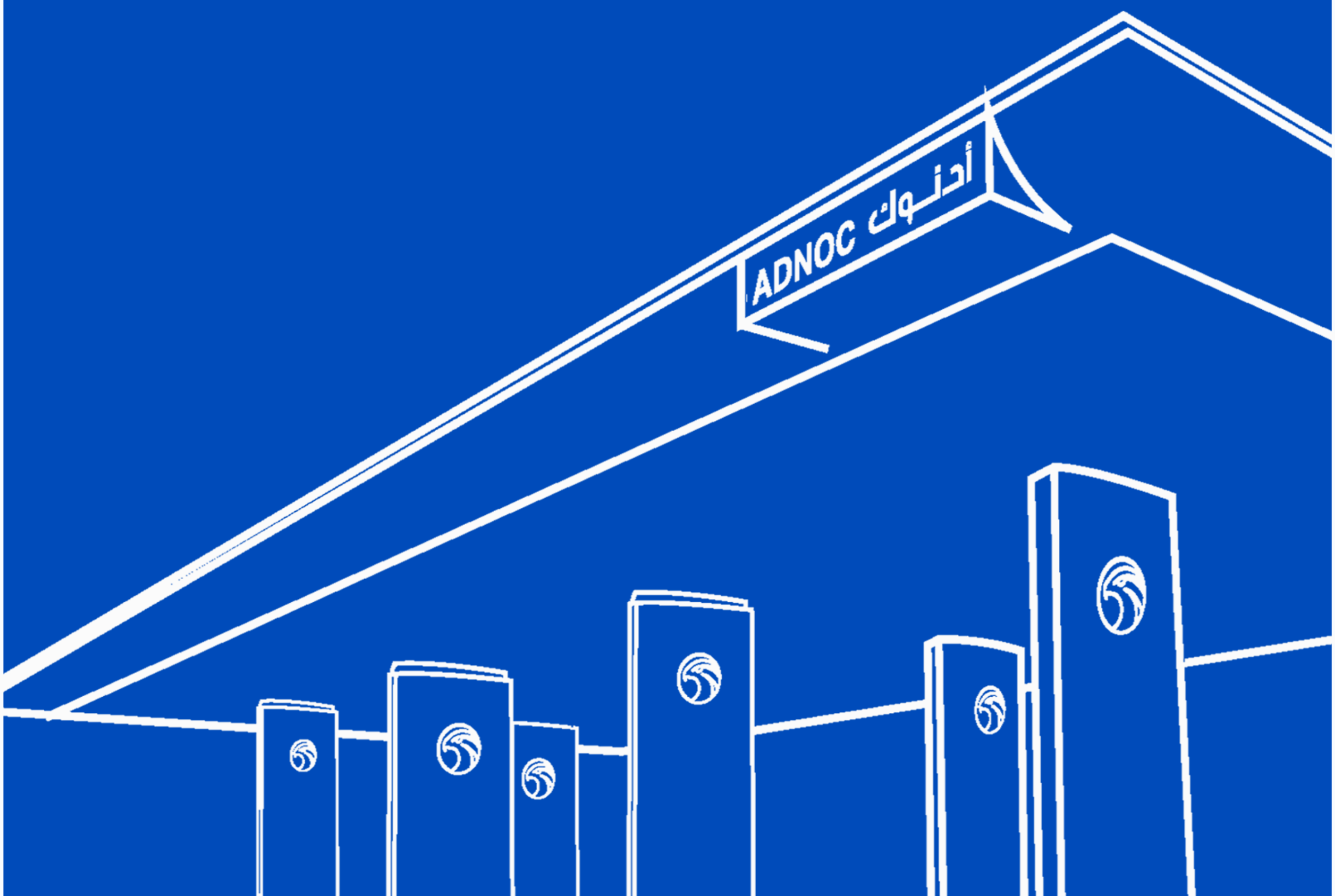
Third Quarter & Nine Months 2021 Results

Management Discussion & Analysis Report

9 November 2021



ADNOC Distribution
Third Quarter & Nine Months 2021 Results

Highlights

Resilient financial performance in 9M 2021, demonstrating progress achieved in delivering on our growth initiatives

- **The company continues to see improvement with September total fuel volumes increasing by 10.6% compared to August**, driven by improving consumer sentiment following the successful vaccination drive across the UAE, further ease in travel restrictions, government entities now 100% back to office, and schools return to face-to-face learning. It is expected that these volumes will continue to increase going into fourth quarter. In addition, ADNOC Distribution has continued to gain market share in Dubai with September 2021 fuel volumes doubling compared to September 2020

- **9M 2021 total fuel volumes sold increased by 6.3% compared to the same period last year** driven by increase in retail fuel volumes. Retail fuel volumes increased by 11.2% compared to the same period last year while Commercial fuel volumes decreased by 3.0% compared to the same period last year mainly due to lower uptake from strategic aviation customers

- **9M 2021 revenue was AED 14,698 million, an increase of 22.6% compared to 9M 2020**, driven by higher selling prices (as a result of increase in crude oil prices), retail fuel volume growth and non-fuel business growth

- **9M 2021 gross profit was AED 3,750 million, a decrease of 10.1% compared to 9M 2020**, mainly due to retail fuel business:

