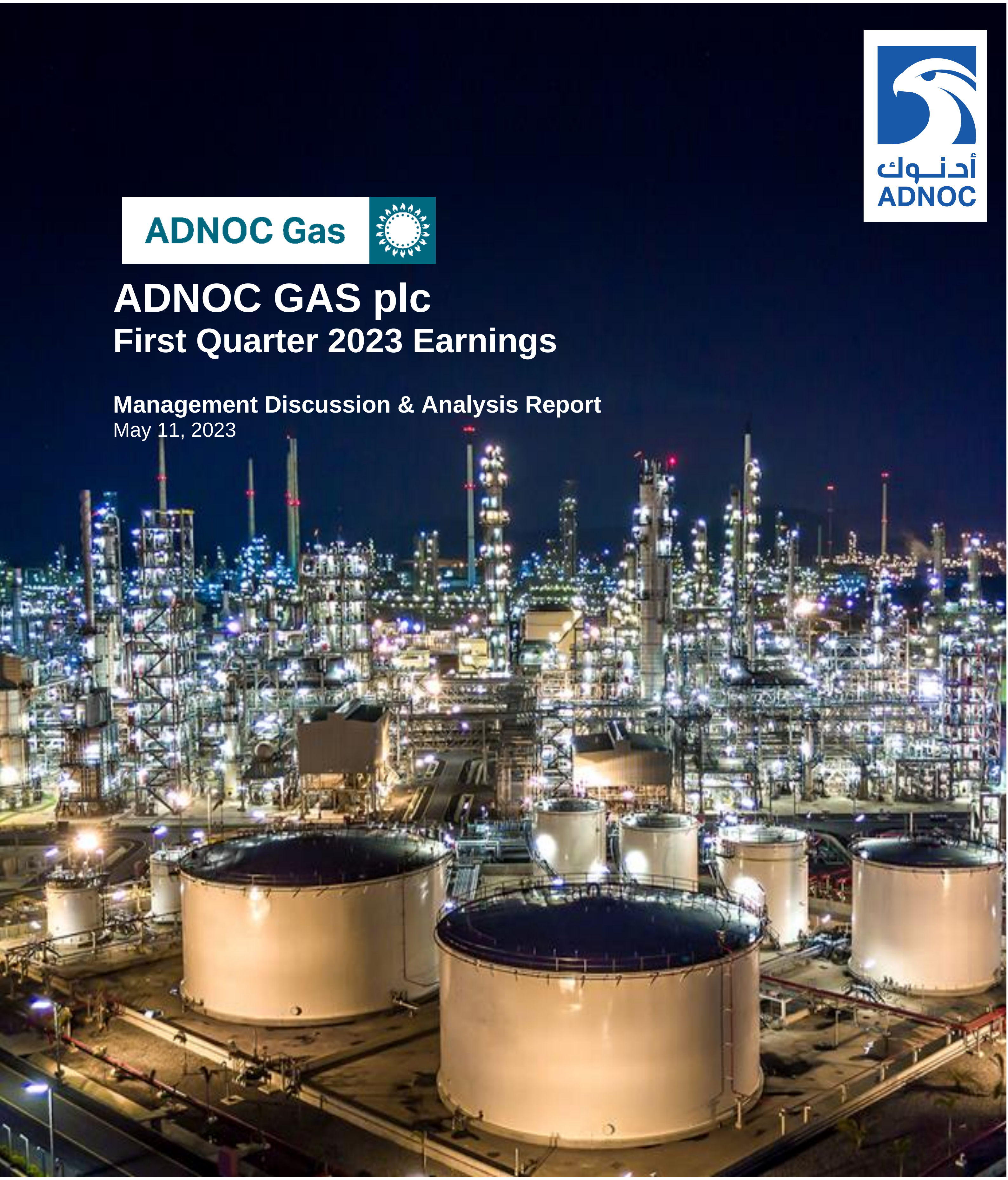
ADNOC Gas

ADNOC GAS plc
First Quarter 2023 Earnings

Management Discussion & Analysis Report
May 11, 2023



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Financial Highlights[1]

ADNOC Gas plc ("ADNOC Gas" or the "Company") delivered quarterly revenue of $5,226 million, EBITDA of $1,774 million and net income of $1,275 million (including a non-recurring item of $298 million from recognizing a deferred tax income).

