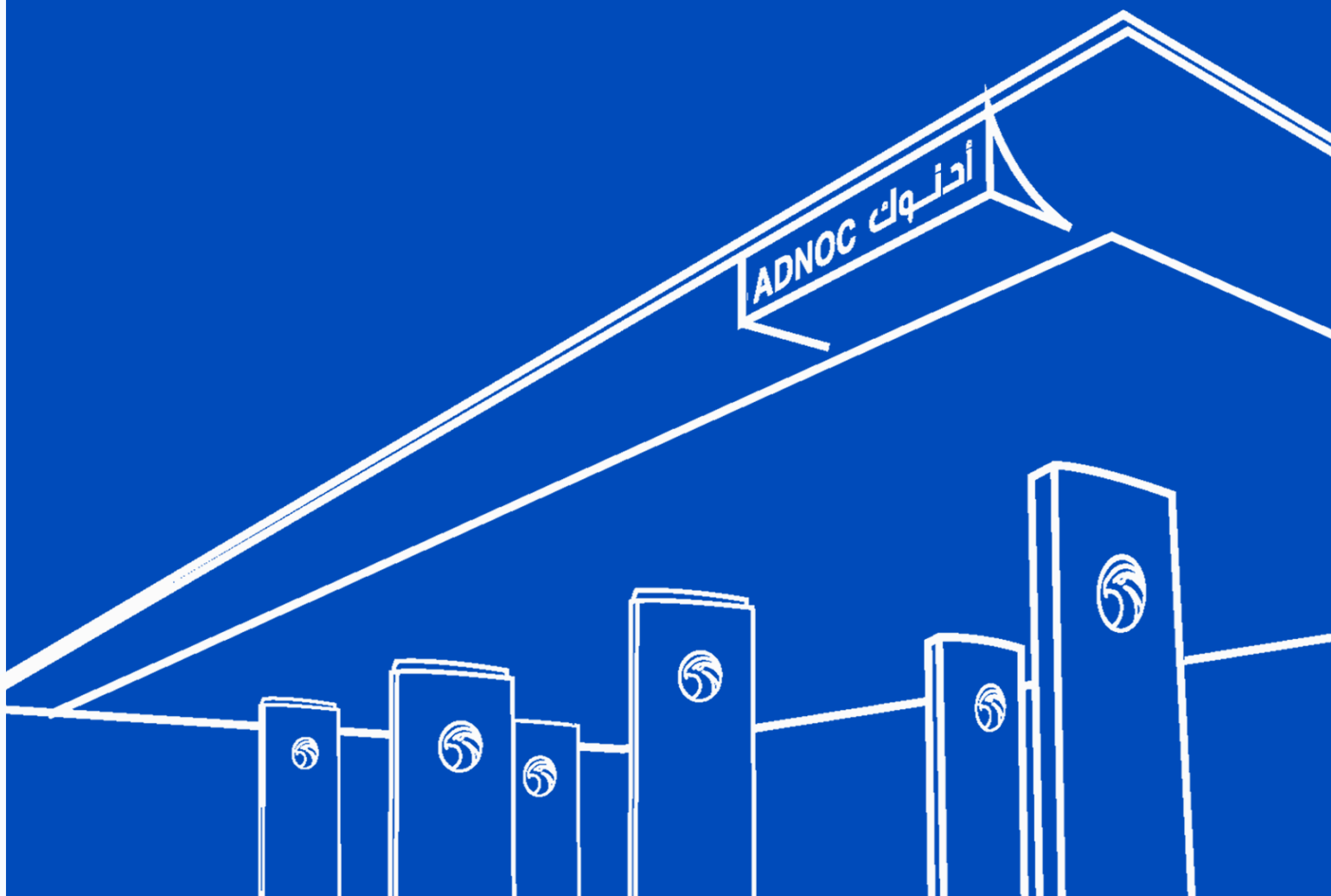


Second Quarter & First Half 2021 Results

Management Discussion & Analysis Report

10 August 2021



ADNOC Distribution

Second Quarter & First Half 2021 Results

Highlights

Strong financial performance in H1 2021, demonstrating solid business resilience, sustained growth momentum and progress in delivery of key strategic pillars

- Total fuel volumes sold witnessed progressive recovery towards pre COVID-19 levels, an indication of improving consumer sentiment following the successful vaccination drive across the UAE. In addition, the company continues to add incremental volumes from its Dubai stations alongside a proactive sales strategy in its corporate business.

H1 2021 total fuel volumes sold increased by 9.0% compared to H1 2020 driven by Retail fuel volumes, which increased by 14.8% year-on-year. Commercial fuel volumes decreased by 1.6% year-on-year mainly due to lower uptake from strategic aviation customers, while corporate fuel volumes increased by 3.4% year-on-year

- H1 2021 revenue was AED 9,301 million, an increase of 16.9% compared to H1 2020, driven by higher selling prices (as a result of increase in crude oil prices), fuel volume growth and non-fuel recovery
- H1 2021 gross profit was AED 2,547 million, an increase of 4.2% compared to H1 2020, driven by Non-Fuel retail and commercial segments:

Retail segment (Fuel and Non-Fuel) gross profit decreased by 2.4% year-on-year in H1 2021, mainly due to lower margin in Fuel Retail business. The Fuel Retail business gross profit margin started to normalize since February 2021 after remaining exceptionally high throughout last nine months of 2020, which benefitted from stable retail pump prices despite lower fuel supply cost. Lower margins in Fuel Retail business were partially offset by inventory gains of AED 195 million in H1 2021