  ✓ Fuel Retail gross profit decreased by 20.6% year-on-year, mainly due to lower margins. 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 increase in fuel volumes and inventory gains of AED 268 million in 9M 2021 (versus inventory gains of AED 99 million in 9M 2020)

  ✓ Non-Fuel Retail gross profit increased by 18.0% year-on-year, driven by growth in non-fuel transactions 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 10.0% year-on-year driven by higher margin per litre in corporate business, partially offset by lower fuel volumes, while 9M 2020 was negatively impacted by one-off items

- **9M 2021 reported EBITDA was AED 2,265 million, an increase of 6.2% compared to 9M 2020**, driven by an increase in operating performance as mentioned above and retail inventory gains, partially offset by lower margin in fuel retail business. In addition, 9M 2021 had lower negative one-off items of AED 24 million, whereas 9M 2020 included negative one-offs totaling AED 520 million

- **9M 2021 underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 2,017 million, a decrease of 21.0% compared to 9M 2020**, which benefitted from exceptionally higher retail fuel margins as explained above. The company continued to see progress in operating performance driven by retail fuel volume recovery, market share gain in Dubai, increase in non-fuel transactions, margin improvement in non-fuel retail and corporate business, as well as significant reduction in operating costs

- **9M 2021 net profit was AED 1,681 million, an increase of 6.3% compared to 9M 2020**, driven by higher EBITDA

Cash flow and capital structure

- In 9M 2021, the company generated free cash flow of AED 1,777 million driven by robust cash flow from operations

- The company maintained a strong financial position at the end of September 2021 with liquidity of AED 5.9 billion, in the form of AED 3.1 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 0.71x as of 30 September 2021

ADNOC Distribution included in FTSE Emerging Markets Index effective September 2021

- Following ADNOC Distribution's inclusion in MSCI Emerging Markets Index in May 2021, ADNOC Distribution was also included in the FTSE Emerging Markets (EM) Index in September 2021. The inclusion in these reputable indices is expected to increase the attractiveness of ADNOC Distribution's shares to potential international investors and thus further diversifying the company's investor base

Commitment to sustainable growth

- The company has continued to show its commitment to effectively managing environmental, social and governance (ESG) matters. In Q3 2021, ADNOC Distribution received a rating of 'A' in the MSCI ESG Ratings assessment, recognizing ADNOC Distribution's approach to managing its business for long term sustainability

- MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers. Further details on ADNOC Distribution's Sustainability initiatives and performance as well as MSCI ESG Rating can be accessed on this link.

Strategy Update

During the first nine months of 2021, ADNOC Distribution has continued to deliver modern, digitally-enabled fuel retail convenience to customers and communities across the UAE. The company remains focused on delivering its ambitious growth strategy and generating long-term shareholder value through the next phase of its growth. In its continued dedication to upholding the highest standards of health and safety and supporting the nation's ongoing recovery in the fight against COVID-19, the company has ensured that 100% of its frontline employees working at service stations have received their vaccination booster dose.

Fuel business (Retail and Commercial)

ADNOC Distribution's fuel volumes continue to recover, specifically in September, driven by improving consumer sentiment following the successful vaccination drive across the UAE, further ease in mobility restrictions, government entities now 100% back to office, and schools returning to face-to-face learning. In addition, the company has continued to gain market share in Dubai driven by new stations, doubling its September fuel volumes compared to the same period last year. Strong volume growth in Dubai is testament to the progress that has been made on its domestic growth strategy.

The company's commercial business has maintained focus and driven forward with a strong proactive sales strategy to grow its UAE customer base, as well as increase its ADNOC Voyager lubricants export sales, with new distributors added in the third quarter of 2021.

Domestic expansion: ADNOC Distribution's UAE network reached 459 retail fuel stations as of 30 September 2021. In the first nine months of 2021, the company opened 14 new service stations in the UAE, out of which five were in Dubai. As a result, the company's Dubai service station network has doubled to 31 stations at the end of the first nine months of 2021 compared to the same period in 2020.

International expansion: In addition to its ongoing growth in the UAE, the company has continued to execute on its plans in the Kingdom of Saudi Arabia, with 10 new stations added as of 8 November 2021, taking our total network in Saudi Arabia to 12 stations.

The company announced three definitive agreements (signed in December 2020 and February 2021) to acquire a total of 35 service stations. Out of these 35 stations, the company has already added three stations into its network as of 8 Nov. 2021.

In addition, the company advanced on its expansion plans in Saudi Arabia by adding seven new stations in the Kingdom through leasing sites, both Greenfield and with existing assets.

Non-fuel business

The company's UAE network has increased to 342 convenience stores as of 30 September 2021, with the addition of 16 new convenience stores in the UAE in the first nine months of 2021. The pace of revitalizing its convenience stores has continued over this period, with 35 stores renovated in the UAE, offering fresh food, barista-brewed coffee and a wider menu selection.

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, the introduction of high margin fresh food and premium coffee products. On the back of these initiatives, the company saw growth in convenience stores transactions and revenues as well as increase in gross profit margins.

ADNOC Rewards loyalty program

Customer experience has been integral to the company throughout 2021, with the ADNOC Rewards loyalty program now recording more than 1.2 million members. This was significantly driven by a series of promotions throughout the quarter, including the Let's Go Shop and Win Raffle, which saw 16 million entries over the three month campaign period. ADNOC Reward members were entered into the raffle with every purchase, with the chance to win brand new cars, cash, gadgets and more.

