



ENN  
新奥

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

# 9M 2022 Results

## Company Presentation

October 2022



**Retail gas sales volume up 4.4% to 18,832 mil m<sup>3</sup>**



**Gross Profit of direct gas sales amounted to RMB 1,136 mil with a significant increase of 100.7%**



**Core earnings amounted to RMB 3,980 mil with a significant increase of 59.5%**



**Responded to Sustainalytics ESG rating for the first time and won the best score in the A-share gas industry**



# Content

**1.Results Review**

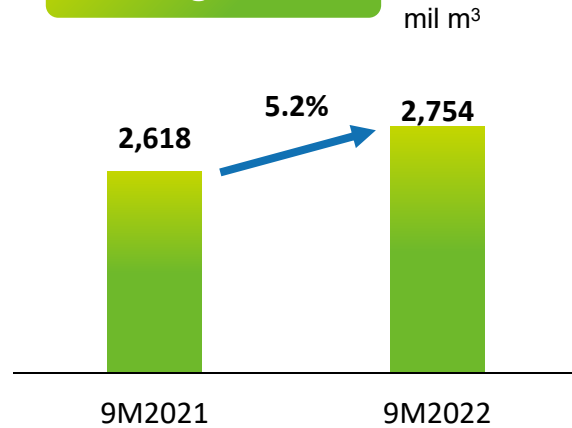
**2. Financial Highlights**

**3. Appendix**

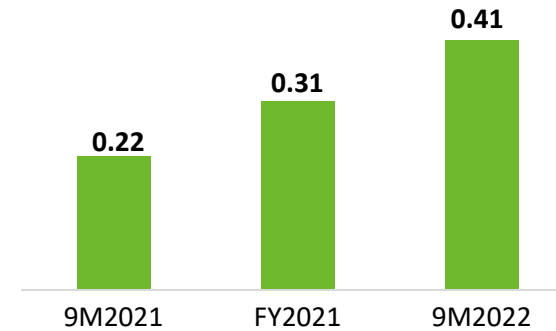
# 1.1 Actively promoting the sustainable expansion of natural gas business

- The total gas sales volume reached 26,636 mil m<sup>3</sup> in 9M 2022, and the volume growth of retail gas sales and direct gas sales was resilient

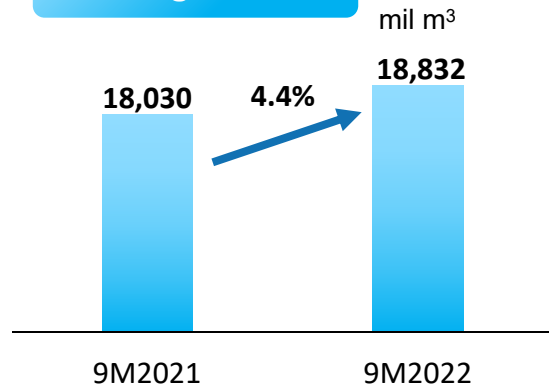
## Direct gas sales



## DM of direct gas sales (RMB/m<sup>3</sup>)



## Retail gas sales

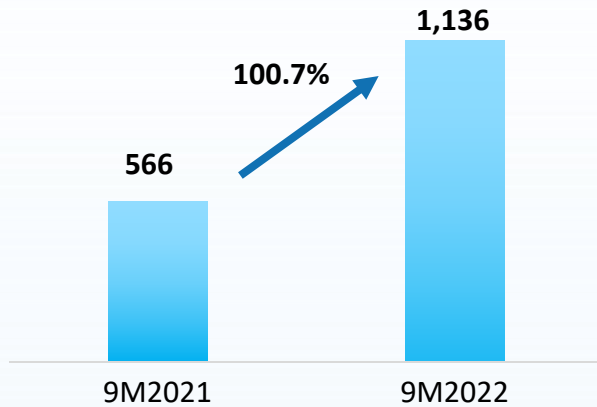


## DM of retail gas sales (RMB/m<sup>3</sup>)

(RMB/m <sup>3</sup> )	FY2021	9M2022
Residential	2.93	3.24
C/I	3.17	3.58
Vehicle gas station	4.04	5.18
ASP	3.15	3.56
Average cost	2.60	3.01
DM (ex VAT)	0.51	0.51

# 1.2 Rapid growth of direct gas sales business

Gross profit of direct gas sales  
(RMB mil)



## Stable and diversified domestic resources

- ✓ Stabilized the fundamentals of the three major oil resources and strengthened ecological cooperation in resource and facility exchange
- ✓ Obtained **3 mil m<sup>3</sup> per day** of unconventional resources through the flexibility of resource pool
- ✓ **400 mil m<sup>3</sup>** from self owned LNG plants and **600 trucks per day** from third party LNG plants through digital and intelligent products
- ✓ The comprehensive gas storage facility capacity reached **650 mil m<sup>3</sup>**



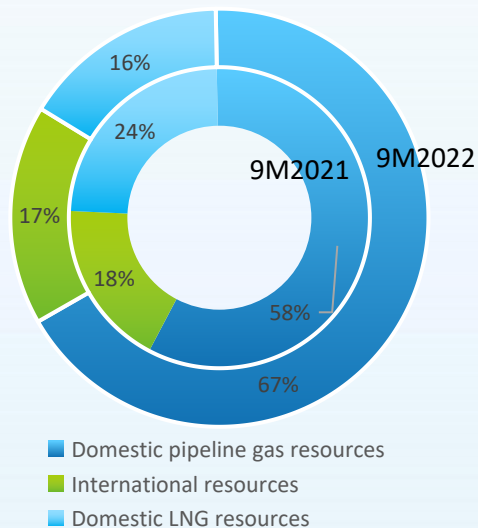
## Competitive international gas resources

- ✓ **Duly performed long-term contracts** to realize dynamic adjustment in cooperation with resource providers
- ✓ LNG long-term contracts linked to HH/Brent/JCC **with cost advantages**

