

# 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

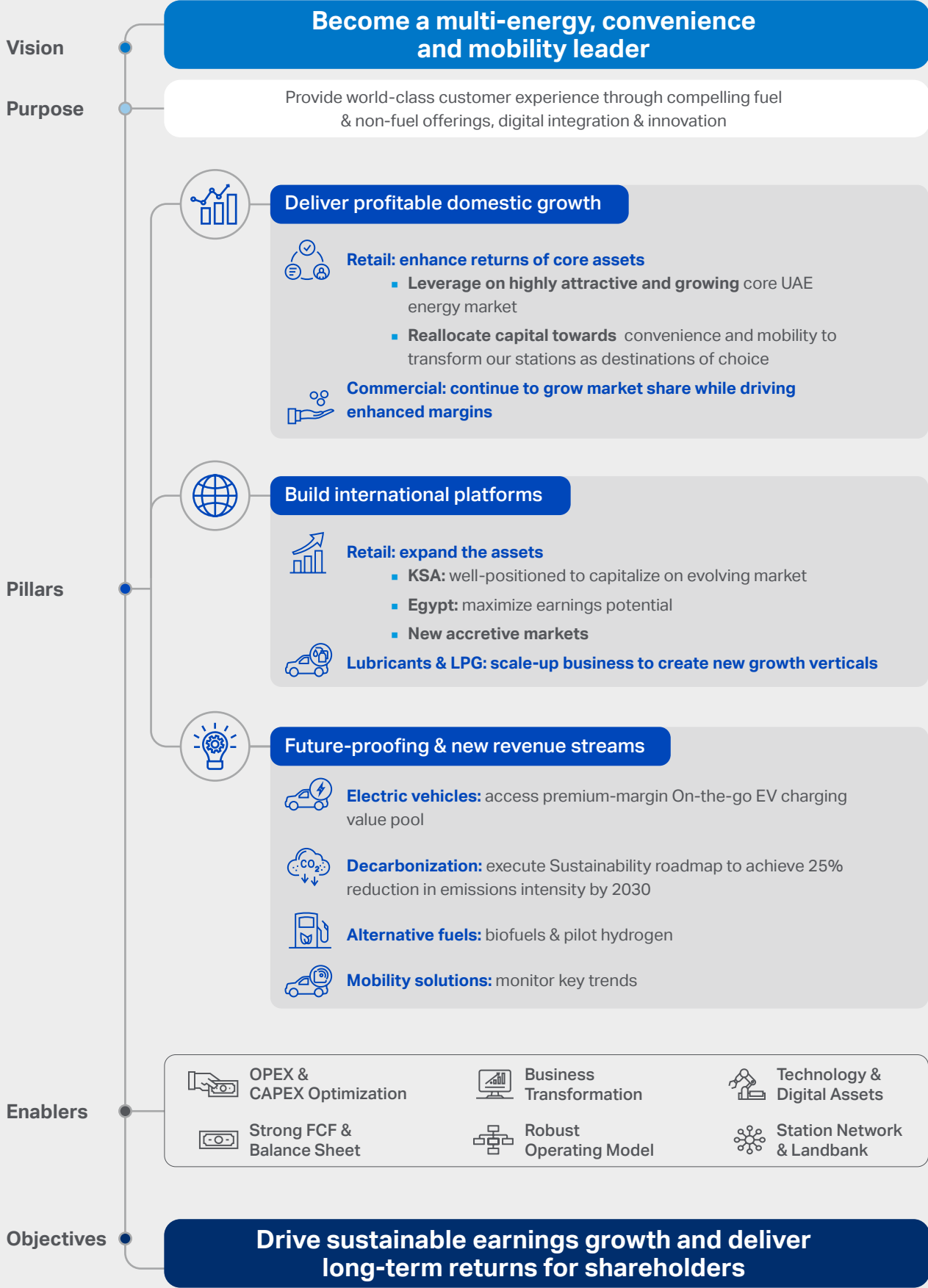
distributor to a preferred retail and mobility destination of choice.

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



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

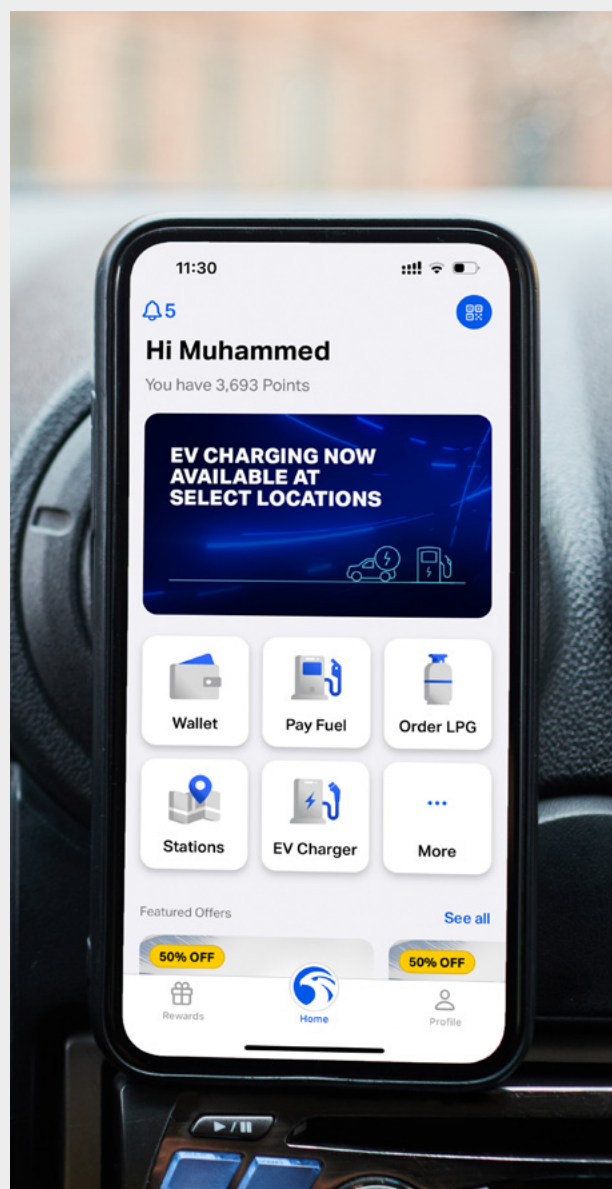
As the largest fuel retail operator in Abu Dhabi and the Northern Emirates, the Company continues to expand its network in these regions to maintain its market-leading status and ensure convenient access to fuel and non-fuel services for customers. The Company's expansion in these two regions through 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.



## 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.



  
THANK YOU  
AND HAVE  
**A GREAT DAY!**





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

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

**~1,000**

stations network  
2023: 840

Deliver EBITDA growth over 2024-28

**10-15x**

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

up to **\$50m**

Like-for-like OPEX savings

