# ADNOC DISTRIBUTION Second Quarter and First Half 2019 Results

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# ADNOC Distribution
# Second Quarter and First Half 2019 Results

## Highlights – Strong results with significant operating cost efficiencies

- **Solid underlying EBITDA growth**

- Our total EBITDA for H1 19 reached AED1,483 million representing an increase of 2.8% year-on-year, mainly driven by continued cost efficiencies, and growth in our Corporate segment driven by higher volumes and more dynamic product pricing.

- Excluding the impact of AED 214 million and AED 119 million of inventory gains for H1 2018 and H1 2019, respectively, H1 2019 underlying EBITDA increased by 11.0% year-on-year as a result of our cost initiatives and the performance of our non-fuel businesses.

- We have made significant progress in rationalizing our OPEX, achieving AED 132 million like-for-like OPEX savings in H1 2019, mainly driven by cost optimization initiatives. Our cash OPEX declined by 16.5% in H1 19 compared to H1 18 to AED 1,037 million.

- Q2 2019 EBITDA increased by 2.3% to AED 750 million compared to AED 733 million for Q1 2019, and Q2 2019 net profit increased by 2.9% to AED 595 million compared to AED 578 million for Q1 2019, driven by higher oil prices, continued cost optimization and continued momentum in convenience stores. Q2 2019 EBITDA increased by 1.3% compared to Q2 2018 despite lower volumes and lower inventory gains.

- Overall fuel sales volumes were down in H1 2019 by 1.7% year-on-year driven by a 3.5% decrease in fuel retail volumes, mainly due to increased competition and the impact of the longer public holiday in Q2 2019 compared to the same period last year. On the Corporate segment side, volumes increased in H1 2019 by 5.5 % compared to H1 2018 driven by higher sales of LPG, lubricants and base oil. Aviation segment volumes sold to our strategic customers were marginally up in H1 2019.

- H1 2019 net profit increased by 4.3% to AED 1,173 million compared to AED 1,124 million for H1 2018, despite a 1.7% decline in total fuel volumes and lower inventory gains, driven by good progress in cost optimization and continued momentum in convenience stores.

- **Earnings and cash flow**

- Q2 2019 earnings per share increased by 2.9% to AED 0.048 compared to AED 0.046 for Q1 2019, and increased by 2.2% compared to AED 0.047 for Q2 2018.

- Net cash generated from operating activities increased by 62.9% to AED 1,872 million in Q2 2019 compared to Q2 2018 driven by strong cash flow from operations and proactive working capital management, resulting in a net debt to EBITDA ratio of 0.02x at 30 June 2019. Free cash flow (EBITDA minus capital expenditures) for Q2 2019 increased by 17.3% to AED 658 million compared to AED 561 million for Q2 2018.

- **Strategy update:**

- **Fuel business.** Our UAE network reached 379 retail fuel stations as of 30 June 2019. In the first half of 2019 we opened 3 new stations in UAE. We have also 2 additional stations in Dubai under commissioning. In line with earlier guidance that most of our new stations will open towards end of 2019, we remain on track to open 20 to 30 new stations across the UAE this year with a clear focus on accelerating our footprint in Dubai.

- **Non-fuel business.** Our UAE network reached 262 convenience stores as of 30 June 2019. In H1 2019 we opened 12 new convenience stores across the UAE, 10 of which were opened in Q2 2019 at our existing retail sites. Our convenience stores revitalization program, which offers customers an improved shopping experience, is on track and is contributing to positive convenience store performance. Improvements were also seen in gross margins and an uplift in average basket size by 6.8% in H1 2019 compared to H1 2018. Our 14 Géant Express convenience stores, and 12 Oasis Cafés (coffee and fresh bakery concept) continue to show positive results.

- **Cost efficiency.** We continue to achieve good progress in managing our cost base. Q2 2019 distribution and administrative expenses were AED 701 million, a 16.3% decrease compared to Q2 2018 distribution and administrative expenses of AED 837 million, driven by cost optimization initiatives, including the benefit of restructuring costs incurred in 2018 to reduce staff costs in 2019. On a like-for-like basis, we have achieved total opex savings of AED 132 million in H1 2019 compared to H1 2018.

