GROWTH AND TRANSFORMATION

ANNUAL REPORT 2023


ADNOC أدنوك

INTRODUCTION

50 Years of inspiring journeys

As ADNOC Distribution celebrates 50 years of inspiring journeys, 2023 stands out as a remarkable year for the business with several notable milestones. Established in 1973 as the pioneering UAE government-owned company dedicated to marketing and distribution of petroleum products, we embarked on a journey that resonates with innovation, resilience, and an unwavering commitment to excellence.

Over the last five decades, ADNOC Distribution has evolved into the UAE's largest fuel and convenience retailer. And now, the Company is expanding its presence out with the borders of its homeland and venturing into Saudi Arabia and Egypt, whilst its lubricant product range presence extends in to 37 countries.

Anchored by innovation and customer-centricity, their journey boasts transformative milestones. From launching Electric Vehicle (EV) charging points across its service stations, the inception of smart services such as Fill & Go, to their recent opening of the region's first high-speed hydrogen fueling station, and the enduring popularity of the ADNOC Rewards program. ADNOC Distribution is aiming to be the service station destination of choice for customers.Looking forward, ADNOC Distribution is committed to playing its part in creating a carbon-neutral future. During 2023, the Company proudly announced a decarbonization plan aiming to reduce emissions intensity by 25% by 2030 and is actively investing in EV charging infrastructure and preparing their stations for renewable energy generation.

ADNOC Distribution's successful narrative is written by more than 13,000 dedicated individuals who work for the business. From the veterans who've been integral to their journey, to the newcomers adding fresh vigor. Each one has contributed to the Company's legacy of energizing communities. Whether through groundbreaking initiatives, or steadfast dedication, ADNOC Distribution has positively impacted generations of UAE residents, providing energy for life's journey.

In this annual report, you will find a comprehensive overview of ADNOC Distribution's business, markets, history and strategy. Readers can explore their marketing and customer experience focus, read about their 2023 financials, and gain insights into their retail and commercial business. In addition, readers can learn about the Company's commitment to sustainability through an overview of their ESG initiatives and sustainability framework. The following pages encapsulate ADNOC Distribution's journey so far and their commitment to a future where they continue to set benchmarks in the energy industry.

ADNOC DISTRIBUTION AT A GLANCE

840	~500	~600k	~40mL	>50
Stations in our fuel retail network	Convenience stores in our network	UAE customers served per day	Fuel supplied to customers per day	EV fast charging points across our network

ADNOC Distribution is a leading mobility retailer in the UAE. Since its inception in 1973, the Company has been at the forefront of delivering the best in customer service. Today, ADNOC Distribution enables, enhances, and energizes every customer journey thanks to digitally enabled and innovative customer experiences, as well as high-quality non-fuel retail products.

The Company operates service stations in all seven Emirates in the UAE, as well as Saudi Arabia and more recently, Egypt. While completing its 50th year, ADNOC Distribution currently has 840 service stations; 529 in the UAE, 68 in KSA and 243 in Egypt through the acquisition of a 50% stake in TotalEnergies Marketing Egypt LLC (TEME).

Furthermore, as a non-fuel retail leader in the UAE, ADNOC Distribution operates 359 ADNOC Oasis convenience stores locally and 34 vehicle inspection centers, other leading services spanning car wash, lube change, and EV charging infrastructure, in addition to managing and leasing retail space within its service stations to restaurants and other service providers. The Company is also the leading marketer and distributor of fuels to commercial, industrial, and government customers throughout the UAE and sells its proprietary lubricants in 37 countries worldwide via distributors. ADNOC Distribution aims to be the mobility retailer of choice, enabler of sustainable mobility, and provider of exceptional customer experiences.

Note: all figures as of 31 December 2023

OUR VISION

To become a leading customer-centric, international mobility retailer

OUR PURPOSE

We enable, enhance and energize every customer journey

OUR AMBITION

To be a global mobility-retailer of choice, an enabler of sustainable mobility and a provider of exceptional customer experiences

OUR VALUES

PROGRESSIVE
We invest in new and emerging technologies to meet our customers' ever-evolving needs.

COLLABORATIVE
We leverage our collective strengths to exceed customer expectations.

RESPECTFUL
We foster a culture of inclusivity, diversity, and mutual respect.

RESPONSIBLE
We recognize our responsibilities to our employees, our communities, and sustainability.

EFFICIENT
We will continue to drive commercial and operational excellence to maximize value.

OUR CULTURE

BRING THE ENERGY
Unwavering passion, energy, and enthusiasm defines our character and is reflected in how we work.

EMBRACE TEAMWORK
Collaborative work is critical to our success and founded on the understanding that together, we can achieve more than we can alone.

SEEK EXCELLENCE
We thrive on innovating new solutions, seizing opportunities and raising standards across everything we do.

DELIVER RESULTS
We are driven to deliver results and willing to do what it takes to meet our targets and reach our aspirations.

EXCEED EXPECTATIONS
We endeavor to achieve our best every day and to never settle for anything less than the very best from ourselves, our people, and our company.

WHAT WE DO

B2C: RETAIL BUSINESS

Fuel (64% of total Gross profit)

CORE FUEL

ADNOC Distribution is the largest fuel retailer in the UAE, with 529 domestic sites, operating across all seven Emirates. The Company is active in retail sales of liquefied petroleum gas (LPG), compressed natural gas (CNG), and automotive lubricants. Beyond the UAE, the Company operates 68 retail fuel stations in Saudi Arabia and owns 243 stations in Egypt through the acquisition of a 50% stake of TotalEnergies Marketing Egypt, with a strong focus on international expansion.

EV CHARGING AND ALTERNATIVE FUELS

ADNOC Distribution has 53 EV fast charging points installed in its stations across the UAE to address the current EV customer demand. The Company continues to accelerate the rollout of EV charging points and develop capabilities in alternative fuels such as biofuel and hydrogen. Today, the Company operates the first hydrogen refueling station (H2GO) in the region.

Non-fuel (13% of total Gross profit)

ADNOC Distribution's non-fuel retail activities comprise convenience stores located at its fuel service stations, as well as value-added services such as car care services, vehicle inspection centers, and rental properties.

CONVENIENCE STORES

ADNOC Distribution is the UAE's largest convenience store retailer by number of stores, operating 359 convenience stores in the UAE and 12 stores in Saudi Arabia. The Company also has 138 stores in Egypt through the acquisition of a 50% stake of TotalEnergies Marketing Egypt.

CAR SERVICES

The Company offers car care services at many of its service station locations, including car wash and lube change services. In addition, various services are provided by its partners and tenants, such as vehicle servicing, repairs, and tire changes.

VEHICLE INSPECTION

The Company operates 34 vehicle inspection centers in the UAE. It is the only authorized provider of government-mandated annual vehicle inspections in the Emirate of Abu Dhabi, and also offers vehicle inspection services in other Emirates of the UAE.

PROPERTY MANAGEMENT

The Company manages and leases retail space within its service stations to restaurants and other service providers. Its tenants occupy more than 1,000 properties, operating quick-service restaurants and offering supplementary products and amenities, including banking services and automobile insurance. Major tenants include global brands such as McDonald's, Starbucks, KFC, and Burger King.

B2B: COMMERCIAL BUSINESS

Corporate (18% of total Gross profit)

ADNOC Distribution is the largest supplier of gasoil and gasoline to commercial, residential, industrial and government customers in the UAE wholesale fuels market. The Company sells and exports lubricants (engine oils and greases) to 37 countries. These are used by commercial, industrial, marine, and government customers for motor vehicles, as well as for other engines, machinery, and equipment.

Aviation (5% of total Gross profit)

ADNOC Distribution sells aviation fuel and provides refueling and related services to strategic aviation customers in the UAE. The Company offers aircraft refueling services to ADNOC's civil aviation customers at multiple airports across the UAE. In addition, the Company owns a 50% stake in TotalEnergies Marketing Egypt, which conducts aviation operations in two main airports in Egypt.

Fuel Volume Breakdown by Business

Retail	69%	9,544 million liters
Corporate	28%	3,891 million liters
Aviation	3%	393 million liters

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WHERE WE ARE

529	68	243*
UAE	SAUDI ARABIA	EGYPT

Number of ADNOC Distribution's Fuel Stations
(31 December 2023)

* through owning a 50% stake in TotalEnergies Marketing Egypt

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OUR HISTORY

50 Years of inspiring journeys

1970's

1973
During the rule of Sheikh Zayed, Abu Dhabi National Oil Company for Distribution (ADNOC Distribution) is established by royal decree as the first UAE government-owned company specializing in the marketing and distribution of petroleum products

1976
The Company begins selling Liquid Petroleum Gas (LPG) in canisters for domestic consumption

1979
ADNOC Distribution opens a lubricant blending and packaging plant at Sas Al Nakhl in Abu Dhabi

1980's

1982
The Company begins refueling aircraft at Abu Dhabi International Airport

1983
The Company commissions a grease production unit at the Sas Al Nakhl lubricant plant. The unit, the second of its kind in the world at that time, manufactures high-quality greases

1984
The number of filling stations in remote areas increases as part of a plan to expand the Company's network across the whole of Abu Dhabi Emirate. New services, such as the sale and repair of tires, are added at some filling stations

1990's

1993
ADNOC Distribution becomes an American Petroleum Institute (API) member and receives its first API lubricants certification

1998
ADNOC Distribution rebrands and introduces a total retail offering (fuel and non-fuel)

1999
The Company's aviation division receives the MTMC (US Military Transport Management Command) Quality Award for Excellent Services

2000's

2000
The Company begins operating its vehicle inspection centers in coordination with Abu Dhabi Police

2006
ADNOC Distribution's service stations begin offering a third grade of gasoline, E-plus (Octane 91) for low-compression engines, to complement Super (98) for high-compression and Special (95) for medium-compression enginess

2008
The Company begins construction of compressed natural gas (CNG) distribution facilities at its service stations to be used by natural gas vehicles (NGVs)

2009
ADNOC Distribution and other ADNOC group companies sign the ADNOC Sustainability Charter

2010's

2011
ADNOC Distribution becomes a member and strategic partner of the International Air Transport Association (IATA) and an associate member of the Joint Inspection Group (JIG), which governs standards for the operation of shared fuel storage and handling facilities at the world's major airports

2013
The Company agrees to acquire 75 service stations from Emirates General Petroleum Company (Emarat) in the five Northern Emirates of Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain, and Fujairah

2014
ADNOC Distribution agrees to take over 25 service stations in Sharjah from Emirates National Oil Company (ENOC)

2017
The Company completes its successful initial public offering (IPO), listing its shares on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST

2018
ADNOC Distribution opens its first service stations in Dubai and Saudi Arabia

2019
ADNOC Distribution launches an innovative smart fuel distribution concept, 'ADNOC On the go', a new 'ADNOC Rewards' loyalty program, and a next generation 'ADNOC Oasis' convenience store

ADNOC Distribution begins selling LPG gas in 25-pound and 50-pound canisters in Dubai

2020's

2020
ADNOC Distribution introduces home delivery services from its convenience stores

The Company expands its Vehicle Inspection services to the Northern Emirates

The Company executes a definitive agreement to acquire 15 service stations in Saudi Arabia

2021
The Company executes two definitive agreements to acquire 20 service stations in Saudi Arabia

Free float increases to 23%, following ADNOC's placement of 375 million of ADNOC Distribution's shares

ADNOC Distribution shares included in major emerging market benchmark indices of MSCI and FTSE

2022
ADNOC Distribution launched ADNOC Voyager Green Series, a 100% plant-based lubricant range for both petrol and diesel engines

ADNOC Distribution marks the opening of its 500th station in the UAE

2023
Entry to Egypt with the acquisition of a 50% stake in TotalEnergies Marketing Egypt

Launched a decarbonization roadmap and series of sustainability initiatives, including securing a sustainability-linked loan

YEAR IN REVIEW

A YEAR OF EXPANSION, TRANSFORMATION, AND STRONG PERFORMANCE

Q1

- **Decarbonization Roadmap and Sustainability-linked loan:** Announced a decarbonization roadmap to reduce greenhouse (GHG) emissions intensity by 25% by 2030, and converted an existing AED 5.5 billion ($ 1.5 billion) term loan into a Sustainability Linked Loan, demonstrating a commitment to decarbonizing its operations
- **Renewal of the Refined Products Supply Agreement:** Renewed the 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
- **TotalEnergies Marketing Egypt:** Completion of the acquisition of a 50% stake in TotalEnergies Marketing Egypt LLC. An important milestone in ADNOC Distribution's international expansion journey, marking the Company's official entry into Egypt
- **Introduced "Fill & Go" Service:** Became the region's first fuel distributor to introduce "Fill & Go" innovative technology at its service stations
- **New Dividend Policy:** Shareholders approved the amendment to 2023 dividend policy, setting a minimum AED 2.57 billion (20.57 fils per share) dividend compared to minimum 75% of distributable profits in previous policy

Q2

- **PV Solar Panels:** Signed a deal with Emerge to install Photovoltaic solar panels across its stations in Dubai as part of the Company's phased out approach to solarizing its stations in the wider UAE
- **Lubricants agreement signed with HPCL of India:** Agreement with Hindustan petroleum corporation Limited (HPCL), one of India's largest lubricant marketers and fuel retailing companies
- **Launched "e-COOL LL"** engine coolant tailored for EVs to fulfil growing customers' needs
- **Launched Vehicle Inspection service for electric vehicles** by opening two dedicated lanes in selected location in Abu Dhabi for electric vehicle testing
- **Refurbishment of 5 convenience stores,** offering a modern shopping environment, improvement in category management, including offering fresh food, barista-brewed coffee and a wider menu selection

Q3

- **Reverse Vending Machine:** As an innovative addition to the company's sustainability journey, reverse vending machines providing a recycling service were introduced in 40 locations across Abu Dhabi
- **100% of the ADNOC Distribution UAE heavy fleet are powered by B20 biofuel,** targeting a 15% reduction in CO_2 emissions from the fleet
- **Launched the ADNOC Mobile Vehicle Inspection Centre** in Abu Dhabi in collaboration with Abu Dhabi Police
- **First three ADNOC branded service stations launched in Egypt** as part of the Company's joint venture. The Company had nine ADNOC branded stations by the end of 2023
- **WELL health-Safety Rating:** obtained for more than 500 service stations across the UAE, demonstrating Company's commitment to health, safety and wellbeing of its employees, customers, and the local community
- **Refurbishment of 10 convenience stores,** bringing the total number of refurbished in 2023 to 15

Q4

- **Hydrogen refueling station "H2GO":** launched the region's first "high-speed" green hydrogen refueling station in collaboration of ADNOC and Masdar to test a group of vehicles that use hydrogen as fuel
- **Adopt a Mangrove initiative:** ADNOC Distribution started its bio-diversity journey by implementing a customer facing reforestation program permitting customers to adopt a mangrove using their Reward points through the ADNOC Rewards app, then monitoring the individual plant using a digital platform live
- **Company delivers on its market commitments by achieving an EBITDA of AED 3.68 billion** ($1 billion), recording Company's highest ever EBITDA since IPO
- **Company exceeds its 2023 full year targets** in network expansion by opening 41 new service stations across the network (compared to target of 25-35), and achieving AED 103 million OPEX savings (compared to target of AED 92 million)
- **Company achieved six ISO certifications with UKAS accreditation**, in Environmental Management, Maintenance Data Collection, Business Continuity Management, Occupational Health and Safety Management, Energy Management, and Asset Management

KEY HIGHLIGHTS OF 2023

- **41** New service stations — total network **840**
- **~14** billion liters — **Total fuel volume sold +40%** compared to 2022
- **53** Fast EV charging points — across the **network UAE**
- **45** million — **Non-fuel transactions +13%** compared to 2022
- **180** million — Fuel transactions **+2%** compared to 2022
- AED **3.7** billion — **EBITDA, the highest** since Company's IPO, **+5%** compared to 2022
- AED **4.0** billion — Free Cash Flow **+19%** compared to 2022
- AED **103** million — **Savings** in operating expenses on a like-for-like basis
- AED **2.57** billion — **Dividend distributed** in 2023

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AWARDS & RECOGNITION

ADNOC Distribution won several awards across different categories in 2023.

BEST AI/ML PROJECT FOR THE YEAR 2023 BY UAE GOVERNMENT CYBER SECURITY COUNCIL

ADNOC Distribution's "Fuel Demand Prediction" project won the Best AI/ML Project for the year 2023 by UAE Government Cyber Security Council

BEST AI PROJECT FOR ENERGY SECTOR 2023 AT AI WORLD SHOW INTERNATIONAL CONFERENCE

ADNOC Distribution's "Smart Workforce Management" project won the "Best AI Project for Energy Sector 2023" at the AI World Show International Conference

2023 GCC GOV HR AWARDS IN THE CATEGORY OF "INNOVATION OF THE YEAR"

ADNOC Distribution project "Driving Sales Incentive Engagement Strategy" for its Retail & Commercial Group won 2023 GCC GOV HR Awards in the category of "Innovation of the Year"

BEST ACCELERATION USE CASE AND BEST ROI STORY IN DATAIKU FRONTRUNNER AWARDS

ADNOC Distribution's project "Driving Customer Engagement Through Data Driven Promotions & Hyper-Personalization" won the Award in two categories "Best Acceleration Use Case" and "Best ROI Story", from amongst 84 global participants

BEST EXPERIENCE AWARD BY KANTAR

BEST IN RETAIL INNOVATION AWARD AT RETAILME

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SHAREHOLDERS' INFORMATION

Trading of ADNOC Distribution shares on the Abu Dhabi Stock Exchange (ADX) began on December 13, 2017, under the symbol ADNOCDIST at an Initial Public Offering (IPO) price of AED 2.50.

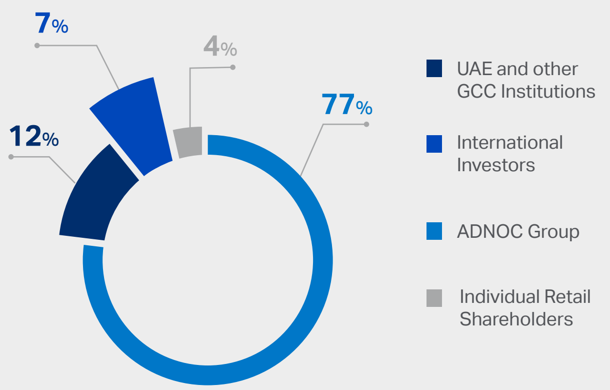
On December 31, 2023, the share price was AED 3.70 and the Company's market capitalization was AED 46.3 billion. The Company's paid-up share capital is AED 1 billion, divided into 12.5 billion shares, each with a nominal value of AED 0.08. ADNOC Distribution's shares are compliant with Shari'a as verified by the Unified Committee of Islamic Banks for Shari'a Screening of Equities (UAE).

ADNOC DISTRIBUTION SHARE OWNERSHIP STRUCTURE

As of December 31, 2023, Abu Dhabi National Oil Company (ADNOC), the parent company, owned 77% of the outstanding shares. The UAE and other GCC institutions, international institutions, and individual retail investors owned 52%, 30% and 18% of the free float, respectively.

The total number of shareholders as of December 31, 2023, was approximately 13,000.

Share Ownership Structure*



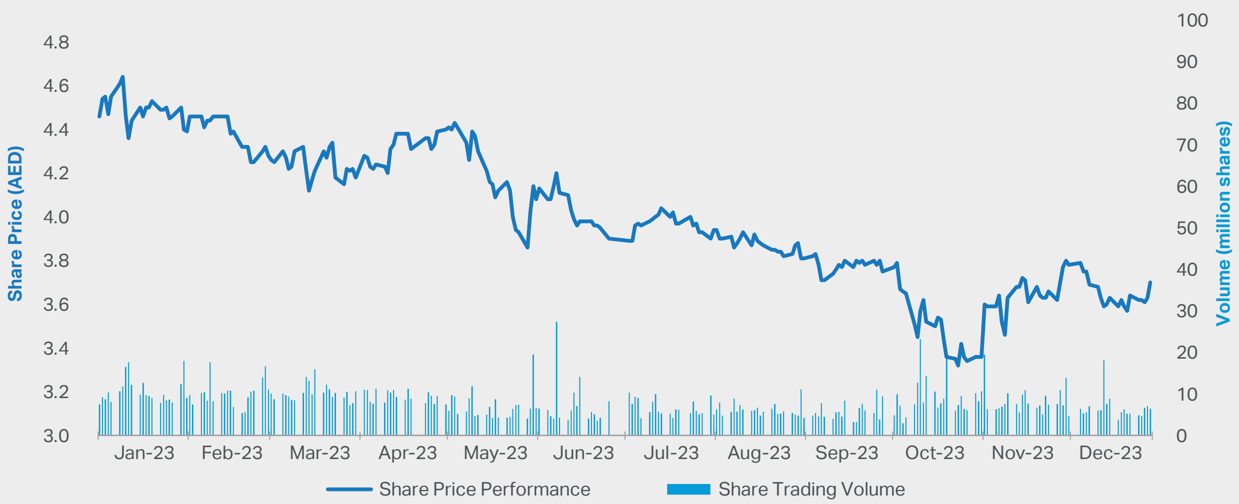
*Data source: ADNOC Distribution share register as of 31 December 2023

HOW TO BUY SHARES

Any investor with an up-to-date investor number (NIN) registered through the ADX can place orders to buy and sell shares through brokerage companies licensed and registered in the market.

Trading on ADX is allowed only through authorized brokers. Those interested may contact a broker or visit www.adx.ae (FAQs) for a complete list of brokerage companies. Interested parties can also call ADX customer service on 800239 or +971 2 6277777 for further information.

ADNOC Distribution Daily Share Performance, 2023 (Prices at daily close)



ADNOC Distribution Share Trading Performance Summary

	At Initial Public Offering (December 2017)	Last trading day 2022	Last trading day 2023	% change in 2023	High	Low
Share Price (AED)	2.50	4.41	3.70	-16.1%	4.64	3.32
ADX General Index - FTSE ADX General Index (FADGI)	4,384	10,211	9,578	-6.2%	10,316	9,220
FADX 15 (FADX15)	n.a.	10,189	9,334	-8.4%	10,264	8,995
Number of shares outstanding (billion)	12.5	12.5	12.5			
Market capitalization (AED billion)	31.3	55.1	46.3			
Average Daily Trading Volume during the year (million shares)	n.a	12.4	8.2			
Average Daily Trading Value during the year (AED million)	n.a	52.5	33.1			

Stock Exchange Listing
Abu Dhabi Securities Exchange (ADX)

Date listed on the stock exchange
December 13, 2017

Currency
AED (United Arab Emirates Dirham)

International Securities Identification Number (ISIN)
AEA006101017

ADX symbol
ADNOCDIST

Reuters Instrument Code (RIC)
ADNOCDIST.AD

Bloomberg symbol
ADNOCDIS UH

Indices in which ADNOC Distribution stock is included*:

FTSE ADX General Index
FTSE ADX15
FTSE ADX Energy Index
FTSE ADX ESG Screened Index

FTSE Emerging Index
FTSE4Good Index Series
FTSE Emerging ESG Low Carbon Select

The MSCI Emerging Markets Index
MSCI United Arab Emirates (UAE) Index MSCI UAE Investable Market Index (IMI)

* Source: Bloomberg, ADX, MSCI, FTSE

Registrar

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ADNOC Distribution Investor Relations Contact:
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ADNOC Distribution Investor Relations website
https://www.adnocdistribution.ae/investor-relations

STRATEGIC REVIEW

A MESSAGE FROM OUR CHAIRMAN

I am pleased to report another successful year for the Company in 2023. In the year that ADNOC Distribution marked its 50th anniversary, we adapted to meet the changing needs of consumers, built a more resilient business model that prioritized innovation, the adoption of new AI tools, and accelerated domestic and international growth.

The Company's collective efforts resulted in exceptional financial performance in 2023, marked by record-high EBITDA of more than $1 billion, a robust net profit of $708 million, a net debt-to-EBITDA ratio of 0.62x, and operational efficiency improvements resulting in like-for-like OPEX savings of $28 million.

Backed by a strong free cash flow of $1.1 billion, a healthy balance sheet, and network of 840 service stations across the Middle East and North Africa, ADNOC Distribution is well-positioned to realize our growth ambitions as a multi-energy, convenience, and mobility leader.

Building on our strong performance in 2023, we recently unveiled the Company's five-year strategy, underpinned by three key drivers: domestic growth, international platforms, and future-proofing the business.

LEVERAGING DIGITAL TRANSFORMATION

Across ADNOC, we are working to become the world's most AI-enabled energy company to deliver smarter, cleaner, and safer energy for all.

At ADNOC Distribution, AI is putting customer-centricity at the heart of everything we do. Our new strategy aims to digitally transform our stations to strengthen our customer experience. In 2023, we invested in artificial intelligence (AI) driven computer vision technology and launched Fill & Go, a hyper-personalized, seamless refueling solution.

We also deployed AI to upgrade our non-fuel offerings through ADNOC Rewards – the UAE's first and largest fuel retail loyalty program with nearly 2 million registered members – resulting in an increase in transactions and profitability.

DRIVING SUSTAINABILITY

In alignment with our sustainability roadmap, ADNOC Distribution made measurable progress towards reducing our carbon intensity by 25% by 2030. In 2023, we commenced multiple initiatives to support our sustainability journey, such as installing solar panels throughout our network, adopting biofuel across our entire commercial fleet, and utilizing green cement in the construction of all new stations.

We continued our commitment to sustainable mobility with the launch of 50 EV charging points and the region's first high-speed hydrogen refueling station, H2GO. Our new five-year strategy will see a strategic deployment of EV chargers across our network, and as demand grows, we intend to increase our investments in EV infrastructure and alternative fuels, such as hydrogen.

> **A year of growth and sustainability**

MOVING FORWARD INTO 2024

As we transition into a multi-energy, AI-enabled convenience, and mobility leader, ADNOC Distribution will continue to invest in the core UAE market, digitally optimize our service stations, improve our customer experience, and expand our international footprint. We will continue to grow whilst unlocking the value of our existing network by utilizing our non-fuel retail assets and optimizing real estate. By leveraging our robust balance sheet and reliable cash flow generation, we aim to further enhance the contribution from our international businesses while exploring value-accretive inorganic opportunities. Looking ahead, we plan to expand our total network to 1,000 stations by 2028, a 20% increase over 2023.

I want to thank our employees, management and Board of Directors for their hard work and commitment as we look back on the remarkable achievements of ADNOC Distribution in 2023. Their contributions and dedication were instrumental in the Company's success, and I am excited about what we will accomplish together this year.

H.E. DR. SULTAN AHMED AL JABER
Chairman

CEO'S MESSAGE

2023 was a record-breaking year for ADNOC Distribution. I feel a deep sense of pride in our collective achievements and would like to thank ADNOC Distribution's employees, for their determination and commitment, as well, our customers, partners, and shareholders for their trust. We had a defining year as we delivered on our smart growth, innovation, and sustainability targets to set the stage for continued success.

Notable achievements included expanding our network, substantially growing our non-fuel business, embracing efficiency, and entering new markets – all of which culminated in our record EBITDA in excess of $1 billion. These milestones, coupled with robust financial performance, underscored the strength of our management team and our employees to deliver on ADNOC Distribution's long-term commitments.

This Annual Report highlights the success stories in more detail, encompassing financial performance, sustainability initiatives, future-proofing strategies, and our vision as we evolve into a multi-energy, convenience, and mobility leader.

DOMESTIC AND INTERNATIONAL EXPANSION

Our substantial expansion of the service station network provided an ideal platform for remarkable growth in fuel and non-fuel sales. We exceeded targets by opening 41 new ser-vice stations across the UAE, KSA, and Egypt, expanding our network to 840 stations and 500 convenience stores by year-end.

The acquisition of a 50% stake in TotalEnergies Marketing Egypt marked a significant milestone in our international expansion, further solidifying our position as a leading fuel and convenience provider in the region.

Additionally, our lubricants business expanded its presence to 37 countries, reinforcing ADNOC Distribution's global footprint in new markets.

SUPERIOR CUSTOMER EXPERIENCE

We proudly served over 600,000 customers daily at our UAE service stations, facilitating a record 224 million retail transactions. Our non-fuel retail business witnessed double-digit growth, led by initiatives such as the revamped ADNOC Rewards TIERs program, which has reached nearly 2 million members, a 22% increase from the previous year.

Our commitment to enhancing customer experiences led us to leverage cutting-edge technologies, including artificial intelligence. Digital-led and artificial intelligence-enabled services such as Fill & Go, leveraged ADNOC Rewards to create a hyper-personalized and seamless experience for our customers, driving increased transactions and profitability.

2023 Annual Report

Expanding horizons, pursuing innovation, and powering a sustainable future

SUSTAINABILITY

In alignment with the UAE's vision for sustainable mobility, as well as to future-proof the business, we installed over 50 fast and super-fast electric vehicle (EV) charging points and launched the region's first high-speed green hydrogen pilot refuelling station.

In pursuit of our sustainability goals, we utilized green cement in the construction of new stations, and installed solar panels across our network, reducing our carbon footprint and promoting renewable energy adoption as part of our commitment to reduce carbon emissions by 25% by 2030. Additionally, we introduced reverse vending machines at select stations to promote recycling.

ENG. BADER SAEED AL LAMKI
CEO, ADNOC Distribution

LOOKING FORWARD

As we embark on 2024, we remain focused on delivering profitable, domestic growth in both retail and commercial, scaling up our international platforms, and future-proofing our business by exploring new revenue streams.

We continue to transform from a fuel distributor into a multi-energy, convenience, and mobility leader.

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FINANCIAL REVIEW

ADNOC Distribution achieved strong financial and operating performance while delivering on a critical commitment to the capital markets with record-high EBITDA in 2023.

