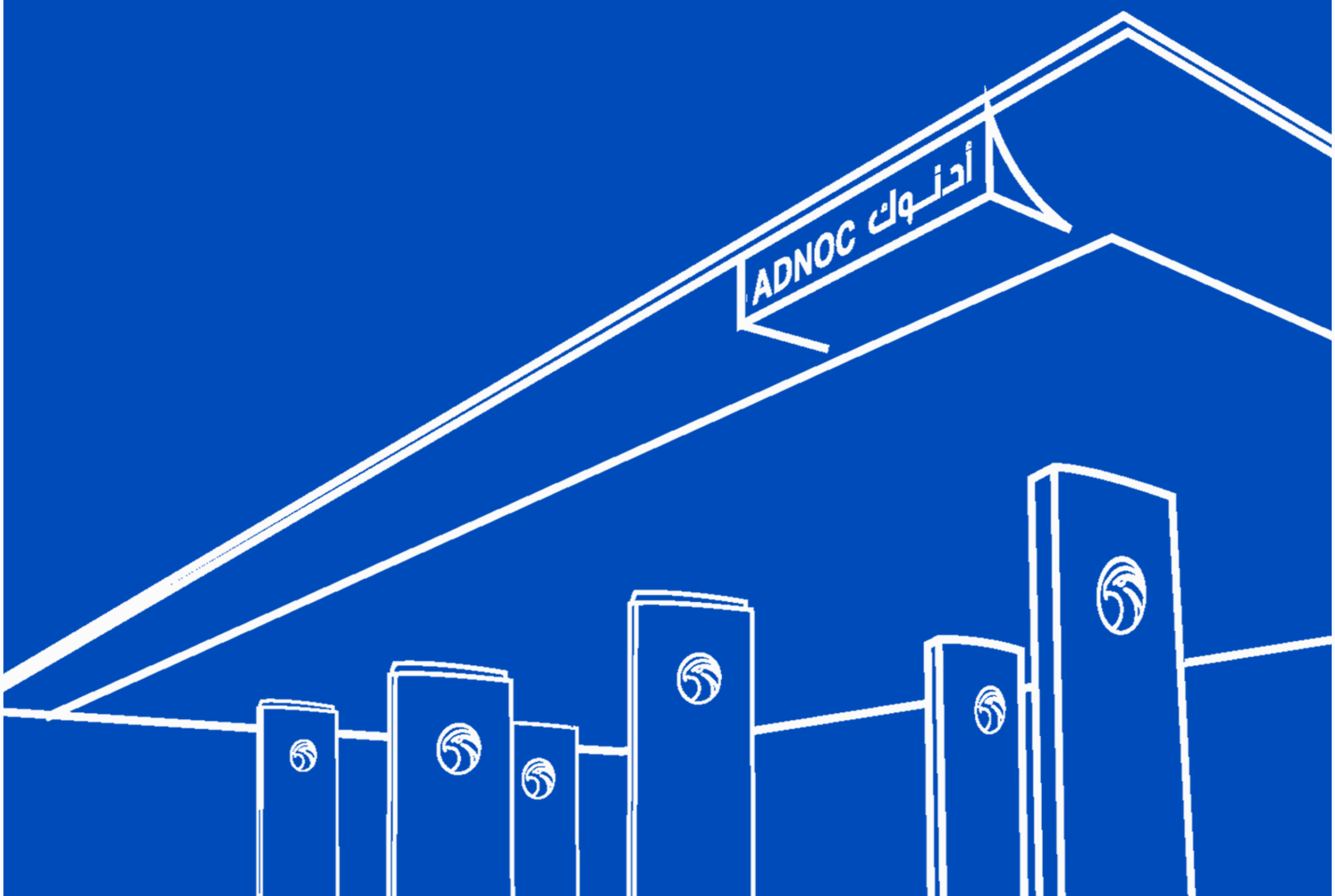
First Quarter 2021 Results

Management Discussion & Analysis Report

10 May 2021



ADNOC Distribution
First Quarter 2021 Results

Highlights

Strong financial performance in Q1 2021, demonstrating solid business resilience and delivery on strategic growth plans

- Total fuel volumes sold have witnessed progressive recovery over last few quarters compared to pre COVID-19 levels (i.e. same quarter of 2019). Q1 2021 total fuel volumes decreased by 4.9% compared to Q1 2019, while in Q4 2020, total fuel volumes were down by 7.3% versus Q4 2019. This gradual recovery is driven by improved consumer sentiment following government's vaccination roll out program, incremental volumes from our Dubai stations and proactive sales strategy in our Corporate business

