



ENN 新奥

ENN Energy Holdings Limited

9M21 Operational Update

Company Presentation

28 October 2021



1Q-3Q Highlights

MSCI ESG Rating Upgraded to **A**

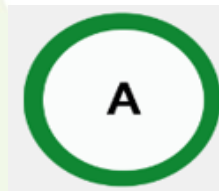
Retail Gas Sales Volume Up **20%**

Dollar Margin Slightly Down to **0.55/m³**

C/I and Residential Development Up **46% & 17%**

Integrated Energy Sales Volume Up **61%**

MSCI ESG rating upgraded to A



Initiated the city gas industry to sign “China City Gas Enterprise Methane Control Initiative”



Analysis of Financial Impact due to Climate Change based on TCFD Framework – ENN's Henan Provincial Company

Climate Risk – financial impact was around RMB33.75 million under extreme condition

Physical Risk	Low Risk	Technology – fail to invest in new technologies	
		Market – disrupt product supply	
		Market – increase gas cost	
		Acute – impacts on operation caused by typhoon	
	High Risk	Acute – impacts on operation caused by extreme heat/cold	
		Chronic – impacts on operation caused by sea level rise	
		Acute – extreme precipitation and flood	Additional expenditure: RMB2.88 million Assets loss: RMB30.87 million (excl. insurance) Additional financing cost: RMB0

Assets loss (74% are insured) accounted for 0.5% of Henan Provincial Company's total assets. The affected gas sales volume accounted for only 0.8% of its annual gas supply.
There was no significant financial impact identified.

Climate Opportunity – gain of RMB 170 million to RMB440 million per year over the next five years

Energy Source	Significant Opportunity	Low-emission energy needs – growth potential for clean energy business	Needs of renewable energy including solar, biomass and geothermal energy could boost revenue growth: RMB90 million to RMB290 million
	Opportunity	Needs of low-carbon products and services	Annual revenue forecast: RMB 60 million to RMB120 million
Product and Service		Supportive policies and incentives	Annual revenue forecast: RMB20 million to RMB30 million
Adaptability		Diversified business portfolios with clean and low-carbon energy replacing high-emission fuels, enhance our resilience and adaptability towards climate change	

Risk Management & Contingency Plan

Pre-management

- Daily risk and project cycle management
- Full analysis of temperature, precipitation and other climatic factors
- Contingency plan and emergency drill for extreme weather

