ADNOC DISTRIBUTION First Quarter 2019 Results

1 May 2019

ADNOC Distribution
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Highlights – Strong Q1 2019 results with significant operating cost efficiencies

- **Resilience and strong EBITDA growth**

- Q1 2019 EBITDA increased by 18.7% to AED 733 million compared to AED 617 million for Q4 2018 and Q1 2019 net profit increased by 29.6% to AED 578 million compared to AED 446 million for Q4 2018 despite a 4.0% decline in total fuel volumes driven by higher Corporate segment fuel margins and cost efficiencies.

- Compared to Q1 2018, Q1 2019 EBITDA increased by 4.3% despite flat total volumes and lower oil prices, resulting in an absence of inventory gains compared to Q1 2018. We maintained our guaranteed margin for our retail fuel business in accordance with the margin guarantee provisions of our supply contract with ADNOC. Excluding the impact of AED 73 million of inventory gains for Q1 2018, Q1 2019 EBITDA increased by 16.5% year-on-year demonstrating the benefits of growth and cost initiatives in our fuel and non-fuel businesses.

- Q1 2019 total fuel volumes were flat compared to Q1 2018 supported by growth in Corporate volumes (up 9.0%) and Aviation volumes (up 1.1%), offsetting lower retail fuel volumes (down 2.0%). Q1 2019 witnessed lower retail fuel volumes and non-fuel transactions compared to Q4 2018. However, in line with the Q4 2018 trend, our convenience stores recorded higher revenue growth in Q1 2019 compared to both Q4 2018 and Q1 2018 by 2.0% and 31.7% respectively. This was led by initiatives to improve the customer experience, driving higher footfall in our convenience stores. Q1 2019 non-fuel gross profit (non-fuel retail and allied services) increased by 9.2% compared to Q1 2018.

- **Earnings and cash flow**

- Q1 2019 earnings per share increased by 29.6% to AED 0.046 compared to AED 0.036 for Q4 2018 and increased by 6.6% compared to AED 0.043 for Q1 2018.

- Net cash generated from operating activities decreased in Q1 2019 as a result of working capital movements due to fluctuating oil prices. However, we continue to maintain a very low net debt to EBITDA ratio of 0.35x at 31 March 2019. Free cash flow (EBITDA minus capital expenditures) for Q1 2019 increased by 24.9% to AED 687 million compared to AED 550 million for Q1 2018.

- **Strategy update:**

- **Fuel business.** Our UAE network reached 379 retail fuel stations at the end of Q1 2019, with the addition of three new stations during Q1 2019, including one additional location in Dubai at one of Meraas's iconic "Last Exit" destination highway rest stops. We expect to open stations at two additional "Last Exit" locations in Q2 2019.

- **Non-fuel business.** Our UAE network reached 252 convenience stores at end of Q1 2019, which includes two additional stores opened in Q1 2019 (of the three service stations opened during Q1 2019, one is an express location with no convenience store). Our convenience store revitalization program, which offers customers an improved shopping experience, is on track and is contributing to improvements in gross margins and an uplift in average basket size by 13.2% in Q1 2019 compared to Q1 2018. Our 14 Géant Express convenience stores, including one opened in Q1 2019, and 12 Oasis Cafés (coffee and fresh bakery concept) continue to show positive results.

- **Cost efficiency.** We continue to achieve good progress in managing our cost base. Q1 2019 distribution and administrative expenses were AED 592 million, a 9.8% decrease compared to Q1 2018 distribution and administrative expenses of AED 657 million driven by cost optimization initiatives (including the benefit of restructuring costs incurred in 2018 to reduce staff costs in 2019) and reversals of prior accruals.

Saeed Mubarak Al Rashdi - Acting CEO:

"Thanks to an unwavering focus on our customers and the resilience of our business model, we are off to a solid start in 2019. Our first quarter results confirm our ambition to sustain strong financial performance through operational excellence and premium customer service. ADNOC Distribution has once again demonstrated its ability to realize profitable long-term growth, driven by greater fuel offerings and service, an enhanced convenience store experience and improved quality of service. We are well on our way to making ADNOC Distribution a world-class fuel and convenience retailer and look forward to continuing our journey in the UAE and beyond.