The following discussion and analysis of the Company's financial results is based on audited financial statements for the year ending December 31, 2023. The results should be read in conjunction with audited financial statements, including the related notes, which are available on the Company's website.

Marked by its highest-ever EBITDA, 2023 was a remarkable and transformative year for ADNOC Distribution. The Company delivered on its five-year targets that were communicated to the market during its Capital Markets Day in 2019 with the Company's EBITDA of AED3.68 billion (>$1 billion), an increase of 5% year-on-year.

The Company continued to execute its operational efficiency initiatives and successfully achieved its 2023 OPEX savings target with an additional AED 103 million savings in operating expenses on a like-for-like basis, leading to a cumulative OPEX savings in excess of AED477 million achieved over 2019-2023, in line with its five-year OPEX savings target.

In 2023, ADNOC Distribution reported a net profit of AED 2.60 billion. While down 5% year-on-year, it more than in full covers the dividend for 2023 of AED2.57 billion as per the dividend policy. Underlying EBITDA grew by 15% year-on-year to AED3.34 billion, and net profit, excluding inventory movements, increased by 6% year-on-year to AED2.26 billion despite the higher finance costs. This financial performance was supported by double-digit growth in fuel volumes and a number of non-fuel transactions, growing contribution from international operations, and efficiency improvement initiatives. Additionally, strong underlying profitability contributed to growth in free cash flow generation of 19% to AED4.0 billion in 2023. Together, with a robust balance sheet (net debt/EBITDA of 0.62x as of 31 December 2023), this provides support to future growth prospects and attractive dividend distributions.

Whilst continuing to deliver on its sustainable profitable growth strategy in 2023, ADNOC Distribution remained focused on future proofing the business and capitalizing on energy transition opportunities by addressing customers' evolving energy needs. Simultaneously, it continued to decarbonize its operations by setting a goal of reducing carbon emissions intensity by 25% by 2030 and launching a series of sustainability initiatives. The Company also accelerated its digital transformation strategy to deliver best-in-class customer service, which will strengthen its competitive positioning to make ADNOC Distribution service stations a destination of choice for customers.

ADNOC Distribution has a solid financial framework in place for all investments to ensure a disciplined, return-driven capital allocation and value creation for shareholders.

Fuel volumes

13,829 million liters

40.1% increase

Total fuel volumes sold increased by 40.1% in 2023 compared to 2022, mainly attributable to the consolidation of TotalEnergies Marketing Egypt. In GCC countries, fuel volumes were up 11.8% supported by higher mobility, sustained momentum in the region's economic growth, network expansion, and higher contributions from KSA operations.

Revenue

34,629 AED million

7.8% increase

Revenue for 2023 increases by 7.8% compared to 2022 despite the lower selling prices as a result of lower crude oil prices in 2023 compared to 2022. This increase in revenue was driven by growth in fuel volumes and higher non-fuel retail segment contribution, as well as the consolidation of TotalEnergies Marketing Egypt.

Gross Profit

5,836 AED million

3.0% increase

Gross profit for 2023 increased by 3.0% compared to 2022, mainly as a result of higher fuel volumes, and growth in non-fuel retail business despite lower inventory gains of AED339 million in 2023 versus a material inventory gain of AED622 million in 2022 in a rapidly rising oil environment.

EBITDA

3,679 AED million

4.6% increase

EBITDA for 2023 increased by 4.6% compared to 2022 despite lower inventory gains in 2023 versus 2022, supported by higher fuel volume, higher contribution from non-fuel retail business and international activities and company-wide efficiency improvement initiatives.

Underlying EBITDA

3,340 AED million

15.4% increase

Underlying EBITDA (EBITDA excluding inventory movements) for 2023 increased by 15.4% compared to 2022, mainly driven by higher fuel volume, higher contribution from non-fuel retail business and international activities and company-wide efficiency improvement initiatives.

Distribution and administrative expenses

2,917 AED million

5.6% increase

In 2023, distribution and administrative expenses (OPEX) increased by 5.6% compared to 2022. Excluding depreciation, cash OPEX of AED2,220 million remained unchanged in 2023 year-on-year despite the expansion of the Company's fuel retail network and consolidation of TotalEnergies Marketing Egypt, supported by management initiatives to increase operational efficiency across all business units.

Net Profit*

2,601 AED million

5.4% decrease

In 2023, net profit attributable to shareholders decreased by 5.4% compared to 2022, mainly as a result of lower inventory gains in 2023 versus 2022.

* Net profit attributable to equity holders of the company

Net Profit Excluding Inventory Movements

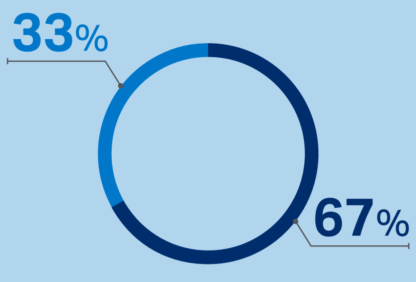
2,262 AED million

6.4% increase

Net profit, excluding inventory movements, increased by 6.4% compared to 2022, despite higher finance costs. This was supported by volume growth, higher contribution from non-fuel retail business, international activities and company-wide efficiency improvement initiatives.

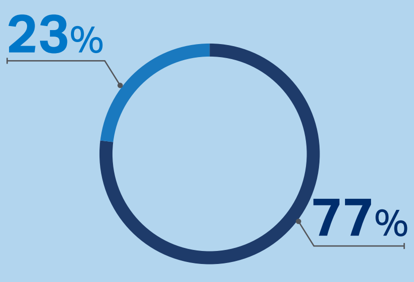
2023

Revenue



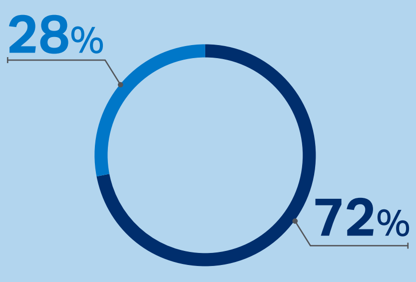
- Retail (Fuel & Non-fuel) **AED 23,217 million**
- Commercial (Corporate & Aviation) **AED 11,412 million**

Gross Profit



- Retail (Fuel & Non-fuel) **AED 4,499 million**
- Commercial (Corporate & Aviation) **AED 1,337 million**

EBITDA[1]



- Retail (Fuel & Non-fuel) **AED 2,646 million**
- Commercial (Corporate & Aviation) **AED 1,048 million**

[1] EBITDA contribution excluding unallocated items of -AED15 million

Key year-on-year financials – Statement of profit and loss items

	For the year ended 31 December		
(AED million)	**2023**	**2022**	**YoY %**
Revenue	34,629	32,111	7.8%
Gross profit	5,836	5,668	3.0%
EBITDA	3,680	3,517	4.6%
Underlying EIBTDA*	3,340	3,166	15.4%
Profit for the period**	2,601	2,749	-5.4%
Earnings per share (AED/share)	0.208	0.220	-5.4%
Profit for the period excluding inventory movements	2,262	2,126	6.4%

* Underlying EBITDA is defined as EBITDA excluding Inventory movements

** Net profit attributable to equity holders of the Company

Net cash generated from operating activities

5,051 AED million

12.1% increase

Net cash generated from operating activities increased by 12.1% in 2023 compared to 2022, supported by the EBITDA growth and positive effect of working capital change

Capital expenditures

1,176 AED million

4.5% decrease

The Company invested CAPEX (including accruals/provisions, while excluding M&A) of AED1,176 million in 2023, a decrease of 4.5% compared to 2022.

Free cash flow

4,025 AED million

18.7% increase

Free cash flow generation (net cash generated from operating activities less payments for purchase of property, plant and equipment and advances to contractors) totaled AED4,025 million in 2023, an increase of 18.7% compared to 2022, driven by a robust cash flow from operating activities

Total equity

3,796 AED million

Net debt

2,298 AED million

Net debt to EBITDA ratio

0.62x x multiples

The ratio of interest-bearing net debt to EBITDA at the end of December 31, 2023, was 0.62x. There are no financial covenants in the Company's credit facilities.

2023 Annual Report

Key year on year financials – Balance sheet items

	As of December 31		
(AED million)	**2023**	**2022**	**YoY %**
Net cash generated from operating activities	5,051	4,507	12.1%
Capital expenditures – excluding M&A	1,176	1,253	-4.5%
Free cash flow* – excluding M&A	4,025	3,391	18.7%
Total equity	3,796	3,445	10.2%
Net debt**	2,298	2,735	-16.0%
Capital employed	11,340	10,441	8.6%

* Free cash flow is defined as net cash generated from operating activities less payments for purchase of property, plant and equipment and advances to contractors.

** Cash and bank balances used for net debt calculation includes term deposits with banks.

Return on capital employed (ROCE)

26.3%

Return on equity (ROE)

74.9%

Leverage ratio

37.7%

Key year on year financials – Financial ratios

	As of December 31	
	2023	**2022**
Return on capital employed (ROCE)	26.3%	28.5%
Return on equity (ROE)	74.9%	79.8%
Net debt to EBITDA ratio*	0.62x	0.78x
Leverage ratio*	37.7%	44.3%

* Cash and bank balances used for net debt calculation includes term deposits with banks.

MARKET OVERVIEW

UAE

The UAE remains the Company's core market. It is the second-largest economy, after Saudi Arabia, in the Gulf Cooperation Council (GCC), based on nominal gross domestic product (GDP) and is one of the wealthiest countries in the region on a per capita basis. The World Investment Report 2023 ranked the UAE as the top country in the Arab world and the 22nd country worldwide for its capacity to draw foreign direct investment (FDI). In 2022, the UAE saw a 10% rise in FDI inflows to $23 billion – the most ever achieved. A significant rise of investment activity in the UAE made the country the fourth-largest recipient of greenfield projects in the world.

In 2023, the UAE economy is projected to show solid growth but at a lower rate compared to 2022. According to the country's Central Bank, the real GDP is expected to increase by 3.1% in 2023, compared to 7.9% in 2022. The lower growth rate in the economy is mainly due to the prolongation of oil production cuts by OPEC+.

SAUDI ARABIA

ADNOC Distribution continued to execute its plans in the Kingdom of Saudi Arabia (KSA) with 68 stations in the Kingdom at the end of 2023. Currently, more than 80% of the network has been rebranded, providing support to operating and financial performance in KSA. With a fully operational team on the ground, the Company is nearing completion of a revitalization and rebranding program for its network in the Kingdom.

Saudi Arabia's economy is one of the top 20 in the world and the largest in the Arab world and the Middle East. The Kingdom's economic growth is expected to decelerate from 8.7% in 2022 to 0.8% in 2023, according to a forecast by the International Monetary Fund. The slower GDP growth in 2023 reflects the announced oil production cuts, including unilateral cuts and those in line with an agreement through OPEC+.

The outlook for Saudi Arabia's economy is favorable; the Kingdom's GDP is projected to grow at 4% in 2024.

EGYPT

Beyond the GCC region, the Company further advanced its international expansion in 2023 by completing the acquisition of a 50% stake in TotalEnergies Marketing Egypt LLC, which is among the top four fuel retail operators in Egypt. This acquisition includes a diversified portfolio comprising 243 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car wash sites, as well as wholesale fuel, aviation fuel, and lubricant operations. This also aligns with the Company's vision to establish ADNOC Distribution as a regional fuel distribution leader and will provide sizeable operations in one of the largest countries in the MENA region.

The Egyptian economy experienced a slowdown in growth during the Q1 of the current fiscal year 2023/2024, with a growth rate of 2.65% (vs 4.4% in 2022/2023). The World Bank forecasts Egypt's real GDP for the fiscal year 2023/2024 to grow at 3.5%.

Egypt's overall macroeconomic environment during FY2023/2024 is expected to be undermined by the weakening global economic outlook and domestic challenges such as rising inflation, foreign currency shortages, and commodity supply disruptions, which are anticipated to result in weak private-sector consumption and export fall.

ADNOC DISTRIBUTION VALUE PROPOSITION

Solid business performance and cashflow visibility

- Demonstrable solid business performance reinforced by strong 2023 operating and financial results with over 26% ROCE
- Predictable cash flow generation supported by robust regulatory framework, industry-leading margins in the UAE and limited exposure to oil price volatility
- 5-year supply contract with ADNOC, offering a retail margin guarantee which protects against inventory losses while providing earnings upside from inventory gains in fuel retail business
- Strong balance sheet with ample liquidity supports growth prospects and attractive shareholder distributions

Deliver incremental and sustainable growth

- Establish ADNOC Distribution as a multi-energy, convenience and mobility leader
- Deliver EBITDA growth in 2024-28 through identified key strategic initiatives and focus areas, including doubling down on non-fuel retail and sweating the assets
- Accelerate sustainable and profitable growth domestically and internationally through efficient capital allocation
- Futureproof the business by unlocking new revenue streams offered by energy transition (incl. EV charging) and pursuing sustainability goals
- Accelerate digital transformation to create incremental value and enhance customer loyalty
- Unlock hidden value through OPEX initiatives

Deliver higher shareholder payback

- Proven track-record of shareholder value creation since IPO
- Total shareholder return: $8.2 billion (+100%)
- Attractive dividend policy supported by visible cash flow profile and strong balance sheet
- New 2024-28 dividend policy proposal [1] $700m or min. 75% of net profit whichever is higher, providing payback visibility and dividend upside from earrings growth

(1) Subject to shareholders' approval at the General Assembly Meeting scheduled for March 2024

DIVIDEND POLICY

Since its IPO, the Company has consistently increased payback to its shareholders through its progressive dividend policy supported by strong cash flow generation and balance sheet strength.

Under the Articles of Association, the Company may distribute quarterly, semi-annual and/or annual dividends to shareholders from operating profits and/or accumulated profits. Since its IPO, the Company has historically aimed to pay a dividend twice each fiscal year, with an initial interim payment in October and a second payment in April of the following year. In making recommendations to shareholders regarding the payment of dividends, the Board of Directors considers the cash management requirements of the business for operating expenses, interest expenses, and anticipated capital expenditures. The Board also considers market conditions, the operating environment, and the outlook for the business.

The Company's dividend policy sets a dividend of a minimum of AED 2.57 billion (min. AED 20.57 fils per share) for 2023. Under our approved dividend policy, ADNOC Distribution's Board of Directors has recommended that shareholders approve a final dividend payment of AED 1.285 billion (AED 10.285 fils per share) for the second half of 2023, resulting in a total dividend of AED 2.57 billion (AED 20.57 fils per share) for fiscal year 2023. If approved by ADNOC Distribution shareholders at the Annual General Assembly Meeting, the Company expects to pay this dividend in April 2024. To recognize the Company's strong financial position and confidence in future cash flow generation, the Board of Directors has recommended introducing a new dividend policy for 2024-2028 to distribute an annual dividend of AED 2.57 billion (20.57 fils per share) or min. 75% of net profit, whichever is higher. This policy represents a balance between growth investments and sustainable shareholder payouts, while also provides payback visibility and dividend upside from future earnings. ADNOC Distribution had AED 3.2 billion of cash on its balance sheet with a ratio of net debt to EBITDA at 0.62x as of December 31, 2023, offering additional leverage capacity. The new dividend policy proposal will be presented to shareholders during the upcoming General Assembly Meeting scheduled for March 2024.

ADNOC Distribution is unwavering in its commitment to fulfilling its strategic goals and providing long-term sustainable returns to its shareholders.

2023 Annual Report

OUR STRATEGY

ADNOC Distribution's strategy focuses on driving sustainable earnings growth and delivering long-term returns for shareholders.

In charting the course for 2024, ADNOC Distribution remains steadfast in its commitment to sustainable earnings growth and the delivery of long-term returns for our shareholders. Our resilient and diversified business operations provide a solid foundation for future growth in both Fuel and Non-Fuel segments, enabling us to embrace emerging opportunities in the dynamic space of new mobility solutions. Embedded within our strategy is a dedication to optimizing costs, implementing sustainability into our daily operations, and future-proofing our business. We are determined to strengthen our brand and allocating capital in a disciplined manner for both growth and ensuring 100% HSE in our operations, with a view to maximizing value for our shareholders. Our strategy has a core philosophy where business success lies in placing our customers at the center of our offering — a principle that has been intrinsic to our evolution from a fuel distributor to a preferred retail and mobility destination of choice.

Our journey is underpinned by a track record of delivering robust operating and financial results. Our strategic roadmap leads us to our next phase of growth and consolidation of leadership in mobility retailing in our home market. Simultaneously, we are dedicated to enhancing our product and service offerings, expanding geographically, optimizing returns from our portfolio, and streamlining costs and capital allocation.As we embark on this transformative journey, after a record financial and operating performance in 2023 and attractive shareholder payback, ADNOC Distribution continues to represent a compelling investment case and is well-positioned to pursue its next phase of growth. Building on the successful delivery of our five-year targets (2019-2023) which were set in 2019, we have recently unveiled during the Investor Day in February 2024, key strategic initiatives and focus areas that are expected to deliver EBITDA growth in 2024-28. We believe we are now ready for the next phase of growth which will see ADNOC Distribution transform from a fuel distributor into an multi-energy distribution, convenience and mobility leader. This is expected to be achieved through leveraging on the full potential of ADNOC Distribution's organic business, unlocking incremental value from non-fuel business and sweating the assets, as well as potential value-accretive inorganic opportunities. ADNOC Distribution envisions a future where sustainability, innovation, and customer centricity converge seamlessly. We can leverage on our strong balance sheet to continue with our investment plans and secure domestic and international growth – all of which will contribute to incremental EBITDA in 2024 and beyond. This is our compass for the next five years, where every journey is a testament to our dedication to progress.

STRATEGY OVERVIEW

Vision

Become a multi-energy, convenience and mobility leader

Purpose

Provide world-class customer experience through compelling fuel & non-fuel offerings, digital integration & innovation

Pillars

Deliver profitable domestic growth

Retail: enhance returns of core assets

- **Leverage on highly attractive and growing** core UAE energy market
- **Reallocate capital towards** convenience and mobility to transform our stations as destinations of choice

Commercial: continue to grow market share while driving enhanced margins

Build international platforms

Retail: expand the assets

- **KSA:** well-positioned to capitalize on evolving market
- **Egypt:** maximize earnings potential
- **New accretive markets**

Lubricants & LPG: scale-up business to create new growth verticals

Future-proofing & new revenue streams

Electric vehicles: access premium-margin On-the-go EV charging value pool

Decarbonization: execute Sustainability roadmap to achieve 25% reduction in emissions intensity by 2030

Alternative fuels: biofuels & pilot hydrogen

Mobility solutions: monitor key trends

Enablers

OPEX & CAPEX Optimization	Business Transformation	Technology & Digital Assets
Strong FCF & Balance Sheet	Robust Operating Model	Station Network & Landbank

Objectives

Drive sustainable earnings growth and deliver long-term returns for shareholders

To achieve long-term growth objectives, ADNOC Distribution is focusing on the following key areas:

Deliver profitable and sustainable growth

1. Domestic Fuel: continued investment in the growing and highly attractive core UAE energy market by growing fuel volumes through smart network growth and expanding customer channels with digitally-enabled mobile assets

a. Fuel Retail business

The Company expects solid growth in its fuel retail business, driven by population and mobility growth and growing car parc. ADNOC Distribution is well-positioned to capitalize on this opportunity and retain its leadership position in the UAE's fuel retail market. With an extensive network of 529 retail fuel service stations as at the end of 2023, the Company intends to grow its domestic network efficiency by high-grading its stations and converting them into destinations of choice for customers by expanding its non-fuel retail proposition.

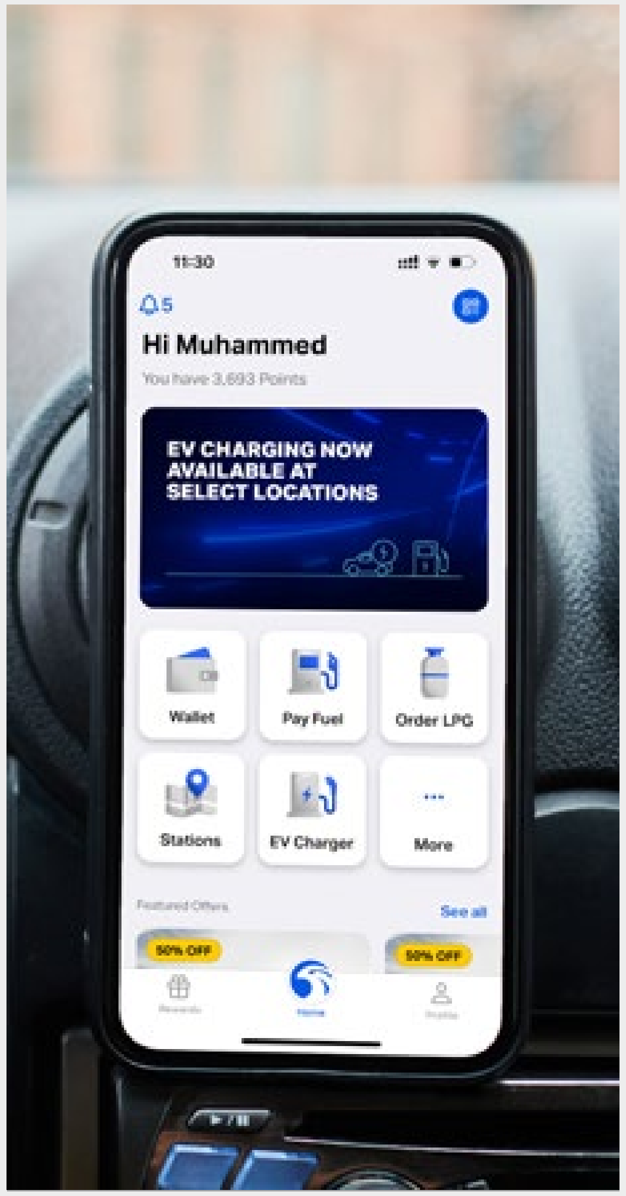
The profitability of the Company's fuel retail business is expected to remain strong, supported by the robust UAE regulatory framework, visible industry-leading UAE retail fuel margins and high throughputs per station. In addition, the Company successfully renewed a five-year supply contract with ADNOC in January 2023, providing ADNOC Distribution a retail margin guarantee that protects against inventory losses and provides exposure to inventory gains.

- Network expansion in Dubai
  Dubai provides access to one of the region's highest retail fuel throughputs per station and a strong non-fuel opportunity. It offers a way for the Company to expand its domestic network without cannibalizing its volumes. ADNOC Distribution has increased its presence in Dubai from three sites in 2018 to a network of 44 stations as of December 31, 2023.

- Maintain a leading position in Abu Dhabi and the Northern Emirates
  As the largest fuel retail operator in Abu Dhabi and the Northern Emirates, the Company continues to expand its network in these regions to maintain its market-leading status and ensure convenient access to fuel and non-fuel services for customers. The Company's expansion in these two regions through innovative and capital-efficient models, such as 'ADNOC On the Go", is prioritized to both protect its market share and generate attractive returns.

- Mobile assets
  ADNOC Distribution has pioneered a fleet of mobile fueling assets to diversify supply channels and offer a customer-centric proposition aimed at convenience. Starting with corporate customers, the mobile assets have expanded in scope to compete across markets, leveraging its fleet of 212 ADNOC MyStation trucks and trailers (59 Fuel trucks, 4 super fuel trucks and 149 LPG cylinder delivery fleet).

- Network portfolio optimization
  The Company continuously performs a retail network health analysis based on data analytics to improve asset utilization at its service stations and grow profitability, thereby unlocking value from its expanding retail assets and maximizing the return on capital employed.



2023 Annual Report

b. Commercial Fuel

Leveraging the attractive commercial fuel market outlook with demand supported by UAE's economic growth, ADNOC Distribution intends to expand bulk fuels, LPG and aviation both abroad and through value-added fleet and B2B services and to grow aggressively in lubricants domestically and in export. There is a strong opportunity for growth in ADNOC Distribution's commercial business across various product segments.

- **Growing domestic corporate main fuel business**
  Abu Dhabi and Northern Emirates are the largest markets for main fuels, with gasoil demand expected to grow driven by higher activity in the construction industry. ADNOC Distribution expects to sustain growth in its corporate business and maintain a leadership position in the UAE by capturing market demand growth and signing new strategic long-term supply contracts with customers and distributors. In addition, the Company intends to further strengthen its direct customer access using a wide portfolio of fully digitized mobile assets while helping customers to decarbonize their operations through more sustainable fuels such as biofuel.

- **Growing LPG business across UAE**
  The UAE market presents compelling opportunities for the Company to seek returns and growth, including its LPG business, which began the sale of cylinders to businesses in Dubai in 2019. The Company intends to gain further market share in the LPG markets of Dubai and the Northern Emirates while scaling up profits in Abu Dhabi through an enhanced digital LPG distribution model leveraging the ADNOC mobile application platform, including launching an LPG delivery service direct to customers. The Company also plans to expand its offering of innovative LPG vending machines and lightweight composite cylinders.

- **Growing domestic lubricants business**
  ADNOC Distribution focuses on the domestic UAE market as a key lubricants segment earnings contributor. Demand in the UAE lubricants market is expected to grow, driven by a higher population and increased number of cars as well as growing investments in the industrial sector resulting in increased manufacturing and construction activities, and growing logistics of raw materials and industrial output driving demand for commercial automotive and marine lubricants. The Company intends to expand its portfolio offering, including specialties and new fluids (e.g., EV fluids, immersion cooling fluids).

2. Domestic Non-Fuel Retail

Capitalizing on its fuel-based footfall, ADNOC Distribution is transforming into a multi-energy, convenience, and mobility leader. The Company has full access to the highly profitable non-fuel retail market and intends to unlock the incremental value of the existing network. By leveraging non-fuel retail assets and real estate optimization, ADNOC Distribution is well-positioned to make its service stations as destinations of choice with multiple attractive non-fuel offerings.

In its convenience store business, ADNOC Distribution is the largest convenience store operator in the UAE, with 359 stores nationwide. The Company intends to expand its total convenience stores network by 25% by 2028 in a disciplined manner. The Company also plans to transform its stores from "Convenience" destination into a Food and Beverage (F&B) 'Foodvenience' destination by increasing the share of its high-margin F&B products and more than doubling barista-prepared drinks. The Company is also enhancing its stores with segmented offerings and customization of assortment leveraging advanced analytics, to drive higher conversion. Other strategic initiatives include delivering ADNOC Oasis to customers through e-commerce, bringing convenience to customers (Click & Collect) and drive-thru services.

As part of its Car Care service business, ADNOC Distribution is leveraging a strong car wash and lube change footprint to enhance customer experience and become a one-stop car care services destination. The Company has plans to improve the overall customer experience facilitated by new offerings and adapting innovative digital solutions, such as introducing a new car wash layout and rolling out high-capacity tunnel car washing with best-in-class technology. This will enable the customers to be served with improved machinery and enhanced experience via digital journeys. ADNOC Distribution has introduced its new car wash layout in nearly 40 sites across the UAE in 2023, offering a modern and premium customer experience. In addition, network-wide improvement initiatives are consistently underway, including the expansion of value-added services at Vehicle Inspection Centers, leading to higher basket size and digital marketing (e.g. a subscription model in car wash) and extensive marketing and promotions.

In Property Management, the Company is sweating the assets through real estate optimization at its service stations. The Company aims to diversify revenues, drive footfall to its stations and grow profitability through monetizing its real estate landbank (i.e. building Community Hubs, and a Quick Service Restaurants (QSR) platform to capture larger value pool), growing its property management business by improving tenant mix, and selectively operating franchises to extract more value across the value chain and generate franchising growth.

Build international platforms

International Retail: Expand the Assets

Delivering on our international expansion plan remains integral to our ambitious growth strategy. We expect to grow internationally through efficient capital allocation where there are opportunities to deliver attractive investment returns. The Company aims to grow the contribution of its international operations and maximize value and earnings potential from its existing assets in Saudi Arabia and Egypt.

In 2023, ADNOC Distribution continued executing its plans in Saudi Arabia, reaching 68 stations at the end of 2023 and more than 80% of the network being rebranded, supporting operating and financial performance in KSA. Saudi Arabia is a large and fragmented market and ADNOC Distribution's experience and strength in fuel retail can be leveraged to capture growth. The Company's integrated approach to fuel and non-fuel offerings is a key differentiator in Saudi Arabia, and it plans to further accelerate expansion in the Kingdom both organically and inorganically through efficient capital allocation.

In Egypt, the Company further advanced its international expansion in 2023 by completing the acquisition of a 50% stake in TotalEnergies Marketing Egypt LLC, which has a diversified portfolio of over 240 retail fuel stations, aviation fuel, lubricants, and wholesale fuel operations as well as 100+ convenience stores, 250+ lube change bays and +15 car wash locations. This move aligns with the Company's vision to establish ADNOC Distribution as a regional fuel distribution leader and will provide sizeable operations in one of the largest countries in MENA region.

In addition to Saudi Arabia and Egypt, ADNOC Distribution is well-positioned for potential inorganic opportunities in new markets while ensuring allocation of capital towards growth in a disciplined manner through value-accretive opportunities.

International Expansion for Lubricants

The wholesale lubricants segment is one of the most promising operating segments for ADNOC Distribution as it enables domestic and international expansion with exports to different markets across the Middle East, Africa, and Asia. The Company's lubricants export network continues to expand, reaching 37 markets by the end of 2023 compared to 25 in 2022.

The Company plans to grow sales in its lubricants segment by introducing new formulations and specialties products using ADbase, a world-class base oil supplied by ADNOC Group. Also, having undertaken a rigorous assessment of the international lubricant market, the Company aims to expand its lubricant portfolio, benchmarked to key global leaders and modernizing packaging, in addition to organic and inorganic growth, in key international markets such as KSA and Egypt.

