



ENN 新奥

新奥能源控股有限公司
(股份代號: 2688)

2018 Annual Results

Company Presentation

March 2019

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- 1. Operational Review**
- 2. Financial Review**
- 3. Development Strategies**
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Full Year Results in line with Guidance



Core Profit up **19.8%** to RMB4,471 million



Retail Gas Sales Volume up **20.0%** to 17.37bcm



Newly Installed Designed Daily Capacity for C/I
Customers **18.65mil m³**

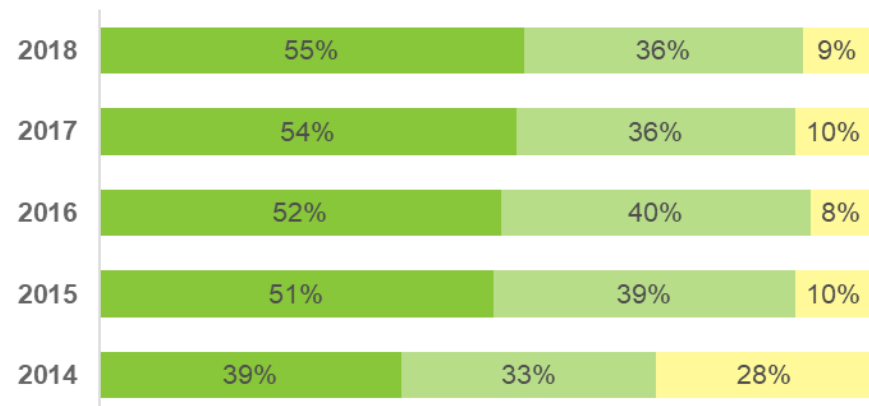


Developed **2.30mil** Residential Customers

Growing Customer Base

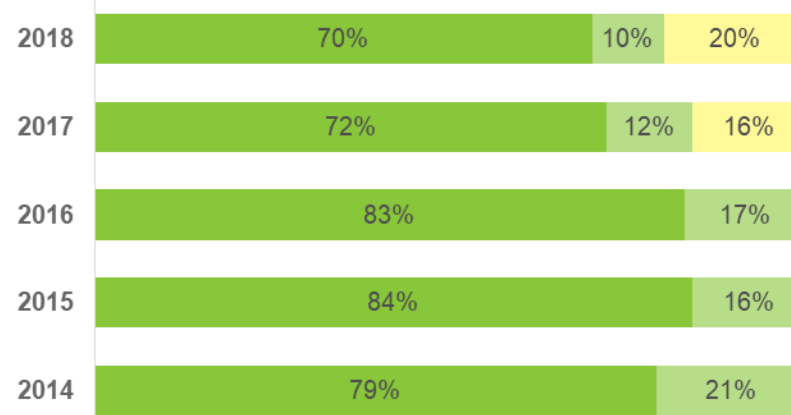
	2018	2017	Change
New C/I Customers Development (site)	29,226	23,200	26.0%
Accumulated C/I Customers (site)	121,105	91,879	31.8%
Newly Installed Designed Daily Capacity for C/I Customers ('000 m³)	18,652	16,718	11.6%
Accumulated Installed Designed Daily Capacity for C/I Customers ('000 m ³)	106,553	87,901	21.2%
New Residential Customers Development ('000 household)	2,302	2,074	11.0%
Accumulated Residential Customers ('000 household)	18,523	16,221	14.2%

New C/I Customers Breakdown
(by installed capacity m³)



■ New Sites ■ Coal-to-gas ■ LPG, Heavy Oil, Diesel & Others-to-gas

New Residential Customers Breakdown
(by household)

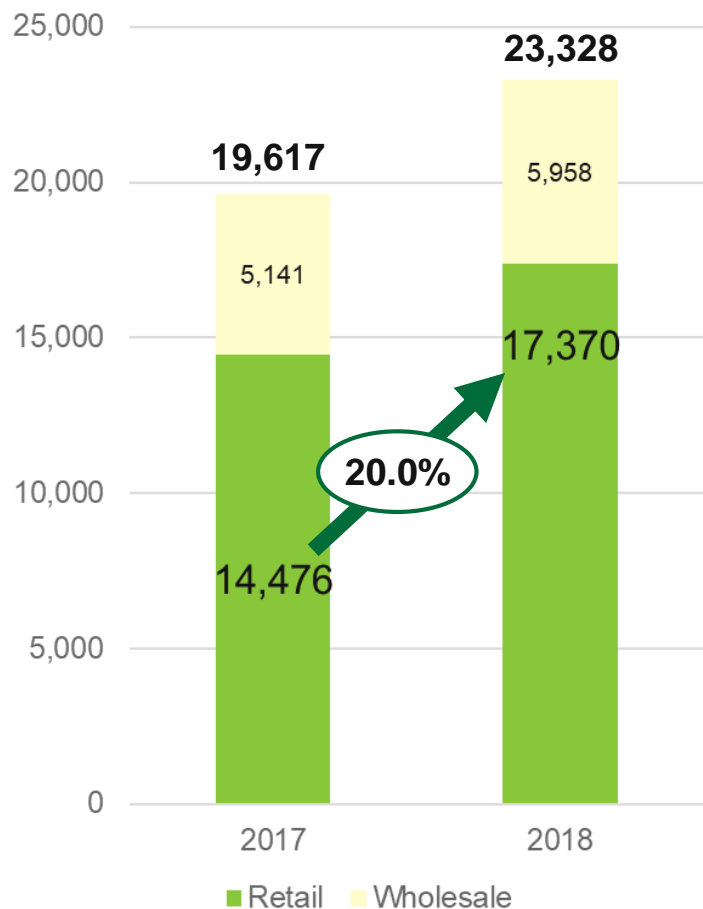


■ New Buildings ■ Old Buildings ■ Rural Scattered Coal Replacement

Strong Gas Sales Volume Growth

Total Natural Gas Sales Volume

million m³

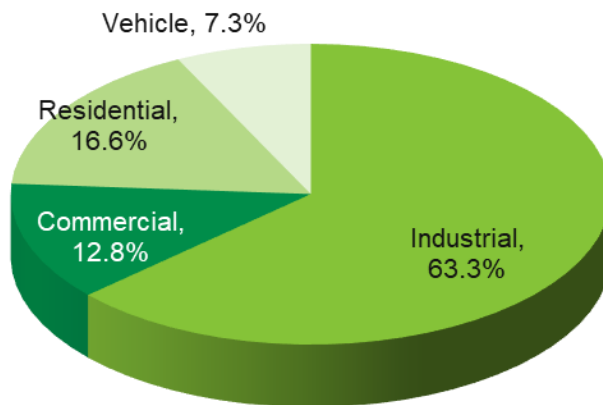


Retail Gas Sales Volume Breakdown

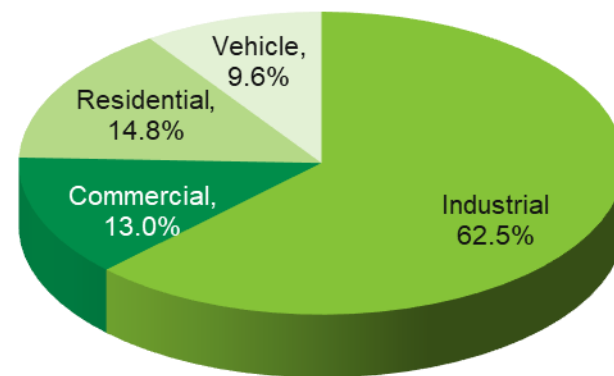
(million m ³)	2018	2017	Change
Commercial & Industrial	13,225	10,931	21.0%
Residential	2,885	2,148	34.3%
Vehicle Refuelling Stations	1,260	1,396	-9.7%

C/I Gas Sales accounted for

76.1%



2018



2017

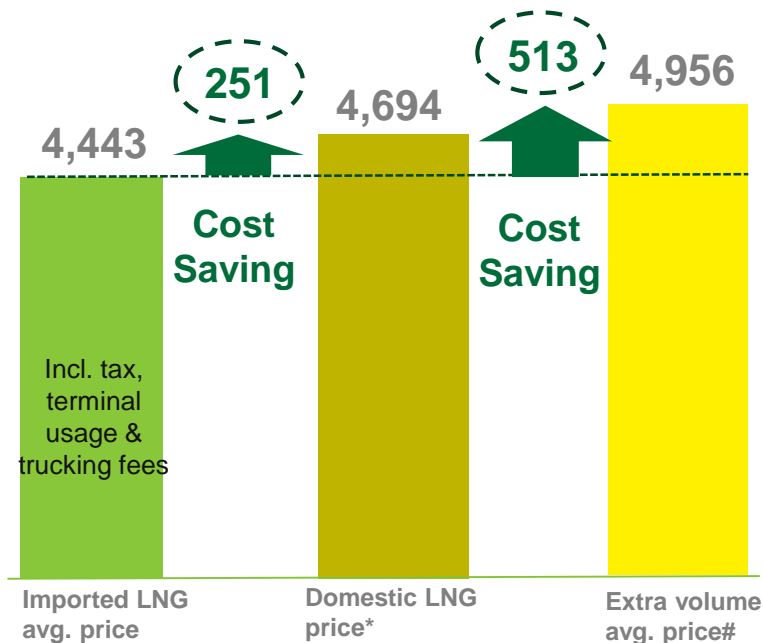
Dollar Margin Analysis

ASP & Gas Cost (RMB/m ³)	2018	2017
Residential	2.67	2.66
Commercial & Industrial	3.08	2.92
Vehicle Refuelling Stations	3.95	3.54
ASP	3.08	2.94
Average Cost	2.41	2.24
Dollar Margin (ex VAT)	0.61	0.63

1. The percentage of residential volume with lower DM increased ↘
2. Incomplete pass-through of residential citygate price hike and winter extra volume ↘

Diversify Gas Supply – LNG Import

Competitiveness of Self-import LNG (RMB/ton)



