



ENN
新奥

新奥天然气股份有限公司
ENN Natural Gas Co., Ltd.



2023 Q1 Results

April 2023





Results Review



Financial Highlights

1.1 Macro Environment



Macro economy

- The economic recovery improved, with GDP growth 4.5% in Q1, including a strong recovery in the tertiary sector, up 5.4% yoy.

Real estate

- The floor space of completed buildings nationwide increased by 14.7% yoy in Q1, and the prices of new houses in hundreds of cities stabilized.

Pass-through policies

- The country promoted the resource prices pass-through to the end users, with provinces such as Inner Mongolia, Zhejiang, Hunan, Shandong, and Hebei successively introducing pass-through policies.

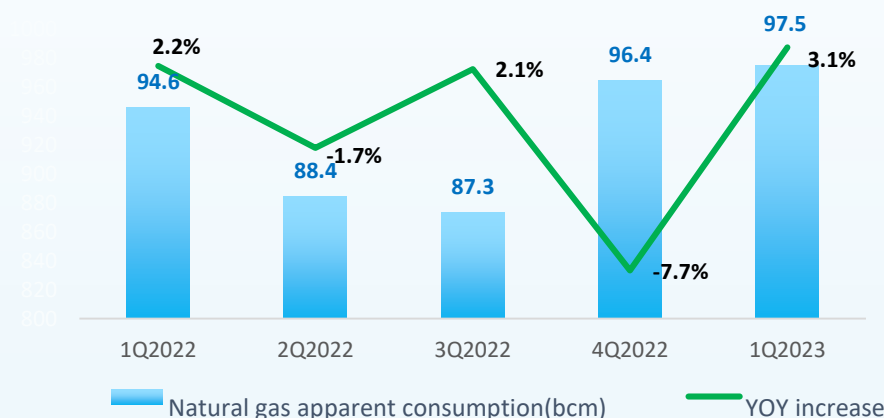
Resource supply

- International resource supply increased, with new LNG production reaching 12.5 mil tons in 2022 and free port capacity gradually recovering. A new balance between supply and demand was achieved.

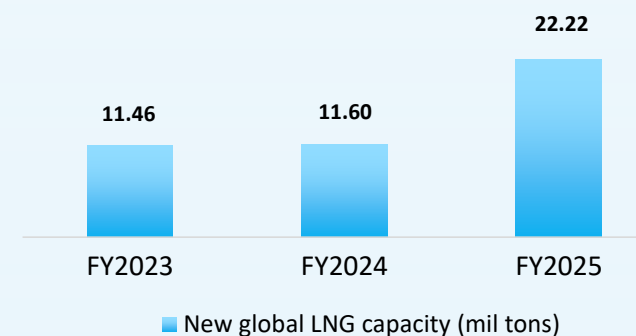
New energy policy

- Hydrogen energy utilization made progress in China, and hydrogen related engineering and construction opportunities arised.
- According to the Guidance on Energy Work in 2023, the proportion of installed energy power generation of non-fossil fuels will increase to about 51.9%. Meanwhile, wind-generated and photovoltaic-generated power will account for 15.3% of society's total electricity consumption.

97.5bil m³ of National apparent natural gas consumption in Q1, up 3.1% yoy, showing a month-on-month recovery