Future-proof our business

CAPITALIZE ON OPPORTUNITIES CREATED BY THE ENERGY TRANSITION

ADNOC Distribution's priority is to create incremental shareholder value – supported by tangible initiatives in sustainable mobility to future-proof the business and achieve leadership in decarbonization efforts. This value can be attained through promoting alternative mobility solutions and unlocking new revenue streams created by the energy transition, such as investing in EV charging services, hydrogen, and biofuels.

a. **Lead in EV charging services and alternative fuels**
   Leveraging on its extensive network, the Company is pursuing leadership in EV charging services on-the-go, aiming to attract EV customers through fast and super-fast charging and convenience. The Company intends to drive customer choice for EV charging on-the-go by rolling out capacity ahead of demand by leveraging its network and beyond. Targeting similar profitability compared with the existing fuel business, the fast on-the-go segment can deliver attractive margins based on capturing ~20% of EV customers' charging needs. This will be achieved through a disciplined rollout of fast and super-fast EV charging points across the Company's UAE network, with an ambition to deliver a network of more than 500 fast and super-fast charging points by 2028. At the end of 2023, the Company had 53 assets installed across strategic locations to address current EV customer demand and offer an enhanced customer value proposition.

   The Company also aims to offer the best EV charging customer journey through its on-the-go network. This will be accessible, available, and convenient to customers, supported by strong non-fuel offering and customer proposition, leveraging on loyalty and digital marketing.

The Company is exploring clean fuels, such as hydrogen. Operations of the region's first high-speed green hydrogen pilot refueling station, which was opened by ADNOC, to test a fleet of zero-emission hydrogen-powered vehicles, has now started.

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

b. **New adjacencies and business models**
   ADNOC Distribution aims to extend its core strengths and capabilities into new business models, such as vehicle servicing, fleet solution, Quick Service Restaurants master franchise, food and grocery convenience and sustainability solutions. These are new sectors outside of the Company's core domain that can be accelerated via acquisitions or partnerships. Such strategy is expected to enable ADNOC Distribution to extract value from more channels and create new platforms to future-proof the business beyond fuel.

c. **Decarbonizing our operations**
   ADNOC Distribution plans to expand its sustainability-driven efforts to future-proof its business. Through its Decarbonization roadmap, the Company has committed to reduce the carbon intensity of its operations 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. These include installing solar panels at service stations, using biofuels to power its fleet of vehicles and other energy optimization initiatives. ADNOC Distribution also aims to utilize 'green concrete', which is eco-friendly and has a smaller carbon footprint than traditional concrete, in the construction of new service stations.

   In 2023, ADNOC Distribution started the installation of 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. Additionally, 100% of the Company's UAE heavy fleet is now using biofuel.

STRATEGY IN ACTION

Pioneering the future – our role in the Middle East's first high-speed hydrogen refueling station

CONTEXT

ADNOC Distribution takes a significant step into the future as part of ADNOC's broader commitment to sustainability and decarbonization. In collaboration with local and international partners, ADNOC opened H2GO, the Middle East's first high-speed hydrogen refueling station in Masdar City, Abu Dhabi. This groundbreaking initiative aligns with ADNOC's $15-billion investment in new energies and decarbonization technologies.

OFFERING

The high-speed hydrogen refueling station represents a vital move toward clean energy in the UAE. By operating the station, ADNOC Distribution contributes to the realization of the UAE National Hydrogen Strategy, positioning the country among the leading hydrogen producers globally while being a key player in the transition to sustainable energy solutions.

HOW DOES IT WORK?

The station utilizes an electrolyzer powered by clean grid electricity to produce clean hydrogen from water. This method ensures that the hydrogen generated creates no carbon dioxide emissions during usage. The project includes a pilot program with Toyota, Al Futtaim Motors, and BMW, who provided a fleet of hydrogen-powered vehicles to test the efficiency and viability of high-speed hydrogen refueling, with taxi companies including Tawasul, also participating.

SUCCESSFUL DELIVERY AGAINST KEY STRATEGIC GROWTH TARGETS FOR 2023

	May '19 CMD: 2023 targets	2023 achievements
Fuel retail	Low single-digit growth in fuel volumes Increase UAE network size to c.530-550 stations	UAE retail fuel volumes CAGR: 2% UAE network: c.530 stations KSA and Egypt network: 311 stations
Non-fuel retail	Network: 400 C-stores Refurbish 100% of 2018 C-stores network E-commerce channel	Total Network: ~500 C-stores 90% of C-stores are new or refurbished Launched e-commerce channel
Commercial fuel	LPG price optimization New contracts in Dubai	LPG price optimization achieved in 2020 New contracts signed in Dubai and Northern Emirates
OPEX	2019-23 like-for-like savings of $100-150 million	~$130 million like-for-like savings achieved in 2019-23
International growth	Expansion in KSA and exploring other areas	68 stations in KSA and acquisition of 50% in Total Energies Marketing Egypt Lubes exports to more than 30 markets
Financial targets	EBITDA: exceed $1 billion Up to 2x Net debt to EBITDA, ROCE min. 20% CAPEX $1.2-1.4 billion, with 75-80% for growth	EBITDA of >$1 billion 0.6x Net debt to EBITDA, ROCE 26% 2019-23 CAPEX $1.2 billion, with 70% for growth

ADNOC DISTRIBUTION TOMORROW: 2028 AMBITION

Establish ADNOC Distribution as a multi-energy, convenience and mobility leader

+50%
Increase in number of fuel transactions

~1,000
stations network
2023: 840

Hyper-personalized digital-first experience to drive customer engagement, footfall and monetization

10-15x
Fast and super-fast EV charging points in the UAE vs. 2023, in a disciplined roll-out approach
2023: 50+

Deliver EBITDA growth over 2024-28

up to $50m
Like-for-like OPEX savings

CUSTOMER PROPOSITION

ENHANCING CUSTOMER EXPERIENCE AND LOYALTY THROUGH INNOVATION AND PERSONALIZED REWARDING EXPERIENCES

ADNOC Distribution is committed to placing the customer at the heart of everything it does to help accelerate the mobility revolution and redefine the experience at service stations; thereby, cementing the Company's position as a destination of choice for its customers.

At the forefront of the UAE's fuel and convenience retail landscape, elevating customer experiences has been a cornerstone of ADNOC Distribution's growth. This commitment to excellence is not just a business strategy; it's a dedication to understanding and exceeding customer expectations. Utilizing cutting-edge AI and data analysis, ADNOC Distribution fine-tunes its offerings with unparalleled precision, ensuring that every interaction is not just a transaction but a seamless and delightful journey.

FUELING CONVENIENCE

The iconic flagship stations in Dubai and Abu Dhabi stand as a testament to ADNOC Distribution's customer-centric approach. Smart cameras recognizing registered customer vehicles, digital screens with personalized greetings, and the convenience of automatic ADNOC Wallet account charging help to redefine the refueling experience along the UAE's busiest highway. Here, every pit stop becomes a moment of personalized convenience and unparalleled service.
The Company has also become 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.

ENHANCING THE LOYALTY PROPOSITION AND OUR DIGITAL EXPERIENCE

ADNOC Distribution's loyalty program, with over 1.9 million members (+22% vs. 2022) and over 100 partners providing discounts and deals through the ADNOC Distribution app, continues to set the benchmark for excellence. In 2023, the Company transformed its Rewards program to offer a significantly enhanced value proposition to its esteemed members. ADNOC Distribution improved the generosity of the program and introduced SILVER, GOLD, and PLATINUM loyalty Tiers to segment and recognize its high-value members with a touch of exclusivity, offering bonus Rewards points, discounted and complimentary treats such as coffee, car washes, and lubricant products. As part of the loyalty program, the Company offers customer promotions in-store, and a range of initiatives that include linking ADNOC Rewards across service station purchases and allowing customers to earn and redeem points against valuable offerings – in fuel, lube change services, convenience store, and car washes. All this contributed to growth in the non-fuel business.

Under the Company's accelerated digital strategy, ADNOC Distribution has upgraded its entire network of service stations and ADNOC Oasis convenience stores across the UAE with more than 10,000 single-device payment terminals equipped with state-of-the-art technology, delivering a seamless experience. The new payment terminals offer seamless and consistent payment experience across all our business lines and all payment methods. Additionally, the payment terminals provide benefits beyond payments by offering the ability to cross-sell nonfuel products at the forecourt and digitizing the entire loyalty experience. The initiative has helped create a new era of next-generation solutions that unlock the full potential of payments.

SUSTAINABLE MOBILITY FOR THE FUTURE

In stride with the global shift towards sustainable solutions, ADNOC Distribution has not only embraced electric vehicles (EVs) but has become a trailblazer, with more than 50 superfast EV charging points installed across its network and providing enhanced customer experience with a wide range of NFR offerings for the EV customers. ADNOC Distribution plans to become the market leading provider in EV charging infrastructure in the UAE and agreed with TAQA to work together to establish a mobility joint venture, to build and operate EV infrastructure in Abu Dhabi and the wider UAE. Moreover, launching H2GO, the region's first high-speed hydrogen refueling station, signals a commitment to pioneering technologies shaping sustainable mobility solutions' future.
At ADNOC Distribution, the journey goes beyond fueling; it's about providing energy for life's journey – and crafting moments that resonate with our customers is key to this vision.

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BUSINESS REVIEW

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RETAIL BUSINESS

FUEL STATIONS NETWORK

	2023	2022
Fuel Stations	840	568

	UAE 2023	UAE 2022	KSA 2023	KSA 2022	Egypt 2023	Egypt 2022
Fuel Stations	529	502	68	66	243	0

CONVENIENCE STORES NETWORK

	2023	2022
Convenience Stores	509	369

	UAE 2023	UAE 2022	KSA 2023	KSA 2022	Egypt 2023	Egypt 2022
Convenience Stores	359	362	12	7	138	0

OVERVIEW

ADNOC Distribution's retail business includes fuel (gasoline, diesel, CNG, and LPG), sustainable fuel (EV charging, alternative fuel, etc.) and non-fuel (convenience stores, car care services - including car wash and lube change services, vehicle inspection centers, and property management services).

Retail Segment

FUEL

ADNOC Distribution is a leading mobility retailer brand in the UAE, with 529 owned and operated retail fuel stations. It operates fuel service stations in all seven UAE emirates, and is the largest operator in Abu Dhabi, Sharjah, and the Northern Emirates. ADNOC Distribution also operates in Saudi Arabia with 68 service stations and in 2023 entered Egypt market through the acquisition of a 50% stake in TotaEnergies Marketing Egypt which operates 243 stations, of Egypt's stations, 9 are operated with the ADNOC Distribution brand. All figures are as of December 31, 2023.

The Company's retail fuel business is highly cash-generative, with stable, regulated unit fuel margins in the UAE and iconic branding at strategically located locations. This is backed by a fuel supply agreement with its parent company, ADNOC, which guarantees supply on terms that provide the Company with competitive advantage. In 2023, ADNOC Distribution renewed its supply agreement with ADNOC for a new five-year term, reaffirming the Company's robust value proposition.

ADNOC Distribution's relationship with ADNOC, and its extensive fuel distribution infrastructure, the largest in the UAE, provides the Company inherent advantages over competitors and creates high barriers to market entry for future challenger brands.

The main fuel products comprise three grades of gasoline (91, 95 and 98 octane) and diesel as well as lubricants, CNG and LPG. Lubricant products are marketed under the proprietary Voyager brand, the quality of which is recognized by the American Petroleum Institute (API) and the European Automobile Manufacturers' Association. CNG is an expanding market in the UAE with an increasing number of natural gas vehicles (NGVs), resulting in ongoing demand growth for CNG.

LPG is the primary domestic and commercial cooking fuel in the UAE, and it is also used for commercial and industrial applications. ADNOC Distribution sells LPG in 25- and 50-pound cylinders, primarily to residential customers for home cooking, and in bulk to corporate customers.

In addition, ADNOC Distribution has over 50 EV fast charging points installed in its service stations across the UAE to address current EV customer demand. The Company is developing capabilities in alternative fuels such as hydrogen where the Company today operates the first "high-speed" green hydrogen refueling station in the region to test a group of vehicles that use hydrogen as fuel.

NON-FUEL

ADNOC Distribution's non-fuel business has 359 convenience stores in UAE and 12 in KSA, and 138 convenience stores in Egypt through its joint venture. All figures are as of 31 December 2023. The stores offer coffee, fresh food to go, refreshments, groceries, snacks, confectionery goods, tobacco, and other services.

The Company began a major renovation of its convenience stores in 2020. The program continued in 2023 with a total of c.210 stores refurbished as of December 31, 2023, with trained baristas, made-to-order sandwiches, baked goods, premium coffee and convenient "tap and go" payment options.

Other non-fuel services are also offered across the Company's network of service stations, including car wash at 155 locations and lube change at c.200 locations across the UAE. In addition, various services are provided by our partners and tenants, such as vehicle servicing, repairs, and tire change.

The Company also operates 34 light vehicle inspection and testing centers in Abu Dhabi and the Northern Emirates, which provide a wide range of inspection and certification services.

In addition, the Company leases space at its services stations. It maintained a healthy tenancy occupancy rate across its network while it continues to transition its tenancy business to a revenue-sharing model to maximize revenue and profitability.

OPERATIONAL REVIEW

In conducting its business, ADNOC Distribution is an agile, customer-centric, and profit-driven organization. The Company strives to consistently provide its customers with high-quality products and services through innovation and operational excellence.

Retail Segment

NETWORK EXPANSION

ADNOC Distribution continued to expand its footprint in 2023, with 41 new stations opening across the network, exceeding its full-year guidance of 25-35 stations. In UAE, the Company continued to bring convenience closer to customers with 31 new stations, bringing its total UAE network to 529, an increase of 5% year-on-year. It also remained focused on the opportunities offered by the attractive Dubai market, with a high potential for the Company to gain market share. In 2023, the Company opened 5 new stations in Dubai. As a result, ADNOC Distribution's service station network in the emirate expanded by 13% to 44 stations compared to 39 at the end of 2022.

ADNOC Distribution also continued to grow its agile neighborhood fuel station concept 'ADNOC On the go', with 16 new stations added to its UAE portfolio, in particular in Abu Dhabi and Northern Emirates, bringing the total ADNOC On the go stations to 84.

Internationally, ADNOC Distribution continued to execute on its plans in the Kingdom of Saudi Arabia, with 68 stations at the end of 2023, while more than 80% of the network has been rebranded, providing support to operating and financial performance in KSA.

Beyond the GCC region, in 2023, the Company further advanced its international expansion by acquiring a 50% stake in TotalEnergies Marketing Egypt, one of the top four fuel operators in Egypt. This acquisition brought with it a diversified portfolio comprising fuel retail stations, convenience stores, lube-changing stations, and car wash sites, as well as wholesale fuel, aviation fuel and lubricant operations. Following the acquisition in 2023, the Company's assets in Egypt added 4 new service stations to the portfolio and operated 243 service stations and rebranded 9 stations in strategic locations across Greater Cairo with ADNOC Distribution brand, offering a full range of vehicle services to local communities.

ROLL-OUT OF EV CHARGING POINTS

ADNOC Distribution continues to expand its network of EV charging stations and has arranged with TAQA, one of the largest listed integrated utility companies in the EMEA region, to work together to establish a new mobility joint venture (JV), which is intended to provide mobility and charging solutions to the customers in Abu Dhabi and the wider UAE. The JV is set to benefit from the opportunities offered by energy transition and create a new revenue stream for ADNOC Distribution beyond the traditional fuel and non-fuel retail.

In addition, the Company continued the rollout of EV chargers across its service stations in 2023, with 53 fast charging points installed across strategic locations in the UAE, to address current EV customer demand and offer enhanced customer value proposition. Through the development of modern mobility solutions, ADNOC Distribution intends to become a destination of choice for charging and convenience for UAE customers.

ADNOC OASIS CONVENIENCE STORE REVITALIZATION PROGRAM

The Company continued to execute its convenience store revitalization program, with an additional 15 stores refurbished during 2023. Since the launch of the program, the Company modernized c.210 ADNOC Oasis stores over 2020-23.

The new-look stores create a welcoming environment with fresh pastries and sandwiches, freshly brewed coffee made by trained baristas, and a broader menu offering. This includes enhanced category management and seamless payment options.

The modernization program provided support to key convenience stores operating metrics, including number of non-fuel transactions (+13% year-on-year in 2023), growing conversion rate (24.7% in 2023 vs. 21.7% in 2022) and basket size (+3% year-on-year in 2023).

E-COMMERCE GROWTH

ADNOC Distribution began its e-commerce journey in 2020. At end of 2023, the Company has completed onboarding of more than 200 convenience stores with aggregators' delivery apps and continues activating new stores. In addition, the inventory is constantly being improved, with approximately 2,500 active stock keeping units (SKUs) now available on aggregators' platforms. Moreover, the introduction of new promotions and the launch of the Barista and Bakery menu across up to 100 of the Company's active talabat-partnered ADNOC Oasis stores are part of the e-commerce strategy.

As e-commerce continues to evolve in the UAE and the e-grocery segment thrives, ADNOC Distribution is committed to focusing on superior quality, fast delivery and offering customers a holistic and seamless retail experience. The Company is planning to expand its e-commerce reach to more convenience stores across more stations, including Dubai and the Northern Emirates.

VEHICLE INSPECTION

The Company expanded its vehicle inspection services in the UAE to 34 centers following an addition of two new centers in 2023. The number of vehicles inspected (fresh tests) in vehicle inspection centers increased by 49% in 2023 year-on-year, driven by an increase of the number of vehicle inspection centers, particularly in the Northern Emirates, further strengthening the Company's presence in vehicle testing services in the Northern Emirates, along with the introduction of new services, such as Computerized Chassis Measurements, sale of vehicle accessories, and supported by marketing and promotions.

In 2023, ADNOC Distribution opened dedicated testing lanes designed specifically for electric vehicle, offering EV customers hassle-free, fast and efficient EV testing at its Abu Dhabi Muroor Center and Al Ain Al Bateen Center locations. In addition, the Company also introduced its mobile vehicle inspection service, providing the convenience of on-site vehicle inspections with ADNOC Distribution's cutting-edge Mobile Vehicle Inspection Center, which can be transported to the customer's business premises upon request at any time.

ENHANCED CAR WASH OFFERINGS

In 2023, ADNOC Distribution launched its new modern car wash layout in 38 locations across the UAE, which uses cutting-edge technology and provides an elevated customer experience.

FINANCIAL REVIEW

Retail Segment

VOLUMES

In 2023, retail fuel volumes increased by 44.9% compared to 2022, mainly attributable to consolidation of TotalEnergies Marketing Egypt. In GCC markets (UAE and KSA), retail fuel volume increased by 9.6% year-on-year as a result of economic growth and higher mobility in the region. In addition, the Company continued to expand its network by adding new stations, resulting in incremental fuel volumes in 2023 compared to the same period of 2022.

OTHER OPERATING METRICS

The number of fuel transactions increased by 1.7% in 2023 compared to 2022. This was supported by the network expansion, improvement in customer sentiment and the ongoing growth in economic activity and mobility in the UAE.

The number of non-fuel transactions increased by 12.9% in 2023 compared to 2022, driven by improving consumer sentiment, enhanced customer offerings following revitalization of the convenience stores, and marketing and promotion campaigns under the ADNOC Rewards loyalty program to attract higher footfall and increase customer spending.

The convenience store conversion rate increased by 300 bps from 21.7% in 2022 to 24.7% in 2023, recording the Company's highest convenience store conversion rate in four years.

Average gross basket size in convenience stores increased by 2.9% year-on-year in 2023 to AED26.4, driven by enhanced customer offerings and promotion campaigns.

In property management, the Company continues to transition its tenancy business towards a revenue-sharing model to maximize revenue and profitability. The number of occupied properties exceeded 1,000, driven by a proactive non-fuel growth strategy to attract new tenants.

The number of vehicles inspected (fresh tests) in the Company's vehicle inspection centers significantly increased by 48.9% in 2023 compared to 2022, driven by a higher number of centers, the introduction of new services, and supported by marketing promotions.

RESULTS

2023 retail segment revenue, which covers fuel and non-fuel sales, was AED23,217 million, an increase of 8.2% compared to 2022 despite lower pump prices, and supported by the fuel volumes growth and increases in non-fuel revenues as well as the consolidation of TotalEnergies Marketing Egypt.

The 2023 retail segment gross profit was AED4,499 million, an increase of 6.3% year-on-year. Fuel retail segment gross profit increased by 3.9% year-on-year driven by higher retail volumes despite lower inventory gains of AED334 million in the retail fuel business in 2023, compared to material inventory gains of AED 489 million in 2022, recorded in a fast rising oil price environment.

The non-fuel retail segment's gross profit increased by 19.6% year-on-year driven by growth in non-fuel transactions and improved customer offerings.

In 2023, the retail segment EBITDA increased by 10.4% compared to 2022, driven by higher retail fuel volumes and growth in the non-fuel business, partially offset by the lower impact of inventory gains.

The retail segment underlying EBITDA (EBITDA excluding inventory movements) increased in 2023 by 21.2% year-on-year as a result of higher volumes, growing contributions of non-fuel and international activities as well as management efficiency improvement initiatives.

Retail segment

Key financials (AED million)	2023	2022	YoY %
Revenue	**23,217**	21,458	48.2%
Revenue – fuel	**21,812**	20,308	7.4%
Revenue – non-fuel	**1,403**	1,150	22.0%
Gross Profit	**4,499**	4,232	6.3%
Gross profit – fuel	**3,735**	3,593	4.0%
Gross profit – non-fuel	**764**	639	19.6%
EBITDA	**2,646**	2,397	10.4%
Operating profit	**2,033**	1,901	6.9%
Capital expenditure	**864**	777	11.2%

Number of retail fuel transactions UAE (millions)
2023 **179.7** ↑ 1.9%
2022 176.8

Number of non-fuel transactions UAE (millions)
2023 **44.8** ↑ 12.9%
2022 39.6

Convenience store Conversion Rate UAE (%)
2023 **24.7%** ↑ 300 bps
2022 21.7%

Convenience Stores Average gross basket size - UAE (AED)
2023 **26.4** ↑ 2.9%
2022 25.6

Retail Segment Gross Profit (AED million)
2023 **4,499** ↑ 6.3%
2022 4,232

Retail Fuel Gross Profit (AED million)
2023 **3,735** ↑ 4.0%
2022 3,593

Retail non-Fuel Gross Profit (AED million)
2023 **764** ↑ 19.6%
2022 639

COMMERCIAL BUSINESS

ADNOC Distribution is the leading marketer, supplier, and distributor of bulk refined petroleum products to commercial, residential, industrial and government customers in the UAE.

	Commercial Fuel Volumes (million liters)	Corporate Fuel Volumes (million liters)	Aviation Volumes (million liters)
2023	**4,284**	**3,891**	**393**
2022	3,281	3,061	220
	30.6% increase	27.1% increase	78.5% increase

OVERVIEW

ADNOC Distribution is the leading marketer, supplier, and distributor of bulk refined petroleum products, including gasoil, gasoline, LPG, finished lubricants, and specialized products to commercial, residential, industrial, and government customers in the highly competitive UAE market. In addition, the Company's proprietary ADNOC Voyager lubricants are exported to distributors in 37 countries across the GCC, Africa, Europe, and Asia, with more countries in the pipeline.

The Company's aviation division in the UAE has two main activities: selling aviation fuel and providing services to strategic customers as well as providing aviation services to the civil aviation sector, where it maintains fuel systems and offers fueling services. In addition, the Company owns a 50% stake in TotalEnergies Marketing Egypt, which conducts aviation operations in Egypt.

Corporate Segment

FUEL – GASOLINE, GASOIL, AND LPG

Demand for wholesale fuels in the UAE is aligned with the country's economic activity. ADNOC Distribution provides fuels that cater to the demand of key sectors in the UAE, which include residential, small to medium enterprises, large commercial logistics providers, medium to large fleet owners, construction, manufacturing, marine, and power generation.

LUBRICANTS AND BASE OIL

ADNOC Distribution's proprietary ADNOC Voyager lubricants have more than 300 products and 2000 SKUs and meet most requirements for commercial fleet operators and the construction, manufacturing, marine, and power generation sectors. The offering comprises automotive and marine engine lubricants, automotive gear and transmission fluids, and industrial lubricants and greases.

ADNOC Distribution uses Group III base oil, which is highly advanced and is used as the raw material to produce high-quality synthetic lubricants.

AVIATION SEGMENT

Aviation fuel is sold to strategic customers in the UAE. The business utilizes highly advanced facilities to provide refueling, defueling and other operational and technical-related services to ADNOC's civil aviation customers. This includes regional and international commercial and private aviation customers at several commercial airports in the UAE. In Egypt, the Company owns 50% stake in TotalEnergies Marketing Egypt which conducts aviation operations in two main airports in the country.

OPERATIONAL REVIEW

Corporate Segment

ADNOC Distribution maintains its leading position in the corporate business in Abu Dhabi, and continues to focus on gaining market share in Dubai and the Northern Emirates.

GASOIL AND GASOLINE

In 2023, the gasoil market remained competitive in an aggressive pricing environment. While the grey market (off-spec products from unauthorized sources) continued to partially impact the Company's corporate sales ADNOC Distribution has increasingly benefited from a gradual elimination of the grey market in the UAE.

ADNOC Distribution witnessed higher level of gasoil sales throughout 2023, as a result of its loyal customer base of commercial, industrial and government clients in Abu Dhabi, together with substantial growth in the Northern Emirates due to an increase in term customers.

The Company increased its commercial gasoline sales through expansion of its market share in Dubai and the Northern Emirates. This was supported by the signing of new contracts with new corporate customers over 2022-23, such as large taxi fleet companies and last-mile fuel delivery providers.

In addition, the Company is expanding its My Station services in the UAE, using small to mid-sized fuel trucks for fuel delivery to customers. MyStation now offers a full spectrum of mobile fueling services (Fleet of 59 MyStation Fuel trucks with a capacity of 4,500 liters, 4 Super Fuel Truck with a capacity of 20,000 liters in addition to skids, trailers and overground tanks) to all customers providing complete flexibility and convenience at their doorstep. This was relevant for the growth of the Company's gasoil business, to ensure the provision of products for customers with medium to large commercial vehicle fleets.

LPG

The LPG market includes bulk sales for large commercial and industrial customers and cylinder sales mainly for residential and small commercial customers (e.g., restaurants and launderettes).

ADNOC Distribution maintained market share in Dubai and the Northern Emirates through distributors and direct customers. Expansion in the Dubai commercial LPG cylinder market continues with 100 lbs. cylinders. The Company plans to continue growing aggressively in this segment. It experienced double-digit growth in the residential LPG cylinder markets (25 & 50 lbs.) in Dubai as market share continued to grow through strategic distributor partnerships.

In Abu Dhabi, the Company has expanded its LPG cylinder delivery fleet to 149 trucks as part of its LPG digital operating model implementation. ADNOC Distribution's customers can order LPG cylinders through the Company's application and pay using their ADNOC pre-paid wallet, cash or credit card and earn ADNOC Rewards points width every purchase. The Company continues to sell cylinders to end customers via third-party distributors and provides services directly through the digital operating model.

ADNOC Distribution also introduced propane and butane for the commercial gas market in the UAE as part of our product portfolio diversification strategy.

LUBRICANTS

In the UAE market, the lubricants market share increased due to strategic distributor restructuring, increased marketing, and a significantly expanded product portfolio offering.

There was also an increased focus on export markets, which was sustained throughout the year, with the objective of entering new markets in Africa and Central and Southeast Asia using the distributor model. The total number of export network countries of ADNOC Distribution's VOYAGER lubricants portfolio rose to 37 markets by the end 2023, compared to 25 markets at the end of 2022.

ADNOC Distribution actively explores opportunities to enter new and growing lubricant markets through strategic collaborations with leading partners worldwide. In 2023, the Company signed a Memorandum of Understanding with Hindustan Petroleum Corporation Limited (HPCL), one of the largest players in India's lubricant and fuel retailing sector, aimed at enhancing its presence in key lubricant markets worldwide.

Additionally, in 2023, the Company launched ADNOC Voyager brand signature range of premium and OEM-approved automotive vehicle lubricants in Egypt through TotalEnergies Marketing Egypt. The products are available for the Egyptian consumers to purchase at ADNOC-branded service stations.

Furthermore, as part of the Company's overall strategy to expand its sustainable and environmentally friendly product range, it introduced the ADNOC VOYAGER green series, an alternative 100% plant-based lubricant range for petrol and diesel engines. The new series will also carry certifications from the internationally recognized American Petroleum Institute (API) and major vehicle manufacturer approvals, so customers can be assured of the highest level of quality. In 2023, the Company also launched 'ADNOC e-Cool LL', a versatile, long-life, ready-to-use engine coolant designed to protect engine cooling systems against corrosion, overheating, and frost damage, tailored to the maintenance requirements for electric vehicles (EVs) that use an indirect cooling system.

ADNOC Distribution introduced more than 100+ new products, specifically created to serve the international market. It also developed specialty products such as white spirits, carbon black and marine lubes for the domestic market as part of our product portfolio diversification strategy. The Company continues to leverage its in-house research team and production facilities, to invest in innovations that offer greater choice and quality and support its move towards a more diversified energy mix.

Aviation Segment

Within the aviation business, the Company provides fuel distribution services and management of aircraft refueling operations to ADNOC's civil aviation customers. In addition, the Company sells aviation fuel and provides refueling services to strategic aviation customers across many airports in the UAE.

Over 2022-23, ADNOC Distribution experienced a slowdown in aviation fuel sales distribution and refueling services in the UAE, due to lower uptake from its strategic aviation customers.

In Egypt, the Company's joint venture has successfully expanded its aviation fuels business in 2023 by securing the right to supply aviation fuel to new airlines for flights fueled in Cairo.

