Second Quarter and First Half 2022 Results

Management Discussion & Analysis Report

8 August 2022

ADNOC Distribution
Second Quarter and First Half 2022 Results

Highlights: Strong set of results and execution momentum in H1 2022. Positive outlook expected for H2 2022

- **The Company's total fuel volumes continued to grow in the first half of 2022** compared to the same period of last year, **with an increase of 8.9% year-on-year**. **Retail fuel volumes (c.67% of total volumes) sold in the first half of 2022 increased by 6.8%** compared to the H1 2021, while **Commercial fuel volumes (c.33% of total volumes) increased by 13.3%** year-on-year driven by strong growth in the corporate volumes. The volume increase was a result of the country's ongoing economic growth and the easing of travel restrictions globally. In addition, the Company continued to expand in Saudi Arabia by adding new stations, resulting in incremental fuel volumes in H1 2022 compared to the same period of 2021

- **H1 2022 revenue was AED 15,373 million, an increase of 65.3% compared to H1 2021**, driven by higher selling prices (as a result of higher crude oil prices), growth in fuel volumes and non-fuel business

- **H1 2022 gross profit was AED 3,166 million, an increase of 24.3% compared to H1 2021**, driven by higher fuel volumes and inventory gains as well as growth in the Non-Fuel Retail business

  - ✓ Fuel Retail gross profit increased by 31.9% year-on-year, mainly driven by higher fuel volumes and transactions, as well as higher inventory gains of AED 400 million in H1 2022 (versus inventory gains of AED 195 million in H1 2021).

  - ✓ Non-Fuel Retail gross profit increased by 9.6% year-on-year, driven by strong growth in non-fuel transactions following improved consumer sentiment, increase in number of convenience stores, improved customer offerings following revitalization of our stores and marketing and promotion campaigns, and higher Food and Beverage (F&B) sales. Margins in the convenience stores business also improved as a result of the ongoing revitalization strategy to offer a modern, digitally enabled customer journey and superior in-store experience through a better product mix and the introduction of fresh food and coffee products

  - ✓ Commercial business gross profit increased by 14.8% year-on-year driven by higher Corporate fuel volumes, partially offset by lower Aviation fuel volumes

- **H1 2022 reported EBITDA was AED 1,994 million, an increase of 30.5% compared to H1 2021**, mainly driven by higher fuel volumes and inventory gains as well as non-fuel retail business

- **H1 2022 underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 1,665 million, an increase of 18.9% compared to H1 2021**

- **H1 2022 net profit was AED 1,562 million, an increase of 35.6% compared to H1 2021**, supported by higher EBITDA

Strong cash generation and balance sheet

- In H1 2022, the Company generated free cash flow of AED 1.96 billion driven by robust cash flow from operations and a positive effect of the working capital change
- The Company maintained a strong financial position at the end of June 2022 with liquidity of AED 5.5 billion, in the form of AED 2.8 billion in cash and cash equivalents and 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 0.77x as of 30 June 2022

ADNOC DISTRIBUTION

Strategy Update: strong execution momentum

During the first half of 2022, ADNOC Distribution delivered robust results and demonstrated strong execution momentum on its smart growth strategy. The pace of the Company's network expansion accelerated with a steadfast focus on providing an enhanced customer experience across its network. The Company remains committed to delivering its growth strategy and generating long-term shareholder value through the next phase of its growth.

Fuel business (Retail and Commercial)

ADNOC Distribution recorded growth in total fuel volumes compared to the first half of 2021, with an increase of 9% year-on-year, following the ongoing economic growth, the easing of travel restrictions globally and the strong growth in the corporate business. In addition, the Company continued to expand in Saudi Arabia by adding new stations, resulting in incremental fuel volumes in H1 2022 compared to the same period of 2021.

Network Expansion: The Company accelerated delivering on its growth strategy throughout H1 2022, with the opening of 38 new stations in the UAE and KSA, achieving c. 60% of its network expansion target for 2022 to open 60-80 stations this year.

- **Domestically:** ADNOC Distribution's UAE network reached 472 retail fuel stations as of 30 June 2022. In the first half of 2022, the Company opened 12 new service stations in the UAE, out of which four were in Dubai. As a result, the company's Dubai service station network reached 35 stations at the end of H1 2022.
- **Internationally:** The Company continued to accelerate the execution on its plans in the Kingdom of Saudi Arabia, with 26 new stations added in the first half of 2022, taking its total network in Saudi Arabia to 66 stations as of 30 June 2022.

  Furthermore, delivering on its commitment to pursue attractive international growth, ADNOC Distribution recently entered in July 2022, into an agreement with TotalEnergies Marketing Afrique SAS, to acquire a 50% stake in TotalEnergies Marketing Egypt LLC (which is among the top four fuel retail operators in Egypt) for approximately AED 683 million ($185.9 million), with an additional earn-out of up to AED 63.5 million ($17.3 million) (if certain conditions are satisfied), marking ADNOC Distribution's largest investment.

