

**ABU DHABI NATIONAL OIL
COMPANY FOR DISTRIBUTION PJSC**

Review report and unaudited interim condensed
consolidated financial information for the nine-month
period ended 30 September 2021

ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Review report and unaudited interim condensed consolidated financial information for the nine-month period ended 30 September 2021

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ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Directors' report for the nine-month period ended 30 September 2021

The Directors present their report together with the unaudited interim condensed consolidated financial information of Abu Dhabi National Oil Company for Distribution PJSC (the "Company") and its subsidiary (collectively referred to as "the Group") for the nine-month period ended 30 September 2021.

Principal activities

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

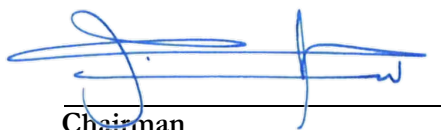
Review of business

During the period, the Group reported revenue of AED 14,698,430 thousand (30 September 2020: AED 11,986,213 thousand). Profit for the period was AED 1,681,144 thousand (30 September 2020: AED 1,581,199 thousand).

The appropriation of the results for the period is follows:

	AED '000
Retained earnings as at 1 January 2021	2,128,570
Profit for the period	1,681,144
Dividends declared	(2,571,250)
Retained earnings as at 30 September 2021	<u>1,238,464</u>

for the Board of Directors



Chairman

8 November 2021
Abu Dhabi, UAE

Grant Thornton UAE - Abu Dhabi

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**REPORT ON REVIEW OF UNAUDITED
INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION TO THE BOARD OF DIRECTORS OF
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC**

Introduction

We have reviewed the accompanying unaudited condensed consolidated statement of financial position of Abu Dhabi National Oil Company for Distribution PJSC (“ADNOC Distribution” or “the Company”) and its subsidiary (collectively referred to as “the Group”) as at 30 September 2021 and the related unaudited condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the unaudited condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of this unaudited interim condensed consolidated financial information in accordance with International Accounting Standard 34, ‘*Interim Financial Reporting*’ as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this unaudited interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘*Interim Financial Reporting*’ as issued by the IASB.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 February 2021.

The unaudited interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2020 were reviewed by another auditor who expressed an unmodified opinion on those interim condensed consolidated financial statements on 10 November 2020.



GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
8 November 2021

Abu Dhabi National Oil Company for Distribution PSJC
Financial Statements

Unaudited condensed consolidated statement of financial position
as at 30 September 2021

	Notes	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,555,224	5,567,588
Right-of-use assets	8	783,949	547,374
Advances to contractors		59,942	75,451
Other non-current assets	10	3,186	5,213
Total non-current assets		6,402,301	6,195,626
Current assets			
Inventories	5	1,038,142	670,749
Trade receivables and other current assets	6	2,428,923	2,180,563
Due from related parties	7	1,075,143	567,893
Term deposits	9	130,000	644,150
Cash and bank balances	9	3,010,587	2,145,322
Total current assets		7,682,795	6,208,677
Total assets		14,085,096	12,404,303
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000,000	1,000,000
Statutory reserve		500,000	500,000
Hedge reserve		(91,475)	(151,471)
Retained earnings		1,238,464	2,128,570
Total equity		2,646,989	3,477,099
Non-current liabilities			
Lease liabilities	8	718,245	447,055
Long term debt	10	5,498,369	5,494,597
Derivative financial instruments	12	20,067	80,149
Provision for decommissioning	13	123,455	120,193
Provision for employees' end of service benefit		204,190	199,185
Total non-current liabilities		6,564,326	6,341,179
Current liabilities			
Lease liabilities	8	8,876	28,147
Trade and other payables	11	2,857,284	1,590,189
Due to related parties	7	1,923,259	884,771
Derivative financial instruments	12	84,362	82,918
Total current liabilities		4,873,781	2,586,025
Total liabilities		11,438,107	8,927,204
Total equity and liabilities		14,085,096	12,404,303

To the best of our knowledge, the financial information included in the report fairly present in all material respects the financial result of operations and cash flows of the Group as of 30 September 2021, and for the periods presented in the report.



