A JOURNEY OF TRANSFORMATION

Annual Report 2017

ADNOC Distribution

Vision

To be the leading world-class fuels and convenience retailer.

Mission

To deliver first-class service, choice and convenience to our customers with a commercially-minded and performance-driven approach.

Financial Review 17

Boosting profitability while driving efficiency

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Instilling a culture of operational discipline

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Well-positioned to drive ongoing transformation

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ADNOC Distribution is the leading operator of retail fuel service stations in the United Arab Emirates (UAE) with an approximate 67 percent market share by number of service stations at 31 December 2017. The Company is the number one retail fuel brand and has the largest market share in the wholesale segment in the UAE.

Our 359 retail fuel service stations are located in the emirates of Abu Dhabi and Sharjah, in each of which we currently are the sole fuel retailer, and in the emirates of Ajman, Fujairah, Ras Al Khaimah and Umm Al Quwain. We also operate 235 ADNOC Oasis convenience stores, making us the largest retailer in the UAE by number of stores.

In addition, we lease space to tenants, including international brands such as McDonald's, Starbucks and KFC, at most of our service stations, operate the only government-authorized vehicle inspection centers in Abu Dhabi, and provide other services, such as car washes and lube and tire change services, at many of our locations.

We are also the leading marketer and distributor of fuels to commercial, industrial and government customers throughout the UAE, with a particularly strong position in Abu Dhabi, and provide refueling and related services at Abu Dhabi International Airport and six other commercial airports in the UAE.

Following our successful initial public offering in December 2017, our shares are listed on the Abu Dhabi Securities Exchange (ADX) trading under the symbol ADNOCDIST.

Late Sheikh Zayed Bin Sultan Al Nahyan

Founder of the United Arab Emirates

His Highness Sheikh Khalifa Bin Zayed Al Nahyan

President of the United Arab Emirates

His Highness Sheikh Mohamed Bin Zayed Al Nahyan

Crown Prince of Abu Dhabi
Deputy Supreme Commander of the UAE Armed Forces

Our IPO in December 2017 was the largest in Abu Dhabi in 10 years.

ADNOC Distribution had a successful year, with an enhanced level of profitability and continued healthy margins. We opened 24 new service stations across the UAE in 2017, including 10 new ADNOC Xpress stations. Our market share in the UAE is approximately 67 percent, with 359 service stations.

Revenue* (AED million)

2016	17,670.1
2017	**19,756.3**

↗ 11.8%

Gross profit* (AED million)

2016	4,226.5
2017	**4,426.1**

↗ 4.7%

EBITDA* (AED million)

2016	2,125.5
2017	**2,281.0**

↗ 7.3%

Profit for the year (AED)

1,804.2m

Proposed dividend (AED)

735.0m

Net cash generated from operating activities (AED)

3,381.5m

Earnings per share

0.144AED

Proposed dividend per share

0.0588AED

Return on equity

63.4%

Fuel volumes
Total fuel sold in 2017 amounted to 9.98 billion liters, 2.2 percent higher than 2016 excluding the impact of the Emarat Dubai transaction*.

Retail transactions
Fuel transactions rose by 7.5 percent to 164.8 million, while non-fuel transactions rose by 2.0 percent to 47.8 million.

SMART technology
We rolled-out our new SMART system, enabling automatic and seamless fuel payment at more than 200 stations.

Rental properties
Occupancy increased by 2.8 percent during the year. Leasing activity has risen by 25 percent since 2012.

Voyager engine oils
Now exported to 19 countries following the signing of agreements in Yemen and Ethiopia during 2017.

Vehicle inspections
653,000 vehicles were tested at our 21 inspection centers (fresh tests).

Aircraft refueling
Our fleet of 75 aircraft-refueling vehicles carried out close to 108,000 fueling operations at seven UAE airports.

HSE
ADNOC Distribution has maintained its commitment to world-class health, safety and environmental standards.

100% HSE

* Refer to page 21: Key Factors Affecting the Results and Comparability of 2017 Operations

Transforming our business to create value

Following the IPO, we now benchmark our performance at every level of the organization against our global peers and hold ourselves to the highest international standards of transparency and corporate governance.

I am pleased to present ADNOC Distribution's first annual report as a publicly listed company, following a year marked by strong financial and operational performance, the strengthening of our management team and our landmark Initial Public Offering (IPO), which was significantly oversubscribed with strong interest from international investors.

In 2017, we were able to continue our growth while also embarking on an important business transformation. This would not have been possible without the support and guidance of our nation's leadership, the backing of our majority shareholder, the dedication of our employees and, of course, the loyalty of our customers.

Following the IPO, we now benchmark our performance at every level of the organization against our global peers and hold ourselves to the highest international standards of transparency and corporate governance. These are good disciplines to follow.

The year ahead brings new opportunities, including realizing our goals for expansion, implementing important initiatives that will deliver greater choice and convenience to our customers, and continuing to improve our operational efficiency. By maintaining a relentless focus on performance, I am confident that ADNOC Distribution can continue to grow and prosper.

Following a year of unprecedented transformation, I join my Board colleagues and senior management in thanking the Abu Dhabi Securities Exchange, our customers and our employees for their dedication in taking the Company through the IPO process so seamlessly, and for successfully launching the next phase in our Company's evolution.

As a key entity of one of the world's largest energy producers, we will pursue our goal of becoming an operation that attracts international recognition for the quality of its management, its operational excellence, and its financial strength.

We look forward to continued collaboration with our local and international investors, our suppliers and our customers, as we strive to deliver world-class operations and a market-leading fuel and non-fuel business.

H.E. Dr Sultan Ahmed Al Jaber
Chairman

A retail destination beyond fuel

Our success and positive momentum in 2017 means ADNOC Distribution is well positioned to continue our transformation as a company.

The year 2017 will surely be remembered as one of the most momentous periods in the Company's 45-year history. The transformation of ADNOC Distribution following its successful listing on the Abu Dhabi Securities Exchange brings new and exciting opportunities and challenges.

As we address the responsibilities of public ownership, we must be agile enough to meet the new standards of transparency, disclosure and corporate governance that are now demanded of the Company. Our corporate culture will need to change, but I am confident that we will meet the challenge.

While our IPO was a major milestone that demanded considerable time and resources, there were many other notable and successful initiatives in 2017.

The opening of 24 new service stations, the extension of our Voyager lubricants into new markets, and our brand unification with ADNOC Group showed our ability to overcome logistical challenges, and to deliver major projects within budget, on time and – crucially – without compromising our 100% commitment to health, safety and the environment.

All of those initiatives have set us up for future success. Our twin businesses of fuel and non-fuel retail give us ample scope to expand commercially and geographically.

With plans to grow market share through strategic expansion into Dubai and Saudi Arabia already well advanced, our core UAE market is a testing ground for a number of new initiatives to deliver an enhanced customer experience and grow profitability.

We are also committed to generating new revenue streams. We are assessing every area of our business to ensure that each part contributes to the commercial and financial success of our company.

The ADNOC Distribution proposition is a powerful one for customers, investors and other stakeholders. Our market leadership position, our comprehensive fuel distribution infrastructure, a respected and popular brand, and the support of ADNOC have laid the foundations for our new management team to achieve ambitious objectives and maintain our upward trajectory.

Our strategic initiatives for 2018 have been clearly identified. We are focused on introducing new fuel services and optimizing our convenience store platform to improve the customer experience and embed greater cost efficiency across the business.

I am confident we have the momentum, expertise and support to deliver on our strategy in 2018.

Eng. Saeed Mubarak Al Rashdi
Acting Chief Executive Officer

Our successful 2017 has laid the groundwork for ADNOC Distribution to further transform as a company and, with it, the level of choice, service and convenience which customers receive. People visiting our network of service stations and convenience stores need to enjoy the experience and be delighted by our offer. This will ultimately contribute to a further improvement in our financial performance.

As successful as 2017 was, we cannot afford to stand still. We have a clear vision of where we want to take ADNOC Distribution for the Company to become a world-class operation.

This vision is distilled into a five-part strategy – covering fuel and non-fuel business, customer experience, cost optimization, international expansion, and leveraging relationships – that will drive us to become the best and most trusted fuel and convenience retailer in the GCC region.

As ADNOC Distribution's new Deputy CEO, I have worked with colleagues to agree firm targets that aim to improve performance, margins and cost efficiency to maximize value for shareholders. This has occurred without compromising our customers' experience, our 100% commitment to HSE or the value of our brand.

With our favorable operating profile, these goals are within reach. We want to take the act of refueling a vehicle to a different level, offering customers more choice than they've ever had before.

We want to offer convenience store customers a better experience overall by improving category management, offering more fresh food and making our supply chain more efficient. In the future, our offering is likely to be delivered alongside world-class retail brands. Across retail fuel and non-fuel, we need to encourage customers to stay longer and spend more.

Our LPG and lubricants businesses are in good health, but can be improved further. We are now piloting a scheme to deliver LPG to customers' homes, through a new digital platform, and we see great potential for lubricants by leveraging ADNOC's brand strengths.

Delivering on this strategy will take time, but I am confident it will also earn us a reputation for being operationally efficient, well-managed, a good employer, a responsible contributor to our communities, and a strong investment for our shareholders.

John Carey
Deputy Chief Executive Officer

Quality and excellence through the decades

1970's

1973

During the rule of Sheikh Zayed, Abu Dhabi National Oil Company (ADNOC) for Distribution is established by royal decree as the first UAE government-owned company specializing in the marketing and distribution of petroleum products. On June 1, 1973, "A reception was given under the auspices of Sheikh Zayed Bin Sultan celebrating the handing over of distribution functions to the Abu Dhabi National Oil Company by the foreign companies that were in charge of distribution operations."

1975

A report from the Commercial Department of the British Embassy provides a glimpse of the early days of ADNOC Distribution. "This company," the note says, "now operates its own fleet of road tankers, it has now a floating tank farm moored offshore, [and] 2 Rhine barges for carrying distillate from the tank to shore. It is shortly to commence building its own distribution center."

1976

The Company begins selling Liquid Petroleum Gas (LPG) canisters for domestic consumption.

1979

ADNOC Distribution opens a lubricants blending and packaging plant at Sas Al Nakhl in Abu Dhabi.

1980's

1982

The Company begins refueling aircraft at Abu Dhabi International Airport.

1983

The Company commissions a grease production unit at the Sas Al Nakhl lubricant plant. The unit, only the second of its kind in the world, manufactures high-quality greases.

1984

The number of filling stations in remote areas increases as part of a plan to expand the Company's network to cover the whole of Abu Dhabi Emirate. Special attention is given to introducing modern technology, and new services are added at some filling stations, including the sale and repair of tires.

1990's

1993

ADNOC Distribution becomes an American Petroleum Institute (API) member and receives its first API lubricants certification.

1998

ADNOC Distribution rebrands and introduces a total retail offering (fuel and non-fuel).

The Company obtains International Organization for Standardization (ISO) 9002 certification from the British Standards Institute. This is followed by ISO 9001-2008 accreditation in 2003.

1999

The Company's aviation division receives the MTMC (US Military Transport Management Command) Quality Award for Excellent Services.

2000's

2000
The Company begins operating its Vehicle Inspection Centers, in coordination with the Abu Dhabi Police.

2006
ADNOC Distribution service stations begin offering a third grade of gasoline, E-plus (Octane 91) for low-compression engines, to complement Super (98) for high-compression and Special (95) for medium-compression.

2008
The Company begins construction of Compressed Natural Gas (CNG) distribution facilities at service stations, used by Natural Gas Vehicles (NGVs).

2009
ADNOC Distribution and other ADNOC group companies sign the ADNOC Sustainability Charter.

2010's

2011
ADNOC Distribution becomes a member and strategic partner of the International Air Transport Association, and an associate member of the Joint Inspection Group (JIG), which governs standards for the operation of shared fuel storage and handling facilities at the world's major airports.

2013
The Company agrees to acquire 75 service stations from Emarat in the five Northern Emirates of Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain and Fujairah.

2014
ADNOC Distribution agrees to take over 25 service stations in Sharjah from Emirates National Oil Company (ENOC).

2015
Pilot phase of ADNOC SMART project begins. SMART service stations are fitted with RFID (radio-frequency identification) readers, allowing customers to manage their ADNOC wallet accounts online and pay with tokens.

ADNOC Distribution launches its Facebook and Twitter pages in Arabic and English.

2016
ADNOC Distribution launches its Instagram and YouTube channels.

ADNOC Distribution marks the opening of the 200th ADNOC Oasis convenience store.

2017
The ADNOC Xpress format is launched. Xpress stations are one-island outlets offering additional fueling capacity in busy urban areas.

The Company completes its successful initial public offering, listing its shares on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST.

We have adopted a five-pronged strategy which has at its core the goal of increasing our profitability by consolidating our market leader status in the UAE, enhancing our product offerings, and expanding our geographic reach.

1

Leveraging our position as the leading fuel retailer in the UAE

We are uniquely positioned to introduce services to our extensive customer base that will boost both customer satisfaction and loyalty, while driving incremental fuel sale revenue and profitability.

The use of advanced technology is a key success factor to leveraging our position. As an example, our customized SMART technology is already allowing pump activation and seamless payment processing without a fuel attendant's involvement, and gives us the opportunity to reduce operational complexity handling payments as well as convert our retail fuel service stations to our 'ADNOC' Flex mixed-mode model that offers customers the option either of self-service refueling, which is not currently offered in our markets, or premium full-service refueling for a fair service fee.

We are also developing a proprietary customer loyalty program and new digital services that offer our customers increased convenience. We plan to roll out an app-based service that allows customers to use their smartphones to order, schedule and digitally pay for fuel to be delivered directly to their vehicles in urban and suburban coverage areas, as well as for LPG cylinders used for home cooking to be delivered to their homes.

2

Rationalizing our operations and capital expenditure

Significant opportunities exist to rationalize our operations in order to reduce supply costs, operating expenses and capital expenditure to bring them into line with other international fuel and convenience store retailers. Beyond 2018, we are reducing per-site capital expenditure for new service stations by as much as 40 percent through a rigorous approach to value engineering.

In 2017, we entered into new supply agreements with ADNOC to govern our gasoline, diesel and LPG supply prices. Extensive analysis of our service station and convenience store operations has highlighted ways to rationalize staffing levels and to reduce other operating expenses, without sacrificing the customer experience. For example, we have identified service stations and convenience stores where current levels of operations, or the levels of operations at certain hours, do not justify current staffing levels.

We also intend to staff new retail fuel and convenience store locations primarily by redeploying existing employees, rather than through additional hiring.

3

Optimizing our convenience store operations and other non-fuel offerings

Our 235 ADNOC Oasis convenience stores give us the largest retail platform in the UAE by number of stores, with more locations than any other retailer. Initiatives designed to capitalize on this market-leading position will bring our convenience store sales and profitability levels more in line with our regional competitors and with international industry norms.

We are in advanced discussions with branded convenience store operators about supporting the operation of our convenience stores, while a series of pricing initiatives and strategic outsourcing will further help us meet our revenue and profitability objectives.

4

Harnessing the power of the ADNOC brand and our highly developed infrastructure

The ADNOC brand name is synonymous with quality and reliability throughout the UAE and the Gulf region. By harnessing our brand's strength, we can continue our expansion in existing markets and into new geographies, including Dubai and the Kingdom of Saudi Arabia.

In our existing markets, factors contributing to growth include a growing population, rising GDP and disposable income, rising large commercial and industrial projects and more passenger and heavy vehicle fleets on the road.

We will open our first three service stations in Dubai in 2018 and add additional locations there in the future. The Saudi Arabian retail fuel market offers attractive expansion opportunities. We intend to enter the market with a minimal risk franchising model to open our first ADNOC-branded service station in 2018. The franchise model facilitates adapting then later expanding into the Kingdom, so that we can assess the dynamics of the market while limiting short-term capital expenditure and market-entry risks.

5

Nurturing our long-standing relationships

Our corporate customers rely on us for the quality and reliability of our products and services.
We intend to capitalize on the strength of these relationships, and on our reputation for quality, to drive incremental revenue, including by reclaiming sales lost to unauthorized 'grey market' operators following the recent adoption of new fuel distribution regulations that prohibit fuel sales by unauthorized distributors in the UAE.

Trading of ADNOC Distribution shares on the Abu Dhabi Stock Exchange (ADX) began on 13 December 2017 under the symbol ADNOCDIST. They were introduced at AED 2.50 per share, and closed the year at AED 2.65. The Company's market capitalization as at 31 December, 2017 was AED 33.1 billion.

The Company's paid-up share capital is AED 1 billion, divided into 12.5 billion shares, each with a nominal value of AED 0.08 per share.

As at 31 December 2017, our parent company, ADNOC, owned 90.0 percent of the outstanding shares, UAE and other GCC institutions owned 5.4 percent of the outstanding shares, international investors owned 3.0 percent of the outstanding shares, and individual retail shareholders owned 1.6 percent of the outstanding shares.

The number of individual shareholders was in excess of 11,000 as at 31 December 2017.

How to Buy Shares

Any investor with an up-to-date investor number (NIN) registered through the ADX can place orders to buy and sell shares through brokerage companies licensed and registered in the market.

Trading on the ADX is only allowed through authorized brokers. You may contact your broker or visit www.adx.ae (FAQs) for a complete list of brokerage companies. You can also call ADX customer services on 800239 for more information.

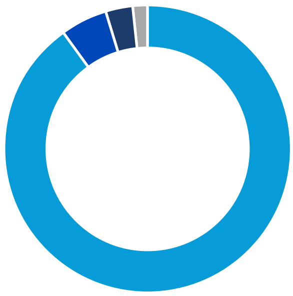
Dividend Policy

Consistent with the dividend policy we announced at the time of the IPO, ADNOC Distribution's Board of Directors will recommend that our shareholders approve payment of a special dividend in an aggregate amount of AED 735.0 million. This recommendation will be presented to shareholders at our Annual General Meeting to be held on April 8, 2018 and, if approved, will be paid shortly thereafter.

In making recommendations to our shareholders regarding the payment of dividends, our Board of Directors considers the cash management requirements of our business for operating expenses, interest expense, and anticipated capital expenditures.

