

ADNOC Gas PLC

Softer pricing environment muted profitability despite volume growth

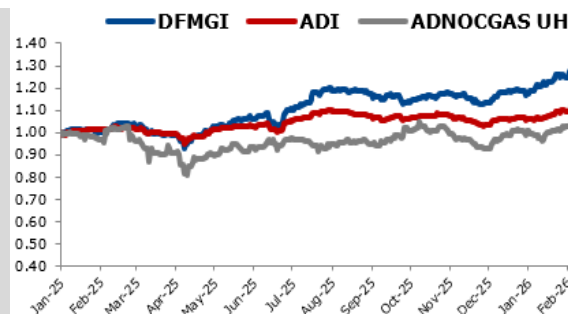
Current Price
AED 3.56

Target Price
AED 4.30

Upside/Downside (%)
+21%

Rating
BUY

- ADNOC GAS's total sales volume increased 4.7% YOY to 910 TBTU in 4Q25, owing to strong domestic demand.
- The Company expects 2026 Domestic sales volume to range between 2,430–2,510 TBTU, while Exports and traded liquids sales volume are expected to be between 1,045-1,075 TBTU.
- Reliability across assets stood at 99.5%, with asset utilization at 87.6% during 4Q25.
- The Company confirmed its total dividend commitment of USD 24.4 Bn for 2025–2030, with quarterly dividends initiated in 3Q25.
- The Company proposed a final dividend of USD 0.90 Bn (4.287 fils per share) for 4Q25.



Stock Information

Market Cap (AED, mn)	270,165.01
Paid Up Capital (mn)	19,187.86
52 Week High	3.76
52 Week Low	2.71
3M Avg. daily value (AED)	133,719,000

4Q25 Net Profit slightly higher than our estimate

ADNOC Gas plc (ADNOC GAS/the Company) reported a 15.0% YOY decrease in net profit attributable to shareholders to USD 1,173 Mn in 4Q25, slightly higher than our estimate of USD 1,122 Mn. The decrease in net profit is primarily driven by lower revenue, lower share of profit of equity investee, and higher other operating costs and other expenses coupled with lower finance income, partially offset by a decline in direct costs, increase in other operating income, and decreasing finance costs.

4Q25 Result Review (USD, Mn)

Total Assets	32,467
Total Liabilities	7,763
Total Equity	24,704
EBITDA	1,885
Net Profit	1,173

P&L Highlights

ADNOC Gas's net revenue declined 9.3% YOY to USD 4,326 Mn in 4Q25, while the Company's total revenue, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 10% YOY to USD 5,482 Mn in 4Q25. The decline in revenue is mainly due to an unfavorable pricing environment, partially offset by higher sales volumes in domestic gas and export and traded liquids. The Company's total sales volume (including ADNOC GAS LNG JV) rose 4.7% YOY to 910 trillion British thermal units (TBTU) in 4Q25. Domestic gas sales volume grew 4.9% YOY to 595 TBTU in 4Q25, driven by the strong domestic demand. Exports and traded liquids volume grew 10.5% YOY to 260 TBTU in 4Q25. Furthermore, the Company's LNG JV's sales volume declined 18.0% YOY to 52 TBTU in 4Q25 due to planned maintenance shutdowns. The sales volume of sulfur remained flat at 3 TBTU in 4Q25 and 4Q24. Direct cost declined 9.7% YOY to USD 2,446 Mn in 4Q25. Thus, gross profit decreased 8.8% YOY to USD 1,880 Mn in 4Q25, primarily due to lower revenue offsetting lower costs. Gross margins grew marginally by 25 bps YOY to 43.5% in 4Q25. Other operating income increased 10.2% YOY to USD 293 Mn in 4Q25. Share of profit from equity accounted investee fell from USD 123 Mn in 4Q24 to USD 78 Mn in 4Q25. Employee

Financial Ratios

Dividend Yield (12m)	4.72
Dividend Pay-out (%)	69.32
Price-Earnings Ratio(x)	14.17
Price-to-Book Ratio (x)	3.10
Book Value (AED)	0.32
Return-on Equity (%)	21.23