Disaster Response

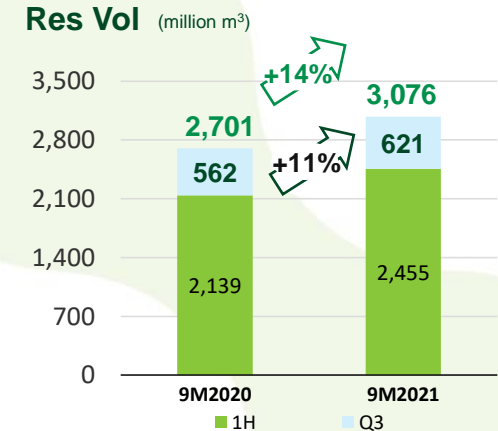
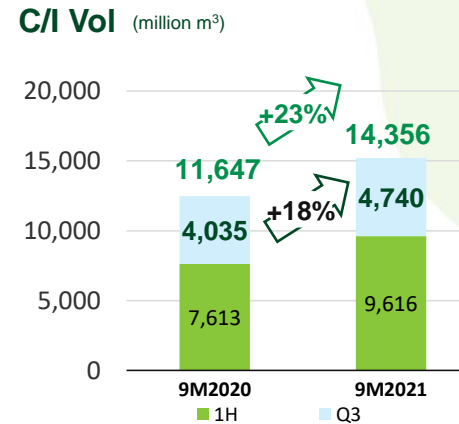
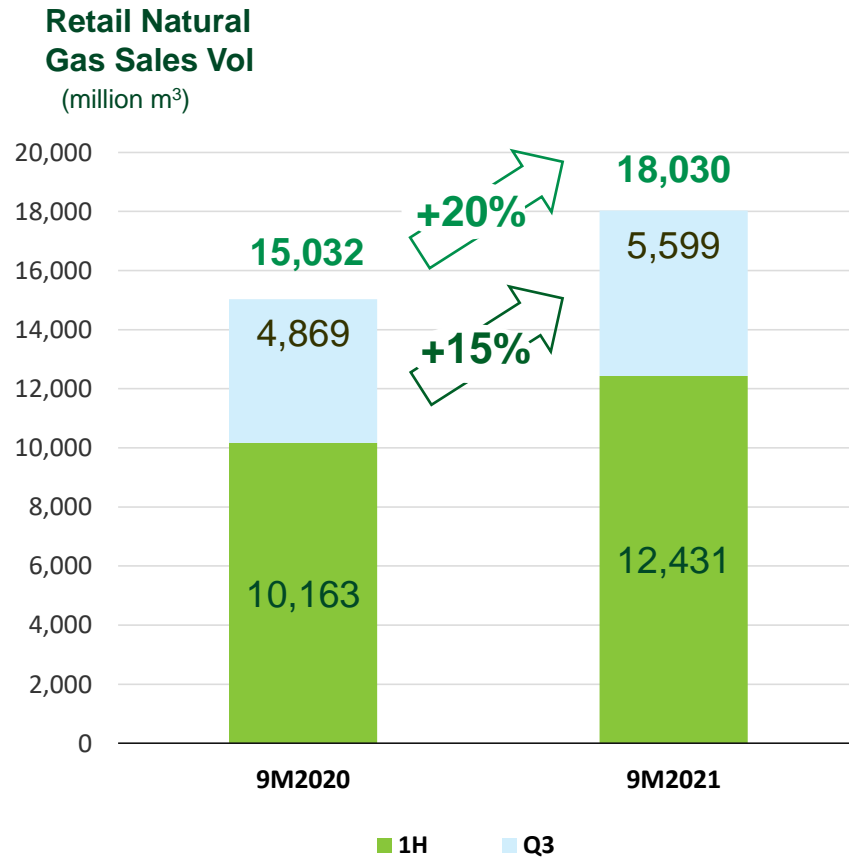
- Safety verification and material support for all employee
- Intelligent system to monitor pipeline network and timely cutoff gas supply
- Frequent inspection and emergency rescue for managing asset and customer safety

Post-management

- Gas supply restore plan with sufficient safety inspection on pipeline network and customer's equipment
- Review and continuous improvement regarding climate risks and response mechanism

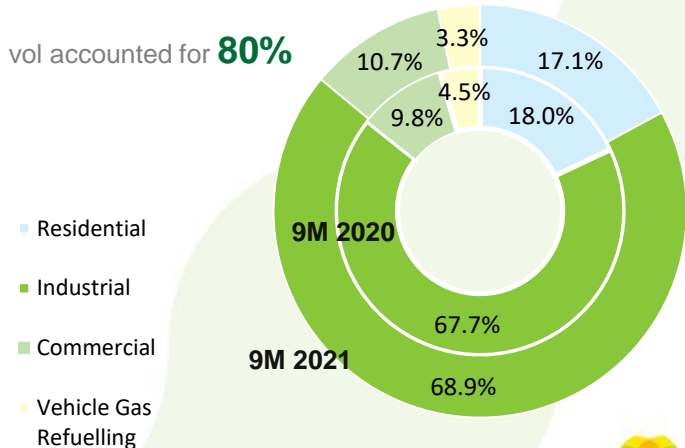
Rapid Volume Growth

With a flexible pricing strategy and resources planning, ENN Energy seized the opportunities of coal-to-gas conversion, the carbon peak & neutrality targets and clean heating to continuously expand gas sales volume, achieving a yoy increase of 20% in retail gas sales volume.