Mohamed Al Hashimi
Chief Financial Officer



Bader Saeed Al Lamki
Chief Executive Officer



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

The accompanying notes form an integral part of this unaudited interim condensed consolidated financial information.

Abu Dhabi National Oil Company for Distribution PSJC
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Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three and nine-month periods ended 30 September 2021

	Note	3 months ended 30		9 months ended 30	
		September		September	
		2021	2020	2021	2020
		AED'000	AED'000	AED'000	AED'000
Revenue	14	5,397,889	4,030,308	14,698,430	11,986,213
Direct costs		(4,194,708)	(2,304,093)	(10,948,024)	(7,814,165)
Gross profit		1,203,181	1,726,215	3,750,406	4,172,048
Distribution and administrative expenses	15	(631,833)	(857,858)	(1,980,977)	(2,303,116)
Other income		14,076	40,202	75,644	88,991
Impairment losses and other operating expenses		(5,451)	(198,315)	(28,304)	(263,820)
Operating profit		579,973	710,244	1,816,769	1,694,103
Interest income		(645)	6,945	6,876	42,895
Finance costs		(50,322)	(46,268)	(142,501)	(155,799)
Profit for the period		529,006	670,921	1,681,144	1,581,199
Other comprehensive income					
<i>Items that may be reclassified to profit or loss in subsequent periods</i>					
Fair value gain / (loss) on hedging instruments		21,103	(49,674)	59,996	(52,640)
Total comprehensive income for the period		550,109	621,247	1,741,140	1,528,559
Earnings per share:					
Basic and diluted	16	0.042	0.054	0.134	0.126

The accompanying notes form an integral part of this unaudited interim condensed consolidated financial information.

Abu Dhabi National Oil Company for Distribution PSJC
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Unaudited condensed consolidated statement of changes in equity
for the nine-month period ended 30 September 2021

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2020 (restated)	1,000,000	500,000	(114,525)	2,343,828	3,729,303
Profit for the period	-	-	-	1,581,199	1,581,199
Other comprehensive income for the period	-	-	(52,640)	-	(52,640)
Dividends declared (note 22)	-	-	-	(2,479,375)	(2,479,375)
Balance as at 30 September 2020 (unaudited)	<u>1,000,000</u>	<u>500,000</u>	<u>(167,165)</u>	<u>1,445,652</u>	<u>2,778,487</u>
Balance as at 1 January 2021 (audited)	1,000,000	500,000	(151,471)	2,128,570	3,477,099
Profit for the period	-	-	-	1,681,144	1,681,144
Other comprehensive income for the period	-	-	59,996	-	59,996
Dividends declared (note 22)	-	-	-	(2,571,250)	(2,571,250)
Balance as at 30 September 2021 (unaudited)	<u>1,000,000</u>	<u>500,000</u>	<u>(91,475)</u>	<u>1,238,464</u>	<u>2,646,989</u>

The accompanying notes form an integral part of this unaudited interim condensed consolidated financial information.

Abu Dhabi National Oil Company for Distribution PSJC
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Unaudited condensed consolidated statement of cash flows
for the nine-month period ended 30 September 2021