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FINANCIAL REVIEW

Corporate Segment

VOLUMES

Corporate segment volumes increased by 27.1% in 2023 compared to 2022, mainly as a result of consolidation of TotalEnergies Marketing Egypt. In GCC markets, corporate fuel volumes increased by 17.1% supported by economic growth and on the back of new corporate contracts signed in 2022 and 2023.

RESULTS

The 2023 corporate segment revenue increased by 2.8% compared to 2022, mainly driven by the consolidation of TotalEnergies Marketing Egypt while also supported by higher corporate fuel volumes.

The 2023 corporate segment gross profit decreased by 8.1%. In 2022 the corporate business recorded AED 133 million inventory gains in a fast-rising oil price environment, while in 2023, the inventory gains were AED 6 million. In addition, corporate margins were under pressure in a declining oil price environment.

The 2023 corporate segment EBITDA decreased by 16.5% year-on-year, due to the reduction in gross profit. Underlying EBITDA (EBITDA excluding inventory movements) declined by 3.7% year-on-year.

Aviation Segment

VOLUMES

Aviation volumes increased by 78.5% in 2023 compared to 2022, mainly due to the consolidation of TotalEnergies Marketing Egypt. In GCC markets, Aviation fuel volumes increased by 3.3% due to higher uptake from strategic aviation customers.

RESULTS

The 2023 aviation segment revenue increased by 46.6% compared to 2022, mainly driven by the consolidation of TotalEnergies Marketing Egypt while also supported by higher aviation fuel volumes.

Aviation Gross profit decreased by 2.2% year-on-year in 2023, while Aviation EBITDA increased by 47.4% in 2023 compared to 2022.

Commercial Segment

Key financials (AED million)	2023	2022	YoY %
Revenue	**11,412**	10,653	7.1%
Revenue - Corporate	**9,872**	9,603	2.8%
Revenue - Aviation	**1,540**	1,050	46.7%
Gross profit	**1,337**	1,436	-6.9%
Gross profit - Corporate	**1,058**	1,150	-8.0%
Gross profit - Aviation	**279**	285	-2.2%
EBITDA	**1,048**	1,118	-6.2%
EBITDA - Corporate	**783**	938	-16.5%
EBITDA - Aviation	**265**	180	47.4%
Operating profit	**964**	1,069	-9.8%
Capital expenditure	**33**	21	61.2%

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

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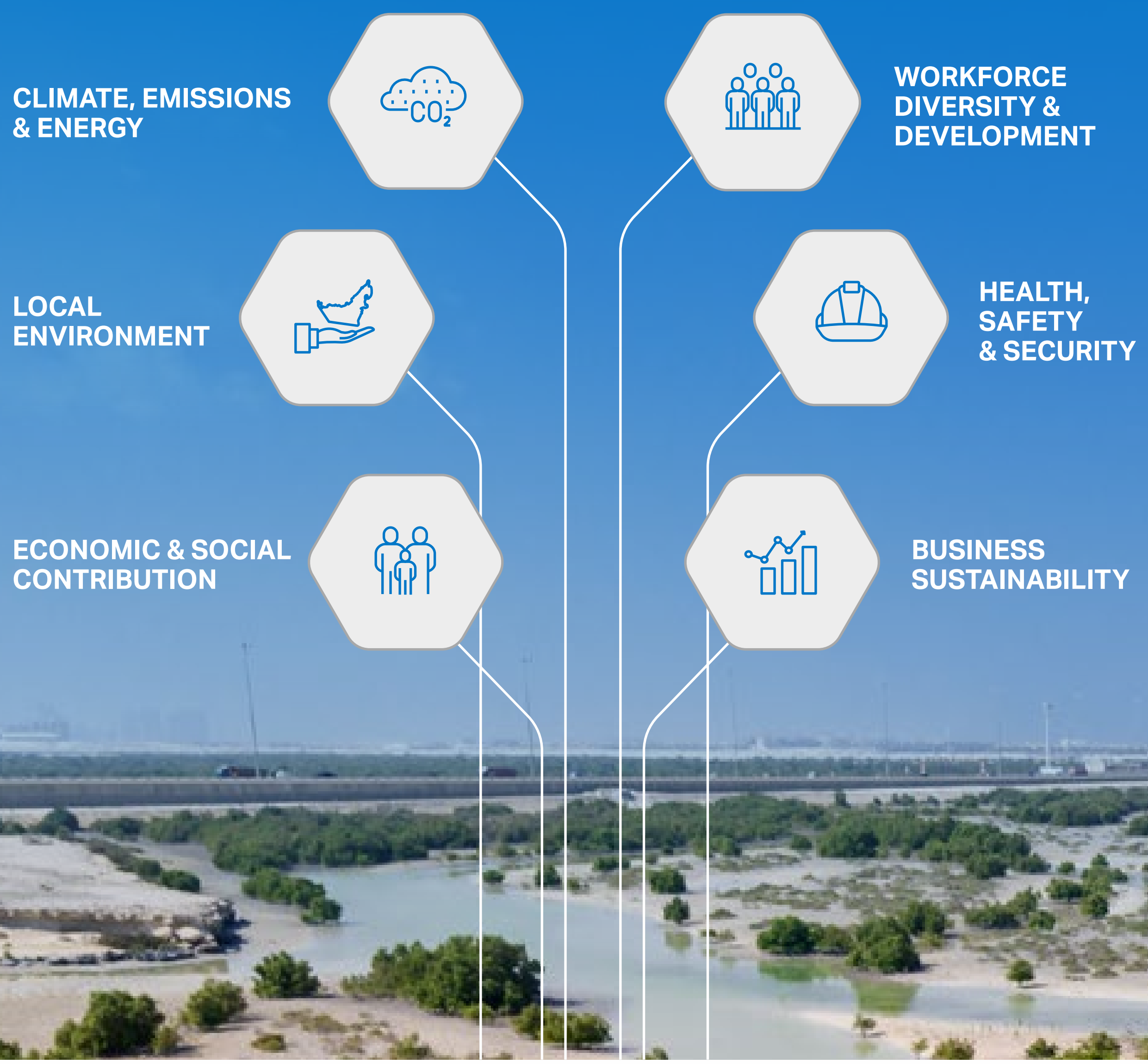
SUSTAINABILITY APPROACH & STRATEGIC FRAMEWORK

ADNOC Distribution's Sustainability Strategy Framework is based on the ADNOC Group's sustainability strategy and builds on the shared legacy of responsible lower-carbon energy provision to ensure it creates lasting and sustainable value for the UAE, its people and its business. Sustainability sits at the core of ADNOC Distribution's strategy which is instrumental to ensure it is embedded throughout the company. The Company is committed to integrating best-in-class Health, Safety & Environment standards across its operations, giving back to communities, supporting sustainable economic development and investing in cleaner new energies. The company has set short, medium and long-term goals and objectives to achieve its sustainability commitments.

ADNOC Distribution's comprehensive sustainability goals contribute to the UAE's strategic vision and align with ADNOC's long-standing commitment to environmental and social stewardship.

SIX PILLARS OF SUSTAINABILITY AT ADNOC DISTRIBUTION



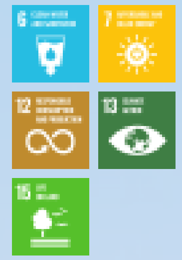
ADNOC Distribution's Sustainability Strategic Framework is classified under six pillars spread across ESG domains and aligns with eight UN SDGs adopted through the framework:

IMPACT SDGS:

ENVIRONMENT

Climate, Emissions & Energy

- Adopt Green Liquid Fuels and plant-based renewable products or green lubricants
- Develop low-carbon alternative fuels/ energy portfolio (EV, Hydrogen, Biofuel, etc.)
- Reduce GHG emissions and energy intensity



Local Environment

- Recycle water used in our operations and reduce in water consumption
- Reduce waste generation and improve waste disposal methods
- Promote the conservation of nature and biodiversity

SOCIAL

Economic & Social Contribution

- Community – support local communities by focusing on social campaigns
- Economy – create shared value with local businesses, and contribute to the country's economic development by participating in the in-country value (ICV) Program

Workforce Diversity & Development

- Fairness – be a fair and meritocratic employer
- Diversity and inclusion – be a diverse and inclusive organization
- Employee wellbeing – preserve and improve employee wellbeing
- Employee satisfaction – provide and promote a motivating, engaging, and fulfilling working life

Health, Security & Safety

- Planning – implement an HSE five years business plan
- Execution – comply with HSE lifesaving rules
- Safety Culture – implement a safety culture transformation strategy
- Asset Integrity – compliance with asset integrity-related HSE standards

GOVERNANCE

Business Sustainability

Adopt Best Practices for Business Sustainability.

- Corporate Governance – adopt global best practices of management and reporting systems
- Sustainability Governance - implement a comprehensive sustainability governance framework
- IT Transformation – modernize and digitize the IT landscape to act as a critical enabler of growth and efficiency
- Future-Proofing – strategy to proactively adapt to the energy transition, mobility transformation, digital disruption, and impact of climate change on the business
- Ethics and Compliance – align policies such as anti-bribery and corruption, ethics and compliance, and transparency with global standards

This report includes a brief description of ADNOC Distribution's alignment and contribution to national and global ESG priorities and its 2023 ESG performance and initiatives. For full details, please refer to ADNOC Distribution 2023 Environmental, Social and Governance Report, which will be published on the Company's website.

SUSTAINABILITY ACHIEVEMENTS IN 2023

Q1 2023

January
Announced a **Decarbonization roadmap**, to reduce GHG emissions intensity by 25% by 2030

January
Converted an existing 5-year USD 1.5bn loan into a **sustainability linked financing**

Q2 2023

May
Partnership with Emerge to install PV solar panels across Dubai stations, as part of the Company's phased approach to UAE-wide PV solar rollout

June
Launched "e-COOL LL" engine coolant tailored for EVs to fulfil growing customers' needs

Q3 2023

July
Introduced Reverse Vending Machine recycling service at select locations across Abu Dhabi

August
100% of Company's heavy fleet use biofuel

September
Was awarded the WELL Health Safety Rating for 500+ service stations in UAE

Q4 2023

October
Promoted local crafts and products in association with Al-Ghadeer Crafts in its C-store

November
Launched the first high speed hydrogen refueling stations in the Middle East in collaboration with ADNOC and Masdar

December
Launched "Adopt a Mangrove" initiative, permitting customers to adopt a mangrove through the ADNOC App using reward points

GOVERNANCE ON ESG[1,2]

To track and evaluate key indicators within the Framework, ADNOC Distribution developed an Organizational Performance Scorecard. The Company included key Environmental, Social, and Governance (ESG) KPIs, such as lowering GHG emissions, health and safety performance, employee engagement, Emiratization, and in-country value contribution into its annual performance scorecard. Based on the Performance Scorecard's rating, variable compensation of executive management is determined by the Remuneration Committee of ADNOC Distribution's Board of Directors.[3] The following governance structures oversee and measure the Company's progress on its ESG objectives:

The Company's Board of Directors approves the Code of Conduct, which outlines ADNOC Distribution's values. It also approves the Vision, Mission, Strategies, Policies, and Goals of the Company. The Board ensures that sustainability goals and targets remain mutually beneficial while also serving important local, national, regional, and international directives. The Board of Directors is ultimately responsible for approving the company's sustainability strategy and monitoring its implementation.

Chief Executive Officer of ADNOC Distribution is responsible for developing and implementing a company-wide Sustainability Strategy, as well as reporting on the progress of key initiatives in the economic, environmental, and social areas. CEO has delegated some of these responsibilities to key executive management team members to assist in driving the Company's sustainability strategy as well as in the implementation, tracking, and reporting of key initiatives.

ADNOC Distribution has established a corporate-level Sustainability Committee comprising members from the Executive Management. The Sustainability Committee has been set up to support implementing sustainability initiatives. The members meet monthly or as required and engage with the different business units to ensure that the Sustainability Strategy Framework is understood across the organization and supports various initiatives under each pillar of the Framework. It also seeks to develop proactive systems in integrating sustainability across the value chain and assists in identifying, evaluating, and monitoring all aspects, from strategies to material risks that would affect the sustainable performance of the Company, while ensuring alignment to ADNOC's 2030 Sustainability Strategy, Abu Dhabi Economic Vision 2030, and other ESG guidelines and requirements moving forward.

Sustainability topics are also included as a standing agenda item in the Board of Directors' quarterly meetings and in the Executive Committee monthly meetings, to review the sustainability performance and progress initiatives.

Furthermore, in 2023, a new Chief Strategy, Transformation and Sustainability Officer has been appointed to drive, coordinate, and monitor the implementation of the sustainability initiatives and to foster a culture of sustainability within the Company and amongst all its stakeholders.

1. ADX ESG Guide : E8. Environmental Oversight - Management
2. ADX ESG Guide: E9 Environmental Oversight – Board
3. ADX ESG Guide: G3 Incentivized Pay

CORPORATE GOVERNANCE

ADNOC Distribution is guided by its corporate governance principles to drive best practices and fulfill its commitments to the shareholders.

The Company strongly supports having a robust governance framework to satisfy the requirements and interests of its stakeholders and communities, as well as to create value for its shareholders.

ADNOC Distribution operates a corporate governance framework that fulfils all applicable laws and regulations while complying with international best practices. This Framework was designed, and is being operated, in line with the Company's cultural values to ensure the sustainability of the business and to help it achieve its future goals - as dictated by the Company's vision and mission statements. Ensuring that governance processes and procedures are undertaken properly helps to contribute to long-term sustainable success. Accordingly, the Company is taking this opportunity to remind stakeholders of the comprehensive corporate governance framework that has been adopted and under which the Company operates.

COMPANY COMMITMENT

ADNOC Distribution is committed to having a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE. Moreover, the Company ensures that the Framework is consistent with leading global practices through periodic benchmarking and assessment.

CORPORATE GOVERNANCE FRAMEWORK

The Company's Board is responsible for the implementation and oversight of its corporate governance framework. The Board complies with the corporate governance requirements applicable to public joint stock companies listed on the Abu Dhabi Securities Exchange, as set out in the Governance Rules and Corporate Discipline Standards issued on February 2, 2020 pursuant to UAE Securities and Commodities Authority Resolution No. 3/Chairman of 2020 and its amendments (the Corporate Governance Rules).

The Company reports to its shareholders and to the Securities and Commodities Authority (SCA) on its compliance with the Corporate Governance Rules.

Pursuant to the Company's Articles of Association, each shareholder has the right to attend the meetings of the general assembly, and such shareholder shall have a number of votes equivalent to the number of his/her shares (i.e. one vote per share).

The Corporate Governance Rules require that one-third of the Board must comprise non-executive independent directors in accordance with the criteria set out in the Corporate Governance Rules.

ADNOC Distribution's Board of Directors comprises seven directors, elected at the Annual General Meeting on March 16, 2021. All directors are independent non-executive directors, within the meaning of the Resolution No. (3/R.M) of 2020 of the Securities and Commodities Authority of the United Arab Emirates (the SCA and the Corporate Governance Rules). Pursuant to the Articles of Association, each director serves a three-year term, after which a director may be elected to a successive term or terms. The general assembly elects the Board members by secret cumulative voting.[4]

The General Assembly may dismiss all or any of the Board Directors and open the nomination for Board membership and elect new Board Directors in accordance with the Corporate Governance Rules. Dismissed or removed Board Directors may not be re-nominated or be proposed as a Board Director candidate within three (3) years from the date of dismissal or removal.

Board Diversity[5]

On March 16, 2021, Ms. Mariam Saeed Ghobash was elected to the Board of Directors. Ms. Ghobash also serves as Chairwoman of the Nomination and Remuneration Committee and is a Member of the Executive Committee. Currently, the Company has only one female member of the Board of Directors, which is in compliance with SCA's Corporate Governance Rules.

Where Board vacancies arise, ADNOC Distribution will actively seek out excellent female representation while at the same time considering all qualified candidates, regardless of gender, and recognizing that the appointment of directors is a matter reserved for the shareholders of ADNOC Distribution.

Directors' Remuneration

In 2023, our shareholders approved a total remuneration of AED 23.55 million, which was paid to the members of our Board of Directors for 2022. The proposal for remuneration for the Board of Directors for 2023 is under consideration. This will be presented to the Company's shareholders for approval at its upcoming annual General Assembly meeting scheduled for March 2024.

Board and Board Committees Annual Performance Evaluation

In 2023, the Board of Directors conducted the evaluation of its performance, and the performance of its members and committees, for the year 2022, led by the Nomination & Remuneration Committee Chairwoman, Ms. Mariam Ghobash. For the year 2023, the annual evaluation process is being performed by an independent professional party, in accordance with SCA's Corporate Governance Rules.

4. ADX ESG Guide: G2. Board Independence
5. ADX ESG Guide: G1 Board Diversity

To assist the Board in the discharge of its duties, the Board has established the following committees: the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee, and the Insider Dealing Committee.

AUDIT COMMITTEE

Our Audit Committee assists the Board of Directors in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including:

- **Reviewing** and **monitoring** the integrity of our annual and interim financial statements
- **Reviewing** and **monitoring** the extent of the non-audit work undertaken by external auditors
- **Advising** on the appointment of external auditors
- **Overseeing** the relationship with our external auditors
- **Reviewing** the effectiveness of the external audit process
- **Reviewing** the effectiveness of our internal control review function

The Audit Committee makes recommendations to the Board of Directors, which retains ultimate responsibility for reviewing and approving our annual report and financial accounts.

The Audit Committee gives due consideration to the applicable laws and regulations of the UAE, SCA and the ADX, including the provisions of the Corporate Governance Rules.

The Corporate Governance Rules, reflected in the Audit Committee Charter, require that the Audit Committee comprise at least three members who are non-executive directors and that at least two of the members must be independent. One of the independent members must be appointed as chairman of the Committee. In addition, all members must have knowledge in financial and accounting matters and at least one member shall have practical experience in accounting or finance and shall have a university degree or professional certificate in accounting or finance or another relevant field. The current members of the Audit Committee are H.E. Ahmed Jasim AlZaabi (Chairman), H.E. Ahmed Al Kuttab and Mr. Abdulaziz Alhajri.

The Audit Committee has taken appropriate steps to ensure that ADNOC Distribution's external auditors are independent of ADNOC Distribution as required by the Corporate Governance Rules. The Audit Committee has also obtained written confirmation from its auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The Audit Committee's responsibilities in relation to the Audit & Assurance function include the review and approval of the overall audit strategies and annual audit work plan, budget, and overseeing the Internal Audit programs and performance. In addition, the Audit Committee ensures that Audit & Assurance has full and unrestricted access to all required sources of information relevant to the performance of its work.

As part of his role as the Chairman of the Audit Committee, H.E. Ahmed Jasim AlZaabi is responsible for ensuring the Committee's overall effectiveness and that the Committee properly complies with all of its stated objectives.

The Audit Committee met four times during 2023.

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NOMINATION AND REMUNERATION COMMITTEE

Our Nomination and Remuneration Committee assists the Board of Directors in discharging its responsibilities relating to the composition and make-up of the Board of Directors and any committees of the Board of Directors.

It is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board of Directors and committees of the Board of Directors and, in particular, for monitoring the independent status of the independent non-executive directors.

It is also responsible for periodically reviewing the Board of Directors' structure and identifying potential candidates to be appointed as directors or committee members as the need may arise.

In addition, the Nomination and Remuneration Committee assists the Board of Directors in determining its responsibilities in relation to remuneration, including making recommendations to the Board of Directors on ADNOC Distribution's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of our remuneration policy and determining the individual remuneration and benefits package of our senior management.

The Corporate Governance Rules, reflected in the Nomination and Remuneration Committee Charter, require the Nomination and Remuneration Committee to be comprised of at least three non-executive directors, at least two of whom must be independent. The chairman of the Nomination and Remuneration Committee must be chosen from among the independent Committee members. The current members of the Nomination and Remuneration Committee are Ms. Mariam Ghobash (Chairwoman), H.E. Ahmed Al Kuttab, Mr. Khaled Salmeen, and Mrs. Ayesha Al Hammadi.

As part of her role as the Chairwoman of the Nomination and Remuneration Committee, Ms. Mariam Ghobash is responsible for ensuring the Committee's overall effectiveness and that the Committee properly complies with all of its stated objectives.

In 2023, the Nomination and Remuneration Committee met once and in addition considered a number of matters by circulation.

EXECUTIVE COMMITTEE

The Executive Committee assists the Board in the discharge of its duties, acting on behalf of the Board during the intervals between scheduled Board meetings so that matters that require Board approval during such intervals can be dealt with in a timely and efficient manner.

Additionally, the Executive Committee provides recommendations to the Board on matters that require Board approval.

Our Executive Committee consists of six members, three of whom are independent non-executive directors. The current members of the Executive Committee are Mr. Khaled Salmeen (Chairman), Ms. Mariam Ghobash, Mr. Abdulaziz Alhajri, Mr. Khaled Al Zaabi, Mrs. Fatema Mohamed Al Nuaimi and Ms. Hanan Balalaa.

As part of his role as the Chairman of the Executive Committee, Mr. Khaled Salmeen is responsible for ensuring the Committee's overall effectiveness and that the Committee properly complies with all its stated objectives.

In 2023, the Executive Committee met nine times.

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INSIDER DEALING COMMITTEE

Our Insider Dealing Committee oversees compliance with the Insider Dealing Policy and our Share Dealing Code (established by our Insider Dealing Policy).

Pursuant to our Share Dealing Code, all directors, officers and other employees who are in possession of inside information are prohibited from dealing in ADNOC Distribution's shares during certain periods and must seek approval from the Insider Dealing Committee to purchase, sell or otherwise deal in our shares during other periods.

In order to grant approval, the Insider Dealing Committee must be satisfied that the individual seeking to deal in ADNOC Distribution's shares is not, at that time, in possession of inside information.

The Insider Dealing Committee is comprised of three members who are appointed by the Board of Directors.

Currently, the members of the Committee are Mr. Ben Hennessy, our General Counsel who chairs the Committee, Mr. Wayne Beifus our Chief Financial Officer and Mr. Athmane Benzerroug, our Chief Strategy, Transformation & Sustainability Officer.

The Insider Dealing Committee met twice in 2023 to, among other things: (a) review and discuss the Share Dealing Code and how it is to be applied; and (b) consider requests from members of staff to deal in our shares.

For more information about the Company's corporate governance framework, please refer to the 2023 Corporate Governance Report.

BOARD OF DIRECTORS

H.E. Dr. Sultan Ahmed Al Jaber has served as Minister of Industry and Advanced Technology since July 2020 as the COP28 President-Designate, as a member of the Supreme Council for Financial and Economic Affairs since December 2020, as UAE Cabinet Member since March 2013, as Minister of State from March 2013 up to July 2020, as Chairman of the National Media Council from 2016 up to July 2020, as the UAE's special envoy for Climate Change since November 2020, as Group Chief Executive Officer of ADNOC since February 2016 and additionally Managing Director of ADNOC since February 2021. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company.

H.E. Dr. Al Jaber is also Chairman of several ADNOC Group companies, Chairman of Masdar, Chairman of Emirates Development Bank, Chairman of FAB Misr and Chairman of the Board of Trustees of Mohammed bin Zayed University of Artificial Intelligence, as well as a member of the Board of Directors of Advanced Technology Research Council, Mubadala Investment Company, Emirates Global Aluminum, Emirates Investment Authority and First Abu Dhabi Bank.

H.E. Dr. Al Jaber holds a PhD in business and economics from Coventry University in the United Kingdom, an MBA from the California State University, and a Bachelor in Chemical Engineering from the University of Southern California, USA.

H.E. DR. SULTAN AHMED AL JABER
CHAIRMAN

H.E. Ahmed Jasim AlZaabi

Deputy Chairman

Chairman of the Audit Committee

H.E. Ahmed Jasim AlZaabi currently serves as the Chairman of Abu Dhabi Department of Economic Development and a member of Abu Dhabi Executive Council since January 2023 and as Chairman of Abu Dhabi Global Market (ADGM) since October 2021. He previously served as Group Chief Financial Officer of ADNOC from December 2019 to December 2021. In addition to this, HE Ahmed is currently the Chairman of Hub 71 and Khalifa Fund for Enterprise Development and a board member of ADNOC Drilling, ADNOC L&S, Emirates Investment Authority, Burjeel Holdings, Al Jazira Investment Company and Astra Tech. In the past, HE Ahmed has also served as a member of the Board of Directors of a number of banks and financial institutions including the Abu Dhabi Securities Exchange (ADX) Union National Bank (UNB) and the Abu Dhabi Retirement Pensions & Benefits Fund (ADRPBF).

H.E. AlZaabi holds a Master's degree in Economics Science with Honors from the University of Aberdeen, UK.

H.E. Ahmed Tamim Al Kuttab

Director

Member of the Nomination and Remuneration Committee
Member of the Audit Committee

H.E. Ahmed Tamim Al Kuttab has served as Chairman of Abu Dhabi Department of Government Enablement and as member of Abu Dhabi Executive Council since January 2023. He previously served as Director of the Executive Office of ADNOC. H.E. Al Kuttab also serves as a member of the Board of the Advanced Technology Research Council, Khalifa University, Bayanat.AI, Emirates Development Bank, and the National Defence College.

H.E. Al Kuttab holds a Master's degree of Business Administration (MBA) from the University of Oxford (UK) and a BSc (Finance) from George Mason University, USA.

H.E Mohamed Hassan Alsuwaidi

Director

H.E. Mohamed Alsuwaidi has served as the UAE Minister of Investment and as a member of the UAE Cabinet since July 2023, and as the Managing Director and Chief Executive Officer of ADQ since May 2019. Previously he served as the Director of Metals and Mining of Mubadala Investment Company from 2007 to 2019. H.E Alsuwaidi is Chairman of the Board of Directors of TAQA, the Deputy Chairman of Abu Dhabi Future Energy Company (Masdar) and Second Vice Chairman of Aldar Properties. H.E. is also a member of the Board of Directors of Emirates Investment Authority, Abu Dhabi Pension Fund, Advanced Technology Research Council, Emirates Nuclear Energy Corporation, and Al Dahra Holding.

H.E. Alsuwaidi holds a BSc Degree in Accounting from the United Arab Emirates University, UAE.

Khaled Salmeen

Director

Chairman of the Executive Committee
Member of the Nomination and Remuneration Committee

Mr. Khaled Salmeen has served has served as ADNOC's Executive Director of Downstream Industry, Marketing and Trading (DM&T) since January 2021, having previously served as ADNOC's Executive Director of Marketing, Sales & Trading (MS&T) since February 2019. He previously also served as Chief Executive Officer of the Khalifa Industrial Zone (KIZAD), Chairman of Abu Dhabi Terminals, and Chief Operating Officer of National Central Cooling Company (Tabreed). He also served as Director of ADNOC's Transformation Project Management Office from 2016 to 2017. Mr. Salmeen currently serves as a member of the Board of Directors of a number of ADNOC Group companies. He is also Chairman of TA'ZIZ and Chairman of ADNOC Trading.

Mr. Salmeen holds a BSc in Engineering from Colorado School of Mines, Colorado, USA, an Executive MBA from INSEAD and a Project Management Professional (PMP) from the Project Management Institute (PMI) and Harvard Business School, USA.

Mariam Saeed Ghobash

Director

Chairwoman of the Nomination and Remuneration Committee
Member of the Executive Committee

Ms. Mariam Saeed Ghobash served as Director of Global Special Situations Department of Abu Dhabi Investment Council from 2009 to June 2021.
Ms. Ghobash is a member of the Board of Directors of Telecommunications Group Company "Etisalat", Emirates Development Bank and Gulf Capital.

She previously served as Vice-Chairperson of Aldar Properties and Invest AD and was a member of the Board of Directors of National Bank of Abu Dhabi, Al Hilal Bank, Abu Dhabi National Takaful Co. "Watania" and Zayed University.

Ms. Ghobash holds a BSc in Economics from the University of Pennsylvania, Philadelphia, USA.

Abdulaziz Abdulla Alhajri

Director

Member of the Executive Committee
Member of the Audit Committee

Mr. Abdulaziz Abdulla Alhajri has served as Executive Advisor of ADNOC since January 2021. He previously served as Executive Director, Downstream Directorate of ADNOC from May 2016 until December 2020.

From October 2007 to May 2016, he was Chief Executive Officer of Abu Dhabi Polymers Company (Borouge), a joint venture of ADNOC and Borealis. He also serves on several ADNOC Group company boards of directors.

Mr. Alhajri holds a BSc in Chemical Engineering from the University of Texas, USA.

SENIOR MANAGEMENT TEAM

Eng. Bader Al Lamki was appointed Chief Executive Officer in May 2021. He is responsible for managing the Company's overall operations, as well as developing and implementing long-term regional and international growth strategies. He brings more than 20 years of diversified experience in the oil and gas, clean energy, and utilities sectors.

Previously, Eng. Al Lamki held the role of the Chief Executive Officer at National Central Cooling Company PJSC (Tabreed) from April 2019 to May 2021, leading the company's operations and growth ambitions in the UAE and internationally.

Eng. Al Lamki has extensive experience with some of the UAE's biggest energy companies, including with ADNOC operating company ADMA-OPCO, where he successfully led a strategic development initiative to increase the company's daily oil production. He also worked with Masdar Clean Energy, where he was responsible for business growth activities, including bidding, acquisitions and green field project development, including having an instrumental role in building the company's international renewable energy portfolio, with projects spanning across 25 countries. Earlier in his career, Eng. Al Lamki gained experience with a number of renowned organizations, including French oil major Total, where he advised on oil and gas projects in Africa.

Eng. Al Lamki holds a BSc degree in Chemical Engineering from the United Arab Emirates University.

