INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Opinion

We have audited the consolidated financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or "the Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Groups's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Business acquisition	
During the year, the Group acquired 50% stake in **TotalEnergies Marketing Egypt LLC (TEME),** a limited liability company registered in Cairo, Egypt for a total consideration of **AED 721 million.** The acquisition is accounted for in accordance with the **IFRS 3 'Business Combinations'** and includes a number of significant and complex judgments in the determination of the fair value of the assets and liabilities acquired. The assets and liabilities acquired were stated at their fair values which were determined in the course of the purchase price allocation and fair value determination. This resulted in net assets measured at fair value amounting to **AED 661 million**. Goodwill recognised in the consolidated financial statements amounted to **AED 391 million**. Management has the discretion to make judgements, estimates and assumptions in allocating the purchase price and determining fair value. Changes in these assumptions could have a significant effect on the purchase price allocation and fair value. Due to the matter described, we considered the business combination and in particular the purchase price allocation and fair value determination as a key audit matter in our audit. We refer to Note 3.4 and 30.1 to these consolidated financial statements for the accounting policy and related disclosures respectively.	**Our audit approach included the following:** ■ We obtained understanding of management's process related to the business combination and the related acquisition accounting. ■ We reviewed the underlying documentation, terms and conditions of the transaction including the transaction date and assessed the accounting treatment of the consideration transferred and the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations', ■ We engaged our valuation specialists to assist us in reviewing the Group's valuations and in assessing the methodology used to determine the fair value of assets acquired and liabilities assumed, ■ We assessed the adequacy of disclosures of financial information, including disclosure of key assumptions and estimates are in accordance with the IFRS.
Impairment assessment of intangible assets including goodwill	
As at 31 December 2023, the Group has goodwill and other intangible assets with indefinite useful lives amounting to AED 392 million and AED 145 million, aggregating to 3 percent of the Group's total assets. Goodwill and intangible assets with indefinite life are required to be tested for impairment, at least on an annual basis. For this purpose, goodwill and other intangible assets with indefinite useful lives are allocated to the Retail, Corporate and Aviation CGUs, the recoverable amount of which is supported by value-in-use calculations based on future discounted cash flows. Based on the assessment, management concluded that the intangible assets including goodwill were not impaired as of 31 December 2023. We identified the impairment of goodwill and other intangible assets as a key audit matter due to the use of complex and subjective management estimates based on management's judgement of key variables and market conditions. We refer to Note 3.5 and 6 to these consolidated financial statements for the accounting policy and related disclosures respectively.	**Our audit approach included the following:** ■ We obtained understanding and evaluated management's process including key controls over impairment assessment; ■ We obtained management's future cash flow forecasts and tested the mathematical accuracy of the underlying value-in-use calculations ■ involved our valuations specialists to evaluate the appropriateness of the methodology used by the management ■ assessed the reasonableness of key assumptions used in the calculations. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis for determining the assumptions. ■ We found the Group's estimates and judgments used in the impairment assessment and review of useful lives of intangible assets to be supported by sufficient and appropriate audit evidence. ■ Assessing the appropriateness of the related disclosures included in note 6 to the consolidated financial statements.

Revenue recognised from retail sales and related IT systems	
Revenue from retail sales amounted to AED 23.2 billion for the year ended 31 December 2023. There are complex IT systems in use which comprise multiple IT applications which are used to process large volumes of data pertaining to retail sales transactions that occur throughout the year. Given the complexity of the IT systems involved there is an inherent risk around accuracy and completeness of revenue recognized and therefore we considered this area to be a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 3 to the consolidated financial statements and details about the Group's revenue are disclosed in note 19 to the consolidated financial statements.	**Our audit approach included the following:** ■ Understanding of the significant revenue processes and identification of the key relevant controls and IT systems; ■ Understanding of the control environment and testing of the general IT controls over the main IT systems and applications involved in the revenue recording process; ■ Evaluation of the design and implementation and testing of the operating effectiveness of automated controls residing in the main IT systems and applications involved in the revenue recording process; ■ Assessment of the Group's accounting policy for revenue recognition against the requirements of IFRSs; ■ Performance of the test of details on a sample basis to reconcile daily retail sales to cash collections and subsequent bank deposits; ■ Performance of substantive analytical procedures over retail sales revenue by building an expectation on basis of quantities sold and regulated prices; and ■ Assessment of the adequacy of disclosures in the consolidated financial statements relating to revenue.