Increasing new global LNG capacity

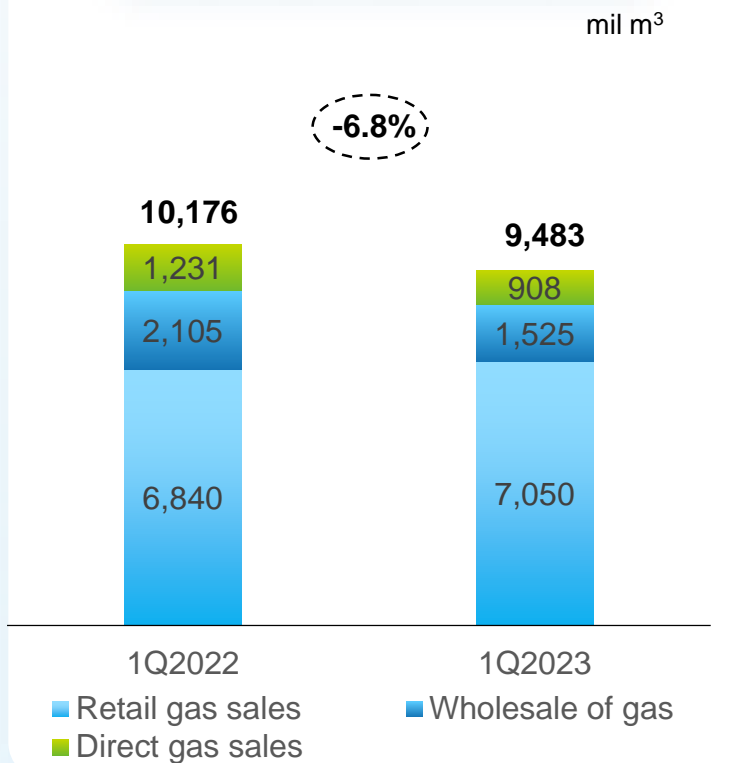


Source: National Development and Reform Commission, Sia Energy

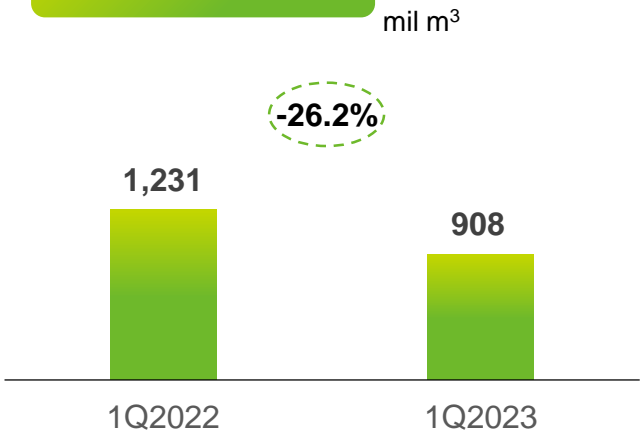
1.2.1 Actively Promoted the Sustainable Expansion of Gas Sales Business



