FAB SECURITIES أبوظبي الأول للأوراق المالية

ADNOC GAS PLC

Steady Cash Generative Business with Numerous Growth Opportunities

Key Investment Highlights

We initiate coverage on ADNOC GAS PLC ("ADNOC GAS" or "the Company) with a target price of **AED 3.52** per share. ADNOC Gas is a newly established integrated gas company responsible for the management, operation & maintenance, and marketing of ADNOC's downstream gas processing, LNG, and industrial gas businesses. The Company currently owns a total gross capacity of 10+ BSCFD of gas processing facilities and 29 MTPA of liquid processing capacity.

Our investment view is supported by the following:

- *Integrated Gas Platform Supporting UAE and Abu Dhabi Energy Ecosystems*
- *Attractive Asset Base Delivering Returns Driven by a Diversified Client Base*
- *Long-Term and Cost-advantaged Feedstock Agreement Led to Resilient Margins and Steady Cash Flows*
- *Tangible Growth Opportunities Underpinned by a Strong Pipeline of Projects*

Integrated Gas Platform Supporting UAE and Abu Dhabi Energy Ecosystems

ADNOC Gas owns, processes, and sells ADNOC's gas and gas products, serving a wide range of domestic and international customers with an expanding portfolio of gas products. The Company procures raw gas and integrated gas from ADNOC's upstream group companies to produce LNG, LPG, and associated products, including Sales Gas, Ethane, Propane, Butane, and others. ADNOC Gas remains focused on maintaining stable and resilient performance across the portfolio, which stands on a three-pillar growth strategy: 1) Upstream Supply Growth, 2) Processing Capacity Upgrade, and 3) Product Mix Enhancement. It also enables UAE to achieve gas self-sufficiency and become a net gas exporter. Natural gas will be a key fuel in the energy transition; ADNOC Gas is well-positioned to meet both local and international gas demand and develop the capacity to meet upstream growth through its global operations and significant growth and expansion plans.

Attractive Asset Base Delivering Returns Driven by a Diversified Client Base

ADNOC Gas owns a large asset base across Gas Processing, LNG, and AIG segments with gas and liquid processing gross capacity of over 10 BSCFD and 29 MTPA, respectively. The assets generated USD 17.1 Bn in pro forma revenue in FY2021 and USD 21.2 Bn in FY2022. The Company operates nine plants in the gas processing segment wherein it has Joint Venture (JV) ownership of 68% in three plants, including Bu-hasa, Asab 0&3, and Bab. In the Industrial Gas segment, ADNOC Gas operates two plants MIRFA plant and the Ruwais AIG plant. It also owns 70% ownership in the Das LNG Plant, with the remaining owned by Mitsui 15%, BP 10%, and TotalEnergies 5%. The long-term domestic Sales Gas and C1-C2 gas sales contract helps the Company generate stable and robust cash flows, while the C3+ and LNG exports provided market price exposure to benefit from cyclical changes.

Long-Term and Cost-advantaged Feedstock Agreement Led to Resilient Margins and Steady Cash Flows

The Company has long-term resources with access to the world's fifth largest oil and gas reserves with the UAE's reserves of 290 TSCF with a reserves-to-production ratio (R/P) of greater than 75 signifying high reserves. ADNOC Gas is in a position to benefit from the integrated upstream expansion program of ADNOC Upstream. ADNOC Gas key Gas Supply and Payment Agreement built an alignment between ADNOC and ADNOC Gas by annual volume planning and setting Minimum Gas Payments (MGP) at a level to ensure sustainable operations. The long-term supply contract for 25 years and clear pricing formulas provide stability to the margin which also accommodates new streams. ADNOC Gas generated EBITDA of USD 5.9 Bn and 7.3 Bn during FY2021 and FY2022, respectively with a margin of 34.2% and 34.4% during FY2021 and FY2022, respectively. Free cash flow from operation including dividends including received from ADNOC LNG JV grew from USD 3.9 Bn in FY2021 to USD 5.2Bn in FY2022..

Tangible Growth Opportunities Underpinned by a Strong Pipeline of Projects

ADNOC Gas has a large and diverse pipeline of opportunities to boost growth. ADNOC upstream plans to increase oil production from 4 to 5 million barrels per day (MMBPD) by FY2027 and also plans to develop new non-associated gas reservoirs. ADNOC Upstream expects to boost the supply of richer and higher-margin streams. ADNOC Gas also plans to increase its gas processing capacity as well as carry out debottlenecking at its existing facility. It plans to increase gas processing capacity by 3 BSCFD and liquid processing capacity by 6 MTPA.

Initiating Coverage

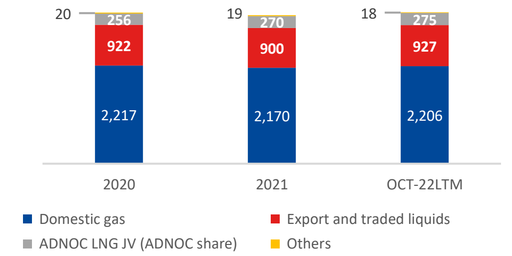
Sector: Energy

Analyst Name: Ahmad Banihani

Rating: BUY, Target Price: AED3.52

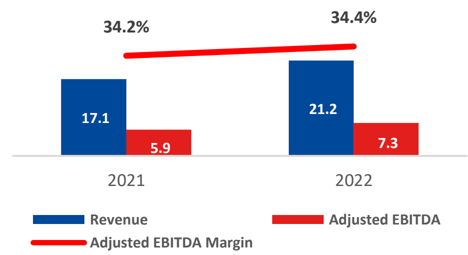
Current Price (AED)	3.06
Target Price (AED)	3.52
Upside/(Downside)	+15%
Market Cap (AED, Bn)	234.1

ADNOC GAS & ADNOC LNG JV Sales Volume (TBTU)



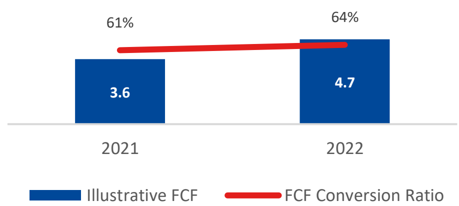
Source: Company Information

ADNOC GAS Revenue, EBITDA (USD, Bn) & Margin (%)



Source: Company Information

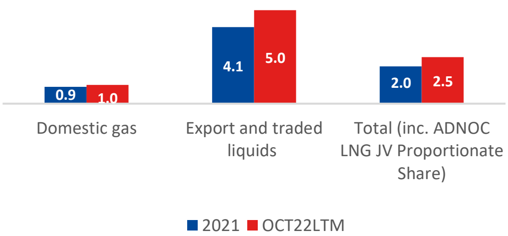
ADNOC GAS FCF (USD, Bn) & Conversion (%)



Source: Company Information

Note: FCF is calculated as EBITDA-Taxes-Capex, FCF Conversion ratio as illustrative free cash flow divide by EBITDA (includes reported EBITDA)

ADNOC GAS Unit EBITDA by Segment (USD/MMBTU)



Source: Company Information

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Introduction to ADNOC Gas

ADNOC Gas a world-class integrated gas company

ADNOC GAS - COMPANY INTRODUCTION

Integrated gas company which owns, processes, and sells various gas and gas-based products to companies across various regions

ADNOC Gas is a newly established integrated gas company formed after the consolidation of ADNOC Gas Processing, ADNOC LNG operations, and ADNOC Industrial Gas operations. The company officially began operations on 01 January 2023, and is responsible for the management, operations & maintenance, and marketing of ADNOC's downstream gas processing, LNG, and industrial gas businesses. The Company is backed by strong shareholder with ADNOC PJSC ownership of 95% and the remaining 5% owned by Abu Dhabi National Energy Company (TAQA). As part of the IPO reorganization, 5% of the share capital of ADNOC Gas is transferred to TAQA, who is a long-standing strategic partner to ADNOC on many projects, including in the gas arena. Financial terms of the transaction are not being disclosed, and TAQA will not be selling any shares in the IPO, given the agreed 12-month lock-up between the two parties. ADNOC Gas employs over 7,064 people, serving customers across the Middle East, Asia, Africa, and Europe. The company's adjusted revenue (consists of consolidated revenue of ADNOC Gas and proportionate share of ADNOC LNG JV) for FY2021 generated from three assets bases Gas Processing accounted for 87.3%, LNG accounted for 12.4%, and AIG accounted for 0.3%. The Company entered into a long-term supply agreement with ADNOC Upstream to secure a reliable, cost-advantaged, and low-emission feedstock which is procured through transfer pricing.

ADNOC Gas: Bringing value to the world through reliable gas and liquid processing, comprehensive decarbonization measures, and strong profitability

ADNOC Gas is a vital part of ADNOC's integrated value chain. It plays a crucial role in the company's operations, contributing to its growth and success. The company possesses one of the largest gas and liquid processing capacities in the industry, with a nameplate gas processing capacity of over 10 billion Standard Cubic Feet Per Day (BSCFD), a liquid processing capacity of 29 million Metric Tons Per Annum (MTPA), and manages more than 3,250 km of pipeline. ADNOC Gas owns 2,640 km of pipeline and the remaining network of the pipeline is owned by ADNOC and operated by ADNOC Gas under the pipelines Use and Operation Agreement. It procures gas from multiple ADNOC upstream group companies, such as ADNOC Onshore, ADNOC Offshore, and ADNOC Sour Gas, and converts it into a range of valuable gas products. ADNOC Gas with a long-term supply agreement possesses a reliable source of feedstock and established access to the seventh-largest natural gas reserves in the world. It boasts extensive processing capabilities, as well as an impressive 99.7% operational reliability rate of gas processing plants and 97.3% asset reliability of LNG Plants in FY2021. With a distinguished operational excellence record spanning over 45 years, the majority of the company's production is secured through long-term supply contracts from ADNOC Upstream. ADNOC Gas also boasts strong profitability, with an EBITDA margin of 34.2% in FY2021 and a margin of 34.4% in FY2022. The company also generated robust free cash flow of USD 3.6 Bn in FY2021 and USD 4.7 Bn during FY2022. ADNOC Gas has a comprehensive plan for tangible growth by adding 3 BSCFD of gas processing and 6 MTPA of liquid processing capacity over the next five years. Furthermore, it also remained focused on decarbonization and plans to cut green-house gas emissions intensity by 25% by 2030 from FY2018 to further reduce emissions to net zero operations (only scope 1 and 2) by FY 2050.

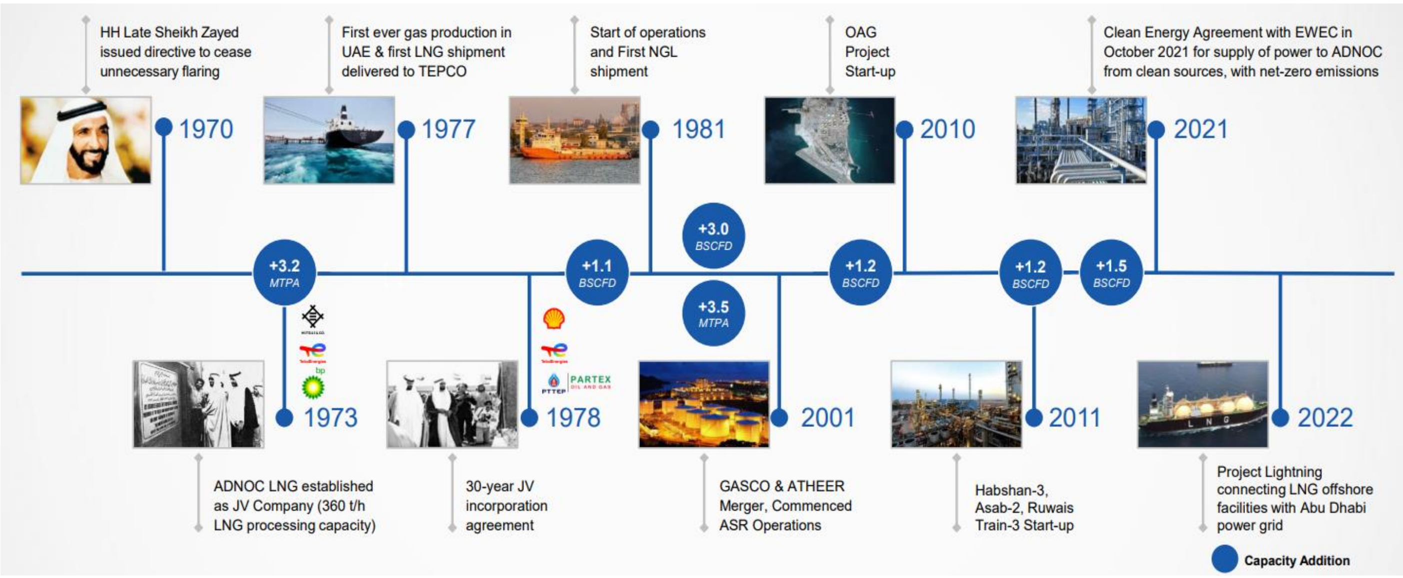
Powering sustainable growth with the world's 5th largest oil & gas reserves

Powering Growth and Achieving Self-Sufficiency with ADNOC Gas

ADNOC Gas is strategically positioned in a stable value chain with a focus on sustainable growth. The company has access to the world’s fifth-largest oil and gas reserves, and its feedstock supply is growing as a result of integrated growth programs with ADNOC upstream. Additionally, the company is also well-positioned to benefit from ADNOC's upstream expansion program. The emergence of new ADNOC demand centers, such as Borouge and Tazizi is indicative of a growing demand for the company products. The Company operates some of the world's largest gas processing plants, including the Habshan Complex, Al Ruwais NGL Fractionation complex, Asab 0&3, Asab 1&2, Bab, and Bu Hasa facilities as well as some of the largest sulfur granulation facilities in the world. The company's primary product, sales gas, is supplied to customers, predominantly utilities and industrial companies, throughout the UAE via an extensive 3,250 km network of pipelines. In addition, ethane and condensate are supplied to Borouge and ADNOC Refining for further produce valuable petrochemical products. ADNOC Onshore uses the methane from ADNOC Gas to maintain reservoir pressure. ADNOC Gas dedicated LNG export terminal facilities currently have a capacity of 5.9 MTPA as of FY2022.

ADNOC Gas key pillars of growth include upstream supply growth, processing capacity upgrades, and product mix enhancement. The Company is well-positioned to capture future growth in domestic and international gas demand and is committed to building on the sustainable vision that first spurred the creation of Abu Dhabi's gas businesses by reducing emissions, safeguarding the environment, and adhering to the highest health and safety standards. The Company boasts a distinguished history of executing operations and projects in a safe, reliable, and efficient manner. As a key player in ADNOC's ambitious growth plans in the gas sector, it is dedicated to supporting the UAE's energy strategy and goal of achieving self-sufficiency in gas, as well as fostering industrial expansion and economic growth. Additionally, the Company aims to increase its export capacity to meet the increasing global demand for gas and related products.

Figure 1: ADNOC Gas – Growth & Performance

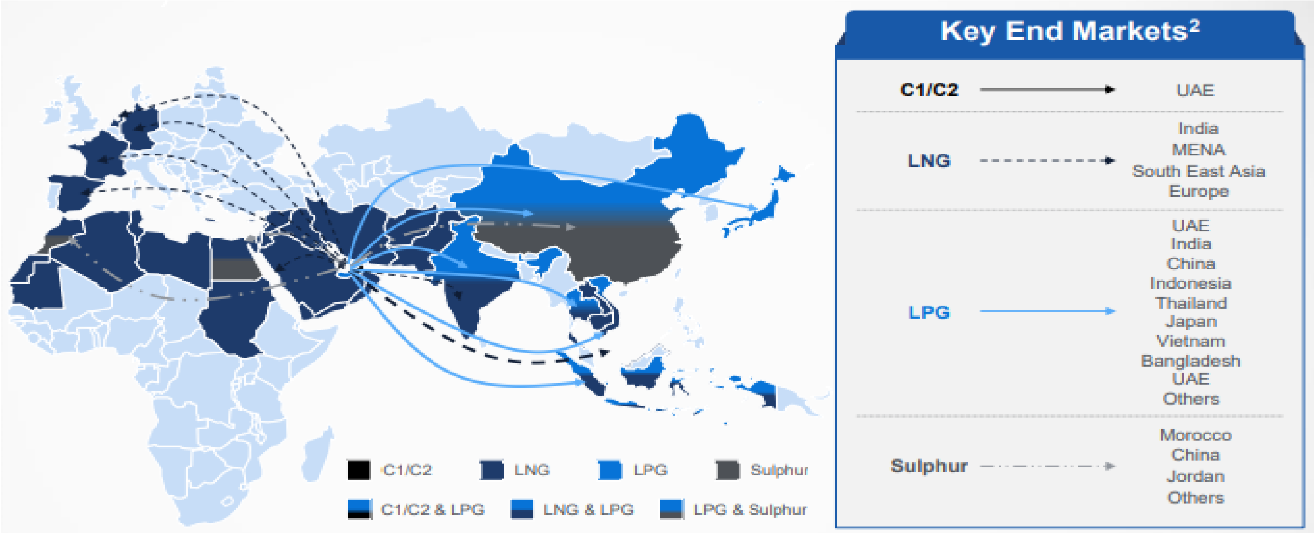


Source: Company Information

More than 95.0% of its capacity is contracted with average sales gas contract of more than 13 years

The Company produces a range of key products, including Sales Gas, C2, C3+, liquefied natural gas (LNG), liquefied petroleum gas (LPG), Sulphur, Condensate, and Industrial Gases. The company has more than 95.0% of its capacity contracted as of December 2022. The United Arab Emirates accounts for around 77% of the company's overall sales volume as of October 2022. The average length of its sales gas contracts is approximately 13 years. ADNOC Gas key end markets include regions in the Middle East & North Africa, Asia, and Europe. The end market for C1/C2 is primarily within the UAE, while the end market for LPG is across the MENA and Asia regions. The end markets for LNG include India, MENA, South East Asia, and Europe. The major end markets for Sulphur are Morocco, China, and Jordan. The Company is strategically situated in the East-West Trade Corridor, providing it with access and exposure to the fast-growing Asia market.

Figure 2: ADNOC Gas – Key Products and Regional End Markets



Source: Company Information; [2] Includes products/markets serviced by AGT

ADNOC GAS – KEY BUSINESS SEGMENTS

ADNOC Gas generates revenue from gas processing, industrial gas, and operating LNG JV with its partners

ADNOC Gas operates into three key business segments:

- **Gas Processing:** The Gas Processing segment is responsible for the processing of feedstock obtained from ADNOC upstream purchased through profit-sharing contracts to produce various gas products. This segment owns the capacity to process 8 billion standard cubic feet per day (BSCFD) of gas and 21 million tonnes per annum (MTPA) of liquid processing capacity with a network of 3,250km pipelines throughout the UAE, contributing to approx. 87.3% of the adjusted revenue of ADNOC Gas as of FY 2021. It procures gas from various ADNOC upstream group companies such as ADNOC Onshore & Offshore, ADNOC Refining, and ADNOC Sour Gas. The production facilities are spread across the UAE and produces various gas products such as Sales Gas, Natural Gas Liquids (NGLs), Condensate, Sulphur, C2, C3, C4, C5+, and Industrial Gases. Domestic gas accounts for 69.5% of this segment's production volume, while Trading & Export Products account for 30.0%, and the remaining is contributed by Sulphur. The unit processing cost for this segment is USD 0.5 per million British thermal units (MMBTU) as of FY 2021 and achieved a high level of reliability and availability of 99.5% and 95.4%, respectively in FY 2021. In addition to the domestic market, the products are marketed and sold in more than 20 international markets from this segment.
- **Liquefied Natural Gas (LNG):** The LNG segment of ADNOC Gas held a capacity to process 8 million metric tons per annum (MTPA) of associated and non-associated gas obtained from ADNOC Offshore. The company's LNG interests are largely based on Das Island, an oil and gas operations hub that also plays a major role in ADNOC's upstream operations. The facility is owned through a JV in which ADNOC Gas owns 70% shareholding, Mitsui 15%, BP 10%, and Total Energies 5% shares. It holds the capacity to produce LNG, C3+, and Sulphur. The output is transported through three JV trains via ship cargoes to various international customers. It contributed 12.4% to the company's adjusted revenue in FY 2021. The capacity utilization for the LNG plant in FY2021 stood at 98.0% and enjoys operational reliability and availability of 99.0% and 99.2%, respectively in FY2021. The plant has enjoyed a track record of uninterrupted operations since 1977. The unit processing cost for the LNG segment stood at USD 1.7/MMBTU in FY 2021. During FY2021, the plant produced 77.5% of LNG, 18.8% of C3+, and the remaining 3.8% of Sulphur.

- **ADNOC Industrial Gas (AIG):** This segment was established in 2007 to supply essential gases to the UAE's industrial sector. AIG is a leading global producer of industrial gases and operates two advanced facilities: an air separation plant in Ruwais with a capacity of 30,320 m^3/hr and a Nitrogen plant in Mirfa with a capacity of 670,000 m^3/hr. These facilities utilize cryogenic air separation units to generate a variety of industrial gases, such as gaseous Nitrogen, liquid Nitrogen, liquid Oxygen, and a blend of Krypton and Xenon. AIG uses an integrated pipeline network and product tankers to transport its products to customers, including ADNOC Gas Processing, Borouge, Linde Middle East, and Linde Germany, among other clients with long-term contracts. This segment is helping the UAE fulfill its hydrogen ambition to produce low-carbon Ammonia.

DIGITAL INITIATIVES TRANSFORMING OPERATIONS

"Digital Transformation for a Smarter, Safer, & More Profitable ADNOC Gas"

- ADNOC Gas implemented several digital initiatives in order to improve efficiency, cost-effectiveness, and profitability by utilizing the latest technologies such as machine learning and artificial intelligence. The company proactively manages HSE risks and monitors operational thresholds on real-time basis. It took initiatives to correctly predict incidental flaring prediction with some accuracy by implementing API 754 dashboard. The dashboard automated data capture and quantification and visualization risk through data standardization, processing and aggregation. ADNOC Gas also implemented an integrated Real Time Optimization (IRTO) system at its facilities in Asab, Bu Hasa, Habshan & Bab, Habshan 5, and Ruwais in order to optimize production yields of NGLs in real-time. The company's digital projects have helped save money, avoid costs, prevent production losses, and increase profits. They have also helped improve the knowledge of the company's workers and made it easier to keep track of their energy use. The deployment of a CPAD Digital Analytics & Predictive Asset Management System, utilizes AI to diagnose issues with its large fleet of rotating equipment in the region. The system also received an award Digital Transformation Project of the Year at ADIPEC 2022. This could result in cost savings and cost avoidance, as well as production loss avoidance.
- ADNOC Gas is actively implementing cost-saving measures to improve efficiency and maximize returns. These measures are anticipated to bring about cost reductions, as well as potential heightened efficiency by debottlenecking/upgrading of plants to accommodate additional feedstock and substituting with a low-emission, low-cost grid power supply. Additionally, the Company is looking into upgrading its processing capacity and product portfolio, potentially resulting in higher yields and margins. Furthermore, ADNOC Gas additional projects and initiatives to be implemented will further enhance the value to the shareholders.

ADNOC GAS - STRONG HISTORICAL FINANCIAL PERFORMANCE

The Company boasts a stable revenue-generating stream with resilient margins and robust free cash flow

ADNOC Gas reported solid financial performance during FY2021 and 10M2022. The performance is underpinned by a strong and robust margin supported by favorable contractual terms. Long-term gas contract sales with sovereign off-takers provide strong visibility to revenue and free cash flow. These strong financials are further supported by the expansion of upstream supply, processing capacity upgrades, and enhancement of product mix. ADNOC Gas will be able to maximize its profitability with access to a rich molecule mix. Furthermore, the Company's upstream supply is among the most cost-effective globally. In addition, due to its world-class operations and reliable assets, ADNOC Gas achieved a reliability rate of greater than 97% across its gas processing and LNG assets Since FY2019.

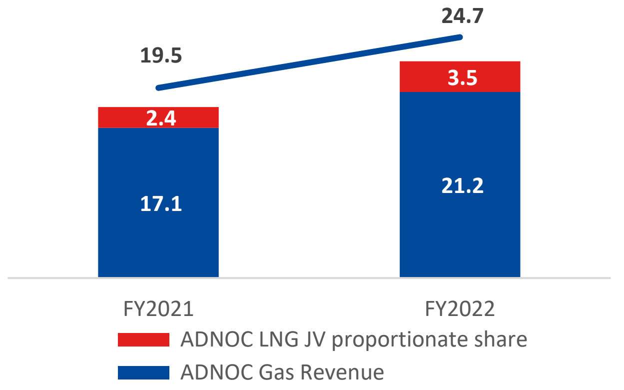
- **Revenue:** ADNOC Gas pro forma revenue grew 24.0% YOY from USD 17.1 Bn in FY2021 to USD 21.2Bn in FY2022. The Company's contracted offtake provides a stable revenue stream, while recent revenue growth is attributed to favorable market conditions and fundamental growth further driven by new projects. Furthermore, the price of Natural Gas Liquid (NGL) is positively impacted by high oil prices, and the prices of Liquefied Natural Gas (LNG) due to an unprecedented shift in supply-demand dynamics. Although ADNOC Gas does not consolidate revenue from LNG, it is accounted as income from associates on the ADNOC Gas income statement. Adjusted revenue consists of consolidated revenue and ADNOC LNG JV proportionate revenue. Adjusted revenue rose 26.7% YOY to USD 24.7 Bn in FY2022..

- **EBITDA & Margin:** ADNOC Gas reported EBITDA Margin rose from 34.2% in FY2021 to 34.4% in FY2022 with an EBITDA of USD 7.3 Bn, which is one of the highest margins amongst the UAE companies. This increase was mainly driven by higher average contracted gas sales prices in the domestic market and higher prices of export and liquid driven by an increase in energy prices as well as growth in volume and a positive market backdrop. The Company also maintains a competitive cost structure which contributes to strong EBITDA generation.
- **Net Income:** ADNOC Gas net income rose 36.1% YOY to USD 4.9 Bn in FY2022. The growth is higher than the growth in revenue and EBITDA mainly due to an increase in profit of share of profit of equity accounted investees.
- **Free Cash Flow:** ADNOC Gas generated a free cash flow of USD 4.7 Bn in FY2022 due to its stable cash-generative business with multiple growth avenues and domestic long-term contracted C1-C2 gas sales, providing visibility to strong cash generation. Furthermore, the company's robust margins facilitated attractive cash flow generation.

Key drivers enabling ADNOC Gas's financial performance include:

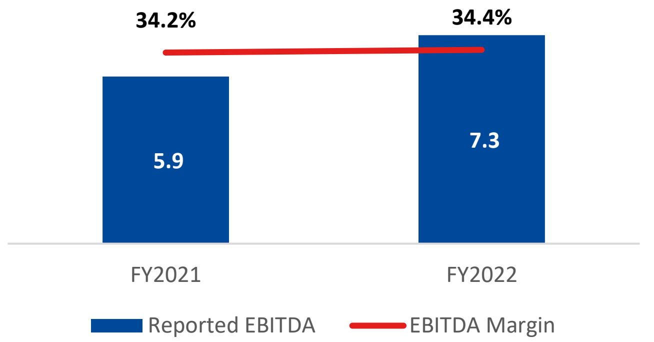
- ADNOC Gas boasts one of the industry's largest gas and liquid processing capacities, possessing more than 10 BSCFD of raw gas processing capacity and a liquid processing capacity of 29 MTPA. It further plans to grow capacity by 3 BSCFD and 6 MTPA during the next five years
- 65.0% of the Company's production is supported by long-term sales gas contracts with reliable buyers.
- The costs of Minimum Gas Payments (MGP) and fuel gas for the Company remained stable in accordance with the provisions stipulated in the Gas Supply Purchase Agreement (GSPA), which is set at a fixed rate with an escalation clause.
- Integrated growth programs with ADNOC Upstream and Diverse customer base Flexibility in destination, quantity, and contract duration
- An expansive 3,250-kilometer network of pipelines and dependable assets ensure greater than 97% reliability in gas processing and LNG asset operations.

