ADNOC DISTRIBUTION Q2 & H1 2018 RESULTS

12 August 2018

ADNOC Distribution
Q2 and H1 2018 Financial Statements Release

Continued progress against our strategy

H1/2018 in brief:

- Strong margins maintained
- EBITDA increased by 29.6% to AED 1,443.1 million (H1/2017: 1,113.4 million)
- Earnings per share AED 0.090 (H1/2017: 0.076)
- Strong free cash flow resulting in adjusted net debt to EBITDA ratio of 0.4x at 30 June 2018
- Total fuel sales volume decreased by 0.7% compared to H1/2017

Acting CEO Saeed Mubarak Al Rashdi:

“As we present ADNOC Distribution’s half-year 2018 results, we do so with a sense of satisfaction in how our business has delivered and continues to deliver against our strategy. I am pleased that our unwavering commitment to further improve our customer experience while also focusing on improving our financial performance has generated positive momentum and has led to the strong results we are announcing today.

We have made significant progress across all three pillars of our strategy, namely our fuel, non-fuel and cost-efficiency initiatives. Looking at our results for the second quarter, it is evident that our journey of growth continues. EBITDA has increased 34.4%, gross profit is up by 33.1% and net profit has risen 24.3% compared to Q2 2017. We have achieved these outstanding results notwithstanding market headwinds that have resulted in a 2.2% decrease in the total fuel volumes we sold in the second quarter.

Our results validate the investment proposition we have made to our shareholders. Earnings per share amount to AED 0.047 in the second quarter, compared to AED 0.037 in Q2 2017, and AED 0.090 in H1 2018, compared to AED 0.076 in H1 2017. We remain grateful for our shareholders’ strong belief in ADNOC Distribution’s future growth and positive development and will continue to pursue our ambition to transform the company into a more performance-driven and commercially minded business.”

ADNOC Distribution Financial Information as of and for the Three and Six Months Ended 30 June 2018

The following financial information should be read in conjunction with our unaudited condensed financial statements as of and for the three and six months ended 30 June 2018 and our audited financial statements as of and for the year ended 31 December 2017, including the related notes.

Results of Operations

The following table sets forth certain financial information at the end of and for the periods indicated.

AED millions, unless otherwise noted

	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Revenue	5,807.9	4,833.7	20.2%	10,966.6	9,417.1	16.5%	19,756.3
Gross profit	1,424.1	1,069.8	33.1%	2,608.6	2,106.1	23.9%	4,426.1
EBITDA	740.3	550.8	34.4%	1,443.1	1,113.4	29.6%	2,281.0
Operating profit	613.0	467.8	31.0%	1,190.6	950.3	25.3%	1,820.3
Profit for the period	582.1	468.2	24.3%	1,124.3	951.8	18.1%	1,804.2
Earnings per share (AED/share)	0.047	0.037	27.0%	0.090	0.076	18.4%	0.144
Capital expenditures	179.0	234.3	-23.6%	331.8	466.4	-28.9%	1,457.7
Free cash flow(1)	561.3	316.5	77.3%	1,111.3	647.0	71.8%	823.3
Total equity	3,318.7	10,434.6	-68.2%	3,318.7	10,434.6	-68.2%	2,847.9
Interest bearing net debt (2)	522.8	--	--	522.8	--	--	2,693.7
Capital employed (3)	--	--	--	9,021.3	10,657.1	-15.3%	8,551.0
Return on capital employed (ROCE) (4)	--	--	--	22.8%	17.9%	--	21.3%
Return on equity (ROE) (5)	--	--	--	59.6%	18.3%	--	63.4%
Net debt to EBITDA ratio (6)	--	--	--	0.4x	--	--	1.7x
Leverage ratio (7)	--	--	--	13.6%	--	--	48.6%

(1) Free cash flow is calculated as EBITDA less capital expenditures for the period presented.
(2) Interest bearing net debt is calculated as total interest bearing debt less cash and bank balances.
(3) Capital employed is calculated as the sum of total assets minus non-interest bearing current liabilities.
(4) Return on capital employed is calculated as operating profit for the twelve months ended divided by capital employed on the last day of the period presented.
(5) Return on equity is calculated as profit for the period for the twelve months ended divided by total equity on the last day of the period presented.
(6) Net debt to EBITDA ratio is calculated as adjusted (excluding restricted cash collected on behalf of our parent company in connection with our civil aviation services business) interest bearing net debt as of the end of the period presented, divided by EBITDA for the twelve months ended on the last day of the period presented.
(7) Leverage ratio is calculated as (a) interest bearing net debt, divided by (b) the sum of interest bearing net debt plus total equity.

Key factors affecting results and comparability of second quarter and first half 2018 financial results

1- Fuel Supply Agreement with ADNOC

We entered into a Refined Products Supply Agreement with ADNOC, effective 1 October 2017, pursuant to which we purchase all of our refined petroleum products from ADNOC, and new pricing formulae for fuels purchased from ADNOC are being applied. For further information, please refer to Note 8 of our audited financial statements for the year ended 31 December 2017.