Total Gas Sales Volume



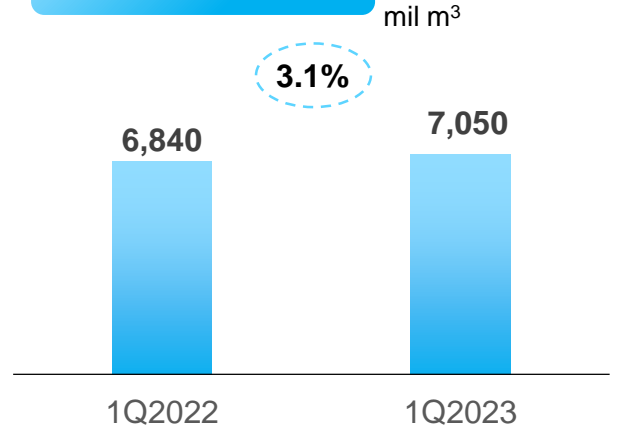
Direct Gas Sales



DM of Direct Gas Sales



Retail Gas Sales



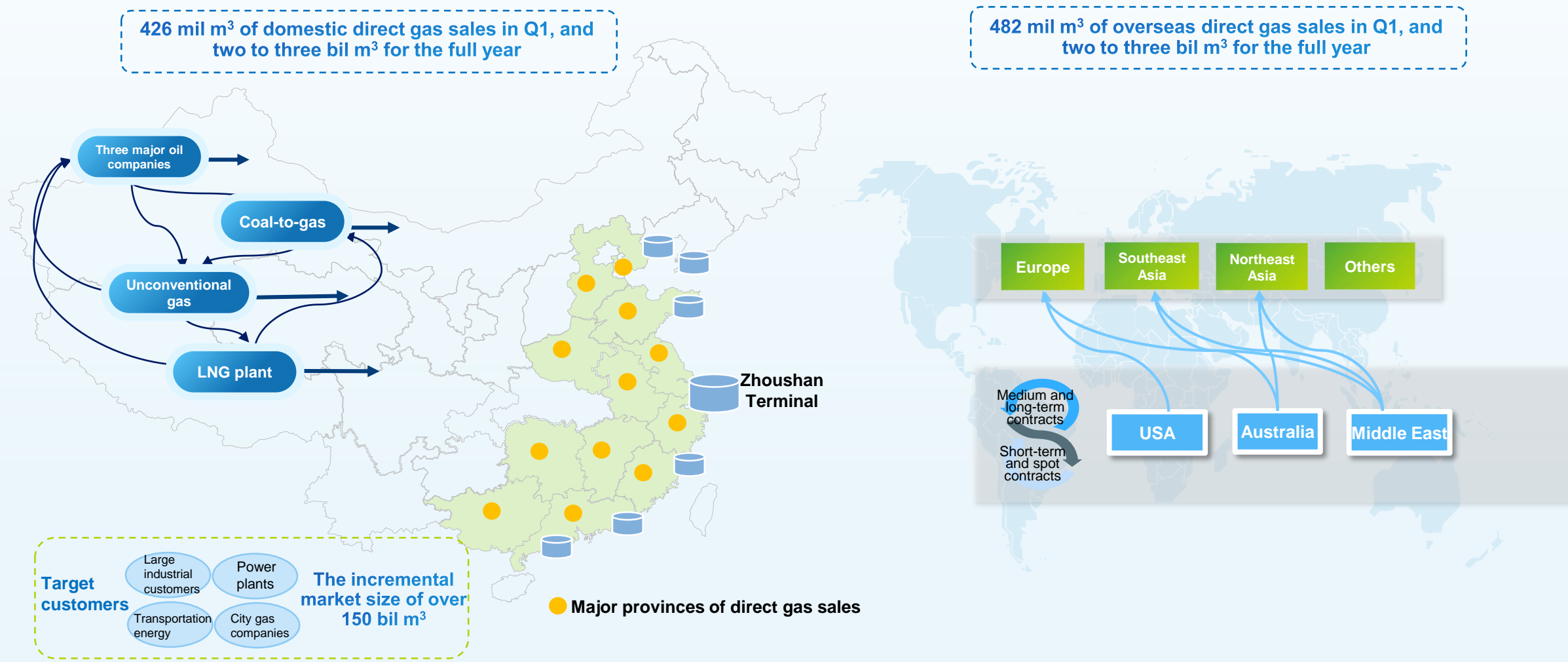
DM of Retail Gas Sales



1.2.2 Rapid Expansion of Direct Gas Sales Leveraging Diversified Resources and Efficient Delivery Network



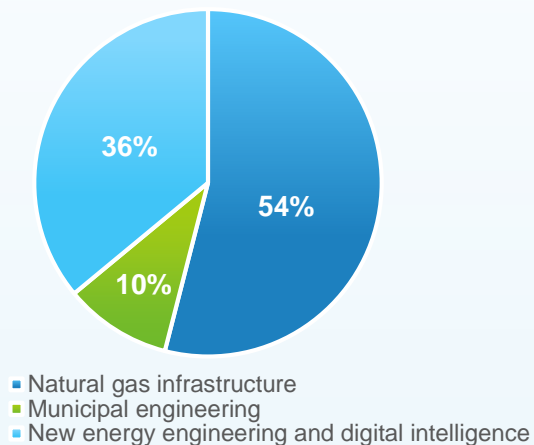
Intelligent prediction of international and domestic market changes to achieve intelligent matching of supply and demand



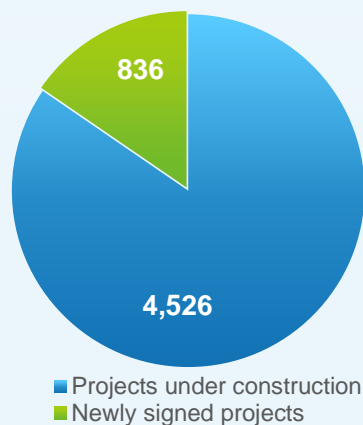
1.3 Developed Engineering Construction Business Driven by Low Carbon Digital Intelligence



Revenue Structure



The engineering constructions orders in hand amounted to **RMB5,352 mil**, among which **RMB1,588 mil** for hydrogen related orders



Guanghui Green Power and Hydrogen Production Integration Demonstration Project



- ✓ The company's first integrated project of hydrogen production and hydrogen refueling from wind and photovoltaic power generation can produce 660 tons of green hydrogen per year after completion and put into operation
- ✓ 5MW of the installed wind capacity and 1MW of the installed photovoltaic capacity
- ✓ 1000 Nm³/h of the hydrogen production station scale, and 2000 kg/d of the hydrogen refueling station scale

