ANNUAL REPORT 2018

DRIVING GROWTH DELIVERING VALUE

ADNOC Distribution

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Striving for long-term sustainable success

ADNOC Distribution is the leading fuel distributor and convenience store operator, and the number one retail and wholesale fuel brand in the United Arab Emirates.

We operate 376 retail fuel service stations and 250 convenience stores, including 13 Géant Express branded stores. In December 2018, we opened our first three locations in Dubai, making us the only fuel retailer operating in all seven emirates in the UAE. In 2018, we also expanded our operations internationally, opening two service stations in the Kingdom of Saudi Arabia.

In addition to our fuel offerings, we provide lube change, tire change, car wash and other car care services at many of our locations, and operate the only government-authorized vehicle inspection centers in Abu Dhabi. We also lease space at our service stations to quick service restaurants and other service providers, including major brands such as McDonalds, KFC and Starbucks.

We are also the UAE's leading marketer and distributor of fuels to commercial, industrial and government customers. We provide aviation services to civil aviation customers at seven airports, and fuel and aviation services to strategic aviation customers throughout the UAE.

ADNOC Distribution shares are listed on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST.

VISION

To be the leading world-class fuel and convenience retailer.

MISSION

To deliver first-class service, choice and convenience to our customers with a commercially minded and performance-driven approach.

OUR VALUES

Progressive

We harness the UAE's spirit of innovation to ensure that our business remains at the forefront of the global energy industry.

Collaborative

We work in close collaboration with our partners and peers, leveraging our collective strengths to deliver mutually beneficial results.

Respectful

We encourage a culture of inclusivity and mutual respect, and always operate to the very highest professional and ethical standards.

Responsible

We are committed to identifying ways that can make a difference to our community, while maintaining an unwavering commitment to health, safety and the environment.

Efficient

We are a performance-driven company, dedicated to maximizing the value of energy resources for the benefit of our people, our community, our partners and our nation.

The Late Sheikh Zayed bin Sultan Al Nahyan

Founder of the United Arab Emirates

His Highness Sheikh Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates

His Highness Sheikh Mohamed bin Zayed Al Nahyan

Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces

HITTING OUR TARGETS AND ACCELERATING OUR GROWTH PLANS

Revenue

15.9%

AED m
22,893

Gross profit

14.5%

AED m
5,069

Fuel volumes

Total fuel volumes sold in 2018 amounted to 9.61 billion liters.

Retail transactions

The number of fuel transactions in 2018 was 167.8 million, while non-fuel transactions totaled 42.7 million.

Customer service

We launched ADNOC Flex, which offers customers the option of premium and self-service refueling, a first for the UAE.

Smart technology

We significantly expanded customer adoption of our Smart Tag technology, a world-class payment option that enables customers to refuel and pay without using cash or bank cards.

Domestic expansion

Our retail network grew to 376 service stations across the seven emirates of the UAE during the year, including our first three locations in Dubai.

International expansion

We opened our first two service stations in Saudi Arabia during 2018, and signed a memorandum of understanding for the marketing and distribution of our lubricants in India.

Rental properties

Occupancy at our rental properties increased by 36.5 percent in 2018, the seventh successive year of growth. We have continued to transition our tenancy business to a revenue-sharing model to maximize revenue and profitability.

Energy management

We were awarded the ISO 50001 certification for our Energy Management System (EnMS).

We recorded numerous significant achievements during 2018, most notably our expansions into Dubai and Saudi Arabia. We opened 17 service stations across the UAE, including our first three locations in Dubai, and opened our first two service stations in Saudi Arabia in 2018.

Our convenience store revitalization program included the opening of 13 Géant Express stores, and the expansion of our Oasis Café bakery and cafe concept, with 12 outlets open by year-end.

We also achieved significant cost efficiencies by optimizing operating expenses and reducing construction costs for our new service stations.

Profit for the year

AED m

2,128

2018 dividend*

AED m

1,470

Net cash generated from operating activities

AED m

4,914

Earnings per share

AED

0.170

EBITDA

21.6%

AED m

2,774

2018	2,774
2017	2,281

2018 dividend per share

AED

0.1176

Return on equity

59.3%

* Includes an AED 735 million (AED 0.0588 per share) dividend approved by our Board of Directors that will be submitted for ratification at our 2019 Annual General Meeting of Shareholders.

EMBRACING CHANGE AND FOCUSING ON OUR CUSTOMERS AND GROWTH

"Our Annual Report this year sets out how ADNOC Distribution is embracing change, with particular emphasis on improving the customer experience, and our expansion into new markets."

Net profit surged by 18 percent to AED 2.13 billion, or AED 0.17 per share, and earnings before interest, tax, depreciation and amortization (EBITDA) increased by 21.6 percent to AED 2.77 billion.

Net cash generated from operating activities grew by 45.3 percent to AED 4.91 billion, driven by strong cash flow from operations and proactive working capital management.

The successful IPO of ADNOC Distribution in December 2017 marked the beginning of significant transformation for our business into a more commercially minded, performance-driven and growth-orientated organization.

Our Annual Report this year sets out how ADNOC Distribution is embracing change, with particular emphasis on improving the customer experience, and our expansion into new markets. Our continued growth across all seven emirates of the UAE, our entry into promising growth markets for retail fuel, and the signing of agreements to distribute our lubricant products in new markets are all indicative of this new approach.

In 2018, we made significant progress across all three pillars of our strategy: fuel, non-fuel, and cost efficiency. Our continued focus on customer satisfaction and financial performance has generated positive results, reinforced by greater fuel offerings and service, an enhanced convenience store experience, and improved service quality.

In this context, our 2018 financial results are very encouraging. Net profit surged by 18 percent to AED 2.13 billion, or AED 0.17 per share, and earnings before interest, tax, depreciation and amortization (EBITDA) increased by 21.6 percent to AED 2.77 billion. Net cash generated from operating activities grew by 45.3 percent to AED 4.91 billion, driven by strong cash flow from operations and proactive working capital management.

My fellow board directors, the executive management and I thank our customers, our partners, and our colleagues for their support. The Company's progress to date is founded on these relationships, and on a collective willingness to improve and advance our business.

We enter 2019 with renewed determination to grow and progress. As the nation's fuel provider of choice, our heritage demands nothing less than maximum effort to achieve our objectives, whether in redefining the retail customer experience, or as a trusted commercial partner to world-class companies.

The ADNOC Distribution brand enjoys widespread trust and respect. I am confident in our ability, now and in the future, to help sustain that reputation.

Dr. Sultan Ahmed Al Jaber
Chairman

DELIVERING ON OUR BUSINESS PLAN COMMITMENTS FOR 2018

"Tackling costs, managing operating expenses and capital expenditure, and improving efficiency have also been critical to our 2018 performance. We accelerated our cost-efficiency programs and prudently managed expenses."

Our ambition is to transform ADNOC Distribution into a more performance-driven and commercially minded business through our disciplined and return-driven capital allocation strategy.

We expect to accelerate our Dubai expansion during 2019 and continue to grow in Saudi Arabia.

Our 2018 results confirm our ambition to sustain strong financial performance – through operational excellence, greater fuel offerings, an enhanced convenience store experience and premium customer service.

We have been successful in fulfilling the promises made at the time of our IPO.

Our recent entry into Dubai and Saudi Arabia is our opportunity to showcase to customers in these markets our great service and products. This is just the beginning of our move into Dubai and Saudi Arabia, with further expansion to come as we strengthen our presence across the nation and look to expand internationally.

The launch of ADNOC Flex, our premium and self-service fueling offer, was a significant initiative during the year, and our convenience store revitalization led to a double-digit increase in average transaction size. The success of our new partnership with Géant is another measure of our progress towards achieving our strategic objectives, with 13 Géant Express stores opened by year-end.

Tackling costs, managing operating expenses and capital expenditure, and improving efficiency have also been critical to our 2018 performance. We accelerated our cost-efficiency programs and prudently managed expenses. This initiative will continue in 2019.

In the short to medium term, we remain focused on a number of growth initiatives. Our ambition is to transform ADNOC Distribution into a more performance-driven and commercially minded business through our disciplined and return-driven capital allocation strategy.

Longer term, we are positioning the Company in line with the Abu Dhabi Economic Vision 2030. The energy landscape is changing dramatically, so making the Company fit for purpose for the next stage in its evolution – and 20 to 30 years beyond that – is already under way.

We appreciate the trust our customers and shareholders continue to show in us. Our ongoing mission is to repay that trust by harnessing our unique market position to provide a world-class customer experience, to create and deliver value, and to meet the challenges ahead with creativity and resilience.

Eng. Saeed Mubarak Al Rashdi
Acting Chief Executive Officer

We began 2018 with an ambitious agenda for regional and international expansion, as well as becoming a more cost-efficient organization. The challenging priorities we set ourselves – those that offered the greatest payback in transforming our business – have helped us to meet and exceed our business targets.

Last year we promised to grow across the UAE, including entering Dubai, and to expand into the Saudi Arabian market – with a target to open a total of 10 to 12 service stations during the year. I am pleased to report that we exceeded that promise and are confident of maintaining our momentum. We expect to accelerate our Dubai expansion during 2019 and to continue to grow in Saudi Arabia.

We also prioritized the need to become more customer- and market-focused in our commercial operations, and to enhance our operating margins. Significant progress has been made on both fronts.

In our non-fuel business, we have delivered growth through an improved product range, store revitalizations, and our partnership with Géant. We believe that the improved customer experience we are creating will deliver continued momentum in this business.

While the Company will continue to expand in the UAE, especially in Dubai, we are also pursuing opportunities internationally. With the size of the Saudi Arabian market being three times that of the UAE, we have ample scope for significant growth there. Our entry into the Indian lubricants market also holds great potential.

Overall, we can look forward to capitalizing on the opportunities we have created, as well as continuing to grow in our traditional network. Our leadership is strong and we have built capabilities throughout the organization. The Company is more rigorous and willing to adapt, leaving us well-positioned to build on the successes of the past year.

John Carey
Deputy Chief Executive Officer

45 SUCCESSFUL YEARS AS THE NATION'S ENERGY PROVIDER

1970's

1973 During the rule of Sheikh Zayed, Abu Dhabi National Oil Company (ADNOC) for Distribution is established by royal decree as the first UAE government-owned company specializing in the marketing and distribution of petroleum products. On June 1, 1973, a reception was given under the auspices of Sheikh Zayed Bin Sultan celebrating the handing over of distribution functions to the Abu Dhabi National Oil Company by the foreign companies that were in charge of distribution operations.

1975 A report from the Commercial Department of the British Embassy provides a glimpse of the early days of ADNOC Distribution. "This company," the note says, "now operates its own fleet of road tankers, it has now a floating tank farm moored offshore, and 2 Rhine barges for carrying distillate from the tank to shore. It is shortly to commence building its own distribution center."

1976 The Company begins selling Liquid Petroleum Gas (LPG) canisters for domestic consumption.

1979 ADNOC Distribution opens a lubricants blending and packaging plant at Sas Al Nakhl in Abu Dhabi.

1980's

1982 The Company begins refueling aircraft at Abu Dhabi International Airport.

1983 The Company commissions a grease production unit at the Sas Al Nakhl lubricant plant. The unit, only the second of its kind in the world, manufactures high quality greases.

1984 The number of filling stations in remote areas increases as part of a plan to expand the Company's network to cover the whole of Abu Dhabi Emirate. Special attention is given to introducing modern technology, and new services, such as the sale and repair of tires, are added at some filling stations.

1990's

1993 ADNOC Distribution becomes an American Petroleum Institute (API) member and receives its first API lubricants certification.

1998 ADNOC Distribution rebrands and introduces a total retail offering (fuel and non-fuel).

The Company obtains International Organization for Standardization (ISO) 9002 certification from the British Standards Institute. This is followed by ISO 9001-2008 accreditation in 2003.

1999 The Company's aviation division receives the MTMC (US Military Transport Management Command) Quality Award for Excellent Services.

2000's

2000 The Company begins operating its vehicle inspection centers in coordination with the Abu Dhabi Police.

2006 ADNOC Distribution service stations begin offering a third grade of gasoline, E-plus (Octane 91) for low-compression engines, to complement Super (98) for high-compression and Special (95) for medium-compression engines.

2008 The Company begins construction of compressed natural gas (CNG) distribution facilities at service stations to be used by natural gas vehicles (NGVs).

2009 ADNOC Distribution and other ADNOC group companies sign the ADNOC Sustainability Charter.

2010's

2011 ADNOC Distribution becomes a member and strategic partner of the International Air Transport Association and an associate member of the Joint Inspection Group (JIG), which governs standards for the operation of shared fuel storage and handling facilities at the world's major airports.

2013 The Company agrees to acquire 75 service stations from Emirates General Petroleum Company (Emarat) in the five Northern Emirates of Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain and Fujairah.

2014 ADNOC Distribution agrees to take over 25 service stations in Sharjah from Emirates National Oil Company (ENOC).

2015 Pilot phase of ADNOC Distribution's Smart project begins. Our Smart service stations are fitted with radio frequency identification (RFID) readers, allowing customers to manage their ADNOC wallet accounts online and to pay for fuel without the use of cash or bank cards.

ADNOC Distribution launches Facebook and Twitter pages in Arabic and English.

2016 The Company marks the opening of its 200th ADNOC Oasis convenience store.

2017 The ADNOC Xpress format is launched. Xpress stations are one-island outlets offering additional fueling capacity in urban areas.

The Company completes its successful initial public offering, listing its shares on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST.

2018 ADNOC Distribution opens its first service stations in Dubai and Saudi Arabia.

We are pursuing a multi-pronged strategy, which has at its heart the aim of increasing profitability, consolidating our market leader status in the UAE, enhancing our product range and expanding geographically.

1

Leveraging our position as the UAE's leading fuel retailer

We are uniquely positioned to introduce products and services to our extensive customer base that boost customer satisfaction and loyalty, while driving incremental revenue and profitability.

The use of advanced technology is key to leveraging our position. For example, our proprietary Smart technology allows pump activation and seamless payment processing without involving pump attendants, and without the use of cash or bank cards. This technology has also helped reduce payment handling and has supported the conversion of our retail fuel service stations to accommodate our new ADNOC Flex offering.

2

Rationalizing our operations and capital expenditures

Significant opportunities exist to rationalize our operations, in order to reduce operating expenses and capital expenditures, and to bring them into line with other international fuel and convenience store retailers. During 2018, for example, a rigorous approach to value engineering resulted in a significant reduction of per-site capital expenditures for new service stations.

Ongoing analysis of our service station and convenience store operations has highlighted ways to optimize staffing levels and reduce other operating expenses, without sacrificing the customer experience. Cost optimization remains a primary objective.

3

Optimizing our convenience store operations and other non-fuel offerings

Our 250 convenience stores represent the largest retail platform in the UAE by number of stores. Initiatives such as our partnership with Géant capitalize on this market-leading position and have resulted in significant improvements in our convenience store profitability.

We also introduced 12 bakeries and cafes under our Oasis Café brand during 2018 and are committed to continuing the implementation of our revitalization strategy to further improve our customer experience and increase the number and profitability of transactions.

4

Harnessing the power of the ADNOC brand and our highly developed infrastructure

The ADNOC brand name is synonymous with quality and reliability throughout the UAE and the Gulf region, and has been identified as one of the most valuable brands in the Middle East. This has underpinned our expansion into new geographies, including Dubai and Saudi Arabia.

We opened our first three service stations in Dubai in 2018, and will accelerate our Dubai expansion in 2019. We also opened our first two ADNOC-branded service stations in Saudi Arabia in 2018, where we see major upside in a market three times the size of the UAE.

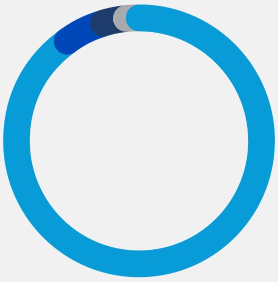
5

Nurturing our long-standing relationships

Our corporate customers rely on us for the quality and reliability of our products and services. We expect that our long-standing customer relationships and our reputation for quality will drive incremental revenue.

Trading of ADNOC Distribution shares on the Abu Dhabi Stock Exchange (ADX) began on 13 December 2017 under the symbol ADNOCDIST. The share price at 31 December 2018 was AED 2.32. The Company's market capitalization at 31 December 2018 was AED 29 billion.

Share ownership structure



ADNOC Group	90.0%
UAE and other GCC institutions	5.0%
International investors	3.5%
Individual retail shareholders	1.5%

The Company's paid-up share capital is AED 1 billion, divided into 12.5 billion shares, each with a nominal value of AED 0.08.

As at 31 December 2018, Abu Dhabi National Oil Company (ADNOC), our parent company, owned 90 percent of the outstanding shares, UAE and other GCC institutions, international investors, and individual retail shareholders owned 5.0 percent, 3.5 percent and 1.5 percent of the outstanding shares, respectively.

The number of individual shareholders at 31 December 2018 was approximately 10,800.

How to buy shares

Any investor with an up-to-date investor number (NIN) registered through the ADX can place orders to buy and sell shares through brokerage companies licensed and registered in the market.

Trading on the ADX is allowed only through authorized brokers. You may contact your broker or visit www.adx.ae (FAQs) for a complete list of brokerage companies. You can also call ADX customer service at 800239 or +971 2 6277777 for further information.

Dividend policy

Consistent with the dividend policy announced at the time of our IPO, ADNOC Distribution's Board of Directors has recommended that our shareholders approve a final dividend payment of AED 735 million (AED 0.0588 per share) with respect to 2018, resulting in a total dividend of AED 1,470 million (AED 0.1176 per share) for fiscal year 2018. If approved by our shareholders at our Annual General Meeting, we expect to pay this dividend in April 2019.