The Company demonstrated its resilience and maintained a robust EBITDA margin of 34% in a lower price environment.

ADNOC Gas continued to focus on operational efficiency and cost optimization, further demonstrating the best-in-class mix of assets across its network. During the first quarter, high levels of reliability across its assets were maintained at 98.5%.

Prevailing market conditions proved timely in allowing the Company to proceed with several scheduled shutdowns across its facilities to enhance the technical life of those assets as part of its continued focus on maintaining world-class reliability and availability. Domestic Gas production volumes were marginally lower, 510 TBTU, compared to 533 TBTU in the first quarter of 2022. Exports & Traded liquids volumes also declined to 210 TBTU versus 217 TBTU in the year-ago period. ADNOC Gas' share of LNG production volumes reduced from 71 MTBTU to 62 MTBTU, mainly due to planned shutdowns.

Brent crude prices in the first quarter of 2023 were 24% lower year-on-year. LNG, LPG and Naphtha prices also declined versus the prior year period.

Hence, revenue was impacted by a less favorable pricing environment in the first quarter of 2023, falling 15% versus the first quarter of 2022, from $6,161 million to $5,226 million. At the same time the feedstock cost declined 17% from $3,532 million to $2,938 million, benefiting from the Gas Supply and Purchase Agreement (GSPA) with ADNOC Upstream. This 25-year contract is well designed and enables ADNOC Gas to share in any price upside while also providing downside protection in a less favorable price environment.

[1] ADNOC Gas was incorporated in the Abu Dhabi Global Market, Abu Dhabi, UAE on December 8, 2022 and the relevant assets were contributed to ADNOC Gas effective January 1, 2023 as part of a reorganisation (the "Reorganisation") that included the entry into a gas supply and purchase agreement, a transitional marketing and transportation agreement, a sulphur sales and marketing agreement, a pipelines use and operation agreement, a re-injection gas sale agreement and certain lease agreements. The unaudited pro forma financial results for Q1 2022 presented in this document give effect to the impact of the Reorganisation as if the Reorganisation had taken place on January 1, 2022.

The unaudited pro forma financial results for Q1 2022 have been prepared for illustrative purposes only and are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual amounts that would have been achieved had the Reorganisation taken place on January 1, 2022.

EBITDA in the period stood at $1,774 million, 17% lower than in the first quarter of 2022. Domestic Gas EBITDA amounted to $554 million, 3% higher due to favorable contract prices. The EBITDA of Export & Traded Liquids was impacted by the price environment decreasing from $1,216 million a year ago to $937 million in the current period. ADNOC Gas' share of LNG EBITDA reduced from $306 million to $220 million year-on-year, mainly due to the price environment and lower volumes due to planned shutdowns.

In the first quarter of 2023, net income was $1,275 million. This represents an increase from $1,172 million recorded in the first quarter of 2022. The first quarter of 2023 includes a non-recurring item of $298 million from recognizing a deferred tax asset following the formation of ADNOC Gas. Despite a lower revenue of $935 million during this period, the impact was largely offset by a decrease in feedstock costs, which fell by $594 million, and a reduction in taxes by $162 million.

A reduction in Free Cash Flow from $1,373 million in the first quarter of 2022 to $1,075 million in the first quarter of 2023 was mainly due to lower Net Income coupled with marginally higher CapEx and lower taxes.

CapEx spend of $174 million in the first three months of 2023 was driven by growth projects such as further maximizing ethane recovery and monetization ("MERAM") across the Company's operations, extending the gas pipeline network by more than 500 kilometers to better connect the Northern Emirates of the UAE ("ESTIDAMA") and the construction of an additional greenfield gas processing facility co-located with a significant ADNOC upstream reservoir.