In addition, a number of promotions have run throughout the quarter, in store and on the ADNOC Rewards program, to offer added value and an enhanced retail experience for consumers. This included an AED10 off AED30 spent at ADNOC Oasis promotion, the launch of multi-pack promotional offers, allowing customers to buy daily essentials in bulk and at value, and a dedicated Dubai station campaign to raise awareness of locations amongst communities.

Cost Optimization

As part of the company's ongoing transformation to ensure continued competitiveness in the UAE fuel retail and convenience stores sector, it has made significant progress in enhancing operational efficiencies and reducing its operating costs. In 9M 2021, the company exceeded its FY 2021 target of cost savings, realizing like-for-like operating expenses savings of AED 95 million versus guidance of up to AED 92m. ADNOC Distribution's operational expenditure (excl. depreciation) decreased by 17.8% in the first nine months of 2021 compared to the same period in 2020. A reduction in operating costs were achieved despite ongoing growth in the Company's retail network by around 10% compared to same period last year. Cost reduction was driven by management initiatives to increase operational efficiency across all business units, prudent cost controls 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 409 million in the first nine months of 2021.

Eng. Bader Al Lamki – Chief Executive Officer:

"ADNOC Distribution presents a compelling investment story as our third quarter and first nine months of 2021 results show. The green shoots of recovery are here and accelerated growth is clear to see.

We will continue to deliver on our expansion plans, domestically and internationally, which positions us as an even stronger fuel and convenience retail leader in the UAE and cements our place as a global fuel retailer.

We maintain a robust balance sheet and continue to bring new innovations to the market which demonstrate exceptional customer experience. Looking ahead, we expect our growth trend to accelerate driven by strengthening economic recovery and an increase in visitors heading into holiday season, Expo 2020 and a number of sporting events being hosted by the UAE.

While delivering on our growth plans, we remain focused and determined to ensure that safety and sustainability remain at the center of all we do, bring about positive change in the communities we serve, and take concrete steps to protect environment and meet growing customer demand for low carbon and clean energy products,”

Outlook

Economic activity in the UAE has benefited from the rapid administration of the COVID-19 vaccination and economy reopening. The easing of travel restrictions within UAE and from international markets (including top three tourism source markets - India, Saudi and UK) is also positive for tourism and other sectors, including retail and real estate. Expo 2020 (October 2021 to March 2022) and various sporting events along with a typical holiday season should further support pick-up in economic activity and growth momentum in the fourth quarter of 2021. There are early indications of jobs growth in the key service sectors of hospitality and aviation, after having been some of the most impacted by the pandemic, alongside tentative signs of wider job creation as companies look to “skill up”. Structural reforms and initiatives have been introduced in the UAE to strengthen the business and investment backdrop, and boost the competitiveness of the economy, which bodes well for higher economic growth in the medium to long term. This should allow for a progressive increase 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 it continues to explore new opportunities to accelerate growth. ADNOC Distribution remains committed to pursuing its expansion plans, in a disciplined manner, delivering an enhanced customer experience, and further optimizing its operations to become a leading cost-efficient fuel retailer and generating sustainable value for shareholders.

Fuel business

New Stations: After strong delivery momentum in 2020, with the opening of 64 new stations (including 20 stations in Dubai), the company has set an ambitious target to open 70 to 80 new service stations in 2021, which includes 30 to 35 new stations in the UAE (including 12 to 18 stations in Dubai) and 40 to 45 new stations in Saudi Arabia.

Domestically, Dubai offers high growth potential for the company to gain market share and is at the heart of our smart growth strategy. There are currently 10 stations in various stages of execution in Dubai, with an additional pipeline of 12 more stations already approved for further development. Focus remains on high quality strategic locations in Dubai.

In Saudi Arabia, ADNOC Distribution now has a fully operational team on the ground. It is progressing to complete certain closing conditions for the 35 previously announced acquisition stations and accelerating integration into the network once each station has been acquired. There is a strong pipeline in Saudi Arabia to expand the network further through different routes i.e. acquisitions, lease agreements and Greenfield and are confident in meeting 2021 new stations guidance.

Furthermore, the company is currently evaluating a number of potential inorganic growth opportunities in international markets (including Saudi Arabia). ADNOC Distribution’s focus is to ensure CAPEX is allocated efficiently towards growth in value-accretive expansion that meets targeted rate of returns.

Non-fuel business

After witnessing strong momentum in the C-stores revitalization program in 2020, with 100 C-stores revitalized, the company continues to invest in offering customers a modern and engaging retail experience, in line with its ambitious non-fuel strategy. It is expected that 40 to 60 C-stores will be refurbished in 2021, focusing on offering a modern environment, improvement in category management, a better assortment of products, including high margin fresh food and premium coffee, and digital channels to order and transact.

The convenience store revitalization program has put the company in a better position to reap the benefits of its customer centric initiatives and achieve continued growth in its convenience stores business.

Cost efficiency

ADNOC Distribution aims to become one of the leading cost-efficient fuel retailers and remains on track to take structural costs out and make its operations leaner and more efficient. The key drivers for further OPEX savings include staff optimization, with the more efficient deployment of staffing levels for stations and C-stores, energy efficiency through smart technology, outsourcing of logistics, centralization of key functions etc.