  The partnership with TotalEnergies, a leading global multi-energy company with a strong brand and successful track record in Egypt, includes a diversified portfolio comprising 240 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car wash sites, as well as wholesale fuel, aviation fuel and lubricant operations. This move aligns with the Company's vision to establish ADNOC Distribution as a regional fuel distribution leader and will provide sizeable operations in one of the largest countries in MENA. The acquisition is expected to be earnings accretive to ADNOC Distribution from year one post closing. Completion of the acquisition is expected to occur in Q1 2023, subject to the satisfaction of certain conditions, including customary regulatory approvals.

In the Commercial business, the Company continued to maintain strong focus on proactive sales strategy in the first half 2022, mainly in the Corporate business. ADNOC Distribution's corporate fuel volumes witnessed a 27% year-on-year increase, partially driven by the signing of new sales agreements confirmed in the final quarter of 2021. The business also increased its ADNOC Voyager lubricants export sales, with new distributors added in the first half of 2022, bringing export network to a total of 21 countries. In addition, the Company expanded its product offering with the launch of the ADNOC Voyager Green series, which offers customers a 100% plant-based lubricant range for both petrol and diesel engines.

Non-fuel business

The Company's UAE network of convenience stores increased to 359 as of 30 June 2022, with the addition of 13 new convenience stores in the UAE in H1 2022. The convenience stores revitalization program continued over this period, with 5 stores renovated in the UAE in the first half 2022, 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 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 an increase in gross profit margins.

ADNOC Rewards loyalty program and Customer Focus

The ADNOC Rewards loyalty program also continued to add members in the first half of 2022, with more than 1.4 million members now enrolled and 83 partners providing discounts and deals through the ADNOC Distribution app. The program has been expanded to include a fuel redemption option, whereby customers can pay for their fuel with their ADNOC Rewards points.

Customer experience has been integral to the Company throughout the first half 2022, with continuing to offer customers promotions in-store and through the ADNOC Rewards. This includes the Let's Go Shop and Win Raffle, as well as comprehensive vehicle inspection, car wash, and lube change offers.

Cost Optimization

ADNOC Distribution's operational expenditure (excl. depreciation) increased by 11.4% in the first half of 2022 compared to the same period in 2021 after an increase in its network and associated operational costs. However, the Company continues to implement management initiatives to increase operational efficiency across all business units and prudent cost controls.

Last year, the Company significantly exceeded its full year 2021 target of cost savings, realizing like-for-like operating expenses savings of AED 155 million versus guidance of up to AED 92m. The Company met its target of like-for-like OPEX savings of between AED 367 and 550 million over 2019-23 by achieving like-for-like OPEX savings of AED 378 million over 2019-21.

CAPEX

In line with the guidance and plans to continue with our expansion strategy, the Company incurred CAPEX (including accruals/provisions) of AED 413 million in the first half of 2022.

Eng. Bader Al Lamki – Chief Executive Officer:

"In the first half of 2022, we maintained a strong financial and operational performance while integrating cutting-edge solutions to our customer-focused offerings. We demonstrated a healthy performance, with consistent growth and a strong balance sheet to support further growth investments and to sustain attractive capital distribution to our shareholders.

"Furthermore, our entry into Egypt will mark a significant milestone in the company's journey that will help unlock new earnings potential through a diversified portfolio, further contributing to our financial performance. Our investment in the network expansion, launch of new products, and innovative services cater to our customers' needs as we deliver more modern, digitally-enabled convenience in wider locations. By doing so, we are able to accelerate our domestic and international growth expansion plans and deliver higher returns to our shareholders."

Outlook: Positive growth outlook expected to continue throughout 2022

After strong results in H1 2022, the Company expects the positive volume growth and earnings momentum to sustain in both fuel and non-fuel businesses in H2 2022 and beyond. 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. It continues to execute on its growth commitment to reach min. AED 3.67 billion ($1bn) EBITDA by 2023.

Fuel business

New Stations: after adding 38 new stations in UAE and KSA during the first half of 2022, the Company expects delivery momentum to continue and fuel volumes growth to sustain over the second half of 2022. The Company remains on track to open 60 to 80 new stations before the end of 2022, which includes 20 to 30 new stations in the UAE (including 10 to 15 stations in Dubai) and 40 to 50 new stations in international markets (including Saudi Arabia).

Domestically, Dubai market offers high growth potential for the Company to gain market share and is at the heart of our Smart Growth Strategy. The Company opened four stations during the second quarter of 2022, and there are currently 6 stations in various stages of execution in Dubai, with an additional pipeline of more than 10 stations already approved for further development. Focus remains on high quality strategic locations in Dubai.

In Saudi Arabia, ADNOC Distribution has a fully operational team on the ground. Following the addition of 64 new stations in Saudi Arabia since the beginning of 2021, there is a strong pipeline in the Kingdom to expand the network further through different routes i.e. acquisitions, lease agreements and greenfield.

In Egypt, ADNOC Distribution's recent partnership with TotalEnergies to acquire a 50% stake in TotalEnergies Marketing Egypt reaffirms its commitment to expanding its business in attractive international growth markets. Egypt's fuel retail market is highly attractive with a potential for future growth. Due to its young and expanding population, alongside a series of progressive economic reforms, Egypt has recorded positive GDP growth with a strong outlook.