## Favorable policies

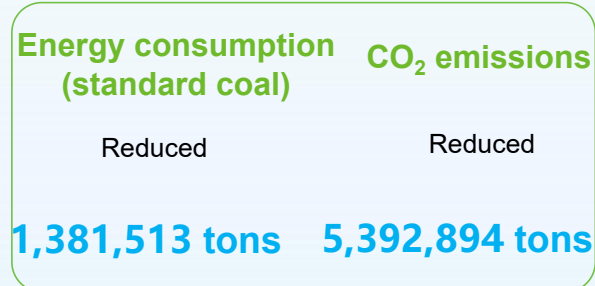
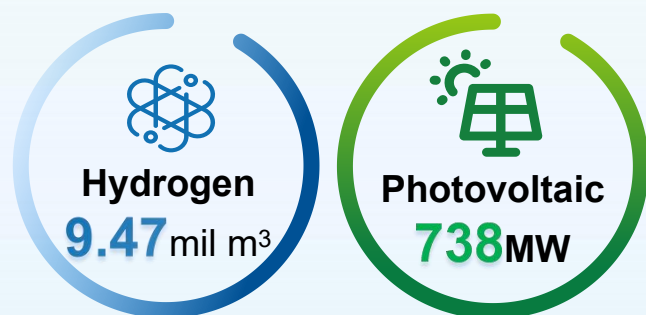
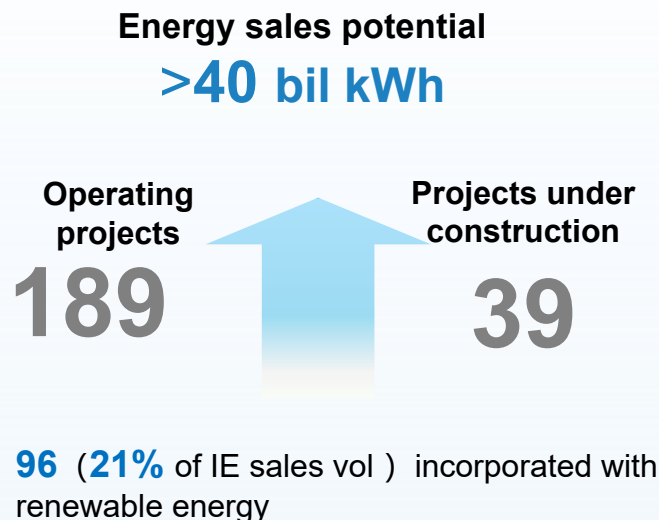
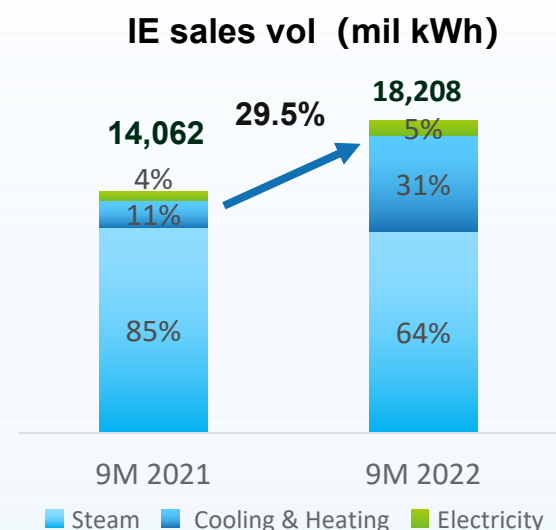
- **The dual carbon goal** promotes the optimization and transformation of the energy structure and drives the continuous and rapid growth of natural gas
- **The government encourages direct gas supply to large users**, which enhances customers' right to choose gas supply independently
- **Fair and open gas infrastructure, diversified upstream resource entities**, and continuous advancement of "X+1+X"

Increased the acquisition of advantageous resources and optimized the overall resource structure



# 1.3 Low carbon business with first-mover advantages

- Focusing on business scenarios such as industry parks, factories and buildings etc., the company integrates natural gas and renewable energy sources according to local conditions while prioritizing clean energy to provide low-carbon intelligent solutions with multi-energy complementation, energy consumption-supply integration and multi-value chain development as the core. In 9M22, revenue of IE business reached **RMB 8.64 bil** with a year-on-year increase of **52.1%**



- **Upgraded IE form through the initiatives of “product portfolio, digital-intelligent application, and energy carbon management**
  - ✓ Dongguan Haofeng IE Project: Integrated gas with heat supply network operation, power operation and maintenance, photovoltaic, digital intelligence platform and other forms
- **Supported a simulation model with digital intelligence enhancing efficiency for projects with a lean operation**
  - ✓ Zhao Qing Blue Ribbon Brewery IE Project : Unit consumption of gas boiler decreased from 80.8m<sup>3</sup> per ton to 75.9m<sup>3</sup> per ton
- **Continued to build the core competence of low-carbon technology based on customers’ needs**
  - ✓ Alternative energy resources: alcohol-based fuel, geothermal, biomass, photovoltaic and other technologies
- **Participated in virtual power plant and flexibly adjusted energy resources to improve IE project profit**
  - ✓ Longyou ENN participated in Huaneng virtual power plant and received dispatching instructions in real time with an expected annual frequency regulation revenue of RMB 2.17 mil

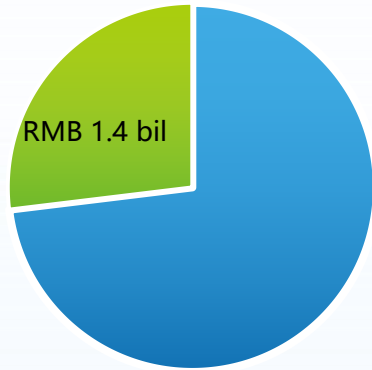
\*Note: the contracted installed PV capacity is the cumulative value





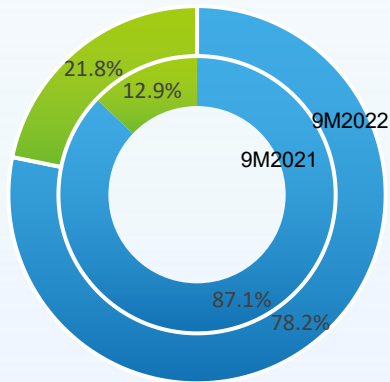
# 1.4 Exploring new channels of EPC business for high growth

Newly signed EPC contracts up to **RMB 3.8 bil**



■ Hydrogen related contracts

Revenue breakdown



■ Construction & installation ■ EPC

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

## 14 patented technologies and 39 hydrogen production projects



Hydrogen production plant

- Cooperated with large hydrogen energy enterprises to develop hydrogen production projects using water electrolysis, natural gas and coke oven gas



Hydrogen refueling station

- Signed a contract with Huafeng for hydrogen, oil and gas refueling project, which is the largest integrated energy service station in China



Hydrogen blending in gas pipeline

- Conducted experiment with hydrogen blending in natural gas pipeline in Shijiazhuang
- Completed the feasibility study report of Taixing ENN hydrogen blending project

