ADNOC DISTRIBUTION Third Quarter 2018 Results

15 November 2018

ADNOC Distribution
Third Quarter 2018 Results

Highlights – Strong underlying performance notwithstanding lower volumes and an extended holiday period

- **Resilience in the face of lower volumes and an extended Eid holiday:**

- Q3 2018 EBITDA increased by 42.0% to AED 714 million compared to Q3 2017 despite a 5.3% decline in total fuel volumes driven by higher fuel margins and cost efficiencies. Excluding inventory gains (AED 79 million), underlying EBITDA grew by 26% compared to Q3 2017 demonstrating the benefits of management's growth initiatives in both fuel and non-fuel businesses. The EBITDA decline compared to Q2 2018 was mainly driven by seasonality (a week-long Eid holiday during the third quarter).

- We continue to see lower retail fuel volumes and non-fuel transactions compared to last year. That said, our convenience stores witnessed higher transaction, conversion rates and gross profit growth in Q3 2018 compared to Q2 2018. This was led by management initiatives to improve the customer experience driving higher footfall in our convenience stores. Q3 2018 non fuel gross profit (non-fuel retail and allied services) increased by 8.1% compared to Q3 2017.

- **Strong earnings and cash flow:**

- Strong free cash flow resulting in a net debt to EBITDA ratio of 0.1x at 30 September 2018. Q3 2018 adjusted free cash flow increased by 59.4% to AED 518 million compared to Q3 2017. 9M 2018 adjusted free cash flow increased by 67.6% to AED 1,630 million.

- Q3 2018 earnings per share increased by 55.0% to AED 0.045 compared to Q3 2017.

- **Strategy update:**

- **Fuel business.** Our fuel network expansion is on track with a total of 13 new stations opened or to be opened in 2018 at lower costs than in the past including 5 additional sites in 9M 2018. We have successfully rolled out ADNOC Flex across our service station network providing our retail customers with the choice of premium and self-service fueling. We have also implemented more proactive pricing in our Corporate segment leading to growth in gross profit in Q3 2018 compared Q3 2017.

- **Non-fuel business.** We are on track to open 13 new convenience stores across the UAE in 2018, of which 6 have opened to date. Our convenience store revitalization program offering customers an improved shopping experience is on track leading to improvements in gross margins and an uplift in average basket size by 22% in Q3 2018 compared to Q3 2017. At end of 9M 2018, our first 5 Géant Express convenience stores are operational and showing encouraging results. We are accelerating the roll-out of our Géant Express stores across a total of 13 sites in 2018 (compared to 10 previously). We started introducing a new coffee and fresh bakery concept through a newly branded Oasis Café starting with 4 outlets.

- **Costs efficiency.** We continue to achieve good progress in managing our cost base. Adjusted for depreciation, the impact of our Civil Aviation Supply Carve-out, the non-recurring Year-of-Zayed staff bonus paid in June 2018 and restructuring costs related to implementation of our strategic initiatives, distribution and administrative expenses for the three and nine months ended 30 September 2018 would have been 9.8% and 2.9% lower, respectively, compared to the same period last year. On the CAPEX front, we have achieved a 10% reduction in construction costs for new service stations.

Saeed Mubarak Al Rashdi - Acting CEO:

"Our third quarter results confirm that we continue to deliver on our ambitious strategy, delivering and sustaining superior financial results through operational excellence, innovation, and cost efficiency. We have made significant progress across all three pillars of our strategy: fuel, non-fuel and cost-efficiency initiatives. I am pleased that our commitment to improve our customer experience by offering customers choice, convenience and better quality products and services while also focusing on improving our financial performance has generated positive momentum and has led to the strong results we are announcing today.

While we are continuing to strengthen our competitive positioning, we remain committed to our shareholders by pursuing our ambition to transform the company into a more performance-driven, commercially minded business and through our disciplined, return-driven capital allocation strategy."