The comprehensive shutdown program and solid asset management systems continue to demonstrate the effectiveness of our maintenance activities. Of the total CapEx spend, $113 million was spent on sustaining our assets and turnaround activities enhancing technical life.

Financial Summary

$ Million	Q1 22[2]	Q4 22[2]	Q1 23	*YoY % Q1 23 vs. Q1 22*	*QoQ % Q1 23 vs. Q4 22*
Revenue	6,161	5,888	**5,226**	-15%	-11%
COGS	-3,532	-3,445	**-2,938**	-17%	-15%
Opex	-479	-517	**-514**	7%	-1%
EBITDA	**2,150**	**1,926**	**1,774**	-17%	-8%
Net Income[3]	**1,172**	**1,084**	**1,275**	9%	18%
EBITDA Margin	35%	33%	**34%**	-1%	1%
Net Income Margin	19%	18%	**19%**	0%	0%
Net cash generated from operating activities	1,496	1,394	**1,248**	-17%	-10%
Capital Expenditure	-123	-388	**-174**	41%	-55%
Free Cash Flow[4]	1,373	1,006	**1,075**	-22%	7%

Revenue reconciliation

Description	$ Million
Total Revenue (As reported in Consolidated Statement of Profit or Loss)	**4,095**
+ Revenue from ADNOC LNG JV proportionate Share (Equity Accounted)	638
+ Revenue from Re-injection Gas	479
+ Revenue from IG (intercompany elimination & Other Income)	14
ADNOC Gas Revenue	**5,226**

2 Pro Forma Adjusted Results

3 Net Income in Q1 2023 includes a $298 million benefit from recognizing a deferred tax asset, a non-reoccurring item, following the formation of ADNOC Gas.

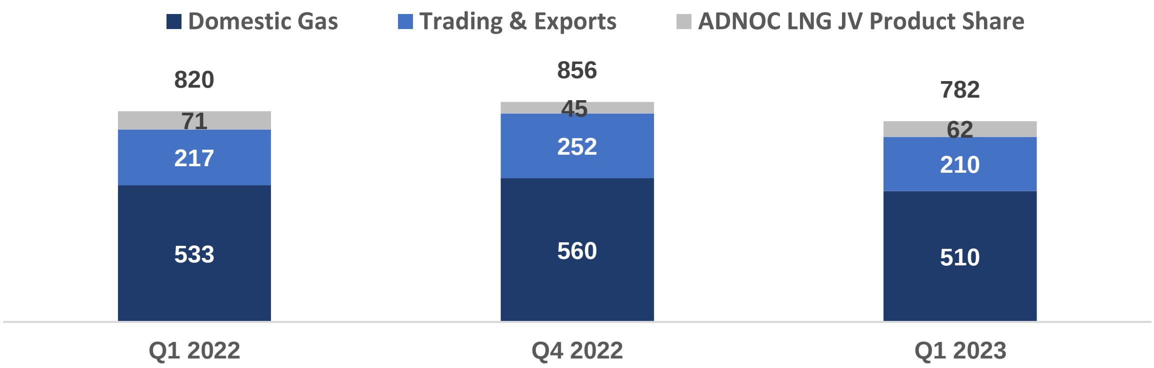
4 Illustrative Free Cash Flow is calculated as pro forma Adjusted EBITDA less income tax and capital expenditure plus dividends from ALNG for the relevant period

Operational Highlights

ADNOC Gas Plants Efficiency

Efficiency (YTD)	Q1 22	Q4 22	Q1 23
Asset Availability (%)	98.2	91.9	90.8
Asset Utilization (%)	85.7	86.4	75.9
Asset Reliability (%)	99.8	97.6	98.5

ADNOC Gas Production Volumes (TBTU)