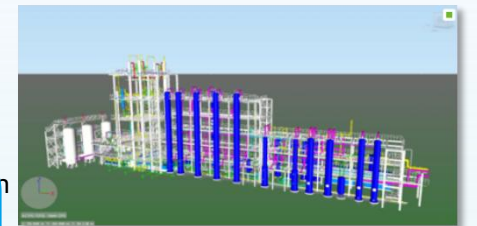


Comprehensive utilization of green hydrogen

- Explored the CCUS market for hydrogen consumption in Daqi Inner Mongolia

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

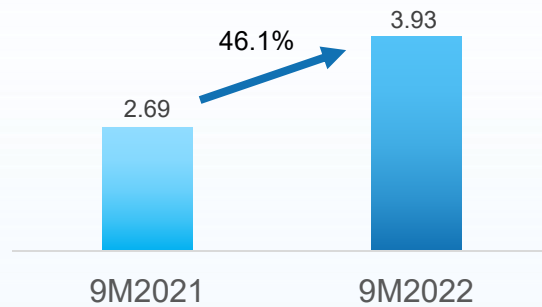


LNG liquefaction plant project in Xinjiang

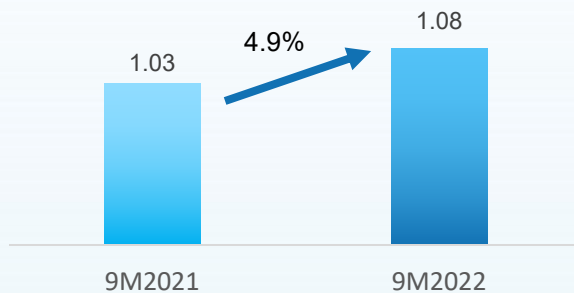
# 1.5 Improving profitability of Energy production business

- 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

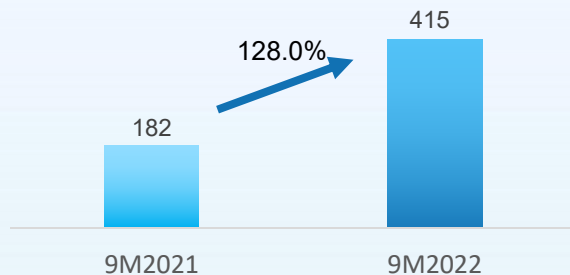
Coal sales vol (mil tons)



Methanol sales vol (mil tons)

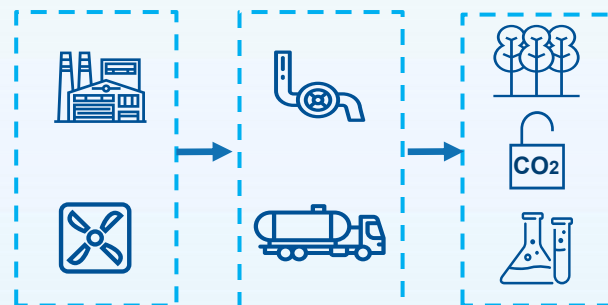


Extended product revenue (RMB mil)



- ✓ 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 **26%**
- ✓ Saved a cost of **RMB 9.2 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**
- ✓ Used the concept of integrated energy to create a sales income of **RMB14.5 mil** from by-product steam
- ✓ The light hydrocarbons were put into production and operated at full capacity in the third quarter, achieving an income of **RMB15 mil**
- ✓ Increased the proportion of sales to end-customers to **70%+**



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





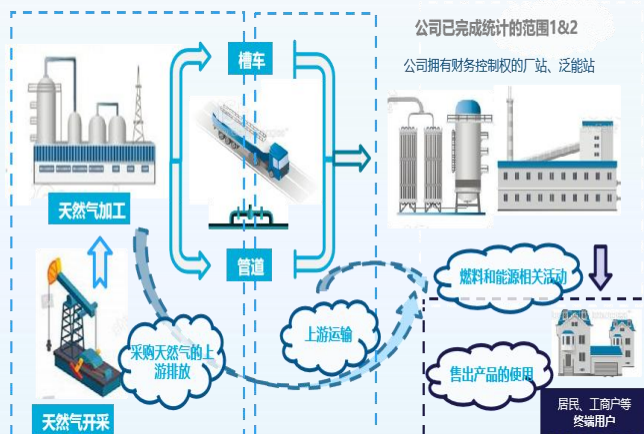
# 1.6 Continuously improving ESG performance

## Made active response to international ESG rating

- Listed in Hang Seng (China A) Corporate Sustainability Index, among the **top 30** A-share ESG performing companies
- Responded to **Sustainalytics** ESG rating for the first time and won the best score in the A-share gas industry
- Obtained BB rating by MSCI, identified 16 potential indicators for score improvement and developed an improvement plan
- Conducted first response to DJSI and CDP



## 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 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

**By 2025**

Greenhouse gas emission intensity down **20%** from the base year

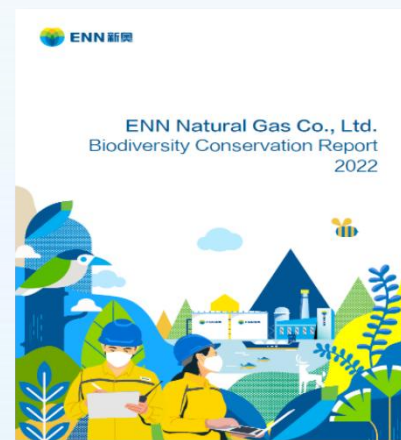
**By 2030**

Greenhouse gas emission intensity down **50%** from the base year

**By 2050**

Strive to achieve **carbon neutrality**

## 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



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**2. Financial Overview**

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## 2.1 High growth results

Unit: RMB mil

	9M2022	9M2021*	Change
<b>Total Revenue</b>	106,686	79,644	34.0%
<b>Gross Profit</b>	15,593	13,647	14.3%
<b>EBITDA*</b>	14,698	12,451	18.1%
<b>Total Profit</b>	9,441	10,300	-8.3%
<b>Net Profit Attributable to Parent</b>	3,159	3,211	-1.6%
<b>Core Profit</b>	<b>3,980</b>	<b>2,495</b>	<b>59.5%</b>
<b>Core EPS (RMB)</b>	<b>1.29</b>	<b>0.89</b>	<b>44.9%</b>

\* The data on this page and subsequent pages for 2021 are not retrospectively 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



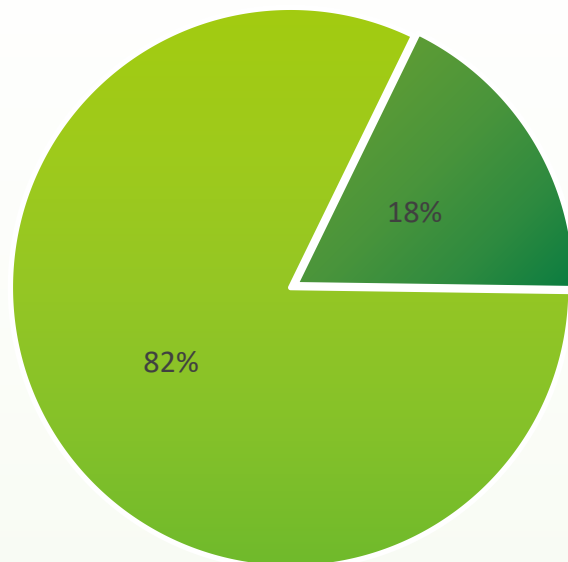
## 2.2 Core Profit

Unit: RMB mil

Main excluded items in the calculation of core profit		9M2022	9M2021
<b>Net Profit Attributable to Parent</b>		3,159	3,211
Non-cash factor	Bad debts and asset impairment	-41	23
	Changes in fair value of derivatives	365	371
	Changes in FX gains and losses	-1,083	312
One-off factor	Amortization of share incentive costs	-59	-61
	Gains from disposal of equity investments	6	96
<b>Core Profit Attributable to Parent</b>		<b>3,980</b>	<b>2,495</b>



