

UAE Energy Sector

Energy markets stay on edge as Middle East supply disruptions persist

Sector Weighting:
MARKET WEIGHT

Global crude oil markets trended upwards in 3Q26, as the ongoing Middle East conflict continued to disrupt crude oil flows and shipping through the Strait of Hormuz. Crude oil prices rose further in September 2026, with Brent averaging USD 114 per barrel following attacks on Saudi Arabia's East-West pipeline, while the global oil market faced a demand-supply deficit of c. 1.9 Mn barrels per day (bpd) in 3Q26. According to the US Energy Information Administration (EIA), global liquid fuels consumption is expected to decline to 102.4 Mn bpd in 2026 from 104.4 Mn bpd in 2025, before rebounding to 104.6 Mn bpd in 2027 as supply flows normalize and lower oil prices support demand. On the supply side, global liquid fuels production is forecast to decline to 101.1 Mn bpd in 2026 from 106.3 Mn bpd in 2025, reflecting disruptions in the Middle East, before rebounding to 109.6 Mn bpd in 2027 as the majority of regional production returns to pre-conflict levels by the end of 2Q27. The recovery in global oil supply is expected to be led by OPEC+, alongside continued production growth from non-OPEC+ producers including the US, where crude output is forecast to rise from 13.7 Mn bpd in 2025 to 13.9 Mn bpd in 2026 and reach a record 14.3 Mn bpd in 2027. As supply growth is forecast to outpace demand growth in 2027, global petroleum inventories are expected to rebuild by c. 4.9 Mn bpd, shifting the market from a tight balance in 2026 to a more adequately supplied environment. Consequently, crude oil prices are expected to moderate gradually, although they are likely to remain sensitive to geopolitical developments and renewed disruptions to global energy supply. Reflecting persistent near-term supply constraints, the EIA raised its forecast and now expects Brent crude oil prices to average c. USD 105 per barrel in 4Q26, following c. USD 96 per barrel in 3Q26, before moderating to an average of c. USD 84 per barrel in 2027.

Global natural gas markets weakened in 2026, with demand forecasted to decline 7 bcm, or 0.2% YOY, marking the first contraction since 2022, amid supply disruptions and elevated prices following the Strait of Hormuz closure. Gas prices surged in 1H26, with European TTF and Northeast Asian LNG reaching USD 20.8/MMBtu (Million British thermal units) and USD 17.8/MMBtu, respectively, in March 2026, while global LNG trade fell 4% YOY to 284 bcm (billion cubic meters) in 1H26. Global gas production is also expected to decline 4 bcm, or 0.1% YOY, mainly due to an 80 bcm contraction in Middle Eastern output, with damage to Qatar's Ras Laffan complex and delays to the North Field expansion expected to keep LNG markets tight and price volatility elevated in the near term despite rising non-Gulf supply.

ADNOC Distribution continues to be our preferred pick among ADNOC Drilling, ADNOC Gas, Dana Gas, and NMDC Energy, underpinned by strong earnings visibility, resilient non-fuel growth, a diversified business model and its relative resilience amid sustained geopolitical tensions. We believe the Company's increasing contribution from higher-margin businesses, including commercial fuels, convenience retail, property management and EV charging, will support sustainable earnings growth over the medium term. In addition, its disciplined capital allocation strategy and attractive dividend profile position the Company to deliver superior shareholder returns. During 2Q26, ADNOC Distribution's total fuel volumes increased marginally 0.8% YOY to 3.9 Bn litres, supported by strong growth in aviation fuel, while its total service station network expanded 11.3% YOY to 1,045 stations. The UAE network increased to 569 stations in 2Q26, while the Saudi Arabia network grew 65.0% YOY to 231 stations. Under its capital-light DOCO model, the Company increased its contracted network in Saudi Arabia to 161 stations in 2Q26, of which 52 are currently operational under the

ADNOC brand, with its footprint now covering 12 of the Kingdom's 13 provinces. Non-fuel retail revenue rose 10.7% YOY to AED 481 Mn in 2Q26, supported by higher convenience store transactions, an expanding food & beverage offering, and a larger contribution from property management, while a strategic partnership with Americana Restaurants to introduce up to 200 quick service restaurants and the launch of the "Engage by ADNOC" retail media network further strengthen the platform. The Company also continued expanding its EV charging business, with installed charging points rising 35.0% YOY to 406 in 1H26 and EV energy sales increasing 2.1x YOY. ADNOC Distribution reaffirmed its 2026 guidance, targeting the addition of 60-70 new service stations and 50-60 new EV charging points, while maintaining capex guidance of USD 250-300 Mn. The Company also maintained its quarterly dividend policy, distributing a dividend of 5.14 fils per share for 2Q26, bringing the total dividend for 1H26 to 10.28 fils per share. Furthermore, ADNOC Distribution agreed to acquire Shell Downstream South Africa (SDSA) at an implied Enterprise Value of USD 1.0 Bn, with completion expected in 2027 subject to regulatory approvals. The acquisition marks a major step in the Company's international expansion, adding 580 stations and increasing service stations, convenience stores and fuel volumes by 55%, 70% and 20%, respectively. The Company expects the transaction to be immediately accretive, lifting EBITDA and net profit by c. 13% and c. 6%, respectively, in the first full year post-completion.

ADNOC Drilling demonstrated operational resilience in 2Q26 despite regional tensions, supported by its long-term contracts and integrated drilling and oilfield services platform. Revenue increased 2.9% YOY to USD 1,232 Mn in 2Q26, driven by the consolidation of SLDC and MBPS, which added 30 regional land rigs and expanded the fleet by 21% YOY to 171 rigs. Following the quarter, the Company commenced its first organic rig deployment in Oman and reiterated its target of operating c. 70 IDS rigs by end-2026, alongside its FY2026 guidance and progressive dividend policy. **ADNOC Gas** delivered net income of USD 665 Mn in 2Q26, exceeding guidance despite the Strait of Hormuz disruption and the Habshan outage, supported by a resilient domestic gas business, where EBITDA remained broadly stable QOQ at USD 687 Mn as higher sales gas pricing offset lower volumes. Habshan gas supply was restored to c. 85% by June 2026, ahead of schedule, with full restoration expected by 2Q27, while c. 70% of the Company's sales volumes have no exposure to the Strait of Hormuz. ADNOC Gas maintained its 2026 net income guidance of USD 3.5-4.0 Bn, assuming the disruption continues through 3Q26 with recovery thereafter, and guided 3Q26 net income of USD 600-800 Mn. **Dana Gas** delivered a resilient 2Q26 performance despite temporary disruptions at Khor Mor, which constrained utilisation of the expanded KM250 facility. Following the quarter, Khor Mor production recovered to 630 MMscf/d (Million standard cubic feet per day), while the Company commenced supplying 100 MMscf/d to Iraq's Ministry of Electricity. In Egypt, production increased 9.8% YOY to 13.5 kboe/d (thousand barrels of oil equivalent per day) in 2Q26, while the latest exploration well identified c. 10 Bcf of gas resources, significantly above initial estimates, with four additional wells planned by end-2026. **NMDC Energy's** profitability remained under pressure from cost overruns and operational challenges, although revenue increased 2.0% YOY to AED 4.5 Bn and EBITDA margin improved to 7.8% in 2Q26 from 4.0% in 1Q26. Backlog stood at AED 33.3 Bn, supported by AED 2.2 Bn of new awards and a c. AED 55.2 Bn project pipeline, with NMDC Energy expecting stronger performance in 2H26, subject to a stable regional operating environment. Against this backdrop, we view **ADNOC Distribution as the preferred pick** among the five companies under our energy sector coverage, supported by its resilient and low-volatility earnings profile, continued non-fuel retail growth, expanding regional footprint, and strong visibility on dividends and cash flows.

Relative valuation and rating

- We maintain MARKET WEIGHT on the energy companies under our coverage with 5x BUY.
- We continue to maintain BUY ratings on all the five stocks with target prices remaining unchanged.
- The 2026F P/E multiples for the below stocks range between Dana Gas (5.27x) and ADNOC Distribution (12.13x).
- Dana Gas 2026F dividend yield is the highest at 8.6%, followed by ADNOC Gas at 5.5%, ADNOC Distribution at 5.4%, ADNOC Drilling at 4.4% and NMDC Energy at 3.9%.

Companies Name	Target Price	CMP	Potential Change (%)	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
ADNOC Distribution (AED)	4.70	3.79	+24.0%	BUY	13.90	12.13	5.4%
ADNOC Drilling (USD)	7.00	5.48	+27.7%	BUY	16.25	11.91	4.4%
ADNOC Gas (USD)	4.30	3.26	+31.9%	BUY	17.84	9.82	5.5%
Dana Gas (USD)	1.15	0.81	+41.8%	BUY	8.54	5.27	8.6%
NMDC Energy (AED)	3.80	2.64	+43.9%	BUY	12.99	6.36	3.9%

Source: FABS Estimate, ¹Data refers to FY2026E

Key Developments in the Energy Sector

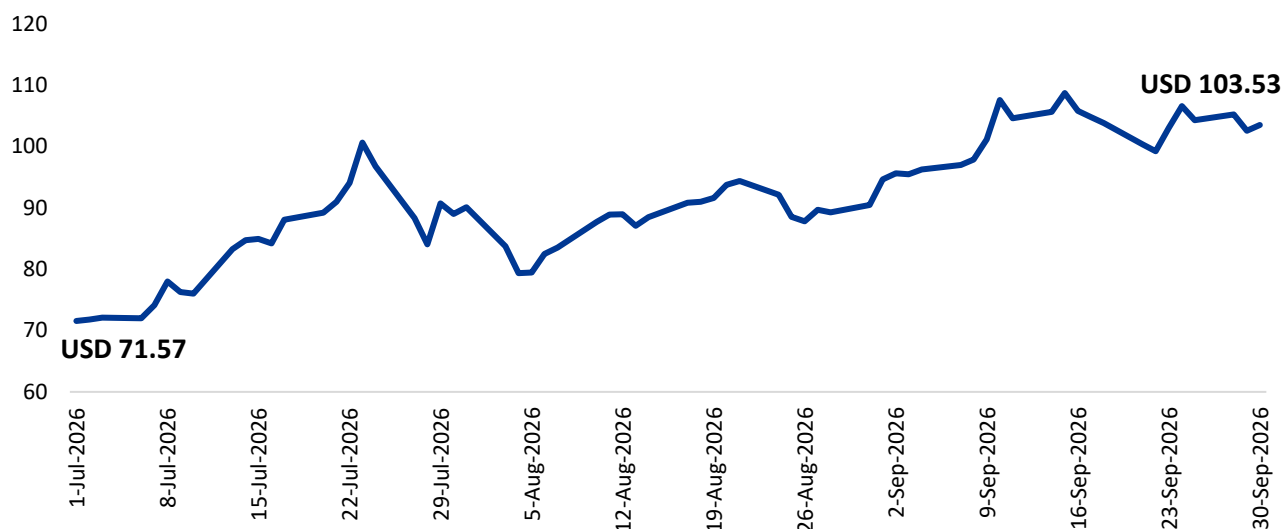
UAE non-oil private sector growth holds firm despite geopolitical headwinds

The UAE non-oil private sector continued to expand at a robust pace during September 2026, signalling that the economy has moved past the mid-year slowdown linked to the Middle East conflict. Improving demand at home and abroad, healthy pipelines of new order and stronger pricing power supported business conditions. The seasonally adjusted S&P Global UAE Purchasing Managers Index (PMI) was unchanged at August's 20-month high of 55.3 in September 2026, remaining well above the 50.0 threshold and signalling a marked improvement in operating conditions. Output growth accelerated to a seven-month high, the fastest since February 2026, just before the outbreak of war in the region. New orders rose markedly, though at a slower pace than the August 2026 seven-month high, supported by the sharpest increase in new export business since November 2024. Employment returned to growth following August 2026 decline, although hiring remained modest and backlogs of work continued to accumulate. Purchasing activity increased rapidly, lifting input inventories at the fastest pace since November 2023, while supplier delivery times shortened for the fourth consecutive month. Meanwhile, selling prices rose at the steepest rate since May 2011 as firms passed on higher raw material and freight costs to boost margins. Business optimism remained subdued, sitting only slightly above March's recent low.