Financial summary

AED million	**Q3-18**	**Q2-18**	**QoQ %**	**Q3-17**	**YoY %**	**9M-18**	**9M-17**	**YoY %**
Revenue	5,955	5,808	2.5%	4,804	24.0%	16,922	14,221	19.0%
Gross profit	1,277	1,424	-10.4%	1,010	26.5%	3,885	3,116	24.7%
EBITDA	714	740	-3.6%	503	42.0%	2,157	1,616	33.5%
Operating profit	587	613	-4.3%	360	63.2%	1,777	1,310	35.7%
Profit for the period	558	582	-4.1%	360	55.0%	1,682	1,312	28.2%
Earnings per share (AED/share)	0.045	0.047	-5.0%	0.029	55.0%	0.135	0.105	28.2%
Capital expenditures*	195	179	9.2%	874*	-77.6%	527	1,340*	-60.7%
Free Cash Flow **	518	561	-7.7%	325**	59.4%	1,630	972**	67.6%
Total equity	--	--	--	--	--	3,877	10,795	-64.1%
Net debt	--	--	--	--	--	198	--	--
Capital employed	--	--	--	--	--	9,578	11,017	-13.1%
Return on capital employed (ROCE)	--	--	--	--	--	23.9%	16.1%	--
Return on equity (ROE)	--	--	--	--	--	56.1%	16.4%	--
Net debt to EBITDA ratio	--	--	--	--	--	0.1	--	--
Leverage ratio	--	--	--	--	--	4.9%	--	--

*Includes AED 696 million of assets acquired from ADNOC Refining in connection with the ADNOC Refining perimeter reorganization.
**Free Cash Flow for the three and nine months ended 30 September 2017 has been adjusted to exclude capital expenditures related to the ADNOC Refining perimeter reorganization described above.
See the Glossary for the calculation of certain metrics referred to above.

Headlines

Volumes

Total fuel sales volume for the third quarter of 2018 was 2,416 million liters, a decrease of 5.3% compared to the same period last year, which include the impact of higher oil prices and longer public holidays (Eid). Total sales volume for the nine months ended 30 September 2018 was 7,179 million liters, a decrease of 2.3% compared to the same period last year.

Fuel Product Mix (Million liters)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Gasoline (1)	1,422	1,487	-4.4%	1,485	-4.3%	4,355	4,473	-2.6%
Diesel	670	625	7.2%	710	-5.6%	1,872	1,925	-2.8%
Aviation products	181	183	-1.3%	216	-16.2%	550	593	-7.4%
Other (2)	144	134	7.4%	142	1.6%	403	356	13.2%
Total	**2,416**	**2,429**	**-0.5%**	**2,552**	**-5.3%**	**7,179**	**7,347**	**-2.3%**

(1) Includes grade 91, 95 and 98 unleaded gasoline.
(2) Includes CNG, LPG, kerosene, lubricants and base oil.

Results

Revenue for the third quarter of 2018 was AED 5,955 million, an increase of 24.0% compared to the same period last year. Revenue for the nine months ended 30 September 2018 was AED 16,922 million, an increase of 19.0% compared to the same period last year. The increase in revenue was primarily due to higher fuel prices, partially offset by the decrease in total fuel sales volume.

Gross profit for the third quarter of 2018 was AED 1,277 million, an increase of 26.5% compared to the same period last year. Gross profit for the nine months ended 30 September 2018 was AED 3,885 million, an increase of 24.7% compared to the same period last year.

EBITDA for the third quarter of 2018 was AED 714 million, an increase of 42.0% compared to the same period last year. EBITDA for the nine months ended 30 September 2018 was AED 2,157 million, an increase of 33.5% compared to the same period last year. The increase in gross profit and EBITDA was primarily the result of the pricing of fuels under our new Refined Products Supply Agreement with ADNOC effective 1 October 2017. Additionally, in our Retail fuel business, where market prices are regulated by the UAE Ministry of Energy, higher oil prices had a positive impact on gross profit and EBITDA in the form of inventory gains in the third quarter and first nine months of AED 79 million and AED 293 million, respectively.

Profit for the third quarter of 2018 was AED 558 million, an increase of 55.0% compared to the same period last year despite AED 129 million increase in net finance costs driven by the USD 1.5 billion term loan we entered into in November 2017. Profit for the nine months ended 30 September 2018 was AED 1,682 million, an increase of 28.2% compared to profit for the nine months ended 30 September 2017 of AED 1,312 million.