In addition, the Board considers market conditions, the operating environment in our markets, and the Board's outlook for our business. Any level or payment of dividends will depend on, among other things, future profits and the Company's business plan, at the discretion of the Board and subject to approval by our shareholders at the General Assembly.

Share ownership structure



ADNOC Group	90.0%
UAE and other GCC institutions	5.4%
International investors	3.0%
Individual retail shareholders	1.6%

ADNOC Distribution

2017	Initial listing 13/12/2017	Last trading day 2017	% change	Daily volume (number of shares) Average (12 days trading)	High 13/12/2017	Low 24/12/2017
Share price (AED)	2.50	2.65	6.0%	10,099,871	45,577,156	1,312,643
ADX General Index	4,384.36	4,398.44	0.3%			
Number of shares outstanding (bn)	12.5	12.5				
Market capitalization (AED bn)	31.3	33.1				
Market capitalization (USD bn)	8.5	9.0				

Market
Abu Dhabi Securities Exchange (ADX)

Sector
Energy

Currency
AED (United Arab Emirates Dirham)

International Securities Identification Number (ISIN)
AEA006101017

ADX symbol
ADNOCDIST

Reuters Instrument Code (RIC)
ANOD.AD

Bloomberg symbol
ADNOCDIS:UH

Date listed on the stock exchange
13 December 2017

Added to ADX General Index (ADI) and Energy sector sub-index (ADEG)
20 December 2017

Registrar
Abu Dhabi Securities Exchange
CSD & Registry Services Department

Telephone: +971 2 6277 777
ADX Toll Free: 800 ADX (239)
E-mail: csd@adx.ae

Analyst coverage
- Alpha Mena
- Arqaam Capital
- Bank of America Merrill Lynch
- Citi Research
- EFG Hermes
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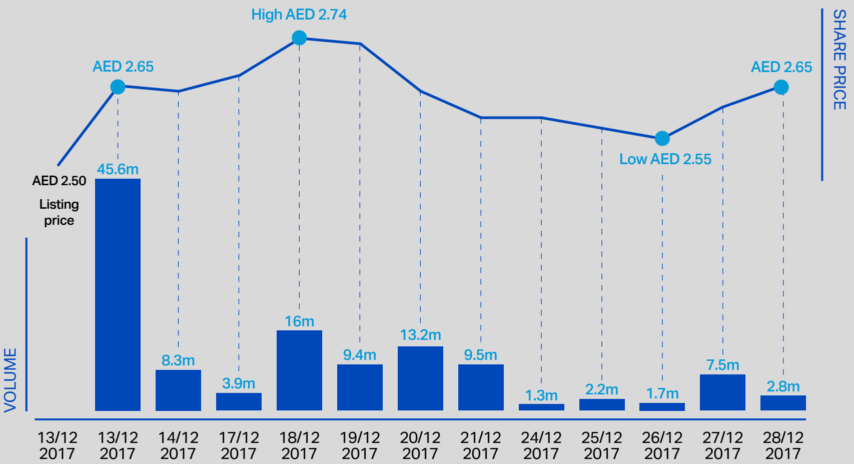
- Goldman Sachs Equity Research
- HSBC Global Research
- Morgan Stanley Research

ADNOC Distribution daily share performance

(Prices at daily close)




أدنوك
ADNOC

Financial Review

The following discussion and analysis of our financial results is based on our audited financial statements for the year ended 31 December, 2017*. The results should be read in conjunction with our audited financial statements, including the related notes.

ADNOC Distribution had a successful year, with an enhanced level of profitability and continued healthy margins.

The table opposite sets out our results of operations as presented in our audited financial statements. The results for 2016 include sales volumes and operations attributable to the non-recurring Emarat Dubai transaction*.

Volume

Total fuel sales volume for 2017 was 9,981.8 million liters, a decrease of 3.4 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, volume for the year would have increased by 2.2 percent compared to the previous year. This was attributable to increased volumes of diesel sold by our Corporate segment and increased volumes of gasoline sold by our Retail segment.

Revenue

Revenue for 2017 was AED 19,756.3 million, an increase of 11.8 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, revenue for 2017 would have increased by 17.2 percent compared to the previous year. This increase in revenue was mainly due to the increase in oil prices in 2017 compared to 2016, in addition to the 2.2 percent increase in volume.

Gross Profit

Gross profit for 2017 was AED 4,426.1 million, an increase of 4.7 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, gross profit for 2017 would have been 7.7 percent higher than in 2016 due to lower cost of goods sold resulting from the new Refined Products Supply Agreement with ADNOC, in addition to the positive impact on our inventory resulting from increasing oil prices.

Distribution and Administrative Expenses

Distribution and administrative expenses for 2017 were AED 2,723.3 million, an increase of 6.8 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, distribution and administrative expenses for 2017 would have increased by 8.6 percent compared to the previous year. The increase was mainly due to the impact of the operation of the civil aviation business effective 1 October 2017 resulting from the Civil Aviation Supply Carve-out, higher depreciation resulting from the ADNOC Refining Perimeter Reorganization, payment of 2016 staff performance bonuses and non-recurring provision for rebranding costs.

EBITDA and Profit for the Year

EBITDA for 2017 was AED 2,281.0 million, an increase of 7.3 percent over 2016. Excluding the impact of the Emarat Dubai transaction, EBITDA for 2017 would have increased by 9.8 percent compared to the previous year. This increase was mainly due to higher margins from fuel products and new business arrangements in respect of civil aviation and LPG that took effect in the fourth quarter of 2017, in addition to higher fuel sales volumes in 2017.

Profit for the year in 2017 was AED 1,804.2 million, an increase of 1.3 percent over 2016. Excluding the impact of the Emarat Dubai transaction, profit for the year would have increased by 4.1 percent over the prior year. Profit for the year increased at a lower rate than EBITDA in 2017 due to higher depreciation and finance costs as a result of arrangements put in place in connection with our initial public offering.

Capital Expenditure

Capital expenditure (capex) primarily consists of the following: capex related to the development and construction of new service stations and fuel terminal projects and capitalized maintenance costs related to our properties; the purchase of machinery and equipment; and other capex related to our properties including structural upgrades, technology infrastructure upgrades and other improvements

In 2017, the Company's capital expenditure amounted to AED 1,457.7 million, 17.8 percent higher than 2016. Excluding capex related to the ADNOC Refining Perimeter Reorganization, total capex was AED 761.5 million, 39 percent lower than the previous year.

* Refer to page 21: Key Factors Affecting the Results and Comparability of 2017 Operations

Key Financials*

(AED million, unless otherwise noted)	Note	As at and for year ended 31 December 2017	2016	Variation
Revenue		**19,756.3**	17,670.1	11.8%
Gross profit		**4,426.1**	4,226.5	4.7%
EBITDA		**2,281.0**	2,125.5	7.3%
Operating profit		**1,820.3**	1,778.5	2.4%
Profit for the year		**1,804.2**	1,781.0	1.3%
Earnings per share (AED/share)		**0.144**	0.142	1.4%
Capital expenditure		**1,457.7**	1,237.9	17.8%
Net cash generated from operating activities		**3,381.5**	4,047.0	-16.4%
Total equity		**2,847.9**	9,482.8	-70.0%
Interest-bearing net debt	1	**2,693.7**	–	–
Capital employed		**8,551.0**	9,719.7	-12.0%
Return on capital employed (%)		**21.3%**	18.3%	16.3%
Return on equity (%)		**63.4%**	18.8%	237.3%
Net debt to EBITDA ratio	1	**1.18**	–	–
Leverage ratio – net debt to net debt + equity (%)	1	**48.6%**	–	–

Note 1: Net debt represents total debt less cash and cash equivalents. For purposes of calculating net debt and the related ratios, cash and cash equivalents as at 31 December 2017 include a term deposit of AED 130 million.

Revenue* (AED)

19.76bn

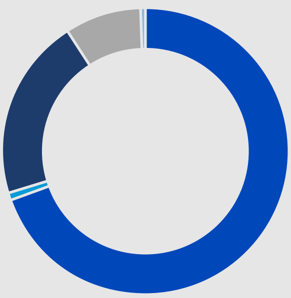
Gross profit* (AED)

4.43bn

EBITDA* (AED)

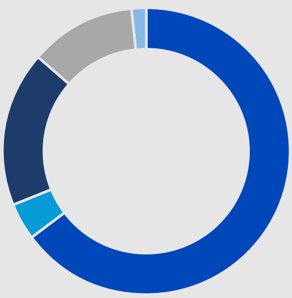
2.28bn

Revenue breakdown



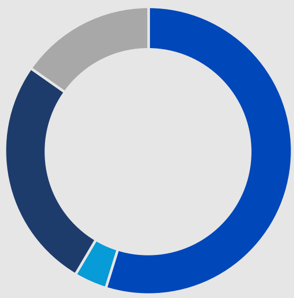
Retail (fuel & non-fuel)	69.6%
Allied Services	0.9%
Corporate	20.5%
Aviation	8.6%
Other	0.4%

Gross profit breakdown



Retail (fuel & non-fuel)	64.8%
Allied Services	4.2%
Corporate	17.4%
Aviation	12.2%
Other	1.4%

EBITDA breakdown



Retail (fuel & non-fuel)	55.0%
Allied Services	3.7%
Corporate	26.3%
Aviation	15.3%
Other	-0.3%

Operating profit* (AED million)

2016		1,778.5
2017	+2.4%	1,820.3

1,820.3m

Profit for the period* (AED million)

2016		1,781.0
2017	+1.3%	1,804.2

1,804.2m

Earnings per share* (AED)

2016		0.142
2017	+1.4%	0.144

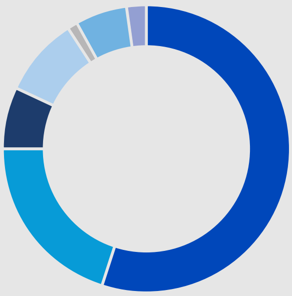
0.144AED

Capital expenditure*

761.5m

Capital expenditure breakdown

(Excluding ADNOC Refining)



AED million	
Service station projects	417.1
Industrial projects	154.5
Natural gas projects	60.2
Machinery and equipment	67.1
Distribution fleet	7.5
Technology infrastructure	46.1
Office furniture and equipment	9.0

Cash Flow and Financing

Net cash generated from operating activities totaled AED 3,381.5 million in 2017, compared to AED 4,047.0 million in 2016. The reduction in 2017 was driven by changes in net working capital.

In November 2017, in connection with our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange (ADX), we entered into a credit facility with Abu Dhabi Commercial Bank PJSC, Bank of America Merrill Lynch International Limited, Citibank, N.A., London Branch, First Abu Dhabi Bank PJSC, and HSBC Bank Middle East Limited, providing for a five-year USD 1,500.0 million unsecured term loan facility and a five-year USD 750.0 million revolving credit facility (or, in each case, the AED equivalent).

We drew down the term loan facility in full and used the net proceeds therefrom, together with available cash and bank balances, to repay a capital contribution to ADNOC in the amount of AED 6,304.4 million, and to pay an extraordinary interim dividend to ADNOC in the amount of AED 2,134.7 million.

We intend to maintain a Net Debt to EBITDA ratio of not higher than 2x. The interest-bearing Net Debt to EBITDA ratio was 1.18x and cash and cash equivalents (including a term deposit of AED 130 million) amounted to AED 5,540.2 million, in each case at 31 December 2017. Excluding restricted cash related to civil aviation operations, our Net Debt to EBITDA ratio at 31 December 2017 was 1.7x. There are no financial covenants in our credit facilities.

* Refer to page 21: Key Factors Affecting the Results and Comparability of 2017 Operations

Net cash generated from operating activities* (AED)

3.38bn

Interest-bearing net debt* (AED)

2.69bn

Return on capital employed (ROCE)

21.3%

Net debt to EBITDA ratio

1.18x

Leverage ratio
(Net debt to net debt + equity)

48.6%

Return on equity (ROE)

63.4%

Key Factors Affecting the Results and Comparability of 2017 Operations

Fuel Supply Agreements with ADNOC

We entered into a Refined Products Supply Agreement with ADNOC, effective 1 October 2017, pursuant to which we have agreed to purchase all of our refined petroleum products from ADNOC, and new pricing formulae for fuels purchased from ADNOC are being applied. The exact impact of this new pricing on our operational results will depend on the mix of fuels that we purchase and resell. For further information, please refer to Note 8 of our audited financial statements.

LPG Supply Agreement with ADNOC

We also entered into an LPG Supply Agreement with ADNOC, effective 1 October 2017, pursuant to which we have agreed to purchase all of our LPG from ADNOC. Under the LPG Supply Agreement, the price we pay ADNOC for LPG is ADNOC's official selling price, provided that, for so long as LPG cylinder prices are regulated, the price we pay ADNOC for LPG to be distributed in subsidized cylinders is equal to the regulated retail price of such LPG cylinders, minus 108 percent of our operating expenses for distributing these LPG cylinders. For further information, please refer to Note 8 of our audited financial statements.

Pre-IPO – New Capital Structure

In November 2017, in anticipation of the listing of our shares on the Abu Dhabi Securities Exchange (ADX), we entered into a five-year USD 1,500.0 million unsecured term loan facility and a five-year USD 750.0 million revolving credit facility (or, in each case, the AED equivalent). We drew down the term loan facility in full and used the net proceeds therefrom, together with available cash and bank balances, to repay a capital contribution to ADNOC in the amount of AED 6,304.4 million, and to pay an extraordinary interim dividend to ADNOC in the amount of AED 2,134.7 million.

Carve-out of our Civil Aviation Fuels Supply Business

In September 2017, we completed the Civil Aviation Supply Carve-out whereby all of our contracts for the sale and supply of jet fuel to the civil aviation sector, and related receivables and jet fuel inventories, were transferred to ADNOC. As described in Note 1 and Note 3 of our audited financial statements, our financial statements give effect for all periods presented to the Civil Aviation Supply Carve-out.

In connection with the Civil Aviation Supply Carve-out, we entered into an Aviation Services Agreement pursuant to which ADNOC compensates us on a cost-plus-8 percent basis for providing sales and marketing, and fuel distribution services and aircraft refueling operations, to ADNOC's civil aviation customers, and for operating and maintaining certain aviation fuel distribution assets transferred to a subsidiary of ADNOC.

The revenue derived from, and the operating expenses associated with, providing services under the Aviation Services Agreement have been reflected in our operating results beginning 1 October 2017. Our Aviation division continues to directly handle sales of fuels and refueling, and related services, to our strategic customers, as opposed to acting as an agent of ADNOC as is the case with civil aviation customers.

ADNOC Refining Perimeter Reorganization

On 30 September 2017, we entered into an asset purchase agreement with Abu Dhabi Oil Refining Company ('Takreer'), which operates under the name ADNOC Refining and is a wholly-owned subsidiary to ADNOC, pursuant to which we purchased certain fuel terminal and distribution assets at book value. Depreciation expense related to the transferred assets from Takreer has been reflected in our results of operations effective 1 October 2017.

Impact of Fuel Volumes and Operations in 2016 Related to Non-recurring Emarat Dubai Transaction

During the first half of 2016, we supplied fuels to 59 Emarat service stations in Dubai. Results of these sales are reflected in our Retail segment results during the first quarter of 2016, and results of these sales are reflected in our Corporate segment during the second quarter of 2016.


Extra

Business Review

Our Markets

ADNOC Distribution participates primarily in the retail transportation fuels, wholesale fuels, and forecourt (at or adjacent to service stations) convenience store markets in the UAE.

Retail Business		Commercial Business	
Retail	Allied Services	Corporate	Aviation

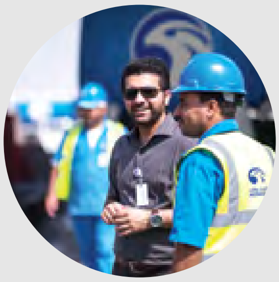
Fuel
ADNOC Distribution is the UAE's leading operator of retail fuel service stations, with an approximate 67 percent market share.

The Company is also active in the UAE retail LPG, CNG and automotive lubricant segments.

Non-Fuel
The Company's non-fuel activities comprise convenience stores located at our service stations, as well as ancillary services such as car washes and lube changes.

Rental properties
We lease more than 600 rental properties at our service stations to tenants including restaurant operators and companies offering banking services and automobile insurance.

Vehicle inspection
Our 21 Vehicle Inspection Centers are the only authorized providers of government-mandated annual vehicle inspections on behalf of the Abu Dhabi police.



Fuel
The UAE wholesale fuels market consists primarily of sales of diesel and gasoline to commercial, industrial and government customers.

Lubricants
Lubricants (engine oils and greases) are used by commercial, industrial, marine and government customers for motor vehicles as well as for other engines, machinery and equipment.

Our civil aviation customers benefit from highly-advanced facilities for refueling, defueling and other related services at seven airports in the UAE.

All contracts for the sale and supply of jet fuel were transferred to ADNOC last year. We continue to provide sales and marketing, fuel distribution services and aircraft refueling operations to civil aviation customers under this arrangement.