	9 months ended 30 September	
	2021 AED'000	2020 AED'000
Cash flows from operating activities		
Profit for the period	1,681,144	1,581,199
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	418,316	426,503
Depreciation of right-of-use assets	29,954	12,939
Reversal of expected credit losses	(21,243)	(23,443)
Impairment losses on receivables	23,924	63,951
Employees' end of service benefit charge	19,712	32,850
Gain on disposal of property, plant and equipment	(61)	(1,112)
Impairment of property, plant and equipment	1,403	190,882
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	-	5,955
Inventories written off	2,952	3,031
Finance costs	142,501	155,799
Interest income	(6,876)	(42,895)
Operating cash flows before movements in working capital	2,291,726	2,405,659
(Increase)/decrease in inventories	(370,345)	305,665
(Increase)/ decrease in trade receivables and other current assets	(251,041)	802,756
(Increase)/decrease in due from related parties	(507,250)	25,752
Decrease in trade and other payables	54,436	(223,681)
Increase/(decrease) in due to related parties	1,038,488	(2,130,148)
Cash generated from operating activities	2,256,014	1,186,003
Payment of employees' end of service benefit	(14,707)	(25,191)
Net cash generated from operating activities	2,241,307	1,160,812
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(450,591)	(569,300)
Payments for advances to contractors	(13,728)	(43,884)
Proceeds from disposal of property, plant and equipment	280	1,393
Interest received	6,876	42,895
Decrease in term deposits	514,150	1,485,850
Net cash generated from investing activities	56,987	916,954
Cash flows from financing activities		
Payment of lease liabilities	(38,363)	(20,977)
Dividends paid	(1,285,625)	(1,193,750)
Finance cost paid	(109,041)	(137,727)
Net cash used in financing activities	(1,433,029)	(1,352,454)
Net increase in cash and cash equivalents	865,265	725,312
Cash and cash equivalents at beginning of the period	2,145,322	2,599,891
Cash and cash equivalents at end of the period (note 9)	3,010,587	3,325,203
Non-cash transactions		
Accruals for property, plant and equipment	294,886	30,412
Advances to contractors transferred to property, plant and equipment	29,237	66,848
Additions to right of use assets	266,529	236,218
Dividend payable	1,285,625	1,285,625

The accompanying notes form an integral part of this unaudited interim condensed consolidated financial information.

Abu Dhabi National Oil Company for Distribution PSJC

Financial Statements

Notes to the unaudited interim condensed consolidated financial information for the nine-month period ended 30 September 2021

1 General information

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

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

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The head office of the Company and its subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the “Group”), is registered at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Group’s shares are listed on the Abu Dhabi Securities Exchange.

Pursuant to the resolution of Abu Dhabi National Oil Company (“ADNOC”, “Shareholder” or the “Parent Company”), as the sole shareholder of the Company, dated 28 June 2017, ADNOC approved the listing of all the Company’s shares on the Abu Dhabi Securities Exchange and the sale by way of offer to the public of 10% of the Company held by ADNOC.

In September 2020, ADNOC completed a USD 1 billion institutional placement of 10% of ADNOC Distribution shares. Subsequently in May 2021, ADNOC completed another placement of approximately 375 million shares in ADNOC Distribution shares, representing 3%, approximately, of the registered share capital of the company. The two transactions have increased the free float of the Group on the Abu Dhabi Securities Exchange to 23%. The Parent Company currently retains 77% ownership of the Group.

In May 2021, ADNOC also issued approximately USD 1.195 billion of senior unsecured bonds due 2024, exchangeable into existing shares of ADNOC Distribution under certain conditions, constituting approximately 7% of the company’s registered share capital.

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

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

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

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

Abu Dhabi National Oil Company for Distribution PSJC
Financial Statements

Notes to the unaudited interim condensed consolidated financial information
for the nine-month period ended 30 September 2021 (continued)

1 General information (continued)

Details of the Company's subsidiary are as follows:

Name of Subsidiary	Ownership interest		Country of incorporation	Principal activities
	2021	2020		
ADNOC Distribution Global Company LLC	100%	100%	U.A.E.	Commercial agencies, commercial enterprises, retail and distribution, investment, institution and management

On 30 December 2020, ADNOC Distribution Global Company LLC signed a definitive Business and Asset Purchase Agreement to acquire fifteen (15) service stations in the Kingdom of Saudi Arabia. On 14 February 2021 two further definitive agreements were signed to acquire a total of 20 more stations. These transactions have received Certificates of No Objection from the KSA General Authority for Competition, and completion of the asset acquisition process is progressing. Out of these 35 stations, the company has added three stations into its network as of 30 September 2021. The remaining sites are subject to completion of certain closing conditions by each of the selling and buying parties.

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

Amendment to standards and interpretations issued and effective during the financial year beginning 1 January 2021 with no material effect on the financial statements

- *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Amendment to standards and interpretations issued but not yet effective

- *Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021*

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 31 March 2021.