2- LPG Supply Agreement with ADNOC

We entered into an LPG Supply Agreement with ADNOC, effective 1 October 2017, pursuant to which we 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 subsidised cylinders is equal to the regulated retail price of such LPG cylinders minus 108% of our operating expenses for distributing these LPG cylinders. For further information, please refer to Note 8 of our audited financial statements for the year ended 31 December 2017.

3- New debt facility

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 also 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.

4- 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 for the year ended 31 December 2017, our financial statements for the three and six months ended 30 June 2017 and the year ended 31 December 2017 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% 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 results of operations beginning 1 October 2017. Our Aviation division continues to directly handle sales of fuels and refueling and related services to our strategic customers.

5- ADNOC Refining perimeter reorganization

On 30 September 2017, we entered into an asset purchase agreement with ADNOC Refining (formerly known as Takreer), 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 purchased assets has been reflected in our results of operations effective 1 October 2017.

Results for the three and six months ended 30 June 2018

Volume

Total fuel sales volume for the second quarter of 2018 was 2,429.2 million liters, a decrease of 2.2% compared to total fuel sales volume of 2,483.1 million liters for the second quarter of 2017. Total sales volume for the first half of 2018 was 4,762.7 million liters, a decrease of 0.7% compared to total fuel sales of 4,794.8 million liters for the first half of 2017

The following table sets forth the volumes of fuel sold during the periods indicated:

Millions of liters	**Q2 2018**	**Q2 2017**	**% Change**	**H1 2018**	**H1 2017**	**% Change**	**Full Year 2017**
Gasoline	1,487.3	1,527.5	-2.6%	2,933.5	2,988.2	-1.8%	6,003.7
Diesel	624.8	640.6	-2.5%	1,201.7	1,215.2	-1.1%	2,623.5
Aviation products	183.2	207.9	-11.9%	368.6	377.4	-2.3%	811.1
Other (1)	133.9	107.1	25.0%	258.9	214.0	21.0%	543.6
Total fuel volumes	2,429.2	2,483.1	-2.2%	4,762.7	4,794.8	-0.7%	9,981.9

(1) Includes CNG, LPG, kerosene, lubricants and base oil.

Revenue

Revenue for the second quarter of 2018 was AED 5,807.9 million, an increase of 20.2% compared to revenue of AED 4,833.7 million for the second quarter of 2017. Revenue for the first half of 2018 was AED 10,966.6 million, an increase of 16.5% compared to revenue of AED 9,417.1 million for the first half of 2017. The increase in revenue was primarily due to increases in fuel prices resulting from increases in oil prices in the first half of 2018 compared to the first half 2017, partially offset by the decrease in total fuel sales volume from the corresponding period of the prior year.

Gross Profit

Gross profit for the second quarter of 2018 was AED 1,424.1 million, an increase of 33.1% compared to gross profit of AED 1,069.8 million for the second quarter of 2017. Gross profit for the first half of 2018 was AED 2,608.6 million, an increase of 23.9% compared to gross profit of AED 2,106.1 million for the first half of 2017. The increase in gross profit was primarily the result of the pricing of fuels under our new Refined Products Supply agreement with ADNOC and the positive impact on our inventory resulting from increasing oil prices.

Distribution and administrative expenses

Distribution and administrative expenses for the second quarter of 2018 were AED 837.3 million, an increase of 31.6% compared to distribution and administrative expenses of AED 636.4 million for the second quarter of 2017. Distribution and administrative expenses for the first half of 2018 were AED 1,493.8 million, an increase of 21.9% compared to distribution and administrative expenses of AED 1,225.1 million for the first half of 2017. The increase in distribution and administrative expenses is primarily due to (a) the inclusion of expenses related to the operation of the civil aviation services business beginning 1 October 2017 resulting from the Civil Aviation Supply Carve-out (the reimbursement for which on a cost-plus-8% basis by our parent company is reflected in revenue), (b) the operation of 8 additional service stations as of 30 June 2018 compared to 30 June 2017, and (c) development and consultancy costs related to the implementation of initiatives announced at the time of our IPO, including the introduction of our ADNOC Flex offering, which offers customers a choice of premium or self-service refueling. In addition, depreciation expense increased as a result of the assets acquired as part of the ADNOC Refining Perimeter Reorganization and due to the impact of new service station openings. Second quarter 2018 staff costs also include a one-time staff bonus of AED 40.2 million approved by our Board of Directors related to the 100th anniversary of the birth of Sheikh Zayed bin Sultan Al Nahyan, the founder of the United Arab Emirates.

Excluding depreciation, the impact of the Civil Aviation Supply Carve-out and the Year-of- Zayed bonus, distribution and administrative expenses for the first half of 2018 would have been 0.7% higher than for the first half of 2017.

