

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

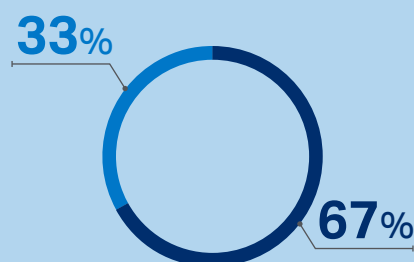
2,262 AED million

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.

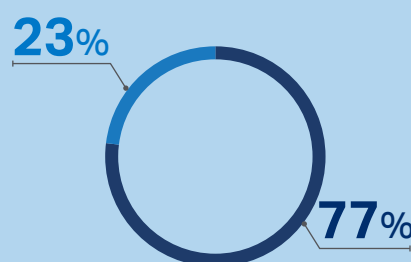
2023

Revenue



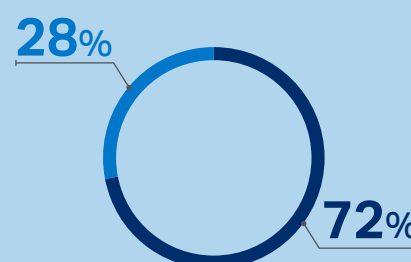
- Retail (Fuel & Non-fuel)
AED 23,217 million
- Commercial (Corporate & Aviation)
AED 11,412 million

Gross Profit



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

EBITDA¹



- 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

(AED million)	For the year ended 31 December		
	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 EIBTDA 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.

Key year on year financials – Balance sheet items

(AED million)	As of December 31		
	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.