Non-Fuel Retail gross profit increased by 26.9% year-on-year, driven by strong recovery compared to Q2 2020 and improvement in margins. The Convenience stores business margins improved as a result of our revitalization strategy to offer a modern, digitally enabled customer journey and superior in-store experience through better product mix and introduction of high margin fresh food and coffee products

Commercial business gross profit increased by 23.7% year-on-year driven by higher corporate fuel volumes and better margins while H1 2020 was negatively impacted by one-off items

- H1 2021 underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 1,400 million, marginally lower than H1 2020, which benefitted from exceptionally higher retail fuel margins as explained above. The company continued to see progress in underlying operations with fuel volume recovery towards pre-COVID levels, market share gain in Dubai, improving margins in non-fuel retail and corporate business, as well as reduction in operating costs
- H1 2021 reported EBITDA was AED 1,528 million, an increase of 21.8% compared to H1 2020, driven by an increase in fuel volumes and non-fuel retail transactions, higher non-fuel retail and commercial margins, retail inventory gains, lower operating costs, partially offset by lower margin in fuel retail business. In addition, H1 2021 had lower negative one-off items of AED 67 million, whereas H1 2020 included negative one-offs totaling AED 167 million
- H1 2021 net profit was AED 1,152 million, an increase of 26.6% compared to H1 2020, driven by higher EBITDA

Cash flow and capital structure

- In H1 2021, the company generated free cash flow of AED 2,497 million driven by strong cash flow from operations and positive working capital movement. Positive working capital movements were mainly the result of an increase in dues to related parties driven by higher fuel purchases and higher oil prices, partially offset by increase in inventories and increase in dues from related parties.
- The company maintained a strong financial position at the end of June 2021 with liquidity of AED 6.7 billion, in the form of AED 3.9 billion in cash and cash equivalents, in addition to AED 2.8 billion in unutilized credit facility. Existing term debt matures at the end of 2022 with no covenants in place. ADNOC Distribution's balance sheet remains strong with a net debt to EBITDA ratio of 0.46x as of 30 June 2021

Free float increased to 23% post ADNOC Private Placement of ADNOC Distribution Shares

- In May 2021, Abu Dhabi National Oil Company (ADNOC) completed a successful placement of approximately 375 million shares (USD 445 million) in ADNOC Distribution, representing an additional 3%, approximately, of the registered share capital of the company. This increased ADNOC Distribution's free float to 23%. 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. Following the transactions, ADNOC will retain at least a 70% strategic stake in the company as it continues to see significant growth potential in ADNOC Distribution

ADNOC Distribution included in MSCI Emerging Markets Index effective 27 May 2021

- In May 2021, Morgan Stanley Capital International (MSCI) included ADNOC Distribution as part of its MSCI Emerging Markets Index. The company was included in the MSCI EM Index after meeting the necessary requirements and is now among nine UAE listed companies that are part of the MSCI EM index. The inclusion is expected to strengthen value proposition of ADNOC Distribution's shares to potential international investors and thus further diversifying the company's investor base.

Strategy Update

Together with its commitment to upholding the highest standards of health and safety for both employees and customers, the company demonstrated a resilient and steadfast focus on providing modern fuel retail convenience to customers and communities domestically and internationally, delivering on the company's ambitious growth strategy, and building long-term shareholder value through the next phase of its growth. Supporting the nation's ongoing fight against COVID-19, the company has ensured all health and safety measures are maintained and in the beginning of 2021 became the first fuel retailer in the world with 100% of its frontline staff working in its service station network vaccinated.

Fuel business (Retail + Commercial)

ADNOC Distribution's fuel volumes continue to show progressive recovery towards pre-COVID levels, an indication of improving consumer sentiment following the successful vaccination drive across the UAE. In addition, the company continues to add incremental volumes from its Dubai stations alongside a proactive sales strategy in its corporate business.

New Stations: ADNOC Distribution's UAE network reached 457 retail fuel stations as of 30 June 2021. In H1 2021, the company opened 12 new service stations in the UAE, out of which five were in Dubai. As a result, the company's Dubai service station network has increased from 26 stations at the end of 2020 to 31 stations by the end of H1 2021.

Of the 12 new stations opened in the UAE, five were 'ADNOC On the go' neighborhood stations, designed to provide increased customer convenience and meet the needs of previously underserved locations.

International: In addition to its ongoing growth in the UAE, the company remains well positioned to harness international growth opportunities, particularly in the Kingdom of Saudi Arabia. The company announced three definitive agreements (signed in December 2020 and February 2021) to acquire a total of 35 service stations. For these three transactions, the company recently received no objection certificates from the Saudi General Authority for Competition (GAC) in Saudi. Following the approval from GAC, the company is working with the sellers to close a number of conditions prior to completion.

Non-fuel business

The company's UAE network has increased to 340 convenience stores as of 30 June 2021, with the addition of 14 new convenience stores in the UAE in H1 2021. The pace of revitalizing its convenience stores has continued in the first half of 2021 with refurbishment of 24 convenience stores.

In line with the company's ambitious non-fuel retail strategy to offer modern and digitally enabled shopping experience, ADNOC Distribution continued to enhance customer offerings through various initiatives, such as refurbishment of stores, improvement in category management, introduction of high margin fresh food and premium coffee products etc. On the back of these initiatives, the company saw increase in convenience stores margins in H1 2021.