Oil prices ease after sharp volatility amid de-escalating Middle East tensions

Crude oil prices trended upward during 3Q26, as renewed hostilities between the US and Iran revived concerns over Middle East supply flows. Brent crude rebounded sharply as the collapse of the June 2026 ceasefire, Iranian strikes on Gulf states and Houthi attacks on vessels carrying Saudi crude in the Bab el-Mandeb Strait restricted shipments through the Strait of Hormuz and pushed geopolitical risk premiums back up. Oil prices briefly touched USD 100 per barrel in July 2026 before easing as the US and Iran paused strikes. Brent crude remained broadly stable in August 2026, as OPEC+ completed the unwinding of its additional voluntary cuts, lower 2026 demand forecasts from OPEC and the IEA, and a sharp build in US crude inventories capped gains. Hopes of a US-Iran deal and the reopening of the Strait intermittently eased prices, but the lack of diplomatic progress kept supply concerns elevated. Attacks on Saudi energy infrastructure, including the shutdown of the East-West pipeline, marked a key escalation in September 2026 and pushed prices back above USD 100 per barrel. By the end of September 2026, a gradual recovery in Hormuz shipments eased supply concerns, although the US rejection of Iran's peace proposal kept prices supported, with Brent crude rising to c. USD 98.03 per barrel. According to the EIA, Brent crude averaged USD 102.93 per barrel in 2Q26 and USD 95.95 per barrel in 3Q26, reflecting the elevated geopolitical risk premium associated with the Middle East conflict and disruptions to oil flows through the Strait of Hormuz. Prices rose further in September 2026, averaging USD 114 per barrel and peaking at USD 131 per barrel, following attacks on Saudi Arabia's East-West pipeline. With supply constraints expected to persist, the EIA raised its forecast and now expects Brent to average c. USD 105 per barrel in 4Q26 and c. USD 96 per barrel for 2026. Looking ahead, the EIA expects oil prices to ease gradually as regional production returns to pre-conflict levels by end-2Q27 and depleted inventories rebuild, with Brent projected to average c. USD 84 per barrel in 2027 and decline to c. USD 74 per barrel by 4Q27. However, the EIA cautions that continued volatility in Middle East oil flows could lead to sharper short-term price swings than forecast.

Brent crude oil price during 3Q26 (USD per Barrel)



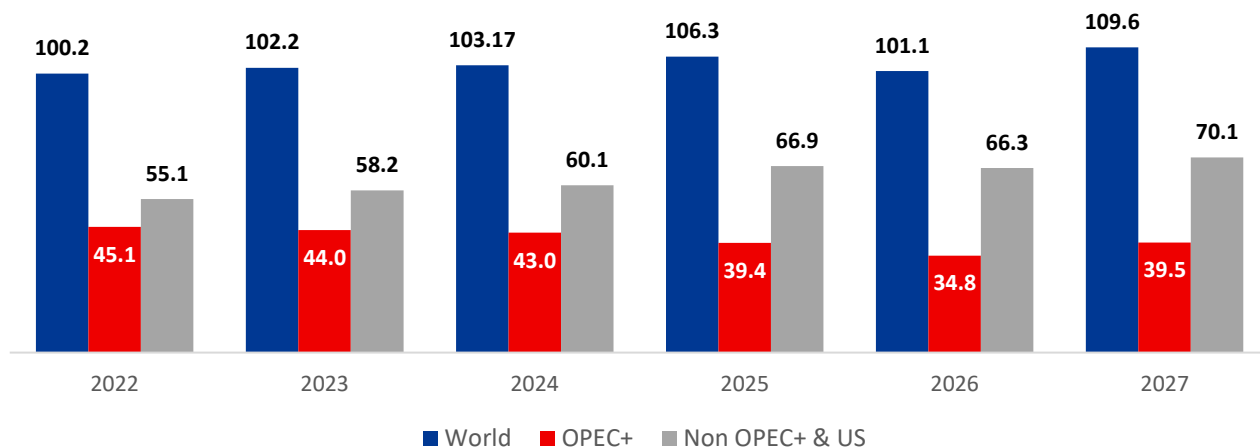
Source: Bloomberg

Crude Oil Supply and Consumption (EIA)

- According to the EIA, world liquid fuels consumption is expected to decline by c. 2.0 Mn bpd to 102.4 Mn bpd in 2026, reflecting high fuel prices and supply disruptions linked to the Middle East conflict, with China alone accounting for c. 0.6 Mn bpd of the decline. Demand is projected to rebound by c. 2.2 Mn bpd in 2027 to 104.6 Mn bpd, as prices ease and supply flows normalize.
- On the supply side, crude oil production shut-ins in the Middle East peaked at 10.9 Mn bpd in May 2026 and have since eased to 5.8 Mn bpd in August 2026 and 4.8 Mn bpd in September 2026, as exporters relied on bypassing key trade routes, overland routes and ship-to-ship transfers. However, renewed attacks in September 2026, including Saudi Arabia's East-West pipeline, highlighted the continued risk to flows. The EIA expects shut-ins to average 4.5 Mn bpd in 4Q26 and 2.7 Mn bpd in 1Q27, with the majority of regional production returning to pre-conflict levels by the end of 2Q27.
- Global oil inventories fell by an average of c. 3.5 Mn bpd in 2Q26 and c. 1.9 Mn bpd in 3Q26 and are forecast to decline by a further c. 0.7 Mn bpd in 4Q26. Thereafter, markets are expected to shift into oversupply, with inventories addition of c. 4.9 Mn bpd in 2027 as supply exceeds demand. OECD commercial inventories are projected at c. 2.6 Bn barrels by December 2026, rising to c. 3.1 Bn barrels by December 2027.
- Global liquid fuels consumption is expected to average c. 102.4 Mn bpd in 2026, while production is forecast at c. 101.1 Mn bpd. In 2027, consumption is projected to increase to c. 104.6 Mn bpd, while production is expected to rise to c. 109.6 Mn bpd.
- Brent crude averaged c. USD 103 per barrel in 2Q26 and c. USD 96 per barrel in 3Q26. Prices rose to an average of USD 114 per barrel in September 2026 which was USD 23 per barrel higher than in August 2026, reaching as high as USD 131 per barrel on 15 September 2026 following attacks on Saudi Arabia's East-West pipeline.
- With supply constraints expected to persist through 4Q26, the EIA raised its forecast and now expects Brent to average c. USD 105 per barrel in 4Q26 and c. USD 96 per barrel in 2026.

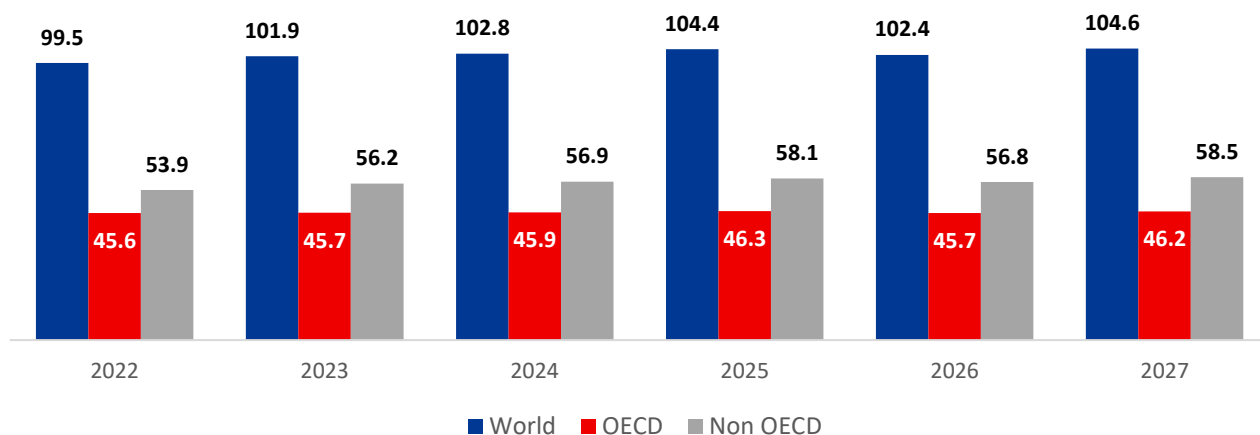
Prices are expected to ease gradually as production recovers and inventories rebuild, averaging c. USD 84 per barrel in 2027, with Brent falling to c. USD 87 per barrel in 2Q27 and c. USD 74 per barrel by 4Q27.

Petroleum and other liquid fuels production (Mn BPD)



Source: Energy Information Administration

Petroleum and other liquid fuels consumption (Mn BPD)



Source: Energy Information Administration

LNG prices to stay elevated on Middle East supply losses, even as non-Gulf supply and storage buffers limit the impact

According to the Global Gas Report 2026, global natural gas demand is expected to decline by 7 bcm, or 0.2% YOY, in 2026, marking the first annual decline since 2022, following record growth of 69 bcm in 2025. The decline is primarily attributed to the Strait of Hormuz crisis, which constrained c. 20% of global LNG supply and reduced demand in price-sensitive markets. The Middle East is expected to see the largest decline of 17 bcm, led by Kuwait (12 bcm) due to lower LNG availability and a temporary shift to oil for power generation, and Qatar (9 bcm) due to lower LNG feed gas requirements. Europe's demand is expected to decline by 4 bcm, while Russia and Asia are projected to see smaller declines of 2 bcm each. In Asia, lower LNG imports are expected to be largely offset by higher domestic production, pipeline imports in China and cooling of demand. In contrast, North America and South America are expected to grow by 10 bcm and 8 bcm, respectively, while Africa remains broadly flat. By sector, transportation is expected to lead demand growth (+9 bcm), supported by LNG truck sales in China, followed by the power sector (+6 bcm). The outlook assumes a gradual reopening of the Strait of Hormuz from 3Q26, with flows normalizing by 4Q26.

Natural gas prices rose sharply in 1H26 as the Strait of Hormuz crisis effectively removed Qatar and UAE LNG from global markets from late February 2026. Prices averaged c. USD 10–11/MMBtu in January 2026 and February 2026, supported by ample new supply from Plaquemines, Corpus Christi and LNG Canada, both TTF and LNG Northeast Asia prices rose more than 50% from February 2026 levels. TTF prices averaged USD 20.8/MMBtu in March 2026 and LNG Northeast Asia USD 17.8/MMBtu, the highest monthly averages since the 2022 energy crisis. Prices eased through April 2026 and May 2026 as markets adjusted, but remained significantly elevated relative to 2025, when TTF averaged USD 12.2/MMBtu and LNG Northeast Asia USD 11.9/MMBtu. In contrast, Henry Hub remained largely insulated from the crisis, supported by elevated domestic production, spiking to USD 6.8/MMBtu in late January 2026 due to Winter Storm Fern before falling to a low of USD 2.6/MMBtu in April 2026 and recovering modestly thereafter.