Through this transaction, ADNOC Distribution and TotalEnergies are expected to develop future growth opportunities of TotalEnergies Marketing Egypt by unlocking value potential in fuel distribution, lubricants and aviation businesses supported by economic growth and post-COVID recovery.

The transaction will give ADNOC Distribution access to a profitable lubricants business and commercial aviation business in Egypt with further growth upside, and it is expected to be earnings accretive to ADNOC Distribution from the first year post closing. The acquisition is expected to be completed in Q1 2023 pending satisfaction of certain conditions, including customary regulatory approvals.

Beyond that, the Company is evaluating a number of potential inorganic growth opportunities in international markets. 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 convenience stores revitalization program over 2020-2021, with 150 convenience 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 expects the refurbishment progress to be strong in H2 2022, and it remains on track to refurbish 40 to 50 convenience stores in 2022, focusing on offering a modern environment, improvement in category management, a better assortment of products, including fresh food and premium coffee, bundle offers and digital channels to order and transact.

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 convenience stores, energy efficiency through smart technology, outsourcing of logistics, centralization of key functions etc.

The Company has already met its target of like-for-like OPEX savings of between AED 367 and 550 million over 2019-23 by achieving like-for-like OPEX savings of AED 378 million over 2019-21. ADNOC Distribution remains committed to achieving further operational excellence and expects to achieve like-for-like OPEX savings of approximately AED 92 million over the period from 2022 to 2023.

CAPEX

The Company is committed to pursuing expansion plans in a disciplined manner to deliver on its Smart Growth Strategy. It expects to invest approximately AED 918 million of CAPEX in 2022, to deliver on its 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 (trucks). Our CAPEX guidance does not include any potential M&A opportunities.

Dividend Policy

During the General Assembly on 24 March 2022, the Company's shareholders approved a cash dividend of AED 1.285 billion (10.285 fils per share) for the second half of 2021 (paid in April 2022). 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 2021 (paid in October 2021), resulting in a full-year dividend of AED 2.57 billion (20.57 fils per share) for 2021, consistent with the Company's dividend policy.

The Company's robust and continued growth has enabled a progressive dividend policy for the shareholders. ADNOC Distribution remains confident in the delivery of its strategic commitments and sustainable returns for its shareholders.

As per ADNOC Distribution approved dividend policy, the Company expects to pay:

- For 2022: a minimum of AED 2.57 billion cash dividend, providing visible payback to shareholders until April 2023. This would translate to a 4.8% annual dividend yield for 2022 (based on a share price of AED 4.32 as of 5th August 2022). The Company expects to pay half of the 2022 dividend in October 2022 with a final payment in April 2023, subject to the discretion of Company's Board of Directors and to shareholders' approval.

- For 2023 onwards: a dividend equal to at least 75% of distributable profits, subject to shareholders' approval

The Company's financial position remained strong at the end of June 2022 (cash & equivalent of AED 2.8 billion, retained earnings of AED 2.0 billion and Net debt to EBITDA of 0.77x at the end of June 2022).

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 dividend is subject to the discretion of ADNOC Distribution's Board of Directors and to shareholders' approval.

ADNOC DISTRIBUTION

Financial summary: strong financial results with record second quarter EBITDA and Net Profit

AED millions	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1 2022	H1 2021	*YoY%*
Revenue	8,637	6,736	*28.2%*	5,018	*72.1%*	15,373	9,301	*65.3%*
Gross profit	1,717	1,449	*18.5%*	1,222	*40.5%*	3,166	2,547	*24.3%*
Margin	*19.9%*	*21.5%*		*24.3%*		*20.6%*	*27.4%*	
EBITDA	1,113	881	*26.4%*	712	*56.4%*	1,994	1,528	*30.5%*
Margin	*12.9%*	*13.1%*		*14.2%*		*13.0%*	*16.4%*	
Underlying EBITDA[1]	898	767	*17.1%*	660	*36.1%*	1,665	1,400	*18.9%*
Operating profit	939	718	*30.7%*	565	*66.1%*	1,657	1,237	*34.0%*
Net Profit	891	671	*32.9%*	521	*70.9%*	1,562	1,152	*35.6%*
Margin	*10.3%*	*10.0%*		*10.4%*		*10.2%*	*12.4%*	
Earnings per share (AED/share)	0.071	0.054	*32.9%*	0.042	*70.9%*	0.125	0.092	*35.6%*
Net cash generated from operating activities	350	2,066	*-83.1%*	1,718	*-79.6%*	2,416	2,793	*-13.5%*
Capital expenditures	217	196	*11.1%*	81	*169.6%*	413	261	*58.2%*
Free Cash Flow[2]	92	1,866	*-95.1%*	1,646	*-94.4%*	1,958	2,497	*-21.6%*
Total equity	3,533	2,620	*34.9%*	3,383	*4.4%*	3,533	3,383	*4.4%*
Net debt[3]	2,717	1,446	*87.9%*	1,589	*71.0%*	2,717	1,589	*71.0%*
Capital employed	10,450	9,305	*12.3%*	9,826	*6.4%*	10,450	9,826	*6.4%*
Return on capital employed (ROCE)	27.3%	26.6%		29.0%		27.3%	29.0%	
Return on equity (ROE)	75.4%	87.5%		79.1%		75.4%	79.1%	
Net debt to EBITDA ratio[3]	0.77x	0.46x		0.46x		0.77x	0.46x	
Leverage ratio[3]	43.5%	35.6%		32.0%		43.5%	32.0%	