The company has maintained its focus on providing an increased level of convenience to customers, particularly through its partnerships with delivery services Talabat and Carriage, which allow customers to order from more than 1,700 ADNOC Oasis products, from over 100 convenience stores across the UAE.

ADNOC Rewards loyalty program

The Company continues its drive to enhance ADNOC Rewards program, the UAE's first customer loyalty program from a fuel provider. A total of 18 new partners were added to the Rewards program in H1 2021, bringing the total number of partners to 34 and offering members even more deals and discounts from some of the UAE's best leisure and entertainment brands.

Through the end of H1 2021, ADNOC Rewards has almost 1.1 million registered users, with 16.9 million transactions made through the Rewards program to date. A number of offers and promotional campaigns were held in store and at station, aiming to further enhance consumer experience, drive increase in customer spending and offer a range of added value incentives that meet a wide range of customer tastes and interests.

Cost Optimization

As part of the company's ongoing transformation to ensure continued competitiveness in the UAE fuel retail and convenience stores sector, it remains committed to enhance operational efficiencies and reduce its operating costs. As a result, the company realized like-for-like operating expenses savings of AED 63 million in H1 2021, achieving c.70% of our full year target. ADNOC Distribution's operational expenditure (excl. depreciation) decreased by 9.9% in H1 2021 compared to H1 2020. A reduction in operating costs were achieved despite ongoing growth in the Company's retail network and was driven by management initiatives to increase operational efficiency across all business units and optimize staff cost, which is a major component of the company's operating costs.

CAPEX

In line with our guidance and plans to continue with our expansion strategy, we incurred CAPEX (including accruals/provisions) of AED 261 million in H1 2021.

Eng. Bader Al Lamki – Chief Executive Officer:

"ADNOC Distribution's second quarter and half-year results further reinforce the company's growth story and its strong standing within the fuel retail sector. We have a steadfast focus to provide modern fuel retail convenience to customers, deliver on the company's ambitious strategy, and build long-term shareholder value through the next phase of our growth. These results reflect our focused drive towards delivering on our strategy, and sustained progress in all of our strategic pillars: fuel, non-fuel and cost-efficiency. We continue to make disciplined capital investments, achieving cost savings while growing our service station network, and maintaining high levels of safety, quality and customer experience."

Al Lamki added: "I am extremely proud of our teams, who have adapted quickly to the new operating environment, while delivering on our long-term strategy. ADNOC Distribution is well-positioned to capitalize on a number of exciting opportunities and partnerships, both this year, and well into the future. This progress is made with safety and sustainability at its heart, highlighting our commitment to a sustainable future and focus on the safety and wellbeing of our community."

Outlook

Economic activity in the UAE is expected to gain momentum in H2 2021, on the back of the rapid administration of the COVID-19 vaccination and hosting of the delayed Expo 2020 event, which should support an improvement in tourism and other sectors, including retail and real estate. Economic activity should see a further strengthening in the medium to long term driven by UAE government's spending program, initiatives such as residency permits for retirees, remote workers and the expansion of the 10-year golden visa program and policy support to attract foreign investment in the country. This should allow for progressive growth in fuel and non-fuel demand.

The company is well positioned to grow its earnings amid economic recovery and driven by expansion in domestic and international markets, while we continue to explore new opportunities to accelerate growth. The company remains committed to pursue its expansion plans, in a disciplined manner, deliver an enhanced customer experience, further optimize its operations to become a leading cost-efficient fuel retailer and generate sustainable value for shareholders.

Fuel business

New Stations: After a strong delivery momentum in 2020 with the opening of 64 new stations (including 20 stations in Dubai), we expect this delivery momentum to be sustained in 2021, with an ambitious target to open 70 to 80 new service stations. Of these, 30 to 35 new stations are expected to open in the UAE, including 12 to 18 stations in Dubai. In addition to new service stations we expect to open in the UAE in 2021, we plan to add 40 to 45 new stations in Saudi Arabia in 2021, which includes 35 station acquisitions already announced and another 5 to 10 organic buildouts.

Furthermore, we are currently evaluating a number of potential inorganic growth opportunities in international markets (including Saudi Arabia). Our focus is to ensure CAPEX is allocated more efficiently towards our growth in value-accretive expansion that meets our targeted rate of returns.

Non-fuel business

After witnessing strong momentum in our c-stores revitalization program in 2020, with 100 C-stores revitalized, we continue to invest in offering our customers a modern and engaging experience, in line with our ambitious non-fuel strategy. We expect to refurbish 40 to 60 c-stores in 2021, focusing on offering a modern environment, improvement in category management, better assortment of products including high margin fresh food and premium coffee and digital channels to order and transact.

Convenience store revitalization has now put us in a better position to reap the benefits of initiatives that offer superior customer journey and in-store experience, coupled with fresh food and premium coffee products. We are confident of achieving growth in our convenience stores business once the economy fully emerges from the impact of pandemic.

Cost efficiency

We aim to become one of the leading cost-efficient fuel retailers and remain on track to take structural costs out and make our operations leaner and more efficient. After realizing like-for-like OPEX savings of AED 422 million over the period between 2018 and 2020, we remain committed to achieve further operational excellence and pursue an additional like-for-like OPEX savings of up to AED 92 million in 2021 and up to AED 312 million over the period from 2021 to 2023.