BADER SAEED AL LAMKI
CHIEF EXECUTIVE OFFICER

Wayne Beifus
Chief Financial Officer

Mr. Wayne Beifus is the Chief Financial Officer of ADNOC Distribution. He has over three decades of experience in finance, strategy, and business transformation, with senior leadership roles in global FMCG and retail companies. He joined ADNOC Distribution in June 2022, after serving as the Chief Financial Officer of Walgreens Boots Alliance – International Retail, one of the world's largest pharmacy-led health and beauty retailers. Previously, he worked for British American Tobacco, where he held various CFO positions across Asia, Europe and Africa. He is a registered Chartered Accountant in Australia and South Africa and holds dual Bachelors' degrees in Commerce and Accounting Science from the University of South Africa.

Athmane Benzerroug
Chief Strategy, Transformation & Sustainability Officer

Mr. Athmane Benzerroug was appointed as the Chief Strategy, Transformation and Sustainability Officer in April 2023. He is responsible for driving ADNOC Distribution's growth strategy, transformation initiatives and sustainability agenda. He is also contributing value to the Investor Relations function with his experience and insights. Previously, Mr. Benzerroug served as the Chief Investor Relations Officer from September 2018 to March 2023. Prior to joining ADNOC Distribution, Mr. Benzerroug served 10 years at Deutsche Bank as a Director focusing on industrials, Real Estate, and Retail. He has 20 years of experience in investment banking and equity capital markets leading major IPOs in Europe, the Middle East, and Turkey. Previously, Mr. Benzerroug was responsible for European Infrastructure at Natixis Securities in Paris. Mr. Benzerroug holds an MSc in Banking and Finance from the University of Paris Nanterre University (formerly Paris-X), France.

Klaas Mantel
Chief Operating Officer

Mr. Klaas Mantel joined ADNOC Distribution as Chief Operating Officer in September 2023. Prior to joining ADNOC Distribution Klaas was a leader in McKinsey & Company's Global Mobility Retail practice, based in Japan. He has served major Retail, Downstream Oil & Gas and FMCG companies Globally on business transformation and Energy transition-related topics with a focus on electric vehicle charging strategy and infrastructure deployment. He has over 25 years of experience across the energy industry, the majority of which was with Shell in various senior Operational, Marketing and Business Development positions across Europe, Africa and Asia, including Global head of Convenience Retail. Mr. Mantel holds a Master's degree in Economics from the University of Amsterdam, and obtained the INSEAD Certificate in Corporate Governance.

Saeed Nasser Al Ahbabi
Chief Shared Services & Technical Officer

Eng. Saeed Nasser Al Ahbabi was appointed Chief Shared Services & Technical Officer in April 2023. Recently, he served as Chief Business & Commercial Support Officer from June 2019 to March 2023. Prior to joining ADNOC Distribution, Mr. Al Ahbabi served in various leadership positions at ADNOC since 2007, including Vice President, Civil Projects, since 2011.

Mr. Al Ahbabi holds a BSc in Civil & Environmental Engineering from the United Arab Emirates University and an MBA from the American University, United Arab Emirates.

Ahmed Abdel-Karim
Chief Marketing Officer

Mr. Ahmed Abdel-Karim joined ADNOC Distribution as Chief Marketing Officer in October 2022 He brings over 20 years of marketing and commercial expertise between PepsiCo and HSBC. He has diverse experience in setting new marketing standards and global best practices across developed, developing, and emerging markets, where he has worked across the UK, Europe, the Middle East, and Africa.

Mr. Ahmed is passionate about customer-centricity and disruptive strategies that transform businesses. His areas of expertise span B2C and B2B Marketing, Brand Management, Customer Experience, Insights and Analytics, Loyalty and Digital. His work has been recognized with several prestigious industry awards across the UK and the Middle East Africa regions. His passion for building agile cultures and to realize full human potential motivated him to gain certification as Neurolinguistic Programming and Life Coach Practitioner.

Mr. Ahmed holds a Bachelor of Economics with High Honors from the American University in Cairo with continued executive education certifications from top business schools.

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Ben Hennessy
General Counsel

Mr. Ben Hennessy joined ADNOC Distribution in October 2019 as General Counsel and is responsible for Legal, Governance and Compliance across the organization. He has served as an international lawyer for 20 years, including at global law firm DLA Piper and integrated energy company BP PLC, where he led legal teams supporting BP's downstream marketing businesses.

Mr. Hennessy is a qualified solicitor in England & Wales and holds an LPC from the University of Law, London and a BA from the University of Newcastle, UK.

Mohamed Omar
Vice President, Human Capital

Mr. Mohammed Omar is an Experienced Human Capital Professional with 21 years of robust experience in multinational companies in the Oil & Gas, Banking, Maritime, Utilities, Logistics and Supply Chain sectors.

Since July 2019, Mr. Omar is leading the Human Capital function at ADNOC Distribution, responsible for designing, developing, implementing and managing Human Resources strategies and programs that facilitate the attainment of business goals. Before joining ADNOC Distribution, Mr. Omar served as Director of Recruitment and Human Capital Services at DP World.

Mr. Omar holds a Bachelor's of Business Administration from the University of Sharjah, UAE.

EXTERNAL AUDITOR

ADNOC Distribution abides by the applicable Laws in the UAE in the appointment of the auditor.

The auditor's appointment shall be made annually by requesting audit service offers from at least four auditors. The auditor may be reappointed for a further (3) three consecutive years, provided that the quality of the audit services and the efficiency of the audit team is being assessed by the Company, letters of independency are submitted and confidentiality is pledged. In addition, the observations in the Abu Dhabi Accounting Authority reports are taken into account as well as any other matter that may affect the decision to reappoint the auditor. It is prohibited to appoint an auditor for a period not exceeding (4) four consecutive years. It is also prohibited to appoint an auditor or responsible partner until (4) four years have elapsed after the last audit services provided by any of them to the Company.

Pursuant to the Company's Articles of Association, the Company shall have one or more Auditor(s) appointed by the General Assembly for a renewable term of one (1) year upon nomination by the Board of Directors. The fees of the Auditor shall be determined by the General Assembly. The Auditor shall monitor the financial accounts for the year for which he was appointed.

The responsibility of ADNOC Distribution's external audit of annual accounts was entrusted to Grant Thornton UAE for 2023. Grant Thornton UAE has been ADNOC Distribution's external auditor since the start of 2021.

Grant Thornton is a global network with member firms in over 145 countries. It is one of the largest professional services firms in the UAE, offering a broad portfolio of tax, audit, and advisory services. Grant Thornton's dedicated UAE Team includes subject matter experts in Oil & Gas, Financial Services and Government Sector, to mention a few and has been operating in the UAE for 55 years.

Details of the fees paid to Grant Thornton, UAE for the 2023 auditing services are provided in the table below:

Number of years served as an external auditor for ADNOC Distribution	3 years (2021 is the first year as ADNOC Distribution's external auditors)
Partner name	Mr. Samer Hijazi
Number of years the Partner served as the Company's external audit partner	3 years
Total fees for auditing the financial statements of 2023 (in AED) including provision of reasonable assurance report on the effectiveness of internal financial controls over financial reporting	AED 766,930
■ Fee for auditing the Annual financial statements	AED 225,000
■ Fee for quarterly review of the financial statements	AED 279,000
■ Other relevant audit services in relations to the annual audit of the Company's departmental financial statements and the provision of reasonable assurance report on the effectiveness of internal financial controls over financial reporting	AED 262,930
Fees and costs of other private services other than auditing the financial statements for 2023 (AED)	None
Details and nature of other services provided (if any)	Not applicable
Statement of the other services performed by an external auditor other than ADNOC Distribution's auditor in 2023 (if any)	Not applicable

For our annual financial statements for the year ended December 31, 2023, Grant Thornton, UAE, issued an unqualified audit opinion

GOVERNANCE DRIVEN BY CORE VALUES[6]

Code of Conduct

Our Code of Conduct demonstrates ADNOC Distribution's commitment to compliance and ethical behavior in all that it does. Our Code of Conduct (a) sets out the minimum standard of conduct that we expect from anyone working for or on behalf of ADNOC Distribution; and (b) provides a set of basic rules and standards that are designed to ensure that our business is conducted in an ethical and compliant manner and in accordance with our core values.

Core Values

WE ARE...

- Collaborative
- Respectful
- Progressive
- Responsible
- Efficient

Dividend Policy

Our Dividend Policy sets out the clear and transparent criteria and method for the distribution of our profits such that the distribution of our profits serves the interests of both ADNOC Distribution and its shareholders.

The payment of dividends is subject to consideration of: (a) the cash management requirements of the Company for operating expenses, interest expense, and anticipated capital expenditures; and (b) market. conditions, the then current operating environment in our markets, and the outlook for the business of the Company. In addition, any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of the Board of Directors and approval of the Shareholders.

Under our Articles of Association, the Company may distribute quarterly, semi-annual and/or annual dividends to shareholders from operating profits and/or accumulated profits of the Company. The Company currently intends to pay a dividend twice each fiscal year, with an initial interim payment in October of that year and a second payment in April of the following year.

6. ADX ESG Guide: G5 Ethics & Prevention of Corruption

Related Party Transactions Policy

Our Related Party Transaction Policy is designed to ensure that: (a) transactions with related parties are conducted on arm's length terms; (b) the Board of Directors and senior management are aware of the steps required to approve transactions with related parties; and (c) a legitimate business case is present and which supports the relevant related party transactions, including their arm's length nature. In accordance with this policy, we may not enter into a related party transaction unless it has been approved by: (i) our Board of Directors, where the transaction's value does not exceed 5% of the value of our share capital; or (ii) our shareholders at a General Assembly, where the transaction's value exceeds 5% of our share capital. The foregoing requirements do not apply to transactions with ADNOC and with other ADNOC group companies.

However, for so long as ADNOC owns more than 50% of our shares, we may not enter into transactions with ADNOC or other ADNOC group companies unless such transactions have been approved by our Board of Directors, including a majority of the independent members of the Board of Directors, subject to certain thresholds under our Delegation of Authority Matrix.

Insider Dealing Policy

The requirement to have fair and transparent dealings in our securities is of paramount importance to us and we take a zero tolerance approach to any activities which would prevent this requirement from being properly implemented.

Accordingly, we have implemented an Insider Dealing Policy to ensure that the obligations and responsibilities of our employees, officers and directors with respect to dealings in our securities are clearly defined. In accordance with the Insider Dealing Policy, we have an Insider Dealing Committee to oversee the ongoing implementation of this policy.

Anti-Bribery and Corruption Policy

We are committed to doing business lawfully, ethically and with integrity, and we expect all of our employees and representatives to act accordingly. Consistent with this commitment, we take a zero tolerance approach to fraud, bribery and all other forms of corruption. Our Anti-Bribery and Corruption Policy sets forth our requirements to ensure that none of our employees or representatives engage in any of these activities.

Compliance Investigations Policy

Our commitment to operating with integrity includes investigating, where necessary, allegations of ethical misconduct. Our Compliance Investigations Policy and supporting procedures set forth our approach to investigations relating to alleged violation of: (a) ethical business practices; (b) integrity in our interactions and arrangements with third parties; and (c) applicable laws, regulations, policies and procedures relating to ethical business practices and integrity. This policy requires all of our personnel to cooperate fully and truthfully with all investigations and to avoid engaging in certain activities that may hinder or interfere with an investigation.

Conflicts of Interest Policy

We understand that our employees, officers and directors will engage in legitimate social, financial and business activities outside the scope of their work for us. Our Conflicts of Interest Policy sets forth our requirements for the avoidance and management of conflicts of interest that may arise as a result of these other activities, including the avoidance of situations that merely have the appearance of a conflict of interest. Under this policy, conflicts of interest must be promptly disclosed so that the appropriate course of action can be taken in order to protect ADNOC Distribution's interests.

Whistleblowing Policy

Having an open, honest and transparent culture supports our commitment to integrity. Our Whistleblowing Policy encourages our employees to report concerns about unethical behavior in connection with our business by assuring confidentiality and by protecting good faith whistle-blowers from retaliation, even if they are mistaken.

Gender Diversity Policy

We are committed to advancing gender diversity and equality across the organization and are constantly working to recruit more women in all areas of our business. We are also working on a number of initiatives to advance women's career growth across the Company. To this end, our Gender Diversity Policy has been designed to both Board-level appointments and the company-wide approach to gender diversity. In addition, the Company will continue to ensure that its female employees obtain access to all necessary training and development in order to achieve their full potential in line with the standards of high performance we expect from all our employees - both men and women alike.

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NON-DISCRIMINATION[7]

ADNOC Distribution maintains a zero-tolerance approach to any form of discrimination or harassment at the workplace, and actively promotes and maintains a core value of non-discrimination across its business activities and services, covering all stakeholders, including employees, customers, and suppliers. The Company's policies, processes, and activities regarding non-discrimination are guided by its core value of 'WE ARE RESPECTFUL' and direct towards promoting equality and embracing diversity.

HUMAN RIGHTS POLICY[8]

At ADNOC Distribution, we are committed to respecting human rights values in line with the United Nations Global Compact on human rights, labor, environment and anti-corruption. Acting with integrity is essential to how we conduct our business, and complements our core company values of being Collaborative, Respectful, Responsible, Efficient and Progressive. These Values inspire the way we do business, inform our behavior and conduct and guide our decision-making. We expect our suppliers, contractors, business partners and other stakeholders to share our commitment to human rights and to adhere to our ADNOC Distribution Supplier and Partner Code of Ethics. We have an anonymous reporting system to raise integrity related concerns called Takallam (which means "to speak" in Arabic). Takallam is managed by an independent third party to ensure complete confidentiality and effective reporting within ADNOC Distribution. We review and update our human rights policy statement periodically and provide training and awareness programs for our employees and relevant stakeholders.

FAIR LABOR PRACTICES[9]

The UAE Federal Labor Law strictly prohibits any form of forced, compulsory or child labor in the country. At ADNOC Distribution, we abide by all laws of the government and ensure that no such violations occur across any of our workplaces.

7. ADX ESG Guide: S6 Non-discrimination
8. ADX ESG Guide: S10 Human Rights
9. ADX ESG Guide: S9 Child & Forced Labour

ISO CERTIFICATIONS

ADNOC Distribution is committed to operational excellence. In 2023 the Company further enhanced executional excellence via robust roll-out of Integrated Management System (IMS) and pursued obtaining 6 International Organization of Standards (ISO) certifications, covering environmental management, maintenance data collection, business continuity management, occupational health and safety management, energy management, and asset management.

2014
Asset Management
(ISO 55001)

2015
Environmental Management
(ISO 14001)

2016
Maintenance Data Collection
(ISO 14224)

2018
Occupational Health and Safety Management
(ISO 45001)

2018
Energy Management
(ISO 50001)

2019
Business Continuity Management
(ISO 22301)

THE COMPANY ALSO HOLDS THREE MORE ISO CERTIFICATIONS

Information Security Management Systems
(ISMS (ISO 27001)

Quality Management Systems
(ISO 9001:2015)

Building Information Modelling – BIM
(ISO 19650)

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IT SECURITY AND DATA PRIVACY[10]

ADNOC Distribution's strategy is to provide enterprise infrastructure and services with necessary controls to protect our physical and virtual workplace in terms of confidentiality, integrity, availability, and privacy of data. This is achieved with a dual approach of strengthening our security posture and preparedness to manage potential incidents. The Company abides by several policies and initiatives to manage data privacy and cybersecurity issues and believes that its customers have a right to know how their information is gathered, analyzed, and used responsibly. The Privacy Policy of the Company set out the basis on which any personal data is collected, or provided, and will be processed to ensure it is protected and processed in a fair, transparent, and lawful way. The Company utilizes Information Security Management System (ISMS) accredited with ISO 27001:2013 Information Security credentials and is fully committed to the objectives of UAE's Personal Data Protection Law.

During 2023, ADNOC Distribution has taken steps to comply with the UAE Personal Data Protection Law (PPDL) and related regulations, to ensure compliance to the privacy principles: data minimization, purposes limitation, confidentiality, accountability, transparency, lawfulness and fairness, and storage limitation. The Company has also implemented a preventive control to assess new projects that would involve the processing of data subjects' personal data (DPIA). This is to ensure that the processing will not overthrow the individuals' rights over their personal information and comply with the PPDL requirements.

In Addition, ADNOC Distribution obtained Payment Card Industry Data Security Standard (PCI-DSS) accreditation. PCI DSS sets rigorous standards intended to optimize the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information. With this achievement, ADNOC Distribution ensures that the full customer card payment cycle is secure; and enforcement of enhanced customer password complexity and Multi-Factor Authentication (MFA) for ADNOC wallet customers.

Governance of IT security and risks remains a cornerstone to ensure oversight of the Company's cybersecurity strategy implementation, proactive protection of information assets and establishment of safe and resilient infrastructure which empowers the business to thrive.

10. ADX ESG Guide: G6 IT security and data privacy ADX ESG Guide: G4 Supplier Code of Conduct

ENTERPRISE RISK MANAGEMENT

Proactive engagement of risk management is a key component of the Company's core business activities. By identifying, understanding, and managing risks in accordance with a defined risk management policy and set of procedures, the risk management process identifies and mitigates exposure to uncertainty wherever possible, while increasing exposure to opportunities.

The ERM Policy defines the risk management objectives, governance structure, and roles and responsibilities of the Board of Directors, audit committee, management team, ERM function, and internal audit function in accordance with the ISO 31000 standard.

In pursuing the Company's risk management objectives, the Board of Directors undertakes to:

- Ensure that ADNOC Distribution is a transparent organization where awareness and understanding of the risk-management policy and procedures are established at the appropriate levels of the organization
- Be responsible for overseeing and monitoring the risk-management system
- Identify, manage, monitor, and report on risk, holding the management team accountable for managing identified risks effectively

To ensure the risk-management process is effective, the Board:

- Identifies risks using an objective-driven process to assess the impact that risks would have on achieving the Company's objectives by embedding risk management into all decision-making processes.
- Ensures that significant business risks to which ADNOC Distribution is exposed are systematically identified, assessed, and managed to acceptable levels based on risk tolerance and appetite levels as approved by the Board
- Has a clearly defined responsibility structure

By implementing an iterative risk management process in accordance with ISO 31000:2018, the Company can increase the likelihood of success while decreasing the failure rate and uncertainties by considering potential benefits and risk factors for the organization.

ENTERPRISE RISK MANAGEMENT GOVERNANCE

The primary goal of the Company's enterprise risk management and governance processes is to enable sustainable growth and business performance through improved decision making, planning, and a focus on mitigating high priority risk areas in order to increase shareholder value. In this context, the Company employs an Enterprise Risk Management Governance Structure with clearly defined roles and responsibilities.

The Scope, Internal and External Context and Risk Criteria defines the basic parameters within which risks will be managed at the Company and sets the scope for the rest of the ERM Process.

Communication and consultation are critical components of effective risk management practices. Communicating risk information to stakeholders helps to maintain confidence and trust while also developing a shared understanding of the Company's risks.

INTERNAL CONTROL SYSTEM

The Company has established and maintains an internal control framework that provides our executive management and Board of Directors with reliable assurances on the health of our internal controls. These controls are designed to ensure that we are able to:

- Continually meet the operational and financial objectives of the Company;
- Properly manage risks;
- Ensure the validity and transparency of the information we provide to our stakeholders; and
- Comply with applicable laws and regulations.

Our compliance and control function is, among other things, responsible for ensuring that the Company conducts its business in full compliance with all relevant laws and regulations, as well as professional standards, accepted business practices and internal standards.

Our compliance and control function performs a number of tasks that are designed to ensure that our internal control system is effectively implemented and managed. These include:

1. Discussing the internal control system with the Board of Directors
2. Considering the results of primary investigations in internal control issues
3. Studying internal control reports and following up the implementation of corrective measures arising from the findings of such reports
4. Setting rules that enable ADNOC Distribution's staff to confidentially report any potential violations in financial reports, internal control etc.

PEOPLE OF ADNOC DISTRIBUTION

At ADNOC Distribution, we firmly believe that our people are not just our greatest asset; they are the very essence of our identity and the driving force behind our vision, mission, and unparalleled success. As the UAE's premier fuel and convenience store retailer, our commitment to nurturing a diverse, talented, and vibrant workforce is at the heart of our business strategy. This section of our Annual Report delves into the pivotal role our human capital strategy plays in sustaining our growth, innovation, and leadership in the industry.

EMBRACING DIVERSITY: THE CORNERSTONE OF OUR SUCCESS[11]

Emiratization and Global Talent Acquisition

In 2023, ADNOC Distribution continued to lead the way in fostering a culture of inclusivity and diversity. Our proactive approach to talent acquisition, both locally and globally, has significantly enriched our workforce, bringing together the brightest minds from 75 nationalities to propel our operations forward.

62.5%
Emiratization rate

62.5% nationalization rate in jobs eligible for Emiratization

13,198
Employee

A global family of 13,198 employees from 75 nationalities, underscoring our vision to be an international talent hub

11. ADX ESG Guide: S11 Nationalization

GENDER DIVERSITY AND INCLUSION

Our commitment to gender diversity has catalyzed a wave of innovation, productivity, and creativity across the organization. By actively promoting women into leadership and critical roles, we are not just advocating for equality; we are leveraging diverse perspectives to drive superior business outcomes.

Through our proactive approach, we have increased the number of females in leadership roles from previous years and continue making conscious efforts, driven by our Gender Balance Committee, to maintain the momentum of this trend while pursuing our longer-term sustainability targets in this area.

STRATEGIC TALENT RECRUITMENT

Our Human Capital (HC) function is pivotal in securing our competitive edge through strategic talent recruitment. In 2023, our international and local recruitment drives were instrumental in diversifying and strengthening our team. These efforts include our successful international recruitment campaign in India and Nepal leading to the selection of over 5,000 suitable candidates. Furthermore, a well-received local recruitment drive included seven campaigns with a selection of over 900 candidates. Ultimately, our total hiring in 2023 saw 2,079 new talents recruited, including 1,822 employees in the core service station business.

SUCCESSION PLANNING AND PEOPLE DEVELOPMENT

Our strategic emphasis on succession planning and people development ensures the continuity and stability of our leadership and operations. In 2023, our comprehensive training programs and succession planning initiatives have set new benchmarks for excellence. This has resulted in 100% succession rate for critical leadership roles. Of which, 75% of critical leadership roles being filled through our internal succession pipeline, with 170+ development-driven internal mobility movements across the organization. Further, though our extensive training program, over 640 development courses delivered, amounting to more than 109,400 person-hours of training. This included innovative programs focusing on leadership, communication, finance, and specialized workshops for our core business on customer experience and service excellence, 100% HSE, inclusivity and hygiene awareness.

PERFORMANCE AND REWARDS

Rewarding and recognizing and rewarding our employees' contributions is central to our philosophy. Our performance-driven culture is complemented by a strategic total rewards and recognitions framework that motivates excellence and innovation, and contributes significantly to our overall employee value proposition. This framework includes a systematic approach and design of fixed pay, variable pay-for-performance schemes like short- and long-term incentives plans and sales incentives schemes for core business frontliners, a variety of supplementary benefits, as well as Tamayaz, our comprehensive corporate recognition platform.

With that in mind, in 2023, over 80% of frontline employees received sales incentives in recognition of their performance throughout the year and more than 2,000 recognitions through Tamayaz program were awarded. Additionally, ADNOC Distribution was honored with the 2023 GCC GOV HR Award for Innovation with our sales incentives schemes for core business frontliners.

PAY RATIOS[12,13]

The Company has taken ambitious strides to provide wages based on an employee's skillset rather than gender and provide fair opportunities to employees irrespective of gender. It has also sought to reduce the compensation gap between top management and other employees. 2023 saw a change in the gender pay ratio as well as the CEO Pay ratio.

Ratio	2022	2023
CEO Total Compensation to median Full Time Equivalent (FTE) total compensation	15.2:1	**15.3:1**
Median male compensation to median female compensation	0.96:1	**1.02:1**

COMMITTED TO EMPLOYEE WELL-BEING

Our strategic approach to employee wellbeing culminated in our 100X Your Wellbeing program, which was first established in 2022. Through this holistic program we ensure a relentless focus on social, mental and spiritual, financial and physical health and wellbeing of our employees. Our 100X Your Wellbeing program was recognized with a GCC GOV HR Award for its innovative approach and successful execution. In 2023, the program delivered more than 40 different initiatives with around 25,000 people participations. The crucial ingredient to this success is our employees, and we ensure that we enable people to give transparent feedback to drive continuous improvement of our program and overall employee value proposition. As a result, we saw an impressive increase in our employee engagement and experience results in 2023, and observed a significant decrease in employee turnover, reflecting our success in fostering a supportive and engaging work environment.

At ADNOC Distribution, our people are the foundation of our success and the architects of our future. Through strategic initiatives and a steadfast commitment to diversity, development, and well-being, we are not just achieving our business goals; we are shaping a sustainable and inclusive future. As we move forward, our focus remains on empowering our employees, driving innovation, and maintaining our leadership in the industry.

KPI	2023
Gender Diversity at ADNOC Distribution[14]	
Total enterprise headcount held by men (%)	90.00%
Total enterprise headcount held by women (%)	10.00%
Entry- and mid-level positions held by men (%)	90.30%
Entry- and mid-level positions held by women (%)	9.70%
Senior- and executive level positions held by men (%)	93.88%
Senior- and executive level positions held by women (%)	6.12%
Temporary Worker Ratio in 2023[15]	
Total enterprise headcount held by part-time employees %	Not Applicable
Total enterprise headcount held by contractors and/or consultants %	4.06%
Annual Employees Turnover[16]	
Year-over-year change for full-time employees %	0.6%
Year-over-year change for part-time employees %	Not Applicable
Year-over-year change for contractors/ consultants %	-5.3%

12. ADX ESG Guide: S1 CEO Pay Ratio
13. ADG ESG Guide: S2 Gender Pay Ratio
14. ADX ESG Guide: S4 Gender Diversity
15. ADX ESG Guide: S5 Temporary Worker Ratio
16. ADX ESG Guide: S3 Employee Turnover

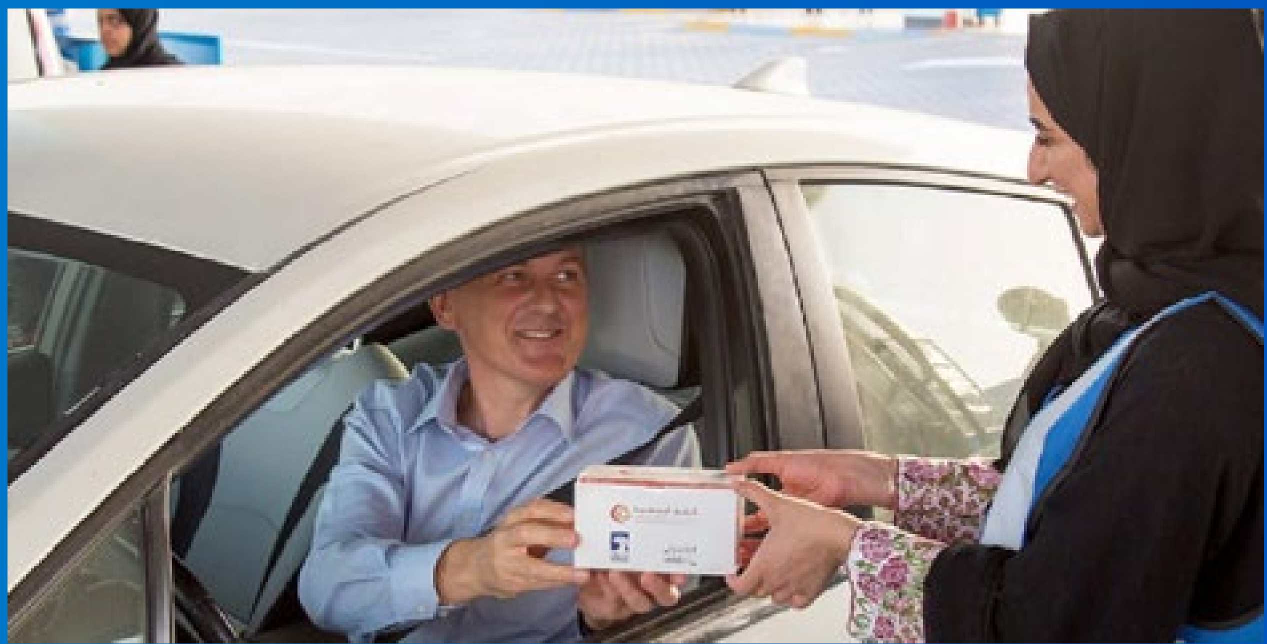
CORPORATE SOCIAL RESPONSIBILITY[17]

ADNOC DISTRIBUTION CONTINUES TO SUPPORT CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THE COMMUNITIES IN WHICH IT OPERATES THROUGH LONG-STANDING CREDIBLE PARTNERSHIPS WITH CHARITIES, LOCAL SMES, HEALTHCARE ASSOCIATIONS AND GOVERNMENT DEPARTMENTS.

Building on our performance and business goals, we have embedded corporate social responsibility into our DNA. Additionally, we have implemented several operational policies dedicated to strengthening our contributions as a socially responsible company while meeting stakeholder and employee expectations as well as developed a CSR charter to govern corporate social responsibility.

In continuing to support and invest in people; our contributions to the UAE's national Emiratization agenda exceeded the Company's target (>62%). Through our diversity and inclusion programme we have 15% females in leadership positions, and have driven our skills development with over 109,400 training manhours.

CSR Initiative Examples



BREAKING FAST WITH LOCAL COMMUNITIES DURING RAMADAN

Once again, ADNOC Distribution partnered with Khalifa bin Zayed Al Nahyan Foundation to distribute meals to families across the UAE during Ramadan via supply of free LPG. We also collaborated with Emirates' Red Crescent and, through employee volunteers, distributed Iftar boxes across our network, helping customers break their fast in local communities.

17. ADX ESG Guide: S12 Community Investment

≃ AED 2,544,000 Our total expenditure on social development and related sponsorship projects for 2023.