Imported 501,536 tons

*Average price of domestic LNG in Oct – Dec, 2018

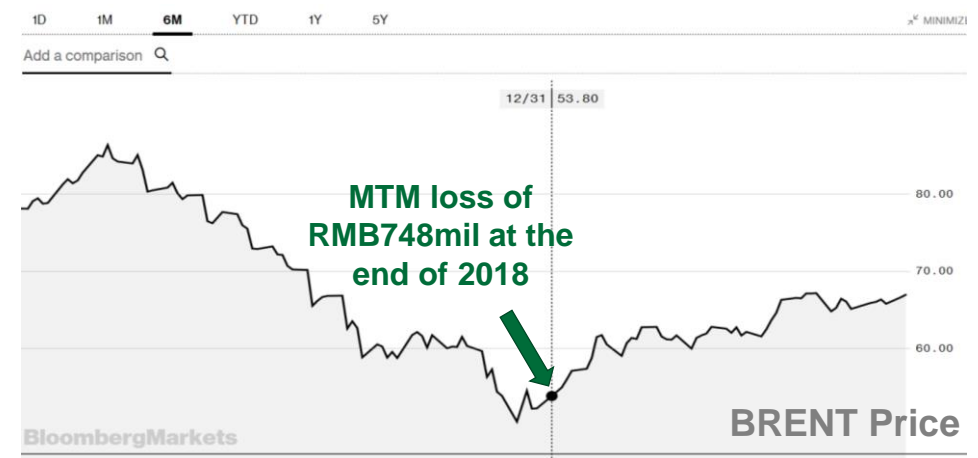
#The average price of piped-gas extra volume in winter was RMB3.54/m³, or RMB4,956/ton

Prudent Hedging Strategies

- Based on market conditions, hedge a reasonable percentage of the expected LNG import volume in the next five years
- To stabilize LNG procurement costs and reduce the risk of oil price fluctuation

	Avg. import volume /year	Avg. cargo value /year
2019-2023	1.44mil ton	USD600-700mil
Coverage Ratio	30%-50%	

Fair Value Loss on Commodity Hedging Contracts due to Falling Oil Price (Non-Cash)



Continuous Expansion of City-gas Concessions

Acquired 18 Projects in 2018

Provinces	Projects	Connectable Population'000
Anhui	Feidong County 肥東縣	250
	Tianchang City 天長市	400
	Xuancheng City Xuanchou District 宣城市宣州區	368
Shandong	Zhaoyuan County 招遠縣	30
	Guangrao Township Huaguan Township 廣饒縣花官鎮	10
Henan	Xuchang Yanling Industrial Cluster District 許昌鄆陵縣產業集聚區	35
	Ye County Industrial Cluster District 葉縣產業集聚區	100
Zhejiang	Zhoushan City 舟山市區	1,170
	Zhoushan Green Petrochemical Base 舟山綠色石化基地	-
Shanxi	Huairan City 懷仁市	430
Fujian	Sanming Taiwan Business Investment Zone Jikou Emerging Industrial Park 三明台商投資區吉口新興產業園	-
	Jiangle Economic Development Zone Jishan Industrial Park 將樂經濟開發區積善工業園	-
	Mingxi Economic Development Zone 明溪經濟開發區	-
Jiangxi	Xiajiang County 峽江縣	180
Hebei	Ningjin County 寧晉縣	48
	Zunhua Jinshan Industrial Park 遵化金山工業園區	-
	Wen'an Xinglonggong Township 文安興隆宮鎮	30
Guangxi	Yangshuo County 陽朔縣	60
Additional Connectable Population		3,111

Acquired 5 Projects since 2019

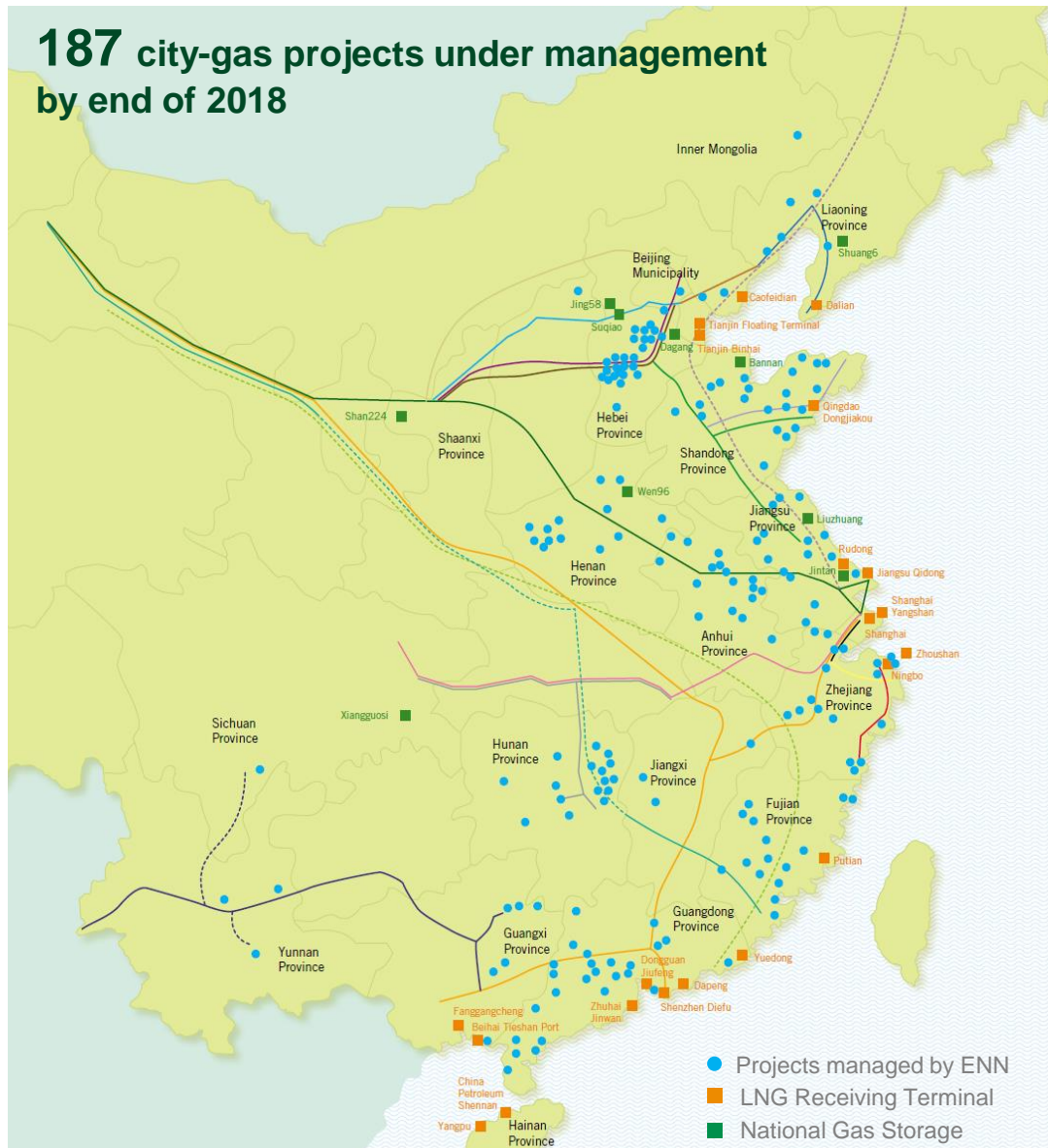
Provinces	Projects	Connectable Population'000
Shandong	Shouguang City 壽光市	230
	Taian Ningyang County 泰安寧陽縣	350
	Jinan City Laiwu District 濟南市萊蕪區	330
Heilongjiang	Suihua City 綏化市	500
Fujian	Zhangzhou Nanjing High Technology Industry Park 漳州南靖高新技術產業園區	-
Additional Connectable Population		1,410

- Acquired **23** new projects & **34** new concessions nearby existing projects

Incremental vol of
over 2.5 bil m³
upon full operation

Continuous Expansion of City-gas Concessions

187 city-gas projects under management
by end of 2018



Superior Locations

- Concentrated in more economically well-developed coastal areas, with strong customer affordability
- Stringent environmental control requirements by local governments, more favourable policies to support our growth
- Broad prospects for natural gas sales and integrated energy business

Leveraging Existing Projects to Cover Surrounding Areas

- Through pipeline extension to expand city-gas concessions

Acquire Synergistic Projects

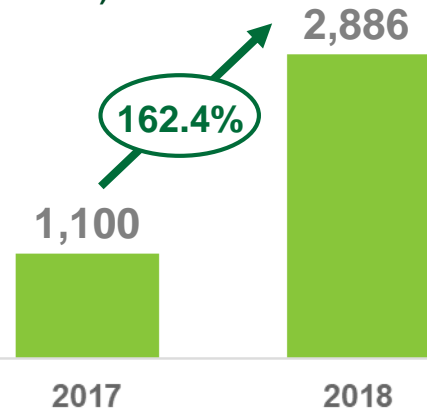
- Industry consolidation brings a large number of M&A opportunities
- Promote integrated energy solutions to facilitate the acquisition of new industrial parks

Accelerated Development on Integrated Energy Business

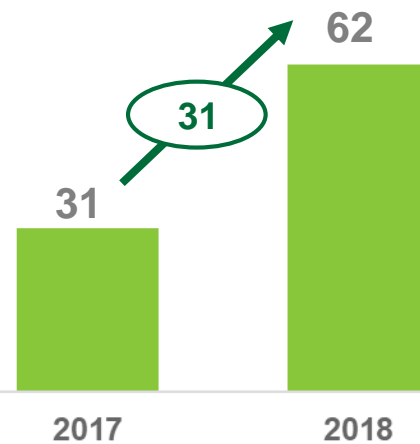
(RMB mil)	2018	2017	Change
Revenue	1,005	294	↑ 241.8%
Gross Profit	143	15	↑ 853.3%

Integrated Energy Sales

(mil kWh)



Projects in Operation



Total revenue inc. subsidiaries, JV & asso. amounted to RMB1,655 mil

Existing projects ramped up, 31 new projects were put into operation, demand for integrated energy increased rapidly, contributing sustainable and stable revenue

- 70% Steam
- 20% Cooling & Heating
- 10% Electricity

More new projects to be constructed and put into operation

- Construction period: 6-9 months
- By the end of 2018, 35 projects were under construction, with integrated energy demand of 11.046 billion kWh/year