## Saeed Mubarak Al Rashdi - Acting CEO:

“Thanks to an unwavering focus on our customers, the strength of our business model, and the successful execution of our strategic initiatives, we have once again delivered solid results in the first half of 2019. During the remainder of 2019 we are focused on the acceleration of our domestic network expansion, particularly in Dubai, and the growth of our non-fuel business to provide a superior experience to our customers.

Our priorities remain growth and shareholder returns underpinned by our progressive dividend policy. As previously announced, we intend to boost top-line growth in both our fuel and non-fuel businesses, and have targeted in excess of AED 3.67 billion of EBITDA by 2023.

ADNOC Distribution has once again demonstrated its ability to realize profitable long-term growth, driven by greater fuel offerings and service, an enhanced convenience store experience and improved quality of service. We are well on our way to making ADNOC Distribution a world-class fuel and convenience retailer and look forward to continuing our journey in the UAE and beyond.”

# Financial summary

| *AED millions* | Q2-19 | Q1-19 | *QoQ %* | Q2-18 | *YoY %* | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 5,504 | 4,770 | 15.4% | 5,808 | -5.2% | 10,274 | 10,967 | -6.3% |
| Gross profit | 1,332 | 1,146 | 16.3% | 1,424 | -6.5% | 2,478 | 2,609 | -5.0% |
| EBITDA | 750 | 733 | 2.3% | 740 | 1.3% | 1,483 | 1,443 | 2.8% |
| Operating profit | 622 | 605 | 2.9% | 613 | 1.5% | 1,227 | 1,191 | 3.0% |
| Profit for the period | 595 | 578 | 2.9% | 582 | 2.2% | 1,173 | 1,124 | 4.3% |
| Earnings per share (AED/share) | 0.048 | 0.046 | 2.9% | 0.047 | 2.2% | 0.094 | 0.090 | 4.3% |
| Capital expenditures | 92 | 46 | 99.1% | 179 | -48.7% | 138 | 332 | -58.4% |
| Free cash flow | 658 | 687 | -4.2% | 561 | 17.3% | 1,345 | 1,111 | 21.0% |
| Net cash generated from operating activities | 1,872 | -899 | * | 1,149 | 62.9% | 973 | 3,278 | -70.3% |
| Total equity | 3,888 | 4,067 | -4.4% | 3,319 | 17.2% | 3,888 | 3,319 | 17.2% |
| Net debt | 44 | 974 | -95.5% | 523 | -91.6% | 44 | 523 | -91.6% |
| Capital employed | 9,784 | 9,928 | -1.5% | 9,021 | 8.5% | 9,784 | 9,021 | 8.5% |
| Return on capital employed (ROCE) | 23.3% | 22.9% | -- | 22.8% | -- | 23.3% | 22.8% | -- |
| Return on equity (ROE) | 56.0% | 53.2% | -- | 59.6% | -- | 56.0% | 59.6% | -- |
| Net debt to EBITDA ratio | 0.02x | 0.35x | -- | 0.41x | -- | 0.02x | 0.41x | -- |
| Leverage ratio | 1.1% | 19.3% | -- | 13.6% | -- | 1.1% | 13.6% | -- |

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

| ***Revenue by Segment (AED millions)*** | **Q2-19** | **Q1-19** | **QoQ %** | **Q2-18** | **YoY %** | **H1-19** | **H1-18** | **YoY %** |
|---|---|---|---|---|---|---|---|---|
| Fuel and Non-Fuel Retail | 3,750 | 3,201 | 17.1% | 4,005 | -6.4% | 6,952 | 7,650 | -9.1% |
| Corporate | 1,185 | 1,026 | 15.5% | 1,163 | 1.8% | 2,211 | 2,109 | 4.8% |
| Aviation | 509 | 488 | 4.3% | 559 | -8.9% | 997 | 1,059 | -5.9% |
| Allied | 59 | 55 | 8.6% | 61 | -1.8% | 114 | 107 | 6.6% |
| **Total** | **5,504** | **4,770** | **15.4%** | **5,808** | **-5.2%** | **10,274** | **10,967** | **-6.3%** |

