



新奥天然气股份有限公司  
ENN Natural Gas Co., Ltd.



# 2022 Annual Results

March 2023



## Results Highlights



Completed the acquisition of Zhoushan LNG terminal and secured 10 LNG vessels transportation capacity, enhancing the aggregation and flexibility of the ecology



Newly signed long-term purchase agreements for 5.3 mil tons per year, totaling to 7.64 mil tons per year, reserving key resources for future business expansion



Total revenue increased by 32.9% to RMB154,169 mil; Core profit significantly increased by 69.8% to RMB6,067 mil



Sound financial structure and development vision were recognized by capital markets, achieving S&P investment grade BBB- and inclusion in the CSI 300 Index for the first time



## Financial Highlights

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## Results Review

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## Development Strategy

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## 1.1 Resilient Results



Unit: RMB mil

	FY2022	FY2021*	Change
<b>Total Revenue</b>	154,169	116,031	32.9%
<b>Gross Profit</b>	23,342	19,407	20.3%
<b>EBITDA*</b>	20,590	16,901	21.8%
<b>Total Profit</b>	14,677	13,466	9.0%
<b>Net Profit Attributable to Parent</b>	5,844	4,102	42.5%
<b>Core Profit*</b>	6,067	3,572	69.8%
<b>Core EPS (RMB)</b>	1.97	1.27	55.1%

\* The data for FY2021 on this page were not retroactively adjusted for the acquisition of Zhoushan LNG terminal

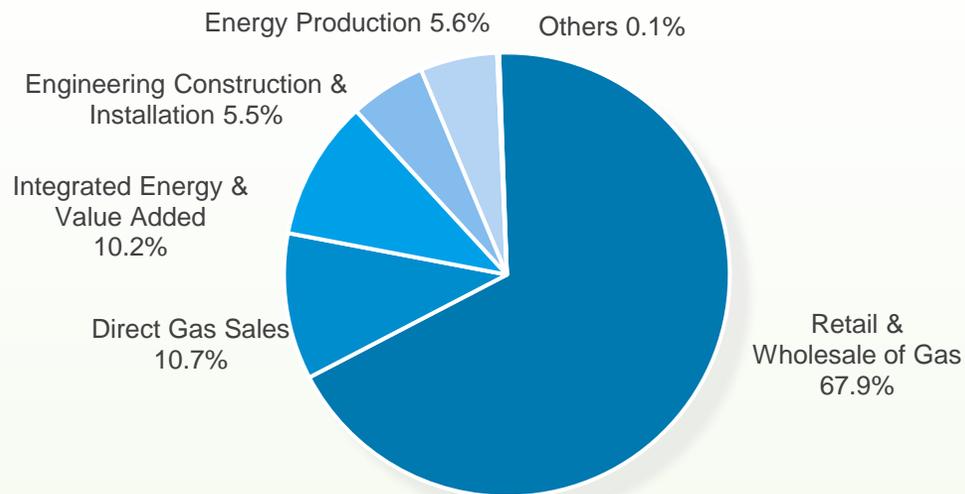
\* EBITDA, Excluding FX gains and losses and changes in fair value gains and losses

\* Core Profit= Net profit attributable to the parent-Adjustments

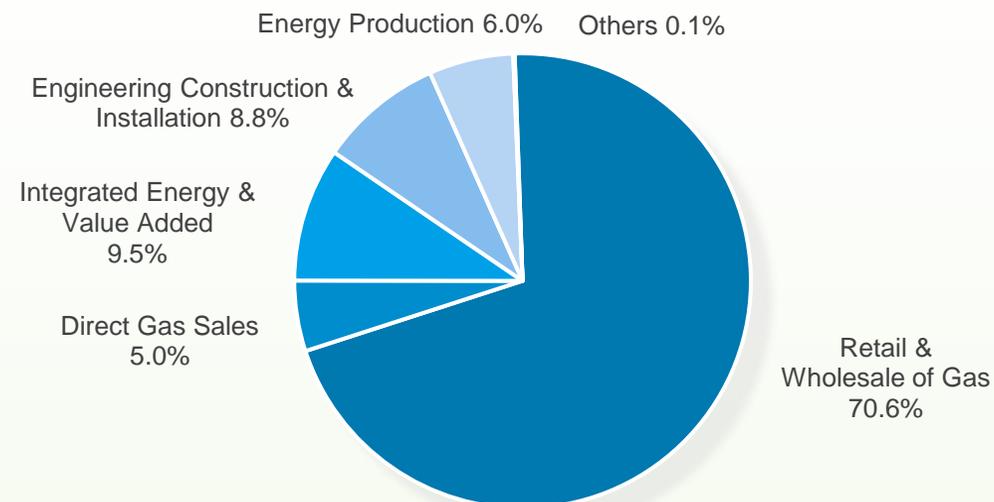
## 1.2 Revenue Breakdown



### FY2022 Revenue Breakdown



### FY2021 Revenue Breakdown

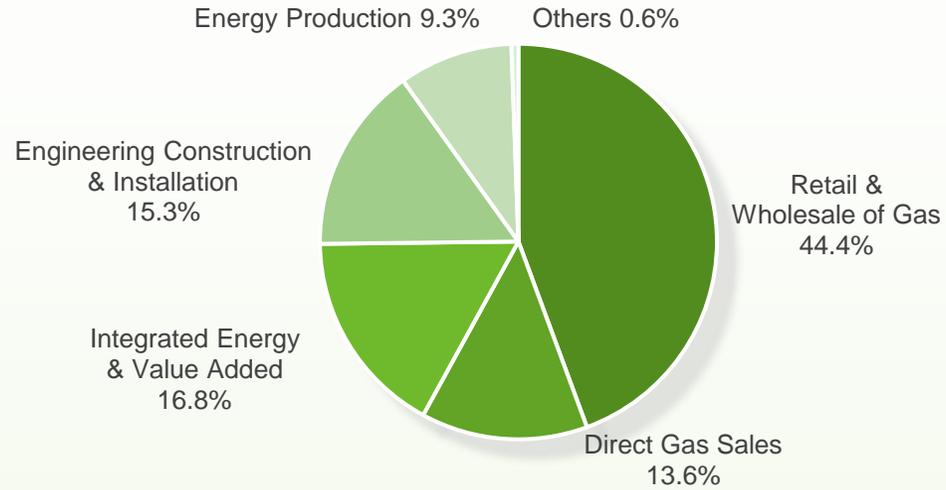


Unit: RMB mil	FY2022	FY2021	Change
<b>Retail &amp; Wholesale of Gas</b>	103,885	81,310	27.8%
<b>Direct Gas Sales</b>	16,314	5,785	182.0%
<b>Integrated Energy &amp; Value Added</b>	15,585	10,994	41.8%
<b>Engineering Construction &amp; Installation</b>	8,441	10,152	-16.9%
<b>Energy Production</b>	8,551	6,900	23.9%

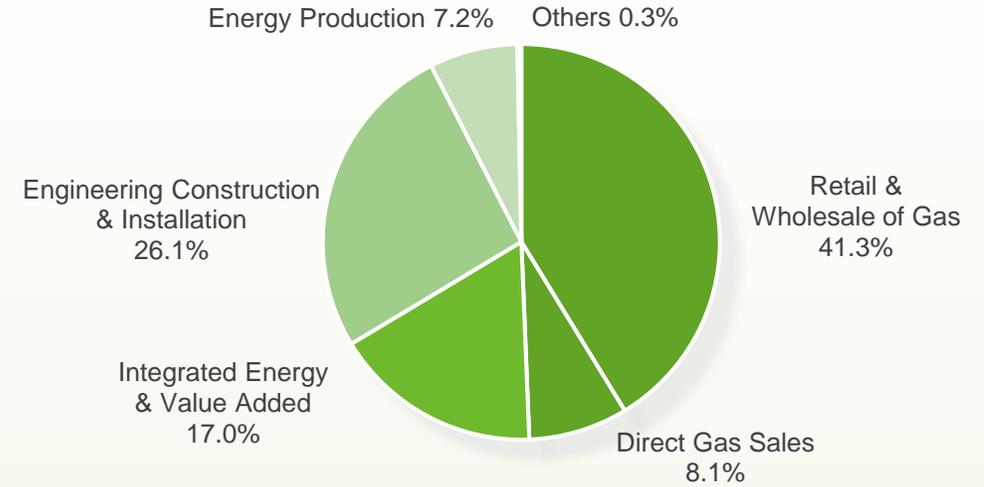
# 1.3 Gross Profit Breakdown



### FY2022 Gross Profit Breakdown



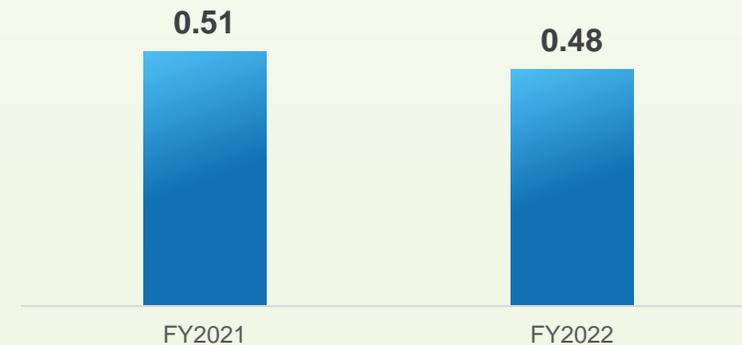
### FY2021 Gross Profit Breakdown



### DM of Direct Gas Sales (RMB/m<sup>3</sup>)



### DM of Retail Gas Sales (RMB/m<sup>3</sup>)



## 1.4 Sustainable Growth of Core Profit



Unit: RMB mil

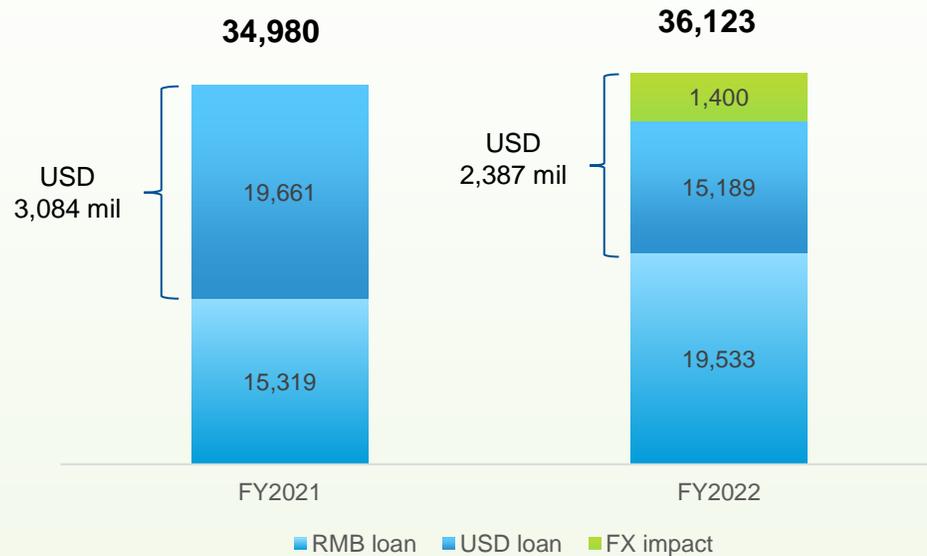
Main excluded items in the calculation of core profit		FY2022	FY2021
<b>Net Profit Attributable to Parent</b>		5,844	4,102
Non-cash factor	Bad debts and asset impairment	-85	-45
	Changes in fair value of derivatives	863	257
	Changes in FX gains and losses	-900	332
	Amortization of share incentive costs	-72	-87
One-off factor	Gains from disposal of equity investments	005	098
	Others	-33	-26
<b>Core Profit Attributable to Parent</b>		<b>6,067</b>	<b>3,572</b>