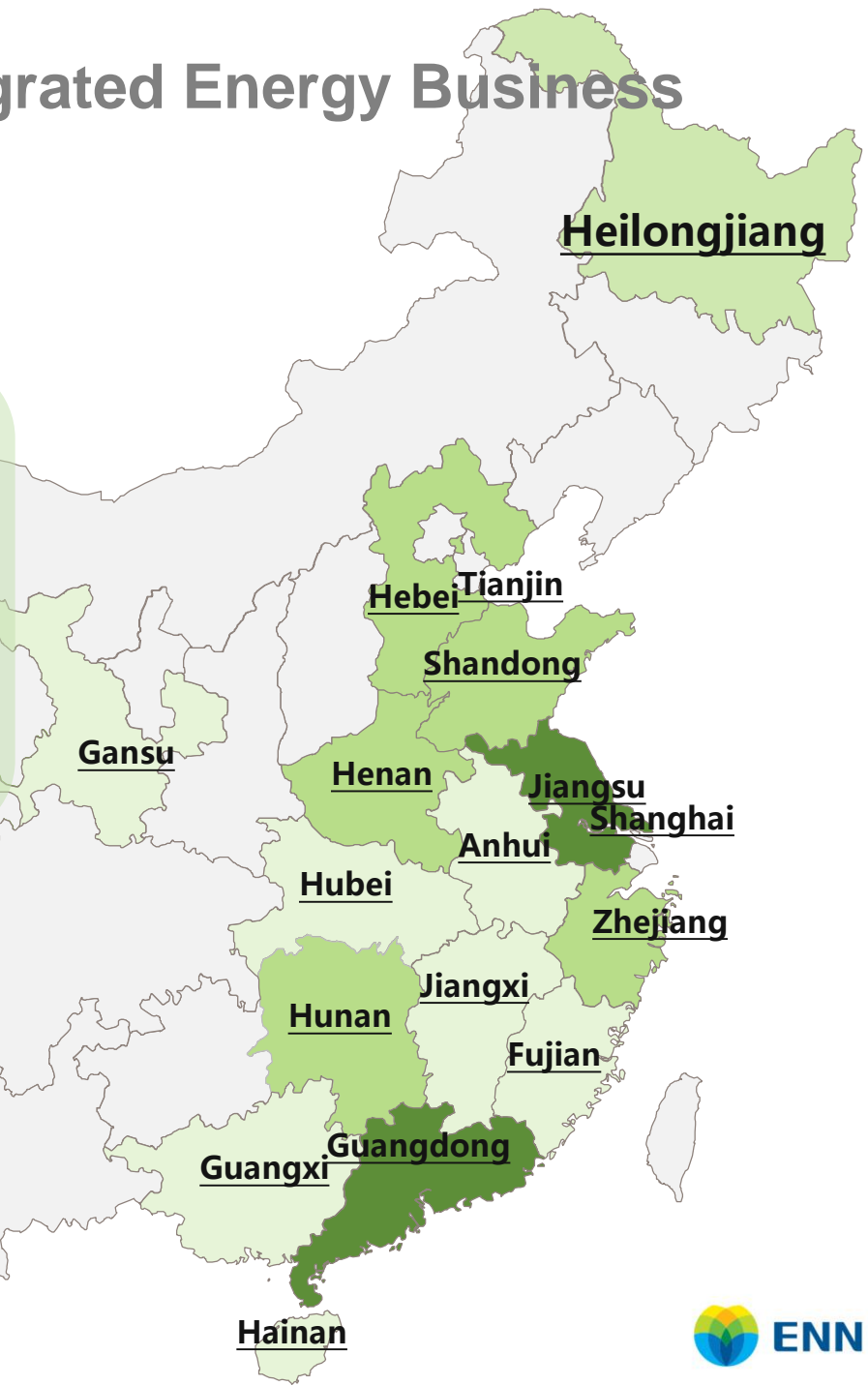
Signed new integrated energy projects with a potential integrated energy demand of over 100 billion kWh/year

Accelerated Development on Integrated Energy Business

	Projects In Operation	Projects Under Construction
Number of Projects	62	35
Integrated Energy Demand (mil kWh)	4,526	11,046

30 provincial/national-level industrial parks

19 located outside of ENN city-gas concessions



Integrated Energy Business Geographical Coverage

323 projects that have been put into operation, under construction and signed up covering 24 provinces
 Total annual integrated energy demand amounts to

122 bil kWh

180 provincial/national-level industrial parks

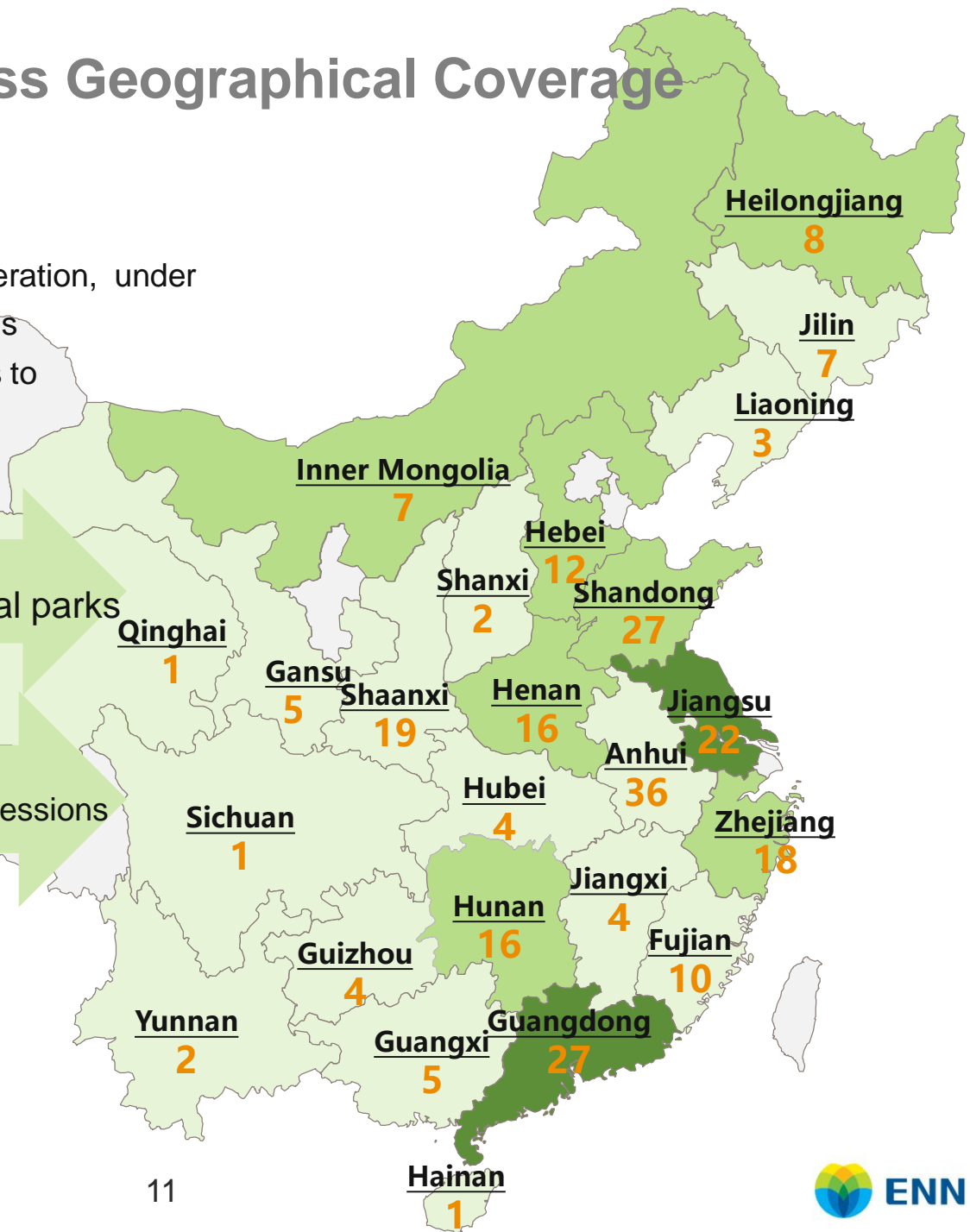
163 located outside of ENN city-gas concessions

Total integrated energy demand by provinces:

>10 bil kWh

5-10 bil kWh

<5 bil kWh



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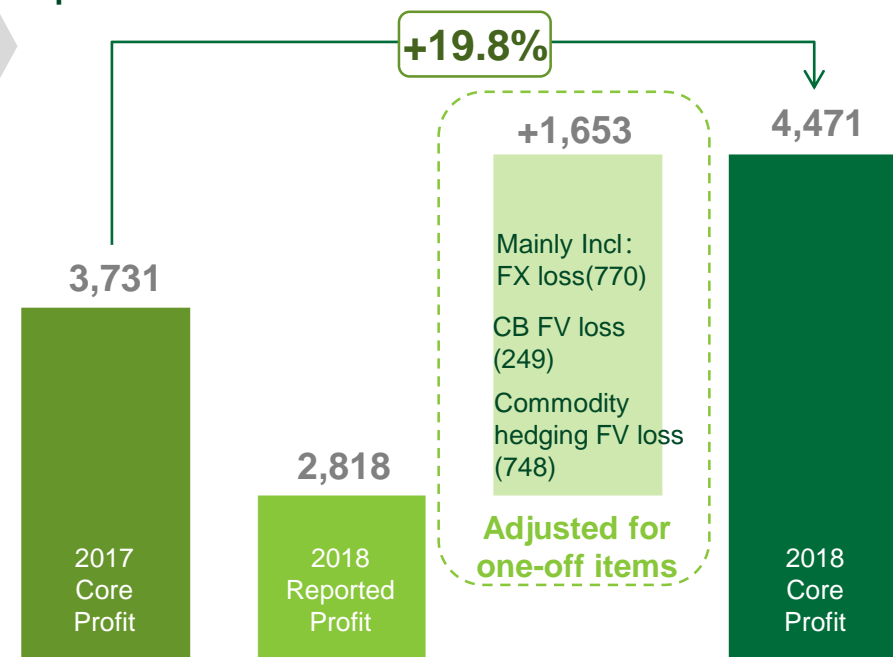
Solid Results Achieved

(RMB million)	2018	2017	Change
Key Financial Highlights			
Revenue	60,698	48,269	25.7%
Gross Profit	9,510	8,339	14.0%
EBITDA	9,220	7,827	17.8%
Profit attributable to Shareholders of the Company	2,818	2,802	0.6%
Core Profit	4,471	3,731	19.8%
Basic EPS (RMB)	2.56	2.59	-1.2%

EPS Analysis

	2018	2017
Profit attributable to Shareholders of the Company (RMB million)	2,818	2,802
Weighted Average Number of Shares (million shares)	1,100	1,082
Basic EPS (RMB)	2.56	2.59

Impact from One-off Items



Number of Issued Shares Increased

Change of Shares

Issue new shares to controlling shareholder for acquisition of UEN	↗
Issue new shares due to the exercise of CB	↗
Share repurchase	↘
Exercise of share options	↗

