume of Natural Gas  
16,071.8 million m<sup>3</sup>  
Year-on-year growth 27.6%

Sale Volume of Retail Gas  
10,018.1 million m<sup>3</sup>  
Year-on-year growth 20.3%

11.57 million natural gas users  
26 new projects



### Financial Results

Total Revenue RMB 52,254.2 million  
Year-on-year decrease 2.4%

Core Profit Before Income Tax  
RMB 6,410.6 million  
Year-on-year decrease 17.5%

Core Profit Attribution to Owners of  
the Company RMB 2,624.9 million  
Year-on-year decrease 18.5%



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# High-Quality & Steady Development

Actively fulfill Social Responsibilities  
Ensured Normal Livelihood of People

1. Strengthened joint prevention and control, strictly implemented territorial responsibilities, and effectively ensured zero infection in production and office places;
2. Stable production operation, orderly resumption of projects and stable workforce, and assisted gas-using enterprises to resume work and production;
3. Formulated a special plan for natural gas supply guarantee during the anti-epidemic period, established a resource guarantee green channel, guarantee a stable supply of gas for customers, and ensure the gas demand of many designated medical institutions and the production of protective materials across the country.

1

Actively respond to the impact of COVID-19 and promote production and operation steadily and orderly

2

Focus on natural gas business and continuing to optimizing business layout

3

In-depth implementation of actions to improve quality and efficiency and build a solid foundation for high-quality development

4

Give full play to advantages, strengthen cooperation, and jointly promote a healthy environment for the industry





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# 01

PART ONE

## Gas Sales

Natural Gas, LPG



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## Natural Gas National Layout

Natural Gas business covers **31** provinces, autonomous regions and municipalities

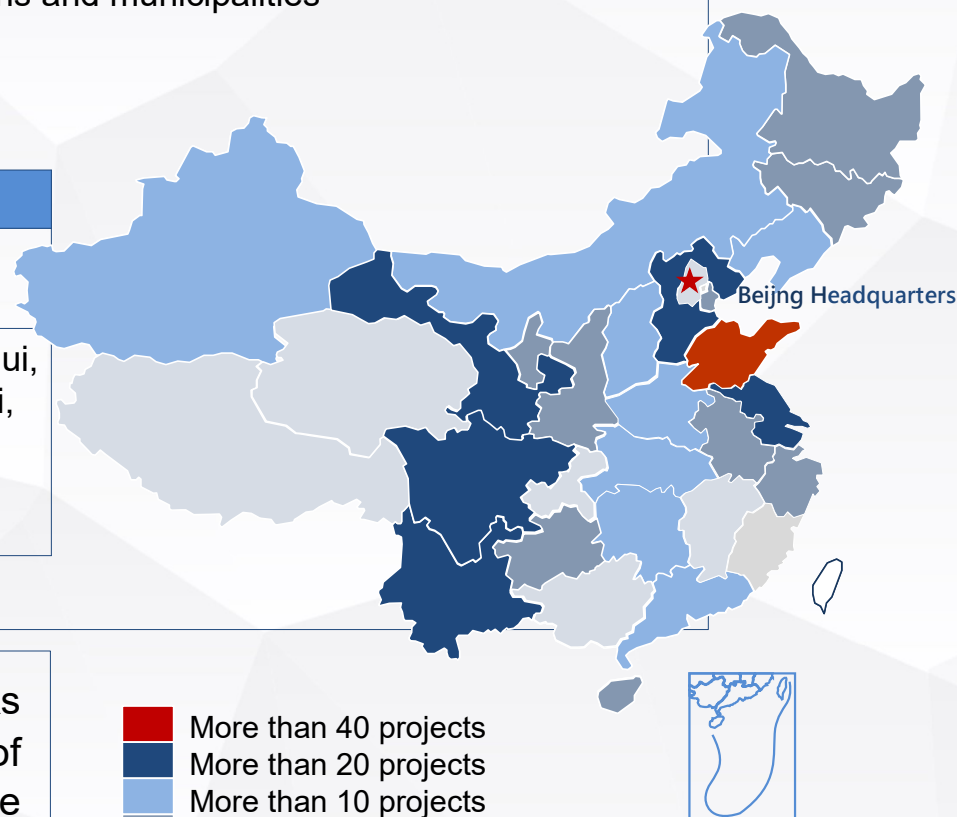
Operating **373** City Gas Projects

Entering **20** cities at Prefecture-level and above, including:

