

# RETAIL BUSINESS

## FUEL STATIONS NETWORK



2023

**840** Fuel Stations

2022

**568** Fuel Stations

### UAE

2023

**529**

2022

**502**

### KSA

2023

**68**

2022

**66**

### Egypt

2023

**243**

2022

**0**

## CONVENIENCE STORES NETWORK



2023

**509** Convenience Stores

2022

**369** Convenience Stores

### UAE

2023

**359**

2022

**362**

### KSA

2023

**12**

2022

**7**

### Egypt

2023

**138**

2022

**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 %
<b>Revenue</b>	<b>23,217</b>	21,458	48.2%
Revenue – fuel	21,812	20,308	7.4%
Revenue – non-fuel	1,403	1,150	22.0%
<b>Gross Profit</b>	<b>4,499</b>	4,232	6.3%
Gross profit – fuel	3,735	3,593	4.0%
Gross profit – non-fuel	764	639	19.6%
<b>EBITDA</b>	<b>2,646</b>	2,397	10.4%
<b>Operating profit</b>	<b>2,033</b>	1,901	6.9%
<b>Capital expenditure</b>	<b>864</b>	777	11.2%