We remain focused on accelerating our growth plans in 2019. In response to strong international investor interest, ADNOC Distribution will host its first-ever Capital Markets Days in London and New York in early May. We are pleased that the market recognizes our ability to deliver on our IPO commitments and our potential for future growth."

Financial summary

AED millions	**Q1-19**	**Q4-18**	***QoQ %***	**Q1-18**	***YoY %***	**2018**
Revenue	4,770	5,972	*-20.1%*	5,159	*-7.5%*	22,893
Gross profit	1,146	1,184	*-3.2%*	1,184	*-3.3%*	5,069
EBITDA	733	617	*18.7%*	703	*4.3%*	2,774
Operating profit	605	465	*30.1%*	578	*4.7%*	2,242
Profit for the period	578	446	*29.6%*	542	*6.6%*	2,128
Earnings per share (AED/share)	0.046	0.036	*29.6%*	0.043	*6.6%*	0.170
Capital expenditures	46	245	*-81.2%*	153	*-69.8%*	772
Free cash flow	687	373	*84.3%*	550	*24.9%*	2,002
Net cash generated from operating activities	-903	1,177	*-176.8%*	2,129	*-142.4%*	4,914
Total equity	4,067	3,588	*13.4%*	3,472	*17.2%*	3,588
Net debt	974	11	*	729	*33.7%*	11
Capital employed	9,928	9,284	*6.9%*	9,174	*8.2%*	9,284
Return on capital employed (ROCE)	22.9%	24.2%	--	20.9%	--	24.2%
Return on equity (ROE)	53.2%	59.3%	--	53.7%	--	59.3%
Net debt to EBITDA ratio	0.35x	0.0x	--	1.10x	--	0.0x
Leverage ratio	19.3%	0.3%	--	17.3%	--	0.3%

* Not meaningful
(1) Prior period numbers are as previously reported before the impact of retrospective application of IFRS16, which is immaterial.
(2) See the Glossary for the calculation of certain metrics referred to above.

Revenue by Segment (AED millions)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Fuel and Non-Fuel Retail	3,201	4,089	*-21.7%*	3,645	*-12.2%*	15,704
Corporate	1,026	1,227	*-16.4%*	946	*8.5%*	4,733
Aviation	488	598	*-18.4%*	500	*-2.4%*	2,194
Allied	55	57	*-4.2%*	47	*17.6%*	221
Total	**4,770**	**5,972**	***-20.1%***	**5,159**	***-7.5%***	**22,893**

Gross Profit by Segment (AED millions)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Fuel and Non-Fuel Retail	712	766	*-7.0%*	801	*-11.1%*	3,307
Of which Fuel Retail	632	693	*-8.8%*	725	*-12.7%*	3,016
Of which Non-Fuel Retail	80	73	*9.1%*	77	*4.2%*	291
Corporate	206	178	*15.9%*	150	*37.2%*	785
Aviation	172	182	*-5.4%*	169	*1.8%*	724
Allied	55	57	*-4.2%*	47	*17.6%*	221
Total	**1,146**	**1,184**	***-3.2%***	**1,184**	***-3.3%***	**5,069**

EBITDA by Segment (AED millions)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Fuel and Non-Fuel Retail	409	309	*32.3%*	464	*-11.9%*	1,639
Corporate	202	189	*6.7%*	109	*85.0%*	648
Aviation	93	84	*10.5%*	83	*11.8%*	340
Allied	28	24	*16.5%*	22	*23.2%*	105
Total	**733**	**617**	***18.7%***	**703**	***4.3%***	**2,774**

Headlines

Volumes

Total fuel volumes for Q1 2019 were 2,336 million liters, flat compared to Q1 2018, driven by increases in Corporate and Aviation segment volumes, offset by lower Retail segment volumes.

Total volumes were down 4.0% in Q1 2019 compared to Q4 2018 driven by a 4.6% decrease in Retail volumes (approximately 70% of total volumes sold).