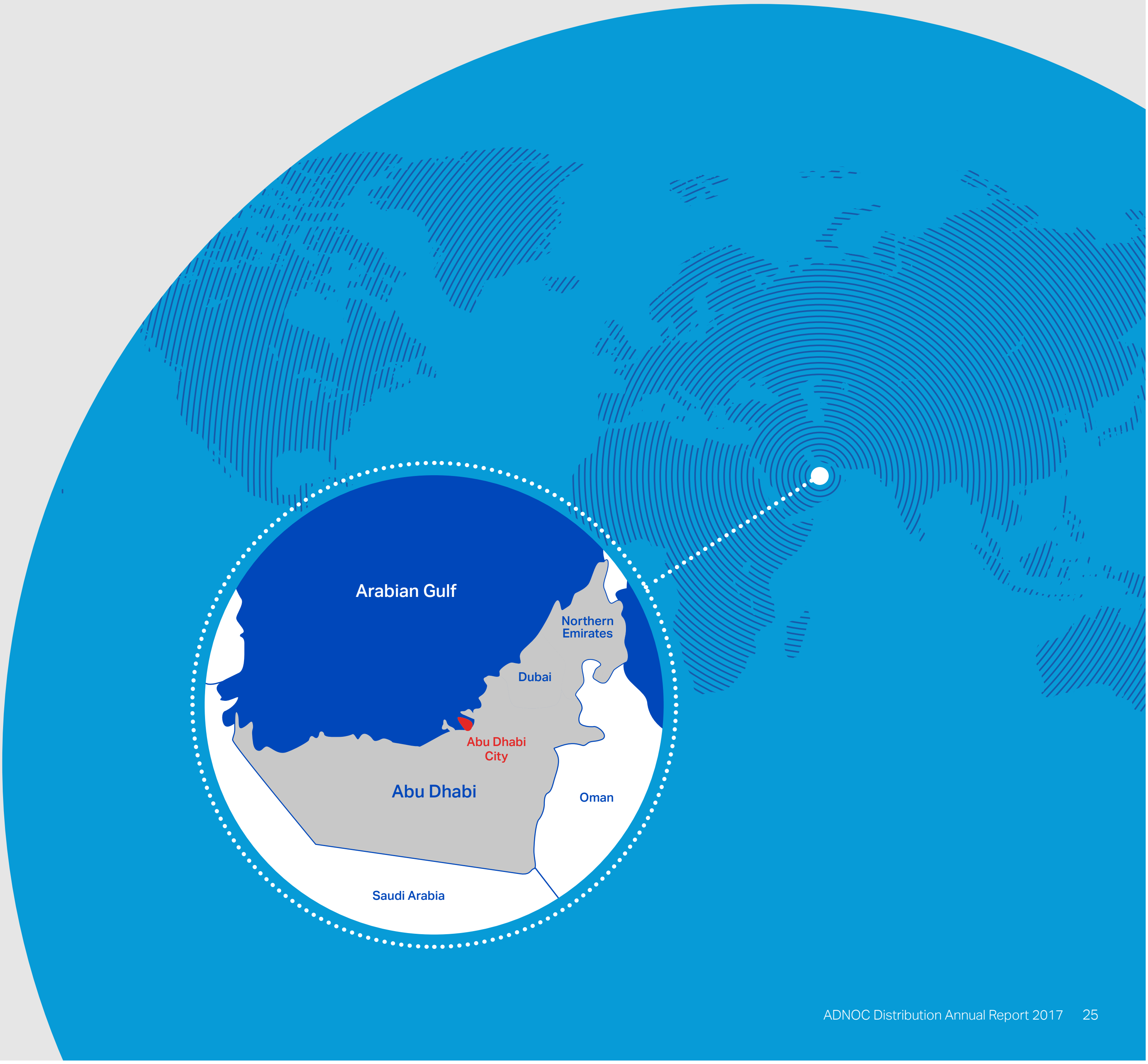
Our position in the retail fuel market of Abu Dhabi and the Northern Emirates is particularly strong. We also operate in the UAE and international lubricants market, the UAE Liquefied Petroleum Gas (LPG) market, and the market for Compressed Natural Gas (CNG) for Natural Gas Vehicles (NGV) in the UAE.

The United Arab Emirates is the second-largest economy in the Gulf Cooperation Council (GCC) after Saudi Arabia, based on nominal Gross Domestic Product (GDP).

By diversifying its economy away from dependence on the oil and gas sectors, the UAE is generally viewed as being less vulnerable to energy price fluctuations than some of its GCC neighbors due to the growth of non-oil sectors in the country, particularly trading, finance, real estate and tourism.

The UAE is viewed as one of the best foreign investment destinations in the GCC due to its high rate of economic growth, rising levels of disposable income, moderate rates of inflation, and a rapidly growing population (approximately 10 million in 2017).

Abu Dhabi, the capital of the UAE, is a key center of the UAE's political, industrial and cultural activity, and has played an important role in the development of the UAE and its growing economy. Abu Dhabi contains about 95 percent of the UAE's oil reserves and 92 percent of the UAE's gas reserves.



Business Review

Retail Business

ADNOC Distribution’s Retail Business is separated into fuel (covering gasoline, diesel, CNG and LPG), convenience stores, and car care services such as car wash and lube changes.

Service stations

2016		335
2017	+7.2%	**359**

359

Convenience stores

2016		226
2017	+4.0%	**235**

235

Retail Business

Business Overview

ADNOC Distribution's Retail Business is separated into fuel (gasoline, diesel, CNG and LPG), convenience stores, and car care services such as car wash and lube changes. The core business is highly cash-generative, with stable, regulated unit fuel margins, strong top-line volume growth potential and iconic branding at strategically located sites.

Retail segment

Fuel – gasoline, diesel, CNG and LPG

With 359 owned and operated retail fuel service stations, we are the number one retail fuel brand in the UAE. Our market share is approximately 67 percent by number of service stations at 31 December 2017. We are the sole operator of retail fuel service stations in Abu Dhabi and Sharjah, and operate over 80 percent of service stations in the Northern Emirates. Products include various grades of gasoline (91, 95 and 98 octane), diesel, LPG, CNG and our proprietary Voyager brand of lubricants.

The volumes sold through our service stations (gasoline, diesel, LPG, CNG and lubricants) are among the highest in the world, and have continually increased over the past five years, amounting to 6,829.6 million liters in 2017.

Since the elimination of retail fuel subsidies in the UAE in August 2015, we have enjoyed steady and consistent profitability as a result of the UAE's stable and predictable fuel pricing policy, and a five-year fuel supply agreement with ADNOC, our parent company.

We benefit from high barriers to entry into our markets due to the relationship with our parent and our extensive fuel distribution infrastructure, which would require significant time, investment and government approval to replicate.

Our current and future growth is driven by a number of market and business factors:

Market-driven growth

- A growing population with increasing disposable income
- Growth in gross domestic product (GDP) in the UAE
- Increases in passenger car fleet sizes
- Longer journey times, leading to more miles traveled
- Growing demand for premium fuels

Business-driven growth

- 'ADNOC Flex' mixed-mode refueling model
- Strategic expansion into Dubai and Saudi Arabia

CNG and LPG

Market estimates put the number of natural gas vehicles (NGVs) in the UAE at about 7,500. Approximately 71 percent of these are taxis, 17 percent are ADNOC or Government vehicles, 11 percent are commercial and privately-owned vehicles, and 1 percent are buses. The number of NGVs is forecast to more than double by 2022, resulting in increased demand for CNG, which is currently 30 percent less expensive than gasoline.

LPG is the primary cooking fuel in the UAE and is also used for other commercial and industrial applications. We sell LPG in 25 and 50 lbs. cylinders primarily to residential customers for home cooking use, and in bulk to residential and corporate customers.

Demand for LPG in the UAE was expected to hit 1 billion liters in 2017, and forecasts put that demand by 2022 at 1.5 billion liters, mainly as a result of growth in demand for commercial applications and government deregulation of the sector.

Lubricants

We market various lubricant products under our propietary Voyager brand. The quality of our Voyager lubricants is recognized by the American Petroleum Institute, the European Automobile Manufacturers' Association, the US military authorities and the British Defence Force.

Convenience Stores

We operate 235 ADNOC Oasis convenience stores offering groceries, refreshments and snacks, confectionery, tobacco, and various services. All of our convenience stores are located at our service stations, making us the largest retailer in the UAE by number of stores.

To capitalize on our market-leading position, we are implementing a number of initiatives to improve service, choice and convenience for our customers, and increase revenue and profitability.

The main growth drivers for our convenience stores and car care include:

Market-driven growth

- Store growth
- Sales per store growth

Business-driven growth

- Network expansion
- Program of convenience store revitalization

We believe we can substantially increase our revenue by capitalizing on the strong market that exists for top-up shopping, where fuel customers combine a refueling stop at one of our service stations with supplementing the larger weekly shopping at one of our Oasis convenience stores.

We are implementing this through a combination of customer-driven product mix optimization, clearer pricing strategies, and offering our customers popular products at the pump as well as in our stores.

Car Care

Car washes and lube changes are among the non-fuel services we offer motorists at many of our service station locations. In addition, various services are provided by our partners and tenants, such as vehicle servicing and repairs and tire changes.

Allied Services segment

Property management

Our Allied Services segment manages and leases retail space at our service stations. Our tenants occupy over 600 properties, offering quick-service restaurants and ancillary products and services, such as banking services and automobile insurance, to our fuel and convenience store customers.

Major tenants include well-known global brands such as McDonald's, Starbucks, KFC, Burger King, Costa and Tim Hortons.

Vehicle Inspection

Our 21 Vehicle Inspection Centers are the only authorized providers of government-mandated annual vehicle inspections on behalf of the Abu Dhabi police.

Growth drivers in our Allied Services segment include:

Market-driven growth
- Growth in rent per site
- Growth in the number of transactions
- Increases in car fleet sizes

Business-driven growth
- Revenue sharing leasing model
- Price rationalization

ADNOC Distribution is the largest retailer in the UAE by number of stores

Retail Business

Higher fuel margins and cost efficiencies have resulted in higher profitability

Retail fuel transactions (million)

2016		153.2
2017	+7.5 %	164.8

164.8m

Operational Review

Our extensive physical presence, the strength and reputation of the ADNOC brand, and an established fuel distribution infrastructure well position the Company for further growth and strategic expansion nationally and internationally. In addition, we have introduced further measures to increase our revenue and profitability from the many fuel and non-fuel services that we offer to our customers.

Retail segment

Fuel – gasoline, diesel, CNG and LPG

We have a highly skilled management team whose members average more than 25 years' experience in the retail fuels, oil and gas and related markets. Our management team has a proven track record of implementing initiatives to improve operating efficiency and profit margins.

Our Retail segment's fuel operations are the subject of four areas of focus: increasing sales, optimizing operating expenses, managing capital expenditure, and optimizing manpower deployment. We will continue this focus in 2018 thanks to value engineering and without compromising the ADNOC brand. In the case of capital expenditure, for example, minor changes to our service station specifications are expected to result in significant reductions in construction costs.

In comparison with industry averages, we maintained our high level of operational efficiency in 2017, with average annual fuel throughput per station of 18.8 million liters. We also maintain a commitment to creating and applying the most stringent health and safety regime across all areas of our operations, and are pleased to report no fatalities during a year that involved more than 164.8 million fuel transactions.

We have undertaken an extensive analysis of our service station operations and identified significant opportunities to rationalize staffing levels and reduce other operating expenses, without compromising the customer experience. For example, we have identified a number of service stations where current levels of operations, or the level of operations at certain hours, did not justify current staffing levels.

Our reputation as the UAE's premier fuel retail brand was endorsed with the award of 'Brand of the Year' in the petrol station category at the World Branding Awards in London, the third year running that ADNOC Distribution has received this accolade.

CNG and LPG

Following the expansion of our CNG infrastructure and focused marketing efforts, our customers have welcomed this greener fuel option to help drive sales of 27.39 million metric standard cubic meters (MMSCM), a 21 percent increase on the previous year.

NGV numbers in Abu Dhabi grew by about one-third in 2017 and more than 70 percent of Abu Dhabi's taxi fleet now use CNG as their primary fuel. We are currently servicing customers via a network of 21 CNG stations, the largest number in the GCC region.

Our customers currently buy LPG cylinders from our service stations or from third-party distributors supplied by us. As part of our strategy of generating incremental revenue by bringing the service station to the customer, we have begun to allow our customers to purchase LPG cylinders online for delivery direct to their homes.

Retail non-fuel transactions (million)

2016		46.9
2017	+2.0%	47.8

47.8m

Convenience store basket size (AED)

2016		14.95
2017	+3.5%	15.47

15.47 AED

Responding to the dangers inherent in the use and transportation of LPG cylinders, the government has introduced regulations that restrict the use of cylinders in homes that have access to bulk LPG, and is also considering prohibiting the transportation of cylinders in private vehicles. We believe that these measures will improve the safety of LPG and will also provide us opportunities to generate increased revenues from sales and deliveries of LPG.

Convenience Stores

We have undertaken a number of initiatives to boost revenue and profitability at our convenience stores while optimizing our operating costs and efficiency. These have included improving product mix, rationalizing prices, and enhancing customer service and store layouts. We have also begun to retrain our store employees, incentivizing and encouraging them to adopt a more customer-focused mindset, and have introduced online e-vouchers for mobile phone customers to top-up their mobile phones in our convenience stores in order to increase customer footfall.

Car Care

We recently increased prices at our 121 car wash locations to be more in line with those of our regional competitors. We also introduced wash facilities for lorries, buses and pick-up trucks in the Northern Emirates.

Allied Services segment

Property Management

Leasing activity has grown by 25 percent between 2012 and 2017, partly driven by the increased number of service stations, as well as an increase in occupancy rates during this period. Four key tenant types – food and beverage, car care providers, ATMs and insurers – accounted for most of our lease revenue in 2017.

We have begun transitioning some of our quick-service restaurant tenants at our service stations from a rent-only basis to a revenue-sharing lease model, which we believe will contribute incremental revenue and profitability. The task of selling advertising space at our 359 service stations, many of them in high-visibility locations throughout Abu Dhabi, was rationalized during the year and we intend to unlock the advertising and promotional value of these sites in 2018.

Vehicle Inspection

653,000 vehicles were tested at our 21 government approved inspection centers (fresh tests). In June 2017, we increased prices following approval by the Abu Dhabi Police, which generated incremental revenue during the second half of 2017 and the full-year impact of which will be realized in 2018.

Staying Smart

SMART Technology

Innovation is vital to keeping our customer experience fresh. We have introduced our proprietary SMART technology, incorporating RFID technology that allows pump activation and seamless payment processing without the involvement of employees, at nearly 58 percent of our service station locations, and intend to install this technology at the remainder of our service stations in 2018. We also have expanded our SMART tag installation facilities to facilitate installation of Smart RFID tags on customer vehicles and have introduced cashless ADNOC Wallet-linked payment options.

The new smart technology speeds up vehicle refueling, reducing the potential for delays at peak travel times or during periods of high congestion.

Loyalty Cards

We intend to harness the strength of the ADNOC brand, our extensive distribution infrastructure and our innovative technology to drive customer-focused initiatives. In 2018, we plan to launch a new customer program to build loyalty and generate incremental revenue.

Retail Business

Financial Performance*

Retail segment

Revenue

Retail segment revenue for 2017 was AED 13,746.3 million, an increase of 11.8 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, Retail segment revenue for 2017 would have been 15.6 percent higher than in 2016.

Retail segment fuel revenue for the 2017 was AED 12,990.9 million, an increase of 12.1 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, Retail segment fuel revenue for 2017 would have been 16.3 percent higher than in 2016, mainly due to higher oil prices than in 2016. Retail segment non-fuel revenue for 2017 was AED 755.4 million, an increase of 5.6 percent compared to 2016, mainly due to increased revenue in our convenience stores.

Gross profit

Retail segment gross profit for 2017 was AED 2,869.3 million, an increase of 4.9 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, Retail segment gross profit for 2017 would have been 8.2 percent higher than in 2016, mainly as a result of the positive impact experienced in the fourth quarter resulting primarily from our new supply agreement with ADNOC.

EBITDA

Retail segment EBITDA for 2017 was AED 1,253.6 million, an increase of 17.8 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, EBITDA for 2017 would have been 20.4 percent higher than in 2016, mainly due to higher fuel margins.

Allied Services segment

Revenue

Allied Services segment revenue for 2017 was AED 183.7 million, an 18.8 percent increase compared to 2016. The increase in Allied Services segment revenue resulted mainly from an increase in vehicle inspection prices which took effect in June 2017.

EBITDA

Allied Services segment EBITDA in 2017 was AED 84.5 million, an increase of 87.4 percent compared to 2016. The increase in Allied Services segment EBITDA resulted mainly from the increase in vehicle inspection prices.

Retail segment

Key Financials (AED million)	2017	2016	Percent change
Revenue	**13,746.3**	12,299.8	11.8%
Gross profit – fuel	**2,603.2**	2,497.4	4.2%
Gross profit – non-fuel	**266.1**	238.0	11.8%
EBITDA	**1,253.6**	1,064.1	17.8%
Operating profit	**901.3**	810.4	11.2%
Capital expenditure	**437.8**	852.4	-48.6%

Allied Services segment

Key Financials (AED million)	2017	2016	Percent change
Revenue	**183.7**	154.6	18.8%
Gross profit	**183.7**	154.6	18.8%
EBITDA	**84.5**	45.1	87.4%
Operating profit	**63.1**	25.1	151.4%
Capital expenditure	**21.8**	0.6	3,361.6%

Convencience store sales revenue (AED million)

660.7m

Allied Services segment gross profit (AED million)

183.7m

* Refer to page 21: Key Factors Affecting the Results and Comparability of 2017 Operations

Outlook

Retail segment

We have an exceptional retail platform, with retail fuels benefiting from regulated and fixed margins, and a supply contract guarantee from our parent company that significantly reduces commodity risk. We have ambitious plans to further expand our service station network, including into Dubai and Saudi Arabia, over the next five years. We plan to open three new service stations in prime locations in Dubai and to open one services station in Saudi Arabia using a franchise model in 2018.

Looking ahead, we intend to leverage our retail fuel leadership position to introduce a range of new services that will build customer loyalty and satisfaction, while driving increases in revenue and profitability. For example, in 2018 we will introduce our 'ADNOC Flex' fueling model in which the customer can choose either self-service refueling, or a premium full-service offer for which we will charge a service fee.

We also believe we can continue the trend of 'Premiumization', with motorists opting for premium fuels for better vehicle performance. Sales of premium fuels generate higher margins, and thus we will continue to encourage customers to trade up to these higher quality fuels.

We will also continue to expand our CNG network throughout the UAE, with the addition of 13 new CNG stations by the end of 2018.

Changing lifestyles and customer spending habits are expected to contribute to steady growth in the UAE convenience store sector, which research suggests remains under-penetrated.

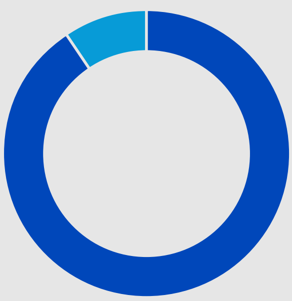
Other factors that we believe will contribute to increased sales at our convenience stores include growth in the participation of women in the workplace; time-poor, two-adult households; less time to plan for weekly shopping in hypermarkets; the growing trend towards convenience store shopping; and the familiarity of the UAE's largely expatriate community with convenience shopping in their home countries.