Stock Performance

5 Days	-3.03%
1 Months	0.00%
3 Months	4.76%
6 Months	4.45%
1 Year	-1.68%
Month to Date (MTD%)	-2.49%
Quarter to Date (QTD%)	-0.85%
Year to Date (YTD%)	-0.85%

benefit expenses grew marginally 0.3% YOY to USD 253 Mn in 4Q25. Other operating costs rose 28.6% YOY to USD 127 Mn in 4Q25. Share of operating cost in equity accounted investee decreased 23.5% YOY to USD 69 Mn in 4Q25. Inventory consumption decreased from USD 5 Mn in 4Q24 to USD 1 Mn in 4Q25. Other expenses increased significantly from USD 39 Mn in 4Q24 to USD 70 Mn in 4Q25. Thus, the Company's EBITDA decreased 9.1% YOY to USD 1,885 Mn in 4Q25, but EBITDA margin rose marginally 12 bps YOY to 43.6% in 4Q25. Domestic segment adjusted EBITDA grew 6% YOY to USD 795 Mn in 4Q25, primarily due to higher sales volume. Export & traded liquid EBITDA declined 5% YOY to USD 928 Mn in 4Q25, mainly due to an unfavorable price environment. ADNOCGAS's share of LNG EBITDA decreased 35% YOY to USD 207 Mn in 4Q25 due to planned maintenance and lower price environment. Thus, the Company's operating profit decreased 13.0% YOY to USD 1,523 Mn in 4Q25. Finance income declined from USD 31 Mn in 4Q24 to USD 28 Mn in 4Q25. Finance cost declined 35.1% YOY to USD 41 Mn in 4Q25. Total income tax expenses increased marginally by 0.1% YOY to USD 337 Mn in 4Q25.

Balance Sheet Highlights

ADNOCGAS's investment in capex grew from USD 514 Mn in 4Q24 to USD 1,593 Mn in 4Q25, primarily due to significant investments in growth projects. The Company's net cash flow from operating activities declined from USD 1,745 Mn in 4Q24 to USD 1,275 Mn in 4Q25, primarily due to a decrease in profits. As of 4Q25, the Company held cash and cash equivalents of USD 3.7 Bn.

Target Price and Rating

We maintain our BUY rating on ADNOCGAS with a target price of AED 4.30. ADNOCGAS operated in a challenging 2025 macro environment, with average oil prices down 18.5% YOY and 9.5% QOQ in 4Q25. However, ADNOCGAS demonstrated the resilience of its business model despite softer commodity prices, supported by steady domestic demand and high operational reliability. The Company's total sales volumes grew 4.7% YOY to 910 TBTU in 4Q25, primarily driven by strong UAE gas demand, which remained resilient despite milder weather conditions. Operational performance remained strong, with asset reliability at 99.5% in 4Q25. The Company continues to strengthen earnings visibility through long-term contracting. In 2025, ADNOC Gas secured two long-term domestic supply agreements with EWEC and EMSTEEL and signed gas sales agreements worth USD 74 Bn, including over USD 60 Bn in long-term LNG contracts across Asia and Europe, significantly expanding its international customer base. The Company's growth visibility is further enhanced by disciplined execution of major expansion projects. Following the commissioning of IGD-E2 in 4Q25, work is progressing as planned on the Estidama gas pipeline, improving access for industrial and utility customers in the Northern Emirates. Ruwais LNG is progressing ahead of schedule, with Train 1 expected online by 2H28 and Train 2 by 1H29, increasing LNG capacity from 6 mtpa to 15 mtpa. In addition, the Company has taken FID on Rich Gas Development (RGD) Phase 1 and IGD Expansion Phase 2, with RGD Phases 2 and 3 expected to reach FID in 1Q26. RGD Phase 3 includes a fifth fractionation train at Ruwais and a new greenfield gas processing plant, materially expanding processing capacity. Collectively, these projects reinforce ADNOCGAS strategic role in supporting UAE industrial growth and long-term energy security. Operational efficiency initiatives add further upside. ADNOCGAS also delivered USD 15 Mn in value from AI and automation in 2025, including AI-enabled control rooms and drone-based inspections, with total value creation expected to reach up to USD 900 Mn by 2030 through autonomous operations and AI-led optimization. Looking ahead, ADNOCGAS plans to invest c. USD 20 Bn through 2029 (excluding RGD Phases 2 and 3), targeting a c.30% increase in gas processing capacity. For 2026, the Company guides domestic sales volumes of 2,430-2,510 TBTU, exports and traded liquids of 1,045-1,075 TBTU, and LNG JV volumes of 230-240 TBTU indicating steady volume growth, Net profit unit margins of domestic gas products (1.10-1.14 \$/mmBTU), Net profit unit margins of exports & traded liquids (1.39-1.51 \$/mmBTU), Net profit unit margins of LNG JV products (1.35-1.45 \$/mmBTU), and Capex in the range of USD 4,000-4,500 Mn. In line with its dividend policy, the Company confirmed its total dividend commitment of USD 24.4 Bn for 2025-2030, with quarterly dividends initiated in 3Q25. The Company targets a total cash dividend of c. USD 3.58 Bn for 2025. Of this, USD 1.79 Bn was paid in 3Q25 as the interim dividend for 1H25, while USD 0.90 Bn was distributed in 4Q25 as the quarterly dividend for 3Q25. The Company has further proposed a final dividend of USD 0.90 Bn (4.287 fils per share) for 4Q25. Thus, based on our analysis, we maintain our BUY rating on the stock.