In making recommendations to our shareholders regarding the payment of dividends, our Board of Directors considers the cash management requirements of the business for operating expenses, interest expense and anticipated capital expenditures.

The Board also considers market conditions, the operating environment and their outlook for the business. Any level or payment of dividends will depend on, among other things, future profits and the Company's business plan, at the discretion of the Board and subject to approval by our shareholders.

ADNOC Distribution

2018	Initial listing	Last trading day 2018	% change	High	Low	Average trading volume 2018 (million share)
Share Price (AED)	2.5	2.32	-7	2.72	2.17	1.4
ADX General Index	4,384	4,915	12			
Number of shares outstanding (bn)	12.5	12.5				
Market capitalization (AED bn)	31.3	29				
Market capitalization (USD bn)	8.5	7.9				

Market
Abu Dhabi Securities Exchange (ADX)

Sector
Energy

Currency
AED (United Arab Emirates Dirham)

International Securities Identification Number (ISIN)
AEA006101017

ADX symbol
ADNOCDIST

Reuters Instrument Code (RIC)
ANOD.AD

Bloomberg symbol
ADNOCDIS:UH

Date listed on the stock exchange
13 December 2017

Added to ADX General Index (ADI) and Energy sector sub-index (ADEG)
20 December 2017

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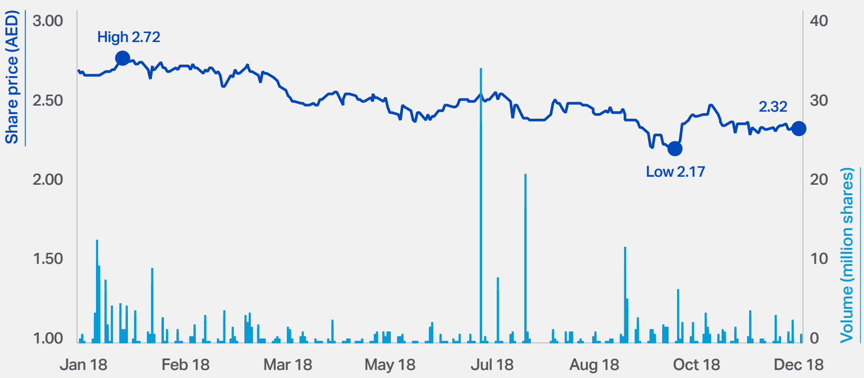
Analyst coverage
- Alpha Mena
- Arqaam Capital
- Bank of America Merrill Lynch
- Citi Research
- EFG Hermes
- FAB Securities
- Goldman Sachs Equity Research
- HSBC Global Research
- Morgan Stanley Research

ADNOC Distribution daily share performance

(Prices at daily close)




طازج
البقالة اليومية
GROCERY
العناية بالمنزل
العناية الشخصية
العناية بالطفل

FINANCIAL REVIEW

ADNOC Distribution reported exceptional operational and financial performance in 2018.

The following discussion and analysis of our financial results is based on our audited financial statements for the year ended 31 December 2018. The results should be read in conjunction with our audited financial statements, including the related notes, which are available on our website.

ADNOC Distribution is now the only fuel retailer serving all seven emirates in the UAE. Our entry into Dubai marks just the start of our journey in the emirate, with further planned expansion to come in the UAE and internationally during 2019.

We continue to pursue our ambition of making the Company more performance-driven and commercially minded. A disciplined, return-driven capital allocation strategy is driving this transformation, which will also strengthen our competitive positioning.

Volume

Total fuel sales volume for 2018 was 9,611 million liters.

Distribution and administrative expenses

We continue to manage our cost base efficiently. Distribution and administrative expenses for 2018 were 7.8 percent lower than 2017 when adjusted for depreciation, the impact of our Civil Aviation Supply Carve-out, the operating costs of new stations, the one-off Year of Zayed staff bonus paid in the second quarter of 2018, and non-recurring costs relating to the implementation of our strategic initiatives and business transformation.

This resulted in a reduction of like-for-like operating expenses of AED 193 million during 2018.

Key year on year financials – Statement of profit and loss items

(AED million)	For the year ended 31 December 2018	 2017	YoY %
Revenue	**22,893**	19,756	15.9%
Gross profit	**5,069**	4,426	14.5%
EBITDA	**2,774**	2,281	21.6%
Profit for the period	**2,128**	1,804	18.0%
Earnings per share (AED/share)	**0.170**	0.144	18.0%

Revenue

AED m **15.9%**

22,893

Revenue for 2018 was AED 22,893 million, an increase of 15.9 percent compared to 2017. This increase was primarily due to higher fuel prices, partially offset by the decrease in total fuel sales volume.

Gross profit

AED m **14.5%**

5,069

Gross profit for 2018 was AED 5,069 million, an increase of 14.5 percent compared to 2017. The increase can be attributed in large part to the pricing of fuels under our Refined Products Supply Agreement with ADNOC. Further, in our Retail fuel business, increasing oil prices positively impacted gross profit in the form of inventory gains.

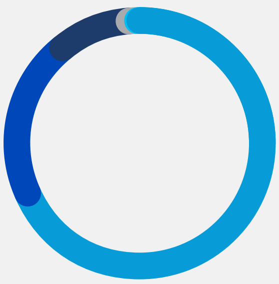
EBITDA

AED m **21.6%**

2,774

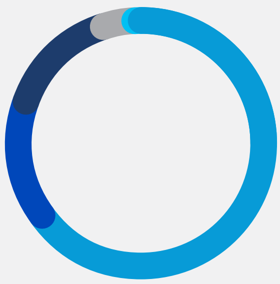
EBITDA reached AED 2,774 million in 2018, an increase of 21.6 percent compared to 2017. This was mainly as a result of the pricing of fuels under the Refined Products Supply Agreement with ADNOC and inventory gains due to increasing oil prices during the first three quarters of 2018.

Revenue breakdown



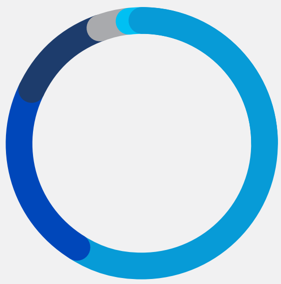
Retail (fuel & non-fuel)	68.6%
Allied Services	20.7%
Corporate	9.6%
Aviation	1.0%
Other	0.2%

Gross profit breakdown



Retail (fuel & non-fuel)	65.2%
Allied Services	15.5%
Corporate	14.3%
Aviation	4.4%
Other	0.6%

EBITDA breakdown



Retail (fuel & non-fuel)	59.1%
Allied Services	23.4%
Corporate	12.3%
Aviation	3.8%
Other	1.5%

Key year on year financials – Balance sheet items

	As at 31 December		
(AED million)	**2018**	**2017**	YoY %
Capital expenditures*	**772**	1,458*	-47.0%
Free cash flow**	**2,002**	1,519**	31.8%
Net cash generated from operating activities	**4,914**	3,381	45.3%
Total equity	**3,588**	2,848	26.0%
Net debt	**11**	2,694	-99.6%
Capital employed	**9,284**	8,551	8.6%

* Includes AED 696 million of assets acquired from ADNOC Refining in connection with the ADNOC Refining perimeter reorganization.

** Free cash flow for 2017 has been adjusted to exclude capital expenditures related to the ADNOC Refining perimeter reorganization described above.

Capital expenditures

-47%

AED m
772

2018 772
2017 1,458

Capital expenditures in 2018 amounted to AED 772 million, relating mainly to the development and construction of new service stations. Capitalized maintenance costs, the purchase of machinery and equipment, structural and technology infrastructure upgrades, and other improvements accounted for the balance.

Free cash flow

31.8%

AED m
2,002

2018 2,002
2017 1,519

Free cash flow generation (EBITDA minus capital expenditures) totaled AED 2,002 million in 2018, an increase of 31.8 percent compared to AED 1,519 million (excluding the impact of AED 696 million of assets acquired from ADNOC Refining in connection with the ADNOC Refining perimeter reorganization) in 2017. The increase was driven by the increase in EBITDA and the reduction in capital expenditures in 2018.

Our ratio of interest-bearing net debt at year-end 2018 to EBITDA for 2018 was zero. There are no financial covenants in our credit facilities.

Net cash generated from operating activities

45.3%

AED m
4,914

2018 4,914
2017 3,381

Net cash generated from operating activities increased by 45.3 percent to AED 4,914 million compared to 2017 driven by strong cash flow from operations and proactive working capital management.

Total equity

26%

AED m
3,588

2018 3,588
2017 2,848

Net debt

-99.6%

AED m
11

2018 11
2017 2,694

Key year on year financials – Financial ratios

(AED million)	2018	2017
	For the year ended 31 December	
Return on capital employed (ROCE)	**24.2%**	21.3%
Return on equity (ROE)	**59.3%**	63.4%
Net debt to EBITDA ratio	**0.0x**	1.18x
Leverage ratio	**0.3%**	48.6%

Return on capital employed (ROCE)

24.2%

2018 24.2%
2017 21.3%

Return on equity (ROE)

59.3%

2018 59.3%
2017 63.4%

Net debt to EBITDA ratio

0.0x

2018 0.0x
2017 1.18x

Leverage ratio

0.3%

2018 0.3%
2017 48.6%

Key factors affecting the results and comparability of 2018 operations with 2017

Fuel supply agreement with ADNOC

Under our Refined Products Supply Agreement with ADNOC, which came into effect in October 2017, we purchase all of our refined petroleum products from ADNOC utilizing new pricing formulae. For further information, please refer to Note 8 of our audited financial statements for the year ended 31 December 2017.

LPG supply agreement with ADNOC

Under our LPG Supply Agreement with ADNOC, which came into effect in October 2017, we purchase all of our LPG from ADNOC at its official selling price, provided that the price we pay for cylinder LPG is equal to the regulated retail price of such cylinders minus 108 percent of our operating expenses for distributing LPG cylinders. For further information, please refer to Note 8 of our audited financial statements for the year ended 31 December 2017.

New debt facility

We entered into a five-year, USD 1,500 million unsecured term loan facility, and a five-year USD 750 million revolving credit facility (or, in each case, the AED equivalent), in November 2017. We drew down the term loan facility in full and used the net proceeds, together with available cash and bank balances, to repay a capital contribution to ADNOC in the amount of AED 6,304 million, and to pay an extraordinary interim dividend to ADNOC in the amount of AED 2,135 million.

Carve-out of our civil aviation fuels supply business

In September 2017, we completed the Civil Aviation Supply Carve-out, which involved the transfer to ADNOC of our contracts for the sale and supply of fuel to the civil aviation sector. For further information, please refer to Note 1 and Note 3 of our audited financial statements for the year ended 31 December 2017.

In connection with the Civil Aviation Supply Carve-out, we also entered into an Aviation Services Agreement under which ADNOC compensates us on a cost-plus-8 percent basis for providing fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers, and for operating and maintaining certain aviation fuel distribution assets. Associated revenue and operating expenses have been reflected in our results of operations beginning 1 October 2017. Our Aviation division continues to directly handle sales of fuels and refueling and related services to our strategic customers.

ADNOC Refining perimeter reorganization

In 2017, we purchased certain fuel terminal and distribution assets at book value under an asset purchase agreement with ADNOC Refining (formerly known as Takreer), a wholly-owned subsidiary of ADNOC. Depreciation expenses relating to the purchased assets have been reflected in our results of operations beginning 1 October 2017.


PREMIUM
الخدمة المتميزة
ADNOC OASIS
واحة ادنوك
ولات سريعة

BUSINESS REVIEW

OUR MARKETS

ADNOC Distribution participates primarily in the sale and distribution of transportation fuels to retail and wholesale customers and the operation of forecourt convenience stores in the UAE. The Company also opened its first two retail fuel service stations in Saudi Arabia in 2018.

We enjoy the leading position in the retail and wholesale transportation fuel markets in the UAE, with a particularly dominant position in Abu Dhabi and the Northern Emirates. We also are a leading operator of convenience stores in the UAE, and operate in the UAE and international lubricants markets, and in the UAE markets for liquefied petroleum gas (LPG) and compressed natural gas (CNG) for natural gas vehicles.

The United Arab Emirates is the second-largest economy in the Gulf Cooperation Council (GCC) after Saudi Arabia, based on nominal gross domestic product (GDP). As the UAE diversifies its economy to reduce its reliance on oil, the country has become regarded as one of the best foreign investment destinations in the GCC. High rates of economic growth, rising levels of disposable income, moderate rates of inflation and a growing population are important contributors.

Further, the growth of the non-oil sector in the UAE – particularly trading, finance, real estate and tourism – supports the view that the country is generally less vulnerable to energy price fluctuations than some of its GCC neighbors. Abu Dhabi, the capital of the UAE, is a key center of the UAE's political, industrial and cultural activity, and has played an important role in developing the country and its economy. Abu Dhabi contains over 90 percent of the UAE's oil and gas reserves.

RETAIL BUSINESS

1 Retail

Fuel

ADNOC Distribution is the UAE's leading operator of retail fuel service stations, operating in 376 locations in the country as of 31 December 2018. The Company also has begun to expand internationally with the opening of two locations in Saudi Arabia in 2018.

The Company is also active in the retail sale of liquefied petroleum gas (LPG), compressed natural gas (CNG) and automotive lubricants.

Non-fuel

The Company's non-fuel activities comprise convenience stores located at its service stations, as well as ancillary services such as car washes and lube changes.

2 Allied Services

Rental properties

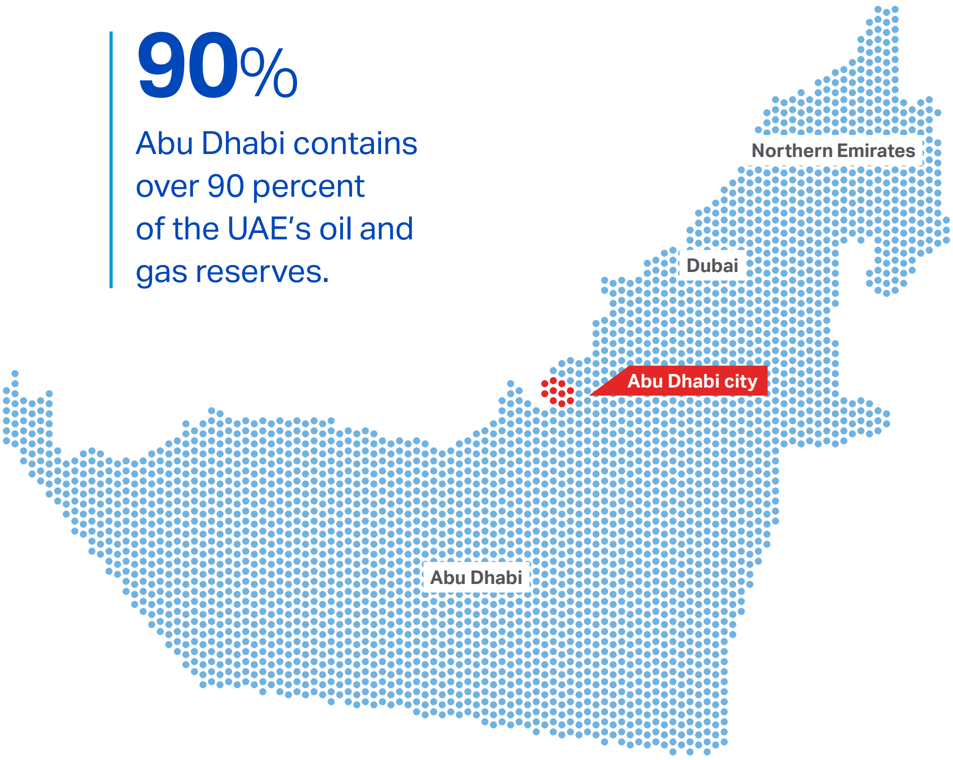
The Company leases more than 900 rental properties at its service stations to tenants that include restaurant operators and companies offering banking, automobile insurance and other services.

Vehicle inspection

The Company's 24 vehicle inspection centers are the only authorized providers of government-mandated annual vehicle inspections in the Emirate of Abu Dhabi.

90%

Abu Dhabi contains over 90 percent of the UAE's oil and gas reserves.



COMMERCIAL BUSINESS

Fuel

The UAE wholesale fuels market consists primarily of sales of diesel and gasoline to commercial, industrial and government customers.

Lubricants

Lubricants (engine oils and greases) are used by commercial, industrial, marine and government customers for motor vehicles as well as for other engines, machinery and equipment.

Aviation

Although the Company's civil aviation sales and supply business was transferred to ADNOC in 2017, the Company continues to provide fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers.