High Quality Gas Vol Structure

C/I gas sales vol accounted for **80%**



Dollar Margin

ASP & Gas Cost (RMB/m ³)	9M 2021	9M 2020	1H 2021
Residential	2.98	2.84	2.93
C/I	3.01	2.73	2.93
Vehicle Gas Refuelling	3.88	3.40	3.78
ASP	3.03	2.78	2.95
Average Cost	2.43	2.11	2.34
Dollar Margin (ex. VAT)	0.55	0.61	0.56

- ✓ In July, the city gate price rose by another 5% on the basis of April (i.e. 10% hike over benchmark level), and Sinopec raised gas price by 15-25% in September
- ✓ Surged in LNG input cost yoy
- ✓ Most of the res vol in Hebei, Shandong, Henan, and Guangxin affected by price hike completed pass-through

Coordinate and Optimize Resource Procurement

Optimize resources procurement via diversified channels to ensure stable supply during the heating season and reduce gas costs. Guide resources procurement based on precise demand, and dynamically optimize customer supply models and price packages with resources, to achieve the best matching between customers and resources.

Pool of Resources

- Deepen strategic cooperation with three oil majors to ensure stable gas supply
- 1.44 mil tons of long-term LNG contracts, with measures taken to control the cost of import
- Over 1.5 mil m³/day of unconventional resources from Shanxi, Shaanxi and Sichuan
- 100 mil m³ of gas storage capacity
- 1 mil m³/day of LNG from local LNG plants locked-in in advance

Customers

- Guide resources procurement according to customers' gas demand and affordability
- Carry out customer-resource optimal matching, ensure low-cost resource procurement and maximize the value of resources and customers
- Based on carbon peak and neutrality requirements, we provide personalized package products such as "gas + multiple energy + low-carbon services" to meet the needs of customers

Products

Customer Awareness Products

Resource awareness and resource forecasting products

Demand forecast and products matching by customer tiers

Natural gas + multi-energy/service package products

Actively Promote Market-based Pricing Mechanism

Favorable policy

Upstream and downstream price linkage mechanism

- Hebei "Notice on Further Regulating Natural Gas Price Policy" Sep. 2021
- Hunan "Notice on Establishing the Price Linkage Mechanism of Natural Gas Upstream and Downstream in Hunan Province" Oct. 2021
- Gansu "Notice on further clarifying the price linkage mechanism between the up-and-down-stream of pipeline gas" Sep. 2021
- Guangxi, Ningxia, Shanghai

LNG cost pass-through

- Shandong "Notice on the liberalization of LNG sales prices" - LNG can be sold to C/I users with cost pass-through, i.e. high-in-high-out is implemented Oct. 2021

Pricing models

① Non-residential price adjustment mechanism

- Main Region : Luoyang, Yantai, Guilin
- Adjustment method: Gas distributors can fully pass on upstream price hike simultaneously, and only need to report and file to the local government

② LNG cost pass-through for citygas projects

- Main Region: Shandong
- Adjustment method: Gas distributors can pass on increased LNG cost to C/I users, high-in-high-out.

③ Sales and purchase agency mechanism

- Main Region: Jiangsu
- Applicable business: Incremental vol and additional gas purchase for non-residential users; gas supply agreement
- Pricing formula: Selling price = actual purchasing cost + gas distribution margin

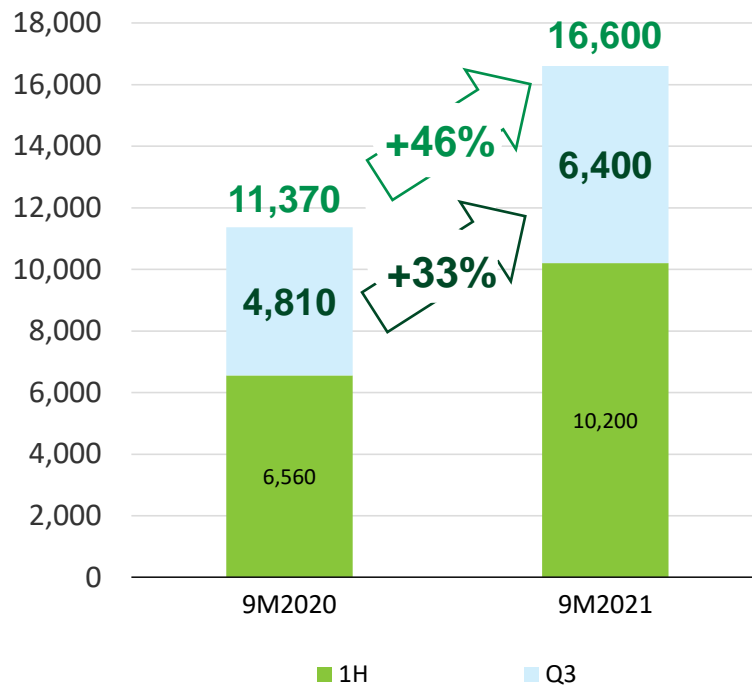
④ Monthly selling price adjustment system