Province	City	Province	City
Heilongjiang	Harbin, Daqing	Yunan	Kunming, Dali, Lijiang
Jiangsu	Suqian	Gansu	Lanzhou, Tianshui, Zhangye, Wuwei, Jinchang, Jiayuguan, Jiuquan, Dingxi
Shandong	Heze		
Hubei	Wuhan, Huangshi, Jingmen, Xianning		
Hunan	Changde		

Natural gas users: **11,565.7 thousand**

The length of branch lines and urban gas pipeline networks covers **76,902** kilometers, forming a structure of integrated operation and integrated promotion with the development of the downstream market of natural gas.



- More than 40 projects
- More than 20 projects
- More than 10 projects
- More than 5 projects
- Less than 5 projects



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## New Projects



### In 1H 2020

Acquired **31** new city gas projects in **20** provinces, autonomous regions and municipalities, including:

- ✓ 25 Newly acquired/newly held holding projects (see left map)
- ✓ 5 Joint venture projects
- ✓ 1 capital increased project:  
Wuhan high-pressure pipeline network project

The project is conducive to the company's full integration of gas sources, urban transmission and gas distribution in Wuhan.

### "Promotion of Joint Development of Oil and Gas" :

- ✓ A plan to construct 100 oil and gas joint refilling stations across Sichuan Province within 3 years
- ✓ 13 oil and gas stations have been put into operation and cumulative sales volume of LNG exceeds 40 million cubic meters.



# Natural Gas Sales Volume

(million m <sup>3</sup> )	2020/06/30	2019/06/30	Change
<b>Total Natural Gas Sales Volume</b>	<b>16,071.8</b>	<b>12,594.6</b>	<b>27.6%</b>
<b>Retail Gas sales</b>	<b>10,018.1</b>	<b>8,327.3</b>	<b>20.3%</b>
Industrial Users	5,148.8	3,855.7	33.5%
Commercial Users	1,120.3	1,206.9	(7.2%)
Residential Users	1,563.3	1,203.8	29.9%
CNG/LNG Stations	2,185.7	2,060.9	6.1%
<b>Distribution &amp; Trading</b>	<b>6,053.7</b>	<b>4,267.3</b>	<b>41.9%</b>

## Retail Gas Sales Volume Breakdown





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## Customer Base

	2020/06/30 New Users	2020/06/30 Accumulated Users	2019/06/30 Accumulated Users	Change
<b>Total</b>	<b>288.8 thousand</b>	<b>11,565.7 thousand</b>	<b>10,138.0 thousand</b>	<b>14.1%</b>
Residential Users	287.4 thousand	11,495.1 thousand	10,085.0 thousand	14.0%
Industrial Users	318	7,280	5,247	38.7%
Commercial Users	1,113	63.3 thousand	50.0 thousand	26.6%

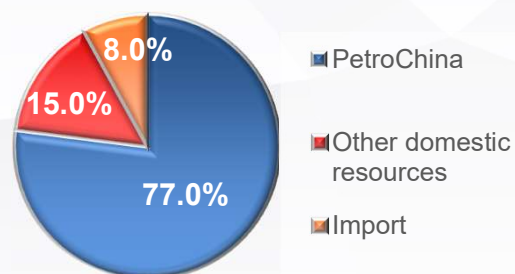


## LPG Sales Volume

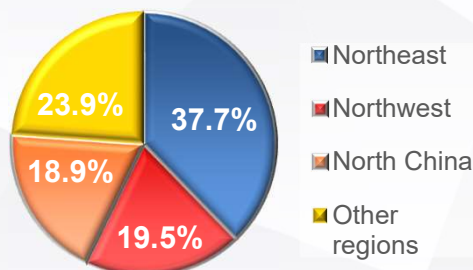
1. Expand resource channels and Increase LPG resource procurement from import and domestic refining plants;
2. Optimize the sales structure and improve the retail proportion;
3. Optimize the configuration of LPG railway vehicles to reduce costs.

