



ENN
新奥

新奥天然气股份有限公司
ENN Natural Gas Co., Ltd.



9M2023 Results

October 2023



Results Highlights



Developed a total of 218 direct gas customers; direct gas sales reached 3,671 mil m³, up 33.3% YOY



Completed the disposal of coal mine assets, focused on the main business of natural gas, and improved the company's sustainable development ability



Natural gas industry intelligent platform greatgas.cn achieved great ecological expansion with 1,293 new certified corporate users, trading gas volume of 5.9 bil m³ and GMV of RMB 19.1 bil



Core profit was RMB 4,674 mil, up 17.4 % YOY, including RMB 2,843 mil from direct gas sales, representing a significant increase of 137.1% YOY



Business Review



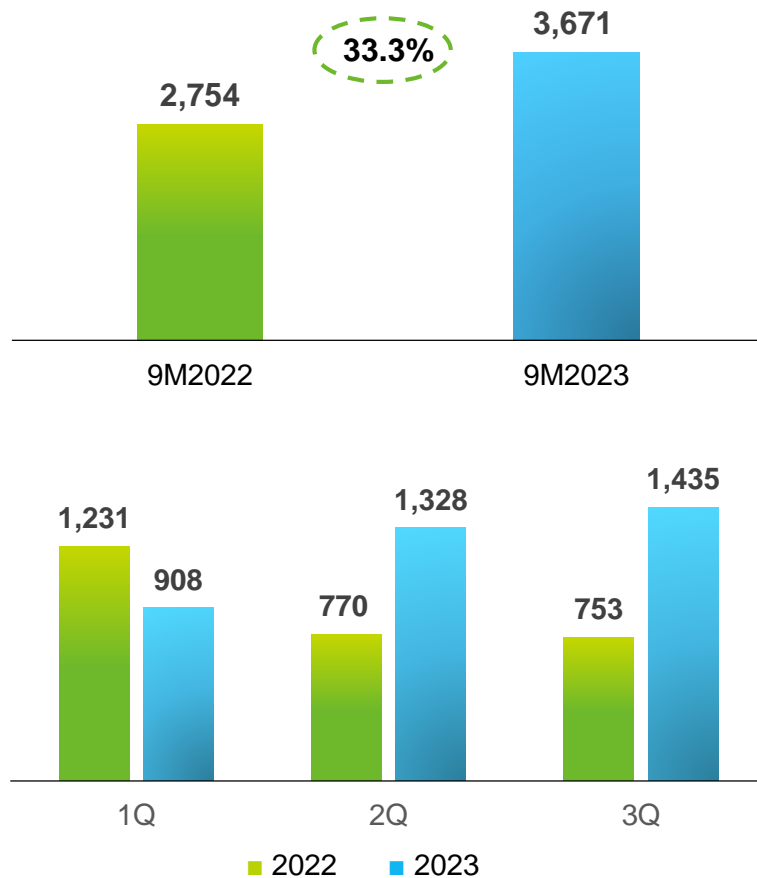
Financial Highlights

1.1.1 Aggregated Customer Demand via greatgas.cn and Promoted Expansion of Natural Gas Business



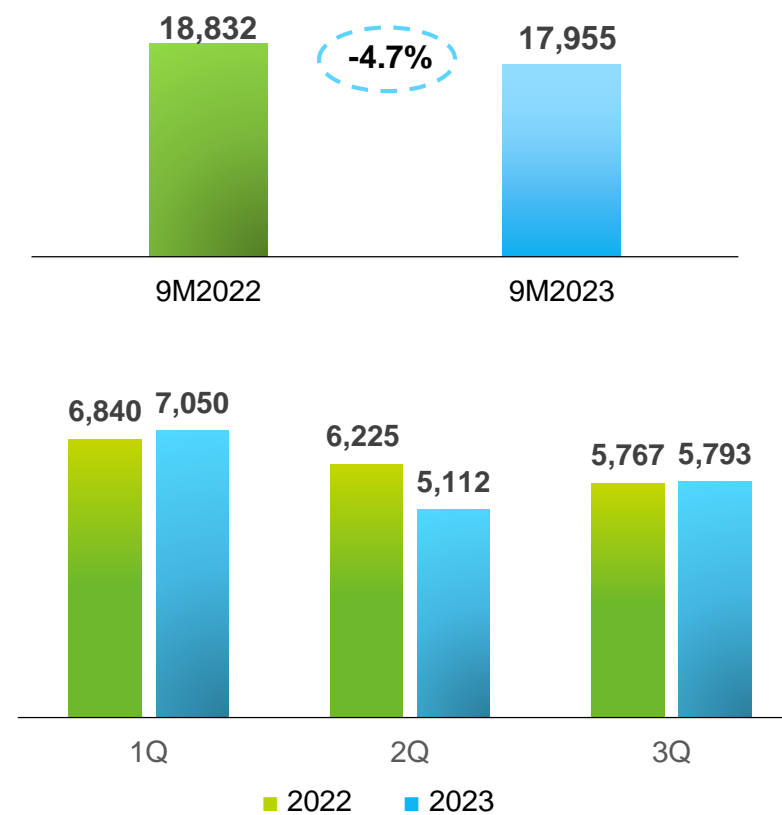
Direct Gas Sales

mil m³



Retail Gas Sales

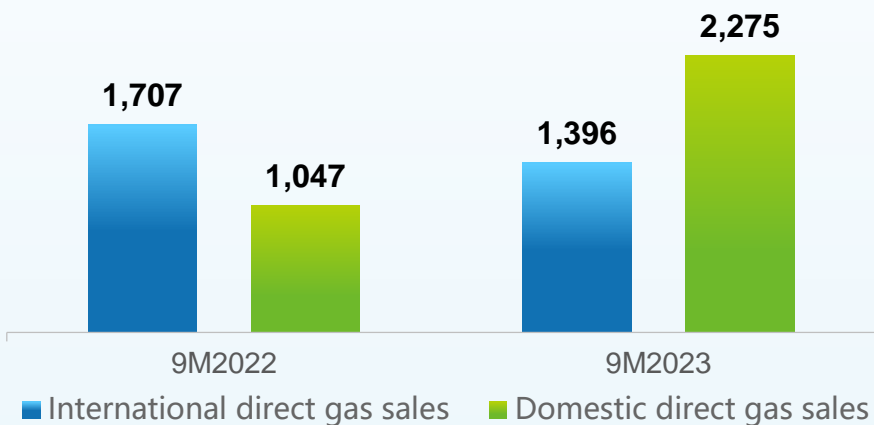
mil m³



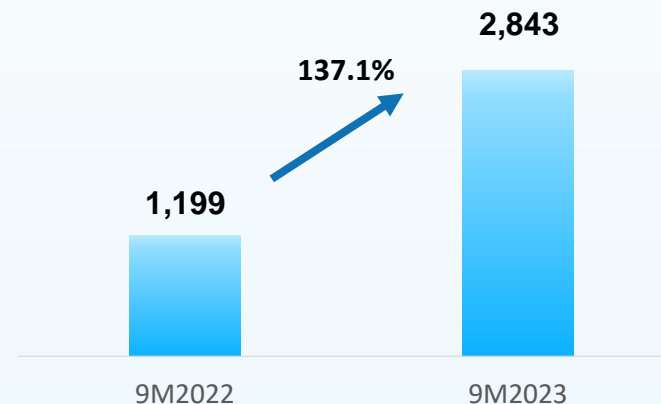
1.1.2 Direct Gas Sales Expanded Rapidly Leveraging Diversified Resources and Efficient Delivery Network



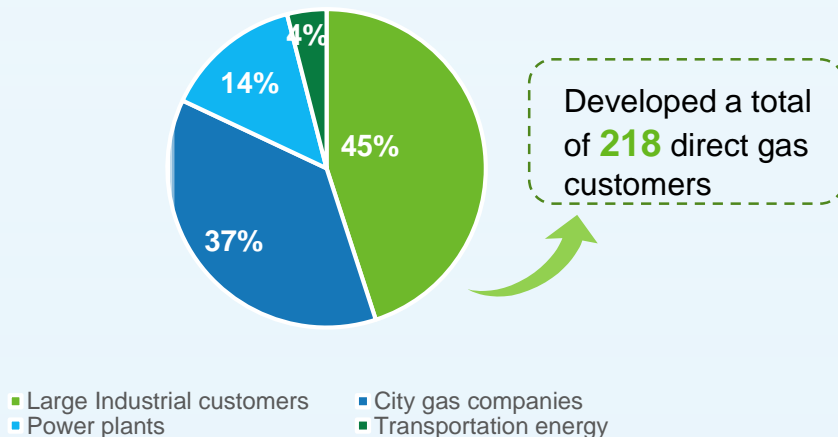
Direct gas sales vol structure
(mil m³)



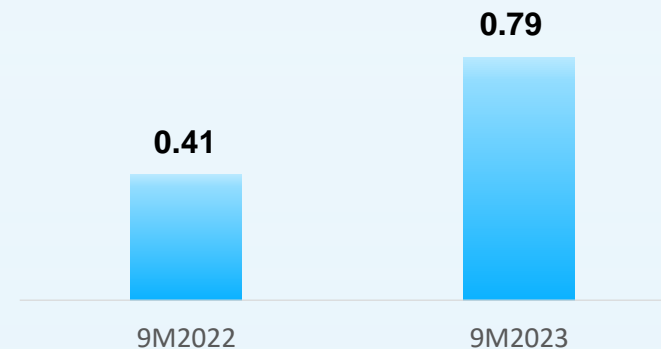
Core profit of direct gas sales
(RMB mil)



Customer structure in domestic direct gas sales



DM of direct gas sales
(RMB/m³, ex VAT)