| ***Gross Profit by Segment (AED millions)*** | **Q2-19** | **Q1-19** | **QoQ %** | **Q2-18** | **YoY %** | **H1-19** | **H1-18** | **YoY %** |
|---|---|---|---|---|---|---|---|---|
| Fuel and Non-Fuel Retail | 871 | 712 | 22.2% | 903 | -3.5% | 1,583 | 1,704 | -7.1% |
| *Of which Fuel Retail* | 790 | 632 | 24.9% | 834 | -5.2% | 1,422 | 1,558 | -8.7% |
| *Of which Non-Fuel Retail* | 81 | 80 | 0.9% | 69 | 16.5% | 161 | 146 | 10.0% |
| Corporate | 231 | 206 | 12.0% | 239 | -3.4% | 437 | 390 | 12.3% |
| Aviation | 171 | 172 | -0.8% | 207 | -17.3% | 343 | 376 | -8.7% |
| Allied | 59 | 55 | 8.6% | 61 | -1.8% | 114 | 107 | 6.6% |
| **Total** | **1,332** | **1,146** | **16.3%** | **1,424** | **-6.5%** | **2,478** | **2,609** | **-5.0%** |

| ***EBITDA by Segment (AED millions)*** | **Q2-19** | **Q1-19** | **QoQ %** | **Q2-18** | **YoY %** | **H1-19** | **H1-18** | **YoY %** |
|---|---|---|---|---|---|---|---|---|
| Fuel and Non-Fuel Retail | 490 | 409 | 20.0% | 433 | 13.3% | 899 | 897 | 0.3% |
| Corporate | 175 | 202 | -13.2% | 182 | -3.9% | 377 | 291 | 29.4% |
| Aviation | 84 | 93 | -9.4% | 95 | -11.4% | 177 | 178 | -0.6% |
| Allied | 28 | 28 | 3.3% | 31 | -8.4% | 56 | 54 | 4.9% |
| **Total** | **750** | **733** | **2.3%** | **740** | **1.3%** | **1,483** | **1,443** | **2.8%** |

# Headlines

***Volumes***

Total fuel volumes for Q2 2019 were 2,348 million liters, slightly up compared to Q1 2019, driven by increases in Corporate segment volumes, offset by lower Retail and Aviation segment volumes.

Total volumes were down 1.7% in H1 2019 compared to H1 2018 driven by a 3.5% decrease in Retail volumes (approximately 70% of total volumes sold).

| Fuel product mix (million liters) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Gasoline (1) | 1,415 | 1,414 | 0.0% | 1,487 | -4.9% | 2,829 | 2,934 | -3.6% |
| Diesel | 576 | 562 | 2.6% | 625 | -7.7% | 1,139 | 1,202 | -5.3% |
| Aviation products | 183 | 188 | -2.5% | 183 | -0.1% | 371 | 369 | 0.5% |
| Other (2) | 173 | 171 | 1.2% | 134 | 29.6% | 345 | 259 | 33.2% |
| **Total** | **2,348** | **2,336** | **0.5%** | **2,429** | **-3.4%** | **4,683** | **4,763** | **-1.7%** |

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

| Volumes by Segment (million liters) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Retail | 1,600 | 1,607 | -0.4% | 1683 | -4.9% | 3,208 | 3,323 | -3.5% |
| Corporate | 564 | 541 | 4.4% | 551 | 2.4% | 1,105 | 1,047 | 5.5% |
| Aviation | 183 | 188 | -2.5% | 183 | -0.1% | 371 | 369 | 0.5% |
| **Total** | **2,348** | **2,336** | **0.5%** | **2,429** | **-3.4%** | **4,683** | **4,763** | **-1.7%** |

***Results***

Q2 2019 revenue was AED 5,504 million, a 5.2% decrease compared to Q2 2018 revenue of AED 5,808 million, driven by lower retail pump prices as a result of lower oil prices, as well as lower volumes. Compared to Q1 2019, Q2 2019 revenue increased by 15.4% driven by higher retail pump prices as a result of high oil prices. Q2 2019 gross profit was AED 1,332 million, a 6.5% decrease compared to Q2 2018 gross profit of AED 1,424 million and a 16.3% increase compared to Q1 2019 gross profit of AED 1,332 million.