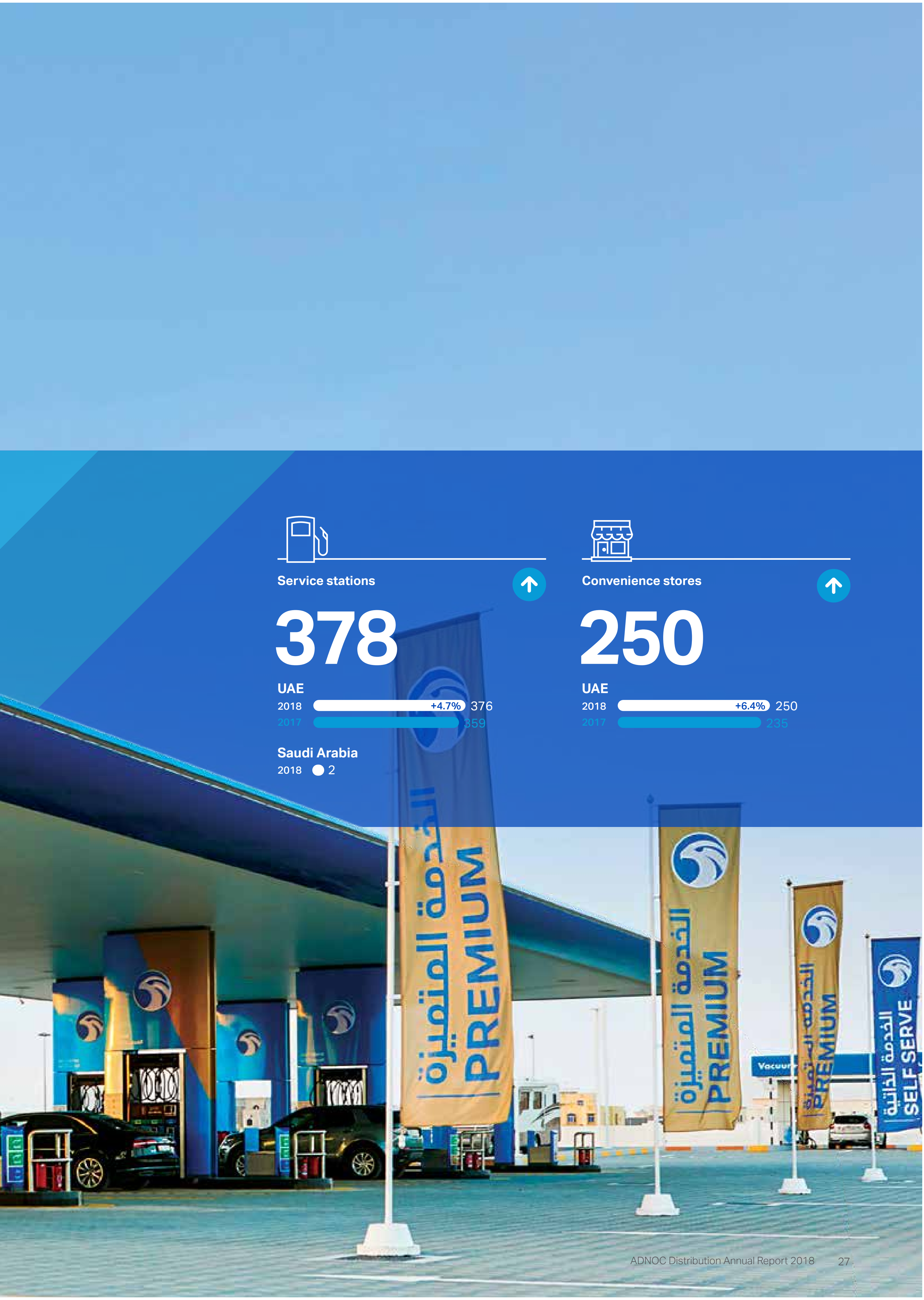
The Company also sells aviation fuel, and provides refueling and related services, to certain strategic aviation customers.

3 Corporate

4 Aviation

RETAIL BUSINESS

ADNOC Distribution’s Retail business comprises the sale of fuel (gasoline, diesel, CNG and LPG) at retail fuel service stations, and the operation of convenience stores and car care services, such as car wash and lube changes, at its service stations.



Service stations

378

UAE

2018	376 (+4.7%)
2017	359

Saudi Arabia

2018	2

Convenience stores

250

UAE

2018	250 (+6.4%)
2017	235

RETAIL BUSINESS

BUSINESS OVERVIEW

ADNOC Distribution's Retail business is segregated into fuel (gasoline, diesel, CNG and LPG) and non-fuel (convenience stores and car care services, including car wash and lube change services). The core business is highly cash-generative with stable, regulated unit fuel margins and iconic branding at strategically located sites.

Retail

Fuel

With 376 owned and operated retail fuel service stations as of 31 December 2018, we are the number one retail fuel brand in the UAE. We are the sole operator of retail fuel service stations in Abu Dhabi and Sharjah, and we operate the majority of the service stations in the Northern Emirates. We opened our first three stations in Dubai during 2018, becoming the only fuel retailer with a presence in all seven emirates of the UAE. In 2018, we also expanded our operations internationally, opening two service stations in Saudi Arabia.

Since the elimination of retail fuel subsidies in the UAE in August 2015 and the introduction of a stable and predictable fuel pricing policy, we have enjoyed steady and consistent profitability. Since October 2017, we have also benefited from a five-year fuel supply agreement with ADNOC, our parent company. This guarantees supply on terms which we believe give us a competitive advantage.

We benefit from high barriers to entry into our markets due to the relationship with ADNOC and our extensive fuel distribution infrastructure.

Our main fuel products include three grades of gasoline (91, 95 and 98 octane) and diesel. We also sell CNG, LPG and engine lubricants at our service stations.

There are approximately 7,500 natural gas vehicles (NGVs) in the UAE, including taxis, government vehicles, commercial and privately owned vehicles and buses. The number of NGVs is forecast to more than double by 2022, resulting in increased demand for CNG.

LPG is the primary cooking fuel in the UAE and is also used for other commercial and industrial applications. We sell LPG in 25 and 50 lb cylinders, primarily to residential customers for home cooking, and in bulk to residential and corporate customers.

We market various lubricant products under our proprietary Voyager brand. The quality of our Voyager lubricants is recognized by the American Petroleum Institute and the European Automobile Manufacturers' Association.

Non-fuel

We operate 250 ADNOC Oasis convenience stores, including 13 Géant Express branded convenience stores, as of 31 December 2018, offering groceries, refreshments and snacks, confectionery, tobacco and various services.

To capitalize on our market-leading position, we have implemented a number of initiatives to improve service, choice and convenience for our customers, and to grow revenue and profitability.

Our partnership with Géant capitalizes on the strong market for food-on-the-move as well as for top-up shopping. Fuel customers can combine a refueling stop at one of our service stations with supplementing the larger weekly grocery shopping.

Other non-fuel services we offer at many of our service station locations include car wash and lube change services. In addition, various services are provided by our partners and tenants, such as vehicle servicing, repairs and tire changes.

Allied Services

Property management

Our Allied Services segment manages and leases retail space at our service stations. Our tenants occupy over 900 properties, offering quick service restaurants and ancillary products and services, such as banking and automobile insurance, to our fuel and convenience store customers.

Major tenants include well-known global brands such as McDonald's, Starbucks, KFC and Burger King.

Vehicle inspection

Our vehicle inspection centers are the only authorized providers of government-mandated vehicle inspections in the Emirate of Abu Dhabi.

We operate 24 light vehicle inspection and testing centers in Abu Dhabi which provide a wide range of inspection services. In total, more than 900,000 services are provided every year.

Retail segment

Key financials (AED million)	2018	2017	YoY %
Revenue	**15,704**	13,746	14.2%
Gross profit – fuel	**3,016**	2,603	15.9%
Gross profit – non-fuel	**291**	266	9.4%
EBITDA	**1,639**	1,254	30.8%
Operating profit	**1,215**	901	34.8%
Capital expenditure	**423**	438	-3.4%

OPERATIONAL REVIEW

Although ADNOC Distribution enjoys a reputation for the high quality of our products and services, we are committed to setting the bar for quality and service even higher.

Retail

ADNOC Flex

The launch of ADNOC Flex, offering our customers the choice of premium or self-service refueling, represents a major cultural change in the UAE, where self-service is a relatively new concept. Initial penetration rates of our premium refueling option vary by location and have averaged approximately 15 to 20 percent. We intend to launch a proprietary loyalty program in 2019, which we believe will further drive the success of our ADNOC Flex offerings.

As part of the launch of ADNOC Flex and in a major step towards cashless refueling, we have distributed 300,000 Smart Tag RFID chips to our customers for use with our ADNOC Wallet application which allows customers to refuel without the use of cash or bank card.

Convenience store revitalization

The improvement in profitability at our convenience stores in 2018 demonstrates the positive results of our convenience store revitalization program and our Géant partnership. Our back-to-basics program was a major driver, involving the complete reformatting of many of our sites, a stronger customer value proposition with new promotions, and the rationalization of our product offering, including the removal of 3,500 lower performing and lower margin products to realize higher margins, provide greater convenience and increase customer satisfaction.

Our partnership with Géant has significantly enhanced our retail experience and has quickly proved popular with our customers, who enjoy the new product offerings in a more vibrant environment.

We have also rolled out Oasis Café, our proprietary coffee and bakery offering, to 12 sites to better target the customer-on-the-go market – many of them commuters – who want a quick convenience stop for a quality coffee or light snack.

Allied Services

Property management

Our property management services, whereby we lease space at our service stations to quick service restaurants and providers of other goods and services to our customers, experienced solid growth in 2018. Much of this growth can be attributed to major brands such as McDonald's, KFC and Burger King, which strongly complement our convenience store business profile. Our aim is to leverage these relationships and to build for the longer term. In doing so, we are shifting from a purely rental model to revenue sharing, which has contributed to our growth in 2018.

Vehicle inspection

In 2018 we opened three new vehicle inspection centers and now operate 24 vehicle inspection centers in Abu Dhabi. We performed over 900,000 vehicle inspections at our vehicle inspections centers in 2018, benefiting from the full-year impact of price increases that went into effect in June 2017.

We also have launched a new premium vehicle inspection service which allows customers to benefit from a fast-tracking option during their vehicle testing process. An additional door-to-door service offering is also available where customers can arrange for pick up and drop off. If these services prove popular with our customers, we will consider rolling them out to additional locations.

FINANCIAL PERFORMANCE

Retail

Volumes

Retail fuel volume sold decreased by 3.4 percent in 2018 compared to 2017, while sales of CNG, LPG, kerosene and lubricants grew by 15.5 percent year on year.

Results

Retail revenue, which covers fuel and non-fuel sales, reached AED 15,704 million in 2018, an increase of 14.2 percent over 2017. This revenue growth was primarily due to higher fuel prices, partially offset by the decrease in total fuel sales volume.

Retail gross profit was AED 3,307 million in 2018, an increase of 15.3 percent compared to 2017. Retail EBITDA was AED 1,639 million in 2018, an increase of 30.8 percent over 2017. The increase in gross profit and EBITDA was mainly due to higher fuel margins resulting from our Refined Products Supply Agreement with ADNOC. Operating cost efficiencies and improvement in gross profit also contributed to the increase in EBITDA.

RETAIL BUSINESS

Retail fuel transactions (million)

167.8

2018 +1.8% 167.8
2017 164.8

Retail non-fuel transactions (million)

42.7

2018 –10.7% 42.7
2017 47.8

Convenience store basket size (AED)

18.1

2018 +16.8% 18.1
2017 15.5

Convenience store sales revenue (AED million)

679

2018 +2.8% 679
2017 661

Other operating metrics

Fuel transactions increased by 1.8 percent in 2018 compared to 2017.

Our non-fuel segment (mainly convenience stores) generated higher revenues, notwithstanding a decrease in non-fuel transactions in 2018 compared to 2017, driven by higher average basket sizes and conversion rates. This improvement was driven by management initiatives to improve the customer experience, including a more focused stores revitalization program and the introduction of Premium Rewards, which offers our Premium refueling customers rewards that can be redeemed in our convenience stores.

Allied Services

Results

Allied Services revenue increased in 2018 due to a higher number of vehicle inspections and a greater number of tenants versus 2017. The results were also positively affected by the full-year impact of an increase in vehicle inspection fees which came into effect in June 2017.

Other operating metrics

We have actively driven tenant occupancy across our network despite a challenging rental market. We are also transitioning our tenancy business to a revenue-sharing model in order to maximize revenue and profitability.

The number of vehicles inspected during 2018 increased by 8.7 percent compared to 2017.

OUTLOOK

We expect to see low, single digit growth in our fuel volumes in 2019 as a result of management initiatives and our expansion into Dubai, which remains an attractive market.

Our first three retail fuel service stations opened in Dubai in the fourth quarter of 2018, and measured expansion is a priority for 2019. We also expect to see increasing fuel sales volumes as a result of expansion into other new geographies. We have recently signed a memorandum of understanding to support network expansion in Saudi Arabia, and a memorandum of understanding for the marketing and distribution of our lubricant products in India.

Allied Services segment gross profit (AED million)

221

2018 +20.4% 221
2017 184

Allied Services segment

Key financials (AED million)	2018	2017	YoY %
Revenue	**221**	184	20.4%
Gross profit	**221**	184	20.4%
EBITDA	**105**	85	24.0%
Operating profit	**83**	63	31.9%
Capital expenditure	**3.0**	22	-86.2%

In 2019, we expect to invest approximately AED 1,100 million (USD 300 million) in capital expenditures to boost our network expansion in UAE, particularly in Dubai and internationally, as well as to invest in our digital initiatives.

The International Monetary Fund (IMF) forecasts the UAE's real GDP growth to strengthen to 3.7 percent in 2019 (against 2.8 percent in 2018), largely driven by increased government spending and stronger private sector growth. The announcement of a number of significant investments in the Abu Dhabi economy supports this view.

We believe that a combined total of USD 18.6 billion of investments in the Abu Dhabi economy will positively impact our businesses. The investments comprise a spending stimulus, amounting to USD 13.6 billion, and the USD 5 billion Ghadan 21 plan, to sustain competitiveness and entrepreneurship over a three-year period.

Dubai has also announced plans to liberalize regulations in various sectors, including free zones, to bolster its appeal to foreign investors and visitors. Dubai also continues to invest heavily, with approximately USD 7 billion allocated to infrastructure development around Expo 2020. This flagship event is forecast to attract large numbers of visitors to the country and to boost private consumption and services exports.

Finally, the UAE government's recent announcement of several long-term visa initiatives to attract human capital and to create an encouraging environment for long-term business growth will serve to make the country an even more attractive investment proposition to regional and international investors.

The roll-out of ADNOC Flex, which gives our retail customers the choice of premium or self-service refueling across our service station network, fundamentally changes the UAE fuel retail market. It also highlights our objective of moving to smarter, technology-driven customer service, with greater choice, convenience and better-quality goods and services at its heart.

We have also been successful in reducing operating and capital costs without sacrificing safety, quality and our overall customer experience, and will continue this approach.

Retail segment gross profit (AED million)

3,307

2018 +15.3% 3,307
2017 2,869

Retail segment fuel gross profit (AED million)

3,016

2018 +15.9% 3,016
2017 2,603

Retail segment non-fuel gross profit (AED million)

291

2018 +9.4% 291
2017 266

Retail segment gross profit breakdown

- Gross profit – fuel 91.2%
- Gross profit – non-fuel 8.8%

Our non-fuel segment (mainly convenience stores) generated higher revenues, notwithstanding a decrease in non-fuel transactions in 2018 compared to 2017, driven by higher average basket sizes and conversion rates.

COMMERCIAL BUSINESS

ADNOC Distribution's Commercial segment is the UAE's leading marketer, supplier and distributor of bulk refined petroleum products, including diesel, gasoline, LPG and lubricants, to commercial, industrial and government customers.

Commercial fuel volumes (million liters)

2,157

2018	-4.3%	2,157
2017		2,255

Lubricant volumes (million liters)

82

2018	+80%	82
2017		46

COMMERCIAL BUSINESS

BUSINESS OVERVIEW

We are the leading marketer, supplier and distributor of bulk refined petroleum products, including diesel, gasoline, LPG, lubricants and other products, to commercial, industrial and government customers in the UAE's highly competitive business-to-business commercial market. We also export our proprietary Voyager lubricants to distributors in 14 countries, including the GCC region, and in Africa and Asia.

Our aviation division comprises two elements: the sale of aviation fuel and services to strategic customers; and the provision of aviation services to the civil aviation sector, where we provide maintenance of fuel systems and fueling services.

Corporate

Fuel – gasoline, diesel and LPG

Demand for wholesale fuels in the UAE is closely aligned with the country's economic performance.

Lubricants and base oil

Our range of proprietary Voyager lubricants covers most requirements for commercial fleet operators and the construction, manufacturing, marine and power generation sectors. Our offering comprises automotive and marine engine lubricants, automotive gear and transmission fluids, and industrial lubricants and greases.

We operate a lubricant blending plant in Abu Dhabi with an annual capacity of 55 million liters, and which produces more than 125 types and grades of lubricants and greases.

Aviation

We sell aviation fuels to strategic customers in the UAE and utilize highly advanced facilities to provide refueling, defueling and other related services to ADNOC's civil aviation customers (comprising international and regional commercial and private aviation customers) at seven commercial airports in the UAE.

OPERATIONAL REVIEW

Corporate

Fuel – diesel, gasoline and LPG

Fluctuating demand across all products, including diesel and lubes, was a notable feature of 2018. Sales of LPG were less affected. We noted increased competition in diesel, a trend that seems set to continue as the market matures and attracts more competitors with aggressive pricing.

Diesel volumes (million liters)

1,709

Corporate segment

Key financials (AED million)	2018	2017	YoY %
Revenue	**4,733**	4,050	16.9%
Gross profit	**785**	772	1.7%
EBITDA	**648**	599	8.2%
Operating profit	**618**	581	6.4%
Capital expenditure	**16.2**	0.9	1,700.0%

Aviation volumes (million liters)

748

Aviation segment

Key financials (AED million)	2018	2017	YoY %
Revenue	**2,194**	1,697	29.3%
Gross profit	**724**	539	34.4%
EBITDA	**340**	350	-2.7%
Operating profit	**305**	335	-9.0%
Capital expenditure	**3.9**	16	-75.9%

The grey market – off-spec products from unauthorized sources – continues to impact our home market, particularly corporate sales. In 2019, we expect to continue to work with government authorities to reduce this impact.

LPG

The LPG market is somewhat fragmented and falls into two categories: bulk sales in an unregulated market, and sales of subsidized and unsubsidized cylinders, of which the subsidized segment accounts for the largest share, mainly in the residential sector.

Greater focus on our business processes, including the introduction of faster sales intelligence and a more customer-centric approach, resulted in a 25 percent year-on-year increase in sales of bulk LPG.