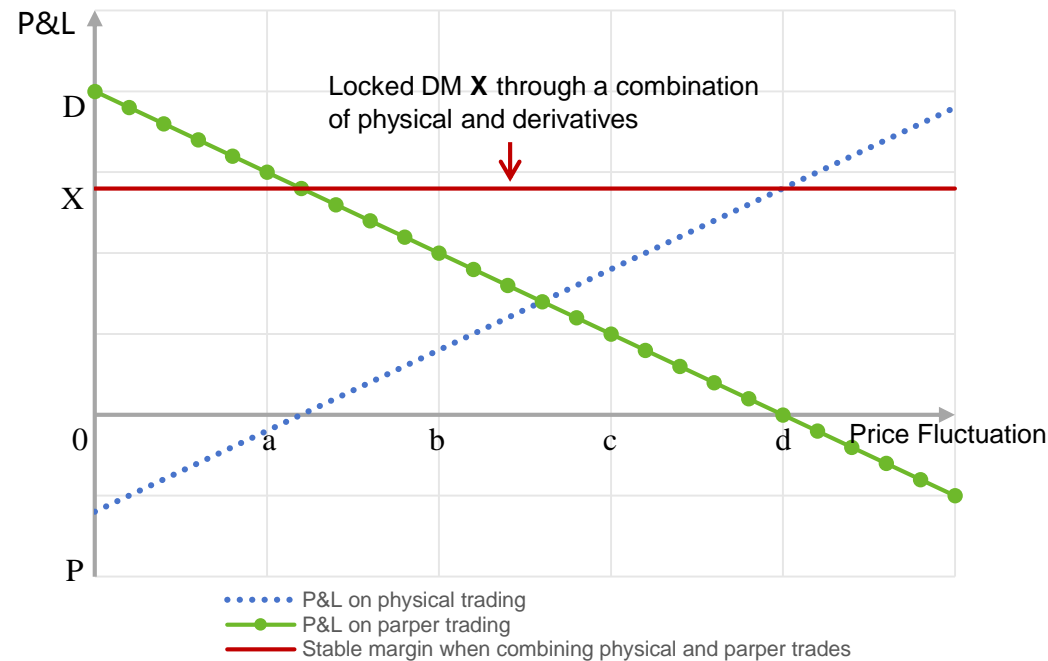


1.1.3 Achieved stable profits through a combination of physical and derivatives

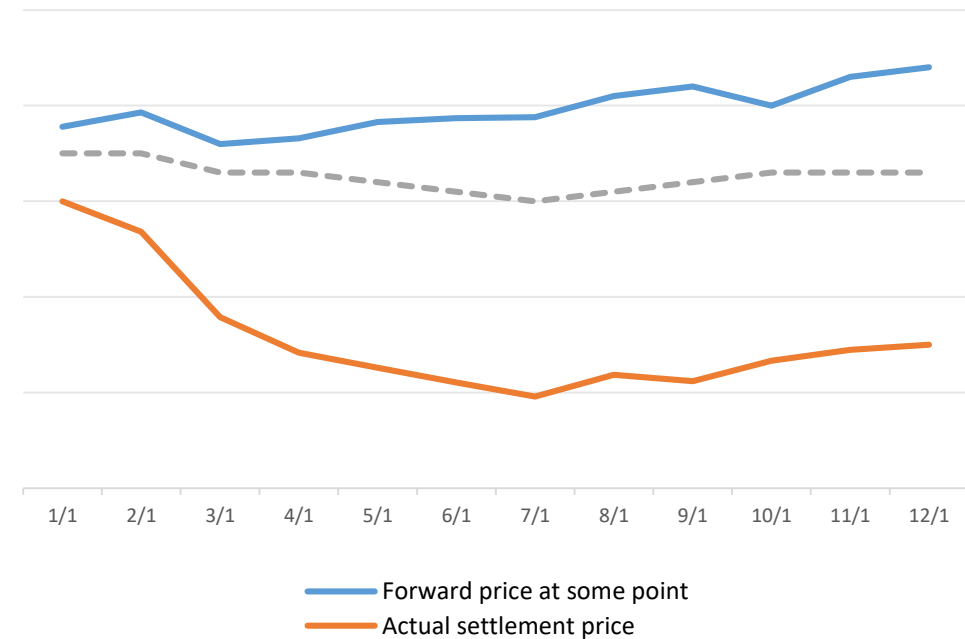


- ✓ The company hedged the profits and losses generating by the future physical profits and losses through the fair value change of derivatives on hand in the way of combining physical with derivatives, so as to achieve the purpose of locking the dollar margin and profit of natural gas sales
- ✓ The derivatives must be matched with the physical, and paper speculation is not allowed

Examples of profitability of combined physical and paper trading



Forward price at some point VS Actual settlement price VS Locked price



1.1.4 The GreatGas.cn Developed Rapidly Relying on the Company's Capabilities in the Natural Gas Industry



✓ As of 9M2023, GreatGas.cn achieved a total of **3,677** new certified corporate users

New certified corporate users

1,293

New trading gas volume

5.9 bil m³

New gross merchandise volume (GMV)

RMB 19.1bil



Intelligent Packages

Dual Energy (Steam + Gas) Supply Industrial Customer in Hebei

- Helped city gas distributors to design different sales packages to aggregate customer demand and expand NG supply
- Supported industrial customers with package subscriptions for stable energy solutions and energy costs reduction

Intelligent Trading

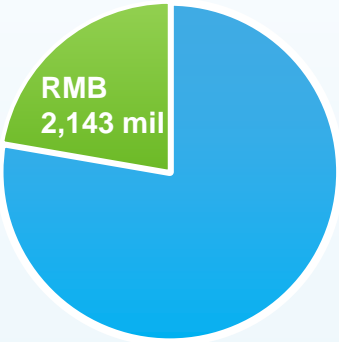
A natural gas trading enterprise in Guangdong Province (in the platform shop of the GreatGas.cn)

- **Intelligent procurement to attract sellers:** Procurement of cost-competitive LNG resources from external sellers through open bidding
- **Multi-way pre-sale to attract buyers:** Based on the demand aggregation capability of GreatGas.cn, traders are able to lock in profit in advance and balance their risk exposure

1.2 Developed Engineering Construction Business Driven by Low Carbon Digital and Digital Intelligence

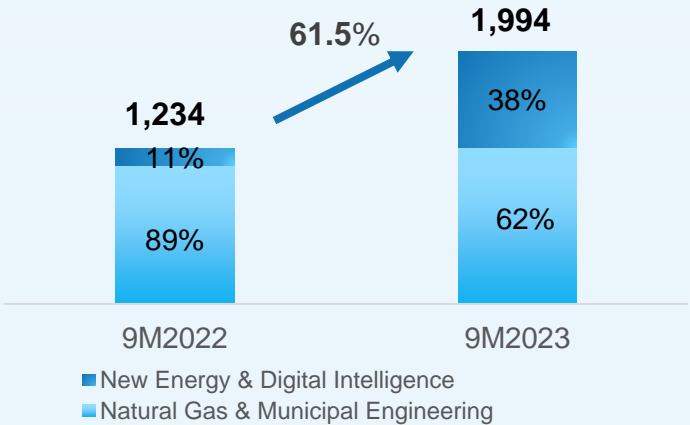


Order on hand amounted to RMB 7,477 mil, including RMB 2,143 mil for hydrogen energy



Hydrogen order amount

Revenue Structure (RMB mil)



Hydrogen business accelerated contracting and built capacity



- ✓ Newly signed 18,000 Nm³/h NG reforming to syngas cogeneration hydrogen, Yining green power hydrogen production, Linyi Steel Investment and other projects
- ✓ Improved technical capabilities such as hydrogen refilling, hydrogen production, and hydrogen storage to create competitive advantages