On the supply side, global natural gas production is expected to decline by 4 bcm, or 0.1% YOY, in 2026, marking the first annual decline since 2022, following a record supply of 4,147 bcm in 2025. The Middle East is expected to account for the decline, with production falling 80 bcm YOY, led by Qatar (69 bcm) and the UAE (9 bcm), following the March 2026 damage to Qatar's Ras Laffan LNG complex and the resulting disruption to North Field production. Qatar's LNG supply could remain constrained for up to five years, while the North Field expansion may be delayed by a year. US production growth is expected to offset c. 67% of the Middle East's decline, supported by higher output in China and South America. Global LNG trade fell 4% YOY to 284 bcm in 1H26, with Asian importers accounting for over 80% of the shortfall, while Qatar's LNG exports declined 91% YOY in May 2026. Increased supply from non-Gulf producers, including the US, Canada, Nigeria and Malaysia, helped mitigate the disruption. Over the medium term, 102 mtpa of new LNG capacity reached FID in 2025 and 1H26, while the US has sanctioned 115.5 mtpa over the past five years. Despite continued price volatility, higher non-Gulf supply, storage buffers and demand flexibility have helped the market absorb the disruption without a repeat of the 2022 energy crisis.

Energy companies pursue growth through cross-border acquisitions, new gas supply agreements and digital revenue initiatives**Dana Gas**

- **7th August 2026:** Dana Gas and Crescent Petroleum, joint operators of Pearl Petroleum, confirmed on 7 August 2026 that their gas sales agreement with Iraq's Ministry of Electricity in Kirkuk complies with Pearl's exclusive marketing rights, with the KRG notified since January 2026. Dana Gas continues supplying gas to both the KRG and MoE, while noting KRG payment arrears of over three years.

ADNOC Distribution

- **7th July 2026:** ADNOC Distribution agreed on 7 July 2026 to acquire 100% of Shell Downstream South Africa (SDSA) for an implied enterprise value of c. USD 1 Bn before adjustments, covering 580 fuel stations and wholesale, aviation and lubricants operations. Completion is expected in 2027, subject to regulatory and closing conditions, with 28% of SDSA to be sold to a local empowerment partner and employee stock option plan following completion.
- **29th July 2026:** ADNOC Distribution launched Engage by ADNOC, a full-funnel retail media network connecting brands with customers across its mobility, convenience and digital ecosystem. The platform reaches nearly 700,000 daily customers and over 2.7 Mn ADNOC Rewards members and is expected to generate more than USD 25 Mn in cumulative gross profit over its first five years.
- **29th July 2026:** ADNOC Distribution entered a definitive agreement with Reatile Group on 20 August 2026 for the latter to acquire a minority stake in Shell Downstream South Africa (SDSA) following ADNOC Distribution's proposed acquisition of the business from Shell South Africa Holdings. Completion remains subject to regulatory approvals and closing conditions, following the 7 July 2026 disclosure.

ADNOC Gas

- **6th July 2026:** ADNOC launched a global LNG marketing and trading platform, integrating ADNOC Gas and XRG marketing with ADNOC Trading. The platform targets 47 Mtpa of LNG by 2035, while ADNOC Gas's existing commercial arrangements remain unchanged and its LNG shipping fleet has expanded to 20 vessels.

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3Q26 Preview: **ADNOC Distribution**

Higher impairment and operating expenses to offset revenue growth and weigh on profit

Current Price AED 3.79	Target Price AED 4.70	Upside/Downside (%) +24.0%	Rating BUY
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3Q26 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to decrease 6.2% YOY to AED 760 Mn in 3Q26, driven by higher direct costs, impairment & other expenses and distribution & administrative expenses, along with lower interest income. These are expected to more than offset growth in revenue and other income, coupled with lower interest expenses, income tax, and non-controlling interests. ADNOCDIST's revenue is expected to increase 11.8% YOY to AED 10,427 Mn in 3Q26, driven by growth in both the Retail and Commercial segments. The Retail segment revenue is forecasted to grow 2.3% YOY to AED 6,462 Mn in 3Q26, due to a projected increase in the Fuel and Non-Fuel segments, while Commercial segment revenue is projected to expand 31.7% YOY to AED 3,965 Mn in 3Q26, driven by anticipated growth in the Corporate and Aviation segments. Direct costs are projected to rise 14.2% YOY to AED 8,601 Mn in 3Q26. As a result, gross profit is likely to expand 1.7% YOY to AED 1,827 Mn in 3Q26, while gross profit margin is expected to decrease 174 bps YOY to 17.5% in 3Q26. The Company's other income is projected to grow 15.3% YOY to AED 47 Mn in 3Q26. Distribution & administrative expenses are expected to grow 7.0% YOY to AED 847 Mn in 3Q26. Impairment & other expenses are forecasted to increase from AED 35 Mn in 3Q25 to AED 94 Mn in 3Q26. Hence, operating profit is anticipated to decrease 7.6% YOY to AED 933 Mn in 3Q26. Moreover, operating profit margin is anticipated to decrease 189 bps YOY to 8.9% in 3Q26. Depreciation & amortisation expenses are projected to increase 26.7% YOY to AED 202 Mn in 3Q26. Thus, EBITDA is expected to decrease 3.0% YOY to AED 1,135 Mn in 3Q26 and EBITDA margin is projected to contract 166 bps YOY to 10.9% in 3Q26. Interest income is projected to decrease 8.2% YOY to AED 20 Mn in 3Q26, while interest expenses are forecasted to decline 16.0% YOY to AED 88 Mn in 3Q26. Profit before tax is expected to decline 6.7% YOY to AED 864 Mn in 3Q26. ADNOCDIST's income tax is expected to decrease 8.2% YOY to AED 88 Mn in 3Q26. Additionally, the non-controlling interest is expected to decrease 18.9% YOY to AED 16 Mn in 3Q26.

2026 Forecast

ADNOC Distribution is expected to report a 23.0% YOY increase in net profit to AED 3,436 Mn in 2026. The increase in net profit is primarily driven by growth in revenue and other income, along with lower interest expenses. This is partially offset by higher direct costs, distribution & administrative expenses, impairment & other expenses, income tax and non-controlling interests, coupled with lower interest income. ADNOCDIST's revenue is forecasted to increase 18.4% YOY to AED 42,505 Mn in 2026, supported by anticipated growth across the Retail and Commercial segments. The Retail segment revenue is expected to grow 11.9% YOY to AED 27,497 Mn in 2026 due to a projected increase in the Fuel and Non-Fuel segments. The Commercial segment revenue is projected to grow 32.6% YOY to AED 15,008 Mn in 2026, due to a forecasted rise in the Corporate and Aviation segments. On the other hand, direct costs are expected to rise 19.9% YOY to AED 34,717 Mn in 2026. Thus, gross profit is likely to increase 12.1% YOY to AED 7,788 Mn in 2026, while gross profit margin is expected to fall 103 bps YOY to 18.3% in 2026. Other income is expected to increase 14.1% YOY to AED 191 Mn in 2026. Distribution & administrative expenses are projected to rise 2.3% YOY to AED 3,400 Mn in 2026, while impairment & other expenses are forecasted to increase 34.6% YOY to AED 383 Mn in 2026. Hence, operating profit is expected to increase 19.7% YOY to AED 4,197 Mn in 2026, with operating profit margin improving 11 bps YOY to 9.9% in 2026. Depreciation & amortisation expenses are anticipated to decrease marginally by 0.2% YOY to AED 774 Mn in 2026. EBITDA is forecasted to increase 16.1% YOY to AED 4,971 Mn in 2026, with EBITDA margin declining 23 bps YOY to 11.7% in 2026. Interest income is projected to decline 1.6% YOY to AED 70 Mn in 2026, while interest expenses are expected to fall 11.2% YOY to AED 358 Mn in 2026.

Profit before tax is expected to rise 23.2% YOY to AED 3,909 Mn in 2026. The Company's income tax charge is forecasted to increase 24.7% YOY to AED 403 Mn in 2026. Non-controlling interest is anticipated to increase 22.9% YOY to AED 70 Mn in 2026.

2Q26 Outturn

ADNOC DIST's revenue rose strongly from AED 8,638 Mn in 2Q25 to AED 13,201 Mn in 2Q26, driven by increase in selling prices following higher crude oil prices, coupled with higher contribution from aviation fuel volume and growth in non-fuel retail segment, partially offset by lower retail fuel volume. The Company's total fuel volumes increased marginally by 0.8% YOY to 3.9 Bn litres in 2Q26, supported by strong growth in aviation fuel volumes, which was partially offset by lower retail and corporate fuel volumes. Retail segment fuel volume declined 1.6% YOY to 2.7 Bn litres in 2Q26, impacted by weaker consumption in UAE and KSA due to reduced mobility amid prices increase and extended Eid holidays. However, Egypt's retail fuel volume increased 1.5% YOY to 656 Mn litres in 2Q26, which partially offset the decline in overall retail fuel segment coupled with expansion of service stations in KSA. Retail segment revenue increased 37.4% YOY to AED 8,129 Mn in 2Q26, supported by higher fuel prices, with fuel retail revenue rising 39.5% YOY to AED 7,648 Mn and non-fuel retail revenue growing 10.7% YOY to AED 481 Mn. Revenue from the Commercial segment increased from AED 2,721 Mn in 2Q25 to AED 5,072 Mn in 2Q26, mainly due to higher selling price and aviation volume. Commercial segment fuel volume increased 6.7% YOY to 1,247 Mn litres in 2Q26, driven by robust growth in aviation fuel volume of 64.2% YOY to 205 Mn litres, partially offset by flat growth in corporate fuel volume to 1,041 Mn litres, following the Company's strategy of value driven operations. Direct cost rose from AED 6,957 Mn in 2Q25 to AED 10,773 Mn in 2Q26. Consequently, the Company's gross profit grew 44.5% YOY to AED 2,429 Mn in 2Q26, driven by strong operating performance supported by higher inventory gains. ADNOC DIST recorded inventory gains of AED 738 Mn in 2Q26, compared to an inventory gain of AED 37 Mn in 2Q25, comprising AED 485 Mn of inventory gains in fuel retail and AED 253 Mn of inventory gain in the commercial segment. Despite the support from inventory gains the gross margin contracted 106 bps YOY to 18.4% in 2Q26. Other income increased from AED 29 Mn in 2Q25 to AED 54 Mn in 2Q26, while distribution and administrative expenses declined 1.1% YOY to AED 824 Mn in 2Q26. Impairments and other expenses increased significantly from AED 20 Mn in 2Q25 to AED 91 Mn in 2Q26. Moreover, operating profit increased from AED 857 Mn in 2Q25 to AED 1,568 Mn in 2Q26, with operating profit margin expanding 195 bps YOY to 11.9% in 2Q26. D&A charges declined 10.9% YOY to AED 189 Mn in 2Q26. The Company's EBITDA grew from AED 1,069 Mn in 2Q25 to AED 1,757 Mn in 2Q26. EBITDA margin improved by 93 bps YOY to 13.3% in 2Q26. Interest income remained flat YOY at AED 15 Mn in 2Q26, as compared to 2Q25, while interest expense decreased 13.8% YOY to AED 89 Mn in 2Q26. Income tax expense increased sharply from AED 80 Mn in 2Q25 to AED 152 Mn in 2Q26. Share of profit attributable to non-controlling interest holders increased from AED 12 Mn in 2Q25 to AED 27 Mn in 2Q26.