  Q1 2021 total fuel volumes sold decreased by 3.7% compared to Q1 2020. Retail fuel volumes declined by 4.7% year-on-year, particularly impacted by ongoing mobility restrictions. Commercial fuel volumes decreased by 1.6% year-on-year due to lower uptake from strategic aviation customers

- Q1 2021 revenue was AED 4,282 million, a decrease of 13.3% compared to Q1 2020, due to lower fuel volumes, lower selling prices (as a result of lower crude oil prices) and decline in non-fuel revenues

- Q1 2021 gross profit was AED 1,326 million, an increase of 19.4% compared to Q1 2020, driven by fuel retail and commercial segments:

  Retail segment (Fuel and Non-Fuel) gross profit increased 10.1% year-on-year in Q1 2021, as Fuel Retail business delivered a strong performance with gross profit growth of 12.6% year-on-year. This growth was driven by higher margins and inventory gains of AED 108 million, partially offset by lower fuel volumes.

  Non-Fuel Retail gross profit decreased by 4.4% year-on-year despite a decline of 13.4% in Non-Fuel Retail revenues, supported by improvement in margins. The Convenience stores business margins improved as a result of our revitalization strategy to offer a modern, digitally enabled customer journey and superior in-store experience through better product mix and introduction of high margin fresh food and coffee products

  Commercial business gross profit increased by 48.5% year-on-year driven by higher corporate fuel volumes and higher margins while Q1 2020 was negatively impacted by revaluation of inventory stock following lower oil prices and other one-off items

- Q1 2021 underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 740 million, a growth of 17.5% compared to Q1 2020 and driven by an increase in corporate fuel volumes, higher margins and a reduction in operating costs, partially offset by lower retail and aviation volumes

- Q1 2021 reported EBITDA was AED 817 million, an increase of 46.8% compared to Q1 2020, driven by an increase in corporate fuel volumes, higher margins, retail inventory gains, lower operating costs and lower one-off expenses of AED 31 million, whereas Q1 2020 included inventory losses and other one-off expenses totaling AED 73 million

- Q1 2021 net profit was AED 631 million, an increase of 57.9% compared to Q1 2020, mainly due to higher EBITDA

Cash flow and capital structure

- In Q1 2021, the company generated free cash flow of AED 835 million driven by strong cash flow from operations and positive working capital movement. Positive working capital movements were mainly the result of an increase in dues to related parties driven by higher fuel purchases, higher oil prices and higher trade payables, partially offset by increase in inventories.

- The company maintained a strong financial position at the end of March 2021 with liquidity of AED 5.1 billion, in the form of AED 2.3 billion in cash and cash equivalents, in addition to AED 2.8 billion in unutilized credit facility. Existing term debt matures at the end of 2022 with no covenants in place. ADNOC Distribution's balance sheet remains strong with a net debt to EBITDA ratio of 0.93x as of 31 March 2021

Strategy Update

The company continued to deliver on its smart growth strategy to bring modern, digitally enabled fuel retail convenience to customers and communities domestically and internationally. Supporting the nation's ongoing fight against COVID-19, the company has ensured all health and safety measures are maintained and in Q1 2021 became the first fuel retailer in the world with 100% of its frontline staff working in its service station network vaccinated.

Fuel business (Retail + Commercial)

ADNOC Distribution's fuel volumes continue to show progressive recovery compared to pre-COVID levels, driven by improved consumer sentiment following government's vaccination roll out program, incremental volumes from our Dubai stations and proactive sales strategy in our Corporate business.

New Stations: ADNOC Distribution's UAE network reached 449 retail fuel stations as of 31 March 2021. In Q1 2021, the Company opened four new service stations in the UAE, out of which two are in Dubai. As a result, the company's Dubai service station network has increased from 26 stations at the end of 2020 to 28 stations by the end of Q1 2021.

Of the four new stations opened in the UAE, two were 'ADNOC On the go' neighborhood stations, designed to provide increased customer convenience and meet the needs of previously underserved locations.

International: In addition to its ongoing growth in the UAE, ADNOC Distribution remains well positioned to harness international growth opportunities, particularly in the Kingdom of Saudi Arabia, building on three definitive agreements signed in December 2020 and February 2021 to acquire a total of 35 service stations, which will bring its total network in the country to 37 stations. Of these three transactions, the first one for 15 stations has now received approval from the General Authority for Competition (GAC) in Saudi Arabia, whilst the other two are currently under review with GAC. Post approval from GAC, the company will proceed to close these transactions.