Right-of-use assets	
As part of the Group's plans to expand its distribution network in the United Arab Emirates, Kingdom of Saudi Arabia and the Arab Republic of Egypt during the current year, the Group has entered multiple leasing arrangements. During the year, the Group has recorded additional right-of-use assets and related lease liabilities amounting to AED 511.6 million. Due to the significant number of service stations and other assets added every year, management encounters certain delays in the finalization of the agreements on account of certain approvals and communication from the relevant departments which hinders the process of collating a complete set of lease contracts before the finalization of the consolidated financial statements. Additionally, determining the present value of the lease payments requires management to apply significant judgments and estimates to determine the discount rate and lease term, which has been disclosed in note 4 of the consolidated financial statements. The Group's accounting policies are presented in note 3 and details about the Group's right-of-use assets are disclosed in note 9 to the consolidated financial statements.	**Our audit approach included the following:** ■ Obtaining an understanding of the Group's process for identifying the agreements related to the right-of-use assets and lease liabilities; ■ Obtained an understanding of the system generated lease assessment and recomputed the amount based on the inputs from the contract to ensure accuracy of the results; ■ Assessing the validity and completeness of the list of service stations and other assets used for the underlying calculation; ■ Performing test of details by inspecting the lease agreements, on a sample basis to determine the existence of the lease; ■ Reperforming the calculation of interest on the lease liabilities and depreciation of the right-of-use assets and agreed these to the consolidated financial statements; ■ Detailed analysis and enquires with management related to the incremental borrowing rates used on the lease assessment; ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Decommissioning obligation related to assets constructed on leased land	
The Group has recorded a provision for decommissioning of AED 149.4 million. These provisions relate to an obligation to dismantle service stations constructed on leased land, at a future date. The Group operates a comprehensive network of fuel pumps in Dubai and Northern emirates in the United Arab Emirates on land leased from third parties. The Group has contractual obligations to restore the land to its original condition at the end of the lease period in respect of these lands. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and available technology. At each reporting date the decommissioning liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred at reporting date. The Group's accounting policies relating to the dismantling obligations are presented in note 3, the critical accounting estimates made, and judgements applied by management are disclosed in note 4 to the consolidated financial statements and details about the decommissioning obligations are disclosed in note 18 to the consolidated financial statements.	**Our audit approach included the following:** ■ Obtaining an understanding of the Group's process for identifying the agreements for which a provision needs to be raised and testing the adequacy of controls over this process; ■ Assessing the validity and completeness of the list of service stations used for the underlying calculation; ■ Evaluating the approach adopted by management in determining the expected costs of decommissioning and determining if the significant judgements applied and estimates made are reasonable; ■ Obtain an understanding of the cost assumptions used that have the most significant impact on the provisions and determining if these assumptions are appropriate and discussing the estimates used by the management; ■ Reviewing, with the assistance of our internal specialists, the discount and inflation rates used in the estimation to determine if they are appropriate; ■ Agreeing the results of the management's calculation to the amounts reported in the consolidated financial statements; ■ Evaluating the skills, objectivity and competence of the management expert; and ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Operational and Financial Highlights, Chairman's Message, CEO's Message and the other information in the annual report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Operational and Financial Highlights, Chairman's Message and CEO's Message, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company and UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 30.1 to the consolidated financial statements, the Group has made investment during the financial year ended 31 December 2023;
- Note 8 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- As disclosed in note 1 to the consolidated financial statements, the Group made social contributions amounting to AED 2,544 thousand during the year ended 31 December 2023; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2023, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2023

- Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.

GRANT THORNTON
Farouk Mohamed Registration No: 86
Abu Dhabi, United Arab Emirates
6 February 2024