RAISING AWARENESS OF BREAST CANCER CARE

ADNOC Distribution supported Pink Caravan for another year, working in partnership with Friends of Cancer Patients Group to raise awareness and provide critical breast cancer screening during October, Breast Cancer Awareness Month. We helped support this great cause by securing locations outside our headquarters in Abu Dhabi and in front of famous landmarks across the UAE and provided volunteers to enable mobile screening centers to offer free consultations and health screenings to the public.

ENGAGING CUSTOMERS IN ENVIRONMENTAL PROTECTION

ADNOC Distribution launched its sustainability roadmap in line with the "UAE Year of Sustainability". In line with this commitment, we launched reverse vending machines at 40 ADNOC service stations across Abu Dhabi and integrated an option on the ADNOC Distribution app to "Adopt a Mangrove", extending sustainability efforts to our customers.

EMPOWERING LOCAL BUSINESSES

For the third consecutive year ADNOC Distribution supported the Emirates' Red Crescent project, Al Ghadeer UAE Crafts, which offers women from different nationalities vocational training to create culturally-inspired products and help them earn a sustainable living. We expanded the inclusion of craft stands across our ADNOC Oasis stores.

INVESTING IN COMMUNITIES THROUGH CHARITABLE CONTRIBUTIONS

Through an ongoing partnership with the Emirates' Red Crescent, ADNOC Distribution helped raise critical awareness and donations for the Reach Campaign which helps treat river blindness disease – a devastating medical condition affecting millions of people around the world which can be easily treated. Customers can now contribute towards raising vital funds via the ADNOC Distribution app.

PROCUREMENT PRACTICES[18]

ADNOC Distribution's procurement processes are a centralized function that supports the Company's business lines.

Vendors and suppliers are required to comply with ADNOC Distribution Code of Conduct by declaration to the code during registration, pre-qualification, and tendering. To oversee issues in ethics and compliance, ADNOC Distribution ensures that suppliers and partners must adhere to the Supplier and Partner Business Code of Ethics and must undergo Integrity Due Diligence (IDD) prior to entering business or partnership with the Company.

The Code outlines the guidelines against bribery and corruption which all suppliers and partners must adhere to. With the increase of M&A activities, detailed IDD activities were performed.

The Company also conducts trainings for the stakeholders on the Code of Conduct. Moreover, the Code of Conduct and Supplier & Partner Code of Ethics are made accessible to all employees, suppliers, and partners through the website.

IN-COUNTRY VALUE

ADNOC Distribution follows ADNOC's Corporate Procurement initiative, which emphasizes the selection of local suppliers and contribution to In-Country Value (ICV) with the aim of creating additional employments opportunities for Emiratis in the private sector and supporting the UAE GDP diversification through sourcing more goods and services within the UAE.

In 2023, the Company has achieved an In-Country Value to c.70% of total spend during the year. The Company will continue to identify opportunities to further increase spending on local suppliers and to enhance the ICV contribution.

18. ADX ESG Guide: G4 Supplier Code of Conduct

HEALTH AND SAFETY[19] [20]

ADNOC Distribution's utmost priority is safety, which is embedded in the Company's core values.

To protect our employees, contractors, and third parties, we have adopted ADNOC HSE Management System HSEMS, which has a strategic goal and commitment to navigate our programs, practices, and a working culture that promotes safety at each organization's level. We pursue quality of life and productivity by escalating and defending our people's physical and mental health and overall wellbeing.

ADNOC HSEMS comprised 78 HSE Standards composing HSE governance, Occupational Health, Environment, Operational Safety, Risk Management, Crisis Management, and Emergency Response. Compliance with these standards is being verified by the Internal Audit and Assurance function periodically. ADNOC Distribution has ISO 9001:2015 (Quality Management Systems), and also obtained ISO Standard 45001:2018 on Occupational Health and Safety (OHS) and ISO 14001:2015 on Environmental Management System (EMS).

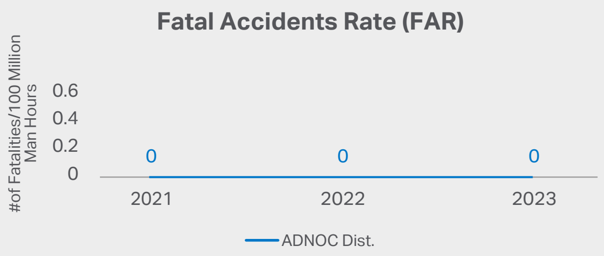
ADNOC Distribution is certified with

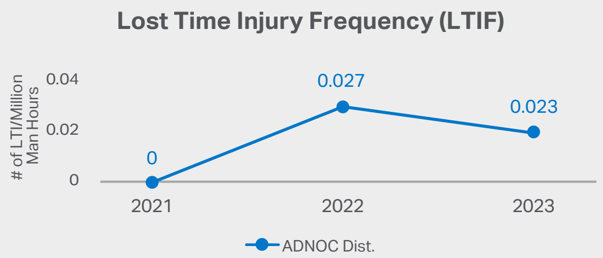
ISO 45001:2018
on Occupational Health Safety Management (OHSM)

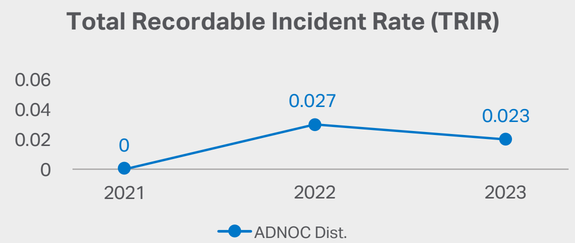
ISO 14001:2015
on Environmental Management System (EMS)

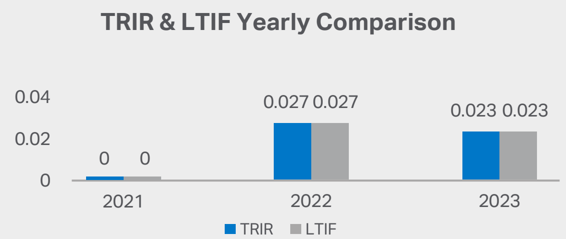
A skilled team of investigators review all the recordable injuries. Root causes are identified, and recommendations are devised to avoid recurrence. To strengthen the incident investigators team, specialized training sessions are arranged. Annual Environmental & Occupational Health monitoring is in place at our depots and terminals as part of the Company's Environmental due diligence strategy.

HSE PERFORMANCE IN 2023









19. ADX ESG Guide: S7 Injury Rate
20. ADX ESG Guide: S8 Global Health and Safety

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2023 HIGHLIGHTS

203 Contractor HSE Performance Evaluation Audits, **36 HSE** Management System Audits, **27 camp** welfare audits and **43 HSE** Assurance Program Audits were conducted.

The **HSE Recognition Program** for Contractors was launched.

The Integrated Management System Project has been completed and we have been awarded **six ISO Certifications** (Environment MS, Occupational Health & Safety MS, Business Continuity MS, Energy MS, Asset Management MS, and Maintenance reliability MS).

109,945 safety observations have been reported by ADD employees and **14,582** safety observations were reported by contractors. The criticality and severity of the observations were analyzed by the HSE Task Force Committee and awareness sessions for the top 04 high risk rated safety observations was conducted.

112 emergency drills conducted in service stations, terminals and depots

Business Continuity Playbooks were developed for ADNOC Distribution sites.

Reverse waste wending machine were installed at **40 Service stations**.

Biofuel was introduced in the company fleet to reduce the **GHG emissions** associated with **Diesel consumption**.

COP28 Security Exercise in partnership with ADNOC Security and Abu Dhabi police to verify the emergency preparedness measures are in place.

ADNOC Distribution Becomes the **FIRST FUEL RETAILER** in the **MENA REGION** to **ACHIEVE** the **WELL HEALTH-SAFETY RATING** for more than **500 SERVICE STATIONS** across the UAE

In 2023, ADNOC Distribution earned the WELL Health–Safety Rating for over 500 service stations across the UAE. The milestone achievement, awarded by the International WELL Building Institute (IWBI), recognizes the company's efforts and commitment to the health and safety of its workforce and customers and communities where it operates.

The WELL Health-Safety Rating for Facility Operations and Management is an evidence-based, third-party verified rating for all new and existing building and facility types focusing on operational policies, maintenance protocols, stakeholder engagement and emergency plans. The third-party review process ensures integrity and consistency across various core areas, including air and water quality management, cleaning procedures, emergency preparedness, health resources and stakeholder management. The WELL Health-Safety rating was developed by the IWBI, a global organization focused on advancing health and wellbeing in buildings, organizations and communities.

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PROTECTING ENVIRONMENT[21] [22]

ADNOC Distribution's business operations and services are underpinned by a commitment to generate a positive impact on the communities and geographies in which the Company operates.

ADNOC Distribution develops and maintains policies, guidelines, processes, and management systems in line with leading practices, standards, and regulatory requirements to ensure it mitigates any adverse environmental impacts caused by its business operations.

Climate Risk Mitigation

Accurately identify, assess, and manage climate-related risks and opportunities and ensure integration with our Enterprise Risk Management systems.

Emissions

Minimize the GHG emissions caused by our operations through effective measurement, reporting and verification processes and use of clean energy sources.

Energy

Management enhances the energy performance of our business operations and services, in line with leading standards and mitigates any negative environmental impact.

ADNOC Distribution works closely with its partners and suppliers to manage its resource consumption in a responsible manner, including the use of energy and water, and management of waste throughout its operations. Ensuring adequate environmental oversight is essential to the Company's approach, including management-level discussions on sustainability, including certified environmental operations, development of climate risk mitigation tools and recycling measures. Overall environmental performance is supported by key performance indicators (KPIs) related to energy, emissions, water, and waste.

DECARBONIZATION ROADMAP

In 2023, ADNOC Distribution developed its decarbonization strategy underpinned by active work to mitigate the impact on climate. In January 2023, the decarbonization roadmap was announced with a target to reduce the Company's carbon footprint 25% by 2030, by identifying a set of tangible initiatives.

21. ADX ESG Guide: E10 Climate Risk Mitigation
22. ADX ESG Guide: E7 Environmental Operations

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ENERGY MANAGEMENT[23 24 25]

As the UAE's leading mobility retailer, the Company is developing more efficient energy solutions and products, facilitating the global energy transition to cleaner energy sources (such as electric vehicles), and lowering its organizational energy intensity levels. The Company follows all relevant national visions and strategies, including UAE Energy Strategy 2050, in its energy efficiency policies, programs, and initiatives, as well as its strategic approach to energy management.

ADNOC Distribution carries out strategic and operational clean energy initiatives to reduce its reliance on conventional energy sources and increase the use of clean energy sources, such as solar energy and carry out energy optimization initiatives. This will support the Company to reach its target of 25% reduction in GHG emission intensity by 2030 and helps the company to meet local, national, and international targets such as UAE's Net-Zero by 2050 strategic initiative and lower its energy costs.

Energy Mix

ADNOC Distribution is working on adopting a sustainable energy mix for its fleet of vehicles and using renewable energy in its service stations, in addition to rolling out lower-carbon products for its customers. The approach to a balanced transition underlines ADNOC Distribution's commitment to driving sustainable growth through constant innovation in new energy solutions.

Increasing the consumption of clean energy sources is a critical pillar in the Company's strategic energy objectives to enhance ADNOC Distribution's energy mix by including clean energy sources. To this end, the Company has converted an existing term loan of $1.5 billion into a Sustainability Linked Loan (SLL), demonstrating its determination to align its funding objectives with the Corporate Sustainability Strategy. One of the KPIs linked to this loan is the renewable energy sources for own consumption (MWh consumption per year), reinforcing the Company's commitment to increasing the share of renewal and clean energy in its energy mix.

The Company aims to increase the share of renewable energy usage for its operations by installing solar PVs across more service stations, further reducing the Company's grid electricity energy consumption, and contributing to a reduction in carbon emissions. ADNOC Distribution also aims to optimize energy by identifying Energy Conservation Opportunities (ECOs) at its facilities and retrofitting existing building services.

In 2023, ADNOC Distribution has partnered with Emerge to install solar panels at its service stations in Dubai as part of its phased-out approach to solarize its service stations across the UAE. At the end of 2023, the Company has solar photovoltaic panels (PV) installed on 31 of its service stations, of which 26 were installed in 2023. The Company aims to install more solar panels on ADNOC Distribution's stations in 2024 and beyond to increase power sourced by clean energy and contribute to the reduction of emissions.

Below are ADNOC Distribution's Energy data for 2023:

Energy Usage	Total amount of energy directly consumed	GJ	**357,985**
	Total amount of energy indirectly consumed	GJ	**1,015,492**
Energy Intensity	Energy Intensity based on revenue	GJ/Million AED	**39.7**
Clean Energy	Total amount of energy generated from renewable energy (solar)	GJ	**2,369**

Energy Management Systems

An Energy Management System is maintained by ADNOC Distribution to ensure optimization of energy consumption in line with these requirements. The energy performance of the Company is managed through a robust and periodic audit process, and annual external third-party verification. ADNOC Distribution encourages continual improvement in its energy performance by aligning it physical assets in line with international best practices and standards.

ADNOC Distribution
is certified with
ISO 50001:2018
on Energy Management

23. ADX ESG Guide: E3 Energy Usage
24. ADX ESG Guide: E4 Energy Intensity
25. ADX ESG Guide: E5 Energy Mix

GREEN HOUSE GAS EMISSIONS[26 27]

ADNOC Distribution is committed to mitigating the greenhouse gas (GHG) emissions caused by business operations and services, in line with the global, regional, and national climate change plans, including UAE's recently announced Net-Zero by 2050 strategic initiative and the UAE's National Climate Change Plan 2017-2050.

In 2023, the Company launched its decarbonization roadmap with an objective to achieve a 25% reduction in its GHG emission intensity by 2030, demonstrating its commitment to decarbonizing its operations. The Company started the implementation of a set of initiatives to reduce its Scope 1 and 2 emissions, including the use of biofuel in its vehicles: today the Company has 100% of its UAE heavy fleet powered with biofuel. The Company also partnered with Emerge to install photovoltaic solar panels across service stations in Dubai as part of a phased approach to solarizing our stations in the wider UAE.

Below are ADNOC Distribution GHG Emission data for 2023:

GHG Emissions	Total amount in CO_2 equivalents, for Scope 1	tCO_2e	**25,359**
	Total amount, in CO_2 equivalents, for Scope 2 (if applicable)	tCO_2e	**123,241**
Emissions Intensity	Total GHG emissions per output scaling factor	tCO_2e/Million AED	**4.3**

WASTE

ADNOC Distribution follows the waste management guidelines created and included in the HSE Management System of ADNOC Group. It also complies with all necessary legal standards for waste management. The Company follows the requirements of several regulatory authorities, including the Abu Dhabi Waste Management Center (Tadweer) and Dubai Municipality. Third-party Environmental Services Providers, approved by Tadweer, transport all waste quantities, and are obliged to comply with applicable legal requirements in Abu Dhabi. ADNOC Distribution hired a third-party service provider to conduct its environmental assessments and determine the waste produced by its customers to assess the environmental impact resulting from waste generated. ADNOC Distribution is registered with Tadweer's BOLISATY system, where all waste and related data is tracked from source to destination (place of disposal).

Moreover, the Company keeps track of the compliance levels of its contractors by conducting audits and monitoring through Tadweer's BOLISATY monitoring portal. "Reduce, Reuse, and Recycle" is the hierarchy followed by ADNOC Distribution for waste disposal. The business keeps track of its inventory levels and disposes of solid waste and expired chemicals, including firefighting foam, through external third-party contractors who adhere to all relevant legal waste disposal regulations. Additionally, the business periodically audits a list of chosen contractors to ensure compliance. Hazardous solid waste is delivered to Central Environmental Protection Facility BeAAT's treatment facility, while non-hazardous domestic waste is disposed of in landfills. In addition to recycling used lube oils, the Company also recycles solid waste, including paper, cardboard, plastic and metals through third-party.

WATER[28]

ADNOC Distribution is committed to adopting water saving initiatives. This includes installing aerator water savers across all washrooms and mosque ablution areas in ADNOC service stations, offices, and sites.

The Company also uses treated recycled water to operate its car washing docks, which accounts for 80% of the total water used in this operation. The total water consumed in 2023 was 1,792,265 m3.

26. ADX ESG Guide: E1 GHG Emissions
27. ADX ESG Guide: E2 Emissions Intensity
28. ADX ESG Guide: E6 Water Usage

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ESG INDEX

ADNOC Distribution Alignment with ADX ESG Guide

ADX Guidelines	Disclosure	Section	Page Number(s)	ADX Alignment
	ESG Disclosures			
ENVIRONMENTAL	E1 GHG Emissions	GHG Emissions	95	Scope 1 & 2 Emissions
	E2 Emissions Intensity	GHG Emissions	95	Yes
	E3 Energy Usage	Energy Management	94	Yes
	E4 Energy Intensity	Energy Management	94	Yes
	E5 Energy Mix	Energy Management	94	Yes
	E6 Water Usage	Water	95	Yes
	E7 Environmental Operations	Protecting Environment	93	Yes
	E8 Environmental Oversight – Management	Governance on ESG	61	Yes
	E9 Environmental Oversight – Board	Governance on ESG	61	Yes
	E10 Climate Risk Mitigation	Protecting Environment	93	Yes
SOCIAL	S1 CEO Pay Ratio	Pay Ratios	85	Yes
	S2 Gender Pay Ratio	Pay Ratios	85	Yes
	S3 Employee Turnover	People of ADNOC Distribution	85	Yes
	S4 Gender Diversity	Gender Diversity Policy, People of ADNOC Distribution	85	Yes
	S5 Temporary Worker Ratio	People of ADNOC Distribution	85	Yes
	S6 Non-discrimination	Non-Discrimination	77	Yes
	S7 Injury Rate	Health and Safety	89	Yes
	S8 Global Health and Safety	Health and Safety	89	Yes
	S9 Child & Forced Labour	Fair Labor Practices	77	Yes
	S10 Human Rights	Human Rights	77	Yes
	S11 Nationalization	People of ADNOC Distribution	83	Yes
	S12 Community Investment	Corporate Social Responsibility	86	Yes

ADX Guidelines	Disclosure	Section	Page Number(s)	ADX Alignment
GOVERNANCE	G1 Board Diversity	Board Diversity	63	Yes
	G2 Board Independence	Corporate Governance framework	63	Yes
	G3 Incentivized Pay	Governance on ESG	61	Yes
	G4 Supplier Code of Conduct	Procurement Practices	88	Yes
	G5 Ethics & Prevention of Corruption	Code of Conduct	75	Yes
	G6 Data Privacy	IT Security and Data Privacy	80	Yes
	G7 Sustainability Reporting			Yes – Annual ESG Report
	G8 Disclosure Practices			Yes
	G9 External Assurance			Yes – Seek to obtain assurance for 2023 ESG report

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

ADNOC Distribution, as the Abu Dhabi Accountability Authority (ADAA) subject entity, must adhere to the requirements of the Abu Dhabi Accountability Authority. ADAA Subject Entities are those entities in which the Abu Dhabi Government's interest is equal to or greater than 25% inclusive of their subsidiaries, companies, and projects.

ADNOC Distribution started its internal controls over financial reporting (ICFR) framework implementation journey in 2018 using the Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). When ICFR was introduced, ADAA enforced Resolution No. 1 of 2017 on all ADAA Subject entities from 2018 onwards. Resolution No. 1 of 2017 has now been superseded with Resolution No. 88 of 2021, dated August 31, 2021.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's ICFR is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of external financial statements in accordance with the generally accepted accounting principles.

ADNOC Distribution maintains a comprehensive internal control system to safeguard assets, ensure accuracy and reliability in financial reporting, and comply with applicable laws and regulations. Our internal control system is an integral part of our overall risk management framework, contributing to achieving our strategic objectives. The audit committee on a biannual basis reviews the internal control system to ensure it remains compliant and resilient.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

The Company's management has assessed the effectiveness of the Company's ICFR reporting as of December 31, 2023. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework (2013)."

These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included extensive documenting, evaluating, and testing the design and operating effectiveness of internal controls over financial reporting.

Based on the Company's processes and assessment, as described above, management has concluded that, as of December 31, 2023, the Company's internal control over financial reporting was effective.

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FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2023

The Directors present their report together with the consolidated financial statements of Abu Dhabi National Oil Company for Distribution PJSC (the "Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2023.

BOARD OF DIRECTORS

The Directors of the Company are:

Chairman	**H.E. Dr. Sultan Ahmed Al Jaber**
Members	**H.E. Mohamed Hassan Alsuwaidi (resigned effective 1 January 2024)**
	H.E. Ahmed Jasim Al Zaabi
	Khaled Salmeen
	Abdulaziz Abdulla Alhajri
	Mariam Saeed Ghobash
	H.E. Ahmed Tamim Al Kuttab

PRINCIPAL ACTIVITIES

The principal activities of the Group are the marketing of petroleum products, compressed natural gas and ancillary products.

REVIEW OF BUSINESS

During the year, the Group reported revenue of AED 34,629,178 thousand (2022: AED 32,111,061 thousand). Profit for the year was AED 2,630,489 thousand (2022: AED 2,748,508 thousand).

The appropriation of the results for the year is follows:

	31 December 2023 AED'000
Retained earnings as at 1 January 2023	1,944,890
Profit for the year	2,630,489
Dividends declared	(2,571,250)
Non-controlling interests	(29,068)
Transfer to statutory reserve	(3,921)
Retained earnings as at 31 December 2023	**1,971,140**

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2022. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 15 March 2023 and paid on 29 March 2023.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2023. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 25 September 2023 and paid on 3 October 2023.

The General Assembly of TotalEnergies Marketing Egypt LLC approved a dividend of AED 64,788 thousand to the shareholders in respect of the year ended 31 December 2022. The dividend payable of 50% or AED 32,394 thousand is attributable to ADNOC Distribution Egypt Holding RSC Limited and the other 50% to the non-controlling interest, which was approved at the General Assembly Meeting held on 4 April 2023.

For the Board of Directors

Chairman
6 February 2024
Abu Dhabi, UAE

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Opinion

We have audited the consolidated financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or "the Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Groups's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Matter	How our audit addressed the key audit matter
Business acquisition	
During the year, the Group acquired 50% stake in **TotalEnergies Marketing Egypt LLC (TEME),** a limited liability company registered in Cairo, Egypt for a total consideration of **AED 721 million.** The acquisition is accounted for in accordance with the **IFRS 3 'Business Combinations'** and includes a number of significant and complex judgments in the determination of the fair value of the assets and liabilities acquired. The assets and liabilities acquired were stated at their fair values which were determined in the course of the purchase price allocation and fair value determination. This resulted in net assets measured at fair value amounting to **AED 661 million**. Goodwill recognised in the consolidated financial statements amounted to **AED 391 million**. Management has the discretion to make judgements, estimates and assumptions in allocating the purchase price and determining fair value. Changes in these assumptions could have a significant effect on the purchase price allocation and fair value. Due to the matter described, we considered the business combination and in particular the purchase price allocation and fair value determination as a key audit matter in our audit. We refer to Note 3.4 and 30.1 to these consolidated financial statements for the accounting policy and related disclosures respectively.	**Our audit approach included the following:** ■ We obtained understanding of management's process related to the business combination and the related acquisition accounting. ■ We reviewed the underlying documentation, terms and conditions of the transaction including the transaction date and assessed the accounting treatment of the consideration transferred and the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations', ■ We engaged our valuation specialists to assist us in reviewing the Group's valuations and in assessing the methodology used to determine the fair value of assets acquired and liabilities assumed, ■ We assessed the adequacy of disclosures of financial information, including disclosure of key assumptions and estimates are in accordance with the IFRS.
Impairment assessment of intangible assets including goodwill	
As at 31 December 2023, the Group has goodwill and other intangible assets with indefinite useful lives amounting to AED 392 million and AED 145 million, aggregating to 3 percent of the Group's total assets. Goodwill and intangible assets with indefinite life are required to be tested for impairment, at least on an annual basis. For this purpose, goodwill and other intangible assets with indefinite useful lives are allocated to the Retail, Corporate and Aviation CGUs, the recoverable amount of which is supported by value-in-use calculations based on future discounted cash flows. Based on the assessment, management concluded that the intangible assets including goodwill were not impaired as of 31 December 2023. We identified the impairment of goodwill and other intangible assets as a key audit matter due to the use of complex and subjective management estimates based on management's judgement of key variables and market conditions. We refer to Note 3.5 and 6 to these consolidated financial statements for the accounting policy and related disclosures respectively.	**Our audit approach included the following:** ■ We obtained understanding and evaluated management's process including key controls over impairment assessment; ■ We obtained management's future cash flow forecasts and tested the mathematical accuracy of the underlying value-in-use calculations ■ involved our valuations specialists to evaluate the appropriateness of the methodology used by the management ■ assessed the reasonableness of key assumptions used in the calculations. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis for determining the assumptions. ■ We found the Group's estimates and judgments used in the impairment assessment and review of useful lives of intangible assets to be supported by sufficient and appropriate audit evidence. ■ Assessing the appropriateness of the related disclosures included in note 6 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognised from retail sales and related IT systems	
Revenue from retail sales amounted to AED 23.2 billion for the year ended 31 December 2023. There are complex IT systems in use which comprise multiple IT applications which are used to process large volumes of data pertaining to retail sales transactions that occur throughout the year. Given the complexity of the IT systems involved there is an inherent risk around accuracy and completeness of revenue recognized and therefore we considered this area to be a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 3 to the consolidated financial statements and details about the Group's revenue are disclosed in note 19 to the consolidated financial statements.	**Our audit approach included the following:** ■ Understanding of the significant revenue processes and identification of the key relevant controls and IT systems; ■ Understanding of the control environment and testing of the general IT controls over the main IT systems and applications involved in the revenue recording process; ■ Evaluation of the design and implementation and testing of the operating effectiveness of automated controls residing in the main IT systems and applications involved in the revenue recording process; ■ Assessment of the Group's accounting policy for revenue recognition against the requirements of IFRSs; ■ Performance of the test of details on a sample basis to reconcile daily retail sales to cash collections and subsequent bank deposits; ■ Performance of substantive analytical procedures over retail sales revenue by building an expectation on basis of quantities sold and regulated prices; and ■ Assessment of the adequacy of disclosures in the consolidated financial statements relating to revenue.
Right-of-use assets	
As part of the Group's plans to expand its distribution network in the United Arab Emirates, Kingdom of Saudi Arabia and the Arab Republic of Egypt during the current year, the Group has entered multiple leasing arrangements. During the year, the Group has recorded additional right-of-use assets and related lease liabilities amounting to AED 511.6 million. Due to the significant number of service stations and other assets added every year, management encounters certain delays in the finalization of the agreements on account of certain approvals and communication from the relevant departments which hinders the process of collating a complete set of lease contracts before the finalization of the consolidated financial statements. Additionally, determining the present value of the lease payments requires management to apply significant judgments and estimates to determine the discount rate and lease term, which has been disclosed in note 4 of the consolidated financial statements. The Group's accounting policies are presented in note 3 and details about the Group's right-of-use assets are disclosed in note 9 to the consolidated financial statements.	**Our audit approach included the following:** ■ Obtaining an understanding of the Group's process for identifying the agreements related to the right-of-use assets and lease liabilities; ■ Obtained an understanding of the system generated lease assessment and recomputed the amount based on the inputs from the contract to ensure accuracy of the results; ■ Assessing the validity and completeness of the list of service stations and other assets used for the underlying calculation; ■ Performing test of details by inspecting the lease agreements, on a sample basis to determine the existence of the lease; ■ Reperforming the calculation of interest on the lease liabilities and depreciation of the right-of-use assets and agreed these to the consolidated financial statements; ■ Detailed analysis and enquires with management related to the incremental borrowing rates used on the lease assessment; ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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Decommissioning obligation related to assets constructed on leased land

The Group has recorded a provision for decommissioning of AED 149.4 million. These provisions relate to an obligation to dismantle service stations constructed on leased land, at a future date. The Group operates a comprehensive network of fuel pumps in Dubai and Northern emirates in the United Arab Emirates on land leased from third parties. The Group has contractual obligations to restore the land to its original condition at the end of the lease period in respect of these lands. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and available technology. At each reporting date the decommissioning liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred at reporting date. The Group's accounting policies relating to the dismantling obligations are presented in note 3, the critical accounting estimates made, and judgements applied by management are disclosed in note 4 to the consolidated financial statements and details about the decommissioning obligations are disclosed in note 18 to the consolidated financial statements.	**Our audit approach included the following:** ■ Obtaining an understanding of the Group's process for identifying the agreements for which a provision needs to be raised and testing the adequacy of controls over this process; ■ Assessing the validity and completeness of the list of service stations used for the underlying calculation; ■ Evaluating the approach adopted by management in determining the expected costs of decommissioning and determining if the significant judgements applied and estimates made are reasonable; ■ Obtain an understanding of the cost assumptions used that have the most significant impact on the provisions and determining if these assumptions are appropriate and discussing the estimates used by the management; ■ Reviewing, with the assistance of our internal specialists, the discount and inflation rates used in the estimation to determine if they are appropriate; ■ Agreeing the results of the management's calculation to the amounts reported in the consolidated financial statements; ■ Evaluating the skills, objectivity and competence of the management expert; and ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

When we will read the Operational and Financial Highlights, Chairman's Message and CEO's Message, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company and UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISA's and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 30.1 to the consolidated financial statements, the Group has made investment during the financial year ended 31 December 2023;
- Note 8 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- As disclosed in note 1 to the consolidated financial statements, the Group made social contributions amounting to AED 2,544 thousand during the year ended 31 December 2023; and
- 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 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2023, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2023

- Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.

