

# **2022 Interim Results**







Total gas sales volume up 7.6% to 18,836 mil m<sup>3</sup>; Direct gas sales volume up 37.2% to 2,001 mil m<sup>3</sup>



Core earnings amounted to RMB 2,259 mil with a significant increase of 48.9%



The major asset reorganization of Zhoushan Terminal was duly accomplished



4.8 mil tons of newly signed long-term LNG contracts with the accumulated vol amounting to 7.14 mil tons



An investment rating of BBB- assigned by S&P and ratings by CCXI and CSCI Pengyuan upgraded to AAA



### Duly accomplishment of the major asset reorganization

Zhoushan Terminal reorganization project was completed as the transfer of underlying assets and the issuance of new shares were settled after approval by the CSRC. After accomplishment of this reorganization, ENN-NG will be able to flexibly utilize the pivotal role of Zhoushan Terminal, optimize the integrated layout of industrial chain and implement a development strategy positioning it as an intelligent ecological operator within the natural gas industry which is expected to bring a more sustainable and stable profit for the company.

#### Support to acquire resources

- Relying on the import capacity of Zhoushan to build a coastal import channel
- Supporting the Company to obtain and fulfill long-term contracts as well as acquire more domestic unconventional resources

#### Flexible adjustment capability

 Flexibly utilizing the gas resources from international and domestic market, long term contract and spot contract, gas and liquid, onshore and offshore with a view to optimizing the resource structure

#### Gas storage and peak-shaving capacity

- Giving full play to the gas storage, peakshaving and valley-filling capacity to meet both our own turnover and the needs of downstream customers;
- Profiting from seasonal price differences through storage in summer and sales in winter

#### **Coverage across the national market**

 Covering the national market with a fulcrum by opening the channel of the national terminals for LNG import through ecological cooperation modes such as window slots exchange and using third-party window slots



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### 1.1 Actively promoting the sustainable expansion of natural gas business





Enhanced contract management and market-oriented pass through to stabilize DM

- Implemented the contract mechanism and conducted gas demand forecast and management
- Maintained a stable DM by adopting price automatic pass through mechanism
- Provided diversified gas packages in response to customer characteristics

(RMB/m³)	1H2022	FY2021	1H2021
Residential	3.23	2.93	2.93
C/I	3.52	3.17	2.93
Vehicle gas station	5.11	4.04	3.78
ASP	3.49	3.15	2.95
Average cost	2.95	2.60	2.34
DM (ex VAT)	0.50	0.51	0.56

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## 1.2 Rapid growth of direct gas sales business



FY2021

1H2022

#### **Domestic gas resources**

- Stabilized the fundamentals of the three major oil resources and strengthened ecological cooperation in resource and facility exchange
- Acquired unconventional resources at 3 mil m<sup>3</sup> per day through resilient advantages of the resource pool
- 400 mil m<sup>3</sup> from self owned LNG plant and 600 trucks per day from third party LNG plants through digital and intelligent products



#### International gas resources

- Duly performed long-term contracts to deliver
   0.78 mil tons of LNG
- 4.8 mil tons of newly signed long-term LNG
- Leveraging cost advantages of international LNG freight

The price of Brent/HH-linked contracts is more stable than that of TTF/JKM-linked contracts





1H2021

### 1.3 Laying out infrastructure to improve delivery capacity and resource synergy

#### Infrastructure capacity

#### **Terminal**

- Zhoushan Terminal with an annual processing capacity of 7.5 mil tons
- Using PipeChina's terminals, Sinopec and other three-party window slots

#### Gas transmission and distribution

- 4 self-owned long-distance pipelines with an annual gas transmission capacity of 12 bil m<sup>3</sup>
- Utilized PipeChina's transmission capacity, becoming the largest onshore pipeline network shipper followed by three oil majors

#### LNG transmission and distribution

 Owned the largest truck fleet in China with more than 1,200+ stable, resilient and flexibly deployable LNG trucks

#### Gas storage

- Self-owned storage facilities with a capacity of 500 mil m<sup>3</sup>
- Integrated the gas storage capacity from PipeChina,
   Gas storage capaci



#### **Operational performance in 1H22**

#### **Terminal**

- 0.78 mil tons of processing capacity for Zhoushan Terminal
- Used 5 window slots from PipeChina
- Exchanged window slots with the three oil majors to improve flexibility

#### **Gas transmission and distribution**

- Acquired unconventional resources of 640 mil m<sup>3</sup>
- Signed a total of more than 60 pipeline agreements with PipeChina and acquired 7 upload points and 52 download points with a pipeline capacity reaching 3 mil m<sup>3</sup> per day