Adnoc Gas - Relative valuation¹

(at CMP in USD)	2023	2024	2025	2026F
PE	14.60	14.79	14.32	14.39
PB	3.32	3.21	2.99	2.83
EV/EBITDA	9.34	8.09	8.14	8.06
BVPS (AED)	1.067	1.103	1.182	1.253
EPS (AED)	0.242	0.239	0.247	0.246
DPS (AED)	0.156	0.163	0.172	0.180
Dividend yield	4.4%	4.6%	4.8%	5.1%

FABS Estimates & Co Data ¹ADNOCGAS share started trading in 2023, hence, previous-year multiples are not provided

Adnoc Gas - P&L

(USD Mn)	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	4,771	4,856	4,326	4,851	-10.8%	-9.3%	-10.9%	19,065	18,509	-2.9%
Direct Cost	2,709	2,744	2,446	2,953	-17.2%	-9.7%	-10.9%	11,385	10,622	-6.7%
Gross Profit	2,062	2,112	1,880	1,898	-0.9%	-8.8%	-11.0%	7,680	7,887	2.7%
Other Operating income	265	281	293	290	0.9%	10.2%	4.2%	1,097	1,134	3.4%
Share of profit of eq-acc inv	123	71	78	173	-54.7%	-36.1%	NM	519	428	-17.4%
Recharges to eq acc inv	108	146	153	150	1.7%	41.7%	4.6%	575	598	3.9%
Employee benefit expenses	-252	-281	-253	-304	-16.7%	0.3%	-10.1%	-1,112	-1,105	-0.6%
Other operating costs	-99	-111	-127	-133	-4.6%	28.6%	14.9%	-371	-386	4.0%
Share of operating costs in eq acc inv	-90	-65	-69	-82	-16.1%	-23.5%	5.8%	-268	-252	-6.0%
Inventory Consumption	-5	-19	-1	-22	-95.9%	-81.1%	-95.1%	-49	-53	8.0%
Other expenses	-39	-62	-70	-72	-2.5%	77.4%	12.1%	-189	-231	22.4%
EBITDA	2,073	2,072	1,885	1,898	-0.7%	-9.1%	-9.0%	7,881	8,021	1.8%
Depreciation and amortization	-322	-332	-361	-348	3.9%	12.1%	9.0%	-1,216	-1,299	6.8%
EBIT	1,750	1,740	1,523	1,550	-1.7%	-13.0%	-12.5%	6,665	6,721	0.8%
Finance Income	31	19	28	29	-1.0%	-8.2%	47.0%	127	105	-17.6%
Finance Cost	-64	-44	-41	-46	-9.7%	-35.1%	-5.4%	-180	-177	-1.9%
Profit before tax	1,718	1,716	1,510	1,533	-1.5%	-12.1%	-12.0%	6,612	6,649	0.6%
Income Tax expense	337	378	337	411	-18.0%	0.1%	-10.8%	1,611	1,483	-7.9%
Net Income	1,381	1,338	1,173	1,122	4.6%	-15.0%	-12.3%	5,001	5,166	3.3%

FABS estimate & Co Data

Adnoc Gas - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	43.2%	43.5%	43.5%	25	-2	40.3%	42.6%	233
EBITDA	43.4%	42.7%	43.6%	12	90	41.3%	43.3%	199
Net Profit	28.9%	27.5%	27.1%	-182	-43	26.2%	27.9%	168

FABS estimate & Co Data

Key Developments:

- **09th January 2025:** ADNOC Gas had been awarded three contracts totaling USD 2.1 Bn for infrastructure development at the Ruwais LNG Project. The awards include a USD 1.24 Bn LNG pre-conditioning plant to ENPPI and Petrojet, a USD 514 Mn transmission pipeline to China Petroleum Pipeline Engineering, and a USD 335 Mn compression facilities project to Petrofac Emirates LLC. These investments form part of ADNOC Gas USD 15 Bn capex program through 2029 aimed at boosting LNG production capacity to over 15 mtpa.
- **16th January 2025:** ADNOC Gas, with Baker Hughes and Levidian, deployed Levidian's LOOP tech at the Habshan Gas Processing Plant, its first use at an operational gas site. The tech captures carbon from methane to produce 1 tonne/yr of graphene and hydrogen, with potential future output of 15 tonnes.
- **21st January 2025:** ADNOC Gas and EWEC announced a 10-year, USD 10 Bn strategic partnership for natural gas supply to support the UAE's energy transition. The agreement aims to enable a decarbonized water and electricity system and advance the UAE's Net Zero by 2050 Strategic Initiative. It highlights natural gas's role in integrating renewable energy and ensuring energy security in the UAE.
- **27th January 2025:** ADNOC Gas signed a USD 450 Mn three-year LNG supply agreement with JERA Global Markets on 27 January 2025. The LNG will be supplied from the ADNOC Gas Das Island facility, with a production capacity of 6 Mn tons per annum.
- **12th February 2025:** ADNOC Gas announced a 14-year sales agreement with Indian Oil Corporation for up to 1.2 Mn tonnes per annum of LNG, starting in 2026. The deal, valued at USD 7 Bn to USD 9 Bn, formalizes a previous Heads of Agreement. LNG will be sourced from the ADNOC Gas Das Island facility.
- **14th May 2025:** ADNOC Gas announced its inclusion in the MSCI Emerging Markets Index, effective June 2, 2025, after meeting eligibility criteria. The Company expects passive cash inflows of USD 300 to USD 500 Mn and increased visibility among international institutional investors. This follows a USD 2.84 Bn marketed offering that raised free float by 80% and increased average daily trading volume sixfold. ADNOC Gas aims for a 40% increase in EBITDA by 2029, supported by a USD 15 Bn investment pipeline from 2025 to 2029.
- **10th June 2025:** ADNOC Gas announced an FID and awarded USD 5 Bn in contracts for Phase 1 of its Rich Gas Development (RGD) Project. Contracts include USD 2.8 Bn to Wood for the Habshan facility, USD 1.2 Bn for Das Island, and USD 1.1 Bn for Asab and Buhasa facilities. The project aims to expand processing units, improve efficiency, and support UAE gas self-sufficiency, with additional FIDs planned for future phases at Habshan and Ruwais.
- **10th July 2025:** ADNOC Gas announced a three-year LNG supply agreement with Germany's SEFE, valued at USD 400 Mn. The deal includes delivery of 0.7 Mn tonnes of LNG starting in 2025 from the ADNOC Gas Das Island facility. This agreement strengthens the UAE-Germany energy collaboration.
- **4th August 2025:** ADNOC Gas signed a 10-year Heads of Agreement with Hindustan Petroleum Corporation Ltd (HPCL) to supply 0.5 mtpa of LNG. The LNG will be sourced from the ADNOC Gas Das

Island facility, with a production capacity of 6 mmtpa. This marks ADNOC Gas's third partnership with Indian firms in the past year, supporting India's energy security goals.

- **8th September 2025:** ADNOC Gas announced its shares will join the FTSE Emerging Index, effective 22 September 2025. This follows its inclusion in the MSCI Emerging Markets Index in June 2025. The FTSE Emerging Index tracks large and mid-cap firms in emerging markets and is widely followed by global investors.
- **11th September 2025:** ADNOC Gas PLC announced that its principal shareholder, ADNOC, transferred its shares to XRG PJSC, a wholly owned ADNOC subsidiary. The transfer was part of ADNOC's internal restructuring, which involved stakes in ADNOC Distribution, ADNOC Drilling, and ADNOC Logistics & Services. The share transfer was completed on September 11, 2025, via an off-market transaction on the ADX.
- **3rd November 2025:** ADNOC Gas announced a 3-year agreement with AIQ and Gecko Robotics to deploy AI and robotics across its facilities. The initiative aims to digitize inspection-to-decision workflows and enhance predictive maintenance, targeting USD 300 Mn in savings over five years. It will integrate Gecko's Cantilever platform and AIQ's AI models, with joint deployment in year one and scaled optimization in later years.
- **26 November 2025:** ADNOC Gas signed a 20-year, USD 4 Bn gas supply agreement with EMSTEEL, effective from 1 January 2027, to provide lower-carbon natural gas. The deal secures reliable energy for EMSTEEL's operations, supports the UAE's industrial expansion, and reinforces ADNOC Gas' strategic role in the country's energy ecosystem.