Target price and rating

We maintain our BUY rating on ADNOC DIST with a target price of AED 4.70. ADNOC Distribution reported a strong performance in 2Q26, supported by resilient operations and continued execution of its growth strategy. The Company benefitted from higher fuel selling prices, robust commercial fuel demand, and continued momentum in the non-fuel retail business which resulted in strong profitability and improved cash generation in 2Q26. The Company also strengthened its growth platform through expansion of higher-margin businesses and disciplined capital allocation. In 2Q26, ADNOC DIST's total fuel volumes increased 0.8% YOY to 3.9 Bn litres, driven by strong growth in aviation fuel volumes partially offset by lower retail fuel volumes. ADNOC DIST continued to strengthen its retail presence across its key markets in 2Q26, with the total service station network expanding 11.3% YOY to 1,045 stations. Saudi Arabia remained the primary growth engine, where the network increased 65.0% YOY to 231 stations, supported by the sustained rollout of the DOCO model. The Company continued to scale its Saudi Arabia operations by increasing its contracted DOCO network to 161 stations, of which 52 were operational under the ADNOC brand as of 2Q26.

Also, the Company expanded its presence across Saudi Arabia by increasing the footprint to 12 of the country's 13 provinces in 2Q26 from just three provinces 20 months earlier thereby strengthening the growth prospects in Saudi's market. Meanwhile, the UAE network increased to 569 stations, up 2.3% YOY with addition of one service station in 2Q26. This broader network expansion supported higher customer activity as UAE's fuel transaction increased 7.6% YOY to 53.3 Mn in 2Q26. The Egypt's service station network remains broadly stable comprising 245 stations in 2Q26. ADNOC DIST's non-fuel retail platform continued to deliver strong growth in 2Q26, reinforcing the Company's strategy of increasing the contribution from higher-margin businesses. Non-fuel retail revenue increased 10.7% YOY to AED 481 Mn in 2Q26, driven by higher convenience store transactions, continued expansion of the food & beverage offering, and a larger contribution from property management. Convenience store revenue increased 5.7% YOY to AED 279 Mn in 2Q26, supported by the Company's network of 541 convenience stores across the GCC and Egypt. However, convenience store conversion rates declined from 27.2% in 2Q25 to 26.0% in 2Q26. The Company operated 37 vehicle inspection centers during the quarter, with fresh vehicle inspections increasing 9.8% YOY to 355K. Furthermore, ADNOC DIST continued to expand its property management and real estate monetisation platform in 2Q26, with occupied and awarded rental units increasing 4.0% YOY to 1,181 properties with 18 new additions in 2Q26, supported by a higher number of high-yielding food & beverage and car care properties, alongside a reduction in lower-yielding ATM and other non-food & beverage units thereby improving the overall property mix. ADNOC DIST also continued to expand its "The HUB by ADNOC" destination retail concept, with seven flagship locations operational, with one addition in 2Q26. The HUB locations continued to perform better than the rest of the network, with fuel volume growth exceeding the network average by five percentage points. Building on this momentum, ADNOC DIST plans to launch five additional HUB locations during 2026 as it progresses towards its target of 30 sites by 2030. Furthermore, ADNOC DIST entered into a strategic partnership with Americana Restaurants to introduce up to 200 quickservice restaurants across its network, further enhancing its convenience retail offering. The Company further strengthened its non-fuel retail ecosystem in 2Q26 with addition of c. 90K members to ADNOC rewards loyalty programme taking total membership to 2.8 Mn, up 12.7% YOY. In 2Q26, the Company also launched a retail media network, "Engage by ADNOC", aimed at monetising customer engagement through targeted digital advertising, which is expected to contribute c. AED 92 Mn to non-fuel retail segment's gross profit in first five years. On the EV front, ADNOC DIST continued to expand the network by adding six new charging points and increasing the number of installed charging points by 35.0% YOY to 406 in 1H26 across the UAE. Charging demand remained robust, with the volume of energy sold through the network increasing 2.1x YOY, while EVs charged through the Company's network travelled c. 16.0 Mn low-emission Km in 2Q26. The Company continued to focus on deploying charging infrastructure at high-traffic highways and urban locations, while enhancing customer experience through improved accessibility and integrated non-fuel retail offerings. The continued expansion of the EV charging network supports ADNOC DIST's long-term strategy of strengthening its position in sustainable mobility while increasing customer traffic across its retail network. ADNOC Distribution entered into a definitive agreement to acquire Shell Downstream South Africa for approximately USD 1.0 Bn, adding 580 fuel stations and expanding its presence in Africa. The acquisition is expected to boost EPS by 6% in the first full year after completion and support the Company's international growth and earnings. ADNOC DIST reaffirmed 2026 guidance, targeting the addition of 60-70 new service stations, 50-60 new EV charging points and capex guidance of USD 250-300 Mn. In line with its dividend policy, the Company distributed a dividend of 5.14 fils per share for 2Q26, bringing the total dividend distributed for 1H26 to 10.28 fils per share. Subsequent to 2Q26, ADNOC DIST also acquired Shell Downstream South Africa (SDSA). This acquisition is expected to significantly strengthen the Company's international footprint by adding 580 fuel stations, alongside wholesale fuel, aviation, lubricants and convenience retail operations in South Africa. ADNOC DIST expects EBITDA and Net Profit to increase by c.13% and c.6%, respectively, in the first full year following completion, making the transaction immediately earnings accretive. Overall, ADNOC Distribution remains well positioned to deliver sustainable

earnings growth supported by disciplined network expansion, increasing contribution from highermargin non-fuel businesses, continued international expansion, and strong cash generation. Thus, me maintain BUY rating on the stock.

ADNOC Distribution - Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	21.09	17.28	18.26	19.63	17.00	13.90
PB (x)	14.83	13.79	13.68	15.88	14.70	11.65
EV/EBITDA	20.89	16.89	16.80	16.41	14.47	12.13
BVPS	0.256	0.276	0.278	0.239	0.258	0.326
EPS	0.180	0.220	0.208	0.194	0.224	0.273
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend Yield (%)	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%

ADNOC Distribution - P&L

AED Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	9,326	13,201	10,427	11.8%	-21.0%	35,897	42,505	18.4%
Direct costs	-7,529	-10,773	-8,601	14.2%	-20.2%	-28,951	-34,717	19.9%
Gross profit	1,796	2,429	1,827	1.7%	-24.8%	6,946	7,788	12.1%
Other income	41	54	47	15.3%	-13.9%	168	191	14.1%
Distribution & admin. Exp.	-791	-824	-847	7.0%	2.7%	-3,324	-3,400	2.3%
Impairment & others Exp.	-35	-91	-94	NM	3.5%	-284	-383	34.6%
Operating Profit	1,010	1,568	933	-7.6%	-40.5%	3,506	4,197	19.7%
Depreciation & amortisation	160	189	202	26.7%	7.0%	776	774	-0.2%
EBITDA	1,170	1,757	1,135	-3.0%	-35.4%	4,282	4,971	16.1%
Interest income	21	15	20	-8.2%	30.1%	71	70	-1.6%
Interest expenses	-105	-89	-88	-16.0%	-1.1%	-403	-358	-11.2%
Profit before tax	926	1,494	864	-6.7%	-42.1%	3,174	3,909	23.2%
Income tax	-96	-152	-88	-8.2%	-41.9%	-323	-403	24.7%
Net profit for the year	830	1,342	776	-6.5%	-42.2%	2,851	3,506	23.0%
Non-Controlling interest	20	27	16	-18.9%	-42.2%	57	70	22.9%
Net profit	811	1,315	760	-6.2%	-42.2%	2,794	3,436	23.0%

FABS estimate & Co Data

ADNOC Distribution - Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	19.3%	18.4%	17.5%	-174	-88	19.3%	18.3%	-103
EBITDA	12.5%	13.3%	10.9%	-166	-242	11.9%	11.7%	-23
Operating Profit	10.8%	11.9%	8.9%	-189	-293	9.8%	9.9%	11
Net Profit	8.7%	10.0%	7.3%	-140	-267	7.8%	8.1%	30

FABS estimate & Co Data

3Q26 Preview: **ADNOC Drilling**

Acquisition-led revenue boost supports earnings growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.48	AED 7.00	+27.7%	BUY

3Q26 Estimate

ADNOC Drilling's (ADNOC DRILL/the Company) net profit for the period is expected to increase marginally by 0.3% YOY to USD 369 Mn in 3Q26, primarily due to an anticipated decrease in direct costs and G&A expenses, partially offset by a projected decline in revenue, share of results from a JV and other income, coupled with an increase in finance costs, tax expense and NCI. The Company's revenue is expected to decrease 1.1% YOY to USD 1,246 Mn in 3Q26. Direct costs are projected to decline 6.0% YOY to USD 775 Mn in 3Q26. As a result, gross profit is expected to rise by 8.2% YOY to USD 471 Mn in 3Q26, and the gross profit margin is likely to increase by 325 bps YOY to 37.8% in 3Q26. G&A expenses are forecasted to decrease by 1.1% YOY to USD 36 Mn in 3Q26. ADNOC DRILL's EBITDA is expected to marginally decline 0.5% YOY to USD 557 Mn in 3Q26, while the EBITDA margin is expected to expand by 27 bps YOY to 44.7% in 3Q26. Operating profit is projected to grow by 9.1% YOY to USD 435 Mn in 3Q26. The Company's share of results from a JV is expected to decline from USD 3 Mn in 3Q25 to USD 1 Mn in 3Q26. Meanwhile, other income is expected to decrease from USD 23 Mn in 3Q25 to USD 1 Mn in 3Q26. Net finance costs are forecasted to increase 5.9% YOY to USD 24 Mn in 3Q26. Thus, profit before tax is anticipated to increase by 2.6% YOY to USD 413 Mn in 3Q26. However, tax expense is expected to rise 10.0% YOY to USD 38 Mn in 3Q26. The Company is expected to record NCI of USD 6 Mn in 3Q26 compared to nil in 3Q25.

2026 Forecast

ADNOC Drilling is expected to report a 1.0% YOY increase in net profit to USD 1,463 Mn in 2026. The rise in net profit is mainly attributed to an anticipated increase in revenue and the share of results from a JV, along with a decline in G&A expenses and finance costs, partially offset by a forecasted rise in direct costs, higher tax expenses, non-controlling interests, and a projected decline in other income. ADNOC Drilling's revenue is forecasted to increase 1.9% YOY to USD 4,995 Mn in 2026, driven by a projected increase in revenue from Onshore and Offshore, partially offset by an expected decline in revenue from OFS. On the other hand, direct costs are expected to rise 1.4% YOY to USD 3,150 Mn in 2026. Thus, gross profit is likely to increase 2.7% YOY to USD 1,845 Mn in 2026, with the gross profit margin expected to expand by 30 bps YOY to 36.9% in 2026. G&A expenses are projected to decline 7.4% YOY to USD 155 Mn in 2026. EBITDA is forecasted to increase marginally 0.3% YOY to USD 2,204 Mn in 2026, while EBITDA margin is projected to decline 70 bps YOY to 44.1% in 2026. EBIT is expected to increase 3.7% YOY to USD 1,691 Mn in 2026. Share of results from a JV is projected to increase 4.0% YOY to USD 30 Mn in 2026. Other income is expected to decline from USD 27 Mn in 2025 to USD 7 Mn in 2026. Net finance costs are expected to decline 1.4% YOY to USD 96 Mn in 2026. As a result, profit before tax is anticipated to increase 2.8% YOY to USD 1,632 Mn in 2026. The Company's tax expense is forecasted to rise 5.6% YOY to USD 147 Mn in 2026. The Company is expected to record NCI of USD 22 Mn in 2026 compared to nil in 2025, due to acquisition of MBPS and SLDC.

