



ENN
新奥

新奥天然气股份有限公司
ENN Natural Gas Co., Ltd.

2024 Q1 Results

April 2024





**Results
Review**

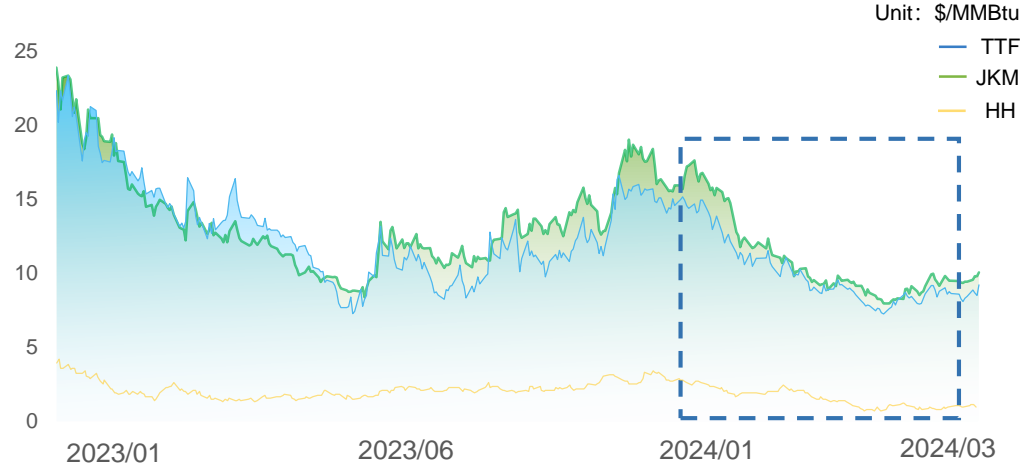


**Financial
Highlights**



1.1 Rapid Growth of Natural Gas Consumption Supported by Macro Environment

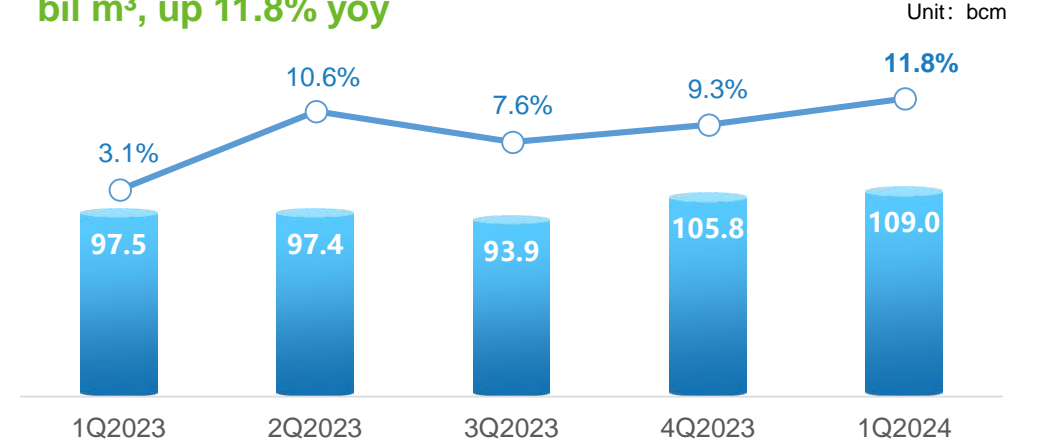
International prices back to normal gradually



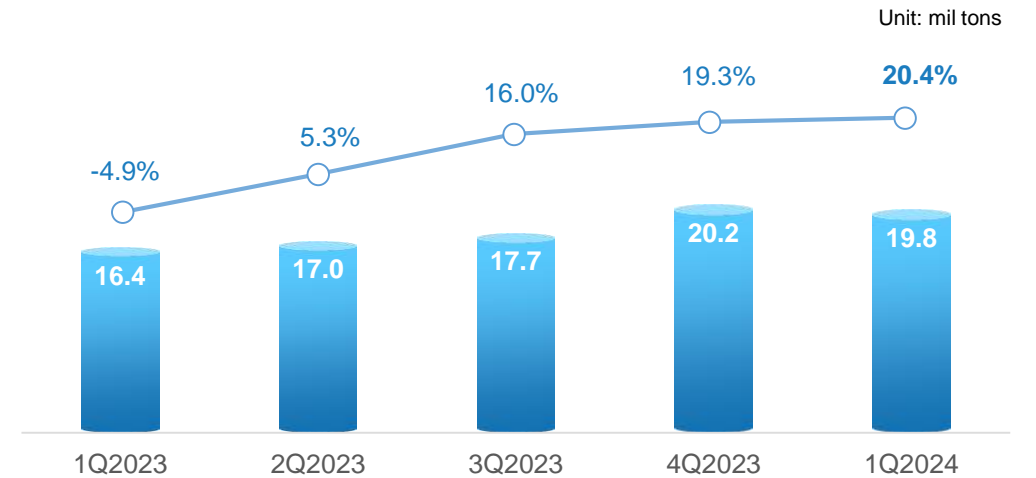
Macroeconomics and favorable industrial policies

