

UAE Energy Sector

Rising oil & gas production to weigh on prices

Sector Weighting:
MARKET WEIGHT

ADNOC Distribution remains our preferred choice over ADNOC Drilling, ADNOC Gas, and Dana Gas, backed by its strong operational excellence and customer-focused innovation strategy. ADNOC Distribution achieved an all-time high fuel volumes of 7.6 Bn litres in 1H25, up 5.6% YOY, supported by steady demand across the UAE, KSA, and Egypt. ADNOCDIST operated 939 fuel stations as of 2Q25, 556 in the UAE, 140 in Saudi Arabia, and 243 in Egypt, and added 24 new stations during the quarter. ADNOCDIST upgraded its station network guidance by 15% to 1,150 stations by 2028. On the other hand, ADNOC Distribution's customer-focused innovation strategy has led to improved non-fuel retail transactions, a higher store conversion rate, and a growing contribution from the car wash business. Thus, ADNOCDIST expects its non-fuel retail business transactions to double by 2030, compared to 2023. ADNOC Distribution recorded a 12.2% YOY increase in non-fuel transactions in 2Q25, attributable to marketing and promotion campaigns for attracting higher footfall and an increase in consumer spending. Additionally, ADNOC Distribution is considering more than 20 AI initiatives to enhance operational efficiency and improve the customer experience. ADNOC Distribution is advancing rapidly in clean energy infrastructure, with EV charging points increasing more than fourfold to 300 as of 2Q25. It aims to expand its EV infrastructure with a total of 500-750 charging points by 2028.

ADNOC Drilling presents long-term growth through upstream exposure and rising rig count, targeting over 151 rigs by 2028. ADNOC DRILL maintained a solid owned fleet availability of 96% in 2Q25, excluding the rigs involved in SLB transaction. Consequently, ADNOC Drilling won c. USD 4.8 Bn worth of new contracts, translating into a healthy growth in backlog. These contracts, spanning integrated drilling, oilfield, and rig services, provide long-term revenue visibility through 2040 and beyond. ADNOC Gas benefits from strong demand across its product portfolio, particularly within the local market. However, the Company faced pressure from weaker oil prices in 2Q25, which weighed on Naphtha and condensate pricing, but resilient LPG prices helped mitigate the impact. Total sales volume (including LNG JV) increased 2.6% YOY to 931 TBTU, with the domestic gas volume rising 5.3% YOY 2Q25. Nevertheless, the IGDE2 and MERAM projects, which are on track for completion in 2025 and 2026, respectively, are expected to enhance the Company's processing capacity and support its future financial performance. The current LNG price volatility and increasing capacity across the region might limit ADNOC Gas's margin growth. Meanwhile, Dana Gas continues to face structural and geopolitical headwinds across its operating geographies, primarily in the Kurdistan Region of Iraq and Egypt, which limit its growth potential and financial consistency. ADNOC Distribution offers strong long-term revenue visibility, along with growing non-fuel revenue, which positively benefits margins in both the near and long term. Additionally, it pays healthy dividends, positioning it as the preferred choice across the energy sector.

Stock	Target Price	CMP	Gain	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
ADNOC Distribution	4.46	3.72	+19.9%	BUY	17.12	14.64	5.5%
ADNOC Drilling	6.50	5.75	+13.0%	ACCUMULATE	17.90	12.71	4.0%
ADNOC Gas	4.30	3.53	+21.8%	BUY	14.61	7.78	4.8%
Dana Gas	0.95	0.84	+12.7%	ACCUMULATE	10.86	7.76	6.5%

Source: FABS Estimate, ¹Data refers to FY2025E

Key Developments in the Energy Sector

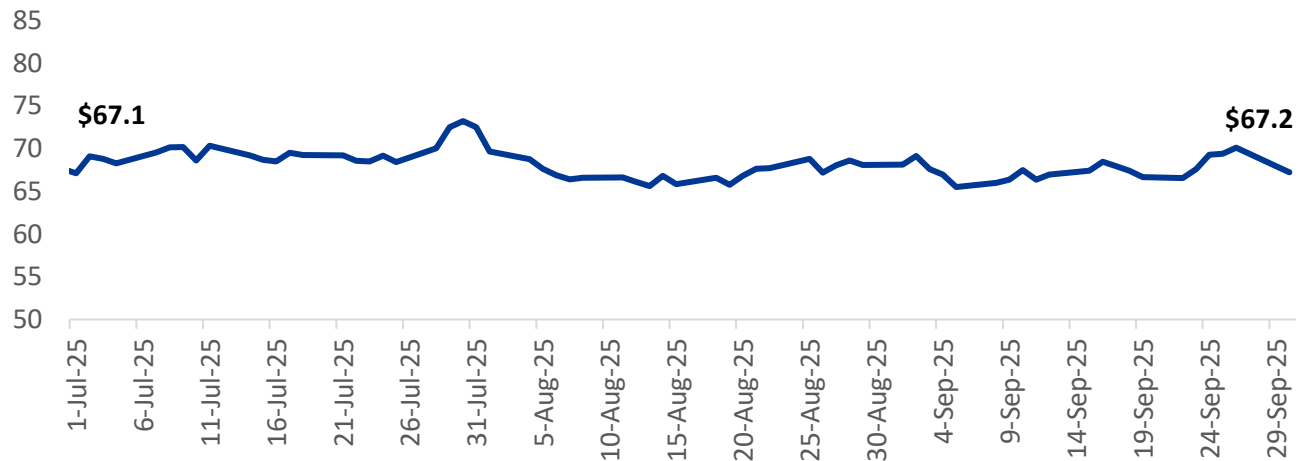
Global Economy Faces Risks, UAE Stands Out with Solid Trade and Tourism

Global growth is expected to reach 3.0% in 2025 and 3.1% in 2026, slightly higher than earlier IMF forecasts of April 2025. The upward revision is mainly due to increasing activity ahead of higher tariffs, lower-than-expected US tariffs, improved financial conditions supported by a weaker US dollar, and fiscal expansion in key economies. Global inflation is projected to decline to 4.2% in 2025 and 3.6% in 2026, broadly in line with earlier projections. However, inflation is expected to stay above the target level in the US, while being more subdued in other large economies. Higher tariffs and increased uncertainty would result in slower economic growth, while geopolitical tensions might disrupt supply chains, leading to higher commodity prices. Rising fiscal deficits or risk evasion could also push up long-term interest rates and create financial volatility. Together, these factors represent key downside risks to the overall economic outlook. On the upside, progress in trade negotiations and tariff reductions could support stronger global growth. For the UAE, the IMF forecasts real GDP growth of 4.0% in 2025, up from 3.8% in 2024. Non-oil activity remains strong, with the September PMI rebounding to 54.2 from 53.3 in August, driven by a strong recovery in demand. Non-oil trade expanded by 24% in 1H25, far outpacing global trade growth of 1.8%, underscoring the UAE's growing role as a global trade hub. Tourism continues to be a key driver, with Dubai attracting 11.2 Mn visitors from January to July 2025, compared to 10.6 Mn in the same period during 2024.

Oil prices weaken as rising inventories and OPEC+ supply growth point to deeper declines in 2026

Brent crude oil prices declined from an average of USD 69.8 per barrel in June 2025 to USD 67.6 per barrel in September 2025, as OPEC+ reaffirmed its commitment to accelerate production increases. According to the EIA, increasing global oil supply and a decline in demand as the summer season ends will result in rising global inventories exerting significant downward pressure on prices, with Brent expected to average USD 62 per barrel in 4Q25 and c. USD 52 per barrel in 1H26. EIA estimates global oil inventories to average 2.6 Mn bpd in 4Q25 and remain elevated through 2026. This trend reflects seasonal demand weakness following the summer peak and faster supply growth. Despite inventory builds averaging 1.6 Mn bpd from May through August 2025, prices have only moderately declined so far. China's increasing inventory is offsetting the supply growth, resulting in stable oil prices. China's inventory build maintained demand, limiting downward pressure on oil prices. Looking ahead, the EIA expects global oil inventories to increase by an average of 2.1 Mn bpd in 2026, up from 1.9 Mn bpd in 2025. Inventory builds are estimated to average more than 2.7 Mn bpd in 1Q26 before easing in the later period, supported by higher demand and lower production in response to low oil prices. Meanwhile, EIA anticipates Brent crude oil prices to average USD 52 per barrel in 2026, and estimates sustained low prices to prompt OPEC+ and some non-OPEC producers to curb supply, which should slow inventory accumulation later in the year.