2Q26 Outturn

ADNOC DRILL's revenue increased 2.9% YOY to USD 1,232 Mn in 2Q26, primarily driven by the consolidation of the SLDC and MBPS acquisitions, which added 30 regional land rigs across the GCC region, mainly in Oman and Kuwait. Growth was further supported by two jack-up rigs that commenced operations at the end of 2Q25 and the early deployment of an AI-enabled island rig. This was partially offset by the planned repurposing of selected onshore rigs and lower unconventional activity following the accelerated execution during 2025, which contributed USD 75

Mn to 2Q26 revenue. Onshore revenue increased 8.0% YOY to USD 554 Mn on the consolidation of SLDC and MBPS along with higher fuel escalation. However, Onshore EBITDA declined 7.3% YOY to USD 241 Mn with margin contracting to 43.5% from 50.7%, as a 22.3% YOY rise in operating expenses on higher fuel costs and the consolidated regional operations outpaced revenue growth. Offshore (Jack-up & Island) revenue increased 6.2% YOY to USD 358 Mn and EBITDA rose 3.4% YOY to USD 241 Mn, though margin eased to 67.4% from 69.0% on the phasing of maintenance costs. OFS revenue declined from USD 347 Mn in 2Q25 to USD 320 Mn on the expected lower phasing of unconventional activity, partially offset by higher Integrated Drilling Services activity as IDS rigs increased from 58 to 61. OFS EBITDA nonetheless rose 44.2% YOY to USD 75 Mn with margin expanding to 23.5%, as the lower-margin unconventional revenue drove a 17.2% YOY reduction in operating expenses alongside a favorable activity mix. Direct cost grew 2.4% YOY to USD 770 Mn, lifting gross profit 3.9% YOY to USD 461 Mn with gross margin up 35 bps YOY to 37.5%, while G&A expenses rose 6.8% YOY to USD 48 Mn. Consequently, EBITDA increased 2.2% YOY to USD 557 Mn, though EBITDA margin fell 31 bps YOY to 45.3%, as margin expansion in OFS was more than offset by contraction in Onshore on higher fuel escalation revenue and the consolidated regional operations, which carry lower margins than the domestic business. The Company's net finance costs increased 8.4% YOY to USD 29 Mn in 2Q26. The share of results of joint ventures declined from USD 11 Mn in 2Q25 to USD 6 Mn in 2Q26, reflecting a lower contribution from Enersol and Turnwell. Other income increased from USD 1 Mn in 2Q25 to USD 2 Mn in 2Q26, while tax charges rose marginally from USD 34 Mn in 2Q25 to USD 35 Mn in 2Q26, with the effective rate unchanged under the Abu Dhabi fiscal arrangement at 9%. Non-controlling interests were recognised at USD 2 Mn in 2Q26 against nil in 2Q25.

Target price and rating

We maintain our BUY rating on ADNOC DRILL with a target price of AED 7.00. The revenue in 2Q26 increased 2.9% YOY to USD 1,232 Mn, primarily driven by the consolidation of SLDC (70% stake) and MBPS (80% stake), adding 30 regional land rigs across Oman, Kuwait, Saudi Arabia and Bahrain. Growth was also supported by additional offshore rigs, partially offset by lower unconventional activity and the repurposing of certain onshore rigs. Fleet expanded to 171 rigs with 141 rigs in Abu Dhabi and 30 regional rigs, representing 21% YOY growth. IDS rigs increased from 58 in 2Q25 to 61 in 2Q26, with OFS services provided across 114 rigs, improving operational efficiency and increasing customer penetration. One AI-enabled walking island rig (AD-300) was delivered nearly three months ahead of schedule, accelerating offshore automation and enabling earlier revenue generation. Following the quarter-end, ADNOC Drilling commenced operations of one repurposed land rig in Oman, marking its first organic rig deployment in the Sultanate. Enabled through the MBPS platform, the deployment demonstrates early cross-border synergies, expands the Company's client base, and strengthens its regional expansion strategy. Total assets increased 8.6% YOY to USD 8,601 Mn in 2Q26. This growth was mainly driven by consolidation of SLDC and MBPS acquisitions, cash contributions to the Enersol JV, and increased working capital to support higher business activity and regional expansion. Enersol (51% stake) continues expanding AI and energy technology capabilities through acquisitions. On the other hand, Turnwell (55% stake) supports ADNOC's unconventional drilling business. Both JVs contributed to Oilfield Services earnings during the quarter, though the combined contribution declined YOY. The Company continued to expand its domestic drilling fleet in line with ADNOC's objective of increasing oil production capacity to 5 million barrels per day by 2027. The Abu Dhabi fleet reached 141 rigs during the quarter, with five additional AI-enabled island rigs scheduled for deployment through 2027. The Company expects to deploy c. 70 Integrated Drilling Services (IDS) rigs by the end of 2026, further strengthening its operational scale and enhancing the long-term earnings visibility of its Oilfield Services business. Over the medium term, the Company aims to maintain EBITDA margins of approx. 50% for its domestic conventional drilling business and 23-26% for its conventional Oilfield Services segment, while keeping annual maintenance capital expenditure at up to USD 0.3 Bn. The Company distributed a 2Q26 dividend of USD 262.5 Mn (c. 6.0 fils/share). Together with the 1Q26 dividend, total dividends distributed for 2026 amount to USD 525 Mn, representing half of the annual USD 1.05 Bn dividend floor. The Company reaffirmed its

progressive dividend policy, with a minimum 5% annual increase through at least 2030, while retaining the flexibility to pay additional discretionary dividends supported by excess free cash flow. For 9M26, the Company guided for revenue of c. USD 3.71 Bn, EBITDA of c. USD 1.64 Bn and net income of c. USD 1.07 Bn, implying a sequentially stronger 3Q26. For 2026, ADNOC Drilling expects revenue of c. USD 5 Bn, comprising USD 2 Bn from the Onshore segment, USD 1.5 Bn from the Offshore (Jack-up & Island) segment, and USD 1.5 Bn from the Oilfield Services segment. The Company has guided for EBITDA of USD 2.2-2.3 Bn, with an EBITDA margin of 44-45%. Net profit is expected to be in the range of USD 1.45-1.50 Bn, translating to a net profit margin of 29-30%. Additionally, the Company expects cash capital expenditure (excluding M&A) of USD 0.6-0.8 Bn, free cash flow (excluding M&A) of USD 1.2-1.3 Bn, and aims to maintain a leverage ratio below 2.0x. Guidance excludes any contribution from regional M&A, unconventional Phase 2 pending FID expected in 4Q26, and the redeployment of the remaining repurposed rigs. Thus, considering all the above-mentioned factors, we maintain BUY rating on the stock.

ADNOC Drilling- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	39.97	30.10	23.37	18.52	16.63	16.25
PB (x)	8.63	8.23	7.39	6.33	5.89	5.33
EV/EBITDA	24.06	20.55	17.38	12.95	11.91	11.91
BVPS (AED)	0.642	0.673	0.749	0.875	0.941	1.039
EPS (AED)	0.139	0.184	0.237	0.299	0.333	0.341
DPS (AED)	0.157	0.157	0.165	0.181	0.230	0.241
Dividend Yield (%)	2.9%	2.9%	3.0%	3.3%	4.2%	4.4%

ADNOC Drilling - P&L

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
USD Mn								
Revenue	1,260	1,232	1,246	-1.1%	1.2%	4,903	4,995	1.9%
Direct Cost	-825	-770	-775	-6.0%	0.6%	-3,106	-3,150	1.4%
Gross Profit	435	461	471	8.2%	2.1%	1,797	1,845	2.7%
G&A expenses	-37	-48	-36	-1.1%	-24.0%	-167	-155	-7.4%
EBITDA	560	557	557	-0.5%	-0.1%	2,198	2,204	0.3%
EBIT	399	414	435	9.1%	5.1%	1,630	1,691	3.7%
Share of results of a JV	3	6	1	-78.4%	-90.0%	29	30	4.0%
Other Income- Net	23	2	1	-94.7%	-43.0%	27	7	-72.2%
Finance Costs- Net	-23	-29	-24	5.9%	-17.1%	-98	-96	-1.4%
Profit before tax	402	394	413	2.6%	4.9%	1,588	1,632	2.8%
Corporate tax	-34	-35	-38	10.0%	8.4%	-139	-147	5.6%
Non-controlling interest	0	2	6	NM	210.1%	0	22	NM
Net profit	368	357	369	0.3%	3.5%	1,449	1,463	1.0%

FABS estimate & Co Data

ADNOC Drilling - Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	34.5%	37.5%	37.8%	325	33	36.7%	36.9%	30
EBITDA	44.4%	45.3%	44.7%	27	-55	44.8%	44.1%	-70
Net Profit	29.2%	29.0%	29.6%	42	66	29.5%	29.3%	-27

FABS estimate & Co Data

3Q26 Preview: **ADNOC Gas**

Lower revenue and higher operating expenses to weigh on profitability

Current Price AED 3.26	Target Price AED 4.30	Upside/Downside (%) +31.9%	Rating BUY
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3Q26 Estimate

ADNOC Gas plc's (ADNOCGAS /the Company) net profit is projected to decline 39.3% YOY to USD 811 Mn in 3Q26, primarily due to anticipated lower revenue and other operating income, along with higher employee benefit expenses and other expenses. These are partially offset by lower direct costs, other operating costs & administrative expenses, inventory consumption, share of operating costs in equity-accounted investees, depreciation & amortisation, finance cost, and income tax expenses, as well as higher share of profit from equity-accounted investees, recharges to equity-accounted investees, and finance income. ADNOCGAS revenue is anticipated to decline 27.8% YOY to USD 3,504 Mn in 3Q26. Direct costs are expected to decrease 28.1% YOY to USD 1,973 Mn in 3Q26. Consequently, gross profit is projected to decline 27.5% YOY to USD 1,531 Mn in 3Q26, while gross profit margin is expected to expand 20 bps YOY to 43.7% in 3Q26. Other operating income is forecasted to decline 38.8% YOY to USD 172 Mn in 3Q26, while the share of profit from equity-accounted investees is expected to increase from USD 71 Mn in 3Q25 to USD 116 Mn in 3Q26. Recharges to equity-accounted investees are anticipated to increase 6.0% YOY to USD 155 Mn in 3Q26. Employee benefit expenses are projected to increase 15.5% YOY to USD 325 Mn in 3Q26, whereas other operating costs and administrative expenses are expected to decrease 15.4% YOY to USD 94 Mn in 3Q26. The share of operating costs in equity-accounted investees is forecasted to decline 32.5% YOY to USD 44 Mn in 3Q26, while inventory consumption is expected to decrease from USD 19 Mn in 3Q25 to USD 6 Mn in 3Q26. Other expenses are projected to increase from USD 62 Mn in 3Q25 to USD 144 Mn in 3Q26. As a result, EBITDA is expected to decline 34.3% YOY to USD 1,361 Mn in 3Q26, with EBITDA margin expected to contract from 42.7% in 3Q25 to 38.9% in 3Q26. Depreciation and amortisation are anticipated to decrease marginally by 0.5% YOY to USD 330 Mn in 3Q26. EBIT is projected to decline 40.7% YOY to USD 1,031 Mn in 3Q26. Finance income is expected to increase 29.7% YOY to USD 25 Mn in 3Q26, while finance cost is projected to decline 15.2% YOY to USD 37 Mn in 3Q26. Profit before tax is expected to decline 40.6% YOY to USD 1,019 Mn in 3Q26. Income tax expenses are anticipated to decrease 45.0% YOY to USD 208 Mn in 3Q26.