- **Rebounced Economy:** GDP in Q1 up by **5.3%** YOY, or up by **1.6%** QOQ
- **Continuously Pass-through Policies:** Pass-through policies of natural gas have been issued in Guangdong, Fujian, Jiangsu provinces respectively
- **The Guidance on Energy Work in 2024:** Encouraged gas-fired electricity development and reasonable planning and construction of peak-shaving gas-fired electricity in areas with guaranteed gas supply, affordable gas prices, and high demand for peak-shaving
- **Management Measures for Franchise of Infrastructure and Public Utilities:** The longest franchise period for infrastructure and public utilities has been extended to **40 years**

Chinese apparent natural gas consumption reached 109 bil m³, up 11.8% yoy



Imported LNG reached 19.8 mil tons, up 20.4% yoy

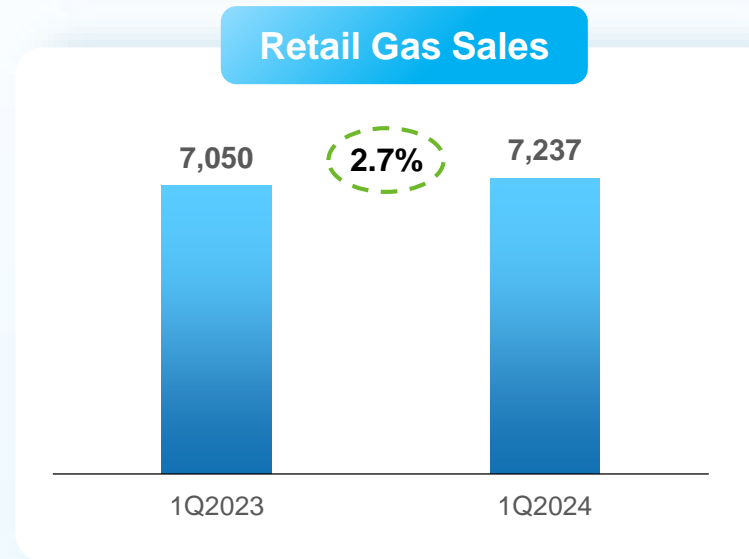
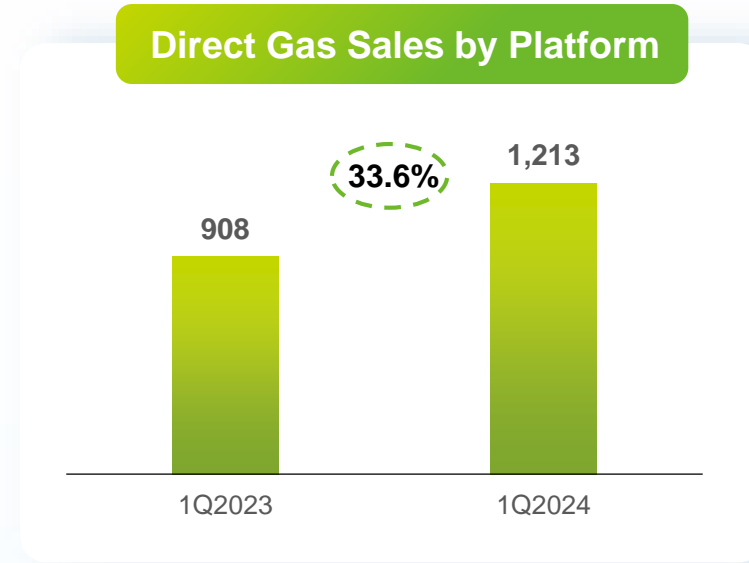
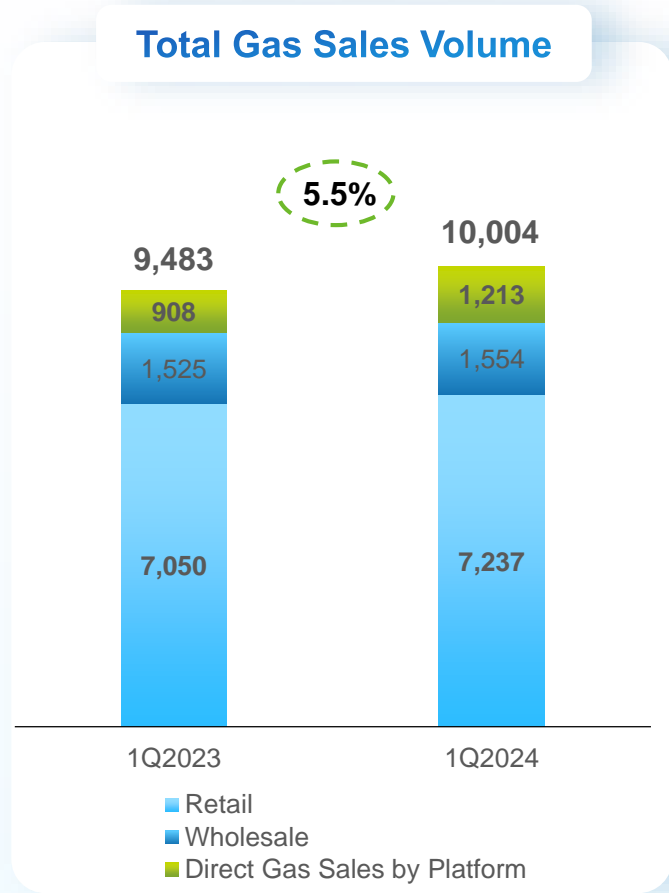