The key drivers of further OPEX savings are staff optimization, including a more efficient deployment of staffing levels for stations and c-stores, energy efficiency through smart technology, outsourcing of logistics, centralization of key functions etc.

CAPEX

We are committed to pursuing our expansion plans in a disciplined manner to deliver on our smart growth strategy. We expect to achieve CAPEX of AED 918 million to AED 1.1 billion in 2021. We will continue to improve CAPEX efficiency, including the rolling out of less capital intensive new station formats, such as 'ADNOC On the go' and MyStation. Our CAPEX guidance does not include any potential M&A opportunities.

Dividend Policy

During the General Assembly on 16 March 2021, the company's shareholders approved:

- A cash dividend of AED 1.285 billion (10.285 fils per share) for the second half of 2020 (paid in April 2021). This dividend payment came on top of an interim cash dividend of AED 1.285 billion (10.285 fils per share) for the first half of 2020 (paid in October 2020), resulting in a full-year dividend of AED 2.57 billion (20.57 fils per share), consistent with our dividend policy, and representing an increase of 7.5% compared to 2019
- Confirming the company's 2021 dividend policy, with an expected dividend of AED 2.57 billion (20.57 fils per share). This would translate to a 4.7% annual dividend yield for 2021 (based on a share price of AED 4.38 as of 9th August 2021). A cash dividend of AED 1.285 billion (10.285 fils per share) for the first half of 2021 is expected to be paid in October 2021 (subject to the discretion of Board of Directors)
- Amendments to the dividend policy to enhance the visibility of shareholder return, setting a minimum of AED 2.57 billion dividend for 2022 (compared to minimum 75% of distributable profits as per previous policy), providing visible payback to shareholders until April 2023. The dividend policy for the years thereafter remains unchanged at a dividend equal to at least 75% of distributable profits
- The amendments to the dividend policy approved by shareholders recognizes the Company's strong financial position at the end of 2020 and shows confidence in its growth prospects and cash-flow generation ability going forward. Despite the current market conditions, ADNOC Distribution remains confident and steadfast in the delivery of its strategic commitments and sustainable returns for its shareholders

The company's financial position remained strong at the end of June 2021 (cash & equivalent of AED 3.9 billion, retained earnings of AED 1.995 billion and net debt to EBITDA of 0.46x at the end of June 2021).

In accordance with our approved dividend policy, we expect to continue to pay half of the annual dividend in October of the relevant year and the second half to be paid in April of the following year. The payment of dividends is subject to the discretion of ADNOC Distribution's Board of Directors and to shareholders' approval.

Financial summary

AED millions	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Revenue	5,018	4,282	17.2%	3,016	66.4%	9,301	7,956	16.9%
Gross profit	1,222	1,326	-7.9%	1,336	-8.5%	2,547	2,446	4.2%
<i>Margin</i>	24.3%	31.0%		44.3%		27.4%	30.7%	
EBITDA	712	817	-12.8%	699	1.9%	1,528	1,255	21.8%
<i>Margin</i>	14.2%	19.1%		23.2%		16.4%	15.8%	
Underlying EBITDA ¹	660	740	-10.7%	793	-16.7%	1,400	1,422	-1.5%
Operating profit	565	672	-15.9%	562	0.5%	1,237	984	25.7%
Net Profit	521	631	-17.3%	511	2.1%	1,152	910	26.6%
<i>Margin</i>	10.4%	14.7%		16.9%		12.4%	11.4%	
Earnings per share (AED/share)	0.042	0.050	-17.3%	0.041	2.1%	0.092	0.073	26.6%
Net cash generated from operating activities	1,718	1,074	59.9%	-1,369	NM	2,793	-612	NM
Capital expenditures	81	180	-55.3%	199	-59.5%	261	384	-32.1%
Free Cash Flow ²	1,646	835	93.3%	-1,559	NM	2,497	-1,026	NM
Total equity	3,383	2,841	19.1%	3,443	-1.8%	3,383	3,443	-1.8%
Net debt ³	1,589	3,218	-50.6%	3,058	-48.0%	1,589	3,058	-48.0%
Capital employed	9,826	9,295	5.7%	9,546	2.9%	9,826	9,546	2.9%
Return on capital employed (ROCE)	29.0%	30.6%		21.6%		29.0%	21.6%	
Return on equity (ROE)	79.1%	93.7%		56.8%		79.1%	56.8%	
Net debt to EBITDA ratio ³	0.46x	0.93x		1.17x		0.46x	1.17x	
Leverage ratio ³	32.0%	53.1%		47.0%		32.0%	47.0%	

NM: Not meaningful

(1) Underlying EBITDA is defined as EBITDA excluding Inventory gains/losses and one-off gains/losses

(2) Free Cash Flow is defined as Net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors

(3) Net debt to equity, Cash and bank balances used for Net Debt calculation includes term deposits with banks

Notes:

See the Glossary for the calculation of certain metrics referred to above

Headlines

Fuel Volumes

Q2 2021 total fuel volumes sold reached 2,263 million liters, increasing by 25.3% compared to Q2 2020 and by 2.0% compared to Q1 2021. In Q2 2021, Retail fuel volumes sold increased by 43.4% y-o-y driven by significant recovery versus Q2 2020, which was impacted by lockdown restrictions at the peak of COVID-19 pandemic.