EBITDA, net finance costs and profit for the period

Earnings before interest, tax, depreciation and amortization (EBITDA) for the second quarter of 2018 was AED 740.3 million, an increase of 34.4% compared to EBITDA of AED 550.8 million for the second quarter of 2017. EBITDA for the first half of 2018 was AED 1,443.1 million, an increase of 29.6% compared to EBITDA of AED 1,113.4 million for the first half of 2017.

Net finance costs increased for the second quarter and first half of 2018 due to the USD 1.5 billion term loan we entered into in November 2017.

Profit for the second quarter of 2018 was AED 582.1 million, an increase of 24.3% compared to profit for the second quarter of 2017 of AED 468.2 million. Profit for the first half of 2018 was AED 1,124.3 million, an increase of 18.1% compared to profit for the first half of 2017 of AED 951.8 million.

Capital expenditures

Our capital expenditures primarily consist of (i) capital expenditures related to the development and construction of new service stations and fuel terminal projects and capitalized maintenance costs related to our properties, (ii) purchase of machinery and equipment, and (iii) other capital expenditures related to our properties, including structural upgrades, technology infrastructure upgrades and other improvements. The table below presents our capital expenditures for the periods presented:

AED million	Q2 2018	Q2 2017	H1 2018	H1 2017	Full Year 2017
Service stations projects	32.6	140.1	103.0	287.6	417.1
Industrial projects	75.1	57.7	112.2	118.4	910.9[1]
Machinery and equipment	57.3	9.9	77.6	19.9	67.1
Distribution fleet	-	2.6	5.5	5.3	7.5
Technology infrastructure	13.4	20.2	32.3	30.2	46.1
Office furniture and equipment	0.6	3.9	1.2	5.0	9.0
Total capital expenditures	**179.0**	**234.3**	**331.8**	**466.4**	**1,457.7**

(1) Includes assets of AED 696.2 million acquired from ADNOC Refining as per the perimeter reorganization

Cash flow and financing

Free Cash Flow generation totaled AED 1,111.3 million in the first half of 2018, an increase of 71.8% compared to AED 647.0 million in the first half of 2017. The increase in 2018 was driven by increase in EBITDA and reduction in capital expenditures.

Excluding restricted cash collected for, and payable to, our parent company related to our civil aviation services business, our ratio of interest bearing net debt at 30 June 2018 to EBITDA for the twelve months ended 30 June 2018 was 0.4x. There are no financial covenants in our credit facilities.

Segment reviews

Our business is grouped into four segments: Retail, Corporate, Aviation and Allied Services.

Retail

Key financials AED million	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Revenue	4,005.3	3,447.0	16.2%	7,650.3	6,770.7	13.0%	13,746.3
Gross profit – fuel	833.5	668.4	24.7%	1,558.0	1,303.4	19.5%	2,603.2
Gross profit – non-fuel	69.3	72.7	-4.7%	146.1	128.7	13.5%	266.1
EBITDA	432.8	334.0	29.6%	896.6	644.8	39.1%	1,253.6
Operating profit	336.7	275.6	22.2%	704.8	529.3	33.2%	901.3
Capital expenditures	45.2	118.1	-61.7%	130.4	296.2	-56.0%	437.8

Volumes Million liters	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Gasoline	1,471.6	1,513.8	-2.8%	2,902.5	2,962.9	-2.0%	5,950.2
Diesel	188.7	195.0	-3.2%	375.2	389.3	-3.6%	787.7
Other (1)	23.1	24.6	-6.1%	45.5	48.6	-6.4%	91.7
Total	1,683.4	1,733.4	-2.9%	3,323.2	3,400.8	-2.3%	6,829.6

(1) Includes LPG, kerosene and lubricants.

Other operating metrics	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Number of service stations (at end of period)	363	355	2.3%	363	355	2.3%	359
Number of convenience stores (at end of period)	240	230	4.3%	240	230	4.3%	235
Throughput per station (million liters) (1)	4.6	4.8	-4.2%	9.0	9.4	-4.3%	18.8
Number of fuel transactions (millions)	43.8	41.5	5.5%	85.7	81.7	4.9%	164.8
Number of non-fuel transactions	9.9	12.1	-18.2%	20.1	23.5	-14.5%	47.8
Convenience store sales revenue (AED million)	161.0	167.8	-4.1%	310.5	316.4	-1.9%	660.7
Average basket size (USD)	5.1	4.2	21.4%	4.8	4.1	17.1%	4.2
Convenience store sales to fuel volume ratio (1)	96.97	98.20	-1.2%	94.73	94.39	0.3%	98.06

(1) Based on retail transportation fuel, AED/1000L

Volume

Retail fuel sales volume for the second quarter of 2018 was 1,683.4 million liters, a reduction of 2.9% compared to Retail fuel sales volume of 1,733.4 million liters for the second quarter of 2017. Retail fuel sales volume for the first half of 2018 was 3,323.2 million liters, a reduction of 2.3% compared to Retail fuel sales volume of 3,400.8 liters for the first half of 2017.

