

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)

2023	2022
4,284	3,281

30.6% increase



Corporate Fuel Volumes (million liters)

2023	2022
3,891	3,061

27.1% increase



Aviation Volumes (million liters)

2023	2022
393	220

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 laundrettes).

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 with 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.

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

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.

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.

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%