Distribution and administrative expenses

We continue to achieve good progress in managing our cost base. Adjusted for depreciation, the impact of the Civil Aviation Supply Carve-out, the non-recurring Year-of-Zayed staff bonus paid in June 2018 (AED 40 million), and non-recurring restructuring costs related to the implementation of our strategic initiatives (AED 37 million in Q3 2018), distribution and administrative expenses for Q3 2018 and 9M 2018 would have been 9.8% and 2.9% lower, respectively, compared Q3 2017 and 9M 2017. The increase in reported 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, (b) the operation of additional service stations as of 30 September 2018 compared to 30 September 2017, (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 and (d) restructuring costs of AED 37 million in Q3 2018.

In addition, depreciation expense increased as a result of the assets acquired as part of the ADNOC Refining perimeter reorganization and the impact of new service station openings.

AED million	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Staff costs	470	463	1.4%	448	4.9%	1,346	1,377	-2.3%
Depreciation	127	127	-0.3%	141	-10.0%	379	304	24.8%
Repairs, maintenance and consumables	34	35	-0.9%	50	-31.3%	98	109	-10.2%
Distribution and marketing expenses	27	43	-37.5%	33	-18.3%	92	97	-5.9%
Utilities	37	65	-43.0%	20	87.9%	122	59	105.9%
Insurance	1.8	4.0	-55.0%	2.0	-10.0%	8.3	7.7	7.8%
Others	21	100	-79.2%	61	-66.1%	167	157	6.3%
Recoverable expenses (1)	-	-	-	-68	-	-	-198	-
Total	**718**	**837**	**-14.2%**	**688**	**4.4%**	**2,212**	**1,913**	**15.6%**

(1) Recoverable expenses reflect expenses incurred in connection with the civil aviation business that was transferred to ADNOC in connection with our IPO. Effective 1 October 2017, ADNOC compensates us on a cost-plus-8% basis for providing sales and marketing and fuel distribution services and aircraft re-fueling operations to ADNOC's civil aviation customers, and for operating and maintaining certain aviation fuel distribution assets transferred to a subsidiary of ADNOC. Commencing 1 October 2017, this amount is reflected in our revenue and the corresponding operating expenses are no longer classified as recoverable expenses.

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	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Service stations projects	44	33	34.0%	124	-64.6%	147	411	-64.3%
Industrial projects	58	75	-23.2%	727(1)	-92.1%	170	845(1)	-79.9%
Machinery and equipment	10	57	-82.0%	8.7	18.4%	88	29	207.3%
Distribution fleet	1.4	-		2.3	-39.1%	6.9	7.5	-8.0%
Technology infrastructure	78	13	479.9%	10	669.3%	110	40	173.6%
Office furniture and equipment	4.6	0.6	666.7%	2.6	76.9%	5.8	7.7	-24.7%
Total	**195**	**179**	**9.2%**	**874(1)**	**-77.6%**	**527**	**1,340(1)**	**-60.7%**

(1) Includes AED 696 million of assets acquired from ADNOC Refining in connection with the ADOC Refining perimeter reorganization

Cash flow and leverage

Q3 2018 adjusted free cash flow increased by 59.4% to AED 518 million compared to Q3 2017 (excluding the impact of AED 696 million of assets acquired from ADNOC Refining in connection with the ADNOC Refining perimeter reorganization in Q3 2017). Free cash flow generation totaled AED 1,630 million in 9M 2018, an increase of 67.6% compared to AED 972 million (excluding the impact of AED 696 million of assets acquired from ADNOC Refining in connection with the ADNOC Refining perimeter reorganization) in 9M 2017. The increase in 2018 was driven by the increase in EBITDA and reduction in capital expenditures.

Our ratio of interest bearing net debt at 30 September 2018 to EBITDA for the twelve months ended 30 September 2018 was 0.1x. There are no financial covenants in our credit facilities.

Dividends

On 14 October 2018, our shareholders approved the recommendation of our Board of Directors to pay an interim dividend of AED 735 million (AED 0.0588 per share) related to our 2018 fiscal year, which was paid on 1 November 2018. To date, we have paid a total of AED 1,470 million (AED 0.1176 per share) in dividends to our shareholders in 2018.

Business segments operating review

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

Retail (Fuel and Non-Fuel)

Volumes

Third quarter of 2018 retail segment volumes are down 5.6% compared to the same period last year in line with the market. Compared to Q2 2018, our volumes are down 5.5% driven mainly by summer vacations and longer public holidays (Eid).