Lubricants

In 2018, we launched new lubricant products to tap into the significant potential of the retail lubricants business. In 2019, our target is to increase sales and to optimize our already strong retail and brand position in lubricants in the UAE, as well as to expand into new international markets.

Aviation

In September 2017, we completed the Civil Aviation Supply carve-out, under which all contracts for the sale and supply of jet fuel to the civil aviation sector were transferred to ADNOC.

In connection with the Civil Aviation Supply carve-out, we entered into an Aviation Services Agreement with ADNOC to continue to provide fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers.

During 2018, our fleet of more than 75 aircraft-refueling vehicles performed more than 100,000 refueling service operations for civil aviation customers at seven airports across the UAE, of which the majority were at Abu Dhabi International Airport.

In addition to our civil aviation refueling business, we sell aviation fuel and provide refueling services to certain strategic aviation customers.

FINANCIAL PERFORMANCE

Corporate

Volumes

Corporate segment volumes decreased 2.7 percent in 2018 compared to 2017, mainly as a result of higher competition in diesel and lower demand for diesel from power generation customers, which use diesel fuel as a back-up fuel for power plants.

Results

Corporate segment revenue increased by 16.9 percent in 2018 compared to 2017 due to higher oil prices, while gross profit increased by 1.7 percent year-on-year, mainly as a result of more proactive pricing, partially offset by lower volumes and competitive pressures.

Corporate segment EBITDA increased by 8.2 percent in 2018, partially driven by a one-off receivables impairment recovery in 2018.

Aviation

Volumes

Aviation volumes decreased by 7.7 percent in 2018 compared to 2017 due to a decrease in fuel sales to our strategic customers.

Results

Aviation revenue increased by 29.3 percent in 2018 compared to 2017 due to the inclusion of revenue derived under our Aviation Services Agreement with ADNOC, as well as higher average selling prices due to increased oil prices.

Aviation gross profit increased by 34.4 percent in 2018 mainly as a result of the impact of the Aviation Services Agreement, offset in part by lower fuel volumes.

Aviation EBITDA decreased by 2.7 percent in 2018 mainly due to lower volumes and the inclusion of recoverable operating costs related to civil aviation fueling services.

OUTLOOK

In 2019, we intend to implement an enhanced lubricants strategy designed to increase profitability and to expand our international footprint. We have recently signed a memorandum of understanding to market and distribute lubricants in India, the world's third-largest lubricants market.

Aviation gross profit increased by 34.4 percent in 2018 mainly as a result of the impact of the Aviation Services Agreement, offset in part by lower fuel volumes.


Broccoli

CORPORATE REVIEW

CORPORATE GOVERNANCE

ADNOC Distribution's first full year as a company listed on the ADX was a key milestone for us in our journey of transformation, in which we are aiming to promote the long-term sustainable success of ADNOC Distribution, generate value for stakeholders and contribute to the wider community.

As part of this transformational journey, and in keeping with the commitments that we made to all stakeholders at the time of our IPO, we have adopted and implemented corporate governance policies and procedures that are designed to ensure a culture of consistency, responsibility, accountability and transparency of the highest standards at all levels, and which comply with all applicable laws and regulations, while also being in line with international best practice.

Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success. Accordingly, we are taking this opportunity to remind you of the comprehensive corporate governance framework that we have adopted and under which we operate.

Our commitment

We are committed to operating a corporate governance system that is compliant with all corporate governance requirements applicable to public joint stock companies in the UAE and consistent with international best practice.

Mechanism for adopting a governance system in the Company

We are committed to standards of corporate governance that are in line with international best practice. Our Board complies with the corporate governance requirements applicable to public joint stock companies listed on the ADX, as set out in the Governance Rules and Corporate Discipline Standards issued on 28 April 2016 pursuant to UAE Securities and Commodities Authority Resolution No. R.M/7 of 2016 (the Governance Rules). The Company reports to its shareholders and to the Securities and Commodities Authority on its compliance with the Governance Rules.

The Governance Rules require that the majority of the Board must comprise non-executive directors, and that at least one-third of the Board must be independent, in accordance with the criteria set out in the Governance Rules.

Our Board consists entirely of non-executive directors with three independent members. The Board has established two permanent committees: the Audit Committee, and the Nomination and Remuneration Committee.

Audit Committee

Our Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of our annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the relationship with our external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of our internal control review function.

The Governance Rules, as reflected in our Audit Committee's charter, require that the Audit Committee must comprise at least three members who are non-executive directors and that at least two of the members must be independent. One of the independent members must be appointed as Chairman of the committee. In addition, at least one member must have recent and relevant audit and accounting experience. The Audit Committee has taken appropriate steps to ensure that the Company's external auditors are independent of the Company, as required by the Governance Rules, and has obtained written confirmation from our auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee assists the Board to discharge its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for evaluating the balance of skills, knowledge and experience, and the size, structure and composition of the Board and committees of the Board and for monitoring the independent status of the independent non-executive directors. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise.

In addition, our Nomination and Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the overarching principles, parameters and governance framework of our remuneration policy, and determining the individual remuneration and benefits packages of our senior management.

The Governance Rules, as reflected in our Nomination and Remuneration Committee's charter, require the Nomination and Remuneration Committee to comprise at least three non-executive directors, at least two of whom must be independent. The chairman of the Nomination and Remuneration Committee must be chosen from among the independent committee members.

For more information, please refer to our 2018 Corporate Governance Report.

Code of Conduct

As part of ADNOC Group, we apply the Group's Code of Conduct, which provides an overview of the standards of integrity and ethical behavior expected from all ADNOC Group employees and everyone who does business with us. At ADNOC Distribution, integrity and ethics always remain the foundation of our business success. Our Values form the foundation of our business, operations and relationships. They inspire and inform the way we conduct ourselves – with one another, our partners, our suppliers and the communities where we operate.

Progressive
We harness the UAE's spirit of innovation to ensure that our business remains at the forefront of the global energy industry.

Collaborative
We work in close collaboration with our partners and peers, leveraging our collective strengths to deliver mutually beneficial results.

Respectful
We encourage a culture of inclusivity and mutual respect, and always operate to the very highest professional and ethical standards.

Responsible
We are committed to identifying ways that can make a difference to our community, while maintaining an unwavering commitment to health, safety and the environment.

Efficient
We are a performance-driven company, dedicated to maximizing the value of energy resources for the benefit of our people, our community, our partners and our nation.

Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success.

BOARD OF DIRECTORS

H.E. Dr. Sultan Ahmed Al Jaber

Non-executive Chairman

H.E. Dr. Sultan Ahmed Al Jaber has served as UAE Cabinet Member and Minister of State since March 2013, and as Chief Executive Officer of ADNOC since February 2016. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company. H.E. Dr. Al Jaber is also Chairman of Masdar, Abu Dhabi Ports, the National Media Council, and several other ADNOC Group companies. He is also a member of the Board of Directors of Emirates Global Aluminium.

H.E. Dr. Al Jaber holds a BSc in Chemical Engineering from the University of Southern California, a PhD in Business and Economics from Coventry University, and an MBA from California State University.

Abdulla Salem Al Dhaheri

Non-executive Director (resigned on 5 February 2019)

Member of the Nomination and Remuneration Committee (resigned on 5 February 2019)

Mr. Abdulla Salem Al Dhaheri served as Director, Marketing, Sales and Trading, of ADNOC from 2016 until February 2019. From 2009 to 2016, Mr. Al Dhaheri served as our Chief Executive Officer.

Mr. Al Dhaheri holds a Bachelor's degree in Business Administration from California Baptist University, Riverside, California, USA.

Abdulaziz Abdulla Alhajri

Non-executive Director

Mr. Abdulaziz Abdulla Alhajri has served as Downstream Director of ADNOC since May 2016. From October 2007 to May 2016, he was Chief Executive Officer of Abu Dhabi Polymers Company (Borouge), a joint venture of ADNOC and Borealis. He also serves on several other ADNOC Group company boards of directors.

Mr. Alhajri holds a BSc in Chemical Engineering from the University of Texas.

Matar Hamdan Al Ameri

Non-executive Director

Member of the Audit Committee

Mr. Matar Hamdan Al Ameri has served as Director, Finance and Investments of ADNOC since 2012. He also serves as the Vice Chairman of Aafaq Islamic Finance Company and is a member of the board for several other ADNOC group companies.

Mr. Al Ameri holds a Bachelor's degree from United Arab Emirates University.

Khaled Salmeen

Non-executive Director (appointed on 5 February 2019)

Member of the Nomination and Remuneration Committee (appointed on 5 February 2019)

Mr. Khaled Salmeen has served as Director, Marketing, Sales & Trading, of ADNOC since 5 February 2019. He previously served as Chief Executive Officer of the Khalifa Industrial Zone (KIZAD), Chairman of Abu Dhabi Terminals, and Chief Operating Officer of National Central Cooling Company (Tabreed). He also served as Director of ADNOC's Transformation Project Management Office from 2016 to 2017.

Mr. Salmeen holds a BSc in Engineering from Colorado School of Mines, Golden, Colorado, USA, and a Project Management Professional (PMP) from the Project Management Institute (PMI) and Harvard Business School.

Jassim Mohammed Alseddiqi

Independent Non-executive Director

Chairman of the Nomination and Remuneration Committee

Member of the Audit Committee

Mr. Jassim Mohammed Alseddiqi has served as a Director and Chief Executive Officer of Abu Dhabi Financial Group since January 2011. He also serves as the Chairman of SHUAA Capital, Chairman of Eshraq Properties, Chairman of GFH Financial Group and Chairman of Khaleeji Commercial Bank. He is also a member of the Board of Directors of First Abu Dhabi Bank, Dana Gas and Tourism and Development Investment Company.

Mr. Alseddiqi holds a Bachelor's degree in Electrical Engineering from the University of Wisconsin-Madison and a Master's degree in Electrical Engineering from Cornell University. He has also served as a lecturer at the Abu Dhabi-based Petroleum Institute.

Pedro Miró Roig

Independent Non-executive Director

Member of the Nomination and Remuneration Committee

Mr. Pedro Miró Roig has been Chief Executive Officer of Compañía Española de Petróleos (CEPSA) since September 2013, and Vice Chairman since June 2014. He served as Chief Operating Officer of CEPSA from 2011 to 2013. Mr. Miró also serves as Chairman of the Board of Trustees of Fundación Cepsa, and as a member of the Boards of Trustees of the Princess of Asturias Foundation and Fundación para la Sostenibilidad Energética y Ambiental (FUNSEAM) and Linea Directa Foundation.

Mr. Miró holds a Bachelor's degree in Chemistry from the University of Barcelona.

David-Emmanuel Beau

Independent Non-executive Director

Chairman of the Audit Committee

Mr. David-Emmanuel Beau is Chief Investment Officer of the Direct Investments Department at the Abu Dhabi Investment Council (ADIC), where he focuses on the MENA region. Previously, he was a fund manager at the Abu Dhabi Investment Authority (ADIA). He is also a Director of Invest AD.

Mr. Beau is a CFA Charter holder.

SENIOR MANAGEMENT TEAM

Saeed Mubarak Al Rashdi

Acting Chief Executive Officer

Mr. Saeed Mubarak Al Rashdi joined ADNOC Distribution in 1995 and has served as Acting Chief Executive Officer since March 2016. He also served as Senior Vice President, Technical from February 2012 to February 2018, and as Senior Vice President, Operations from 2008 to 2012. Mr. Al Rashdi also serves on the Board of ADNOC Logistics & Services and on the Board advisory committee of ADNOC Refining.

Mr. Al Rashdi holds a BSc in Electrical Engineering from the University of Evansville and an MBA from United Arab Emirates University.

John Carey

Deputy Chief Executive Officer

Mr. John Carey joined ADNOC Distribution as Deputy Chief Executive Officer in September 2017. From 1994 he held numerous senior positions at BP, including most recently as Senior Vice President, Sales and Marketing, BP Fuels North America, from 2015 to 2017; President, BP West Coast Products LLC, from 2013 to 2015; and Chief Executive Officer of BP Lubricants, Aviation, Offshore, Marine, Industrial and Energy, from 2010 to 2013.

Mr. Carey holds a BE in Chemical Engineering from University College, Dublin.

Saleh Khamis Humaid

Chief Operations Officer

Mr. Saleh Khamis Humaid joined ADNOC Distribution in 1993 and has served as Chief Operations Officer since February 2012. Mr. Humaid previously served as Vice President, Health, Safety, Security & Environment; Team Manager – Natural Gas Project; Vice President, Maintenance & Technical Services; and Engineering & Projects Division Manager.

Mr. Humaid holds a BSc in Electronics from the University of Arkansas at Little Rock, a Master's Certificate in Project Management from George Washington University, and an Executive MBA from Zayed University.

Nasser Ali Al Hammadi

Chief Retail Officer

Mr. Nasser Ali Al Hammadi joined ADNOC Distribution in 1988 and has served as Chief Retail Officer since October 2017. Mr. Al Hammadi served as Senior Vice President, Commercial from 2011 to 2017.

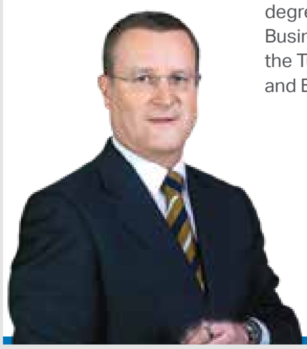
Mr. Al Hammadi holds a BA from United Arab Emirates University.

Petri Pentti

Chief Financial Officer

Mr. Petri Pentti joined ADNOC Distribution as Chief Financial Officer in November 2017. Before joining ADNOC Distribution, Mr. Pentti served as Chief Financial Officer of Emirates National Oil Company (ENOC) since 2008. Previously, Mr. Pentti served as Chief Financial Officer of Neste Corporation, an oil refining, renewable fuels and marketing company, from 2004 to 2008, and of Finnair from 1998 to 2004.

Mr. Pentti holds a Master's degree in Economics and Business Administration from the Turku School of Economics and Business Administration.



Ian Blumenstein

General Counsel & Board Secretary

Mr. Ian Blumenstein joined ADNOC Distribution as General Counsel & Board Secretary in December 2017. Prior to joining ADNOC Distribution, Mr. Blumenstein had been an attorney and partner in several international law firms, including Latham & Watkins LLP and Shearman & Sterling LLP, for over 25 years. He also served as a Managing Director in the High Yield Capital Markets group at a major financial institution.

Mr. Blumenstein holds a BA from the University of Michigan, USA, and a JD from Harvard Law School.

José Aramburu

Chief Commercial Officer

Mr. José Aramburu joined ADNOC Distribution as Chief Commercial Officer in October 2017. From 2012 to 2017, Mr. Aramburu held numerous senior positions with Compañia Española de Petróleos (CEPSA), including Specialties Manager of CEPSA Commercial Petroleum from 2014 to 2017; Lubricants Manager of CEPSA Commercial Petroleum from 2012 to 2014; and Business Development Director of CEPSA Quimica from March 2012 to December 2012.

Mr. Aramburu holds a BSc from Universidad Autónoma de Madrid.

Abdulla Hamad Al Mentheri

Chief Technology & Projects Officer

Mr. Abdulla Hamad Al Mentheri joined ADNOC Distribution as Chief Technology & Projects Officer in January 2018. He was previously Global Quality Manager at Borouge Petrochemicals and has more than 18 years' international experience in Europe, China, Singapore and the US.

Mr. Al Mentheri holds a BSc in Chemical Engineering from Colorado School of Mines, Golden, Colorado, USA, an MSc in Engineering Management from California State University, and an MBA from MIT Sloan School of Management.

SENIOR MANAGEMENT TEAM

Mariam Al Aidarous

Chief Human Capital Officer

Ms. Mariam Al Aidarous was appointed Chief Human Capital Officer in February 2018. She joined ADNOC Distribution in 2002 as Corporate Planning Analyst and was appointed Planning and Performance Management Manager in 2008 and Vice President, Strategic and Risk Management Division in 2012. Ms. Al Aidarous also served as Corporate Secretary from 2015 to 2017.

Ms. Aidarous holds a Bachelor's degree in Management Information Systems from United Arab Emirates University.

Stephen Saunders

Chief Marketing Officer

Mr. Stephen Saunders joined ADNOC Distribution in January 2018 and was appointed Chief Marketing Officer in February 2018. Previously, Mr. Saunders held a number of senior positions across BP's downstream businesses, including most recently Head of Marketing for BP's new market entry. In 2015, he served as Head of Marketing for BP Fuels North America, and from 2009 to 2015 as Fuels Strategy Director.

Mr. Saunders holds a BSc in Food Marketing Economics from the University of Reading, UK, and an MSc in International Development from the University of London.

Aakash Nijhawan

Chief Business Development Officer

Mr. Aakash Nijhawan joined ADNOC Distribution in January 2019 as Chief Business Development Officer. From 2014 to 2019, Mr. Nijhawan was the Group Head of Investments and Corporate Solutions at Emirates National Oil Company (ENOC). Previously, Mr. Nijhawan spent 15 years in investment banking covering the broader energy sector, including with HSBC, Citi and UBS in New York and Dubai.

Mr. Nijhawan holds a Bachelor's degree in Electrical Engineering from Stevens Institute of Technology in New Jersey, USA, and an MBA from Columbia Business School in New York.

Sanjeen Payne-Kumar

Vice President, Transformation

Mr. Sanjeen Payne-Kumar joined ADNOC Distribution as Vice President, Transformation in April 2018. Mr. Payne-Kumar previously held senior roles in KPMG, Castrol and BP. These included Global Account Director for the oil & gas sector at KPMG from 2015 to 2018. From 2008 to 2015, he was the CEO for a start-up cloud-based digital consultancy.