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) 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

ADNOC DISTRIBUTION

Operating and Financial Review

Fuel Volumes

Q2 2022 total fuel volumes sold reached 2,422 million liters, increasing by 7.0% compared to Q2 2021. However, compared to Q1 2022, total fuel volumes marginally declined due to seasonality (i.e. Holy month of Ramadan, long Eid holiday, etc).

In Q2 2022, Retail fuel volumes sold increased by 3.4% year-on-year driven by the country's ongoing economic growth and the ease in travel restrictions, as well as the addition of new stations. Q2 2022 Commercial fuel volumes increased by 14.7% year-on-year driven by a strong growth of 35.1% in corporate volumes, partially offset by a reduction of 69.0% year-on-year in Aviation volumes due to lower uptake from strategic aviation customers.

H1 2022 total fuel volumes sold reached 4,881 million liters, an increase of 8.9% year-on-year. Retail fuel volumes increased by 6.8% in H1 2022, while Commercial fuel volumes increased by 13.3% year-on-year, mainly driven by a 26.7% increase in Corporate volumes. This was partially offset by a 47.9% decline in Aviation volumes.

Fuel volumes by segment *(million liters)*	**Q2-22**	**Q1-22**	***QoQ %***	**Q2-21**	***YoY %***	**H1 2022**	**H1 2021**	***YoY %***
Retail (B2C)	**1,601**	**1,656**	***-3.3%***	**1,548**	***3.4%***	**3,257**	**3,050**	***6.8%***
Commercial (B2B)	**821**	**804**	***2.2%***	**716**	***14.7%***	**1,625**	**1,433**	***13.3%***
Of which Corporate	778	713	*9.0%*	576	*35.1%*	1,491	1,177	*26.7%*
Of which Aviation	43	90	*-51.9%*	140	*-69.0%*	134	257	*-47.9%*
Total	**2,422**	**2,459**	***-1.5%***	**2,263**	***7.0%***	**4,881**	**4,484**	***8.9%***

Fuel volumes by product *(million liters)*	**Q2-22**	**Q1-22**	***QoQ %***	**Q2-21**	***YoY %***	**H1 2022**	**H1 2021**	***YoY %***
Gasoline (1)	1,476	1,525	*-3.2%*	1398	*5.6%*	3,002	2,776	*8.1%*
Diesel	725	656	*10.5%*	568	*27.6%*	1,384	1,136	*21.9%*
Aviation products	43	90	*-51.9%*	140	*-69.0%*	134	257	*-47.9%*
Others (2)	177	188	*-5.8%*	158	*12.5%*	362	315	*14.8%*
Total	**2,422**	**2,459**	***-1.5%***	**2263**	***7.0%***	**4,881**	**4,484**	***8.9%***

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

Results

Q2 2022 revenue increased by 72.1%, year-on-year, to AED 8,637 million. The increase in revenue was driven by higher selling prices (as a result of higher crude oil prices) and growth in fuel volumes.

Q2 2022 gross profit increased by 40.5%, year-on-year, to AED 1,717 million, mainly driven by higher fuel volumes, growth in Non-Fuel Retail business as well as higher inventory gains of AED 272 million in Q2 2022 (versus inventory gains of AED 87 million in Q2 2021).

Q2 2022 reported EBITDA increased by 56.4%, year-on-year, to AED 1,113 million, recording the Company's highest ever quarterly reported EBITDA. The increase in EBITDA was mainly driven by higher fuel volumes and inventory gains.

Q2 2022 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) increased by 36.1%, year-on-year, to AED 898 million, mainly driven by higher fuel volumes.

Q2 2022 net profit increased by 70.9%, year-on-year, to AED 891 million, a record quarterly net profit for the Company, driven by higher EBITDA.

H1 2022 revenue increased by 65.3%, year-on-year, to AED 15,373 million. The increase in revenue was driven by higher selling prices (as a result of higher crude oil prices), growth in fuel volumes and non-fuel business.

H1 2022 gross profit increased by 24.3%, year-on-year, to AED 3,166 million, mainly driven by higher fuel volumes, growth in Non-Fuel Retail business as well as higher inventory gains of AED 400 million in H1 2022 (versus inventory gains of AED 195 million in H1 2021).

H1 2022 reported EBITDA increased by 30.5%, year-on-year, to AED 1,994 million, mainly driven by higher fuel volumes and inventory gains.

H1 2022 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) increased by 18.9%, year-on-year, to AED 1,665 million, mainly driven by higher fuel volumes.

H1 2022 net profit increased by 35.6%, year-on-year, to AED 1,562 million, driven by higher EBITDA.