Figure 3: ADNOC Gas – Adjusted Revenue (USD, Bn)



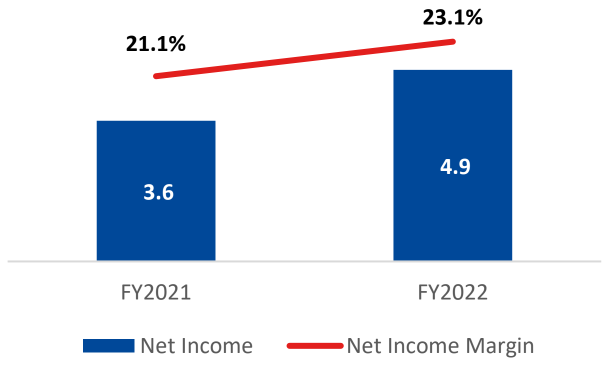
Source: Company Information; Adjusted revenue consists of revenue from revenue from ADNOC gas and proportionate revenues from ADNOC LNG JV

Figure 4: ADNOC Gas – Reported EBITDA (USD, Bn) & Margins (%)



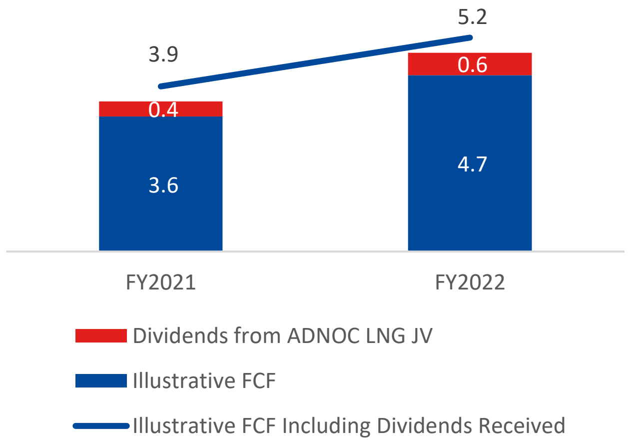
Source: Company Information, Reported EBITDA of ADNOC Gas excluding EBITDA of ADNOC LNG and EBITDA margin is computed by dividing reported EBITDA with reported revenue excluding proportionate revenues from ADNOC LNG JV

Figure 5: ADNOC Gas – Net Income (USD, Mn) & Margins (%)



Source: Company Information, Net Income margin is computed by dividing reported Net Income with reported revenue excluding proportionate revenues from ADNOC LNG JV

Figure 6: ADNOC Gas – Illustrative Free Cash Flow[1] (USD, Bn)



Source: Company Information, [1]Free Cash Flow = EBITDA – Taxes - Capex

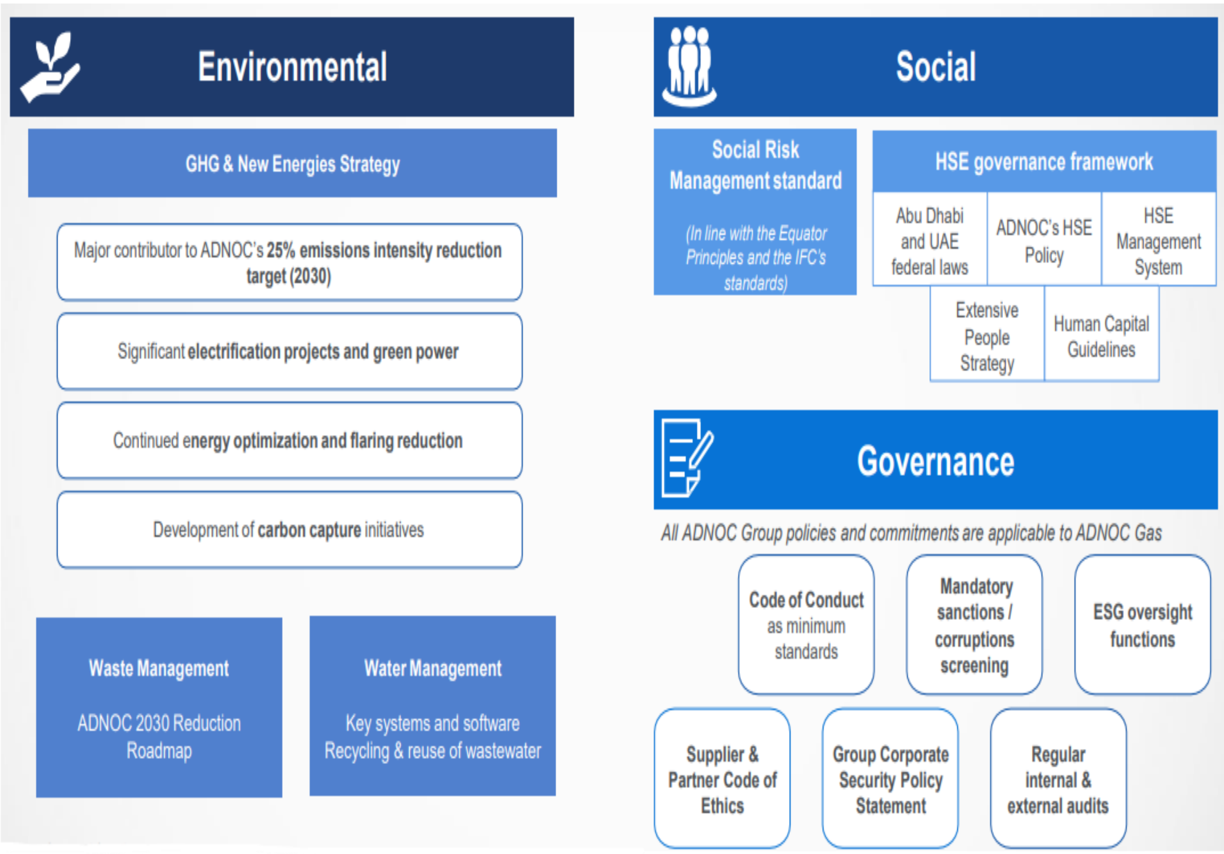
ADNOC Gas - Environmental, Social, And Corporate Governance

ADNOC Gas's Sustainability Strategy and Approach

A perfect mix of the operating platform to support the Company's ESG targets and approaches

ADNOC Gas's operating platform consists of an ESG-led strategy and approach, which are fully in line with the objectives of ADNOC Group and the UAE. The ESG section consists of the Company's ESG approach which is governed by various policies and guidelines with optimistic ESG targets to develop a favorable environment to work and build a strong community. In order to carry out responsible business, the Company has also signed the United Nations Global Compact. Furthermore, through its environmental approach, the Company is planning to support the UAE's 2050 Net Zero Ambition by decreasing its GHG intensity by 25% until FY2030. The Company also intends to minimize all the impacts through its biodiversity, water, and waste management strategies. Furthermore, through its social approach, the Company intends to help the UAE's community, labor market, and economic growth. It also plans to become a regional leader in diversity and employee development by allocating 25% of technical positions to women. The company also aims to establish a global benchmark for safety and security by providing world-class HSE and asset integrity performance standards. Through its governance approach, the Company aims to ensure fair, transparent, and risk-conscious business operations and governance. It also further intends to integrate risk management across all operations and business planning. To ensure its best sustainability strategy and approach the Company has also signed a key partnership with World Economic Forum and companies which include Masdar, GMP, WBCSD, and Taqa.

Figure 7: ADNOC GAS - Key ESG Frameworks and Initiatives



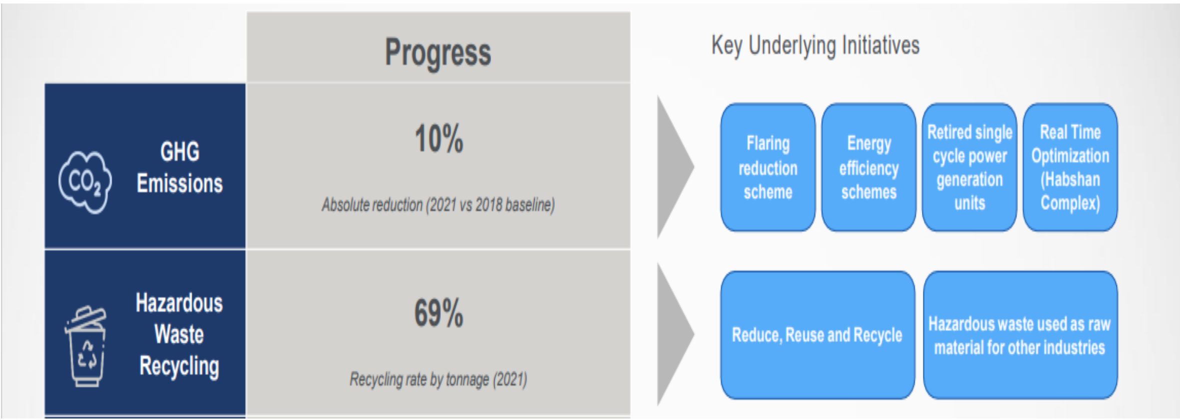
Source: Company Information

Environmental

High sustainability plans and framework to enhance the company's environmental approach

The Company's environmental approach is the basis for addressing the challenges of climate change and the opportunities presented by the global energy transition. As a result, the Company has developed various roadmaps and strategies related to greenhouse emissions, waste management, and water management. The Company targets to reduce the intensity of its operational Greenhouse Gas (GHG) emissions to 25% by FY2030 from FY2018 and support the UAE's drive to achieve net-zero emissions by FY2050. The company's waste recycling rate by tonnage was 69% as of FY2021. Furthermore, in order to support its waste management vision for FY2030, it is gradually boosting its waste recycling as well as using hazardous waste as a raw material for other industries. To support its water management initiatives the Company intends to deploy critical software and systems to recycle and reuse water. Also, it is reducing its water consumption level below 0.5%. Moreover, the Company is also planning to plant 10 Mn mangrove seedlings by FY2030.

Figure 8: ADNOC Gas Achievements and Underlying Initiatives



Source: Company Information

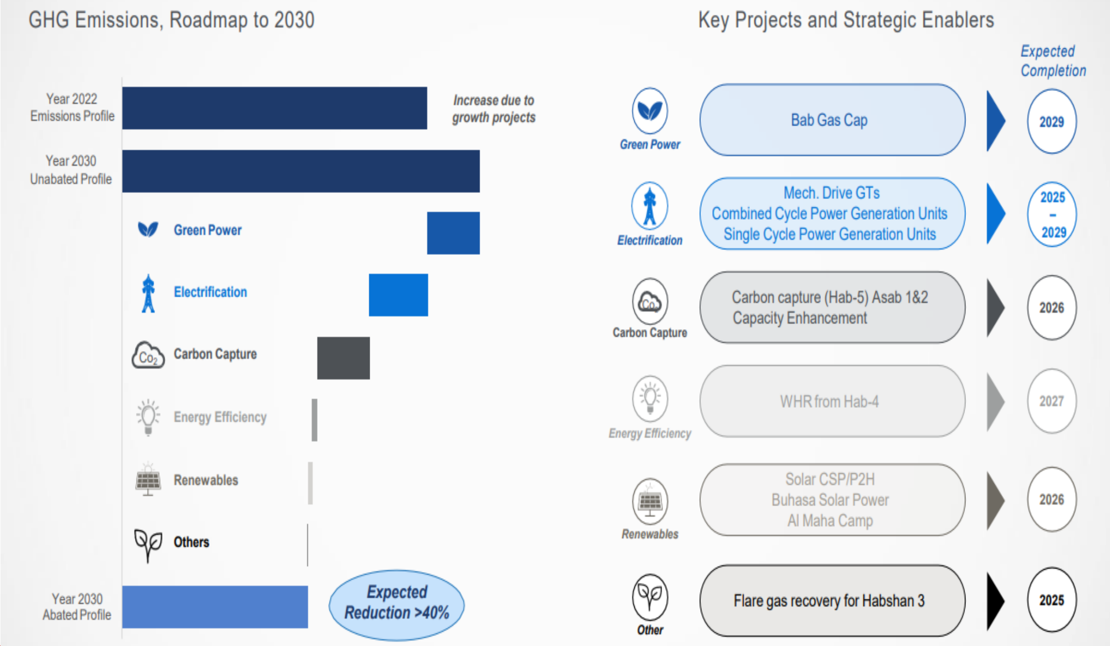
Note: GHG emissions estimation and reporting follow 'US-EPA AP42' and 'API Compendium of Greenhouse Gas Emissions Methodologies for Oil and Natural Gas Industry (2009)' standards, with verification and compliance via ADNOC Group's HSE function 1. YTD to Nov-22

AGP Decarbonization Approach

Increasing green power uses and renewables to support the Company's AGP decarbonization approach

The company plans to significantly reduce the emissions through its advances and identified initiatives. However, due to the increase in the number of growth projects undertaken by the company, the amount of GHG emissions will rise until FY2030. ADNOC Gas created considerable initiatives to reduce it by 40% till FY2030**.** These actions include using green power to increase the reliability of the Bab gas cap plant by FY2029, increase in electrification from combined cycle and single cycle power generation units till FY2025 and FY2029, increasing carbon capture for Asab 1&2 capacity enhancement, and increasing energy efficiency and renewable energy sources.

Figure 9: AGP Decarbonization Approach



Source: Company Information

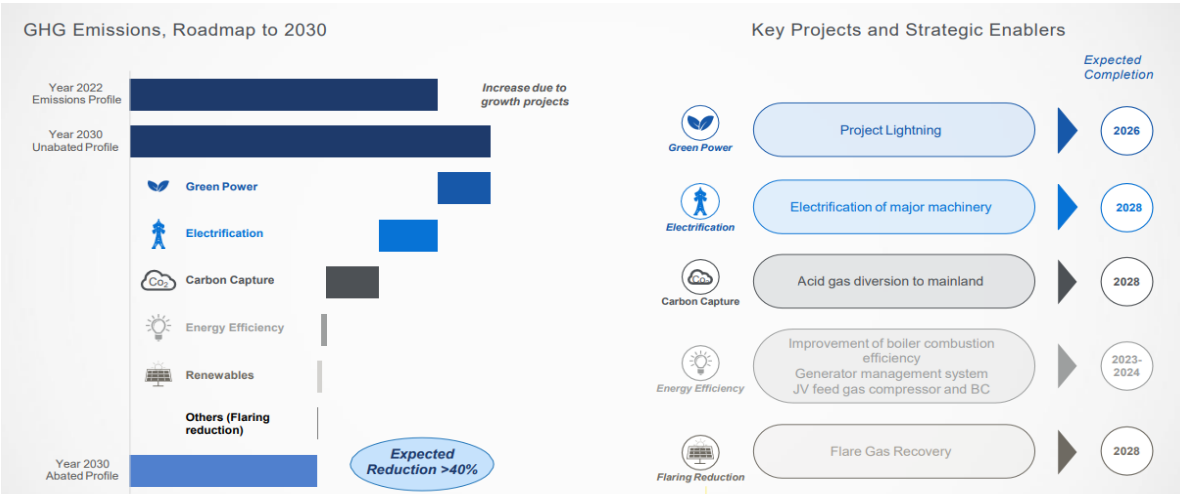
Note: GHG emissions estimation and reporting follow 'US-EPA AP42' and 'API Compendium of Greenhouse Gas Emissions Methodologies for Oil and Natural Gas Industry (2009)' standards, with verification and compliance via ADNOC Group's HSE function

ADNOC's LNG Decarbonization Approach

Key Projects and Strategies to Improve the Company's FY2030 GHG Emissions Roadmap

Similar to the gas processing unit decarbonization approach, the company has also planned to reduce the significant number of emissions through its advances and identified initiatives for LNG. The Company's actions under the LNG decarbonization approach include increasing green power usage, which will benefit the project lighting which aims to connect LNG offshore facilities with the Abu Dhabi power grid; further, the Company intends to use other steps such as increasing electrification for its major machinery, increasing carbon capture, improving energy efficiency which will improve boiler combustion efficiency, enhancing generator management system, and ultimately reducing flaring, which will help in flare gas recovery.

Figure 10: AGP Decarbonization Approach



Source: Company Information

Note GHG emissions estimation and reporting follow 'US-EPA AP42' and 'API Compendium of Greenhouse Gas Emissions Methodologies for Oil and Natural Gas Industry (2009)' standards, with verification and compliance via ADNOC Group's HSE function

Social

ADNOC Gas is committed to its diversified workforce to increase female participation, increase efforts toward localization, and provide world-class health, safety, and security for its employees

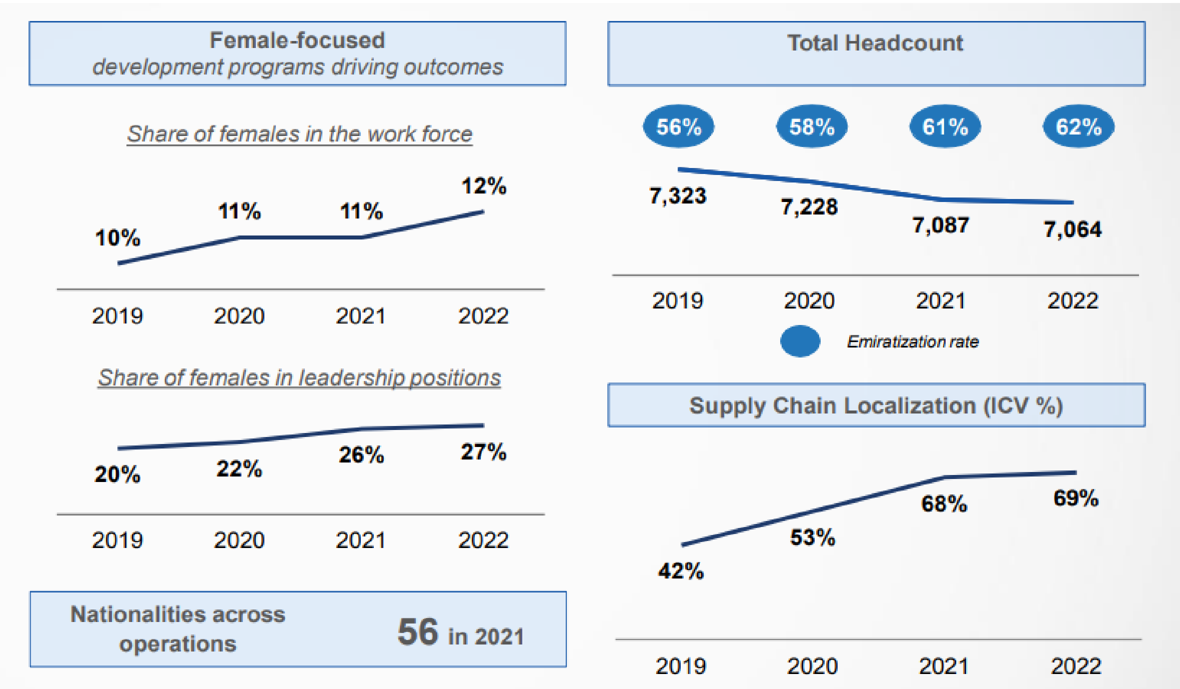
ADNOC Gas is committed to its employees, the communities in which it operates, and society as a whole. It has a large and diverse employee base across ages, gender, and different nationalities. Further, the Company aims to become a regional leader in employee development and diversity. Also, to set itself the benchmark for safety and security the Company intends to deliver world-class health, safety, and security for its employees. To implement all of the objectives, the Company relies primarily on three approaches:

Talent Development Programs: The Company has developed various training development programmes, such as a Talent mobility programme and a Talent pool programme, which primarily support the Company's high potential employees in their performance. The training hours for employees more than doubled from 22,465 in FY2021 to 49,677 in FY2022. Furthermore, the Company has various assessment tools for employees to identify their potential and ensure accelerated development. It also features initiatives such as Youth for Youth, in which high-flying employees assist colleagues in accelerating their learning and growth.

Cultural & Generation diversity: ADNOC Gas is focused on recruiting locally and across the MENA region. In FY2021, the Company employs people from more than 56 nationalities across operations. ADNOC Gas is also focused on female-focused development initiatives to drive the outcome in order to establish a diverse workforce. As a result of which, the share of results in the workforce in the Company increased from 11% in FY2021 to 12% in FY2022. The share of women in leadership positions also increased from 26% in FY2021 to 27% in FY2022.

Push To Emiratization: Although the total employee headcount marginally reduced from 7,087 in FY2021 to 7,064 in FY2022, the percentage of Emiratization increased in the Company from 61% in FY2021 to 62% in FY2022. Growth in the supply chain also aided the company's effort toward Emiratization, as it increased from 68% in FY2021 to 69% in FY2022.

Figure 11: ADNOC'S Social focused initiatives and its outcome



Source: Company Information

Governance

Strong sets of policies and commitments to support the Company's governance framework

ADNOC Gas has developed strong standards and commitments to promote fair, transparent, and risk-averse operations and governance. The Company has eight sets of policies and commitments which it follows:

Sustainability: ADNOC Gas has established a structured governance and monitoring framework to set and monitor sustainability-related objectives and activities via KPIs.

Workforce: The company adheres to a comprehensive set of human capital guidelines to maintain employee welfare. It also includes certain criteria for its contractors, as well as annual audits.

Health Safety and Environment: The ADNOC Group is committed to safeguarding people's health and safety, as well as the environment. The Company also strives to adhere to all local/federal norms and standards. Additionally, it also emphasizes delivering HSE systems in accordance with the applicable ISO standards.

Code of Conduct: The Company has set out the basic rules and standards that are necessary to conduct its business in an ethical and compliant manner which are in accordance with the ADNOC Group's values. Also, it has a zero-tolerance approach to bribery, corruption, theft, money-laundering, and fraud.

Integrity Due Diligence Policy: Before engaging in an agreement or contract with the Supplier or Party, the Company performs contextually appropriate due diligence screening for any corruption, as well as other integrity-related issues.

Supplier and Partner Code of Ethics: The Company expects its Suppliers and Partners to comply with all applicable laws and regulations and behave ethically.

Community: The company has established various Social Risk Management guidelines per the Equator Principles and IFC standards.

Diversity & Inclusion: To become a leader in diversity, the Company has implemented steps such as adopting a people strategy that involves the formation of a transparent performance system. Additionally, it has taken initiatives such as organizing a gender balance committee.

ADNOC Gas Robust Governance Framework

Strong and effective leadership team led by experienced people from all areas with sound policies and a robust governance framework

In order to adhere to a strong governance structure, ADNOC Gas has formed various committees comprised of various individuals, each of whom will carry out certain vital responsibilities. It has also specified the frequency with which these various committees would meet to guarantee its framework's seamless operation.

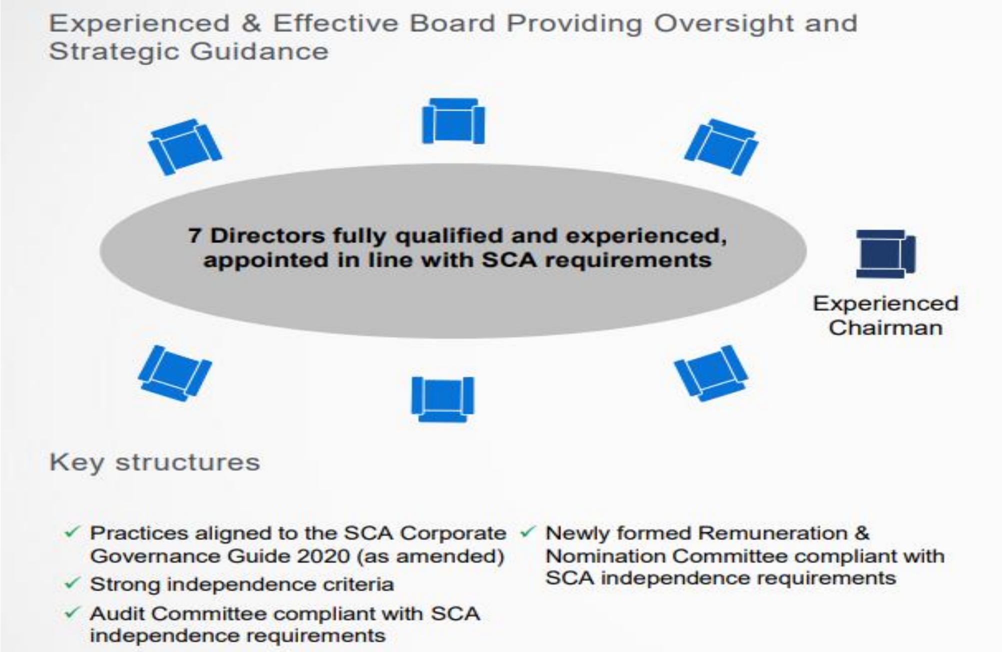
Board of Directors: The Company has appointed seven Directors who are fully qualified and experienced in line with SCA requirements. The key responsibility of the directors is to overlook the Strategic oversight of management and business affairs. Additionally, it has set a meeting frequency time of a minimum of four times a year.

Executive committee: This committee will be essential, and thus the Company has appointed a pool of experienced members who will meet every four to six weeks to review matters relating to the group's commercial, financial, and operational performance, function, and planning.

Audit Committee: The Audit Committee is newly formed and will meet at least four times a year. Members will be in charge of the Company's corporate governance, risk management, legal and compliance, as well as financial and non-financial reporting. They will also be required to conduct internal and statutory audits.

Nomination & Remuneration Committee: The committee will meet at least twice a year, and its key responsibilities will include succession planning and senior appointment, as well as overseeing the Company's remuneration arrangements.

Figure 12: ADNOC'S Social focused initiatives and its outcome



Source: Company Information

Key Investment Highlights

Integrated Gas Platform Supporting UAE and Abu Dhabi Energy Ecosystems

ADNOC Gas: One of the Highest Gas and Liquid Processing Capacities Globally

Cost-advantaged, low-emission feedstock, large processing asset base, and diverse product and customer portfolio propelling its growth

Abu Dhabi National Oil Company GAS (ADNOC Gas) owns, processes and sells ADNOC gas and gas products, serving a wide range of domestic and international customers with an expanding portfolio of gas products. The combined scale and capabilities of ADNOC Gas will maximize value and create new opportunities for ADNOC, its partners, and the UAE. The Company procures raw gas and integrated gas from ADNOC's upstream group companies to produce LNG, LPG, and associated products including Sales Gas, Ethane, Propane, Butane, and others. ADNOC Gas remains focused on maintaining stable and resilient performance across the portfolio, which stands on three pillar growth strategy: 1) Upstream Supply Growth, 2) Processing Capacity Upgrade, and 3) Product Mix Enhancement.

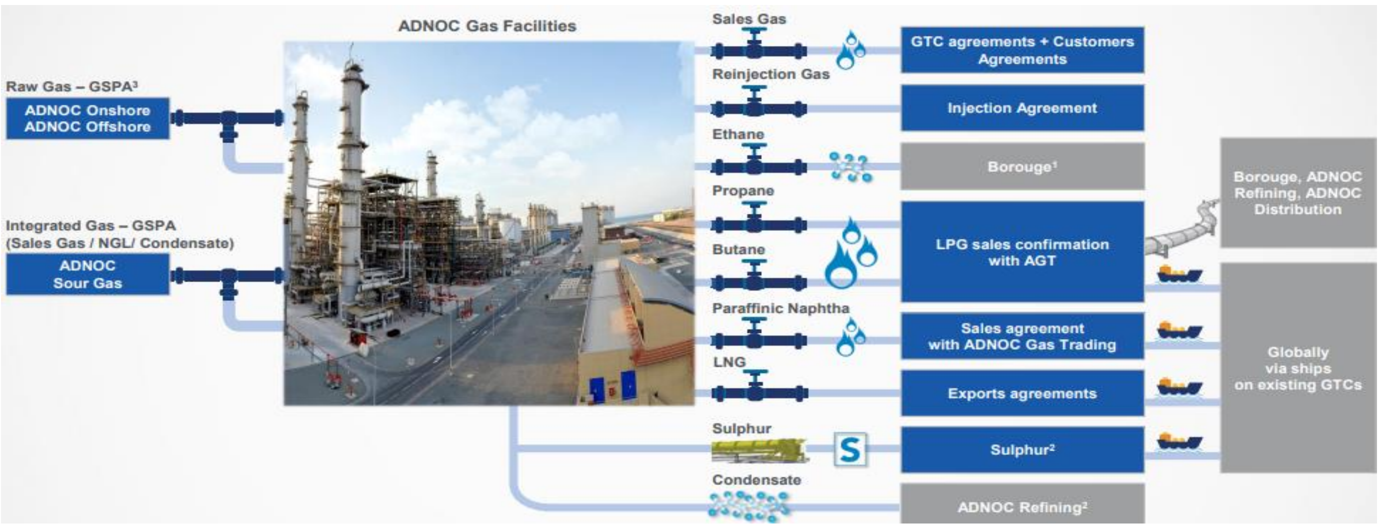
The Company also plans for tangible growth by adding 3 BSCFD of gas processing and 6 MTPA of liquid processing capacity over the next five years. ADNOC Gas has an integrated gas platform, that benefited from long-term reliable, cost-advantaged, and low-emission feedstock from ADNOC, a large-scale gas processing asset base, and a diverse customer base.

ADNOC Gas reported strong profitability and generated robust cashflow, with an reported EBITDA margin of 34.2% for FY2021 and illustrative free cash flow of USD 4.7 Bn during FY2022.

The three key value propositions for the Company include:

- **Reliable Feedstock:** ADNOC Gas has molecule ownership through direct access to the world's fifth-largest oil and gas reserves. ADNOC'S investment program of USD 150 Bn over the next five years will potentially result in healthy growth of ADNOC Gas. ADNOC plans to grow its oil production from 4 million barrels of oil per day (MMBPD) to 5 MMBPD by 2027. It also plans to increase gas production by more than 30% from Associated and Non-associated sources.
- **Processing:** ADNOC Gas operates eight processing sites both onshore and offshore with a pipeline network of over 3,250 km and a nameplate processing capacity of over 10 Bn standard cubic feet of gas per day (BSFCD) and a liquid processing capacity of 29 Mn tonnes per annum (MTPA).