Mr. Payne-Kumar is a qualified management accountant and holds a BSc in Business Economics from the University of Hull.

Athmane Benzerroug

Chief Investor Relations Officer

Mr. Athmane Benzerroug joined ADNOC Distribution in September 2018 as Chief Investor Relations Officer. He has 20 years of experience in equity capital markets. Prior to joining ADNOC Distribution, Mr. Benzerroug managed industrial sectors for Emerging Markets Equities for Deutsche Bank in Dubai, since 2008. Previously, Mr. Benzerroug was responsible for European Infrastructure at Natixis Securities in Paris.

Mr. Benzerroug holds an MSc in Econometrics from University of Paris X, France.

Maamar Benaissa-Tahar

Chief Investment and Strategy Officer

Mr. Maamar Benaissa-Tahar joined ADNOC Distribution as Chief Investment and Strategy Officer in November 2018. Prior to ADNOC Distribution, Mr. Benaissa-Tahar served as head of acquisitions and corporate development at OILSERV and Director of Investments at Fajr Capital Private Equity, where he focused on principal investments in the MENA region. Prior to that, Mr. Benaissa-Tahar had 10 years of experience as an investment banker in New York with Merrill Lynch's Mergers & Acquisition group and BNP Paribas' Latin America unit.

Mr. Benaissa-Tahar holds an MSc in Engineering from ESIEA Engineering School in Paris, and an MBA from Harvard Business School.

Martin Norris

Vice President, Corporate Affairs

Mr. Martin Norris joined ADNOC Distribution as Vice President, Corporate Affairs in September 2018. Previously, Mr. Norris held a number of senior communications positions, including most recently Director of the Ras Al Khaimah Media Office. He previously served as Orpic's Head of Communications, and during a 15-year career with The Coca-Cola Company led the company's communications functions in the Arabian Gulf, South East and West Asia and Great Britain and Ireland.

Mr. Norris holds a BA in Arabic and Islamic Studies from the University of Lancaster, UK.

Mr. Majid Saeed Al Suwaidi

Vice President, Health, Safety, Environment & Quality

Mr. Majid Saeed Al Suwaidi joined ADNOC Distribution as Vice President, Health, Safety, Environment & Quality in January 2019. Previously, Mr. Al Suwaidi held senior positions in other ADNOC group companies for over 10 years.

Mr. Al Suwaidi holds an Advanced Diploma in Applied Science from the University of Tasmania, Australia.

OUR PEOPLE

Human capital plays a key role in transforming our performance culture towards becoming more commercially orientated and market driven. A restructuring program began in 2018 will continue into 2019 to professionalize our Human Capital function and to transform its service levels in supporting our business priorities.

Key highlights of the year included the development and implementation of new structures across our departments, divisions, groups and functions, which are crucial to supporting our expansion and growth.

Our innovative Employee Engagement Survey is a key tool for managers to understand and build on the strengths and talents of our people by measuring the emotional and intellectual involvement that motivates employees to do their best at work. Our recent employee survey achieved a response rate of 81 percent and recorded an engagement rate that reflects significant improvement from the previous survey.

A new Talent Management division has been established within our Human Capital function to work closely with our businesses, with particular emphasis on sales and marketing. Our strategy is to ensure that employees are commercially driven and have the capacity to transform the Company into a compelling place to work and contribute to our success. Facilitating the entrepreneurial development of Emirati nationals, and the talent pipeline at large, is a central pillar of this strategy.

Meeting the objectives for Emiratization outlined in the UAE Vision 2021 is another of our priorities. Our national employees are our greatest asset, and we continue to provide them with targeted development opportunities to help them reach their full potential as competent and well-informed industry professionals. More than 74 percent of our employees in designated Emiratization roles are UAE nationals.

Nationalization progress

74%

On the occasion of Emirati Women's Day, ADNOC Distribution hosted an event under the theme of 'Women on the Course of Zayed' for its employees.

ENTERPRISE RISK MANAGEMENT

Proactive engagement in risk is an essential aspect of the Company's core business. Our risk management process identifies and mitigates exposure to uncertainty, and enhances exposure to opportunities, by identifying, understanding, and managing risks in accordance with a defined risk management framework and international standards.

Our risk management objectives and risk management structure, and the role and responsibilities of the Board of Directors, the Audit Committee, our management team and our internal audit function, have all been shaped in accordance with the ISO 31000 standard.

In pursuing the Company's risk management objectives, our Board of Directors undertakes to:

- Openly disclose the risk management process, both internally and externally, to ensure that shareholders view ADNOC Distribution as a transparent organization where awareness and understanding of the risk-management framework is established at the appropriate levels of the organization.
- Assume responsibility for establishing and overseeing the implementation and review of the risk-management system.
- Identify, manage, monitor and report on risk, holding the management team accountable for managing identified risks effectively.

To ensure the risk-management process is effective, the Board will:

- Implement the process and key components documented under the governance of risk-management framework.
- Identify risks using an objective-driven process to assess the impact that risks would have on achieving the Company's objectives.
- Have a clearly defined responsibility structure.

By having an iterative risk management process as prescribed by ISO 31000:2018, we believe we are able to increase the probability of success while reducing the failure rate and uncertainties by taking into consideration the potential benefits and risk factors for the organization.

Asset Integrity and Reliability Management System (AIRMS)

We have established a dedicated Asset Integrity department to ensure that all processing assets have a high degree of integrity and reliability. This is not only an important risk reduction measure, but a major factor in ensuring business continuity.

During the year, we developed an Asset Integrity and Reliability Management System (AIRMS), which will bring a higher level of assurance regarding the integrity and reliability of our operating assets and will help to avoid catastrophic failures and business interruption.

CORPORATE SOCIAL RESPONSIBILITY

We want our presence in the UAE and in the communities in which we operate to benefit our people and wider society. We are meeting this goal through job creation and support for development initiatives, and by providing opportunities for local suppliers.

We listen and we care

We listen, respond and collaborate with our customers and the communities we serve. We have set up formal grievance channels and use a variety of techniques to engage with these key target audiences, ranging from site visits, workshops and meetings to distributing literature.

Customers can register a complaint at any time with our Customer Interaction Center, which we can then verify and investigate. Corrective action is taken to ensure that complaints are quickly addressed and any adverse effects are mitigated.

We also conduct regular surveys and utilize mystery shoppers and customer interaction calls to capture customers' expectations and priorities.

Supporting social development

Our position as the UAE's largest fuel supplier commits us to periodic assessments of our community's needs and expectations. We aim to provide our communities with a broad range of high-quality products and services. We also contribute to social investment and community development programs.

2018 Initiatives

The holy month of Ramadan

We are committed to the spirit of kindness of Ramadan. Partnering with the Khalifa bin Zayed Al Nahyan Foundation, we allocated and distributed 6,500 LPG cylinders to more than 300 families across the UAE during Ramadan in 2018. These cylinders were used to cook iftar meals that were distributed by our employees and the general public to Ramadan tents in Abu Dhabi, Al Dhafra and Fujairah.

The spirit of giving continued as we distributed 70,000 breakfast boxes consisting of dates and water to ADNOC Distribution service stations in the UAE.

The aim of this initiative was to encourage individuals to drive safely and reduce speed-related road accidents. Further, Preservation of Grace, a humanitarian initiative run by the Emirates Red Crescent to spread awareness about the virtues of grace and giving in society, allocated 125,000 iftar boxes of water, dates, cookies and cleansing wipes that were distributed at ADNOC Distribution service stations throughout the UAE.

Happy Winter

We distributed more than 5,000 winter kits to labor workers. The initiative, named Happy Winter, aimed to ease the effects on labor workers of the cooler weather. The Happy Winter kits provided by ADNOC Distribution contained an ice-cap and a warm scarf to help protect workers from winter conditions. Many of ADNOC Distribution's employees also participated in the initiative by volunteering their time and efforts to distribute the kits at worker accommodation facilities.

24-hour challenge with Emirates Foundation

We partnered with Emirates Foundation to host youths at our Mahawi North training facility for the 24-hour challenge, a two-day brainstorming event where participants worked in teams to brainstorm innovative solutions that can be adapted by partnering companies.

Smart Tags giveaway

As part of our commitment to the community, and to support the UAE's leadership in achieving smart government and cities, we distributed more than 300,000 Smart Tags to customers across the UAE to promote cashless transactions.

HSSE Assistance – Zayed Higher Organization

Our HSSE Division collaborated with Zayed Higher Organization for Humanitarian Care (ZHO) to help identify and implement processes and procedures for improving the health, safety and environment management system of ZHO centers.

ZHO provides a range of integrated services that aim to help people of determination (people with special needs) become fully included in the community.

The services include training and education, vocational and therapeutic rehabilitation (assessment, early intervention, physiotherapy, functional therapy, speech therapy, and vocational training workshops), psychological care, and family counseling, as well as supporting educational and sport activities.

Sponsorship

In 2018, we sponsored several initiatives in coordination with many local entities such as the Giving is Happiness initiative, which provides financial support for family children at Dar Zayed for Family Care, and the Year of Zayed initiative.

Additionally, we filmed an awareness advertisement at our service stations in coordination with the Supreme Council for Family Affairs to promote child safety while fueling at service stations.

Breakfast boxes distributed during Ramadan

70,000

Winter kits to labor workers

5,000

Smart Tags to customers

300,000

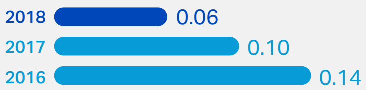
We are committed to the spirit of kindness of Ramadan.

HEALTH, SAFETY AND ENVIRONMENT

Safety performance

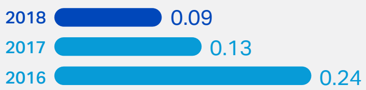
Lost time injury frequency (LTIF)[1]

0.06



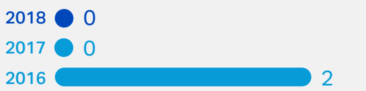
Total recordable injury rate (TRIR)[2]

0.09



Loss of primary containment (Tier 1 & 2)[3]

0



In 2018, ADNOC Distribution achieved its best-ever performance against established health, safety and environment performance indicators. This sends a powerful message to our stakeholders that ADNOC Distribution is a safety-conscious organization.

We take our social and community responsibilities very seriously. In facilitating access by police and other agencies to our service station resources, we contribute to the prevention of anti-social behavior and criminal activity, and ultimately to the safety and security of the nation.

We also consider the well-being of our staff a major priority. To avoid the chronic health effects of exposure to volatile organic compounds (VOCs), we installed vapor recovery units (VRUs) at our service stations and terminals. To verify their effectiveness, we conduct routine VOC exposure monitoring studies.

We also have undertaken sub-surface soil and groundwater analysis at nine service stations to ensure the cleanest and most environmentally friendly operations possible. The stations were declared as potentially high risk following a previous study, but the results fell well below regulatory limits.

We will continue the periodic monitoring of soil and groundwater in our service stations to safeguard the health of our staff and customers.

Improving HSE performance

We introduced Falcon Eye, a state-of-the-art near-miss and HSE observations reporting system, which gives employees the option of using different channels, such as the intranet, cards and SMS, for reporting incidents. We also substantially reduced greenhouse gas emissions by converting public vehicles to CNG. Supplying gas by pipeline further eliminated the safety risks associated with bulk LPG storage and cylinder usage.

HSE awareness

The year was notable for a number of proactive initiatives around people/structure, systems/procedures, and equipment/technology, and for our growing use of social media channels to spread safety awareness messages to customers and staff. We also maintained the regular circulation of HSE flyers addressing critical HSE issues.

Our awareness programs for staff and customers during 2018 included *100% HSE, I Am The Difference*, and the *Life Saving Rules*. Through a series of activities that ran throughout these campaigns, people experienced HSE measures that keep them and their surroundings safe while teaching them to be proactive in protecting the environment and assets, and being responsible and HSE vigilant in everything they do.

1. Lost time injury x 1,000,000/man hours
2. Recordable injuries x 1,000,000/man hours
3. Number of Tier 1/2 process safety events

100% HSE

ADNOC and its group companies are committed to delivering HSE excellence by ensuring the health and safety of its people and the communities in which it operates, and by respecting the environment.

In 2017, ADNOC launched a group-wide initiative around the importance of creating a 100% HSE culture, and empowering employees to comply with the ADNOC HSE policy and procedures. ADNOC Distribution fully commits to the principles of 100% HSE.

SUSTAINABILITY

We recognize our responsibility to the economy, the environment and the community. Our executive leadership team places great emphasis on demonstrating ADNOC Distribution's commitment to sustainability as part of our long-term corporate direction.

Aligning with national policies

ADNOC Distribution reviews national sustainability levels to identify which policies will have an impact on our business.

Some of the actions we have taken are:

UAE Vision 2021 and UAE Strategy for Green Development

Among our initiatives are including sustainability topics on our corporate governance agenda, promoting products such as green diesel, expanding our natural gas vehicle (NGV) operations, installing electric vehicle chargers at some of our stations, and installing solar power systems at some of our service stations.

Abu Dhabi Economic Vision 2030

We are fully supportive of the Abu Dhabi Economic Vision 2030 guidelines to support the UAE leadership in achieving smart governments and smart cities. In tandem with the introduction of ADNOC Flex, we gave away 300,000 Smart Tags to customers across the UAE, and have invested significantly in new technology to improve speed, convenience and the customer experience around refueling.

UAE Energy Strategy 2050

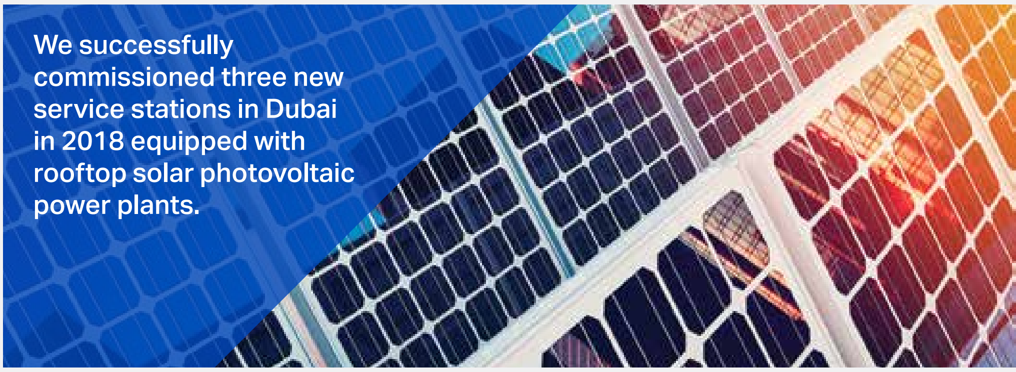
The UAE's Energy Strategy 2050 seeks to increase the contribution of clean energy in the total energy mix from 25 percent to 50 percent by 2050, and to reduce the power generation carbon footprint by nearly 70 percent. We are focusing on improving our own energy efficiency through a systematic approach to energy management.

Creating prosperity

Over the last several years, we have contributed as the UAE has enhanced its leading position in business and corporate innovation, and evolved into a global destination for the launch of new businesses in all sectors.

Sourcing our products responsibly

We follow the ADNOC Group's Corporate Procurement initiative, which emphasizes the selection of local suppliers and contribution to In-Country Value (ICV). In 2018, 85 percent of our procurement was awarded to local suppliers, with 48 percent direct ICV contribution. We will further review our procurement practices each year to identify opportunities to increase spending on local suppliers and to further improve the ICV. We will also contribute to the development of small and medium-sized enterprises as part of our procurement social responsibility.



IT security and data privacy

We aim to become a global leader in retail fuel. The need to protect our information systems and data assets is greater than ever before. Accordingly, one of our primary business objectives is to ensure the protection and security of information systems and data assets. Our Information Technology division has been certified with ISO 27001:2013, the international benchmark for information security.

Energy management

Having identified the need for strong energy efficiency in our operations, we set up a dedicated energy management team. In 2018, we established an Energy Management System (EnMS) tailored to the unique requirements of our business, which was certified under ISO 50001. Our EnMS was successful in achieving a reduction of about five percent in electricity costs in 2018. We expect to further enhance our energy efficiency and improve savings in 2019.

Solar energy

We successfully commissioned three new service stations in Dubai in 2018 equipped with rooftop solar photovoltaic power plants. We will continue the installation of similar solar power systems in many of our service stations in the future.

Waste

We abide by regulatory requirements for the safe handling and disposal of waste generated through our operations. Last year, we generated 6,488 tons of non-hazardous waste that was shifted to landfill sites as per regulatory requirements.

We also send used paper for recycling through a specialized service provider. In 2018, we saved one ton of paper in this way.

We have also contracted with service providers to collect waste lube oil from our facilities for recycling, with some 3,772 tons of used lube collected and recycled.

Expired chemicals from lube and grease blending plants, spent catalyst from natural gas operations, and other categories of hazardous facilities are shifted to an ADNOC centralized hazardous waste management facility for treatment. Last year, we shifted 20 tons of hazardous waste for treatment.

Water

Besides efficient energy and waste management, we turned our focus to water conservation in 2018. We have installed aerator water savers across all the washrooms and mosque ablution areas in all our service stations and other premises. The grid spray pattern generated by this device has reduced per-wash water consumption by more than 80 percent.

In 2018, we established an Energy Management System (EnMS) tailored to the unique requirements of our business, which was certified under ISO 50001.


Vacuum Bay
سيارات
Auto Wash
غسيل آلي

FINANCIAL STATEMENTS

Directors' Report

as at 31 December 2018

The Directors present their report together with the audited carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC (the "Company") and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2018.