Retail volumes (Million liters)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Gasoline	1,384	1,472	-6.0%	1,472	-6.0%	4,286	4,435	-3.4%
Diesel	178	189	-5.8%	193	-7.7%	553	582	-5.0%
Other (1)	30	23	29.0%	21	44.0%	75	69	8.7%
Total	**1,591**	**1,683**	**-5.5%**	**1,686**	**-5.6%**	**4,915**	**5,086**	**-3.4%**

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

Results

The increase in Retail segment fuel revenue for the third quarter of 2018 compared to last year was primarily due to the increase in oil prices, offset in part by the lower fuel volumes sold during the period.

The increase in Retail segment gross profit was mainly due to higher fuel margins resulting from our new Refined Products Supply Agreement with ADNOC. As previously disclosed, our agreement with ADNOC provides a guaranteed minimum margin per liter sold while allowing ADNOC Distribution to benefit from inventory gains.

The increase in Retail segment EBITDA was mainly due to higher gross profit as explained above and increased operating cost efficiencies.

Retail financials (AED million)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Revenue	3,964	4,005	-1.0%	3,277	21.0%	11,615	10,048	15.6%
Gross profit	836	903	-7.4%	626	33.7%	2,540	2,058	23.5%
Of which fuel retail	*765*	*834*	*-8.2%*	*556*	*37.6%*	*2,323*	*1,859*	*24.9%*
Of which non-fuel retail	*72*	*69*	*3.3%*	*70*	*3.0%*	*218*	*198*	*9.8%*
EBITDA	434	433	0.2%	219	98.3%	1,330	863	54.0%
Operating profit	327	337	-2.8%	99	231.0%	1,032	628	64.3%
Capital expenditures	158	45	248.7%	129	22.4%	288	425	-32.2%

Other operating metrics

We generated an increase in fuel transactions during the third quarter of 2018 compared to the same period last year mainly driven by customers fueling more frequently, but at lower average volumes, due to higher oil prices. Compared to the second quarter of 2018, fuel transactions decreased by 5.7% mainly due to summer vacations and longer public holidays (Eid).

Our non-fuel segment (mainly convenience stores) generated higher revenues driven by higher transaction and conversion rates in the third quarter compared to the second quarter of 2018. This improvement was driven by management initiatives to improve the customer experience including a more focused stores revitalization program and the introduction of Flex Rewards which offers users of our Premium refueling rewards that may be redeemed in our convenience stores.

Non-fuel transactions decreased by 15.6% in Q3 2018 compared to the same period last year after the introduction of excise on tobacco and sugar tax on soft drinks in October 2017 and the VAT (5%) in January 2018 in the UAE.

Fuel operating metrics	**Q3-18**	**Q2-18**	**QoQ %**	**Q3-17**	**YoY %**	**9M-18**	**9M-17**	**YoY %**
Number of service stations (1)	364	363	0.3%	360	1.1%	364	360	1.1%
Throughput per station (million liters)	4.3	4.6	-6.5%	4.6	-6.5%	13.3	13.9	-4.3%
Number of fuel transactions (millions)	41.3	43.8	-5.7%	40.4	2.2%	127	122.1	4.0%

Non-fuel operating metrics	**Q3-18**	**Q2-18**	**QoQ %**	**Q3-17**	**YoY %**	**9M-18**	**9M-17**	**YoY %**
Number of convenience stores (1)	241	240	0.4%	235	2.6%	241	235	2.6%
Convenience store sales revenue (AED million)	176	161	9.3%	174	1.1%	486	490	-0.8%
Number of non-fuel transactions (millions)	10.8	9.9	9.1%	12.8	-15.6%	30.9	36.3	-14.9%
Conversion rate (2)	23%	20%	15.0%	29%	-20.7%	21%	27%	-22.2%
Average basket size (AED) (3)	18.4	18.7	-2.0%	15	22.0%	18.0	15.1	19.5%
Average basket size (USD) (3)	5.0	5.1	-2.0%	4.1	22.0%	4.9	4.1	19.5%

(1) At end of period.
(2) Number of convenience stores transactions over fuel transactions.
(3) Average basket size is calculated as convenience store sales revenue divided by number of convenience store transactions.