Q2 2019 EBITDA was AED 750 million, a 1.3% increase compared to Q2 2018 EBITDA of AED 740 million and a 2.3% increase compared to Q1 2019 EBITDA of AED 733 million. Q2 2019 net profit was AED 595 million, a 2.2% increase compared to Q2 2018 net profit of AED 582 million and a 2.9% increase compared to Q1 2019 net profit of AED 578 million. The EBITDA and net profit increases compared to Q2 2018 were mainly driven by lower distribution and administrative expenses partially offset by lower volumes and lower inventory gains.

### *Distribution and administrative expenses*

Q2 2019 distribution and administrative expenses were AED 701 million, a 16.3% decrease compared to Q2 2018 distribution and administrative expenses of AED 837 million. The decrease in distribution and administrative expenses was driven by cost optimization initiatives, including the benefit of restructuring costs incurred in 2018 to reduce staff costs in 2019. In Q2 2019, we recorded an additional restructuring cost of AED 24 million to reduce headcount costs in 2019 and beyond.

H1 2019 distribution and administrative expenses were AED 1,293 million, a 13.4% decrease compared to H1 2018 distribution and administrative expenses of AED 1,494 million driven by cost optimization initiatives. On a like-for-like basis, we have achieved total opex savings of AED 132 million in H1 2019 compared to H1 2018.

Q2 2019 distribution and administrative expenses increased 18.4% compared to Q1 2019; Q1 2019 expenses were positively impacted due to reversals of prior period accruals.

| AED millions | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Staff costs | 421 | 395 | 6.8% | 463 | -9.1% | 816 | 876 | -6.8% |
| Depreciation | 128 | 128 | -0.3% | 127 | 0.5% | 256 | 253 | 1.5% |
| Repairs, maintenance and consumables | 29 | 25 | 18.1% | 35 | -15.8% | 54 | 63 | -14.1% |
| Distribution and marketing expenses | 14 | 19 | -24.5% | 43 | -66.0% | 34 | 65 | -48.1% |
| Utilities | 29 | 35 | -15.5% | 65 | -55.0% | 64 | 85 | -24.4% |
| Insurance | 1.7 | 2.3 | -26.1% | 4.0 | -57.5% | 4.0 | 6.5 | -38.5% |
| Others | 77 | -12 | * | 100 | -23.0% | 65 | 146 | -55.5% |
| **Total** | **701** | **592** | **18.4%** | **837** | **-16.3%** | **1,293** | **1,494** | **-13.4%** |

* Not meaningful

### *Capital expenditures*

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

| AED millions | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Service stations projects | 68 | 9.0 | 653.3% | 33 | 108.0% | 77 | 103 | -25.4% |
| Industrial projects | 10 | 25 | -58.6% | 75 | -86.3% | 35 | 112 | -68.6% |
| Machinery and equipment | 10 | 11 | -11.7% | 57 | -82.9% | 21 | 78 | -73.1% |
| Distribution fleet | 0.0 | 0.7 | - | - | - | 0.7 | 5.5 | -87.3% |
| Technology infrastructure | 1.9 | 0.3 | 533.3% | 13 | -85.8% | 2.2 | 32 | -93.2% |
| Office furniture and equipment | 2.0 | 0.2 | 900.0% | 0.6 | 233.3% | 2.2 | 1.2 | 83.3% |
| **Total** | **92** | **46** | **99.1%** | **179** | **-48.7%** | **138** | **332** | **-58.4%** |

### *Cash flow and leverage*

Q2 2019 free cash flow (EBITDA minus capital expenditures) increased by 17.3% to AED 658 million compared to Q2 2018 free cash flow of AED 561 million.

Our ratio of interest bearing net debt at 30 June 2019 to EBITDA for the twelve months ended 30 June 2019 was 0.02x, compared to 0.41x at 30 June 2018. There are no financial covenants in our credit facilities.

### *Dividends*

In April 2019, our shareholders approved a final dividend payment with respect to 2018 of AED 735 million (AED 0.0588 per share), which was paid in May 2019.

Our shareholders have also approved a significant increase in our dividend policy in recognition of our strong financial performance and cash position, as well as their confidence in our growth prospects and cash flow generation ability going forward.