Q2 2021 Commercial fuel volumes decreased by 1.5% year-on-year mainly due to lower corporate fuel volumes, which decreased by 2.0% y-o-y. Aviation fuel volumes sold to strategic customers

witnessed recovery in Q2 2021, increasing by 0.7% y-o-y, and by 20.3% compared to Q1 2021.

H1 2021 total fuel volumes sold increased by 9.0% compared to H1 2020, driven by retail fuel volumes, which increased by 14.8% year-on-year. Commercial fuel volumes decreased by 1.6% year-on-year mainly due to lower uptake from strategic aviation customers in the first half, while corporate fuel volumes increased by 3.4% year-on-year.

Fuel volumes by segment (million liters)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Retail (B2C)	1,548	1,503	3.0%	1,079	43.4%	3,050	2,657	14.8%
Commercial (B2B)	716	717	-0.2%	727	-1.5%	1,433	1,456	-1.6%
Of which Corporate	576	601	-4.2%	588	-2.0%	1,177	1,138	3.4%
Of which Aviation	140	116	20.3%	139	0.7%	257	318	-19.2%
Total	2,263	2,220	2.0%	1,806	25.3%	4,484	4,113	9.0%

Fuel volumes by product (million liters)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Gasoline (1)	1,398	1,378	1.4%	965	44.9%	2,776	2,373	17.0%
Diesel	568	568	0.0%	566	0.4%	1,136	1,118	1.6%
Aviation products	140	116	20.3%	139	0.7%	257	318	-19.2%
Others (2)	158	157	0.2%	136	15.6%	315	304	3.7%
Total	2,263	2,220	2.0%	1,806	25.3%	4,484	4,113	9.0%

(1) Includes grade 91, 95 and 98 unleaded gasoline.

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

Results

Q2 2021 revenue was AED 5,018 million, an increase of 66.4% compared to Q2 2020. The increase in revenue was driven by higher selling prices (as a result of higher crude oil prices fuel), volumes growth, as well as due to the recovery in non-fuel revenues.

Q2 2021 gross profit was AED 1,222 million, a decrease of 8.5% compared to Q2 2020 mainly due to lower margin in fuel retail business, partially offset by higher retail fuel volumes, non-fuel/corporate business growth and inventory gains of AED 87 million.

Q2 2021 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED

660 million, a decrease of 16.7% compared to Q2 2020, mainly due to lower margin in fuel retail business, partially offset by higher retail fuel volumes, non-fuel/corporate business growth and a reduction in operating costs.

Q2 2021 reported EBITDA was AED 712 million, an increase of 1.9% compared to Q2 2020, driven by higher retail fuel volumes, inventory gains, non-fuel/corporate business growth and a reduction in operating costs, partially offset by lower margin in fuel retail business. Moreover, Q2 2021 included lower negative one-off items of AED 36 million, whereas Q2 2020 included negative one-offs totaling AED 94 million.

Q2 2021 net profit was AED 521 million, an increase of 2.1% compared to Q2 2020, mainly due to higher EBITDA as explained above.

H1 2021 revenue was AED 9,301 million, an increase of 16.9% compared to H1 2020, driven by higher selling prices (as a result of increase in crude oil prices), fuel volume growth and non-fuel recovery.

H1 2021 gross profit was AED 2,547 million, an increase of 4.2% compared to H1 2020, driven by higher fuel volumes, non-fuel retail/corporate business growth and inventory gains of AED 195 million, partially offset by lower margin in fuel retail business.

H1 2021 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 1,400 million, a decrease of 1.5% compared to H1

2020, mainly due to lower margin in fuel retail business, partially offset by higher fuel volumes, non-fuel/corporate business growth and a reduction in operating costs.

H1 2021 reported EBITDA was AED 1,528 million, an increase of 21.8% compared to H1 2020, driven by higher fuel volumes, non-fuel retail/corporate business growth, inventory gains and a reduction in operating costs, partially offset by lower margin in fuel retail business. Moreover, H1 2021 included lower negative one-off items of AED 67 million, whereas H1 2020 included negative one-offs totaling AED 167 million.

H1 2021 net profit was AED 1,152 million, an increase of 26.6% compared to H1 2020, driven by higher EBITDA as explained above.

Revenue by segment (AED millions)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Retail (B2C)	3,523	2,947	19.6%	2,033	73.3%	6,470	5,479	18.1%
<i>Of which Fuel Retail</i>	3,261	2,721	19.8%	1,871	74.3%	5,981	5,056	18.3%
<i>Of which Non-Fuel Retail</i>	263	226	16.3%	162	62.3%	489	423	15.6%
Commercial (B2B)	1,495	1,336	11.9%	983	52.1%	2,830	2,477	14.3%
<i>Of which Corporate</i>	1,138	1,049	8.6%	761	49.6%	2,187	1,812	20.7%
<i>Of which Aviation</i>	356	287	24.3%	222	60.7%	643	665	-3.2%
Total	5,018	4,282	17.2%	3,016	66.4%	9,301	7,956	16.9%