Revenue

Retail segment revenue for the second quarter of 2018 was AED 4,005.3 million, an increase of 16.2% compared to Retail segment revenue of AED 3,447.0 million for the second quarter of 2017. Retail segment revenue for the first half of 2018 was AED 7,650.3 million, an increase of 13.0% compared to Retail segment revenue of AED 6,770.7 million for the first half of 2017.

Retail segment fuel revenue for the second quarter of 2018 was AED 3,820.8 million, an increase of 17.4% compared to Retail segment fuel revenue of AED 3,255.0 million for the second quarter of 2017. Retail segment fuel revenue for the first half of 2018 was AED 7,291.8 million, an increase of 13.8% compared to Retail segment fuel revenue of AED 6,406.4million the first half of 2017. The increase in Retail segment fuel revenue was due to the increase in fuel prices resulting from increases in oil prices in 2018 compared to 2017, offset in part by the lower fuel volumes sold during the 2018 periods.

Gross Profit

Retail segment gross profit for the second quarter of 2018 was AED 902.8 million, an increase of 21.8% compared to Retail segment gross profit of AED 741.1 million for the second quarter of 2017. Retail segment gross profit of the first half of 2018 was AED 1,704.1 million, an increase of 19.0% compared to Retail segment gross profit of AED 1,432.1 million for the first half of 2017. The increase in Retail segment gross profit was mainly due to higher fuel margins resulting from our new Refined Products Supply agreement with ADNOC and the positive impact on our inventory resulting from increasing oil prices, offset in part by the lower fuel volumes sold.

EBITDA

Retail segment EBITDA for the second quarter of 2018 was AED 432.8 million, an increase of 29.6% compared to Retail segment EBTDA of AED 334.0 million for the second quarter of 2017. Retail segment EBITDA for the first half of 2018 was AED 896.6 million, an increase of 39.1% compared to Retail segment EBITDA of 644.8 million for the first half of 2017.

Corporate

Key financials AED million	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Revenue	1,163.4	925.1	25.8%	2,108.9	1,785.8	18.1%	4,049.8
Gross profit	239.2	162.7	47.0%	389.6	354.4	9.9%	771.7
EBITDA	182.0	120.8	50.7%	291.0	284.4	2.3%	599.4
Operating profit	175.2	116.7	50.1%	278.1	276.7	0.5%	580.6
Capital expenditures	14.0	0.2	*	14.4	0.4	*	0.9

* Not meaningful.

Volumes Million liters	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Gasoline	15.7	13.7	14.6%	31.0	25.3	22.5%	53.5
Diesel	436.1	445.6	-2.1%	826.5	825.9	0.1%	1,835.8
Other (1)	99.2	75.6	31.2%	189.7	146.8	29.2%	411.3
Total	551.0	534.9	3.0%	1,047.2	998.0	4.9%	2,300.6

(1) Includes LPG, lubricants and base oil.

Volume

Corporate segment fuel sales volume for the second quarter of 2018 was 551.0 million liters, an increase of 3.0% compared to Corporate segment fuel sales volume of 534.9 million for the second quarter of 2017. Corporate segment fuel sales volume for the first half of 2018 was 1,047.2 million liters, an increase of 4.9% compared to Corporate segment sales volume of 998.0 million for the first half of 2017. The increase was mainly due to increased sales of LPG, lubricants, base oil and gasoline. In the second quarter of 2018, this increase was offset in part by lower sales of diesel.

Revenue

Corporate segment revenue for the second quarter of 2018 was AED 1,163.4 million, an increase of 25.8% compared to Corporate segment revenue of AED 925.1 million for the second quarter of 2017. Corporate segment revenue for the first half of 2018 was AED 2,108.9 million, an increase of 18.1% compared to Corporate segment revenue of AED 1,785.8 million for the first half of 2017. The increase in Corporate segment revenue was primarily due to the increase in oil prices in 2018 compared to 2017, as well as the increase in fuel volumes sold.

Gross Profit

Corporate segment gross profit for the second quarter of 2018 was AED 239.2 million, an increase of 47.0% compared to Corporate segment gross profit of AED 162.7 million for the second quarter of 2017. Corporate segment gross profit for the first half of 2018 was AED 389.6 million, an increase of 9.9% compared to Corporate segment gross profit of AED 354.4 million for the first half of 2017. The increase in Corporate segment gross profit was mainly due to higher fuel margins resulting from our new Refined Products Supply agreement with ADNOC and the positive impact on our inventory resulting from increasing oil prices, as well as the increase in fuel volumes sold.