After realizing like-for-like OPEX savings of AED 422 million over the period between 2018 and 2020, we have already exceeded our 2021 target of achieving AED 92 million like-for-like OPEX savings within the first nine months of 2021. ADNOC Distribution remains committed to achieving further operational excellence and pursuing like-for-like OPEX savings of up to AED 312 million over the period from 2021 to 2023.

CAPEX

The company is committed to pursuing expansion plans in a disciplined manner to deliver on its smart growth strategy. The CAPEX budget is set at AED 918 million to AED 1.1 billion in 2021, to deliver on confirmed growth plans. However, continued improvement will be made to increase 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 4.8% annual dividend yield for 2021 (based on a share price of AED 4.26 as of 8th November 2021). A cash dividend of AED 1.285 billion (10.285 fils per share) for the first half of 2021 was paid in October 2021, with the second and final dividend for 2021 expected to be paid in April 2022, subject to the discretion of Board of Directors and approval of shareholders

- 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 September 2021 (cash & equivalent of AED 3.1 billion, retained earnings of AED 1.2 billion and net debt to EBITDA of 0.71x at the end of September 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	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Revenue	5,398	5,018	7.6%	4,030	33.9%	14,698	11,986	22.6%
Gross profit	1,203	1,222	-1.5%	1,726	-30.3%	3,750	4,172	-10.1%
Margin	22.3%	*24.3%*		*42.8%*		*25.5%*	*34.8%*	
EBITDA	737	712	3.5%	879	-16.1%	2,265	2,134	6.2%
Margin	13.6%	14.2%		*21.8%*		15.4%	*17.8%*	
Underlying EBITDA[1]	617	660	-6.5%	1,132	-45.5%	2,017	2,554	-21.0%
Operating profit	580	565	2.7%	710	-18.3%	1,817	1,694	7.2%
Net Profit	529	521	1.5%	671	-21.2%	1,681	1,581	6.3%
Margin	9.8%	*10.4%*		*16.6%*		*11.4%*	*13.2%*	
Earnings per share (AED/share)	0.042	0.042	1.5%	0.054	-21.2%	0.134	0.126	6.3%
Net cash generated from operating activities	-551	1,718	NM	1,773	NM	2,241	1,161	93.1%
Capital expenditures	148	81	83.4%	217	-31.8%	409	601	-32.0%
Free Cash Flow[2]	-720	1,646	NM	1,574	NM	1,777	548	224.5%
Total equity	2,647	3,383	-21.7%	2,778	-4.7%	2,647	2,839	-4.7%
Net debt[3]	2,358	1,589	48.4%	1,524	54.7%	2,358	1,524	54.7%
Capital employed	9,211	9,826	-6.3%	8,955	2.9%	9,211	8,981	2.9%
Return on capital employed (ROCE)	29.5%	29.0%		24.6%		29.5%	24.6%	
Return on equity (ROE)	95.7%	79.1%		74.8%		95.7%	74.8%	
Net debt to EBITDA ratio[3]	0.71x	0.46x		0.55x		0.71x	0.55x	
Leverage ratio[3]	47.1%	32.0%		35.4%		47.1%	35.4%	

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) 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

Q3 2021 total fuel volumes sold reached 2,279 million liters, increasing by 1.5% compared to Q3 2020 and by 0.7% compared to Q2 2021. In Q3 2021, Retail fuel volumes sold increased by 4.9% y-o-y driven by continued recovery in retail business and addition of new stations.

Q3 2021 Commercial fuel volumes decreased by 6.1% year-on-year mainly due to lower corporate fuel volumes, which decreased by 9.0% y-o-y. Q3 2021 Aviation fuel volumes sold to strategic customers increased by 9.9% y-o-y.

9M 2021 total fuel volumes sold increased by 6.3% compared to 9M 2020, driven by recovery in retail fuel volumes, which increased by 11.2% year-on-year. Commercial fuel volumes decreased by 3.0% year-on-year mainly due to lower uptake from strategic aviation customers, while corporate fuel volumes decreased marginally by 0.9% year-on-year.

Fuel volumes by segment *(million liters)*	**Q3-21**	**Q2-21**	***QoQ %***	**Q3-20**	***YoY %***	**9M 2021**	**9M 2020**	***YoY %***
Retail (B2C)	**1,614**	**1,548**	***4.3%***	**1,538**	***4.9%***	**4,664**	**4,195**	***11.2%***
Commercial (B2B)	**665**	**716**	***-7.1%***	**708**	***-6.1%***	**2,098**	**2,164**	***-3.0%***
Of which Corporate	545	576	*-5.4%*	598	*-9.0%*	1,721	1,737	*-0.9%*
Of which Aviation	120	140	*-14.1%*	109	*9.9%*	377	427	*-11.7%*
Total	**2,279**	**2,263**	***0.7%***	**2,246**	***1.5%***	**6,763**	**6,359**	***6.3%***

Fuel volumes by product *(million liters)*	**Q3-21**	**Q2-21**	***QoQ %***	**Q3-20**	***YoY %***	**9M 2021**	**9M 2020**	***YoY %***
Gasoline (1)	1,459	1,398	*4.4%*	1,406	*3.8%*	4,235	3,779	*12.1%*
Diesel	553	568	*-2.7%*	591	*-6.5%*	1,689	1,709	*-1.2%*
Aviation products	120	140	*-14.1%*	109	*9.9%*	377	427	*-11.7%*
Others (2)	147	158	*-7.0%*	139	*5.4%*	462	443	*4.2%*
Total	**2,279**	**2,263**	***0.7%***	**2,246**	***1.5%***	**6,763**	**6,359**	***6.3%***

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

Results

Q3 2021 revenue was AED 5,398 million, an increase of 33.9% compared to Q3 2020. The increase in revenue was driven by higher selling prices (as a result of higher crude oil prices fuel), retail fuel volumes growth, as well as due to the growth in non-fuel revenues.