- Price: Selling price based on weighted average cost of contract vol and incremental vol
- Pricing cycle: Monthly basis

New Users Development Accelerated, FY21 Target on Track

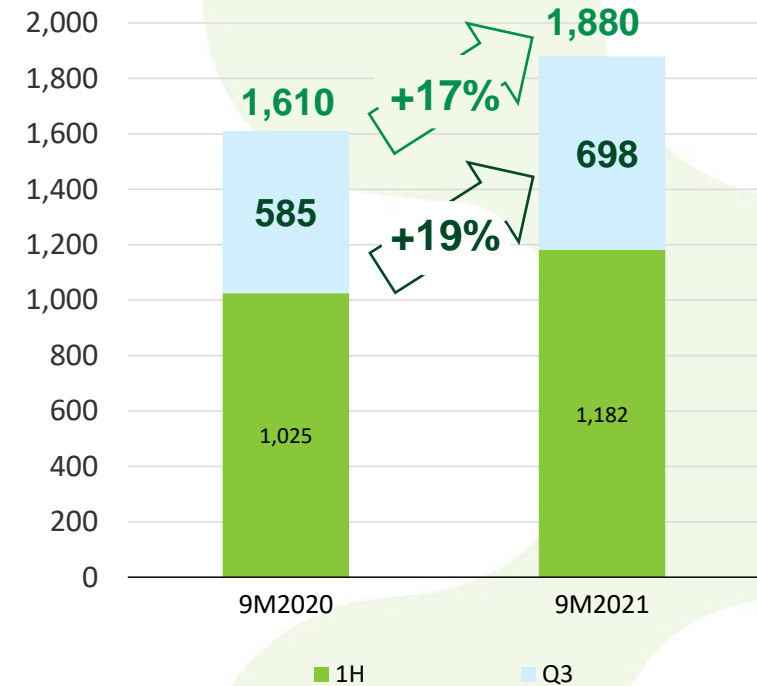
New C/I Installed Designed Daily Capacity
(^{'000} m³/day)

FY21 Guidance: 20mil m³



New Residential Household
(^{'000} household)

FY21 Guidance: 2.4mil households



Provide Low/Zero-Carbon Integrated Energy Solutions

Assist our customers achieve low/zero carbon development through our demand-driven integrated energy solutions and services, which prioritise the use of renewable energy sources based on local conditions.

Favorable Policies

“Proposal of Modifying the Mechanism of Double Control on Energy Consumption Intensity and Volume” Sep. 2021

- Each region was allocated its respective target to reduce energy consumption intensity and volume, and local governments will be evaluated by NDRC on a regular basis

“Opinions on the Complete Implementation of the New Development Concept to Accomplish Carbon Peak & Neutrality” Sep. 2021