Number of Shares Increased 41,157,961

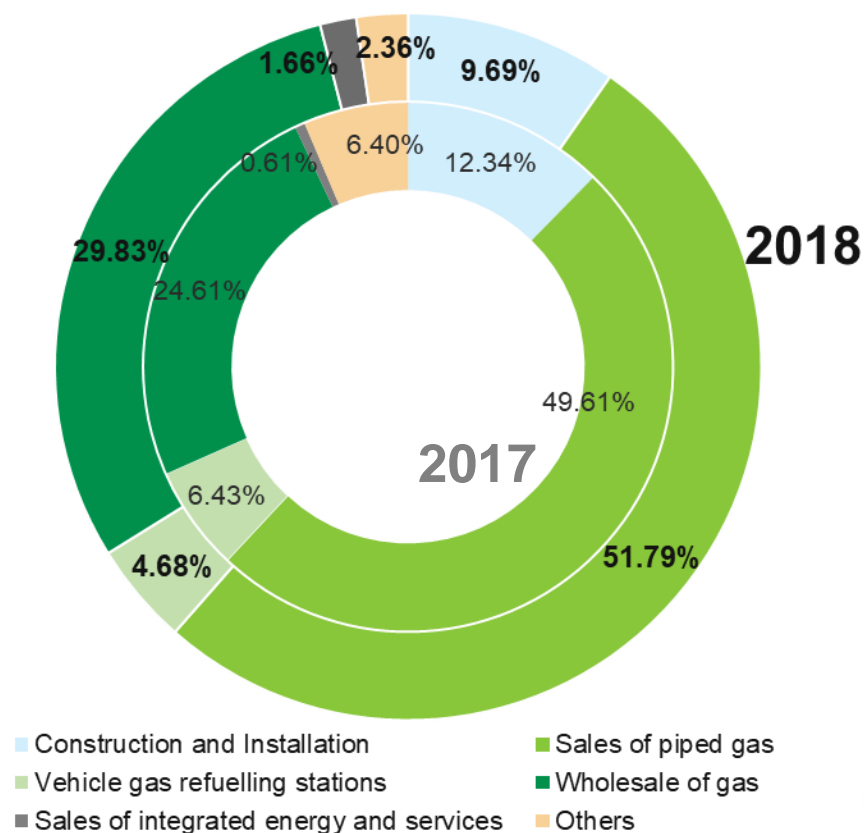
	2018	2017
Core EPS (RMB)	4.07	3.45

Modified Revenue Mix

Strong growth of energy sales revenue

(RMB million)	2018	2017	Change
Total Revenue	60,698	48,269	25.7%
Key Business Segments			
Sales of piped gas	31,434	23,948	31.3%
Wholesale of gas	18,107	11,878	52.4%
Construction and Installation	5,882	5,954	-1.2%
Vehicle gas refuelling stations	2,838	3,102	-8.5%
Sales of integrated energy and services	1,005	294	241.8%

Recurring revenue accounted for **88%**



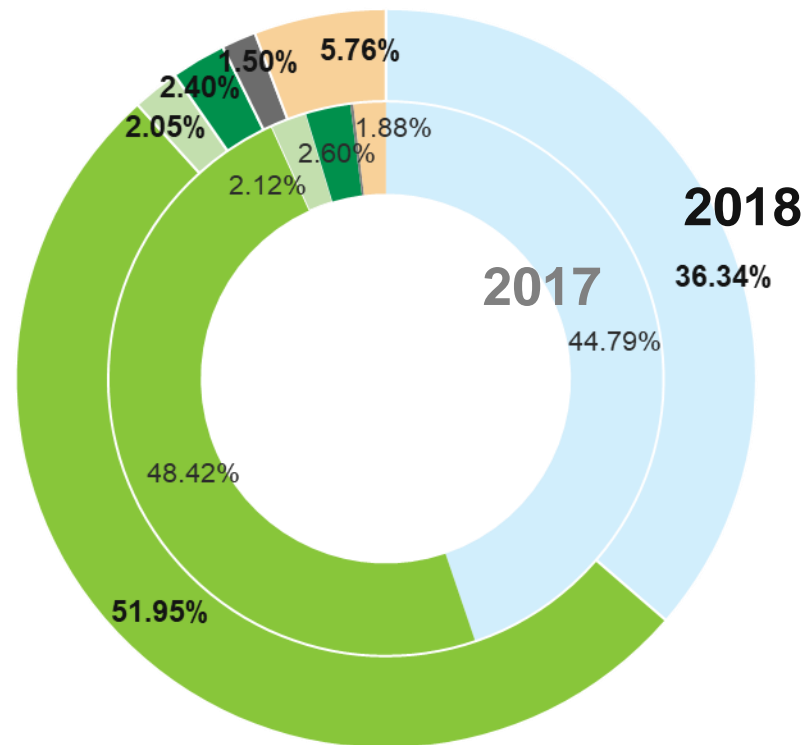
High Quality Profit Structure

Sustainable profit growth driven by recurring businesses

(RMB million)	2018	2017	Change
Gross Profit	9,510	8,339	14.0%
Key Business Segments			
Sales of piped gas	4,940	4,038	22.3%
Wholesale of gas	228	217	5.1%
Construction and Installation	3,456	3,735	-7.5%
Vehicle gas refuelling stations	195	177	10.2%
Sales of integrated energy and services	143	15	853.3%

	2018	2017	Change
GP Margin	15.7%	17.3%	-1.6ppt
ROE*	20.9%	22.0%	-1.1ppt

Modifying profit mix









- Construction and Installation
- Sales of piped gas
- Vehicle gas refuelling stations
- Wholesale of gas
- Sales of integrated energy and services
- Others

* Stripped out one-off items

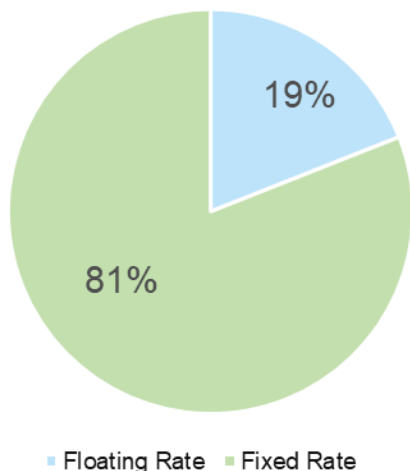
Strong Balance Sheet & Liquidity

(RMB million)	As of 31 December 2018	As of 31 December 2017	Change
Cash on Hand	7,923	7,972	-0.6%
Total Debt	20,249	18,067	12.1%
- Short-term	11,561	8,368	38.2%
- Long-term	8,688	9,699	-10.4%
Net Gearing Ratio	48.2%	49.9%	-1.7ppt
Net Debt/EBITDA	1.3x	1.3x	-

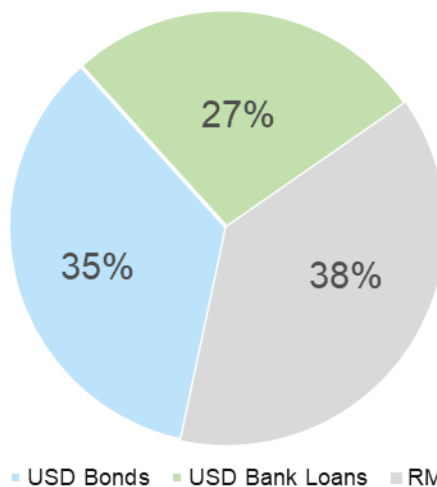
Rating Agency	2018	2017	2016
 S&P Global Ratings	BBB+ (Stable) 	BBB (Positive) 	BBB (Stable)
 MOODY'S INVESTORS SERVICE	Baa2 (Stable)	Baa2 (Stable) 	Baa3 (Positive)
 FitchRatings	BBB (Stable)	BBB (Stable)	BBB (Stable)

Debt Structure

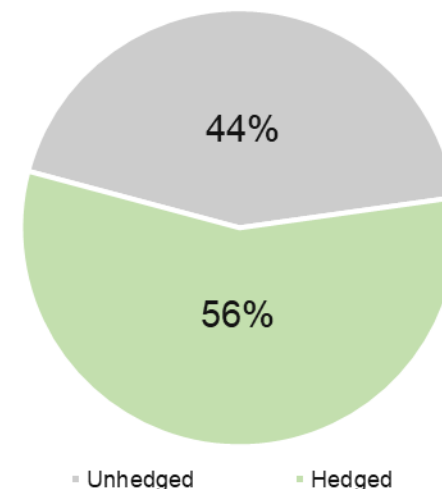
Fixed Rate Dominated Debt Structure



Percentage of RMB and USD Debt



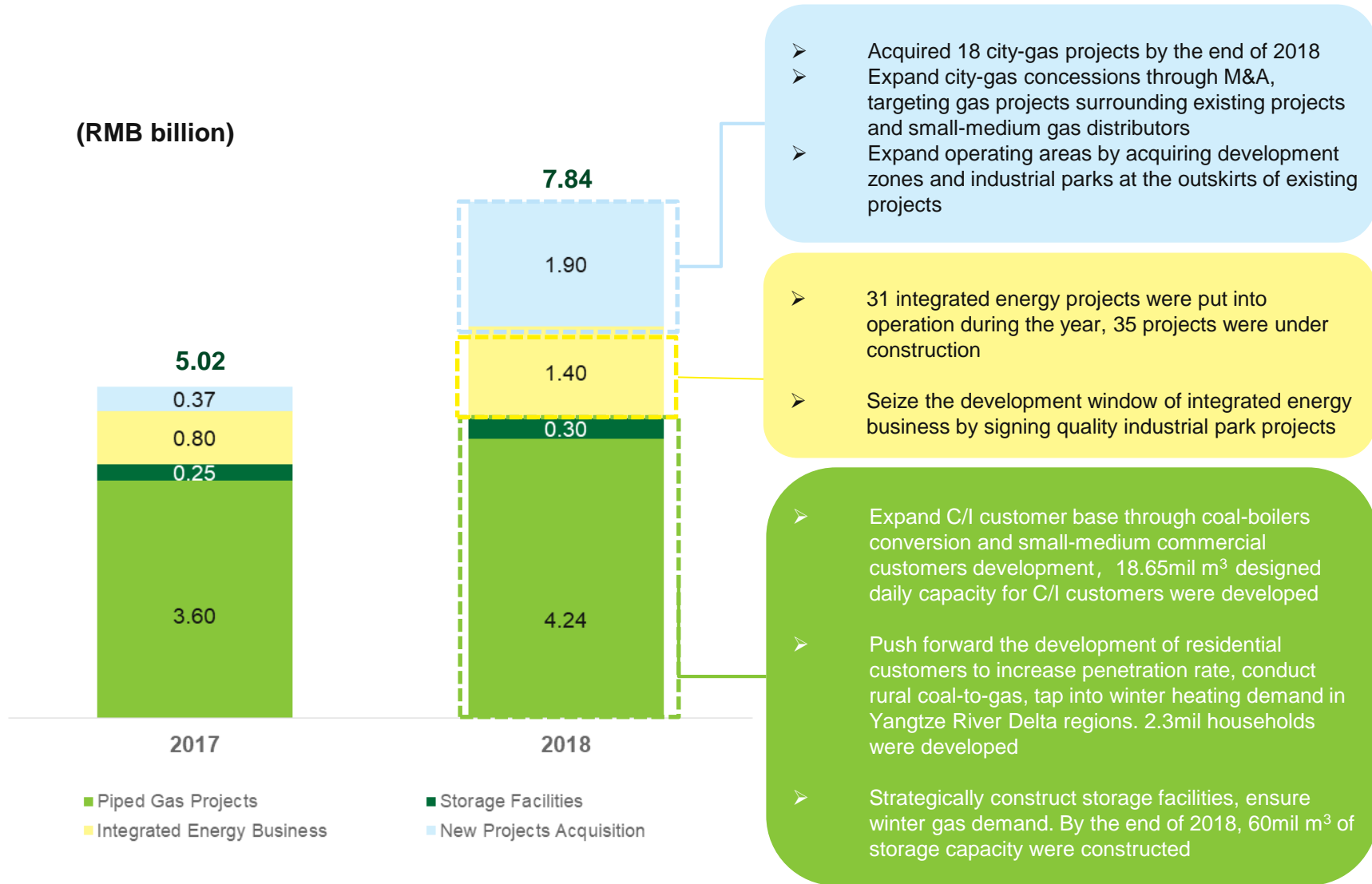
Foreign Currency Exposure Management – Long-term USD Debt