EBITDA

Corporate segment EBITDA for the second quarter of 2018 was AED 182.0 million, an increase of 50.7% compared to Corporate segment EBITDA of AED 120.8 million for the first quarter of 2017. Corporate segment EBITDA for the first half of 2018 was AED 291.0 million, an increase of 2.3% compared to Corporate segment EBITDA of AED 284.4 million for the first half of 2017.

Aviation

Key financials AED million	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Revenue	559.0	405.6	37.8%	1,059.0	738.3	43.4%	1,696.9
Gross profit	206.6	113.7	81.7%	375.8	206.0	82.4%	539.0
EBITDA	94.8	83.6	13.4%	177.7	137.5	29.2%	349.5
Operating profit	86.2	80.4	7.2%	161.0	131.6	22.3%	335.0
Capital expenditures	19.8	1.2	*	28.7	2.4	*	16.2

* Not meaningful.

Volumes Million liters	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Aviation products	183.1	208.0	-12.0%	368.6	377.5	-2.4%	811.1

Volume

Aviation segment fuel sales volume for the second quarter of 2018 was 183.1 million liters, a decrease of 12.0% compared to Aviation segment fuel sales of 208.0 million for the second quarter of 2017. Aviation segment fuel sales volume was 368.6 million liters for the first half of 2018, a decrease of 2.4% compared to Aviation segment fuel sales of 377.5 million liters for the first half of 2017. This decrease was due to a decrease in fuel sales to our strategic customers in 2018.

Revenue

Aviation segment revenue for the second quarter of 2018 was AED 559.0 million, an increase of 37.8% compared to Aviation segment revenue of AED 405.6 million for the second quarter of 2017. Aviation segment revenue for the first half of 2018 was AED 1,059.0 million, an increase of 43.4% compared to Aviation segment revenue of AED 783.3 million for the first half of 2017. The increase in Aviation segment revenue was due to the inclusion in 2018 of revenue derived under our Aviation Services Agreement with ADNOC, as well as higher average selling prices due to increased oil prices in 2018 compared to 2017.

Gross Profit

Aviation segment gross profit for the second quarter of 2018 was AED 206.6 million, an increase of 81.7% compared to Aviation segment gross profit of AED 113.7 million for the second quarter of 2017. Aviation segment gross profit for the first half of 2018 was AED 375.8 million, an increase of 82.4% compared to Aviation segment gross profit of AED 206.0 million for the first half of 2017. The increase in Aviation segment gross profit was mainly due to the impact of the Aviation Services Agreement with ADNOC and the positive impact on our inventory resulting from increasing oil prices.

EBITDA

Aviation segment EBITDA for the second quarter of 2018 was AED 94.8 million, an increase of 13.4% compared to Aviation segment EBITDA of AED 83.6 million for the second quarter of 2017. Aviation segment EBITDA for the first half of 2018 was AED 177.7 million, an increase of 29.2% compared to Aviation segment EBITDA of AED 137.5 million for the first half of 2017.

Allied Services

Key financials AED million	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Revenue	60.6	42.1	43.9%	107.2	82.7	29.6%	183.7
Gross profit	60.6	42.1	43.9%	107.2	82.7	29.6%	183.7
EBITDA	31.1	7.9	293.7%	53.5	20.6	159.7%	84.5
Operating profit	25.7	4.0	542.5%	42.8	12.4	245.2%	63.1
Capital expenditures	1.7	17.5	-90.3%	2.5	34.8	-92.8%	21.8

Other operating metrics	Q2 2018	Q2 2017	% Change	H1 2018	H1 2017	% Change	Full Year 2017
Number of tenants (at end of period)				203	172	18.0%	187
Number of occupied properties for rent (at end of period)				831	660	25.9%	672
Number of vehicle inspection centers (at end of period) (1)				22	21	4.8%	21
Number of vehicles inspected (fresh tests) (thousands)	194.5	164.6	18.2%	361.2	324.2	11.4%	653.5
Other vehicle inspection transactions (thousands)	63.5	56.9	11.6%	124.5	113.1	10.1%	236.5

(1) Includes one permitting center.

Revenue

Allied Services segment revenue for the second quarter of 2018 was AED 60.6 million, an increase of 43.9% compared to Allied Service segment revenue of AED 42.1 million for the second quarter of 2017. Allied Services segment revenue for the first half of 2018 was AED 107.2 million, an increase of 29.6% compared to Allied Services segment revenue of 82.7 million for the first half of 2017. The increase in Allied Services segment revenue resulted mainly from an increase in vehicle inspection fees effected in June 2017.

EBITDA

Allied Services segment EBITDA for the second quarter of 2018 was AED 31.1 million, an increase of 293.7% compared to Allied Services segment revenue of AED 7.9 million for the second quarter of 2017. Allied Services segment EBITDA for the first half of 2018 was AED 53.5 million, an increase of 159.7% compared to Allied Services segment EBITDA of 20.6 million for the first half of 2017, The increase in Allied Services segment EBITDA resulted mainly from the increase in vehicle inspection fees effected in June 2017.