## 2.3 Analysis of the impact of exchange rate changes



■ Hedged    ■ Unhedged

Unit: RMB mil

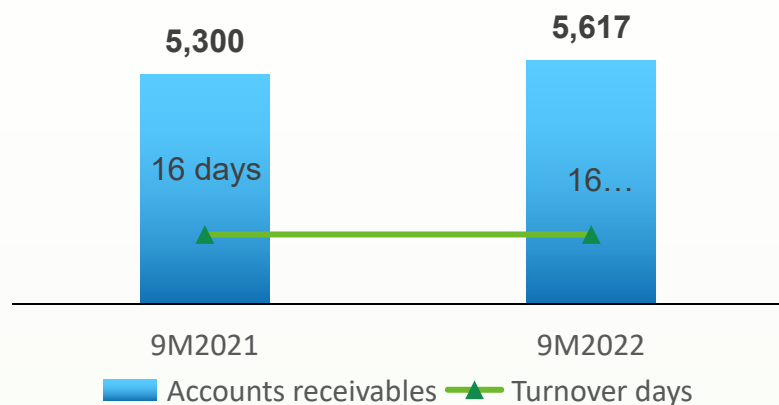
	Changes in USD/RMB exchange rate	Cash impact	Non-cash impact	Non-cash impact attributable to parent
Sensitivity analysis	± 1%	± 6	± 147	± 93

### FX Risk Management

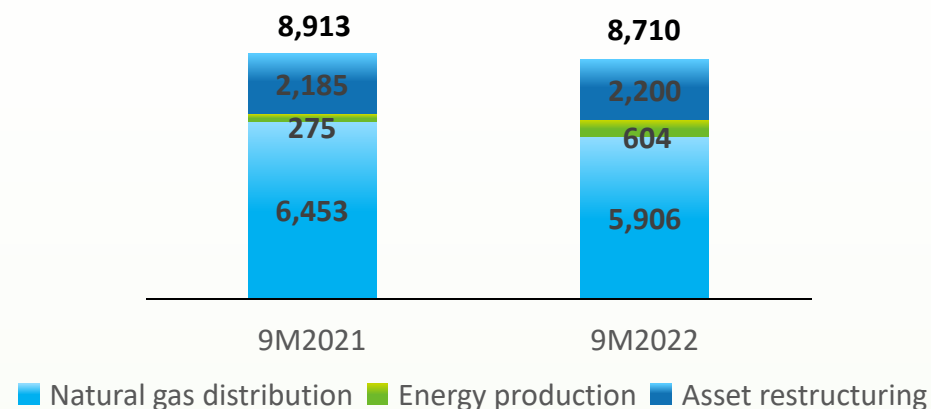
- ✓ Repay the principal and interest of loans with income denominated in USD to avoid foreign exchange impact resulting from currency mismatches
- ✓ Continuously monitor fluctuations in the exchange rate market and dynamically manage existing USD bond hedges

## 2.4 Excellent financial management

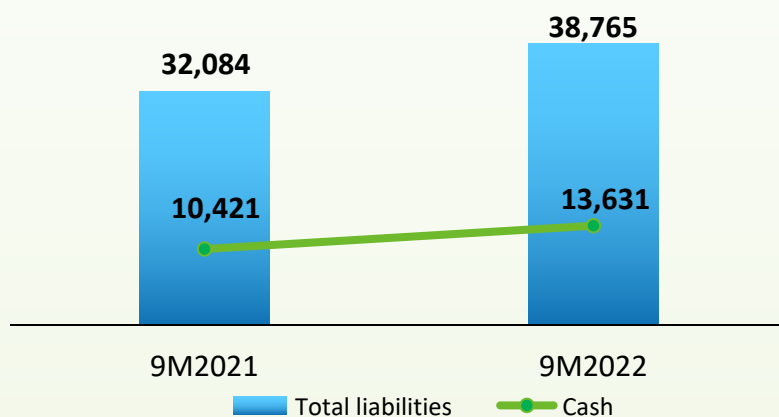
Accounts receivables and Turnover days (RMB mil)



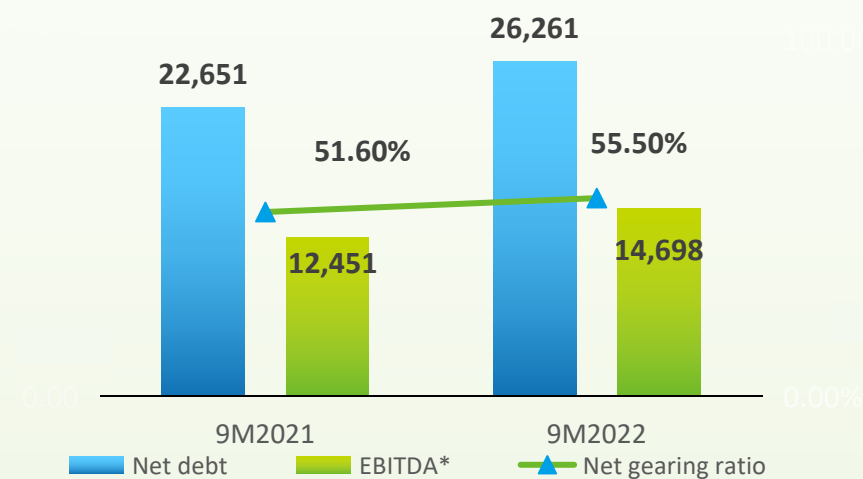
CAPEX (RMB mil)



