First Quarter 2023 Results

Management Discussion & Analysis Report

12 May 2023

ADNOC DISTRIBUTION

Key highlights: Strong operating performance and growth in underlying profitability in Q1 2023

Fuel volumes – Q1 2023

3,143 million liters

+27.8% Y-o-Y

Retail fuel volumes: +29.7%, mainly attributable to acquisition of TotalEnergies Marketing Egypt

Commercial fuel volumes: +23.8%, mainly attributable to acquisition of TotalEnergies Marketing Egypt

2,654 million liters sold in UAE and KSA

+7.9% Y-o-Y

Retail fuel volumes: +5.5% supported by network expansion and growth in region's ongoing economic activities

Commercial fuel volumes: +12.9% on a strong growth in the corporate business, new contracts signed in 2022 and Q1 2023 as well as higher spot trading

Revenue – Q1 2023

7,998 AED million

+18.7% Y-o-Y

driven by growth in total fuel volumes and selling prices (as a result of higher crude oil prices) and higher non-fuel retail segment contribution

Gross profit – Q1 2023

1,264 AED million

-12.8% Y-o-Y

in Q1 22, ADNOC Distribution benefited from inventory gains in a rising oil price environment (AED 149 million), while in Q1 23 it recorded inventory losses (AED 14 million) due to falling international oil prices

804 AED million

Retail fuel: -8.7% Y-o-Y

inventory gains of AED 128 million in Q1 2022 vs. absence of inventory gains in Q1 2023 partially offset by growth in retail fuel volumes

172 AED million

Non-fuel retail: +8.7% Y-o-Y

supported by strong growth in non-fuel transactions, higher conversion rate, improved customer offerings following revitalization of stores, marketing and promotion campaigns, and higher Food and Beverage (F&B) sales

288 AED million

Commercial: -29.8% Y-o-Y

growth in corporate fuel volumes offset by a margin reduction in a situation of declining prices as well as inventory gains of AED 21 million in Q1 2022 vs. AED 14 million inventory losses in Q1 2023

EBITDA – Q1 2023

776 AED million

-11.9% Y-o-Y and +18.6% Q-o-Q

in Q1 22, ADNOC Distribution benefited from inventory gains in a rising oil price environment, while in Q1 23 it recorded inventory losses due to falling international oil prices

Underlying EBITDA (EBITDA excluding inventory movements) – Q1 2023

789 AED million

+7.8% Y-o-Y and +13.2% Q-o-Q

driven by volume growth, higher contribution from non-fuel retail business and company-wide efficiency initiatives

Net profit attributable to equity holders – Q1 2023

537 AED million

-19.9% Y-o-Y and +28.1% Q-o-Q

due to lower EBITDA

Net profit excluding inventory movements – Q1 2023

551 AED million

+5.5% Y-o-Y and +19.4% Q-o-Q

driven by higher fuel volumes and company-wide efficiency initiatives

Strong cash flow generation and balance sheet – Q1 2023

1,048
AED million

Free cash flow

Supports new dividend policy to pay min. AED 2.57 billion dividends for 2023

ADNOC Distribution maintained a strong financial position at the end of March 2023 with liquidity of AED 4.7 billion, in the form of AED 1.9 billion in cash and cash equivalents and AED 2.8 billion in unutilized credit facility

1.06x

Net debt to EBITDA ratio

Balance sheet remained strong with a Net debt to EBITDA ratio of 1.06x as of 31 March 2023

(0.78x as of 31 December 2022)

Operational highlights – Q1 2023

7

New stations in UAE and KSA

814

Total stations network

507 in UAE

67 in KSA

240 in Egypt*

345

Total convenience stores network in UAE

42.5
million

Fuel transactions in UAE

flat Y-o-Y

10.6
million

Non-fuel transactions in UAE

+10.7% Y-o-Y

24%

Conversion rate of convenience stores in UAE

22% in Q1 2022

* Acquisition of 50% of TotalEnergies Marketing Egypt completed in Feb. 2023

Strategy update: Sustained growth momentum in Q1 2023 following record 2022 results

ADNOC Distribution recorded positive underlying financial performance in Q1 2023 with net profit excluding inventory movements increasing by 5.5% year-on-year to AED 551 million, driven by a 7.9% growth in the UAE and KSA fuel volumes, a 9% increase in non-fuel retail gross profit, and like-for-like OPEX reduction of AED 33 million demonstrating significant progress towards the OPEX savings target. Continued execution momentum on Smart Growth Strategy signals the Company's commitment to delivering on its growth initiatives and generating long-term shareholder value.

Fuel business (retail and commercial)

ADNOC Distribution's UAE and KSA fuel volumes demonstrated strong growth in Q1 2023 of 7.9% year-on-year, as economic activity continued to demonstrate robust momentum supporting retail and corporate fuel consumption. The fuel volumes expanded year-on-year despite the start of Ramadan during the reporting period and no positive impact of EXPO-2020 that we saw in Q1 2022. ADNOC Distribution added new stations in Dubai and Saudi Arabia, resulting in incremental retail fuel volumes in Q1 2023 which increased by 5.5% compared to Q1 2022. Finally, following completion of the acquisition of a 50% stake in TotalEnergies Marketing Egypt and the subsequent financial consolidation, we recorded a 27.8% year-on-year increase in total fuel volumes and added 240 retail stations to our network.

Network expansion: ADNOC Distribution further expanded its retail fuel activities by adding new stations in the UAE and KSA and is on track to open 25-35 new stations in 2023.

- **Domestically:** ADNOC Distribution added six new stations in the UAE in Q1 2023 (one marine station in Abu Dhabi was closed during the period) to reach 507 stations in our home market, which compares to 464 stations at the end of Q1 2022.