Revenue by segment *(AED millions)*	**Q2-22**	**Q1-22**	***QoQ %***	**Q2-21**	***YoY %***	**H1 2022**	**H1 2021**	***YoY %***
Retail (B2C)	**5,718**	**4,600**	***24.3%***	**3,523**	***62.3%***	**10,319**	**6,470**	***59.5%***
Of which Fuel Retail	5,447	4,316	*26.2%*	3,241	*68.1%*	9,764	5,935	*64.5%*
*Of which Non-Fuel Retail**	271	284	*-4.8%*	282	*-4.1%*	555	535	*3.7%*
Commercial (B2B)	**2,919**	**2,136**	***36.7%***	**1,495**	***95.3%***	**5,055**	**2,830**	***78.6%***
Of which Corporate	2,676	1,820	*47.0%*	1,138	*135.2%*	4,495	2,187	*105.5%*
Of which Aviation	243	316	*-23.0%*	356	*-31.7%*	559	643	*-13.1%*
Total	**8,637**	**6,736**	***28.2%***	**5,018**	***72.1%***	**15,373**	**9,301**	***65.3%***

Gross Profit by segment *(AED millions)*	**Q2-22**	**Q1-22**	***QoQ %***	**Q2-21**	***YoY %***	**H1 2022**	**H1 2021**	***YoY %***
Retail (B2C)	**1,250**	**1,039**	***20.3%***	**859**	***45.4%***	**2,289**	**1,784**	***28.3%***
Of which Fuel Retail	1,094	881	*24.2%*	715	*52.9%*	1,975	1,497	*31.9%*
*Of which Non-Fuel Retail**	156	159	*-1.7%*	144	*8.2%*	314	287	*9.6%*
Commercial (B2B)	**467**	**410**	***14.0%***	**362**	***28.8%***	**876**	**764**	***14.8%***
Of which Corporate	361	292	*23.7%*	224	*61.1%*	652	489	*33.4%*
Of which Aviation	106	118	*-10.0%*	139	*-23.8%*	224	275	*-18.7%*
Total	**1,717**	**1,449**	***18.5%***	**1,222**	***40.5%***	**3,166**	**2,547**	***24.3%***

EBITDA by Segment *(AED millions)*	**Q2-22**	**Q1-22**	***QoQ %***	**Q2-21**	***YoY %***	**H1 2022**	**H1 2021**	***YoY %***
Retail (B2C)	**777**	**598**	***29.9%***	**467**	***66.4%***	**1,375**	**1,005**	***36.8%***
Commercial (B2B)	**336**	**282**	***19.0%***	**243**	***38.1%***	**618**	**527**	***17.3%***
Of which Corporate	298	232	*28.5%*	171	*74.0%*	529	395	*34.1%*
Of which Aviation	38	50	*-24.5%*	72	*-47.2%*	89	132	*-33.0%*
Unallocated[1]	1	1	*NM*	1	*NM*	1	-4	*NM*
Total	**1,113**	**881**	***26.4%***	**712**	***56.4%***	**1,994**	**1,528**	***30.5%***

* Non-fuel retail includes convenience stores, car wash, lube change, property management and vehicle inspection
(1) Unallocated includes other operating income/expenses not allocated to specific segment
NM: Not meaningful

ADNOC DISTRIBUTION

Distribution and administrative expenses

Q2 2022 distribution and administrative expenses were AED 783 million, an increase of 15.8% compared to Q2 2021 after an increase in the Company's network of fuel retail stations and convenience stores and associated staff costs and other expenses.

Excluding depreciation, cash OPEX increased by 14.9% y-o-y in Q2 2022 after an increase in the Company's network and associated staff costs and other expenses.

H1 2022 distribution and administrative expenses were AED 1,516 million, an increase of 12.3% compared to H1 2021 after a 17.2% increase in the Company's network in H1 2022 compared to H1 2021, and associated staff costs and other expenses. Excluding depreciation, cash OPEX increased by 11.4% y-o-y in H1 2022.

AED millions	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1 2022	H1 2021	*YoY %*
Staff costs	405	393	*3.1%*	384	*5.6%*	798	747	*6.7%*
Depreciation	174	163	*7.2%*	147	*19.0%*	337	292	*15.6%*
Repairs, maintenance and consumables	39	46	*-15.7%*	41	*-7.1%*	84	84	*-0.3%*
Distribution and marketing expenses	24	29	*-19.5%*	22	*6.5%*	53	41	*30.3%*
Utilities	68	40	*69.2%*	39	*73.6%*	108	93	*16.2%*
Insurance	4	4	*9.8%*	3	*64.8%*	8	5	*67.6%*
Others[1]	69	58	*19.8%*	41	*69.7%*	127	87	*46.0%*
Total	**783**	**733**	***6.9%***	**676**	***15.8%***	**1,516**	**1,349**	***12.3%***

NM: Not meaningful
(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 Q2 2022, total CAPEX increased compared to Q2 2021 mainly driven by the higher CAPEX on the development and construction of new service stations (c.70% of total CAPEX) as well as due to the higher CAPEX on the industrial projects. Similarly, in H1 2022, total CAPEX increased compared H1 2021, driven by higher CAPEX on service stations and industrial projects.