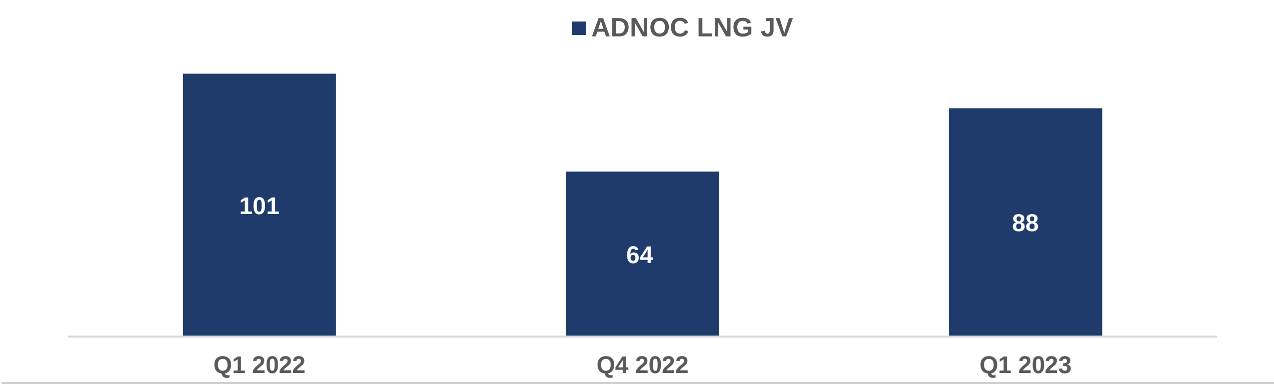
Note: ADNOC Gas' proportionate 70% share of volumes in ALNG.

Lower availability and utilization recorded on account of planned shutdowns. Consequently, production fell versus the prior quarter and comparable quarter in the previous year.

ADNOC LNG JV Plants Efficiency

Efficiency (YTD)	Q1 22	Q4 22	Q1 23
Asset Availability (%)	99.2	70.4	85.9
Asset Utilization (%)	96.4	81.9	83.2
Asset Reliability (%)	99.2	89.0	85.9

100% ADNOC ALNG JV Production Volumes (TBTU)



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Plant availability and utilization metrics were impacted in both the fourth quarter of 2022 and the first quarter of 2023 due to planned and unplanned shutdowns.

Outlook

To enable ADNOC's strategic imperative of expanding production capacity from four to five million barrels per day by 2027, ADNOC Gas has accelerated its own growth plans. It is making good progress on its five-year (2023 to 2027) $14 billion strategic and growth project portfolio, encompassing a range of projects integral to elevating the efficiency of operations and production output. These projects should enable ADNOC Gas to ramp up production to 4,440 TBTU by 2028, representing 20% growth versus current production levels.

Key projects include further maximizing ethane recovery and monetization ("MERAM") across operations, extending the gas pipeline network by more than 500 kilometers to better connect the Northern Emirates of the UAE ("ESTIDAMA") and the construction of an additional greenfield gas processing facility co-located with a significant ADNOC upstream reservoir. The new facility is expected to add approximately 1.9 Billion Standard Cubic Feet Per Day (bscfd) of processing capacity to ADNOC Gas' operations by 2027 at the earliest ("Bab Gas Cap").

ADNOC Gas' fiscal year 2023 financial guidance is presented below:

	Units	FY23 RANGE
Volumes		
Domestic Gas Products	TBTU	2,150 - 2,250
Export and Traded Liquids	TBTU	900 - 950
ADNOC LNG JV Products[1]	TBTU	200 - 250
Unit Margins After Tax (Net Income/ Sales in MMBTU)		
Domestic Gas Products	$/ MMBTU	0.7-0.8
Export and Traded Liquids	$/ MMBTU	1.7-1.8
ADNOC LNG JV Products[1]	$/ MMBTU	1.3-1.6

[1]ADNOC Gas' proportionate 70% share of volumes.

The Company's long-term growth remains supported by the maintenance of production capacity, the UAE's goal to achieve gas self-sufficiency and the development of its vast low carbon solutions. ADNOC Gas continues to strive to make strong progress on delivering growth and maximizing returns for our shareholders. The immediate focus remains on meeting robust financial targets, whilst maintaining operational excellence.

Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 8 December 2022 (date of incorporation) to 31 March 2023

	USD'000
Revenue	**4,094,906**
Other operating income	**245,977**
Gas cost - minimum price	**(726,885)**
Gas cost - profit sharing	**(1,681,006)**
Gas cost - fuel gas payment	**(41,343)**
Other operating costs	**(465,307)**
General and administration expenses	**(79,008)**
Share of operating costs in equity accounted investee	**(64,490)**
Share of results of equity accounted investee	**89,146**
Finance costs	**(38,306)**
Finance income	**2,503**
Other income	**8,809**
Profit before tax for the period	**1,344,996**
Current income tax expense	**(373,657)**
Deferred tax credit	**303,876**
Profit and total comprehensive income for the period	**1,275,215**
Earnings per share:	
Basic (USD)	**0.021**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 8 December 2022 (date of incorporation) to 31 March 2023

	Share capital USD'000	*Retained earnings USD'000*	*Total equity USD'000*
Balance at incorporation	50	-	**50**
Additional shares issued upon Group Reorganization	19,187,805	-	**19,187,805**
Profit and comprehensive income for the period	-	1,275,215	**1,275,215**
Balance at 31 March 2023	**19,187,855**	**1,275,215**	**20,463,070**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	31 March 2023
	USD'000
Assets	
Non-current assets	
Property, plant and equipment	**20,078,873**
Intangible assets	**97,120**
Right-of-use assets	**30,106**
Investment in equity accounted investees	**1,269,165**
Deferred tax assets	**444,797**
Total non-current assets	**21,920,061**
Current assets	
Inventories	**147,439**
Trade receivables	**141,018**
Prepayments and other receivables	**1,206,993**
Contract assets	**1,214,626**
Amounts due from related parties	**408,173**
Cash and cash equivalents	**2,143,346**
Total current assets	**5,261,595**
Total assets	**27,181,656**
Equity and liabilities	
Equity	
Share capital	**19,187,855**
Retained earnings	**1,275,215**
Total equity	**20,463,070**
Non-current liabilities	
Lease liabilities	**25,846**
Decommissioning provision	**2,154,224**
Total non-current liabilities	**2,180,070**
Current liabilities	
Shareholder loans	**1,350,000**
Trade and other payables	**401,182**
Amounts due to related parties	**2,671,618**
Lease liabilities	**6,648**
Income tax payable	**109,068**
Total current liabilities	**4,538,516**
Total liabilities	**6,718,586**
Total equity and liabilities	**27,181,656**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the period from 8 December 2022 (date of incorporation) to 31 March 2023

OPERATING ACTIVITIES	*USD'000*
Profits after tax for the period	1,275,215
Adjustments for:	
Depreciation on property, plant and equipment	247,021
Depreciation on right-of-use assets	1,574
Amortization of intangible assets	5,741
Allowance for slow moving and obsolete inventories	2,001
Share of results of equity accounted investees	(89,146)
Share of operating costs of equity accounted investees	64,490
Deferred tax credit	(303,876)
Current income tax expense	373,657
Finance income	(2,503)
Finance costs	38,306
Net cash flows from operating activities before changes in working capital	1,612,480
Changes in working capital:	
Increase in inventories	(25,870)
Increase in trade receivables	(301,612)
Increase in prepayments and other receivables	(103,423)
Increase in amounts due from related parties	(1,178,601)
Decrease in trade and other payables	(130,454)
Increase in amounts due to related parties	1,225,615
Cash flows from operating activities	1,098,135
Tax paid	(264,588)
Net cash flows generated from operating activities	833,547
INVESTING ACTIVITIES	
Payments for purchase of property, plant and equipment	(117,015)
Finance income	2,503
Net cash flows used in investing activities	(114,512)
FINANCING ACTIVITIES	
Shareholder loans	1,350,000
Share capital	50
Repayment of lease liabilities	(6,279)
Finance costs paid	(6,000)
Net cash flows generated from financing activities	1,337,771
NET INCREASE IN CASH	2,056,806
Cash and cash equivalents arising on Group Reorganization	86,540
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	2,143,346

Non-cash transactions	
Gas costs	1,103,570

Dividend Policy

The Company's ability to pay dividends is dependent on several factors, including the availability of distributable reserves, capital expenditure plans and other cash requirements in future periods. Any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of our Board of Directors and ultimately shareholder approvals.