Board of Directors:

The Directors of the Company are:

Chairman	H.E. Dr. Sultan Ahmed Al Jaber
Members	Abdulla Salem Al Dhaheri (resigned 5 February 2019)
	Abdulaziz Abdulla Alhajri
	Matar Hamdan Al Ameri
	Jassim Mohammed Alseddiqi
	Pedro Miró Roig
	David-Emmanuel Beau
	Khalid Salmeen (appointed 5 February 2019)

Principal activities

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

Review of business

During the year, the Group reported revenue of AED 22,893,491 thousand (2017: AED 19,756,294 thousand). Profit for the year was AED 2,128,153 thousand (2017: AED 1,804,207 thousand).

The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2018	1,429,448
Total comprehensive income for the year	2,128,153
Dividend	(1,470,000)
Retained earnings at 31 December 2018	**2,087,601**

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the first half of 2018. The dividend comprised of AED 735 million which was approved at the General Assembly Meeting held on 14 October 2018 and paid on 20 October 2018.

The Board of Directors proposed a final dividend of 5.88 fils per share to the shareholders in respect of the year ended 31 December 2018.

For the Board of Directors

H.E. Dr Sultan Ahmed Al Jaber
Chairman

13 February 2019
Abu Dhabi, UAE

To the Shareholders of
Abu Dhabi National Oil Company for Distribution PJSC
Abu Dhabi, UAE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company") and its subsidiary (collectively referred to as "the Group"), which comprise the carve-out statement of financial position as at 31 December 2018, and the carve-out statement of profit or loss and comprehensive income, carve-out statement of changes in equity and carve-out statement of cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies set out in note 3 to the carve-out financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the carve-out financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the carve-out financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of preparation

We draw attention to notes 1 and 3 to the carve-out financial statements which describes the basis of preparation of these carve-out financial statements. The comparative carve-out financial statements for the year ended 31 December 2017 has been prepared on a carve-out basis from the consolidated financial statements for the year ended 31 December 2017 to carve-out the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the carve-out financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the carve-out financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Accuracy and completeness of revenue recognised from retail sales and related IT systems	
The Group reported revenues from retail sales of AED 15,703,503 thousand for year ended 31 December 2018 (AED: 13,746,259 thousand for the year ended 31 December 2017). Revenue recognition from retail sales is assessed as a key audit matter due to the degree of complexity of IT systems and processes used. The Group's accounting policies with regards to revenue recognition are presented in note 3 to the carve-out financial statements.	Our audit procedures included the assessment of controls of the retail revenue process and related IT systems. We tested the design and operating effectiveness of relevant controls of retail revenue process and included testing controls over the accuracy and completeness of revenue recognised from retail sales. We have obtained understanding of the significant revenue processes including performance of an end to end walkthrough of the retail revenue process and identification of the relevant controls (including IT systems, interfaces and reports). We involved our IT specialists to test information technology general controls, system interfaces, data/information reporting and specific application controls surrounding retail revenue systems. In addition, we also performed the following substantive audit procedures: • a detailed substantive analytical procedures of significant revenue streams; and • specific procedures to ensure the accuracy and completeness of retail revenue and revenue recognition criteria adopted is appropriate and in line with the Group's accounting policies.
Carve-out of civil aviation operations	
The carve-out financial statements reflect the financial position of the Group as at 31 December 2018 and 31 December 2017, and its financial performance and its cash flows for the years then ended excluding the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division as disclosed in note 1 to the carve-out financial statements. The carve-out process was assessed as key audit matter as it involves manual adjustments which increases the risk of human error.	Our audit procedures included the assessment of controls over carve-out of civil aviation operation process. We tested the design and operating effectiveness of relevant controls over the carve-out process of civil aviation operations. This included testing controls over the accuracy and completeness of the carve-out of civil aviation operations. In addition, we also performed the following substantive audit procedures: • verified the transfer agreement and ensured the carve-out process is carried out in accordance with the terms of the agreement; • specific procedures on the carve-out amounts to ensure the accuracy and completeness of the amounts and transactions carved–out; • ensure the validity of the balances and transactions and to ensure that civil aviation balances and transactions are excluded in the carve-out financial statements; and • involved our IT specialist to test the accuracy of the system generated reports (information produced by entity) used in the carve-out process.
Related party balances and transactions	
The Company has large volumes of transactions with related parties in the normal course of business. Related party balances and transactions are assessed as a key audit matter as the large volume of transactions increases the likelihood of error and the risk of misstatement. Furthermore, the Company entered into agreements with related parties that involved a degree of complexity affecting the reported balances and transactions with related parties.	Our audit procedures included the assessment of controls over transactions with related parties. We tested the design and operating effectiveness of relevant controls over the intercompany sales and purchase processes. This included testing controls over the accuracy and completeness of the transactions. We also obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of controls. In addition, we also performed the following substantive audit procedures: • Ensure existence, accuracy and completeness of related parties balances and transactions; • evaluated the business rationale of significant transactions; • verified relevant agreements and ensured that transactions are recorded in accordance with the terms of the relevant agreements; and • confirmed significant related party balances and/or performed alternate procedures.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Operational and Financial Highlights, Chairman's Message, CEO's Message, Deputy CEO's Message and the other information in the annual report, which are ex pected to be made available to us after that date. The other information does not include the carve-out financial statements and our auditor's report thereon.

Our opinion on the carve-out financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the carve-out financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Operational and Financial Highlights, Chairman's Message, CEO's Message and Deputy CEO's Message, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of management and those charged with governance for the carve-out financial statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with the accounting policies set out in note 3 to the carve-out financial statements and their preparation in compliance with the applicable provisions of the articles of association of the Company and UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the carve-out financial statements continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the carve-out financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The carve-out financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 1 to the carve-out financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2018;
- Note 8 to the carve-out financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- As disclosed in note 1 to the carve-out financial statements, these carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out of sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories relating to sale and purchasing activities of the Civil Aviation Division, as well as the related cash flows which are transferred to the Parent Company for the comparative period. Except for the above, based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company's Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and
- As disclosed in note 1 to the carve-out financial statements, the Group made social contributions amounting to AED 1,955 thousand during the year ended 31 December 2018.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2018:

- Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position as at 31 December 2018; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
13 February 2019
Abu Dhabi
United Arab Emirates

Carve-out Statement of Financial Position

as at 31 December 2018

	Notes	2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**5,541,653**	5,313,897
Advances to contractors		**88,832**	100,558
Other non-current assets	14	**10,693**	13,462
Total non-current assets		**5,641,178**	5,427,917
Current assets			
Inventories	6	**1,173,854**	1,344,014
Trade receivables and other current assets	7	**2,257,431**	2,211,541
Due from related parties	8	**996,859**	361,634
Cash and bank balances	9	**5,472,959**	2,785,452
		9,901,103	6,702,641
Assets classified as held for sale	10	**–**	74,819
Total current assets		**9,901,103**	6,777,460
Total assets		**15,542,281**	12,205,377
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**1,000,000**	1,000,000
Statutory reserve	13	**500,000**	500,000
Retained earnings		**2,087,601**	1,347,869
Total equity		**3,587,601**	2,847,869
Non-current liabilities			
Long term debt	14	**5,484,400**	5,479,201
Provision for employees' end of service benefit	15	**212,427**	223,937
Total non-current liabilities		**5,696,827**	5,703,138
Current liabilities			
Trade and other payables	16	**1,949,036**	1,158,821
Due to related parties	8	**4,308,817**	2,495,549
Total current liabilities		**6,257,853**	3,654,370
Total liabilities		**11,954,680**	9,357,508
Total equity and liabilities		**15,542,281**	12,205,377

Petri Pentti
Chief Financial Officer

Saeed Mubarak Al Rashdi
Acting Chief Executive Officer

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

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out Statement of Profit or Loss and Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Revenue	17	**22,893,491**	19,756,294
Direct costs	18	**(17,824,106)**	(15,330,201)
Gross profit		**5,069,385**	4,426,093
Distribution and administrative expenses	19	**(3,028,230)**	(2,723,334)
Other income	20	**237,732**	192,984
Impairment losses and other operating expenses	21	**(36,695)**	(75,428)
Operating profit		**2,242,192**	1,820,315
Interest income		**64,451**	2,663
Finance costs		**(178,490)**	(18,771)
Profit for the year		**2,128,153**	1,804,207
Other comprehensive income		**–**	–
Total comprehensive income for the year		**2,128,153**	1,804,207
Earnings per share:			
Basic and diluted	23	**0.170**	0.144

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital AED'000	Capital contribution AED'000	Statutory reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2017	1,000,000	6,304,418	333,333	1,845,017	9,482,768
Total comprehensive income for the year	–	–	–	1,804,207	1,804,207
Transfer to legal reserve (note 13)	–	–	166,667	(166,667)	–
Dividend paid (note 24)	–	–	–	(2,134,688)	(2,134,688)
Capital contribution repayment (note 12)	–	(6,304,418)	–	–	(6,304,418)
Balance at 31 December 2017	1,000,000	–	500,000	1,347,869	2,847,869
Effect of changes in accounting policy for IFRS 9 (note 2.1 and 3)	–	–	–	81,579	81,579
Adjusted balance at 1 January 2018	**1,000,000**	**–**	**500,000**	**1,429,448**	**2,929,448**
Total comprehensive income for the year	**–**	**–**	**–**	**2,128,153**	**2,128,153**
Dividend paid (note 24)	**–**	**–**	**–**	**(1,470,000)**	**(1,470,000)**
Balance at 31 December 2018	**1,000,000**	**–**	**500,000**	**2,087,601**	**3,587,601**

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out Statement of Cash Flows
for the year ended 31 December 2018

	2018 AED'000	2017 AED'000
Cash flows from operating activities		
Profit for the year	**2,128,153**	1,804,207
Adjustments for:		
Depreciation of property, plant and equipment	**532,060**	460,653
Recoveries on receivables	**(85,424)**	(46,749)
Impairment losses on receivables	**11,150**	69,166
Employees' end of service benefit charge	**24,759**	26,314
Gain on disposal of property, plant and equipment	**(7,488)**	(73)
Write down of finished goods to net realisable value	**104,541**	–
(Reversal)/impairment loss for slow moving and obsolete inventories	**(3,699)**	3,488
Inventories written off	**5,583**	2,774
Finance costs	**178,490**	18,771
Interest income	**(64,451)**	(2,663)
Operating cash flows before movements in working capital	**2,823,674**	2,335,888
Decrease/(increase) in inventories	**63,735**	(256,458)
Decrease/(increase) in trade receivables and other current assets	**119,720**	(577,127)
Increase in due from related parties	**(520,999)**	(8,244)
Increase in trade and other payables	**646,495**	109,552
Increase in due to related parties	**1,813,268**	1,817,184
Cash generated from operating activities	**4,945,893**	3,420,795
Payment of employees' end of service benefit	**(31,978)**	(39,303)
Net cash generated from operating activities	**4,913,915**	3,381,492
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(646,663)**	(736,983)
Payment for transfer of property, plant and equipment from a related party	**–**	(696,227)
Payments for advances to contractors	**(28,266)**	(24,955)
Proceeds from disposal of property, plant and equipment	**20,487**	383
Increase in term deposit with maturity more than three months	**–**	(30,000)
Interest received	**49,372**	2,663
Net cash used in investing activities	**(605,070)**	(1,485,119)
Cash flows from financing activities		
Proceed from long term debt	**–**	5,478,541
Payment of transaction costs – revolving facility	**–**	(13,810)
Capital contribution repayment	**–**	(6,304,418)
Finance cost paid	**(151,338)**	–
Dividend paid	**(1,470,000)**	(2,134,688)
Net cash used in financing activities	**(1,621,338)**	(2,974,375)
Net increase/(decrease) in cash and cash equivalents	**2,687,507**	(1,078,002)
Cash and cash equivalents at beginning of the year	**2,655,452**	3,733,454
Cash and cash equivalents at end of the year (note 9)	**5,342,959**	2,655,452
Non cash transaction		
Accruals for property, plant and equipment	**332,515**	207,978
Advances to contractors transferred to property, plant and equipment	**37,282**	51,418
Transfer of property, plant and equipment (from)/to assets classified as held for sale	**(74,819)**	74,819
Transfer of property, plant and equipment (to)/from a related party	**(39,992)**	696,226
Transfer of city gas assets to a related party	**90,830**	–

The accompanying notes form an integral part of these carve-out financial statements.

1 General information

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

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

Pursuant to the resolution of Abu Dhabi National Oil Company ("ADNOC", "Shareholder", or the "Parent Company"), as the sole shareholder of the Company, dated 28 June 2017, ADNOC approved the listing of all the Company's share in Abu Dhabi Securities Exchange and the sale by way of offer to the public of part of the share capital of the Company held by ADNOC.

The Group's registered head office is at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its Subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the "Group") are the marketing of petroleum products, natural gas and ancillary products.

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

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

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

The Group was a wholly owned subsidiary of ADNOC which is wholly owned by the Government of Abu Dhabi (the "Ultimate Shareholder"), and is registered in Abu Dhabi, United Arab Emirates.

On 14 September 2017, the Parent Company approved the transfer of the sales and purchasing activities of the Civil Aviation Division (the "Division") to itself so that all the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division are accounted for by the Parent Company. According to the transfer plan, the Division's selling and purchasing activities are carried out by the Parent Company while ADNOC Distribution, acting as an agent of the parent company, handles the operations of the Division, and effective 1 October 2017, charges the Parent Company a percentage of the costs incurred as agreed by both parties.

Historically, the Division's sales and purchasing activities and transactions were accounted for by the Company and included in its consolidated financial statements. The carve-out financial statements presented herein reflect the comparative financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the years then ended excluding the sales and cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2018.

The Group made social contributions amounting to AED 1,955 thousand during the year ended 31 December 2018 (2017: AED 2,959 thousand).

Statement of compliance

The carve-out financial statements for the year ended 31 December 2018 been prepared in accordance with International Financial Reporting Standards (IFRS). The carve-out financial statements for the year ended 31 December 2017 been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out, affecting comparative figures, of certain assets, liabilities, revenues and expenses relating to sale and purchasing activities of the Division, as well as the related cash flows which are transferred to the Parent Company as described under the "Basis of preparation" in note 3.

The financial statements as of 31 December 2017 has been extracted from the audited carve-out financial statements for the year ended 31 December 2017.

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statement.

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 continued

The Group applied, for the first time, IFRS 9 *Financial Instruments* that are required to be applied retrospectively with adjustment to made in the opening balance of equity. The nature and effect of these changes are disclosed in note 3 of the carve-out financial statement.

In the current year, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 4 Insurance Contracts applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Amendment to IAS 19 *Employee Benefits*: The Amendments clarify that: - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards – amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020

IFRS 16 is effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new standard in preparing these financial statements. The application of IFRS 16 may have a significant impact on amounts reported and disclosures made in the Group's carve-out financial statements in respect of Group's financial assets and financial liabilities in the period of initial application. With the adoption of IFRS 16, off-balance sheet operating lease commitments will be recognised as on balance sheet item as follows:

a. Recognised as a right of use asset and related lease liability; and
b. Rent expense will be replaced by amortisation charge on right of use of asset and a finance charge on minimum lease payments.

The Company has assessed the estimated impact that initial application of IFRS 16 will have on its carve-out financial statements, as described below:

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company as a lessee

The Company will recognise new assets and liabilities for its operating leases of freehold and leasehold properties. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. No significant impact is expected for the Company's leases. Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of AED 116,755 thousand as at 1 January 2019.

Company as a lessor

No significant impact is expected for other leases in which the Company is a lessor.

Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information and the right of use asset is equal to the lease liability at the transition date.

The Company plans to apply the practical expedient on transition to apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17.

3 Summary of significant accounting policies

Basis of preparation

The carve-out financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS). The carve-out financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out, affecting comparative figures, of certain sales, cost of sales receivables/payables and inventories of the Division.

The carve-out financial statements may not be indicative of Group's future performance and they do not necessarily reflect what its carve-out results of operations, financial position and cash flows would have been, had the Division been transferred in prior years.

The carve-out financial statements are presented in United Arab Emirates Dirham (AED) which is the functional currency of the Company and the Group's presentation currency. All amounts have been rounded to the nearest AED thousand ("000"), unless otherwise stated.

The carve-out financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out below:

Basis of consolidation

The carve-out financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved where the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3 Summary of significant accounting policies continued

Basis of consolidation continued

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest 2018	Ownership interest 2017	Country of incorporation	Principal activities
ADNOC Distribution Global Company L.L.C.	**100%**	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of replaced parts are derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	2018	2017
Buildings	**5 – 25 years**	5 – 25 years
Plant and machinery	**5 – 30 years**	5 – 15 years
Motor vehicles	**4 – 10 years**	4 – 10 years
Furniture, fixtures and equipment	**5 years**	5 years
Pipelines	**15 – 20 years**	15 – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

Land was historically provided by the Government of Abu Dhabi for no consideration is accounted for at a nominal value of AED 1 per plot of land. In order to continue to comply with property ownership laws in the UAE, the Group's real properties portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, The Group entered into Transfer Liability and Leaseback Agreements with ADNOC.

Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to its operations on the properties.

Capital work-in-progress

Capital work-in-progress is included in property, plant and equipment at cost. Capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned and available for use.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial assets

The Group has the following financial assets as at 31 December 2018: 'cash and cash equivalents', term deposits, trade receivables and other current assets (excluding prepaid expenses) and due from related parties. These financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group has adopted IFRS 9 as issued by IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised in the carve-out financial statement. The Group did not early adopt any of IFRS 9 in previous year.

The Group adopted IFRS 9 using the modified retrospective method of adoption. The impact of adoption of IFRS 9 resulted in reversal of credit loss allowance in trade receivables by AED 81,579 thousand and is disclosed in carve-out statement of changes in equity. The impact of impairment requirement of IFRS 9 for cash and bank balances and due from related parties were immaterial.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures.*

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks in current accounts and short-term, high liquid investments with original maturities less than three months that are readily convertible to known amounts of cash and are subject to an insignificant change in value.