Renovation projects of old urban pipeline networks



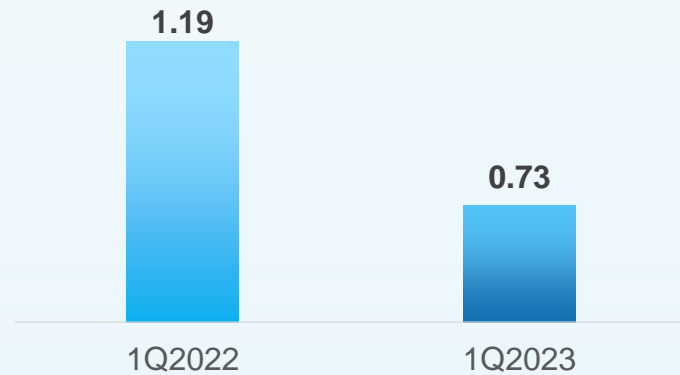
- ✓ RMB680 mil of contracts was signed for seven projects related to the renovation of old urban pipeline networks for ecological collaborative development
- ✓ Obtained GA1 qualification to carry out the construction business of long-distance transportation pipelines over 10Mpa

1.4 Lean Operations for Energy Production

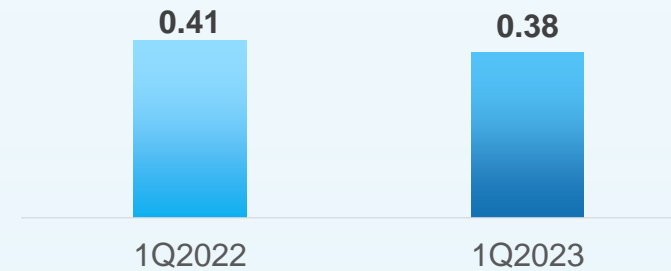