Non-fuel business

The company's UAE network has grown reaching a total of 332 convenience stores by the end of Q1 2021, with the addition of six new convenience stores in the UAE in Q1 2021. With the aim to offer a modern, digitally enhanced customer journey and in-store experience and to support the Company's ambitious non-fuel retail strategy, a total of 14 ADNOC Oasis convenience stores were refurbished throughout Q1 2021. With an increased focus on customer-centric initiatives and category management, the average gross basket size increased by 2.2% as at 31 March 2021 compared to the same period in 2020 coupled with increase in margins of convenience stores business.

ADNOC Distribution has maintained its focus on providing an increased level of convenience to customers, particularly through its partnerships with delivery services Talabat and Carriage, which allow customers to order from more than 1,700 ADNOC Oasis products, from over 100 convenience stores across the UAE.

ADNOC Rewards loyalty program

The Company continues its drive to enhance its offering through ADNOC Rewards, the UAE's first customer loyalty program from a fuel provider, and the launch of a new partnership with Etisalat Smiles, which allows members of both platforms to cross-exchange points and maximize benefits. In Q1 2021, 27 new partners were added to the ADNOC Rewards program, offering members even more deals and discounts from some of the UAE's leading leisure and entertainment brands. ADNOC Rewards has recorded more than one million registered users at the end of Q1 2021 and over 12 million transactions since the launch of the program.

Cost Optimization

As part of the Company's ongoing transformation to become a commercially-minded organization, it remains committed to reducing operating costs and ensuring continued competitiveness in the UAE fuel retail and convenience stores sector. ADNOC Distribution's operational expenditure (OPEX) decreased by 6.5% in the first quarter of 2021 compared to the same quarter of the previous year as part of the Company's efforts to enhance operational efficiencies. Reduction in operating costs were achieved despite growth in the Company's retail network and were driven by management initiatives to optimize OPEX across all business units. As a result, like-for-like OPEX savings of AED 36 million were realized in Q1 2021. This reduction in like-for-like OPEX is mainly due to optimization in staffing costs, which is a major component of the company's OPEX

CAPEX

In line with our guidance and plans to continue with our expansion strategy, we incurred CAPEX including accruals of AED 180 million in Q1 2021 (stable versus Q1 2020)

Ahmed Al Shamsi - Acting CEO:

"Throughout the first quarter of 2021, ADNOC Distribution’s fuel volumes continued to show steady recovery compared to pre-COVID levels. The company made a significant achievement in Q1 through the vaccination of 100% of our frontline employees, and I am extremely proud of dedication of our employees to always uphold the highest standards of HSE.

“In addition, we have continued to build on our success in 2020, to record a strong financial performance in Q1 2021. This has provided the Company with ample liquidity to pursue future growth opportunities, be they organic or inorganic in domestic and international markets.”

Al Shamsi added, “Our strength is only possible due to the continued dedication of all our employees, and we are grateful to our frontline colleagues, who have continued to play a role in ensuring the continued provision of services to our customers. We have progressed our smart growth strategy in the first quarter and have ambitious targets for 2021, including the opening of 70 to 80 new stations across domestic and international markets. Our focus on creating shareholder value continued in the first quarter of 2021 and we remain committed to providing strong dividend visibility.”

Outlook

Economic activity in the United Arab Emirates is expected to recover in 2021 as the economy emerges from COVID-19 pandemic. The UAE has successfully managed the impact of the COVID-19 pandemic on the back of swift implementation of safety measures by the government, including accelerated roll out of vaccine to the wider population. As a result, economic activity already picked up sequentially in second half of 2020 and should see a further strengthening in 2021. The rescheduled Dubai Expo in October 2021 should further support an improvement in tourism, which would have a positive effect on other sectors, including retail and real estate. This should allow for progressive recovery in fuel and non-fuel demand.

The company is well positioned to grow its earnings amid economic recovery and driven by our expansion in Dubai and Saudi Arabia, while we continue to explore new growth opportunities presented by the current environment. We remain committed to pursue our expansion plans, in a disciplined manner, deliver an enhanced customer experience, further optimize our operations to become a leading cost-efficient fuel retailer and generate sustainable value creation for our shareholders.

Fuel business

New Stations: After a strong delivery momentum in 2020 with the opening of 64 new stations (including 20 stations in Dubai), we expect the delivery momentum to sustain in 2021 with an ambitious target to open 70 to 80 new service stations. Of these, 30 to 35 new stations are expected to open in the UAE, including 12 to 18 stations in Dubai. In addition to new service stations we expect to open in the UAE in 2021, we plan to add 40 to 45 new stations in Saudi Arabia in 2021, which includes 35 station acquisitions already announced and another 5 to 10 organic buildouts.