  In Dubai, the Company opened one new station in Q1 2023. As a result, ADNOC Distribution's service station network in the emirate expanded to 40 stations at the end of the period, up from 31 stations at the end of Q1 2022.

- **Internationally:** ADNOC Distribution continued to execute on its plans in the Kingdom of Saudi Arabia, with one station opened during Q1 2023, taking its total network in the country to 67 stations at the end of the period, up from 55 stations at the end of Q1 2022. The Company has revitalized and rebranded 76% of its KSA stations as of the end of Q1 2023.

  Beyond the GCC region, in Q1 2023 ADNOC Distribution successfully completed the acquisition of a 50% stake in TotalEnergies Marketing Egypt LLC, which is among the top four fuel retail operators in Egypt.

  The partnership with TotalEnergies, a leading global multi-energy company with a strong brand and successful track record in Egypt, includes a diversified portfolio comprising 240 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car wash sites, as well as wholesale fuel, aviation fuel and lubricant operations.

  The acquisition of TotalEnergies Marketing Egypt supports ADNOC Distribution's objective to become a regional leader in mobility retail and fuel distribution and provides sizeable operations in one of the largest countries in MENA.

Commercial business:

In Q1 2023, commercial segment fuel volumes in the UAE increased by 12.9% compared to Q1 2022 driven by a material increase of 21.0% in corporate business volumes. This was a result of higher spot trading activity and execution of new corporate contracts signed in 2022 and Q1 2023, as our business development team has been proactively focusing on gaining market share in Dubai and Northern Emirates. The total number of export network countries of ADNOC Distribution's VOYAGER lubricants portfolio rose to 28 markets at the end of Q1 2023 compared to 20 markets at the end of the same period last year.

Non-fuel business - UAE

During Q1 2023, non-fuel business continued to gain momentum with a c.11% year-on-year increase in recorded transactions, supported by a series of marketing campaigns and customer-centric initiatives in line with the Company's non-fuel retail strategy.

At the end of Q1 2023, the network of convenience stores stayed nearly unchanged compared to the end of Q1 2022 at 345. Our focus remains on revitalization of the convenience stores. Since the launch of the program, the Company modernized a total of 193 ADNOC Oasis stores over 2020-2022, offering fresh food, barista-brewed coffee and a wider menu selection, and providing support to key convenience stores operating metrics, including number of transactions, conversion rate, gross margin, and gross basket.

ADNOC Distribution continued to enhance customer offerings through various initiatives, such as offering a modern shopping environment, improvement in category management, a better assortment of products, including introduction of fresh food and premium coffee products, and digital channels to order and transact. The customer journey improvements are consistent with the Company's ongoing non-fuel retail strategy to offer modern and digitally enabled shopping experience.

ADNOC Distribution continued to expand its vehicle inspection services in the UAE with the addition of one new center in Abu Dhabi. The number of vehicles inspected (fresh tests) in the Company's vehicle inspection centers increased by 33.3% in Q1 2023 year-on-year, partially driven by an increase of the number of vehicle inspection centers from 30 as of the end of Q1 2022 to 33 as of the end of Q1 2023.

ADNOC Rewards loyalty program and customer focus

ADNOC Rewards loyalty program continued to add members throughout Q1 2023, with more than 1.6 million members now enrolled and over 50 partner offers providing discounts and deals through the ADNOC Distribution app. The program received a boost in February 2023 with an improvement in generosity of 3x and further enhancements planned for 2023.

Customer experience has been integral to the Company, with continuing offering of promotions in-store and through the ADNOC Rewards. This includes the Let's Go Shop and Win Raffle, as well as comprehensive vehicle inspection, car wash, and lube change offers.

In February, the Company became the region's first fuel distributor to introduce the innovative ADNOC 'Fill & Go' technology at its service stations. The AI-backed solution utilizes the latest innovations in computer vision technologies, comprising machine learning models allowing computers to recognize vehicles and responds by offering a hyper-personalized fueling experience, reaffirming ADNOC Distribution's leadership position in the UAE's fuel and convenience retail sector.

OPEX

During Q1 2023, ADNOC Distribution accelerated efficiency improvement measures across all our operations and businesses including optimizing logistics costs, renegotiations of supply contracts with vendors, centralization of key functions, etc. As a result, the Company's OPEX decreased by 8.7% year-on-year and by 12.3% quarter-on-quarter.

The cost reduction took place despite the continued expansion of our operations and associated costs. Number of stations in the UAE and KSA increased by nearly 11% at the end of Q1 2023 compared to the same period of last year. In addition, ADNOC Distribution consolidated operations of TotalEnergies Marketing Egypt from 1 February 2023. The Company continues to implement management initiatives to increase operational efficiency and achieve prudent cost controls.

CAPEX

In line with the plans to continue with its expansion strategy, ADNOC Distribution invested (including accruals/provisions) AED 157 million in Q1 2023, of which nearly 80% spent on growth. Our target remains to spend AED 0.9-1.1 billion ($ 250-300 million) on CAPEX in 2023.

Sustainability & futureproofing of business

ADNOC Distribution's commitment to futureproof the business supports our drive to deliver long-term shareholder value. During Abu Dhabi Sustainability Week in January 2023, the Company announced a series of tangible steps to address energy transition as well as to decarbonize its operations through several initiatives:

I/ E_2GO

ADNOC Distribution continues to expand its network of EV charging stations, and has agreed with TAQA, one of the largest listed integrated utility companies in the EMEA region, to work together to establish a new mobility joint-venture, E_2GO. Once established, E_2GO will build and operate EV charging infrastructure in public and private sites across Abu Dhabi and the wider UAE.