Figure 13: ADNOC Gas- Integrated Gas Platform



Source: Company Information

Note: 1. Under 2017 Feedstock Supply Agreement 2. Under System Feedstock Supply Agreement 3. Gas Sales and Purchase Agreement

- **Marketing:** The Company sells its products with long-term and short-term agreement with quality off-takers. It has already entered into contract to sell 65% of its production through long-term contracts with sovereign and other off-takers. The remaining volume is sold through short-term agreement with prices linked to Brent prices. The majority of the gas demand in UAE to ADNOC related entities and other corporate entities is met by ADNOC Gas. ADNOC Gas has a rich molecule mix enabling it to maximize profitability. The Company has a diverse customer base market comprising of international and local customers, including Borouge, ADNOC Refining, and ADNOC Distribution.

ADNOC Gas reliable operation supporting UAE's aim to become a gas net exporter

ADNOC Gas is a leading global gas producer enabling UAE to achieve gas self-sufficiency and become a net gas exporter. As natural gas will be a key fuel in the energy transition, ADNOC Gas is well-positioned to meet both local and international gas demand and develop the capacity to meet upstream growth through its global operations and significant growth and expansion plans. ADNOC Gas will play a crucial role in fulfilling ADNOC's larger LNG expansion plans, along with supporting the growth of local industry and manufacturing. The UAE and ADNOC are well-placed to benefit from ADNOC Gas formation, given its large gas reserves, a strong heritage of successfully developing gas projects and a proven track record as a reliable energy supplier. Moreover, ADNOC Gas is likely to maintain its healthy performance underpinned by reliable operation with the highest gas and liquid processing capacities, expansion plans, a rich mix of high-in-demand molecules, focus on extracting more value from existing streams.

Figure 14: ADNOC Gas- Vital to Abu Dhabi and the UAE Energy Ecosystems

Source: Company Information

Note: 1. ADNOC Gas sells LPG and Sulphur to ADNOC Global Trading

Attractive Asset Base Delivering Returns Driven by a Diversified Client Base

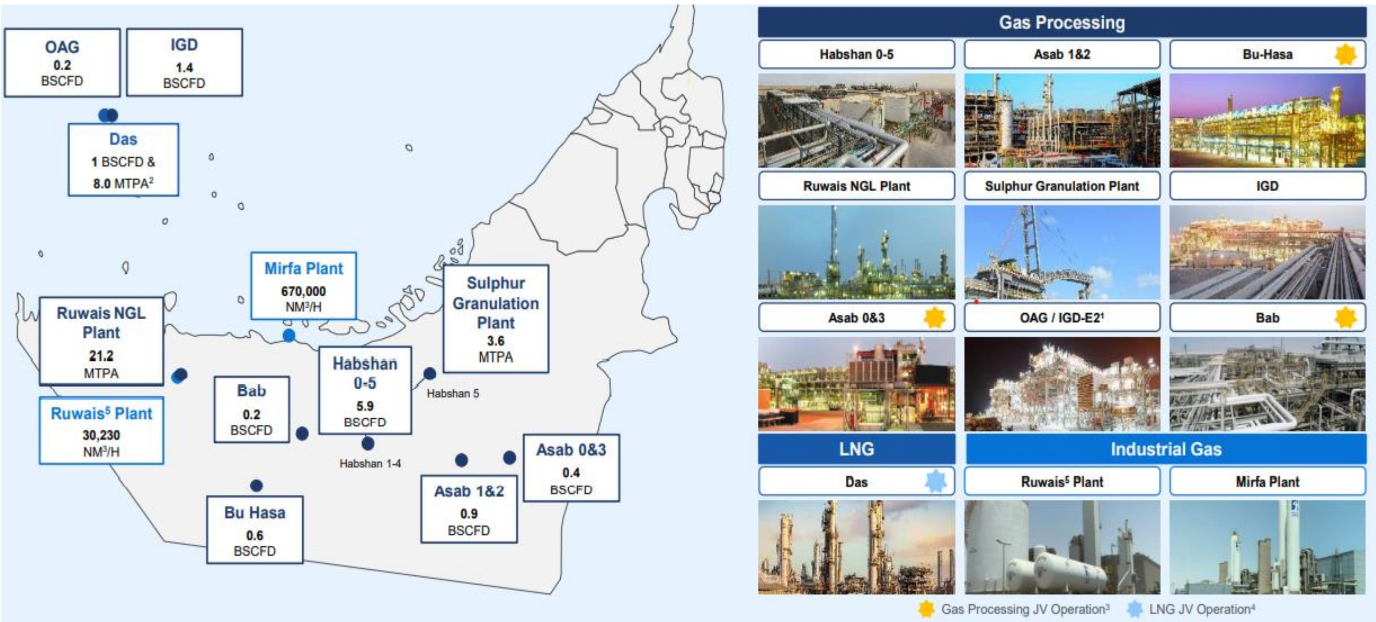
Reliable Operations with Lowest-Emission Resource Bases Driving Returns

Large asset base and domestic long-term contracted Sales gas, C1-C2 gas sales led the Company to generate strong and resilient margins

ADNOC Gas owns a large asset base across Gas Processing, LNG, and AIG segments with gas and liquid processing capacity of over 10 BSCFD and 29 MTPA, respectively. The assets generated USD 17.1 Bn revenue in FY2021 and USD 21.2 Bn in FY2022. The Company has a long history of safe and reliable operations with nine plants operating in the gas processing segment wherein it has joint venture (JV) ownership of 68% in three plants, including Bu-hasa, Asab 0&3, and Bab. The gas processing JV is in partnership with Shell, TotalEnergies, and PTTEP. In the Industrial Gas segment, ADNOC Gas operates two plants Ruwais LNG plant and Sulphur Granulation Plant. It also owns 70% ownership in the Das LNG Plant, remaining owned by Mitsui 15%, BP 10%, and TotalEnergies 5%.

Furthermore, the long-term domestic Sales Gas and C1-C2 gas sales contract led the Company to generate stable and strong cash flows, while the C3+ and LNG exports provided market price exposure to benefit from cyclical changes. The Company's large reliable assets generate attractive long-term value with strong and resilient margins due to the favorable contractual terms. Based on its existing assets and current product mix, ADNOC Gas can support its expansion plans and dividend policy. ADNOC also has a strong pipeline of future projects that leads to market expansion, upgrading processing capacity, and enhancing the product mix for future growth.

Figure 15: ADNOC Gas- Significant Asset Base



Source: Company Information

Note: 1. Under 2017 Feedstock Supply Agreement 2. Under System Feedstock Supply Agreement 3. Gas Sales and Purchase Agreement

Benefiting from one of the largest and lowest emission reserve bases globally

ADNOC gas benefits from one of the cost-advantaged and lowest emission feedstock globally. The UAE is strengthening its position as a regional leader in both natural gas and the developing hydrogen market. It has the world's fifth largest gas and oil reserves globally with 76,968 Mn barrels of oil equivalent. In addition, ADNOC Upstream enjoys one of the lowest emission reserves globally strengthening ADNOC's commitment to be the responsible producer of lower carbon energy. ADNOC is ranked fourth among its competitor in upstream carbon emission intensity in FY2022, reflecting the Company's successful implementation of energy optimization and flaring reduction initiatives. The Company's decarbonization strategy enables it to target 25% GHG emissions intensity reduction by FY2030 from FY2018 and achieve net zero emission ambition of only Scope 1 and 2 by FY2050. ADNOC Gas is investing in new, cleaner energy alternatives such as hydrogen and renewable energy sources along with the large scale CCUS technology implementation, emissions reduction and using 100% clean grid power for its onshore operations.

Access to Long-term, Reliable, Cost Advantageous, and Low Emission Feedstock

Access to Long-Term Feedstock Agreement Provides Stability to Profitability and Free Cash Flows

Long-term supply contract and clear pricing formula built an alignment between ADNOC and ADNOC Gas

ADNOC Gas is uniquely positioned in a stable value chain with long-term growth. The Company has long-term resources with access to the world's fifth largest oil and gas reserves with the UAE's reserves of 290 TSCF with a reserves-to-production ratio (R/P) of greater than 75 year signifying relatively high reserves. ADNOC Gas is in a position to benefit from the integrated upstream expansion program. ADNOC Gas processes both raw and Integrated gas, where raw gas is unprocessed gas and integrated gas is partially processed by the Company. ADNOC Onshore and ADNOC Offshore supply raw gas as a feedstock to ADNOC Gas, whereas ADNOC Sour Gas supplies integrated Gas.

ADNOC Gas key Gas Supply and Payment Agreement built an alignment between ADNOC and ADNOC Gas by annual volume planning and setting Minimum Gas Payments (MGP) at a level to ensure sustainable operations. The Company's long-term supply contract for 25 years and clear pricing formulas provide stability to margin which also accommodate new streams. ADNOC is committed to extracting more value from existing reservoirs and developing new non-associated gas reservoirs for upstream supply growth. The Company is focused on the ongoing diversification of end markets with the first landmark new multi-year delivery agreement with Germany. ADNOC Gas is dedicated to meeting the injection targets in order to develop richer streams and extend production. Lean gas from ADNOC Gas is reinjected into reservoirs to improve liquid recovery and reservoir management. The Company's operation is underpinned by reliable assets with over 99% reliability across gas processing and LNG assets.

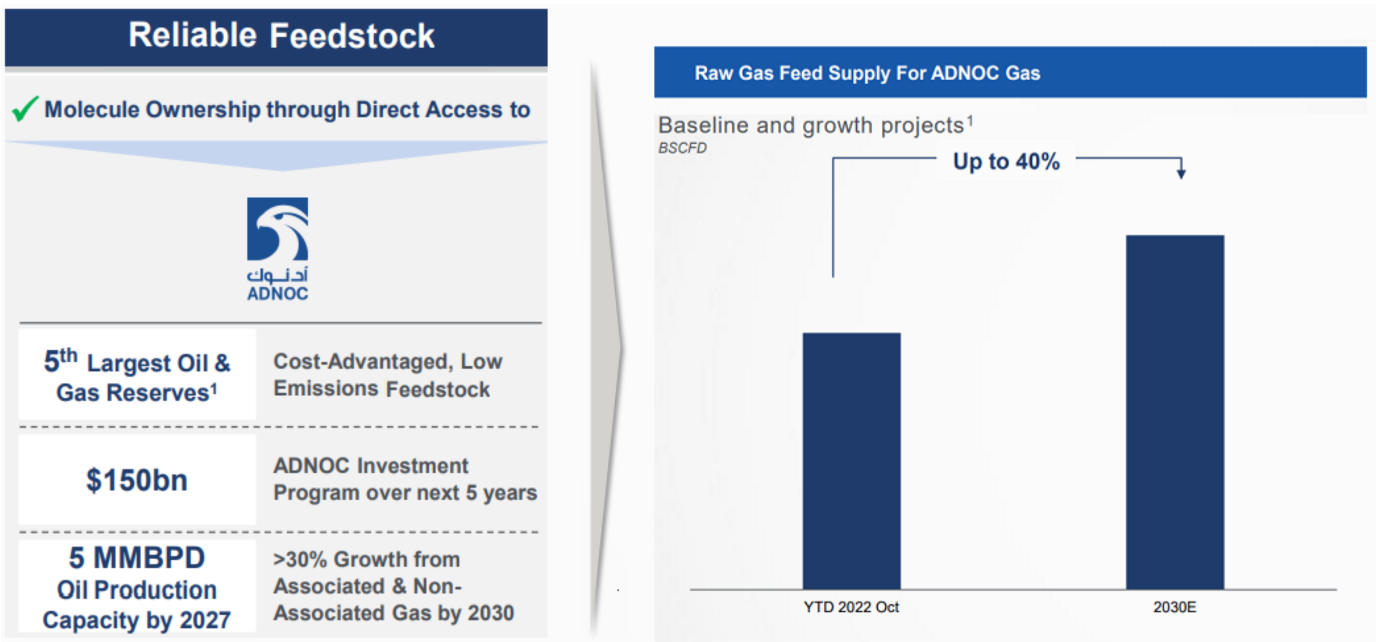
The feedstock agreement allows ADNOC Gas to generate stable profit across the period. The Company generated EBITDA of USD 5.9 Bn and USD 7.3 Bn during FY2021 and Oct 2022 LTM, respectively. Leading to generating an EBITDA margin of 34.4% and 34.1% during FY2021 and Oct 2022 LTM, respectively. Free cash flow from the operation, including dividends received from ADNOC LNG JV grew from USD 4.0 Bn in 2021 to USD 5.4 Bn in Oct 2022 LTM basis.

Reliable feedstock supply supporting the growth of baseline and growth projects

ADNOC gas has access to one of the largest cost-advantaged and lowest emission reserve bases globally and is planning to reduce 25% emissions intensity by FY2030 from FY2018. In October 2021, the Company signed a Clean Energy Agreement with EWEC for power supply to ADNOC from clean sources, with net-zero emissions.

Furthermore, ADNOC Board is planning to increase oil production with more than 30% growth from Associated & Non-Associated Gas by FY2030. ADNOC's board also approved a USD 150 Bn capex budget in FY2022 on oil and natural gas spending over the next five years. Hence, ADNOC's baseline and growth projects are expected to grow raw gas feed supply for ADNOC Gas by 40% during FY2022-30. ADNOC Gas's optimization initiatives help the Company to maintain liquid-rich feedstock and upgrading of facilities to accommodate additional feedstock.

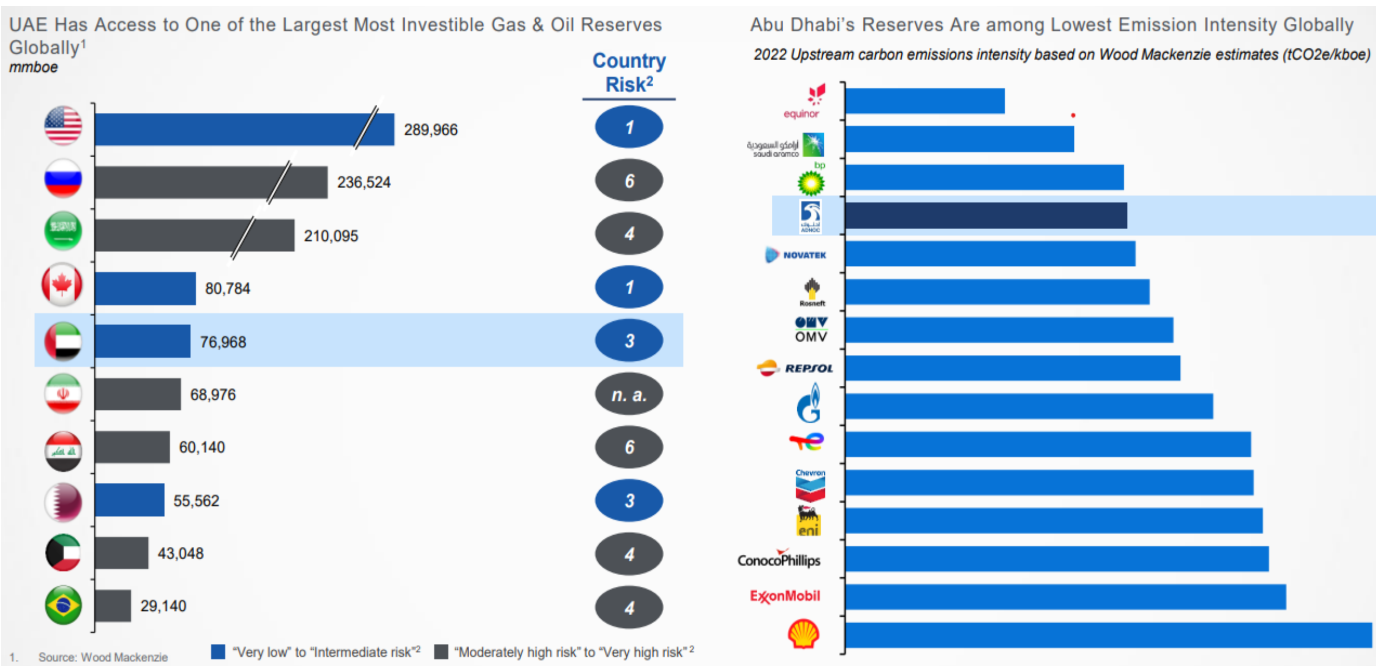
Figure 16: ADNOC Gas's Feedstock, Baseline and Growth projects



Source: Company Information

Note: 1. Baseline and growth projects: Includes both associated and non-associated gas.

Figure 17: ADNOC Gas- Lowest-Emission Resource Bases



Source: Company Information

Note: 1 Country risk based on S&P Global Ratings country risk assessment as on 28 October 2022, where 1 stands for "Very low risk" and 6 "Very high risk"

Majority of the Client Base is Sovereign Controlled Entities Across End-Use Industries

Diverse client base with the majority of clients owned by sovereign entities

ADNOC Gas has a diverse client base in new and emerging markets as a result of robust growth demand with the majority of the client base being sovereign-owned entities across end-use industries. ADNOC Gas is one of the pioneers in the industry with a reputation of a reliable and customer-centric producer and has access to global markets. The client base of sovereign-owned entities indicates low credit risk, which enables the Company to maximize sales and provides visibility to strong cash generation. In the international market also, the Company sells its products to reputed clients.

In the industrial segment, the client portfolio includes Emirates Global Aluminum (UAE's sole aluminum producer), Emirates Steel (UAE's largest steel producer), Dubai Supply Authority (Sole supplier of gas to the Emirate of Dubai), RAK Gas (Sole supplier of gas to Ras al Khaimah), Sharjah National Oil Corporation, and Abu Dhabi Ports. Emirates Water and Electricity Company (EWEC) is the key client in the Power segment as it is the sole purchaser and off-taker of gas, power, and water within Abu Dhabi. ADNOC Group's own industrial ventures, such as Fertiglobe, Borouge, and ADNOC Refining, comprise a significant segment of sales gas demand in the UAE. Furthermore, the injection segment is a key to demand-supply balance management. As long as condensate yields remain commercially viable, gas recycling will continue and serve as a source of demand which will be the Company's growth driver in the near term.

Figure 18: ADNOC Gas- Diverse Client Base

Source: Company Information

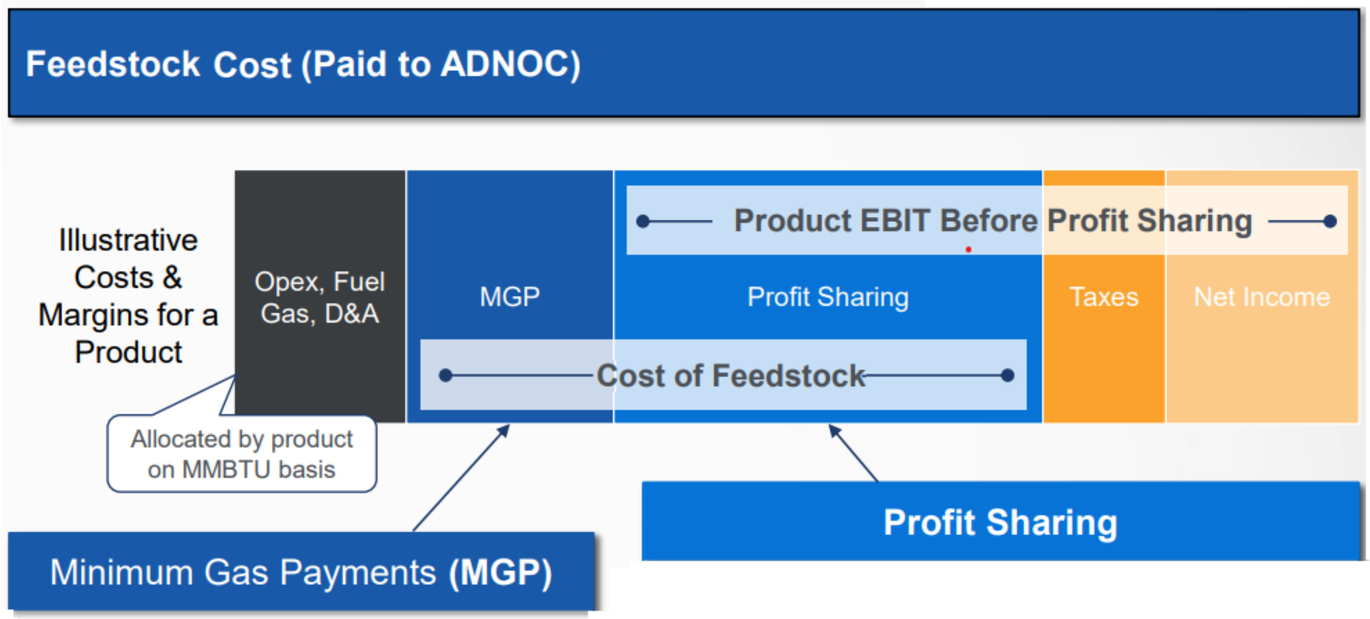
Attractive and Resilient Margins Across the Commodity Price Cycle

Feedstock Cost Falls within the First Quartile and Provides Margin Resilience

Gas processing and LNG benefit from low-cost feedstock, providing margin resilience across the commodity price cycle

ADNOC's upstream supply is among the lowest costs globally, and the quality of supply feedstock allows ADNOC Gas to fall within the first quartile of the cost curve. This cost advantage allows ADNOC to maintain margin resilience across the commodity cycle. Its LNG JV is liquid-rich and its low-cost feedstock advantage allows to withstand lower prices. In addition, the Company's diversified pricing mechanism protect against pricing volatility. ADNOC Gas long-term supply contract for 25 years and clear pricing formulas drive the margins and accommodate new streams as well. The feedstock cost paid to ADNOC includes Minimum Gas Payments (MGP) to ensure sustainable operations in different oil prices environment and also to ensure alignment between ADNOC and ADNOC Gas. ADNOC Gas has a lower MGP for raw gas sources as compared to integrated gas sources. Feedstock cost also includes profit sharing which is based on product earnings before interest and tax multiplied by the profit-sharing percentage. Minimum Gas Payments (MGP) and fuel gas costs remain stable in accordance with Gas Sale and Purchase Agreement. Along with it, the Company's operating expense (Opex) remained steady with an increase in line with inflation. As a result, ADNOC Gas's profit increased in FY2022 as compared to FY2021, mainly due to higher prices and increasing yields.

Figure 19: ADNOC Gas- Feedstock Cost Overview



Source: Company Information

Multiple Levers to Drive the Company's Margin and Profitability

Sustainable margins and profits supported by rich mix of molecules and cost efficiency initiatives

ADNOC Gas's contracted offtake and rich mix of in-demand molecules helped the Company to maintain strong margins over the period. The steady margin generation helps the Company to generate attractive cash flows over the period. EBITDA grew at a faster rate as compared to revenue during FY2022 vs. FY2021 leading to a margin expansion from 34.2% in FY2021 to 34.4% in FY2022 due to higher energy prices. The Company's recent growth is driven by favorable market conditions and supported by new projects. The Company procures processed feedstock with 88.0% raw gas feed and 12.0% integrated gas source in Oct-22 LTM. ADNOC Gas's several initiatives resulted in operational efficiencies, which leads to the availability of facilities to accommodate the feedstock that resulted in higher production. ADNOC Gas balances a combination of low-cost base and rich, largely contracted molecule which allows it to maximize profitability. Around 65% contribution by sales gas with stable/contracted demand, and 35% of the product mix as high-margin products (NGLs, Sulphur, condensate, and LNG). The Company maintained strong and sustainable margins because of favorable contractual terms and cost benefits as a result of enhanced operational efficiencies driven by cost optimization programs, zero-based budgeting, and technology and innovation.

ADNOC Gas registered steady increase in margins on the back of better volume performance and higher selling prices

Historically, ADNOC Gas's sales volumes witnessed a steady product mix, wherein Domestic Gas Products (C1, C2, and reinjection gas) form 65% of the product mix, Export and Traded Liquid (C3, C4, P. Naphtha, and condensate) form 27% of the product mix and LNG share stood at 8%. The attributable sales volume grew 1.9% from 3,359 Tn British Thermal Units (TBTU) in FY2021 to 3,425 in Oct-22 LTM, primarily due to the implementation of debottlenecking initiatives and higher growth in Export and Traded Liquids driven by an increase in yields. In addition, the sales volume grew 2.3% YOY to 2,882 TBTU in 10M22 as compared to 10M21 due to the higher feed supply driven by higher gas and oil production.

ADNOC Gas's steady increase in volumes and positive market backdrop translated into 31.8% increase in Adjusted EBITDA in FY2022 as compared to FY2021. Domestic Gas Products' Export and Traded Liquids' EBITDA increased on the back of higher selling prices compared to FY2021 and better volume performance. EBITDA increased from USD 5.9 Bn in FY2021 to USD 7.3 Bn in FY with a margin of 34.2% in FY2021 and 34.4%in FY2022. .

Figure 20: ADNOC Gas's Cost Breakdown (USD/MMBTU)

Figure 21: ADNOC Gas's EBITDA (USD, Bn) and Margin (%)

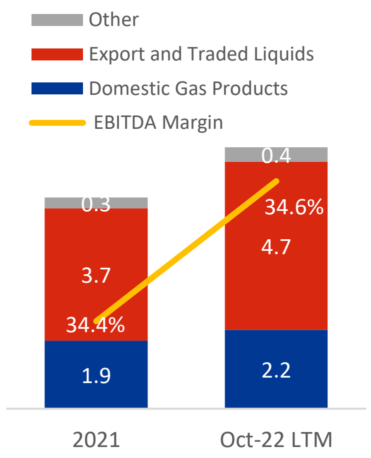
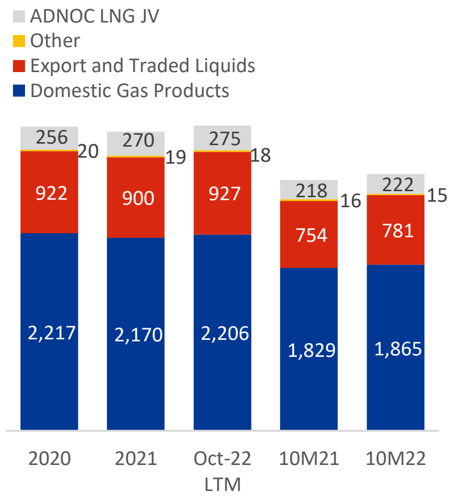


Figure 22: ADNOC Gas's Volume Breakdown (TBTU)



Source: Company Information

Tangible Growth Opportunities Underpinned by a Strong Pipeline of Projects

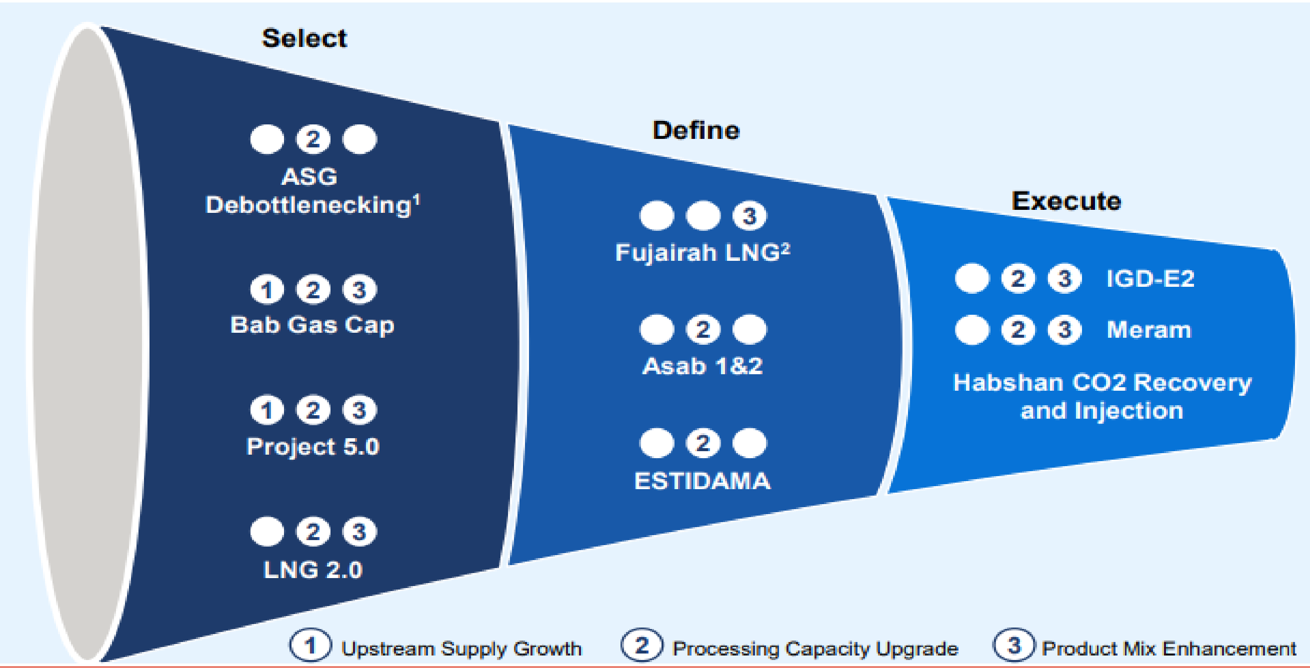
Upstream Supply Growth Support Expansion Plans and Mix Enhancement

The three key growth pillars are Upstream supply growth, processing capacity expansion, and product mix enhancement

ADNOC Gas has a large and diverse pipeline of opportunities to boost growth. It is banking on three pillars to boost growth are upstream supply growth, processing capacity expansion, and product mix enhancement. In addition, the Company follows a disciplined approach to capital deployment which will enhance shareholder returns. ADNOC upstream plans to increase oil production from 4 to 5 million barrels per day (MMBPD) by FY2027 and also, plans to develop new non-associated gas reservoirs. ADNOC Upstream expects to boost the supply of richer and higher-margin stream. ADNOC Gas also plans to increase its gas processing capacity as well as carry out debottlenecking at its existing facility. It plans to increase gas processing capacity by

3 BSCFD and liquid processing capacity by 6 MTPA. The increase in gas processing will be achieved through the addition of new capacity at Bab Gas Cap by 1.85 BSCFD, and the remaining to be achieved through debottlenecking at Asab, Bu Hasa, Habshan and Habshan 5. Liquid processing will be increased by adding 2.2 MTPA capacity of Ethane, 1.2 MTPA of NGLs at Meram and at LNG 2.0 plans to increase by 2.0 MTPA by adding 1.2 MTPA of Ethane capacity, 0.8 MTPA of LNG and remaining of 0.5 MTPA of C3+. The project ESTIDAMA plans to increase pipeline capacity by 330-450 km as it will extend market reach, and enable LNG Fujairah growth. ADNOC Gas's product mix enhancement strategy includes extracting more value from existing streams resulting in higher yields and higher margin products.