We are in advanced discussions with a number of branded convenience store operators about supporting the operation of our convenience stores on a joint-venture basis. These include possible revenue- and cost-sharing arrangements with a mix of international consumer brands and high-quality local businesses. The experience of these operators in pricing, promotion, and product category and supply chain management will help us encourage an increasing number of our retail fuel customers to shop and spend more at our convenience stores.

Retail segment gross profit (AED)

2,869.3m

Retail segment gross profit breakdown

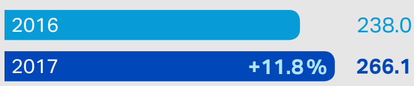


Gross profit – fuel	90.7%
Gross profit – non-fuel	9.3%

Retail segment fuel gross profit (AED million)

2,603.2m

Retail segment non-fuel gross profit (AED million)



266.1m

Allied Services segment

Property Management

In 2018, we will continue to transition certain tenants – mainly quick-service restaurants – to longer-term leases and a revenue-sharing model, where tenants will pay a base rent plus a percentage of revenue generated at our service stations. While we are still in the early phases of this process, we expect it to drive incremental revenue. Further revenue will be derived by expanding our tenant profile to include vending machines and other new businesses.

Vehicle Inspection

The price increases for vehicle inspections implemented in June 2017 will have a continuing positive impact on revenues in 2018 and beyond. We also expect that the growth in vehicle fleets will drive greater demand for vehicle inspections with corresponding increases in vehicle inspection revenue.

We also plan to add premium service offerings at our vehicle inspection centers, such as VIP lanes and mobile inspection services, which also is expected to generate additional revenue. We also plan to launch vehicle inspections in the Northern Emirates, and to increase our capacity by licensing third parties to conduct vehicle inspections on our behalf.

Commercial Business

ADNOC Distribution's Commercial Business is the UAE's leading marketer, supplier and distributor of bulk refined petroleum products, including diesel, gasoline, LPG and other products.

Commercial fuel volumes (million liters)

2016		2,432.9
2017	-7.3%	**2,255.1**

2,255.1m

Lubricant volumes (million liters)

2016		32.5
2017	+40.0%	**45.5**

45.5m

Commercial Business

We are the leading marketer, supplier and distributor to commercial, industrial and government customers

Business Overview

In the UAE's highly competitive business-to-business commercial market, we are the leading marketer, supplier and distributor of bulk refined petroleum products, including diesel, gasoline, LPG and other products, to commercial, industrial and government customers. We also export our proprietary Voyager lubricants to distributors in 19 countries internationally, including in the GCC and in Africa and Asia.

Our aviation division consists of two elements: the sale of aviation fuel and services to strategic customers; and the provision of aviation services to the commercial sector, where we provide maintenance of fuel systems and fueling services.

Our growth is driven by a number of factors:

Market-driven growth

- Growth in the population and economy
- Regulatory changes for the distribution of fuels
- Growth in foreign direct investment
- High level of fixed investments
- Growth in the number and size of heavy vehicle fleets
- Greater use of heavy machinery

Business-driven growth

- Capitalizing on long-term customer relationships
- Capturing market share from 'grey market' distributors
- Expanding lubricant exports

Diesel volumes (million liters)

2016		1,787.4
2017	+2.7%	1,835.8

1,835.8m

Aviation volumes (million liters)

2016		757.6
2017	+7.1%	811.1

811.1m

Corporate segment

Fuel – Diesel, Gasoline and LPG

Demand for wholesale fuels in the UAE is closely aligned with the country's economic performance.

Lubricants

Our range of proprietary Voyager lubricants covers most requirements for commercial fleet operators and the construction, manufacturing, marine and power generation sectors. Our offering comprises automotive and marine engine lubricants, automotive gear and transmission fluids, and industrial lubricants and greases.

We operate a lubricant blending plant in Abu Dhabi with an annual capacity of 55 million liters, and which produces more than 125 different types and grades of lubricants and greases.

Aviation segment

We sell aviation fuels to strategic customers in the UAE and utilize highly advanced facilities to provide refueling, defueling and other related services to ADNOC's civil aviation customers (comprising international and regional commercial and private aviation customers) at seven commercial airports in the UAE.

Our growth is subject to market forces:

Market-driven growth

- Aviation traffic
- Airport capacity

Operational Review

Corporate segment

Fuel – Diesel, Gasoline and LPG

During 2017, the UAE government adopted new fuel distribution regulations that prohibit the sale of unauthorized products by unregistered distributors and sets international health and safety standards for licensed companies to distribute petroleum products in the UAE. The new law, which is expected to take effect in 2018, will provide opportunities to leverage the power of the ADNOC brand and our well-established customer relationships to increase our share of the commercial diesel market.

LPG

Under a new LPG Supply Agreement that we entered into with ADNOC effective 1 October 2017, we purchase all of our LPG supply from ADNOC at a cost that compensates us for distributing subsidized LPG cylinders in Abu Dhabi.

Lubricants

Demand for lubricants in the UAE exceeded 120 million liters in 2017, of which ADNOC Distribution's market share accounted for approximately 30 percent. We believe we can grow our lubricants business through more focused and aggressive strategies.

Original Equipment Manufacturers (OEMs) continually revise the quality and performance specifications of lubricants and greases for use with their products. We are at the forefront of these changing requirements. Our program to enhance the credentials of our lubricants by securing approvals and endorsements from OEMs is an ongoing initiative to increase our competitiveness and grow sales.

Other key initiatives have included improving efficiency in our raw materials supply chain, optimizing operations at our lubricant blending plant, and exploring the possibility of manufacturing some lubricant products in selected international markets.

Aviation segment

Aviation Fuel and Services

In September, we completed the civil aviation supply carve-out, under which all contracts for the sale and supply of jet fuel to the civil aviation sector were transferred to ADNOC, along with related receivables and jet fuel inventories.

In connection with the civil aviation supply carve-out, we entered into an aviation services agreement with ADNOC to continue to provide sales and marketing, fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers.

During 2017, our fleet of more than 75 aircraft-refueling vehicles performed more than 100,000 refueling service operations for civil aviation customers at seven airports across the UAE, of which the majority were at Abu Dhabi International Airport.

Commercial Business

Financial Performance*

Corporate segment

Revenue

Corporate segment revenue for 2017 was AED 4,049.8 million, an increase of 6.0 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, Corporate segment revenue for 2017 would have increased by 18.6 percent compared to 2016 mainly due to oil price increases, in addition to the sales volume increase.

Gross Profit

Corporate segment gross profit for 2017 was AED 771.7 million, a decrease of 10.4 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, Corporate segment gross profit for 2017 decreased by 7.0 percent compared to 2016, mainly due to lower fuel margins in 2017 compared to 2016 resulting from competitive pressures.

EBITDA

Corporate segment EBITDA for 2017 was AED 599.4 million, a decrease of 11.0 percent compared to 2016. Excluding the impact of the Emarat Dubai transaction, EBITDA for 2017 would have decreased by 8.0 percent, mainly due to lower fuel margins resulting from competitive pressures.

Aviation segment

Revenue

Aviation segment revenue for 2017 was AED 1,696.9 million, an increase of 27.7 percent compared to 2016. The increase was mainly due to the increase in volume and higher oil prices in 2017 compared to 2016. During the fourth quarter of 2017, Aviation segment revenue also includes revenue generated under the new Aviation Services Agreement with ADNOC.

Gross Profit

Aviation segment gross profit for 2017 was AED 539.0 million, an increase of 27.9 percent compared to 2016, mainly due to increased volumes and the positive impact of rising oil prices on our inventory.

EBITDA

Aviation segment EBITDA for 2017 was AED 349.5 million, an increase of 15.2 percent compared to 2016, mainly due to the higher volumes sold, in addition to the positive impact of rising oil prices on our inventory.

Corporate segment

Key Financials (AED million)	**2017**	2016	Percent change
Revenue	**4,049.8**	3,819.4	6.0%
Gross profit	**771.7**	861.2	–10.4%
EBITDA	**599.4**	673.8	–11.0%
Operating profit	**580.6**	658.1	–11.8%
Capital expenditure	**0.9**	1.1	–19.6%

Corporate segment gross profit (AED million)

771.7m

Aviation segment

Key Financials (AED million)	**2017**	2016	Percent change
Revenue	**1,696.9**	1,328.5	27.7%
Gross profit	**539.0**	421.3	27.9%
EBITDA	**349.5**	303.4	15.2%
Operating profit	**335.0**	294.1	13.9%
Capital expenditure	**16.2**	29.2	–44.6%

Aviation segment gross profit (AED million)

539.0m

* Refer to page 21: Key Factors Affecting the Results and Comparability of 2017 Operations

Outlook

Corporate segment

Large infrastructure developments across the UAE are set to be the primary driver behind our Corporate segment's expected growth and profitability. The upswing in construction activity is expected to increase the deployment of heavy vehicles and machinery, which is expected to drive up demand for commercial fuels.

Expo 2020 is one such project, running for six months from October 2020 to April 2021 and forecast to attract 25 million international visitors to the UAE. The 1,000-acre Expo site, located between Dubai and Abu Dhabi, is currently under construction.

ADNOC Distribution is also working to increase gasoline sales to Corporate customers, from the existing 55 million liters, by providing competitive wholesale prices on gasoline products to large fleet companies such as taxi and rental car companies, and other government entities in Dubai and the Northern Emirates.

Significant potential for our lubricants and base oil business lies in growing exports. Harnessing the strength and reputation of the ADNOC brand is key to this. Exports currently account for 10 percent of total lubricant sales. We believe that by continuing to partner with distributors in new markets and increasing our export drive we can improve our overall position.

Aviation segment

The growth of our Aviation segment is, to a large extent, subject to commensurate growth in aviation traffic, airport capacity and tourism.

As the UAE continues its development into a global aviation hub and an international tourism destination, jet fuel demand is expected to grow significantly.

Our presence in seven commercial airports in the UAE underpins our market outlook and gives us grounds for optimism. Also supporting this outlook is our strong and long-standing relationships with strategic partners, the quality of our products and infrastructure, and the esteem in which the ADNOC brand is held throughout the region.

Significant potential for our lubricants and base oil business lies in growing exports

Corporate Review

Corporate Governance

Our Commitment

Our Board of Directors is committed to the highest standards of corporate governance, reflecting international best practice.

Mechanism for Adopting a Governance System in the Company

The Board of Directors is committed to standards of corporate governance that are in line with international best practice. The Board complies with the corporate governance requirements applicable to public joint stock companies listed on the ADX, as set out in the Governance Rules and Corporate Discipline Standards issued on 28 April 2016 pursuant to Ministerial Decree no. R.M/7 of 2016. The Company reports to its shareholders and to the Securities and Commodities Authority (SCA) on its compliance with the Governance Rules.

The Governance Rules require that the majority of the Board must comprise non-executive directors, and that at least one-third of the Board must be independent, in accordance with the criteria set out in the Governance Rules.

The Governance Rules define an independent member as a member who has no relationship with the Company, any member of executive management, its auditor, its majority shareholder, its subsidiaries, any sister company, or any affiliate company, that could lead to financial or moral benefit that may affect his or her decisions.

Our Board consists entirely of non-executive directors with three independent members: Mr. Jassim Mohammed Alseddiqi, Mr. Pedro Miró Roig, and Mr. David-Emmanuel Beau.

The Board has established two permanent committees: the Audit Committee, and the Nomination and Remuneration Committee.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of our annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the relationship with our external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of our internal control review function.

The Governance Rules, as reflected in the Audit Committee charter, require that the Audit Committee must comprise at least three members who are non-executive directors and that at least two of members must be independent. One of the independent members must be appointed as Chairman of the committee. In addition, at least one member must have recent and relevant audit and accounting experience.

The Audit Committee has taken appropriate steps to ensure that the Company's external auditors are independent of the Company, as required by the Governance Rules, and has obtained written confirmation from our auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board to discharge its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for evaluating the balance of skills, knowledge and experience, and the size, structure and composition of the Board and committees of the Board and for monitoring the independent status of the independent non-executive directors. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise.

In addition, the Nomination and Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the overarching principles, parameters and governance framework of our remuneration policy, and determining the individual remuneration and benefits package of our senior management.

The Governance Rules, as reflected in the Nomination and Remuneration Committee charter, require the Nomination and Remuneration Committee to comprise at least three non-executive directors, at least two of whom must be independent. The chairman of the Nomination and Remuneration Committee must be chosen from among the independent committee members.

For more information, please refer to our 2017 Corporate Governance Report.

Board of Directors

H. E. Dr. Sultan Ahmed Al Jaber
Chairman

His Excellency Dr Sultan Ahmed Al Jaber has served as Chief Executive Officer of ADNOC since February 2016. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company. He also serves as UAE Minister of State, a position he has held since March 2013.

Dr Al Jaber is also Chairman of Masdar, Abu Dhabi Ports, the National Media Council, and several other ADNOC group companies. He is also a member of the Board of Directors of Emirates Global Aluminium.

Abdulla Salem Al Dhaheri
Director

Member of the Nomination and Remuneration Committee.

Mr. Abdulla Salem Al Dhaheri has served as Director, Marketing, Sales & Trading, of ADNOC since 2016. From 2009 to 2016, Mr. Al Dhaheri served as our Chief Executive Officer.

Mr. Al Dhaheri is also a director of Emirates Telecommunications Corporation (Etisalat), Compañía Española de Petróleos (CEPSA), Abu Dhabi Quality and Conformity Council, and several other ADNOC group companies.

Abdulaziz Abdulla Alhajri
Director

Mr. Abdulaziz Abdulla Alhajri has served as Downstream Director of ADNOC since May 2016. From October 2007 to May 2016, he was Chief Executive Officer of Abu Dhabi Polymers Company (Borouge), a joint venture of ADNOC and Borealis. He also serves on several other ADNOC group company boards of directors.

Matar Hamdan Al Ameri
Director

Member of the Audit Committee.

Mr. Matar Hamdan Al Ameri has served as Director, Finance & Investments of ADNOC since 2012. He also serves on several other ADNOC group company boards of directors.

Jassim Mohammed Alseddiqi
Director

Chairman of the Nomination and Remuneration Committee.

Member of the Audit Committee.

Mr. Jassim Mohammed Alseddiqi has served as Chief Executive Officer of Abu Dhabi Financial Group since January 2011. He also serves as a Director of First Abu Dhabi Bank, Chairman of SHUAA Capital, and Chairman of Eshraq Properties. He is also a member of the Board of Directors of Tourism and Development Investment Company.

Pedro Miró Roig
Director

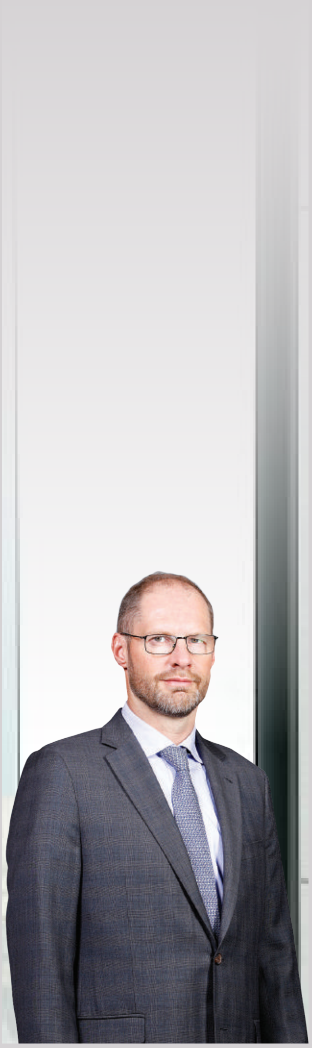
Member of the Nomination and Remuneration Committee.

Mr. Pedro Miró Roig has been Chief Executive Officer of Compañía Española de Petróleos (CEPSA) since September 2013, and Vice Chairman since June 2014. He served as Chief Operating Officer of CEPSA from 2011 to 2013. Mr. Miró also serves as Chairman of the Board of Trustees of Fundación Cepsa, and as a member of the Boards of Trustees of the Princess of Asturias Foundation and Fundación para la Sostenibilidad Energética y Ambiental (FUNSEAM).

David-Emmanuel Beau
Director

Chairman of the Audit Committee

Mr. David-Emmanuel Beau is Chief Investment Officer of the Direct Investments Department at the Abu Dhabi Investment Council (ADIC), where he focuses on the MENA region. He was previously a fund manager at the Abu Dhabi Investment Authority (ADIA) and is also a Director of Invest AD.



Senior Management Team

Saeed Mubarak Al Rashdi
Acting Chief Executive Officer

Mr. Saeed Mubarak Al Rashdi joined ADNOC Distribution in 1995, and has served as Acting Chief Executive Officer since March 2016. He also served as Senior Vice President, Technical from February 2012 to February 2018, and as Senior Vice President, Operations from 2008 to 2012. Mr. Al Rashdi also serves on the Board of Abu Dhabi Petroleum Ports Operating Company (IRSHAD), and on the Board Advisory Committees of ADNOC Refining and Abu Dhabi National Tanker Company (ADNATCO).

Mr. Al Rashdi holds a BSc in Electrical Engineering from the University of Evansville and an MBA from United Arab Emirates University.

John Carey
Deputy Chief Executive Officer

Mr. John Carey joined ADNOC Distribution as Deputy Chief Executive Officer in September 2017. He previously held numerous senior positions at Castrol and BP from 1994, including most recently as Senior Vice President, Sales and Marketing, BP Fuels North America, from 2015 to 2018; President, BP West Coast Products LLC., from 2013 to 2015; and Chief Executive Officer of BP Lubricants, Aviation, Offshore, Marine, Industrial and Energy from 2010 to 2013.

Mr. Carey holds a BE in Chemical Engineering from University College, Dublin.