Brent Crude Oil Price During 3Q25 (USD per Barrel)



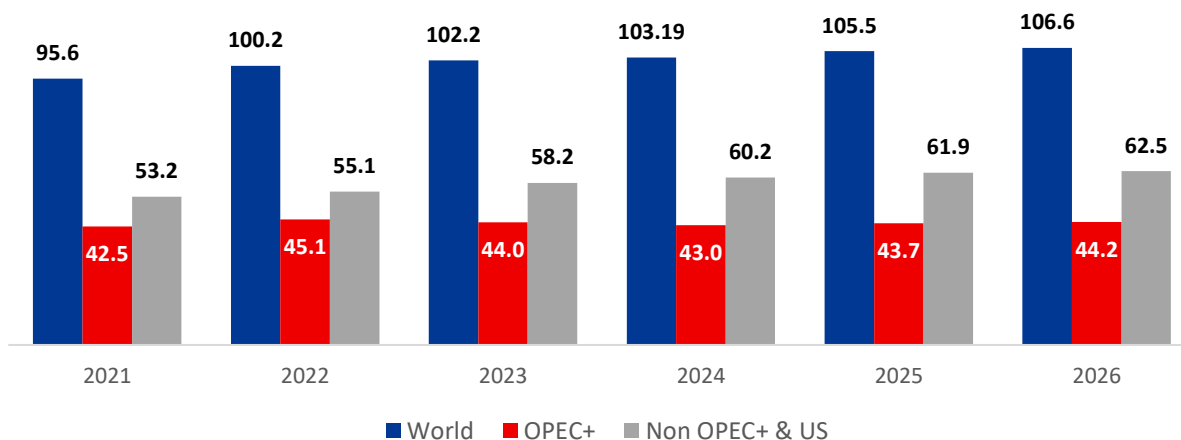
Source: Bloomberg

Crude Oil Supply and Demand

- According to the EIA, global oil demand is expected to rise by 740,000 bpd in 2025, a slight upward revision from the previous month's report. Advanced economies are showing steady consumption, while demand in emerging markets remains relatively subdued. OECD demand grew by 80,000 bpd in 1H25 on the back of lower oil prices but is projected to decline in 2H25, leaving overall 2025 demand broadly flat.
- Global oil supply rose to a record 106.9 Mn bpd in August 2025, supported by easing output cuts from OPEC+ and strong non-OPEC+ production. Total supply is estimated to grow by 2.7 Mn bpd in 2025 to 105.8 Mn bpd, followed by another 2.1 Mn bpd increase in 2026 to 107.9 Mn bpd. Non-OPEC+ producers are expected to contribute a significant part of these gains, adding 1.4 Mn bpd in 2025 and just over 1 Mn bpd in 2026.
- Global oil inventories increased by 26.5 mb in July 2025, bringing total builds since the start of the year to 187 mb. Despite this, stocks remain 67 mb below the five-year average, even with recent surpluses in China. OECD industry stocks rose by 6.9 mb, consistent with seasonal trends. Preliminary August data indicate that global stocks were broadly stable, as OECD builds offset declines in oil on water.
- Oil markets remain caught between opposing forces. On one hand, new sanctions on Russia and Iran, along with Ukraine's attack on Russian oil facilities, increase the risk of supply disruptions, while on the other hand, higher OPEC+ output and rising inventories suggest an oversupply. China's continued crude stockpiling has kept Brent futures in slight backwardation. Since August, prices have traded in a narrow range, with Brent steady at USD 67 per barrel, largely unchanged month-on-month.
- Stricter sanctions on Iran and Russia have had a limited impact on overall supply and trade, although exports from both countries have been gradually declining. Looking ahead, the EU's

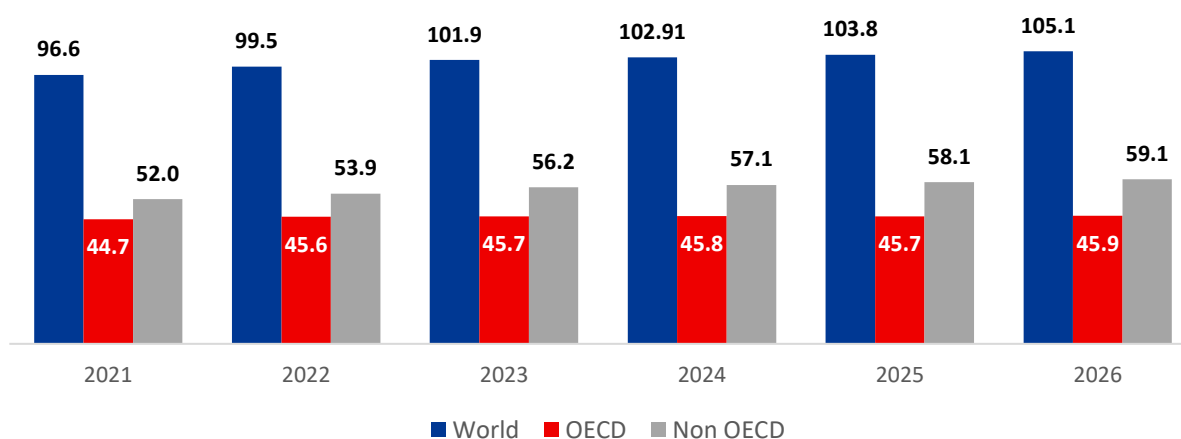
planned 2026 ban on refined products from Russian crude could reduce output and disrupt global trade patterns.

Petroleum and other liquid fuels production (Mn BPD)



Source: Energy Information Administration

Petroleum and other liquid fuels Consumption (Mn BPD)



Source: Energy Information Administration

Gas Prices Set to Rebound as LNG Exports Rise and Demand Hits New Highs

Henry Hub natural gas prices softened in recent months but are expected to rebound in the near term. U.S. Henry Hub spot prices fell 6.7% from USD 3.12 per MMBtu in May 2025 to USD 2.91 per MMBtu in August 2025. However, EIA projects a recovery, with prices averaging USD 3.70 per MMBtu in 4Q25 and further rising to USD 4.30 per MMBtu in 2026. The expected increase reflects flat US natural gas production alongside rising LNG exports. Oil prices are projected to weaken in 2026, with crude oil estimated to trade at its lowest premium to natural gas since 2005. Hence, EIA estimates this shift to redirect US drilling activity toward gas-producing regions in 2026. According to the EIA, US natural gas production is expected to remain relatively flat in 2026 compared to 2025.

On the demand side, global natural gas consumption continued to expand in 1H25. Europe and North America led growth due to weather-driven demand in the buildings and power sector. In contrast, demand in Asia was subdued, with both China and India recording declines in 1H25. Moreover, the global gas demand growth is expected to slow to 1.3% in 2025, down from 2.8% in 2024. According to EIA, the Asia-Pacific region is anticipated to experience its weakest annual expansion since 2022.

Market volatility in mid-2025 underscored the sensitivity of gas markets to geopolitical risks. The conflict between Israel and Iran in June triggered a sharp upswing in prices, highlighting Middle East's crucial role in global supply. However, following the ceasefire announcement on 24 June, prices corrected c. 20%, returning close to pre-crisis levels. On the supply front, global LNG supply is expected to rise by 5.5% (c. 30 bcm) in 2025, led by new North American projects such as Plaquemines LNG, Corpus Christi Stage 3, and LNG Canada. This growth will be partly offset by a decline in Russian piped gas deliveries to Europe. Similarly, LNG supply growth is projected to accelerate to 7% (c. 40 bcm) in 2025, marking the strongest increase since 2019, driven by the North Field East expansion project, which is estimated to commence operations in mid-2026.

Looking ahead, IEA estimates the global natural gas consumption to reach record levels in 2026, with demand growth accelerating to around 2% as supply fundamentals ease. The Industrial and Energy sector demand is expected to account for half of incremental gas demand, while gas-to-power use will contribute roughly 30%. Residential and commercial demand is forecast to rise by around 1% in 2026, assuming normal weather. Consequently, regional demand dynamics will be led by Asia, where gas consumption is projected to grow more than 4% in 2026, accounting for roughly half of global demand growth. Africa and the Middle East are expected to record a combined increase of 3.5%.

ADNOC's Investor Majlis October 2025

Abu Dhabi National Oil Company (ADNOC) announced its six listed subsidiaries will distribute at least AED 158 Bn (USD 43 Bn) in dividends between 2025 and 2030, with several shifting to quarterly payouts to enhance investor returns. ADNOC Distribution extended its dividend policy to 2030. It raised its station target, ADNOC Drilling lifted its dividend floor and will grow payouts by 5% annually, ADNOC Gas set an AED 90 Bn dividend goal supported by a major LNG deal, and ADNOC Logistics & Services increased its dividend guidance and secured a long-term TA'ZIZ port contract. Meanwhile, Borouge reaffirmed its dividend floor and advanced plans to form the Borouge Group International with OMV, while Fertigllobe boosted its 2025 dividend and buyback plans. Overall, ADNOC emphasized sustained shareholder value, operational efficiency through AI, and long-term growth visibility.