(thousand tons)	2020/06/30	2019/06/30	Change
<b>LPG Sales Volume</b>	<b>2,353.1</b>	<b>3,118.0</b>	<b>(24.5%)</b>
Retail	789.4	935.4	(15.6%)
Wholesale	1,563.7	2,182.6	(28.4%)

LPG Upstream Resources Breakdown

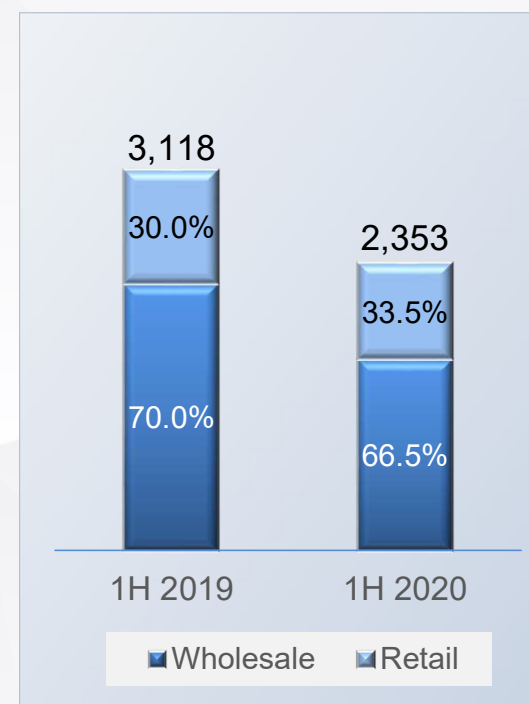


LPG Sales Volume by Region



### LPG Sales Volume Breakdown

thousand tons



# 02

PART TWO

## LNG Processing & Terminal

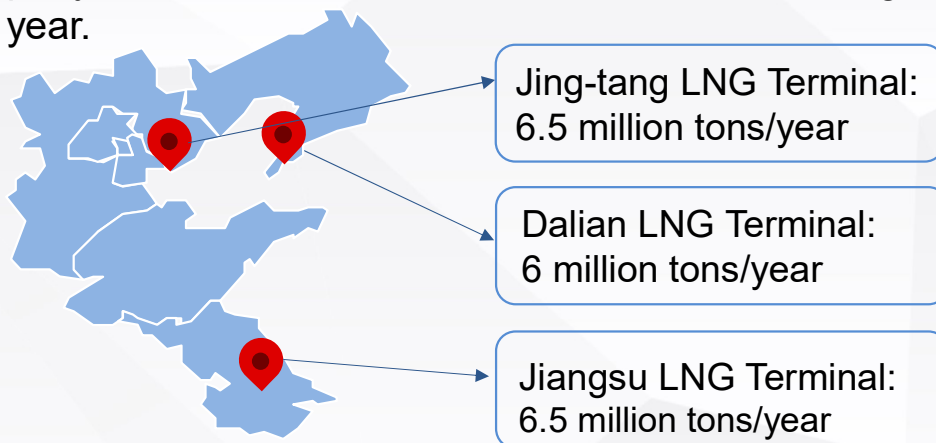
LNG Terminals, LNG Plants



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## LNG Terminal

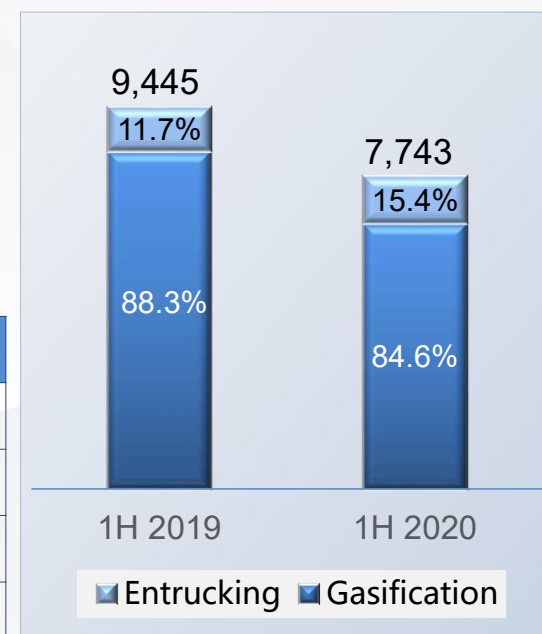
The company owns three LNG terminals with a total loading capacity of 19 million tons per year.