#### LNG transmission and distribution

Daily capacity of 600 trucks

#### Gas storage

- Acquired gas storage capacity of 80 mil m<sup>3</sup> from Wen 23, Guangzhou and PetroChina virtual gas storage
- Used gas storage capacity of 20 mil m<sup>3</sup> from PipeChina
- Zhoushan's storage tank capacity reached 400 mil m<sup>3</sup>



Self-owned LNG processing plant

### 1.4 Low carbon business with first-mover advantages

With a focus on customers involving industry parks, factories, buildings and transportation, the company carried out product portfolio according to local conditions while prioritizing clean energy to provide low-carbon intelligent solutions with multi energy complementation, energy demand and supply integration and multi-value chain development as the core. In 1H22, revenue reached RMB 6.13 bil with a year-on-year increase of 50.1%





## 1.5 Exploring new channels of EPC business for high growth

#### Newly signed EPC contracts up to RMB 3 bil



Hydrogen related contracts

#### Revenue breakdown



■ Construction & installation ■ EPC

Laying out hydrogen energy technologies and core equipment providing full life-cycle service solutions

#### **14** patented technologies and **39** hydrogen production projects



Using low-carbon technology and digital design to develop energy for the whole scenario

- **Facilitating EPC acquisition with low carbon technology**: Hebei Xinpengnan and Shaanxi Jinye coke oven gas-to-hydrogen projects etc.
- Driving EPC acquisition with digital design: Shijiazhuang Dongli Pharmaceutical, Phase III of CSIC No. 718 Institute projects etc.
- Driving gas source acquisition with EPC: Acquired gas source of 13 mil m<sup>3</sup> through an LNG liquefaction plant project in Xinjiang
- New business development: Shield tunneling business and intelligent pipeline network monitoring



Phase III of CSIC No. 718 Institute project



LNG liquefaction plant project in Xinjiang

### 1.6 Improving profitability of Energy production business

Leveraging the fulcrum of coal and methanol plants to develop the core competence of multi-energy supply by connecting the value chain of production, mining, transportation, storage and sales





- ✓ Acquired stable high-quality resources of 6.5 mil tons through long-term contract
- ✓ Optimized the sales channels with the proportion of outbound sales increasing to 24%
- ✓ Saved a cost of RMB 8.8 mil by conducting lean operation and adopting peak-valley power consumption control measures
- Steadily improved the coal production capacity which is expected to increase to 10 mil tons in the future
- ✓ Optimized the process system to drive energy saving and carbon reduction and carried out carbon quota trading business with an estimated income of RMB10 mil
- ✓ Using the concept of integrated energy to create a sales income of RMB14 mil from by-product steam
- ✓ Increased the proportion of sales to end-customers to 70%+
- ✓ Expanded new application scenarios and promoted the pilot of alcohol-based fuel





Deploying CCUS units to reduce carbon emissions by 150,000 tons/year



# 1.7 Continuously improving ESG performance

#### Made active response to international ESG rating

- Obtained BB rating by MSCI, identified 16 potential indicators for score improvement and developed an improvement plan
- Conducted first response to DJSI, CDP, Sustainalytics



#### Released the Green Action 2030 report for the first time



- First report by an A-share utility company to systematically demonstrate the path to carbon neutrality
- Clearly set carbon reduction targets



#### Carried out Scope 3 carbon emission statistics



 Completed Scope 3 data statistics for 4 categories, namely upstream gas procurement, upstream transportation, fuel and energy-related activities and use of sold products and identified significant Scope 3 emission sources
 Developed statistical models and tools for the corresponding scopes

#### **Released the Biodiversity Conservation Report for the first time**





- First report by an A-share utility company to systematically disclose biodiversity conservation
- Disclosed the ecological impacts and protection measures resulting from business operations
- Integrated biodiversity conservation concepts and measures into corporate strategies and daily operations to respond to the demand for biodiversity conservation efforts from international authoritative ESG rating agencies



### 1.8 Digital intelligence transformation achieved remarkable results

#### Developed digital intelligence products with greatgas.cn





Continuously expanded ecological links and industry solutions to other industry players

- Expanded a safe digital intelligence platform, rapidly replicating it across member enterprises and expanding it within the industry to meet the needs of different users for safe digital intelligence products
- Served 3 new LNG terminals, 7 in total
  8 new certified LNG carriers, 391 in total
  740 new IoT trucks, 8,616 units in total