Furthermore, we are currently evaluating a number of potential inorganic growth opportunities in international markets (including Saudi Arabia), which would add incrementally to our guidance. Our focus is to ensure CAPEX is allocated more efficiently towards our growth in value-accretive expansion that meets our targeted rate of returns.

Non-fuel business

After witnessing strong momentum in our c-stores revitalization program in 2020 with 100 C-stores revitalized, we continue to invest in offering our customers a modern and engaging experience, in line with our ambitious non-fuel strategy. We expect to refurbish 40 to 60 c-stores in 2021, focusing on offering a modern environment, improvement in category management, better assortment of products including high margin fresh food and premium coffee and digital channels to order and transact.

Convenience stores revitalization has now put us in a better position to reap the benefits of our initiatives that offer superior customer journey and in-store experience coupled with fresh food and premium coffee products. We are confident of achieving growth in our convenience stores business once economy emerges fully from the impact of pandemic.

Cost efficiency

We aim to become one of the leading cost-efficient fuel retailers and remain on track to take structural costs out and make our operations leaner and more efficient. After realizing like-for-like OPEX savings of AED 422 million over the period between 2018 and 2020, we remain committed to achieve further operational excellence and pursue an additional like-for-like OPEX savings of up to AED 92 million in 2021 and up to AED 312 million over the period from 2021 to 2023.

The key drivers of further OPEX savings are staff optimization, including a more efficient deployment of staffing levels for stations and c-stores, energy efficiency through smart technology, outsourcing of logistics, centralization of key functions etc.

CAPEX

We are committed to pursuing our expansion plans in a disciplined manner to deliver on our smart growth strategy. We expect to achieve CAPEX of AED 918 million to AED 1.1 billion in 2021. We will continue to improve CAPEX efficiency, including the rolling out of less capital intensive new station formats, such as ADNOC On the go and My Station. Our CAPEX guidance does not include any potential M&A opportunities.

Dividend Policy

During the General Assembly on 16 March 2021, the company's shareholders approved:

- A cash dividend of AED 1.285 billion (10.285 fils per share) for the second half of 2020 (paid in April 2021). This dividend payment came on top of an interim cash dividend of AED 1.285 billion (10.285 fils per share) for the first half of 2020 (paid in October 2020), resulting in a full-year dividend of AED 2.57 billion (20.57 fils per share), consistent with our dividend policy, and representing an increase of 7.5% compared to 2019

- Confirming the company's 2021 dividend policy, with an expected dividend of AED 2.57 billion (20.57 fils per share). This would translate to a 4.3% annual dividend yield for 2021 (based on a share price of AED 4.75 as of 9th May 2021). Dividend for the first half of 2021 is expected to be paid in October 2021 (subject to the discretion of Board of Directors)

- Amendments to the dividend policy to enhance visibility of shareholder return, setting a minimum of AED 2.57 billion dividend for 2022 (compared to minimum 75% of distributable profits as per previous policy), providing visible payback to shareholders until April 2023. Dividend policy for the years thereafter remains unchanged at a dividend equal to at least 75% of distributable profits

- The amendments to the dividend policy approved by shareholders recognizes the Company's strong financial position at the end of 2020 and shows confidence in its growth prospects and cash-flow generation ability going forward. Despite the current market conditions, ADNOC Distribution remains confident and steadfast in the delivery of its strategic commitments and sustainable returns for its shareholders

The Company's financial position remained strong at the end of March 2021 (cash & equivalent of AED 2.3 billion, retained earnings of AED 1.5 billion and net debt to EBITDA of 0.93x at the end of March 2021).

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

Financial summary

AED millions	Q1-21	Q4-20	*QoQ %*	Q1-20	*YoY %*	FY 2020
Revenue	4,282	4,146	*3.3%*	4,939	*-13.3%*	16,132
Gross profit	1,326	1,611	*-17.7%*	1,110	*19.4%*	5,783
Margin	*31.0%*	*38.9%*		*22.5%*		*35.8%*
EBITDA	817	1,055	*-22.6%*	556	*46.8%*	3,189
Margin	*19.1%*	*25.5%*		*11.3%*		*19.8%*
Underlying EBITDA[1]	740	1,072	*-31.0%*	629	*17.5%*	3,627
Operating profit	672	902	*-25.6%*	421	*59.4%*	2,597
Net Profit for the period	631	851	*-25.9%*	400	*57.9%*	2,432
Margin	*14.7%*	*20.5%*		*8.1%*		*15.1%*
Earnings per share (AED/share)	0.050	0.068	*-25.9%*	0.032	*57.9%*	0.195
Net cash generated from operating activities	1,074	533	*101.5%*	757	*42.0%*	1,694
Capital expenditures	180	361	*-50.0%*	185	*-2.5%*	962
Free Cash Flow[2]	835	167	398.6%	533	56.7%	715
Total equity	2,841	3,477	*-18.3%*	2,863	*-0.8%*	3,477
Net debt[3]	3,218	2,705	*19.0%*	259	*1143.1%*	2,705
Capital employed	9,295	9,818	*-5.3%*	8,921	*4.2%*	9,818
Return on capital employed (ROCE)	30.6%	26.4%		23.7%		26.4%
Return on equity (ROE)	93.7%	74.7%		71.2%		74.7%
Net debt to EBITDA ratio[3]	0.93x	0.85x		0.10x		0.85x
Leverage ratio[3]	53.1%	43.8%		8.3%		43.8%