Q3 2021 gross profit was AED 1,203 million, a decrease of 30.3% compared to Q3 2020 mainly due to lower margins in fuel business and lower inventory gains of AED 73 million (versus AED 99 million in Q3 2020), partially offset by higher retail fuel volumes and non-fuel transactions. 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.

Q3 2021 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 617 million, a decrease of 45.5% compared to Q3 2020, mainly due to lower fuel margin, partially offset by higher retail fuel volumes, non-fuel business growth and a reduction in operating costs.

Q3 2021 reported EBITDA was AED 737 million, a decrease of 16.1% compared to Q3 2020, due to lower fuel margins and lower inventory gains, partially offset by higher retail fuel volumes, non-fuel business growth and a reduction in operating costs. Moreover, Q3 2021 included one-off items of AED 43 million (mainly reversal of OPEX provisions), whereas Q3 2020 included negative one-offs totaling AED 352 million.

Q3 2021 net profit was AED 529 million, a decrease of 21.2% compared to Q3 2020, mainly due to lower EBITDA as explained above.

9M 2021 revenue was AED 14,698 million, an increase of 22.6% compared to 9M 2020, driven by higher selling prices (as a result of increase in crude oil prices), retail fuel volume growth and non-fuel growth.

9M 2021 gross profit was AED 3,750 million, a decrease of 10.1% compared to 9M 2020, mainly due to lower fuel retail margin and aviation volumes, partially offset by higher retail fuel volumes, increase in non-fuel business performance, higher corporate business fuel margin per litre and higher inventory gains of AED 268 million (versus AED 99 million in 9M 2020).

9M 2021 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 2,017 million, a decrease of 21.0% compared to 9M 2020, which benefitted from exceptionally higher retail fuel margins as explained above.

9M 2021 reported EBITDA was AED 2,265 million, an increase of 6.2% compared to 9M 2020, driven by an increase in fuel volumes and non-fuel retail revenues, higher non-fuel retail and commercial margins, retail inventory gains, lower operating costs, partially offset by lower margin in fuel retail business. In addition, 9M 2021 had lower negative one-off items of AED 24 million, whereas 9M 2020 included negative one-offs totaling AED 520 million.

9M 2021 net profit was AED 1,681 million, an increase of 6.3% compared to 9M 2020, driven by higher EBITDA as explained above.

Revenue by segment *(AED millions)*	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Retail (B2C)	**3,910**	**3,523**	**11.0%**	**2,916**	**34.1%**	**10,380**	**8,395**	**23.7%**
Of which Fuel Retail	3,668	3,261	12.5%	2,681	36.8%	9,649	7,737	24.7%
Of which Non-Fuel Retail	243	263	-7.7%	234	3.7%	732	657	11.4%
Commercial (B2B)	**1,488**	**1,495**	**-0.5%**	**1,115**	**33.4%**	**4,318**	**3,592**	**20.2%**
Of which Corporate	1,142	1,138	0.3%	871	31.1%	3,329	2,683	24.1%
Of which Aviation	345	356	-3.1%	244	41.6%	989	909	8.8%
Total	**5,398**	**5,018**	**7.6%**	**4,030**	**33.9%**	**14,698**	**11,986**	**22.6%**

Gross Profit by segment *(AED millions)*	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Retail (B2C)	**842**	**859**	**-2.0%**	**1,321**	**-36.3%**	**2,626**	**3,150**	**-16.6%**
Of which Fuel Retail	711	731	-2.7%	1,196	-40.5%	2,247	2,829	-20.6%
Of which Non-Fuel Retail	131	128	2.0%	125	4.3%	378	320	18.0%
Commercial (B2B)	**361**	**362**	**-0.4%**	**405**	**-10.9%**	**1,125**	**1,022**	**10.0%**
Of which Corporate	224	224	0.2%	262	-14.3%	713	600	18.8%
Of which Aviation	137	139	-1.3%	143	-4.5%	411	422	-2.6%
Total	**1,203**	**1,222**	**-1.5%**	**1,726**	**-30.3%**	**3,750**	**4,172**	**-10.1%**

EBITDA by Segment *(AED millions)*	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Retail (B2C)	**484**	**467**	**3.5%**	**815**	**-40.6%**	**1,489**	**1,770**	**-15.9%**
Commercial (B2B)	**253**	**243**	**3.9%**	**226**	**11.8%**	**780**	**550**	**41.6%**
Of which Corporate	178	171	3.7%	177	0.3%	569	385	47.8%
Of which Aviation	75	72	4.5%	49	53.4%	207	166	24.7%
Unallocated[1]	0	1	-109.1%	-162	NM	-4	-187	-98.0%
Total	**737**	**712**	**3.5%**	**879**	**-16.1%**	**2,265**	**2,134**	**6.2%**

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

Distribution and administrative expenses

Q3 2021 distribution and administrative expenses were AED 632 million, a decrease of 26.4% compared to Q3 2020. This decrease was mainly due to lower staff costs and reversal of provisions pertaining to staff restructuring costs, whereas Q3 2020 included higher one-off expenses pertaining to COVID-19, staff restructuring and additional pension liabilities.