The above amendments are not expected to have any material impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Abu Dhabi National Oil Company for Distribution PSJC

Financial Statements

Notes to the unaudited interim condensed consolidated financial information for the nine-month period ended 30 September 2021 (continued)

3 Summary of significant accounting policies

Basis of preparation

The financial statements of the Group for the year ending 31 December 2021 will be prepared in accordance with IFRSs, as issued by the International Accounting Standards Board (IASB). This unaudited interim condensed consolidated financial information for the nine-month period ended 30 September 2021 has been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB).

The unaudited interim condensed consolidated financial information is prepared in UAE Dirhams (AED), which is the Company's functional currency and the Group's presentation currency and all values are rounded to the nearest thousands (AED'000) except when otherwise indicated.

The unaudited interim condensed consolidated financial information does not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020. In addition, results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. Where data is labelled as "audited" that indicates that the financial information has been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2020.

Basis of measurement

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention except derivative financial instruments that are measured at fair value.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Changes in judgements and estimation uncertainty

The preparation of these unaudited interim condensed consolidated financial information, in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent, except as detailed below.

In March 2020, the World Health Organization (WHO) declared a new strain of coronavirus (COVID-19) as a pandemic outbreak after finding the increase in exposure and infections across the world. To contain the outbreak in the United Arab Emirates, the government enforced restriction of movement for both people and goods including the closure of both inbound and outbound flights to and from the country.

Abu Dhabi National Oil Company for Distribution PSJC
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Notes to the unaudited interim condensed consolidated financial information
for the nine-month period ended 30 September 2021 (continued)

3 Summary of significant accounting policies (continued)

Changes in judgements and estimation uncertainty (continued)

The outbreak comes with unpredictable human and economic consequences and its evolution remains unknown at the date of the issuance of the financial statements. As the situation is rapidly evolving, the impact on the Group's activities and operations remains uncertain.

The Group regularly assesses the impact of COVID-19 on its operations, business continuity, liquidity and legal obligations. In the current period assessment, the Group expects, notwithstanding another outbreak of the pandemic, a continued recovery in consumption in the retail and non-retail fuel sector due to the easing of some of the restrictions that had been in place at the beginning of the pandemic.

The Group will continue to closely monitor the impact of COVID 19 and a prolonged continuation of the situation and/or another outbreak may lead to further provisions and/or impairment in future periods.

The Group has a documented business continuity plan (BCP) that has been activated to ensure the safe and stable continuation of its business operations as well as the safety of its employees and customers. The Group has also introduced proactive comprehensive measures to address and mitigate key operational and financial issues arising from the current situation and has reasonably managed several areas of operational risks identified and implemented various measures that ensured continuity of the operations.

4 Property, plant and equipment

	AED'000
Cost	
1 January 2021 (audited)	10,292,004
Additions	407,574
Disposals	(6,367)
Impairments	(1,403)
30 September 2021 (unaudited)	<u>10,691,808</u>
Accumulated depreciation	
1 January 2021 (audited)	4,724,416
Charge for the period	418,316
Disposals	(6,148)
30 September 2021 (unaudited)	<u>5,136,584</u>
Carrying amount	
30 September 2021 (unaudited)	<u>5,555,224</u>
31 December 2020 (audited)	<u>5,567,588</u>

The cost includes contract work in progress balance amounting to AED 447,245 thousand as of 30 September 2021 (31 December 2020: AED 430,624 thousand). During the period, management carried out an assessment of their capital work in progress and identified certain projects, which are unlikely to be further developed. Accordingly, an impairment of AED 1,403 thousand was recognised (31 December 2020: AED 190,882 thousand).

Abu Dhabi National Oil Company for Distribution PSJC
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Notes to the unaudited interim condensed consolidated financial information
for the nine-month period ended 30 September 2021 (continued)

5 Inventories

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Finished goods	854,782	514,058
Spare parts and consumables	95,268	62,062
Lubricants raw materials, consumables and work in progress	66,552	62,623
LPG cylinders	38,588	50,427
	<u>1,055,190</u>	<u>689,170</u>
Less: Allowance for write down of finished goods to net realisable value	-	(234)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	(17,048)	(18,187)
	<u>(17,048)</u>	<u>(18,421)</u>
	<u>1,038,142</u>	<u>670,749</u>

The Group is carrying finished goods of AED 38 thousand (31 December 2020: AED 103,819 thousand) on behalf of a customer as at 30 September 2021.