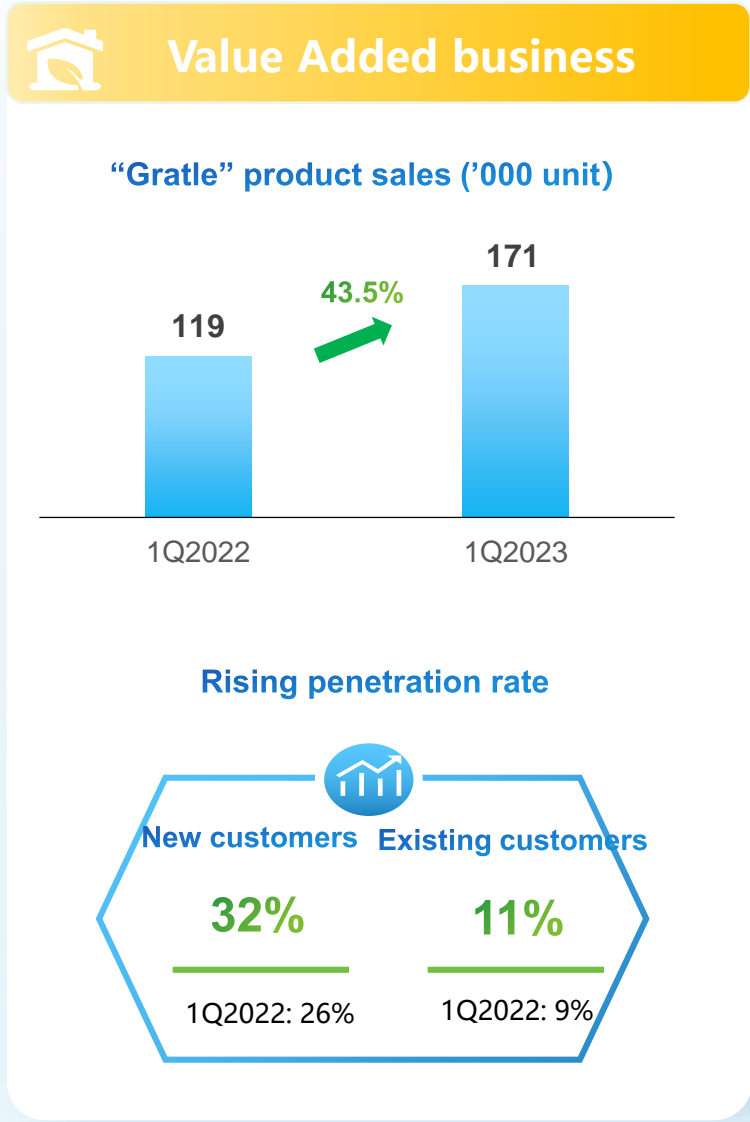
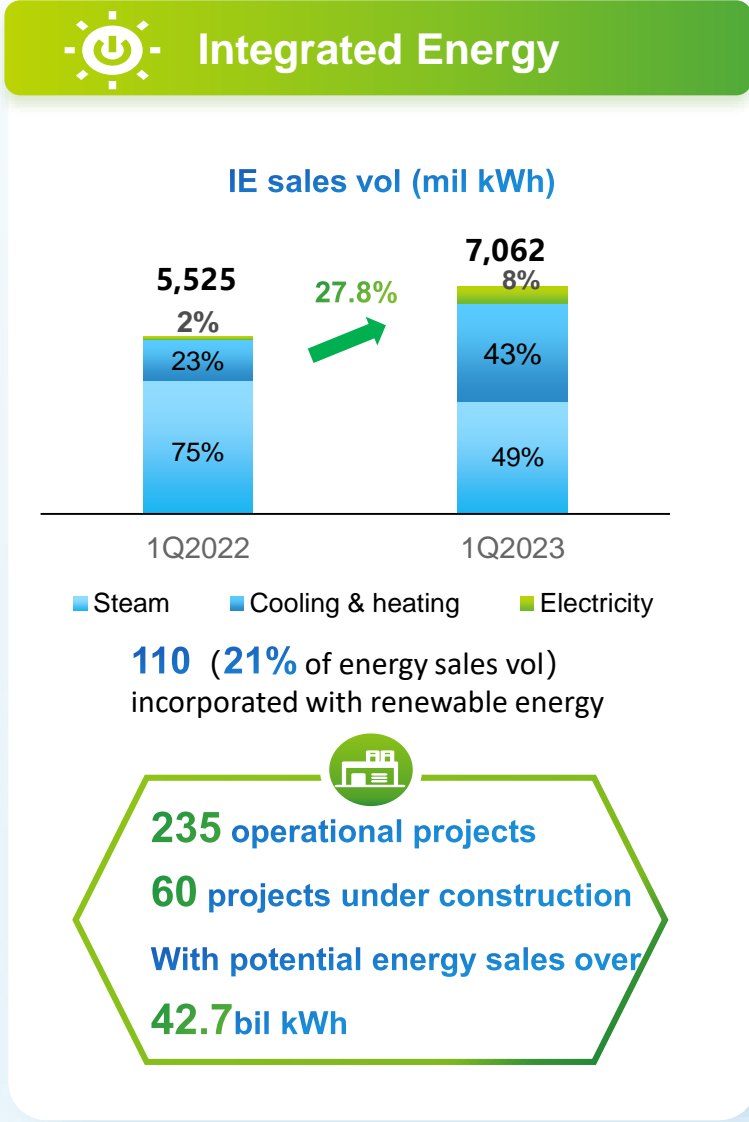
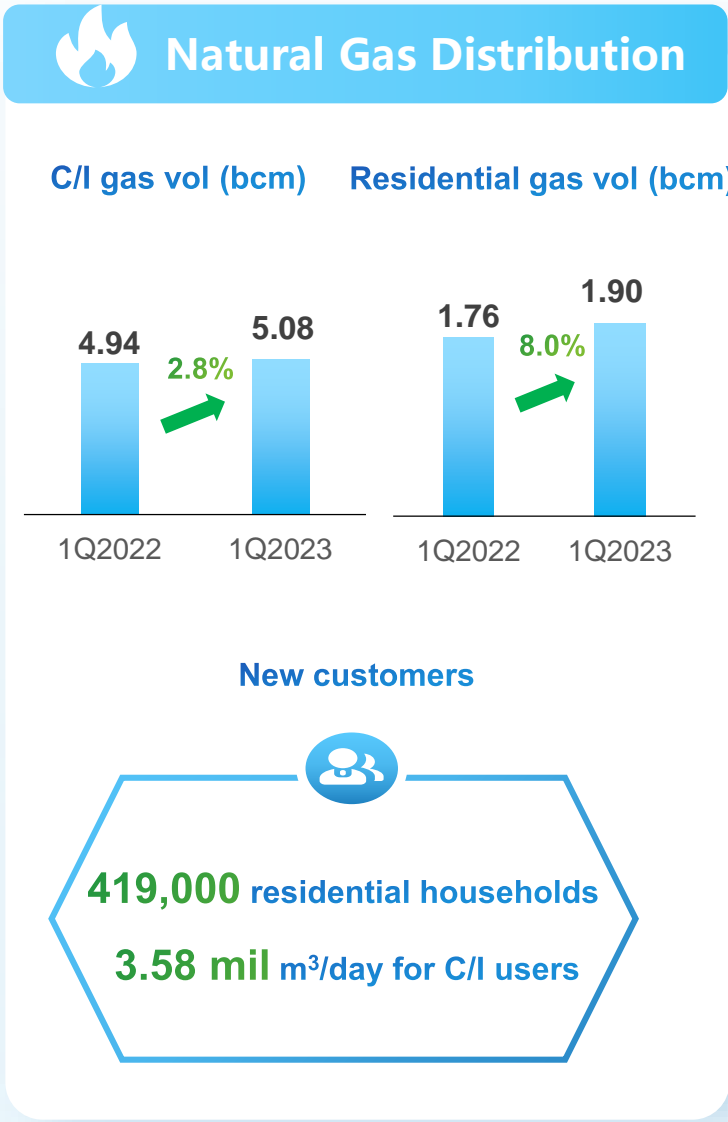
The company implemented lean operation to reduce costs and increase revenue, and promoted the development of “safe, stable, long-term, full capacity and excellent products”. It is expected that the annual coal sales and methanol sales will reach 5.5 mil tons and 1.4 mil tons respectively for the full year of 2023.