Figure 23: ADNOC Gas: Large and Diverse Pipeline of Opportunities



Source: Company Information

Note: 1. ADNOC Gas is not incurring the capex of ASG Debottlenecking 2. Fujairah LNG to be built by ADNOC and brought into ADNOC Gas perimeter once construction is complete and before it starts commercial production.

Robust Pipeline of Projects Boosting Future Demand

ADNOC Gas benefits from the future project pipeline, leading to the emergence of new ADNOC demand centers

ADNOC Gas strong pipeline of near-term and tangible growth projects with an estimated Capex of USD 16.0 Bn. Out of this, USD 14.0 Bn will be spent by ADNOC Gas and the remaining will be attributed to ADNOC LNG. The Company currently has eight future projects that include ESTIDAMA, IGD-E2, Meram, Habshan CO2 Recovery & Injection, Bab Gas Cap, Project 5.0, LNG 2.0, and Fujairah LNG. ADNOC Gas' ESTIDAMA is expected to come online from 2Q23 and is designed to extend market reach and add 330-450 km of pipeline to the network. Whereas IGD-E2 will begin from FY2024, contributing to the longevity and growth of the Company. Meram is expected to be completed by FY2025 and designed to supply additional 2.2 MTPA ethane to Borouge 4 and produce 1.2 MTPA of NGLs. Other projects such as Bab Gas Cap, and LNG 2.0's are estimated to be completed by FY2027 and will provide additional gas processing capacity and debottlenecking and sustain production. Fujairah LNG will be developed by ADNOC outside the ADNOC Gas perimeter, and it is estimated to be completed by FY2027. The Company has planned USD 14 Bn over FY2023-28 for future growth projects and capacity expansion plans, where the majority of the capex is expected to be funded by debt.

Furthermore, ADNOC Gas also benefits from major ADNOC Group projects such as Taziz, which is expected to contribute to future captive and growing demand. ADNOC Projects include

Methanol, Harvest, SALT, MAH, Isopropyl Alcohol, VOLTA, HARVEST 2, FLEX, and Taziz 2.0. The majority of the projects are in the define stage, and major gas consumers in the segment are Methanol and Ammonia, along with ethane utility and cracker projects. The Company stated that the peak gas consumption is expected to reach 0.6 BSCFD by FY2027. In addition, the ADNOC petrochemical and derivatives business growth is further planned by mid-2025 leading to the emergence of new ADNOC demand centers.

Figure 24: ADNOC Gas's Future Project Pipeline

	Impact	Expected Completion	
A ESTIDAMA	330-450km of pipeline	2Q23 onwards	2
B IGD-E2	370 MMSCFD	2024	3
C Meram	2.2MTPA of Ethane and 1.2MTPA NGLs	2025 onwards	2 3
D Habshan CO2 Recovery & Injection	1.5MTPA reduction in CO2	1Q26 onwards	
E Bab Gas Cap	1,850 MMSCFD	2027 onwards	1 2 3
F Project 5.0	>1,000 MMSCFD	2027 onwards	1 2 3
G LNG 2.0	1.2 MTPA of Ethane, 0.8 MTPA of LNG, and 0.5 MTPA of C3+	2028	2 3
H Fujairah LNG	9.6MTPA of LNG	2027	3

Source: Company Information, 1 Upstream Supply Growth, 2 Processing Capacity Upgrade, 3 Product Mix Enhancement

ADNOC Gas is a Key Enabler for the UAE's Hydrogen Ambitions

Ammonia is a Building Block in The Rising H2 Economy

Produces 300,000 tonnes of hydrogen per year and is expected to further expand and cater to several end use markets

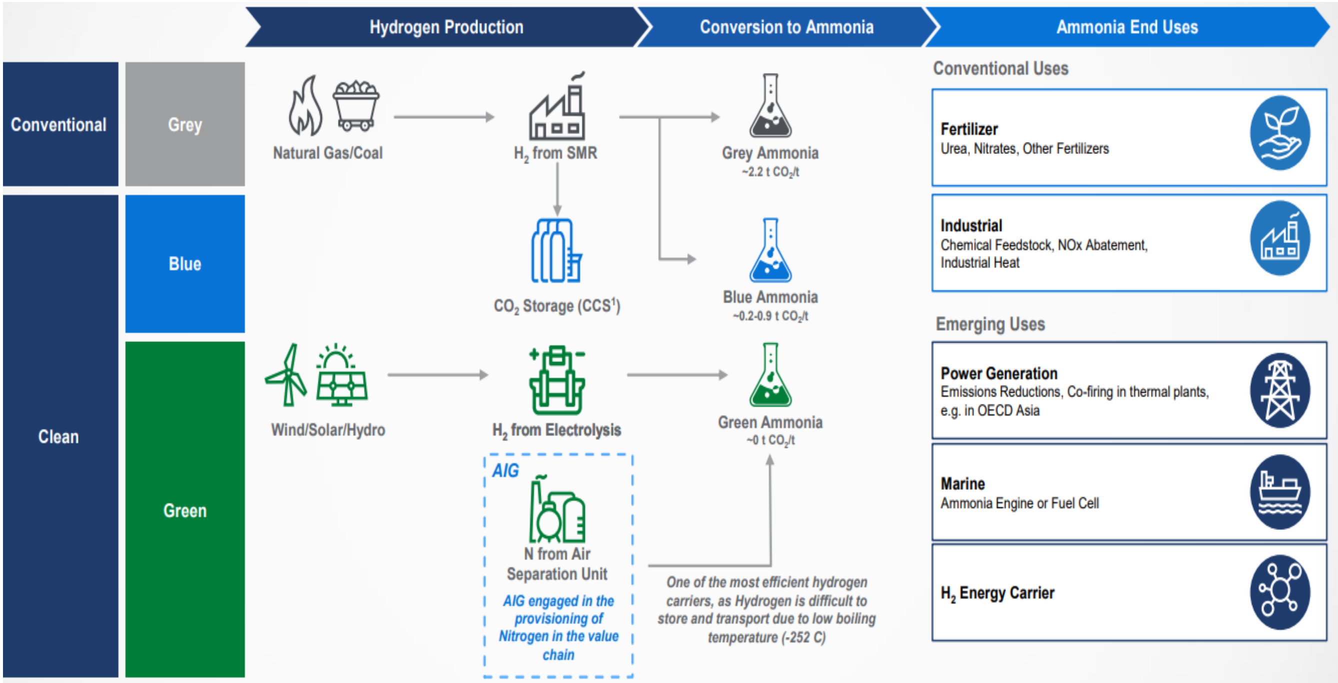
ADNOC Gas believes that hydrogen and its carrier fuels have enormous potential as new, low-carbon fuel, which Abu Dhabi and the UAE are ideally positioned to utilize. ADNOC is a major producer of hydrogen, producing over 300,000 tonnes per year from its downstream facilities, which is primarily used for industrial purposes. It plans to expand Hydrogen production to 500,000 tonnes per year and is exploring a number of other growth opportunities. Hydrogen and its carrier fuels, such as ammonia, will be key enablers in the decarbonization of hard-to-abate industrial and transportation sectors.

Ammonia is a key element in the emerging H_2 economy. The three types of hydrogen are grey hydrogen which is produced from fossil fuels, typically natural gas or coal; blue hydrogen produced from fossil fuels with carbon dioxide byproducts captured and stored via CCS technology, and green hydrogen produced through electrolysis of water in which the electricity comes from renewable energy sources. ADNOC Gas is a key enabler for the UAE's hydrogen ambitions and meeting emerging global demand. ADNOC Gas produces hydrogen and also contributes in the production of low carbon Ammonia which has both conventional and emerging uses. Ammonia is primarily used in fertilizer, industrial, power generation, marine, and hydrogen energy carrier. ADNOC Gas's AIG is engaged in the provisioning of Nitrogen in the hydrogen value chain as Hydrogen is difficult to store and transport due to low boiling temperature.

Strong partnerships, existing infrastructure, and customer relationships helps ADNOC Gas to build a hydrogen value chain

ADNOC is exploring the production of blue hydrogen, aided by scaling of its carbon capture, utilization, and storage capabilities, and further plans to explore green hydrogen opportunities through a partnership with Masdar. In May 2021, the Company announced one Mn tons per year blue ammonia production facility at the Taziz industrial ecosystem and chemicals hub. The final investment decision for the project is expected in FY2023 and FY2024, and start-up is targeted for FY2025. Furthermore, in August 2021, the Company sold its first demonstration cargo of blue ammonia to three customers in Japan. The Company is collaborating with partners and customers to build a hydrogen value chain both in UAE and globally. ADNOC Gas is well placed to meet the existing demand as a major natural gas reserves holder and producer with existing infrastructure, strong partnerships, and customer relationships.

Figure 25: Process flow of Hydrogen



Source: Company Information

Note: 1. Carbon Capture and Storage

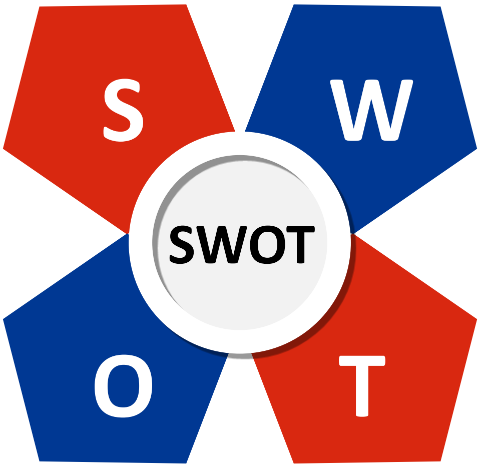
SWOT Analysis

STRENGTHS

- Access to the world's fifth-largest oil and gas reserves, ensuring consistent feedstock reliability
- Diverse customer base globally, with 65% of production sustained by long-term contracts with quality takers
- Ability to maximize profitability by providing a rich in-demand molecule mix
- The Company's diverse product portfolio assures that it generates adequate profits
- Ability to counter price volatility through the use of different price mechanisms
- Strong management team with a proven track record and supportive shareholders

WEAKNESSES

- The company's C1/C2 market is limited, with only the UAE as a core market
- For feedstock supplies, the company is dependent on the parent company
- Terms of the Domestic Gas supply contract might lead to a negative impact on the company's margins if prices are prices are not revised at regular interval



OPPORTUNITIES

- Strategically located with the opportunity to quickly access both the East and the West’s high-demand global market
- Capacity expansion in addition to debottlenecking will lead to optimizing the plant’s capacity
- Enhancement in the product mix will lead to an increase in value from the existing stream
- Innovation in molecular extraction can lead to results in higher yield and products with higher margins
- Providing flexibility in terms of destination, quantity, and the contract duration will help appeal to new customer contracts

THREATS

- The expected decline in crude oil prices is expected to significantly impact the market growth, which will be detrimental to the company
- The economy's imbalances in the supply and demand of oil and gas can significantly impact the Company's earnings
- The ADNOC Group’s projects are essential to the Company's growth, and any delay could lead to a negative impact on profits

Highly Experienced Management Team

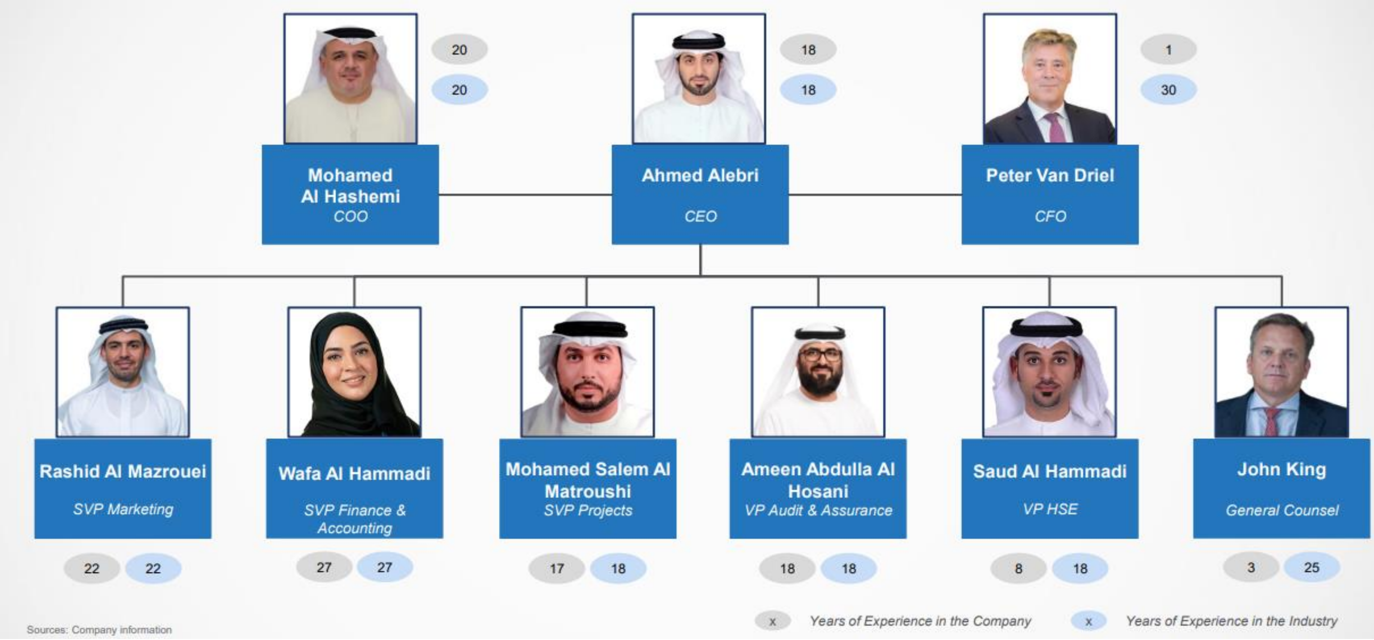
Experienced Management Team with Long Track Record in the Business

Strong leadership with decades of expertise and industry-leading capability

The Management & Senior Leadership Team at ADNOC Gas comprises the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Operating Officer (COO). The Company also boasts a highly competent and diverse senior management team, which is committed to achieving excellence and driving the growth and performance of ADNOC Gas.

The management team at ADNOC Gas has demonstrated its ability to sustainably grow the business while also delivering impressive profitability and cash generation results. With the appropriate talent, expertise, and experience, the management team is well-equipped to successfully execute the Company's next growth phase.

Figure 26: ADNOC Gas's Management Team



Source: Company Information

Key Management:

CEO - Mr. Ahmed Alebri

Mr. Ahmed Alebri is currently serving as the Chief Executive Officer of ADNOC Gas. Prior to this, he held the position of CEO of ADNOC Gas Processing for a period of one year, where he played a crucial role in supplying gas and gas-related products to the UAE. Mr. Alebri also served as the General Manager of ADNOC Industrial Gases, the UAE's leading supplier of nitrogen and liquid oxygen to the oil and gas sector. He has been associated with ADNOC since 2005. With a professional experience of 18 years in the oil and gas industry, Mr. Alebri has been instrumental in driving the impact of technology-enabled transformation and innovative engineering services. His value-driven leadership and exceptional project management skills have led to the successful delivery of strategic projects, contributing to sustainable growth across the UAE's hydrocarbon value chain. Mr. Alebri holds a Master's degree in Business Administration from Abu Dhabi University and a Bachelor's degree in Mechanical Engineering from the University of Missouri. His education, combined with his vast experience in the industry, makes him a valuable asset to ADNOC Gas and its management team.

CFO – Mr. Peter Van Driel

Mr. Peter Van Driel recently joined ADNOC Gas as its Chief Financial Officer in 2022. Prior to joining the Company, Mr. Driel was affiliated with Royal Dutch Shell for over 28 years, where he made substantial contributions to both the financial and commercial divisions of the organization. He also served as the Chief Financial Officer and Executive Board member at JSC Naftogaz for 2 years. Mr. Driel holds a degree from the highly acclaimed Erasmus University of Rotterdam. His extensive experience in the financial and commercial spheres, along with his education, make him a valuable addition to ADNOC Gas's senior leadership team.

COO– Mr. Mohamed Al Hashemi

Mr. Mohamed Al Hashemi is serving as the Chief Operating Officer of ADNOC Gas. He brings with him over 20 years of extensive experience in the operations of various facilities, including Bu Hasa, Habshan, Habshan 5, and Bab. He has also held the position of Senior Vice President of Production Planning and Transmission. Throughout his career, Mr. Hashemi has demonstrated exceptional leadership and management skills in overseeing various service operations, including maintenance, inspection and auditing, and project execution and management. He was also a crucial member in the start-up and commissioning of the Habshan-5 plant. He has been associated with ADNOC since 2002. Mr. Hashemi holds a Bachelor's degree in Electrical and Electronics Engineering from The University of Tulsa. His extensive industry experience and educational background make him a valuable asset to the management team of ADNOC Gas.

SVP Marketing – Mr. Rashid Al Mazrouei

Mr. Rashid Al Mazrouei has been associated with ADNOC for over 22 years, with 20 of those years spent at ADNOC LNG in LNG marketing. He spent 11 years in ADNOC LNG's Japan office, where he successfully managed ADNOC's key customers in Tokyo. Most recently, he played a key role in leading ADNOC LNG's strategy and commercial activities. Prior to his tenure at ADNOC, Mr. Mazrouei worked for 2 years at Shell Trading. Mr. Mazrouei holds a Bachelor's degree in Marketing from the American University in Dubai. With his extensive industry experience and educational background, Mr. Mazrouei is a valuable member of the ADNOC team.

SVP Projects – Mr. Mohamed Salem Al Matroushi

Mr. Mohamed Salem Al Matroushi brings 18 years of industry experience to ADNOC, where he has been associated since 2005. During his tenure, Mr. Matroushi worked for 4 years as the Head of the Process Engineering Department at ADNOC Gas Processing. His extensive experience in the industry makes him a valuable asset to the ADNOC team.

VP HSE – Mr. Saud Al Hammadi

Mr. Saud Al Hammadi has over 18 years of industry experience and has been with ADNOC since 2014. During his tenure, Mr. Hammadi has played a key role in accelerating Health, Safety, and Environment performance across multiple areas and has overseen the design, engineering, and construction of several major projects. He has a proven track record of successfully executing complex turnarounds with substantial SIMOPS in ultra-sour facilities, demonstrating his commitment to safety and his ability to lead major initiatives. Mr. Hammadi is a valuable member of the ADNOC team.

SVP Finance & Accounting – Mrs. Wafa Al Hammadi

Mrs. Wafa Al Hammadi serves as the Senior Vice President of Finance and Accounting for ADNOC. With over 27 years of association with the company and a wealth of experience in the industry, Mrs. Al Hammadi is a seasoned professional who brings a strong background in finance and accounting to her role. Her extensive experience and expertise make her a valuable member of the ADNOC team

VP Audit & Assurance- Mr. Ameen Abdulla Al Hosani

Mr. Ameen Abdulla Al Hosani is the Vice President of Audit & Assurance at ADNOC, where he has been associated with the company for 18 years. With 18 years of experience in the industry, Mr. Al Hosani brings a wealth of knowledge and expertise to his role. He is responsible for leading the audit and assurance efforts for the company, ensuring that the organization's financial reporting and internal control processes comply with regulations and standards. Mr. Al Hosani is a valuable asset to the ADNOC team.

General Counsel- John King

Mr. John King serves as the General Counsel for ADNOC Gas. With 25 years of experience in the industry and 3 years of association with the company, Mr. King brings a wealth of legal knowledge and expertise to his role. As General Counsel, he is responsible for providing legal guidance and support to the company, ensuring that all of its operations are conducted in compliance with the law. Mr. King's experience and expertise make him a valuable member of the ADNOC Gas team

Board of Directors:

H.E. Dr. Sultan Ahmed Al Jaber (Chairperson)

H.E. Dr. Sultan Ahmed Al Jaber is a UAE Federal Cabinet member, Minister of Industry and Advanced Technology, and the UAE's special envoy for the climate. He leads the expansion of UAE's industrial sector with a focus on technology and in-country value. As Group CEO of the Abu Dhabi National Oil Company, he drives a transformation toward a more commercial mindset. Dr. Al Jaber is renowned for his expertise in energy, industry, and climate issues and played a vital role in advancing the UAE's sustainable and diversified economy. He is also instrumental in driving strategic partnerships with other nations, enhancing the UAE's global ties

H.E. Kamal Ishaq Abdulla Ismail Almaazmi

H.E. Mohamed Hassan Mohamed Hassan Alsuwaidi

Mr. Khaled Salmeen

Mr. Abdulmunim Saif Hamoud Ahmed AlKindi

Musabbeh Al Kaabi

Fatema Mohamed Abdulla Alshaibeh Alnuami

Industry Overview

Natural Gas: Demand and Supply Outlook

While the global gas demand growth will moderate in 2023, the European Union's focus on diversifying supply away from Russia to boost demand for Gas from the Middle East

As per the latest Gas Market Report (Q4 2022 released on 03 October 2022) from the International Energy Agency (IEA), Global gas consumption is forecast to grow by only 0.4% in 2023. Yet, this outlook is subject to a high level of uncertainty amidst the ongoing Russia-Ukraine war as well as the economic impacts of sustained high energy prices, inflation and rising interest rates. Even as the global demand remains moderate as per IEA's projections, for gas producers in the Middle East, 2023 is likely to be a good year as the European Union is focused on diversifying supply. The IEA forecasts that *"Europe's LNG imports will increase by over 60 billion cubic metres (bcm) this year, or more than double the amount of global LNG export capacity additions, keeping international LNG trade under strong pressure for the short- to medium-term".*

In FY2022, the demand for natural gas in the OECD Europe region experienced a significant drop due to several factors, such as moderate temperatures, extremely high gas prices, and the European Union's aim to reduce gas usage. The impact of which was felt in various sectors including the industrial, residential, and commercial, and power sectors. The industrial sector experienced a 15.0% decline in gas demand during the first eight months of FY2022 and a 25.0% decline in the 3Q22, leading to decreased production and strain on food supply chains. Conversely, gas-fired generation in the power sector remained steady and increased by 10.0% in the 3Q22 as a result of low hydropower and nuclear outputs. In Asia, the growth in gas consumption has slowed in FY2022 due to high prices of LNG, disruptions caused by the Covid-19 pandemic in China, and moderate winter temperatures in Northeast Asia. In 2023, it is estimated that there will be a modest recovery in gas consumption growth, estimated at 3.0%, due to a return to normal Covid-19 conditions, a rebounding economy in China, and modest growth in India and emerging Asia, according to IEA.

Moreover, robust long-term natural gas demand across regions enables ADNOC Gas with easy access and supports its expansion plans

As per Wood Mackenzie's outlook, Natural Gas demand is projected to grow at a CAGR of 1.1% during FY2020-40, driven by the sustained demand growth in Asia Pacific, Middle Eastern, and African countries. A growing population, urbanization, and robust economic activity underpin this growth. In addition, an increase in electricity demand, switching from coal and oil to gas, and government policies aimed at air quality improvements are also key drivers for growth. The emergence of proven technology such as CCS/CCUS will lower the carbon footprint of natural gas use in power and industry, boosting the demand.

In addition, Asia Pacific will represent the largest growth engine of natural gas demand, growing at a CAGR of 2.6% during the outlook period. The demand for natural gas in the Middle East is driven by the availability of domestic gas supply for both the electricity and industrial sectors. Additionally, the stronger recovery of the economic activity in Northeast Asia and potential unplanned outages in Europe that could deplete underground gas storage are factors supporting the growth of natural gas demand. ADNOC Gas is strategically situated with easy access to high-demand global markets in the east and the west. However, the reduction of natural gas consumption in major regions is due to high prices and tight supply. The increase in natural gas supply is expected to be sustained by development in the upstream sector, such as technology advancements in deepwater production and improvements in the natural gas supply chain infrastructure.

Asia's gas demand growth slows in FY2022, followed by a 3% recovery in FY2023

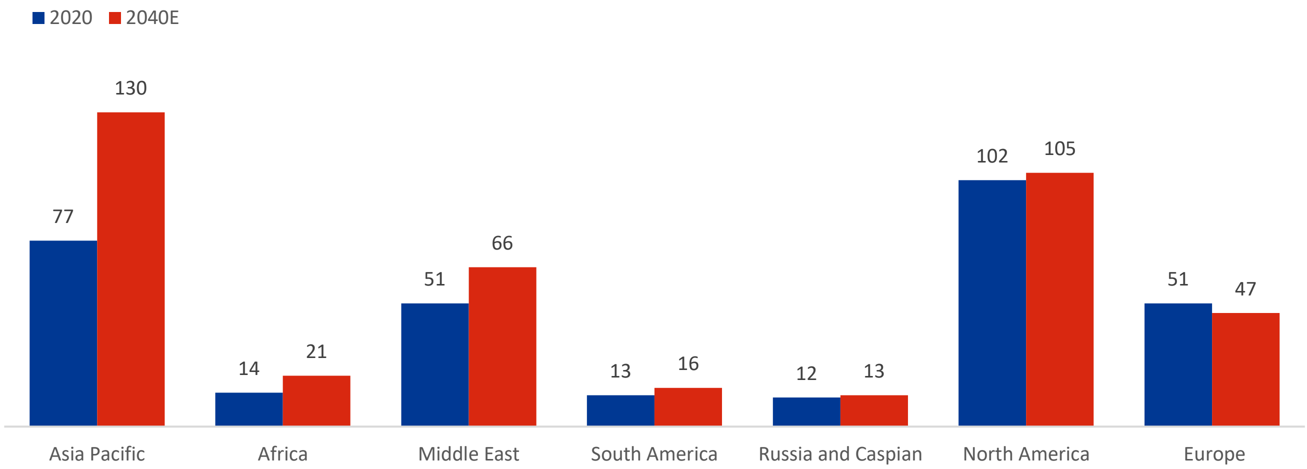
Gas consumption in China, India, and Japan, which are the major Asian markets for The Company's gas, has seen a slowdown in FY2022:

China: In the first eight months of FY2022, China's gas consumption climbed by less than 1.0% YOY. Milder winter temperatures, slow economic growth, price-driven demand destruction, and extensive lockdowns under China's zero Covid policy have all contributed to this year's sluggish growth.

India: India's gas consumption fell 4.0% YOY in the first eight months of FY2022 as high prices for both domestic gas and imported LNG pressured demand in the price-sensitive sectors of the economy

Japan: In 1H22, Japan's gas consumption was flat due to a decline in power generation partly offset by growth in other industries. Japan's gas consumption is predicted to fall by 5.0% in FY2023 as nuclear restarts and rising solar energy reduce demand in the power sector more sharply.