	2018	2017
Avg. Effective Interest Rate	4.05%	4.31%

2019 Sensitivity Analysis	RMB depreciation	Cash Impact	Non-cash Impact
	↓ 1%	↓ RMB 3.4 million	↓ RMB 81 million
FX Risk Management	<ul style="list-style-type: none"> • USD bank loans can be rolled over, thus cash flow will not be affected by FX movement • Continue to monitor the exchange rate movement and market conditions, further hedge remaining long-term USD bonds when appropriate 		

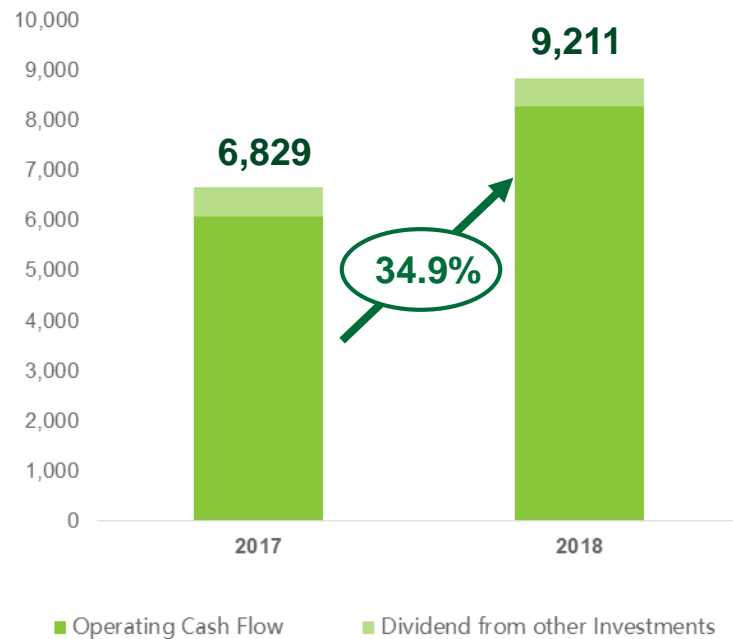
Growth CAPEX for Strategic Development



Strive to Enhance Shareholders' Returns

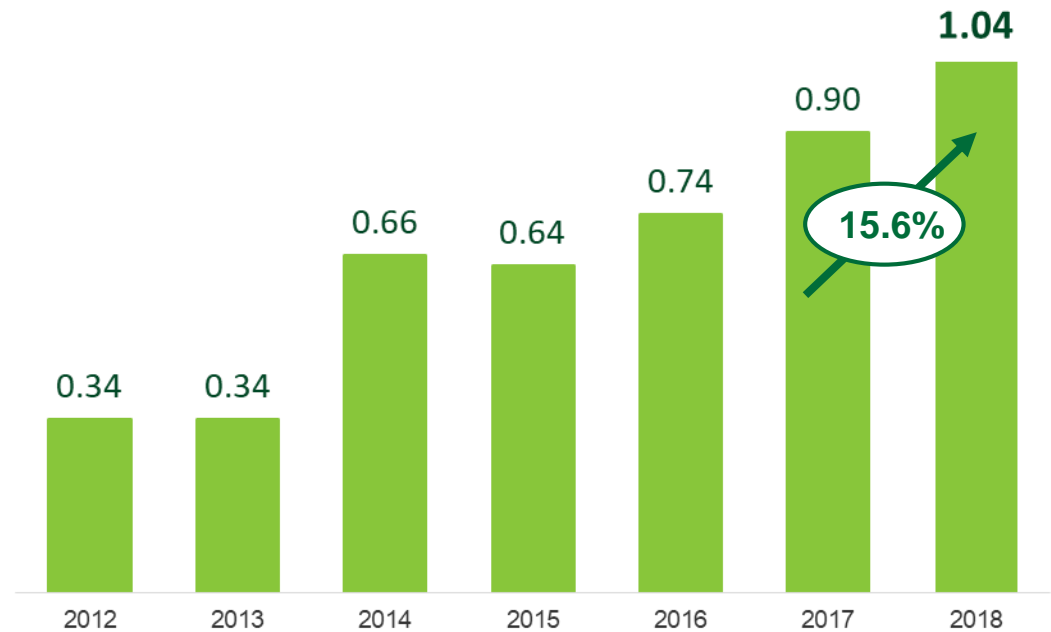
Healthy Cash Flow

(RMB million)



Increasing DPS

(RMB)



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Key Factors for Our Achievement in 2018



Natural Gas Business: Explored the potential of existing markets while actively expanded concession areas

- Explored the potential of existing market while continued to expand incremental volume by grasping the opportunities arisen from air pollution control policies and the promotion of coal-to-gas conversion
- Grasped the opportunities arisen from industry reshuffle and expanded city-gas concession areas through M&A, resource replacement, the introduction of integrated energy business model, etc



Integrated Energy Business: Multi-dimensional development

- Improved our ability on the whole value chain by acquiring Ubiquitous Energy Network Technology
- Got quality projects and executed them well, accelerated the revenue generation from quality industrial parks with large potential demand of energy
- Allocated resources throughout China, achieving breakthrough in emerging markets such as Gansu, Guangxi, Heilongjiang
- Promoted incremental power distribution business rapidly, became shareholder in over 10% pilot projects

**Synergistic
Effect**

Promoted internal management reform, evolving from “employer-employee” to partnership

- 25 provincial-level companies recruited core management through open recruitment
- 11 large-scale IE projects proactively set up business partnership
- with stronger initiative, higher efficiency and smarter system**

Opportunities vs Challenges

Opportunities

Stringent control of air pollution driven by the implementation of “Three-year Action Plan to Win the Blue Sky Defense War”

New opportunities in central and western China by the continuous advancement of industry transfer

Rapid development of clean energy driven by accelerating adjustment of energy structure

Huge opportunities arising from the deepened energy system reform

Gas

- Natural gas demand is growing steadily. Chinese government targets to raise the share of natural gas in primary energy mix to 10% by 2020
- Increasing M&A opportunities brought by a structure change in the industry

Electricity

- With the implementation of incremental power distribution reform, shareholders from entities other than power-grid and government become realistic
- The potential number of projects exceed 1,000, with an aggregate energy demand of at least 600 billion kWh.

Heating

- The reallocation of industrial parks creates incremental demand of steam
- The replacement of clean energy, as well as the integration of heating network are changing the pattern of heating supply
- New opportunities arising from biomass heating

Customers

- With an increasing demand for clean, economical and efficient energy, the change from passive acceptance to active deployment of energy has led to a generalised service demand. The development of integrated energy has become a mainstream trend.

Challenges

The slowdown of macro economy
Intensified competition in IE business

Strategic Roadmap

Focusing on customers' needs, adopt "C+X" model, continue to expand natural gas sales and integrated energy businesses, accelerate the strategic transformation into an integrated energy service provider.

Strategy - "C+X"

Continue to deepen existing businesses development (C)

+

Focus on incremental business opportunities (X)

Leverage on gas, electricity and heating demands to develop integrated energy business

New Form

New Regions

New Model

Synergy from multiple resources

Markets with competitive edge: Deepen business development
New markets: Northeastern, Northwestern, Southwestern areas

2019 is the year for

■ New Projects Acquisitions

■ Consolidation

■ Innovative Management

Develop Natural Gas business with Various Measures

Allocate more resources to quality project acquisition

Continue to acquire quality city-gas projects through M&A, contributing an additional gas sales volume of over 2 billion cubic metres per year

Expand gas sales to customers in existing market

Take various measures to promote the volume growth of gas sold to residential and C/I customers, by grasping opportunities arising from coal-to-gas and urbanisation. Target to develop over 2 million residential households per year in the coming 3 years.

Expand the scale of LNG trading business

Continue to strengthen the integrated advantage in LNG resource securing, distribution, storage and transportation. Establish a platform to expand the scale of LNG trading.

Explore piped gas trading business

Explore the feasibility of piped gas trading business in terms of business model and storage capabilities, by grasping opportunities arising from the diversification of gas source, the marketization of gas price and the open-up and inter-connection of midstream pipelines.

Relying on the "three new" to create a new pattern of integrated energy business (1/2)

(1) Expand new areas

Simultaneously vigorously develops two kinds of markets. In Zhejiang, Jiangsu, Guangdong, Shandong, Henan, Anhui and other provinces where IE projects have advantages, increase the scale by breaking concession rights, digging potentials and expanding incremental volume. In the northeast, northwest, southwest and other emerging markets, with the support of industrial transfer, resource endowment and policy opportunities, adapting to local conditions to create new growth poles and form a development trend everywhere.

Create new growth poles

Northeast

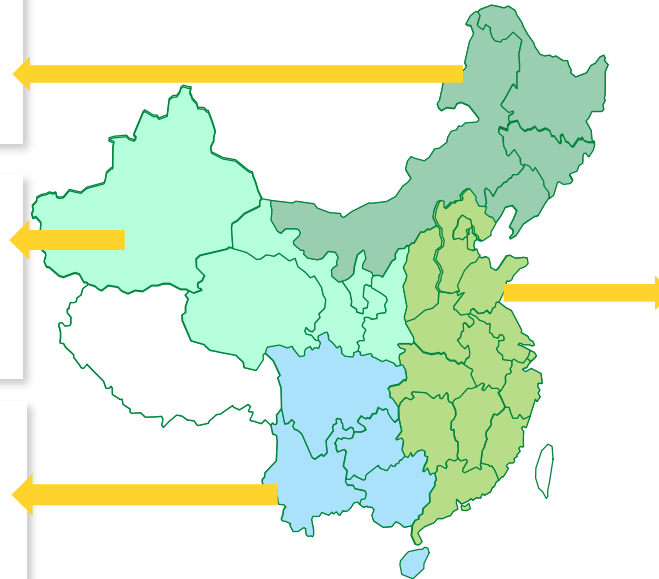
With opportunities of "clean coal" policy and Russia's gas, tap the advantages of biomass and other resources and vigorously develop the incremental power distribution and heating market.