Gross Profit by segment (AED millions)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Retail (B2C)	859	924	-7.1%	988	-13.1%	1,784	1,828	-2.4%
<i>Of which Fuel Retail</i>	731	805	-9.2%	918	-20.4%	1,536	1,633	-5.9%
<i>Of which Non-Fuel Retail</i>	128	119	7.6%	70	83.3%	247	195	26.9%
Commercial (B2B)	362	401	-9.7%	347	4.3%	764	618	23.7%
<i>Of which Corporate</i>	224	265	-15.5%	208	7.4%	489	338	44.5%
<i>Of which Aviation</i>	139	136	1.7%	139	-0.4%	275	279	-1.6%
Total	1,222	1,326	-7.8%	1,336	-8.5%	2,547	2,446	4.2%

EBITDA by Segment (AED millions)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Retail (B2C)	467	538	-13.1%	536	-12.9%	1,005	955	5.3%
Commercial (B2B)	243	283	-14.2%	185	31.6%	527	324	62.4%
<i>Of which Corporate</i>	171	224	-23.3%	134	27.8%	395	208	90.3%
<i>Of which Aviation</i>	72	60	20.3%	51	41.9%	132	117	12.6%
Unallocated ¹	1	-5	NM	-22	NM	-4	-25	-85.3%
Total	712	817	-12.8%	699	1.9%	1,528	1,255	21.8%

(1) Unallocated includes other operating income/expenses not allocated to specific segment
 NM: Not meaningful

Distribution and administrative expenses

Q2 2021 distribution and administrative expenses were AED 676 million, a decrease of 9.3% compared to Q2 2020. This decrease was mainly due to lower staff costs.

Excluding depreciation, cash OPEX decreased by 13.1% y-o-y in Q2 2021, demonstrating benefits derived from management initiatives to optimize OPEX.

H1 2021 distribution and administrative expenses were AED 1,349 million, a decrease of 6.7% compared to H1 2020, mainly driven by lower staff costs.

On a like-for-like basis, cash OPEX reduced by AED 27 million in Q2 2021 and by AED 63 million in H1 2021, mainly as a result of optimization in staff cost, which is a major component of our OPEX.

AED millions	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Staff costs	384	364	5.4%	460	-16.6%	747	865	-13.6%
Depreciation	147	145	1.0%	136	7.6%	292	271	7.6%
Repairs, maintenance and consumables	41	43	-3.7%	45	-8.2%	84	87	-3.0%
Distribution and marketing expenses	22	19	20.5%	22	2.3%	41	41	0.0%
Utilities	39	54	-27.3%	45	-12.7%	93	88	5.8%
Insurance	2.6	2.3	13.0%	4.9	-46.9%	4.9	8.1	-39.5%
Others ¹	41	46	-12.1%	33	22.6%	87	86	1.2%
Total	676	673	0.5%	746	-9.3%	1,349	1,445	-6.7%

(1) Others include lease cost, bank charges, consultancies etc.

Capital expenditures

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

In H1 2021, the majority of our capital expenditure (about 73% of the total) was incurred for the development and construction of new service stations. Industrial projects and Technology infrastructure capital expenditure increased due to higher spending on aviation depot expansion and maintenance as well as IT modernization. The table below presents the breakdown of our capital expenditures for the reviewed period:

AED millions	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Service stations projects	62	128	-51.3%	163	-61.8%	190	317	-40.0%
Industrial projects	12	16	-22.5%	13	-2.4%	28	15	89.3%
Machinery and equipment	3.1	3.1	0.0%	5.0	-38.0%	6.2	13	-53.7%
Distribution fleet	0.0	0.0	NM	2.2	-100.0%	0.0	9.4	-100.0%
Technology infrastructure	1.5	33	-95.5%	15	-90.3%	35	29	20.1%
Office furniture and equipment	1.2	0.3	NM	0.6	100.0%	1.5	0.8	87.5%
Total	81	180	-55.3%	199	-59.5%	261	384	-32.1%

NM: Not meaningful

Business segments operating review

Retail Segment – B2C (Fuel and Non-Fuel)

Volumes

Q2 2021 retail fuel volumes sold increased by 43.4% y-o-y, driven by significant recovery versus Q2 2020, which was impacted by lockdown restrictions at the peak of COVID-19 pandemic.

H1 2021 retail fuel volumes increased by 14.8% y-o-y, driven by progressive recovery towards pre-COVID levels.

Retail Segment volumes (million liters)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Gasoline	1,376	1,341	2.6%	937	46.9%	2,717	2,317	17.3%
Diesel	129	120	7.5%	114	12.9%	248	280	-11.5%
Other ⁽¹⁾	43	42	1.0%	28	50.8%	85	59	42.5%
Total	1,548	1,503	3.0%	1,079	43.4%	3,050	2,657	14.8%

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

Results

Q2 2021 retail segment revenue increased by 73.3% compared to Q2 2020, driven by increase in selling prices, higher fuel volumes and non-fuel retail recovery.

Q2 2021 retail segment gross profit decreased by 13.1% compared to Q2 2020, mainly due to lower margin in fuel retail business. Fuel retail business gross profit margin started to normalize since February 2021 after remaining exceptionally high throughout last nine months of 2020, which benefitted from stable retail pump prices despite lower fuel supply cost. Lower margins in fuel retail business were partially offset by higher retail fuel volumes, non-fuel retail business growth and retail inventory gains of AED 87 million.

Q2 2021 retail segment EBITDA decreased by 12.9% compared to Q2 2020, mainly due to lower margin in fuel retail business, partially offset by

higher retail fuel volumes, non-fuel retail growth, inventory gains and lower operating costs.

H1 2021 retail segment revenue increased by 18.1% compared to H1 2020, driven by increase in selling prices, higher fuel volumes and non-fuel retail recovery.