Energy companies drive top-line growth through strategic partnerships and increased production initiatives

Dana Gas

- On 23 July 2025, Dana Gas reported positive initial results from the Begonia-2 appraisal well and started recompletion works at Balsam-3 in Egypt's onshore Nile Delta. These developments are part of a USD 100 Mn investment program aimed at boosting domestic gas production and reserves. Begonia-2, the first of 11 planned appraisal and exploration wells, has an initial gas estimate of 9 bcf and is expected to add 5 Mn cubic feet per day. The well is located in the New El-Manzala concession and operated by the El-Wastani Patrolmen Company Joint Venture.

ADNOC Distribution

- On 29 September 2025, ADNOC Distribution re-launched its ADNOC Oasis convenience brand as 'Oasis by ADNOC,' featuring a refreshed brand identity and a premium 'On-the-Gourmet' concept. The move aims to enhance customer experience and reinforces ADNOC Distribution's leadership in the UAE convenience and mobility retail sector.
- On 11 September 2025, ADNOC Distribution partnered with Landmark Group to enable seamless conversion and redemption between ADNOC Rewards and Shukran loyalty programs. The collaboration allows members to use points across both ecosystems, enhancing flexibility and customer experience, while paving the way for future personalized, data-driven offers.
- ADNOCDIST operated 939 fuel stations as of 2Q25, 556 in the UAE, 140 in Saudi Arabia, and 243 in Egypt, and added 24 new stations during the quarter. Further, ADNOCDIST upgraded its station network guidance by 15% to 1,150 stations by 2028 compared to previous target of 1,000 stations.
- On the other hand, ADNOC Distribution's customer-focused innovation strategy has led to improved non-fuel retail transactions, a higher store conversion rate, and a growing contribution from the car wash business. Thus, ADNOCDIST expects its non-fuel retail business transactions to double by 2030, compared to 2023.
- ADNOC Distribution is advancing rapidly in clean energy infrastructure, with EV charging points increasing more than fourfold to 300 as of 2Q25. It aims to expand its EV infrastructure with a total of 500-750 charging points by 2028.
- The Company is set to redefine the retail experience with the launch of The Hub, debuting in November. The initiative will introduce 30 new retail destinations, expanding ADNOC's retail footprint threefold. Designed as a lifestyle destination, The Hub blends Fun, Family, Fuel, F&B, and Fix, offering customers a vibrant space that goes beyond traditional fuel stations. This marks a significant step in ADNOC's strategy to enhance customer engagement and create modern, multi-purpose community centres across its service stations.
- ADNOC Distribution announced a proposed extension to its existing dividend policy for an additional two years through FY 2030. This is expected to bring total dividend targets since

2024 to AED18 Bn (\$4.9 Bn), following a previously announced AED 12.85 Bn (\$3.5 Bn) target from 2024 to the end of 2028. Starting 1Q26, Dividends will be paid on a quarterly basis.

ADNOC Drilling

- ADNOC has awarded ADNOC Drilling 13 new Integrated Drilling Services (IDS) packages, scheduled for completion by the end of 2026. These awards are part of long-term contracts supporting the planned expansion to 70 IDS rigs, aimed at enhancing productivity, expediting well delivery, and optimizing operational costs.
- ADNOC Drilling plans USD 800 Mn across four AI and energy tech acquisitions and is going to invest an additional USD 700 Mn to drive long-term growth through tech-driven acquisitions and regional expansion.
- Through digitalisation and automation of remote operations, ADNOC Drilling aims to achieve USD 150 Mn in cumulative savings by reducing manual intervention and optimizing processes across 2019-2030.
- Recently, ADNOC DRILL announced an enhanced progressive dividend policy, increasing its 2025 dividend floor by 27% YOY to AED 3.7 Bn, compared to the previously guided 10% annual growth target. The Company also committed to a minimum annual dividend growth of 5% from 2026 to 2030, translating to a cumulative dividend floor of AED 25 Bn (USD 6.8 Bn) by 2030.

ADNOC Gas

- On 1 August 2025, ADNOC Gas signed a Heads of Agreement with Hindustan Petroleum Corporation Limited (HPCL) to supply 0.5 Mn metric tonnes per year (mmtpa) of liquefied natural gas (LNG) over a 10-year period. This deal highlights ADNOC Gas' growing presence in the Asian LNG market, which is experiencing strong demand, and reinforces its position as a reliable LNG supplier globally. The long-term contract also strengthens ADNOC Gas' partnerships with major Indian energy companies, following previous agreements with Indian Oil Corporation and GAIL India Limited, supporting India's ongoing energy security needs.
- On 10 July 2025, ADNOC Gas announced entering into a three-year LNG supply agreement with Germany's SEFE Securing Energy for Europe, for the delivery of 0.7 Mn tonnes of LNG with deliveries commencing this year. The agreement, valued at approximately USD 400 Mn (AED 1.5 Bn) over its three-year term, highlights ADNOC Gas' continued expansion into global markets, with LNG supplied from ADNOC Gas' Das Island liquefaction facility – a key asset in the company's portfolio. With a production capacity of 6 mtpa.
- ADNOC Gas entered into a landmark 20-year gas supply agreement worth AED 147 Bn with Ruwais LNG, ensuring a stable feedstock supply for the UAE's largest LNG facility. The long-term deal is expected to strengthen ADNOC Gas's standing as a reliable global LNG supplier and offer strong visibility on future cash flow generation.
- ADNOC GAS earmarked USD 20 Bn in committed capital expenditure through 2029 to enhance operational connectivity and support future growth. Additionally, the Company's Integrated Gas Development Expansion (IGD-E2) project is now fully operational, while key developments such as MERAM, RGD, and Ruwais LNG are currently under construction.

- ADNOC GAS is targeting over 40% growth in adjusted EBITDA from 2023 to 2029, supported by strong operational and financial connectivity. Additionally, the Company plans to maintain its 5% annual dividend growth policy through 2030, projecting a total payout of USD 24.4 Bn during 2025–2030 and starting 3Q25 the company will distribute dividends on quarterly basis.

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3Q25 Preview: **ADNOC Distribution**

High Fuel Volumes Coupled with Network Expansion to Boost Net Profit

Current Price AED 3.72	Target Price AED 4.46	Upside/Downside (%) +19.9%	Rating BUY
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3Q25 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to increase 6.7% YOY to AED 712 Mn in 3Q25, driven by an estimated decline in direct costs and lower share to non-controlling interest holders (NCI), partially offset by anticipated decline in revenue, other income, and interest income coupled with an increase in distribution & admin expenses, impairment & interest expenses. ADNOCDIST's revenue is expected to decline 1.3% YOY to AED 8,961 Mn in 3Q25, due to the anticipated decline in the Retail and Commercial segments. Direct costs are expected to decrease 3.1% YOY to AED 7,261 Mn in 3Q25. As a result, gross profit is likely to increase 7.1% YOY to AED 1,700 Mn in 3Q25. We expect the gross margins to grow 150 bps YOY to 19.0% in 3Q25. The Company's other income is estimated to decrease 10.7% YOY to AED 29 Mn, whereas distribution & admin expenses are predicted to grow 1.2% YOY to AED 815 Mn in 3Q25. Moreover, impairment & other costs are anticipated to rise from AED 12 Mn in 3Q24 to AED 22 Mn in 3Q25. Hence, operating profit is expected to increase 11.2% YOY to AED 891 Mn, with an estimated increase in operating margin of 112 bps YOY to 9.9% in 3Q25. Depreciation & amortisation charge is anticipated to increase 3.8% YOY to AED 216 Mn in 3Q25. Thus, EBITDA is expected to rise 9.7% YOY to AED 1,107 Mn in 3Q25. Interest income is projected to fall 48.2% YOY to AED 19 Mn, while the interest expenses are forecasted to increase from AED 46 Mn in 3Q24 to AED 102 Mn in 3Q25. ADNOCDIST's income tax is predicted to increase 15.3% YOY to AED 85 Mn in 3Q25. Additionally, the share of profit attributable to NCI is expected to decline from AED 51 Mn in 3Q24 to AED 11 Mn in 3Q25.