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

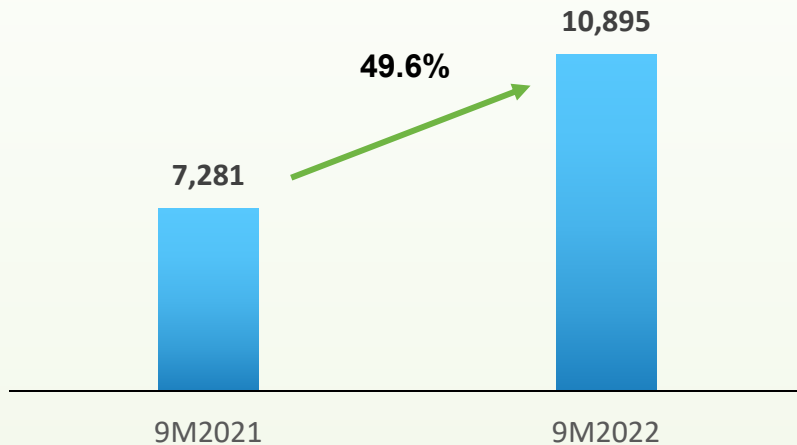




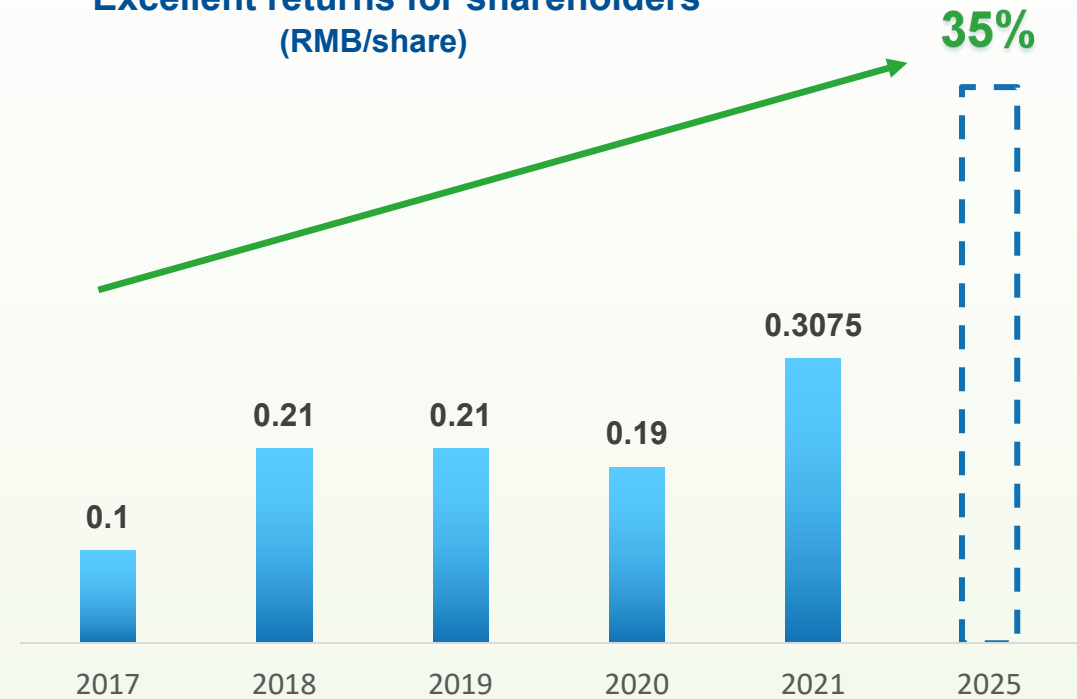
## 2.5 Abundant free cash flow

- The steady growth in our main business coupled with prudent financial management generated strong cash flow of **RMB 3,685 mil**(excluding the impact of the acquisition of Zhoushan terminal), with an increase of **RMB 2,713 mil** compared to the same period last year

Operating cash flow (RMB mil)

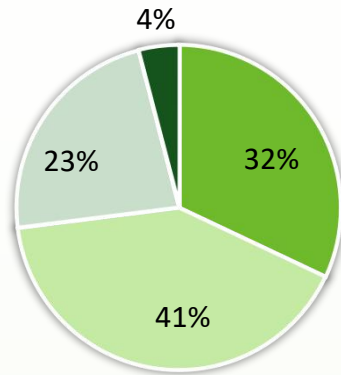


Excellent returns for shareholders  
(RMB/share)



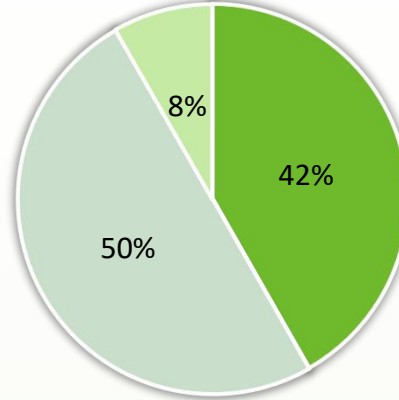
## 2.6 Financial resources and liquidity

By Maturity



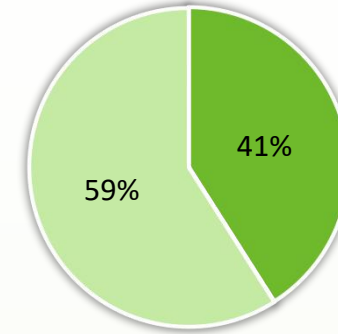
■ Within 1 yr ■ 1-5yrs ■ 5-10yrs ■ 10yrs

By Currency



■ USD debt ■ RMB debt ■ HKD debt

Total Credit Facilities:  
RMB 7.95 bil

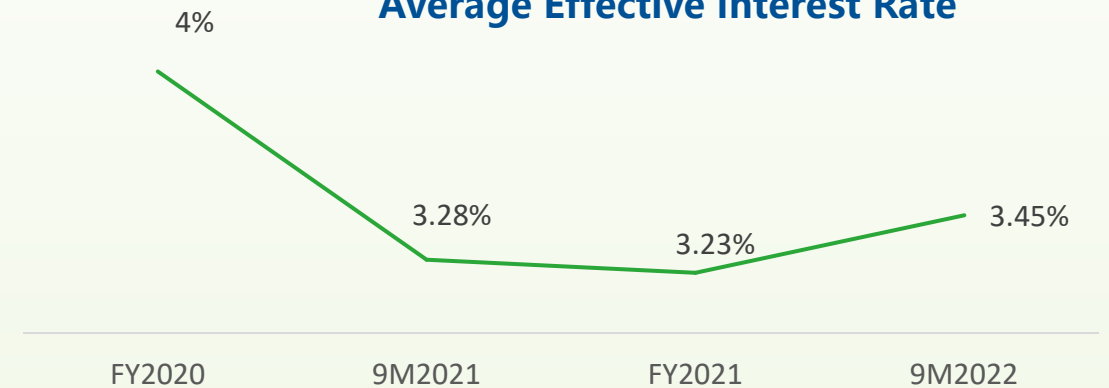


■ Utilized ■ Unutilized

### Credit ratings

Rating Agencies	Ratings
S&P	BBB- <span style="color: green;">First assigned</span>
Fitch	BBB-
Moody's	Ba1
CCX	AAA <span style="color: green;">↑</span>
CSCI Pengyuan	AAA <span style="color: green;">↑</span>

Average Effective Interest Rate











# Content

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# Appendix 1. Company overview

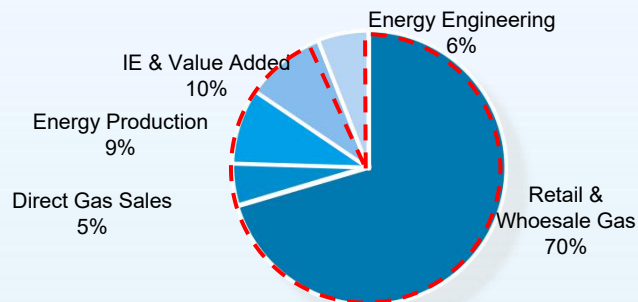
- ENN-NG (600803.SH), listed in 1994, is one of the largest private intelligent ecological operators in the natural gas industry in China.
- The Company operates 254 city-gas projects nationwide with a total of 0.21 mil and 26.81 mil industrial and commercial customers and residential customers respectively
- 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.