Fuel product mix (million liters)	**Q1-19**	**Q4-18**	***QoQ %***	**Q1-18**	***YoY %***	**2018**
Gasoline (1)	1,414	1,483	*-4.6%*	1,446	*-2.2%*	5,838
Diesel	562	578	*-2.8%*	577	*-2.6%*	2,450
Aviation products	188	199	*-5.7%*	185	*1.1%*	748
Other (2)	171	172	*-0.3%*	125	*37.1%*	575
Total	**2,336**	**2,432**	***-4.0%***	**2,334**	***0.1%***	**9,611**

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

Volumes by Segment (million liters)	**Q1-19**	**Q4-18**	***QoQ %***	**Q1-18**	***YoY %***	**2018**
Retail	1607	1685	*-4.6%*	1640	*-2.0%*	6,600
Corporate	541	548	*-1.3%*	496	*9.0%*	2,239
Aviation	188	199	*-5.7%*	185	*1.1%*	748
Total	**2,336**	**2,432**	***-4.0%***	**2,334**	***0.1%***	**9,611**

Results

Q1 2019 revenue was AED 4,770 million, a 7.5% decrease compared to Q1 2018 revenue of AED 5,159 million, and a 20.1% decrease compared to Q4 2018 revenue of AED 5,972 million driven by lower pump prices as a result of lower oil prices, as well as lower volumes compared to Q4 2018. Q1 2019 gross profit was AED 1,146 million, a 3.3% decrease compared to Q1 2018 gross profit of AED 1,184 million and a 3.2% decrease compared to Q4 2018 gross profit of AED 1,184 million.

Q1 2019 EBITDA was AED 733 million, a 4.3% increase compared to Q1 2018 EBITDA of AED 703 million and an 18.7% increase compared to Q4 2018 EBITDA of AED 617 million. Q1 2019 net profit was AED 578 million, a 6.6% increase compared to Q1 2018 net profit of AED 542 million and a 29.6% increase compared to Q4 2018 net profit of AED 446 million. The EBITDA and net profit increases compared to Q1 2018 were mainly driven by lower distribution and administrative expenses partially offset by the absence of inventory gains in Q1 2019.

Distribution and administrative expenses

We continue to achieve good progress in managing our cost base. Q1 2019 distribution and administrative expenses were AED 592 million, a 9.8% decrease compared to Q1 2018 distribution and administrative expenses of AED 657 million.

Compared to Q4 2018, Q1 2019 distribution and administrative expenses decreased 27.4%.

The decrease in distribution and administrative expenses were driven by cost optimization initiatives (including the benefit of restructuring costs incurred in 2018 to reduce staff costs in 2019) and reversals of prior accruals.

AED millions	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Staff costs	395	480	*-17.8%*	412	*-4.3%*	1,826
Depreciation	128	153	*-16.0%*	125	*2.5%*	532
Repairs, maintenance and consumables	25	40	*-38.5%*	28	*-12.1%*	138
Distribution and marketing expenses	19	33	*-42.0%*	22	*-13.1%*	125
Utilities	35	44	*-20.5%*	20	*77.6%*	166
Insurance	2.3	1.3	*76.9%*	2.5	*-8.0%*	9.6
Others	-12	65	*-117.9%*	47	*-125.2%*	232
Total	**592**	**816**	***-27.4%***	**657**	***-9.8%***	**3,028**

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 millions	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Service stations projects	9.0	86	*-89.5%*	70	*-87.2%*	232
Industrial projects	25	39	*-36.5%*	37	*-33.0%*	209
Machinery and equipment	11	21	*-46.9%*	20	*-45.2%*	109
Distribution fleet	0.7	13	*-94.5%*	5.5	*-86.8%*	20
Technology infrastructure	0.3	85	*-99.6%*	19	*-98.6%*	195
Office furniture and equipment	0.2	1.5	*-86.7%*	0.6	*-70.2%*	7
Total	**46**	**245**	***-81.2%***	**153**	***-69.8%***	**772**

Cash flow and leverage

Q1 2019 free cash flow (EBITDA minus capital expenditures) increased by 24.9% to AED 687 million compared to Q1 2018 free cash flow of AED 550 million.

Our ratio of interest bearing net debt at 31 March 2019 to EBITDA for the twelve months ended 31 March 2019 was 0.35x, compared to 0.0x at 31 December 2018. The increase in our net debt to EBITDA ratio was mainly due to the impact on net cash flows of working capital movements due to oil price fluctuations. There are no financial covenants in our credit facilities.