Nasser Ali Al Hammadi
Chief Retail Officer

Mr. Nasser Al Hammadi joined ADNOC Distribution in 1988 and has served as Chief Retail Officer (formerly Senior Vice President, Retail) since October 2017. Mr. Al Hammadi served as Senior Vice President, Commercial from 2011 to 2017.

Mr. Al Hammadi holds a BA from United Arab Emirates University.

José Aramburu
Chief Commercial Officer

Mr. José Aramburu joined ADNOC Distribution as Chief Commercial Officer (previously Senior Vice President, Commercial) in October 2017. From 2012 to 2017, he held various senior positions with Compañia Española de Petróleos (CEPSA), including Specialties Manager of CEPSA Commercial Petroleum from 2014 to 2017, Lubricants Manager of CEPSA Commercial Petroleum from 2012 to 2014, and Business Development Director of CEPSA Quimica from March to December, 2012.

Mr. Aramburu holds a BSc from Universidad Autónoma de Madrid.

Petri Pentti
Chief Financial Officer

Mr. Petri Pentti joined ADNOC Distribution as Chief Financial Officer in November 2017. Before joining ADNOC Distribution, Mr. Pentti served as Chief Financial Officer of Emirates National Oil Company (ENOC) since 2008. Previously, Mr. Pentti served as Chief Financial Officer of Neste Corporation, an oil refining and marketing company, from 2004 to 2008, and of Finnair from 1998 to 2004.

Mr. Pentti holds a Master's degree in Economics and Business Administration from the Turku School of Economics and Business Administration.

Ian Blumenstein
General Counsel & Corporate Secretary

Mr. Ian Blumenstein joined ADNOC Distribution as General Counsel & Corporate Secretary in December 2017. Prior to joining ADNOC Distribution, Mr. Blumenstein had served for over 25 years an attorney and partner in several international law firms, including Latham & Watkins LLP and Shearman & Sterling LLP.

Mr. Blumenstein holds a JD from Harvard Law School and a BA from the University of Michigan.

Saleh Khamis Humaid
Chief Operations Officer

Mr. Saleh Khamis Humaid joined ADNOC Distribution in 1993 and has served as Chief Operations Officer (previously Senior Vice President, Operations) since 2012. Mr. Humaid previously served as Vice President, Health, Safety, Security & Environment, Team Manager – Natural Gas Project, Vice President, Maintenance & Technical Services, and Engineering & Projects Division Manager.

Mr. Humaid holds a BSc in Electronics from the University of Arkansas at Little Rock, a Master's Certificate in Project Management from George Washington University, and an Executive MBA from Zayed University.

Abdulla Al Mentheri
Chief Technology & Business Development Officer

Mr. Abdulla Al Mentheri joined ADNOC Distribution as Chief Technology & Business Development Officer in January 2018. He was previously Global Quality Manager at Borouge Petrochemicals and has more than 18 years' international experience in Europe, China, Singapore and the US.

Mr. Al Mentheri holds an MBA from MIT Sloan School of Management, an MSc in Engineering Management from California State University, and a BSc in Chemical Engineering with Minor in Petroleum Refining from Colorado School of Mines.

Mariam Al Aidarous
Chief Human Capital Officer

Ms. Mariam Al Aidarous was appointed Chief Human Capital Officer in February 2018. She joined ADNOC Distribution in 2002 as Corporate Planning Analyst, and was appointed Planning and Performance Management Manager in 2008 and Vice President, Strategic and Risk Management Division in 2012. Ms. Al Aidarous also served as Corporate Secretary from 2015 to 2017.

Ms. Al Aidarous holds a Bachelor's degree in Management Information Systems from United Arab Emirates University.

Stephen Saunders
Chief Marketing Officer

Mr. Stephen Saunders joined ADNOC Distribution in January 2018 and was appointed Chief Marketing Officer in February 2018. Previously, Mr. Saunders held a number of senior positions across BP's downstream businesses, including most recently Head of Marketing for BP's new market entry. In 2015 he served as Head of Marketing for BP Fuels North America, and from 2009 to 2015 as Fuels Strategy Director.

Mr. Saunders holds a MSc in International Development from University of London and a BSc in Food Marketing Economics from University of Reading.

Our People

At ADNOC Distribution, we pride ourselves on our workforce. Open communication with our employees is vital to understand their concerns and needs in the workplace. We encourage a healthy work/life balance through communication and access to career progression at all levels. We conduct regular awareness campaigns on topics ranging from safety in the workplace, to cultural diversity.

We are committed to keeping our employees updated with the latest training and skillsets to stay abreast of industry developments. Our employees thrive and excel in a supportive working environment offering continued training and education.

Our work involves developing relationships with people from a wide range of cultures and backgrounds. We value diversity in our workforce and are constantly working to recruit more women to our operations.

Our approach to labor and human rights issues complies with UAE laws and regulations and relevant international standards. We treat people fairly and without bias, helping to ensure that conditions in the workplace and wider society promote diversity and dignity. We deal with clients, customers and suppliers in a constructive way that supports appropriate inclusion and works against unjustified discrimination.

Emiratization

Developing our human capital is a strategic priority, as part of our commitment to achieving the Emiratization objectives outlined in the UAE Vision 2021.

Our national employees are a great asset to the Company. We offer them targeted development opportunities to help them reach their full potential as competent and well-informed industry professionals. UAE nationals are appointed as trainees within various departments of the company so they can successfully complete their career development programs.

Women's Empowerment

Our focus on women's empowerment has as its objective the creation of a more diverse workforce and a corresponding increase in our efficiency and competitiveness. ADNOC has launched a number of group-wide initiatives to drive women's participation in the oil and gas sector, including the establishment of the Women's Network to empower and support the development of female employees.

Under its women's empowerment pledges, ADNOC seeks to encourage greater female representation in senior management and increase the number of new Emirati women recruits.

As part of the UAE's annual celebration of Emirati Women's Day on August 28, ADNOC Distribution held a special event to mark the day at Head Office. The event was attended by senior management and a large number of employees.

The Company employs more than 400 female staff members in administration, engineering, marketing and customer services, and finance. A number are also employed at service stations across the country. This event celebrated the social, economic, cultural and political achievements of women. It also marked a call to action for accelerating gender parity and diversity in general.

Our focus on women's empowerment has as its objective the creation of a more diverse workforce

Corporate Review

Enterprise Risk Management

ADNOC Distribution recognizes that proactive engagement in risk is an essential aspect of the Company's core business. We are fully committed to an effective risk management process. This process identifies and mitigates exposure to uncertainty, and enhances exposure to opportunities, by identifying, understanding and managing risks in accordance with a defined risk management framework and international standards.

Our risk management objectives, risk management structure, and the role and responsibilities of the Board of Directors, the Audit Committee, our management team, and our internal audit function have all been shaped with the ISO 31000 standard in mind.

Risk Governance

In pursuing the Company's risk management objectives, our Board of Directors undertakes to:

- Openly disclose the risk management process, both internally and externally, to ensure that shareholders view ADNOC Distribution as a transparent organization where awareness and understanding of the risk management framework is established at the appropriate levels of the organization.
- Be responsible for establishing and overseeing the implementation and review of the risk management system.
- Constantly identify, manage, monitor and report on risk, holding the management team accountable for managing the identified risks effectively.

To ensure the risk management process is effective, the Board will:

- Implement the process and key components documented under the governance of risk management framework.
- Identify risks through an objective-driven process to assess the impact that risks would have on achieving the objectives of the Company.
- Have a clearly defined responsibility structure.

Enterprise Risk Management (ERM) Process and Structure

As ADNOC Distribution adopts the ERM process, we expect that risk awareness and governance across the organization will be strengthened, accountability and ownership in managing risks will be clearly defined, and internal processes and controls will improve.

Risk assessment workshops, surveys, interviews and group discussions are held regularly, and risk management is a standing item on the leadership team's meeting agenda.

The key strategic risks identified during workshops and meetings have been communicated across the organization, together with current and planned actions to mitigate these risks.

Principal Risks and Uncertainties

Supply Risk

ADNOC is the sole supplier of most fuel products to ADNOC Distribution. The Company's supply chain is exposed to various external risks and uncertainties such as environmental disasters, geo-political influences, economic factors affecting market dynamics, and the internal environment.

Information Technology Risks

The Company depends on various technological systems to conduct its business operations. The head office data server and related applications are exposed to external threats such as hackers, cyberattacks, computer viruses and malware. Also, our data center is exposed to internal threats such as unauthorized access, fire and other natural disasters.

To mitigate the risks, we have developed and implemented a disaster recovery site that has a high-end server as a back-up to the head office data center, with mission-critical applications to ensure seamless operations.

Other Operational Risks

Operational risks are identified and captured in risk registers that are regularly reviewed. We have established several policies, procedures and guidelines, and enhanced internal controls and systems to monitor and mitigate the operational risks.

Other Strategic Challenges and Opportunities

ADNOC Distribution's strategic challenges – pricing pressure, macro and micro economic factors, and financial risks – are carefully considered along with strategic opportunities. All necessary steps to mitigate the negative effects of such challenges and potential opportunities are discussed during the business planning and financial budgeting processes.

Working together to improve quality of life

We want our presence in the community to benefit our people and wider society. We are meeting this goal through job creation, support for development initiatives, and providing opportunities for local suppliers.

We Listen and We Care

We listen, respond and collaborate with our customers and the communities we serve. We have set up formal grievance channels and use a variety of techniques to engage with these key target audiences, ranging from site visits, workshops and meetings, to distributing literature.

Customers can register a complaint at any time with our Customer Interaction Center, which we can then verify and investigate. Corrective action is taken to ensure that complaints are quickly addressed and any adverse effects are mitigated.

We conduct regular surveys and utilize mystery shoppers and customer interaction calls to capture customers' expectations and priorities.

Supporting Social Development

Our position as the UAE's largest fuel supplier commits us to periodic assessments of our community's needs and expectations. We aim to provide our communities with an ever greater range and higher quality of services. We also contribute to social investment and community development programs.

2017 Initiatives

Holy Month of Ramadan

Our 2017 Ramadan activities focused on promoting charitable and socially responsible initiatives. These included improved road safety, help for community support institutions, campaigns centered on the breaking of the fast (Iftar), and other activities designed to heighten community awareness and sharing.

The company's 'Sweet Reminder, Safe Ramadan' campaign provided water and dates at 50 service stations on the UAE's highways, and reminded drivers to abide by traffic rules and regulations while breaking their fast so they reached their destinations safely. We are a strategic partner of the Khalifa Bin Zayed Al Nahyan Foundation, which supplied 1.7 million meals during the Ramadan fasting project.

We also supported the work of the Foundation by providing at least 8,000 cylinders of LPG at nominal prices for families in need. Other UAE civil charities also received our support, such as the charity organizations run by the Ajman and Maliah Sports Clubs, and the distribution of meals in service stations in Ajman and Fujairah for customers breaking their fast.

In the final days of 2017's Holy Month, we organized the eighth Umrah trip in cooperation with the Khorfakkan Club for the Disabled to allow five 'people of determination' to perform Umrah rituals during Ramadan.

Improving Traffic Safety

We played a leading role in supporting the GCC Traffic Week in 2017, the 33rd edition of the annual GCC Traffic Week run under a theme of 'Your Life is Trust'.

Through our nationwide service station network, we helped raise awareness of the importance of adhering to speed limits, avoiding the use of mobile phones behind the wheel, driving with a seat belt, and not parking in spots designated for people with special needs. Our service stations also took part in the 'Your life is more important' campaign, organized by the UAE Ministry of Interior, which sought to raise awareness of the importance of road safety and responsible driving.

Supporting Charitable Fundraising Campaigns

We supported a range of charity fundraising campaigns in the UAE, based on local community donations offered through ADNOC Oasis stores at service stations. The latest initiative is the provision of aid boxes from the UAE Red Crescent and Ajman Charity, made available during the Holy Month of Ramadan.

Growing In-Country Value

ADNOC Group's new In-Country Value Strategy aims to further strengthen collaboration with the UAE's private sector by nurturing new partnerships and opportunities, catalyzing socio-economic growth, improving knowledge transfer, and creating private sector jobs for UAE nationals to drive Emiratization.

The strategy will also encourage international companies to collaborate more closely with local small- and medium-sized enterprizes to increase their in-country value contribution. In parallel, the strategy will also help improve the competitiveness of local companies by driving their performance, efficiency and quality of services.

Health, Safety and Environment

Safeguarding the health and safety of our staff and customers, and equipping them to deal with risks and challenges, is always a priority for ADNOC Distribution.

Our network of service stations has been designed in line with accredited international standards of health, safety and environment, such as OHSAS 18001 and ISO 14001, and also aligns with the specifications of the relevant federal and local authorities in the UAE.

We apply the highest safety and security standards across our network. As part of this, the company has fitted out its facilities with cutting-edge technology, and devised solutions to maintain the highest levels of readiness in dealing with emergencies. These efforts meet our overarching objective to safeguard the wellbeing of UAE residents, and the country's marine environment.

Our safety initiatives during the year demonstrate a strong focus and ongoing commitment to protecting our employees. But achieving safety and security, and a risk-free environment, is a collaborative responsibility. We use these initiatives and campaigns to educate our customers and service station staff in order to minimize accidents and hazards in all our offices and operational facilities.

HSE Awards

In May, we hosted a ceremony to honor the winners of our annual internal Health, Safety and Environment (HSE) Awards program. The event was attended by Mr. Saeed Mubarak Al Rashdi, our Acting CEO, along with several senior managers, winning project teams and company employees.

Senior Management Training

As part of the Company's drive to enhance occupational health and safety standards, our Human Resources and Health, Safety and Environment divisions held two training sessions for our senior management on first aid at work and the basics of firefighting. The training sessions were organized in collaboration with Jaheziya – Tawazun Safety, Security and Disaster Management City, a vocational, safety, security and firefighting training center.

Road Safety

In 2017, we collaborated with the UAE Ministry of Interior to support its road safety campaign entitled 'The safer you are, the happier they are', hosting various activities and events designed to educate motorists on different aspects of road safety. Awareness messages were displayed at the entrances of nine ADNOC Distribution service stations serving the four motorways targeted in the campaign.

Service Stations integrated with Abu Dhabi Civil Defense

In association with the General Directorate of Abu Dhabi Civil Defence, we completed the integration of our service station network and the Civil Defence operations system, with the aim of improving safety standards. The move will help to reduce response times during emergencies. The state-of-the-art system allows the Civil Defence central operations team to access the security cameras installed at our service stations, communicate directly with personnel, and provide guidance until Civil Defence units arrive.

Business Continuity

In 2017, we conducted a large-scale exercise to validate our business continuity program. More than 70 personnel were involved, spread across seven ADNOC Distribution geographical locations.

The scenario, 'Exercise Al Maha', involved the denial of access to our Mussafah depot, leading to a prolonged shutdown of LPG operations, with the teams involved successfully demonstrating that alternative arrangements were in place to ensure operational continuity. Before running the exercise, we held a number of training sessions and exercise planning meetings, both to raise the profile and to ensure a clear understanding of the ADNOC Distribution Business Continuity Management System, and its alignment to national and international standards.

Digital Security and Monitoring

To ensure the highest safety and security standards are maintained, and that we meet the requirements of various security authorities, we have undertaken the following initiatives:

- Installing intelligent CCTV, surveillance, security and access control, and public address systems.
- Mapping service stations to a centralized control center.
- Connecting the security system to Abu Dhabi's Monitoring & Control Centre (MCC).

HSE Awareness

To encourage our customers and staff to focus on safety, we prepared 10 short videos for social media channels (YouTube, Facebook) and on the company's Intranet. We also continued to issue weekly flyers addressing important HSE issues.

Safety Performance

Our safety performance in 2017 was notable in that we met all our key performance indicators (KPIs).

Lost time injury frequency (LTIF)[1]

Total recordable injury rate (TRIR)[2]

Loss of primary containment (Tier 1 & 2)[3]

1. Lost Time Injury x 1,000,000 / man hours
2. Recordable injuries x 1,000,000 / man hours
3. Number of Tier 1/2 process safety events

100% HSE

ADNOC and its group companies are committed to delivering HSE excellence by ensuring the health and safety of its people and the communities in which it operates, and by respecting the environment.

In 2017, ADNOC launched a group-wide initiative around the importance of creating a 100% HSE culture, and empowering employees to comply with the ADNOC HSE policy and procedures. ADNOC Distribution fully commits to the principles of 100% HSE.

Sustainability

With increasing global demand for resources, and as a responsible corporate organization, we recognize that it is our responsibility to reduce pressure on the environment by finding sustainable solutions to growth. We have therefore embraced environmental sustainability as part of our overall growth and expansion strategies, and as a key business value.

From procurement to the production stage and sales, our goal is to minimize the impact of our activities on the environment, including climate change. We are doing this by aligning our business operations with our environmental performance, and seeking the most efficient and effective use of resources.

Energy

Becoming more energy efficient is a growing challenge for the UAE. As our network of gasoline stations and convenience stores expands, increased energy consumption – both direct and indirect – is inevitable, so efficient energy consumption is a top priority.

Direct energy use is the energy consumed by our activities, including during distribution of our products and delivery of our services, and is the fuel consumed by our fleet of vehicles; and

Indirect energy use consists of the energy that is consumed by others serving our activities and the energy and electricity provided from external sources, such as Abu Dhabi Water and Electricity Authority (ADWEA).

Water

We have started to calculate water consumption data from our utility bills, rather than using estimates as in prior years.

Waste

We adhere to regulatory authority requirements for the safe handling and disposal of waste generated through our operations, and are the first ADNOC group company to have completed the e-services registration process with Tadweer (Center of Waste Management – Abu Dhabi).

Last year, we generated 950 tonnes of non-hazardous waste. This was shifted to landfill sites as per regulatory requirements. Used paper is sent for recycling to a specialized service provider, saving 750 kg of paper in 2017 that would otherwise have been wasted.

Vapor Recovery

Another major step we have taken towards protecting the environment and minimizing the impact from our fuel operations is installing sophisticated vapor recovery systems across our service station network and storage depots.

Gasoline can evaporate and escape into the atmosphere during the transportation and filling of tankers and vehicles at gas stations, leading to serious environmental damage as well as energy and financial losses.