NM: Not meaningful
(1) Underlying EBITDA is defined as EBITDA excluding Inventory gains/losses and one-off gains/losses
(2) Free Cash Flow is defined as Net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors
(3) Net debt to equity, Cash and bank balances used for Net Debt calculation includes term deposits with banks
Notes:
See the Glossary for the calculation of certain metrics referred to above

Headlines

Fuel Volumes

Q1 2021 total fuel volumes sold reached 2,220 million liters, down 3.7% compared to Q1 2020 and by 3.4% compared to Q4 2020. In Q1 2021, Retail fuel volumes sold decreased by 4.7% y-o-y mainly owing to the business impact of ongoing COVID-19 restrictions on transport mobility. Corporate fuel volumes sold increased by 9.1% y-o-y but decreased by 3.0% q-o-q in Q1 2021. Aviation fuel volumes sold to strategic customers decreased by 34.7% y-o-y but increased by 1.4% compared to Q4 2020.

Fuel volumes by segment *(million liters)*	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Retail (B2C)	**1,503**	**1,563**	***-3.9%***	**1,577**	***-4.7%***	**5,758**
Commercial (B2B)	**717**	**735**	***-2.4%***	**729**	***-1.6%***	**2,899**
Of which Corporate	601	620	*-3.0%*	551	*9.1%*	2,357
Of which Aviation	116	115	*1.4%*	178	*-34.7%*	542
Total	**2,220**	**2,298**	***-3.4%***	**2,306**	***-3.7%***	**8,657**

Fuel volumes by product *(million liters)*	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Gasoline (1)	1,378	1,440	*-4.3%*	1,408	*-2.1%*	5,219
Diesel	568	572	*-0.6%*	552	*2.8%*	2,281
Aviation products	116	115	*1.4%*	178	*-34.7%*	542
Others (2)	157	171	*-8.0%*	168	*-6.0%*	615
Total	**2,220**	**2,298**	***-3.4%***	**2,306**	***-3.7%***	**8,657**

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

Results

Q1 2021 revenue was AED 4,282 million, a decrease of 13.3% compared to Q1 2020. The decrease in revenue was driven by lower fuel volumes and non-fuel revenues as well as due to the lower selling prices as a result of lower oil prices.

Q1 2021 gross profit was AED 1,326 million, an increase of 19.4% compared to Q1 2020 driven by higher corporate fuel volumes, higher margins and inventory gains in retail business, while Q1 2020 included inventory losses and other one-off expenses.

Q1 2021 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 740 million, a growth of 17.5% compared to Q1 2020 and driven by an increase in corporate fuel volumes, higher margins and a reduction in operating costs, partially offset by lower retail and aviation volumes.

Q1 2021 reported EBITDA was AED 817 million, an increase of 46.8% compared to Q1 2020, driven by an increase in corporate fuel volumes, higher margins, retail inventory gains, lower operating costs and lower one-off expenses of AED 31 million, whereas Q1 2020 included inventory losses and other one-off expenses totaling AED 73 million.

Q1 2021 net profit was AED 631 million, an increase of 57.9% compared to Q1 2020, mainly due to higher EBITDA as explained above, partially offset by higher depreciation and lower interest income.

Revenue by segment ***(AED millions)***	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Retail (B2C)	**2,947**	**2,951**	***-0.2%***	**3,446**	***-14.5%***	**11,346**
Of which Fuel Retail	2,721	2,729	*-0.3%*	3,185	*-14.6%*	10,466
Of which Non-Fuel Retail	226	222	*1.8%*	260	*-13.2%*	880
Commercial (B2B)	**1,336**	**1,194**	***11.8%***	**1,494**	***-10.6%***	**4,786**
Of which Corporate	1,049	937	*11.9%*	1,051	*-0.2%*	3,620
Of which Aviation	287	257	*11.5%*	443	*-35.3%*	1,166
Total	**4,282**	**4,146**	***3.3%***	**4,939**	***-13.3%***	**16,132**