The table below presents the breakdown of our capital expenditures for the reviewed period:

AED millions	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1 2022	H1 2021	*YoY %*
Service stations projects	154	128	*20.7%*	62	*147.1%*	282	190	*48.0%*
Industrial projects	26	37	*-30.2%*	12	*105.8%*	62	28	*119.0%*
Machinery and equipment	13	10	*30.5%*	3	*335.9%*	24	6	*284.6%*
Distribution fleet	0	3	*NM*	0	*NM*	3	0	*NM*
Technology infrastructure	17	16	*8.9%*	2	*NM*	33	35	*-4.7%*
Office furniture and equipment	7	2	*228.6%*	1	*NM*	9	2	*NM*
Total	**217**	**196**	***2.0%***	**81**	***169.6%***	**413**	**261**	***58.2%***

NM: Not meaningful

Business segments operating review

Retail Segment – B2C (Fuel and Non-Fuel)

Volumes

Q2 2022 retail fuel volumes sold increased by 3.4% y-o-y, as a result of the country's ongoing economic growth, the easing of travel restrictions globally as well as supported by the incremental volumes from new stations.

H1 2022 retail fuel volumes sold increased by 6.8% y-o-y, as a result of the country's ongoing economic growth, the easing of travel restrictions globally. In addition, the Company continued to expand in Saudi Arabia by adding new stations, resulting in incremental fuel volumes in H1 2022 compared to the same period of 2021.

Retail Segment volumes (million liters)	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1 2022	H1 2021	*YoY %*
Gasoline	1,411	1,461	*-3.4%*	1,376	*2.5%*	2,872	2,717	*5.7%*
Diesel	140	144	*-2.5%*	129	*9.2%*	288	248	*16.1%*
Other (1)	50	51	*-2.1%*	43	*16.7%*	97	85	*14.1%*
Total	**1,601**	**1,656**	***-3.3%***	**1,548**	***3.4%***	**3,257**	**3,050**	***6.8%***

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

Results

Q2 2022 retail segment revenue increased by 62.3% compared to Q2 2021, driven by increase in pump prices and fuel volumes growth.

Q2 2022 retail segment gross profit increased by 45.4% compared to Q2 2021, driven by higher retail fuel volumes, inventory gains in the retail fuel business and non-fuel business growth. The Fuel retail business gross profit increased by 52.9% year-on-year, mainly driven by higher fuel volumes and inventory gains of AED 272 million in Q2 2022 (versus inventory gains of AED 87 million in Q2 2021). Non-fuel retail gross profit rose by 8.2% in Q2 2022 compared to Q2 2021, driven by growth in non-fuel transactions, higher number of convenience stores, improvement in margins and enhanced customer offerings.

Q2 2022 retail segment EBITDA increased by 66.4% compared to Q2 2021, mainly driven by higher retail fuel volumes, inventory gains and the growth in non-fuel business, partially offset by higher operating expenses.

H1 2022 retail segment revenue increased by 59.5% compared to H1 2021, driven by increase in pump prices and, fuel volumes growth and increase in non-fuel revenues.

H1 2022 retail segment gross profit increased by 28.3% compared to H1 2021, driven by higher retail fuel volumes and non-fuel business growth. The Fuel retail business gross profit increased by 31.9% year-on-year, mainly driven by higher fuel volumes and inventory gains of AED 400 million in H1 2022 (versus inventory gains of AED 195 million in H1 2021). Non-fuel retail gross profit rose by 9.6% in H1 2022 compared to H1 2021, driven by growth in non-fuel transactions, higher number of convenience stores, improvement in margins and improved customer offerings.

H1 2022 retail segment EBITDA increased by 36.8% compared to H1 2021, mainly driven by higher retail fuel volumes, inventory gains and the growth in non-fuel business, partially offset by higher operating expenses.

Retail Segment (AED million)	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY%*	H1 2022	H1 2021	*YoY%*
Revenue	**5,718**	**4,600**	**24.3%**	**3,523**	**62.3%**	**10,319**	**6,470**	**59.5%**
Of which Fuel Retail	5,447	4,316	26.2%	3,241	68.1%	9,764	5,935	64.5%
*Of which Non-Fuel Retail**	271	284	-4.8%	282	-4.1%	555	535	3.7%
Gross profit	**1,250**	**1,039**	**20.3%**	**859**	**45.4%**	**2,289**	**1,784**	**28.3%**
Of which Fuel Retail	1,094	881	24.2%	715	52.9%	1,975	1,497	31.9%
*Of which Non-Fuel Retail**	156	159	-1.7%	144	8.2%	314	287	9.6%
EBITDA	**777**	**598**	**29.9%**	**467**	**66.4%**	**1,375**	**1,005**	**36.8%**
Operating profit	618	450	37.1%	340	81.9%	1,068	745	43.3%
Capital expenditures	141	129	9.1%	32	337.8%	270	209	29.6%

* Non-fuel retail includes convenience stores, car wash, lube change, property management and vehicle inspection

Other operating metrics

Q2 2022 and H1 2022 fuel transactions increased by 15.9% and 18.0%, respectively, compared to the same periods of 2021 on the back of network expansion, improving customer sentiment, as well as a result of the country's ongoing economic growth and the further ease in mobility and global travel restrictions.