Share trading and ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 30 June 2018 was AED 2.37. In the period from 13 December 2017 (the closing date of our IPO) through 30 June 2018, the share price has ranged from AED 2.33 to AED 2.74 at close, and from AED 2.25 to AED 2.90 intra-day. Our market capitalization was AED 29.1 billion as of 30 June 2018, and an average of 2.0 million shares have traded daily since our IPO.

As of 30 June 2018, our parent company, ADNOC, owned 90.0% of our outstanding shares; UAE and other GCC institutions owned 5.3%; international institutional investors owned 3.2%; and private retail shareholders owned 1.5%. The number of individual shareholders as of 30 June 2018 was in excess of 11,000.

Potential risks

Key risks potentially affecting ADNOC Distribution's financial and operational results include supply chain risks, asset integrity and information technology risks. The company has identified and implemented several key controls and mitigation strategies to ensure business continuity, including engineered controls and managed controls as well as contractual safeguards to limit its financial exposure to these risks. For more detailed information on risks and risk management, please refer to the Risk Factors section of the international offering memorandum dated 26 November 2017 relating to our IPO, which is available on our website at www.adnocdistribution.ae.

Outlook

Several factors are likely to affect our future financial performance.

As noted previously, total volumes of fuel sold have decreased slightly in the second quarter (2.2%) and first half (0.7%) of 2018. Because of our significant share of the overall UAE market, we believe that these declines are indicative of broader economic activity in the region. We expect this softness in the market to continue in the near term. However, we remain confident for recovery in the medium and long term in light of the significant investments in the economy that recently have been announced. In November 2017, the Supreme Petroleum Council (SPC), presided over by His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and Vice-Chairman of the SPC, approved the plans of our parent company, ADNOC, for a capital expenditure program of over AED 400 billion (over USD 100 billion) over the next five years, as it embarks on substantial upstream and downstream expansion and growth projects. In addition, in June 2018, the government of Abu Dhabi announced a USD 13.6 billion three-year stimulus package. We believe that these combined investments in the Abu Dhabi economy will have a significant positive impact across our businesses. Moreover, we expect that our previously announced expansion into new geographies will also contribute to increases in fuel sales volumes.

During the second quarter and first half of 2018, we have demonstrated that we are on track and are confident on delivery of our targets for 2018 despite the market headwinds. We have continued to roll-out our growth strategy in both our fuel (including ADNOC Flex) and non-fuel offerings and implementation of our planned cost initiatives. In addition, we continue our emphasis on discipline in capital investment, which we believe will result in materially lower capital expenditures in 2018 compared to 2017. In 2018, we expect to invest less than AED 700 million in our capital investment program. As previously noted, we believe that we have been, and will continue to be, successful in reducing operating and capital costs without sacrificing safety, quality, and our overall customer experience.

As noted above, we have continued our rollout of our ADNOC Flex offering, whereby our retail customers have the choice of premium or self-service refueling. This fundamental change to the UAE fuel retail market highlights our objective of moving to a smarter, technology-driven, customer-centric model which offers customers choice, convenience and better quality goods and services. At the end of the second quarter, we implemented a fee of AED 10 for our premium refueling service at 152 of our retail fuel service stations in Abu Dhabi, the financial impact of which will be seen in our third quarter financial results. Through the end of July, we experienced initial penetration levels for our premium refueling service that varied by location but averaged in the range of 20-30%. We note, however, that these penetration levels reflect only one month of data since implementation of the premium service fee and only a portion of our service area. Over the coming months, we will continue to roll out this offering across the remainder of our service station network. Following the full roll out of our ADNOC Flex offering, we intend to launch our "premiumization" initiative to educate our customers about the benefits of trading up to higher grade gasoline.

We have reported that the increase in our gross profit margins during the first half of 2018 is attributable, in part, to increases in oil prices. Conversely, future decreases in oil prices could have an adverse impact on our gross profit margins. However, while oil prices can be volatile, our Refined Products Supply Agreement with ADNOC provides us with a fuel margin stabilization mechanism that will protect us to a significant extent from the impact of declining oil prices. For further information, please see the international offering memorandum dated 26 November 2017 relating to our IPO, which is available on our website at www.adnocdistribution.ae.

Supplemental 2017 Quarterly Unaudited Pro Forma Financial Information

In the international offering memorandum dated 26 November 2017 relating to our IPO, which is available on our website at www.adnocdistribution.ae, we disclosed certain unaudited pro forma financial information as of and for the nine months ended 30 September 2017. We have set forth as an appendix to this release such unaudited pro forma financial information on a quarter-by quarter basis. Such information is provided to aid investors and analysts in understanding our results of operations for such periods, but should not be viewed as an indication of what our actual results would have been had the transactions described therein occurred on the date indicated, or a forecast of our results of operations for any future period.