H1 2021 retail segment gross profit decreased by 2.4% compared to H1 2020, mainly due to lower margin in fuel retail business, partially offset by higher retail fuel volumes, non-fuel retail business growth and retail inventory gains of AED 195 million.

H1 2021 retail segment EBITDA increased by 5.3% compared to H1 2020, driven by higher retail fuel volumes, non-fuel retail growth, inventory gains and lower operating costs, partially offset by lower margin in fuel retail business.

Retail Segment (AED million)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Revenue	3,523	2,947	19.6%	2,033	73.3%	6,470	5,479	18.1%
<i>Of which Fuel Retail</i>	3,261	2,721	19.8%	1,871	74.3%	5,981	5,056	18.3%
<i>Of which Non-Fuel Retail</i>	263	226	16.3%	162	62.3%	489	423	15.6%
Gross profit	859	924	-7.1%	988	-13.1%	1,784	1,828	-2.4%
<i>Of which Fuel Retail</i>	731	805	-9.2%	918	-20.4%	1,536	1,633	-5.9%
<i>Of which Non-Fuel Retail</i>	128	119	7.6%	70	83.3%	247	195	26.9%
EBITDA	467	538	-13.1%	536	-12.9%	1,005	955	5.3%
Operating profit	340	405	-16.1%	417	-18.6%	745	718	3.7%
Capital expenditures	32	176	-81.7%	190	-83.1%	209	353	-40.8%

Other operating metrics

Q2 2021 fuel transactions increased by 54.5% compared to Q2 2020. Q2 2020 was impacted due to COVID-19 related mobility restrictions, which were gradually removed starting Q3 2020.

driven by improving consumer sentiment and contribution from stations in Dubai. H1 2021 fuel transactions increased by 17.5% compared to H1 2020.

Fuel transactions have continued to show progressive recovery towards pre-COVID levels

Fuel operating metrics	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Number of service stations – UAE ⁽¹⁾	457	449	1.8%	406	12.6%	457	406	12.6%
Number of service stations - Saudi Arabia ^{(1) (2)}	2	2	-	2	-	2	2	-
Throughput per station (million liters)	3.4	3.2	6.3%	2.6	30.8%	6.6	6.4	3.1%
Number of fuel transactions (millions)	39.1	35.5	10.1%	25.3	54.5%	74.6	63.5	17.5%

(1) At end of period.

(2) Includes one franchised site.

Q2 2021 Non-fuel transactions increased by 39.7% year-on-year, demonstrating significant recovery from Q2 2020, which was impacted by lockdown restriction and closure of some non-fuel services. Growth is also supported by increase in number of C-stores and vehicle inspection centers as part of our expansion, improved customer offerings following revitalization of our C-stores and marketing & promotion campaigns under ADNOC Rewards loyalty program to attract higher footfall and increase customer spending. In H1 2021, non-fuel transactions increased by 3.9% compared to H1 2020.

Our convenience stores revenues increased by 27.1% in Q2 2021 compared to Q2 2020, mainly driven by higher transactions. Convenience stores gross profit increased by 46.1%, driven by higher transactions and increase in margins. Convenience stores business margins improved as a result of our revitalization strategy to offer a modern, digitally enabled customer journey and in-store experience through better product mix and introduction of high margin fresh food and coffee products.

H1 2020 convenience stores revenue increased by 1.3% year-on-year, while gross profit increased by 18.1% year-on-year.

Average gross basket size declined by 16.3% year-on-year in Q2 2021 and by 5.9% year-on-year in H1 2021, mainly after c.20% increase witnessed in Q2/H1 2020 as customers visited less during pandemic restrictions but bought more during each visit. However, average gross basket size is above pre-COVID levels seen in 2019, driven by customer centric initiatives.

In our property management business, we continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability. The number of occupied properties decreased marginally in both Q2 2021 and H1 2021 compared to previous year due to portfolio optimization by some of our tenants. However, we have seen marginal sequential uptick in activity.

The number of vehicles inspected (fresh tests) in our vehicle inspection centers increased by 6x in Q2 2021 compared to Q2 2020, mainly reflecting full opening after closures witnessed in Q2 2020 due to lockdown restrictions. The number of vehicles inspected (fresh tests) H1 2021 increased by 92.6% year-on-year.

Non-Fuel operating metrics	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Total number of non-fuel transactions (millions) ⁽²⁾	8.1	8.0	1.3%	5.8	39.7%	16.1	15.5	3.9%
Number of convenience stores - UAE ⁽¹⁾	340	332	2.4%	288	18.1%	340	288	18.1%
Convenience stores revenue (AED million)	158	154	3.0%	125	27.1%	312	308	1.3%
Convenience stores gross profit (AED million)	50	49	3.7%	35	46.1%	99	84	18.1%
Margin	31.8%	31.6%	-	27.7%	-	31.7%	27.2%	-
Conversion rate % ⁽³⁾	17%	18%	-	19%	-	18%	21%	-
Average basket size (AED) ⁽⁴⁾	23.5	23.5	0.0%	25.5	-7.8%	23.5	23.0	2.2%
Average gross basket size (AED) ⁽⁵⁾	26.2	27.7	-5.4%	31.3	-16.3%	26.9	28.6	-5.9%
Number of Property Management tenants ⁽¹⁾	292	286	2.1%	273	7.0%	292	273	7.0%
Number of occupied properties for rent ⁽¹⁾	883	880	0.3%	895	-1.3%	883	895	-1.3%
Number of vehicle inspection centers ^{(1) (6)}	29	29	0.0%	27	7.4%	29	27	7.4%
Number of vehicles inspected (fresh tests) (thousands)	193	211	-8.6%	32	505.3%	404	210	92.6%
Other vehicle inspection transactions (thousands) ⁷	69	67	3.0%	11	NM	135	73	84.2%

(1) At end of period.