This initiative captures and recovers vapor from gasoline tankers, achieving a significant reduction in hydrocarbons, energy consumption and corrosion.

Natural Gas for Vehicles

One of our main sustainability drives is the 'Natural Gas for Vehicles' (NGV) project, introducing an alternative vehicle fuel that produces lower emissions than motor fuel. We encourage car owners to convert to Compressed Natural Gas (CNG), the most economically viable fuel in the UAE, and so improve the environment by reducing toxic emissions. Harmful emissions that contribute to air pollution will be significantly reduced if more cars switch to clean natural gas.

The NGV conversion is in accordance with the highest European specifications and international standards. The project is being implemented in collaboration with relevant government agencies and advisory bodies, and is in line with the Abu Dhabi Economic Vision 2030 to reduce carbon emissions.

CNG projects are gaining momentum in public, commercial and communal transport. The establishment of a distribution network of 'mother-stations' and 'daughter-stations', including 17 in Abu Dhabi, Al Ain and Sharjah, is helping to guarantee the supply of CNG fuel throughout the UAE that is independent of the country's gas pipeline network.


ADNOC أدنـوك
NATURAL GAS غاز طبيعي

Financial Statements

Directors' Report

for the year ended 31 December 2017

The Directors present their report together with the audited carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC. (the "Company") and its subsidiary (collectively referred to as "the Group") for the year ended 31 December 2017.

Principal activities

The principal activities of the Group are marketing of petroleum products, natural gas and ancillary products.

Review of business

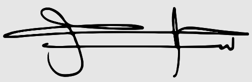
During the year, the Group reported a revenue of AED 19,756,294 thousand (2016: AED 17,670,071 thousand). Profit for the year was AED 1,804,207 thousand (2016: AED 1,780,960 thousand).

The appropriation of the results for the year is follows:

	AED'000
Retained earnings at 1 January 2017	1,845,017
Total comprehensive income for the year	1,804,207
Transfer to statutory reserve	(166,667)
Dividend	(2,134,688)
Retained earnings at 31 December 2017	1,347,869

On 25 February 2018, the Board of Directors resolved to recommend the distribution to shareholders of dividend of AED 0.0588 per share in respect of the fiscal year ended 31 December 2017.

For the Board of Directors



Dr. Sultan Ahmed Al Jaber
Chairman of the Board of Directors
25 February 2018

Independent Auditor's Report

To the Shareholders of Abu Dhabi National Oil Company for Distribution PJSC Abu Dhabi, United Arab Emirates.

Opinion

We have audited the carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company") and its subsidiary (collectively referred to as "the Group"), which comprise the carve-out statement of financial position as at 31 December 2017, and the carve-out statement of profit or loss and comprehensive income, carve-out statement of changes in equity and carve-out statement of cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies set out in note 3 to the carve-out financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the carve-out financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the carve-out financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation

We draw attention to notes 1 and 3 to the carve-out financial statements which describes the basis of preparation of these carve-out financial statements. The carve-out financial statements have been prepared on a carve-out basis from the consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 to carve-out the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the carve-out financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the carve-out financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accuracy and completeness of revenue recognised from retail sales and related IT systems	
The Group reported revenues from retail sales of AED 13,746,259 thousand for year ended 31 December 2017 (AED: 12,299,777 thousand for the year ended 31 December 2016). Revenue recognition from retail sales is assessed as a key audit matter due to the degree of complexity of IT systems and processes used. The Group's accounting policies with regards to revenue recognition are presented in note 3 to the carve-out financial statements.	Our audit procedures included the assessment of controls of the retail revenue process and related IT systems. We tested the design and operating effectiveness of relevant controls of retail revenue process and included testing controls over the accuracy and completeness of revenue recognised from retail sales. We have obtained understanding of the significant revenue processes including performance of an end to end walkthrough of the retail revenue process and identification of the relevant controls (including IT systems, interfaces and reports). We involved our IT specialists to test information technology general controls, system interfaces, data/information reporting and specific application controls surrounding retail revenue systems. In addition, we also performed the following substantive audit procedures: • a detailed substantive analytical procedures of significant revenue streams; and • specific procedures to ensure the accuracy and completeness of retail revenue and revenue recognition criteria adopted is appropriate and in line with the Group's accounting policies.
Carve-out of civil aviation operations	
The carve-out financial statements reflect the financial position of the Group as at 31 December 2017 and 31 December 2016, and its financial performance and its cash flows for the years then ended excluding the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division as disclosed in note 1 to the carve-out financial statements. The carve-out process was assessed as key audit matter as it involves manual adjustments which increases the risk of human error	Our audit procedures included the assessment of controls over carve out of civil aviation operation process. We tested the design and operating effectiveness of relevant controls to assess the need for the carve-out of civil aviation operations. This included testing controls over the accuracy and completeness of the carve-out of civil aviation operations. In addition, we also performed the following substantive audit procedures: • Verified the transfer agreement and ensured the carve-out process is carried out in accordance with the terms of the agreement; • Specific procedures on the carve-out amounts to ensure the accuracy and completeness of the amounts and transactions carved-out; • Audit procedures to ensure the validity of the balances and transactions and to ensure that civil aviation balances and transactions are excluded in the carve-out financial statements; and • Involved our IT specialist to test the accuracy of the system generated reports (information produced by entity) used in the carve-out process.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
Liquefied Petroleum Gasoline Operations related assets classified under property, plant and equipment had a carrying amount of AED 261,715 thousand as at 31 December 2017. The Group undertakes a review of indicators of impairment and wherever indicators of impairment exist, an impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration (see note 4 to the carve-out financial statements). The estimation of recoverable amounts of the assets was assessed as a key audit matter due to the degree of complexity involved in valuation and the significance of the judgements and estimates made by the management.	Our audit procedures included the assessment of controls over impairment analysis and calculations. We tested the design and operating effectiveness of relevant controls to assess the need for provision for impairment. This included testing controls over the accuracy and completeness of the impairment calculation models. In addition, we also performed the following substantive audit procedures: • Engaged our internal valuation specialists to assess compliance with accounting standards and assess the valuation of the assets; • Evaluated whether the model used by management to calculate the value in use of each cash-generating unit complies with IAS 36 Impairment of Assets; • Obtained and analysed the financial impairment assessments provided by management for the subject assets to determine whether they are reasonable and supportable; • Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations; • Challenged the reasonableness of growth rates and other key cash flow assumptions; and • Sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Operational and Financial Highlights, Chairman's Message, CEO's Message, Deputy CEO's Message and the other information in the annual report, which are expected to be made available to us after that date. The other information does not include the carve-out financial statements and our auditor's report thereon.

Our opinion on the carve-out financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the carve-out financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the carve-out financial statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with the accounting policies set out in note 3 to the carve-out financial statements and their preparation in compliance with the applicable provisions of the articles of association of the Group and U.A.E. Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the carve-out financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the U.A.E. Federal Law No. (2) of 2015, we report that:

i. We have obtained all the information we considered necessary for the purposes of our audit;

ii. The carve-out financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. (2) of 2015;

iii. The Group has maintained proper books of account;

iv. The financial information included in the Directors' report is consistent with the books of account of the Group;

v. As disclosed in note 1 to the carve-out financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2017;

vi. Note 8 to the carve-out financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii. As disclosed in note 1 to the carve-out financial statements, these carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out of sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories relating to sale and purchasing activities of the Civil Aviation Division, as well as the related cash flows which are transferred to the Parent Company. Except for the above, based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company's Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and

viii. As disclosed in note 1 to the carve-out financial statements, the Group made social contributions amounting to AED 2,595 thousand during the year ended 31 December 2017.

Further, based on the information made available to us, nothing has come to our attention which causes us to believe that the group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position as at 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:

Rama Padmanabha Acharya
Registration Number 701
25 February 2018
Abu Dhabi
United Arab Emirates

Carve-out Statement of Financial Position

as at 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Assets			
Non-current assets			
Property, plant and equipment	5	**5,313,897**	4,373,773
Advances to contractors		**100,558**	127,021
Other non-current assets	14	**13,462**	–
Total non-current assets		**5,427,917**	4,500,794
Current assets			
Inventories	6	**1,344,014**	1,093,818
Trade receivables and other current assets	7	**2,211,541**	1,656,831
Due from related parties	8	**361,634**	353,390
Cash and bank balances	9	**2,785,452**	3,833,454
		6,702,641	6,937,493
Assets classified as held for sale	10	**74,819**	–
Total current assets		**6,777,460**	6,937,493
Total assets		**12,205,377**	11,438,287
Equity and Liabilities			
Equity			
Share capital	11	**1,000,000**	1,000,000
Capital contribution	12	**–**	6,304,418
Statutory reserve	13	**500,000**	333,333
Retained earnings		**1,347,869**	1,845,017
Total equity		**2,847,869**	9,482,768
Non-current liabilities			
Long term debt	14	**5,479,201**	–
Provision for employees' end of service benefit	15	**223,937**	236,926
Total non-current liabilities		**5,703,138**	236,926
Current liabilities			
Trade and other payables	16	**1,158,821**	1,115,047
Due to related parties	8	**2,495,549**	603,546
Total current liabilities		**3,654,370**	1,718,593
Total liabilities		**9,357,508**	1,955,519
Total equity and liabilities		**12,205,377**	11,438,287

Dr. Sultan Ahmed Al Jaber
Chairman of the Board of Directors

Saeed Mubarak Al Rashdi
Acting Chief Executive Officer

Petri Pentti
Chief Financial Officer

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out Statement of Profit or Loss and Comprehensive Income
for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Revenue	17	**19,756,294**	17,670,071
Direct costs	18	**(15,330,201)**	(13,443,563)
Gross profit		**4,426,093**	4,226,508
Distribution and administrative expenses	19	**(2,723,334)**	(2,549,782)
Other income	20	**192,984**	160,995
Impairment losses and other operating expenses	21	**(75,428)**	(59,252)
Operating profit		**1,820,315**	1,778,469
Interest income		**2,663**	2,491
Finance costs		**(18,771)**	–
Profit for the year		**1,804,207**	1,780,960
Other comprehensive income		**–**	–
Total comprehensive income for the year		**1,804,207**	1,780,960
Earnings per share:			
Basic and diluted	23	**0.144**	0.142

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital AED'000	Capital contribution AED'000	Statutory reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Total AED'000
Balance at 1 January 2016	1,000,000	–	329,489	(36,147,682)	(34,818,193)
Total comprehensive income for the year	–	–	–	1,780,960	1,780,960
Waiver of amount due to a related party (notes 8 & 12)	–	–	–	36,215,583	36,215,583
Additional capital contribution (note 12)	–	6,304,418	–	–	6,304,418
Transfer to legal reserve (note 13)	–	–	3,844	(3,844)	–
Balance at 1 January 2017	**1,000,000**	**6,304,418**	**333,333**	**1,845,017**	**9,482,768**
Total comprehensive income for the year	**–**	**–**	**–**	**1,804,207**	**1,804,207**
Transfer to legal reserve (note 13)	**–**	**–**	**166,667**	**(166,667)**	**–**
Dividend paid (note 24)	**–**	**–**	**–**	**(2,134,688)**	**(2,134,688)**
Capital contribution repayment (note 12)	**–**	**(6,304,418)**	**–**	**–**	**(6,304,418)**
Balance at 31 December 2017	**1,000,000**	**–**	**500,000**	**1,347,869**	**2,847,869**

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out Statement of Cash Flows

for the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Cash flows from operating activities		
Profit for the year	**1,804,207**	1,780,960
Adjustments for:		
Depreciation of property, plant and equipment	**460,653**	347,076
Impairment losses on receivables – net of recoveries	**22,417**	22,238
Employees' end of service benefit charge	**26,314**	29,485
Gain on disposal of property, plant and equipment	**(73)**	(3,104)
Impairment loss for slow moving and obsolete inventories	**3,488**	1,027
Inventories written off	**2,774**	11,964
Finance costs	**18,771**	–
Interest income	**(2,663)**	(2,491)
Operating cash flows before movements in working capital	**2,335,888**	2,187,155
Increase in inventories	**(256,458)**	(264,774)
(Increase)/decrease in trade receivables and other current assets	**(577,127)**	1,078,792
Increase in due from related parties	**(8,244)**	(32,696)
Increase/(decrease) in trade and other payables	**109,552**	(24,980)
Increase in due to related parties	**1,817,184**	1,174,308
Cash generated from operating activities	**3,420,795**	4,117,805
Payment of employees' end of service benefit	**(39,303)**	(70,818)
Net cash generated from operating activities	**3,381,492**	4,046,987
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(736,983)**	(1,040,151)
Payment for transfer of property, plant and equipment from a related party	**(696,227)**	–
Payments for advances to contractors	**(24,955)**	(100,199)
Proceeds from disposal of property, plant and equipment	**383**	3,135
Increase in term deposit with maturity more than three months	**(30,000)**	–
Interest received	**2,663**	2,491
Net cash used in investing activities	**(1,485,119)**	(1,134,724)
Cash flows from financing activities		
Proceed from long term debt	**5,478,541**	–
Payment of transaction costs – revolving facility	**(13,810)**	–
Capital contribution repayment	**(6,304,418)**	–
Dividend paid	**(2,134,688)**	–
Net cash used in financing activities	**(2,974,375)**	–
Net (decrease)/increase in cash and cash equivalents	**(1,078,002)**	2,912,263
Cash and cash equivalents at beginning of the year	**3,733,454**	821,191
Cash and cash equivalents at end of the year (note 9)	**2,655,452**	3,733,454
Non-cash transactions		
Accruals for property, plant and equipment	**207,978**	77,712
Advances to contractors transferred to property, plant and equipment	**51,418**	120,077
Transfer of property, plant and equipment to assets classified as held for sale	**74,819**	–
Additional capital contribution (note 12)	**–**	6,304,418
Transfer of accumulated losses to due to a related party (note 12)	**–**	36,215,583

The accompanying notes form an integral part of these carve-out financial statements.

1 General information

Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company"), formerly Abu Dhabi National Oil Company for Distribution, is a company incorporated by Law No. 13 of 1973 issued by His Highness the Acting Ruler of the Emirate of Abu Dhabi.

On 22 November 2017, Law No. 15 of 2017 (the "New Law of Establishment") was issued replacing Law No. 13 of 1973 in respect of the incorporation of Abu Dhabi National Oil Company for Distribution PJSC, a public joint stock company registered with the commercial register in Abu Dhabi under commercial licence number CN-1002757 issued by Abu Dhabi Department of Economic Development. The Article of Association of the Company became effective as of 22 November 2017, at the same time that the New Law of Establishment was issued and became effective. The duration of the Company is 100 Gregorian years commencing on the date of issuance of the New Law of Establishment.

Pursuant to the resolution of Abu Dhabi National Oil Company ("ADNOC", "Shareholder", or the "Parent Company"), as the sole shareholder of the Company, dated 28 June 2017, ADNOC approved the listing of all the Company's share in Abu Dhabi Securities Exchange and the sale by way of offer to the public of part of the share capital of the Company held by ADNOC.

The Group's registered head office is at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its Subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the "Group") are the marketing of petroleum products, natural gas and ancillary products.

The Group owns retail fuel stations located in the emirates of Abu Dhabi and Sharjah, in each of which the Group is the sole fuel retailer, and in the emirates of Ajman, Fujairah, Ras Al Khaimah and Umm Al Quwain.

The Group operates "ADNOC Oasis" convenience stores at a majority of its service stations, and lease retail and other space to tenants, such as quick service restaurants.

The Group is also a marketer and distributor of fuels to corporate and government customers throughout the U.A.E.. In addition, the Group provides refuelling and related services at eight airports in the U.A.E., and owns and operates a natural gas distribution network in Abu Dhabi.

The Group was a wholly owned subsidiary of ADNOC which is wholly owned by the Government of Abu Dhabi (the "Ultimate Shareholder"), and is registered in Abu Dhabi, United Arab Emirates.

On 14 September 2017, the Parent Company approved the transfer of the sales and purchasing activities of the Civil Aviation Division (the "Division") to itself so that all the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division are accounted for by the Parent Company. According to the transfer plan, the Division's selling and purchasing activities are carried out by the Parent Company while ADNOC Distribution, acting as an agent of the parent company, handles the operations of the Division, and effective 1 October 2017, charges the Parent Company a percentage of the costs incurred as agreed by both parties.

Historically, the Division's sales and purchasing activities and transactions were accounted for by the Company and included in its consolidated financial statements. The carve-out financial statements presented herein reflect the financial position of the Group as at 31 December 2017 and 31 December 2016, and its financial performance and its cash flows for the years then ended excluding the sales and cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2017.

The Group made social contributions amounting to AED 2,595 thousand during the year ended 31 December 2017.

Statement of compliance

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out of sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories relating to sale and purchasing activities of the Division, as well as the related cash flows which are transferred to the Parent Company as described under the "Basis of preparation" in note 3.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the carve-out financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these carve-out financial statements.

Amendments to IAS 7 Disclosure Initiative:

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of carve-out financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 14). A reconciliation between the opening and closing balances of these items is provided in note 14. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 14, the application of these amendments has had no impact on the Company's carve-out financial statements.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments:

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

A finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39. However there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Management anticipates that IFRS 9 (2014) will be adopted in the Group's financial statements for the annual year beginning 1 January 2018. The application of IFRS 9 (2014) may have potential impact on measurement of the impairment of the Group's trade receivables that is based on estimates of losses arising from failure or inability of customers to make the required payments or the time value of money. The Group is continuing to assess the impact of these and other changes on the carve-out financial statements.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, and principal versus agent considerations, as well as licensing application guidance.

The potential impact of the revenue standard for the Group is expected to be on the measurement of sales on contracts with customers that provide discounts, rebates, consignment inventories and upfront fees. The Group is continuing to assess the impact of these and other changes on the carve-out financial statements.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

IFRS 16 Leases:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and 15 replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Management anticipates that IFRS 16 will be adopted in the Group's financial statements for the annual year beginning 1 January 2019. The application of IFRS 16 may have a significant impact on amounts reported and disclosures made in the Group's financial statements in respect of Group's financial assets and financial liabilities. With the adoption of IFRS 16, off-balance sheet operating lease commitments as disclosed in note 25 will be recognised as on balance sheet item as follows:

a. Recognised as a right of use asset and related lease liability; and

b. Rent expense will be replaced by amortisation charge on right of use of asset and a finance charge on minimum lease payments.