(million m <sup>3</sup> )	2020/06/30	2019/06/30	Change
<b>Total Volume</b>	<b>7,743.1</b>	<b>9,445.3</b>	<b>(18.0%)</b>
LNG Gasification Volume	6,552.3	8,339.3	(21.4%)
LNG Entrucking Volume	1,190.8	1,106.0	7.7%
<b>Average Utilization Rate</b>	<b>59.3%</b>	<b>70.8%</b>	<b>(11.5 ppt)</b>

### Gasification & Entrucking Volume of LNG Terminals

million m<sup>3</sup>







## LNG Plants

	2020/06/30	2019/06/30	Change
LNG Processing Volume (million m <sup>3</sup> )	1,166.5	993.0	17.5%
Number of LNG Plants in Operation	14	12	2
Average Utilization Rate	44.1%	43.9%	0.2 ppt

### Processing Volume of LNG Plants

million m<sup>3</sup>



A large, stylized blue number '03' is positioned on the left side of the slide. A white rectangular box is superimposed over the middle of the '0', containing the text 'PART THREE' in blue capital letters.

# PART THREE

## Natural Gas Pipeline

Shaanxi-Beijing Pipelines, Other Pipelines



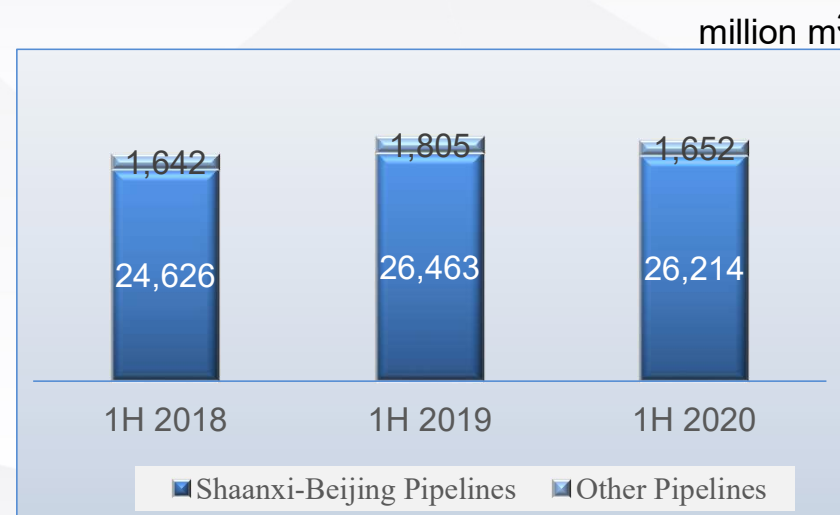
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# Natural Gas Pipeline


Map: Shaanxi-Beijing Pipelines



Transmission Volume of Gas Pipelines



(million m <sup>3</sup> )	2020/06/30	2019/06/30	Change
<b>Total Transmission Volume</b>	<b>27,866.2</b>	<b>28,267.9</b>	(1.4%)
Shaanxi-Beijing Pipelines	26,214.0	26,462.8	(0.9%)
Other Pipelines	1,652.2	1,805.1	(8.5%)



# 04

PART FOUR

## Exploration & Production

Crude Oil Exploration & Production



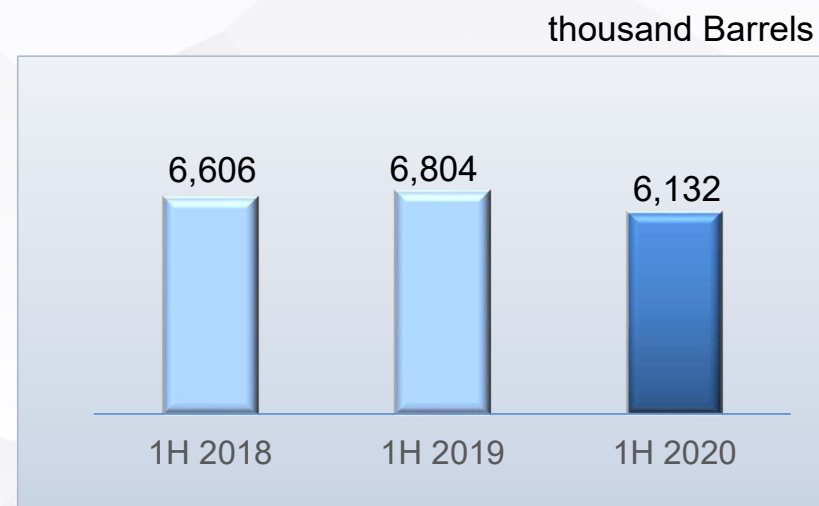
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## Exploration & Production

