

Independent Auditor's Report

To the Shareholders of Abu Dhabi National Oil Company for Distribution PJSC Abu Dhabi, United Arab Emirates.

Opinion

We have audited the carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company") and its subsidiary (collectively referred to as "the Group"), which comprise the carve-out statement of financial position as at 31 December 2017, and the carve-out statement of profit or loss and comprehensive income, carve-out statement of changes in equity and comprehensive income, and carve-out statement of cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies set out in note 3 to the carve-out financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the carve-out financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the carve-out financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation

We draw attention to notes 1 and 3 to the carve-out financial statements which describes the basis of preparation of these carve-out financial statements. The carve-out financial statements have been prepared on a carve-out basis from the consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 to carve-out the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the carve-out financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the carve-out financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accuracy and completeness of revenue recognised from retail sales and related IT systems	
<p>The Group reported revenues from retail sales of AED 13,746,259 thousand for year ended 31 December 2017 (AED: 12,299,777 thousand for the year ended 31 December 2016).</p> <p>Revenue recognition from retail sales is assessed as a key audit matter due to the degree of complexity of IT systems and processes used.</p> <p>The Group's accounting policies with regards to revenue recognition are presented in note 3 to the carve-out financial statements.</p>	<p>Our audit procedures included the assessment of controls of the retail revenue process and related IT systems. We tested the design and operating effectiveness of relevant controls of retail revenue process and included testing controls over the accuracy and completeness of revenue recognised from retail sales. We have obtained understanding of the significant revenue processes including performance of an end to end walkthrough of the retail revenue process and identification of the relevant controls (including IT systems, interfaces and reports).</p> <p>We involved our IT specialists to test information technology general controls, system interfaces, data/information reporting and specific application controls surrounding retail revenue systems.</p> <p>In addition, we also performed the following substantive audit procedures:</p> <ul style="list-style-type: none">• a detailed substantive analytical procedures of significant revenue streams; and• specific procedures to ensure the accuracy and completeness of retail revenue and revenue recognition criteria adopted is appropriate and in line with the Group's accounting policies.

Carve-out of civil aviation operations

<p>The carve-out financial statements reflect the financial position of the Group as at 31 December 2017 and 31 December 2016, and its financial performance and its cash flows for the years then ended excluding the sales, cost of sales, distribution and administrative expenses, receivables/ payables and inventories of the Civil Aviation Division as disclosed in note 1 to the carve-out financial statements.</p> <p>The carve-out process was assessed as key audit matter as it involves manual adjustments which increases the risk of human error</p>	<p>Our audit procedures included the assessment of controls over carve out of civil aviation operation process. We tested the design and operating effectiveness of relevant controls to assess the need for the carve-out of civil aviation operations. This included testing controls over the accuracy and completeness of the carve-out of civil aviation operations.</p> <p>In addition, we also performed the following substantive audit procedures:</p> <ul style="list-style-type: none">• Verified the transfer agreement and ensured the carve-out process is carried out in accordance with the terms of the agreement;• Specific procedures on the carve-out amounts to ensure the accuracy and completeness of the amounts and transactions carved-out;• Audit procedures to ensure the validity of the balances and transactions and to ensure that civil aviation balances and transactions are excluded in the carve-out financial statements; and• Involved our IT specialist to test the accuracy of the system generated reports (information produced by entity) used in the carve-out process.
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Key audit matter

How our audit addressed the key audit matter

Impairment of property, plant and equipment

Liquefied Petroleum Gasoline Operations related assets classified under property, plant and equipment had a carrying amount of AED 261,715 thousand as at 31 December 2017.

The Group undertakes a review of indicators of impairment and wherever indicators of impairment exist, an impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration (see note 4 to the carve-out financial statements).

The estimation of recoverable amounts of the assets was assessed as a key audit matter due to the degree of complexity involved in valuation and the significance of the judgements and estimates made by the management.

Our audit procedures included the assessment of controls over impairment analysis and calculations. We tested the design and operating effectiveness of relevant controls to assess the need for provision for impairment. This included testing controls over the accuracy and completeness of the impairment calculation models.

In addition, we also performed the following substantive audit procedures:

- Engaged our internal valuation specialists to assess compliance with accounting standards and assess the valuation of the assets;
- Evaluated whether the model used by management to calculate the value in use of each cash-generating unit complies with IAS 36 Impairment of Assets;
- Obtained and analysed the financial impairment assessments provided by management for the subject assets to determine whether they are reasonable and supportable;
- Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations;
- Challenged the reasonableness of growth rates and other key cash flow assumptions; and
- Sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change.

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Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Operational and Financial Highlights, Chairman's Message, CEO's Message, Deputy CEO's Message and the other information in the annual report, which are expected to be made available to us after that date. The other information does not include the carve-out financial statements and our auditor's report thereon.

Our opinion on the carve-out financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the carve-out financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the carve-out financial statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with the accounting policies set out in note 3 to the carve-out financial statements and their preparation in compliance with the applicable provisions of the articles of association of the Group and U.A.E. Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the carve-out financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

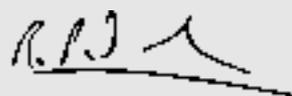
Further, as required by the U.A.E. Federal Law No. (2) of 2015, we report that:

- i. We have obtained all the information we considered necessary for the purposes of our audit;
- ii. The carve-out financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. (2) of 2015;
- iii. The Group has maintained proper books of account;
- iv. The financial information included in the Directors' report is consistent with the books of account of the Group;
- v. As disclosed in note 1 to the carve-out financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2017;
- vi. Note 8 to the carve-out financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii. As disclosed in note 1 to the carve-out financial statements, these carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out of sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories relating to sale and purchasing activities of the Civil Aviation Division, as well as the related cash flows which are transferred to the Parent Company. Except for the above, based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company's Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and
- viii. As disclosed in note 1 to the carve-out financial statements, the Group made social contributions amounting to AED 2,595 thousand during the year ended 31 December 2017.

Further, based on the information made available to us, nothing has come to our attention which causes us to believe that the group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position as at 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:



Rama Padmanabha Acharya
Registration Number 701
25 February 2018
Abu Dhabi
United Arab Emirates