Dividends

Our shareholders approved a final dividend payment with respect to 2018 of AED 735 million (AED 0.0588 per share), which we expect to pay in early May 2019.

Our Shareholders also approved a significant increase in the Company's dividend policy in recognition of the Company's strong financial performance and cash position, as well as its confidence in the Company's strong growth prospects and cash flow generation ability going forward.

Under the new policy, the Company expects to increase its annual dividend payment, starting in 2019, as follows:

- An annual dividend for fiscal year 2019 of AED 2.39 billion (USD 650 million), equivalent to AED 0.1910 per share and a 63% increase compared to 2018

- An annual dividend for fiscal year 2020 of AED 2.57 billion (USD 700 million), equivalent to AED 0.2057 per share, a 75% increase compared to 2018

- A minimum payout of 75% of distributable profits from 2021 onwards

Business segments operating review

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

Retail (Fuel and Non-Fuel)

Volumes

Q1 2019 Retail segment volumes decreased 2.0% compared to Q1 2018. Compared to Q4 2018, our Q1 2019 Retail segment volumes decreased 4.6% mainly due to increased competition and the introduction of ADNOC Flex in the Northern Emirates.

Retail volumes (million liters)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Gasoline	1,399	1,467	*-4.6%*	1,431	*-2.2%*	5,753
Diesel	177	188	*-5.8%*	187	*-5.3%*	740
Other (1)	31	31	*2.9%*	22	*40.6%*	106
Total	**1,607**	**1,685**	***-4.6%***	**1,640**	***-2.0%***	**6,600**

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

Results

The decrease in Retail segment fuel revenue for Q1 2019 compared to Q1 2018 was primarily due to lower oil prices and lower volumes.

The decrease in Retail segment gross profit for Q1 2019 compared to Q1 2018 was mainly due to lower volumes and absence of inventory gains in the falling oil price market, partially offset by increase in non-fuel retail gross profit.

The increase in Retail segment EBITDA for Q1 2019 compared to Q4 2018 was mainly due to higher operating cost efficiencies, partially offset by lower gross profits.

Retail financials (AED millions)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Revenue	3,201	4,089	*-21.7%*	3,645	*-12.2%*	15,704
Gross profit	712	766	*-7.0%*	801	*-11.1%*	3,307
Of which Fuel Retail	632	693	*-8.8%*	725	*-12.7%*	3,016
Of which Non-Fuel Retail	80	73	*9.1%*	77	*4.2%*	291
EBITDA	409	309	*32.3%*	464	*-11.9%*	1,639
Operating profit	303	183	*65.4%*	368	*-17.7%*	1,215
Capital expenditures	37	135	*-72.5%*	85	*-56.5%*	423

Other operating metrics

We witnessed a decrease in fuel transactions during Q1 2019 compared to Q1 2018 and Q4 2018.

Our non-fuel segment (mainly convenience stores) generated higher revenues driven by higher transactions and conversion rates (convenience store transactions divided by fuel transactions) in Q1 2019 compared to Q1 2018. This improvement was driven by 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 increased by 14.7% in Q1 2019 compared to Q1 2018.

Fuel operating metrics	**Q1-19**	**Q4-18**	***QoQ %***	**Q1-18**	***YoY %***	**2018**
Number of service stations - UAE(1)	379	376	*0.8%*	362	*4.7%*	376
Number of service stations - Saudi Arabia (1)(2)	2	2	-	-	-	2
Throughput per station (million liters)	4.1	4.4	*-6.8%*	4.5	*-8.9%*	17.3
Number of fuel transactions (millions)	36.9	40.8	*-9.6%*	41.9	*-11.9%*	167.8

Non-fuel operating metrics	**Q1-19**	**Q4-18**	***QoQ %***	**Q1-18**	***YoY %***	**2018**
Number of convenience stores - UAE (1)	252	250	*0.8%*	238	*5.9%*	250
Convenience store revenue (AED million)	197	193	*2.0%*	150	*31.7%*	679
Convenience store gross profit (AED million)	58	59	*-1.3%*	50	*14.6%*	202
Number of non-fuel transactions (millions)	11.7	11.7	*0.0%*	10.2	*14.7%*	42.7
Conversion rate (3)	28%	26%	-	21%	-	22%
Average basket size (AED) (4)	18.9	18.5	*2.2%*	16.7	*13.2%*	18.1
Average gross basket size (AED) (5)	24.2	24.0	*0.8%*	22.4	*8.0%*	23.5