Direct Gas Sales	Retail and Wholesale Gas	Infrastructure	Integrated Energy (IE)	Construction and Installation	Energy Production
					
<ul style="list-style-type: none"> <li>The Company mainly purchased natural gas from abroad supplemented by resources from domestic LNG liquid plants and unconventional resources and then sold them to customers including large-scale industries, city-gas distributors, power plants and transportation energy sectors as well as international traders</li> </ul>	<ul style="list-style-type: none"> <li>The Company mainly purchased natural gas from three major oil companies and sold natural gas to residential customers, industrial and commercial customers and CNG/LNG vehicle refueling stations through its own pipeline network</li> <li>Made full use of the advanced dispatching system and logistics fleet to sell natural gas to customers not covered by the pipeline network</li> </ul>	<ul style="list-style-type: none"> <li>The Company operated Zhoushan 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 chose 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>The Company provided integrated engineering services for natural gas, municipal, chemical, pharmaceutical, low carbon and digital intelligence, including engineering design, equipment manufacturing and integration and engineering construction; as well as construction and installation services for residential and industrial and commercial users</li> </ul>	<ul style="list-style-type: none"> <li>Coal product: Mixed coal and cleaned coal production with an annual capacity of 8MM tons</li> <li>Energy chemical product: Produce methanol using coal as raw materials, with an annual capacity of 1.4MM tons</li> </ul>