Figure 27: Natural Gas Demand Forecasts (BSCFD)



Source: Wood Mackenzie

LNG: Demand and Supply Outlook

Growth in global LNG trade fueling investment in liquefaction projects

In the first eight months of FY2022, global LNG trade grew 6.0% YOY, a modest improvement over the 5.5% growth rate in FY2021 but still below the 8% average growth between FY2016 and FY2021. LNG import flows were driven by the spike in LNG demand in Europe as a result of significant reductions in Russian pipeline gas supplies. Moreover, due to the ramp-up of Sabine Pass train 6 and the Calcasieu Pass terminal, the United States led the growth of LNG exports by 14% YOY in first eight months of FY2022 which accounts for more than half of the net increase in global LNG output. High oil prices and ample reserves have made exporting and importing LNG more economically viable, fuelling investment in a new wave of liquefaction projects. In addition, a modest recovery in Asia following a fall in the region's demand in FY2022 and a continuous rise in European imports both contribute to the expansion of the LNG market. Furthermore, LNG prices continued to rise despite a rapid post-COVID-19 demand recovery and slower additions to supply. The unprecedented shift in supply-demand dynamics boosted LNG prices. As a result, the amount of LNG traded globally is anticipated to rise by 4% in FY2023.

Global LNG Trade Growth is Driven by European Demand and US Supply

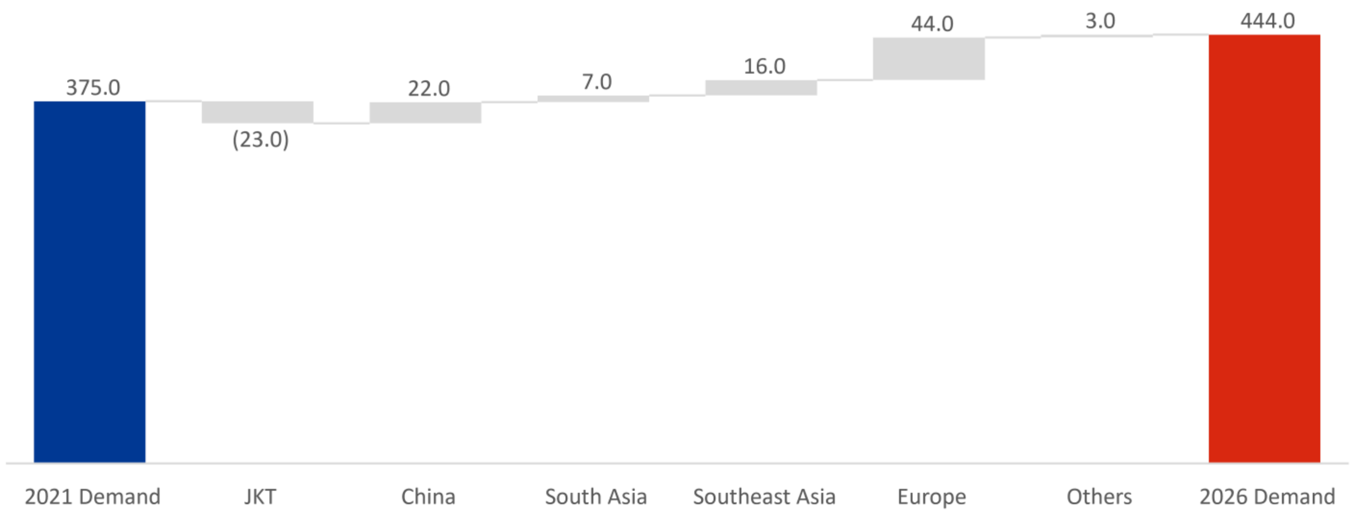
Ramping up of new projects, policy support, and fuel -switching, supporting global natural gas demand and supply

The global LNG market is expected to be constrained between FY2022 and FY2026 due to Europe's efforts to decrease its reliance on Russian gas and increase its demand for LNG, as per the Mackenzie report. Global LNG demand is expected to grow at a CAGR of 3.1% during FY2020-40 driven by moderating prices, fuel switching, electrification needs, and policies promoting better air quality. Furthermore, global LNG demand is expected to reach 444 Mn tones in FY2026, an increase of 18.0% from 2021. Europe is likely to drive the majority of LNG demand growth as the region seeks to reduce its reliance on Russian gas. In addition, LNG imports might increase in China, South, and Southeast Asia, but high LNG prices will restrain growth. ADNOC

Gas is focused on significantly expanding its gas position in order to meet growing customer demand for LNG by implementing its decarbonization strategy.

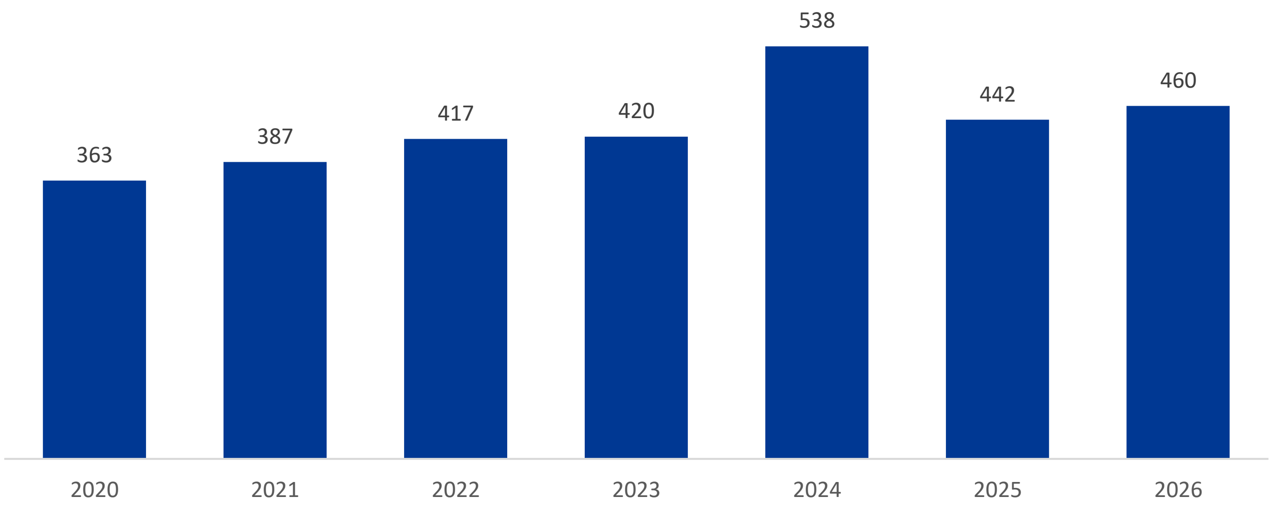
Also, LNG demand growth is expected to be constrained by supply concerns during FY2021-26 with estimated growth of 18.0%; however, imports into Europe are expected to rise during this period. Global LNG supply is forecast to reach 460 Mn tons in FY2026, up 19% from FY2021. The growth is driven by new projects, resulting in an overall increase of overall supply of 93 Mn tonnes in FY2026 over FY2021, in which US representing 41% of this growth. Growth will be strongest in the medium term, with projects resuming after disruption and capacity expanding in the coming years.

Figure 28: Global LNG Demand Growth (Mn Metrics tons)



Source: BloombergNEF

Figure 29: Global LNG Supply Growth (Mn Metrics tons)



Source: BloombergNEF

LNG: Global Pipeline and Market Trend

Emerging market trends will shape the LNG industry

European energy crisis and supply security: The global energy crisis, fueled by the post-pandemic recovery and the consequences of the Russia-Ukraine war, has raised concerns about energy security. The war between Russia and Ukraine substantially influenced the Europe-Russia energy trade, particularly Russian pipeline gas exports to the EU. The European energy crisis is revolutionizing the global LNG market. High LNG prices and tight gas markets will benefit the global LNG producers. Rising LNG demand is creating a sustainable environment for new LNG projects across the world, including the United States, the Middle East, and Africa.

Rapid Increase in the number of Long-Term Global LNG Contracts: Persistent high spot prices have driven customers to enter into long-term contracts in order to assure energy security and usual economic activity. ADNOC has signed an MoU with GAIL India to explore opportunities in LNG supply and decarbonization, including short-term and long-term sales agreements.

The emergence of Carbon-neutral LNG: Carbon-neutral liquefied natural gas (LNG) is an innovative way to sell natural gas while reducing its environmental impact. Carbon-neutral LNG purchases carbon credits to offset the carbon emissions from the LNG supply chain. Decarbonizing LNG cargoes strengthens the LNG market's environmental competitiveness and allows producers to provide a distinctive and premium product that caters to buyers searching for an LNG cargo with environmental value added.

New policies expected to accelerate the clean energy transition: Rising concerns over energy security and high commodity prices are leading countries to diversify supply and enhance the energy transition. A rise in natural gas investment is expected in FY2023, including investments that reduce the greenhouse gas (GHG) intensity of natural gas and associated infrastructure. Many regions have proposed measures in FY2022 to encourage natural gas investment while ensuring emissions reduction.

LPG: Supply and Demand Outlook

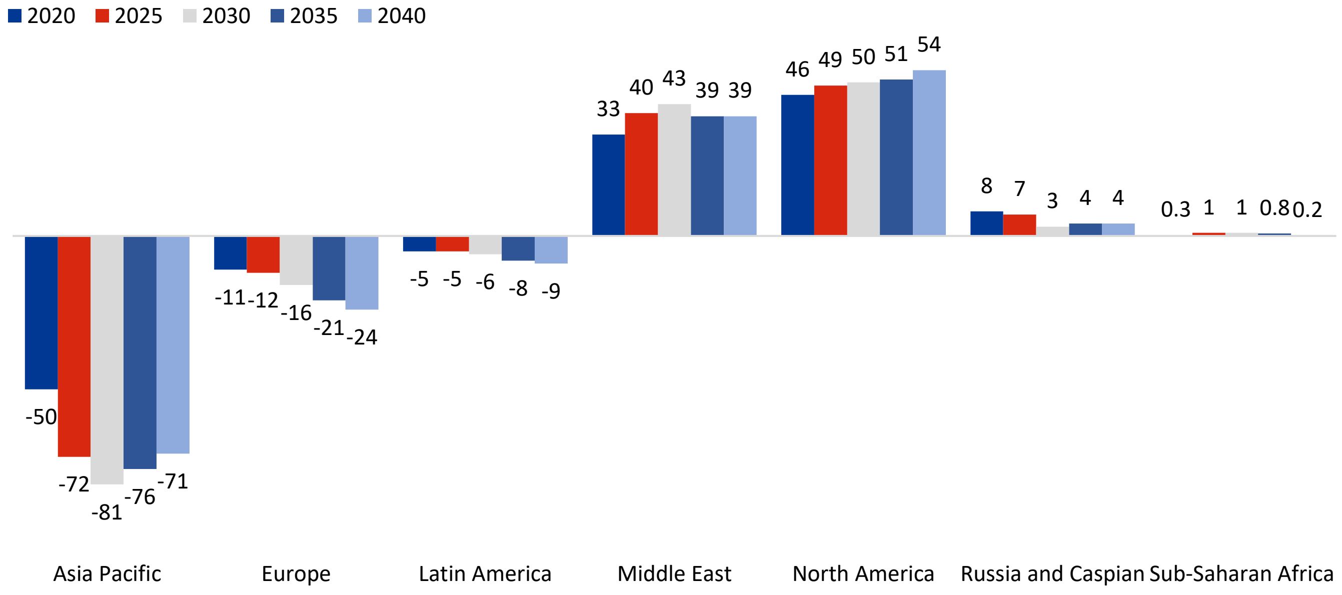
LPG market outlook projects limited increase in consumer demand and downward pressure on prices between FY2023 and FY2025, followed by stability

Geopolitical tensions between Russia and Ukraine led to a conflict that had economic impacts in FY2022, such as increased price volatility and changes in global commodity trade flows. China's zero-COVID policy was impacted by continued lockdowns and movement restrictions, resulting in a slowdown in China's economic growth. This, in turn, led to a decrease in petrochemical margins in Asia. OPEC+'s decision to unwind COVID-related cuts to crude production, combined with high natural gas prices in Europe, led to changes in the oil and gas market. There was a significant increase in LPG exports from the Middle East, re-injection of Natural Gas Liquids back into the gas stream in Europe, a rise in C3+ output in the US, and a tight VLGC market.

Wood Mackenzie forecasts a modest increase in LPG demand, likely to lead to a decrease in prices during FY2023-25. This is due to the increased supply availability, which has led to a surplus in the market during FY2020. The rise in prices in FY2022 was mainly due to the increased cost of crude oil and gas.

In addition, the Asia Pacific region is projected to experience the highest growth in LPG demand, with a CAGR of 4.1% during FY2020-30. Meanwhile, Sub-Saharan Africa is expected to see modest growth in demand with a CAGR of 0.8% during the same period. The Middle East region is forecasted to have a growth rate of 2.7% during FY2020-30.

Figure 30: LPG Supply Demand Balance (Mn Metrics tons)



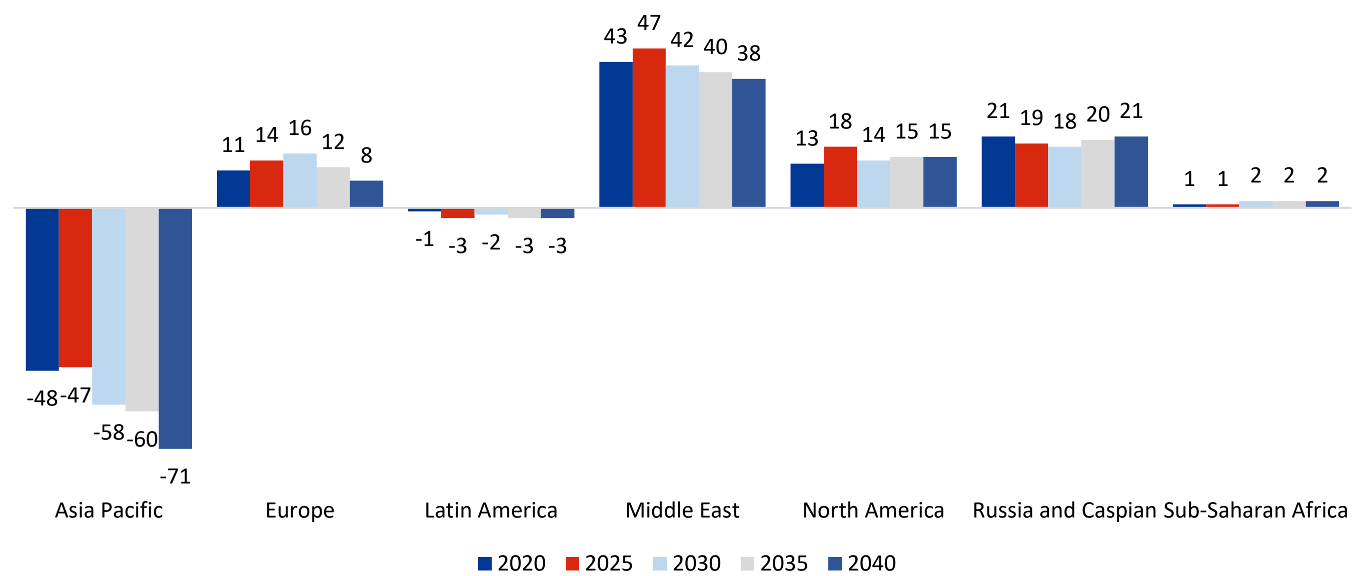
Source: Wood Mackenzie

Naphtha: Supply and Demand Outlook

Global demand for naphtha is expected to expand at a CAGR of 2.3% between FY2020-40

Global demand for Naphtha is forecasted to grow at a CAGR of 2.3% during FY2020-40, with the majority of demand coming from Asia Pacific, according to the Mackenzie report. The Middle East accounts for only 2.0% of global naphtha demand, however supplies 16.0% of the world's naphtha, making it necessary to meet demand in Asia. The correlation with oil prices has driven the increases in naphtha prices during FY2020-23, and the market is expected to moderate in the coming years due to excess supply. In 2030, as demand grows steadily, naphtha prices are expected to pick up again. The demand for naphtha is projected to grow mainly in the Asia Pacific and Middle East regions.

Figure 31: Naphtha Supply Demand Balance (Mn Metrics tons)



Source: Wood Mackenzie

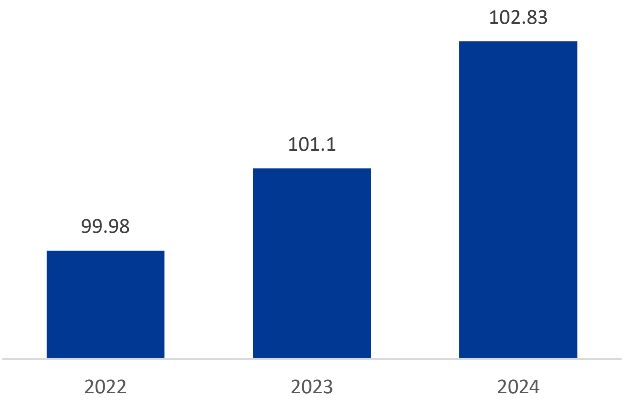
Oil Outlook: Supply and Demand Outlook

The world oil consumption is expected to rise to 100.48 Mn b/d in FY2023 and 102.2 Mn b/d in FY2024, driven by growth in non-OECD countries

According to EIA, World oil consumption is expected to increase from an average of 99.4 Mn barrels per day (b/d) in FY2022 to 100.48 Mn b/d in FY2023 and 102.2 Mn b/d in 2024, driven primarily by growth in non-OECD countries, such as India and China. The movements in oil consumption largely reflect trends in economic activity. However, the advance in energy efficiency and rising sales of electric vehicles will curb FY2023 global demand growth. IEA also expects global production of liquid fuels to increase from 100.0 Mn b/d in FY2022 to 101.10 Mn b/d in FY2023 and 102.8 Mn b/d in FY2024, driven by large growth in non-OPEC production.

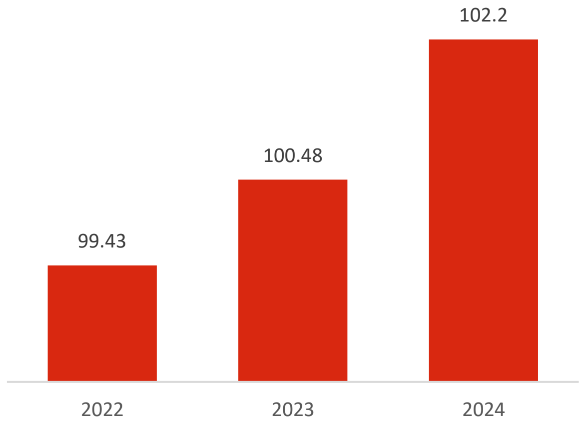
However, there will be continued uncertainty over Russia's oil supplies, particularly in early 2023. In FY2023, OPEC Production and Non-OPEC Production are expected to rise to 35.02 Mn b/d and 66.77 Mn b/d, respectively. ADNOC Gas's sales are majorly tied to the oil prices, thus the Company has a price review mechanism built in to mitigate against price volatility. According to EIA, the Brent price is expected to average USD 83 per barrel in FY2023 and USD 78 per barrel in 2024, as global oil inventories build, putting downward pressure on crude oil prices.

Figure 32: Oil Production (MMBPD)



Source: EIA, Short-term Energy outlook, January 2023

Figure 33: Oil Consumption (MMBPD)



Source: EIA, Short-term Energy outlook, January 2023

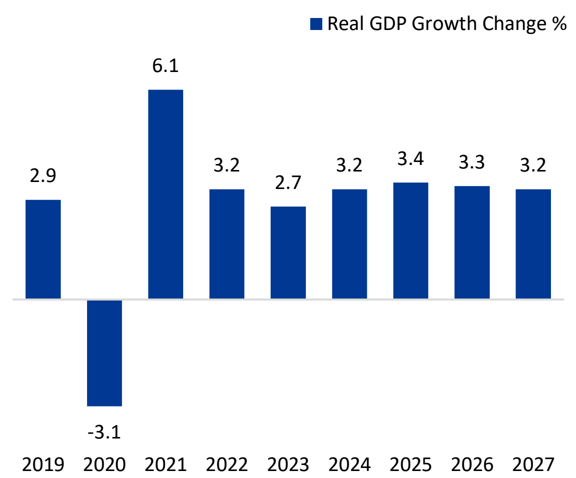
Macroeconomic Environment

The Global Economy Stabilizes Despite Challenges, To Support ADNOC Gas Growth

As per IMF estimates, the global economy grew by 3.4% YoY in FY2022 and is expected to grow 2.9% YoY in FY2023 and 3.1% in FY2024

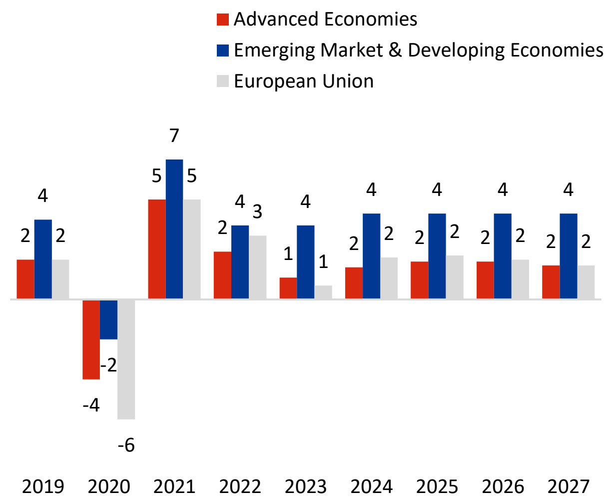
The global economy faced challenges in FY2022 due to factors such as fight against inflation, the war in Ukraine, and resurgence of COVID-19 in China. However, despite these headwinds, real GDP was strong by the end of FY2022 due to stronger-than-expected private consumption and investment amid tight labor markets and greater-than-anticipated fiscal support. Thus, according to IMF (World Economic Outlook, January 2023), the global economy grew 3.4% in FY2022 and is expected to moderate down to 2.9% in FY2023 and rise to 3.1% in FY2024 (0.2% higher and 0.1% lower than in the Oct 2022 WEO Update) as the economy continues to be impacted by the increasing interest rates and the negative fallout of Russia-Ukraine war. The lifting of COVID-19 restrictions and reopening China's economy has led to a faster-than-expected recovery in the Chinese economy. The IMF outlook remains with a bias towards downward risk marked with uncertainties around factors such as a severe health outcome in China, escalation of Russia's war in Ukraine, worsening debt distress due to tighter global financing conditions, and sudden market repricing in response to inflation news. Furthermore, according to IMF, the priority in most economies remains disinflation, with the deployment of macroprudential tools and stronger debt restructuring frameworks necessary to maintain financial and debt stability.

Figure 34: Change in World Real GDP – FY2019 – 2027 (%)



Source: IMF, World economic Outlook, January 2023

Figure 35: Change in Real GDP Growth by Region – FY2019 – 2027 (%)



Source: IMF, World economic Outlook, January 2023

Headline inflation rates projected to decline to 6.6% in FY2023 and further to 4.3% in FY2024

Global inflation is expected to decrease from 8.8% in FY2022 to 6.6% in FY2023 and 4.3% in FY2024, with 84.0% of countries expected to have lower inflation in FY2023. This decline is partly due to weaker global demand for fuel and nonfuel commodities, as well as the effects of monetary policy tightening on core inflation. Despite this projected disinflation in FY2023, inflation is still expected to remain above pre-pandemic levels in the majority of economies. The downstream segment of gas industry is likely to experience some cost savings from the disinflationary environment, as fuel and nonfuel commodity prices are expected to decrease due to weaker global demand.

Growth in advanced economies is forecast to decelerate from 2.7% in FY2022 to 1.2% in FY2023

Advanced economies are expected to be particularly affected and would see a sharp decline in growth from 2.7% in FY2022 to 1.2% in FY2023, with about 90.0% of them experiencing a decrease.

In the United States, growth is expected to fall from 2.0% in FY2022 to 1.4% in FY2023 and further to 1.0% in 2024 (0.4% point upward revision for FY2023 due to domestic demand resilience in FY2022, and a 0.2%-point downward revision for FY2024 due to the steeper path of Federal Reserve rate hikes). In the euro area, growth is projected to bottom out at 0.7% in FY2023 before rising to 1.6% in FY2024, supported by faster rate hikes by the European Central Bank, lower wholesale energy prices, and additional announcements of fiscal purchasing power support. Economic growth in Japan is projected to rise to 1.8% in FY2023, with continued monetary and fiscal policy support from a depreciated yen and earlier delays in implementing projects.

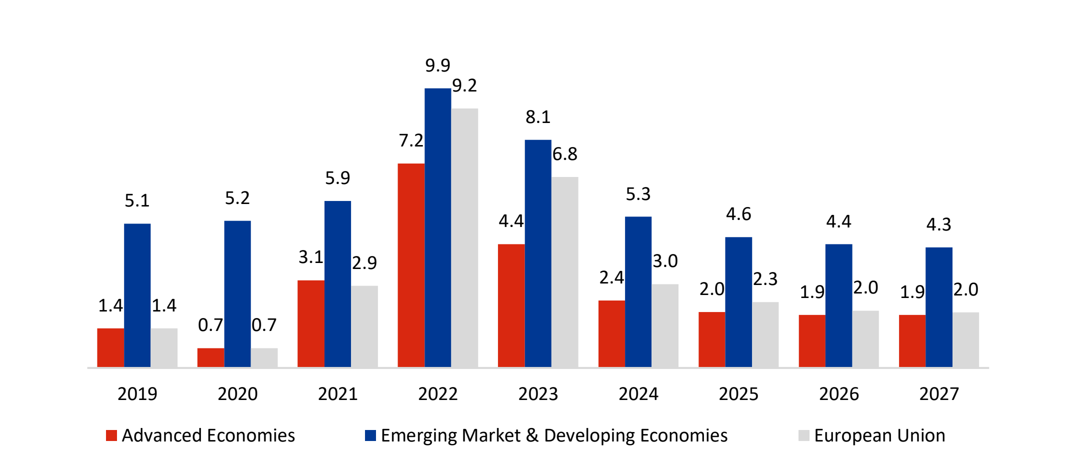
As per the IMF, GDP for emerging markets and developing economies are projected to grow to 5.3% in FY2023

As per IMF, the global economy is projected to see modest growth over the next few years, with emerging markets and developing economies expected to lead the way. In particular, growth in emerging and developing Asia is expected to rise to 5.3% in FY2023 and 5.2% in FY2024, following a deeper-than-expected slowdown in growth in FY2022, largely due to a slowdown in the Chinese economy. China's real GDP is projected to rise to 5.2% in FY2023 and then moderate down to 4.5% in FY2024, as business dynamism and progress on structural reforms slow over the medium term.

India expects a slight moderation in growth from 6.8% in FY2022 to 6.1% in FY2023 before picking up to 6.8% in FY2024, despite external headwinds. Meanwhile, economic growth in the Middle East and Central Asia is expected to decline from 5.3% in FY2022 to 3.2% in FY2023. This is mainly attributed to the OPEC+ agreement to reduce oil production, which is expected to have a negative effect on growth.

As per the IMF, Even at the current oil price cap level of the G7 countries, Russian crude exports will not be severely affected and trade will continue to be redirected from sanctioning to non-sanctioning countries. This could be a turning point for the economies of emerging and developing Europe.

Figure 36: Inflation by World Economies – FY 2019 –2027 (%)

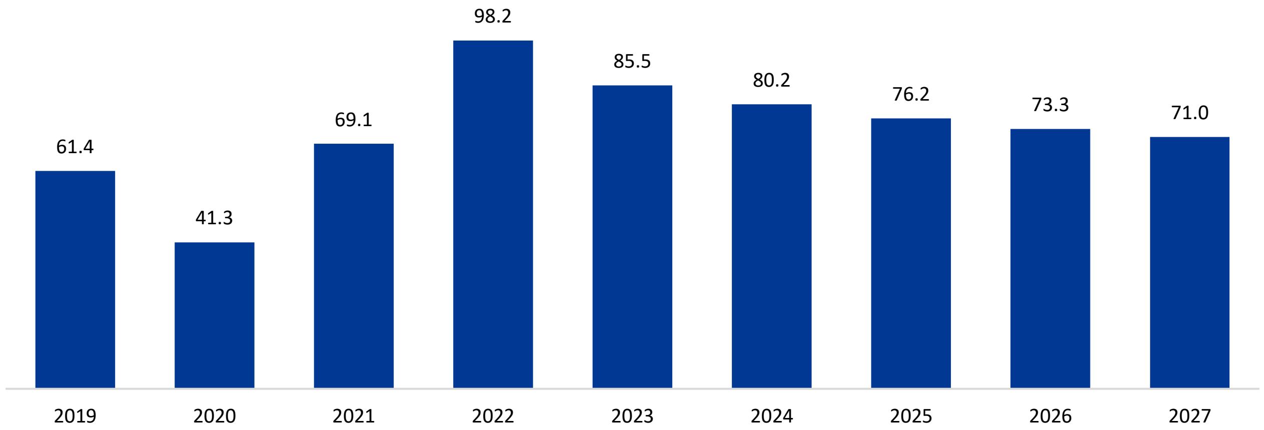


Source: IMF, World economic Outlook, October 2022

As per EIA forecasts, the average oil price will drop to USD 78 in FY2024

As per the EIA's Short-Term Energy Outlook (STEO) January 2023 report, the oil prices will average USD 83 per barrel in FY2023 and is estimated to be around USD 78 per barrel in FY2024. It is expected that the United States and other non-OPEC producers to add 3.5 Mn (b/d) to global oil production in the next two years. Downside risks include Russia's petroleum and other liquid fuels production is expected to decline over the forecast period due to European Union sanctions and other sanctions. To offset the decline, OPEC crude oil production is expected to average 29.5 Mn b/d in 2024, up 0.8 Mn b/d from 2022.