Fuel operating metrics	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1 2022	H1 2021	*YoY%*
Number of service stations - UAE (1)	472*	464	*1.7%*	457	*3.3%*	472*	457	*3.3%*
Number of service stations - Saudi Arabia (1) (2)	66	55	*20.0%*	2	*NM*	66	2	*NM*
Total number of service stations	**538**	**519**	***3.7%***	**459**	***17.2%***	**538**	**549**	***17.2%***
Total Throughput per station (million liters)	3.0	3.2	*-6.7%*	3.4	*-11.7%*	6.1	6.6	*-8.9%*
Number of fuel transactions (millions) - UAE	45.3	42.7	*6.0%*	39.1	*15.9%*	88.0	74.6	*18.0%*

NM: Not meaningful
(1) At end of period.
(2) Includes one franchised site
* Two old station were closed during H1 2022

Q2 2022 and H1 2022 Non-fuel transactions increased by 15.5% and 17.9%, respectively, year-on-year, driven by improving consumer sentiment, increase in number of convenience stores, enhanced customer offerings following the revitalization of our stores and marketing and promotion campaigns under ADNOC Rewards loyalty program to attract higher footfall and increase customer spending.

The convenience stores revenues increased by 7.1% in Q2 2022 compared to Q2 2021, and by 12.0% in H1 2022 compared to H1 2021, mainly driven by higher transactions compared to the same periods of last year. Q2 2022 and H1 2022 convenience stores gross profit increased by 15.8% and 18.7%, respectively, year-on-year, driven by higher transactions and improvement in margins. The convenience stores business margins improved as a result of enhanced customer offerings following the revitalization of our stores and marketing and promotion campaigns, as well as the higher F&B sales.

Average gross basket size declined by 4.8% year-on-year in Q2 2022 and by 4.9% year-on-year in H1 2022 after a double digit year-on-year rise during the peak of COVID-19 pandemic as customers visited less during pandemic restrictions but bought more during each visit. However, average gross basket size is still above pre-pandemic levels, driven by customer centric initiatives.

In its property management business, the Company continues to transition its tenancy business to a revenue sharing model to maximize revenue and profitability. The number of occupied properties increased by 13.1% year-on-year in both Q2 2022 and H1 2022 driven by proactive non-fuel growth strategy to bring in new tenants.

The number of vehicles inspected (fresh tests) in the Company's vehicle inspection centers increased by 4.5% in Q2 2022 compared to Q2 2021, and by 5.0% in H1 2022 compared to H1 2021, driven by higher numbers of vehicle inspection centers.

Non-Fuel operating metrics	**Q2-22**	**Q1-22**	***QoQ %***	**Q2-21**	***YoY %***	**H1 2022**	**H1 2021**	***YoY%***
Total number of non-fuel transactions (millions) – UAE (2)	9.4	9.6	*-1.8%*	8.1	*15.5%*	19.0	16.1	*17.9%*
Number of convenience stores - UAE (1)	359	350	*2.6%*	340	*5.6%*	359	340	*5.6%*
Convenience stores revenue (AED million)	169	180	*-6.0%*	158	*7.1%*	349	312	*12.0%*
Convenience stores gross profit (AED million)	58	59	*-1.4%*	50	*15.8%*	118	99	*18.7%*
Margin	*34.6%*	*32.9%*		*31.8%*		*33.7%*	*31.7%*	
Conversion rate % (3)	17%	19%		17%		18%	18%	
Average basket size (AED) (4)	21.6	22.4	*-3.6%*	23.5	*-8.3%*	22.0	23.5	*-6.4%*
Average gross basket size (AED)(5)	24.9	26.3	*-5.0%*	26.2	*-4.8%*	25.6	26.9	*-4.9%*
Number of Property Management tenants (1)	330	330	*0.0%*	292	*13.0%*	330	292	*13.0%*
Number of occupied properties for rent (1)	999	974	*2.6%*	883	*13.1%*	999	883	*13.1%*
Number of vehicle inspection centers (1) (6)	31	30	*3.3%*	29	*6.9%*	31	29	*6.9%*
Number of vehicles inspected (fresh tests) (thousands)	202	223	*-9.5%*	193	*4.5%*	425	404	*5.0%*
Other vehicle inspection transactions (thousands)(7)	67	85	*-21.2%*	69	*-2.5%*	152	135	*12.3%*

(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 include number of vehicles inspected (re-tests) and sale of safety items at our vehicles inspection centers

ADNOC DISTRIBUTION

Commercial Segment – B2B (Corporate and Aviation)

Volumes

Q2 2022 Commercial fuel volumes increased by 14.7% compared to Q2 2021, driven by a 35.1% year-on-year increase in the Corporate volumes. The higher Corporate volumes were partially offset by a significant decline in the Aviation fuel volumes sold to strategic customers.