Loans and receivables

Trade receivables and other current assets (excluding prepaid expenses) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model which the Group holds financial assets and therefore no reclassification were made.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3 Summary of significant accounting policies continued

Financial assets continued

Impairment of financial assets

IFRS 9 replaces the 'incurred losses' model in IAS 39 with an expected credit loss model (ECLs). The Group recognises loss allowance for expected credit losses on the following instruments:

- Cash and bank balances;
- Trade and other receivables; and
- Due from related parties.

With the exception of purchased or originated credit impaired financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that results from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group has elected the IFRS 9 simplified approach to measure loss allowance for cash and bank balances, trade and other receivables, and due from related parties at an amount equal to lifetime ECLs.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default of receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from related parties are presented in the carve-out statement of profit or loss and other comprehensive income.

Measurement of ECL

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities comprise trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding), long term debt and due to related parties, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except, for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Revenue

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers*, the nature and effect of these changes are disclosed below.

Application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, and principal versus agent considerations, as well as licensing application guidance.

There is no material impact on Group's revenue recognition due to application of IFRS 15.

The Group is in the business of marketing of petroleum products, natural gas and ancillary products as described in note 1 of the carve-out financial statements. The goods are generally sold on their own in separately identified contracts with customers.

3 Summary of significant accounting policies continued

Revenue continued

Sales of goods
Sale of goods and petroleum products are recognised when the control of the products or services are transferred to the customers, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been received by the customer. The Group has concluded that revenue from sale of goods should be recognised at the point in time on delivery of the goods. Therefore, the adoption of IFRS 15 did not have any significant impact on the timing of revenue recognition and the amount of revenue to be recognised.

Rendering of services and Delivery income
Revenues from rendering of services are recognised when the services have been rendered and the outcome of the transactions can be estimated reliably.

Revenue from petroleum transport are recognised when services are rendered. These revenues are based on the quantities transported and measured according to procedures defined in each service contract.

Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customers and payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Rental income
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Sale of coupons – Flex income
A contract liability for the coupons is recognised at the time of sale of coupons. Revenue is recognised when the coupons are redeemed, management estimates the probability of the redemption or when they expire after 1 month of the sale.

Other income
Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

Leases

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise.

Employees' benefit

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting date.

With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pension and Benefits Fund (the "Fund") calculated in accordance with the Fund's regulations. With respect to its GCC national employees, the Group makes contributions to the pension funds or agencies of their respective countries. The Group's obligations are accrued over the period of employment.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates made by management are summarised as follows:

Critical accounting judgments

Dismantling cost of property, plant and equipment

In accordance with IAS 16, the cost of property, plant and equipment shall include an initial estimate of the costs of dismantling and removing the item and restoring the site. Management have considered the requirements and determined that dismantling and removing the item and restoring the site in the future is not probable and estimate of costs is not significant.

Key sources of estimation uncertainty

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2018, the Group's allowance for impairment of trade receivables amounted to AED 40,698 thousand (2017: AED 119,034 thousand).

Estimated useful lives and residual values of property, plant and equipment

Management reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management determined that current year expectations do not differ from previous estimates based on its review.

The Group conducted a business review of the useful life and residual values of certain assets. These assets, which management had previously intended to use for 20 years, are now expected to be used for 30 years from the date of purchase, resulting in increase in useful life and consequent decrease in the residual value. The change in useful life has resulted in a reduced depreciation charge of AED 27 million during 2018 and is expected to result in a lower depreciation charge of AED 27 million for the years ending 31 December 2019 and 31 December 2020.

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the estimated useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment.

5 Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
1 January 2017	3,512,566	1,278,028	252,268	563,713	47,683	1,351,251	7,005,509
Additions	–	–	–	–	–	779,679	779,679
Transfer from a related party	255,004	441,223	–	–	–	–	696,227
Transfers	638,746	217,633	17,954	124,675	3,525	(1,002,533)	–
Disposals	(47)	(3,473)	(7,936)	(1,357)	–	–	(12,813)
Reclassification	1,239	(275)	–	(964)	–	–	–
Transfer to assets classified as held for sale (note 10)	–	–	–	(2,971)	(840)	(71,674)	(75,485)
1 January 2018	**4,407,508**	**1,933,136**	**262,286**	**683,096**	**50,368**	**1,056,723**	**8,393,117**
Additions	**–**	**–**	**–**	**–**	**–**	**811,190**	**811,190**
Transfers	**655,521**	**237,410**	**5,046**	**54,148**	**27,430**	**(979,555)**	**–**
Disposals	**(10,041)**	**(13,474)**	**(62,283)**	**(8,388)**	**–**	**–**	**(94,186)**
Transfer to a related party	**(3,048)**	**(178)**	**–**	**(584)**	**–**	**(38,453)**	**(42,263)**
31 December 2018	**5,049,940**	**2,156,894**	**205,049**	**728,272**	**77,798**	**849,905**	**9,067,858**

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Accumulated depreciation							
1 January 2017	1,329,250	799,642	182,277	292,804	27,763	–	2,631,736
Charge for the year	192,925	136,553	23,240	105,738	2,197	–	460,653
Disposals	(47)	(3,200)	(7,910)	(1,346)	–	–	(12,503)
Reclassifications	288	(355)	–	67	–	–	–
Transfer to assets classified as held for sale (note 10)	–	–	–	(379)	(287)	–	(666)
1 January 2018	**1,522,416**	**932,640**	**197,607**	**396,884**	**29,673**	**–**	**3,079,220**
Charge for the year	**235,774**	**176,269**	**19,802**	**97,205**	**3,010**	**–**	**532,060**
Disposals	**(6,274)**	**(13,446)**	**(54,833)**	**(6,635)**	**–**	**–**	**(81,188)**
Reclassifications	**(6)**	**(5)**	**–**	**11**	**–**	**–**	**–**
Transfer to a related party	**(2,834)**	**(147)**	**(25)**	**(783)**	**(98)**	**–**	**(3,887)**
31 December 2018	**1,749,076**	**1,095,311**	**162,551**	**486,682**	**32,585**	**–**	**3,526,205**
Carrying amount 31 December 2018	**3,300,864**	**1,061,583**	**42,498**	**241,590**	**45,213**	**849,905**	**5,541,653**
31 December 2017	2,885,092	1,000,496	64,679	286,212	20,695	1,056,723	5,313,897

The Group's buildings and facilities located in the Emirate of Abu Dhabi are constructed on land given by the Government of Abu Dhabi for no consideration. These lands are accounted for at nominal value of AED 1 per plot of land. Facilities located in other Emirates are constructed on land leased from third parties (note 25).

In order to continue to comply with property ownership laws in the UAE, The Group's real property portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, The Group entered into Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to our operations on the properties.

The depreciation charge has been allocated as follows:

	2018 AED'000	2017 AED'000
Distribution and administrative expenses (note 19)	**501,321**	456,950
Direct cost (note 18)	**3,444**	2,697
Work-in-progress inventories (note 6)	**27,295**	1,006
	532,060	460,653

6 Inventories

	2018 AED'000	2017 AED'000
Finished goods	**1,182,056**	1,203,968
Spare parts and consumables	**44,772**	52,761
Lubricants raw materials, consumables and work in progress	**30,649**	70,647
LPG cylinders	**36,364**	35,783
	1,293,841	1,363,159
Less: Allowance for write down of finished goods to net realisable value	**(104,775)**	(234)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(15,212)**	(18,911)
	(119,987)	(19,145)
	1,173,854	1,344,014

The cost of inventories recognised as expense and included in 'direct cost' amounted to AED 17,796,743 thousand (2017: AED 15,303,357 thousand) (note 18). During the year, a direct write off of inventory was recognised as expense amounting to AED 5,583 thousand (2017: AED 2,774 thousand) (note 21).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 27,295 thousand (2017: AED 1,006 thousand) (note 5).

Movement of the Group's inventory write down of finished goods to net realisable value and allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders is as follows:

	2018 AED'000	2017 AED'000
At 1 January	**19,145**	15,657
Write down to net realisable value	**104,541**	–
(Reversal)/impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 21)	**(3,699)**	3,488
At 31 December	**119,987**	19,145

7 Trade receivables and other current assets

	2018 AED'000	2017 AED'000
Trade receivables	**2,021,689**	2,163,219
Less: loss allowance	**(40,698)**	(200,613)
	1,980,991	1,962,606
Prepaid expenses	**26,843**	36,653
Receivable from employees	**111,930**	116,185
VAT receivables	**412**	–
Other receivables	**137,255**	96,097
	2,257,431	2,211,541

Receivables from employees consist of staff car loans, furniture loans, personal loans and staff advances.

As at 31 December 2018, the Group had significant concentration of credit risk with two customers (2017: two) accounting for 65% (2017: 53%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

The average credit period on sales and services is between 30 to 60 days. No interest is charged on trade receivables. The receivables form certain customers are secured by the bank guarantees.

Trade receivables – days past due as on 31 December 2018

	Up to 60 days AED '000	61-90 days AED '000	90-365 days AED '000	Over one year AED '000	Total AED '000
Expected credit loss rate	**0-1%**	**0-1%**	**0-1%**	**0-1%**	
Estimated total gross carrying amount	**1,340,613**	**120,752**	**391,404**	**168,920**	**2,021,689**
Lifetime Expected credit loss	**(9,920)**	**(718)**	**(3,077)**	**(26,983)**	**(40,698)**

Trade receivables – days past due as on 31 December 2017

	Up to 60 days AED '000	61-90 days AED '000	90-365 days AED '000	Over one year AED '000	Total AED '000
Expected credit loss rate	0-1%	0-1%	0-1%	0-1%	
Estimated total gross carrying amount	1,316,320	88,479	464,082	294,338	2,163,219
Lifetime Expected credit loss	(7,686)	(491)	(2,632)	(108,225)	(119,034)

As at 31 December 2018, trade receivables with carrying amount of AED 40,698 thousand (2017: AED 119,034 thousand (restated)) were provided as per the requirement of IFRS 9 Expected Credit Loss model. Movement in the allowance for impairment of trade receivables is as follows:

	Collectively Assessed AED'000	Individually Assessed AED'000	Total AED'000
Balances at 31 December 2017	**93,999**	**106,614**	**200,613**
Adjustment upon application of IFRS 9	**(81,579)**	**–**	**(81,579)**
Adjusted at 1 January 2018	**12,420**	**106,614**	**119,034**
Recovery made during the year	**(8,558)**	**(76,866)**	**(85,424)**
Amounts written off	**–**	**(4,062)**	**(4,062)**
Charge for the year (note 21)	**11,150**	**–**	**11,150**
	15,012	**25,686**	**40,698**

Amounts charged to the allowance for impairment of trade receivables are generally written off when there is no realistic expectation of recovery. The carrying amounts of the Group's trade receivables are denominated in UAE Dirham and US Dollars and approximate to their fair value as at 31 December 2018. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

8 Related party balances and transactions

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

	2018 AED'000	2017 AED'000
Due from related parties		
Abu Dhabi National Oil Company (ADNOC)	**597,176**	16,782
ADNOC Logistics and Services (formerly Abu Dhabi National Tanker Co. (ADNATCO), National Gas Shipping Company (NGSCO), Abu Dhabi Petroleum Ports Operating Co. (IRSHAD) and Petroleum Services Company (ESNAAD))	**195,365**	152,753
ADNOC Drilling (formerly National Drilling Company)	**70,385**	88,720
ADNOC Onshore (formerly Abu Dhabi Company for Onshore Oil Operations (ADCO))	**53,297**	48,716
ADNOC Offshore (formerly Abu Dhabi Marine Operating Co. (ADMA-OPCO) and Zakum Development Company (ZADCO))	**35,120**	16,673
ADNOC Gas Processing (formerly Abu Dhabi Gas Industries Ltd. (GASCO))	**19,241**	16,694
ADNOC Sour Gas (formerly Abu Dhabi Gas Development Company (AL HOSN))	**10,102**	12,209
Others	**16,173**	9,087
	996,859	361,634
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**4,279,215**	2,469,652
ADNOC Refining (formerly Abu Dhabi Oil Refining Company (Takreer))	**15,424**	12,860
ADNOC Logistics and Services (formerly Abu Dhabi National Tanker Co. (ADNATCO), National Gas Shipping Company (NGSCO), Abu Dhabi Petroleum Ports Operating Co. (IRSHAD) and Petroleum Services Company (ESNAAD))	**14,178**	13,031
Others	**–**	6
	4,308,817	2,495,549

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

The amount due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges, administrative charges and amounts related to the transfer of the sales and purchasing activities of the Civil Aviation Division. The above balance is unsecured, bears no interest and is payable on demand.

The Group has an amount of AED 4,991,992 thousand (2017: AED 1,052,359 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2018, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 5,276,563 thousand.

8 Related party balances and transactions continued

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

	2018 AED'000	2017 AED'000
Revenue – ADNOC Group	**1,341,437**	1,011,976
Purchases – ADNOC	**16,483,092**	13,929,609
Administrative expenses – ADNOC	**42,151**	1,940
Vessel hire and port charges – ADNOC Group	**83,100**	96,193
Transfer of property, plant and equipment (to)/from related party	**(38,736)**	696,226
Dividend paid (note 24)	**(1,323,000)**	(2,134,688)
Rendering of service (note 17)	**299,928**	72,213
Transfer of city gas assets – ADNOC Group	**(90,830)**	–
Recovery of expenses incurred related to City Gas (note 10)	**30,749**	–
Capital contribution repayment (note 12)	**–**	(6,304,418)
Recoverable expenses (note 19)	**–**	(198,403)
End of service benefits transferred	**4,291**	–

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2018 AED'000	2017 AED'000
Short term benefits	**25,550**	10,982
Pension contribution	**1,240**	572
	26,790	11,554

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

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

In September 2017, the Company entered into an agreement with ADNOC Distribution Assets LLC (the "SPV") for the operation and maintenance of certain of the assets transferred to the SPV by Takreer with an effective date of 1 October 2017, for which the SPV will compensate the Company on the basis of an 8% return over and above the operating expenditure incurred by the Company for such operations (the "Owner Consideration") and the Company will compensate the SPV for the use of such assets (the "Operator Consideration"). The Company and the SPV also signed an asset use fee letter confirming that the Owner Consideration will be the same as, and will therefore offset, the Operator Consideration.

In September 2017, the Company entered into an agreement with the Parent Company and the SPV to provide support services relating to the Parent Company's civil aviation fuel supply business and to operate and maintain certain assets belonging to the SPV with an effective date of 30 September. The SPV will compensate the Company on the basis of an 8% return over and above the operating expenditure incurred by the Company for such support services and operations.

In November 2017, the Company entered into an agreement with the Parent Company relating to its supply of Butane, Propane and Mixed Liquefied Petroleum Gas ("LPG") which specifies the pricing mechanism for those products effective 1 October 2017. As per the new arrangement for LPG cylinders, the Parent Company will charge the Company the regulated price with a deduction for Cylinder OPEX as defined in the agreement and an agreed margin whereas historically the Company paid the Parent Company's official selling prices. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement. This reimbursement will be recorded as reduction from the purchase price of the LPG cylinders.

In November 2017, the Company entered into an agreement with the Parent Company for supply of refined petroleum products. As per this arrangement, the contract price effective 1 October 2017 applicable to gasoline and diesel shall be equal to the sum of (a) the mean of Platt's Average as defined in the agreement, plus (b) a fixed premium. For illuminating kerosene and aviation fuel, the contract price shall be the Parent Company's official selling prices.

Also, during the initial five-year term only, to the extent that during any invoicing period the difference between the contract price payable by the Company to the Parent Company for any litre of a gasoline or diesel and the relevant retail price for the same litre of gasoline or diesel, is less than a specified level, such contract price shall be reduced for that period so that the difference equals such specified level.

In addition, if at the end of any quarter, during the initial five-year term, it is determined that, for any grade of gasoline (ULG 91, 95 or 98) or diesel, the difference between the actual revenue per litre achieved by the Company for sales at the pump and the price paid by the Company to the Parent Company for the quantities sold, is less than a specified level, then the Parent Company will pay the Company an amount equal to the per-litre difference, multiplied by the total volumes sold of the affected grade. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement.

In 2018, the Group adjusted the purchase price of certain products supplied by ADNOC due to market conditions with effect from 1 January 2018. During the period, the Group has made further adjustments to the pricing of these products effective for the periods from 1 July 2018. These adjustments have been reflected in inventory and direct costs.

9 Cash and cash equivalents

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

	2018 AED'000	2017 AED'000
Cash held by ADNOC	**346,730**	1,578,582
Cash on hand and in bank	**5,126,229**	1,206,870
Cash and bank balances	**5,472,959**	2,785,452
Term deposit with maturities above 3 months	**(130,000)**	(130,000)
	5,342,959	2,655,452

Cash held by ADNOC are funds held by ADNOC on behalf of the Group and are available on demand. These funds as approved by both parties carries interest rate ranging from 1.20% to 1.70% per annum effective December 2017.

Cash and bank balances include short-term and call deposits amounting to AED 4,991 million (2017: AED 1,052 million) carrying rate ranging from 0.02% to 3% (2017: 0.01% to 0.05%) per annum.

10 Assets classified as held for sale

On 2 November 2017, the Company and Abu Dhabi National Oil Company (ADNOC) entered into a business transfer agreement relating to the transfer of the Company's Natural Gas business excluding compressed natural gas operations subject to certain conditions precedent. Effective 1 July 2018, assets of AED 90.8 million (note 8) were transferred to ADNOC which included work in progress amounting to AED 16 million along with AED 74 million that were held for sale. The assets were transferred at net book value and the Company continues to handle the operations of the division on behalf of the Parent Company.