The two companies will utilize their wealth of experience, vast network, and innovation capabilities to meet the evolving needs of EV customers nationwide and unlock new business revenue streams. E_2GO is to play a critical role in delivering EV charging infrastructure across Abu Dhabi where an estimated 70,000 EV charging points and up to nearly $200 million CAPEX is required to meet growing demand by 2030.

In parallel, ADD continues EV chargers rollout at its service stations with 36 charging points currently installed across the UAE with a power ranging between 50 and 180 KW. 23 of our service stations are equipped with EV charging services.

Through the development of modern mobility solutions, ADNOC Distribution intends to become a destination of choice for charging and convenience for the UAE customers.

II/ Decarbonization roadmap

ADNOC Distribution plans to expand its sustainability-driven efforts to futureproof its business. In January 2023, the Company unveiled its Decarbonization roadmap, committing to a reduction of carbon intensity of its business by 25% by 2030. The Decarbonization roadmap covers Scope 1 emissions, which come directly from the Company's operations, and Scope 2 carbon emissions, which come from the energy ADNOC Distribution uses to run its operations.

The Company aims to cut emissions through a set of identified initiatives that will be implemented in 2023 and beyond, such as installing solar panels at service stations, use of biofuels to power its fleet of vehicles and other energy optimization initiatives. ADNOC Distribution also aims to utilize ‘green concrete’, that is eco-friendly and has a smaller carbon footprint than traditional concrete, in the construction of new service stations.

In May, ADNOC Distribution announced partnering with Emerge, a joint venture between Masdar and EDF, to install solar panels across its service station network in Dubai, as part of the Company’s phased approach to UAE-wide solar rollout to provide the power needed for daily operations.

III/ Sustainability Linked Loan

ADNOC Distribution became the first UAE fuel and convenience retailer to tap into sustainable financing, by converting in January 2023 an existing AED 5.5 billion ($ 1.5 billion) term loan into a Sustainability Linked Loan. The Company committed to a penalty/incentive which ties the loan to sustainability-linked indicators, including GHG emissions intensity and share of renewable energy contribution. By arranging the Sustainability Linked Loan, ADNOC Distribution has aligned its funding strategy with the sustainability roadmap.

Eng. Bader Al Lamki – Chief Executive Officer:

"We focused our efforts during Q1 2023 on streamlining operations across our local and international network while ensuring our cross-border teams were well-equipped to sustain the delivery momentum of our growth trajectory through 2023 and beyond. At the same time, we maintained a healthy cash flow generation and strong financial position to deliver incremental shareholder value through efficient capital allocation.

We continue to explore further growth of our business domestically and internationally through value-accretive M&A opportunities, while considering profitability and the creation of new revenue streams to be among the main driving factors in our decision-making process.”

Outlook: Positive volume growth expected to sustain in 2023 with management focus on Growth and Profitability

ADNOC Distribution remains committed to delivering sustainable, profitable growth and attractive shareholder returns. The Company expects positive volume growth to sustain in 2023, while also focusing on network expansion and delivering higher non-fuel retail contribution. By executing management initiatives to increase operational efficiency across all business units, implementing prudent cost controls and optimizing costs, in Q1 2023 the Company achieved OPEX savings of AED 33 million and is on track to achieve its guidance for like-for-like OPEX savings in excess of AED 92 million in 2023.

ADNOC Distribution will continue to enhance customer experience, further optimize its operations to become a leading cost-efficient fuel retailer and generate sustainable value for shareholders. The Company is confident and steadfast in the delivery of its strategic commitments. As opportunities arise, ADNOC Distribution will pursue expansion plans in a disciplined manner, supported by a robust balance sheet and ample liquidity with confidence in the cash flow generation capability.

In its ongoing quest to futureproof its business, ADNOC Distribution continues to explore potential growth opportunities and new revenue streams created through energy transition, including opportunities in mobility and energy transition such as electric vehicle charging services and other sustainability-driven initiatives.

Fuel business

New stations: after achieving the 2022 target of opening 60-80 stations by adding 68 new stations in the UAE and KSA, the Company expects delivery momentum to continue and targets 25-35 new stations during 2023. In Q1 2023, ADNOC Distribution opened 7 new stations and operated at the end of the reporting period 574 service stations in the UAE and KSA.

Egypt: ADNOC Distribution's recent acquisition of a 50% stake in TotalEnergies Marketing Egypt reaffirms the Company's commitment to expanding business in attractive international growth markets. Egypt's fuel retail, lubricants and aviation markets are highly attractive with a potential for future growth. Due to its young and expanding population, alongside a series of progressive economic reforms, Egypt has recorded GDP growth with a positive outlook.

Through this transaction, ADNOC Distribution and TotalEnergies are expected to explore future growth opportunities of TotalEnergies Marketing Egypt by unlocking value potential in fuel distribution, lubricants and aviation businesses supported by economic growth. The Company plans to open the first ADNOC flagship service station in Cairo during Q2 2023.

Other international: Beyond our successful acquisition in Egypt, the Company is evaluating inorganic growth opportunities in international markets with a focus on efficient capital allocation towards growth.

Renewal of the Refined Products Supply Agreement: at the beginning of 2023, ADNOC Distribution successfully renewed its supply agreement with ADNOC for a new five-year term, reaffirming the Company's strong value proposition driven by predictable margins and highly cash generative core business. The renewal also demonstrated strong and ongoing support from the majority shareholder, ADNOC**.**

Non-fuel business

ADNOC Distribution invests in offering customers a modern and engaging retail experience. In line with the ambitious non-fuel strategy, the focus remains on offering a modern environment and a better assortment of products to customers, including fresh food and premium coffee, bundle offers and digital channels to order and transact.