2026 Forecast

ADNOCGAS net profit is expected to decline 27.2% YOY to USD 3,759 Mn in 2026, primarily due to lower revenue, other operating income, share of profit from equity-accounted investees, and finance income, along with higher employee benefit expenses, other operating costs & administrative expenses, other expenses, and depreciation & amortisation. These are partially offset by lower direct costs, share of operating costs in equity-accounted investees, inventory consumption, finance costs, and income tax, as well as higher recharges to equity-accounted investees. ADNOCGAS revenue is projected to decline 17.6% YOY to USD 15,251 Mn in 2026. Direct costs are anticipated to decline 20.9% YOY to USD 8,402 Mn in 2026. Thus, gross profit is likely to decline 13.2% YOY to USD 6,849 Mn in 2026, while gross profit margin is projected to expand 230 bps YOY to 44.9% in 2026. Other operating income is forecasted to decline 27.5% YOY to USD 822 Mn in 2026. Share of profit from equity-accounted investees is anticipated to decline 28.7% YOY to USD 305 Mn in 2026. Recharges to equity-accounted investees are expected to increase 5.0% YOY to USD 627 Mn in 2026. Employee benefit expenses are expected to increase 8.5% YOY to USD 1,199 Mn in 2026. Other operating costs & administrative expenses are expected to increase 4.4% YOY to USD 403 Mn in 2026. Share of operating costs in equity-accounted investees is expected to decline 13.5% YOY to USD 218 Mn in 2026. Inventory consumption is expected to decline 17.3% YOY to USD 44 Mn in 2026. Meanwhile, other expenses are expected to increase from USD 231 Mn in 2025 to USD 436 Mn in 2026. EBITDA is expected to decline 21.4% YOY to USD 6,305 Mn in 2026, while the EBITDA margin is projected

to contract 200 bps YOY to 41.3% in 2026. Depreciation & amortisation are projected to increase 2.1% YOY to USD 1,326 Mn in 2026. Thus, EBIT is expected to decline 25.9% YOY to USD 4,978 Mn in 2026. Finance income is expected to decline 4.5% YOY to USD 100 Mn in 2026, while finance cost is anticipated to decline 1.7% YOY to USD 174 Mn in 2026. Profit before tax is expected to decline 26.2% YOY to USD 4,905 Mn in 2026. The Company's income tax expense is expected to decline 22.8% YOY to USD 1,145 Mn in 2026.

2Q26 Outturn

ADNOCGAS net revenue fell 33.2% YOY to USD 3,111 Mn in 2Q26, while the Company's total revenue, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 39.2% YOY to USD 3,624 Mn in 2Q26. The decline in revenue was largely due to lower exports and traded liquids sales volumes amid the Strait of Hormuz disruption, while lower domestic gas volumes further impacted the revenue. Total sales volume (including ADNOCGAS LNG JV) declined 39.1% YOY to 567 trillion British thermal units (TBTU) in 2Q26. Domestic gas sales volume declined 29.8% YOY to 429 TBTU in 2Q26, mainly due to lower reinjection gas volumes and ethane offtake. Exports traded liquids volumes declined from 252 TBTU in 2Q25 to 117 TBTU in 2Q26, primarily due to the continued disruptions in the Strait of Hormuz in the quarter, which restricted the exports LPG, naphtha and LNG products. Furthermore, the Company's LNG JV's sales volume declined from 65 TBTU in 2Q25 to 19 TBTU in 2Q26. The sales volume of sulfur declined from 4 TBTU in 2Q25 to 1 TBTU in 2Q26. Direct cost declined 34.4% YOY to USD 1,729 Mn in 2Q26. Thus, gross profit declined 31.6% YOY to USD 1,383 Mn in 2Q26. However, gross margins expanded 102 bps YOY to 44.4% in 2Q26. Other operating income declined from USD 264 Mn in 2Q25 to USD 128 Mn in 2Q26. Share of profit from equity accounted investee fell from USD 150 Mn in 2Q25 to USD 11 Mn in 2Q26. Recharges to equity accounted investees declined 4.6% YOY to USD 145 Mn in 2Q26. Employee benefit expenses declined 6.9% YOY to USD 275 Mn in 2Q26. Other operating costs and administrative expenses rose 42.5% YOY to USD 115 Mn in 2Q26. Share of operating cost in equity accounted investee decreased 6.5% YOY to USD 55 Mn in 2Q26. Inventory consumption increased marginally by 0.5% YOY to USD 16 Mn in 2Q26. Other expenses increased from USD 52 Mn in 2Q25 to USD 142 Mn in 2Q26. ADNOCGAS recorded other income of USD 48 Mn in 2Q26, primarily due to USD 45.5 Mn insurance claim receivable. Thus, the Company's EBITDA decreased 46.4% YOY to USD 1,118 Mn in 2Q26, while EBITDA margin declined from 44.8% in 2Q25 to 35.9% in 2Q26. While the Company's consolidated total EBITDA, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 47.0% YOY to USD 1,194 Mn in 2Q26. Overall Domestic Gas EBITDA declined 25.0% YOY to USD 687 Mn in 2Q26. Export & Traded Liquids EBITDA decreased from USD 982 Mn in 2Q25 to USD 369 Mn in 2Q26, primarily impacted by lower sales volumes caused by disruption in Strait of Hormuz. Additionally, ADNOCGAS share of EBITDA from the ALNG joint venture declined 74.0% YOY to USD 71 Mn in 2Q26, mainly due to export restrictions caused by the Strait of Hormuz disruption. Thus, the Company's operating profit decreased 55.9% YOY to USD 779 Mn in 2Q26. Finance income declined from USD 18 Mn in 2Q25 to USD 13 Mn in 2Q26. Finance cost increased 3.7% YOY to USD 48 Mn in 2Q26. Total income tax expenses declined from USD 351 Mn in 2Q25 to USD 79 Mn in 2Q26.

Target price and rating

We maintain our BUY rating on ADNOCGAS with a target price of AED 4.30. ADNOCGAS 2Q26 performance was impacted by the continued disruption in the Strait of Hormuz, which restricted LNG, LPG and naphtha exports and resulted in a sharp decline in sales volumes. Total sales volumes declined 39.1% YOY to 567 TBTU, due to 53.6% YOY decline in Exports & Traded Liquids volumes to 117 TBTU and a 70.8% YOY decline in LNG JV volumes to 19 TBTU. Domestic gas volumes also declined 29.8% YOY to 429 TBTU, mainly due to lower reinjection gas volumes and ethane offtake. The lower export volumes, together with higher shipping and insurance costs weighed on realized pricing and earnings, resulting in EBITDA declining 46.4% YOY to USD 1,118 Mn and EBITDA margin contracting to 35.9% from 44.8% in 2Q25. However, lower direct costs supported gross margin expansion of 102 bps YOY to 44.4% in 2Q26. The Company guided 3Q26 net income to c. USD 600-

800 Mn, reflecting expected improvement in domestic gas performance despite continued uncertainty around Strait of Hormuz shipping activity. Operationally, the Company's performance remained resilient in 2Q26 with Habshan recovery progressed ahead of the initial timeline, with around 85% of supply restored by June 2026, while the remaining restoration work is expected to continue into 2027. ADNOC GAS has raised its long-term EBITDA growth target to c. 60% by 2030 vs 2023, compared with the earlier target of more than 40% growth by 2029. The upgraded target is supported by c.45% volume growth and USD 28 Bn of committed capex. The Company's capex of USD 28 Bn, comprise of previously announced projects and the newly sanctioned RGD Phases 2 and 3. Meram, with a capacity of 3.4 MTPA, is targeted for completion in 2027 with capex of around USD 3.6 Bn, while Ruwais LNG is expected to be completed in 2028, adding 9.6 MTPA of LNG capacity at an estimated capex of around USD 5 Bn. RGD Phase 1, with around USD 5 Bn of investment, is focused on debottlenecking existing facilities and is expected to be completed in 2027. The newly sanctioned RGD Phases 2 and 3, with investment of c. USD 8.2 Bn, are targeted for completion in 2029-30 and comprise a 670 MMscfd gas-processing train and a 23,000 TPD NGL train, providing additional domestic gas-processing and export-oriented NGL capacity. Meanwhile, Bab Gas Cap remains at the pre-FID stage, with expected completion from 2029 onwards and planned capacity of 1.85 BSCFD. Furthermore, the Company's balance sheet is expected to expand alongside the accelerated growth capex programme during 2026-30, while maintaining net debt/EBITDA capacity of 1.5-2.0x. The higher capex programme is expected to be funded through operating cash flow and incremental borrowings, supported by USD 6.0 Bn of available financing facilities, comprising USD 2.0 Bn for working capital and USD 4.0 Bn for growth investments. The Company expects to utilize the USD 4.0 Bn growth facility as major projects scale up. Despite the accelerated investment programme, ADNOC GAS maintained its USD 3.76 Bn 2026 dividend commitment and distributed USD 940 Mn dividend for 2Q26. The Company has guided EBITDA margin of c. 36%, with domestic gas sales volumes of 1,920-2,000 TBTU, Exports & Traded Liquids volumes of 730-770 TBTU and LNG JV volumes of 160-175 TBTU for 2026. Additionally, net profit unit margins are guided at USD 0.95-1.05/MMBtu for domestic gas products, USD 1.35-1.45/MMBtu for Exports & Traded Liquids and USD 1.40-1.60/MMBtu for LNG JV products, Sulphur contribution is expected at USD 400-450 Mn, while CAPEX is guided at USD 4.5-5.0 Bn. Look forward near-term earnings remain exposed to the normalization of Strait of Hormuz operations, although the recovery at Habshan and improvement in domestic gas demand is expected to provide support to earnings in 2026. Furthermore, the 60% EBITDA growth target by 2030, supported by higher volumes, RGD expansion and a USD 28 Bn growth pipeline strengthens the Company's long-term earnings outlook. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNOC Gas- Relative Valuation¹

(at CMP)	2023	2024	2025	2026F
PE	13.41	13.58	13.15	17.84
PB	3.05	2.95	2.75	2.73
EV/EBITDA	8.55	7.39	7.43	9.82
BVPS (AED)	1.067	1.103	1.182	1.189
EPS (AED)	0.242	0.239	0.247	0.182
DPS (AED)	0.156	0.163	0.172	0.180
Dividend Yield	4.8%	5.0%	5.3%	5.5%

FABS Estimate & Co Data, ¹ADNOC Gas is listed in 2023, multiples for the prior period are not available

ADNOC Gas- P&L

USD Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	4,856	3,111	3,504	-27.8%	12.6%	18,509	15,251	-17.6%
Direct Cost	2,744	1,729	1,973	-28.1%	14.2%	10,622	8,402	-20.9%
Gross Profit	2,112	1,383	1,531	-27.5%	10.7%	7,887	6,849	-13.2%
Other Operating income	281	128	172	-38.8%	34.0%	1,134	822	-27.5%
Share of profit of equity-accounted investee	71	11	116	NM	NM	428	305	-28.7%
Recharges to equity accounted investees	146	145	155	6.0%	6.4%	598	627	5.0%
Employee benefit expenses	-281	-275	-325	15.5%	18.1%	-1,105	-1,199	8.5%
Other operating costs and administrative expenses	-111	-115	-94	-15.4%	-18.4%	-386	-403	4.4%
Share of operating costs in a equity-accounted investee	-65	-55	-44	-32.5%	-20.0%	-252	-218	-13.5%
Inventory Consumption	-19	-16	-6	NM	NM	-53	-44	-17.3%
Other expenses	-62	-142	-144	NM	1.1%	-231	-436	NM
Other Income	0	48	0	NM	NM	0	48	NM
EBITDA	2,072	1,118	1,361	-34.3%	21.8%	8,021	6,305	-21.4%
Depreciation and amortisation	-332	-334	-330	-0.5%	-1.1%	-1,299	-1,326	2.1%
EBIT	1,740	779	1,031	-40.7%	32.4%	6,721	4,978	-25.9%
Finance Income	19	13	25	29.7%	NM	105	100	-4.5%
Finance Cost	-44	-48	-37	-15.2%	-22.5%	-177	-174	-1.7%
Profit before tax	1,716	744	1,019	-40.6%	37.1%	6,649	4,905	-26.2%
Income Tax expense	378	79	208	-45.0%	NM	1,483	1,145	-22.8%
Net profit	1,338	665	811	-39.3%	22.1%	5,166	3,759	-27.2%