Northwest

Grasp the industrial transfer, and advantages of wind, photovoltaic and gas, to combine natural gas and renewable energy, so as to achieve integration of heat, electricity and natural gas.

Southwest

Grasp the opportunities of industrial transfer and the rise of ICT, tap the advantages of hydropower, biomass and other resources, and make full use of the high-quality market conditions to vigorously develop incremental power distribution and heating business.



Expand competitive markets

East and Central China

Seize the opportunities such as the "blue sky defense war", integration of heat source and heat network, "double control" of energy, moving out of the city and entering the park, give full play to the advantages of integrated energy, breakthrough concession right to create new growth points

Relying on the "three new" to create a new pattern of integrated energy business (2/2)

(2) Expand new form, establish new pattern

Electricity Breakthrough

Pattern

Distribute and sell power with the support of incremental power distribution policy

Value

Breakthrough energy boundaries with higher demand and customer loyalty

Focus on

Acquire quality projects learning from pilot projects

Leveraging on Heating Business

Adjustable to local conditions, supply heating with multi-source

Release resources and technical competitiveness, expand new regions and protect old ones, strategic competition and cooperation

Defensive, scale development

Develop new customers with natural gas



Develop new customers with integrated energy solution including electricity, gas and heating, creating synergy as a whole



Electricity



Gas



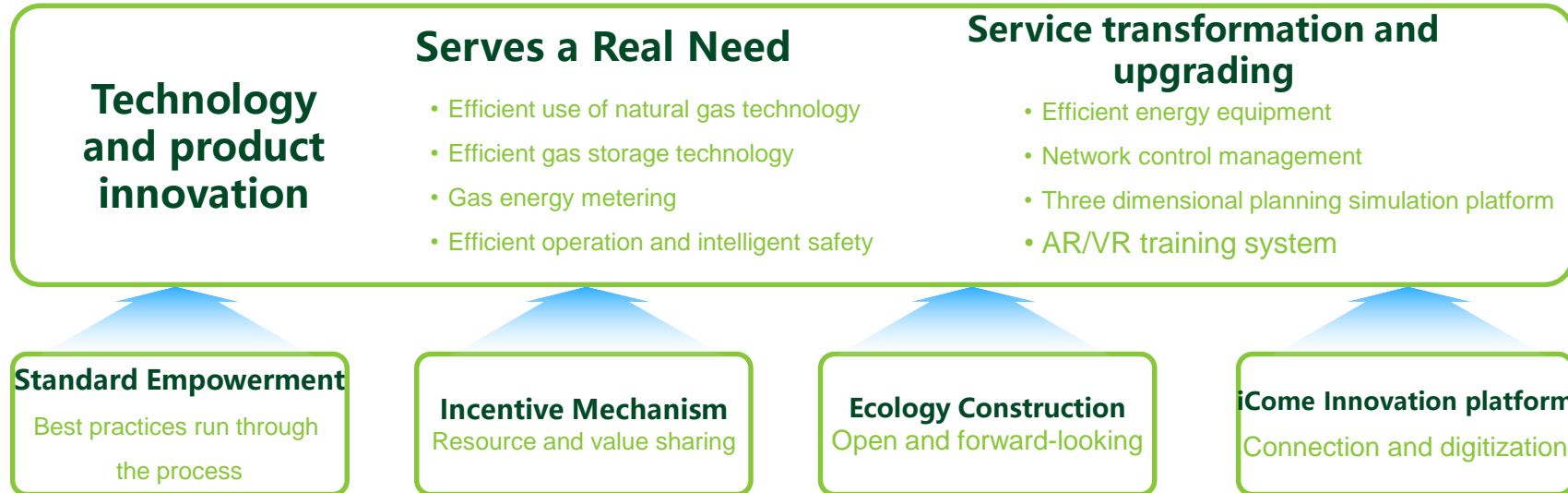
Heating

Bigger market, faster development, higher value and more sustainable

Strengthen core competitiveness



Strengthen demand orientation and focus on technological innovation



Improve Key Capabilities



Deepen management restructuring and build an ecological organization

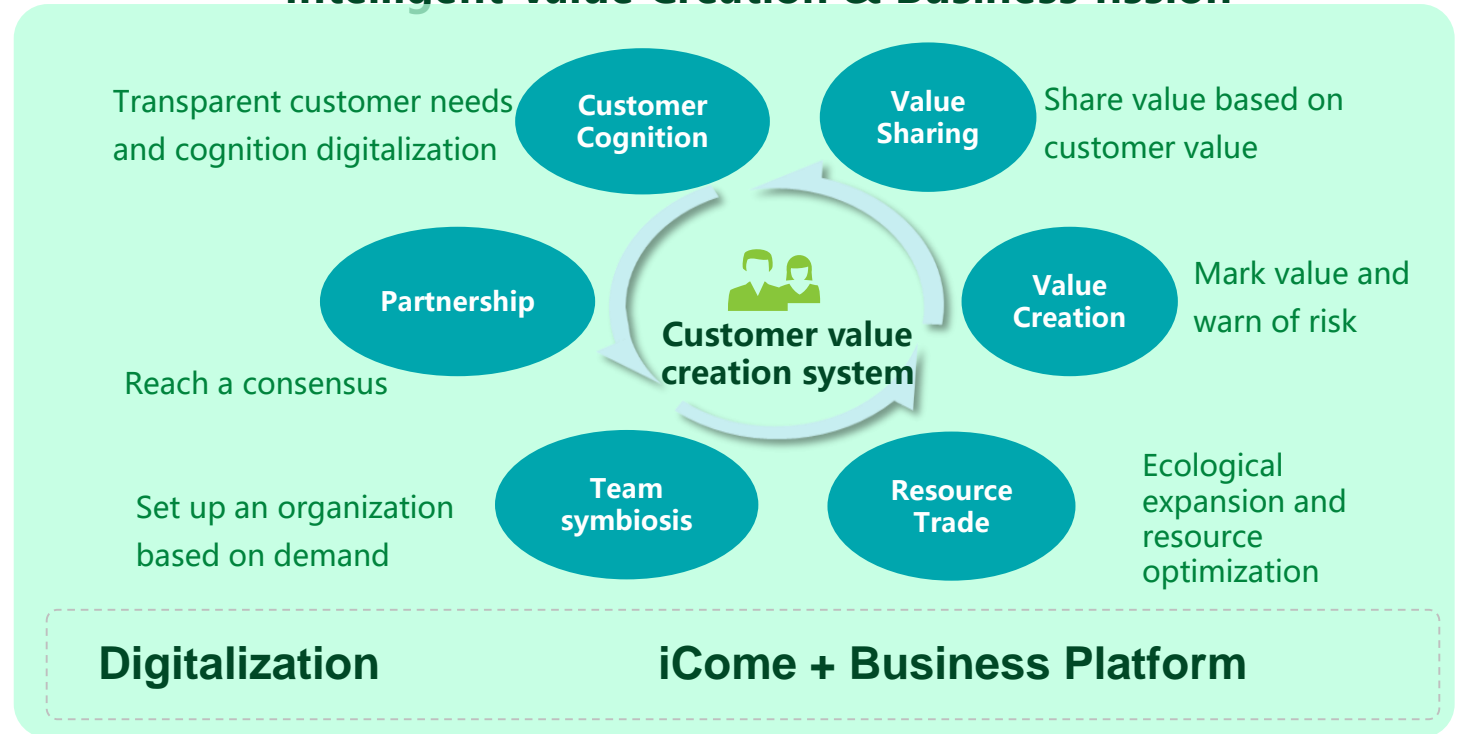
Business Scenarios Incorporation, Ecological Convergence, Intelligent Value Creation & Business fission

Mission

Customer first

Help employees achieve goals

Construct a borderless ecosystem



Internal: Establish a borderless internal organizational ecosystem with free flow of different skillsets, talents and resources

External: Relying on the platform, government, customers and partners to be integrated to form an interdependent and symbiotic business ecology

Outlook

**Natural Gas
Business**

Extension

Development

Upgrading

Innovation

**Synergize & Leaping
Development**



Customer

**Integrated
Energy Business**

New Area

New Form

New Model

**Customer-Oriented
Technology-Leading
Ecological-Extension**

Releases the business vitality, technology competitiveness and ecological cohesion, driving the rapid growth of business scale, structure optimization, continuous improvement of quality and business model of the energy sharing economy, stepping towards to the leading integrated energy service provider

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ENN - One of the First Privately Owned Clean Energy Distributors in China

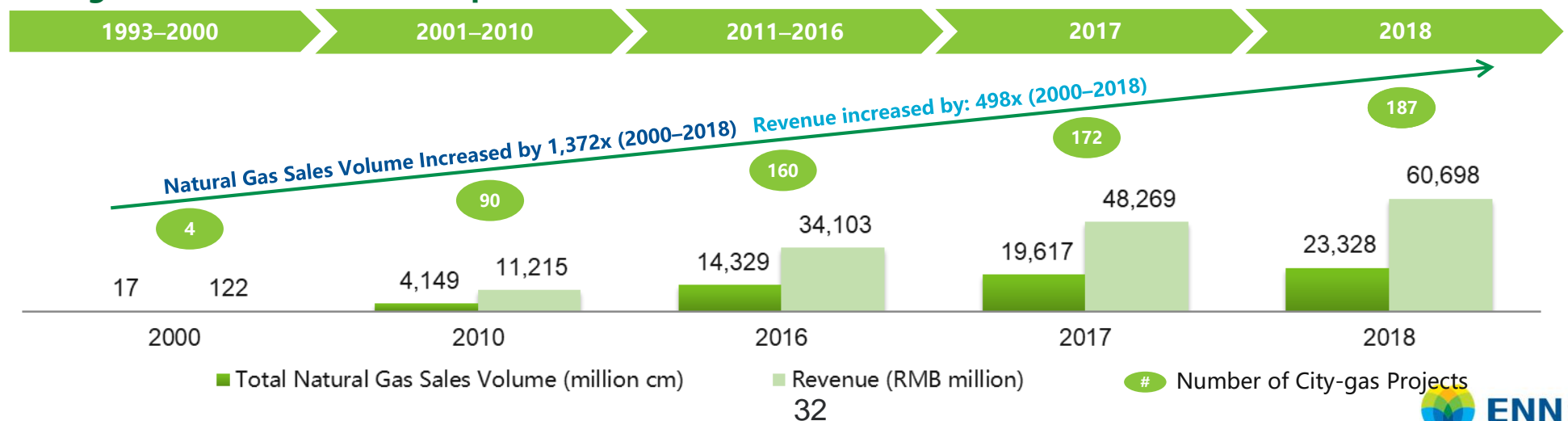
Company Overview

- Established in 1993, ENN is one of the leading privately owned clean energy distributors in the PRC
- ENN's principal business includes sale and distribution of piped gas, investment in, and the operation and management of gas pipeline infrastructure, vehicle/ship gas refuelling stations, Pan-energy stations, sales and wholesale of piped gas, as well as sales of LNG and multiple energy forms. It also develops integrated energy business and wholesale of gas business as, while providing other energy-related services
- ENN was listed on the GEM in 2001 and transferred to the Main Board of HKEX (stock code: 2688) in 2002