6 Trade receivables and other current assets

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Trade receivables	2,218,767	2,014,391
Less: Allowance for expected credit losses	(53,443)	(50,762)
	<u>2,165,324</u>	<u>1,963,629</u>
Prepaid expenses	59,573	17,625
Receivable from employees	102,756	101,537
VAT receivables	-	1,182
Other receivables	101,270	96,590
	<u>2,428,923</u>	<u>2,180,563</u>

Movement in the allowance for expected credit losses is as follows:

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Opening balance	50,762	9,154
Charge for the period/year	23,924	70,352
Reversal made during the period/year	(21,243)	(28,744)
Closing balance	<u>53,443</u>	<u>50,762</u>

Abu Dhabi National Oil Company for Distribution PSJC
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Notes to the unaudited interim condensed consolidated financial information
for the nine-month period ended 30 September 2021 (continued)

7 Related party balances and transactions

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

	30 September	31 December
	2021	2020
	AED'000	AED'000
	(unaudited)	(audited)
Due from related parties		
ADNOC Drilling	348,921	169,799
Abu Dhabi National Oil Company (ADNOC)	287,792	110,384
ADNOC Logistics and Services	246,873	134,093
ADNOC Onshore	97,204	49,027
ADNOC Offshore	70,830	84,803
ADNOC Sour Gas	3,283	3,156
ADNOC Gas Processing	4,613	3,501
Others	15,627	13,130
	1,075,143	567,893
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	1,909,163	872,766
ADNOC Logistics and Services	11,971	10,178
ADNOC Refining	2,125	1,420
Others	-	407
	1,923,259	884,771

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

The amounts due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges and administrative charges. The above balances are unsecured, bear no interest and are payable on demand.

The Group has an amount of AED 3,053,831 thousand (31 December 2020: AED 2,768,689 thousand) held with banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles.

Abu Dhabi National Oil Company for Distribution PSJC
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Notes to the unaudited interim condensed consolidated financial information
for the nine-month period ended 30 September 2021 (continued)

7 Related party balances and transactions (continued)

The Group has a term loan amounting to AED 5,276,563 thousand (31 December 2020: AED 5,276,563 thousand) from banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles.

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

	3 months ended 30 September (unaudited)		9 months ended 30 September (unaudited)	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Revenue - ADNOC group	243,576	196,589	779,793	625,052
Purchases – ADNOC	3,914,703	2,374,748	10,802,512	7,095,576

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

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

8 Right-of-use assets and lease liabilities

Right-of-use assets

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Opening balance	547,374	207,700
Additions related to land lease	266,529	330,837
Additions to decommissioning	-	4,567
Change in estimate of decommissioning (note 13)	-	23,463
Depreciation charge during the period / year	(29,954)	(19,193)
Closing balance	783,949	547,374

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8 Right-of-use assets and lease liabilities (continued)

Lease liabilities

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Opening balance	475,202	154,215
Additions	266,529	330,837
Accretion of interest	23,753	20,219
Payments	(38,363)	(30,069)
Closing balance	727,121	475,202

	Current		Non-current	
	30 September 2021 AED'000 (unaudited)	31 December 2020 AED 000 (audited)	30 September 2021 AED'000 (unaudited)	31 December 2020 AED 000 (audited)
Lease liabilities	8,876	28,147	718,245	447,055

9 Cash and cash equivalents

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

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Cash on hand and in bank	3,010,587	2,145,322
Cash and bank balances	3,010,587	2,145,322
Term deposit with maturities above 3 months	130,000	644,150

Term and call deposits carry interest rate ranging from 0.03% to 0.70% (31 December 2020: 0.05% to 2.80%) per annum.