Gross Profit by segment ***(AED millions)***	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Retail (B2C)	**924**	**1,219**	*-24.1%*	**840**	*10.1%*	**4,368**
Of which Fuel Retail	805	1,100	*-26.8%*	715	*12.6%*	3,929
Of which Non-Fuel Retail	119	119	*0.2%*	125	*-4.4%*	439
Commercial (B2B)	**401**	**392**	*2.3%*	**270**	*48.5%*	**1,415**
Of which Corporate	265	246	*7.8%*	130	*103.9%*	846
Of which Aviation	136	146	*-6.9%*	140	*-2.9%*	568
Total	**1,326**	**1,611**	***-17.7%***	**1,110**	***19.4%***	**5,783**

EBITDA by Segment ***(AED millions)***	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Retail (B2C)	**538**	**792**	*-32.1%*	**419**	*28.3%*	**2,562**
Commercial (B2B)	**283**	**263**	*7.9%*	**140**	*103.2%*	**813**
Of which Corporate	224	195	*14.5%*	73	*205.2%*	580
Of which Aviation	60	67	*-11.3%*	66	*-9.8%*	233
Unallocated[1]	-5	0	*NM*	-3	*81.5%*	-187
Total	**817**	**1,055**	***-22.6%***	**556**	***46.8%***	**3,189**

(1) Unallocated includes other operating income/expenses not allocated to specific segment

NM: Not meaningful

Distribution and administrative expenses

Q1 2021 distribution and administrative expenses were AED 673 million, a decrease of 3.8% compared to Q1 2020. This decrease was mainly due to lower staff costs, partially offset by increase in utilities costs and depreciation charges.

Excluding depreciation, cash OPEX decreased by 6.5% y-o-y, demonstrating benefits derived from management initiatives to optimize OPEX.

On a like-for-like basis, cash OPEX reduced by AED 36 million in Q1 2021, mainly as a result of optimization in staff cost, which is a major component of our OPEX.

AED millions	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Staff costs	364	392	*-7.0%*	405	*-10.1%*	1,765
Depreciation	145	153	*-5.0%*	135	*7.7%*	592
Repairs, maintenance and consumables	43	61	*-29.6%*	42	*2.6%*	195
Distribution and marketing expenses	19	18	*1.1%*	19	*-3.1%*	88
Utilities	54	55	*-1.5%*	43	*25.1%*	178
Insurance	2.3	3.0	*-23.3%*	3.2	*-28.1%*	14
Others[1]	46	48	*-4.3%*	53	*-12.3%*	201
Total	**673**	**730**	***-7.8%***	**700**	***-3.8%***	**3,033**

(1) Others include lease cost, bank charges, consultancies etc.

Capital expenditures

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

In Q1 2021, the majority of our capital expenditure (about 70% of the total) was incurred for the development and construction of new service stations. Industrial and other projects capital expenditure increased due to higher spending on convenience stores refurbishment. The table below presents the breakdown of our capital expenditures for the reviewed period:

AED millions	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Service stations projects	128	282	*-54.7%*	154	*-16.8%*	761
Industrial & other projects	16	63	*-74.7%*	2.3	*595.7%*	111
Machinery & Equipment	3.1	4.0	*-22.5%*	8.4	*-63.1%*	21
Distribution fleet	0.0	5.0	*-100.0%*	7.1	*-100.0%*	15
Technology infrastructure	33	5.4	*513.0%*	13	*147.0%*	52
Office furniture and equipment	0.3	0.9	*-66.7%*	0.2	*50.0%*	2.1
Total	**180**	**361**	***-50.0%***	**185**	***-2.5%***	**962**

NM: Not meaningful

Business segments operating review

Retail Segment – B2C (Fuel and Non-Fuel)

Volumes

Q1 2021 retail fuel volumes declined by 4.7% compared Q1 2020. Retail fuel volumes continued to show steady recovery compared to pre-COVID levels. In Q1 2021, retail fuel volumes were down by 6.5% compared to Q1 2019, while in Q4 2020, retail fuel volumes were down by 8.3% compared to Q4 2019.

Retail Segment volumes (million liters)	Q1-21	Q4-20	*QoQ %*	Q1-20	*YoY %*	FY 2020
Gasoline	1,341	1,399	*-4.1%*	1,380	*-2.8%*	5,086
Diesel	120	122	*-2.0%*	167	*-28.2%*	534
Other (1)	42	42	*-0.5%*	31	*34.9%*	137
Total	**1,503**	**1,563**	***-3.9%***	**1,577**	***-4.7%***	**5,758**

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

Results

Q1 2021 Retail segment revenue decreased by 14.5% compared to Q1 2020 due to lower fuel volumes, lower pump prices and lower non-fuel retail revenues.