Corporate

Volumes

Compared to Q2 2018, our Q3 2018 volumes are up 16.9% driven by increases across our product lines. Q3 2018 volumes were flat compared to Q3 2017 because of a high base effect last year and the prolonged public holiday (Eid) in August this year.

Corporate volumes (million liters)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Gasoline	38	16	142.7%	13	200.0%	69	38	81.8%
Diesel	492	436	12.8%	517	-4.9%	1,319	1,343	-1.8%
Other (1)	114	99	14.9%	112	1.8%	304	259	17.3%
Total	644	551	**16.9%**	642	0.4%	1,691	1,640	3.1%

(1) Includes LPG, lubricants and base oil.

Results

The increase in Corporate segment revenue for the third quarter of 2018 compared to last year was primarily due to increases in oil prices. The increase in gross profit is mainly due to the 3.1% increase in volume achieved in 9M 2018 compared to 9M 2017 together with more proactive pricing, particularly in diesel, our primary Corporate segment product.

Corporate financials (AED million)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Revenue	1,398	1163	20.1%	1,054	32.7%	3,506	2,839	23.5%
Gross profit	217	239	-9.2%	199	9.1%	607	553	9.6%
EBITDA	168	182	-7.5%	173	-2.4%	459	457	0.5%
Operating profit	162	175	-7.8%	168	-3.9%	440	445	-1.1%
Capital expenditures	1.3	14	-90.7%	0.5	160.0 %	16	0.9	*

* Not meaningful

Aviation

Volumes

Third quarter of 2018 Aviation segment volumes are down compared to the same period last year due to a decrease in fuel sales to our strategic customers. Compared to Q2 2018, our volumes remained flat.

Aviation volumes (Million liters)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Aviation products	181	183	-1.2%	216	-16.1%	550	593	-7.4%

Results

The increase in Aviation segment revenue for the third quarter of 2018 compared to same period last year 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. Under the Aviation Services Agreement, ADNOC compensates us on a cost-plus-8% basis for refueling services we provide to ADNOC's civil aviation customers.

The increase in gross profit was mainly due to the impact of the Aviation Services Agreement, offset in part by the lower fuel volumes.

The decrease in Aviation segment EBITDA for the third quarter was mainly due to lower volumes and the inclusion of recoverable operating cost related to civil aviation fueling services.

Aviation financials (AED million)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Revenue	537	559	-4.0%	408	31.5%	1,596	1,146	39.2%
Gross profit	166	207	-19.5%	123	34.8%	542	329	64.6%
EBITDA	79	95	-17.2%	100	-21.7%	256	238	7.7%
Operating profit	70	86	-19.3%	98	-29.1%	231	230	0.4%
Capital expenditures	0.3	20	-98.5%	8.9	-96.6%	2.8	11	-75.2%

Allied Services

Results

Allied Services (vehicle inspection and property management) segment revenue for the third quarter of 2018 increased due to a higher number of vehicles inspected and a higher number of tenants. The first nine month of the year was also positively impacted by an increase in vehicle inspection fees effected in June 2017.

The decrease in EBITDA for the third quarter of 2018 compared to last year was due to a one-off impairment recovery in Q3 2017. The increase in EBITDA for the first nine month of the year resulted mainly from the increase in vehicle inspection fees effected in June 2017.

Allied Services financials (AED million)	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Revenue	57	61	-6.4%	49	15.2%	164	132	24.3%
Gross profit	57	61	-6.4%	49	15.2%	164	132	24.3%
EBITDA	28	31	-11.3%	34	-19.5%	81	55	47.7%
Operating profit	23	26	-11.3%	30	-24.8%	66	43	53.6%
Capital expenditures	-	1.7	*	-	-	2.5	19	-86.8%

* Not meaningful

Other operating metrics

We have actively driven the tenancy occupancy across our network despite a challenging rental market where we are evolving our tenancy business to a revenue sharing model to maximize our profitability. In addition, in Q3 2018, we signed an agreement with Etisalat for 100 digital advertising screens creating a new revenue stream.

Number of vehicle inspected during the third quarter compared to the same period last year increased, but decreased compared to the second quarter of 2018 due to summer vacations and longer public holidays (Eid).