Under the new policy, we expect to increase our annual dividend payment, starting in 2019, as follows:

- an annual dividend for fiscal year 2019 of AED 2.39 billion (AED 0.1910 per share), a 63% increase compared to 2018;
- an annual dividend for fiscal year 2020 of AED 2.57 billion (AED 0.2057 per share), a 75% increase compared to 2018; and
- a minimum payout of 75% of distributable profits from 2021 onwards.

In accordance with our new dividend policy, we expect to pay half of the fiscal 2019 dividend in the form of an interim dividend payment of AED 1,194 million (AED 0.0955 per share) in October 2019, subject to the discretion of our Board of Directors.

# Business segments operating review

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

## Retail (Fuel and Non-Fuel)

***Volumes***

Q2 2019 Retail segment volumes decreased marginally compared to Q1 2019. Q2 2019 Retail segment volumes decreased 4.9% compared to Q2 2018. H1 2019 Retail segment volumes decreased 3.5% compared to H1 2018 mainly due to the impact of the longer public holiday in Q2 2019 compared to the same period last year and increased competition.

| Retail volumes (million liters) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Gasoline | 1,395 | 1,399 | -0.3% | 1,472 | -5.2% | 2,795 | 2,902 | -3.7% |
| Diesel | 173 | 177 | -2.0% | 189 | -8.3% | 350 | 375 | -6.8% |
| Other (1) | 32 | 31 | 1.6% | 23 | 37.3% | 63 | 46 | 39.0% |
| **Total** | **1,600** | **1,607** | **-0.4%** | **1,683** | **-4.9%** | **3,208** | **3,323** | **-3.5%** |

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

**Results**

The decrease in Retail segment fuel revenue for Q2 2019 compared to Q2 2018 was primarily due to lower oil prices and lower volumes.

The decrease in Retail segment gross profit for Q2 2019 compared to Q2 2018 was mainly due to lower volumes and lower inventory gains, partially offset by increase in non-fuel retail gross profit.

The increase in Retail segment EBITDA for Q2 2019 compared to Q2 2018 was mainly due to higher operating cost efficiencies, partially offset by lower gross profits.

| Retail financials (AED millions) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 3,750 | 3,201 | 17.1% | 4,005 | -6.4% | 6,952 | 7,650 | -9.1% |
| Gross profit | 871 | 712 | 22.2% | 903 | -3.5% | 1,583 | 1704 | -7.1% |
| *Of which Fuel Retail* | 790 | 632 | 24.9% | 834 | -5.2% | 1,422 | 1558 | -8.7% |
| *Of which Non-Fuel Retail* | 81 | 80 | 0.9% | 69 | 16.5% | 161 | 146 | 10.0% |
| EBITDA | 490 | 409 | 20.0% | 433 | 13.3% | 899 | 897 | 0.3% |
| Operating profit | 385 | 303 | 27.1% | 337 | 14.4% | 688 | 705 | -2.3% |
| Capital expenditures | 76 | 37 | 105.7% | 45 | 68.8% | 113 | 130 | -13.0% |

**Other operating metrics**

We witnessed an increase in fuel transactions during Q2 2019 compared to Q1 2019 and a decrease during Q2 2019 compared to Q2 2018.

H1 2019 witnessed a strong growth of 15.9% in non-fuel transactions.

Our non-fuel segment (mainly convenience stores) generated higher revenues driven by higher transactions and conversion rates (convenience store transactions divided by fuel transactions) in Q2 2019 compared to Q2 2018.

In line with the Q1 2019, our convenience stores recorded robust revenue in Q2 2019, with an increase of 26.7% in H1 2019 compared to H1 2018.