Excluding depreciation, cash OPEX decreased by 31.1% y-o-y in Q3 2021, demonstrating benefits derived from management initiatives to optimize OPEX.

9M 2021 distribution and administrative expenses were AED 1,981 million, a decrease of 14.0% compared to 9M 2020, mainly driven by lower staff costs and reversal of provisions pertaining to staff restructuring costs, whereas 9M 2020 included higher one-off expenses pertaining to COVID-19, staff restructuring and additional pension liabilities.

In 9M 2021, the company exceeded its FY 2021 target of cost savings, realizing like-for-like operating expenses savings of AED 95 million versus guidance of up to AED 92m. These cost savings were mainly as a result of optimization in staff cost, which is a major component of its OPEX.

AED millions	**Q3-21**	**Q2-21**	***QoQ %***	**Q3-20**	***YoY %***	**9M 2021**	**9M 2020**	***YoY %***
Staff costs	320	384	-16.5%	509	-37.1%	1,068	1,374	-22.2%
Depreciation	157	147	6.6%	169	-7.1%	448	439	2.0%
Repairs, maintenance and consumables	34	41	-18.5%	47	-28.1%	118	134	-11.7%
Distribution and marketing expenses	25	22	9.9%	29	-15.2%	65	70	-6.2%
Utilities	50	39	27.6%	36	40.2%	143	123	15.7%
Insurance	3	2.6	11.5%	3.2	-9.4%	8	11	-31.0%
Others[1]	44	41	7.6%	66	-33.6%	131	152	-14.1%
Total	**632**	**676**	**-6.6%**	**858**	**-26.4%**	**1,981**	**2,303**	**-14.0%**

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

Capital expenditures

Our capital expenditures (CAPEX) 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 9M 2021, total CAPEX declined compared to the same period last year mainly due to the lower CAPEX on the development and construction of new service stations, which accounts for c.70% of the total CAPEX. CAPEX on new service stations was lower compared to 2020 given less number of new stations we expect to deliver this year in the UAE compared to 2020 deliveries. Beyond UAE, we expect to deliver higher number of new stations in Saudi Arabia in 2021 and expect CAPEX run-rate to gather pace starting Q4 2021. The table below presents the breakdown of our capital expenditures for the reviewed period:

AED millions	**Q3-21**	**Q2-21**	***QoQ %***	**Q3-20**	***YoY %***	**9M 2021**	**9M 2020**	***YoY %***
Service stations projects	96	62	53.8%	162	-40.8%	286	479	-40.3%
Industrial projects	25.0	12	101.6%	32	-22.8%	53	47	12.7%
Machinery and equipment	5.9	3.1	90.3%	3.7	59.5%	12	17	-28.7%
Distribution fleet	0.0	0.0	NM	0.6	-100.0%	0	10	-100.0%
Technology infrastructure	20.2	1.5	NM	18	13.5%	55	47	17.8%
Office furniture and equipment	0.9	1.2	-25.0%	0.4	125.0%	2	1.1	118.2%
Total	**148**	**81**	**83.4%**	**217**	**-31.8%**	**409**	**601**	**-32.0%**

NM: Not meaningful

Business segments operating review

Retail Segment – B2C (Fuel and Non-Fuel)

Volumes

Q3 2021 retail fuel volumes sold increased by 4.9% y-o-y and 4.3% q-o-q, driven by improving consumer sentiment following the successful vaccination drive across the UAE and the further easing in mobility restrictions. In addition, the company has continued to gain market share in Dubai driven by new stations, doubling its September fuel volumes compared to the same period last year.

9M 2021 retail fuel volumes increased by 11.2% y-o-y, driven by continued recovery in retail business and new stations in Dubai.

Retail Segment volumes (million liters)	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Gasoline	1,440	1,376	*4.6%*	1,371	*5.1%*	4,158	3,688	*12.8%*
Diesel	133	129	*3.6%*	132	*1.0%*	381	412	*-7.5%*
Other (1)	41	43	*-4.5%*	36	*14.2%*	125	95	*31.8%*
Total	**1,614**	**1,548**	***4.3%***	**1,538**	***4.9%***	**4,664**	**4,195**	***11.2%***

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

Results

Q3 2021 retail segment revenue increased by 34.1% compared to Q3 2020, driven by increase in selling prices, fuel volumes growth and growth in non-fuel revenues.

Q3 2021 retail segment gross profit decreased by 36.3% compared to Q3 2020, mainly due to lower retail fuel margin and lower inventory gains of AED 73 million in the retail fuel business (versus AED 99 million in Q3 2020), partially offset by higher retail fuel volumes and non-fuel performance. 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. Non-fuel retail gross profit increased by 3.7% in Q3 2021 compared to Q3 2020, driven by increase in non-fuel transactions and improvement in margins.

Q3 2021 retail segment EBITDA decreased by 40.6% compared to Q3 2020, mainly due to lower fuel retail margins and lower inventory gains, partially offset by higher retail fuel volumes, non-fuel business growth and a reduction in operating costs.