Core technology capability led to quality and efficiency enhancement

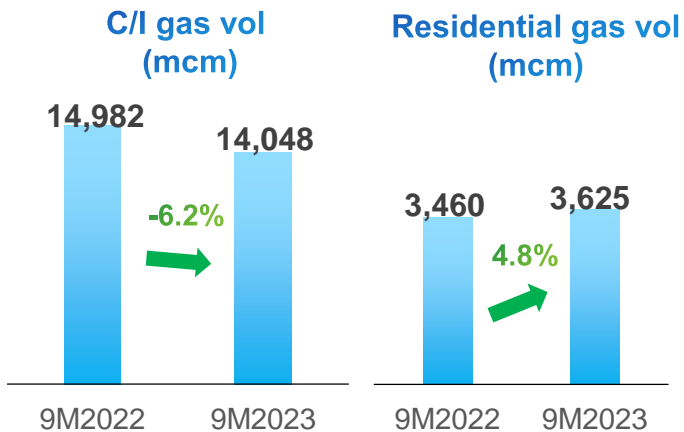


- ✓ Obtained the power design qualification and helped sign the **6MW waste heat power generation EPC project in Changdu Tibet**
- ✓ Signed and implemented the Tangshan Fengnan Gas Substitute Coal Xigemen Station Project, including a 1.6 km 10MPa NG pipeline, and **achieved the first breakthrough in the high-pressure pipeline network project** after obtaining the GA1 qualification

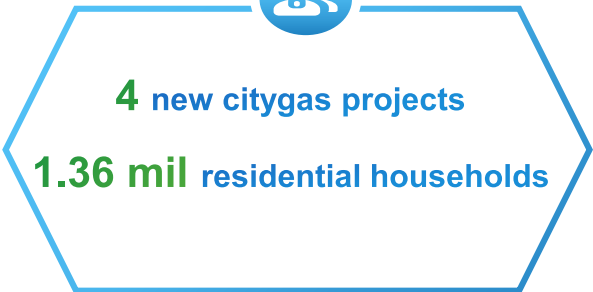
1.3 Highlights of ENN Energy



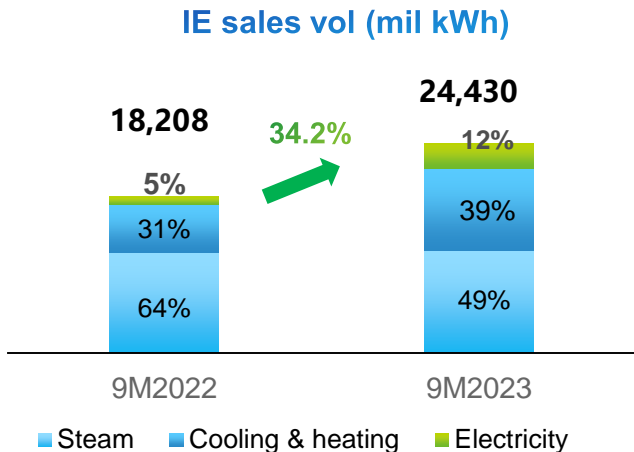
Natural Gas Distribution



New customers



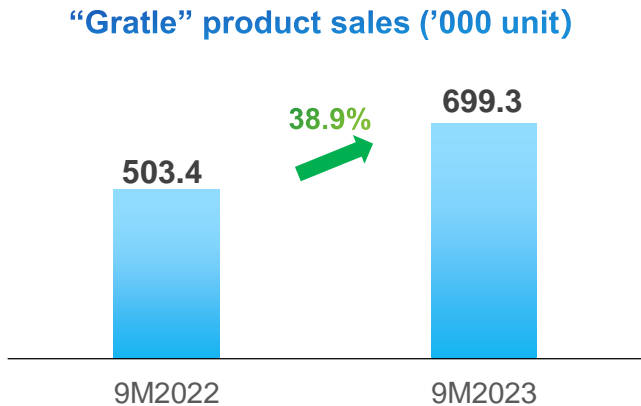
Integrated Energy



125 projects incorporated with renewable energy



Value Added business



Rising penetration rate





Business Review



Financial Highlights

2.1 Resilient Results



Unit: RMB mil

	9M2023	9M2022	Change
Total Revenue	95,972	106,686	-10.0%
Gross Profit*	16,327	15,236	7.2%
EBITDA*	15,690	14,698	6.7%
Total Profit	9,176	9,441	- 2.8%
Net Profit Attributable to Parent	3,103	3,159	-1.8%
Core Profit*	4,674	3,980	17.4%
Core EPS (RMB)	1.52	1.29	17.8%

* Gross profit, including the amount realized on derivatives that are included in investment income

* EBITDA, excluding FX gains and losses and changes in fair value gains and losses

* Core profit = Net profit attributable to the parent - Changes in FX gains and losses - Changes in fair value of derivatives - Other impairment losses - Amortization of stock incentive costs - Net gain on disposal of non-current assets - Gain on bond repurchases

2.2 Sustainable Growth of Core Profit



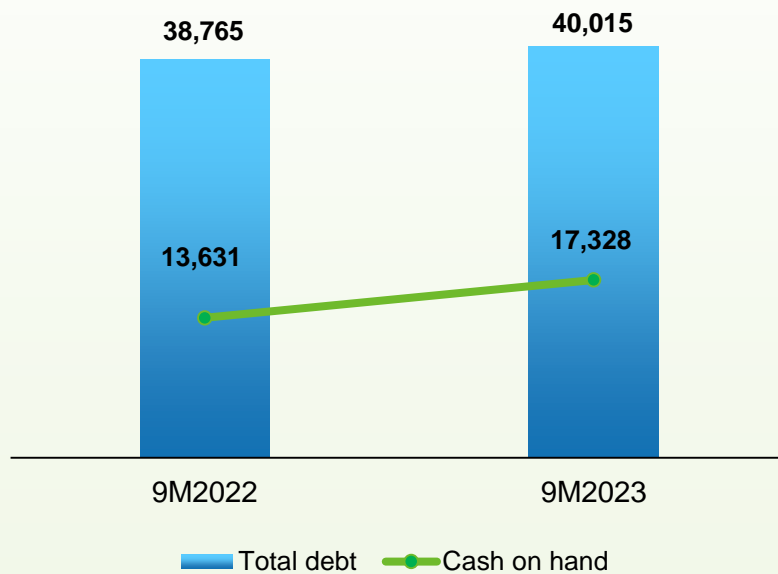
Unit: RMB mil

Main excluded items in the calculation of core profit		9M2023	9M2022
Net Profit Attributable to Parent		3,103	3,159
Non-cash factor	Bad debts and asset impairment	-79	-41
	Changes in fair value of derivatives	-1,139	365
	Changes in FX gains and losses	-324	-1,083
	Amortization of share incentive costs	-32	-59
One-off factor	Others	000 3	000 -3
Core Profit Attributable to Parent		4,674	3,980