### Distribution of Oilfields



### Crude Oil Equity Sales Volume



	2020/06/30	2019/06/30	Change
Equity Sales Volume of Crude Oil (thousand Barrels)	6,132.1	6,804.2	(9.9%)
ASP of Crude Oil (USD/Barrel)	40.3	56.0	(28.0%)



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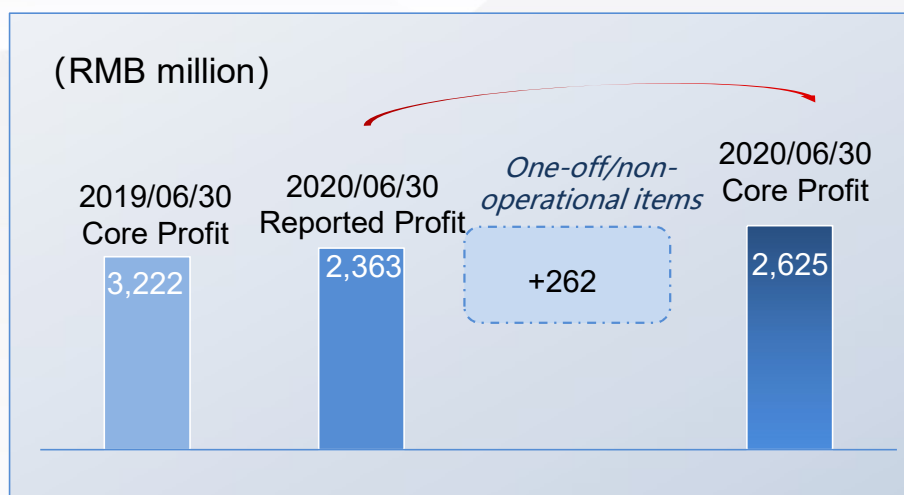
## Income Statement

(RMB million)	2020/06/30	2019/06/30	Change
Revenue	52,254.2	53,543.3	(2.4%)
Profit before Income Tax Expense	6,130.6	7,673.2	(20.1%)
EBITDA	9,969.4	11,180.3	(10.8%)
Profit Attributable to Owners of The Company	2,363.0	3,143.4	(24.8%)
Basic EPS (RMB cents)	27.3	38.9	(29.8%)
Core Profit Attributable to Owners of The Company	2,624.9	3,222.4	(18.5%)
Core EPS (RMB cents)	30.3	39.9	(24.1%)

Note: Core Profit=Profit attributable to owners of the Company + Exchanges Losses + Impairment loss on accounts receivable



## Profit Analysis

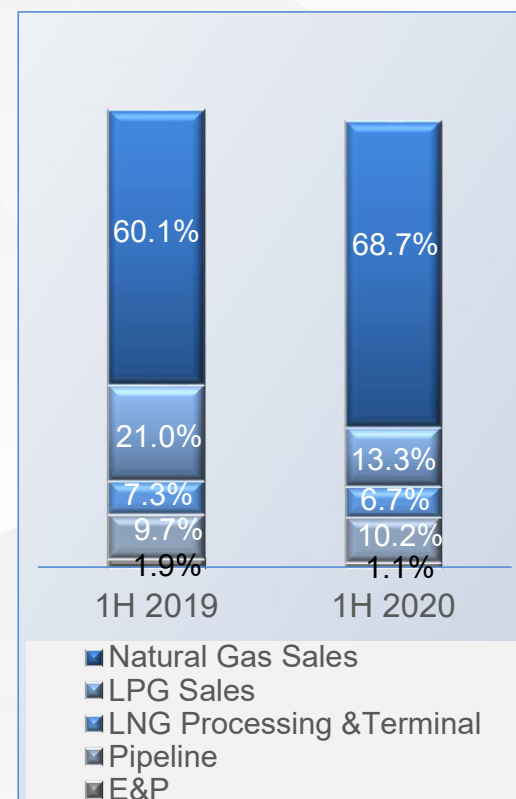


Items		(RMB million)
1	2020/06/30 Reported Profit	2,363
2	One-off / non-operational items:	262
2.1	Exchanges Losses	211
2.2	Impairment Losses on Accounts Receivables	51
3	2020/06/30 Core Profit	2,625