The company also recovered net operations cost of AED 30.8 million (note 8) for handling the city gas business for the period 1 July to 31 December 2018.

11 Share capital

The original share capital of the Company as per the Law No. 13 of 1973 was AED 30 million divided into 300,000 shares, each valued at AED 100.

By virtue of the decision of the board of directors of the Parent Company dated 17 October 1984, the share capital of the Company was increased to AED 200 million divided into 2 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 6 October 1998, the share capital of the Company was increased to AED 600 million divided into 6 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 9 July 2006, the share capital of the Company was increased to AED 1,000 million.

In accordance with the Article of Association of the Company which became effective on 22 November 2017, the authorised capital and number of ordinary shares was amended as follows:

	2018	2017
Authorised:		
25,000,000,000 ordinary shares of AED .08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED .08 each	**1,000,000**	1,000,000

12 Capital contribution

On 10 October 2016, the Supreme Petroleum Council (Executive Committee) approved to write off the amounts payable to ADNOC amounting to AED 42,520,001 thousand against the accumulated losses of the Company. An amount of AED 6,304,418 thousand has been further recognised as an additional capital contribution from ADNOC to the Company. On 13 November 2017, the Board of Directors approved the repayment of the capital contribution of AED 6,304,418 thousand to ADNOC.

13 Legal reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% (2017: 50%) of the paid up share capital.

14 Long term debt

	2018 AED'000	2017 AED'000
Term loan	**5,484,400**	5,479,201

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

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 10,693 thousand as at 31 December 2018 (2017: 13,462) is presented as other non-current asset in the carve-out financial statements.

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

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's carve-out financial statements of cash flows as cash flows from financing activities.

	2018 AED'000	2017 AED'000
At 1 January	**5,479,201**	–
Financing cash flows (i)	**–**	5,478,541
Other charges (ii)	**5,199**	660
	5,484,400	5,479,201

(i) The cash flows from bank loans and repayments of long term debt in the statement of cash flows.

(ii) Other charges include amortisation of transaction costs of the term loan.

15 Provision for employees' end of service benefit

Movement in the provision recognised in the carve-out statement of financial position is as follows:

	2018 AED'000	2017 AED'000
At 1 January	**223,937**	236,926
Charge for the year (note 22)	**24,759**	26,314
Transfer to a related party (note 8)	**(4,291)**	–
Payments	**(31,978)**	(39,303)
At 31 December	**212,427**	223,937

16 Trade and other payables

	2018 AED'000	2017 AED'000
Trade payables	**591,824**	414,978
Operating accruals	**397,447**	249,978
Capital accruals	**332,515**	207,978
VAT payable	**249,600**	–
Coupon and prepaid card sales outstanding	**97,578**	82,362
Contract retentions payable	**71,044**	67,496
Advances from customers	**48,895**	27,511
Other payables	**160,133**	108,518
	1,949,036	1,158,821

17 Revenue

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 26):

	2018 AED'000	2017 AED'000
Corporate	**4,733,114**	4,049,801
Retail	**15,703,503**	13,746,259
Aviation	**2,193,846**	1,696,871
Others	**263,028**	263,363
	22,893,491	19,756,294

17 Revenue continued

Management expects that AED 1,573 thousand is the remaining performance obligations as of the year ended 2018, which will be recognised as revenue during the next reporting period.

In connection with the transfer of the sales and purchasing activities of the Division, the Company entered into a service agreement (the "Aviation Service Agreement"), pursuant to which the Parent Company reimburses the Company for and pays an additional margin of 8% of the total distribution and administrative costs of the Division incurred by the Company for handling the operations of the Division and providing certain aviation refuelling and other related services to its civil aviation customers.

The cost of the Division's related handling operations plus the additional margin amounting to AED 299,928 thousand (2017: AED 72,213 thousand) is recognised as revenue in the carve-out financial statements (note 8).

18 Direct costs

	2018 AED'000	2017 AED'000
Materials (note 6)	**17,796,743**	15,303,357
Staff costs (note 22)	**11,642**	12,684
Overheads	**12,277**	11,463
Depreciation (note 5)	**3,444**	2,697
	17,824,106	15,330,201

19 Distribution and administrative expenses

	2018 AED'000	2017 AED'000
Staff costs (note 22)	**1,834,171**	1,824,276
Depreciation (note 5)	**501,321**	456,950
Repairs, maintenance and consumables	**131,701**	154,722
Distribution and marketing expenses	**127,809**	120,176
Utilities	**81,596**	96,102
Insurance	**9,455**	11,246
Others	**342,177**	258,265
Recoverable expenses (note 8)	**–**	(198,403)
	3,028,230	2,723,334

20 Other income

	2018 AED'000	2017 AED'000
Gain on disposal of property, plant and equipment	**7,488**	73
Miscellaneous income	**230,244**	192,911
	237,732	192,984

Miscellaneous income consists mainly of convenient store income for the consigned goods and sales of scrap items, used oil, batteries, tyres.

21 Impairment losses and other operating expenses

	2018 AED'000	2017 AED'000
Impairment loss of trade receivables (note 7)	**11,150**	69,166
Inventories written off (note 6)	**5,583**	2,774
Impairment loss for obsolete inventories (note 6)	**–**	3,488
Others	**19,962**	–
	36,695	75,428

22 Staff costs

	2018 AED'000	2017 AED'000
Salaries and allowances	**1,638,278**	1,679,268
Other benefits	**233,473**	177,025
Employees' end of service benefit (note 15)	**24,759**	26,314
	1,896,510	1,882,607
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 19)	**1,834,171**	1,824,276
Capital work-in-progress	**50,697**	45,647
Direct costs (note 18)	**11,642**	12,684
	1,896,510	1,882,607

Other benefits consist mainly of medical expenses, trainings, leave and travel expenses and uniforms.

23 Basic and diluted earnings per share

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

	2018	2017
Profit attributable to owners of the Company (AED '000)	**2,128,153**	1,804,207
Weighted average number of shares for the purpose of basic earnings per share ('000) (note 11)	**12,500,000**	12,500,000
Earnings per share	**0.170**	0.144

On 22 November 2017, the authorised number of ordinary shares was amended to 25,000,000 thousand shares of AED 0.08 each. Accordingly, the weighted average number of shares for the purpose of the basic earnings per share for the year ended 31 December 2017 was restated.

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

24 Dividend

The Board of Directors, in their meeting held on 13 November 2017 and based on the authority provided by the Parent Company, has approved an interim dividend of AED 2,134,688 thousand.

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the fiscal year ended 31 December 2017. The dividend comprised of AED 735 million, which was approved at the Annual General Meeting, held on 8 April 2018 and paid on 11 April 2018.

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the first half of 2018. The dividend comprised of AED 735 million which was approved at the General Assembly Meeting held on 14 October 2018 and paid on 20 October 2018.

The Board of Directors proposed a final dividend of 5.88 fils per share to the shareholders in respect of the year ended 31 December 2018.

25 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 113.9 million (2017: AED 300.9 million).

The Group has entered into numerous operating lease agreements relating to land on which certain petrol stations have been constructed. The minimum lease payments under these lease agreements are shown below.

	2018 AED'000	2017 AED'000
Not later than one year	**7,736**	3,200
Later than one and not later than five years	**14,042**	23,310
Later than five years	**14,750**	16,950
	36,528	43,460

26 Segment reporting

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

For operating purposes, The Group is organised into four major business segments:

(i) Corporate segment, which involves sale of petroleum products and ancillary products.

(ii) Retail segments, which involves sale of petroleum products through service stations services and convenience stores catering the consumers.

(iii) Government aviation segment, engages in the provision of fuel and fuelling services to strategic customers as well as fuelling services to the Parent Company's aviation customers.

(iv) Operating segments Allied Services and Natural Gas have been aggregated as 'Other' reportable segment of the Group. Allied services involves property management and vehicle inspection services.

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

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given.

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

Information regarding these segments are as follows:

	Corporate AED'000	Retail AED'000	Aviation AED'000	Others AED'000	Unallocated AED'000	Total AED'000
31 December 2018						
Revenue	**4,733,114**	**15,703,503**	**2,193,846**	**263,028**	**–**	**22,893,491**
Direct costs	**(3,948,285)**	**(12,396,625)**	**(1,469,510)**	**(9,649)**	**(37)**	**(17,824,106)**
Gross profit	**784,829**	**3,306,878**	**724,336**	**253,379**	**(37)**	**5,069,385**
Distribution and administrative expenses	**(248,199)**	**(2,164,935)**	**(418,614)**	**(196,430)**	**(52)**	**(3,028,230)**
Other income	**84,986**	**96,647**	**1,839**	**30,927**	**23,333**	**237,732**
Impairment losses and other operating expenses	**(3,718)**	**(23,198)**	**(2,884)**	**(1,311)**	**(5,584)**	**(36,695)**
Interest income	**–**	**–**	**–**	**–**	**64,451**	**64,451**
Finance cost	**–**	**–**	**–**	**–**	**(178,490)**	**(178,490)**
Profit/(loss) for the year	**617,898**	**1,215,392**	**304,677**	**86,565**	**(96,379)**	**2,128,153**
Depreciation – net	**30,436**	**423,715**	**35,456**	**42,453**	**–**	**532,060**
31 December 2017						
Revenue	4,049,801	13,746,259	1,696,871	263,363	–	19,756,294
Direct costs	(3,278,108)	(10,876,911)	(1,157,874)	(17,308)	–	(15,330,201)
Gross profit	771,693	2,869,348	538,997	246,055	–	4,426,093
Distribution and administrative expenses	(219,458)	(2,054,410)	(201,702)	(236,340)	(11,424)	(2,723,334)
Other income	64,876	86,490	8,056	30,819	2,743	192,984
Impairment losses and other operating expenses	(36,511)	(100)	(10,314)	(22,241)	(6,262)	(75,428)
Interest income	–	–	–	–	2,663	2,663
Finance costs	–	–	–	–	(18,771)	(18,771)
Profit/(loss) for the year	580,600	901,328	335,037	18,293	(31,051)	1,804,207
Depreciation – net	18,783	352,302	14,491	55,598	–	441,174

Unallocated income consists mainly of gain on sale of fixed assets, insurance recovery and other miscellaneous income.

Depreciation has been allocated in distribution and administrative expenses, direct costs and work-in-progress inventories (note 5). Reconciliation of depreciation net of Civil Aviation Division carve-out is as follows:

	2018	2017
Depreciation (note 5)	**532,060**	460,653
Less: amount relating to Civil Aviation Division carve-out	**–**	(19,479)
Depreciation – net	**532,060**	441,174

27 ADNOC Group central fund for risk financing

The Group is a participant in a centralised fund, administered by ADNOC, to finance certain self-insured risks. The fund is made up of premium discounts, investment income and contributions from participants, as agreed upon from time to time. Under the scheme, the Group is obliged to provide additional funding, if required. As at 31 December 2018, the Group's share in the fund held by ADNOC was AED 630 thousand (2017: AED 668 thousand).

28 Contingencies and litigations

As at 31 December 2018, the Group had contingent liabilities amounting to AED 902.1 thousand (2017: AED 1,208 thousand) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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

29 Financial instruments

Capital risk management

The primary objective of the Group's capital risk management activities is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital defined as equity plus net debt. The capital structure of the Group consists of debt, which includes long term debts, cash and cash equivalents and equity comprising share capital, statutory reserve and retained earnings.

The leverage ratio, determined as net debt to net debt plus equity, at the year-end was as follows:

	2018 AED '000	2017 AED '000
Debt	**5,484,400**	5,479,201
Cash and cash equivalent (note 9)	**(5,342,959)**	(2,655,452)
Net debt	**141,441**	2,823,749
Net debt	**141,441**	2,823,749
Equity	**3,587,601**	2,847,869
Net debt plus equity	**3,729,042**	5,671,618
Leverage ratio	**3.8%**	49.8%

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), commercial and credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has no significant currency risk exposure from its operations as a majority of the Group's transactions are in UAE Dirham or US Dollars. The UAE Dirham is pegged to the US Dollar, hence, balances in US Dollars are not considered to present a significant foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and Group's debt obligations with floating interest rates. Consequently, the Group's income and operating cash flows are dependent on changes in market interest rates. Deposits/placements issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage these risks based on management's assessment of available options and placing any surplus funds with ADNOC for treasury management or with creditworthy banks (note 9).

The deposits and placements are on rollover basis for three months or less, as such the carrying amounts have not been discounted as the impact of discounting is not deemed to be significant.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial position date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would have decreased/increased by AED 27,422 thousand (2017: AED 27,396 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Price risk

The Group is exposed to commodity price risk arising from retail prices of the liquid fuels. Liquid fuel prices are set by the UAE Ministry of Energy, which limits and may result in reductions in the profit margins on these products. There can be no assurance that the UAE Ministry of Energy will continue to set retail prices at a level that provides the same or a similar profit margin, and any reduction in the profit margin on these products would have a material adverse impact on our results of operations and financial position. Under the new supply agreements, ADNOC will provide the Group protection against reduction in per-litre gross profits below certain specified levels (note 8).

(b) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and others factors. Individual risk limits are based on management's assessment on a case-by-case basis.

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks and financial institutions and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 7.

(c) Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations is available to meet its funding requirements. The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., bank deposits, trade receivables and other financial assets), and projected cash flows from operations. The Group's objective is to maintain liquidity through credit lines available from banks. As at 31 December 2018, the Group had access to a USD 750 million credit facility which was fully unutilised (note 14).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 and 2017 based on the contractual undiscounted payments.

	Less than 1 year AED '000	**More than 1 year AED '000**	**Total AED '000**
At 31 December 2018			
Long term debt	**–**	**5,484,400**	**5,484,400**
Due to related parties	**4,308,817**	**–**	**4,308,817**
Trade and other payables (excluding advances from customers and coupon and pre-paid card sales outstanding)	**1,802,564**	**–**	**1,802,564**
Total	**6,111,381**	**5,484,400**	**11,595,781**

	Less than 1 year AED '000	More than 1 year AED '000	Total AED '000
At 31 December 2017			
Long term debt	–	5,479,201	5,479,201
Due to related parties	2,495,549	–	2,495,549
Trade and other payables (excluding advances from customers and coupon and pre-paid card sales outstanding)	1,048,948	–	1,048,948
Total	3,544,497	5,479,201	9,023,698

Whilst the Parent Company account is payable on demand or within agreed payment terms, the Parent Company considers the ability of the Group to pay, and its cash position prior to any payment request or transfer. The Parent Company account includes the cost of supplying the Group with its inventories as the Parent Company is the principal supplier of petroleum products to the Group (note 8).

Fair value estimation

The carrying value less any impairment provision of trade receivables and payables, approximate to their fair values as they are mainly short-term in nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for financial instruments.

30 Financial instruments by category

	2018 AED'000	2017 AED'000
Financial assets:		
Cash and bank balances	**5,472,959**	2,785,452
Due from related parties	**996,859**	361,634
Trade and receivables and other current assets (excluding prepaid expenses)	**2,230,588**	2,174,888
	8,700,406	5,321,974

	2018 AED'000	2017 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,802,564**	1,048,948
Due to related parties	**4,308,817**	2,495,549
Long term debt	**5,484,400**	5,479,201
	11,595,781	9,023,698

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 26,843 thousand (2017: AED 36,653 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 146,473 thousand (2017: AED 109,873 thousand) have been excluded from trade and other payables.

31 Investment in Abraaj Holding

During the year, the Group was not involved in any transaction or had any business relationships with Abraaj Group or its affiliates.

32 Approval of carve-out financial statements

The carve-out financial statements were approved by the Board of Directors and authorised for issue on 13 February 2019.

Glossary

ADEG	Abu Dhabi Energy Index
ADI	Abu Dhabi General Index
ADNOC	Abu Dhabi National Oil Company
ADNOCDIS:UH	Bloomberg symbol for ADNOC Distribution
ADNOCDIST	ADX symbol for ADNOC Distribution
ADWEA	Abu Dhabi Water and Electricity Authority
ADX	Abu Dhabi Securities Exchange
AED	United Arab Emirates Dirham, the currency of the United Arab Emirates
ANOD.AD	Reuters Instrument Code for ADNOC Distribution
API	American Petroleum Institute
Capex	Capital expenditure
Carve-out	Divestiture or partial divestiture of a business unit
CNG	Compressed Natural Gas
the Company	ADNOC Distribution
EBITDA	Earnings before interest, tax, depreciation and amortization
ELT	Executive Leadership Team
EnMS	Energy Management System
ERM	Enterprise Risk Management
EV	Electrical Vehicles
FDI	Foreign Direct Investment
Footfall	The number of people entering a shopping area in a given time
GCC	Gulf Cooperation Council (United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain)
GDP	Gross Domestic Product
Grey market	An unofficial market in goods that have not been obtained from an official supplier
HC	Human Capital
HSE	Health, Safety and Environment
ICV	In-Country Value
IMF	International Monetary Fund
IPO	Initial Public Offering
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
OHSAS	Occupational Health and Safety Assessment Series
JIG	Joint Inspection Group
KPI	Key Performance Indicator
LPG	Liquefied Petroleum Gas
MCC	Monitoring and Control Centre
MENA	Middle East and North Africa
ADNOC Flex	Offers the option of either premium full-service refueling or self-service refueling
NIN	National Investor Number
NGV	Natural Gas Vehicles
Premiumization	Consumer preference or trend towards higher quality, higher price offerings
RFID	Radio Frequency Identification
RIC	Reuters Instrument Code
ROCE	Return on Capital Employed
ROE	Return on Equity
SCA	Securities and Commodities Authority
UAE	United Arab Emirates
USD	United States Dollar, the currency of the United States

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