The convenience store revitalization program has ensured that the Company is well-positioned to capitalize on benefits of its customer-centric initiatives and generates consistent growth in its convenience stores business.

Efficient capital allocation

ADNOC Distribution has demonstrated a proven track record of value creation since IPO, by pursuing new opportunities in domestic and international markets and allocating cash towards growth. The Company expects to invest AED 0.9-1.1 billion in 2023 to deliver on its growth plans after investing AED 1.25 billion in 2022, of which nearly 65% was spent on growth. The guidance does not include any potential M&A opportunities. In Q1 2023, the CAPEX amounted to AED 157 million.

Through efficient capital allocation, ADNOC Distribution has consistently achieved healthy rates of return, including Return on Capital Employed (ROCE) of 28.3% in Q1 2023 (26.6% in Q1 2022) and Return on Equity (ROE) of 97.0% in Q1 2023 (87.5% in Q1 2022).

In Q1 2023, ADNOC Distribution generated robust free cash flow of AED 1,048 million. At the end of March 2023, the Company maintained a strong financial position with liquidity of AED 4.7 billion, in the form of AED 1.9 billion in cash and cash equivalents and AED 2.8 billion in unutilized credit facility. The balance sheet remained strong with a net debt to EBITDA ratio of 1.06x as of 31 March 2023 (0.78x as of 31 December 2022). Together with the consistent cash generation this provides support to potential future international expansion through value-accretive M&A transactions.

Operating and investment efficiency

ADNOC Distribution aims to become one of the leading cost-efficient fuel retailers and remains on track to take structural costs out, make its operations leaner and more efficient. The Company remains committed to achieving further operational excellence and expects to realize like-for-like OPEX savings in excess of AED 92 million ($ 25 million) in 2023.

The key drivers for further OPEX savings include staff optimization, with the more efficient deployment of staffing levels for stations and convenience stores, energy efficiency through smart technology, outsourcing of logistics, centralization of key functions, etc.

Dividend policy

The Company's continued growth and robust cash generation have enabled a progressive dividend policy for the shareholders. ADNOC Distribution is committed to delivering sustainable, profitable growth and attractive shareholder returns.

In March 2023, ADNOC Distribution shareholders approved a new attractive dividend policy with a minimum dividend of AED 2.57 billion (20.57 fils per share) for 2023 (compared to a minimum 75% of distributable profits as per the previous policy), offering higher payback visibility for shareholders for another year. For years thereafter, the dividend is set equal to at least 75% of distributable profits. The dividend policy recognizes the Company's strong financial position, confidence in its growth prospects and cash-flow generation ability going forward.

In accordance with the dividend policy, the Company expects to continue to pay half of the annual dividend in October of the relevant year and the second half to be paid in April of the following year. The payment of dividend is subject to the discretion of ADNOC Distribution's Board of Directors and to the shareholders' approval.

Financial summary

AED million	Q1-23	Q4-22	*QoQ %*	Q1-22	*YoY %*
Revenue	7,998	8,187	*-2.3%*	6,736	*18.7%*
Gross profit	1,264	1,225	*3.2%*	1,449	*-12.8%*
Gross margin, %	*15.8%*	*15.0%*		*21.5%*	
EBITDA	776	654	*18.6%*	881	*-11.9%*
EBITDA margin, %	*9.7%*	*8.0%*		*13.1%*	
Underlying EBITDA (1) (2)	789	697	*13.2%*	732	*7.8%*
Operating profit	626	499	*25.5%*	718	*-12.9%*
Net profit attributable to equity holders	537	419	*28.1%*	671	*-19.9%*
Net margin, %	*6.7%*	*5.1%*		*10.0%*	
Earnings per share (AED/share)	0.04	0.03	*28.1%*	0.05	*-19.9%*
Net profit excluding inventory movements	551	461	*19.4%*	522	*5.5%*
Net cash generated from operating activities	1,257	1,522	*-17.4%*	2,066	*-39.2%*
Capital expenditures	155	490	*-68.4%*	196	*-20.6%*
Free cash flow (3)	1,048	1,142	*-8.2%*	1,866	*-43.9%*
Total equity	2,793	3,445	*-18.9%*	2,620	*6.6%*
Net debt (4)	3,605	2,735	*31.8%*	1,446	*149.3%*
Capital employed	10,176	10,441	*-2.5%*	9,305	*9.4%*
Return on capital employed (ROCE), %	*28.3%*	*28.5%*		*26.6%*	
Return on equity (ROE), %	*97.0%*	*79.8%*		*87.5%*	
Net debt to EBITDA ratio (4)	*1.06*	*0.78*		*0.46*	
Leverage ratio, %	*56.3%*	*44.3%*		*35.6%*	

(1) Underlying EBITDA is defined as EBITDA excluding inventory movements
(2) Underlying EBITDA for Q4 2022 and Q1 2022 has been restated as per definition in (1)
(3) Free cash flow is defined as net cash generated from operating activities less payments for purchase of property, plant & equipment, and advances to contractors
(4) Cash and bank balances used for net debt calculation include term deposits with banks
Notes: See the Glossary for the calculation of certain metrics referred to above

Operating and financial review

Fuel volumes

Q1 2023 total fuel volumes sold reached 3,143 million liters, increasing by 27.8% year-on-year mainly attributable to acquisition of TotalEnergies Marketing Egypt.

In GCC markets (UAE and KSA), Q1 2023 total fuel volumes amounted to 2,654 million liters, up by 7.9% year-on-year despite start of Ramadan during the reporting period and no effect of EXPO-2020 which had a positive impact on our volumes in Q1 2022.