Reporting date for the company's results for the third quarter of 2018

We expect to announce our third quarter 2018 results on or around 12 November 2018.

13 August 2018
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Further information:

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Conference call:

A conference call in English for investors and analysts will be held on Monday, 13 August 2018, at 4 p.m. UAE / 1 p.m. London / 8 a.m. New York. To access the conference call, followed by a Q&A session, please dial one of the toll free numbers listed below and enter the conference call access code '096737'.

UAE Toll free: 0800 0357 04553

UK Toll free: 020 3936 2999

USA Toll free: 1 845 709 8568

For other countries, please dial the Standard International Access number +44 20 3936 2999.

The conference call will also be webcast live on the company web site. To register for the webcast please follow the link. http://webcast.openbriefing.com/adnoc_13-08-2018 . Please note that participants joining by webcast will be able to ask questions via a chat box within the webcast player. The webcast will remain available for playback on our website for 60 days.

The presentation materials will be available for download in English on Monday, 13 August at adnocdistribution.ae/conferencecall.

Cautionary Statement Regarding Forward-Looking Statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance and anticipated developments in markets in which operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management’s current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “would”, “intends”, “estimates”, “plans”, “targets”, or “anticipates” or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC to supply us with substantially all of the fuel products that we sell; an interruption in the supply of fuels to us by ADNOC; changes in the prices that we pay ADNOC for our fuels and to the prices that we are allowed to charge our retail customers in the UAE; failure to successfully implement our operating initiatives and growth plans, including our mixed-mode service offering, our convenience store optimisation initiatives, our cost savings initiatives, and our growth plans; competition in our markets; decrease in demand for the fuels we sell, including due to general economic conditions, improvements in fuel efficiency and increased consumer preference for alternative fuels; the dangers inherent in the storage and transportation of the products we sell; our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, and product quality; the extent of our related party transactions with ADNOC and our reliance on ADNOC to operate our business; the introduction of VAT and other new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated 26 November 2017 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.

Appendix - Supplemental 2017 Quarterly Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information for each of the quarters in the nine-month period ended 30 September 2017 has been derived from our carve-out financial statements (which reflect the Civil Aviation Supply Carve-out) for such periods and gives pro forma effect to the following transactions as if such transactions had occurred on 1 January 2017. The unaudited pro forma financial information is not intended to show what the actual results of operations would have been had such transactions actually occurred on such date, nor is it intended to forecast our results of operations for any future period. We refer to these transactions as the “Pre-Offering Transactions and Contractual Arrangements” as further described in our international offering memorandum available on our website www.adnocdistribution.ae.

- The entry into an aviation operations, maintenance and support services agreement (the “Aviation Services Agreement”) pursuant to which we have agreed to provide certain aviation refuelling and other related services to ADNOC’s civil aviation customers and to provide certain operations and maintenance services with respect to the civil aviation supply assets that were transferred to a newly created wholly owned special purpose subsidiary of ADNOC (“AssetCo”) as part of the ADNOC Refining Perimeter Reorganisation, in each case for which we will be paid a fee on a cost-plus 8% margin basis;

- The entry into an asset sale agreement pursuant to which ADNOC Refining, a wholly owned subsidiary of ADNOC, transferred to us for AED 696.2 million (representing the net book value of the transferred assets) certain fuel terminal and distribution assets that had been constructed for our use and benefit;

- The entry into a new refined products sales contract (the “Refined Products Supply Agreement”) and a new LPG sales contract (the “LPG Supply Agreement”) with ADNOC for the supply of refined petroleum products; and

- The entry into new term loan and revolving credit facilities and the incurrence of USD 1,500.0 million (AED 5,509.5 million) of debt financing under the term loan portion of the facility (the “Debt Financing”).

Unaudited pro forma statement of profit or loss

Q1-2017

	Three months ended 31 March 2017		
	Carve-out	Adjustments	Pro forma
		(AED millions)	
Revenue	4,583.4	72.4(1)	4,655.7
Direct costs	(3,547.1)	21.3(2)	(3,482.1)
		43.7(3)	
Gross profit	1,036.3		1,173.6
Distribution and administrative expenses	(588.7)	(67.0)(1)	(665.8)
		(10.1)(4)	
Other income	61.2		61.2
Impairment losses and other operating expenses	(26.3)		(26.3)
Operating profit	482.5		542.7
Interest income (expense)	1.1	(35.0)(5)	(33.9)
Profit for the period	483.6		508.9

(1) Reflects revenue that would have been recognised, and distribution and administrative expenses that would have been incurred, under the Aviation Services Agreement for providing aviation refuelling and other related services to ADNOC's civil aviation customers and operations and maintenance services with respect to the civil aviation supply assets that were transferred to AssetCo as part of the ADNOC Refining Perimeter Reorganisation.

(2) Reflects reductions in our cost of LPG under the LPG Supply Agreement with ADNOC.