# Revenue

(RMB million)	2020/06/30	2019/06/30	Change
<b>Total Revenue</b>	<b>52,254.2</b>	<b>53,543.3</b>	<b>(2.4%)</b>
Gas Sales	42,838.0	43,420.4	(1.3%)
Natural Gas Sales	34,533.8	30,768.2	12.2%
Connection Fee	1,356.0	1,420.0	(4.5%)
LPG Sales	6,948.2	11,232.2	(38.1%)
LNG Processing and Terminal	3,501.6	3,926.2	(10.8%)
LNG Terminals	2,355.8	2,770.9	(15.0%)
LNG Plants	1,145.8	1,155.3	(0.8%)
Natural Gas Pipelines	5,314.7	5,190.0	2.4%
Exploration & Production	599.9	1,006.7	(40.4%)

## Revenue Breakdown





## Dollar Margin Analysis

(RMB/m <sup>3</sup> )	2020/06/30	2019/12/31	2019/06/30	Change
Average Gas Tariff	2.27	2.49	2.54	(10.6%)
Average Cost	1.78	1.96	2.02	(11.9%)
Weighted Average Dollar Margin	0.492	0.53	0.52	(5.4%)

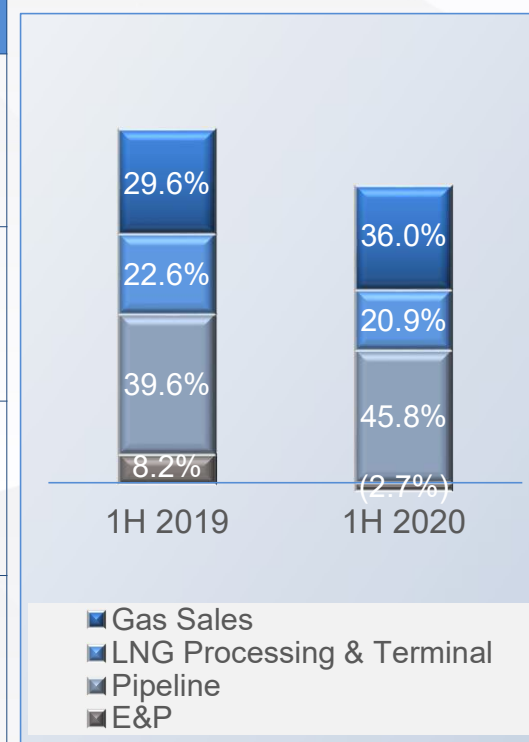




## Profit Before Income Tax

(RMB million)	2020/06/30	2019/06/30	Change
Gas Sales	2,364.4	2,379.0	(0.6%)
LNG Processing & Terminal	1,371.6	1,821.5	(24.7%)
Natural Gas Pipeline	3,003.8	3,186.3	(5.7%)
Exploration & Production	(175.2)	656.4	(126.7%)