2025 Forecast

ADNOC Distribution is expected to report a 13.4% increase in net profit to AED 2,745 Mn in 2025. The rise in net profit is mainly attributed to an anticipated decline in direct costs and interest expenses, as well as a lower share of NCI, partially offset by an estimated decline in revenue, other income, and interest income, coupled with an increase in distribution & admin expenses and impairment & others expenses. ADNOCDIST's revenue is forecasted to marginally decrease 0.4% YOY to AED 35,298 Mn in 2025, due to the expected decrease in revenue in the Retail and Commercial segments. On the other hand, direct costs are expected to fall 2.2% YOY to AED 28,589 Mn in 2025. Thus, gross profit is likely to boost 7.9% YOY to AED 6,709 Mn, with an anticipated expansion in gross margins of 147 bps YOY to 19.0% in 2025. Other income is estimated to fall 18.2% YOY to AED 113 Mn in 2025. Distribution & administrative expenses are expected to rise 2.7% YOY to AED 3,283 Mn, while impairment & others expenses are projected to increase 5.6% YOY to AED 95 Mn in 2025. Thus, operating profit is expected to grow 12.2% YOY to AED 3,444 Mn with an increase in operating profit margin from 8.7% in 2024 to 9.8% in 2025. Depreciation & amortization expenses are anticipated to rise 8.1% YOY to AED 849 Mn in 2025. EBITDA is expected to increase 11.4% YOY to AED 4,293 Mn in 2025. Interest income is projected to decline from AED 144 Mn in 2024 to AED 71 Mn in 2025, while interest expenses are estimated to decline 10.4% YOY to AED 410 Mn in 2025. The Company's income tax charge is projected to rise 11.8% YOY to AED 317 Mn in 2025. The share to NCI is expected to decrease 16.9% YOY to AED 43 Mn in 2025.

2Q25 Outturn

ADNOC Distribution's revenue declined 1.7% YOY to AED 8,638 Mn in 2Q25, primarily driven by lower selling prices following a decline in crude oil prices, partially offset by increased fuel sales volume in the Retail and Commercial segment, coupled with stronger contributions from the non-fuel Retail segment. The Company's total fuel volumes expanded 10.3% YOY to 3.9 Bn litres in 2Q25. Retail fuel volume rose 10.0% YOY to 2.7 Bn litres in 2Q25, supported by strong regional economic

activity, rising mobility trends, and network expansion. Commercial fuel volume rose 10.9% YOY to 1.2 Bn litres in 2Q25, attributable to a growth in corporate and aviation volume. The increase in corporate volume is supported by the award of new contracts in 2024 and 2025. Additionally, the 2Q24 volume was impacted due to a storm in the UAE in April 2024. Revenue of the Retail segment declined 2.3% YOY to AED 5,917 Mn in 2Q25, mainly due to a fall in revenue in the Fuel Retail segment, partially offset by a growth in the Non-fuel Retail segment. Revenue from the Fuel Retail segment declined 3.3% YOY to AED 5,482 Mn in 2Q25, driven by a decline in pump price. On the other hand, revenue from the Non-fuel Retail segment rose 13.0% YOY to AED 435 Mn in 2Q25, due to a growth in non-fuel transactions and improved customer offerings. Furthermore, the revenue from the Commercial segment fell 0.3% YOY to AED 2,721 Mn in 2Q25, due to lower prices partially offset by higher volume. Direct cost declined 3.9% YOY to AED 6,957 Mn in 2Q25. As a result, the Company's gross profit grew 9.1% YOY to AED 1,681 Mn in 2Q25. ADNOC DIST recorded an inventory gain of AED 37 Mn in 2Q25 compared to a gain of AED 128 Mn in 2Q24. Furthermore, the gross margin rose 192 bps YOY to 19.5% in 2Q25. The Company's other income grew 13.2% YOY to AED 29 Mn in 2Q25. Distribution and administrative expenses increased 10.2% YOY to AED 833 Mn in 2Q25, while the cash OPEX excluding depreciation rose 9.9% to AED 621 Mn in 2Q25. Impairment and other expenses fell 11.4% YOY to AED 20 Mn in 2Q25. Moreover, operating profit rose 8.8% YOY to AED 857 Mn in 2Q25, while the operating profit margin increased 95 bps YOY to 9.9% in 2Q25. D&A charges increased 11.1% YOY to AED 212 Mn in 2Q25. Furthermore, EBITDA grew 9.2% YOY to AED 1,069 Mn in 2Q25, even with lower inventory gains in 2Q25 compared to 2Q24. Underlying EBITDA excluding inventory movements and one-off items grew 22.3% YOY to AED 1,042 Mn in 2Q25, supported by robust underlying business fundamentals. In addition, ADNOC DIST's interest income shrank significantly from AED 32 Mn in 2Q24 to AED 15 Mn in 2Q25, whereas the interest expense also declined from AED 113 Mn in 2Q24 to AED 104 Mn in 2Q25. The Company's income tax rose 8.4% YOY to AED 80 Mn in 2Q25, in line with the growth in profitability.

Target price and rating

We maintain our BUY rating on ADNOC Distribution with a target price of AED 4.46. ADNOC Distribution recorded healthy bottom-line growth in 2Q25, driven by higher fuel volumes in both Retail and Commercial segments, strong expansion in the GCC region, and robust growth in the non-fuel segment. ADNOC Distribution expanded its global retail fuel network to 939 stations, adding 6 in the UAE, contracting 40 DOCO stations in KSA (doubling to 140 stations in 2H25 compared to 2H24), and operating 243 in Egypt in 1H25. The Company added 47 service stations in 1H25, surpassing its initial full-year target, and accordingly revised its guidance. ADNOC Distribution plans to add 60–70 additional service stations in 2025, including 50–60 in KSA under the CAPEX-light DOCO model. The Company also plans to roll out its first DOCO station in KSA in 1Q26. ADNOC DIST upgraded its station network guidance by 15% to 1,150 stations by 2028. The station will contribute to volume growth starting from next year. It also expects the refurbished station volume to grow by 15–20% driven by brand recall and value proposition. ADNOC Distribution's commercial fuel volumes in the GCC region grew 3.7% YOY to 2,036 Mn litres, and Egypt volume rose 6.1% YOY to 264 Mn litres in 1H25, driven by new contracts and expansion in volume of the aviation segment. Additionally, the Company launched the Voyager lubricant line nationally in Egypt, expanding to third-party retail stores with a target of 3,000 points of sale by the end of 2026. ADNOC DIST's commercial fuel margins rose from 28 fils/litre in 2Q24 to 33 fils/litre in 2Q25, driven by dynamic pricing and proactive corporate fuel margin management. In the future, management expects the margin to remain within the historical range. Furthermore, the Company enhanced its non-fuel retail strategy by expanding high-margin offerings, launching new convenience stores, and upgrading car wash, vehicle inspection facilities, 'Oasis by ADNOC' re-launch and launching a loyalty points programme in partnership with Landmark group to achieve the goal of growing non-fuel transactions by 50% by 2028. The daily non-fuel transactions grew 12.2% YOY in 2Q25, driven by improvement in consumer sentiment, higher customer offerings, launch of car wash tunnels and upgrade of automatic car washes. The convenience store conversion rate increased from 26.1% in 2Q24 to 27.2% in 2Q25, reflecting improved customer engagement and cross-selling. It also entered into a strategic partnership with

Noon to explore opportunities in last-mile delivery. ADNOC DIST plans to develop 40-50 dark stores within its network with shared delivery revenues. It plans to offer ADNOC Oasis stores and cafes on Noon and NowNow apps, with deliveries handled by Noon. The partnership is expected to scale operations, boost distribution, and aid margins. Thus, ADNOC DIST expects its non-fuel retail business transactions to double by 2030, compared to 2023. The Company is set to redefine the retail experience with the launch of The Hub, debuting in November, this initiative will introduce 30 new retail destinations, expanding ADNOC's retail footprint threefold. Additionally, ADNOC Distribution is considering more than 20 AI initiatives to enhance operational efficiency and improve the customer experience. The company follows a margin-per-litre model, with 65% of its cash flows coming from the retail fuel segment, backed by a fixed supply margin under its ADNOC contract. The Company aims to expand its EV infrastructure with a total of 500-750 charging points by 2028. ADNOC DIST paid USD 350 Mn dividend for 1H25 (10.285 fils per share) in October 2025 and targets an annual payout of USD 700 Mn from 2025 to 2030, or 75% of net profit, whichever is higher. Meanwhile, the Company plans to pay quarterly dividends starting from 1Q26. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

ADNOC Distribution - Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	19.62	20.87	17.10	18.07	19.42	17.12
PB (x)	13.68	14.68	13.64	13.54	15.71	14.92
EV/EBITDA	19.41	20.68	16.73	16.63	16.24	14.64
BVPS	0.275	0.256	0.276	0.278	0.239	0.252
EPS	0.192	0.180	0.220	0.208	0.194	0.220
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend Yield (%)	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