(3) Reflects reductions in our cost of refined petroleum products under the Refined Products Supply Agreement with ADNOC.

(4) Represents depreciation expense that would have been incurred related to the assets that were transferred to us as part of the ADNOC Refining Perimeter Reorganisation.

(5) Represents interest expense, including amortisation of transaction costs, related to the Debt Financing.

Unaudited pro forma statement of profit or loss

Q2-2017

	Three months ended 30 June 2017		
	Carve-out	**Adjustments**	**Pro forma**
		(AED millions)	
Revenue	4,833.7	68.8[1]	4,902.5
Direct costs	(3,763.9)	28.9[2]	(3,700.3)
		34.6[3]	
Gross profit	1,069.8		1,202.2
Distribution and administrative expenses	(636.4)	(63.7)[1]	(710.1)
		(10.1)[4]	
Other income	60.6		60.6
Impairment losses and other operating expenses	(26.3)		(26.3)
Operating profit	467.8		526.3
Interest income (expense)	0.4	(35.4)[5]	(35.0)
Profit for the period	468.1		491.4

(1) Reflects revenue that would have been recognised, and distribution and administrative expenses that would have been incurred, under the Aviation Services Agreement for providing aviation refuelling and other related services to ADNOC's civil aviation customers and operations and maintenance services with respect to the civil aviation supply assets that were transferred to AssetCo as part of the ADNOC Refining Perimeter Reorganisation.

(2) Reflects reductions in our cost of LPG under the LPG Supply Agreement with ADNOC.

(3) Reflects reductions in our cost of refined petroleum products under the Refined Products Supply Agreement with ADNOC.

(4) Represents depreciation expense that would have been incurred related to the assets that were transferred to us as part of the ADNOC Refining Perimeter Reorganisation.

(5) Represents interest expense, including amortisation of transaction costs, related to the Debt Financing.

Unaudited pro forma statement of profit or loss

Q3-2017

	Three months ended 30 September 2017		
	Carve-out	Adjustments	Pro forma
		(AED millions)	
Revenue	4,803.8	73.2[1]	4,877.0
Direct costs	(3,794.3)	14.8[2]	(3,753.1)
		26.3[3]	
Gross profit	1,009.5		1,123.9
Distribution and administrative expenses	(687.7)	(67.7)[1]	(765.5)
		(10.1)[4]	
Other income	38.3		38.3
Impairment losses and other operating expenses	(0.7)		(0.7)
Operating profit	359.5		396.0
Interest income (expense)	0.5	(35.8)[5]	(35.2)
Profit for the period	360.0		360.8

(1) Reflects revenue that would have been recognised, and distribution and administrative expenses that would have been incurred, under the Aviation Services Agreement for providing aviation refuelling and other related services to ADNOC's civil aviation customers and operations and maintenance services with respect to the civil aviation supply assets that were transferred to AssetCo as part of the ADNOC Refining Perimeter Reorganisation.

(2) Reflects reductions in our cost of LPG under the LPG Supply Agreement with ADNOC.

(3) Reflects reductions in our cost of refined petroleum products under the Refined Products Supply Agreement with ADNOC.

(4) Represents depreciation expense that would have been incurred related to the assets that were transferred to us as part of the ADNOC Refining Perimeter Reorganisation.

(5) Represents interest expense, including amortisation of transaction costs, related to the Debt Financing.

Other Pro Forma Financial Information

	Three months ended		
	31 Mar 2017	30 Jun 2017	30 Sep 2017
		(AED millions)	
EBIT [(1)]	542.7	526.3	396.0
EBITDA[(1)]	632.9	619.4	549.3

EBIT represents profit for the period before interest and tax. EBITDA represents profit for the period before interest, tax, and depreciation and amortisation. Information regarding EBIT and EBITDA is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. We use EBIT and EBITDA in assessing our growth and operational performance. There are no generally accepted principles governing the calculation of EBIT or EBITDA, and the criteria upon which EBIT and EBITDA are based can vary from company to company. EBIT and EBITDA do not by themselves provide a sufficient basis to compare our performance with that of other companies and should not be considered in isolation or as substitutes for operating profit or any other measure as indicators of operating performance, or as alternatives to cash generated from operating activities as measures of liquidity. In addition, these measures should not be used instead of, or considered as alternatives to, our historical financial results. We have presented these non-IFRS measures because we believe they are helpful to investors and financial analysts in highlighting trends in our overall business. The table below set forth a reconciliation of EBITDA to profit for each period presented:

	Three months ended		
	31 Mar 2017	30 Jun 2017	30 Sep 2017
		(AED millions)	
Profit for the period	508.9	491.4	360.8
Add:			
Interest	33.9	35.0	35.2
Taxes	-	-	-
EBIT	542.7	526.3	396.0
Depreciation	90.2	93.1	153.3
EBITDA	632.9	619.4	549.3