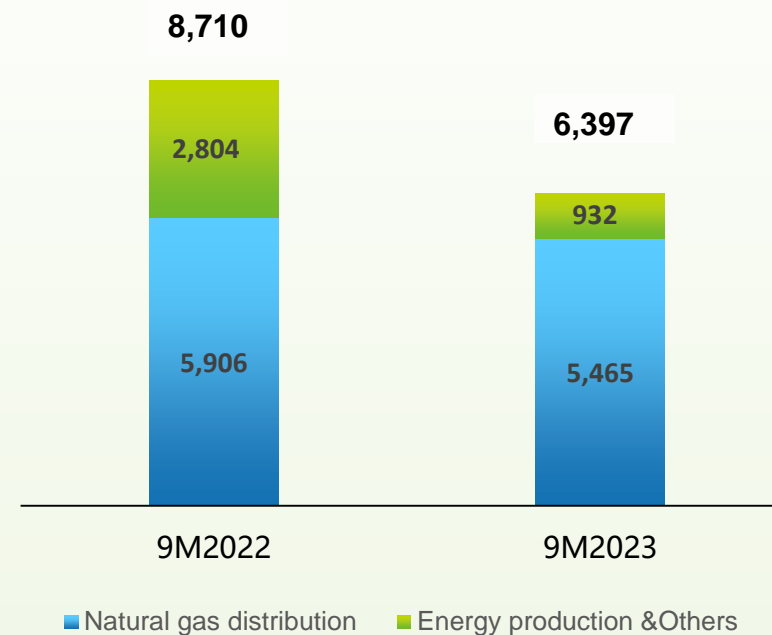
2.3 Sound debt structure and CAPEX



Total Debt & Cash on Hand (RMB mil)



CAPEX (RMB mil)