The Company is targeting to pay a fixed dividend amount of $1,625 million in the fourth quarter of 2023 in respect of the first half of the year ended December 31, 2023, and a further $1,625 million in the second quarter of 2024 in respect of the second half of the year ended December 31, 2023.

Thereafter, we expect to grow the annual target dividend amount from $3,250 million (which is equal to the annualized dividend for fiscal year 2023) by a growth rate of 5% per annum on a dividend per share basis over the period 2024-2027.

This progressive dividend policy is designed to reflect our expectation of strong cash flow and our expected long-term earning potential, while allowing us to retain sufficient flexibility to fund continued investment in long-term growth opportunities. In addition, the Company expects that the Board of Directors will also consider market conditions, the then-current operating environment in the markets in which the Company operates and the outlook for the ADNOC Group's business.

Earnings Webcast and Conference Call

ADNOC Gas will host an earnings webcast and conference call followed by a Q&A session for investors and analysts on Thursday, May 11, 2023, at 1:00 pm UAE time / 10:00 am UK time.

The call will be hosted by Ahmed Alebri (CEO), Peter van Driel (CFO) and Mohamed Al Hashemi (COO). Interested parties are invited to join the call by clicking here.

A replay and transcript will be made available following the event, accessible from the Investor Relations section of ADNOC Gas' website.

Second Quarter 2023 Results

We expect to announce our second quarter 2023 results on or around August 10, 2023.

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May 11, 2023
ADNOC Gas plc

Appendix: Glossary

Financial Terms

EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization

Net debt is calculated as total interest-bearing debt less cash and bank balances (including term deposits with banks) adjusted for lease liabilities.

Net debt to EBITDA ratio is calculated as interest-bearing net debt as of the end of the period presented, divided by EBITDA for the twelve months ended on the last day of the period presented.

Capital Employed is calculated as the sum of total assets minus non-interest-bearing current liabilities.

Return on Capital Employed is calculated as operating profit for the twelve months ended on the last day of the period presented divided by capital employed on the last day of the period presented. Operating Profit is defined as profit excluding financing, tax and income and expenses from investments.

Leverage ratio is calculated as (a) interest-bearing net debt, divided by (b) the sum of interest-bearing net debt plus total equity.

Return on Equity is calculated as profit for the period for the twelve months ended on the last day of the period presented divided by total equity on the last day of the period presented.

Operating Working Capital is calculated as current assets excluding cash and bank balances minus current liabilities excluding lease liabilities.

Operating Cashflows are Net cash generated from operating activities as stated in the cash flow. statement.

Free Cash Flow is calculated as net cash generated from operating activities less payments for purchase of property & equipment and advances to contractors and finance income received.

Opex represents Operating expenditure that includes direct cost and general and administrative expenses excluding depreciation, amortization and impairment as stated in the statement of profit or loss and other comprehensive income

Capital Expenditure is total cash capital expenditure for payments made for purchase of property and equipment including prepaid delivery payments as stated in the cash flow statement.

All financial terms have meaning as defined in the International Financial Reporting Standards ("IFRS") unless otherwise stated.

IFRS are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). They constitute a standardized way of describing the company's financial performance and position so that company financial statements are understandable and comparable across international boundaries.

2022 Unaudited Pro-Forma Results have been prepared for illustrative purposes only and are based on available information and certain assumptions and estimates that we believe are reasonable.

Cautionary Statement Regarding Forward-Looking Statements

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