ADNOC Distribution - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	9,083	8,638	8,961	-1.3%	3.7%	35,454	35,298	-0.4%
Direct costs	-7,496	-6,957	-7,261	-3.1%	4.4%	-29,238	-28,589	-2.2%
Gross profit	1,587	1,681	1,700	7.1%	1.1%	6,216	6,709	7.9%
Other income	32	29	29	-10.7%	-2.7%	138	113	-18.2%
Distribution & admin. Exp.	-806	-833	-815	1.2%	-2.1%	-3,195	-3,283	2.7%
Impairment & others Exp.	-12	-20	-22	83.0%	11.2%	-90	-95	5.6%
Operating Profit	801	857	891	11.2%	3.9%	3,069	3,444	12.2%
Depreciation & amortisation	208	212	216	3.8%	1.6%	786	849	8.1%
EBITDA	1,009	1,069	1,107	9.7%	3.5%	3,855	4,293	11.4%
Interest income	36	15	19	-48.2%	25.1%	144	71	-50.9%
Interest expenses	-46	-104	-102	123.6%	-1.7%	-457	-410	-10.4%
Profit before tax	792	769	808	2.0%	5.1%	2,756	3,105	12.7%
Income tax	-74	-80	-85	15.3%	5.9%	-283	-317	11.8%
Net profit for the year	718	689	723	0.6%	5.0%	2,472	2,788	12.8%
Non-Controlling interest	51	12	11	-78.8%	-10.4%	52	43	-16.9%
Net profit	667	677	712	6.7%	5.3%	2,420	2,745	13.4%

FABS estimate & Co Data

ADNOC Dist - Margins

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	17.5%	19.5%	19.0%	150	-49	17.5%	19.0%	147
EBITDA	11.1%	12.4%	12.3%	124	-3	10.9%	12.2%	129
Operating Profit	8.8%	9.9%	9.9%	112	2	8.7%	9.8%	110
Net Profit	7.3%	7.8%	7.9%	60	12	6.8%	7.8%	95

FABS estimate & Co Data

3Q25 preview: **ADNOC Drilling**

Revenue Expansion and New Offshore Rigs to Cushion Margin Pressures

Current Price AED 5.75	Target Price AED 6.50	Upside/Downside (%) +13.0%	Rating ACCUMULATE
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3Q25 Estimate

ADNOC Drilling Co. PJSC (ADNOC DRILL/the Company) net profit is expected to grow 5.5% YOY to USD 353 Mn in 3Q25, driven by a strong growth anticipated in revenue and a higher share of results from JV, coupled with lower finance cost, partially offset by a forecasted increase in direct cost, G&A expenses, and tax charges. ADNOC DRILL revenue is predicted to rise 17.3% YOY to USD 1,203 Mn in 3Q25. On the other hand, direct cost is projected to rise 24.7% YOY to USD 752 in 3Q25. As a result, gross profit is likely to grow 6.7% YOY to USD 451 Mn in 3Q25. G&A expenses are projected to grow 24.9% YOY to USD 42 Mn in 3Q25. ADNOC DRILL's EBITDA is forecasted to rise 6.6% YOY to USD 544 Mn in 3Q25. Thus, the Company's operating profit is expected to grow 5.1% YOY to USD 409 Mn in 3Q25. Share of results of a JV is anticipated to increase from USD 2 Mn in 3Q24 to USD 6 Mn in 3Q25. Meanwhile, other income is expected to remain stable at USD 2 Mn in 3Q25 compared to 3Q24. Finance cost is forecasted to decrease 4.7% YOY to USD 29 Mn in 3Q25. Additionally, the Company's corporate tax is expected to grow 24.3% YOY to USD 35 Mn in 3Q25.

2025 Forecast

ADNOC DRILL net profit is forecasted to rise 9.9% YOY to USD 1,432 Mn in 2025. The increase in net profit is mainly attributed to a rise in revenue and a higher share of results from JV, as well as a decline in net finance cost, partially offset by growth in direct costs, G&A expenses, and corporate tax. ADNOC DRILL's revenue is anticipated to rise 18.1% YOY to USD 4,763 Mn in 2025, primarily driven by the addition of new rigs entering operation. The Company's direct cost is projected to rise 25.0% YOY to USD 2,922 Mn in 2025. Hence, gross profit is likely to increase 8.5% YOY to USD 1,841 Mn in 2025. However, we anticipate gross margins to decline 341 bps YOY to 38.7% in 2025, mainly due to an increase in direct costs. G&A expenses are projected to increase 19.6% YOY to USD 186 Mn in 2025. The Company's EBITDA is estimated to rise 8.6% YOY to USD 2,189 Mn in 2025. EBITDA margin is likely to fall from 49.9% in 2024 to 46.0% in 2025. Moreover, operating profit is forecasted to grow 7.4% YOY to USD 1,655 Mn in 2025. Share of results of a JV is expected to rise from USD 8 Mn in 2024 to USD 26 Mn in 2025. Similarly, other income is forecasted to boost 11.8% YOY to USD 7 Mn in 2025. Finance cost is projected to decrease 7.7% YOY to USD 115 Mn in 2025. The Company's corporate tax is predicted to increase 10.2% YOY to USD 142 Mn in 2025.

2Q25 Outturn

ADNOC Drilling's revenue grew strongly 27.9% YOY to USD 1,197 Mn in 2Q25, driven by growth across Onshore and Oilfield services (OFS) owing to the expansion of the operations. Onshore segment revenue grew 16.2% YOY to USD 513 Mn in 2Q25, primarily due to new rigs starting operations and USD 49 Mn contribution from unconventional activity related to land drilling. Revenue from the Offshore Jack-up & Island remained flat at USD 338 Mn in 2Q25 compared to 2Q24, as the impact of higher major maintenance activity offset the benefits from one rig conversion from Onshore to Offshore and limited contributions from two jack-up rigs that began operations near the end of 2Q25. OFS segmental revenue grew significantly from USD 157 Mn in 2Q24 to USD 346 Mn in 2Q25, primarily driven by USD 143 Mn revenue from the unconventional business alongside increased IDS activity and expanded delivery of discrete services. Direct cost grew 39.6% YOY to USD 753 Mn in 2Q25. Thus, the Company's gross profit grew 12.1% YOY to USD 444 Mn in 2Q25, while gross profit margin fell 523 bps YOY to 37.1% in 2Q25. G&A expenses grew 8.3% YOY to USD 45 Mn in 2Q25. Thus, EBITDA rose 15.5% YOY to USD 545 Mn in 2Q25 owing to robust revenue growth partially offset by a rise in direct costs. EBITDA margin fell 490 bps YOY to 45.6% in 2Q25. Onshore segment EBITDA rose 23.0% YOY to USD 260 Mn in 2Q25, due to higher revenue and the realization of cost

optimization initiatives. The offshore Jack-up & Island segment's EBITDA rose from USD 223 Mn in 2Q24 to USD 233 Mn in 2Q25, supported by lower operating expenses owing to cost optimization initiatives. OFS segment EBITDA grew from USD 37 Mn in 2Q24 to USD 52 Mn in 2Q25, driven by higher operational activity, increased contributions from the Enersol and Turnwell joint ventures, and stronger revenue from unconventional business. The Company's net finance costs declined 19.4% YOY to USD 27 Mn in 2Q25. The share of results of a JV increased significantly from USD 1 Mn in 2Q24 to USD 11 Mn in 2Q25, driven by higher profit contributions from the joint ventures. Other income declined from USD 1 Mn in 2Q24 to USD 0.9 Mn in 2Q25. Tax charges grew from USD 29 Mn in 2Q24 to USD 34 Mn in 2Q25.

Target price and rating

We maintain our ACCUMULATE rating on ADNOC DRILL with a target price of AED 6.50. The Company delivered strong profitability growth in 2Q25, driven by the continued expansion of its rig fleet, solid performance in the Oilfield Services (OFS) segment, and higher activity in unconventional drilling operations. As of June 2025, the Company operated a total fleet of 149 rigs, comprising 102 land rigs and 47 offshore rigs. This figure includes rigs from the SLB acquisition, which will be fully consolidated following the completion of the transaction. Excluding the eight rigs involved in the SLB transaction, the Company maintained a 96% fleet availability rate in 2Q25. ADNOC DRILL secured six additional island rigs that will be added incrementally, bringing the total to 151+ by 2028. The Company also secured a USD 800 Mn contract by ADNOC Offshore to provide integrated hydraulic fracturing services for conventional and tight reservoirs. Additionally, ADNOC is also awarding ADNOC DRILL 13 new Integrated Drilling Services (IDS) packages under long-term contracts, targeting delivery by the end of 2026 as part of its expansion to 70 IDS rigs along with potential deployment of additional island rigs during 2029-30. This growth is expected to enhance operational connectivity, improve productivity, accelerate well delivery, and reduce costs. The Company's Unconventional operations generated USD 192 Mn in revenue during 2Q25. Additionally, ADNOC DRILL expects Phase 1 of the unconventional project to contribute USD 0.6 Bn in revenue for 2026. During 2Q25, the Company secured over USD 4.8 Bn in new contracts, which significantly strengthened the Company's long-term revenue visibility. The Company's JV Enersol continued to advance its acquisition strategy, having deployed c.USD 800 Mn to date across various transactions with USD 700 Mn to be invested. These investments have supported the adoption of advanced technologies, data analytics, and AI-driven tools across its operations. ADNOC DRILL also maintains a robust and active M&A pipeline, with several opportunities currently under assessment. The Company remains focused on pursuing value-accretive, strategic expansions primarily within the GCC region aligned with ADNOC's core competencies and regional strengths. The Company recently revised its guidance, driven by strong performance across the OFS segments and the addition of new contract awards. Revenue for 2025 is projected to be revised upward to USD 4.65-4.80 Bn compared to the previous range, with OFS segment revenue now projected at USD 1.20-1.30 Bn, driven by growth in IDS, discrete services, and unconventional programs. Improved drilling efficiency, including a 22% boost in Integrated Drilling Services (IDS) performance, is expected to support margin expansion. Additionally, EBITDA is expected to be between USD 2.15-2.30 Bn, with margins of 46-48% for 2025. Net profit guidance has been upgraded to USD 1.375-1.45 Bn compared to USD 1.35-1.45 Bn for 2025. ADNOC DRILL's capex excluding M&A is projected at USD 350-550 Mn for 2025, for rig maintenance and investments in new island rigs. Moreover, in line with its dividend policy, the Company's Board also declared a 2Q25 dividend of USD 217 Mn. Recently, ADNOC DRILL announced an enhanced progressive dividend policy, increasing its 2025 dividend floor by 27% YOY to AED 3.7 Bn, compared to the previously guided 10% annual growth target. The Company also committed to a minimum annual dividend growth of 5% from 2026 to 2030, translating to a cumulative dividend floor of AED 25 Bn (USD 6.8 Bn) by 2030, which reflects the Company's robust cash flow generation and strong balance sheet. Moreover, the Company also expects revenue, EBITDA, and net profit for 3Q25 to remain broadly in line with 2Q25 levels, as the anticipated decline in unconventional revenue is likely to be offset by the full-quarter contribution from newly added Offshore Jackups. Thus, considering all the above-mentioned factors, we maintain our ACCUMULATE rating on the stock.