\* The data for FY2021 on this page were not retroactively adjusted for the acquisition of Zhoushan LNG terminal

# 1.5 Exchange Rate Changes Analysis



## FX Impact on Liability with Interest



\* Excluding RMB1.4 bil increase in debt due to FX, total debt decreased slightly

## 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
<b>Sensitivity analysis</b>	± 1%	¥5	¥133	¥72

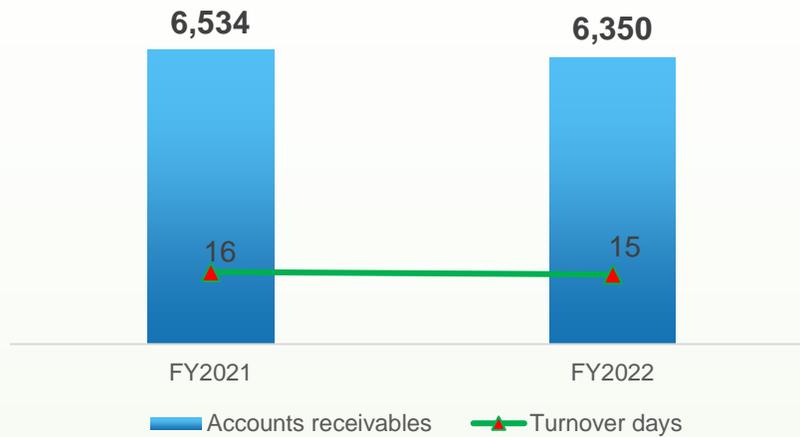
## FX Risk Management

- ✓ Repay the principal and interest of loans with income denominated in USD to avoid foreign exchange impact resulting from currency mismatches
- ✓ Continuously monitor fluctuations in the exchange rate market and dynamically manage existing USD bond hedges. In 2022, the proportion of hedging reached 20.1%

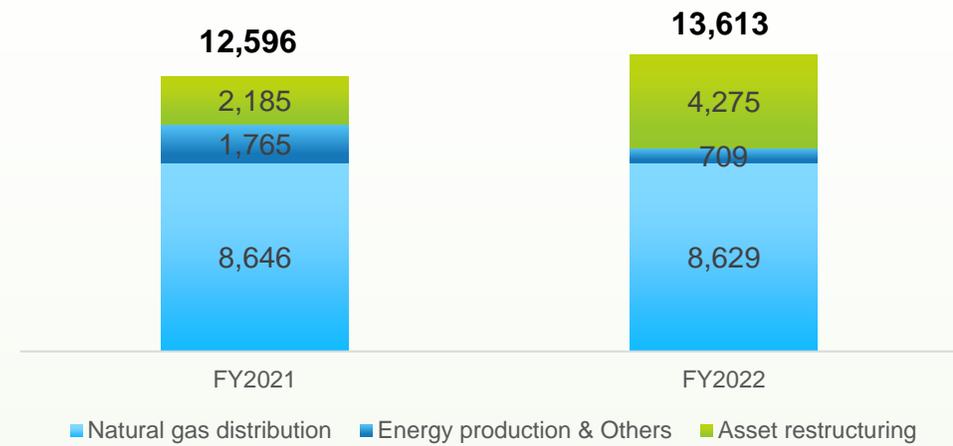
# 1.6 Excellent Financial Management



**Accounts Receivables and Turnover Days (RMB mil)**



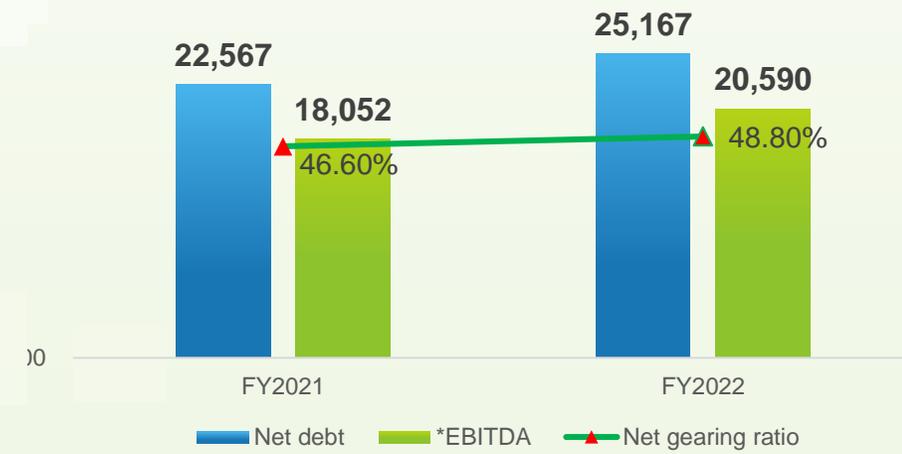
**CAPEX (RMB mil)**



**Total Debt & Cash on Hand (RMB mil)**



**Net Debt, EBITDA \* and Net Gearing Ratio (RMB mil)**

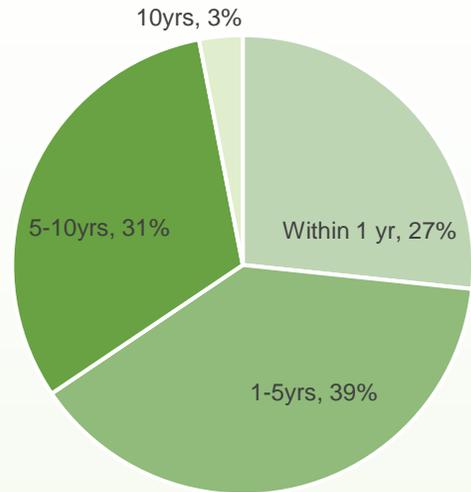


\*EBITDA, Excluding FX gains & losses and changes in fair value gains & losses

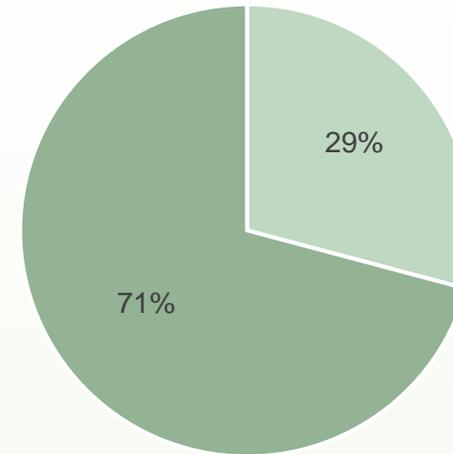
# 1.7 Sound Debt Structure and Ample Liquidity



By Maturity



Total Credit Facilities: **RMB66.1 bil**



Credit Ratings

■ Utilized ■ Unutilized

Rating Agencies	FY2021	FY2022
S&P	-	BBB-
Fitch	BBB-	BBB-
Moody's	Ba1	Ba1 (Positive outlook)
CCX	-	AAA ↑
CSCI Pengyuan	-	AAA ↑

## 1.8 Abundant Free Cash Flows and Steadily Rising Payout Ratio

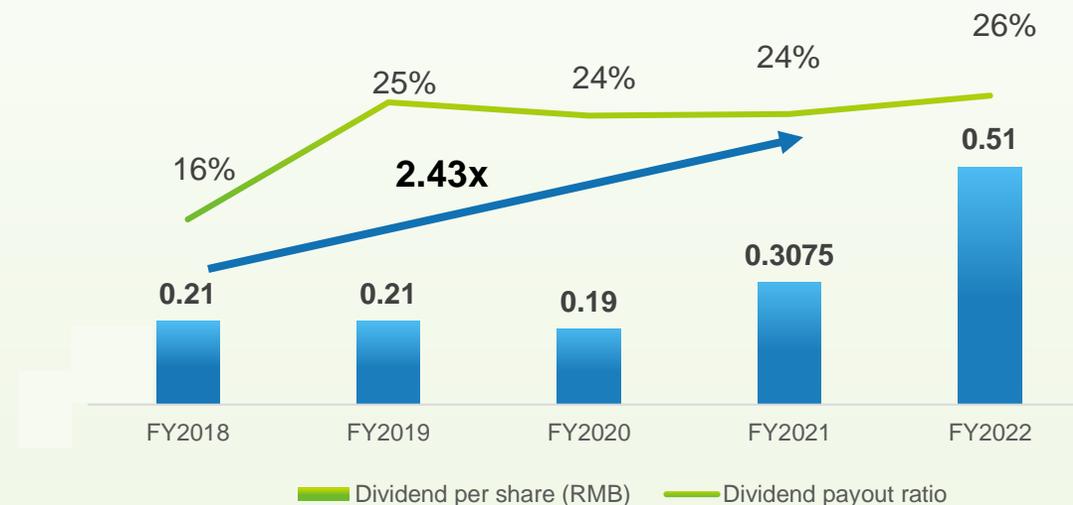


- The steady growth in our main business coupled with prudent financial management generated strong cash flow of RMB 6,089 mil(excluding the impact of the acquisition of Zhoushan terminal), with an increase of RMB 2,094 mil compared to the same period last year