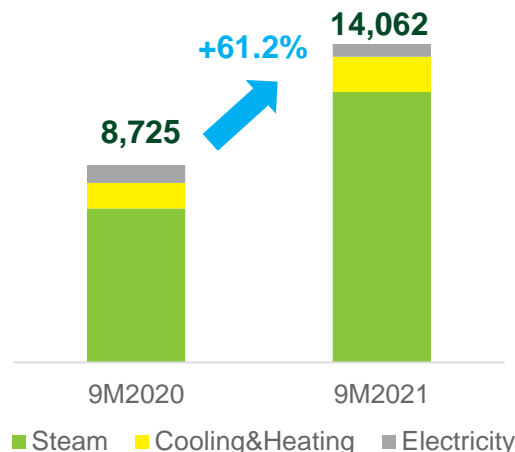
- Build a green & low-carbon circular development economic system
- Improve energy efficiency
- Increase the proportion of non-fossil energy consumption
- Reduce the level of carbon dioxide emissions
- Enhance the carbon sink capacity of the ecosystem

“Implementation Opinions on Deepening the Reform of ‘Decentralization, Administration, Servicing’ in the Energy Sector to Optimize the Business Environment ” Sep. 2021

- Promote the construction of distributed power generation market & implementation of guidelines allowing electricity to be sold to different users directly by distributed power generators

1Q-3Q Performance

Integrated Energy Sales Vol (mil kWh)



Operating projects



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Under Construction

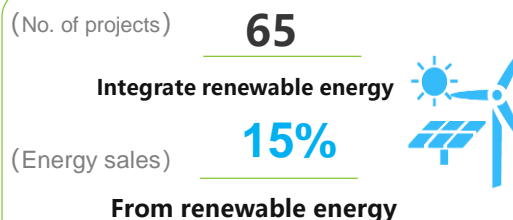


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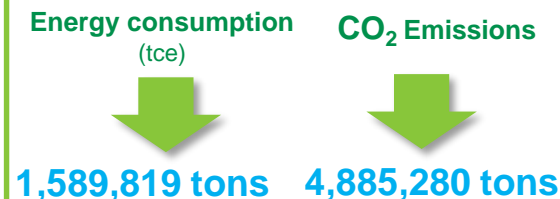
Energy sales potential

>35 bil kwh

Clean energy solutions for customers



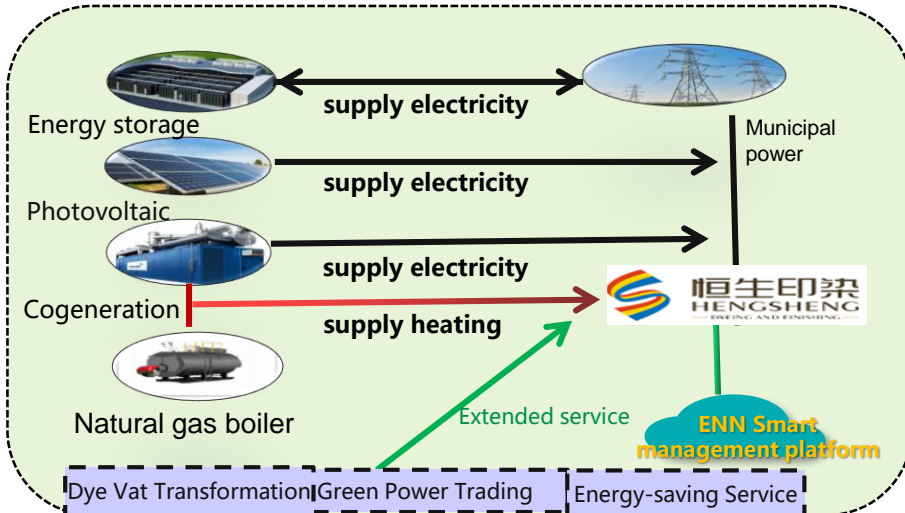
Positive environmental impact for customers



Carbon Peak & Neutrality promotes the Development of IEB

The exclusion of green and low-carbon factories from the double control policy stimulated customer demands on energy conservation and emission reduction, providing huge development opportunities for IEB.