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10 Long term debt

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Term loan	<u>5,498,369</u>	<u>5,494,597</u>

On 16 October 2017, ADNOC Distribution signed a mandate letter (the “Mandate Letter”) with a consortium of banks where the consortium agreed to underwrite a 5 year, USD 2,250,000 thousand (AED 8,263,130 thousand) unsecured credit facility (the “Facility”). The Facility is bifurcated further into a term facility commitment of USD 1,500,000 thousand (AED 5,508,750 thousand) and a revolving facility commitment of USD 750,000 thousand (AED 2,754,380 thousand). The purpose of the facility is for general corporate and working capital purposes including payment of dividend, repayment of debt and payment of transaction costs associated with the facility. There are no financial covenants included in the facility documents.

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on effective interest rate basis over the term of the agreement. Unamortised transaction costs amounting to AED 3,186 thousand as at 30 September 2021 (31 December 2020: AED 5,213 thousand) are presented as other non-current asset in the unaudited interim condensed consolidated financial information.

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

Update on prospective changes in reference rates (IBOR)

The impact of the replacement of interbank offered rates (‘IBORs’) with alternative risk-free rates on the Group’s investments and liabilities remains a key area of focus. The Group’s exposure to contracts referencing IBORs, such as LIBOR and EIBOR, extending past 2021 is not considered material when it is likely that these IBORs will cease being published. The management will continue to benchmark long-term debt contracts referencing EIBOR, however, management plans to introduce a new index for the AED contracts as per the new Dirham Monetary Framework in later part of the year 2021. For the LIBOR denominated contracts, the relevant reference rate will be SOFR Secured Overnight Financing Rate and management is consistently monitoring the related changes and the impact it might have on the Group’s operations. The transition to the new Dirham Monetary Framework and SOFR is significant in terms of scale and complexity, however, the process of adopting new reference rates does not expose the Group to any operational and financial risks resulting from contract modifications. The Group will continue to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

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11 Trade and other payables

	30 September	31 December
	2021	2020
	AED'000	AED'000
	(unaudited)	(audited)
Trade payables	392,456	544,097
Dividends payable	1,285,625	-
Capital accruals	294,886	367,140
VAT payable	230,995	158,827
Operating accruals	230,066	182,587
Coupon and prepaid card sales outstanding	101,118	99,470
Advances from customers	66,626	35,345
Contract retentions payable	37,953	60,208
Other payables	217,559	142,515
	2,857,284	1,590,189

12 Derivative financial instruments

In 2019, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating interest rates payable on the term loans, with all critical terms matching. These derivative contracts have been designated as cash flow hedges under IFRS 9.

As at 30 September 2021, the fair value of the derivative financial instruments was as follows:

	30 September	31 December
	2021	2020
	AED'000	AED'000
	(unaudited)	(audited)
Current liabilities	84,362	82,918
Non-current liabilities	20,067	80,149
	104,429	163,067

The Group has categorised the derivative financial instruments into the Level 2 hierarchy for the purpose of determining and disclosing the fair value of financial instruments. There were no transfers between the hierarchy noted during the period ended 30 September 2021 and the year ended 31 December 2020.

- Level 1: Quoted prices (unadjusted) prices in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

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13 Provision for decommissioning

The provision for decommissioning obligation is with respect to the dismantling obligation regarding the service stations built on leased lands in Dubai and Northern Emirates.

	30 September 2021 AED'000 (unaudited)	31 December 2020 AED'000 (audited)
Opening balance	120,193	87,949
Additions during the period	-	4,567
Change in estimate	-	23,463
Unwinding of discount	3,262	4,214
Closing balance	123,455	120,193

14 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 17):

	3 months ended 30 September (unaudited)		9 months ended 30 September (unaudited)	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Retail (B2C)				
• Fuel	3,667,501	2,681,091	9,648,517	7,737,245
• Non-fuel	242,842	234,417	731,885	657,280
Commercial (B2B)				
• Corporate	1,142,272	871,024	3,329,358	2,682,881
• Aviation	345,274	243,776	988,670	908,807
	5,397,889	4,030,308	14,698,430	11,986,213

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15 Distribution and administrative expenses

	3 months ended 30 September (unaudited)		9 months ended 30 September (unaudited)	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Staff costs	320,438	508,988	1,067,932	1,373,523
Depreciation	156,703	168,567	448,270	439,442
Utilities	49,889	35,631	142,808	123,435
Repairs, maintenance and consumables	33,512	46,591	117,953	133,558
Distribution and marketing expenses	24,538	28,869	65,354	69,685
Insurance	2,914	3,220	7,838	11,323
Others	43,839	65,992	130,822	152,150
	631,833	857,858	1,980,977	2,303,116