In Q1 2023, GCC retail fuel volumes increased by 5.5% year-on-year, while commercial fuel volumes increased by 12.9% year-on-year driven by a significant growth of 21.0% in corporate volumes, partially offset by a reduction of 51.3% year-on-year in aviation volumes due to lower uptake from strategic aviation customers.

Compared to Q4 2022, Q1 2023 GCC total fuel volumes were almost flat, including unchanged quarter-on-quarter retail fuel volumes. However, daily Q1 2023 total fuel volumes increased by 1.8% quarter-on-quarter, including by 2.2% in retail segment and by 1.1% in commercial segment, as Q1 2023 had two days less than Q4 2022.

Fuel volumes by segment (million liters)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Retail (B2C)	**2,148**	**1,747**	***23.0%***	**1,656**	***29.7%***
Of which GCC	1,746	1,747	*0.0%*	1,656	*5.5%*
Of which Egypt	402				
Commercial (B2B)	**995**	**918**	***8.4%***	**804**	***23.8%***
Of which GCC	907	918	*-1.1%*	804	*12.9%*
Of which Egypt	88				
Of which Corporate	926	868	*6.6%*	713	*29.7%*
Of which GCC	863	868	*-0.5%*	713	*21.0%*
Of which Egypt	62				
Of which Aviation	70	50	*39.7%*	90	*-22.9%*
Of which GCC	44	50	*-11.7%*	90	*-51.3%*
Of which Egypt	26				
Total	**3,143**	**2,664**	***18.0%***	**2,459**	***27.8%***

Fuel volumes by product (million liters)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Gasoline (1)	1,773	1,612	*10.0%*	1,525	*16.3%*
Diesel	1,081	832	*29.8%*	656	*64.7%*
Aviation products	70	50	*39.7%*	90	*-22.9%*
Others (2)	220	170	*29.3%*	188	*17.0%*
Total	**3,143**	**2,664**	***18.0%***	**2,459**	***27.8%***
Of which GCC	2,654	2,664	*-0.4%*	2,459	*7.9%*
Of which Egypt	490				

(1) Includes grade 91, 95 and 98 unleaded gasoline
(2) Includes CNG, LPG, kerosene, lubricants, and base oil

Results

In Q1 2023, revenue increased by 18.7% year-on-year to AED 7,998 million. The increase was driven by higher selling prices as a result of higher crude oil prices, growth in fuel volumes, and higher contribution of non-fuel retail business.

Q1 2023 gross profit decreased by 12.8% year-on-year to AED 1,264 million. In Q1 2022, inventory gains amounted to AED 149 million (AED128 million in fuel retail and AED 21 million in Corporate business), while in the reporting period, the Company did not record any inventory gains in the fuel retail business and incurred AED 14 million inventory losses in the Commercial business. In Q1 2023, gross profit received support from higher fuel volumes and growth in non-fuel retail business.

Reported EBITDA declined by 11.9% year-on-year to AED 776 million mainly due inventory gains in Q1 2022 and inventory losses in Q1 2023. This was partially offset by the higher fuel volumes and a reduction in cash operating expenses.

Q1 2023 underlying EBITDA (EBITDA excluding inventory movements) increased by 7.8% year-on-year to AED 789 million driven by higher volumes and management initiatives to reduce costs and improve efficiency of operations.

Q1 2023 net profit attributable to shareholders decreased by 19.9% year-on-year to AED 537 million due to lower EBITDA. Net profit attributable to shareholders excluding inventory movements increased by 5.5% year-on-year to AED 551 million.

Revenue by segment (AED million)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Retail (B2C)	**5,260**	**5,297**	***-0.7%***	**4,600**	***14.3%***
Of which fuel retail	4,937	4,985	*-1.0%*	4,316	*14.4%*
Of which non-fuel retail (1)	323	312	*3.4%*	284	*13.5%*
Commercial (B2B)	**2,739**	**2,890**	***-5.2%***	**2,136**	***28.2%***
Of which corporate	2,430	2,630	*-7.6%*	1,820	*33.5%*
Of which aviation	308	259	*19.0%*	316	*-2.4%*
Total	**7,998**	**8,187**	***-2.3%***	**6,736**	***18.7%***

Gross profit by segment (AED million)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Retail (B2C)	**976**	**928**	***5.2%***	**1,039**	***-6.1%***
Of which fuel retail	804	766	*4.9%*	881	*-8.7%*
Of which non-fuel retail (1)	172	162	*6.7%*	159	*8.7%*
Commercial (B2B)	**288**	**298**	***-3.4%***	**410**	***-29.8%***
Of which corporate	232	227	*1.9%*	292	*-20.6%*
Of which aviation	56	70	*-20.4%*	118	*-52.6%*
Total	**1,264**	**1,225**	***3.2%***	**1,449**	***-12.8%***

EBITDA by segment (AED million)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Retail (B2C)	**545**	**399**	***36.6%***	**598**	***-9.0%***
Commercial (B2B)	**222**	**255**	***-12.8%***	**282**	***-21.3%***
Of which corporate	168	191	*-12.0%*	232	*-27.4%*
Of which aviation	54	64	*-15.3%*	50	*6.8%*
Unallocated(2)	9	1	*NM*	1	*NM*
Total	**776**	**654**	***18.6%***	**881**	***-11.9%***

NM: Not meaningful
(1) Non-fuel retail includes convenience stores, car wash, lube change, property management and vehicle inspection
(2) Unallocated includes other operating income/expenses not allocated to specific segment

Distribution and administrative expenses

In Q1 2023, distribution and administrative expenses were AED 669 million, a reduction of 8.7% compared to Q1 2022, despite an increase of nearly 11% in the Company's network in the UAE and KSA and associated costs as well as acquisition of TotalEnergies Marketing Egypt.