Hengsheng Dyeing & Finishing Low-Carbon Factory



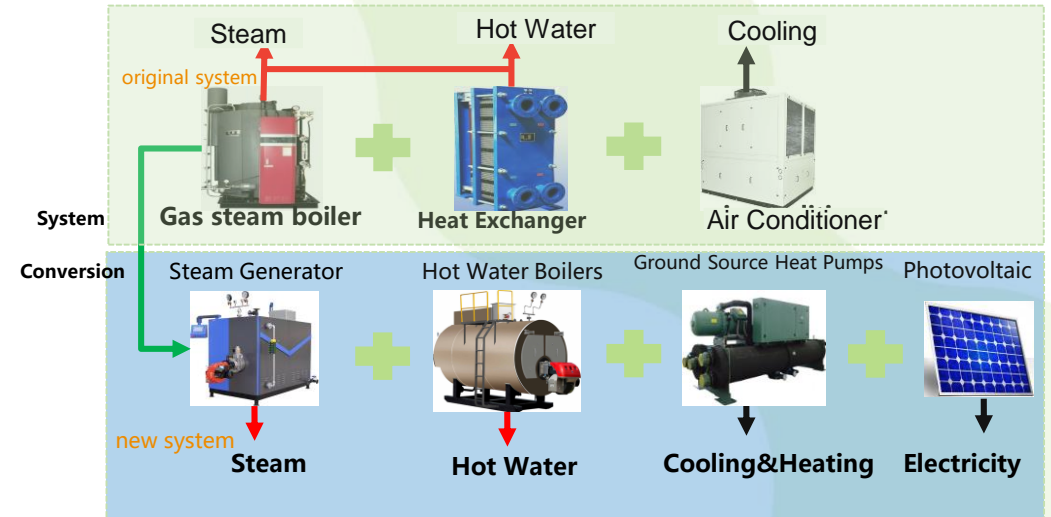
Customer pain points:

- High-energy-consuming, with an annual electricity and steam consumption of 90 mil kWh and 300,000 tons respectively
- Since power curtailment, they have been short of 225,000 kWh/day
- The coal water slurry boiler was shut down, leading to a shortage of steam of 40-60 tons/hour

Low-carbon integrated energy solutions:

- Photovoltaic 2MW + internal engine 6MW + residual boiler + energy storage 2MW + natural gas boiler 2 sets of 20 tons + dye vat steam to gas + green electricity transaction + sewage source heat pump + energy saving service

Green Building of the First People's Hospital in Chuzhou City



Customer pain points:

- Obligation to reduce carbon as a municipal public institution
- The two boilers were obsolete, high energy consuming and high emissions
- The steam pipe network aged and corroded

Low-carbon integrated energy solutions:

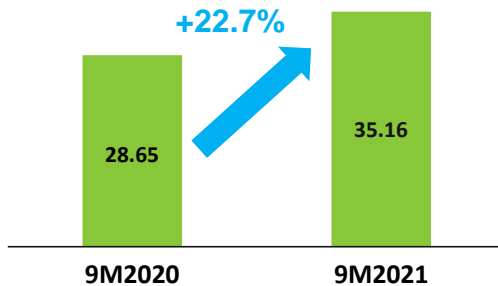
- 3 sets of 2.1MW hot water boilers + 2 sets of 1t/h steam generators + ground source heat pumps + photovoltaics

Expand Value-Added Business

Based on customers' demand for safety, aesthetic and convenience, while increasing the market share of existing kitchen and security products, actively promotes heating products around the mid and lower reaches of the Yangtze River. Expand business scale via customer targeting.

[Gratle] Sales Vol

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Rising penetration rate

New customers

19% ↑

9M2020: 14%

Existing customers

8% ↑

9M2020: 6%

Increase the scale and depth of kitchen & security products

- Increase kitchen product sales by enriching the variety of kitchen products, and by improving brand promotion and marketing
- Increase the promotion and application of security products from the perspective of ensuring the safety of customers

Meet customers' needs for heating through diversified products

- Focusing on Yangtze River Delta, provide a diversified products & services, value generated per customer improved significantly
- Utilizing the concept of integrated energy, using gas boilers, air source heat pumps, deep geothermal and other clean energy supply methods based on local conditions, to provide customers with low-carbon heating solutions

Develop innovative products such as digital products & kitchen products & Low Carbon products

- Expand Digital products such as LoRa in combination with smart, low-carbon energy demand

Q&A

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