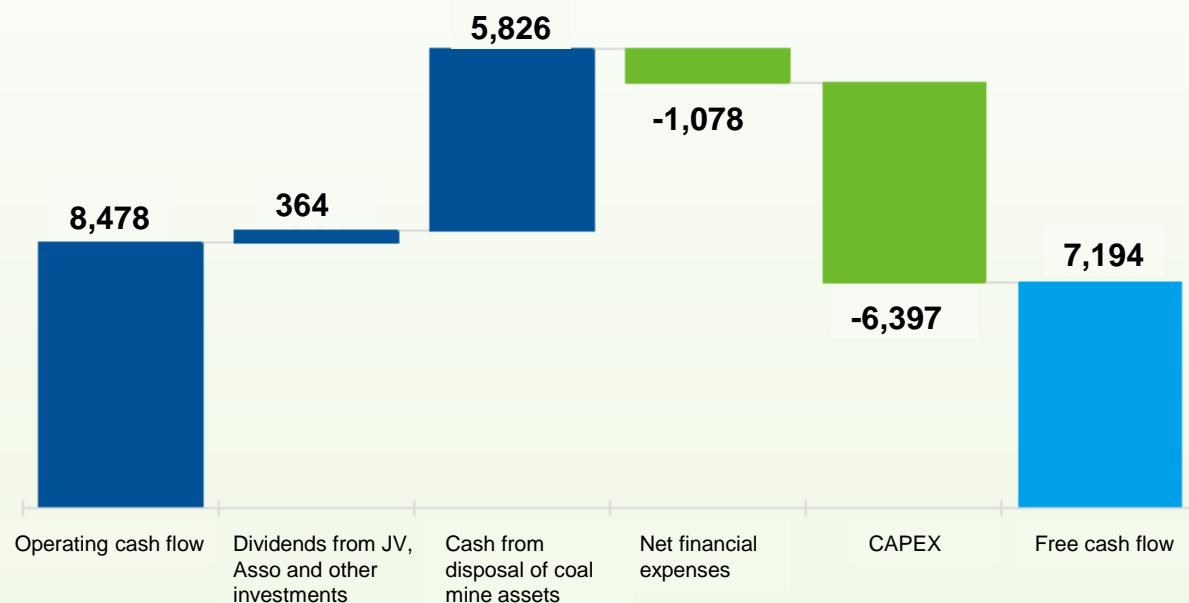


2.4 Abundant Free Cash Flows and Steadily Rising Payout Ratio

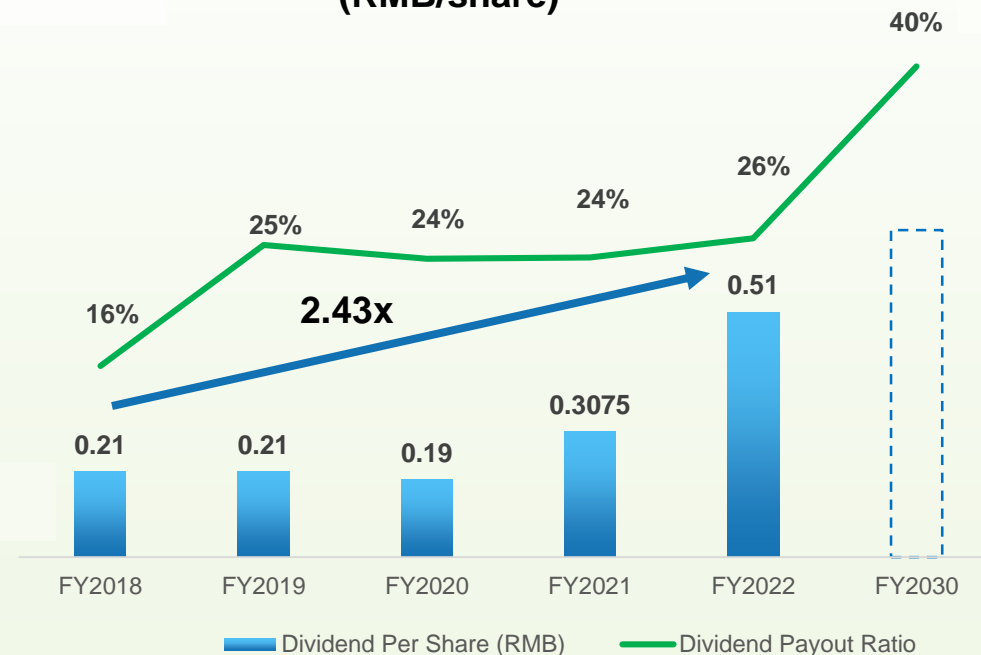


- Sustained growth in the principal business, coupled with prudent financial management, generated positive free cash flow for years, enabling a steady increase in dividend payout
- Over the next three years, the annual increase in dividend payout will not be less than **RMB0.15** per share (pre-tax) and the proportion of annual cash dividends will not be less than 30% of the core profits attributable to the shareholders of the listed company

Abundant free cash flow (RMB mil)



Substantially Improved Shareholder Returns (RMB/share)



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Appendix 1. Company overview



- ENN-NG (stock code: 600803.SH) was listed in 1994. Relying on the best industry practices, ENN-NG has built an intelligent operation platform for the natural gas industry (www.greatgas.cn), to aggregate natural gas demands, resources, delivery and reserve and develop innovative digital intelligence services. The company strived to become an intelligent ecological operator in the natural gas industry, so as to promote the digital intelligence upgrade of the natural gas industry
- Our principal businesses included direct sales, retail and wholesale of natural gas business, construction and operations of an intelligent platform for the natural gas industry, infrastructure operations, integrated energy business, value-added business, engineering construction and gas installation, as well as energy production. We also reserved technologies and expanded business in new energy sectors such as hydrogen and biomass
- The Company operated 254 city-gas projects nationwide, serving 230,000 C/I customers and over 29 mil residential customers

Business Segments

Direct Gas Sales	Retail and Wholesale of Gas	Construction and Operations of gas intelligent platform	Infrastructure Operation	Integrated Energy	Engineering Construction and Installation
					
<ul style="list-style-type: none"> • The Company mainly purchased natural gas overseas, supplemented by domestic self-owned or entrusted LNG plants. It sold natural gas online and offline to various customers, including large-scale industries, city gas operators, power plants, transportation energy operators and international traders. 	<ul style="list-style-type: none"> • Retail: The Company mainly purchased natural gas from the three major oil companies and built pipeline networks in designated areas based on franchises and delivered natural gas to end users such as C/I customers, residential clients, and CNG/LNG vehicle refueling stations. • Wholesale: It worked as a way to smooth out peaks for retail gas sales. The Company purchased natural gas from domestic upstream gas suppliers and sold it in bulk through its self-owned and third-party gas transportation networks to customers not covered by the pipeline network in its operating areas. 	<ul style="list-style-type: none"> • The GreatGas.cn aimed to improve the overall capacity and efficiency of the natural gas industry by matching the demand and supply sides of the sector with digital intelligence technologies, providing scenario data, and supporting the creation of intelligent products based on the best innovation practices under every natural gas scenario of ENN-NG and the industry, empowering all parties of the ecosystem. It strived to become the GPT of the industry and meeting customer demands intelligently, and driving the industry's efficient operation based on industry big data and knowledge base as well as General intelligence capability. 	<ul style="list-style-type: none"> • Operation of Zhoushan LNG Terminal, gas and liquid transmission and distribution pipelines, gas storage and other infrastructure, providing users with gas receiving and unloading, transportation, storage and other services 	<ul style="list-style-type: none"> • Based on customer needs, with the development and utilization of the full value chain of energy as the core, the company fully integrated renewable energy and clean energy according to local conditions, built a multi-energy complementary and integrated energy supply system, and achieved the intelligent production and supply of electricity, heating, cooling, steam and other energy relying on the digital intelligent platform 	<ul style="list-style-type: none"> • The company provided integrated engineering services for natural gas infrastructure, municipal engineering, new energy and digital intelligence, including technology, consulting, planning and design, equipment manufacturing and skid-mounted integration, project construction, and digital delivery • The company provided gas installation services for residential and C/I customers, covering areas such as courtyard pipeline networks, indoor pipelines and facilities, and after-sales maintenance services

Appendix 2. Details of long-term LNG contracts



No.	Buyer	Seller	Tenor	Contract vol (mil tons/yr)	Delivery method	Gas resources	Start year	Index-linked
1	ENN Energy	Chevron	10 years	0.66	DES	Global resources	2018	JCC
2	ENN Energy	Total	10 years	0.50	DES	Global resources	2018	JCC/HH
3	ENN Energy	Origin	5+5 years	0.28	DES	Global resources	2018	Brent
4	ENN LNG (Singapore) Pte Ltd	Cheniere	13 years	0.90	FOB	USA Corpus Christi Sabine Pass	2022	HH
5	ENN LNG (Singapore) Pte Ltd	Novatek	11 years	0.60	DES	Russia	2025	Brent
6	ENN Energy	Energy Transfer	20 years	0.90	FOB	USA Lake Charles LNG Project	2026	HH
7	ENN LNG (Singapore) Pte Ltd	Energy Transfer	20 years	1.80	FOB	USA Lake Charles LNG Project	2026	HH
8	ENN LNG (Singapore) Pte Ltd	NextDecade	20 years	2.00	FOB	USA Rio Grande LNG Project	2026	HH
9	ENN LNG (Singapore) Pte Ltd	Cheniere	20 years	1.80	FOB	USA SabinePass Liquefaction	2026	HH