Source: NDRC, NBS, GACC



1.2 Actively Promoted the Sustainable Expansion of Natural Gas Sales Business

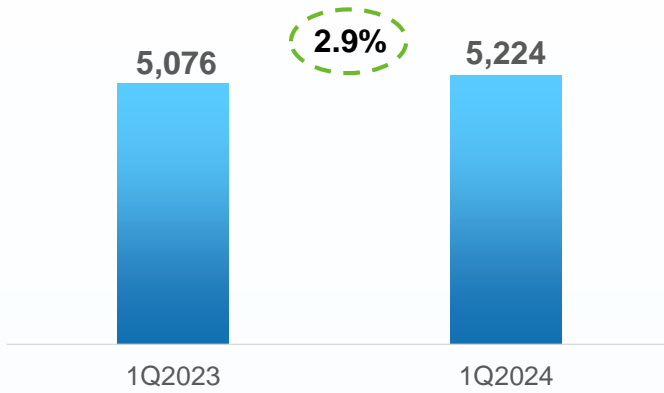
Unit: mil m³





1.3 Retail Gas Sales Recovered Gradually

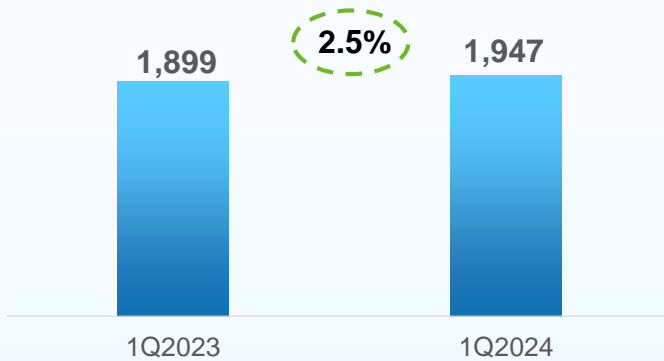
C&I Gas Vol (mil m³)



New C&I Customers (mil m³/day)



Residential Gas Vol (mil m³)



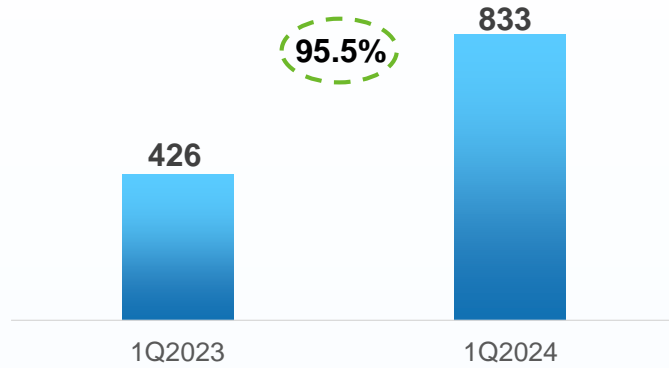
New Residential Households ('000)