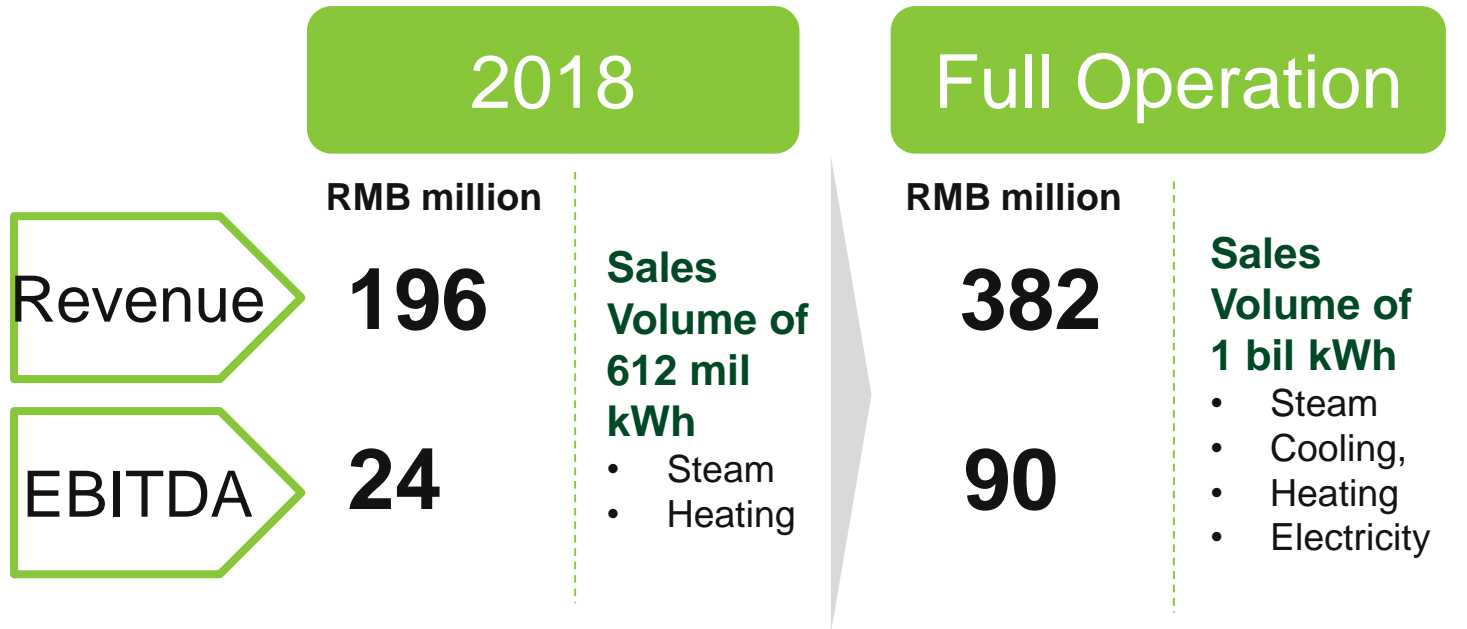
Key Business Segments

Sales of Piped Gas	Gas Connection	Energy Trading	Integrated Energy Business	Vehicle Gas Refuelling Stations
				
<ul style="list-style-type: none"> • Sell piped gas to residential households and commercial/industrial (C/I) customers 	<ul style="list-style-type: none"> • Collect construction and installation fees via connecting gas pipelines to residential households and C/I customers 	<ul style="list-style-type: none"> • Conduct natural gas wholesale business to fully utilize its advanced dispatch system, logistics fleet and upstream resources 	<ul style="list-style-type: none"> • Customise integrated energy solutions for users to enhance energy efficiency and lower energy costs 	<ul style="list-style-type: none"> • Construct and operate vehicle gas refuelling stations (LNG / CNG) and sell natural gas to vehicle users

Strong and Sustainable Development

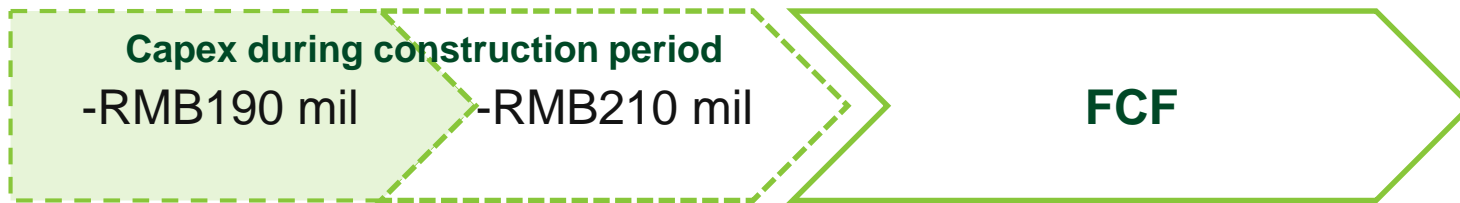


Integrated Energy Project Highlight – Yuhang Project

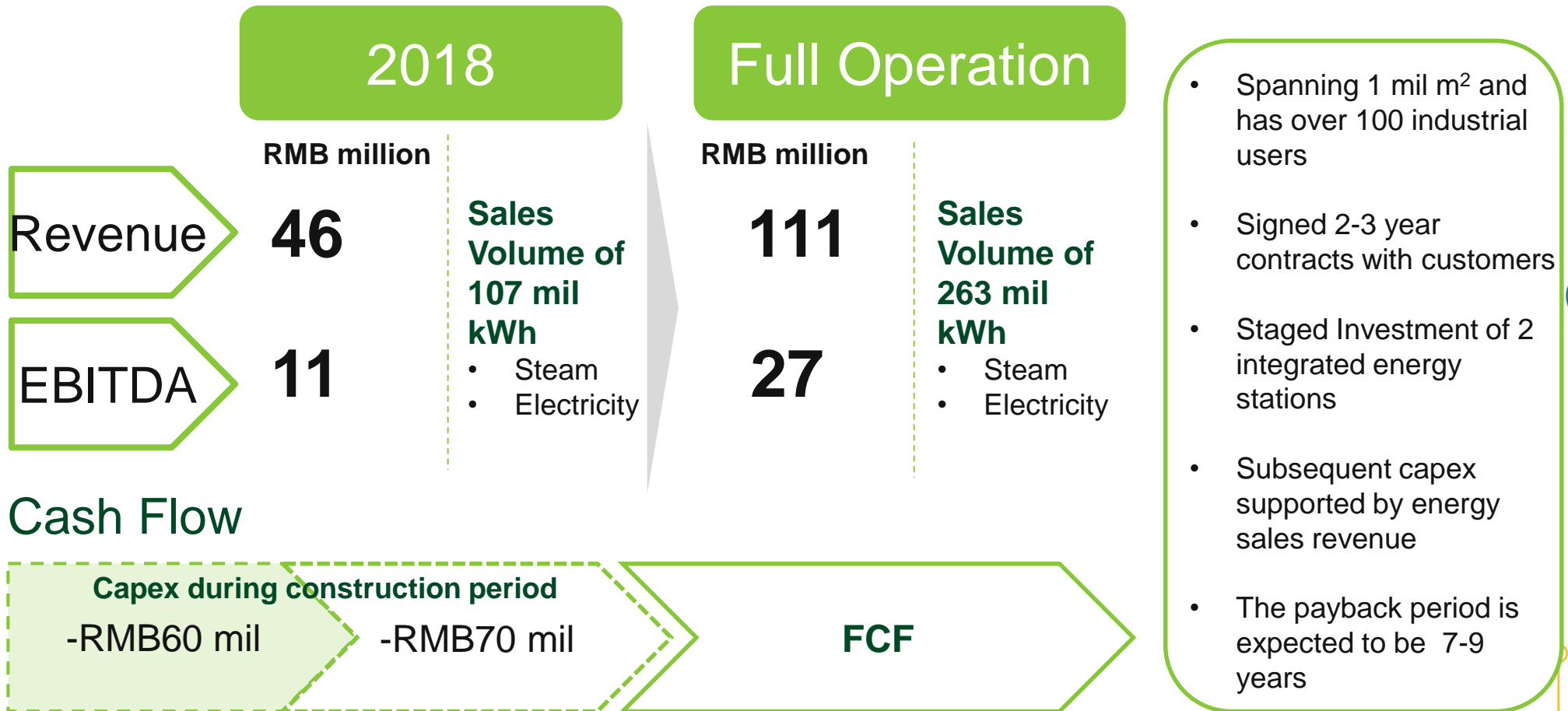


- National-level industrial park spanning over 77 km² and has over 200 industrial users
- Signed 3-5 year contracts with customers
- Staged Investment of 6 integrated energy stations
- Subsequent capex supported by energy sales revenue
- The payback period is expected to be 6-8 years