ADNOC Drilling- Relative Valuation

	2021	2022	2023	2024	2025F
(at CMP)					
PE (x)	42.45	31.97	24.82	19.67	17.90
PB (x)	9.17	8.75	7.85	6.73	5.98
EV/EBITDA	25.49	21.76	18.39	13.70	12.71
BVPS (AED)	0.642	0.673	0.749	0.875	0.984
EPS (AED)	0.139	0.184	0.237	0.299	0.329
DPS (AED)	0.157	0.157	0.164	0.181	0.230 ¹
Dividend Yield (%)	2.7%	2.7%	2.9%	3.1%	4.0%

Note: DPS for 2025 includes the special dividend of USD 66 Mn post Majlis.

ADNOC Drilling - P&L

USD Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,026	1,197	1,203	17.3%	0.6%	4,034	4,763	18.1%
Direct Cost	-603	-753	-752	24.7%	-0.1%	-2,337	-2,922	25.0%
Gross Profit	423	444	451	6.7%	1.6%	1,697	1,841	8.5%
G&A expenses	-34	-45	-42	24.9%	-5.5%	-155	-186	19.6%
EBITDA	510	545	544	6.6%	-0.2%	2,015	2,189	8.6%
EBIT	389	400	409	5.1%	2.4%	1,541	1,655	7.4%
Share of results of a JV	2	11	6	NM	-45.0%	8	26	NM
Other Income- Net	2	1	2	9.8%	154.4%	6	7	11.8%
Finance Costs- Net	-31	-27	-29	-4.7%	9.3%	-124	-115	-7.7%
Profit before tax	363	385	388	7.0%	0.9%	1,432	1,574	9.9%
Corporate tax	-28	-34	-35	24.3%	3.4%	-129	-142	10.2%
Net profit	335	351	353	5.5%	0.7%	1,304	1,432	9.9%

FABS estimate & Co Data

ADNOC Drilling - Margins

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	41.2%	37.1%	37.5%	-372	38	42.1%	38.7%	-341
EBITDA	49.7%	45.6%	45.2%	-452	-36	49.9%	46.0%	-399
Net Profit	32.6%	29.3%	29.4%	-328	3	32.3%	30.1%	-224

FABS estimate & Co Data

3Q25 preview: **ADNOC Gas**

Cost Optimization and Margin Expansion to Drive 3Q25 Earnings Growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.53	AED 4.30	+21.8%	BUY

3Q25 estimate

ADNOC Gas plc (ADNOCGAS/the Company) net profit is expected to increase 12.9% YOY to USD 1,403 Mn in 3Q25, driven by lower direct costs, share of operating expenses in an equity accounted investee, coupled with a decrease in finance cost and income tax expenses. However, this is partially offset by a marginal decline in revenue, lower share from equity-accounted investee, and finance income, as well as higher employee benefit expenses. We expect the revenue to decline marginally 0.3% YOY to USD 4,855 Mn in 3Q25, due to an anticipated fall in average selling prices, partially offset by stable growth in sales volume. Direct cost is anticipated to fall 5.9% YOY to USD 2,787 Mn in 3Q25. As a result, gross profit is likely to decrease 8.4% YOY to USD 2,068 Mn in 3Q25. However, gross margins is anticipated to rise 341 bps YOY to 42.6% in 3Q25. Other operating income is forecasted to increase 5.3% YOY to USD 276 Mn in 3Q25. Share of profit of equity-accounted investee is anticipated to decrease 5.9% YOY to USD 150 Mn for 3Q25. Recharges to equity accounted investees is expected to decline 1.1% YOY to USD 154 Mn in 3Q25. Employee benefit expenses are expected to grow 10.8% YOY to USD 305 Mn in 3Q25. Other operating costs and administrative expenses are expected to decline 1.2% YOY to USD 93 Mn in 3Q25. The share of operating costs in an equity accounted investee is projected to fall 9.8% YOY to USD 52 Mn in 3Q25. Inventory Consumption is expected to decrease from USD 17 Mn in 3Q24 to USD 16 Mn in 3Q25. However, other expenses are projected to increase 43.0% YOY to USD 57 Mn in 3Q25. Thus, we expect EBITDA to grow 6.2% YOY to USD 2,125 Mn and EBITDA margin to fall 268 bps YOY to 43.8% in 3Q25. Depreciation and amortization are forecasted to rise 10.4% YOY to USD 340 Mn in 3Q25. Thus, EBIT is expected to grow 5.4% YOY to USD 1,786 Mn in 3Q25. Finance income is expected to decrease 32.2% YOY to USD 26 Mn, while we expect finance cost to decline 2.5% YOY to USD 50 Mn in 3Q25. Income tax expense is projected to decrease 18.1% YOY to USD 359 Mn in 3Q25.

2025 forecast

ADNOCGAS net profit is expected to grow 3.8% YOY to USD 5,191 Mn in 2025. The increase is likely to be supported by lower direct costs and an increase in other operating income as well as the share of profit of equity-accounted investee, partially offset by higher direct costs, employee benefit expenses and other expenses, along with a decrease in finance income and higher finance costs. ADNOCGAS's revenue is projected to increase marginally 0.2% YOY to USD 19,093 Mn in 2025. Direct cost is anticipated to decline 2.1% YOY to USD 11,150 Mn in 2025. Thus, gross profit is likely to surge 3.4% YOY to USD 7,943 Mn in 2025. Other operating income is forecasted to grow 3.5% YOY to USD 1,135 Mn in 2025. Profit share from ADNOC LNG JV is anticipated to grow 11.9% YOY to USD 580 Mn in 2025. Recharges to equity accounted investees is also expected to grow 6.0% YOY to USD 609 Mn in 2025. Employee benefit expenses are expected to increase 7.2% YOY to USD 1,192 Mn in 2025. Other operating costs and administrative expenses are expected to decline 5.5% YOY to USD 351 Mn in 2025. Share of operating costs in an equity accounted investee is projected to fall 4.7% YOY to USD 255 Mn in 2025. Inventory Consumption is expected to surge from USD 49 Mn in 2024 to USD 96 Mn in 2025. Likewise, other expenses are expected to grow 23.8% YOY to USD 234 Mn in 2025. EBITDA is expected to increase 3.3% YOY to USD 8,141 Mn in 2025, with the EBITDA margin projected to increase from 41.3% in 2024 to 42.6% in 2025. Depreciation and amortization are projected to rise 5.7% YOY to USD 1,286 Mn in 2025. Thus, EBIT is expected to increase 2.8% YOY to USD 6,854 Mn in 2025. Finance income is expected to decline 13.5% YOY to USD 110 Mn in 2025. Finance cost is anticipated to rise 6.2% YOY to USD 191 Mn in 2025. The Company's income tax expense is expected to decline 1.8% YOY to USD 1,582 Mn in 2025.