### Steadily Increasing Cash Flow (RMB mil)



### Substantially Improved Shareholder Returns (RMB/share)





## Financial Highlights

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## Results Review

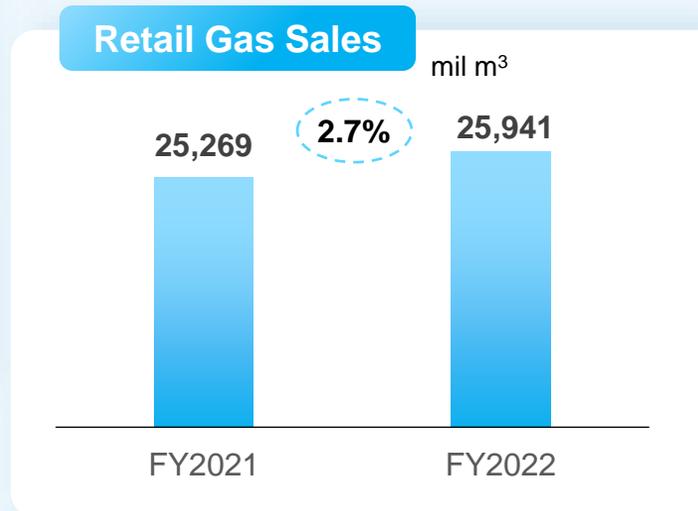
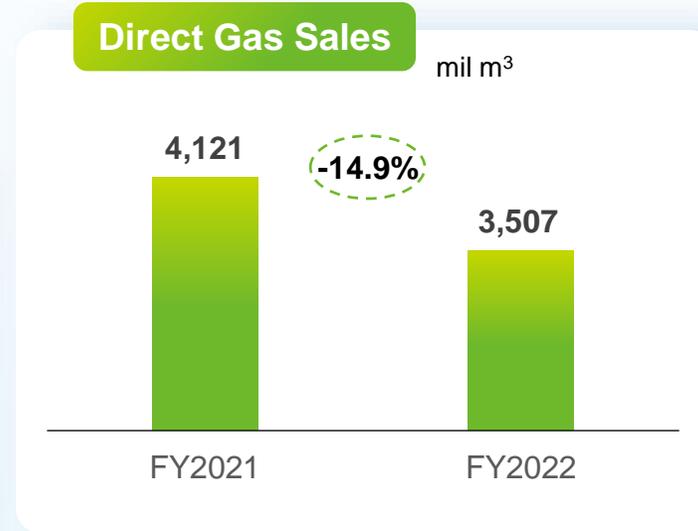
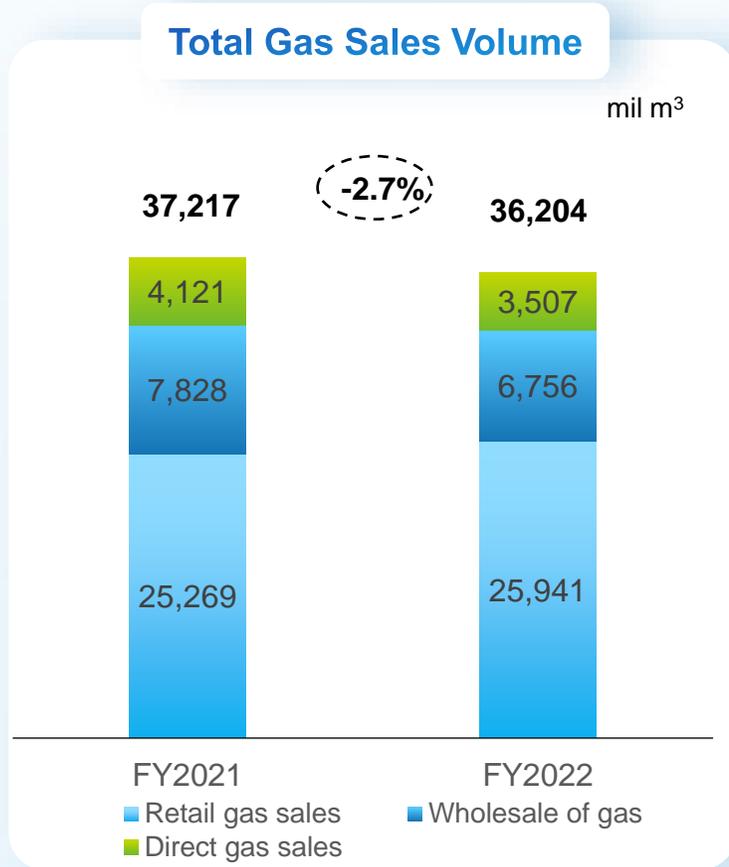
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## Development Strategy

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## 2.1.1 Actively Promoted the Sustainable Expansion of Gas Sales Business

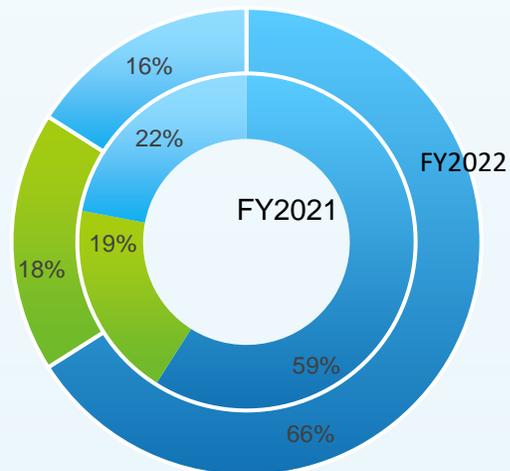


### Key Initiatives

- Innovated gas sales models such as base + increments and agency purchase and sales, developed flexible energy pricing strategies and promoted price linkage
- Achieved region-wide sales of piped gas and LNG in high-priced markets by leveraging a diversified resource portfolio and based on PipeChina and LNG transportation capacities
- Aggregated customers through digital intelligence products and services and provided multi-energy packages encompassing natural gas, heat and electricity



### Increased the acquisition of superior resources and optimized the overall resource structure



- Domestic pipeline gas resources
- International LNG resources
- Domestic LNG resources

### Consolidated ecosystems to optimize resource structure and bolster resource resilience

#### Domestic resources

- Stabilized cooperation with three major oil companies and acquired resources such as provincial energy groups
- Aggregated unconventional resources of **3 mil cubic meters/day** on a large scale
- Acquired **850,000 tons/year** from our own and third-party LNG plant

#### International resources

- International LTAs were performed on schedule with delivery of **1.75 mil tons**
- Added **5.3 mil tons** through international LTAs, reaching **7.64 mil tons** in total
- Built an international LNG capacity pool and acquired **10** LNG vessels transportation resources at competitive prices

### Developed infrastructure systematically to boost delivery capacity and augmented market-resources synergy advantages

#### Gas Transmission and Distribution

- Self-owned 4 long-distance pipelines with a gas transmission capacity of **12 bil cubic meters per year**
- Developed the Xiyi Line, Jining Line and counter transmission path to tighten the delivery network
- Obtained **21** download points from PipeChina, with the expected first-year gas usage volume is **500 mil cubic meters**, and became the largest shipper other than three major oil companies

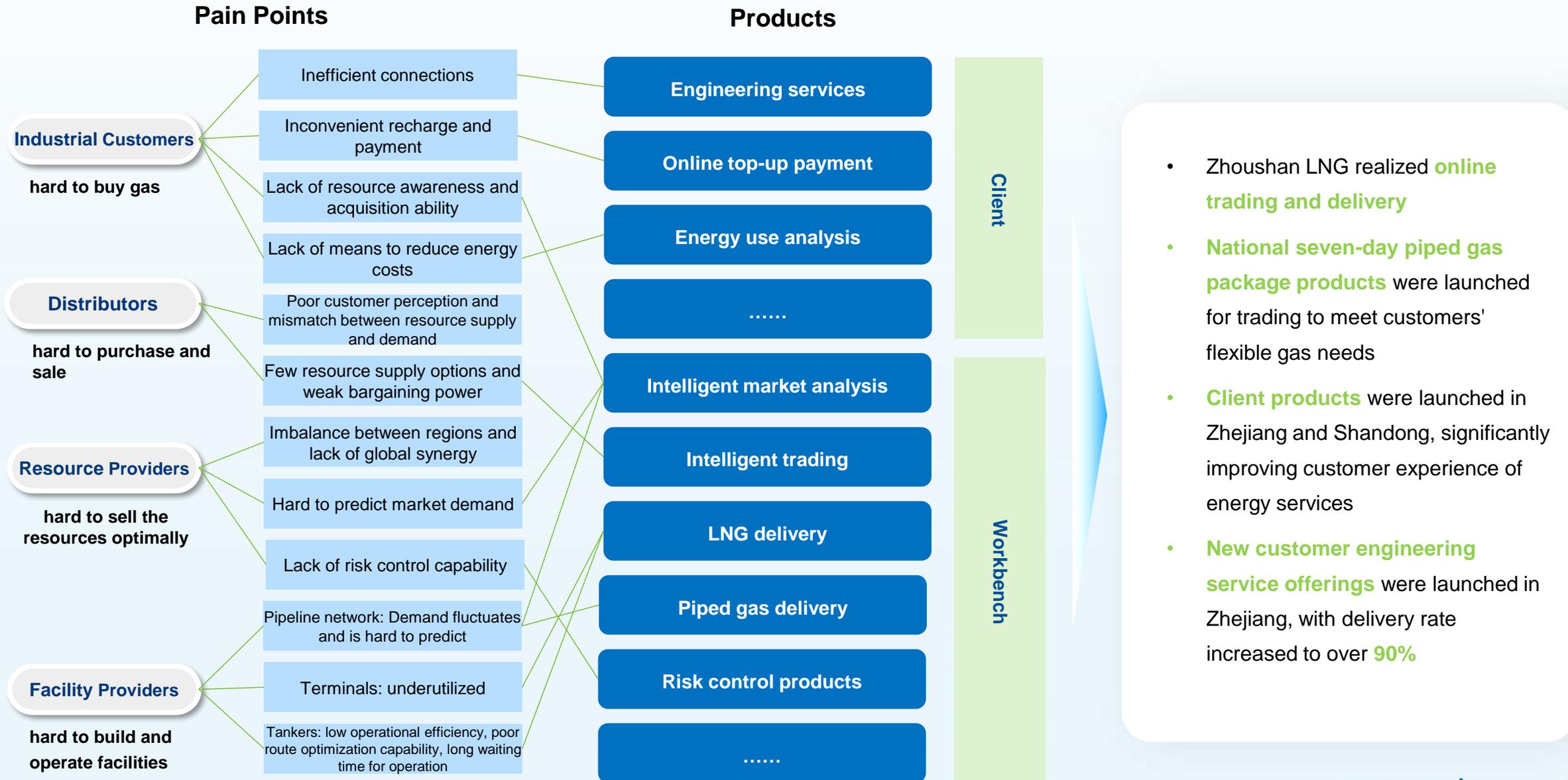
#### LNG Transmission and Distribution

- **1,200+** stable and flexible LNG tankers, with the largest tanker capacity in China
- Departure volume exceeded **600 vehicles per day**