Coal Sales Vol (mil tons)



Methanol Sales Vol (mil tons)







Results Review



Financial Highlights

2.1 Resilient Results



Unit: RMB mil

	1Q2023	1Q2022	Change
Total Revenue	34,371	35,426	-3.0%
Gross Profit	4,424	4,600	-3.8%
EBITDA*	4,837	4,278	13.1%
Total Profit	3,739	2,987	25.2%
Net Profit Attributable to Parent	1,456	856	70.0%
Core Profit[#]	1,242	847	46.7%
Core EPS (RMB)	0.40	0.27	48.2%

* Excluding FX gains and losses and changes in fair value gains and losses

[#] Net profit attributable to Parent but stripping out Non-cash items and one-off items

2.2 Sustainable Growth of Core Profit



Unit: RMB mil

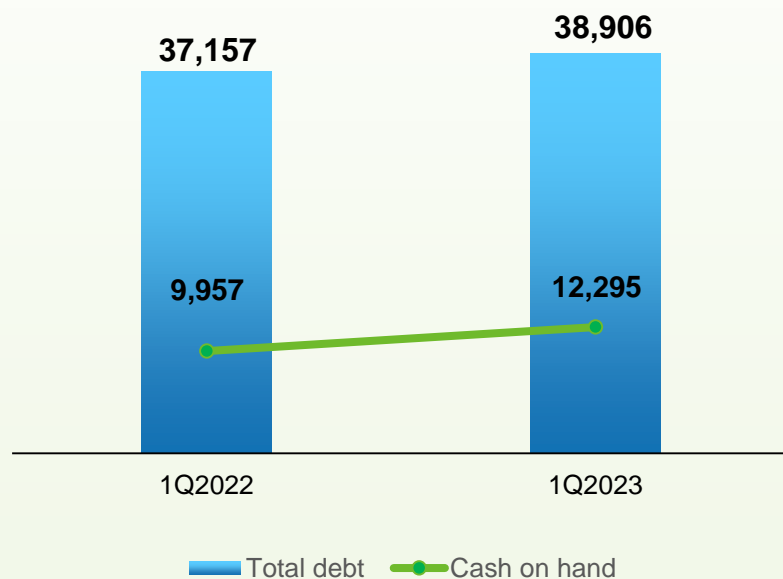
Main excluded items in the calculation of core profit		1Q2023	1Q2022
Net Profit Attributable to Parent		1,456	856
Non-cash factor	Bad debts and asset impairment	-14	-19
	Changes in fair value of derivatives	91	-6
	Changes in FX gains and losses	141	60
	Amortization of share incentive costs	-13	-26
One-off factor	Gains from disposal of equity investments	8	0
Core Profit Attributable to Parent		1,242	847