This improvement was driven by initiatives to improve the customer experience, including a more focused stores revitalization program and the introduction of Flex Rewards, which offers users of our Premium refueling rewards that may be redeemed in our convenience stores.

| Fuel operating metrics | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Number of service stations – UAE (1) | 379 | 379 | 0.0% | 363 | 4.4% | 379 | 363 | 4.4% |
| Number of service stations - Saudi Arabia (1)(2) | 2 | 2 | - | - | - | 2 | - | - |
| Throughput per station (million liters) | 4.1 | 4.1 | 0.0% | 4.6 | -10.9% | 8.3 | 9.0 | -7.8% |
| Number of fuel transactions (millions) | 40 | 37 | 8.4% | 44 | -8.7% | 77 | 86 | -10.4% |

| Non-fuel operating metrics | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Number of convenience stores - UAE (1) | 262 | 252 | 4.0% | 240 | 9.2% | 262 | 240 | 9.2% |
| Convenience store revenue (AED million) | 197 | 197 | -0.2% | 161 | 22.0% | 393 | 311 | 26.7% |
| Convenience store gross profit (AED million) | 61 | 58 | 5.5% | 42 | 45.3% | 119 | 92 | 28.9% |
| Number of non-fuel transactions (millions) | 11.6 | 11.7 | -0.9% | 9.9 | 17.2% | 23.3 | 20.1 | 15.9% |
| Conversion rate (3) | 26% | 28% | -- | 20% | -- | 27% | 21% | -- |
| Average basket size (AED) (4) | 19.0 | 18.9 | 0.5% | 18.7 | 1.6% | 18.9 | 17.7 | 6.8% |
| Average gross basket size (AED)(5) | 23.6 | 24.2 | -2.5% | 23.8 | -0.8% | 23.9 | 23.1 | 3.5% |

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

## Corporate

### *Volumes*

Q2 2019 Corporate segment volumes increased by 4.4% compared to Q1 2019 and increased by 2.4% compared to Q2 2018. The year-on-year increase was driven by higher sales of LPG, lubricants and base oil.

| Corporate volumes (million liters) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Gasoline | 19 | 15 | 26.8% | 16 | 23.6% | 35 | 31 | 11.9% |
| Diesel | 404 | 385 | 4.7% | 436 | -7.5% | 789 | 827 | -4.5% |
| Other (1) | 142 | 140 | 1.1% | 99 | 42.6% | 281 | 190 | 48.4% |
| **Total** | **564** | **541** | **4.4%** | **551** | **2.4%** | **1,105** | **1,047** | **5.5%** |

(1) Includes LPG, lubricants and base oil.

### *Results*

Q2 2019 Corporate segment revenue increased by 1.8% compared to Q2 2018 mainly driven by higher volumes. Q2 2019 Corporate segment revenues increased by 15.5% compared to Q1 2019 mainly driven by higher oil prices. Q2 2019 Corporate segment gross profit increased by 12.0% compared to Q1 2019 mainly driven by higher volumes, better inventory management and more dynamic product pricing.

Q2 2019 Corporate segment EBITDA decreased by 3.9% compared to Q2 2018, driven by lower gross profits. Q2 2019 Corporate segment EBITDA decreased by 13.2% compared to Q1 2019; Q1 2019 EBITDA was positively impacted by a one-off receivables impairment recovery and lower distribution and administrative expenses.

| Corporate financials (AED millions) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 1,185 | 1,026 | 15.5% | 1,163 | 1.8% | 2,211 | 2,109 | 4.8% |
| Gross profit | 231 | 206 | 12.0% | 239 | -3.4% | 437 | 390 | 12.3% |
| EBITDA | 175 | 202 | -13.2% | 182 | -3.9% | 377 | 291 | 29.4% |
| Operating profit | 166 | 193 | -13.8% | 175 | -5.1% | 359 | 278 | 29.0% |
| Capital expenditures | 2.2 | 0.2 | * | 14 | -84.3% | 2.4 | 14 | -83.3% |

* Not meaningful

## Aviation

### *Volumes*

Q2 2019 Aviation segment volumes were flat compared to Q2 2018. Q2 2019 Aviation segment volumes decreased by 2.5% compared to Q1 2019 due to a decrease in fuel sales to our strategic customers.

| Aviation volumes (million liters) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Aviation products | 183 | 188 | -2.5% | 183 | -0.1% | 371 | 369 | 0.5% |

### *Results*

The decrease in Aviation segment revenue for Q2 2019 compared to Q2 2018 was driven by lower oil prices. Q2 2019 Aviation segment revenue increased by 4.3% compared to Q1 2019, driven by higher oil prices.

Q2 2019 Aviation segment gross profit decreased by 17.3% compared to Q2 2018 due to lower aviation services and civil aviation opex recovery.