#### Gas Storage Facilities

- Self-owned gas storage capacity of **500 mil cubic meters**
- Acquired storage capacity of about **150 mil cubic meters** from virtual gas storage and liquid reserves of PipeChina's Wen 23, Guangzhou and PetroChina

## 2.1.3 Commitment to Building a Digital Intelligent Platform for Natural Gas Industry



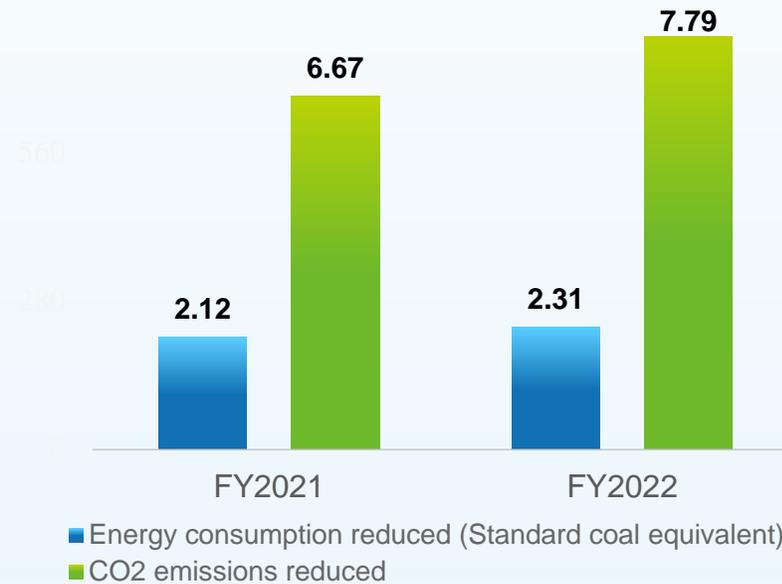
## 2.2.1 Innovated Low-Carbon Products and Accelerated IEB Development



IE sales vol (bil kWh)



Positive environmental impact (mil tons)



Huge potential for the projects under construction and newly signed



• **210** operational projects  
with potential energy sales  
**34.1bil kWh**

(No. of Projects) **101**  
Utilized renewable energy  
(Energy Sales Vol) **21%**  
Generated from renewables



## 2.2.2 Innovated Low-Carbon Products and Accelerated IEB Development



### Multiple IE products supported integrated energy-carbon-safety solutions

<b>Energy</b>	Steam	Electricity	Cold/Heat	Heat conducting oil	Compressed air	Hosting operations
<b>Carbon</b>	Low-carbon energy	Low-carbon factory certification	Carbon emission monitoring	Carbon verification		
<b>Safety</b>	Gas safety	Enterprise production safety	Power safety	Emergency safety		

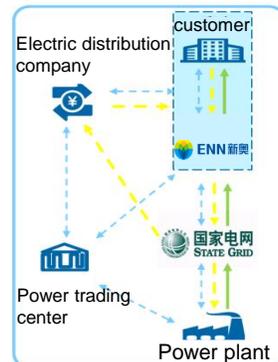
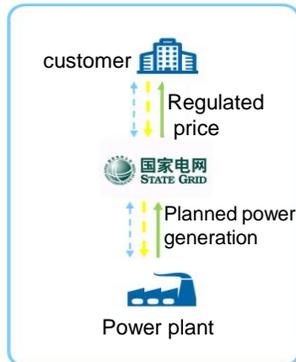
Single product → Multi-products



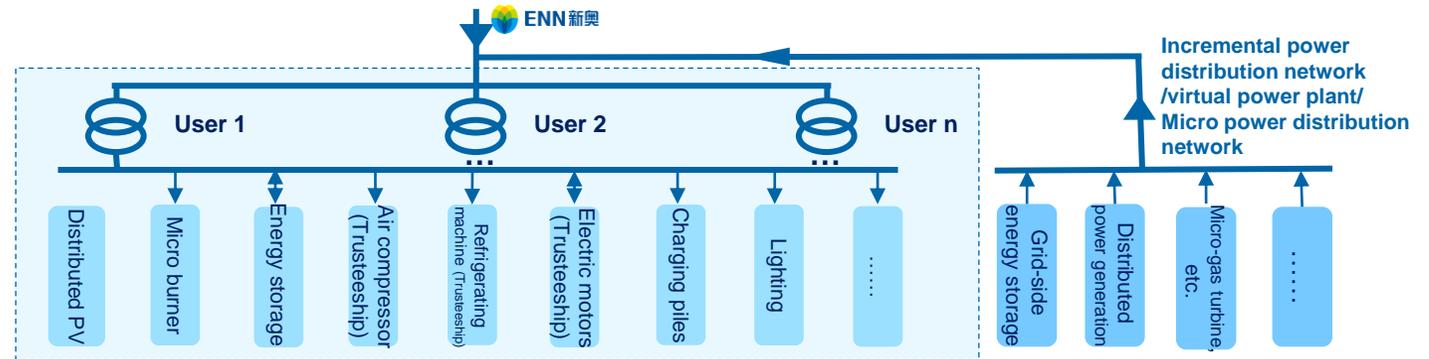
### A variety of IE products supported the development of the electricity business and all-scenario electricity revenue reached RMB419 mil in 2022

Original model

All-scenario model



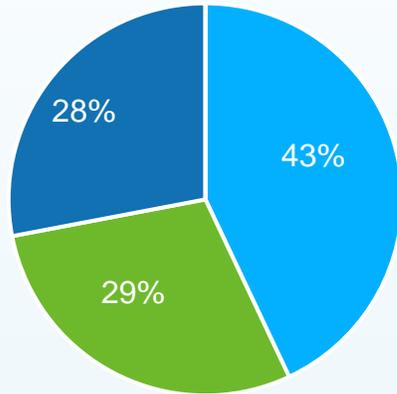
ENN provided customers with all-scenario and multiple power products and services



## 2.3 Developed Engineering Construction Business Driven by Low Carbon Digital Intelligence

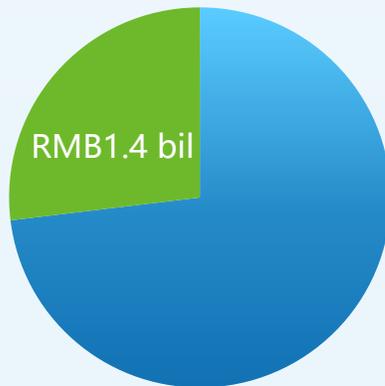


### Revenue Structure



- Natural gas infrastructure
- Municipal engineering
- New energy engineering and digital intelligence

Total amount of newly contracted projects reached **RMB4.7 bil**



■ Hydrogen order amount

### Shanxi Jinye Coke Oven Gas Comprehensive Utilization Project



- ✓ Using coke oven gas to produce hydrogen and LNG to promote low carbon applications
- ✓ Annual output of 148,800 tons of LNG and 16 mil cubic meters of hydrogen

### Zhoushan and other Large-scale LNG Terminal Projects



- ✓ Through the digital delivery platform, connect the data model information from planning and design to completion and acceptance of the project
- ✓ Provide data sources to support application scenarios such as equipment maintenance, simulation training, inspection, and hidden danger investigation

### Huafeng Hydrogenation Integrated Energy Service Project



- ✓ "Hydrogen, electricity, oil and gas" four-in-one integrated energy station
- ✓ "Core technology + planning and design + integrated equipment + EPC" integrated delivery

### Jiangxi Rainbow Photovoltaic Glass Integrated Energy Project



- ✓ General contracting for design, procurement, construction and installation of flue gas treatment and waste heat power generation facilities
- ✓ Focus on developing low-carbon parks and low-carbon factories, and cut through with overall planning and design

## 2.4 Green and Digital Intelligence Transformation of Energy Production Via Lean Operations



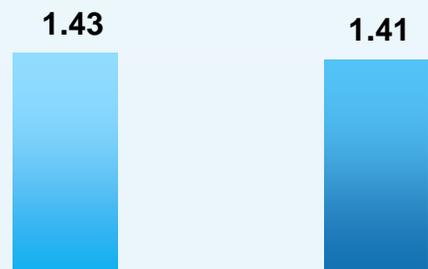
Coal Sales Volume (mil tons)



FY2021

FY2022

Methanol Sales Volume (mil tons)



FY2021

FY2022

### Coal

- ✓ Upgraded production process, increased the conversion rate of commercial coal and the washing and refining rate
- ✓ Optimized sales channels and optimized the proportion of terminal sales to **26%**
- ✓ Steadily increased the coal production capacity, which can be raised to **10 mil** tons in the long term
- ✓ Promoted the long-cycle operation of hydrogenation, catalytic and pulverized **coal-to-gas** technologies and accelerated market promotion

### Methanol

- ✓ Optimized process system and cut costs by **RMB130 mil**
- ✓ Increased by **RMB263 mil** year-on-year for the sales revenue from by-product steam and other derivative products by utilizing the IE concept
- ✓ Actively carried out energy-saving and carbon reduction and carbon quota trading business, with an estimated value of **RMB10 mil**

### Built green, smart mines

- ✓ Continued to restore the mine ecosystem, planting 56 mu of trees, 130 mu of grass and 100 mu of agricultural crops
- ✓ Recycled residual heat from air compressors and introduced new technologies to upgrade and improve energy efficiency
- ✓ Reduced manpower, increased efficiency and improved safety through the implementation of the "intelligent mining" system
- ✓ Obtained approval for 4MW PV project

## 2.5 Proactively Embraced Social Responsibility and Continuously Improved ESG Performance



Environment	Society	Governance
<p>Carbon emission intensity(y-o-y)</p> <p> ↓ <b>28.3%</b></p>	<p>Occupational injury case/mil hrs</p> <p> <b>0.34</b></p> <p>2021: 1.09</p>	<p>Corruption cases, Complaints, Environmental illegal case</p> <p> <b>0</b></p>
<p>Helped society &amp; clients reduce emission</p> <p> <b>52.88 mil tons</b></p> <p>2021: 49.07 mil tons</p>	<p>Investment in occupational health and safety</p> <p> <b>RMB1.74 bil</b></p> <p>2021: RMB1.66 bil</p>	<p>Enhanced the % of female board members</p> <p> <b>18 %</b></p> <p>2021: 8%</p>
<p>No. of member companies obtaining environmental management system certification ISO14001</p> <p> <b>66</b></p> <p>2021: 43</p>	<p>Investment in R&amp;D</p> <p> <b>RMB1.71 bil</b></p> <p>2021: RMB1.04 bil</p>	<p>Enhanced the % of independent non-executive director</p> <p> <b>36 %</b></p> <p>2021: 33%</p>