Q1 2021 Retail segment gross profit increased by 10.1% y-o-y driven by fuel retail business. Fuel retail gross profit increased by 12.6% y-o-y on the back of higher margins and inventory gains of AED 108 million, partially offset by lower volumes.

Q1 2021 Retail segment EBITDA increased by 28.3% compared to Q1 2020, mainly driven by higher margins, inventory gains and lower operating costs, partially offset by lower fuel volumes and decline in non-fuel revenues.

Retail Segment (AED million)	Q1-21	Q4-20	*QoQ %*	Q1-20	*YoY %*	FY 2020
Revenue	**2,947**	**2,951**	***-0.2%***	**3,446**	***-14.5%***	**11,346**
Of which Fuel Retail	2,721	2,729	*-0.3%*	3,185	*-14.6%*	10,466
Of which Non-Fuel Retail	226	222	*1.8%*	260	*-13.2%*	880
Gross profit	**924**	**1,219**	***-24.1%***	**840**	***10.1%***	**4,368**
Of which Fuel Retail	805	1,100	*-26.8%*	715	*12.6%*	3,929
Of which Non-Fuel Retail	119	119	*0.2%*	125	*-4.4%*	439
EBITDA	**538**	**792**	***-32.1%***	**419**	***28.3%***	**2,562**
Operating profit	405	654	*-38.0%*	302	*34.2%*	2,035
Capital expenditures	176	351	*-49.7%*	163	*8.6%*	893

Other operating metrics

Q1 2021 fuel transactions decreased by 7.1% compared to Q1 2020, primarily due to ongoing COVID-19 related mobility restrictions.

Fuel operating metrics	Q1-21	Q4-20	*QoQ %*	Q1-20	*YoY %*	FY 2020
Number of service stations – UAE (1)	449	445	*0.9%*	389	*15.4%*	445
Number of service stations - Saudi Arabia (1) (2)	2	2	*0.0%*	2	*0.0%*	2
Throughput per station (million liters)	3.2	3.4	*-5.9%*	4.0	*-20.0%*	12.6
Number of fuel transactions (millions)	35.5	36.5	*-2.7%*	38.2	*-7.1%*	136.4

(1) At end of period.
(2) Includes one franchised site.

Q1 2021 Non-fuel transactions decreased by 17.5% compared to Q1 2020, but increased by 5.3% compared to Q4 2020, demonstrating sequential recovery. Recovery is supported by increase in number of C-stores and vehicle inspection centers as part of our expansion, improved customer offerings following revitalization of our C-stores and marketing & promotion campaigns under ADNOC Rewards loyalty program to attract higher footfall and increase customer spending.

Our convenience stores revenues were down by 16.2% in Q1 2021 compared to Q1 2020, mainly due to lower transactions. However, convenience stores gross profit was down only marginally (-1.6% year-on-year) driven by higher margins. Convenience stores business margins improved as a result of our revitalization strategy to offer a modern, digitally enabled customer journey and in-store experience through better product mix and introduction of high margin fresh food and coffee products. Average gross basket size sustained growth and increased by 2.2% y-o-y in Q1 2021, driven by our customer centric initiatives like improvement in category management, ADNOC Rewards and online delivery services.

We continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability. The number of occupied properties decreased compared to previous year due to portfolio optimization by some of our tenants.

The number of vehicles inspected (fresh tests) in our vehicle inspection centers increased by 18.6% in Q1 2021 compared to Q1 2020 driven by increase in number of vehicle inspection centers and pick-up in economic activity.

Non-Fuel operating metrics	**Q1-21**	**Q4-20**	***QoQ %***	**Q1-20**	***YoY %***	**FY 2020**
Total number of non-fuel transactions (millions) (2)	8.0	7.6	*5.3%*	9.7	*-17.5%*	31.1
Number of convenience stores - UAE (1)	332	326	*1.8%*	269	*23.4%*	326
Convenience stores revenue (AED million)	154	144	*6.7%*	184	*-16.2%*	608
Convenience stores gross profit (AED million)	49	43	*14.1%*	49	*-1.6%*	174
Margin	*31.6%*	*29.6%*		*26.9%*		*28.6%*
Conversion rate % (3)	18%	17%		22%		19%
Average basket size (AED) (4)	23.5	23.5	*0.0%*	21.5	*9.3%*	23.1
Average gross basket size (AED)(5)	27.7	28.5	*-2.8%*	27.1	*2.2%*	28.4
Number of Property Management tenants (1)	286	269	*6.3%*	277	*3.2%*	269
Number of occupied properties for rent (1)	880	867	*1.5%*	892	*-1.3%*	867
Number of vehicle inspection centers (1) (6)	29	28	*3.6%*	26	*11.5%*	28
Number of vehicles inspected (fresh tests) (thousands)	211	193	*9.7%*	178	*18.6%*	594
Other vehicle inspection transactions (thousands)7	67	57	*17.3%*	63	*6.6%*	184