Figure 37: World Crude Oil Prices – FY 2019-27



Source: IMF, World economic Outlook, October 2022

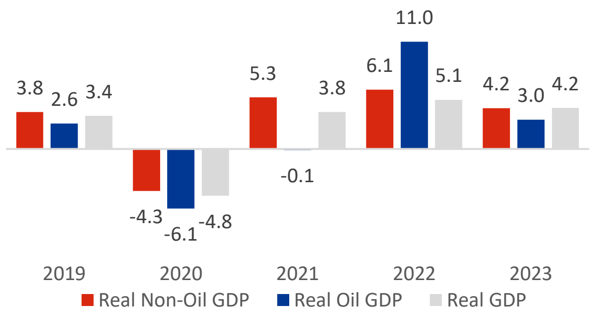
The UAE economy continues to grow despite facing inflationary pressures in FY2022

The UAE's economy continues to demonstrate growth and stability with a 5.1% real GDP growth in FY2022 and a predicted growth of 4.2% in FY2023 and 3.9% in FY2024, as per IMF.

The UAE's strong economic performance has solidified its position as a leading regional business activity and investment hub. In FY2022, the overall real GDP of UAE continued to grow at 6.0%, driven by the rise in oil production and significant improvement in the non-oil GDP. The IMF predicts that the UAE economy will continue to grow at 4.2% and 3.9% in FY2023 and FY2024, respectively. The UAE has announced plans to accelerate the increase in crude oil production to 5 Mn b/d by FY2025 instead of the previous target of FY2030.

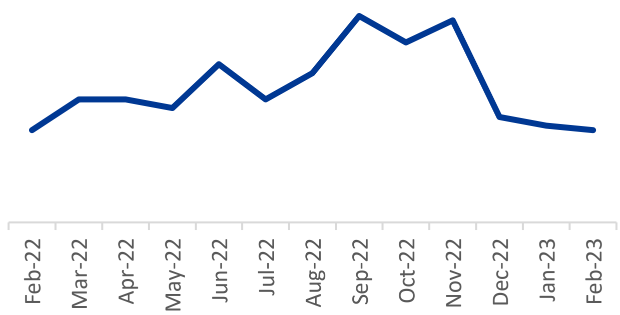
The UAE government's initiatives, including the Circular Economy Policy, Digital Economic Strategy, and Operation AED 300 Bn, are projected to drive economic growth in the near future. The "Make it in the Emirates" program, a new initiative by the government, aims to establish the UAE as a major business center by promoting locally manufactured products.

Figure 38: UAE GDP Growth – FY 2015–23



Source: IMF, World economic Outlook, January 2022, CBUAE

Figure 39: UAE – PMI



Source: IHS Markit, FAB Securities research

As per CBUAE UAE's inflation decline to 5.2% in FY2022

The UAE faced inflationary pressures during FY2022, due to a combination of factors such as the increase in global oil and commodity prices following the Russian invasion of Ukraine, and tighter monetary conditions due to the US Federal Reserve's interest rate hikes. Despite these challenges, the country was able to keep its inflation rate lower than the global average of 8.8% projected by the IMF. This was achieved through the government's support, which provided subsidies to low-income families to offset the rising cost of necessities such as fuel, food, electricity, and water. The government also implemented rent controls to help citizens manage the financial impact of inflation. According to the Ministry of Economy, the inflation rate in the UAE was 5.5% on average during the first nine months of FY2022 and reached 5.2% for FY2022.

For FY2023, the IMF predicts that inflationary pressures in the UAE will gradually ease due to a combination of tightening financial conditions, uncertainty about global oil demand, and fears of a recession. Although the US Federal Reserve is expected to tighten monetary policy in the first half of FY2023, which will impact the UAE, inflation is expected to decline from 5.2% in FY2022 to 3.6% in FY2023 and further to 2.0% in FY2024.

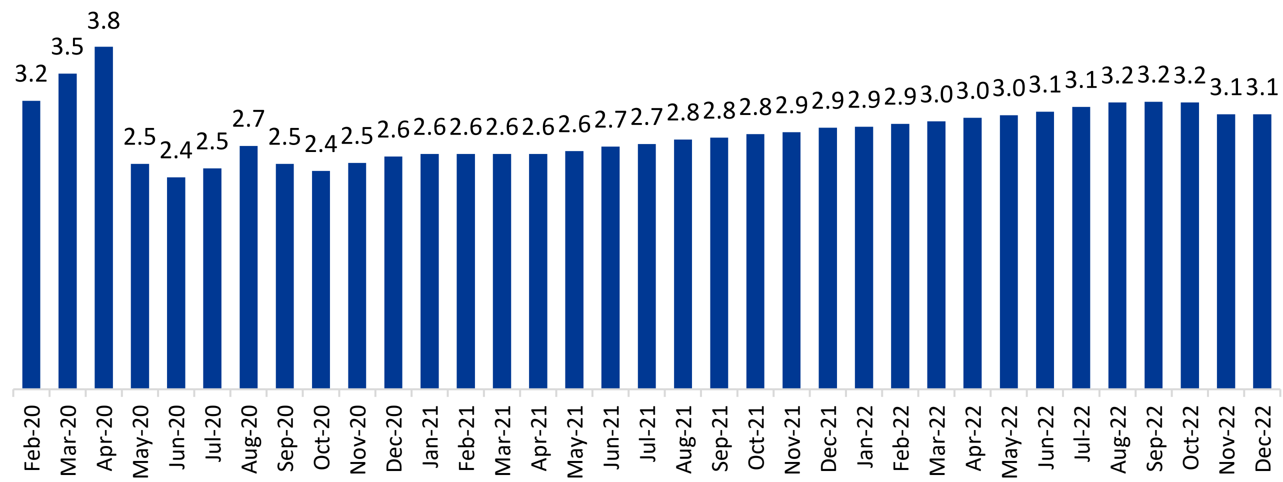
Additionally, the impact of imported inflation is expected to be mitigated due to the appreciation of the UAE dirham against most currencies, as well as the lower inflation rates of UAE's major trading partners such as China, Japan, and India.

In FY2022, the UAE's GDP is predicted to grow strongly supported by growth in oil and non-oil sector

In 2Q22, the UAE's hydrocarbon GDP saw a steady increase, with an estimated growth of 13.0% YoY, in line with the OPEC+ agreements. In November 2022, OPEC agreed to cut production by 2 Mn barrels per day, which led to a revision of the Central Bank of the UAE's forecasts for the current and following years.

As per CBUAE, Real oil GDP is projected to grow by 3.0% in FY2023, with performance depending on various factors such as the Russia-Ukraine conflict, potential global economic slowdown, further OPEC+ production decisions, potential reduction in output by other OPEC members, and post-COVID recovery. While, Real non-oil GDP to grow by 4.2% in FY2023.

Figure 40: UAE Oil Production (Mn barrels per day)



Source: EIA

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Valuation Methodology

Target Fair Value Analysis

DCF, RELATIVE VALUATIONN

We arrive at a fair value of AED 3.52 per share

We have used a mix of Discounted Cash Flow (DCF), and Comparable Company Method (CCM) valuation methods to arrive at the fair value of ADNOC Gas Plc. ADNOC Gas is a newly established integrated gas company responsible for the management, maintenance, and marketing of ADNOC's downstream gas processing, LNG, and industrial gas businesses. The Company currently owns a total gross gas processing facility of 10 BSCFD and 29 MTPA of liquid processing capacity. We have assigned a higher weight to DCF valuation as it provides comprehensive value over multiple periods as opposed to other valuation methods. In addition, the long-term effective tax rate is expected after FY2027 and DCF valuation will be able to incorporate this change more effectively. In CCM valuation, EV/EBITDA and Dividend yield multiples are used to value the Company. EV/EBITDA multiple excludes the impact of the difference in capital structure. ADNOC Gas Plc is expected to pay a steady dividend which is expected to grow at a steady rate of 5% in the forecasted period.

In addition, the Company also owns a 70% stake in ADNOC LNG along with other international partners including Mitsui, BP, and TotalEnergies. The Company's ownership is valued using Discounted Cash Flow and CCM valuation method and after that, the value is added to the total valuation of ADNOC Gas Plc to arrive at the consolidated valuation.

CONSOLIDATED VALUATION

Name of Entity	Valuation (USD, Mn)	Weight (%)	Total Valuation (USD, Mn)
Consolidated Valuation of the ADNOC Gas Plc based on -			
Discounted Cash Flow[1]	78,821	70.0%	55,175
Relative Valuation (EV/EBITDA)[2]	58,856	15.0%	8,828
Relative Valuation (Dividend yield)	63,367	15.0%	9,505
Total Valuation (USD, Mn)			73,508
Total Valuation (AED, Mn)			269,959
Equity value per share (AED)			**3.52**
Standalone Value of the ADNOC Gas Plc based on -			
Discounted Cash Flow[1]			69,163
Relative Valuation (EV/EBITDA)[2]			49,495
Relative Valuation (Dividend yield)			63,367
Value of the ADNOC LNG based on -			
Discounted Cash Flow[1]			13,797
Relative Valuation (EV/EBITDA)[2]			13,373

[1] Includes sum of DCF valuation of ADNOC Gas and the proportionate share of ADNOC LNG JV [2] Includes sum of EV/EBITDA valuation of ADNOC Gas and the proportionate share of ADNOC LNG JV

The performance of both ADNOC Gas Plc and ADNOC LNG are analyzed in detail to arrive at their fair value estimates. We took a fair estimate across the income statement and financial position of the respective companies to arrive at their valuation. The valuation brought forward a target value of AED 3.52 per share.

The weightage assigned to DCF, EV/EBITDA, and Dividend Yield of the business stood at 70%, 15%, and 15%, respectively.

We arrived at a combined value of USD 78.8 Bn using DCF valuation. This includes the standalone value of ADNOC Gas Plc and ownership in ADNOC LNG

1) Discounted Cash Flow Valuation

We relied upon the guidance provided by the Company management for the next five financial years starting from FY2023 and ending FY2027 to arrive at the valuation through DCF methodology. We have further extended the cash flow by an additional three years as we believe the change in long-term effective tax rate won't be captured by then and most of the projects undertaken by the Company would be completed. We derived the Company's Terminal Value using the Gordon Model and extrapolating the adjusted free cash flows for last year at a terminal growth rate of 2.0% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield of 3.6%, Country risk premium of 3.8%, and the unlevered Beta of 0.97 for the Energy Sector. After applying all these, we arrived at the cost of equity of 8.0%. We have used a 10-Year US Government Yield and further added 10-year Abu Dhabi Government CDS spread to arrive at an appropriate risk-free rate. Currently, ADNOC Gas Plc is nearly debt-free and its capital structure will also change since the Company plans to take additional debt to complete projects. Therefore, we have used free cash flow to equity to arrive at the valuation using the DCF methodology.

We employed a **uniform weighted average cost of capital for both** ADNOC Gas Plc and ADNOC LNG, given both entities **operate in the same sector**.

The Company's ownership in ADNOC LNG is also valued using DCF methodology using the management guidance provided for the next five years. After that forecasted cash flow for additional three years to keep it in line with ADNOC Gas Plc although there is no change in tax structure in ADNOC LNG. ADNOC LNG is also valued using free cash flow to equity since it will borrow additional debt to finance capex in the forecasted period as ADNOC LNG distributes all its profit to shareholders in the historical period. We are only considering the value of ADNOC LNG only to the extent of the stake owned by ADNOC Gas Plc. We arrive at a combined value of USD 71.3 Bn after combining the DCF value of ADNOC Gas Plc and ADNOC LNG.

I. DCF Valuation ADNOC Gas Plc

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
All figures in USD Mn, unless stated								
Net Income	3,911	3,865	3,761	3,883	4,049	3,804	4,042	4,324
(+/-) Depreciation & amortization	1,156	1,211	1,355	1,523	1,666	1,813	1,887	1,924
(+/-) CAPEX	-1,900	-3,500	-3,500	-3,000	-3,100	-3,200	-1,601	-800
(+/-) Working Capital	-66	-67	-68	-72	-75	-85	-88	-95
Net change in debt	0	500	1,000	1,000	1,000	500	0	0
Free Cash flow to Equity	**3,102**	**2,010**	**2,548**	**3,335**	**3,540**	**2,832**	**4,240**	**5,352**
Discount factor	0.95	0.88	0.81	0.75	0.70	0.64	0.60	0.55
Present Value of FCFE	**2,939**	**1,763**	**2,069**	**2,507**	**2,464**	**1,825**	**2,529**	**2,956**

Total Present value of FCFE	**19,052**
Terminal Value	50,111
Terminal growth rate	2.0%
Weighted average cost of capital	8.0%
Equity Value	**69,163**

Source: FAB Securities Research

Sensitivity analysis generates the highest valuation of USD 101.3 Bn and the lowest valuation of USD 53.0 Bn

a) Sensitivity of DCF to Key Assumptions

Our DCF valuation is based on a weighted average cost of capital (WACC) of 8.0%. Since ADNOC Gas Plc is debt free, as a result, the weighted average cost of capital is equivalent to the cost of equity of 8.0%.

A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate a valuation of USD53.0 Bn to USD 101.3 Bn. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

1. DCF Sensitivity to Terminal Growth rate and WACC

		Terminal growth				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC	**7.0%**	73,135	78,255	84,395	91,894	101,261
	7.5%	66,914	71,115	76,077	82,028	89,297
	8.0%	61,600	65,091	69,163	73,973	79,743
	8.5%	57,010	59,945	63,330	67,278	71,941
	9.0%	53,008	55,499	58,345	61,627	65,455

II. DCF Valuation ADNOC LNG

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
All figures in USD million, unless stated								
Net Income	745	625	628	707	803	836	875	916
(+/-) Depreciation & amortization	143	143	143	143	143	293	293	293
(+/-) CAPEX	-135	-363	-374	-416	-437	-486	-225	-233
(+/-) Working Capital	-92	-41	-42	-48	-54	-60	-63	-66
Net change in debt	0	250	250	300	300	200	100	100
Free Cash flow to Equity	**661**	**613**	**604**	**686**	**755**	**783**	**980**	**1,010**
Discount factor	0.95	0.88	0.81	0.75	0.70	0.64	0.60	0.55
Present Value of FCFE	**626**	**538**	**490**	**516**	**525**	**504**	**585**	**558**

Total Present value of FCFE	**4,343**
Terminal Value	9,454
Terminal growth rate	2.0%
Weighted average cost of capital	8.0%
Equity Value	**13,797**

Source: FAB Securities Research

Sensitivity analysis generate the highest valuation of USD 19.9 Bn and the lowest valuation of USD 10.7 Bn

b) Sensitivity of DCF to Key Assumptions

Our DCF valuation is based on a weighted average cost of capital (WACC) of 9.3%. A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and weighted average cost of capital yields a valuation of USD 10.7 Bn to USD 19.9 Bn. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

2. DCF Sensitivity to Terminal Growth rate and WACC

		Terminal growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.0%	14,573	15,538	16,697	18,112	19,879
	7.5%	13,386	14,178	15,114	16,237	17,609
	8.0%	12,370	13,029	13,797	14,705	15,793
	8.5%	11,492	12,045	12,684	13,429	14,309
	9.0%	10,724	11,194	11,731	12,350	13,073

2) Relative Valuation

We are using EV/EBITDA multiple and Dividend Yield multiple in CCM valuation to value the firm

ADNOC Gas's FY2023 forecasted financials such as EBITDA and total Dividend declared are used to value the firm. The valuation multiple of both regional and global energy sector companies is used to value the firm.

We used the EV/EBITDA multiple for the relative valuation because it allows us to compare companies of various sizes with similar capital structure, and it is frequently used to assess the relative valuation of companies in **capital-intensive industries like energy**, where large investments in infrastructure and assets are common. Furthermore, EBITDA is frequently used as a proxy for cash flow, which can be useful in the **energy sector where cash flows are an important** component of project economics.

We utilized the Dividend Yield Multiple method to perform a relative valuation of ADNOC Gas, taking into account its stable business volume, consistent growth, and long-term contracted sales of 65.0% of total volume. ADNOC Gas also plans to maintain a stable dividend policy and plans to declare a dividend of **USD 3,250 Mn in FY2023.** Later, it expects the dividend to grow by an annual rate of **5.0%** in the forecasted period.

III. Relative Valuation ADNOC Gas Plc

(All Figures in Million USD, unless stated)	
Based on EV/EBITDA Multiple	
EBITDA (FY2023)	6,644
Peer Median Valuation	7.4x
Enterprise Value	**49,405**
Net Cash (as of 2022)	90
Equity Value	**49,495**

Source: Company Information, FAB Securities Research

(All Figures in Million USD, unless stated)	
Based on Dividend Yield Multiple	
Dividend (2023)	3,250
Peer Median Yield	5.1%
Equity Value	**63,367**

Source: Company Information, FAB Securities Research

IV. Relative Valuation ADNOC LNG

(All Figures in Million USD, unless stated)	
Based on EV/EBITDA Multiple	
EBITDA (FY2023)	1,798
Peer Median Valuation	7.4x
Enterprise Value	**13,373**
Net Cash (as of 2022)	-
Equity Value	**13,373**

Source: Company Information, FAB Securities Research

Peers Valuation – Energy Sector

			EV/EBITDA (x)		PE (x)		Dividend Yield (%)	
Co. Name	Market Cap (USD, mn)	EV (USD, mn)	2023	2024	2023	2024	2023	2024
Novatek PJSC	44,639	45,941	6.1	5.8	6.2	6.4	8.1	7.8
Saudi Basic Industries Corp	73,707	78,676	8.6	7.7	20.6	17.1	4.6	4.7
Saudi Arabian Oil Co	1,893,570	1,933,227	6.2	6.7	12.5	13.8	4.5	4.7
Borouge	22,177	25,202	9.8	9.3	16.9	16.1	5.5	5.7
Dana Gas	1,594	1,473	5.1	5.5	6.6	7.7	24.2	9.1
Petronas Gas Bhd	7,724	7,732	9.5	9.4	17.7	17.4	4.7	4.8
Kinder Morgan Inc	40,959	73,661	9.6	9.4	16.5	15.8	6.2	6.4
China Petroleum & Chemical-H	76,574	123,816	3.6	3.7	6.2	6.2	10.2	10.0
Valero Energy Corp	51,706	58,479	4.5	6.0	6.5	9.1	2.9	3.0
Marathon Petroleum Corp	56,970	73,836	4.6	6.1	7.0	10.3	2.3	2.5
Bp Plc	118,309	158,022	3.4	3.8	6.2	5.9	3.8	4.0
Oneok Inc	30,728	44,565	11.0	10.9	14.9	14.7	5.5	5.7
Targa Resources Corp	17,017	31,628	9.3	8.9	12.6	11.8	2.4	2.6
Williams Cos Inc	38,755	63,929	9.8	9.5	17.8	17.4	5.6	5.8
Average			**7.2**	**7.3**	**12.0**	**12.1**	**6.5**	**5.5**
Median			**7.4**	**7.2**	**12.6**	**12.8**	**5.1**	**5.2**
Max[1] (Quartile 3)			**9.6**	**9.4**	**16.8**	**16.0**	**6.0**	**6.2**
Min[2] (Quartile 1)			**4.7**	**5.8**	**6.5**	**8.1**	**4.0**	**4.2**

Source: Bloomberg, [1] Values correspond to Quartile 3, [2] Values correspond to Quartile 1

Capacity

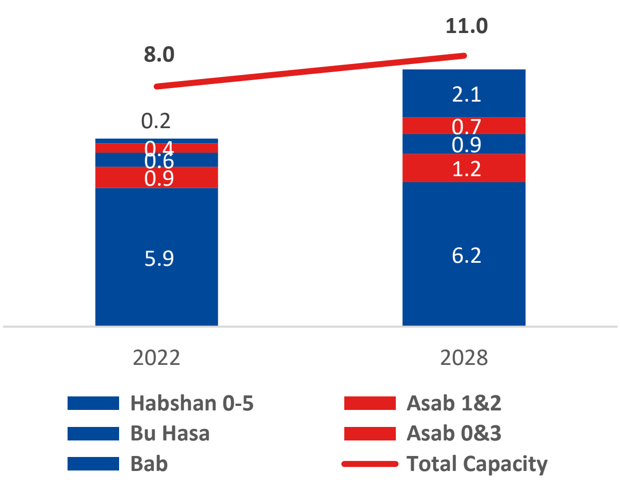
ADNOC Gas identified growth projects worth USD 16 Bn which will increase their gas and liquid processing capacity by 3 BSCFD and 6 MTPA, respectively

Current Capacity and Expansion Plans

The company owns extensive gas processing capabilities with a nameplate capacity of 10+ BSCFD and a total liquid processing capacity of 29MTPA, excluding the Sulphur Granulation Plant with a capacity of 3.5 MTPA. It operates nine gas processing plants, an LNG plant, and two industrial gas plants. The gas processing plants are located at Bab, Habshan, Ruwais, Asab, Bu Hasa, IGD, and OAG. The IGD and OAG plants provide feedstock gas which will be internally consumed by the company's other gas processing plants. The LNG plant, located at Das, is a joint venture between ADNOC Gas, Mitsui, BP, and TotalEnergies, with a capacity of 1 BSCFD gas processing and 8.0 MTPA liquid processing capacity. The Industrial gas plants are situated at Ruwais and Mirfa, with a total capacity of 700,230 NM3/H. While the Ruwais plant manufactures Gaseous Nitrogen, Liquid Nitrogen, and Liquid Oxygen, Mirfa Plant only manufactures Gaseous Nitrogen.

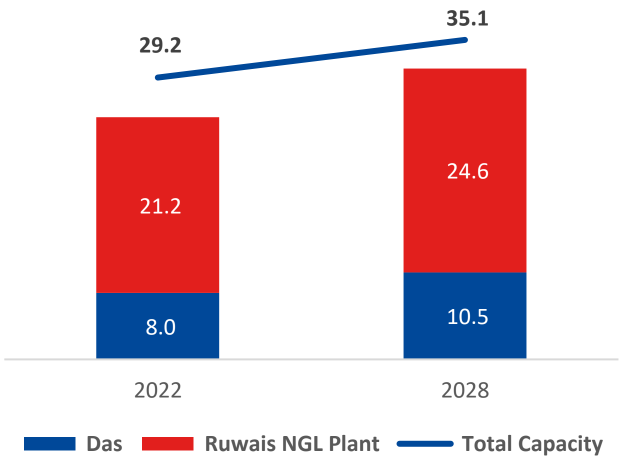
The company plans to expand its gas processing capacity by 3 BSCFD and liquid processing capacity by 6 MTPA in the next five years. ADNOC Gas plans to spend USD 16 Bn on this capacity expansion, debottlenecking, and product mix enhancement. These projects include the Meram, Bab Gas Cap, Project 5.0, and LNG 2.0. The Meram project, which is expected to be completed by 2025, will increase Ethane capacity by 2.2 MTPA and NGL's capacity by 1.2 MTPA. The Bab Gas expansion project, which is expected to be completed by 2027, will add a capacity of 1,855 MMSCFD toward gas processing. Project 5.0, which is expected to be completed by 2027, will increase gas processing capacity by over 1,000 MMSCFD and will include modifications to various sites, including Asab, Bu Hasa, Habshan, Habshan 5, and Ruwais. In LNG 2.0, ADNOC Gas plans to add capacity 1.2 MTPA capacity of Ethane, 0.8 MTPA of LNG, and 0.5 MTPA of C3+. The LNG 2.0 capacity is expected to come on stream by 2028. Further, the company is also focusing on debottlenecking the existing network in ESTIDAMA project, compression capacity under the project IGD-E2 and LNG Trains under LNG2.0 project, which can help in process optimization and better capacity utilization. With an average capacity utilization of 88% for gas processing plants and 94% for the LNG plant from 2019 to 2022, and given the global demand for LNG, which is expected to grow at a CAGR of 3.1% from 2022 to 2040, it is well positioned for healthy profit growth. Additionally, there will be increased chances for growth in the near future due to the rising demand for LPG in Asia and Europe.

Figure 41: ADNOC Gas Processing Capacity (BSCFD)



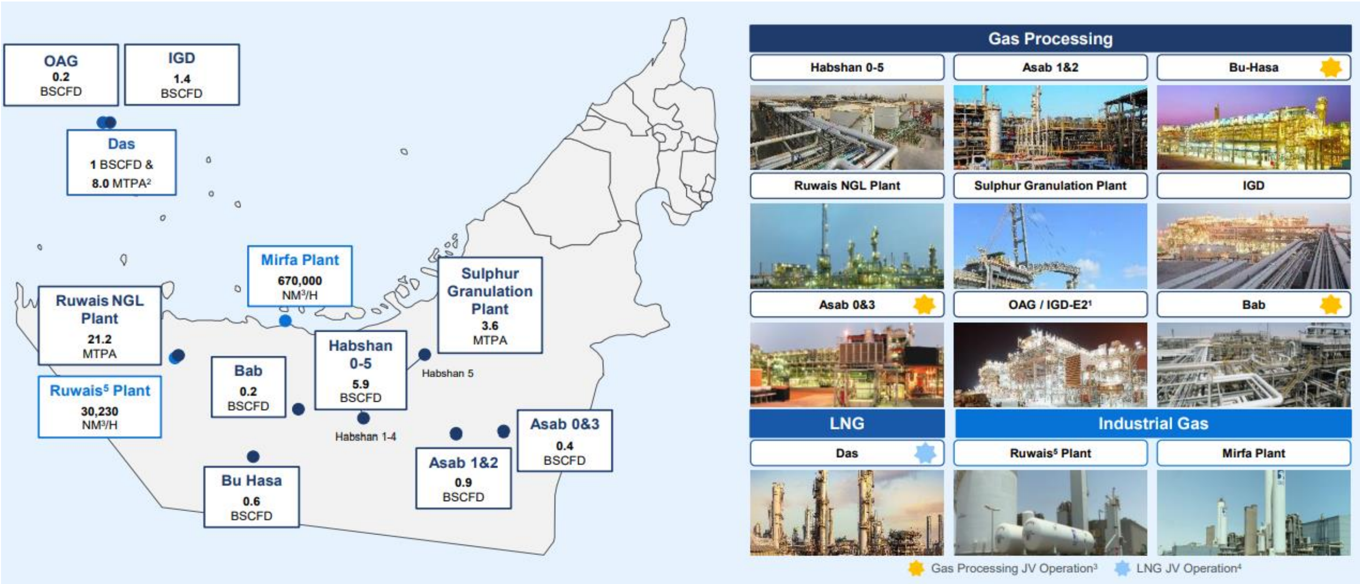
Source: Company Information, 2028 data is computed based on expansion detail provided by management

Figure 42: ADNOC Gas Liquid processing capacity (MTPA)



Source: Company Information, 2028 data is computed based on expansion detail provided by management

Figure 43: ADNOC Gas – Asset Base



Source: Company Information

[1] IGD E2 to be commissioned in Q1 2024

[2] Capacity figure for LNG, C3+ and Sulphur

[3] Gas Processing JV ownership: ADNOC 68%, Shell 15%, TotalEnergies 15%, PTTEP 2%

[4] LNG JV ownership: ADNOC 70%, Mitsui 15%, BP 10%, TotalEnergies 5%

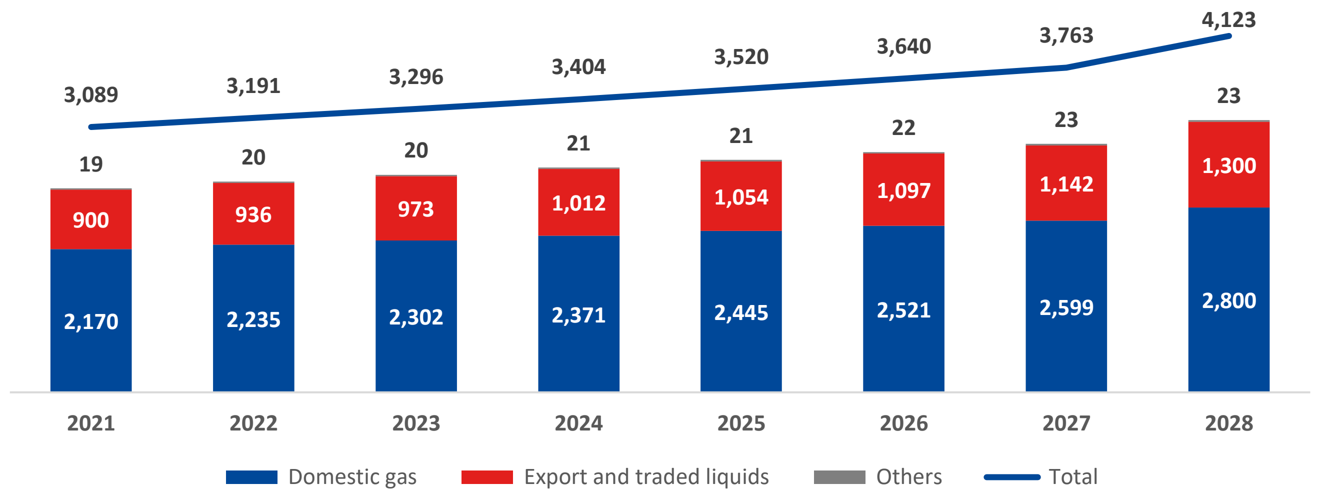
[5] Processing capacity for: (i) Gaseous Nitrogen 23,800 NM3/h (ii) Liquid Nitrogen 4,850 NM3/h and Liquid Oxygen 1,670 NM3/h

ADNOC Gas Sales Volume

ADNOC Gas total sales volume is expected to grow at a CAGR of 4.2% from 3,089 TBTU to 4,123 TBTU

ADNOC Gas total sales volume is expected to increase steadily over the next six years and expected to grow at a CAGR of 4.2% from 3,089 TBTU in FY2021 to 4,123 TBTU in FY2028. The sales volume of Domestic Gas is expected to increase at a CAGR of 3.7% from 2,170 TBTU in FY2021 to 2,800 TBTU in FY2028. Meanwhile, the sales volume of Export and Traded Liquids is expected to grow at a CAGR of 5.4% from 900 TBTU in FY2021 to 1,300 TBTU in FY2028. ADNOC is set to experience steady growth in its gas sales volume over the next six years, with a notable increase in the sales volume of export and traded liquids. ADNOC Gas is well-positioned to capitalize on the growing global and domestic gas demand. It is taking proactive steps to meet this demand.