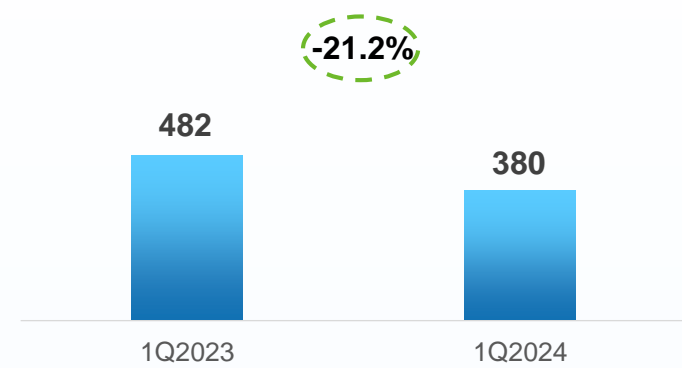


1.4 Expanded DSGp Sales Volume by Innovate Business Models(1/2)

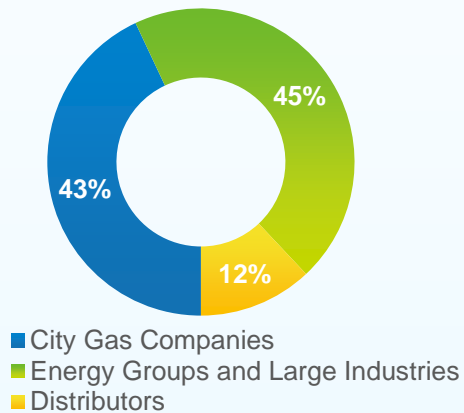
Domestic Sales Vol (mil m³)



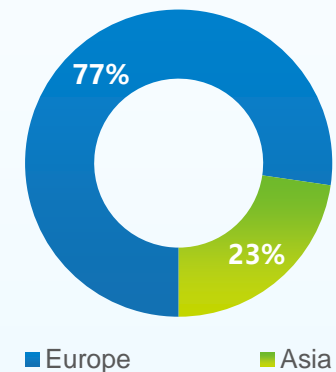
Overseas Sales Vol (mil m³)



Domestic Customer Breakdown



Overseas Customer Breakdown





1.4 Expanded DSGp Sales Volume by Innovate Business Models(2/2)

Demand & Characters

Customer Development Strategy



A city-gas operator
in Zhejiang Province

- **High demand for guaranteed and peak-shaving supply:** Numerous downstream C&I customers with high demand for ensured, urgent and peak-shaving supply and with significant differences among monthly consumption

- **Locked down fundamental sales volume by resources combination and expanded incremental volume flexibly:** Signed annual contract to secure customer's basic demand and expanded incremental volume flexibly based on overseas and domestic market conditions
- **Emergency peak-shaving service:** Provided such services by leveraging robust storage facilities and diverse resource pools



An energy group
in Guangdong Province

- **Significant deviation between actual operation and planning:** Listed as a key peak-shaving project for both electricity and natural gas and showed frequent and significant deviation between actual operation and planning due to seasonality, electricity transmitted from other provinces and alternative energy sources

- **Flexible pricing model with resources combination:** Achieved cooperation starting from customer's peak-shaving demand and expanded steady annual supply by combining PNG and overseas LNG resources
- **Financing capabilities and products outputs:** Provided customers with necessary financial products and expanded incremental volume by joint procurements or purchasing gas on behalf of customers



A large chemical manufacturer
in Zhejiang Province

- **Economically-oriented energy demand:** Multiple uses for natural gas including electric power generation, hydrogen production and fueling. However, there are multiple competitive alternatives such as coal, LPG, and purchased electricity
- **Fluctuating gas consumption:** Strong uncertainty in production and gas demand due to downstream sales, equipment maintenance and environmental policies, etc.