GRANT THORNTON
Farouk Mohamed Registration No: 86
Abu Dhabi, United Arab Emirates
6 February 2024

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	31 December 2023 AED'000	31 December 2022 AED'000
Assets			
Non-current assets			
Property, plant and equipment	5	**7,189,661**	6,385,075
Right-of-use assets	10	**1,778,418**	1,373,338
Goodwill and intangible assets	6	**1,053,811**	1,128
Advances to contractors		**38,466**	47,297
Deferred tax assets	26	**2,166**	-
Other non-current assets		**15,551**	13,313
Total non-current assets		**10,078,073**	7,820,151
Current assets			
Inventories	7	**1,294,423**	1,286,377
Trade receivables and other current assets	8	**3,519,413**	3,295,714
Due from related parties	9	**805,558**	868,868
Term deposits	11	**200,225**	130,225
Cash and bank balances	11	**2,993,937**	2,617,099
Total current assets		**8,813,556**	8,198,283
Total assets		**18,891,629**	16,018,434
Equity and liabilities			
Equity			
Share capital	12	**1,000,000**	1,000,000
Statutory reserve	13	**503,921**	500,000
Foreign currency translation reserve	27	**(2,995)**	-
Retained earnings		**1,971,140**	1,944,890
Equity attributable to owners of the Company		**3,472,066**	3,444,890
Non-controlling interests		**323,767**	-
Total equity		**3,795,833**	3,444,890
Non-current liabilities			
Lease liabilities	14	**1,564,251**	1,184,538
Borrowings	15	**5,492,280**	5,482,124
Provision for decommissioning	18	**149,362**	134,532
Provision for employees' end of service benefit	16	**192,271**	194,439
Deferred tax liability	26	**134,962**	-
Other non-current liabilities		**10,671**	-
Total non-current liabilities		**7,543,797**	6,995,633
Current liabilities			
Lease liabilities	14	183,013	129,789
Trade and other payables	17	2,541,355	1,995,664
Due to related parties	9	4,827,631	3,452,458
Total current liabilities		7,551,999	5,577,911
Total liabilities		15,095,796	12,573,544
Total equity and liabilities		**18,891,629**	16,018,434

Wayne Beifus	**Bader Saeed Al Lamki**	**Dr. Sultan Ahmed Al Jaber**
Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS

for the year ended 31 December 2023

	Notes	31 December 2023 AED'000	31 December 2022 AED'000
Revenue	19	**34,629,178**	32,111,061
Direct costs	20	**(28,792,893)**	(26,443,179)
Gross profit		**5,836,285**	5,667,882
Distribution and administrative expenses	21	**(2,916,538)**	(2,761,631)
Other income	22	**145,645**	103,342
Impairment losses on trade and other receivables	8	**(27,766)**	(20,351)
Other impairment losses and expenses	23	**(54,377)**	(15,826)
Operating profit		**2,983,249**	2,973,416
Interest income		**98,834**	54,697
Finance costs	25	**(432,757)**	(279,605)
Profit for the year before tax		**2,649,326**	2,748,508
Income tax expense	26	**(18,837)**	-
Profit for the year after tax		**2,630,489**	2,748,508
Attributable to:			
Equity holders of the Company		**2,601,421**	2,748,508
Non-controlling interests		**29,068**	-
		2,630,489	2,748,508
Basic and diluted earnings per share	28	**0.208**	0.220

The accompanying notes form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	31 December 2023 AED'000	31 December 2022 AED'000
Profit for the year		**2,630,489**	2,748,508
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(5,990)**	-
Fair value gain on hedging instruments		**-**	65,567
Other comprehensive (loss)/ income for the year		**(5,990)**	65,567
Total comprehensive income for the year		**2,624,499**	2,814,075
Attributable to:			
Equity holders of the Company		**2,598,426**	2,814,075
Non-controlling interests		**26,073**	-
		2,624,499	2,814,075

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Foreign currency translation reserve AED'000	Retained earnings AED'000	Equity attributable to equity holders of the parent AED'000	Non-controlling interest AED'000	Total Equity AED'000
Balance as at 1 January 2022	1,000,000	500,000	(65,567)	-	1,767,632	3,202,065	-	3,202,065
Profit for the year	-	-	-	-	2,748,508	2,748,508	-	2,748,508
Other comprehensive income for the year	-	-	65,567	-	-	65,567	-	65,567
Dividends declared (note 33)	-	-	-	-	(2,571,250)	(2,571,250)	-	(2,571,250)
Balance as at 31 December 2022	1,000,000	**500,000**	-	-	1,944,890	3,444,890	-	3,444,890
Balance as at 1 January 2023	**1,000,000**	**500,000**	**-**	**-**	**1,944,890**	**3,444,890**	**-**	**3,444,890**
Profit for the year	**-**	**-**	**-**	**-**	**2,601,421**	**2,601,421**	**29,068**	**2,630,489**
Transfer to statutory reserve	**-**	**3,921**	**-**	**-**	**(3,921)**	**-**	**-**	**-**
Other comprehensive loss for the year	**-**	**-**	**-**	**(2,995)**	**-**	**(2,995)**	**(2,995)**	**(5,990)**
Dividends declared (note 33)	**-**	**-**	**-**	**-**	**(2,571,250)**	**(2,571,250)**	**-**	**(2,571,250)**
Acquisition of a subsidiary (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**330,802**	**330,802**
Dividends declared by subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**(33,108)**	**(33,108)**
Balance as at 31 December 2023	**1,000,000**	**503,921**	**-**	**(2,995)**	**1,971,140**	**3,472,066**	**323,767**	**3,795,833**

The accompanying notes form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2023

	31 December 2023 AED'000	31 December 2022 AED'000
Cash flows from operating activities		
Profit for the year before tax	**2,649,326**	2,748,508
Adjustments for:		
Depreciation of property, plant and equipment	**507,107**	437,960
Depreciation of right-of-use assets	**146,412**	105,971
Amortization of intangible assets	**43,046**	-
Impairment losses on receivables	**27,766**	20,351
Recoveries on receivables	**(5,925)**	(11,631)
Employees' end of service benefit charge	**30,989**	29,053
Gain on disposal of property, plant and equipment	**(2,608)**	(2,963)
Impairment of property, plant and equipment	**5,152**	8,075
Inventories written off	**4,018**	5,251
Finance costs	**432,757**	279,605
Interest income	**(98,834)**	(54,697)
Operating cash flows before movements in working capital	**3,739,206**	3,565,483
Decrease/(increase) in inventories	**78,776**	(245,470)
Increase in trade receivables and other current assets	**(142,350)**	(621,159)
Decrease in due from related parties	**110,643**	356,732
Increase in trade and other payables	**106,038**	319,107
Increase in due to related parties	**1,207,509**	1,159,948
Cash generated from operating activities	**5,099,822**	4,534,641
Payment of employees' end of service benefit	**(33,157)**	(27,197)
Payment of income taxes	**(15,397)**	-
Net cash generated from operating activities	**5,051,268**	4,507,444
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(1,000,290)**	(1,063,481)
Payments for advances to contractors	**(31,951)**	(56,394)
Proceeds from disposal of property, plant and equipment	**5,971**	2,963
Increase in term deposits	**(70,000)**	-
Interest received	**98,834**	54,697
Payments for acquisition of subsidiary, net of cash acquired	**(539,100)**	-
Net cash used in investing activities	**(1,536,536)**	(1,062,215)
Cash flows from financing activities		
Payment of lease liabilities	**(200,322)**	(150,194)
Proceeds from borrowings	**2,788**	5,479,742
Repayment of borrowings	**(1,725)**	(5,505,938)
Dividends paid	**(2,622,890)**	(2,571,250)
Finance cost paid	**(307,871)**	(206,030)
Net cash used in financing activities	**(3,130,020)**	(2,953,670)
Net increase in cash and cash equivalents	**384,712**	491,559
Cash and cash equivalents at the beginning of the year	**2,617,099**	**2,125,540**
Effect of foreign exchange rate changes	**(7,874)**	-
Cash and cash equivalents at the end of the year	**2,993,937**	2,617,099
Non-cash transactions		
Accruals for property, plant and equipment	**610,117**	451,232
Advances to contractors transferred to property, plant and equipment	**41,887**	50,405
Additions to right of use assets for land leases	**511,560**	551,482
Finance cost related to provision for decommissioning	**5,436**	4,764

The accompanying notes form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. GENERAL INFORMATION

Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company"), formerly Abu Dhabi National Oil Company for Distribution, is a company incorporated by Law No. 13 of 1973 issued by His Highness the Acting Ruler of the Emirate of Abu Dhabi.

On 22 November 2017, Law No. 15 of 2017 (the "New Law of Establishment") was issued replacing Law No. 13 of 1973 in respect of the incorporation of Abu Dhabi National Oil Company for Distribution PJSC, a public joint stock company registered with the commercial register in Abu Dhabi under commercial licence number CN-1002757 issued by Abu Dhabi Department of Economic Development. The Articles of Association of the Company became effective as of 22 November 2017, at the same time that the New Law of Establishment was issued and became effective. The duration of the Company is 100 Gregorian years commencing on the date of issuance of the New Law of Establishment.

The head office of the Company and ADNOC Distribution Global Company L.L.C. ("ADGC LLC") are registered at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company, ADGC LLC and its subsidiaries are collectively referred to as the "Group". The Company's shares are listed on the Abu Dhabi Securities Exchange.

Pursuant to the resolution of Abu Dhabi National Oil Company ("ADNOC", "Shareholder", or the "Parent Company"), as the sole shareholder of the Company, dated 28 June 2017, ADNOC approved the listing of all the Company's share in Abu Dhabi Securities Exchange and the sale by way of offer to the public of 10% of the Company held by ADNOC.

In September 2020, ADNOC completed a USD 1 billion institutional placement of 10% of ADNOC Distribution shares. Subsequently in May 2021, ADNOC completed another placement of approximately 375 million shares in ADNOC Distribution shares, representing 3%, approximately, of the registered share capital of the company. The two placements have increased the free float of the Group on the Abu Dhabi Securities Exchange to 23%. The Parent Company currently retains 77% ownership of the Group.

In May 2021, ADNOC also issued approximately USD 1.195 billion of senior unsecured bonds due 2024, exchangeable into existing shares of ADNOC Distribution under certain conditions, constituting approximately 7% of the Company's registered share capital.

The principal activities of the Group are the marketing of petroleum products, natural gas and ancillary products. The Group owns retail fuel stations in the United Arab Emirates (UAE), the Arab Republic of Egypt and the Kingdom of Saudi Arabia.

The Group is a marketer and distributor of fuels and lubricants to corporate and government customers throughout the UAE. In addition, the Group provides refueling and related services at eight airports in the UAE and provides a compressed natural gas distribution network in Abu Dhabi. The Group also exports its proprietary Voyager lubricants to distributors in various countries, across the Gulf Cooperating Council (GCC), Africa and Asia. The Group operates "ADNOC Oasis" convenience stores at a majority of its service stations, and leases retail and other space to tenants, such as quick service restaurants.

The Group also performs marketing activities and the distribution of petroleum products, motor oils, fuels and specialties in Egypt. In addition, it is also involved in constructing, owning and operating cafeterias through service stations in Egypt.

The Group made social contributions amounting to AED 2,544 thousand during the year ended 31 December 2023 (2022: AED 2,016 thousand).

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The UAE Cabinet of Ministers ("Cabinet") Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. Current taxes will only be payable for financial years beginning on or after 1 June 2023 so the company will be subject to current tax for the first time during the year ending 31 December 2024.

Enactment of the legislation requires the recognition of deferred taxes where relevant, however the Company does not have any deferred tax balances to record for the period. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been applied in these consolidated financial statements:

- **IFRS 17 insurance contracts and amendments to IFRS 17**
  IFRS 17 requires an entity to recognise profit from a group of insurance contracts over the period the entity provides services, and as the entity is released from risk. If a group of contracts is or becomes loss-making, the entity is required to recognise the loss immediately. The Accounting Standard also requires insurance revenue, insurance service expenses, and insurance finance income or expenses to be presented separately.
- **IAS 8 accounting policies, changes in accounting estimates and errors**
  Definition of Accounting Estimates amends IAS 8. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- **IAS 1 presentation of financial statements**
  Disclosure of Accounting Policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.
- **IAS 12 income taxes**
  Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends IAS 12 Income Taxes. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

The application of these revised IFRSs has no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and amended IFRS Standards in issue but not yet effective and not early adopted

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback; and
- Amendments to IAS 1: Non-current Liabilities with Covenants.
- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information.
- IFRS S2: Climate-related Disclosures.

Management anticipates that these new standards and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB) and comply with the requirements of applicable laws in UAE.

Basis of preparation

The consolidated financial statements are presented in UAE Dirhams (AED), which is the Company's functional currency and the Group's presentation currency. All values are rounded to the nearest thousands (AED'000) except when otherwise indicated.

These consolidated financial statements have been prepared on a historical cost basis except measurement of derivative financial instruments at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the Company, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the noncontrolling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Details of the Company's significant subsidiaries and effective ownership interest are given below:

Name of subsidiary	Ownership interest 2023	Ownership interest 2022	Country of incorporation	Principal activities
ADNOC Distribution Global Company LLC	**100%**	100%	U.A.E.	Commercial agencies, commercial enterprises, retail and distribution, investment, institution and management
The Group acquired 50% ownership interest in Total Energies Marketing Egypt LLC (note 30) through its indirect subsidiary ADNOC Distribution Egypt Holding RSC Limited, a wholly-owned entity of ADGC LLC, during the year.				
Total Energies Marketing Egypt LLC	**50%**	-	Egypt	Performing marketing activities and distribution of petroleum products, motor oils, fuels and specialties. Constructing, owning, and operating catering and cafeterias through service stations.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below)
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured at cost being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (as set out above). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition and are recognised separately from goodwill. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

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The group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Customer contracts	13-15 years
Computer software	3-5 years

Customer contracts
Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs of disposal, recent market transactions are taken into account.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Taxes

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (allocated proportionately to owners of the company and non-controlling interest).

On the disposal of a foreign operation, all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of replaced parts are derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	15 – 30 years
Plant and machinery	5 – 30 years
Motor vehicles	5 – 20 years
Furniture, fixtures and computer equipments	5– 10 years
Pipelines	10 – 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

Land was historically provided by the Government of Abu Dhabi for no consideration and is accounted for at a nominal value of AED 1 per plot of land. In order to continue to comply with property ownership laws in the UAE, the Group's real estate properties portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group has continued access to the properties, the Group entered into Real Estate Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to its operations on the properties.

Capital work-in-progress

Capital work-in-progress is included in property, plant and equipment at cost. Capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned and available for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

a. the financial instrument has a low risk of default;
b. the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
c. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event (see (ii) above);
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group has elected the IFRS 9 simplified approach to measure loss allowance for cash and bank balances, trade and other receivables, and due from related parties at an amount equal to lifetime ECLs. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Expected credit losses related to cash and bank balances, trade and other receivables and due from related parties are presented in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL

Financial liabilities at FVTPL
Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement of profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue

Application of IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is in the business of marketing of petroleum products, natural gas and ancillary products as described in note 1 of the consolidated financial statements. The goods are generally sold on their own in separately identified contracts with customers.

Sales of goods
Sale of goods and petroleum products are recognised when the control of the products or services are transferred to the customers, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been received by the customer. Revenue from sale of goods is recognised at a point in time upon delivery of the goods.

Rendering of services and delivery income
Revenues from rendering of services are recognised when the services have been rendered and the outcome of the transactions can be estimated reliably.

Revenue from petroleum transport are recognised when services are rendered. These revenues are based on the quantities transported and measured according to procedures defined in each service contract.

Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customers and payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Rental income
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income
Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

Loyalty programme
A deferred liability is recognised based on the portion of the consideration received arising from the Group's loyalty program. Revenue is recognised when the points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Allocation of the consideration is based on the relative stand-alone selling prices.

The deferred liability is included within trade and other payables.

Leases

The Group as a lessee

The Group leases various leasehold properties. Leasehold contracts are typically made for fixed periods of 15-20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the earlier of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

The Group as a lessor

- The Group enters into lease agreements as a lessor with respect to some of its retail space in the service stations.
- Leases for which the group is the lessor are all accounted as operating leases.
- Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Employees' benefit

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting date.

With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Pension Fund (the "Fund") calculated in accordance with the Fund's regulations. With respect to its GCC national employees, the Group makes contributions to the pension funds or agencies of their respective countries. The Group's obligations are accrued over the period of employment. The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Asset retirement obligations

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

Derivative financial instruments

The Group enters into derivative financial instrument contracts to manage its exposure to interest rate.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of interest rate risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirement

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates made by management are summarised as follows:

Critical accounting judgments

Provision for decommissioning

The Group recognises provisions for the future cost associated with the dismantling of leased plots in Dubai and the Northern Emirates. The dismantling events are many years in the future and the exact requirements that will have to be met when a removal event occurs are uncertain. Assumptions are made by management in relation to settlement dates, technology, inflation and discount rates. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provision to be required. A provision of AED 149,362 thousand has been recognised as at 31 December 2023 (2022: AED 134,532 thousand) using a discount rate of 5.13-5.92 % (2022: 4.24%) and assuming all dismantling activities will take place at the current estimate of the end of life of each lease.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2023, the Group's allowance for expected credit losses of trade receivables amounted to AED 90,264 thousand (2022: AED 66,013 thousand).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 6, Goodwill and intangible assets.

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Management did not identify any impairment indicators in the current or prior year for property, plant and equipment. However, management identified certain capital work-in-progress for which future development is not expected and, accordingly, recorded an impairment of AED 5,152 thousand (2022: AED 8,075 thousand).

Discounting of lease payments

The lease payments are discounted using the interest rate implicit in the lease (IRTL). For leases where the Group is unable to determine the IRTL, the Group's incremental borrowing rate is used. Management has applied judgments and estimates to determine the discount rate at the commencement of lease. An incremental borrowing rate of 4.60 % was used in the current year to determine the lease obligations for new leases entered into (2022: 4.6%).

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those applied in the Group consolidated financial statements as at and for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective 1 January 2023.

Income taxes

The Group's current tax provision of AED 18,837 thousand relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the relevant tax authorities.

Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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5. PROPERTY, PLANT, AND EQUIPMENT

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and computer equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
As at 1 January 2023	**6,883,834**	**2,583,662**	**236,167**	**1,475,418**	**89,313**	**855,181**	**12,123,575**
Additions	20,722	34,797	1,027	1,967	-	1,145,912	1,204,425
Acquisition of subsidiary (note 30)	65,972	174,065	1,963	11,283	-	42,724	296,007
Transfers	533,891	144,526	25,431	101,611	3,134	(808,593)	-
Transfers to other assets	59,341	8,998	-	4,178	5,669	(106,440)	(28,254)
Disposals	(2,933)	(12,057)	(15,955)	(13,712)	-	-	(44,657)
Impairment	-	-	-	-	-	(5,152)	(5,152)
Exchange differences	(3,103)	(7,666)	(365)	(511)	-	(1,951)	(13,596)
As at 31 December 2023	**7,557,724**	**2,926,325**	**248,268**	**1,580,234**	**98,116**	**1,121,681**	**13,532,348**
Accumulated depreciation							
As at 1 January 2023	**2,819,791**	**1,695,011**	**182,601**	**996,217**	**44,880**	**-**	**5,738,500**
Charge for the year	235,637	135,327	11,252	122,896	1,995	-	507,107
Acquisition of subsidiary (note 30)	39,939	96,964	1,376	6,968	-	-	145,247
Reclassifications	(68)	78	-	(10)	-	-	-
Disposals	(1,532)	(11,582)	(15,494)	(12,686)	-	-	(41,294)
Impairment reversals	-	-	-	-	-	(172)	(172)
Exchange differences	(1,888)	(4,164)	(333)	(316)	-	-	(6,701)
As at 31 December 2023	**3,091,879**	**1,911,634**	**179,402**	**1,113,069**	**46,875**	**(172)**	**6,342,687**
Net carrying amount							
31 December 2023	**4,465,845**	**1,014,691**	**68,866**	**467,165**	**51,241**	**1,121,853**	**7,189,661**

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and computer equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
As at 1 January 2022	6,437,090	2,462,700	212,703	1,344,442	85,066	332,706	10,874,707
Additions	-	-	-	-	-	1,258,849	1,258,849
Transfers	446,744	120,962	23,464	130,976	4,247	(726,393)	-
Transfers to other assets	-	-	-	-	-	(1,906)	(1,906)
Impairment	-	-	-	-	-	(8,075)	(8,075)
As at 31 December 2022	6,883,834	2,583,662	236,167	1,475,418	89,313	855,181	12,123,575
Accumulated depreciation							
As at 1 January 2022	2,611,080	1,591,280	173,654	881,424	43,102	-	5,300,540
Charge for the year	208,711	103,731	8,947	114,793	1,778	-	437,960
As at 31 December 2022	2,819,791	1,695,011	182,601	996,217	44,880	-	5,738,500
Net carrying amount							
31 December 2022	4,064,043	888,651	53,566	479,201	44,433	855,181	6,385,075

The Group's buildings and facilities located in the Emirate of Abu Dhabi are constructed on land given by the Government of Abu Dhabi for no consideration. These lands are accounted for at nominal value of AED 1 per plot of land. Facilities located in other Emirates are constructed on land leased from third parties (note 10).

In order to continue to comply with property ownership laws in the UAE, The Group's real estate property portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, The Group entered into a Real Estate Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to our operations on the properties.

During the period, management carried out an assessment of their capital work in progress and identified certain projects, which are unlikely to be further developed. Accordingly, an impairment of AED 5,152 thousand was recognised (31 December 2022: AED 8,075 thousand.)

6. GOODWILL AND INTANGIBLE ASSETS

	Goodwill AED'000	Customer contracts – indefinite life AED'000	Customer contracts – definite life* AED'000	Software AED'000	Total AED'000
Cost					
As at 1 January 2023	1,128	-	-	-	1,128
Acquisition of subsidiary (note 30)	390,782	145,175	621,789	5,389	1,163,135
Transfers	-	-	28,109	144	28,253
Disposals	-	-	(61)	-	(61)
Exchange differences	-	(490)	(5,876)	(383)	(6,749)
As at 31 December 2023	**391,910**	**144,685**	**643,961**	**5,150**	**1,185,706**
Accumulated depreciation					
As at 1 January 2023	-	-	-	-	-
Charge for the year	-	-	42,521	525	43,046
Acquisition of subsidiary (note 30)	-	-	87,664	4,574	92,238
Disposals	-	-	(53)	-	(53)
Impairment reversals	-	-	(148)	-	(148)
Exchange differences	-	-	(2,846)	(342)	(3,188)
As at 31 December 2023	**-**	**-**	**127,138**	**4,757**	**131,895**
Net carrying amount					
31 December 2023	**391,910**	**144,685**	**516,823**	**393**	**1,053,811**
31 December 2022	1,128	-	-	-	1,128

*Customer contracts include signature bonus granted to customers in return for their loyalty to the Group's products.

Acquisition during the year

Customer contracts and software include intangible assets acquired through business combinations. The customer contracts have a useful life of 13 to 15 years. The contracts with indefinite life have been acquired with the option to renew at the end of the period at little or no cost to the Group. Previous contracts acquired have been renewed and have allowed the Group to determine that these assets have indefinite useful lives.

For impairment testing goodwill acquired through business combinations and contracts with indefinite useful lives are allocated to the Retail, Corporate and Aviation CGUs, which are also operating and reportable segments.

Carrying amount of goodwill and intangible assets with indefinite life allocated to each of the CGUs:

	Retail		Corporate		Aviation	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Goodwill	211,750	1,128	162,488	-	17,672	-
Intangibles	-	-	-	-	144,685	-

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The majority of the goodwill recognised by the Group resulted from the acquisition of TEME (note 30).

The recoverable amount of the CGUs were determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The present value of the expected cash flows of each segment was determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment. The major assumptions used in the calculations include discount rate in the range of 18.5% to 20.0% and growth rate of up to 7%.

It was concluded that the estimated recoverable amount of the CGUs exceeded their carrying values. As a result of this analysis, no impairment has been charged against the goodwill in the current year.

7. INVENTORIES

	31 December 2023 AED'000	31 December 2022 AED'000
Finished goods	**1,099,902**	1,160,063
Spare parts and consumables	**135,869**	97,418
Lubricants raw materials, consumables, and work in progress	**36,781**	21,214
LPG cylinders	**32,263**	24,730
	1,304,815	1,303,425
Allowance for slow moving and obsolete inventories	**(10,392)**	(17,048)
	1,294,423	1,286,377

The cost of inventories recognised as expense and included in direct cost amounted to AED 28,503,924 thousand (2022: AED 26,249,476 thousand) (note 20). During the year, a direct write off of inventory was recognised as expense amounting to AED 4,018 thousand (2022: AED 5,251 thousand) (note 23).

Movement of the Group's inventory write down of finished goods to net realisable value and allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders is as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
As at 1 January	**17,048**	17,048
Acquisition of subsidiary	**943**	-
Provision during the period	**445**	-
Reversal	**(8,000)**	-
Exchange differences	**(44)**	-
	10,392	17,048

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	31 December 2023 AED'000	31 December 2022 AED'000
Trade receivables	**3,323,246**	3,135,849
Less: Allowance for expected credit losses	**(90,264)**	(66,013)
	3,232,982	3,069,836
Prepaid expenses	**50,631**	48,101
Receivable from employees	**109,918**	109,309
VAT receivables	**32,010**	13,888
Other receivables	**93,872**	54,580
	3,519,413	3,295,714

Receivables from employees consist of staff car loans, furniture loans, personal loans and staff advances.

As at 31 December 2023, the Group had significant concentration of credit risk with four customers (2022: three) accounting for 49% (2022: 47%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

The average credit period on sales and services is between 30-60 days. No interest is charged on trade receivables. The receivables from certain customers are secured by the bank guarantees. Trade receivables from related parties are disclosed under note 9.

Movement in the allowance for expected credit losses is as follows:

	Collectively Assessed AED'000	Individually Assessed AED'000	Total AED'000
Balances at 1 January 2022	23,355	33,938	57,293
Recovery made during the year	(11,631)	-	(11,631)
Charge for the year	16,581	3,770	20,351
Balances at 1 January 2023	**28,305**	**37,708**	**66,013**
Acquisition of subsidiary	**505**	**2,020**	**2,525**
Recovery made during the year	**(5,833)**	**(92)**	**(5,925)**
Charge for the year	**13,387**	**14,379**	**27,766**
Exchange differences	**(23)**	**(92)**	**(115)**
Balance at 31 December 2023	**36,341**	**53,923**	**90,264**

Amounts charged to expected credit loss allowance of trade receivables are generally written off when there is no realistic expectation of recovery. The carrying amounts of the Group's trade receivables are denominated in UAE Dirham and US Dollars and approximate to their fair value as at 31 December 2023. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Allowance for expected credit losses as at 31 December 2023

	<60 days	61-90 days	91-365 days	>1 year	Total
Expected credit loss rate (%)	**0-1%**	**5%**	**6%**	**7%**	
Estimated total gross carrying amount (AED'000)	**2,179,173**	**137,440**	**403,055**	**603,578**	**3,323,246**
Lifetime Expected credit loss (AED'000)	**(20,356)**	**(6,213)**	**(23,308)**	**(40,387)**	**(90,264)**

Allowance for expected credit losses as at 31 December 2022

	<60 days	61-90 days	91-365 days	>1 year	Total
Expected credit loss rate (%)	0-1%	0-1%	2%	5%	
Estimated total gross carrying amount (AED'000)	1,655,595	96,227	658,799	725,228	3,135,849
Lifetime Expected credit loss (AED'000)	(14,797)	(1,337)	(12,995)	(36,884)	(66,013)

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent the Parent Company and its subsidiaries, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Related party balances

	31 December 2023 AED'000	31 December 2022 AED'000
Due from related parties		
ADNOC Drilling	**242,981**	232,330
ADNOC Logistics and Services	**228,480**	255,757
Abu Dhabi National Oil Company (ADNOC)	**131,972**	182,436
ADNOC Onshore	**78,157**	131,740
ADNOC Offshore	**24,205**	22,346
ADNOC Gas Processing	**15,352**	13,119
ADNOC Sour Gas	**5,095**	2,306
ADNOC others	**33,412**	28,834
TotalEnergies & its affiliates	**45,904**	-
	805,558	868,868
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**4,611,600**	3,435,354
ADNOC Logistics and Services	**305**	6,455
ADNOC Refining	**-**	2,808
ADNOC others	**-**	7,841
TotalEnergies & its affiliates	**215,726**	-
	4,827,631	3,452,458

The amounts due from related parties are against the provision of petroleum products and services. These balances are unsecured, bear no interest and have an average credit period of 30-60 days.

The amounts due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges and administrative charges. These balances are unsecured, bear no interest and are payable on demand.

The Group has an amount of AED 2,872,237 thousand (31 December 2022: AED 2,717,972 thousand) held with banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles.

The Group has a term loan from banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles amounting to AED 4,131,563 thousand (31 December 2022: AED 4,131,563 thousand).

Amounts relating to TotalEnergies and its affiliates pertain to the related party balances and transactions of the Group's newly acquired subsidiary, TotalEnergies Marketing Egypt LLC, during the year (note 30).

The Company entered into a sub-lease agreement with the Parent Company for a property located in Industrial City of Abu Dhabi for a term of 42 years commencing 1 January 2023. In this respect, the Company has recognised a right-of-use asset and a lease liability amounting to AED 210.7 million.

In 2023, the Company entered into an amendment agreement to a lease for an office space with the Parent Company.

Related party transactions

	31 December 2023 AED'000	31 December 2022 AED'000
ADNOC Group		
Revenue	**1,877,621**	1,806,868
Purchases	**23,483,366**	25,165,119
Vessel hire and port charges	**36,769**	105,744
Dividends paid (note 33)	**2,571,250**	2,571,250
Rendering of service (note 19)	**174,356**	170,915
Recovery of expenses incurred related to City Gas	**904**	5,008
TotalEnergies and its affiliates		
Revenue	**579,742**	-
Purchases	**154,434**	-
Management Fee & services	**67,273**	-

Compensation of key management personnel

	31 December 2023 AED'000	31 December 2022 AED'000
ADNOC Group		
Short term benefits	51,439	45,106
Pension contribution	688	1,319
	52,127	46,425
TotalEnergies and its affiliates		
Short term benefits	1,443	-
Pension contribution	678	-
	2,121	-

The Group has elected to use the exemption under IAS 24 Related Party Disclosures for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and control.