Allied Services operating metrics	Q3-18	Q2-18	QoQ %	Q3-17	YoY %	9M-18	9M-17	YoY %
Number of tenants (1)	227	203	11.8%	179	26.8%	227	179	26.8%
Number of occupied properties for rent (1)	862	831	3.7%	674	27.9%	862	674	27.9%
Number of vehicle inspection centers(1) (2)	22	22	0.0%	21	4.8%	22	21	4.8%
Number of vehicles inspected (fresh tests) (thousands)	172	195	-11.8%	157	9.3%	533	482	10.7%
Other vehicle inspection transactions (thousands)	57	64	-10.9%	58	-2.1%	182	171	6.0%

(1) At end of period.
(2) Includes one permitting center.

Key factors affecting comparability of the results for the three and nine months ended 30 September 2018 to the three and nine months ended 30 September 2017

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 subsidized 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, we entered into a five-year USD 1,500 million unsecured term loan facility and a five-year USD 750 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 million, and to pay an extraordinary interim dividend to ADNOC in the amount of AED 2,135 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 nine months ended 30 September 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.

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 September 2018 was AED 2.41. In the period from 13 December 2017 (the closing date of our IPO) through 30 September 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 30.1 billion as of 30 September 2018, and an average of 1.5 million shares have traded daily since our IPO.

As of 30 September 2018, our parent company, ADNOC, owned 90.0% of our outstanding shares; UAE and other GCC institutions owned 5.0%; international institutional investors owned 3.5%; and private retail shareholders owned 1.5%. The number of individual shareholders as of 30 September 2018 was in excess of 10,000.

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

We expect the softness in fuel volumes we have reported to continue in the near term. However, we remain confident for recovery in the medium term in light of significant investments in the economy that have been announced. We also expect that our previously announced expansion into new geographies, including into Dubai, where we will open three new service stations in the fourth quarter of 2018, will contribute to increases in fuel sales volumes in the mid-term.

The International Monetary Fund (IMF) forecasts GDP growth for the UAE to strengthen supported by higher oil prices, accelerated government spending and stronger private sector growth with a 2.9% real GDP growth in 2018 and 3.7% in 2019. Abu Dhabi growth outlook has been revised upward to 2.7% in 2018 and 3.4% in 2019. The "Ghadan 2021 development program" (USD 13.6 billion three-year stimulus package) is expected to be a key driver of the competitiveness of Abu Dhabi and broader UAE. We believe that these combined investments in the Abu Dhabi economy will have a positive impact across our businesses.

We will continue to roll-out our growth strategies in our fuel and non-fuel offerings and implementation of our planned cost initiatives. We are accelerating our capital expenditures in the fourth quarter of 2018 in light of our Dubai expansion and upgrading our technology infrastructure. 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.

We have rolled-out our ADNOC Flex offering whereby our retail customers have the choice of premium or self-service refueling, across our service station network at a fee of AED 10 for our premium refueling service. 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. To date, we have experienced initial penetration levels for our premium refueling service that varies by location but averages approximately 20%. In June 2018, we implemented the premium refueling service fee across our service stations in Abu Dhabi, and in October 2018 across the rest of our service station network (excluding marine locations and locations at certain government and military locations).

We have reported that the increase in our gross profit margins during the first nine months 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.

Earnings conference call details

A conference call in English for investors and analysts will be held on Thursday, November 15, 2018, at 5 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 '**657384'**.

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_15-11-2018/. 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 Thursday, November 15, 2018 at adnocdistribution.ae/conferencecall.

Reporting date for the fourth quarter of 2018

We expect to announce our fourth quarter 2018 results on or around 13 February 2019.

Contacts

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15 November 2018
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Glossary

- Net debt is calculated as total interest bearing debt less cash and bank balances.
- Free cash flow is calculated as EBITDA less capital expenditures.
- Capital employed is calculated as the sum of total assets minus non-interest bearing current liabilities.
- 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.
- 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.
- Net debt to EBITDA ratio is calculated 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.
- Leverage ratio is calculated as (a) interest bearing net debt, divided by (b) the sum of interest bearing net debt plus total equity.
- Average basket size is calculated as total convenience store sales revenue divided by number of convenience store transactions.

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 optimization 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