- **Executed overseas procurements on behalf of customers** to increase natural gas consumption volume
- **JKM price pass-through** to achieve market-oriented pricing mechanism
- **Leveraged derivatives** to hedge price volatility risks
- **Took advantages of the storage capacity of Zhoushan LNG Terminal** to distribute the gas flexibly



**Results
Review**



**Financial
Highlights**



2.1 Financial Results

Unit: RMB mil

| | 1Q2024 | 1Q2023 | Change |
|--|--------|--------|--------|
| Total Revenue | 34,231 | 34,371 | -0.4% |
| Gross Profit* | 4,157 | 5,112 | -18.7% |
| EBITDA* | 4,000 | 4,838 | -17.3% |
| Net Profit Attributable to Parent | 1,081 | 1,456 | -25.8% |
| Core Profit* | 1,082 | 1,242 | -12.8% |
| Core Profit from Basic Business* | 1,074 | 912 | 17.8% |
| Core EPS (RMB) | 0.35 | 0.40 | -12.5% |

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

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

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

* Core Profit from basic business, excluding profits from overseas business of ENN Energy(HK.2688)



2.2 Core Profit

Unit: RMB mil

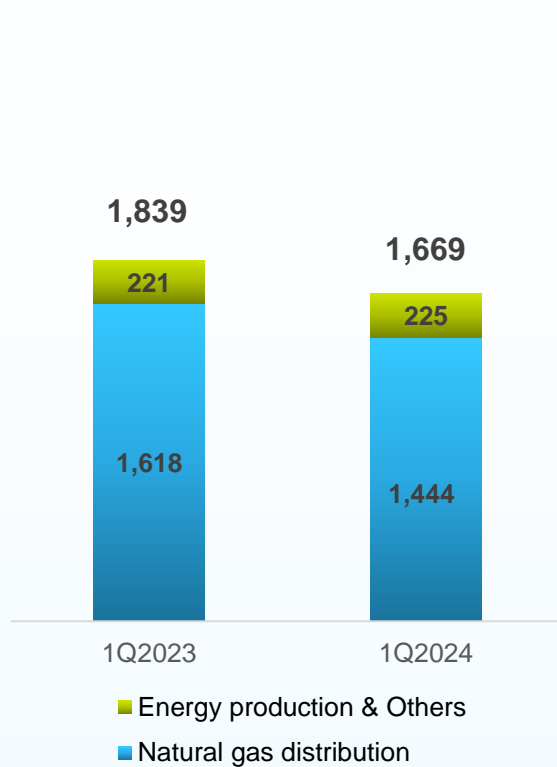
| Main excluded items in the calculation of core profit | | 1Q2024 | 1Q2023 |
|---|---|--------------|--------------|
| Net Profit Attributable to Parent | | 1,081 | 1,456 |
| Non-cash factor | Bad debts and asset impairment | -13 | -14 |
| | Changes in fair value of derivatives | 48 | 91 |
| | Changes in FX gains and losses | -16 | 141 |
| | Amortization of share incentive costs | -6 | -13 |
| One-off factor | Gains from disposal of equity investments | 5 | 0 |
| | Others | -19 | 1 |
| Core Profit Attributable to Parent | | 1,082 | 1,242 |