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

Commercial Segment – B2B (Corporate and Aviation)

Volumes

Q1 2021 Commercial Fuel volumes were down marginally by 1.6% compared to Q1 2020, mainly due to decline in Aviation volumes sold to our strategic customers by 34.7%, while Corporate volumes remained resilient and increased by 9.1% y-o-y.

Commercial Segment volumes (million liters)	Q1-21	Q4-20	QoQ %	Q1-20	YoY %	2020
Gasoline	37	41	*-10.4%*	28	*30.6%*	133
Diesel	449	450	*-0.2%*	386	*16.2%*	1,747
Aviation	116	115	*1.4%*	178	*-34.7%*	542
Other (1)	115	129	*-10.5%*	136	*-15.4%*	477
Total	**717**	**735**	***-2.4%***	**729**	***-1.6%***	**2,899**

(1) Includes LPG, lubricants and base oil.

Results

Q1 2021 Commercial segment revenue decreased by 10.6% compared to Q1 2020, mainly due to lower aviation volumes and lower oil prices.

Q1 2021 Commercial segment gross profit increased by 48.5% driven by higher corporate fuel volumes and higher margins, partially offset by lower aviation volumes while Q1 2020 was negatively impacted by revaluation of inventory stock following lower oil prices and other one-off items. The company's commercial sales team proactively managing dynamic pricing in Q1 2021 in order to grow market share in gasoil fuel sales through spot deals as well as bringing in new corporate customers. This contributed to higher sales volumes and margins in the Corporate business, in addition to positive impact of increase in LPG cylinder prices on profitability of business (effective July 2020).

Q1 2021 Commercial segment EBITDA increased by 103.2% compared Q1 2020, driven by higher gross profit and lower operating expenses, while Q1 2020 included provision for bad debts in addition to revaluation loss on inventory stock and other one-off items.

Commercial Segment (AED million)	Q1-21	Q4-20	QoQ %	Q1-20	YoY %	2020
Revenue	**1,336**	**1,194**	***11.8%***	**1,494**	***-10.6%***	**4,786**
Of which Corporate	1,049	937	*11.9%*	1,051	*-0.2%*	3,620
Of which Aviation	287	257	*11.5%*	443	*-35.3%*	1,166
Gross profit	**401**	**392**	***2.3%***	**270**	***48.5%***	**1,415**
Of which Corporate	265	246	*7.8%*	130	*103.9%*	846
Of which Aviation	136	146	*-6.9%*	140	*-2.9%*	568
EBITDA	**283**	**263**	*7.9%*	**140**	*103.2%*	**813**
Operating profit	270	248	*8.8%*	122	*120.7%*	748
Capital expenditures	4.8	0.0	*n/m*	8.2	*-41.5%*	13

Share trading and ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 31 March 2021 was AED 3.49. In the period from 1 January 2021 through 31 March 2021, the share price has ranged from AED 3.80 to AED 4.54 at close. Our market capitalization was AED 56.1 billion as of 31 March 2021, and an average of 14.0 million shares have traded daily in Q1 2021 (3.1x 2020 level). In Q1 2021, the average daily traded value of our shares was USD 15.7 million (3.9x 2020 level).

As of 31 March 2021, ADNOC owned 80% of our outstanding shares.

Potential risks

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

Q1 2021 Earnings conference call details

A conference call in English for investors and analysts will be held on Monday, May 10, 2021, at 4 p.m. UAE / 1 p.m. London / 8 a.m. New York. To access the conference call, followed by a Q&A session, please dial one of the numbers listed below:

Dial in Details:

UAE (Toll Free): 8000 3570 2642

KSA (Toll Free): 800 844 6254

UK: +44 (0) 330 336 9601

US: +1 646-828-8074

Conference ID: 2632803

Or, click here to connect

Webinar Details:

Click here to connect
Meeting ID: 980 5018 8772
Passcode: 359806

The presentation materials will be available for download in English on Monday, May 10, 2021 at https://www.adnocdistribution.ae/en/investor-relations/investor-relations/downloads/

Reporting date for the second quarter 2021

We expect to announce our second quarter and first half 2021 results on or around August 12, 2021.

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May 10, 2021
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Glossary

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

Cautionary Statement Regarding Forward-Looking Statements

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