FABS Estimate & Co Data

ADNOC Gas- Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	43.5%	44.4%	43.7%	20	-76	42.6%	44.9%	230
EBITDA	42.7%	35.9%	38.9%	-381	292	43.3%	41.3%	-200
Net Profit	27.5%	21.4%	23.2%	-439	180	27.9%	24.6%	-326

FABS estimate and Co data

3Q26 Preview: Dana Gas

Higher revenue expected to drive earnings growth amid rising costs

Current Price AED 0.81	Target Price AED 1.15	Upside/Downside (%) +41.8%	Rating BUY
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3Q26 Estimate

Dana Gas PJSC's (Dana/the Company) net profit is expected to increase from USD 30 Mn in 3Q25 to USD 47 Mn in 3Q26, largely driven by an anticipated increase in revenue and investment & finance income, coupled with lower impairment charges, partially offset by higher royalties, operating costs, general & administrative expenses, other expenses, finance costs, and income tax expenses. Dana's revenue is expected to increase 48.4% YOY to USD 125 Mn in 3Q26. Royalties are forecasted to increase from USD 13 Mn in 3Q25 to USD 22 Mn in 3Q26. Thus, net revenue is expected to increase 43.9% YOY to USD 102 Mn in 3Q26. Operating costs are anticipated to increase 35.4% YOY to USD 42 Mn in 3Q26. Overall, gross profit is expected to increase from USD 40 Mn in 3Q25 to USD 60 Mn in 3Q26, with gross profit margin anticipated to expand by 70 bps YOY to 48.3% in 3Q26. G&A expenses are expected to increase 10.3% YOY to USD 3 Mn in 3Q26, while other expenses are forecasted to increase from nil in 3Q25 to USD 1 Mn in 3Q26. Investment & finance income is anticipated to increase 28.8% YOY to USD 4 Mn in 3Q26. Impairment of financial assets is expected to be nil in 3Q26, compared to USD 1 Mn in 3Q25. Operating profit is expected to increase from USD 35 Mn in 3Q25 to USD 60 Mn in 3Q26, with the operating profit margin projected to improve from 41.7% in 3Q25 to 48.2% in 3Q26. The Company's EBITDA is projected to increase from USD 50 Mn in 3Q25 to USD 76 Mn in 3Q26, with the EBITDA margin anticipated to expand by 178 bps YOY to 61.3% in 3Q26. Finance costs are expected to increase from USD 1 Mn in 3Q25 to USD 7 Mn in 3Q26. Profit before tax is expected to increase from USD 34 Mn in 3Q25 to USD 54 Mn in 3Q26, while income tax expenses are anticipated to increase from USD 4 Mn in 3Q25 to USD 6 Mn in 3Q26.

2026 Forecast

Dana's net profit is expected to increase 39.8% YOY to USD 182 Mn in 2026, primarily due to an anticipated increase in revenue and higher investment & finance income, partially offset by an expected increase in royalties, operating costs, general and administrative expenses, other expenses, impairment of financial assets, finance costs, and income tax expenses. Dana Gas's revenue is expected to increase 37.7% YOY to USD 479 Mn in 2026. Royalties are anticipated to increase 33.3% YOY to USD 68 Mn in 2026. Consequently, net revenue is expected to rise 38.5% YOY to USD 411 Mn in 2026. Operating costs are projected to increase 25.4% YOY to USD 152 Mn in 2026. Thus, gross profit is anticipated to increase 47.5% YOY to USD 260 Mn in 2026, with the gross profit margin expected to improve from 50.6% in 2025 to 54.2% in 2026. G&A expenses are projected to increase 34.8% YOY to USD 16 Mn in 2026, while investment & finance income is expected to increase 19.8% YOY to USD 14 Mn in 2026. Other expenses are projected to increase from USD 7 Mn in 2025 to USD 19 Mn in 2026. Impairment of financial assets is expected to increase from USD 4 Mn in 2025 to USD 9 Mn in 2026. Hence, operating profit is expected to increase 49.2% YOY to USD 230 Mn in 2026, while operating profit margin is expected to improve from 44.3% in 2025 to 47.9% in 2026. The Company's EBITDA is projected to increase 42.4% YOY to USD 306 Mn in 2026, with the EBITDA margin is expected to expand by 210 bps YOY to 63.9% in 2026. Finance costs are expected to increase from USD 8 Mn in 2025 to USD 26 Mn in 2026. Profit before tax is expected to increase 39.9% YOY to USD 204 Mn in 2026, while income tax expenses are anticipated to increase 40.4% YOY to USD 22 Mn in 2026.

2Q26 Outturn

DANA's revenue grew 41.3% YOY to USD 113 Mn in 2Q26 mainly attributed to higher realized prices supported by higher sales volumes in KRI and increase in production output in Egypt, although production levels remain same in KRI during 2Q26 compared 2Q25. The Company's average

production increased from 51.5 kboep/d in 2Q25 to 52.7 kboep/d in 2Q26. Notably, KRI's average production remained stable at 39.2 kboep/d in 2Q26. Egypt reported a 9.8% YOY increase to 13.5 kboep/d in 2Q26. Royalty payments increased from USD 10 Mn in 2Q25 to USD 19 Mn in 2Q26 owing in revenue in Egypt. As a result, net revenue increased 34.3% YOY to USD 94 Mn in 2Q26. Operating costs rose from USD 28 Mn in 2Q25 to USD 40 Mn in 2Q26. Consequently, the gross profit increased 28.6% YOY to USD 54 Mn in 2Q26. However, the gross profit margin contracted 471 bps YOY to 47.8% in 2Q26. Furthermore, DANA's G&A expenses increased 33.3% YOY to USD 4 Mn in 2Q26. Also, the investment and finance income rose 33.3% YOY to USD 4 Mn in 2Q26. The Company's other expenses increased from USD 5 Mn in 2Q25 to USD 9 Mn in 2Q26 due to higher arbitration cost against the previous EPC contractor for KM250 and higher provision on receivables. Impairment of financial assets increased from USD 1 Mn in 2Q25 to USD 2 Mn in 2Q26. Share of loss from joint venture stood at USD 1 Mn in 2Q26. Moreover, DANA's operating profit increased 16.7% YOY to USD 42 Mn in 2Q26, while operating profit margin contracted from 45.0% in 2Q25 to 37.2% in 2Q26. EBITDA rose 31.9% YOY to USD 62 Mn in 2Q26. However, EBITDA margin decreased from 58.8% in 2Q25 to 54.9% in 2Q26. The Company's finance costs increased from USD 1 Mn in 2Q25 to USD 6 Mn in 2Q26 owing to expensing of finance cost which was capitalized earlier. Additionally, income tax expense declined from USD 5 Mn in 2Q25 to USD 3 Mn in 2Q26.

Target price and rating

We maintain our BUY rating on Dana Gas with a target price of AED 1.15. Dana Gas delivered a resilient performance in 2Q26 despite temporary disruptions caused by regional conflict at the Khor Mor field, which constrained utilisation of the expanded KM250 processing facility. Despite the challenges, profitability remained healthy, supported by higher realized energy prices, increased production in Egypt and higher gas volume sales at Pearl Petroleum. Operationally, Egypt continues to be the growth driver, with production increasing from 12.3 kboe/d in 2Q25 to 13.5 kboe/d in 2Q26, driven by the ongoing investment programme and drilling activities. Following the drilling of two wells in 1Q26, the Company drilled an additional well and recompleted one well during 2Q26. The recent exploration has delivered encouraging results, identifying an estimated 10 Bcf of gas resources, exceeding the initial estimates of 3 Bcf. This development could add c. 12 Bcf of gas resources in the licensed area. Furthermore, DANA expects to drill an additional four wells before the end of 2026, supporting continued production growth and reserve expansion. Egypt's PP&E capex stood at USD 16 Mn in 2Q26, taking cumulative 1H26 capex to USD 28 Mn, indicating acceleration in the drilling programme and continued investment across its Egyptian assets. The Company had guided for c.USD 50 Mn of capex in 2026 to support ongoing drilling and exploration activities. In the KRI, KM250 had successfully demonstrated its expanded processing capacity, with Khor Mor production exceeding 700 MMscf/d and the Company's production reaching 70 kboe/d in January 2026. However, the conflict in the region constrained the capacity utilisation. After 2Q26, operations are normalising and DANA has commenced supplying 100 MMscf/d of gas to Iraq's Ministry of Electricity under a one-year agreement, marking the first commercial utilisation of the additional KM250 capacity and expanding the Company's domestic customer base. Furthermore, Khor Mor production has recovered to 630 MMscf/d following the temporary shutdowns in 2Q26 with production ramp-up expected as the operating environment in the region normalizes. Beyond KM250, Chemchemical remains the Company's next major growth project. Pearl Petroleum continues to advance the USD 160 Mn appraisal and early development programme, while long-term gas sales agreements had signed to supply up to 142 MMscf/d to industrial customers in Bazian and Erbil, thereby expanding the customer base. DANA continued to strengthen the financial position during 2Q26, with cash balances increasing to USD 230 Mn. Collections remained healthy, supported by continued timely payments from Egypt and improved collections from the KRI. The Company also drew a new USD 75 Mn bank facility in April 2026 at a lower cost compared to previous borrowing enhancing liquidity and financial flexibility. Overall, improving utilisation of the KM250 expansion, expanding domestic gas sales, sustained production growth in Egypt, continued progress at Chemchemical and a strong balance sheet support earnings outlook. Thus, based on our analysis we maintain BUY rating to the stock.

Dana Gas- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	4.93	8.54	9.70	10.28	11.94	8.54
PB	0.68	0.67	0.65	0.62	0.61	0.59
EV/EBITDA	5.82	4.87	6.51	5.88	7.41	5.27
BVPS (AED)	1.204	1.207	1.245	1.324	1.337	1.370
EPS (AED)	0.165	0.095	0.084	0.079	0.068	0.095
DPS (AED)	0.080	0.090	NA	0.055	0.065	0.070
Dividend Yield	9.9%	11.1%	NA	6.8%	8.0%	8.6%

FABS Estimate & Co Data

Dana Gas- P&L

USD Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	84	113	125	48.4%	10.3%	348	479	37.7%
Royalties	-13	-19	-22	NM	18.0%	-51	-68	33.3%
Net Revenue	71	94	102	43.9%	8.7%	297	411	38.5%
Operating Costs	-31	-40	-42	35.4%	5.0%	-121	-152	25.4%
Gross Profit	40	54	60	NM	11.5%	176	260	47.5%
G&A expenses	-3	-4	-3	10.3%	-17.3%	-12	-16	34.8%
Investment & finance income	3	4	4	28.8%	-3.4%	12	14	19.8%
Other Expenses	0	-9	-1	NM	NM	-7	-19	173.9%
Impairment of financial asset	-1	-2	0	NM	NM	-4	-9	125.0%
Operating Profit	35	42	60	NM	43.1%	154	230	49.2%
EBITDA	50	62	76	NM	23.2%	215	306	42.4%
Finance costs	-1	-6	-7	NM	8.9%	-8	-26	220.0%
Profit Before Tax	34	36	54	NM	48.8%	146	204	39.9%
Income tax expense	-4	-3	-6	NM	NM	-16	-22	40.4%
Profit After Tax	30	33	47	NM	42.8%	130	182	39.8%