2Q25 outturn

ADNOCGAS's net revenue declined 4.2% YOY to USD 4,657 Mn in 2Q25, while the Company's total revenue, including revenue from Re-injection gas, ADNOC LNG JV, intercompany elimination and other income, declined 1.9% YOY to USD 5,960 Mn in 2Q25. The decline in revenue is mainly due to an unfavourable pricing environment, partially offset by higher sales volumes. The Company's total sales volume (including ADNOCGAS LNG JV) rose 2.6% YOY to 931 trillion British thermal units (TBTU) in 2Q25. Domestic gas sales volume grew 5.3% YOY to 611 in 2Q25, driven by the strong domestic demand. Exports and traded liquids volume declined 5.3% YOY to 252 TBTU in 2Q25. Furthermore, the Company's LNG JV's sales volume rose 15.2% YOY to 65 TBTU in 2Q25. The Company also maintained a healthy availability of 93.6% and reliability of 97.6% across its assets in 2Q25. Direct cost declined 10.5% YOY to USD 2,635 Mn in 2Q25. Thus, gross profit grew 5.3% YOY to USD 2,023 Mn in 2Q25, supported by lower feedstock cost, partially offset by a decline in revenue. Gross margins grew from 39.5% in 2Q24 to 43.4% in 2Q25. Other operating income declined from USD 267 Mn in 2Q24 to USD 264 Mn in 2Q25. Share of profit to equity accounted investee grew from USD 93 Mn in 2Q24 to USD 150 Mn in 2Q25. Employee benefit expenses grew 7.6% YOY to USD 295 Mn in 2Q25. Other operating costs also rose 6.3% YOY to USD 81 Mn in 2Q25. Share of operating cost in equity accounted investee declined from USD 64 Mn in 2Q24 to USD 58 Mn in 2Q25. Inventory consumption also fell from USD 17 Mn in 2Q24 to USD 16 Mn in 2Q25. Other expenses declined 20.4% YOY to USD 52 Mn in 2Q25. Thus, the Company's EBITDA grew 8.6% YOY to USD 2,087 Mn in 2Q25, and EBITDA margin rose 528 bps YOY to 44.8% in 2Q25. Domestic segment EBITDA grew strongly, 22.8% YOY to USD 920 Mn in 2Q25, primarily due to higher sales volume and improved commercial terms. Export & traded liquid EBITDA declined 10.2% YOY to USD 982 Mn in 2Q25 owing to a decline in volume. ADNOCGAS's share of LNG EBITDA grew significantly from USD 265 Mn in 2Q24 to USD 270 Mn in 2Q25. Thus, the Company's operating profit rose 9.1% YOY to USD 1,765 Mn in 2Q25. Finance income declined from USD 36 Mn in 2Q24 to USD 18 Mn in 2Q25. Finance cost grew 2.0% YOY to USD 46 Mn in 2Q25. Total income tax expenses declined 16.2% YOY to USD 351 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on ADNOCGAS with a revised target price of AED 4.30. ADNOCGAS recorded an increase in overall sales volume in 2Q25, supported by strong demand across the product portfolio, especially within the local market. However, the Company faced pressure from weaker oil prices, which weighed on Naphtha and condensate pricing, but resilient LPG prices helped mitigate the impact. ADNOCGAS's total sales volume (including LNG JV) increased 2.6% YOY to 931 TBTU, with the domestic gas volume rising 5.3% YOY and QOQ in 2Q25, driven by the strong domestic sales. The domestic market remained a key growth driver in 2Q25, contributing to both volume growth and margin expansion. The Company expects it to continue being a major contributor to profitability going forward. ADNOCGAS maintained a healthy level of reliability at 97.6% across its assets in 2Q25. The Company scheduled a planned shutdown in the 2H25, with the majority of the impact expected in the 4Q25. However, ADNOCGAS aims to minimize downtime during scheduled shutdowns, as shorter shutdowns will directly lead to additional revenues and lower maintenance costs. The Company revised its 2025 sales volume outlook and now expects Domestic sales volume to range between 2,410–2,450 TBTU, up from the earlier estimate of 2,340–2,370 TBTU. Exports and traded liquids sales volume have also been revised to 990–1,010 TBTU, compared to the previous guidance of 965–975 TBTU. LNG JV sales volume is anticipated to decline from the earlier range of 250–260 TBTU to 230–240 TBTU in 2025. ADNOCGAS further aims to expand its gas processing capacity by 30% and improve asset utilization from 86% to 95% between 2023 and 2029. The Company continues to advance its strategic growth initiatives, having finalized the Final Investment Decision (FID) for Phase 1 of the Rich Gas Development Project in June 2025. Additionally, the Company's Integrated Gas Development Expansion (IGD-E2) project is now fully operational, while key developments such as MERAM, RGD, and Ruwais LNG are currently under construction. These growth projects are anticipated to boost the Company's processing capacity and support its financial performance going forward. Recently, the Company also signed a 10-year contract with Hindustan

Petroleum Corporation, India, and a 3-year contract with SEFE, Germany, to supply 0.5 MMTPA & 0.7 MMTPA of LNG in total, respectively, expanding its global footprint. The Company also entered into a landmark 20-year gas supply agreement worth AED 147 Bn with Ruwais LNG, ensuring a stable feedstock supply for the UAE's largest LNG facility. The long-term deal is expected to strengthen the Company's standing as a reliable global LNG supplier and offer strong visibility on future cash flow generation. ADNOC GAS's EBITDA margin stood at 36.6% in 1H25, up from 34.4% in 1H24. The Company is also targeting over 40% growth in adjusted EBITDA from 2023 to 2029, supported by strong operational and financial connectivity. ADNOC GAS also earmarked USD 20 Bn in committed capex through 2029 to enhance operational connectivity and support future growth. Additionally, the Company plans to maintain its 5% annual dividend growth policy through 2030, projecting a total payout of USD 24.4 Bn during 2025–2030. ADNOC GAS also plans to introduce quarterly dividend payments from 3Q25. Thus, based on our analysis, we revise our rating to BUY on the stock.

ADNOC Gas- Relative Valuation

(at CMP)	2023	2024	2025F
PE	14.98	15.17	14.61
PB	3.40	3.29	2.96
EV/EBITDA	9.59	8.31	7.78
BVPS (AED)	1.067	1.103	1.228
EPS (AED)	0.242	0.239	0.248
DPS (AED)	0.156	0.163	0.171
Dividend Yield	4.4%	4.6%	4.8%

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

ADNOC Gas- P&L

USD Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	4,870	4,657	4,855	-0.3%	4.2%	19,065	19,093	0.2%
Direct Cost	2,962	2,635	2,787	-5.9%	5.8%	11,385	11,150	-2.1%
Gross Profit	1,908	2,023	2,068	8.4%	2.2%	7,680	7,943	3.4%
Other Operating income	262	264	276	5.3%	4.5%	1,097	1,135	3.5%
Share of profit of equity-accounted investee	160	150	150	-5.9%	0.3%	519	580	11.9%
Recharges to equity accounted investees	156	152	154	-1.1%	1.0%	575	609	6.0%
Employee benefit expenses	-276	-295	-305	10.8%	3.4%	-1,112	-1,192	7.2%
Other operating costs and administrative expenses	-94	-81	-93	-1.2%	15.7%	-371	-351	-5.5%
Share of operating costs in an equity-accounted investee	-57	-58	-52	-9.8%	-11.3%	-268	-255	-4.7%
Inventory Consumption	-17	-16	-16	-9.8%	-2.2%	-49	-96	96.2%
Other expenses	-40	-52	-57	43.0%	8.8%	-189	-234	23.8%
EBITDA	2,002	2,087	2,125	6.2%	1.9%	7,881	8,141	3.3%
Depreciation and amortisation	-308	-322	-340	10.4%	5.7%	-1,216	-1,286	5.7%
EBIT	1,694	1,765	1,786	5.4%	1.2%	6,665	6,854	2.8%
Finance Income	39	18	26	-32.2%	51.2%	127	110	-13.5%
Finance Cost	-51	-46	-50	-2.5%	8.0%	-180	-191	6.2%
Profit before tax	1,682	1,736	1,762	4.8%	1.5%	6,612	6,773	2.4%
Income Tax expense	439	351	359	-18.1%	2.2%	1,611	1,582	-1.8%
Net profit	1,243	1,385	1,403	12.9%	1.3%	5,001	5,191	3.8%

FABS Estimate & Co Data

ADNOC Gas- Margins

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	39.2%	43.4%	42.6%	341	-84	40.3%	41.6%	132
EBITDA	41.1%	44.8%	43.8%	268	-103	41.3%	42.6%	130
Net Profit	25.5%	29.7%	28.9%	337	-84	26.2%	27.2%	96

FABS estimate and Co data

3Q25 preview: **Dana Gas**

Power Output and Hydrocarbon Prices to Weigh on Profitability

Current Price AED 0.84	Target Price AED 0.95	Upside/Downside (%) +12.7%	Rating ACCUMULATE
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3Q25 estimate