### Carried out Scope 3 carbon emission statistics to lay the foundation for industry chain emission reduction

- Completed Scope 3 data statistics for fifteen categories and identified significant Scope 3 emission sources
- Developed statistical models and tools for the corresponding categories
- It is expected to become the first domestic natural gas enterprise to disclose Scope 3 major categories

### Actively responded to international ESG rating system to improve capital market evaluation

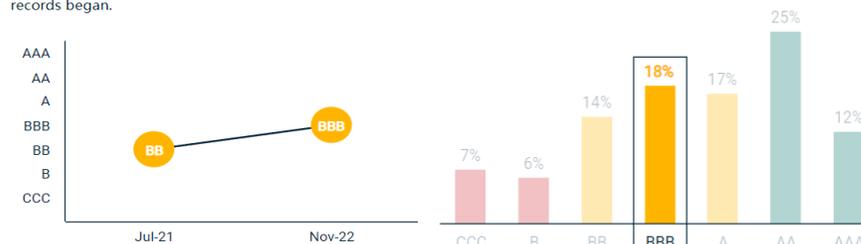
- Hang Seng (China A) Corporate Sustainability Index (Top 30)
- Hang Seng (Mainland and HK) Corporate Sustainability Index
- Hang Seng Stock Connect Hydrogen Energy Index
- MSCI China A Index

## ESG Rating Performance

### MSCI rating upgraded to BBB

#### ESG Rating history

MSCI ESG Rating history data over the last five years or since records began.



### Among leading levels in the A-share gas industry

**BBB**

MSCI- ESG Rating

2021: BB

**50**

DJSI Sustainability Score

First Rating

**A<sup>-</sup> (58.44)**

Hang Seng Sustainability Index

2021: A<sup>-</sup>(56.25)

**32.4**

Sustainalytics Score

First Rating



## Financial Highlights

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## Results Review

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## Development Strategy

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### 3.1.1 The Dual-carbon Policy Drives High-quality Development of Gas Sales Business

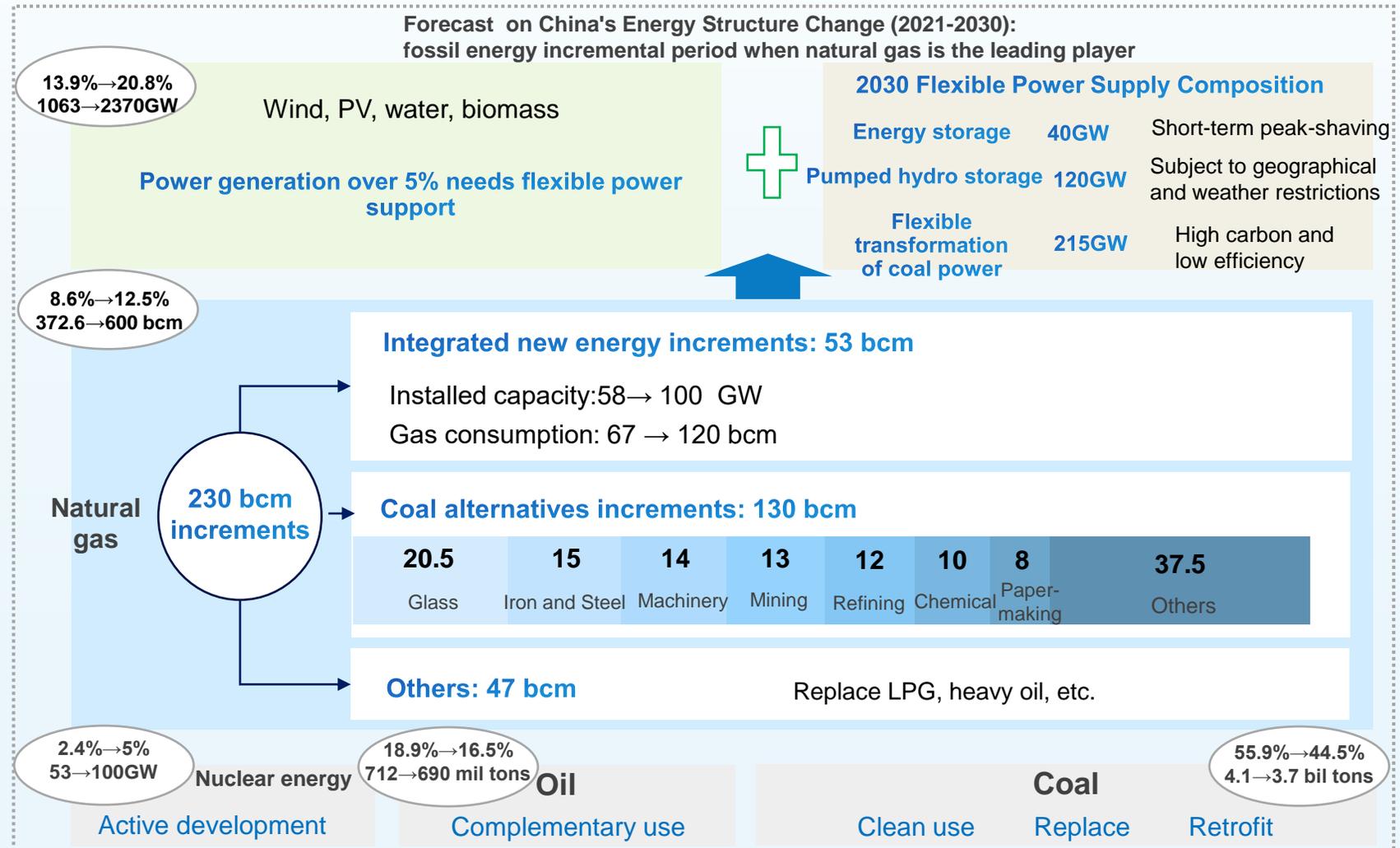


The driving force behind the great development of the natural gas industry: "coal alternatives+new energy integration"



The concepts of the 20<sup>th</sup> CPC National Congress:  
low carbon, green and high-quality development

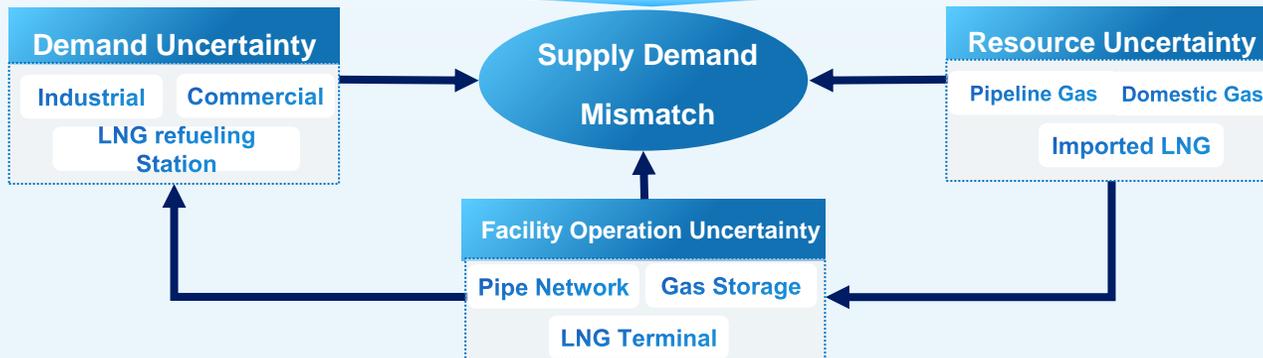
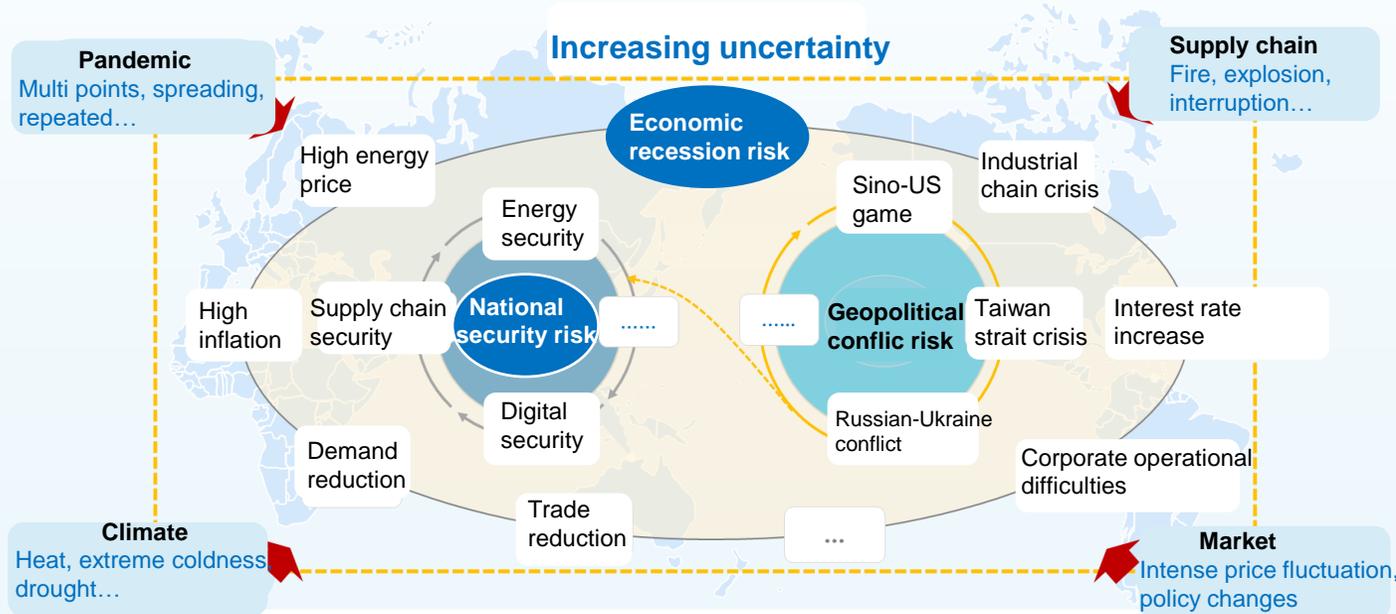
- Green**: Accelerated the development of green transformation
- Low carbon**: Actively and steadily promoted carbon peaking and carbon neutrality
- Digital intelligence**: Accelerated the construction of the cyberpower and digital China