Excluding depreciation, the OPEX of AED 519 million decreased in Q1 2023 by 9.0% year-on-year.

AED million	Q1-23	Q4-22	*QoQ %*	Q1-22	*YoY %*
Staff costs	361	380	*-5.2%*	393	*-8.3%*
Depreciation	150	156	*-3.5%*	163	*-7.6%*
Repairs, maintenance, and consumables	44	62	*-29.2%*	46	*-5.0%*
Distribution and marketing expenses	4	9	*-51.9%*	29	*-85.0%*
Utilities	34	57	*-40.5%*	40	*-16.4%*
Insurance	5	5	*1.7%*	4	*22.8%*
Others (1)	71	94	*-24.5%*	57	*24.8%*
Total	**669**	**763**	***-12.3%***	**733**	***-8.7%***

(1) Other costs include lease cost, bank charges, subscriptions, legal fees, consultancies, etc.

Capital expenditures

The Company's capital expenditures (CAPEX) primarily consist of (i) investments related to the development and construction of new service stations and fuel terminal projects and capitalized maintenance costs related to properties, (ii) the purchase of machinery and equipment, and (iii) other capital expenditures related to properties, including structural upgrades, technology infrastructure upgrades and other improvements.

In Q1 2023, total CAPEX decreased by 19.7% to AED 157 million mainly due to normalization of the investment activity following the post-COVID acceleration seen during 2022. Nearly 80% of the CAPEX comprised development and construction of new service stations.

The table below presents the breakdown of capital expenditures for the reviewed period.

AED million	Q1-23	Q4-22	*QoQ %*	Q1-22	*YoY %*
Service stations projects	122	277	*-56.0%*	128	*-4.4%*
Industrial and other projects	8	57	*-86.1%*	37	*-78.4%*
Machinery and equipment	13	76	*-82.4%*	10	*28.8%*
Distribution fleet	0	4	*NM*	3	*NM*
Technology infrastructure	12	60	*-80.8%*	16	*-26.9%*
Office furniture and equipment	2	17	*-86.2%*	2	*8.6%*
Total	**157**	**490**	***-68.0%***	**196**	***-19.7%***

NM: Not meaningful

Business segments operating review

Retail segment – B2C (fuel and non-fuel)

Volumes

In Q1 2023, retail fuel volumes increased by 29.7% year-on-year, mainly attributable to acquisition of TotalEnergies Marketing Egypt.

In GCC markets (UAE and KSA), the volumes increased by 5.5% year-on-year driven by the region's ongoing economic growth. The volumes remained flat compared to Q4 2022 but on a daily basis increased by 2.2% quarter-on-quarter.

The Company continued to expand in Saudi Arabia and Dubai by adding new stations, resulting in incremental fuel volumes in Q1 2023 compared to the same period of 2022.

Retail segment volumes (million liters)	Q1-23	Q4-22	*QoQ %*	Q1-22	*YoY %*
Gasoline	1,701	1,536	*10.8%*	1,461	*16.4%*
Diesel	389	155	*150.6%*	144	*170.0%*
Other (1)	58	55	*5.2%*	51	*15.3%*
Total	**2,148**	**1,747**	***23.0%***	**1,656**	***29.7%***
Of which GCC	1,746	1,747	*0.0%*	1,656	*5.5%*
Of which Egypt	402				

(1) Includes CNG, LPG, kerosene, and lubricants

Results

In Q1 2023, retail segment revenue increased by 14.3% compared to Q1 2022, driven by higher volumes and prices in the fuel retail segment, as well as growth in non-fuel retail revenue.

Q1 2023 retail segment gross profit decreased by 6.1% compared to Q1 2022, due to inventory gains of AED 128 million in Q1 2022 and absence of inventory gains in the reporting period. Gross profit was supported by higher fuel volumes and higher non-fuel business contribution.

Fuel retail segment gross profit decreased by 8.7% year-on-year principally due to inventory gains in Q1 2022 and absence of inventory gains in Q1 2023, partially offset by the higher fuel volumes in the reporting period. Non-fuel retail gross profit increased by 8.7% in Q1 2023 compared to Q1 2022.

Q1 2023 retail segment EBITDA declined by 9.0% compared to Q1 2022, mainly due to inventory gains in Q1 2022 and absence of inventory gains in Q1 2023, partially offset by the higher fuel volumes and lower operating expenses in the reporting period. Retail segment underlying EBITDA (EBITDA excluding inventory movements) increased by 15.8% year-on-year.

Retail segment (AED million)	Q1-23	Q4-22	*QoQ %*	Q1-22	*YoY %*
Revenue	**5,260**	**5,297**	***-0.7%***	**4,600**	***14.3%***
Of which fuel retail	4,937	4,985	*-1.0%*	4,316	*14.4%*
Of which non-fuel retail (1)	323	312	*3.4%*	284	*13.5%*
Gross profit	**976**	**928**	***5.2%***	**1,039**	***-6.1%***
Of which fuel retail	804	766	*4.9%*	881	*-8.7%*
Of which non-fuel retail (1)	172	162	*6.7%*	159	*8.7%*
EBITDA	**545**	**399**	***36.6%***	**598**	***-9.0%***
Operating profit	408	255	*59.9%*	450	*-9.3%*
Capital expenditures	99	347	*-71.6%*	129	*-23.8%*

(1) Non-fuel retail includes convenience stores, car wash, lube change, property management and vehicle inspection

Other operating metrics

Q1 2023 fuel transactions in the UAE were nearly unchanged year-on-year despite the start of Ramadan and no effect of EXPO-2020 which had a positive impact on the number of fuel transactions in Q1 2022. The number of fuel transactions was supported by the network expansion, improving customer sentiment, as well as the ongoing growth in economic activity in the UAE.