Q2 2019 Aviation segment EBITDA decreased by 11.4% compared to Q2 2018, driven by lower gross profits partially offset by better operating cost efficiencies.

| Aviation financials (AED millions) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 509 | 488 | 4.3% | 559 | -8.9% | 997 | 1,059 | -5.9% |
| Gross profit | 171 | 172 | -0.8% | 207 | -17.3% | 343 | 376 | -8.7% |
| EBITDA | 84 | 93 | -9.4% | 95 | -11.4% | 177 | 178 | -0.6% |
| Operating profit | 76 | 84 | -10.1% | 86 | -12.1% | 160 | 161 | -0.6% |
| Capital expenditures | 0.5 | 0.2 | 150.0% | 2.0 | -75.0% | 0.6 | 3 | -76.0% |

## Allied Services

### *Results*

Allied Services (vehicle inspection and property management) segment Q2 2019 revenue and gross profits increased compared to Q1 2019 due to a higher number of vehicles inspected and a higher number of tenants compared to Q1 2019.

Allied Services segment Q2 2019 EBITDA increased by 3.3% compared to Q1 2019, driven by higher gross profits.

| Allied Services financials (AED millions) | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 59 | 55 | 8.6% | 61 | -1.8% | 114 | 107 | 6.6% |
| Gross profit | 59 | 55 | 8.6% | 61 | -1.8% | 114 | 107 | 6.6% |
| EBITDA | 28 | 28 | 3.3% | 31 | -8.4% | 56 | 54 | 4.9% |
| Operating profit | 23 | 22 | 4.5% | 26 | -10.1% | 45 | 43 | 5.6% |
| Capital expenditures | - | 1.1 | * | 1.7 | * | 1.1 | 2.5 | -56.0% |

* Not meaningful

### Other operating metrics

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

In our vehicle inspection centers, the number of vehicles inspected (fresh tests) during Q2 2019 increased by 5.6% compared to Q1 2019, and decreased by 2.3% compared to Q2 2018.

| Allied Services operating metrics | Q2-19 | Q1-19 | QoQ % | Q2-18 | YoY % | H1-19 | H1-18 | YoY % |
|---|---|---|---|---|---|---|---|---|
| Number of tenants (1) | 263 | 258 | 1.9% | 203 | 29.6% | 263 | 203 | 29.6% |
| Number of occupied properties for rent (1) | 922 | 927 | -0.5% | 831 | 11.0% | 922 | 831 | 11.0% |
| Number of vehicle inspection centers(1) (2) | 25 | 25 | 0.0% | 22 | 13.6% | 25 | 22 | 13.6% |
| Number of vehicles inspected (fresh tests) (thousands) | 190 | 180 | 5.6% | 195 | -2.3% | 370 | 361 | 2.5% |
| Other vehicle inspection transactions (thousands) | 57 | 58 | -1.4% | 64 | -10.2% | 115 | 125 | -7.8% |

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

# Share trading and ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 30 June 2019 was AED 2.65. In the period from 01 January 2019 through 30 June 2019, the share price has ranged from AED 2.16 to AED 2.81 at close. Our market capitalization was AED 33.1 billion as of 30 June 2019, and an average of 1.4 million shares have traded daily in 2019.

As of 30 June 2019, our parent company, ADNOC, owned 90% of our outstanding shares. Of the free float (10%), UAE and other regional institutions owned 49%, international institutional investors 36%, and private retail shareholders 15%.

# Potential risks

Key risks potentially affecting ADNOC Distribution's financial and operational results include supply chain risks, asset integrity and information technology risks. The company has identified and implemented several key controls and mitigation strategies to ensure business continuity, including engineered controls and managed controls as well as contractual safeguards to limit its financial exposure to these risks. For more detailed information on risks and risk management, please refer to the Risk Factors section of the international offering memorandum dated 26 November 2017 relating to our IPO, which is available on our website at www.adnocdistribution.ae.

# Outlook

During the remainder of 2019 we are focused on the acceleration of our domestic network expansion, particularly in Dubai, and the growth of our non-fuel business to provide a superior experience to our customers.