9M 2021 retail segment revenue increased by 23.7% compared to 9M 2020, driven by increase in selling prices, retail fuel volumes and non-fuel retail growth.

9M 2021 retail segment gross profit decreased by 16.6% compared to 9M 2020, mainly due to lower margin in fuel retail business, partially offset by higher retail fuel volumes, increase in non-fuel business performance and higher inventory gains of AED 268 million (versus AED 99 million in 9M 2020).

9M 2021 retail segment EBITDA decreased by 15.9% compared to 9M 2020, due to lower margin in fuel retail business, partially offset by increase in retail fuel volumes, non-fuel recovery, inventory gains and lower operating costs. Moreover, 9M 2021 had lower negative one-off items compared to 9M 2020.

Retail Segment (AED million)	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Revenue	**3,910**	**3,523**	**11.0%**	2,916	**34.1%**	**10,380**	**8,395**	**23.7%**
Of which Fuel Retail	3,668	3,261	12.5%	2,681	36.8%	9,649	7,737	24.7%
Of which Non-Fuel Retail	243	263	-7.7%	234	3.7%	732	657	11.4%
Gross profit	**842**	**859**	**-2.0%**	**1,321**	**-36.3%**	**2,626**	**3,150**	**-16.6%**
Of which Fuel Retail	711	731	-2.7%	1,196	-40.5%	2,247	2,829	-20.6%
Of which Non-Fuel Retail	131	128	2.0%	125	4.3%	378	320	18.0%
EBITDA	**484**	**467**	**3.5%**	**815**	**-40.6%**	**1,489**	**1,770**	**-15.9%**
Operating profit	342	340	0.7%	663	-48.4%	1087	1,381	-21.3%
Capital expenditures	122	32	278.9%	190	-35.8%	331	542	-39.0%

Other operating metrics

Q3 2021 fuel transactions increased by 13.2% compared to Q3 2020. Fuel transactions continued to recover driven by improving consumer sentiment and further ease in mobility restrictions, in addition to the contribution from new stations in Dubai. 9M 2021 fuel transactions increased by 15.9% compared to 9M 2020.

Fuel operating metrics	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Number of service stations - UAE (1)	459	457	*0.4%*	418	*9.8%*	459	418	*9.8%*
Number of service stations - Saudi Arabia (1) (2)	5	2	*150%*	2	*150%*	5	2	*150%*
Throughput per station (million liters)	3.5	3.4	*2.9%*	3.6	*-2.8%*	10.1	9.8	*3.1%*
Number of fuel transactions (millions)	41.2	39.1	*5.4%*	36.4	*13.2%*	115.8	99.9	*15.9%*

(1) At end of period.
(2) Includes one franchised site.

Q3 2021 Non-fuel transactions increased by 5.0% year-on-year driven by improving consumer sentiment, increase in number of convenience stores, improved customer offerings following revitalization of our stores and marketing & promotion campaigns under ADNOC Rewards loyalty program to attract higher footfall and increase customer spending. In 9M 2021, non-fuel transactions increased by 4.3% compared to 9M 2020.

Our convenience stores revenues increased by 8.7% in Q3 2021 compared to Q3 2020, mainly driven by higher transactions. Q3 2021 Convenience stores gross profit increased by 20.0% y-o-y, and by 13.1% q-o-q, driven by higher transactions and increase in margins.

9M 2021 convenience stores revenue increased by 3.8% year-on-year, while gross profit increased by 18.6% year-on-year. 9M 2021 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.

Average gross basket size declined by 5.1% year-on-year in Q3 2021 and by 5.7% year-on-year in 9M 2021, mainly after c.20% increase witnessed in Q3/9M 2020 as customers visited less during pandemic restrictions but bought more during each visit. However, average gross basket size is remains above 2019 levels, 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 increased by 7.2% year-on-year in both Q3 2021 and 9M 2021 driven by proactive non-fuel growth strategy to bring in new tenants.

The number of vehicles inspected (fresh tests) in our vehicle inspection centers increased by 4.1% in Q3 2021 compared to Q3 2020. The number of vehicles inspected (fresh tests) in 9M 2021 increased by 49.8% year-on-year, mainly reflecting full re-opening after closures witnessed in Q2 2020 due to lockdown restrictions.

Non-Fuel operating metrics	Q3-21	Q2-21	*QoQ %*	Q3-20	*YoY %*	9M 2021	9M 2020	*YoY %*
Total number of non-fuel transactions (millions) (2)	8.4	8.1	*3.7%*	8.0	*5.0%*	24.5	23.5	*4.3%*
Number of convenience stores - UAE (1)	342	340	*0.6%*	299	*14.4%*	342	299	*14.4%*
Convenience stores revenue (AED million)	169	158	*6.6%*	155	*8.7%*	481	464	*3.8%*
Convenience stores gross profit (AED million)	57	50	*13.1%*	48	*20.0%*	156	131	*18.6%*
Margin	33.7%	31.8%	-	30.6%	-	32.4%	*28.4%*	-
Conversion rate % (3)	17%	17%	-	18%	-	18%	20%	-
Average basket size (AED) (4)	23.6	23.5	*0.4%*	23.1	*2.2%*	23.6	23.0	*2.6%*
Average gross basket size (AED)(5)	26.3	26.2	*0.4%*	27.7	*-5.1%*	26.7	28.3	*-5.7%*
Number of Property Management tenants (1)	297	292	1.7%	253	17.4%	297	253	17.4%
Number of occupied properties for rent (1)	925	883	4.8%	863	7.2%	925	863	7.2%
Number of vehicle inspection centers (1) (6)	29	29	0.0%	29	0.0%	29	29	0.0%
Number of vehicles inspected (fresh tests) (thousands)	199	193	3.3%	192	4.1%	602	402	49.8%
Other vehicle inspection transactions (thousands)7	67	69	-2.2%	54	25.4%	204	127	61.2%