### Profit Before Income Tax Breakdown

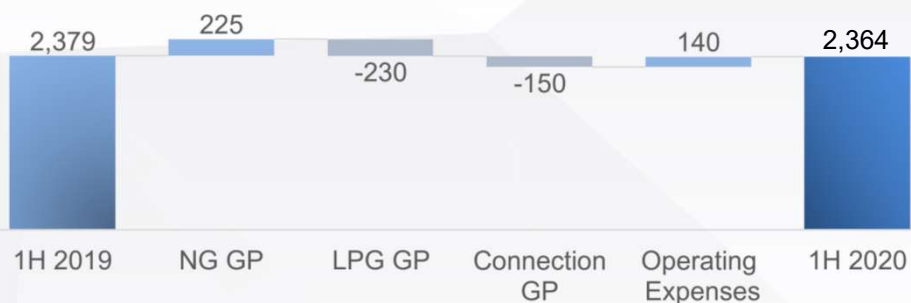




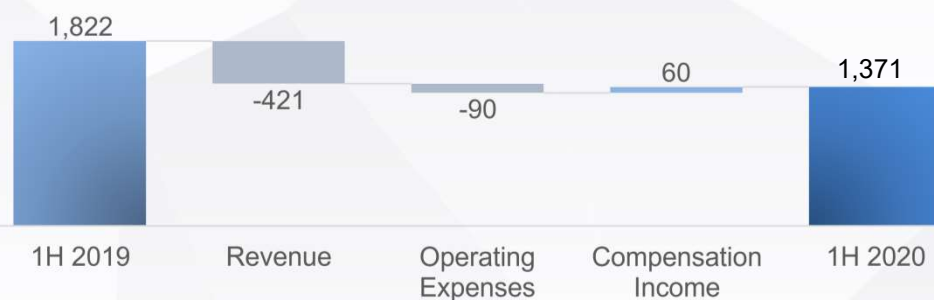
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# Change in Profit Before Income Tax

## Gas Sales



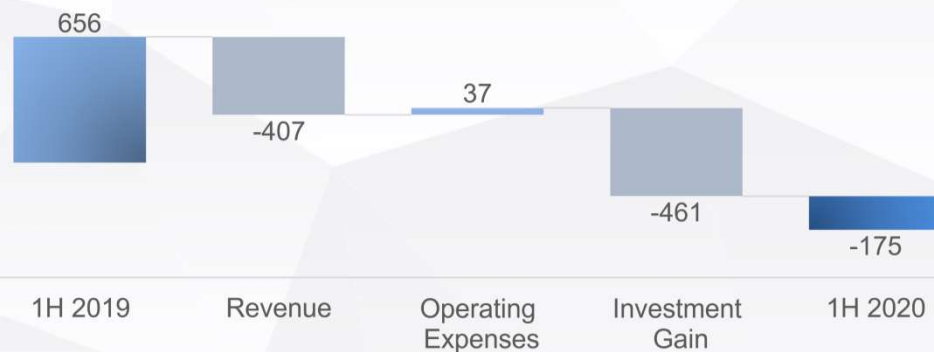
## LNG Processing & Terminal



## Natural Gas Pipeline



## Exploration & Production



● Total ● Increase ● Decrease



## Balance Sheet

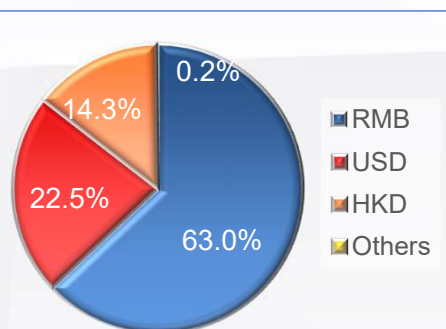
(RMB million)	2020/06/30	2019/12/31	Change
Total Asset	151,479.5	147,896.9	2.4%
Bank Balance and Cash	20,697.7	18,640.0	11.0%
Total Interest-bearing Liabilities	35,906.0	35,117.6	2.2%
-- Current Liabilities	8,468.0	8,997.3	(5.9%)
-- Non-current Liabilities	27,438.0	26,120.3	5.0%
Equities	50,053.9	49,988.0	0.1%
Gearing Ratio	31.1%	30.7%	0.4ppt
Debts-to-Asset Ratio	23.7%	23.7%	-



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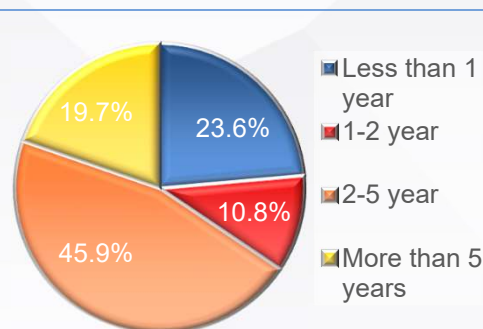
## Debt Structure

Debt Currency Structure



(RMB million)	Amount
RMB	22,227
USD	7,936
HKD	5,066
Others	69

Long & Short Term Debt Structure



(RMB million)	Amount
Less than 1 year	8,333
1-2 years	3,809
2-5 years	16,203
More than 5 years	6,953

	2020/06/30	2019/12/31	Change
Average Financing Cost	3.32%	4.14%	(0.82 ppt)