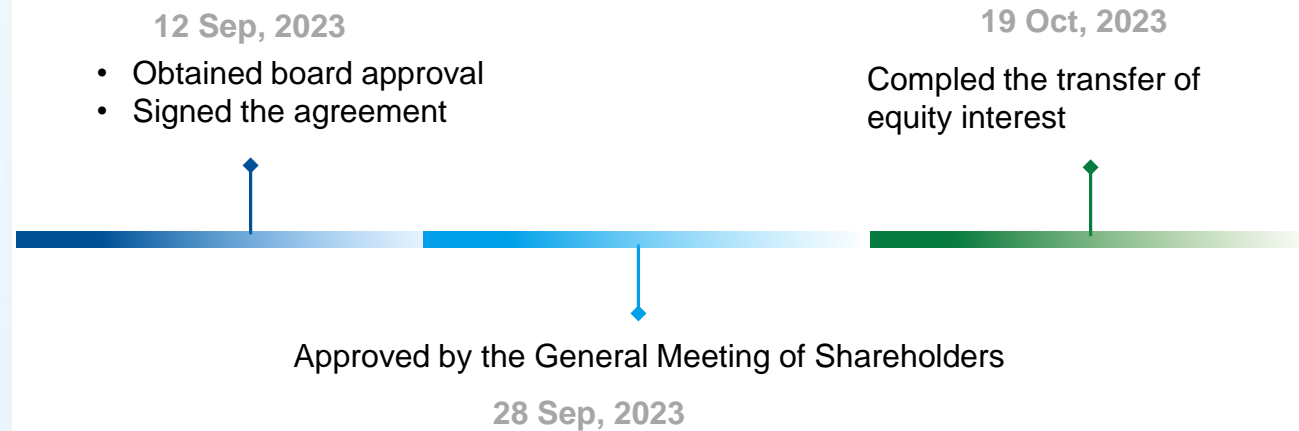
Appendix 3. Transfer of 100% equity interest in Xinneng Mining Company



Transaction consideration

- **Total: RMB 10,505 mil**
Equity consideration: RMB 6,670 mil
Net debts: RMB 3,835 mil

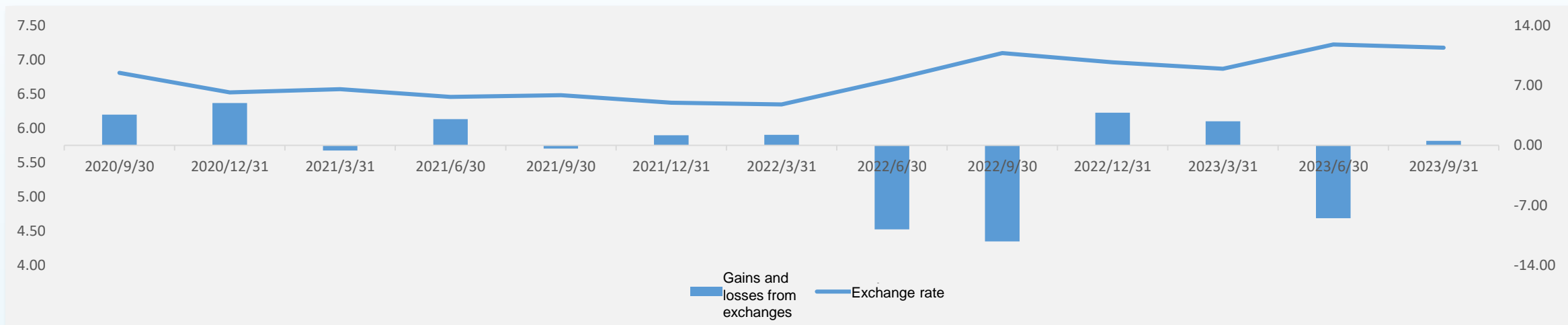
Transaction key milestones and processes



Appendix 4. Effect of exchange rate fluctuations on exchange gains and losses



Trend chart of exchange rate fluctuations and exchange gains/losses



FX Impact on Income Statement

Unit: RMB mil

	Changes in USD/RMB exchange rate	Cash impact	Non-cash impact	Non-cash impact attributable to parent
Sensitivity Analysis	±1%	±2	±103	±58

FX Risk Management

- ✓ Pay continuous attention to market changes and manage the scale of dollar debt through methods such as repurchase of dollar debt by overseas dollar income
- ✓ Pay continuous attention to market fluctuations of exchange rate and dynamically manage the hedging of existing dollar bonds, with the proportion of hedged bonds reaching around **30%**

Appendix 5. Analysis of Core Profit Deductions - Changes in fair value of derivatives



- The valuation of the mark-to-market gains and losses on commodity derivatives under accounting standards was reflected as a gain on changes in fair value, with the effect of physical and derivatives combination excluded.
- Commodity derivatives were linked to price indices such as JKM, TTF, Brent, etc., based on a physical purchase and sale pricing model, and the gain on changes in fair value fluctuated according to changes in the price indices and was not representative of current/future realizable gains.

Sensitivity Test of Gain on Changes in Fair Value

Price Scenario Simulation	TTF+3 JKM+3	TTF-3 JKM-3
Effect of gains on changes in fair value	-9%	9%

Gains and losses on changes in fair value and derivatives realized during the current period

Unit: RMB mil

Project	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Gain on change in fair value	-107	15	479	772	30	-935	-723
Derivatives realised during the period	265	233	599	-574	817	975	952

According to the accounting requirements, the fair value change income in the statement is the amount of derivatives that have been transferred into investment income, after deducting the actual mark-to-market gains and losses of the commodity paper goods on hand, and the separate item does not represent the future expected income of the commodity paper goods on hand

Appendix 6. Net Profits Deducting Non-recurring Profits and Losses



Unit: RMB mil

Main items excluded for calculating the profits deducting non-recurring profits and losses		9M2023	9M2022
Net Profits Attributable to the Parent		3,103	3,159
Excluded Items	Gains or losses on disposal of non-current assets	-18	- 36
	Government subsidies included in current profits or losses*	439	244
	Gains or losses from changes in fair value of held-for-trading financial assets/liabilities and return on investment from disposal of held-for-trading financial assets/liabilities and available-for-sale financial assets, excluding effective hedging activities related to the Company's normal business operations	1,150	1,497
	Net profits or losses of a subsidiary resulting from the merger of enterprises under the same control from the beginning of the period to the date of the merger	0	187
	Reversal of provision for impairment of receivables individually tested for impairment	72	87
	Affected amount of income tax	-73	-329
	Affected amount of minority equity (after tax)	-542	-423
Net Profits Deducting Non-recurring Profits and Losses		2,074	1,933

✓ The government subsidies for aging pipeline upgrades and urban community renovation attributed to the parent totaled **RMB 169 mil**, considered as extraordinary items excluded from net profit as per disclosure requirements. However, these subsidies are closely associated with operations and are part of core earnings.