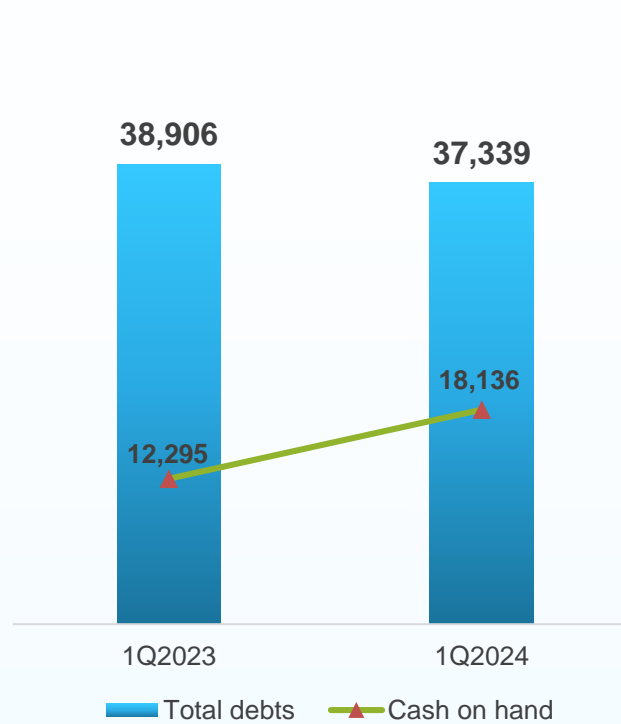
2.3 CAPEX and Financial Structure

Unit: RMB mil

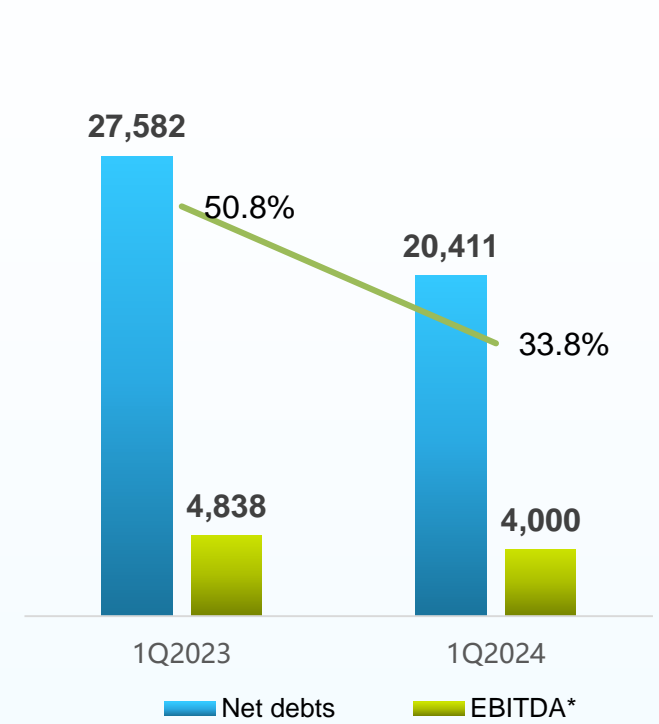
CAPEX



Total Debt & Cash on Hand



Net Debt, EBITDA * and Net Gearing Ratio

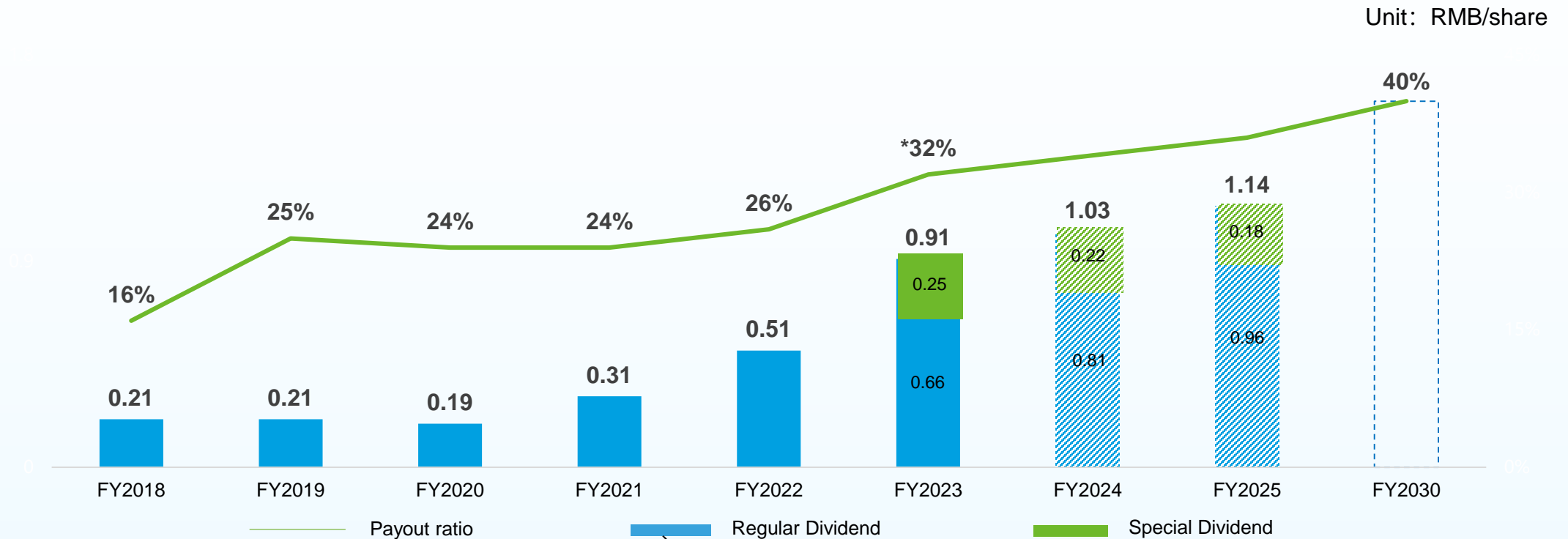


* EBITDA, excluding FX gains and losses and changes in fair value gains and losses