Figure 44: ADNOC Gas – Sales Volume (TBTU), FY2021-2028



Source: Company Information, FAB Securities research FY2022-28

Key Financial Metrics

Financial Performance at a Glance

Growth Dynamics

ADNOC Gas is committed to providing reliable and sustainable gas and liquid processing services with world-class safety and efficiency standards

ADNOC Gas owns the industry's largest gas and liquid processing capacities, with a raw & integrated gas gross processing capacity of over 10 Bn Standard Cubic Feet Per Day (BCSFD), a liquid processing capacity of 29 Mn Metric Tons Per Annum (MTPA). The company is responsible for the management, operation & maintenance, and marketing of ADNOC's downstream gas processing, LNG, and industrial gas businesses. It has a long-term agreement with ADNOC to secure a consistent and dependable source of feedstock which is procured through transfer pricing method. It possesses a reliable source of feedstock and established access to the seventh-largest natural gas reserves in the world. ADNOC Gas has a comprehensive plan for tangible growth by adding 3 BSCFD gas processing and 6 MTPA liquid processing capacity over the next five years. ADNOC Gas consolidated sales volume grew 2.4% YOY to 2,661 TBTU in 10M2022, led by a 3.6% YOY growth in the Export and Traded Liquid and 2.0% YOY growth in the Domestic Gas segment partially offset by a decline in Others. Further, the consolidated sales volume of ADNOC Gas is anticipated to grow at a CAGR of 3.4% from 3,089 TBTU in FY2021 to 3,763 TBTU in FY2027 due to the planned capacity expansion, debottlenecking of projects, and contracted volume. During 2022, it sold 65% of its production on long-term sales gas contracts, while the remaining production on a short-term contract with price linked to Brent. ADNOC Gas sells all its Domestic Gas volume on a contractual basis, Export & Traded Liquid and LNG are sold at market rates. Revenue of ADNOC Gas rose strongly 24.0% YOY from USD 17.1 Bn in FY2021 to USD 21.2 Bn in FY2022 owing to the higher oil prices. As a result, we expect consolidated revenue to grow at a CAGR of 1.0% from USD 21.2 Bn in FY2022 to USD 22.3 Bn in FY2027, mainly driven by growth in volume across all segments partially offset by a decline Uin expected energy prices in 2023 and 2024. As stated earlier, Domestic Gas price is not linked to market rates, while Export & Liquids, and LNG prices will be priced based on the market rate which is dragging the top line.

Cost of ADNOC Upstream feedstock supply to ADNOC gas includes minimum gas payment (MGP), profit sharing, and fuel gas cost. MGP is paid on USD per MMBTU basis and also, ensures sustainable operation in all different oil price environment. ADNOC Gas is charged different MGP for raw and integrated gas. In addition to MGP, the Company also shares profit with ADNOC Upstream through a mechanism. Profit share is calculated based on earnings before interest and tax multiplied by the percentage profit agreed on each product. The cost of feedstock rose 31.6% YOY from USD 8.0 Bn in 10M2021 to USD 10.5 Bn in 10M2022. The unit feedstock cost rose from USD 3.1/MMBTU in 10M21 to USD 4.0/MMBTU in 10M22 led to an increase in direct expenses. The increase in feedstock cost is driven by an increase in profit sharing due to higher profit generated as a consequence of higher energy prices and increasing yield. As a result, the gross profit margin fell from 42.3% in 10M21 to 41.1% in 10M22. Going forward, we expect the gross profit margin to fall from 42.5% in FY2021 to 41.9% in FY2027, as we expect both revenue and cost to grow moderately during FY2023-25 due to the anticipated decline in Brent oil prices. Additionally, EBITDA margin grew from 34.2% in FY2021 to 34.4% in FY2022 and it is expected to average at 33.5% during 2023-27 in a narrow range due to better control of operating expenses. Contracted Domestic Gas sales helps the Company maintain steady margin in a low energy price environment, while the remaining two segments provide upside to margin in a higher energy price environment. In addition, ADNOC Gas feedstock cost falls in the first quartile cost curve and it is expected to remain in the same range going forward.

(USD, Mn)	2021	2022E*	2023E	2024E	2025E	2026E	2027E
Revenue	17,038	20,767	19,734	19,875	20,139	21,240	22,292
Gross Profit	7,248	8,564	8,140	8,260	8,372	8,832	9,336
EBITDA	5,853	7,144	6,644	6,684	6,710	7,079	7,487
Net Profit	3,600	4,891	4,433	4,303	4,200	4,378	4,611
Gross Profit Margin	42.5%	41.2%	41.2%	41.6%	41.6%	41.6%	41.9%
EBITDA Margin	34.4%	34.4%	33.7%	33.6%	33.3%	33.3%	33.6%
Net Profit Margin	21.1%	23.6%	22.5%	21.6%	20.9%	20.6%	20.7%
Net Debt/EBITDA	0.0	0.0	-0.3	-0.1	0.1	0.2	0.3

*Source: Company Information, FAB Securities research 2022-27. *2022 full financials not available, but company announced actual revenue, EBITDA (without LNG JV) and net income figures are USD 21.2 Bn, USD 7.3 Bn and USD 4.9 Bn, respectively. The net income includes contribution from LNG JV of USD 0.6 Bn*

Financials

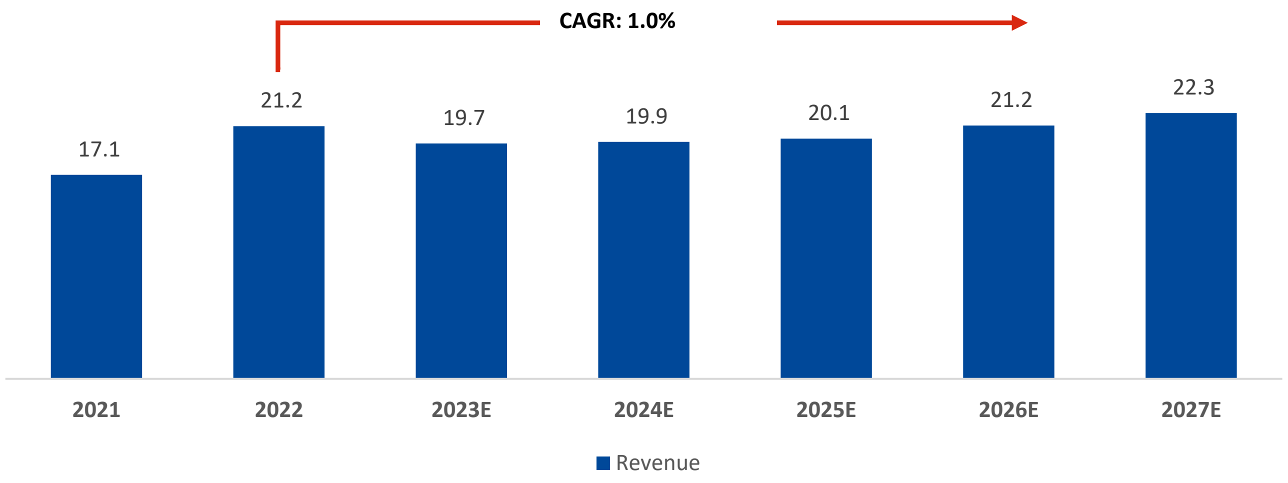
Revenue

Total revenue is expected to grow at a CAGR of 1.0% from USD 21.2 Bn in FY2022 to USD 22.3 Bn in FY2027 due to steady growth in the volume of Domestic Gas and Export & Traded Liquid partially offset by a decline in energy prices

ADNOC Gas generates revenue from three segments Domestic Gas, Export and Traded Liquids and Others. ADNOC Gas also owns 70% of the ADNOC LNG Joint Venture, which generates revenue from LNG sales and exports. In FY2021, ADNOC Gas revenue stood at USD 17.1 Bn and the Proportionate revenue share from ADNOC LNG JV stood at USD 2.4 Bn. Furthermore, the Company's total revenue is expected to grow at a CAGR of 1.0% from USD 21.2 Bn in FY2022 to USD 22.3 Bn in FY2027. Revenue is expected to fall during FY2023-25 as compared to FY2022 due to an anticipated drop in brent oil prices which will lead to a decrease in gas prices since Export & Traded Liquids are sold at the market rate while Domestic Gas is sold at the long-term contracted rate. ADNOC Gas sales volume is expected to grow from 3,089 TBTU in FY2021 to 3,763 TBTU in FY2027 and further expected to grow to 4,123 TBTU in FY2028 driven by steady volume growth in Domestic Gas and Export & Traded Liquid segment. ADNOC Gas's Revenue is forecasted using the combined volume forecast of Domestic Gas, Export and Traded Liquid and other gas sales. ADNOC has a well-integrated gas platform with dependable feedstock and access to the world's fifth-largest oil and gas reserves. The Company has a diverse product portfolio that includes Ethane, Propane, Butane, Granulated Sulphur, Sales Gas, and Condensate as well as ownership in the ADNOC LNG joint venture. These favorable factors support high growth momentum and will boost its revenue in the forecasted period. ADNOC's board approved USD 150 Bn capex budget to increase its oil production to 5 million barrels per day (MMBPD) over the next five years, which will lead to better upstream opportunities for ADNOC Gas to enhance its revenue. The Company's export revenue is determined by its gas processing capacity and the global Brent oil price. A higher Brent oil price is likely to generate more revenue, whereas increased capacity allows the company to increase production and sales volume.

Revenue from ADNOC LNG JV is not consolidated by ADNOC Gas. During 10M2022, ADNOC LNG proportionate sales volume grew 1.8% YOY to 317 TBTU, and it is further expected to grow at a CAGR of 2.3% from 393 TBTU in FY2022 to 441 TBTU in FY2027. Revenue of ADNOC LNG grew 74.5% YOY to USD 4.7 Bn in 10M2022 driven by higher pricing. While revenue of ADNOC LNG is expected to fall marginally at a CAGR of 0.4% from USD 5.5 Bn in FY2022 to USD 5.4 Bn in FY2027 due to a decline in pricing as LNG is linked to Brent Oil.

Figure 45: ADNOC Gas – Total Revenue (USD, Bn)



Source: Company Information, FAB Securities research FY2021-27

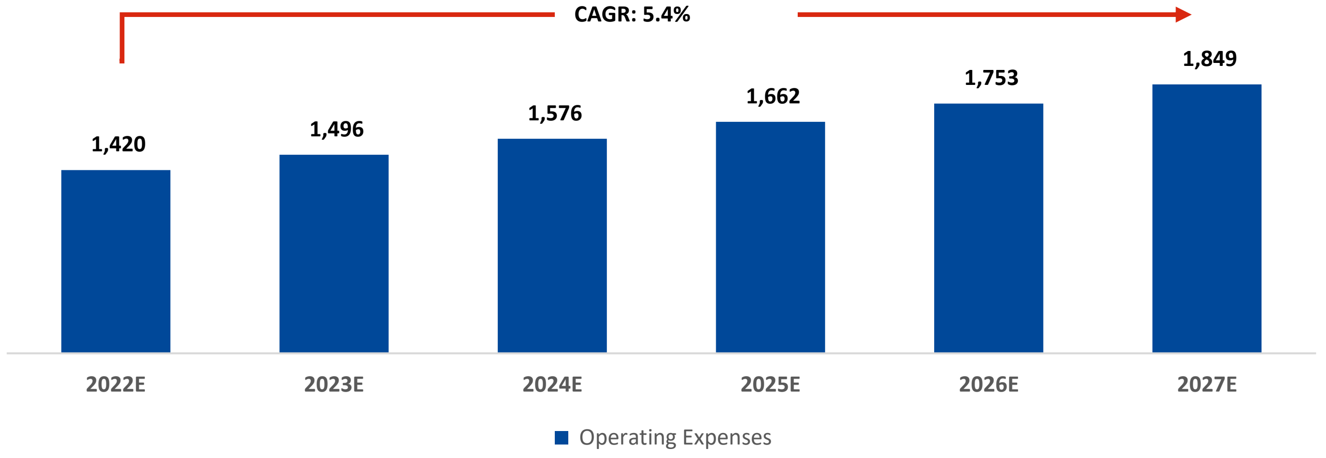
Total Expenses

ADNOC Gas cost of feedstock is expected to grow at a CAGR of 1.2% from USD 12.2 Bn in FY2022 to USD 13.0 Bn in FY2027 the rise is mainly due to steady increase in sales volume of Domestic Gas and Export & Traded Liquids partially offset by a decline in profit sharing of products

ADNOC Gas expense mainly comprises of cost of feedstock and total operating expense. The Company incurred USD 9.8 Bn in FY2021 on cost of feedstock, which is expected to increase at a CAGR of 1.2% from USD 12.2 Bn in FY2022 to USD 13.0 Bn in FY2027 the rise is mainly due to steady increase in sales volume of Domestic Gas and Export and Traded Liquids partially offset by a decline in profit sharing of products. The feedstock cost rose from USD 8.0 Bn in 10M2021 to USD 10.5 Bn in 10M2022 and it is expected to decline during FY2023-25 due to the anticipated drop in profit sharing of products. This will result in a decrease in the feedstock unit cost from USD 3.8/MMBTU in FY2022 to USD 3.5/MMBTU in FY2027. On the other hand, operating expenses rose from USD 1,149 Mn in 10M2021 to USD 1,188 Mn in 10M2022. It is further expected to increase at a CAGR of 5.4% from USD 1,420 Mn in FY2022 to USD 1,849 Mn in FY2027 due to increase in sales volume and inflation in cost. ADNOC Gas generated a gross profit of USD 7.2 Bn in FY2021 with a margin of 42.5%, which is expected to increase at a CAGR of 1.7% from USD 8.6 Bn in FY2022 to USD 9.3 Bn in FY2027. However, the gross profit margins are expected to decline during FY2023 to FY2025 due to adjustment in energy prices. The company is expected to generate an average gross margin of 41.5% from FY2022 to FY2027. The company is focused on transforming its operations through digital initiatives such as developing digital analytics and predictive asset management systems, which will lead to cost savings and prevent production loss. Additionally, the company is upgrading its facilities to accommodate additional feedstock. Operating costs are expected to rise steadily in line with the inflation rate.

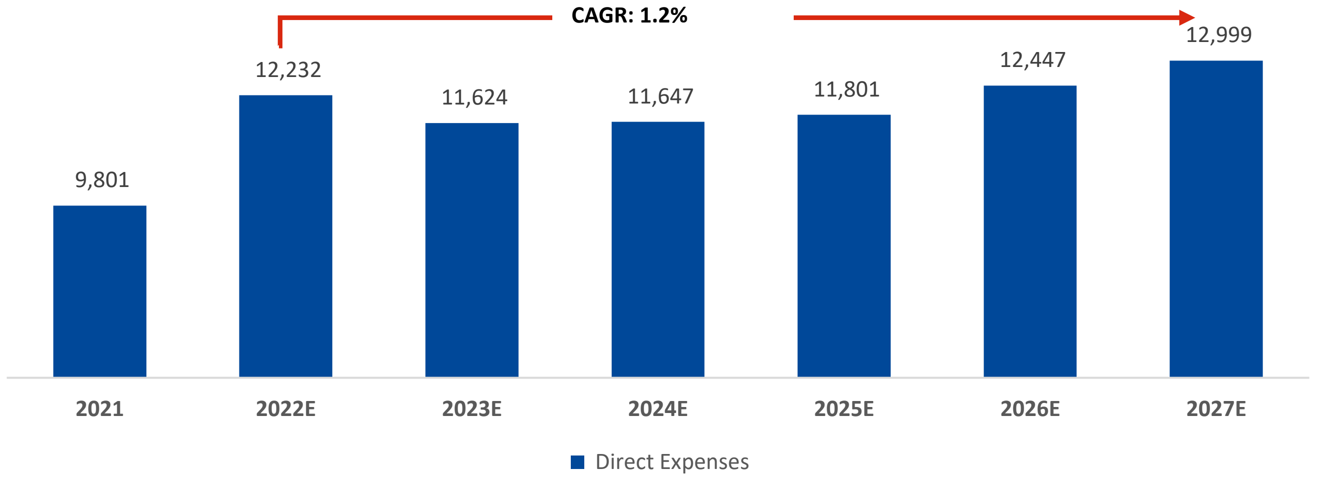
ADNOC LNG JV procures feedstock from ADNOC Offshore over a long-term contract. The expenses comprise of cost of feedstock and operating expenses. The feedstock for ADNOC LNG is priced in a similar manner to ADNOC Gas by ADNOC Upstream. The cost of feedstock is expected to decline marginally at a CAGR of 0.1% from USD 2.7 Bn in FY2022 to USD 2.6 Bn in FY2027. While the operating expense is expected to grow at a CAGR of 3.7% from USD 651 Mn in FY2022 to USD 780 Mn in FY2027, mainly due to an increase in volume and expect operating expense to grow in line with inflation. ADNOC LNG is expected to generate an average gross margin of 51.1% during FY2023-27 as compared to 51.7% in FY2022.

Figure 46: ADNOC Gas – Operating Expenses (USD, Mn)



Source: Company Information, FAB Securities research FY2022-27

Figure 47: ADNOC Gas – Direct Expenses (USD, Mn)



Source: Company Information, FAB Securities research FY2022-27

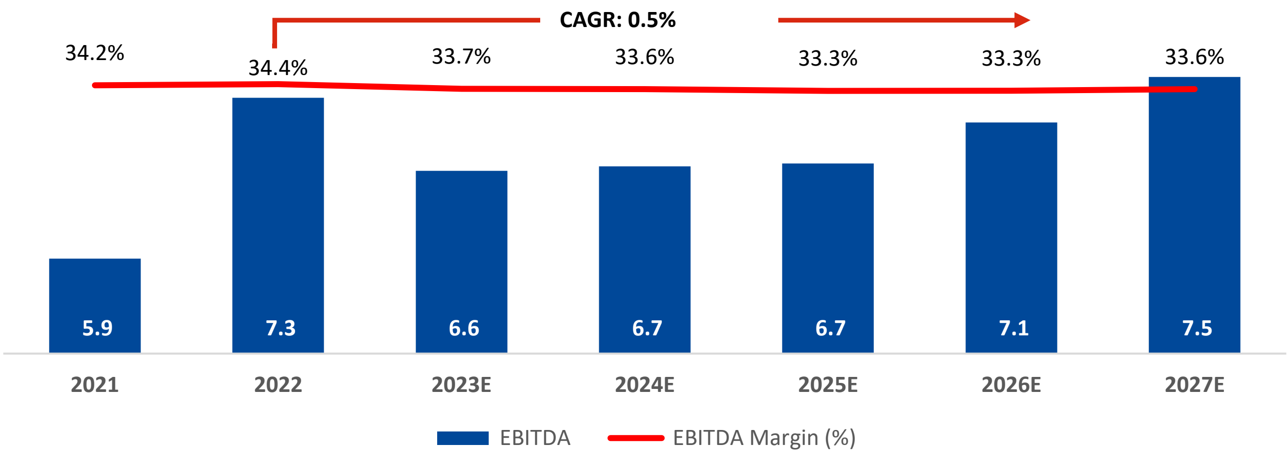
EBITDA

EBITDA is expected to increase at a CAGR of 0.5% from USD 7.3 Bn in FY2022 to USD 7.5 Bn in FY2027 due to steady growth in volume

ADNOC Gas EBITDA rose 24.7% YOY to USD 7.3 Bn in FY2022 due to increase in revenue partially offset by an increase in cost. At the same time, the EBITDA margin rose marginally from 34.2% in FY2021 to 34.4% in FY2022. ADNOC Gas's EBITDA is expected to increase at a CAGR of 0.5% from USD 7.3 Bn in FY2022 to USD 7.5 Bn in FY2027 due to steady volume growth. It is also expected that EBITDA margins will fall from 34.4% in FY2022 to 33.6% in FY2027 as a result of higher increase in operating expense as compared to revenue due to higher sales volume and inflation in operating expense partially offset by slower growth in the cost of feedstock. The company's overall growth strategy and planned capacity expansion will provide long-term benefits and support to the company's financial performance. Going forward, the company is focusing on digital transformation, which can help to improve EBITDA by reducing costs and optimizing day-to-day operations.

Furthermore, adjusted EBITDA is the sum of ADNOC Gas EBITDA and the proportionate EBITDA from the ADNOC LNG JV. Adjusted EBITDA is expected to grow at a CAGR of 0.4% from USD 8.7 Bn in FY2022 to USD 8.9 bn in FY2027, while margins to decline from 41.0% in FY2022 to 39.8% in FY2027. ADNOC LNG JV EBITDA is expected to decline at a CAGR of 0.4% from USD 2.0 Bn in FY2022 to USD 2.0 Bn in FY2027 as a result of the decline in revenue and increase in direct cost and operating expenses from FY2022 to FY2027.

Figure 48: ADNOC Gas – EBITDA (USD, Bn) and Margin



Source: Company Information, FAB Securities research FY2021-27

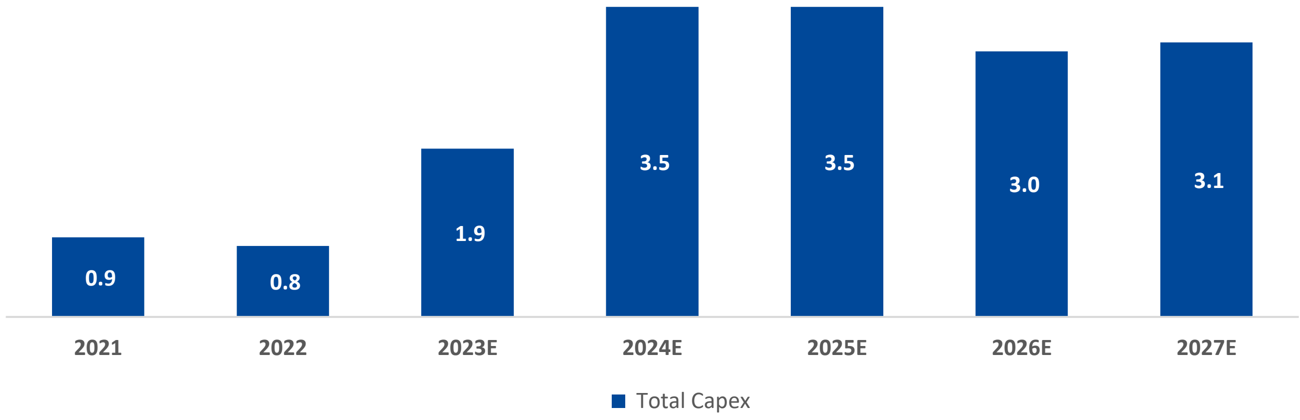
Capital Expenditure (CAPEX)

ADNOC Gas is planning to invest over USD 14.0 Bn in growth CAPEX over the next five years for capacity expansion and debottlenecking of existing projects to increase capacities

ADNOC Gas is planning to extend its capacity to meet the upstream growth. It plans to fund the maintenance capex using cash from operations. On the other hand, growth capex is made to add new capacities, debottlenecking of existing projects and product mix enhancements. Further, the Company expects to spend over USD 14.0 Bn over growth capex during FY2023 to FY2028 with an average annual expenditure of USD 2,620 Mn per annum during FY2024-28. It plans to fund the growth capital expenditure both from internal accruals and through debt. ADNOC Gas management plans to invest USD 1 Bn per annum on the maintenance capex in the next three years during FY2023-25 thereafter, plans to spend USD 400 Mn annually between FY2026-28, before stabilizing to a long-term average of USD 300 Mn per year. We estimate both our maintenance and growth capex is in line with management estimate.

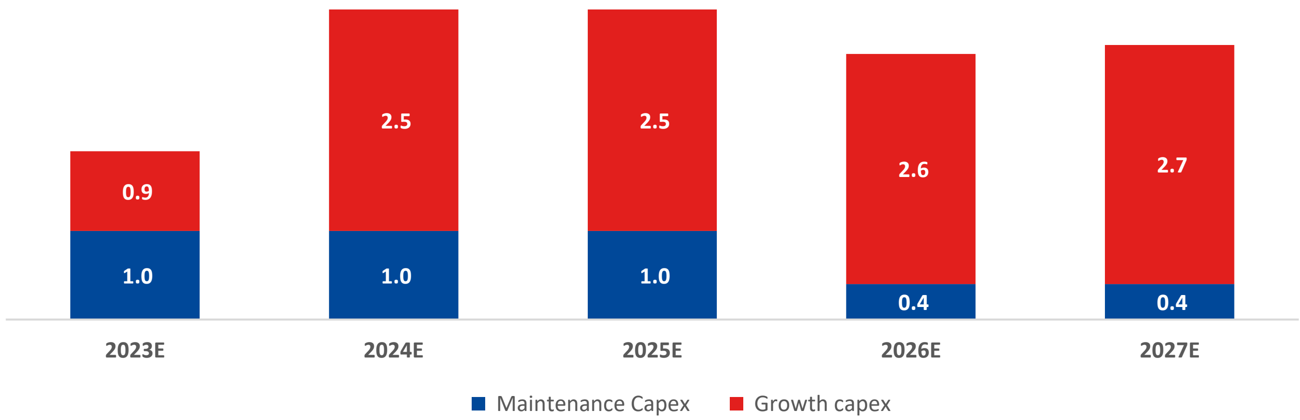
ADNOC LNG joint venture is expected to incur an annual maintenance capex of USD 35 Mn per year. The LNG JV is expected to incur growth capital expenditure of USD 2,001 Mn over the period FY2023 to FY2028, with approximately USD 100 Mn in FY2023 and thereafter rising to an average of USD 380 Mn annually between FY2024 and FY2028.

Figure 49: ADNOC Gas – Capex (USD, Bn)



Source: Company Information, FAB Securities research FY2022-27

Figure 50: ADNOC Gas – Capex (USD, Bn)



Source: Company Information, FAB Securities research FY2022-27

Tax

ADNOC Gas effective tax rate will amount to 30-33% in FY2023-2027, depending on the oil price, with a long-term rate of 42-43%

ADNOC Gas's tax expense net of deferred taxes stood at USD 1.4 Bn in FY2021 and rose to USD 1.8 Bn in FY2022. During FY2023 to FY2027, ADNOC Gas is expected to pay tax at an effective tax rate of 30%. After that, profit will be taxed at a long-term tax rate of 42-43%, depending upon the oil price. We assumed a tax rate based on management guidance. If the oil price is USD 80 per barrel, the effective tax rate for FY2023-2027 will be around 30%. The profit will be taxed at 33% in case the oil price touches USD 100 per barrel. The long-term effective tax rate is estimated to be around 42% with an oil price of USD 80 per barrel and around 43% with an oil price of USD 100 per barre. Profit of ADNOC LNG JV will be taxed at 55%.