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In 1H22, the trading volume on the platform reached **587,600 tons** and the transaction income reached **RMB 4,095 mil** 



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			Unit: RMB mil
	1H2022	1H2021	Change
Total Revenue	73,086	51,827	41.0%
Gross Profit	9,973	9,141	9.1%
EBITDA*	9,251	8,509	8.7%
Total Profit	5,859	7,031	-16.7%
Net Profit Attributable to Parent	1,535	2,078	-26.1%0
Core Profit	2,259	1,517	48.9%
Core EPS (RMB)	0.80	0.54	48.2%

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

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





Unit: RMB mil

Main excl	luded items in the calculation of core profit	1H2022	1H2021
	Net Profit Attributable to Parent	1,535	2,078
Non-cash	Bad debts and asset impairment	-13	30
	Changes in fair value of derivatives	-124	159
lactor	Changes in FX gains and losses	-536	336
One-off	Amortization of share incentive costs	-43	-37
factor	Gains from disposal of equity investments	-	93
	Core Profit Attributable to Parent	2,259	1,517



## 2.3 Analysis of the impact of exchange rate changes

Unit: RMB mil



	Changes in USD/RMB exchange rate	Cash impact	Non-cash impact	Non-cash impact attributable to parent
Sensitivity analysis	±1%	∓5	<b>∓145</b>	∓94

#### 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



# 2.4 Revenue and gross profit breakdown



#### 1H2022 Revenue breakdown

1H2022 Gross profit breakdown

# **2.5 Excellent financial management**

Accounts receivables and Turnover days (RMB mil)



3,919 3,135 234 210 155

584

2,891

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CAPEX (RMB mil)

344 332

2,304

1H2021 1H2022 Gas Retail & Whoesales ■ IE ■ M&A ■ Energy Production

#### Net debt, EBITDA \* and Net gearing Ratio (RMB mil)



Total debt & cash on hand (RMB mil)



# **2.6 Abundant free cash flow**

The steady growth in our main business coupled with prudent financial management generated strong cash flow of RMB
 2,348 mil which increased by RMB 321 mil excluding the impact of disposal of the Tengzhou project in 1H2021





# 2.7 Financial resources and liquidity

> S&P assigned an initial investment rating of BBB- with stable outlook



#### **Credit ratings**

Rating Agencies	Ratings
S&P	BBB- First assigned
Fitch	BBB-
Moody's	Ba1
CCX	AAA 🕇
CSCI Pengyuan	AAA 👚



#### Average effective interest rate





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### Appendix 1. Company overview

- ENN-NG (600803.SH), listed in 1994, is one of the largest private intelligent ecological operators in the natural gas industry in China.
- The Company operates 254 city-gas projects nationwide with a total of 0.21 mil and 26.81 mil industrial and commercial customers and residential customers respectively
- The Company completed the acquisition of 32.8% equity interests of ENN Energy in 2020 and 90% equity interests in ENN Zhoushan LNG terminal in 2022
- Our main businesses cover the integrated natural gas industry chain, including direct gas sales, retail and wholesale of natural gas, integrated energy, construction and installation and energy production. It also focuses on hydrogen and energy storage related technology research and business development.



### Appendix 2. Intelligent ecological operator of natural gas industry

Build an industrial intelligent platform by relying on the accumulation of all scenarios of the natural gas industry, link the lower, middle and upper reaches by using digital technology, empower ecological partners by using smart products, and establish a digital national/regional resource pool, transmission and storage pool and demand pool to realize the intelligent matching of resources, transmission and distribution, and markets in various regions, and promote the common creation and





### Appendix 3. Direct gas sales business model







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

Transaction plan	P	(RMB mil)			
<ul> <li>Underlying asset: 90% equity</li> </ul>	Period	2022	2023	2024	2025
Consideration: RMB 8.55 bil	Amount	349.67	639.43	933.48	1196.43
<ul> <li>Payment method: 50% by shares + 50% by cash</li> </ul>					
Issue price and quantity	m	Transactio ilestones and	n key processes		
Issue price: RMB16.91 per share	4/18/2022		7/	29/2022	
Number of shares issued: 252,808,988 shares	Approved by the E	Board	Approve	ed by the CSRC	and
<ul> <li>Upon completion of the transaction, the controlling</li> </ul>	of Directors		other r	elevant authorit	ies
shareholder of the company holds a total of 72.36% of the					
shares of the listed company		-	_		
	Ar M	pproved by the leeting of shar	e General eholders	Completed assets a	d the transfer of the u and issuance of new
		5/5/2022			8/2022