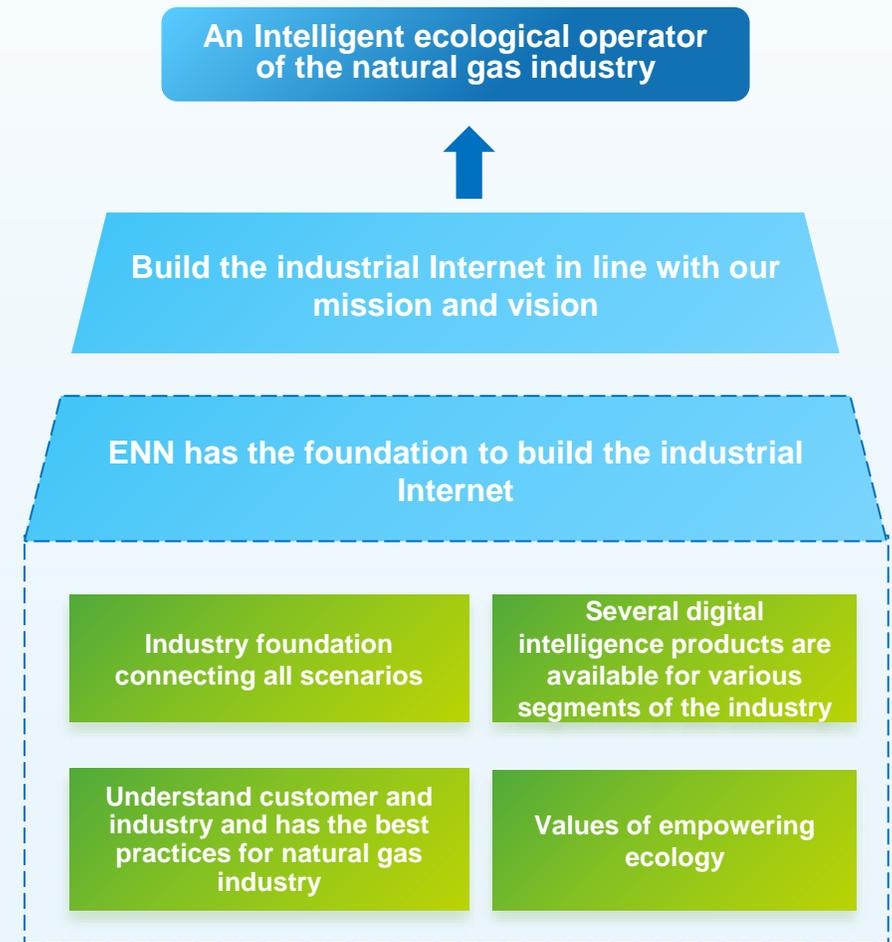
### 3.1.2 Industrial Internet Becomes a General Trend with Increased Uncertainties Amid Great Changes



#### China's natural gas industry requires industrial internet



The natural gas industry needs to use digital intelligence technology to link demand and supply, get through data, and realize industrial collaboration and rapid response

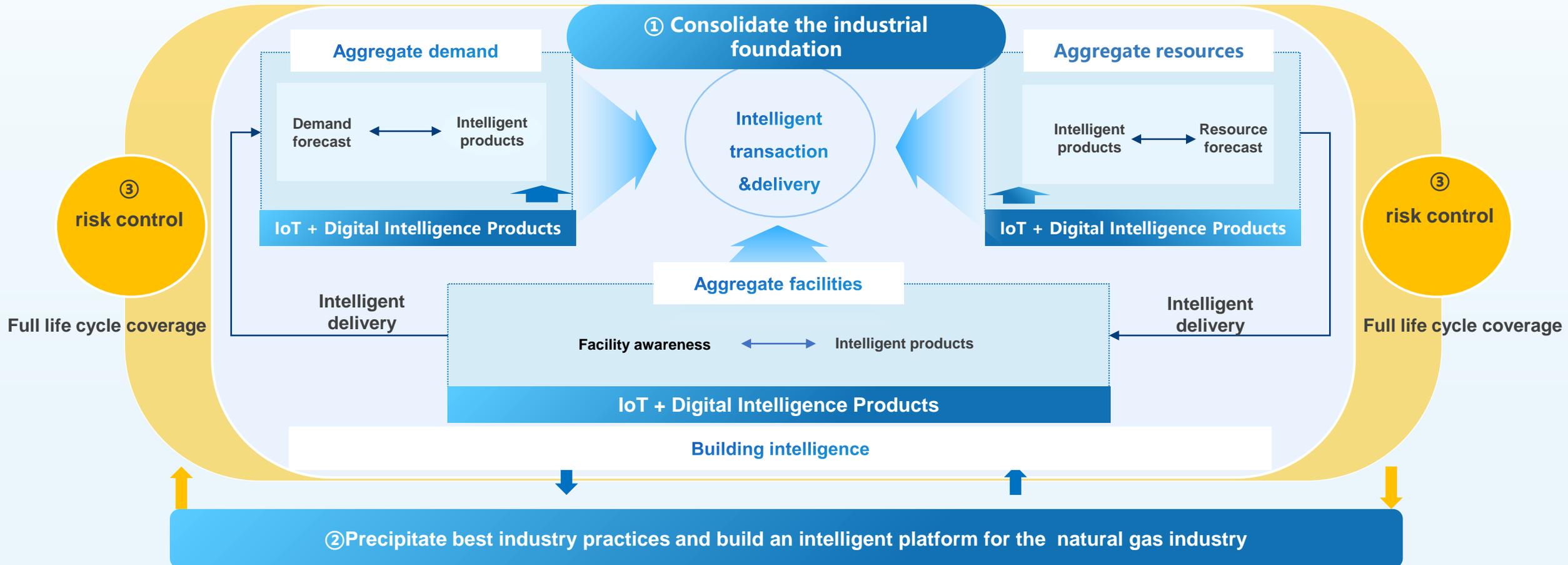


## 3.2 Approaches to Evolving into an Intelligent Ecological Operator of the Natural Gas Industry



Build a new development pattern powered by industrial internet, where the domestic economic cycle leads and the both domestic and international circulations reinforce each other

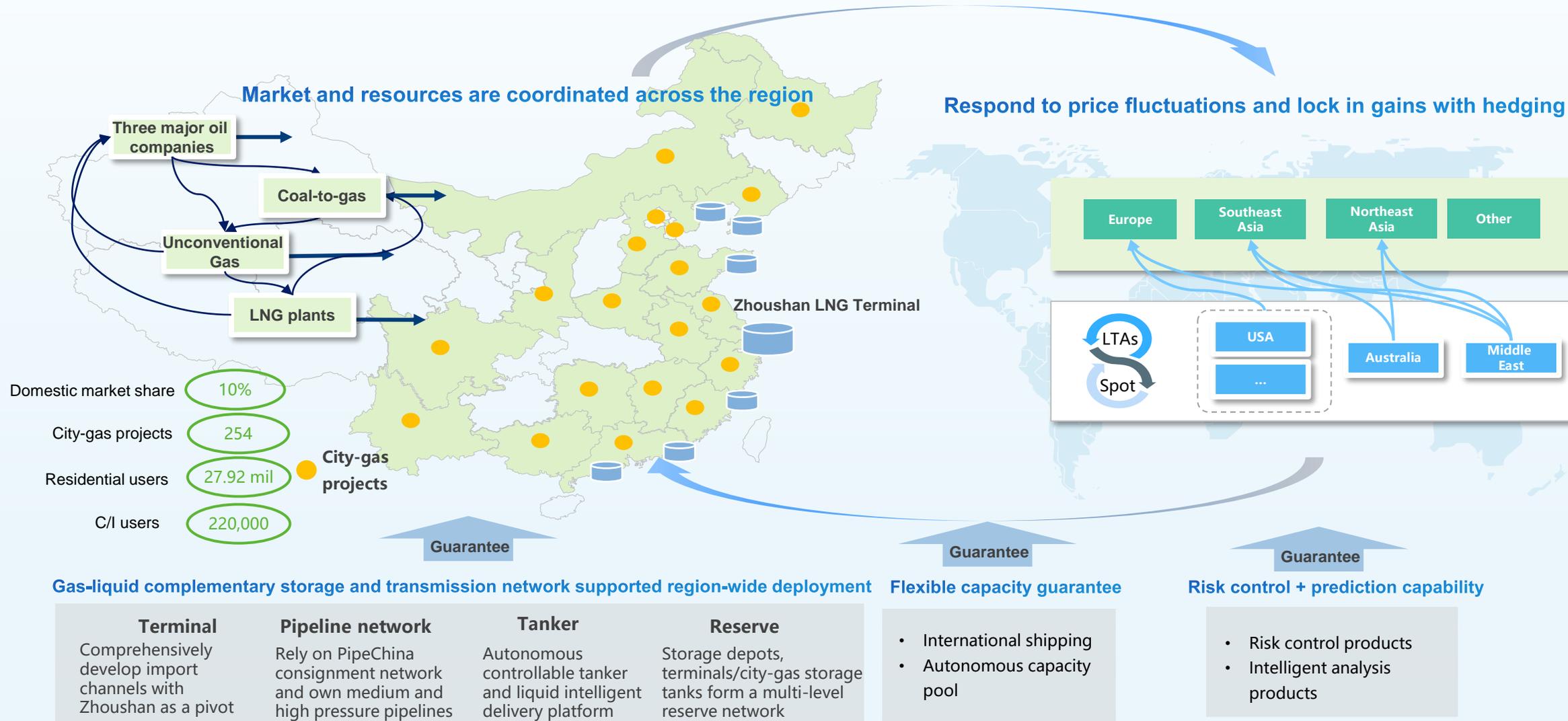
- Aggregate natural gas demand, resources and facilities ecology through capital, technology, alliances, partnerships, and digital intelligence
- Precipitate best practices, empower all ecological parties, and enhance the overall capacity of the industry