2.4 Dividend Policy

- Over the next three years, the annual increase in dividend payout will not be less than **RMB0.15 per share (pre-tax)** and the proportion of annual cash dividends will not be less than **30%** of the core profits attributable to the shareholders of the listed company
- During the above period, special dividends from the disposal of coal mine assets will be **RMB0.25 per share (pre-tax)**, **RMB0.22 per share (pre-tax)** and **RMB0.18 per share (pre-tax)**






* Payout ratio of 2023, excluding the special dividend

Appendix 1: Company Overview



- ENN-NG (stock code: 600803.SH) was listed in 1994 and is determined to be an intelligent platform operator in the natural gas industry by leveraging the all-scenario strategic pivots. The company aims to promote the industrial capability and efficiency by aggregating demand, resources and facilities ecology, matching intelligently, leveraging the best practices, building intelligent products and LMs.
- Our principal business includes direct gas sales by platform, retail and wholesale of natural gas, developing and operating the intelligent platforms for the natural gas industry, infrastructure operation, integrated energy, engineering construction and installation.
- The Company operates 260 city-gas projects nationwide, serving 240,000 C/I customers and nearly 30 mil residential customers, respectively.

| Direct Gas Sales by Platform | Retail and Wholesale of Gas | Operations of gas intelligent platform | Infrastructure Operation | Integrated Energy | Engineering Construction and Installation |
|---|--|---|---|---|--|
|  |  |  |  |  |  |
| <ul style="list-style-type: none"> • The Company mainly purchases natural gas from overseas, supplemented by domestic LNG plants and unconventional resources, and sells gas to city gas companies, energy groups and large industrials, distributors, as well as international utilities, oil & gas companies and energy 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 region. | <ul style="list-style-type: none"> • The GreatGas.cn aimed to improve the overall capacity and efficiency of the natural gas industry by matching the demand and supply sides of the sector with digital intelligence technologies, providing scenario data, and supporting the creation of intelligent products based on the best innovation practices of ENN-NG. | <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 |
| 600803.SH | 2688.HK | 600803.SH | 600803.SH | 2688.HK | Construction: 600803.SH Installation: 2688.HK |