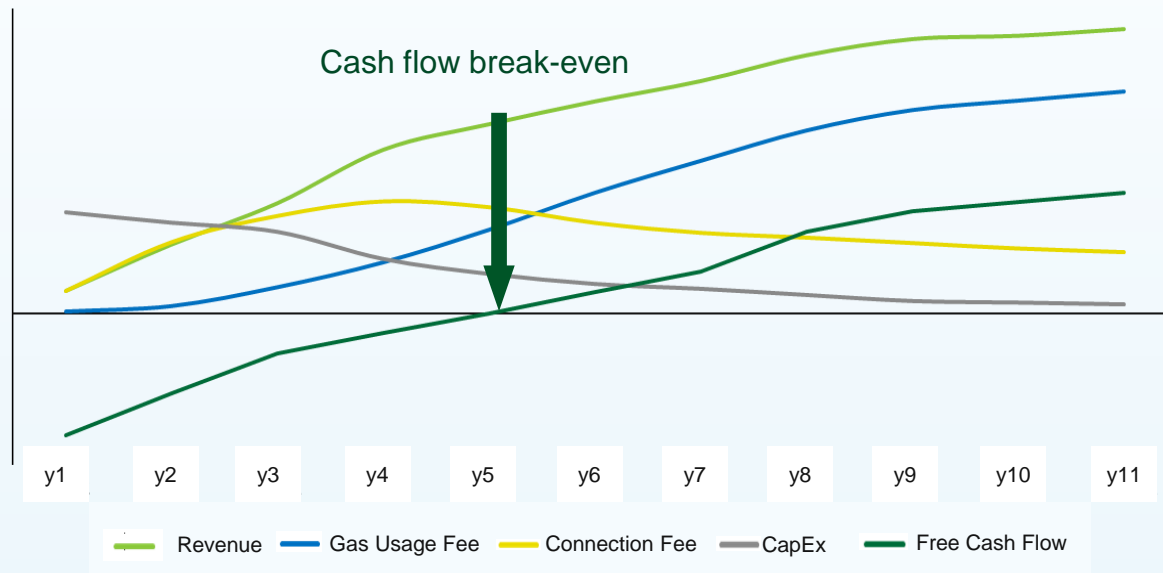
✓ Realized gains attributed to the parent from spot and paper-combined derivatives reached **RMB 1,884 mil**, considered as extraordinary items excluded from net profit as per disclosure requirements. However, these gains are generated from operations and are part of core earnings.

✓ Foreign exchange losses attributed to the parent resulting from currency fluctuations amounted to **RMB 324 mil**, considered as part of operating profits as per disclosure requirements. However, these losses do not involve actual cash flows and are not closely tied to operations, and thus are not part of core earnings.

Appendix 7. Simplified Model for a Typical City-gas Project & IE Project

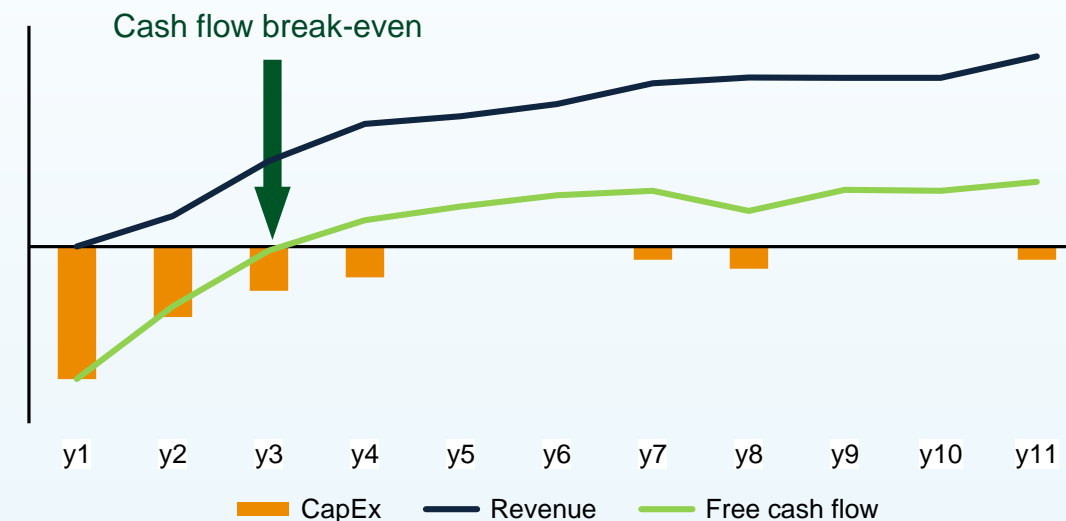


City-gas Project



- **Connection fee dominates in early years when the project companies are signing up new customers**
- **Gas usage increases as projects mature, becoming the major source of recurring income**
- **Prior to the completion of the whole pipeline network in cities, revenue will be generated as soon as gas supply becomes available in certain districts.**
Each connection contract normally takes 6–12 months to complete
- **In general, gas projects would generate positive free cash flow after 5 years of operation**

IE Project



1. Stable & Recurring Income

- Integrated energy solutions reduce customers' overall energy bills ↓ 10%
- Selling the types of energy customer need increases their stickiness

2. Rapid Cash Flow Generation

- Capex are invested by stages depending on the number of customers and their energy consumption scale
- Our projects are mostly industrial parks with existing customers, once the energy stations completed, energy sales can be generated
- Payback period: 7-8 years

3. Low Risk

- Diversified customer base in industrial parks helps reduce cyclical risks of certain industry
- Sign minimum energy offtake volume and establish automatic pass-through mechanism with customers
- Market-oriented business model with low regulatory risk