Dana Gas PJSC's ("Dana" or "the Company") net profit is expected to decrease 9.0% YOY to USD 36 Mn in 3Q25, mainly due to a decline in revenue, along with an increase in general and administrative expenses, and finance costs, partially offset by lower royalty charges and operating costs, coupled with an increase in investment & finance income. Dana's revenue is expected to decline 5.6% to USD 91 Mn in 3Q25. Royalties are forecasted to decrease 4.6% YOY to USD 18 Mn in 3Q25. Thus, net revenue is expected to decline 5.8% YOY to USD 72 Mn in 3Q25. Operating cost is anticipated to decline 2.1% YOY to USD 29 Mn in 3Q25. Overall, the gross profit is expected to decline from USD 47 Mn in 3Q24 to USD 43 Mn in 3Q25 owing to the estimated decline in top-line revenue. G&A expenses are projected to increase 5.7% YOY to USD 3 Mn, while other costs are expected to decline 9.4% YOY to USD 1 Mn in 3Q25. Impairment of financial assets is expected to grow from USD 1 Mn in 3Q24 to USD 2 Mn in 3Q25. Investment & finance income is also anticipated to increase from USD 3 Mn in 3Q24 to USD 5 Mn in 3Q25. Operating profit is expected to decline from USD 46 Mn in 3Q24 to USD 43 Mn in 3Q25, and the operating profit margin is projected to shrink from 47.9% in 3Q24 to 47.6% in 3Q25. The Company's EBITDA is projected to fall from USD 59 Mn in 3Q24 to USD 53 Mn in 3Q25, and the EBITDA margin is anticipated to decline 251 bps YOY to 58.9% in 3Q25. Finance costs and income tax expense are expected to remain flat at USD 3 Mn in 3Q25 compared to 3Q24.

2025 forecast

Dana's net profit is expected to decline by 2.2% YOY to USD 148 Mn in 2025, primarily due to a decline in revenue, an increase in general and administrative expenses, other expenses, impairment of financial assets and income tax charges, partially offset by a decrease in royalties and operating costs, an increase in investment & finance income and lower finance cost. Dana Gas's revenue is expected to decline 19.9% YOY to USD 356 Mn in 2025. Royalties are anticipated to decline 42.8% YOY to USD 62 Mn in 2025. Resultantly, net revenue is expected to fall 12.5% YOY to USD 294 Mn in 2025. Operating costs is predicted to decline 3.4% YOY to USD 116 Mn in 2025. Thus, gross profit is anticipated to decrease 17.5% YOY to USD 178 Mn in 2025. G&A expenses are projected to increase 13.4% YOY to USD 12 Mn in 2025. Whereas, investment & finance income is expected to rise from USD 11 Mn in 2024 to USD 18 Mn in 2025. Other expenses are projected to increase 42.5% YOY to USD 7 Mn in 2025. Impairment of financial assets is anticipated to increase 25.0% YOY to USD 5 Mn in 2025. Hence, operating profit is expected to decline 1.1% YOY to USD 172 Mn in 2025, with an estimated increase in operating profit margin from 39.1% in 2024 to 48.3% in 2025. The Company's EBITDA is projected to decline 18.9% YOY to USD 213 Mn in 2025. We expect the EBITDA margin to decrease 75 bps YOY to 59.8% in 2025. Finance costs are expected to decline 11.9% YOY to USD 10 Mn in 2025. Dana's income tax expenses are anticipated to increase 21.8% YOY to USD 15 Mn in 2025.

2Q25 outturn

Dana recorded a 14.0% YOY decline in revenue to USD 80 Mn in 2Q25, mainly due to a decrease in production in Egypt, along with lower realised hydrocarbon prices, partially offset by revised gas pricing in Egypt and increased output in the Kurdistan Region of Iraq (KRI). The Company's average production decreased from 53,700 boepd in 2Q24 to 49,800 boepd in 2Q25. Notably, KRI's average production rose 2.7% YOY to 37,500 boepd in 2Q25. Egypt witnessed a 28.4% YOY decline to 12,300 boepd in 2Q25, mainly due to a drop in the natural field. Royalty payments declined 50.0% YOY to USD 10 Mn in 2Q25. Furthermore, Dana's G&A expenses remained unchanged at USD 3 Mn in 2Q25 compared to 2Q24. Investment & finance income increased 50.0% YOY to USD 3 Mn in 2Q25. Meanwhile, impairments stood flat at USD 1 Mn in 2Q25 compared to 2Q24. Moreover, Dana's

operating profit declined 10.0% YOY to USD 36 Mn in 2Q25. Operating profit margin increased from 43.0% in 2Q24 to 45.0% in 2Q25. The Company's EBITDA declined 13.0% YOY to USD 47 Mn in 2Q25. However, EBITDA margin increased 69 bps YOY to 58.8% in 2Q25. Dana's finance cost declined from USD 3 Mn in 2Q24 to USD 1 Mn in 2Q25. Additionally, income tax expense increased from USD 3 Mn in 2Q24 to USD 5 Mn in 2Q25.

Target price and recommendation

We revise our rating from BUY to ACCUMULATE on Dana Gas with an unchanged target price of AED 0.95. A decline in Egypt's production and lower realised hydrocarbon prices impacted Dana's profitability in 2Q25. Dana Gas conducted planned maintenance at the Khor Mor plant, leading to lower output in 2Q25. Nevertheless, production at the Khor Mor field stood firm in 1H25, averaging more than 500 MMscfd. Lower output and realised prices in Egypt are partially offset by the revised gas pricing after the consolidation agreement in Egypt. Dana Gas launched a two-year programme after the signing of the Consolidation Concession Agreement. The Company successfully drilled its first well within the investment programme, which confirmed 9 bcf in reserves with expected output of 5 MMscfd. Additionally, Balsam-3 well is under construction while Marzouk-4 well is scheduled for spudding in August 2025. This program is expected to increase gas recovery by 80 Bn cubic feet and help offset natural field decline in Egypt. Dana Gas is consistently progressing the KM250 expansion project and development at Chemchemical. Capex increased from USD 31 Mn 1H24 to USD 59 Mn in 1H25, attributable to the ramp-up of the drilling programme in Egypt and the full resumption of KM250 expenditure. Hence, based on the above-mentioned factors, we assign an ACCUMULATE rating on the stock.

Dana Gas- Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	5.09	8.82	10.02	10.62	10.86
PB	0.75	0.70	0.70	0.68	0.64	0.64
EV/EBITDA	11.38	6.01	5.03	6.71	6.07	7.76
BVPS (AED)	1.125	1.204	1.207	1.245	1.324	1.319
EPS (AED)	NM	0.165	0.095	0.084	0.079	0.078
DPS (AED)	0.055	0.080	0.090	NA	0.055	0.055
Dividend Yield	6.5%	9.5%	10.7%	NA	6.5%	6.5%

FABS Estimate & Co Data

Dana Gas- P&L

USD Mn	3Q24	2Q25	3Q25F	YOY	QOQ	2024	2025F	Change
Revenue	96	80	91	-5.6%	13.3%	445	356	-19.9%
Royalties	-19	-10	-18	-4.6%	81.2%	-109	-62	-42.8%
Net Revenue	77	70	72	-5.8%	3.6%	336	294	-12.5%
Operating Costs	-30	-28	-29	-2.1%	4.9%	-120	-116	-3.4%
Gross Profit	47	42	43	-8.3%	2.7%	216	178	-17.5%
G&A expenses	-3	-3	-3	5.7%	5.7%	-11	-12	13.4%
Investment & finance income	3	3	5	81.2%	81.2%	11	18	62.0%
Other Expenses	-1	-5	-1	-9.4%	-81.9%	-5	-7	42.5%
Impairment of fin. assets	-1	-1	-2	NM	NM	-4	-5	25.0%
Operating Profit	46	36	43	-6.2%	19.9%	174	172	-1.1%
EBITDA	59	47	53	-9.5%	13.7%	263	213	-18.9%
Finance costs	-3	-1	-3	11.5%	NM	-11	-10	-11.9%
Profit Before Tax	43	35	40	-7.4%	13.8%	163	162	-0.4%
Income tax expense	-3	-5	-3	13.5%	-31.9%	-12	-15	21.8%
Net profit	40	30	36	-9.0%	21.4%	151	148	-2.2%

FABS estimate & Co Data

Dana Gas- Margins

	3Q24	2Q25	3Q25	YOY	QOQ	2024	2025F	Change
Gross Profit	49.0%	52.5%	47.6%	-138	-492	48.5%	50.0%	145
Operating Profit	47.9%	45.0%	47.6%	-29	263	39.1%	48.3%	918
EBITDA	61.5%	58.8%	58.9%	-251	20	59.1%	59.8%	75
Net Profit Margin	41.7%	37.5%	40.2%	-149	268	33.9%	41.5%	753

FABS estimate and Co data

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