16 Basic and diluted earnings per share

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

	3 months ended 30 September (unaudited)		9 months ended 30 September (unaudited)	
	2021	2020	2021	2020
Profit attributable to owners of the Company (AED '000)	529,006	670,921	1,681,144	1,581,199
Weighted average number of shares in issue ('000)	12,500,000	12,500,000	12,500,000	12,500,000
Earnings per share	0.042	0.054	0.134	0.126

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

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17 Segment reporting

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

Effective from 2020, the CODM has approved the use of the new segment reporting structure. The new structure aligns the segmentation of the management's categorisation of the Group's customers into Commercial (B2B) and Retail (B2C) categories.

- Commercial (B2B) segment, which involves sale of petroleum products and ancillary products to commercial and government customers, the provision of aviation fuel and fuelling services to strategic customers, and the provision of fuelling services to the Parent Company's civil aviation customers.
- Retail (B2C) segment, which involves sale of gasoline and petroleum products, convenience store sales, car wash and other car care services, oil change services, vehicle inspection services and property leasing and management through the retail sites.

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

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given to the chief operating decision maker.

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

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17 Segment reporting (continued)

Information regarding the new segment structure are as follows:

30 September 2021 (unaudited)	Commercial (B2B) AED'000	Retail (B2C) AED'000	Unallocated AED'000	Total AED'000
Revenue	4,318,028	10,380,402	-	14,698,430
Direct costs	(3,193,328)	(7,754,614)	(82)	(10,948,024)
Gross profit	1,124,700	2,625,788	(82)	3,750,406
Distribution and administrative expenses	(406,858)	(1,574,119)	-	(1,980,977)
Other income	24,712	50,192	740	75,644
Impairment losses and other operating expenses	(8,763)	(15,159)	(4,382)	(28,304)
Operating profit	733,791	1,086,702	(3,724)	1,816,769
Interest income				6,876
Finance costs				(142,501)
Profit for the period				<u>1,681,144</u>
30 September 2020 (unaudited)				
Revenue	3,591,688	8,394,525	-	11,986,213
Direct costs	(2,569,446)	(5,244,767)	48	(7,814,165)
Gross profit	1,022,242	3,149,758	48	4,172,048
Distribution and administrative expenses	(502,084)	(1,800,997)	(35)	(2,303,116)
Other income	19,030	57,921	12,040	88,991
Impairment losses and other operating expenses	(39,131)	(24,821)	(199,868)	(263,820)
Operating profit	500,057	1,381,861	(187,815)	1,694,103
Interest income				42,895
Finance costs				(155,799)
Profit for the period				<u>1,581,199</u>

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17 Segment reporting (continued)

Unallocated income consists mainly of gain on sale of property, plant and equipment, insurance recovery and other miscellaneous income.

18 Contingencies and litigation

As at 30 September 2021, the Group had contingent liabilities amounting to AED 3,402,095 (31 December 2020: AED 3,402,095) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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

19 Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited annual financial statements of the Group as at and for the year ended 31 December 2020.

20 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 181,812 thousand (31 December 2020: AED 638,588 thousand).

21 Seasonality of results

There is no material impact of seasonality on the Group's operating results.

22 Dividends

The Board of Directors approved a final dividend of 9.55 fils per share to the shareholders in respect of the year ended 31 December 2019. The dividend comprised of AED 1,193,750 thousand, which was approved at the General Assembly Meeting held on 31 March 2020 and paid on 2 April 2020.

The Board of Directors approved an interim dividend of 10.29 fils per share to the shareholders in respect of the first half of 2020. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 29 September 2020 and paid on 1 October 2020.

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2020. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 16 March 2021 and paid on 20 March 2021.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2021. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 30 September 2021 and paid on 4 October 2021.

23 Approval of the unaudited interim condensed consolidated financial information

The unaudited interim condensed consolidated financial information was approved by the Board of Directors and authorised for issue on 8 November 2021.