Given recent volume trends, we continue to expect low single digit year-on-year growth in fuel volume in the second half of 2019. Our retail fuel volumes have benefited from our recent promotional activity, which has been well received by our customers, the improvements we continue to make in our non-fuel offering, which is driving increased footfall in our stations, and the opening of our new locations in Dubai, which bring additional volume and market share. Beyond this, we expect the acceleration of our expansion in Dubai will contribute to additional increases in fuel sales volumes. Our Corporate volumes continue to benefit from our dynamic pricing strategy. This has allowed us to win significant business from corporate customers participating in the ongoing significant investments in the oil and gas sector.

The domestic network expansion plan for 20 to 30 new stations by the end of 2019, primarily in Dubai, is on track. We expect most of the planned stations to be open towards the end of 2019. Overall, we expect to invest up to AED 1.1 billion in capital expenditures in 2019, including this network expansion and investments in our digital initiatives.

We have been successful in reducing operating and capital costs without sacrificing safety, quality, and our overall customer experience. In addition to the operating expense savings reported in 2018 (approximately AED 193 million of like-for-like operating expense savings) and in H1 2019 (approximately AED 132 million of like-for-like operating expense savings), we continue to see the benefits of investments in 2018 and H1 2019 towards reducing costs in 2019 and beyond. We are on track to achieve AED 180 million in like-for-like operating expense savings in 2019.

## Earnings conference call details

A conference call in English for investors and analysts will be held on Monday, August 5, 2019, at 4 p.m. UAE / 1 p.m. London / 8 a.m. New York. To access the conference call, followed by a Q&A session, please dial one of the toll free numbers listed below and enter the conference call access code ‘**6170205’’**.

UAE Toll free: 8000 3570 3474

UK Toll free: 0800 279 6850

USA Toll free: 888 211 9994

For other countries, please dial the Standard International Access number +44 330 336 9102.

The conference call will also be webcast live on the company web site. To register for the webcast please follow the link . Please note that participants joining by webcast will be able to ask questions via a chat box within the webcast player. The webcast will remain available for playback for 30 days.

The presentation materials will be available for download in English on Monday, August 5, 2019 at adnocdistribution.ae/conferencecall.

## Reporting date for the third quarter of 2019

We expect to announce our third quarter 2019 results on or around 5 November 2019.

## Contacts

Investor Relations, tel. +971 2 695 9770 – ir@adnocdistribution.ae
Athmane Benzerroug – Chief Investor Relations Officer – athmane.benzerroug@adnocdistribution.ae

4 August 2019
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

# Glossary

- Net debt is calculated as total interest bearing debt less cash and bank balances.
- Free cash flow is calculated as EBITDA less capital expenditures.
- Capital employed is calculated as the sum of total assets minus non-interest bearing current liabilities.
- Return on capital employed is calculated as operating profit for the twelve months ended divided by capital employed on the last day of the period presented.
- Return on equity is calculated as profit for the period for the twelve months ended divided by total equity on the last day of the period presented.
- Net debt to EBITDA ratio is calculated interest bearing net debt as of the end of the period presented, divided by EBITDA for the twelve months ended on the last day of the period presented.
- Leverage ratio is calculated as (a) interest bearing net debt, divided by (b) the sum of interest bearing net debt plus total equity.
- Average basket size is calculated as total convenience store sales revenue divided by number of convenience store transactions.

## Cautionary Statement Regarding Forward-Looking Statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance and anticipated developments in markets in which operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “would”, “intends”, “estimates”, “plans”, “targets”, or “anticipates” or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC to supply us with substantially all of the fuel products that we sell; an interruption in the supply of fuels to us by ADNOC; changes in the prices that we pay ADNOC for our fuels and to the prices that we are allowed to charge our retail customers in the UAE; failure to successfully implement our operating initiatives and growth plans, including our mixed-mode service offering, our convenience store optimization initiatives, our cost savings initiatives, and our growth plans; competition in our markets; decrease in demand for the fuels we sell, including due to general economic conditions, improvements in fuel efficiency and increased consumer preference for alternative fuels; the dangers inherent in the storage and transportation of the products we sell; our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, and product quality; the extent of our related party transactions with ADNOC and our reliance on ADNOC to operate our business; the introduction of VAT and other new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated 26 November 2017 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.