(1) At end of period.
(2) Includes one franchised site.
(3) Number of convenience stores transactions divided by number of fuel transactions.
(4) Average basket size is calculated as convenience store revenue divided by number of convenience store transactions.
(5) Average basket size is calculated as convenience store revenue (including revenue from consignment items) divided by number of convenience store transactions.

Corporate

Volumes

Our Q1 2019 Corporate segment volumes decreased by 1.3% compared to Q4 2018 and increased by 9.0% compared to Q1 2018. The year-on-year increase was driven by higher sales of LPG, lubricants and base oil.

Corporate volumes (million liters)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Gasoline	15	16	*-3.8%*	15	*0.0%*	85
Diesel	385	391	*-1.3%*	390	*-1.3%*	1,709
Other (1)	140	142	*-1.1%*	91	*54.6%*	445
Total	**541**	**548**	***-1.3%***	**496**	***9.0%***	**2,239**

(1) Includes LPG, lubricants and base oil.

Results

Q1 2019 Corporate segment revenue increased by 8.5% compared to Q1 2018 mainly driven by higher volumes. Compared to Q4 2018, Q1 2019 Corporate segment revenues decreased by 16.4% mainly driven by lower oil prices. Q1 2019 Corporate segment gross profit increased by 37.2% compared to Q1 2018 mainly driven by higher volumes, better inventory management and more dynamic product pricing.

Q1 2019 Corporate segment EBITDA increased by 85.0% compared to Q1 2018, driven by better operating cost efficiencies in addition to the higher gross profits and a one-off receivables impairment recovery.

Corporate financials (AED millions)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Revenue	1,026	1227	*-16.4%*	946	*8.5%*	4,733
Gross profit	206	178	*15.9%*	150	*37.2%*	785
EBITDA	202	189	*6.7%*	109	*85.0%*	648
Operating profit	193	178	*8.1%*	103	*87.3%*	618
Capital expenditures	0.2	0.5	*-60.0%*	0.4	*-50.0%*	16

Aviation

Volumes

Q1 2019 Aviation segment volumes increased by 1.1% compared to Q1 2018 due to an increase in fuel sales to our strategic customers. Compared to Q4 2018, Aviation segment volumes decreased by 5.7%.

Aviation volumes (million liters)	Q1-19	Q4-18	*QoQ %*	Q1-18	*YoY %*	2018
Aviation products	188	199	*-5.7%*	185	*1.1%*	748

Results

The decrease in Aviation segment revenue for Q1 2019 compared to Q1 2018 was driven by lower oil prices, offset by slightly higher volumes.

Q1 2019 Aviation segment EBITDA increased by 11.8% compared to Q1 2018, driven by better operating cost efficiencies and the higher volumes.

Aviation financials (AED millions)	Q1-19	Q4-18	QoQ %	Q1-18	YoY %	2018
Revenue	488	598	*-18.4%*	500	*-2.4%*	2,194
Gross profit	172	182	*-5.4%*	169	*1.8%*	724
EBITDA	93	84	*10.5%*	83	*11.8%*	340
Operating profit	84	74	*13.8%*	75	*12.7%*	305
Capital expenditures	0.2	1.1	*-81.8%*	0.5	-60.0%	3.9

Allied Services

Results

Allied Services (vehicle inspection and property management) segment Q1 2019 revenue and gross profits increased compared to Q1 2018 due to a higher number of vehicles inspected and a higher number of tenants compared to Q1 2018.

Allied Services segment Q1 2019 EBITDA increased by 23.2% compared to Q1 2018, driven by better operating cost efficiencies in addition to the higher gross profits.