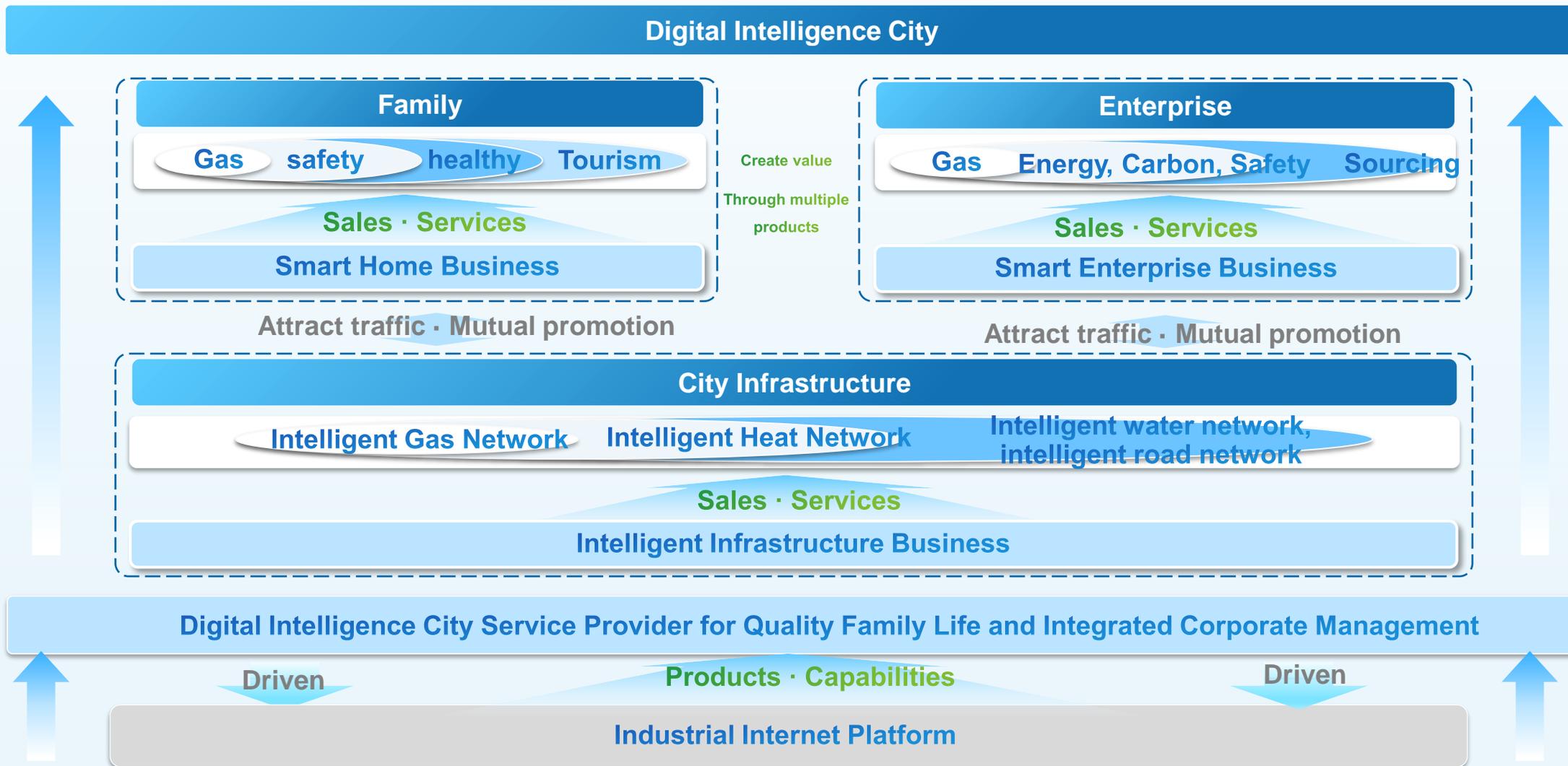
### 3.3 International-Domestic Linked Direct Gas Sales Business Model



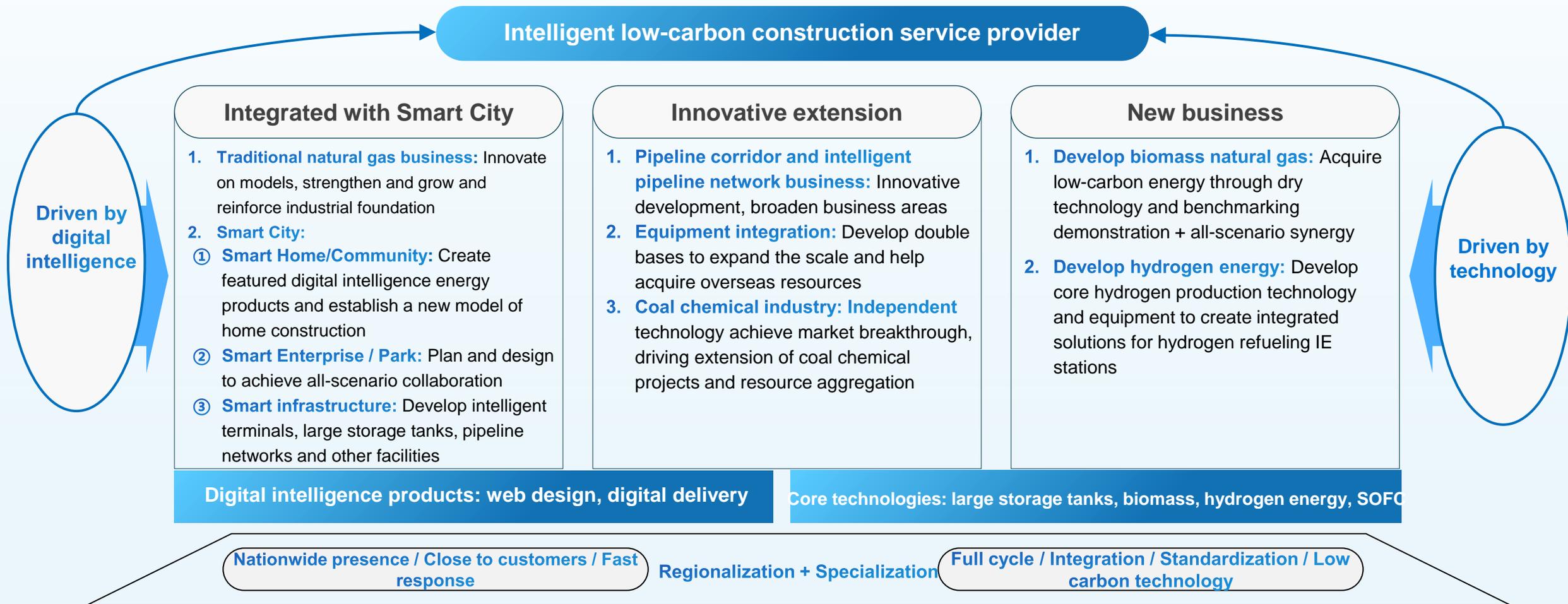
Intelligent prediction of international and domestic market changes to achieve intelligent matching of supply and demand



### 3.5 ENN Energy Upgrading into a Digital Intelligence City Service Provider



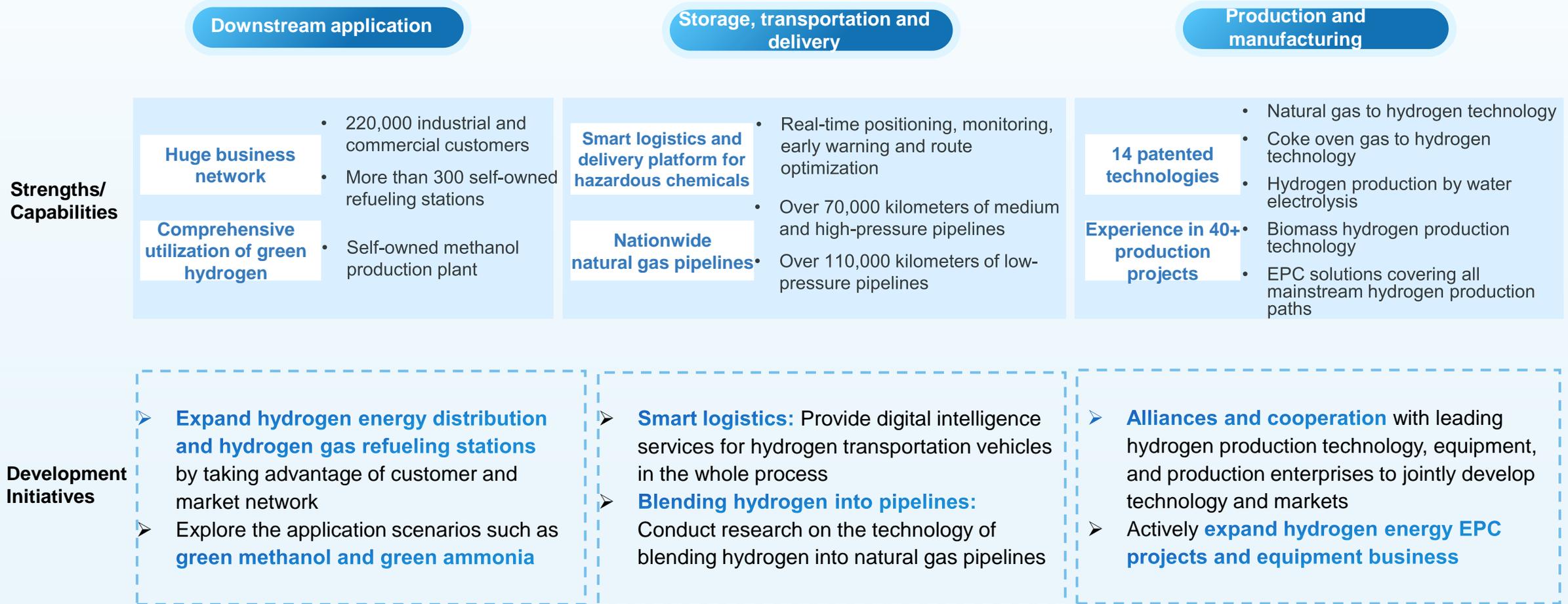
# 3.5 Expanding Engineering Construction Business with Low-carbon Intelligence



### 3.6 In-depth Layout in the Hydrogen Energy to Accumulate First-mover Competitive Advantage



ENN Natural Gas and ENN Energy were selected in the Hang Seng Shanghai-Shenzhen-Hong Kong Stock Connect Hydrogen Energy Index on 20 March, 2023