H1 2022 Commercial fuel volumes increased by 13.3% compared to H1 2021, driven by Corporate business. Corporate fuel volumes increased by 26.7% year-on-year, partially driven by the new sales agreements confirmed in the final quarter of 2021. On the other hand, Aviation fuel volumes sold to strategic customers decreased by 47.9% year-on-year.

.

Commercial Segment volumes (million liters)	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1 2022	H1 2021	*YoY%*
Gasoline	66	64	*2.5%*	21	*210.1%*	129	58	*122.5%*
Diesel	584	512	*14.2%*	439	*33.0%*	1,096	888	*23.5%*
Aviation	43	90	*-51.9%*	140	*-69.0%*	134	257	*-47.9%*
Other (1)	128	138	*-7.2%*	115	*10.9%*	265	231	*15.1%*
Total	**821**	**804**	***2.2%***	**716**	***14.7%***	**1,625**	**1,433**	***13.3%***

(1) Includes LPG, lubricants and base oil.

Results

Q2 2022 Commercial segment revenue increased by 95.3% compared to Q2 2021, mainly driven by Corporate business revenue which more than doubled in Q2 2022 on the back of higher selling prices (as a result of increase in crude oil prices) and growth in Corporate fuel volumes. This was partially offset by a decline in Aviation revenues due to lower Aviation volumes.

Q2 2022 Commercial segment gross profit increased by 28.8% compared to Q2 2021 driven by higher Corporate fuel volumes and higher margin per liter, partially offset by decline in Aviation volumes and gross profit.

Q2 2022 Commercial segment EBITDA increased by 38.1% year-on-year, driven by higher Corporate volumes, partially offset by lower aviation volumes and higher operating expenses.

H1 2022 Commercial segment revenue increased by 78.6% compared to H1 2022, mainly driven by higher Corporate business revenue, partially offset by a decline in Aviation revenues due to lower aviation volumes.

H1 2022 Commercial segment gross profit increased by 14.8% compared to H1 2021 driven by higher Corporate fuel volumes, partially offset by lower Aviation volumes and gross profit.

H1 2022 Commercial segment EBITDA increased by 17.3% year-on-year, driven by higher Corporate volumes, partially offset by lower aviation volumes and higher operating expenses.

Commercial Segment (AED million)	Q2-22	Q1-22	*QoQ %*	Q2-21	*YoY %*	H1-2022	H1-2021	*YoY%*
Revenue	**2,919**	**2,136**	***36.7%***	**1,495**	***95.3%***	**5,055**	**2,830**	***78.6%***
Of which Corporate	2,676	1,820	*47.0%*	1,138	*135.2%*	4,495	2,187	*105.5%*
Of which Aviation	243	316	*-23.0%*	356	*-31.7%*	559	643	*-13.1%*
Gross profit	**467**	**410**	***14.0%***	**362**	***28.8%***	**876**	**764**	***14.8%***
Of which Corporate	361	292	*23.7%*	224	*61.1%*	652	489	*33.4%*
Of which Aviation	106	118	*-10.0%*	139	*-23.8%*	224	275	*-18.7%*
EBITDA	**336**	**282**	***19.0%***	**243**	***38.1%***	**618**	**527**	***17.3%***
Operating profit	321	267	*20.0%*	226	*41.7%*	588	496	*18.6%*
Capital expenditures	0	3	*NM*	13	*NM*	3	18	*NM*

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 2022 was AED 4.22. In the period from 1 January 2022 through 30 June 2022, the share price ranged between AED 3.95 and AED 4.27 at close. Our market capitalization was AED 52.8 billion as of 30 June 2022. An average of 13.4 million shares traded daily in H1 2022 (0.6x 2021 level). In H1 2022, the average daily traded value of our shares was approximately AED 55 million (0.7x 2021 level).

As of 30 June 2022, ADNOC owned 77%, while 23% of our outstanding shares are publicly owned by 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.

Q2 2022 Earnings conference call details

A conference call in English for investors and analysts will be held on Monday, August 8, 2022, at 4 p.m. UAE / 1 p.m. London / 8 a.m. New York. To access the management presentation, 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

Note: Click on the link above to attend the presentation from your laptop, tablet or mobile device. Audio will stream through your selected device. If you have technical difficulties, please click the "Listen by Phone" button on the webcast player and dial one of the numbers provided therein.

Audio Call Dial in Details:

UAE (Toll Free): 8000 3570 2551

KSA (Toll Free): 800 844 1322

UK (Toll Free): 0800 279 6894

US (Toll Free): 800-207-0148

Passcode: 603888

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 Monday, August 8, 2022 at https://www.adnocdistribution.ae/en/investor-relations/investor-relations/downloads/

Reporting date for the Third quarter 2022

We expect to announce our third quarter and nine months 2022 results on or around November 14, 2022.

Contacts

Investor Relations
Tel.: +971 2 695 9770
Email: ir@adnocdistribution.ae

Athmane Benzerroug
Chief Investor Relations Officer
Email: athmane.benzerroug@adnocdistribution.ae

August 8, 2022
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.