## Revenue Breakdown in 2021

Total Revenue of RMB115.4 Bn

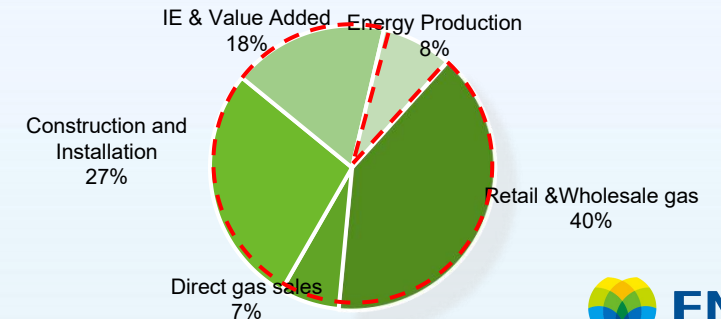
Natural Gas Value Chain  
94%



## Gross Profit Breakdown in 2021

Gross Profit of RMB19 Bn

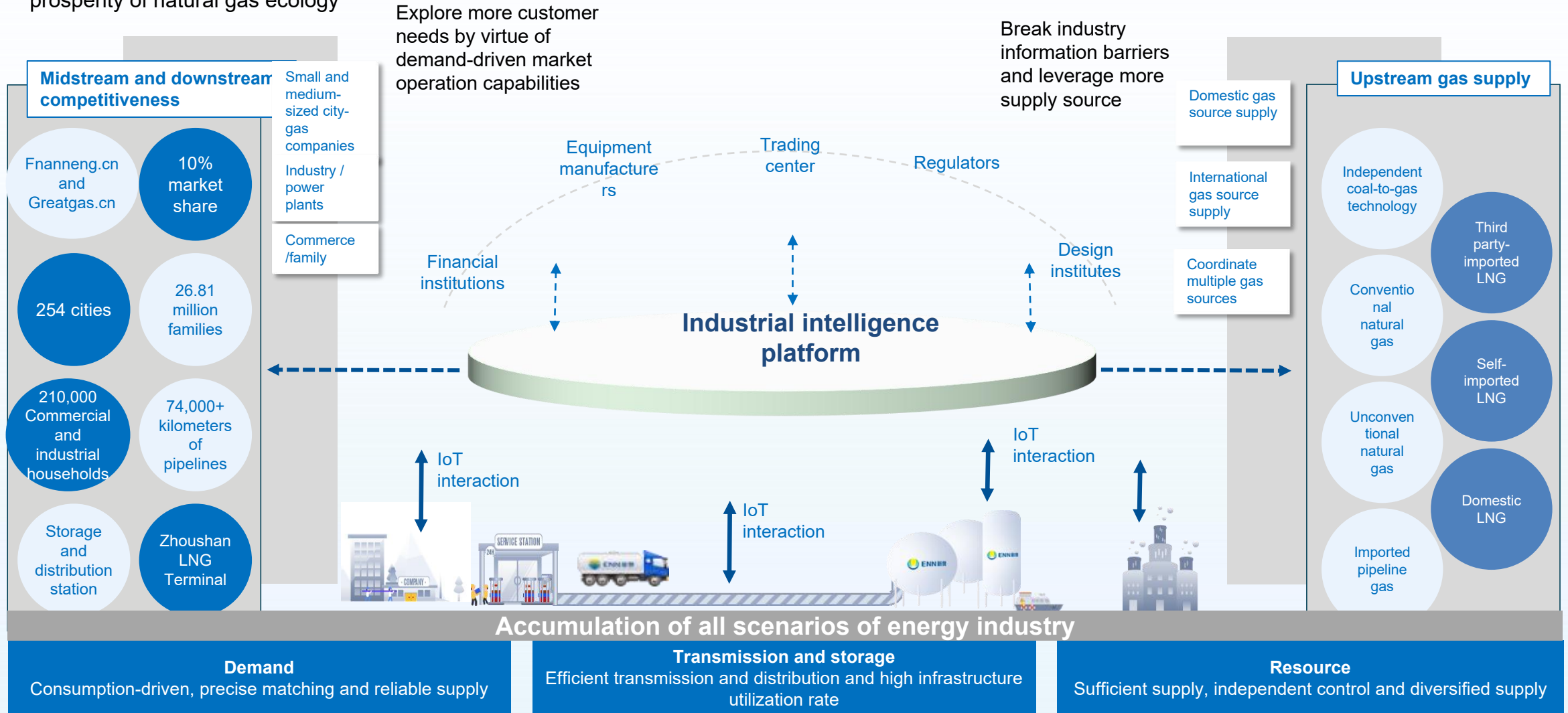
Natural Gas Value Chain  
92%



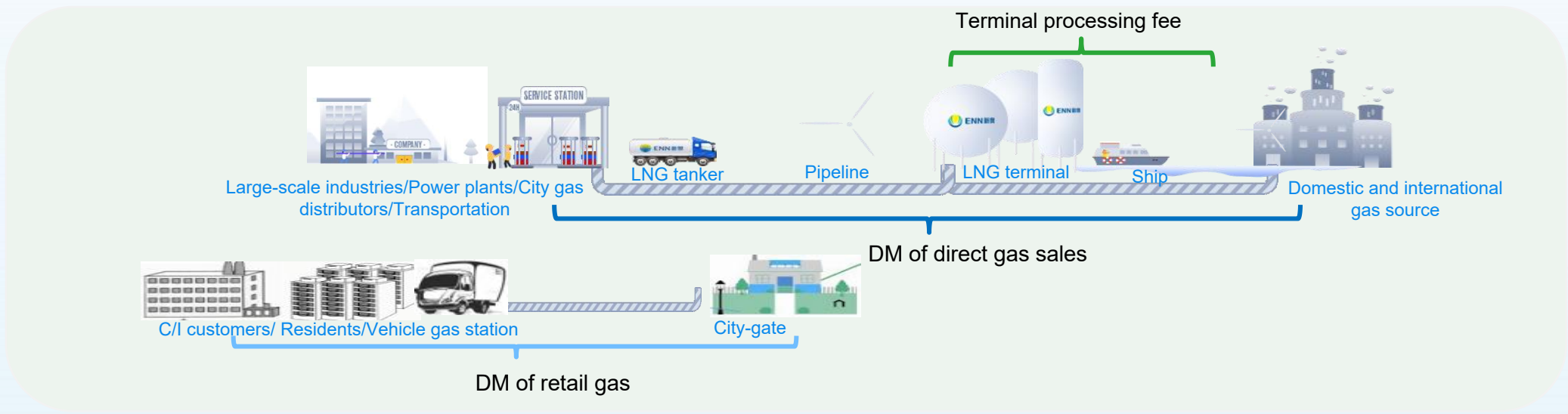
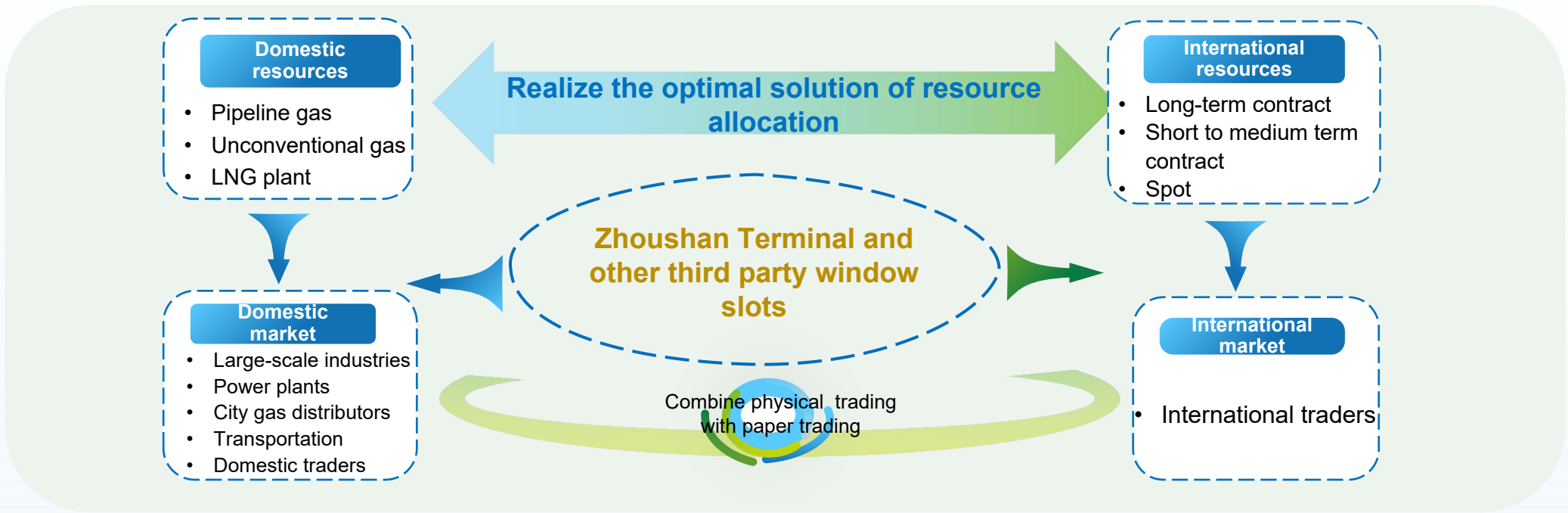


## Appendix 2. Intelligent ecological operator of natural gas industry

- 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 prosperity of natural gas ecology



# Appendix 3. Direct gas sales business model





# 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

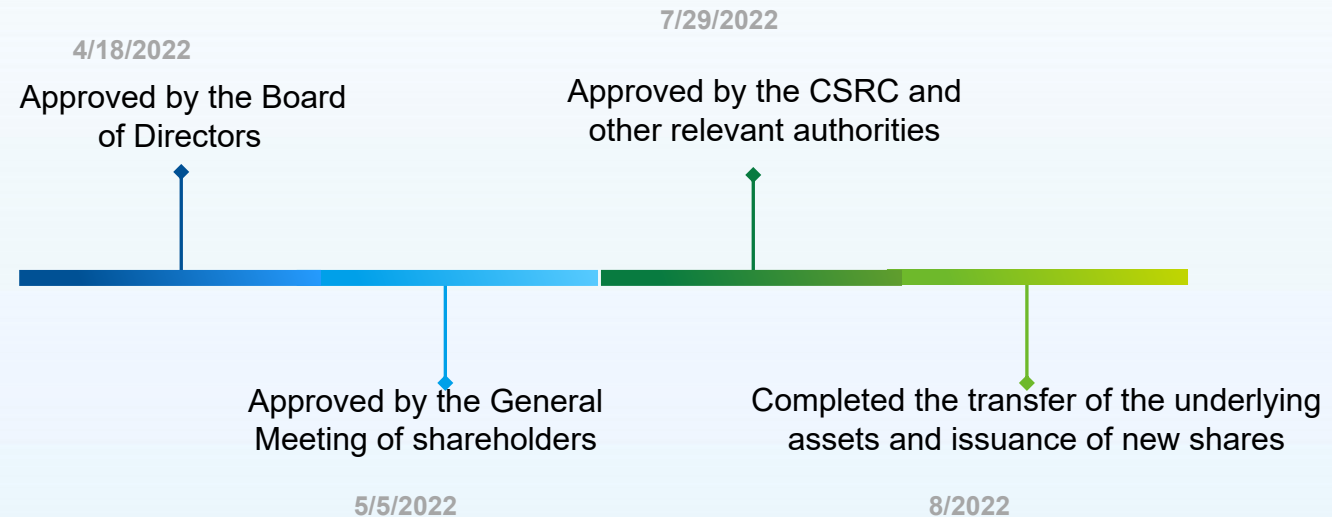
- Issue price: **RMB16.91 per share**
- Number of shares issued: **252,808,988 shares**
- Upon completion of the transaction, the controlling shareholder of the company holds a total of **72.36%** of the shares of the listed company