Fuel operating metrics	Q1-23	Q4-22	*QoQ %*	Q1-22	*YoY %*
Number of service stations – UAE(1)(2)	507	502	*1.0%*	464	*9.3%*
Number of service stations – Saudi Arabia(1)	67	66	*1.5%*	55	*21.8%*
Number of service stations – Egypt(1)	240				
Total number of service stations(1)	**814**	**568**	***43.3%***	**519**	***56.8%***
Throughput per station – GCC (million liters)	3.0	3.1	*-1.1%*	3.2	*-4.6%*
Number of fuel transactions – UAE (million)	42.5	44.3	*-4.0%*	42.7	*-0.4%*

(1) At end of period
(2) One marine station was closed Q1 2023

In Q1 2023, non-fuel transactions in the UAE increased by 10.7% year-on-year driven by improving consumer sentiment, enhanced customer offerings following the revitalization of the stores, and marketing and promotion campaigns under ADNOC Rewards loyalty program to attract higher footfall and increase customer spending.

The UAE convenience stores revenue increased by 11.6% to AED 201 million in Q1 2023 compared to Q1 2022, mainly driven by higher number of transactions compared to the same period of last year. In Q1 2023, convenience stores gross profit increased by 11.7% to AED 66 million, driven by higher number of transactions as a result of enhanced customer offerings following revitalization of the stores, marketing, and promotion campaigns as well as the higher F&B sales.

Average gross basket size increased by 2.5% year-on-year in Q1 2023 compared to Q1 2022.

In its property management business, the Company continues to transition its tenancy business to a revenue-sharing model to maximize revenues and profitability. In Q1 2023, the number of occupied properties increased by 2.4% year-on-year driven by proactive non-fuel growth strategy to bring in new tenants.

A number of vehicles inspected (fresh tests) in the Company's vehicle inspection centers increased by 33.3% in Q1 2023 compared to Q1 2022, driven by a higher number of vehicle inspection centers.

Non-fuel operating metrics – UAE	Q1-23	Q4-22	QoQ %	Q1-22	YoY %
Total number of non-fuel transactions (million)(1)	10.6	10.8	-2.2%	9.6	10.7%
Number of convenience stores – UAE(2)	345	362	-4.7%	350	-1.4%
Convenience stores revenue (AED million)	201	207	-2.7%	180	11.6%
Convenience stores gross profit (AED million)	66	64	3.2%	59	11.7%
Gross margin, %	*32.9%*	*31.0%*		*32.9%*	
Conversion rate (C-store sites only), %(3)	*24%*	*24%*		*22%*	
Average basket size (AED)(4)	22.5	22.5	-0.2%	22.4	0.2%
Average gross basket size (AED)(5)	26.9	26.3	2.5%	26.3	2.5%
Number of Property Management tenants(2)	305	315	-3.2%	330	-7.6%
Number of occupied properties for rent(2)	997	1,022	-2.4%	974	2.4%
Number of vehicle inspection centers(2)(6)	33	32	3.1%	30	10.0%
Number of vehicles inspected – fresh tests (thousands)	297	223	33.3%	223	33.3%
Other vehicle inspection transactions (thousands)(7)	54	88	-38.6%	85	-36.2%

(1) Includes convenience stores, car wash and oil change transactions
(2) At end of period
(3) Number of convenience stores transactions divided by number of fuel transactions at sites with convenience stores
(4) Average basket size is calculated as convenience store revenue divided by number of convenience store transactions
(5) Average gross basket size is calculated as convenience store revenue (including revenue from consignment items shown under other operating income) divided by number of convenience store transactions
(6) Includes one permitting center
(7) Other vehicle inspection transactions include number of vehicles inspected (re-tests) and sale of safety items at vehicles inspection centers

Commercial segment – B2B (corporate and aviation)

Volumes

In Q1 2023, commercial fuel volumes increased by 23.8% year-on-year, mainly attributable to acquisition of TotalEnergies Marketing Egypt.

In GCC markets (UAE and KSA), the volumes increased by 12.9% compared to Q1 2022, driven by a significant increase of 21.0% year-on-year in corporate volumes as a result of higher spot trading activity and execution of new corporate contracts signed in 2022 and Q1 2023. The increase in Corporate volumes was partially offset by a 51.3% year-on-year decline in the aviation fuel volumes sold to strategic customers.

Commercial segment volumes (million liters)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Gasoline	72	76	*-5.1%*	64	*13.0%*
Diesel	691	677	*2.1%*	512	*35.1%*
Aviation	70	50	*39.7%*	90	*-22.9%*
Other (1)	162	115	*41.0%*	138	*17.6%*
Total	**995**	**918**	***8.4%***	**804**	***23.8%***
Of which GCC	907	918	*-1.1%*	804	*12.9%*
Of which Egypt	88				

(1) Includes LPG, lubricants, and base oil

Results

Q1 2023 commercial segment revenue increased by 28.2% compared to Q1 2022, mainly attributable to acquisition of TotalEnergies Marketing Egypt. The growth was driven by corporate business which increased the revenue by 33.5% in Q1 2023 compared to Q1 2022, on the back of higher selling prices as a result of increase in crude oil prices and the material growth in corporate volumes.

Q1 2023 commercial segment gross profit declined by 29.8% year-on-year as a result of a significant decline in the aviation business fuel volumes sold to strategic customers and a reduction in margins. In addition, in its corporate business ADNOC Distribution recorded AED 21 million inventory gains in Q1 2022 and incurred AED 14 million inventory losses in Q1 2023.