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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	ЈСС/НН
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	НН
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	нн
7	ENN LNG (Singapore) Pte Ltd	Energy Transfer	20 years	1.80	FOB	USA Lake Charles LNG Project	2026	нн
8	ENN LNG (Singapore) Pte Ltd	NextDecade	20 years	1.50	FOB	USA Rio Grande LNG Project	2026	нн



### Appendix 6. Rollout in hydrogen with first-mover advantages



### Hydrogen production from fossil feedstocks

- China's first large-scale natural gas cracking hydrogen production technology
- Make a breakthrough in catalytic conversion of natural gas and steam-to-hydrogen production technology and continuously improve technical economy

#### Industrial by-product hydrogen

The coke oven gas hydrogen production technology is used in many engineering projects undertaken by the Company

### Hydrogen production from water electrolysis

Attracted the 718th Research Institute of China Shipbuilding Industry Corporation to conduct the cooperation, and carry out the domestic leading demonstration of hydrogen production by water electrolysis



Cover all mainstream hydrogen production paths



Liaoning hydrogen production project



Henan coke oven gas hydrogen production



Hydrogen energy industrialization application demonstration park of Beijing Winter Olympics

Hydrogen blending in the pipeline

#### Hydrogen energy laboratory

 The Company cooperates with wellknown colleges and universities to build a hydrogen energy laboratory and jointly carry out multi-scenario hydrogen-mixed experiments

#### Skid - mounted ion Plant

The company has completed the development of a 200kg/d natural gas onsite hydrogen production skid-mounted device, and currently actively developing a 500kg/d device





### Appendix 7. Case studies of low-carbon industrial parks

Grasp the needs of park customers for carbon supervision, energy conservation and carbon reduction, and energy cost reduction, prioritize renewable energy, complement multiple energies, and integrate demand and supply to develop smart and low-carbon park business

Low-carbon Park Program of Anhui Xuancheng Economic Development Zone



#### Low-carbon solutions:

- Multi-energy integration, incremental distribution network + wind power + photovoltaics + natural gas micro-combustion engine + power plant waste heat
- Power generation operation and maintenance + entrusted boiler operation + digital platform, to improve operational energy efficiency
- ✓ Equipped with energy storage power stations, which is complementary to distribution network, trough storage and peak discharge to reduce the cost of electricity purchase
- Realize the integration of electricity, heat, gas, digital intelligence networks, and build a smart low-carbon national park





#### Low-carbon solutions:

- Renewable energy utilization, Biomass cogeneration + distributed photovoltaics
- Energy management system, optimize equipment operation strategies and improve energy efficiency in the industrial parks
- Carbon trading potential, green electricity + CCER carbon assets





### Appendix 8. Comprehensive risk management to improve operational certainty

Market risk management			physical markets risk management			Derivatives markets risk management			
	Daily	Develop data centers to connect to Bloomberg/Reuters/ Platts/Gascade to retrieve market risk data		Daily	Empower the physical market depart manage index-linked spot market con participate in measurement of contra and promote the smooth operation of procurement and sales in the spot m	tment to ntracts, ict price f arket		Dailv	Make use of ETRM(Energy Trade and Risk Management) system to conduct full-process digital intelligence risk management of market value, exposure and cash flow of derivatives and indicate the risks
International	Daily	Monitor changes in prices and market impact factors for each index and perform mathematical modeling analysis and forecast	Multi- scene	Dany	Perform hedge accounting on a mon basis, cooperate with auditors to con business verification and improve ov business compliance	thly nplete erall	Natural Gas + Multiple Categories New		Connect with finance, counterparties, etc., manage cash flow risks, and ensure accurate cash flow
+ Domestic	New	Build a risk management model for European/US markets and operate European market reporting products on a regular basis		New	Enhance compliance capabilities, rou operate physical and paper settleme statements and strengthen manager spot and paper-combined business compliance	utinely ent nent of		Integrate the Company's foreign exchange risk exposure, build a foreign exchange risk management model and control the risk from an overall perspective	
		Build a centralized risk control statement system to form a netted business risk map		S re fc sa in in	Strengthen market value manageme regularize the operation of profit and forecast statements of international of sales, track the risk points of the international trade chain and prompti indicate the risks	ent, loss direct ly		New	Improve the risk control system and implement the Management Framework Measures for Derivatives Trading Business of Natural Gas Supply Chain Intelligence Business Group
Ecological construction of digital intelligent risk control system									
			ETMO-V	VEB	ETRM	E	TMO-APP		





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