Net Income

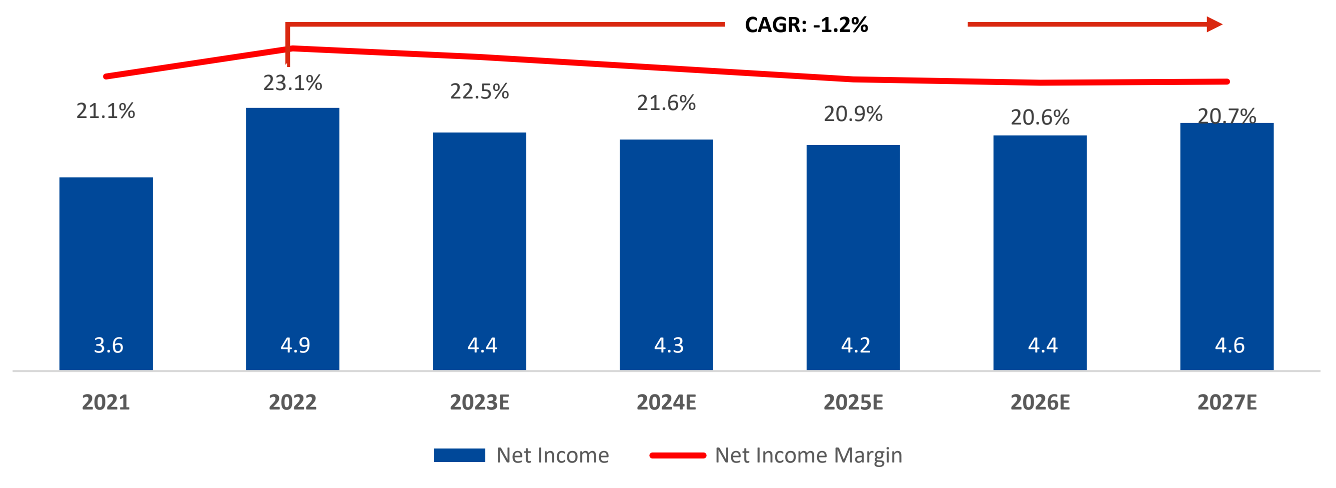
Net profit during the forecasted is expected to decline at a CAGR of 1.2% from USD 4.9 Bn in FY2022 to USD 4.6 Bn in FY2027 due to higher growth in operating expense, finance cost, and slowdown in profit ADNOC LNG JV

ADNOC Gas reported a net income of USD 3.6 Bn in FY2021. The profit further rose strongly 36.1% YOY to USD 4.9 Bn in FY2022 due to marginal growth in operating expense and robust growth in profit of ADNOC LNG JV offset by an increase in feedstock cost and finance expense. While the net profit during the forecasted is expected to decline at a CAGR of 1.2% from USD 4.9 Bn in FY2022 to USD 4.6 Bn in FY2027 due to higher growth in operating expense, finance cost, and the slowdown in profit ADNOC LNG JV. The finance cost is expected to rise at CAGR of 4.0% from USD 130 Mn in FY2022 to USD 158 Mn in FY2027 as the company plans to borrow to finance growth capex. Profit share from ADNOC LNG JV is expected to decline at a CAGR of 1.2% from USD 0.6 Bn in FY2022 to USD 0.56 Bn in FY2027. Apart from that, oil and gas prices are expected to correct in the forecasted period, affecting revenue.

ADNOC LNG JV profit more than doubled from USD 363 Mn in 10M2021 to USD 784 Mn in 10M2022. It is expected to generate a net profit of USD 919 Mn in FY2022. While the net profit of ADNOC LNG JV is expected to decline at a CAGR of 2.7% from USD 919 Mn in FY2022 to USD 807 Mn in FY2027 due to increase in operating expenses and finance cost.

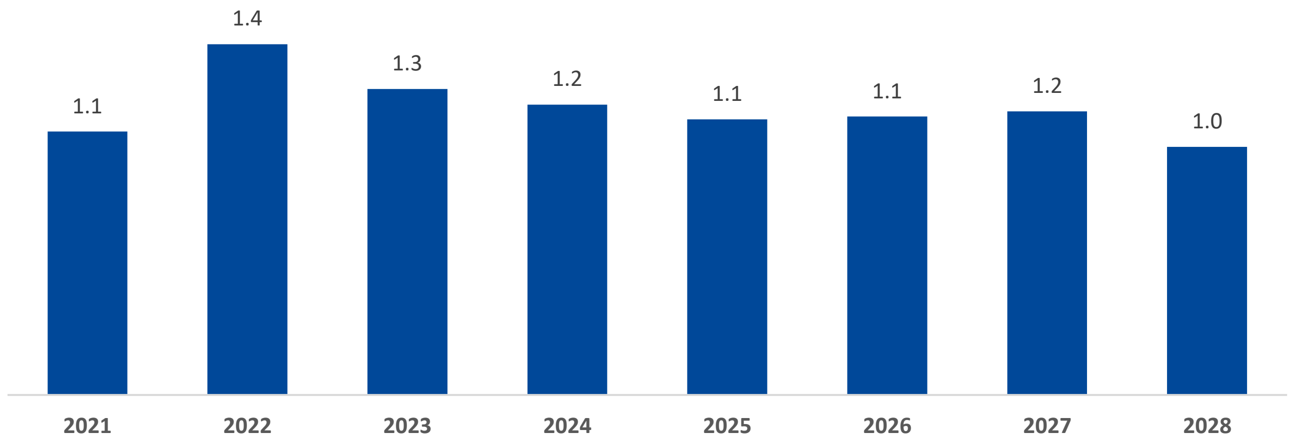
The operating profit after tax unit margin rose USD 1.1 per MMBTU in FY2021 to 1.4 per MMBTU in Oct-22 LTM due to increase in energy prices partially offset by a decline in cost. Going forward, operating profit after tax unit margin is expected to decline from USD 1.4 per MMBTU in FY2022 to USD 1.2 per MMBTU in FY2027 due to a decline in energy prices partially offset by moderate increase in cost. The operating after tax unit margin is further expected to fall due to the expected increase in long-term tax rate.

Figure 50: ADNOC Gas – Net Income (USD, Mn)



Source: Company Information, FAB Securities research FY2021-27

Figure 51: ADNOC Gas – Operating Profit After Tax Unit Margin (USD/MMBTU), FY2021-2028



Source: Company Information, FAB Securities research FY2022-28

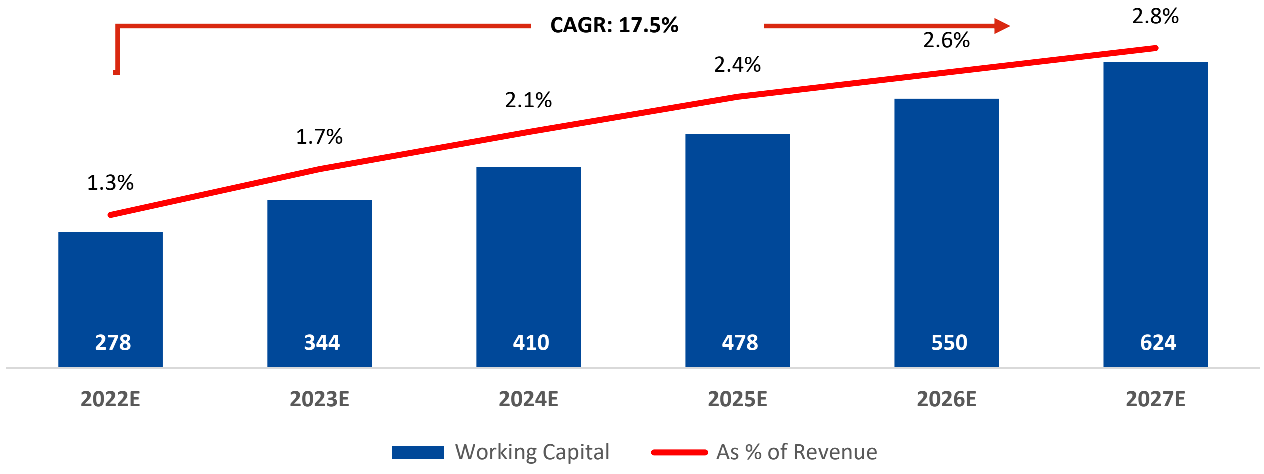
Working Capital

Investment in working capital is expected to average at 1.0% of EBITDA during FY2023-27

ADNOC Gas's working capital includes investments in trade receivables, inventory, prepayments, and trade payable. ADNOC Gas change in working capital is expected at USD 344 Mn in FY2023. This is primarily due to increase in receivable days from 1 day in 10M2022 to 10 days in FY2023; however, the risk from the Sales Gas contract is very limited because the vast majority of the Company's off-takers are sovereign in nature and there is no other provider besides Dolphin. Because of this, trade receivables are expected to average 12 days during FY2023-27.

During FY2023 to FY2027, we expect inventory to average five days and payable to average ten days. The Company operates in the oil and gas industry, it is estimated that fewer days of inventory are required to mitigate stock-outs. The change in working capital is expected to average 1% of EBITDA during FY2023-27.

Figure 52: ADNOC Gas – Working Capital (USD, Mn)



Source: Company Information, FAB Securities research FY2022-27, Working capital includes Inventories, Prepayments, Advances and other receivables minus Trade payables and other payables

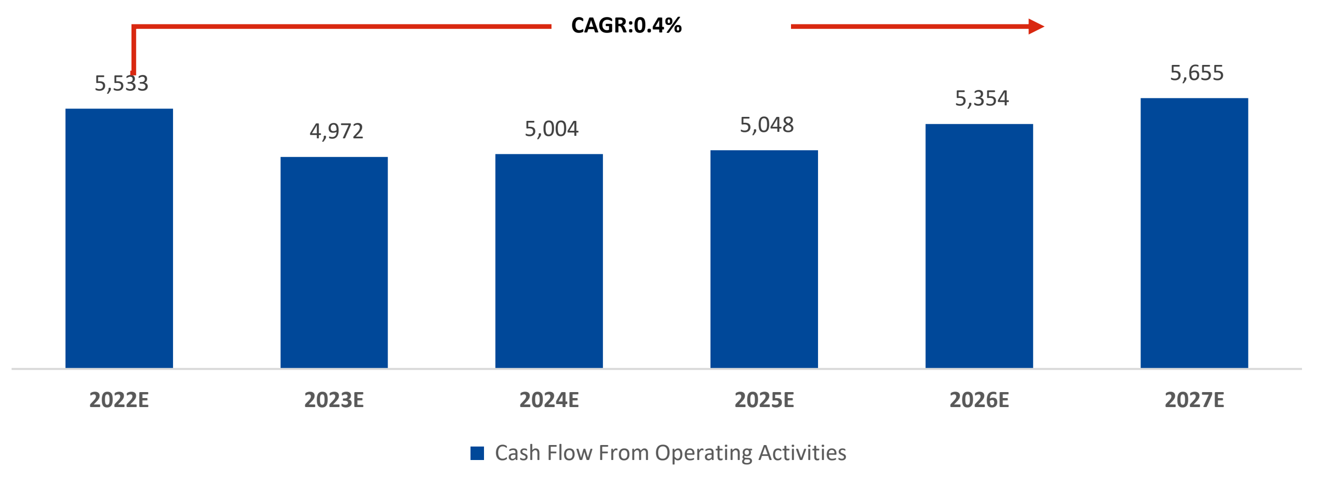
Cash Flow Generation

ADNOC Gas is expected to generate a cumulative cash flow from the operation of USD 31.6 Bn in FY2022-27

ADNOC Gas is expected to generate a cash flow from the operation of USD 5.5 Bn in FY2022. This is expected to decline to USD 5.0 Bn in FY2023 due to decline in profit and a small investment in working capital. After that, cash flow operation will normalize and is expected to generate a cumulative cash flow from operation of USD 26.0 Bn in FY2023-27. The company is taking measures to boost efficiency and launching several initiatives, such as digital transformation to augment the same. On the other hand, the access to cost-advantaged as well as reliable and low-emission feedstock further boosts cash flow generation.

Free cash flow is calculated as the sum of EBITDA, taxes, capex and dividend from ADNOC LNG JV, FCF Conversion ratio as illustrative free cash flow including dividend received from ADNOC LNG JV. It is expected to generate a cumulative free cash flow of USD 14.30 Bn during FY2023-27. ADNOC LNG JV is also expected to generate a cumulative cash flow from operation of USD 4.3 Bn and free cash flow of USD 2.6 Bn during FY2023-27.

Figure 53: ADNOC Gas – Cash Flow from Operating Activities (USD, Mn)



Source: Company Information, FAB Securities research FY2022-27

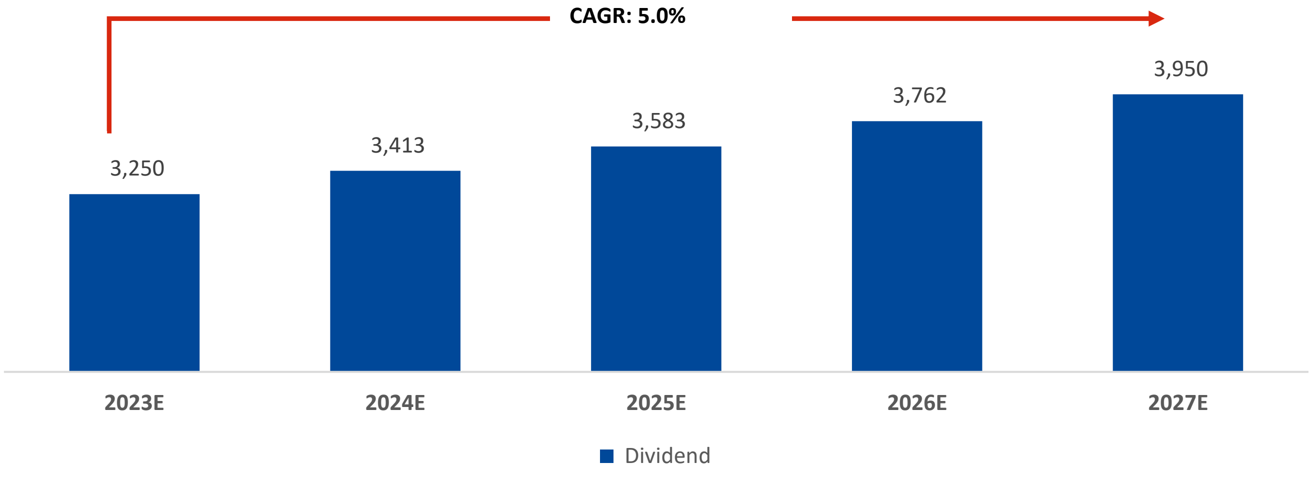
Dividend

ADNOC Gas is set to pay progressive dividend which is expected to grow by 5% per annum. It is expected to pay a dividend of USD 3.3 Bn in FY2023

ADNOC Gas to pay a dividend of USD 3,250 Mn for FY2023 and the dividend to be paid semi-annually, with the first payment expected in 4Q23 for 1H23. ADNOC Gas is set to pay a progressive dividend which is expected to grow by 5% per annum from FY2024-27. The Company generates enough free cash flow internally to meet this dividend payment. ADNOC Gas is expected to declare a dividend of USD 18.0 Bn during FY2023-27 and pay USD 16.0 Bn during the same period.

The Company is also expected to receive steady dividend from ADNOC LNG JV over the historical and forecasted period. ADNOC LNG JV pays all its net profit in the form of dividend during FY2021 and 10M2022. The payout ratio stood at 112% and 95% during FY2021 and 10M2022, respectively. We also estimate ADNOC LNG JV will declare all its profit as dividend during the forecasted period from FY2023-27. ADNOC Gas will receive USD 2.5 Bn as dividend from ADNOC LNG JV from FY2023-27.

Figure 54: ADNOC Gas – Dividend Declared to Shareholders (USD, Mn)



Source: Company Information, FAB Securities research FY2022-27

Financial Statements

Income Statement

Year to Dec (USD, Mn)	2021A	2022E*	2023E	2024E	2025E	2026E	2027E
Revenues	17,038	20,767	19,734	19,875	20,139	21,240	22,292
Other Income	11	29	30	32	34	38	42
Cost of sales	9,801	12,232	11,624	11,647	11,801	12,447	12,999
Gross Profit	**7,248**	**8,564**	**8,140**	**8,260**	**8,372**	**8,832**	**9,336**
Depreciation and amortization	1,104	1,114	1,156	1,211	1,355	1,523	1,666
Operating Expenses	1,450	1,420	1,496	1,576	1,662	1,753	1,849
EBIT	**4,694**	**6,030**	**5,488**	**5,473**	**5,355**	**5,555**	**5,821**
EBITDA	**5,853**	**7,144**	**6,644**	**6,684**	**6,710**	**7,079**	**7,487**
Adj. EBITDA[2]	**6,615**	**8,673**	**7,903**	**7,763**	**7,800**	**8,298**	**8,862**
Net finance cost	52	130	56	67	95	124	158
Loss on disposal of PPE	2	1	0	0	0	0	0
Share of profit of equity-accounted investee	318	643	522	437	440	495	562
Profit before tax	**4,958**	**6,542**	**5,954**	**5,843**	**5,699**	**5,926**	**6,225**
Taxes	1,358	1,652	1,521	1,541	1,499	1,548	1,614
Net profit	**3,600**	**4,891**	**4,433**	**4,303**	**4,200**	**4,378**	**4,611**

Source: Company Information, FAB Securities research;[2] includes ADNOC Gas EBITDA and proportionate EBITDA from ADNOC LNG JV

***2022 full financials not available, but company announced actual revenue, EBITDA (without LNG JV) and net income figures are USD 21.2 Bn, USD 7.3 Bn and USD 4.9 Bn, respectively. The net income includes the contribution from LNG JV of USD 0.6 Bn.**

Key Ratios:

	2022E	2023E	2024E	2025E	2026E	2027E
YoY % Change						
Revenue	21.9%	-5.0%	0.7%	1.3%	5.5%	5.0%
Gross Profit	18.2%	-4.9%	1.5%	1.4%	5.5%	5.7%
EBITDA	22.1%	-7.0%	0.6%	0.4%	5.5%	5.8%
Net profit	35.8%	-9.4%	-2.9%	-2.4%	4.2%	5.3%
% Margin						
Gross profit	41.2%	41.2%	41.6%	41.6%	41.6%	41.9%
EBITDA	34.4%	33.7%	33.6%	33.3%	33.3%	33.6%
Adj. EBITDA[2]	35.2%	34.4%	34.1%	33.8%	33.8%	34.0%
EBIT	29.0%	27.8%	27.5%	26.6%	26.2%	26.1%
Net Profit margin	23.6%	22.5%	21.6%	20.9%	20.6%	20.7%
Leverage						
Debt[1]/Adj. EBITDA[2]	0.0	0.0	0.1	0.2	0.3	0.4
Net Debt/EBITDA	0.0	-0.3	-0.1	0.1	0.2	0.3
Net Debt/Adj. EBITDA[2]	0.0	-0.3	-0.1	0.1	0.2	0.3
Debt[1]/Equity	0.0	0.0	0.0	0.1	0.1	0.1
Return ratios						
ROA	25.2%	20.0%	18.6%	17.6%	17.8%	18.2%
ROE	21.6%	17.5%	16.0%	14.7%	14.5%	14.4%
ROCE	27.8%	22.4%	21.1%	19.4%	18.9%	18.7%
Free Cash Flow						
Free cash flow (FCF)[3]	5,160	3,745	2,081	2,150	3,026	3,335

Source: Company Information, FAB Securities research, [1] Debt includes bank overdraft and borrowings, [2] includes ADNOC Gas EBITDA and proportionate EBITDA from ADNOC LNG JV, [3] FCF is calculated as EBITDA-Taxes-Capex+Dividend from ADNOC LNG JV, FCF Conversion ratio as illustrative free cash flow including dividend received from ADNOC LNG JV

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Balance Sheet

Year to Dec (USD, Mn)	2022E	2023E	2024E	2025E	2026E	2027E
Assets						
Property, Plant and Equipment	20,104	20,848	23,137	25,281	26,758	28,192
Intangible assets	80	80	80	80	80	80
Right-to-use assets	135	135	135	135	135	135
Equity-accounted investees	905	905	905	905	905	905
Investment in subsidiary	0	0	0	0	0	0
Recoverable from shareholder	0	0	0	0	0	0
Deferred tax assets	523	523	523	523	523	523
Advances and other receivables	37	43	49	55	62	69
Total Non-current assets	**21,784**	**22,533**	**24,828**	**26,979**	**28,463**	**29,904**
Inventories	168	159	160	162	171	178
Recoverable from shareholder	0	0	0	0	0	0
Due from related parties	125	118	119	121	127	134
Prepayments	31	29	29	30	31	32
Advances and other receivables	418	476	543	613	692	773
Cash and cash equivalents	65	2,034	1,144	634	810	1,070
Total Current Assets	**806**	**2,817**	**1,995**	**1,559**	**1,831**	**2,187**
Total assets	**22,590**	**25,351**	**26,824**	**28,538**	**30,294**	**32,091**
Equities and liabilities						
Equity						
Share capital	0	0	0	0	0	0
Statutory reserve	0	0	0	0	0	0
Retained earnings / Accumulated losses	734	3,541	4,513	5,215	5,921	6,675
Invested equity	18,639	18,639	18,639	18,639	18,639	18,639
Total equity	**19,373**	**22,180**	**23,152**	**23,854**	**24,560**	**25,314**
Liabilities						
Lease liabilities	127	127	127	127	127	127
Provision for decommissioning	2,139	2,139	2,139	2,139	2,139	2,139
Due to related parties	19	18	18	18	19	20
Bank Debt	0	0	500	1,500	2,500	3,500
Total non-current liabilities	**2,285**	**2,284**	**2,784**	**3,784**	**4,785**	**5,786**
Bank overdraft	2	2	2	2	2	2
Lease liabilities	0	0	0	0	0	0
Trade payables and other payables	338	321	322	326	344	359
Due to related parties	593	563	565	572	603	630
Total Current Liabilities	**933**	**886**	**888**	**900**	**949**	**991**
Total Liabilities	**3,217**	**3,170**	**3,672**	**4,684**	**5,734**	**6,777**
Total Equity and liabilities	**22,590**	**25,351**	**26,824**	**28,538**	**30,294**	**32,091**

Source: Company Information, FAB Securities research

Cash Flows

Year to Dec (USD, Mn)	2022E	2023E	2024E	2025E	2026E	2027E
Cash flow from operating activities						
Profit for the year	**4,891**	**4,433**	**4,303**	**4,200**	**4,378**	**4,611**
Adjustments for:						
Depreciation	1,114	1,156	1,211	1,355	1,523	1,666
Share of profit of equity-accounted investee	-643	-522	-437	-440	-495	-562
Operating cash flows before changes in op. assets and liabilities	**5,361**	**5,067**	**5,076**	**5,116**	**5,407**	**5,715**
Changes in operating assets and liabilities -						
Inventories	-168	8	0	-2	-9	-8
Advances and other receivables	-455	-64	-73	-76	-86	-88
Trade payables and other payables	338	-17	1	4	18	15
Prepayments	-31	2	0	0	-2	-1
Due to related parties	612	-30	1	8	32	28
Due from related parties	-125	6	-1	-2	-7	-6
Net operating cash flows	**5,533**	**4,972**	**5,004**	**5,048**	**5,354**	**5,655**
Cash flows from investing activities						
Purchase of Property, plant and equipment	-21,218	-1,900	-3,500	-3,500	-3,000	-3,100
Additions intangible assets	-80	0	0	0	0	0
Dividends from JV's	643	522	437	440	495	562
Investment in equity-accounted investee	-905	0	0	0	0	0
Others	1,616	0	0	0	0	0
Net cash outflow from investing activities	**-19,943**	**-1,378**	**-3,063**	**-3,060**	**-2,505**	**-2,538**
Cash flow from financing activities						
Lease Liabilities	-8	0	0	0	0	0
Investment	18,639	0	0	0	0	0
Addition to Debt	2	0	500	1,000	1,000	1,000
Dividend paid	-4,157	-1,625	-3,331	-3,498	-3,673	-3,856
Net Cash inflow/ outflow from financing activities	**14,476**	**-1,625**	**-2,831**	**-2,498**	**-2,673**	**-2,856**
Net (decrease)/ increase in cash and cash equivalents	**65**	**1,969**	**-890**	**-510**	**176**	**260**
Cash and cash equivalents at the beginning of the year	0	65	2,034	1,144	634	810
Cash and cash equivalents at the end of the year	**65**	**2,034**	**1,144**	**634**	**810**	**1,070**

Source: Company Information, FAB Securities research

FAB SECURITIES أبوظبي الأول للأوراق المالية

Glossary

ADGM	Abu Dhabi Global Market	ICAD	Industrial City of Abu Dhabi
ADIPEC	Abu Dhabi International Petroleum Exhibition and Conference	ICV	National In-Country Value
		IFC	International Finance Corporation
ADNOC	Abu Dhabi National Oil Company	IFRS	International Financial Reporting Standards
ADWEC	Abu Dhabi Water & Electricity Company	IGD	Integrated Gas Development
ADX	Abu Dhabi Securities Exchange	IOGP	International Oil & Gas Producers
AGP	ADNOC Gas Processing	IPA	Independent Project Analysis
AGT	ADNOC Global Trading	IRR	Internal Rate of Return
AIG	ADNOC Industrial Gas	IRTO	Integrated Real Time Optimization
ASG	ADNOC Sour Gas	IWPP	Independent Water and Power Plant
ASR	ADNOC Sole Risk Operations	JKM	Northeast Asian spot price index for LNG delivered ex-ship to Japan and Korea
B/L	Bill of Lading		
BBL	Barrel	JV	Joint Ventures
Bn	Billion	Kboe	Thousand Barrels of Oil Equivalent
BNBOE	Billion Barrels of Oil Equivalent	Kg	Kilogram(s)
Bps	Basis points	Km	Kilometer(s)
BSCFD	Billion Standard Cubic Feet per Day	KPI	Key Performance Indicators
C1	Methane	LDAR	Leak Detection and Repairs
C2	Ethane	LNG	Liquefied Natural Gas
C3	Propane	LPG	Liquefied Petroleum Gas
C3+	Hydrocarbons. Includes LPG and Naphtha	LTM	Last Twelve Months
C4	Butane	M3/hr	Cubic Meters per Hour
C5	Pentanes	MAN	Maleic Anhydride
CAGR	Compound Annual Growth Rate	MMBPD	Million Barrels of Oil per Day
Capex	Capital Expenditures	MGP	Minimum Gas Payment
CCUS	Carbon Capture, Utilization and Storage	MMBOE	Million Barrels of Oil Equivalent
CEO	Chief Executive Officer	MMBTU	Million British Thermal Units
CFO	Chief Financial Officer	MMSCF	Million Standard Cubic Feet
CO2/t	Carbon Dioxide Equivalent per Tonne	MMSCFD	Million Standard Cubic Feet per Day
COO	Chief Operating Officer	MT	Million Tons
D&A	Depreciation and Amortization	MTPA / MTA	Million Tonnes per Annum
DES	Delivered Ex-Ship	NGL	Natural Gas Liquids
DIFC	Dubai International Financial Centre	NGV	Natural Gas Vehicles
EBIT	Earnings Before Interest and Taxes	OAG	Offshore Associated Gas
EBITDA	Earnings Before Interest, Taxes, Depreciation a Amortization	OECD	Organization for Economic Cooperation and Development
EOR	Enhanced Oil Recovery	Opex	Operational Expenditures
ESG	Environmental, Social and Governance	P&L	Profit and Loss Statement
EWEC	Emirates Water and Electricity Company	P.NAPHTHA	Paraffinic Naphtha
FCF	Free Cash Flow	PP&E	Property, Plant, and Equipment
FEWA	Federal Electricity and Water Authority	PS	Performance Standards
FID	Final Investment Decision	R/P	Reserves-to-Production Ratio
FLNG	Floating Liquefied Natural Gas	RCF	Revolving Credit Facility
FOB	Free On Board	SDG	Sustainable Development Goals
FTEs	Full-time Equivalent	SEWA	Sharjah Electricity, Water and Gas Authority
GASCO	Abu Dhabi Gas Industries Ltd.	SIMOPS	Simultaneous Operations
GHG Emissions	Greenhouse Gas Emissions	SOFR	Secured Overnight Financing Rate
		TSCF	Trillions of Standard Cubic Feet of Gas
GPPs	Gas Processing Plants	UAE	United Arab Emirates
GSPA	Gas Sale and Purchase Agreement	UK	United Kingdom
GTC	Gas Turbine Compressor	UN	United Nations
SVP	Senior Vice President	UNGC	United Nations Global Compact
TBTU	Trillion British Thermal Units	US	United States
tCO2e	Tonnes of Carbon Dioxide Equivalent	VP	Vice President
TEPCO	Tokyo Electric Power Company Holdings	YoY	Year-on-Year
TL	Term Loan		
TPD / TPH	Tons per Day / Hour		
TRI	Total Recordable Injuries		
TRIR	Total Recordable Injury Rate		
HSE	Health, Safety & Environment		
HSGP	Habshan Sulphur Granulation Plant		

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