## 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"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Operation of Zhoushan LNG Terminal, gas and liquid transmission and distribution pipelines, gas storage and other infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Provide integrated engineering services for natural gas infrastructure, municipal engineering, new energy and digital intelligence, including engineering design, equipment manufacturing and integration, engineering construction</li> <li>• Provide gas installation services for residential and C/I customers</li> </ul>	<ul style="list-style-type: none"> <li>• Coal: Mixed coal and cleaned coal production</li> <li>• Energy chemical : methanol production with coal as a raw material</li> </ul>

## 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. Net Profits Deducting Non-recurring Profits and Losses



Unit: RMB mil

Main items excluded for calculating the profits deducting non-recurring profits and losses		FY2022	FY2021
<b>Net Profits Attributable to the Parent</b>		<b>5,844</b>	<b>4,102</b>
Excluded items	Gains or losses on disposal of non-current assets	-73	99
	Government subsidies included in current profits or losses*	386	363
	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	1,748	749
	Reversal of provision for impairment of receivables individually tested for impairment	32	44
	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	173	0
	Miscellaneous	-34	-36
	Affected amount of income tax	-384	-209
	Affected amount of minority equity (after tax)	-674	-439
<b>Net Profits Deducting Non-recurring Profits and Losses</b>		<b>4,671</b>	<b>3,531</b>

\*Excluding government subsidies that are closely related to the company's normal business operations, granted under national policies, and continuously enjoyed per certain standards in a fixed or quantitative manner

## Appendix 4. Implementation plan for the acquisition of Zhoushan Terminal



### Transaction plan

- Underlying asset: **90% equity**
- Consideration: **RMB 8.55 bil**
- Payment method: **50% by shares + 50% by cash**

### Issue price and quantity

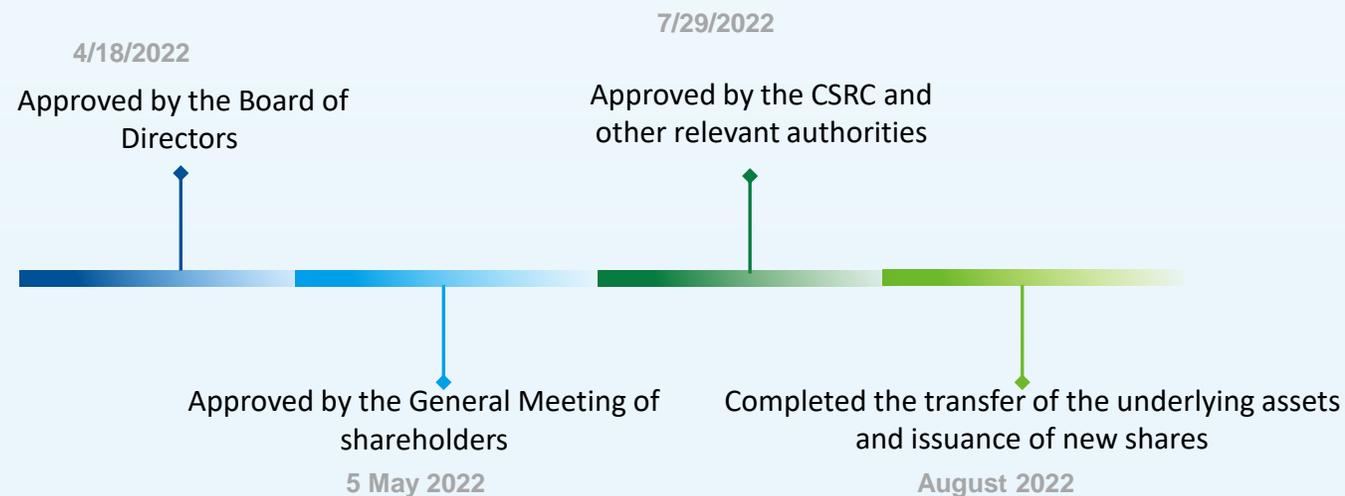
- Issue price: **RMB16.91 per share**
- Number of shares issued: **252,808,988 shares**
- Upon completion of the transaction, the controlling shareholder of the company holds a total of **72.40%** of the shares of the listed company

### Performance commitment period and amount

(RMB mil)

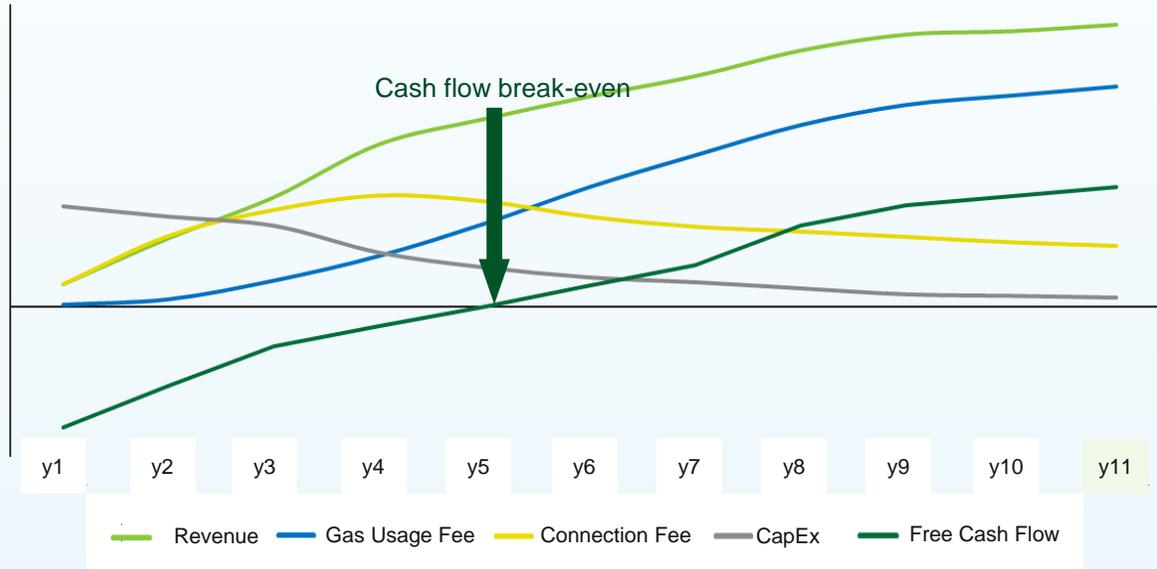
Period	2022	2023	2024	2025
Amount	349.67	639.43	933.48	1,196.43

### Transaction key milestones and processes

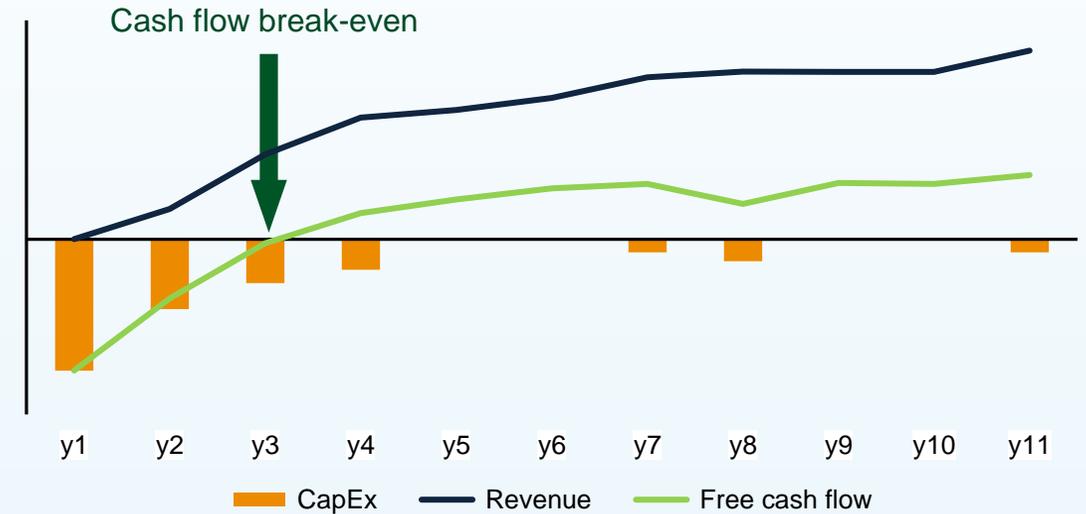




## City-gas Project



## IE 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**

### 1. Stable & Recurring Income

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

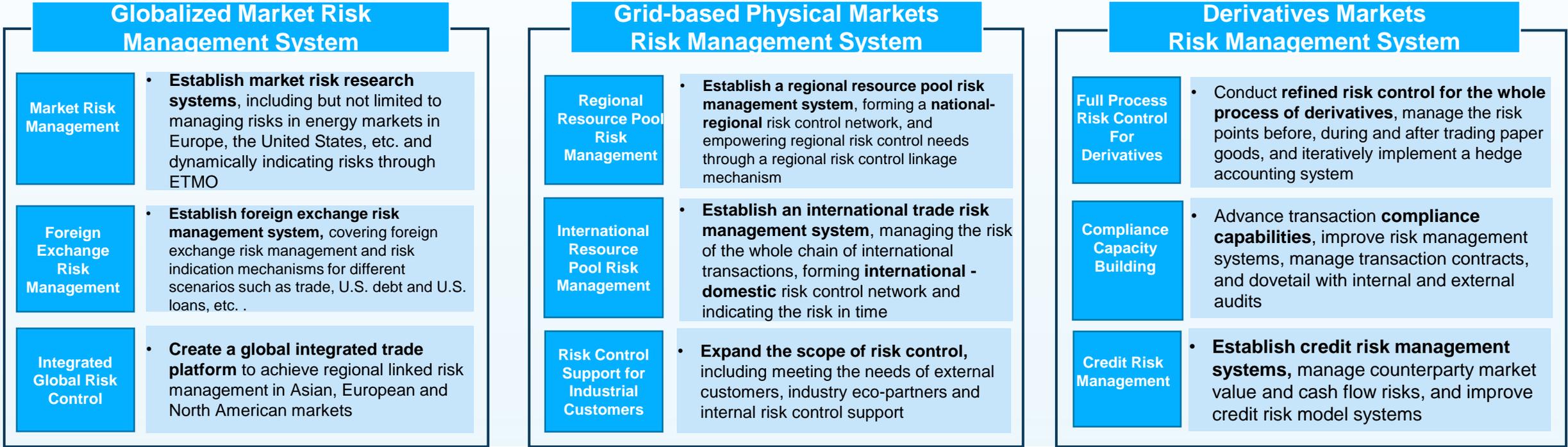
### 2. Rapid Cash Flow Generation

- 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

# Appendix 6. Comprehensive Risk Management Capabilities to Improve Operational Certainty





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