2.3 Sound debt structure and CAPEX

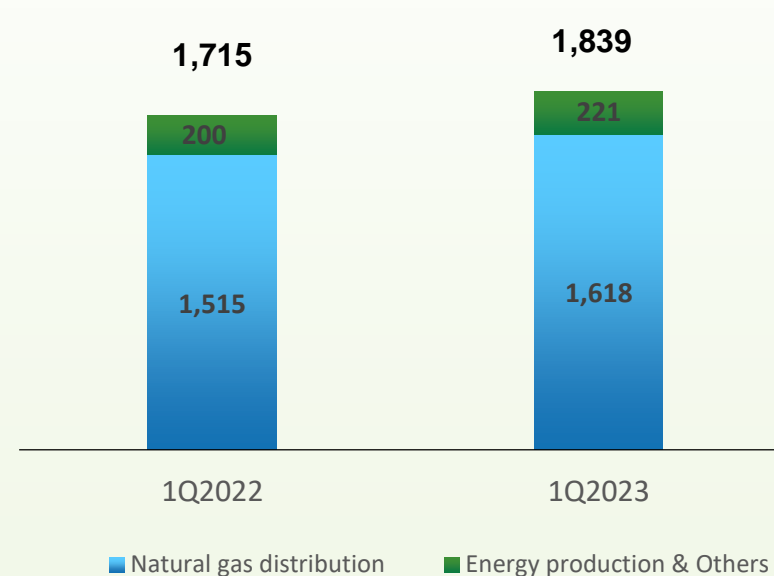


The steady growth in our main business coupled with prudent financial management generated strong operating cash flow of **RMB 2,571 mil**

Total Debt & Cash on Hand (RMB mil)



CAPEX (RMB mil)









Appendix 1. Company overview



- Listed in 1994, ENN Natural Gas (600803.SH) is one of the largest private intelligent ecological operators within the natural gas industry in China
- The Company's principal business covers the entire natural gas industry chain, including direct gas sales, retail and wholesale of gas, integrated energy sales and services, engineering construction and installation and energy production, as well as hydrogen and energy storage related technology research and business development.
- The Company operates 254 city-gas projects nationwide, serving 220,000 C/I customers and 27.92 million residential customers, respectively
- The Company completed the acquisition of 32.8% equity interest in ENN Energy in 2020 and 90% equity interest in Zhoushan LNG terminal in 2022

Business Segments

Direct Gas Sales	Retail and Wholesale of Gas	Infrastructure Operation	Integrated Energy	Engineering Construction and Installation	Energy Production
 <ul style="list-style-type: none"> • The Company mainly purchases natural gas from overseas, supplemented by domestic LNG plants and unconventional resources, selling natural gas to domestic large industrial users, power plants, chemical users, and transportation energy, as well as international traders. 	 <ul style="list-style-type: none"> • Retail: Our primary focus is purchasing natural gas from the three major oil companies and distributing it to residential clients, C/I customers, and CNG/LNG vehicle refueling stations via our pipeline network • Wholesale: Complementing our retail gas sales, we procure gas from domestic upstream producers and sell it in bulk to customers outside our pipeline network's reach within our operating regions 	 <ul style="list-style-type: none"> • Operation of Zhoushan LNG Terminal, gas and liquid transmission and distribution pipelines, gas storage and other infrastructure 	 <ul style="list-style-type: none"> • Based on customer needs, the Company selects the best integrated energy solution for customers based on local conditions and provided integrated energy solutions including cooling, heating, steam and electricity 	 <ul style="list-style-type: none"> • Provide integrated engineering services for natural gas infrastructure, municipal engineering, new energy and digital intelligence, including engineering design, equipment manufacturing and integration, engineering construction • Provide gas installation services for residential and C/I customers 	 <ul style="list-style-type: none"> • Coal: Mixed coal and cleaned coal production • Energy chemical : methanol production with coal as a raw material

Appendix 2. Details of long-term LNG contracts



No.	Buyer	Seller	Tenor	Contract vol (mil tons/year)	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

Appendix 3. Direct Gas Sales Business Model & Typical Customer



Direct Gas Sales Business Model

Upstream gas sources

- International and domestic integrated resource pool
- With international resources as the core
- Supplemented by domestic self-owned /trusted LNG plant resources and unconventional resources

Pricing methods

- Fixed price
- Benchmark pricing
- Pegged pricing
- A physical-paper combination to ensure returns

Downstream customers

- Large-scale industries
- Power plants
- Transportation energy
- City gas companies



A petrochemical enterprise

- ✓ The company operates an integrated refining and chemical project with an output of 40 million tons/year
- ✓ ENN's advantages: integrated energy service capabilities such as reliable and flexible gas supply services and energy-saving technology transformation

Application scenarios

Base power



Refinery power fuels



Natural gas to hydrogen production



A city gas company

- ✓ Its main business is natural gas, LNG, gas engineering design, and urban gas distribution
- ✓ ENN's advantages: stable, economic, and flexible gas supply services