However, it is not practicable to provide a reasonable estimate of the effects of the application of IFRS 16 until the Group performs a detailed review.

3 Summary of significant accounting policies

Basis of preparation

The carve-out financial statements have been prepared on a carve-out basis from the consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 by carving out the sales, cost of sales receivables/ payables and inventories of the Division.

The carve-out financial statements may not be indicative of Group's future performance and they do not necessarily reflect what its carve-out results of operations, financial position and cash flows would have been, had the Division been transferred in prior years.

The carve-out financial statements are presented in United Arab Emirates Dirham (AED) which is the functional currency of the Company and the Group's presentation currency. All amounts have been rounded to the nearest AED thousand ("000"), unless otherwise stated.

The carve-out financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out in the succeeding pages:

Basis of consolidation

The carve-out financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved where the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest 2017	Ownership interest 2016	Country of incorporation	Principal activities
ADNOC Distribution Global Company L.L.C.	**100%**	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of replaced parts are derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	5-25 years
Plant and machinery	5-15 years
Motor vehicles	4-10 years
Furniture, fixtures and equipment	5 years
Pipelines	15-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

Land that was historically provided by the Government of Abu Dhabi for no consideration is accounted for at a nominal value of AED 1 per plot of land. In order to continue to comply with property ownership laws in the UAE, the Group's real properties portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, the Group entered into Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to its operations on the properties.

Capital work-in-progress

Capital work-in-progress is included in property, plant and equipment at cost. Capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned and available for use.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3 Summary of significant accounting policies (continued)

Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial assets

The Group has the following financial assets as at 31 December 2017: 'cash and cash equivalents', term deposits, trade receivables and other current assets (excluding prepaid expenses) and due from related parties. These financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time ofinitial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks in current accounts and short-term, high liquid investments with original maturities less than three months that are readily convertible to known amounts of cash and are subject to an insignificant change in value.

Loans and receivables

Trade receivables and other current assets (excluding prepaid expenses) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities comprise trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding), long term debt and due to related parties, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except, for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivables for products and services provided in the normal course of business. Revenue is recognised, net of rebates and discounts, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably.

Sales of goods

Sale of goods and petroleum products are recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been received by the customer.

Rendering of services

Revenues from rendering of services are recognised when the services have been rendered and the outcome of the transactions can be estimated reliably.

Delivery income

Revenue from petroleum transport are recognised when services are rendered. These revenues are based on the quantities transported and measured according to procedures defined in each service contract.

Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income

Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

Leases

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise.

Employees' benefit

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the U.A.E. Labour Law, for their period of service up to the end of the reporting date.

With respect to its U.A.E. national employees, the Group makes contributions to the Abu Dhabi Retirement Pension and Benefits Fund (the "Fund") calculated in accordance with the Fund's regulations. With respect to its GCC national employees, the Group makes contributions to the pension funds or agencies of their respective countries. The Group's obligations are accrued over the period of employment.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates made by management are summarised as follows:

Key sources of estimation uncertainty

Impairment of trade receivables

The impairment charges reflect estimates of losses arising from the failure or inability of customers to make the required payments or the time value of money. The charge is based on the ageing of accounts, the customer's credit worthiness and historic loss experience. Changes to the estimated impairment provision may be required if the financial position of the customers was to improve or deteriorate. As at 31 December 2017, the Group's allowance for impairment of trade receivables amounted to AED 200,613 thousand (2016: AED 178,196 thousand).

Estimated useful lives and residual values of property, plant and equipment

Management reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16 Property, Plant and Equipment. Management determined that current year expectations do not differ from previous estimates based on its review.

Dismantling cost of property, plant and equipment

In accordance with IAS 16, the cost of property, plant and equipment shall include an initial estimate of the costs of dismantling and removing the item and restoring the site. Management have considered the requirements and determined that dismantling and removing the item and restoring the site in the future is not probable and estimate of costs is not significant.

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the estimated useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment.

During the year, the Group undertakes a review of Liquefied Petroleum Gasoline Operations related assets classified under property, plant and equipment with carrying amount of AED 261,715 thousand. The Group applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment. Growth rate of 2% and discount rate of 9% was taken into consideration in the calculation of the cash flow projection. Management determined that no impairment on its property, plant and equipment is to be recognised based on its review.

5 Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
1 January 2016	2,819,029	1,114,130	226,005	337,829	37,134	1,248,649	5,782,776
Additions	–	–	–	–	–	1,237,940	1,237,940
Transfers	696,241	166,341	34,461	227,746	10,549	(1,135,338)	–
Disposals	(2,704)	(2,443)	(8,198)	(1,862)	–	–	(15,207)
1 January 2017	**3,512,566**	**1,278,028**	**252,268**	**563,713**	**47,683**	**1,351,251**	**7,005,509**
Additions	**–**	**–**	**–**	**–**	**–**	**779,679**	**779,679**
Transfer from a related party	**255,004**	**441,223**	**–**	**–**	**–**	**–**	**696,227**
Transfers	**638,746**	**217,633**	**17,954**	**124,675**	**3,525**	**(1,002,533)**	**–**
Disposals	**(47)**	**(3,473)**	**(7,936)**	**(1,357)**	**–**	**–**	**(12,813)**
Reclassification	**1,239**	**(275)**	**–**	**(964)**	**–**	**–**	**–**
Transfer to assets classified as held for sale (note 10)	**–**	**–**	**–**	**(2,971)**	**(840)**	**(71,674)**	**(75,485)**
31 December 2017	**4,407,508**	**1,933,136**	**262,286**	**683,096**	**50,368**	**1,056,723**	**8,393,117**

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Accumulated depreciation							
1 January 2016	1,183,754	693,350	167,723	229,161	25,848	–	2,299,836
Charge for the year	147,450	110,981	22,753	64,080	1,812	–	347,076
Reclassifications	749	(2,260)	–	1,408	103	–	–
Disposals	(2,703)	(2,429)	(8,199)	(1,845)	–	–	(15,176)
1 January 2017	**1,329,250**	**799,642**	**182,277**	**292,804**	**27,763**	**–**	**2,631,736**
Charge for the year	**192,925**	**136,553**	**23,240**	**105,738**	**2,197**	**–**	**460,653**
Disposals	**(47)**	**(3,200)**	**(7,910)**	**(1,346)**	**–**	**–**	**(12,503)**
Reclassifications	**288**	**(355)**	**–**	**67**	**–**	**–**	**–**
Transfer to assets classified as held for sale (note 10)	**–**	**–**	**–**	**(379)**	**(287)**	**–**	**(666)**
31 December 2017	**1,522,416**	**932,640**	**197,607**	**396,884**	**29,673**	**–**	**3,079,220**
Carrying amount 31 December 2017	**2,885,092**	**1,000,496**	**64,679**	**286,212**	**20,695**	**1,056,723**	**5,313,897**
31 December 2016	2,183,316	478,386	69,991	270,909	19,920	1,351,251	4,373,773

The Group's buildings and facilities located in the Emirate of Abu Dhabi are constructed on land given by the Government of Abu Dhabi for no consideration. These lands are accounted for at nominal value of AED 1 per plot of land. Facilities located in other Emirates are constructed on land leased from third parties (note 25).

In order to continue to comply with property ownership laws in the U.A.E., The Group's real property portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, The Group entered into Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to our operations on the properties.

The depreciation charge has been allocated as follows:

	2017 AED'000	2016 AED'000
Distribution and administrative expenses (note 19)	**456,950**	344,471
Direct cost (note 18)	**2,697**	2,013
Work-in-progress inventories (note 6)	**1,006**	592
	460,653	347,076

6 Inventories

	2017 AED'000	2016 AED'000
Finished goods	**1,203,968**	967,020
Spare parts and consumables	**52,761**	50,398
Lubricants raw materials, consumables and work in progress	**70,647**	59,851
LPG cylinders	**35,783**	32,206
	1,363,159	1,109,475
Less: Allowance for write down of finished goods to net realisable value	**(234)**	(234)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(18,911)**	(15,423)
	(19,145)	(15,657)
	1,344,014	1,093,818

6 Inventories (continued)

The cost of inventories recognised as expense and included in 'direct cost' amounted to AED 15,303,357 thousand (2016: AED 13,413,420 thousand) (note 18). During the year, a direct write off of inventory was recognised as expense amounting to AED 2,774 thousand (2016: AED 11,964 thousand).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 1,006 thousand (2016: AED 592 thousand) (note 5).

Movement of the Group's inventory write down of finished goods to net realisable value and allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders is as follows:

	2017 AED'000	2016 AED'000
At 1 January	**15,657**	14,630
Impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 21)	**3,488**	1,027
At 31 December	**19,145**	15,657

7 Trade receivables and other current assets

	2017 AED'000	2016 AED'000
Trade receivables	**2,163,219**	1,633,665
Less: allowance for impairment of trade receivables	**(200,613)**	(178,196)
	1,962,606	1,455,469
Prepaid expenses	**36,653**	35,531
Receivable from employees	**116,185**	109,503
Other receivables	**96,097**	56,328
	2,211,541	1,656,831

Receivables from employees consist of staff car loans, furniture loans, personal loans and staff advances.

As at 31 December 2017, the Group had significant concentration of credit risk with two customers (2016: two) accounting for 46% (2016: 39%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

The average credit period on sales and services is between 30 to 60 days. No interest is charged on trade receivables.

Trade receivable balances past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

As at 31 December 2017, the aging of unimpaired trade receivables is as follows:

Ageing of trade receivables:	**2017 AED'000**	2016 AED'000
Not past due	**755,241**	512,770
Overdue for 30 days	**299,671**	137,672
Overdue for 31 to 60 days	**131,719**	99,023
Overdue for 61 to 90 days	**81,913**	48,577
Overdue for 91 to 180 days	**266,027**	106,208
Overdue for 181 to 360 days	**159,855**	247,784
Overdue for more than 360 days	**268,180**	303,435
	1,962,606	1,455,469

As at 31 December 2017, trade receivables with carrying amount of AED 200,613 thousand (2016: AED 178,196 thousand) were impaired. Movement in the allowance for impairment of trade receivables is as follows:

	2017 AED'000	2016 AED'000
At 1 January	**178,196**	155,958
Recoveries during the year	**(46,749)**	(24,023)
Charge for the year (note 21)	**69,166**	46,261
	200,613	178,196

Amounts charged to the allowance for impairment of trade receivables are generally written off when there is no realistic expectation of recovery.

The carrying amounts of the Group's trade receivables are denominated in U.A.E. Dirham and US Dollars and approximate to their fair value as at 31 December 2017.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

8 Related party balances and transactions

Related parties represent the Parent Company and its subsidiaries, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

	2017 AED'000	2016 AED'000
Due from related parties		
ADNOC Logistics and Services (formerly Abu Dhabi National Tanker Co. (ADNATCO), National Gas Shipping Company (NGSCO), Abu Dhabi Petroleum Ports Operating Co. (IRSHAD) and Petroleum Services Company (ESNAAD))	**152,753**	170,032
ADNOC Drilling (formerly National Drilling Company)	**88,720**	99,678
ADNOC Onshore (formerly Abu Dhabi Company for Onshore Oil Operations (ADCO))	**48,716**	33,066
ADNOC Gas Processing (formerly Abu Dhabi Gas Industries Ltd. (GASCO))	**16,694**	9,414
Abu Dhabi National Oil Company (ADNOC)	**16,782**	1,126
ADNOC Sour Gas (formerly Abu Dhabi Gas Development Company (AL HOSN))	**12,209**	21,031
Abu Dhabi Marine Operating Co. (ADMA-OPCO)	**9,351**	6,861
Zakum Development Company (ZADCO)	**7,322**	5,328
Others	**9,087**	6,854
	361,634	353,390
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**2,469,652**	603,522
ADNOC Logistics and Services (formerly Abu Dhabi National Tanker Co. (ADNATCO), National Gas Shipping Company (NGSCO), Abu Dhabi Petroleum Ports Operating Co. (IRSHAD) and Petroleum Services Company (ESNAAD))	**13,031**	24
ADNOC Refining (formerly Abu Dhabi Oil Refining Company (Takreer))	**12,860**	–
Others	**6**	–
	2,495,549	603,546

The amounts due from related parties are against the provision of petroleum products and services. These balances are not secured, bear no interest and have an average credit period of 30-60 days.

The amount due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges, administrative charges and amounts related to the transfer of the sales and purchasing activities of the Civil Aviation Division. The above balance is unsecured, bears no interest and is payable on demand.

The Group has an amount of AED 1,052,359 thousand (2016: AED 629,398 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2017, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 4,359,250 thousand.

8 Related party balances and transactions (continued)

The following transactions were carried out with related parties during the year:

	2017 AED'000	2016 AED'000
Revenue – ADNOC group	**1,011,976**	768,815
Purchases – ADNOC	**13,929,609**	13,181,779
Administrative expenses – ADNOC	**1,940**	1,700
Vessel hire and port charges – ADNOC group	**96,193**	78,038
Transfer of property, plant and equipment	**696,226**	–
Transfer of accumulated losses (note 12)	**–**	36,215,583
Additional capital contribution (note 12)	**–**	6,304,418
Capital contribution repayment (note 12)	**(6,304,418)**	–
Dividend paid (note 24)	**(2,134,688)**	–
Rendering of service (note 17)	**72,213**	–
Recoverable expenses (note 19)	**(198,403)**	(238,399)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2017 AED'000	2016 AED'000
Short term benefits	**10,982**	13,350
Pension contribution	**572**	730
	11,554	14,080

The Group has elected to use the exemption under IAS 24 *Related Party Disclosures* for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and control.

The Group provides in the normal course of business petroleum distribution services to entities owned and controlled by the Government of Abu Dhabi.

In September 2017, the Company entered into an agreement with ADNOC Distribution Assets LLC (the "SPV") for the operation and maintenance of certain of the assets transferred to the SPV by Takreer with an effective date of 1 October 2017, for which the SPV will compensate the Company on the basis of an 8% return over and above the operating expenditure incurred by the Company for such operations (the "Owner Consideration") and the Company will compensate the SPV for the use of such assets (the "Operator Consideration"). The Company and the SPV also signed an asset use fee letter confirming that the Owner Consideration will be the same as, and will therefore offset, the Operator Consideration.

In September 2017, the Company entered into an agreement with the Parent Company and the SPV to provide support services relating to the Parent Company's civil aviation fuel supply business and to operate and maintain certain assets belonging to the SPV with an effective date of 30 September. The SPV will compensate the Company on the basis of an 8% return over and above the operating expenditure incurred by the Company for such support services and operations.

In November 2017, the Company entered into an agreement with the Parent Company relating to its supply of Butane, Propane and Mixed Liquefied Petroleum Gas ("LPG") which specifies the pricing mechanism for those products effective 1 October 2017. As per the new arrangement for LPG cylinders, the Parent Company will charge the Company the regulated price with a deduction for Cylinder OPEX as defined in the agreement and an agreed margin whereas historically the Company paid the Parent Company's official selling prices. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement. This reimbursement will be recorded as reduction from the purchase price of the LPG cylinders.

In November 2017, the Company entered into an agreement with the Parent Company for supply of refined petroleum products. As per this arrangement, the contract price effective 1 October 2017 applicable to gasoline and diesel shall be equal to the sum of (a) the mean of Platt's Average as defined in the agreement, plus (b) a fixed premium. For illuminating kerosene and aviation fuel, the contract price shall be the Parent Company's official selling prices.

Also, during the initial five-year term only, to the extent that during any invoicing period the difference between the contract price payable by the Company to the Parent Company for any litre of a gasoline or diesel and the relevant retail price for the same litre of gasoline or diesel, is less than a specified level, such contract price shall be reduced for that period so that the difference equals such specified level.

In addition, if at the end of any year during the initial five-year term, it is determined that, for any grade of gasoline (ULG 91, 95 or 98) or diesel, the difference between the actual revenue per litre achieved by the Company for sales at the pump and the price paid by the Company to the Parent Company for the quantities sold, is less than a specified level, then the Parent Company will pay the Company an amount equal to the per-litre difference, multiplied by the total volumes sold of the affected grade. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement.

9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of the following amounts:

	2017 AED'000	2016 AED'000
Cash held by ADNOC	**1,578,582**	3,038,987
Cash on hand and in bank	**1,206,870**	794,467
Cash and bank balances	**2,785,452**	3,833,454
Term deposit with maturities above 3 months	**(130,000)**	(100,000)
	2,655,452	3,733,454

Cash held by ADNOC are funds held by ADNOC on behalf of the Group and are available on demand. These funds as approved by both parties carries interest rate ranging from 1.20% to 1.70% per annum effective December 2017.

Cash and bank balances include short-term and call deposits amounting to AED 1,052 million (2016: AED 683 million) carrying rate ranging from 0.01% to 0.05% (2016: 0.02% to 0.08%) per annum.

10 Assets classified as held for sale

On 2 November 2017, the Company and Abu Dhabi National Oil Company (ADNOC) entered into a business transfer agreement relating to the transfer of the Company's Natural Gas business excluding compressed natural gas operations subject to certain conditions precedent. The transfer the business will be completed by 30 June 2018. The Group expects that the fair value less cost to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities held for sale as at 31 December 2017.

11 Share capital

The original share capital of the Company as per the Law No. 13 of 1973 was AED 30 million divided into 300,000 shares, each valued at AED 100.

By virtue of the decision of the board of directors of the Parent Company dated 17 October 1984, the share capital of the Company was increased to AED 200 million divided into 2 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 6 October 1998, the share capital of the Company was increased to AED 600 million divided into 6 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 9 July 2006, the share capital of the Company was increased to AED 1,000 million.