The Group provides in the normal course of business petroleum distribution services to entities owned and controlled by the Government of Abu Dhabi.

In September 2017, the Group entered into an agreement with ADNOC Distribution Assets LLC (the "SPV") for the operation and maintenance of certain of the assets transferred to the SPV by Takreer (ADNOC Refining) with an effective date of 1 October 2017, for which the SPV will compensate the Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such operations (the "Owner Consideration") and the Group will compensate the SPV for the use of such assets (the "Operator Consideration"). The Group and the SPV also signed an asset use fee letter confirming that the Owner Consideration will be the same as, and will therefore offset, the Operator Consideration.

In September 2017, the Group entered into an agreement with the Parent Company and the SPV to provide support services relating to the Parent Company's civil aviation fuel supply business and to operate and maintain certain assets belonging to the SPV with an effective date of 30 September. The SPV will compensate the Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such support services and operations.

In November 2017, the Group entered into an agreement with the Parent Company for supply of refined petroleum products. As per this arrangement, the contract price effective 1 October 2017 applicable to gasoline and diesel shall be equal to the sum of (a) the mean of Platt's Average as defined in the agreement, plus (b) a fixed premium. For illuminating kerosene and aviation fuel, the contract price shall be the Parent Company's official selling prices. In 2020, the group renegotiated the agreement with the parent company for a further reduction of the retail fuel supply cost. The renegotiated agreement was effective until 31 December 2022.

In 2023, the Company renewed the Refined Products Sales Contract with the Parent Company for the sale by Parent Company and purchase by Company of refined petroleum products, with similar terms, for a term of five years from 1 January 2023 to 31 December 2027.

Also, to the extent that during any invoicing period the difference between the contract price payable by the Group to the Parent Company for any litre of a gasoline or diesel and the relevant retail price for the same litre of gasoline or diesel, is less than a specified level, such contract price shall be reduced for that period so that the difference equals such specified level. In addition, if at the end of any quarter, during the initial five-year term, it is determined that, for any grade of gasoline (ULG 91, 95 or 98) or diesel, the difference between the actual revenue per litre achieved by the Group for sales at the pump and the price paid by the Group to the Parent Company for the quantities sold, is less than a specified level, then the Parent Company will pay the Group an amount equal to the per-litre difference, multiplied by the total volumes sold of the affected grade.

In 2022, the Company entered into a new corporate revolving credit facilities agreement with the Parent Company for an amount of USD 375,000 thousand and AED 1,377,188 thousand to be used for general corporate purposes (note 15).

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10. RIGHT-OF-USE ASSETS

Group as a Lessee

The Group leases leasehold properties. The average lease term is 15 - 40 years (2022: 15 – 40 years). The dismantling cost related to the leasehold properties to return the land to its original condition is also included in the cost. The Group's obligations are secured by the lessor's title to the leased assets for such leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	31 December 2023 AED'000	31 December 2022 AED'000
Opening balance	1,373,338	952,758
Additions related to land lease	511,560	551,482
Additions to decommissioning	9,394	362
Acquisition of subsidiary (note 30)	98,694	-
Change in estimate of decommissioning	-	180
Change in estimate of land lease	-	(5,585)
Reversal due to terminated contracts	(51,316)	(19,888)
Depreciation charge during the year	(146,412)	(105,971)
Modifications during the year	(9,173)	-
Exchange differences	(7,667)	-
Closing balance	1,778,418	1,373,338

Amounts recognised in profit and loss

	31 December 2023 AED'000	31 December 2022 AED'000
Depreciation expense on right-of-use assets	146,412	105,971
Interest expenses on lease liabilities	95,567	62,800

The total cash outflow for leases amounted to AED 200,322 thousand (2022: AED 150,194 thousand) (note 14).

Additions during the year relate to the lease of plots of land and equipment across the United Arab Emirates, the Arab Republic of Egypt and Kingdom of Saudi Arabia for construction of retail service stations.

11. CASH AND BANK BALANCES

Cash and cash equivalents in the statement of cash flows consist of the following amounts:

	31 December 2023 AED'000	31 December 2022 AED'000
Cash and bank balances	2,993,937	2,617,099
Term deposits with original maturities greater than three months	200,225	130,225

Cash and bank balances include short-term and call deposits amounting to AED 2,672,013 thousand (2022: AED 2,587,748 thousand) carrying interest rate ranging from 0.30% to 5.40% (31 December 2022: 0.07% to 3.60%) per annum.

12. SHARE CAPITAL

The original share capital of the Company as per the Law No. 13 of 1973 was AED 30 million divided into 300,000 shares, each valued at AED 100.

By virtue of the decision of the Board of Directors of the Parent Company dated 17 October 1984, the share capital of the Company was increased to AED 200 million divided into 2 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 6 October 1998, the share capital of the Company was increased to AED 600 million divided into 6 million shares, each valued at AED 100.

The accompanying notes form an integral part of these consolidated financial statements.

By virtue of the decision of the Supreme Petroleum Council dated 9 July 2006, the share capital of the Company was increased to AED 1,000 million divided into 10 million shares, each valued at AED 100.

In accordance with the Article of Association of the Company which became effective on 22 November 2017, the authorised capital and number of ordinary shares was amended as follows

	31 December 2023 AED'000	31 December 2022 AED'000
Authorised:		
25,000,000,000 ordinary shares of AED 0.08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED 0.08 each	**1,000,000**	1,000,000

13. STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. 32 of 2021 and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% of the paid up share capital.

14. LEASE LIABILITIES

	31 December 2023 AED'000	31 December 2022 AED'000
Opening balance	**1,314,327**	876,358
Additions	**511,560**	551,482
Acquisition of subsidiary (note 30)	**98,694**	-
Accretion of interest	**95,567**	62,800
Reversal due to terminated contracts	**(55,515)**	(20,534)
Changes in estimates	**-**	(5,585)
Payments	**(200,322)**	(150,194)
Modifications	**(9,173)**	-
Exchange differences	**(7,874)**	-
Closing balance	**1,747,264**	1,314,327
Current	**183,013**	129,789
Non-Current	**1,564,251**	1,184,538
Closing balance	**1,747,264**	1,314,327

	31 December 2023 AED'000	31 December 2022 AED'000
Maturity Analysis:		
Not later than 1 year	**183,013**	129,789
Later than 1 year and not later than 5 years	**617,739**	510,838
Later than 5 years	**946,512**	673,700
Closing balance	**1,747,264**	1,314,327

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Group's finance function.

15. BORROWINGS

	31 December 2023 AED'000	31 December 2022 AED'000
Term loan	**5,492,280**	5,482,124

On 16 October 2017, ADNOC Distribution signed a mandate letter (the "Mandate Letter") with a consortium of banks where the consortium agreed to underwrite a 5 year, USD 2,250,000 thousand (AED 8,263,130 thousand) unsecured credit facility (the "Facility"). The Facility is bifurcated further into a term facility commitment of USD 1,500,000 thousand (AED 5,508,750 thousand) and a revolving facility commitment of USD 750,000 thousand (AED 2,754,380 thousand). The purpose of the facility is to general corporate and working capital purposes including payment of dividend, repayment of debt and payment of transaction costs associated with the facility. There are no financial covenants included in the facility documents.

On 16 November 2017, the Group made a drawdown amounting to USD 375,000 thousand and AED 4,128,750 thousand. The Facility carries variable interest at USD LIBOR plus a margin of 0.875% for USD denominated facility portion and EIBOR plus a margin of 0.60% for AED denominated facility portion. The term facility is to be repaid at final maturity which is 5 years from the date of the facility agreement.

On 26 October 2022, the Company refinanced its maturing term loan for another 5 year term with a set of lenders.

The Company also entered into a new corporate revolving credit facilities agreement with the Parent Company for an amount of USD 375,000 thousand and AED 1,377,188 thousand to be used for general corporate purposes. The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 10,558 thousand (31 December 2022: 13,313 thousand) are presented as other non-current assets.

The new term loan facility carries a variable interest at Secured Overnight Financing Rate plus a margin of 0.85% for USD denominated facility portion and EIBOR plus a margin of 0.60% for AED denominated facility portion.

During the year, the Company and its lenders has agreed to amend and convert the term loan facility to a sustainability linked loan. The converted loan facility contains Environment, Social and Governance covenants which is linked to the margin on the loan.

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's financial statements of cash flows as cash flows from financing activities.

	31 December 2023 AED'000	31 December 2022 AED'000
As at 1 January	**5,482,124**	5,499,641
Acquisition of subsidiary	**3,756**	-
Payments made	**(1,725)**	(5,505,938)
Net proceeds from borrowings	**2,788**	5,479,742
Other charges [i]	**5,337**	8,679
As at 31 December	**5,492,280**	5,482,124

(i) Other charges include amortisation of transaction costs of the term loan and translation movement.

16. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
As at 1 January	**194,439**	192,583
Charge for the year (note 24)	**30,989**	29,053
Payments	**(33,157)**	(27,197)
As at 31 December	**192,271**	**194,439**

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17. TRADE AND OTHER PAYABLES

	31 December 2023 AED'000	31 December 2022 AED'000
Trade payables	**583,141**	452,368
Capital accruals	**610,117**	451,232
Operating accruals	**289,098**	210,493
VAT payable	**317,956**	308,016
Coupon and prepaid card sales outstanding	**114,831**	113,584
Contract retentions payable	**122,535**	79,528
Advances from customers	**67,539**	46,110
Dividend payable	**31,622**	-
Other payables	**404,516**	334,333
	2,541,355	1,995,664

18. PROVISION FOR DECOMMISSIONING

The provision for decommissioning obligation is with respect to dismantling obligation of the service stations built on leased lands in Dubai and Northern Emirates in UAE. The discount rate used to determine the obligation at 31 December 2023 is 5.13-5.92% (2022: 4.24%). The change in estimate is due to the change in the cash outflows expected to settle the future liabilities.

	31 December 2023 AED'000	31 December 2022 AED'000
Opening balance	**134,532**	129,226
Additions during the year	**9,394**	362
Change in estimate	**-**	180
Accretion of interest	**5,436**	4,764
Closing balance	**149,362**	134,532

19. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 29):

	31 December 2023 AED'000	31 December 2022 AED'000
Retail (B2C)		
Fuel	**21,794,445**	20,308,082
Non-fuel	**1,422,726**	1,149,929
Commercial (B2B)		
Corporate	**9,872,507**	9,603,265
Aviation	**1,539,500**	1,049,785
	34,629,178	32,111,061

Management expects that AED 34,010 thousand (2022: AED 50,388 thousand) is the remaining performance obligations as of the year ended 31 December 2023, which will be recognised as revenue during the next reporting period.

In connection with the transfer of the sales and purchasing activities of the Civil Aviation Division, the Company entered into a service agreement (the "Aviation Service Agreement"), pursuant to which the Parent Company reimburses the Company for and pays an additional margin of 8% of the total distribution and administrative costs of the Division incurred by the Company for handling the operations and providing certain aviation refuelling and other related services to its civil aviation customers.

The cost plus the margin of handling the civil aviation operations amounting to AED 174,356 thousand (2022: AED 170,915 thousand) was recognised as revenue (note 9).

20. DIRECT COST

	31 December 2023 AED'000	31 December 2022 AED'000
Materials (note 7)	**28,503,924**	26,249,476
Staff costs (note 24)	**288,969**	193,703
	28,792,893	26,443,179

21. DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	31 December 2023 AED'000	31 December 2022 AED'000
Staff costs	**1,461,227**	1,480,421
Depreciation and amortisation	**696,565**	543,931
Repairs, maintenance and consumables	**202,869**	187,110
Utilities	**210,268**	198,478
Distribution and marketing expenses	**65,279**	54,908
Insurance	**9,658**	18,780
Others	**270,672**	278,003
	2,916,538	2,761,631

22. OTHER INCOME

	31 December 2023 AED'000	31 December 2022 AED'000
Gain on disposal of property, plant and equipment	**2,608**	2,963
Miscellaneous income	**143,037**	100,379
	145,645	103,342

Miscellaneous income consists mainly of convenient store income for the consigned goods and sales of scrap items, used oil, batteries, tires.

23. OTHER IMPAIRMENT LOSSES AND EXPENSES

	31 December 2023 AED'000	31 December 2022 AED'000
Inventories written off (note 7)	**4,018**	5,251
Expected credit losses of bank balances	**155**	-
Impairment of capital work-in-progress	**5,152**	8,075
Miscellaneous expenses	**45,052**	2,500
	54,377	15,826

The accompanying notes form an integral part of these consolidated financial statements.

24. STAFF COSTS

	31 December 2023 AED'000	31 December 2022 AED'000
Salaries and allowances	**1,471,391**	1,399,834
Other benefits	**271,765**	261,884
Employees' end of service benefit (note 16)	**30,989**	29,053
	1,774,145	1,690,771
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 21)	**1,461,227**	1,480,421
Direct costs (note 20)	**288,969**	193,703
Capital work-in-progress	**23,949**	16,647
	1,774,145	1,690,771

Other benefits consist mainly of medical expenses, trainings, leave and travel expenses and uniforms.

25. FINANCE COSTS

	31 December 2023 AED'000	31 December 2022 AED'000
Finance charges on bank facilities	**331,754**	212,041
Interest expense on lease liabilities (note 14)	**95,567**	62,800
Interest expense on provision for decommissioning (note 18)	**5,436**	4,764
	432,757	279,605

26. TAXATION

Income tax for the year relates to overseas operations of the Group. The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss are:

	31 December 2023 AED'000	31 December 2022 AED'000
Income taxes		
Current income tax expense	**27,118**	-
Deferred income tax expense	**(8,281)**	-
Income tax expense recognised in statement of profit or loss	**18,837**	-

Income tax reconciliation schedule as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
Profits subject to income tax	**36,470**	-
Income tax using the domestic corporate tax rate @ 22.5%	**8,206**	-
Non-deductible expenses/income	**3,306**	-
Differences in amortisation and interest on lease obligations	**7,319**	-
Other tax adjustments	**6**	-
Income tax expense	**18,837**	-

Deferred tax asset and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

	31 December 2023 AED'000	31 December 2022 AED'000
Deferred tax assets		
Provisions	**3,626**	-
Foreign exchange translation	**2,078**	-
Property, plant and equipment and Right-of-use assets	**(3,538)**	-
Deferred tax liabilities		
Right of use assets	**(1,209)**	-
Fair value adjustments	**(133,753)**	-
Net deferred tax liability	**(132,796)**	-

27. FOREIGN EXCHANGE TRANSLATION RESERVE

	31 December 2023 AED'000	31 December 2022 AED'000
Balance at the beginning of the year	**-**	-
Exchange differences on translating the net assets of foreign operations	**(5,990)**	-
Relating to non-controlling interests	**2,995**	-
Balance at the end of the year	**(2,995)**	-

28. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of share outstanding during the year.

	31 December 2023 AED'000	31 December 2022 AED'000
Earnings (AED'000)		
Profit for the year attributable to equity holders of the Company	**2,601,421**	2,748,508
Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted EPS	**12,500,000**	12,500,000
Basic and diluted EPS (AED)	**0.208**	0.220

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

29. SEGMENT REPORTING

Operating segments

The Group's operating segments are established on the basis of those components that are evaluated regularly by the Board of Directors, considered to be the Chief Operating Decision Maker ("CODM"). The CODM monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, gross profit, net profit and a broad range of key performance indicators in addition to segment profitability and is measured consistently with profit or loss in the consolidated financial statements.

Based on the information reported to the Group's senior management for the allocation of resources, marketing strategies, management reporting lines and measurement of performance of business, the reportable segments under IFRS 8 were identified as below:

Commercial (B2B) - sale of petroleum products and ancillary products to commercial and government customers, the provision of aviation fuel and fuelling services to strategic customers, and the provision of fuelling services to the Parent Company's civil aviation customers.

Retail (B2C) - sale of gasoline and petroleum products, convenience store sales, car wash and other car care services, oil change services, vehicle inspection services and property leasing and management through the retail sites.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at the rates determined by management taking into consideration the cost of funds. Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous period. Operating profit is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

	Commercial (B2B) AED'000	Retail (B2C) AED'000	Unallocated AED'000	Consolidated AED'000
31 December 2023				
Revenue	11,412,007	23,217,171	-	34,629,178
Direct costs	(10,074,973)	(18,717,920)	-	(28,792,893)
Gross profit	1,337,034	4,499,251	-	5,836,285
Distribution and administrative expenses	(384,156)	(2,530,849)	(1,533)	(2,916,538)
Other income	36,915	82,793	25,937	145,645
Impairment losses and other operating expenses	(25,910)	(17,764)	(38,469)	(82,143)
Operating profit	963,883	2,033,431	(14,065)	2,983,249
Interest income				98,834
Finance costs				(432,757)
Income tax expense				(18,837)
Profit for the year				2,630,489
31 December 2022				
Revenue	10,653,050	21,458,011	-	32,111,061
Direct costs	(9,217,178)	(17,226,001)	-	(26,443,179)
Gross profit	1,435,872	4,232,010	-	5,667,882
Distribution and administrative expenses	(373,241)	(2,388,390)	-	(2,761,631)
Other income	20,588	79,986	2,768	103,342
Impairment losses and other operating expenses	(14,369)	(21,808)	-	(36,177)
Operating profit	1,068,850	1,901,798	2,768	2,973,416
Interest income				54,697
Finance costs				(279,605)
Income tax expense				-
Profit for the year				2,748,508

Geographical segments

The Group operates in the UAE, KSA and Egypt. Segment information about the Group's foreign operations is presented below:

	KSA AED'000	Egypt AED'000
For the year ended 31 December 2023		
Revenue (external customers)	798,583	3,494,012
As at 31 December 2023		
Property, plant and equipment	262,501	192,629
Right of use assets	617,679	101,822
Intangibles	1,128	1,052,683

30. BUSINESS COMBINATION

Acquisitions in 2023

TotalEnergies Marketing Egypt LLC

On 28 July 2022, the Company entered into a quota purchase agreement with TotalEnergies Marketing Afrique SAS to acquire a 50% stake in TotalEnergies Marketing Egypt LLC (TEME), a limited liability company registered in Cairo, Egypt.

On 6 February 2023, pursuant to the quota purchase agreement, all major conditions precedent to completion were completed and the Group acquired control over TEME for a total consideration of AED 720,580 thousand. The TEME equity stake was acquired as part of the growth strategy of the Company to accelerate international expansion in Egypt.
The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired, and liabilities assumed, have been recognised at their respective fair values. No financial information was available as of the acquisition date of 6 February 2023 therefore it was impracticable to consolidate the entity as of the acquisition date. There were no significant transactions or events from 1 February 2023 to the acquisition date, therefore management decided to consolidate from 1 February 2023.

The amounts recognised in respect of the fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	AED'000
Assets	
Property, plant and equipment	150,760
Right-of-use assets	98,694
Intangibles	680,114
Cash and bank balances	169,462
Trade receivables and other current assets	82,706
Advance to contractors	4,223
Inventories	95,590
Due from related parties	44,730
Total assets	1,326,279
Liabilities	
Trade and other payables	280,450
Deferred tax liability	141,028
Due to related parties	135,971
Lease liabilities	98,694
Long term deposits	5,780
Borrowings	3,756
Total liabilities	665,679
Total identifiable net assets at fair value	660,600
Non-controlling interests	(330,802)
Group's share of net assets acquired	329,798
Purchase consideration	720,580
Goodwill	390,782

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of 390,782 thousand comprises the value of expected synergies arising from the acquisition. Goodwill is allocated to the Group's CGUs for Retail, Corporate and Aviation. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests (50% ownership interest in TEME) recognised at the acquisition date was measured by reference to the proportionate share of net assets acquired and amounted to AED 330,802 thousand.

From the date of acquisition until 31 December 2023, TEME contributed revenue of AED 3,494,012 thousand and profit of AED 82,603 thousand. Acquisition related costs amounted to AED 11,456 thousand which were expensed during the year and are included in the consolidated statement of profit and loss. If the acquisition had taken place at the beginning of the year, revenue of the Group would have been higher by AED 283,485 thousand and net profit would have been lower by AED 11,170 thousand.

Purchase consideration

	AED'000
Cash paid	708,562
Contingent consideration liability	12,018
	720,580

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	(708,562)
Net cash acquired on business combination	169,462
Net cash outflow on acquisition (included in cash flows from investing activities)	(539,100)
Transaction cost of the acquisition (included in cash flows from operating activities)	(11,456)
Net cash outflow on acquisition	**(550,556)**

Acquisitions in 2022

In 2022, the Group completed the fair valuation of identifiable assets acquired and liabilities assumed in respect of the businesses acquired under the business and asset purchase agreements in 2021.

	31 December 2022 AED'000
Assets	
Property, plant and equipment	32,384
Inventories	226
Other assets	2,641
	35,251
Liabilities	
Other liabilities	(1,136)
Total identifiable net assets acquired	**34,115**
Purchase consideration	30,034
Goodwill	1,128
Gain on bargain purchase	**5,209**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Service Stations into the Group's existing business. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

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31. CONTINGENCIES AND LITIGATION

As at 31 December 2023, the Group has contingent liabilities amounting to AED 230,052 thousand (31 December 2022: AED 287,823 thousand) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements if concluded unfavorably.

32. COMMITMENTS

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 368,216 thousand (31 December 2022: AED 298,022 thousand).

33. DIVIDENDS

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2021. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 24 March 2022 and paid on 1 April 2022.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2022. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 28 September 2022 and paid on 6 October 2022.

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2022. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 15 March 2023 and paid on 29 March 2023.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2023. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 25 September 2023 and paid on 3 October 2023.

The General Assembly of TotalEnergies Marketing Egypt LLC approved a dividend of AED 64,788 thousand to the shareholders in respect of the year ended 31 December 2022. The dividend payable of 50% or AED 32,394 thousand is attributable to ADNOC Distribution Egypt Holding RSC Limited and the other 50% to the non-controlling interest, which was approved at the General Assembly Meeting held on 4 April 2023.

34. FINANCIAL INSTRUMENTS

Capital risk management

The primary objective of the Group's capital risk management activities is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital defined as equity plus net debt. The capital structure of the Group consists of debt, which includes long term debts, cash and cash equivalents and equity comprising share capital, statutory reserve and retained earnings.

The leverage ratio, determined as net debt to net debt plus equity, at the year-end was as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
Debt	**5,492,280**	5,482,124
Cash and cash equivalent (note 11)	**(2,993,937)**	(2,617,099)
Net debt	**2,498,343**	2,865,025
Net debt	**2,498,343**	2,865,025
Equity	**3,472,072**	3,444,890
Net debt plus equity	**5,970,415**	6,309,915
Leverage ratio	**41.8%**	45.4%

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Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), commercial and credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a. Market risk

i) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rate. The Group may be exposed to currency and translation related risks on its borrowings denominated in US Dollars and its investments in a foreign subsidiary. In respect of the Group's transactions and balances denominated in US Dollars and Saudi Riyal, the Group is not exposed to the currency risk as the UAE Dirham and Saudi Riyal are currently pegged to the US Dollar.

The table below summarises the sensitivity of the Group's monetary assets and liabilities to changes in foreign exchange movements at year end. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% with all other variables held constant:

	Assets AED'000	Liabilities AED'000	Net exposure AED'000	Effect on net equity for +/- 5% sensitivity AED'000
2023				
Egyptian pound	395,992	(734,999)	(339,007)	16,950
Swiss Franc	-	(2,225)	(2,225)	111
Euro	-	(15,305)	(15,305)	765
	395,992	(752,529)	(356,537)	17,827

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and Group's debt obligations with floating interest rates. Consequently, the Group's income and operating cash flows are dependent on changes in market interest rates. Deposits or placements issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage these risks based on management's assessment of available options and placing any surplus funds with ADNOC for treasury management or with creditworthy banks (note 11).

The deposits and placements are on rollover basis for three months or less, as such the carrying amounts have not been discounted as the impact of discounting is not deemed to be significant.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial position date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would have decreased/increased by AED 27,461 thousand (2022: AED 27,410 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Price risk

The Group is exposed to commodity price risk arising from retail prices of the refined petroleum products. Gasoline and diesel prices are set by the UAE Ministry of Energy, which limits and may result in reductions in the profit margins on these products. There can be no assurance that the UAE Ministry of Energy will continue to set retail prices at a level that provides the same or a similar profit margin, and any reduction in the profit margin on these products would have a material adverse impact on our results of operations and financial position. Under the new supply agreements, ADNOC will provide the Group protection against reduction in per-litre gross profits below certain specified levels (note 9).

(iv) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and others factors. Individual risk limits are based on management's assessment on a case-by-case basis.

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks and financial institutions and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 8.

b. Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations is available to meet its funding requirements. The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., bank deposits, trade receivables and other financial assets), and projected cash flows from operations. The Group's objective is to maintain liquidity through credit lines available from banks or with the Parent. As at 31 December 2023, the Group had access to a USD 375,000 thousand and AED 1,377,188 thousand credit facility which was fully unutilised (note 15).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2023 and 2022 based on the contractual undiscounted payments.

	< 1 year AED'000	> 1 year AED'000	Total AED'000
At 31 December 2023			
Borrowings	-	5,492,280	5,492,280
Due to related parties	4,827,631	-	4,827,631
Lease liabilities	183,013	1,564,251	1,747,264
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	2,041,029	-	2,041,029
	7,051,673	7,056,531	14,108,204

	< 1 year AED'000	> 1 year AED'000	Total AED'000
At 31 December 2022			
Borrowings	-	5,482,124	5,482,124
Due to related parties	3,452,458	-	3,452,458
Lease liabilities	129,789	1,184,538	1,314,327
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	1,527,954	-	1,527,954
	5,110,201	6,666,662	11,776,863

Whilst the Parent Company account is payable on demand or within agreed payment terms, the Parent Company considers the ability of the Group to pay, and its cash position prior to any payment request or transfer. The Parent Company account includes the cost of supplying the Group with its inventories as the Parent Company is the principal supplier of petroleum products to the Group (note 9).

Fair value estimation

The carrying value less any impairment provision of trade receivables and payables, approximate to their fair values as they are mainly short-term in nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for financial instruments.

Financial instruments by category

	31 December 2023 AED'000	31 December 2022 AED'000
Financial assets		
Cash and bank balances (including term deposits)	**3,194,162**	2,747,324
Due from related parties	**805,558**	868,868
Trade and receivables and other current assets (excluding prepaid expenses and VAT receivable)	3,436,772	3,233,725
	7,436,492	6,849,917

	31 December 2023 AED'000	31 December 2022 AED'000
Financial liabilities		
Trade and other payables (excluding advances from customers, VAT payable and and coupon and prepaid card sales outstanding)	**2,041,029**	1,527,954
Due to related parties	4,827,631	3,452,458
Lease liabilities	1,747,264	1,314,327
Borrowings	5,492,280	5,482,124
	14,108,204	11,776,863

For the purpose of the disclosure, non-financial assets amounting to AED 82,641 thousand (2022: AED 61,990 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 500,326 thousand (2022: AED 467,710 thousand) have been excluded from trade and other payables.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 6 February 2024.

The accompanying notes form an integral part of these consolidated financial statements.

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GLOSSARY

ADNOC	Abu Dhabi National Oil Company
ADNOC Distribution	Abu Dhabi National Oil Company for Distribution
ADNOCDIS UH	Bloomberg symbol for ADNOC Distribution
ADNOCDIST	ADX symbol for ADNOC Distribution shares
ADNOCDIST.AD	Reuters instrument code for ADNOC Distribution
ADNOC on the go	A compact ADNOC Distribution service stations
ADX	Abu Dhabi Securities Exchange
ADBase	A world-class base oil supplied by ADNOC
AED	United Arab Emirates Dirham, the currency of the United Arab Emirates
AI	Artificial Intelligence
API	American Petroleum Institute
CAPEX	Capital Expenditure
CNG	Compressed Natural Gas
The Company	ADNOC Distribution
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
ERM	Enterprise Risk Management
EV	Electric Vehicles
ES	Environmental, Social and Governance
FAR	Fatal Accident rate, number of Fatalities / 100 million manhour
Fill & Go	An AI-backed solution that utilizes innovative tocology at ADNOC Distribution service stations
FCF	Free Cash Flow calculated as Net cash generated from operating activities less payments for purchase of property, plant and equipment and advances to contractors
FTSE	The Financial Times Stock Exchange, now known as FTSE Russel Group
GHG	Greenhouse Gasses
Grey Market	An unofficial market in goods that have not been obtained from an official supplier
H2Go	ADNOC Distribution's Hydrogen refuelling station
HC	Human Capital
HSE	Health, Safety and Environment

ICV	In-Country Value
IPO	Initial Public Offering
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
JIC	Joint Inspection Group
KSA	Kingdom of Saudi Arabia
LPG	Liquified Petroleum Gas
LTIF	Loss Time Injury Frequency, the number of loss Time Injuries / million manhours
MENA	Middle East and North Africa
MSCI	Morgan Stanley Capital International
My Station	ADNOC Distribution's fleet of mobile assets for fuel and LPG delivery
NIN	National Investor Number
NGV	Natural Gas Vehicles
OPEX	Operating Expenses
ROCE	Return of Capital Employed
ROE	Return of Equity
SCA	Securities and Commodities Authority
TRIR	Total Recordable Incident Rate, the umber of recordable incidents / million manhour
UAE	United Arab Emirates
USD	United States Dollar, the currency of the United States