Q1 2023 commercial segment EBITDA declined by 21.3% year-on-year, due to the gross profit reduction. Commercial segment underlying EBITDA (EBITDA excluding inventory movements) decreased by 9.5% year-on-year.

Commercial segment (AED million)	**Q1-23**	**Q4-22**	***QoQ %***	**Q1-22**	***YoY %***
Revenue	**2,739**	**2,890**	***-5.2%***	**2,136**	***28.2%***
Of which corporate	2,430	2,630	*-7.6%*	1,820	*33.5%*
Of which aviation	308	259	*19.0%*	316	*-2.4%*
Gross profit	**288**	**298**	***-3.4%***	**410**	***-29.8%***
Of which corporate	232	227	*1.9%*	292	*-20.6%*
Of which aviation	56	70	*-20.4%*	118	*-52.6%*
EBITDA	**222**	**255**	***-12.8%***	**282**	***-21.3%***
Of which corporate	168	191	*-12.0%*	232	*-27.4%*
Of which aviation	54	64	*-15.3%*	50	*6.8%*
Operating profit	208	243	*-14.3%*	267	*-22.2%*
Capital expenditures	10	16	*-37.6%*	3	*239.6%*

Share trading and ownership

ADNOC Distribution shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 31 March 2023 was AED 4.18. In the period from 1 January 2023 through 31 March 2023, the share price ranged between AED 4.12 and AED 4.64 at close. ADNOC Distribution market capitalization was AED 52.3 billion as of 31 March 2023.

An average of 10.4 million shares traded daily in Q1 2023 (0.8x 2022 level). In Q1 2023, the average daily traded value of the Company's shares was approximately AED 45.5 million (0.9x 2022 level).

As of 31 March 2023, ADNOC owned 77%, while 23% of ADNOC Distribution outstanding shares were publicly owned by institutional and retail investors.

Potential risks

Key risks potentially affecting ADNOC Distribution's financial and operational results include supply chain risks, asset integrity and information technology risks. The Company has identified and implemented several key controls and mitigation strategies to ensure business continuity, including engineered controls and managed controls as well as contractual safeguards to limit its financial exposure to these risks. For more detailed information on risks and risk management, please refer to the Risk Factors section of the international offering memorandum dated 26 November 2017 relating to ADNOC Distribution IPO, which is available on the Company's website at www.adnocdistribution.ae

Q1 2023 Earnings conference call details

A conference call in English for investors and analysts will be held on Monday, May 15, 2023, at 4 p.m. UAE / 12 p.m. London / 8 a.m. New York. To access the management presentation, followed by a Q&A session, please connect through one of the following methods:

Webcast

Click here to join the webcast
Please note that participants joining by webcast will be able to ask questions via a chat box within the webcast player

Note: Click on the link above to attend the presentation from your laptop, tablet, or mobile device. Audio will stream through your selected device. If you have technical difficulties, please click the "Listen by Phone" button on the webcast player and dial one of the numbers provided therein.

Audio Call Dial in Details:

UAE (Toll Free): 8000 3570 2606

KSA (Toll Free): 800 844 5726

UK (Toll Free): 0800 279 0424

US (Toll Free): 800-289-0462

Passcode: 100965

For other countries, please connect to the above webcast link, select the "Listen by Phone" option on the webcast player and click on the audio numbers to access the dial in information

The presentation materials will be available for download in English on Monday, May 12, 2023 at https://www.adnocdistribution.ae/en/investor-relations/investor-relations/downloads/

Reporting date for the Q2 2023

We expect to announce our second quarter 2023 results on or around August 10, 2023.

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May 12, 2023
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Glossary

- Net debt is calculated as total interest bearing debt less cash and bank balances (including term deposits with banks).
- Free cash flow is calculated as net cash generated from operating activities less payments for purchase of property, plant & equipment, and advances to contractors.
- Capital employed is calculated as the sum of total assets minus non-interest bearing current liabilities.
- Return on capital employed is calculated as operating profit for the twelve months ended divided by capital employed on the last day of the period presented.
- Return on equity is calculated as profit distributable to equity holders of the Company for the period of twelve months ended divided by equity attributable to owners of the Company on the last day of the period presented.
- Net debt to EBITDA ratio is calculated interest bearing net debt as of the end of the period presented, divided by EBITDA for the twelve months ended on the last day of the period presented.
- Leverage ratio is calculated as (a) interest bearing net debt, divided by (b) the sum of interest bearing net debt plus total equity.
- Average basket size is calculated as convenience store revenue divided by number of convenience store transactions
- Average gross basket size is calculated as total convenience store sales revenue (including revenue from consignment items shown under other operating income) divided by number of convenience store transactions.

ADNOC DISTRIBUTION

Cautionary statement regarding forward-looking statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance, and anticipated developments in markets in which operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "would", "intends", "estimates", "plans", "targets", or "anticipates" or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC to supply us with substantially all of the fuel products that we sell; an interruption in the supply of fuels to us by ADNOC; changes in the prices that we pay ADNOC for our fuels and to the prices that we are allowed to charge our retail customers in the UAE; failure to successfully implement our operating initiatives and growth plans, including our mixed-mode service offering, our convenience store optimization initiatives, our cost savings initiatives, and our growth plans; competition in our markets; decrease in demand for the fuels we sell, including due to general economic conditions, improvements in fuel efficiency and increased consumer preference for alternative fuels; the dangers inherent in the storage and transportation of the products we sell; our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, and product quality; the extent of our related party transactions with ADNOC and our reliance on ADNOC to operate our business; the introduction of VAT and other new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated 26 November 2017 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.