11 Share capital (continued)

In accordance with the Article of Association of the Company which became effective on 22 November 2017, the authorised capital and number of ordinary shares was amended as follows:

	2017 AED'000	2016 AED'000
Authorised:		
25,000,000,000 ordinary shares of AED 0.08 each (2016: 10,000,000 ordinary shares of AED 100 each)	**2,000,000**	1,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED 0.08 each (2016: 10,000,000 ordinary shares of AED 100 each)	**1,000,000**	1,000,000

12 Capital contribution

On 10 October 2016, the Supreme Petroleum Council (Executive Committee) approved to write off the amounts payable to ADNOC amounting to AED 42,520,001 thousand against the accumulated losses of the Company. An amount of AED 6,304,418 thousand has been further recognised as an additional capital contribution from ADNOC to the Company. On 13 November 2017, the Board of Directors approved the repayment of the capital contribution of AED 6,304,418 thousand to ADNOC.

13 Legal reserve

In accordance with the U.A.E. Federal Law No. 2 of 2015, and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% (2016: 33%) of the paid up share capital.

14 Long term debt

	2017 AED'000	2016 AED'000
Term loan	**5,479,201**	–

On 16 October 2017, ADNOC Distribution signed a mandate letter (the "Mandate Letter") with a consortium of banks where the consortium agreed to underwrite a 5 year, USD 2,250 million unsecured credit facility (the "Facility"). The Facility is bifurcated further into a term facility commitment of USD 1,500 million and a revolving facility commitment of USD 750 million. The purpose of the facility is for general corporate and working capital purposes including payment of dividend, repayment of debt and payment of transaction costs associated with the facility. There are no financial covenants included in the facility documents.

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 13,462 thousand as at 31 December 2017 is presented as other non-current asset in the carve-out financial statements.

On 16 November 2017, the Group made a drawdown amounting to USD 375,000 thousand and AED 4,128,750 thousand. The Facility carries variable interest at USD LIBOR plus a 0.875% for USD denominated facility portion and EIBOR plus a margin of 0.60% for AED denominated facility portion. The term facility is to be repaid at final maturity which is 5 years from the date of the facility agreement.

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's carve-out financial statements of cash flows as cash flows from financing activities.

	2017 AED'000	2016 AED'000
At 1 January	**–**	–
Financing cash flows (i)	**5,478,541**	–
Other charges (ii)	**660**	–
	5,479,201	–

(i) The cash flows from bank loans and repayments of long term debt in the statement of cash flows.
(ii) Other charges include amortisation of transaction costs of the term loan.

15 Provision for employees' end of service benefit

Movement in the provision recognised in the carve-out statement of financial position is as follows:

	2017 AED'000	2016 AED'000
At 1 January	**236,926**	278,259
Charge for the year (note 22)	**26,314**	29,485
Payments	**(39,303)**	(70,818)
At 31 December	**223,937**	236,926

Management believes that the calculation performed based on the entitlement due at the reporting date in accordance with the U.A.E. Labour law will not be materially different if an actuarial valuation were performed as the net impact of the discount rate and future salary and benefit levels on the present value of the benefit obligation is not likely to be significant.

16 Trade and other payables

	2017 AED'000	2016 AED'000
Trade payables	**414,978**	313,875
Operating accruals	**249,978**	161,524
Capital accruals	**207,978**	291,519
Coupon and prepaid card sales outstanding	**82,362**	83,269
Contract retentions payable	**67,496**	62,676
Advances from customers	**27,511**	34,396
Other payables	**108,518**	167,788
	1,158,821	1,115,047

17 Revenue

	2017 AED'000	2016 AED'000
Sale of goods	**19,321,539**	17,371,932
Rendering of services	**278,588**	165,474
Rental income	**91,376**	85,572
Delivery income	**64,791**	47,093
	19,756,294	17,670,071

During the year ended 31 December 2016, sale of goods included an amount of AED 496 million made through stations owned by Emirates General Petroleum Corporation ("Emarat"). The related assets were not recorded in these carve-out financial statements as the proposed acquisition of the Emarat retail fuel service stations were abandoned in 2016. The related direct cost, distribution and administrative expenses, and other income for year ended 31 December 2016 amounted to AED 328 million, AED 89 million and AED 31 million, respectively, are also included in these carve-out financial statements. There was no sale of goods through stations owned by Emarat for the year ended 31 December 2017, and correspondingly no related direct cost, distribution and administrative expenses, and other income.

In connection with the transfer of the sales and purchasing activities of the Division, the Company entered into a service agreement (the "Aviation Service Agreement"), pursuant to which the Parent Company reimburses the Company for and pays an additional margin of 8% of the total distribution and administrative costs of the Division incurred by the Company for handling the operations of the Division and providing certain aviation refuelling and other related services to its civil aviation customers. The cost of the Division's related handling operations plus the additional margin amounting to AED 72,213 thousand (2016: Nil) is recognised as revenue in the carve-out financial statements (note 8).

18 Direct costs

	2017 AED'000	2016 AED'000
Materials	**15,303,357**	13,413,420
Staff costs (note 22)	**12,684**	12,976
Overheads	**11,463**	15,154
Depreciation (note 5)	**2,697**	2,013
	15,330,201	13,443,563

19 Distribution and administrative expenses

	2017 AED'000	2016 AED'000
Staff costs (note 22)	**1,824,276**	1,836,494
Depreciation (note 5)	**456,950**	344,471
Distribution and marketing expenses	**120,176**	150,262
Repairs, maintenance and consumables	**154,722**	180,438
Utilities	**96,102**	80,299
Insurance	**11,246**	16,831
Others	**258,265**	179,386
Recoverable expenses	**(198,403)**	(238,399)
	2,723,334	2,549,782

20 Other income

	2017 AED'000	2016 AED'000
Gain on disposal of property, plant and equipment	**73**	3,104
Miscellaneous income	**192,911**	157,891
	192,984	160,995

Miscellaneous income consists mainly of convenient store income for the consigned goods and sales of scrap items, used oil, batteries, tyres.

21 Impairment losses and other operating expenses

	2017 AED'000	2016 AED'000
Impairment loss of trade receivables (note 7)	**69,166**	46,261
Inventories written off	**2,774**	11,964
Impairment loss for obsolete inventories (note 6)	**3,488**	1,027
	75,428	59,252

22 Staff costs

	2017 AED'000	2016 AED'000
Salaries and allowances	**1,679,268**	1,672,740
Other benefits	**177,025**	192,331
Employees' end of service benefit (note 15)	**26,314**	29,485
	1,882,607	1,894,556
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 19)	**1,824,276**	1,836,494
Capital work-in-progress	**45,647**	45,086
Direct costs (note 18)	**12,684**	12,976
	1,882,607	1,894,556

Other benefits consist mainly of medical expenses, trainings, leave and travel expenses and uniforms.

23 Basic and diluted earnings per share

Earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of share outstanding during the year.

	2017	2016 (Restated)
Profit attributable to owners of the Company (AED '000)	**1,804,207**	1,780,960
Weighted average number of shares for the purpose of basic earnings per share('000)	**12,500,000**	12,500,000
Earnings per share	**0.144**	0.142

On 22 November 2017, the authorised number of ordinary shares was amended to AED 25,000,000 thousand shares of AED 0.08 each. Accordingly, the weighted average number of shares for the purpose of the basic earnings per share for the year ended 31 December 2016 was restated.

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

24 Dividend

The Board of Directors, in their meeting held on 13 November 2017 and based on the authority provided by the Parent Company, has approved an interim dividend of AED 2,134,688 thousand.

On 25 February 2018, the Board of Directors resolved to recommend the distribution to shareholders of dividend of AED 0.0588 per share in respect of the fiscal year ended 31 December 2017.

25 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 300.9 million (2016: AED 534.5 million.)

The Group has entered into numerous operating lease agreements relating to land on which certain petrol stations have been constructed. The minimum lease payments under these lease agreements are shown below.

	2017 AED'000	2016 AED'000
Not later than one year	**3,200**	3,200
Later than one and not later than five years	**23,310**	23,030
Later than five years	**16,950**	15,850
	43,460	42,080

26 Segment Reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires *operating segments* to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, as the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. Information reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segments only. No information that includes the segments' assets and liabilities are reported to the Board of Directors.

For operating purposes, The Group is organised into four major business segments:

i. Corporate segment, which involves sale of petroleum products and ancillary products.

ii. Retail segments, which involves sale of petroleum products through service stations services and convenience stores catering the consumers.

iii. Government aviation segment, engages in the provision of fuel and fuelling services to strategic customers as well as fuelling services to the Parent Company's aviation customers.

iv. Operating segments Allied Services and Natural Gas have been aggregated as 'Other' reportable segment of the Group. Allied services involves property management and vehicle inspection services.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at the rates determined by management taking into consideration the cost of funds.

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous year. Profit for the year is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Information regarding these segments are as follows:

	Corporate AED'000	Retail AED'000	Aviation AED'000	Others AED'000	Unallocated AED'000	Total AED'000
31 December 2017						
Revenue	**4,049,801**	**13,746,259**	**1,696,871**	**263,363**	**–**	**19,756,294**
Direct costs	**(3,278,108)**	**(10,876,911)**	**(1,157,874)**	**(17,308)**	**–**	**(15,330,201)**
Gross profit	**771,693**	**2,869,348**	**538,997**	**246,055**	**–**	**4,426,093**
Distribution and administrative expenses	**(219,458)**	**(2,054,410)**	**(201,702)**	**(236,340)**	**(11,424)**	**(2,723,334)**
Other income	**64,876**	**86,490**	**8,056**	**30,819**	**2,743**	**192,984**
Impairment losses and other operating expenses	**(36,511)**	**(100)**	**(10,314)**	**(22,241)**	**(6,262)**	**(75,428)**
Interest income	**–**	**–**	**–**	**–**	**2,663**	**2,663**
Finance costs	**–**	**–**	**–**	**–**	**(18,771)**	**(18,771)**
Profit/(loss) for the year	**580,600**	**901,328**	**335,037**	**18,293**	**(31,051)**	**1,804,207**
Depreciation – net	**18,783**	**352,302**	**14,491**	**55,598**	**–**	**441,174**
31 December 2016						
Revenue	3,819,446	12,299,777	1,328,539	222,309	–	17,670,071
Direct costs	(2,958,198)	(9,564,415)	(907,193)	(13,757)	–	(13,443,563)
Gross profit	861,248	2,735,362	421,346	208,552	–	4,226,508
Distribution and administrative expenses	(181,907)	(2,027,003)	(119,637)	(221,235)	–	(2,549,782)
Other income	4,632	102,087	–	5,132	49,144	160,995
Impairment losses and other operating expenses	(25,909)	(40)	(7,612)	(12,699)	(12,992)	(59,252)
Interest income	–	–	–	–	2,491	2,491
Profit/(loss) for the year	658,064	810,406	294,097	(20,250)	38,643	1,780,960
Depreciation – net	15,703	253,648	9,277	50,809	–	329,437

Unallocated income consists mainly of gain on sale of fixed assets, insurance recovery and other miscellaneous income.

Depreciation has been allocated in distribution and administrative expenses, direct costs and work-in-progress inventories (note 5). Reconciliation of depreciation net of Civil Aviation Division carve-out is as follows:

	2017 AED'000	2016 AED'000
Depreciation (note 5)	**460,653**	347,076
Less: amount relating to Civil Aviation Division carve-out	**(19,479)**	(17,639)
Depreciation – net	**441,174**	329,437

27 ADNOC Group central fund for risk financing

The Group is a participant in a centralised fund, administered by ADNOC, to finance certain self-insured risks. The fund is made up of premium discounts, investment income and contributions from participants, as agreed upon from time to time. Under the scheme, the Group is obliged to provide additional funding, if required. As at 31 December 2017, the Group's share in the fund held by ADNOC was AED 668 thousand (2016: AED 662 thousand).

28 Contingencies and litigations

As at 31 December 2017, the Group had contingent liabilities amounting to AED 1,208 thousand (2016: AED 2,201 thousand) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's carve-out financial statements if concluded unfavourably.

29 Financial instruments

Capital risk management

The primary objective of the Group's capital risk management activities is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital defined as equity plus net debt. The capital structure of the Group consists of debt, which includes long term debts, cash and cash equivalents and equity comprising share capital, statutory reserve and retained earnings.

The leverage ratio, determined as net debt to net debt plus equity, at the year-end was as follows:

	2017 AED'000	2016 AED'000
Debt	**5,479,201**	–
Cash and cash equivalent (note 9)	**(2,655,452)**	(3,733,454)
Net debt	**2,823,749**	(3,733,454)
Net debt	**2,823,749**	(3,733,454)
Equity	**2,847,869**	9,482,768
Net debt plus equity	**5,671,618**	5,749,314
Leverage ratio	**49.8%**	(64.9%)

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), commercial and credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a Market risk

i Foreign exchange risk

The Group has no significant currency risk exposure from its operations as a majority of the Group's transactions are in U.A.E. Dirham or US Dollars. The U.A.E. Dirham is pegged to the US Dollar, hence, balances in US Dollars are not considered to present a significant foreign exchange risk.

ii Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and Group's debt obligations with floating interest rates. Consequently, the Group's income and operating cash flows are dependent on changes in market interest rates. Deposits/placements issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage these risks based on management's assessment of available options and placing any surplus funds with ADNOC for treasury management or with creditworthy banks (note 9).

The deposits and placements are on rollover basis for three months or less, as such the carrying amounts have not been discounted as the impact of discounting is not deemed to be significant.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial position date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have decreased/increased by AED 27,396 thousand (2016: Nil). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

iii Price risk

The Group is exposed to commodity price risk arising from retail prices of the liquid fuels. Liquid fuel prices are set by the U.A.E. Ministry of Energy, which limits and may result in reductions in the profit margins on these products. There can be no assurance that the U.A.E. Ministry of Energy will continue to set retail prices at a level that provides the same or a similar profit margin, and any reduction in the profit margin on these products would have a material adverse impact on our results of operations and financial position. Under the new supply agreements, ADNOC will provide the Group protection against reduction in per-litre gross profits below certain specified levels (note 8).

b Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and others factors. Individual risk limits are based on management's assessment on a case-by-case basis.

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks and financial institutions and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 7.

c Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations is available to meet its funding requirements. The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., bank deposits, trade receivables and other financial assets), and projected cash flows from operations. The Group's objective is to maintain liquidity through credit lines available from banks. As at 31 December 2017, the Group had access to a USD 750 million credit facility which was fully unutilised (note 14).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 and 2016 based on the contractual undiscounted payments.

	Less than 1 year AED '000	**More than 1 year AED '000**	**Total AED '000**
At 31 December 2017			
Long term debt	**–**	**5,479,201**	**5,479,201**
Due to related parties	**2,495,549**	**–**	**2,495,549**
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,048,948**	**–**	**1,048,948**
Total	**3,544,497**	**5,479,201**	**9,023,698**

	Less than 1 year AED '000	More than 1 year AED '000	Total AED '000
At 31 December 2016			
Due to related parties	603,546	–	603,546
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	997,382	–	997,382
Total	1,600,928	–	1,600,928

Whilst the Parent Company account is payable on demand or within agreed payment terms, the Parent Company considers the ability of the Group to pay, and its cash position prior to any payment request or transfer. The Parent Company account includes the cost of supplying the Group with its inventories as the Parent Company is the principal supplier of petroleum products to the Group (note 8).

Fair value estimation

The carrying value less any impairment provision of trade receivables and payables, approximate to their fair values as they are mainly short-term in nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for financial instruments.

30 Financial instruments by category

	2017 AED'000	2016 AED'000
Financial assets:		
Cash and bank balances	**2,785,452**	3,833,454
Due from related parties	**361,634**	353,390
Trade and receivables and other current assets (excluding prepaid expenses)	**2,174,888**	1,621,300
	5,321,974	5,808,144

	2017 AED'000	2016 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,048,948**	997,382
Due to related parties	**2,495,549**	603,546
Long term debt	**5,479,201**	–
	9,023,698	1,600,928

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 36,653 thousand (2016: AED 35,531 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 109,873 thousand (2016: AED 117,665 thousand) have been excluded from trade and other payables.

31 Approval of carve-out financial statements

The carve-out financial statements were approved by the Board of Directors and authorised for issue on 25 February 2018.

Glossary

ADEG	Abu Dhabi Energy Index
ADI	Abu Dhabi General Index
ADNOC	Abu Dhabi National Oil Company
ADNOCDIS:UH	Bloomberg symbol for ADNOC Distribution
ADNOCDIST	ADX symbol for ADNOC Distribution
ADWEA	Abu Dhabi Water and Electricity Authority
ADX	Abu Dhabi Securities Exchange
AED	United Arab Emirates Dirham, the currency of the United Arab Emirates
ANOD.AD	Reuters Instrument Code for ADNOC Distribution
API	American Petroleum Institute
Capex	Capital expenditure
Carve-out	Divestiture or partial divestiture of a business unit
CNG	Compressed Natural Gas
the Company	ADNOC Distribution
EBITDA	Earnings before interest, tax, depreciation and amortization
ELT	Executive Leadership Team
ERM	Enterprise Risk Management
EV	Electrical Vehicles
FDI	Foreign Direct Investment
Footfall	The number of people entering a shopping area in a given time
GCC	Gulf Cooperation Council (United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain)
GDP	Gross Domestic Product
Grey market	An unofficial market in goods that have not been obtained from an official supplier.
HR	Human Resources
HSE	Health, Safety and Environment
IPO	Initial Public Offering
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
OHSAS	Occupational Health and Safety Assessment Series
JIG	Joint Inspection Group
KPI	Key Performance Indicator
LPG	Liquefied Petroleum Gas
MCC	Monitoring and Control Centre
MENA	Middle East and North Africa
Mixed-mode	Offers the option of either self-service refueling, or premium full-service refueling
NGV	Natural Gas Vehicles
OEM	Original Equipment Manufacturers
Premiumization	Consumer preference or trend towards higher quality, higher price offerings
RFID	Radio Frequency Identification
RIC	Reuters Instrument Code
SCA	Securities and Commodities Authority
USD	United States Dollar, the currency of the United States

Designed and produced by Group Origin

Head Office

Sheikh Zayed bin Sultan Street,
PO Box 4188, Abu Dhabi, United Arab Emirates
Tel: +971 2 677 1300

www.adnocdistribution.ae