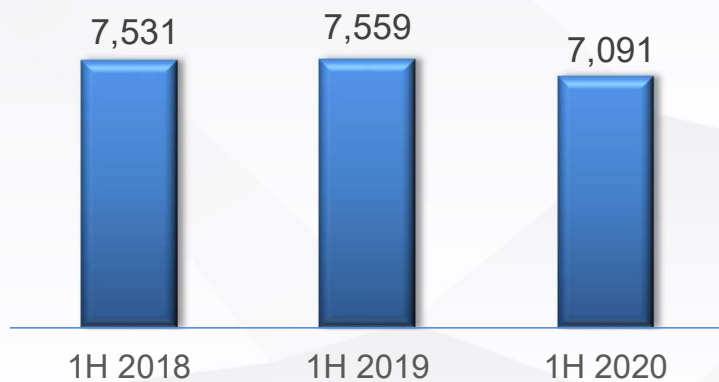
Rating Agencies	Rating		
MOODY'S	Stable	A2	High Credit rating will further enhance the Company's financing capacity for further development and expansion of natural gas business.
S&P Global Ratings	Stable	A	
FitchRatings	Stable	A	



## CAPEX & Cash Flow

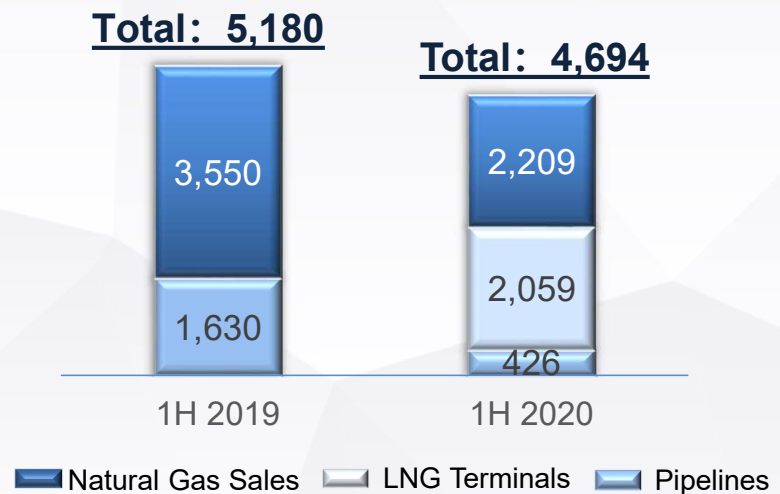
### Operating Cash Flow

(RMB million)



### CAPEX

(RMB million)





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## Fully expand the scale of retail gas business

1. Integrate market development into local development plans, and accelerate cooperation with major key projects and enterprises;
2. Vigorously increase the penetration rate of city gas projects and increase the gasification rate of existing market areas;
3. Steadily participate in gas power and distributed energy projects, actively deploy new energy business, and accelerate the creation of pilot demonstration projects for hydrogen energy utilization;
4. Actively explore new areas of natural gas utilization, and strive to create new profit growth points.

## Accelerate the integrated operation of the LNG business

1. Speed up the construction of an integrated liquid sales system;
2. Implement regional business coordination and highlight the value link of terminal refilling;
3. Accelerate the development of LNG business for vehicles and ships, and strengthen cooperation with major domestic LNG vehicle manufacturers, logistics companies, and financial companies.



## Speed up the quality and Efficiency of LPG sales

1. Accelerate the development of terminal retail, promote the dual gas source and direct distribution model for industrial customers, and create a level of growth in terminal business.
2. Consolidate the support of LPG resources and expand the channel and scale of overseas resource import.

## Actively promote the development of new energy business and the layout of non-gas business

1. Actively deploy new energy business;
2. Explore customer needs, expand service content and value, and establish its own brand and standards.

## Accelerate the construction of key projects

1. Ensure the completion of Jingtang LNG terminal and Jiangsu LNG terminal gas tank projects on schedule;
2. Speed up the construction of branch lines in Caozhou in Guangdong and Hengyan in Hunan.





## 2020年

### Gas Sales

1. Retail natural gas sales volume up over 15%
2. Increase residential households not less than 700,000
3. 4.9 million tons of LPG sales volume

### LNG

1. 60-65% average utilization rate of LNG terminals
2. Slightly increase in average utilization rate of LNG plants

### Pipeline & E&P

1. pipeline transmission volume up 2%
2. 12.5 million barrels of crude oil equity sales volume

### Dividend Policy

25-35% Dividend payout ratio



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## Disclaimer

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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