(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

Q3 2021 Commercial fuel volumes decreased by 6.1% compared to Q3 2020, mainly due to lower corporate volumes, which decreased by 9.0% year-on-year. Q3 2021 Aviation fuel volumes sold to strategic customers increased by 9.9% year-on-year.

9M 2021 Commercial fuel volumes decreased by 3.0% year-on-year mainly due to lower uptake from strategic aviation customers, while corporate fuel volumes decreased marginally by 0.9% year-on-year.

Commercial Segment volumes (million liters)	Q3-21	Q2-21	QoQ %	Q3-20	YoY %	9M 2021	9M 2020	YoY %
Gasoline	19	21	*-11.6%*	35	*-47.2%*	77	91	*-15.8%*
Diesel	420	439	*-4.5%*	459	*-8.7%*	1,308	1,297	*0.8%*
Aviation	120	140	*-14.1%*	109	*9.9%*	377	427	*-11.7%*
Other [(1)]	106	115	*-7.9%*	104	*2.4%*	337	348	*-3.3%*
Total	**665**	**716**	***-7.1%***	**708**	***-6.1%***	**2,098**	**2,164**	***-3.0%***

(1) Includes LPG, lubricants and base oil.

Results

Q3 2021 Commercial segment revenue increased by 33.4% compared to Q3 2020, driven by higher selling prices as a result of increase in crude oil prices.

Q3 2021 Commercial segment gross profit decreased by 10.9% compared to Q3 2020, due to lower corporate fuel volumes and lower margins.

Q3 2021 Commercial segment EBITDA increased by 11.8% compared Q3 2020, driven by lower operating expenses, whereas Q3 2020 included higher negative one-off items.

9M 2021 Commercial segment revenue increased by 20.2% compared to 9M 2020, driven by higher selling prices as a result of increase in oil prices.

9M 2021 Commercial segment gross profit increased by 10.0% driven by higher margin per liter in corporate business, partially offset by lower volumes, while 9M 2020 was negatively impacted by one-off items.

9M 2021 Commercial segment EBITDA increased by 41.6% compared 9M 2020, driven by higher margin per liter and lower operating expenses, whereas 9M 2020 included higher negative one-off items.

Commercial Segment (AED million)	Q3-21	Q2-21	QoQ %	Q3-20	YoY %	9M 2021	9M 2020	YoY %
Revenue	**1,488**	**1,495**	**-0.5%**	**1,115**	**33.4%**	**4,318**	**3,592**	**20.2%**
Of which Corporate	1,142	1,138	0.3%	871	31.1%	3,329	2,683	24.1%
Of which Aviation	345	356	-3.1%	244	41.6%	989	909	8.8%
Gross profit	**361**	**362**	**-0.4%**	**405**	**-10.9%**	**1,125**	**1,022**	**10.0%**
Of which Corporate	224	224	0.2%	262	-14.3%	713	600	18.8%
Of which Aviation	137	139	-1.3%	143	-4.5%	411	422	-2.6%
EBITDA	**253**	**243**	**3.9%**	**226**	**11.8%**	**780**	**550**	**41.6%**
Operating profit	238	226	5.3%	209	13.7%	734	500	46.7%
Capital expenditures	4	13.1	-69.5%	1.3	207.7%	22	13	76.0%

Share trading and ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 30 September 2021 was AED 4.16. In the period from 1 January 2021 through 30 September 2021, the share price has ranged from AED 3.80 to AED 4.93 at close. Our market capitalization was AED 52 billion as of 30 September 2021, and an average of 17.8 million shares have traded daily in 9M 2021 (4x 2020 level). In 9M 2021, the average daily traded value of our shares was USD 21.3 million (5x 2020 level).

As of 30 September 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.

9M 2021 Earnings conference call details

A conference call in English for investors and analysts will be held on Tuesday, November 9, 2021, at 5 p.m. UAE / 1 p.m. London / 8 a.m. New York. To access the event, followed by a Q&A session, please connect through one of the following methods:

Webcast

Click here to join the webcast
Please note that participants joining by webcast will be able to ask questions via a chat box within the webcast player

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Audio Call Dial in Details:

UAE (Toll Free): 8000 3570 2606

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US: (Toll Free): 800-289-0459

Passcode: 339597

For other countries, please connect to the above webcast link, select the "Listen by Phone" option on the webcast player and click on the audio numbers to access the dial in information

The presentation materials will be available for download in English on Tuesday, November 9, 2021 at https://www.adnocdistribution.ae/en/investor-relations/investor-relations/downloads/

Reporting date for the fourth quarter and full year 2021

We expect to announce our fourth quarter and full year 2021 results on or around February 14, 2022.

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November 9, 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.