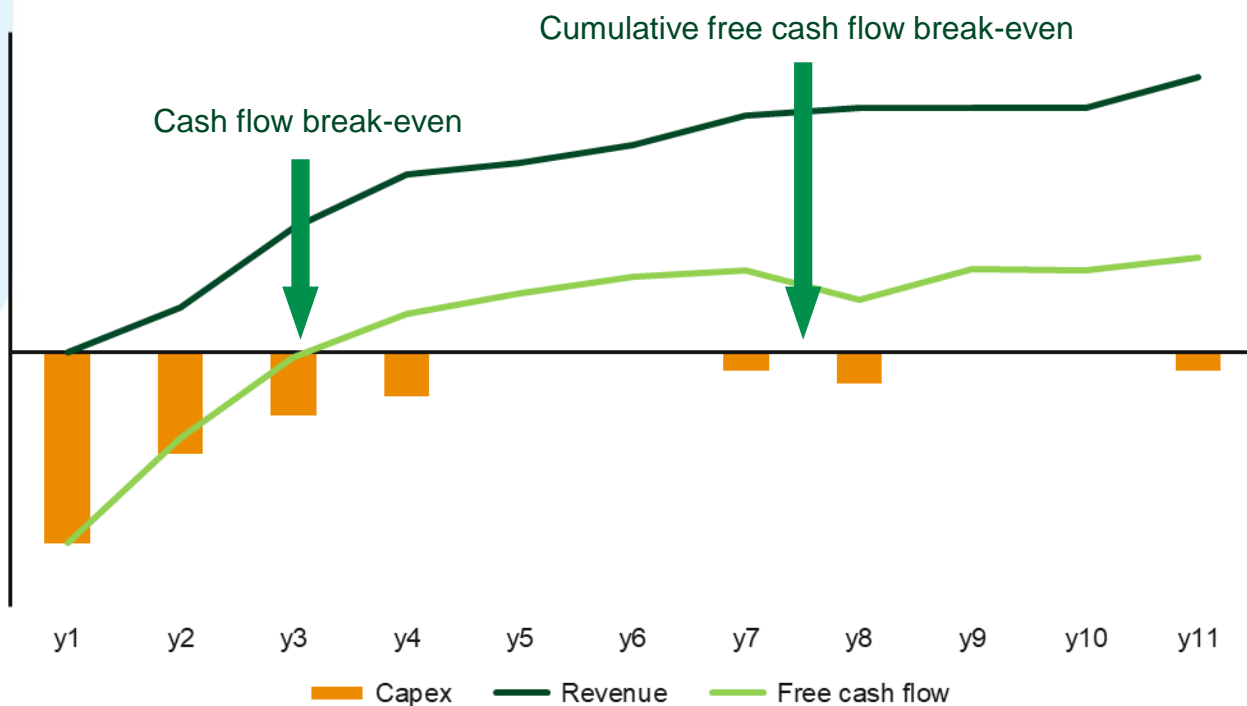
Cash Flow



Integrated Energy Project Highlight – Guangdong Haofeng Project



Typical Industrial Park Project - Cash Flow Projection



1. Stable & Recurring Income

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

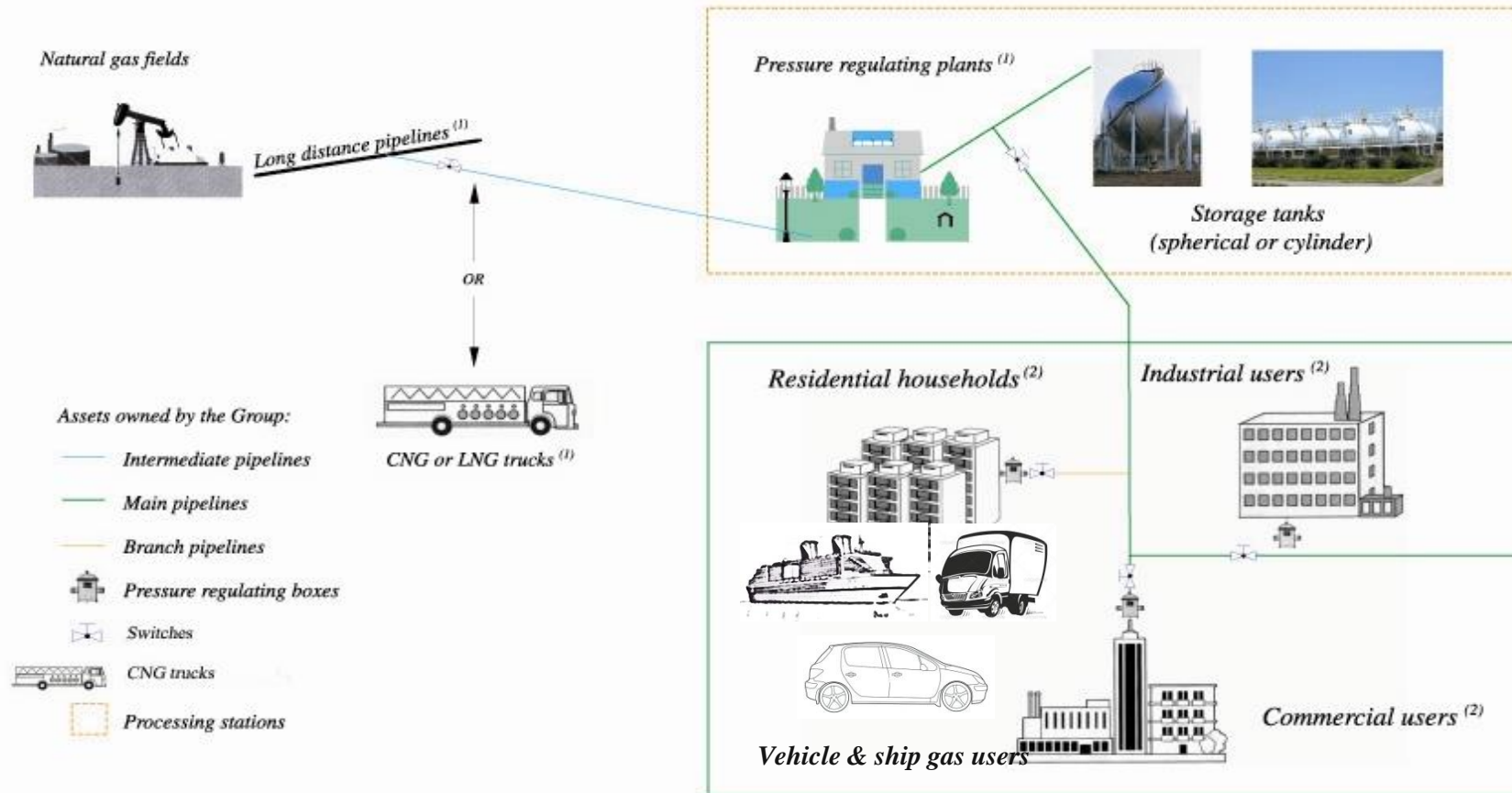
2. Rapid Cash Flow Generation

- 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 passthrough mechanism with customers
- Market-oriented business model with low regulatory risk

Gas Delivery Process



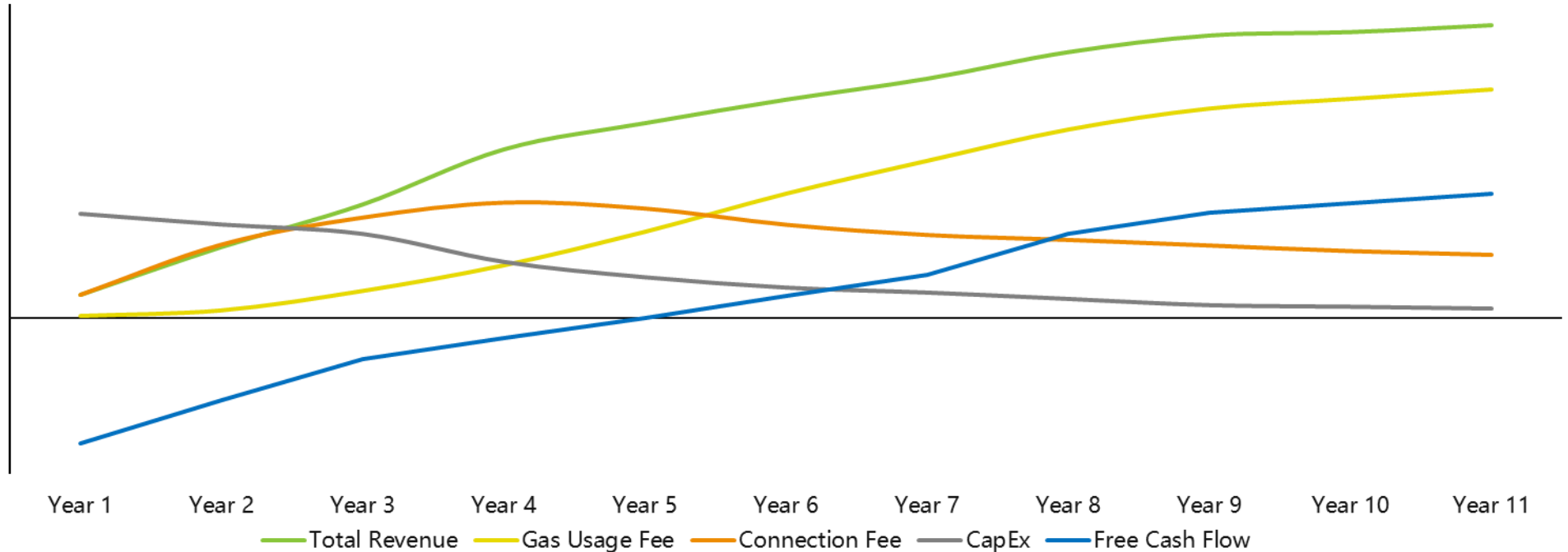
Notes:

(1) Gas delivery using either intermediate pipelines or CNG or LNG trucks.

(2) Customers' pipelines and metres which are not owned by the Group are within the customers' premises and are not highlighted in this diagram.

Simplified Model for a Typical City-gas Project

Revenue/Cost



- 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

Latest Benchmark City-gate Price

Province	From 1 September 2017	From 25 May 2018	Province	From 1 September 2017	From 25 May 2018
Unit: RMB/m ³ (Incl. VAT)			Henan	1.91	1.89
Beijing	1.90	1.88	Hubei	1.86	1.84
Tianjin	1.90	1.88	Hunan	1.86	1.84
Hebei	1.88	1.86	Guangdong	2.08	2.06
Shanxi	1.81	1.79	Guangxi	1.91	1.89
Inner Mongolia	1.24	1.23	Hainan	1.54	1.53
Liaoning	1.88	1.86	Chongqing	1.54	1.53
Jilin	1.66	1.65	Sichuan	1.55	1.54
Heilongjiang	1.66	1.65	Guizhou	1.61	1.60
Shanghai	2.08	2.06	Yunnan	1.61	1.60
Jiangsu	2.06	2.04	Shaanxi	1.24	1.23
Zhejiang	2.07	2.05(+0.12*)	Gansu	1.33	1.32
Anhui	1.99	1.97	Ningxia	1.41	1.40
Jiangxi	1.86	1.84	Qinghai	1.17	1.16
Shandong	1.88	1.86	Xinjiang	1.05	1.04

Source: NDRC

* Provincial Pipeline Tariff

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