(2) Includes convenience stores, car wash and oil change transactions.

(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 gross basket size is calculated as convenience store revenue (including revenue from consignment items shown under other operating income) divided by number of convenience store transactions.

(6) Includes one permitting center.

(7) Other vehicle inspection transactions includes the number of vehicles inspected (re-tests) and sale of safety items at our vehicles inspection centers

Commercial Segment – B2B (Corporate and Aviation)

Volumes

Q2 2021 Commercial fuel volumes were down marginally by 1.5% compared to Q2 2020, mainly due to decline in corporate volumes while aviation volumes sold to our strategic customers increased marginally by 0.7%.

H1 2021 Commercial fuel volumes decreased by 1.6% compared to H1 2020, mainly due to decline in aviation fuel volumes sold to strategic customers.

Commercial Segment volumes (million liters)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Gasoline	21	37	-43.0%	28	-23.6%	58	56	3.9%
Diesel	439	449	-2.0%	452	-2.7%	888	838	6.0%
Aviation	140	116	20.3%	139	0.7%	257	318	-19.2%
Other ⁽¹⁾	115	115	-0.1%	108	6.4%	231	245	-5.7%
Total	716	717	-0.2%	727	-1.5%	1,433	1,456	-1.6%

(1) Includes LPG, lubricants and base oil.

Results

Q2 2021 Commercial segment revenue increased by 52.1% compared to Q2 2020, driven by higher selling prices as a result of increase in oil prices.

H1 2021 Commercial segment revenue increased by 14.3% compared to H1 2020, driven by higher selling prices as a result of increase in oil prices.

Q2 2021 Commercial segment gross profit increased by 4.3% driven by better margins.

H1 2021 Commercial segment gross profit increased by 23.7% driven by higher revenues, and margins, whereas H1 2020 included higher negative one-off items.

Q2 2021 Commercial segment EBITDA increased by 31.7% compared Q2 2020, driven by higher gross profit and lower operating expenses, whereas Q2 2020 included higher negative one-off items.

H1 2021 Commercial segment EBITDA increased by 62.4% compared H1 2020, driven by higher gross profit and lower operating expenses, whereas H1 2020 included higher negative one-off items.

Commercial Segment (AED million)	Q2-21	Q1-21	QoQ %	Q2-20	YoY %	H1 2021	H1 2020	YoY %
Revenue	1,495	1,336	11.9%	983	52.1%	2,830	2,477	14.3%
Of which Corporate	1,138	1,049	8.6%	761	49.6%	2,187	1,812	20.7%
Of which Aviation	356	287	24.3%	222	60.7%	643	665	-3.2%
Gross profit	362	401	-9.7%	347	4.3%	764	618	23.7%
Of which Corporate	224	265	-15.5%	208	7.4%	489	338	44.5%
Of which Aviation	139	136	1.7%	139	-0.4%	275	279	-1.6%
EBITDA	243	283	-14.1%	185	31.7%	527	324	62.4%
Operating profit	226	270	-16.3%	169	34.1%	496	291	70.5%
Capital expenditures	13.1	4.8	172.9%	3.0	336.7%	18	11	59.8%

Share trading and ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 30 June 2021 was AED 4.33. In the period from 1 January 2021 through 30 June 2021, the share price has ranged from AED 3.80 to AED 4.93 at close. Our market capitalization was AED 54.1 billion as of 30 June 2021, and an average of 22.8

million shares have traded daily in H1 2021 (5x 2020 level). In H1 2021, the average daily traded value of our shares was USD 27.2 million (6.7x 2020 level).

As of 30 June 2021, ADNOC owned 77%, while 23% of our outstanding shares are publicly owned by other institutional and retail investors.

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.

H1 2021 Earnings conference call details

A conference call in English for investors and analysts will be held on Tuesday, August 10, 2021, 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 numbers listed below:

Dial in Details:

UAE (Toll Free): 8000 3570 4553

KSA (Toll Free): 800 850 1269

UK: +44 (0) 203 936 2999 / Toll Free: 0800 640 6441

US: +1 646 664 1960 / Toll Free: +1 855 9796 654

Access code: 514613

Pre-registration link – please click [here](#)

You will receive your access details via email

Webcast link – please click [here](#)

Access code: 514613

The presentation materials will be available for download in English on Tuesday, August 10, 2021 at <https://www.adnocdistribution.ae/en/investor-relations/investor-relations/downloads/>

Reporting date for the third quarter 2021

We expect to announce our third quarter and nine months of 2021 results on or around November 10, 2021.

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August 10, 2021

ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Glossary

- Net debt is calculated as total interest bearing debt less cash and bank balances (including term deposits with banks).
- Free cash flow is calculated as Net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors.
- 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 convenience store revenue divided by number of convenience store transactions
- Average gross basket size is calculated as total convenience store sales revenue (including revenue from consignment items shown under other operating income) 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.