FABS estimate & Co Data

Dana Gas- Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	47.6%	47.8%	48.3%	70	53	50.6%	54.2%	359
Operating Profit	41.7%	37.2%	48.2%	655	1,105	44.3%	47.9%	370
EBITDA	59.5%	54.9%	61.3%	178	643	61.8%	63.9%	210
Net Profit Margin	35.7%	29.2%	37.8%	210	861	37.4%	37.9%	56

FABS estimate and Co data

3Q26 Preview: **NMDC Energy**

Softer backlog execution and margin pressure expected to weigh on profitability

Current Price AED 2.64	Target Price AED 3.80	Upside/Downside (%) +43.9%	Rating BUY
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3Q26 Estimate

NMDC Energy's ("NMDC"/ "the Company") net profit is expected to decrease 33.9% YOY to AED 243 Mn in 3Q26, driven by lower revenue and a projected rise in direct costs, other operating expenses, general & administrative expenses, and income tax expense, along with lower finance income, partially offset by higher other income and lower finance costs. NMDC's revenue is expected to decrease marginally 0.7% YOY to AED 4,813 Mn in 3Q26. Direct costs are projected to rise 1.6% YOY to AED 4,428 Mn in 3Q26. As a result, gross profit is likely to decline from AED 490 Mn in 3Q25 to AED 385 Mn in 3Q26, with the gross profit margin expected to decrease from 10.1% in 3Q25 to 8.0% in 3Q26. The Company's other operating expenses are projected to increase 26.8% YOY to AED 72 Mn in 3Q26, while general & administrative expenses are expected to increase 9.8% YOY to AED 48 Mn in 3Q26. Moreover, the Company is expected to record net other income of AED 8 Mn in 3Q26 compared to net other expenses of AED 14 Mn in 3Q25. Hence, operating profit is expected to decrease from AED 367 Mn in 3Q25 to AED 273 Mn in 3Q26, with the operating profit margin anticipated to decline from 7.6% in 3Q25 to 5.7% in 3Q26. EBITDA is expected to decrease 15.9% YOY to AED 397 Mn in 3Q26, with the EBITDA margin is projected to contract from 9.7% in 3Q25 to 8.2% in 3Q26. Finance income is expected to decline 37.6% YOY to AED 21 Mn in 3Q26, while finance costs are forecasted to fall 7.9% YOY to AED 8 Mn in 3Q26. Profit before tax is expected to decline 27.1% YOY to AED 286 Mn in 3Q26. NMDC's income tax expense is expected to increase from AED 25 Mn in 3Q25 to AED 43 Mn in 3Q26.

2026 Forecast

NMDC Energy's net profit is expected to decrease 34.8% YOY to AED 1,043 Mn in 2026, driven by a projected rise in direct costs, general & administrative expenses and non-controlling interests, along with lower finance income, partially offset by higher revenue and other income, coupled with lower other operating expenses, finance costs, and income tax expense. NMDC's revenue is expected to increase 5.3% YOY to AED 19,647 Mn in 2026, driven by robust backlog unwinding. Direct costs are projected to rise 9.8% YOY to AED 18,079 Mn in 2026. As a result, gross profit is likely to decline 28.6% YOY to AED 1,568 Mn in 2026, with the gross profit margin expected to contract by 380 bps YOY to 8.0% in 2026. The Company's other operating expenses are projected to decline 7.9% YOY to AED 255 Mn in 2026, whereas general & administrative expenses are expected to increase 4.1% YOY to AED 167 Mn in 2026. Moreover, the Company is expected to record net other income of AED 12 Mn in 2026 compared to net other expenses of AED 17 Mn in 2025. Hence, operating profit is anticipated to decline 33.6% YOY to AED 1,150 Mn in 2026, with the operating profit margin expected to contract by 343 bps YOY to 5.9% in 2026. EBITDA is expected to decline 23.9% YOY to AED 1,645 Mn in 2026, with the EBITDA margin projected to contract by 320 bps YOY to 8.4% in 2026. Finance income is expected to decline 21.9% YOY to AED 85 Mn in 2026, while finance costs are forecasted to decrease 16.3% YOY to AED 33 Mn in 2026. Profit before tax is expected to decline 33.3% YOY to AED 1,202 Mn in 2026. NMDC's income tax expense is expected to decrease 22.0% YOY to AED 156 Mn in 2026. Additionally, non-controlling interests are projected to increase from AED 2 Mn in 2025 to AED 3 Mn in 2026.

2Q26 Outturn

NMDC Energy's revenue increased 2.0% YOY to AED 4.5 Bn in 2Q26, supported by continued execution of its strong backlog despite ongoing operational challenges and regional geopolitical unrest. Revenue from the local market grew marginally by 0.9% YOY to AED 3,163 Mn, while revenue contribution from international markets increased 4.6% YOY to AED 1,356 Mn in 2Q26, reflecting the

UAE's continued position as the Company's primary market. The revenue mix comprised 57% offshore and 43% onshore projects. The Company's backlog stood at AED 33.3 Bn in 2Q26, offering solid revenue visibility, with 82% of the backlog coming from the local (UAE) market and the remaining 18% from international markets. The Company's direct costs rose 6.6% YOY to AED 4,205 Mn in 2Q26. Consequently, gross profit declined 35.3% YOY to AED 315 Mn in 2Q26, with the gross margin decreasing by 401 bps YOY to 7.0% in 2Q26. G&A expenses decreased 15.8% YOY to AED 18 Mn in 2Q26, while other operating expenses increased 1.9% YOY to AED 68 Mn in 2Q26. The Company reported other income of AED 1 Mn in 2Q26, compared with other expenses of AED 1 Mn in 2Q25. NMDC Energy's EBITDA declined 27.6% YOY to AED 351 Mn in 2Q26, reflecting continued cost overruns and operational challenges. As a result, the EBITDA margin contracted by 318 bps YOY to 7.8% in 2Q26. NMDC Energy's operating profit declined 42.9% YOY to AED 223 Mn in 2Q26, with the operating margin decreasing by 388 bps YOY to 4.9% in 2Q26. The Company's finance costs declined 24.4% YOY to AED 8 Mn in 2Q26, while finance income decreased 26.1% YOY to AED 20 Mn in 2Q26. Additionally, income tax expenses increased from AED 41 Mn in 2Q25 to AED 64 Mn in 2Q26, driven by an exceptional one-off item. Profit attributable to NCI increased 22.7% YOY to AED 1 Mn in 2Q26.

Target price and rating

We maintain our BUY rating on NMDC Energy with a target price of AED 3.80. NMDC Energy demonstrated resilient operational execution in 2Q26 despite ongoing operational challenges and a dynamic regional environment. Revenue increased 2.0% YOY to AED 4.5 Bn, supported by continued execution of its strong backlog. While profitability remained under pressure from cost overruns and operational challenges, the Company delivered a sequential recovery, with EBITDA increasing 78.2% QOQ and EBITDA margin improving to 7.8% in 2Q26 from 4.0% in 1Q26, driven by efficient resource deployment and enhanced operational adaptability. Management also indicated that the higher effective tax rate in 2Q26 was primarily attributable to a one-off item and expects tax rates to normalize during 2H26. As of 2Q26, NMDC Energy's backlog stood at AED 33.3 Bn following AED 2.2 Bn of new project awards secured during the quarter, providing strong revenue visibility. The backlog comprised 82% local projects and 18% international projects, with offshore projects accounting for 68% and onshore projects for 32% of the total backlog. The Company highlighted a healthy project pipeline of c. AED 55.2 Bn as of June 2026 and continued pursuit of strategic opportunities across regional and global energy markets, supporting sustainable long-term growth. The Company strengthened its industrial localization strategy through a series of strategic partnerships announced at Make it in the Emirates (MIITE) 2026, aimed at expanding domestic manufacturing capabilities, reducing import dependence, and creating new long-term growth opportunities. The Company signed an MoU with Energy Masters to establish the UAE's first manufacturing facility for Electro Submersible Pumps (ESPs), while its partnership with Borouge will explore advanced steel pipe coating solutions for infrastructure and energy projects. In addition, agreements with Neway Valve (Suzhou) Co., Ltd. and Wasco Energy Ltd. will support the localization of valve manufacturing and the development of modular fabrication solutions for data centres, respectively. These initiatives are expected to strengthen the UAE's industrial ecosystem, enhance local value creation, attract future investments, and reinforce the Company's long-term growth pipeline. NMDC also highlighted continued investments in AI technologies and modern fabrication yards to improve operational efficiency and support project execution. The Company maintained a strong liquidity position, with cash and bank balances of AED 3.3 Bn as of June 2026, providing financial flexibility to support future growth opportunities despite paying AED 800 Mn of dividends (16 fils per share) during 1H26. Looking ahead, management expects 2H26 performance to be more positive, subject to the regional operating environment remaining stable. Thus, considering the above factors, we maintain BUY rating on the stock.

NMDC Energy - Relative Valuation

(at CMP)	2024	2025	2026F
PE	9.65	8.47	12.99
PB	2.60	2.20	2.12
EV/EBITDA	5.59	4.37	6.36
BVPS (AED)	1.044	1.231	1.280
EPS (AED)	0.281	0.320	0.209
DPS (AED)	0.140	0.160	0.104
Dividend Yield	5.3%	6.1%	3.9%

FABS Estimate & Co Data

NMDC Energy - P&L

AED Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	4,846	4,519	4,813	-0.7%	6.5%	18,662	19,647	5.3%
Direct costs	-4,356	-4,205	-4,428	1.6%	5.3%	-16,464	-18,079	9.8%
Gross profit	490	315	385	-21.4%	22.3%	2,198	1,568	-28.6%
Other operating expenses	-57	-68	-72	26.8%	5.8%	-277	-255	-7.9%
General & admin. Exp.	-44	-18	-48	9.8%	169.4%	-160	-167	4.1%
Other income, net	-14	1	8	NM	736.2%	-17	12	NM
EBIT	367	223	273	-25.6%	22.3%	1,733	1,150	-33.6%
EBITDA	472	351	397	-15.9%	13.1%	2,160	1,645	-23.9%
Finance income	34	20	21	-37.6%	8.6%	109	85	-21.9%
Finance costs	-9	-8	-8	-7.9%	10.3%	-39	-33	-16.3%
Profit before tax	392	235	286	-27.1%	21.6%	1,803	1,202	-33.3%
Income tax	-25	-64	-43	NM	-33.2%	-200	-156	-22.0%
Profit for the year	368	171	243	-33.9%	42.1%	1,602	1,046	-34.7%
Non-Controlling interest	0	1	0	0.0%	-42.0%	2	3	NM
Net profit after NCI	367	170	243	-33.9%	42.4%	1,601	1,043	-34.8%

FABS estimate & Co Data

NMDC Energy - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	10.1%	7.0%	8.0%	-210	104	11.8%	8.0%	-380
EBITDA	9.7%	7.8%	8.2%	-149	48	11.6%	8.4%	-320
Operating Profit	7.6%	4.9%	5.7%	-190	73	9.3%	5.9%	-343
Net Profit	7.6%	3.8%	5.0%	-253	127	8.6%	5.3%	-327

FABS estimate and Co data

FAB Securities Contacts

Research Analyst

Ahmad Banihani
Shahrukh Nawaz

+971-2 -6161629
+971-2 -6161612

Ahmad.Banihani@Bankfab.com
Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Trading Desk Abu Dhabi Head Office

+971-2 -6161777
+971-2 -6161700/1

Institutional Desk
Sales and Marketing

+971-4 -5658395
+971-2 -6161703

Customer Service

Abu Dhabi Office

+971-2 -6161600

[Online Trading Link](#)

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