Allied Services financials (AED millions)	Q1-19	Q4-18	QoQ %	Q1-18	YoY %	2018
Revenue	55	57	*-4.2%*	47	*17.6%*	221
Gross profit	55	57	*-4.2%*	47	*17.6%*	221
EBITDA	28	24	*16.5%*	22	*23.2%*	105
Operating profit	22	18	*25.6%*	17	*29.2%*	83
Capital expenditures	1.1	0.5	*120.0%*	0.8	*37.5%*	3.0

Other operating metrics

We have actively driven tenancy occupancy across our network despite a challenging rental market. We also continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability.

In our vehicle inspection centers, the number of vehicles inspected (fresh tests) during Q1 2019 increased by 1.5% compared to Q4 2018, and increased by 8% compared to Q1 2018.

Allied Services operating metrics	**Q1-19**	**Q4-18**	***QoQ %***	**Q1-18**	***YoY %***	**2018**
Number of tenants (1)	258	244	*5.7%*	200	*29.0%*	244
Number of occupied properties for rent (1)	927	917	*1.1%*	735	*26.1%*	917
Number of vehicle inspection centers(1) (2)	25	24	*4.2%*	21	*19.0%*	24
Number of vehicles inspected (fresh tests) (thousands)	180	177	*1.5%*	167	*8.0%*	710
Other vehicle inspection transactions (thousands)	58	58	*-0.7%*	61	*-5.2%*	240

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

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 31 March 2019 was AED 2.20. In the period from 01 January 2019 through 31 March 2019, the share price has ranged from AED 2.16 to AED 2.34 at close. Our market capitalization was AED 27.8 billion as of 31 March 2019, and an average of 1.3 million shares have traded daily in 2019.

As of 31 March 2019, our parent company, ADNOC, owned 90% of our outstanding shares. Of the free float (10%), UAE and other regional institutions owned 48%, international institutional investors 36%, and private retail shareholders 16%.

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

While we expect to see continued softness in fuel volumes in the second quarter of 2019, we expect low single digit growth in our fuel volumes beginning in the second half of 2019 driven by (1) the ongoing expansion of our network in Dubai, which remains an attractive market with high throughputs, (2) the economic benefits of the significant investments previously announced by the ADNOC Group (approximately USD 45 billion of investments in its downstream business) and the Abu Dhabi government (approximately USD 14 billion of investments in various government initiatives), (3) the investment plan related to Dubai World Expo 2020 (approximately USD 33 billion) to the UAE economy during 2013 to 2031, and (4) management initiatives, including continuation of promotional campaigns launched in the second quarter such as our "Good Morning UAE" and "Fuel & Fly" promotions, which are showing positive early results.

In Dubai, our first four fuel retail service stations are showing positive results, and we will continue our Dubai expansion in 2019. We also continue to explore opportunities in KSA and other potential territories. In 2019, we expect to invest up to USD 300 million in capital expenditures to boost our network expansion in the UAE (especially in Dubai) and internationally, and to invest in our digital initiatives.

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. In addition to the operating expense savings reported in 2018 (approximately AED 193 million of like-for-like operating expense savings), we are seeing the benefits of investments we made in 2018 to reduce costs in 2019 and beyond (including approximately AED 73 million spent in 2018 to reduce headcount costs, which will have a pay-back period of less than two years), and of additional cost savings initiatives implemented in 2019, and are on track to report an additional AED 180 million in like-for-like operating expense savings in 2019.

Capital Markets Day Presentations

We will be hosting Capital Markets Day presentations on May 7 and May 8 in London and New York. A copy of the presentation, which will include additional detail regarding our outlook for 2019 and beyond, will be made available beginning May 7 on our website at www.adnocdistribution.ae/en/investor-relations/investor-relations/.

Earnings conference call details

A conference call in English for investors and analysts will be held on Wednesday, May 1, 2019, 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 ‘**5686539’**.

UAE Toll free: 8000 3570 2653

UK Toll free: 0800 358 6377

USA Toll free: 8888 394 8218

For other countries, please dial the Standard International Access number +44 (0) 330 336 9105.

The conference call will also be webcast live on the company web site. To register for the webcast please follow the link . 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 for 14 days.

The presentation materials will be available for download in English on Wednesday, May 1, 2019 at adnocdistribution.ae/conferencecall.

Reporting date for the second quarter of 2019

We expect to announce our second quarter 2019 results on or around 5 August 2019.

Contacts

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1 May 2019
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.