Valuation:

We have used Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Dividend Yield to value ADNOC Gas. We have assigned 70% weight to DCF, 15% to RV, and 15% to Dividend Yield. In addition, we have also valued ADNOC LNG JV using the Discounted Free Cash Flow (DCF) and Relative Valuation (RV) method. We excluded the profit of ADNOC LNG JV while valuing ADNOCGAS, as a result, it is valued as a standalone business.

Valuation Method	Target	Weight	Weighted Value
DCF Method (ADNOCGAS + ADNOC L&G)	4.12	70.0%	2.88
Relative Valuation (RV) – EV/EBITDA	4.32	15.0%	0.65
Dividend Yield	5.10	15.0%	0.77
Weighted Average Valuation (AED)			4.30
Current market price (AED)			3.56
Upside/Downside (%)			+21%

1) ADNOC Gas DCF Method:

ADNOCGAS is valued using free cash flow to Equity. We have discounted the cash flow using a weighted average cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.9%, a beta of 0.97, and an equity risk premium of 4.4%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	14,776
Terminal value (USD, Mn)	64,235
FV to Common shareholders (USD, Mn)	79,012
No. of shares (Mn)	76,751
Current Market Price (AED)	3.56
Fair Value per share (AED)	3.78

DCF Method

(All Figures in USD Mn)	FY2026F	FY2027F	FY2028F	FY2029F	FY2030F
Net Income	4,727	5,331	5,583	5,955	6,451
D&A	1,316	1,130	1,209	1,293	1,311
(-) Capex	-4,350	-3,850	-3,950	-4,200	-900
Change in working capital	-413	216	20	144	92
Net change in debt	1,000	1,000	500	0	0
Free Cash Flow to Equity (FCFE)	2,280	3,827	3,362	3,192	6,954
Discounting Factor	0.93	0.85	0.78	0.71	0.65
Discounted FCFE	2,111	3,247	2,612	2,272	4,534

Source: FAB Securities

2) ADNOC Gas LNG JV DCF Method:

ADNOCGAS LNG JV is valued using free cash flow to Equity. It is discounted using the same WACC applied for ADNOC Gas. We have discounted the cash flow using a weighted average cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.9%, a beta of 0.97, and an equity risk premium of 4.4%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	2,924
Terminal value (USD, Mn)	7,205
FV to Common shareholders (USD, Mn)	10,129

DCF Method

(All Figures in USD Mn)	FY2026F	FY2027F	FY2028F	FY2029F	FY2030F
Net Income	592	591	593	597	600
D&A	200	214	229	243	257
(-) Capex	-430	-277	-176	-134	-137
Change in working capital	-38	-39	-40	-42	-43
Net change in debt	300	300	200	100	100
Free Cash Flow to Equity (FCFE)	624	789	806	764	777
Discounting Factor	0.93	0.85	0.78	0.71	0.65
Discounted FCFE	578	669	626	544	506

Source: FAB Securities

3) Relative Valuation: EV/ EBITDA & Dividend Yield

We have used regional and global peers to value ADNOC GAS PLC, which is valued using the EV/EBITDA and Dividend Yield multiples. It is valued at a 2026 EV/EBITDA multiple of 9.9x in line with its peers. In the dividend yield, we have used a dividend Yield of 3.5% to value ADNOC GAS.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Saudi Basic Industries Corp	44,398	9.5x	7.9x	30.2x	22.5x	5.7%	5.7%
Saudi Arabian Oil Co	1,650,973	8.0x	7.2x	17.0x	15.2x	5.3%	5.5%
Borouge	21,278	12.0x	8.3x	23.8x	16.0x	1.5%	1.7%
Petronas Gas Bhd	9,074	10.0x	9.9x	18.6x	18.1x	4.2%	4.3%
Kinder Morgan Inc	67,477	11.7x	11.1x	22.3x	20.7x	3.9%	4.0%
Valero Energy Corp	59,215	8.5x	8.5x	16.0x	15.3x	2.5%	2.6%
Marathon Petroleum Corp	57,770	8.4x	8.1x	14.7x	14.8x	2.1%	2.2%
Oneok Inc	50,628	9.8x	9.4x	13.8x	12.9x	5.4%	5.6%
Targa Resources Corp	44,123	11.1x	10.1x	21.0x	18.4x	2.4%	2.8%
Williams Cos Inc	82,335	13.7x	12.2x	30.1x	25.6x	3.1%	3.3%
Average		10.3x	9.3x	20.7x	17.9x	3.6%	3.8%
Median		9.9x	9.0x	19.8x	17.0x	3.5%	3.7%
Max		11.5x	10.1x	23.4x	20.1x	5.0%	5.2%
Min		8.7x	8.2x	16.2x	15.2x	2.4%	2.6%

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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