Appendix 2: Details of Long-term LNG Contracts

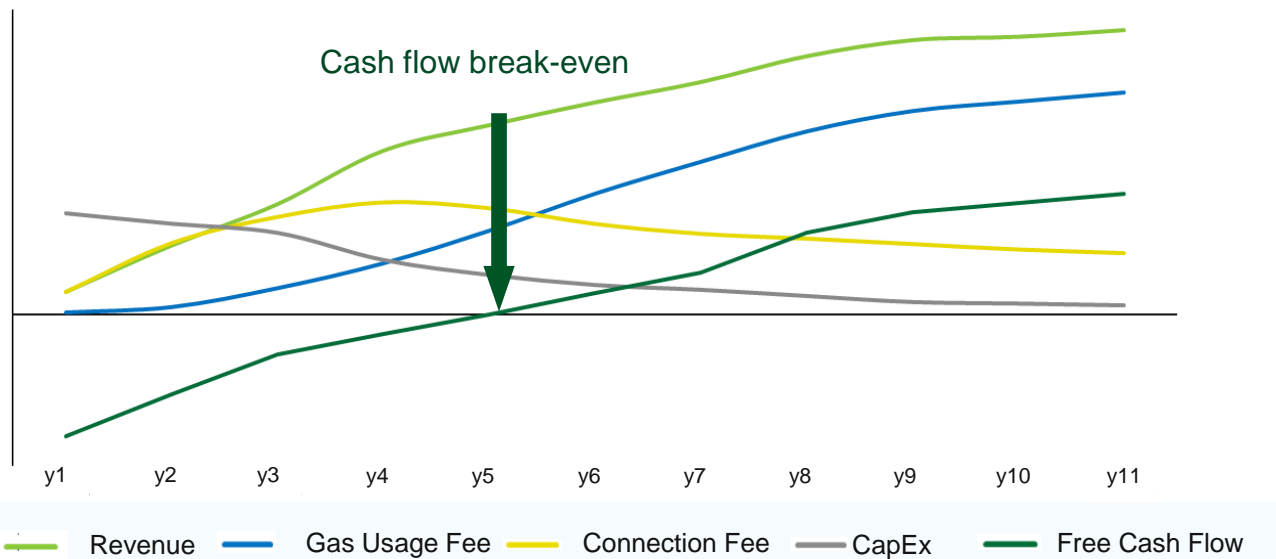
| No. | Buyer | Seller | Signing Date | Tenor | Contract vol (mil tons/yr) | Delivery method | Gas resources | Start year | Index-linked |
|-----|-----------------------------|----------------|--------------|----------|----------------------------|-----------------|--------------------------------------|------------|--------------|
| 1 | ENN Energy | Chevron | 2016.08 | 10 years | 0.66 | DES | Global resources | 2018 | JCC |
| 2 | ENN Energy | Total | 2016.07 | 10 years | 0.50 | DES | Global resources | 2018 | JCC/HH |
| 3 | ENN LNG (Singapore) Pte Ltd | Cheniere | 2021.11 | 13 years | 0.90 | FOB | USA Corpus Christi Sabine Pass | 2022 | HH |
| 4 | ENN LNG (Singapore) Pte Ltd | Novatek | 2022.01 | 11 years | 0.60 | DES | Global resources | 2025 | Brent |
| 5 | ENN Energy | EnergyTransfer | 2022.03 | 20 years | 0.90 | FOB | USA Lake Charles LNG Project | 2026 | HH |
| 6 | ENN LNG (Singapore) Pte Ltd | EnergyTransfer | 2022.03 | 20 years | 1.80 | FOB | USA Lake Charles LNG Project | 2026 | HH |
| 7 | ENN LNG (Singapore) Pte Ltd | NextDecade | 2022.12 | 20 years | 2.00 | FOB | USA Rio Grande LNG Project | 2026 | HH |
| 8 | ENN LNG (Singapore) Pte Ltd | Cheniere | 2023.06 | 20 years | 1.80 | FOB | USA SabinePass Liquefaction | 2026 | HH |
| 9* | ENN LNG (Singapore) Pte Ltd | ADNOC | 2023.12 | 15 years | 1.00 | - | UAE Ruwais LNG Project | 2028 | Brent |

* HOA has been signed and LTA is under the signing process

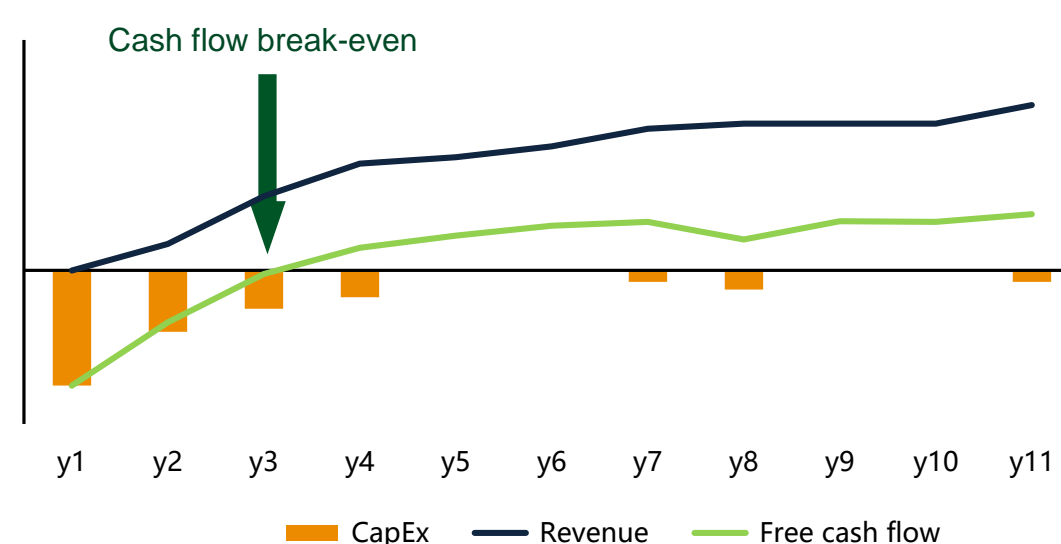
Appendix 3: Simplified Model for a Typical City-gas Project & IE Project



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

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