## Performance commitment period and amount

(RMB mil)

Period	2022	2023	2024	2025
Amount	349.67	639.43	933.48	1196.43

## Transaction key milestones and processes



## Appendix 5. Details of long-term LNG contract

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	1.50	FOB	USA Rio Grande LNG Project	2026	HH

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

## **Technology** 14 patented technology

### 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

## **Engineering** 39 hydrogen production projects

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** Prospective studies and experiments

### Hydrogen energy laboratory

- Cooperating with well-known colleges and universities to build a hydrogen energy laboratory and jointly carry out multi-scenario hydrogen-mixed experiments

### Hydrogen blending project in Taixing

Blending 10% byproduct hydrogen into the natural gas pipeline of the local industrial park to solve the problem of gas source shortage and reduce the carbon emission of 48,600 tons per year for customers

# 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

Energy consumption scale



Steam  
350,000 tons/year



Electricity  
160 million kWh/year

Emission reduction effect

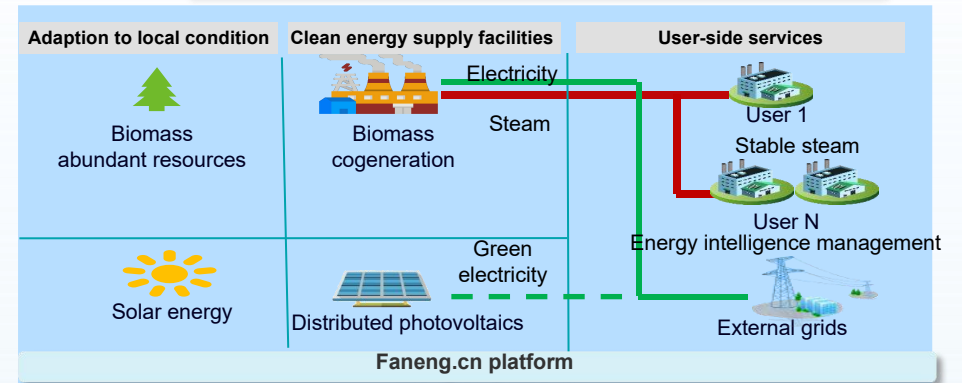


Standard coal  
49,000 tons/year



CO<sub>2</sub> reduction  
128,000 tons/year

Guangxi Yizhou Economic Development Zone



#### 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

Energy consumption scale



Steam  
250,000 tons/year



Electricity  
360,000kWh/year

Emission reduction effect

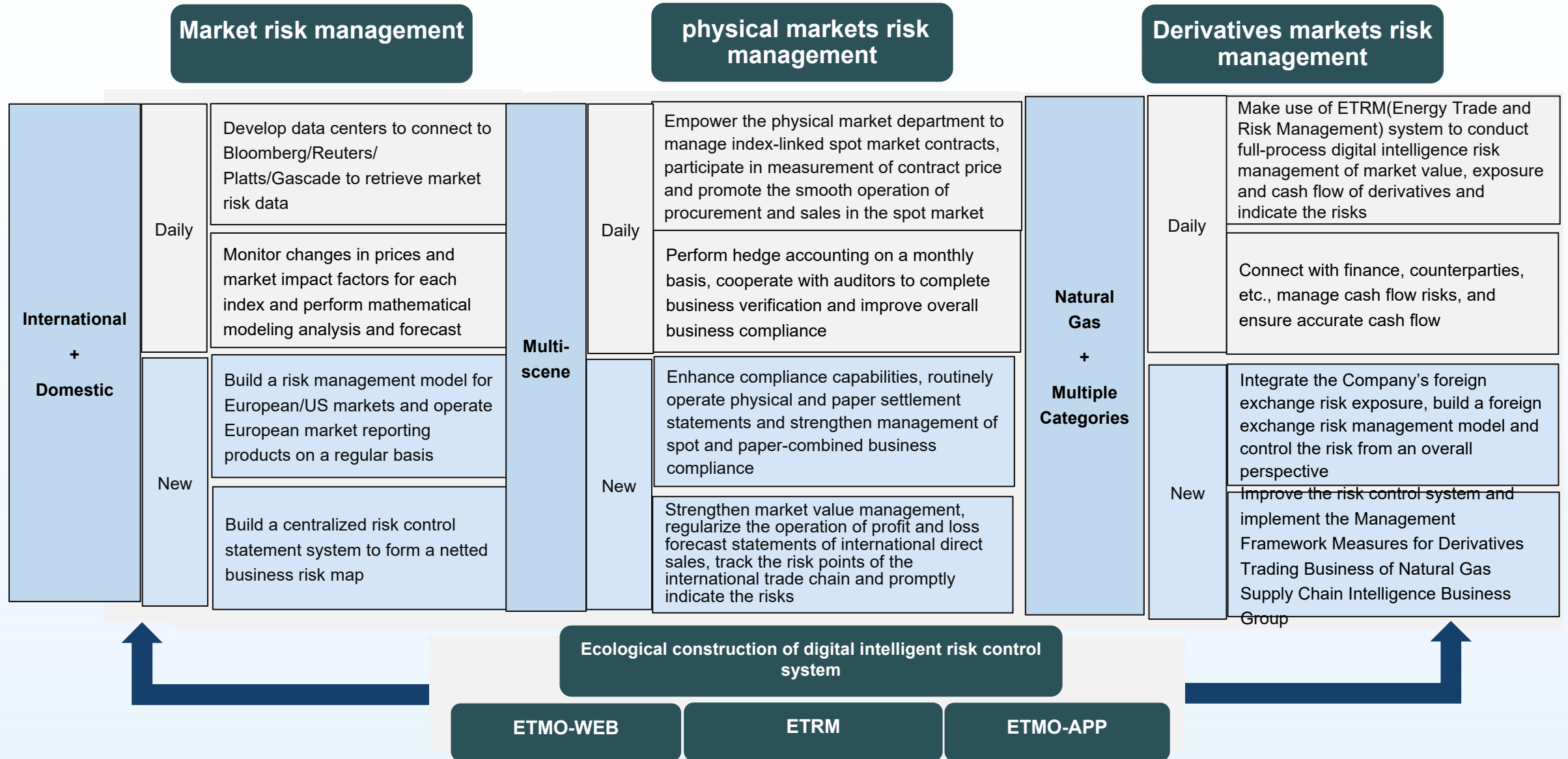


Standard coal  
26,000 tons/year



CO<sub>2</sub> reduction  
68,000 tons/year

# Appendix 8. Comprehensive risk management to improve operational certainty





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## **Investor Relations Contact:**

Christy Liang/Grace Wei/Martin Ding/Blair Feng

Tel: +86 316 2597675/ 316 2599928

Email: [IR.ENNNG@enn.cn](mailto:IR.ENNNG@enn.cn) Web: <https://www.enn-ng.com/>