User scale



More than
750,000
households

Station number



3 city gates
12 pressure
control stations

Pipeline scale

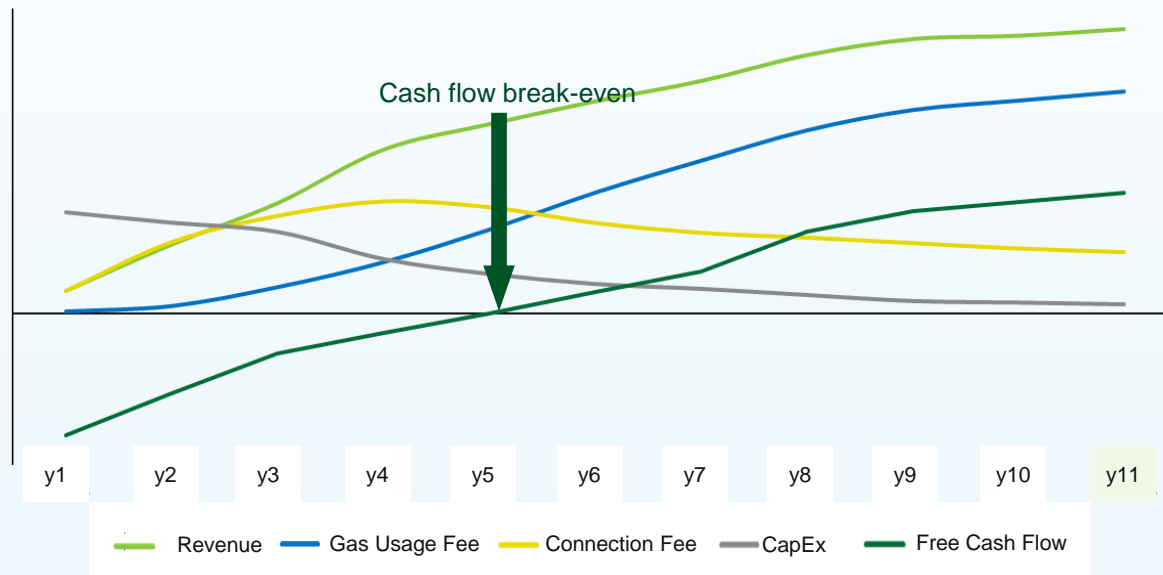


153 km of high-
pressure pipelines
1,665 km of medium-
pressure pipelines

Appendix 4. Simplified Model for a Typical City-gas Project & IE Project

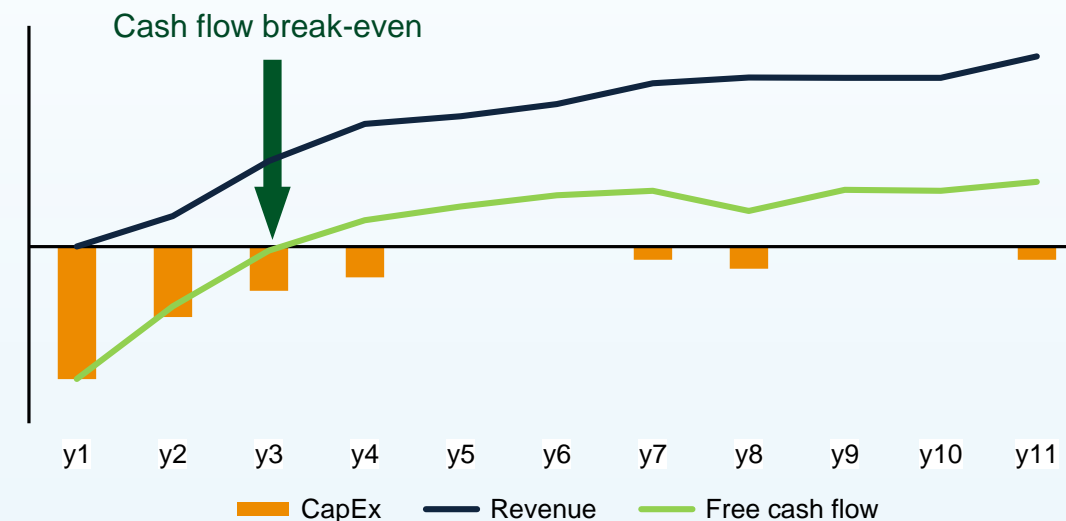


City-gas Project



- **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

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