أدنوك
ADNOC

TRANSFORMING MOBILITY

Delivering on promises and future proofing business

ANNUAL REPORT 2022

2022 Annual Report

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INTRODUCTION

ADNOC DISTRIBUTION AT A GLANCE

ADNOC Distribution is primarily engaged in marketing, sale and distribution of transportation fuel to both retail and commercial customers.

It also operates non-fuel services at its service stations, including convenience stores, car wash, lube change, vehicle inspection and the leasing of rental properties.

ADNOC Distribution is the largest fuel and convenience retailer in the United Arab Emirates (UAE), with 502 service stations and 362 convenience stores (as of 31 December 2022). It also operates 66 stations in the Kingdom of Saudi Arabia (as of 31 December 2022).

The Company continues to hold its position as the leading marketer and distributor of fuels to commercial, residential, industrial and government customers in the UAE. It also provides aviation fueling, and related aviation services. Throughout its history, ADNOC Distribution has pioneered in providing alternative fuels and introduced e-commerce solutions to meet changing customer needs as well as to unlock new business revenue streams. This dedication to innovation and expanding capabilities have led to the ongoing research and development of many new initiatives, including a mobility joint venture that will build and operate electric vehicle (EV) infrastructure in Abu Dhabi and the wider UAE.

OUR BUSINESS SEGMENTS

B2C: RETAIL BUSINESS

FUEL

ADNOC Distribution is the largest fuel retailer in the UAE, with 502 domestic sites as of 31 December 2022, operating across all seven emirates of the UAE.

The Company is also active in the retail sales of liquefied petroleum gas (LPG), compressed natural gas (CNG) and automotive lubricants. Beyond UAE, the Company operates 66 retail fuel stations in Saudi Arabia (as of 31 December 2022), with a strong commitment to international expansion.

NON-FUEL

ADNOC Distribution's non-fuel retail activities comprise convenience stores located at its fuel service stations, as well as value added services such as car wash, lube change, vehicle inspection centers and rental properties.

CONVENIENCE STORES

ADNOC Distribution is the UAE's largest convenience store retailer by number of stores and now it operated 362 convenience stores in the UAE, as of 31 December 2022.

CAR SERVICES

The Company offers car care services at many of its service station locations, including car wash and lube change services. In addition, various services are provided by its partners and tenants, such as vehicle servicing, repairs, and tire changes.

RENTAL PROPERTIES

The Company manages and leases retail space within its service stations to restaurants and other service providers. Its tenants occupy more than 1,000 properties, operating quick service restaurants and offering supplementary products and amenities including banking services and automobile insurance. Major tenants include well-known global brands such as McDonald's, Starbucks, KFC, Subway and Burger King.

VEHICLE INSPECTION

The Company operates 32 vehicle inspection centers in the UAE. It is the only authorized provider of government-mandated annual vehicle inspections in the Emirate of Abu Dhabi, while it also provides vehicle inspection services in other Emirates of the UAE.

B2B: COMMERCIAL BUSINESS

CORPORATE

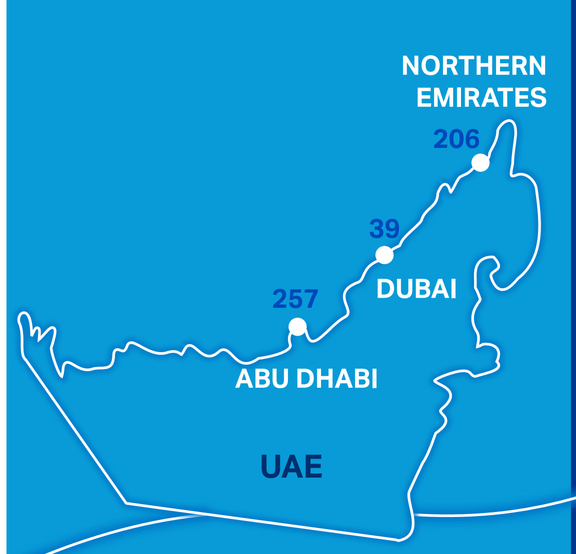
ADNOC Distribution is the largest supplier of gasoil and gasoline to commercial, residential, industrial and government customers in the UAE wholesale fuels market. The Company also sells lubricants (engine oils and greases), used by commercial, industrial, marine and government customers for motor vehicles, as well as for other engines, machinery and equipment.

AVIATION

ADNOC Distribution sells aviation fuel and provides refueling and related services to strategic aviation customers in the UAE. In addition, it provides fuel distribution services and aircraft refueling services to ADNOC's civil aviation customers at multiple airports across the UAE.

FUEL VOLUMES

	RETAIL	CORPORATE	AVIATION
Share	67%	31%	2%
Volume	6,586 million liters	3,061 million liters	220 million liters



Number of ADNOC Distribution's Fuel Stations
(31 December 2022)

OUR MARKETS

UAE

The UAE remains the Company's core market. It is the second-largest economy, after Saudi Arabia, in the Gulf Cooperation Council (GCC), based on nominal gross domestic product (GDP) and one of the wealthiest countries in the region on a per capita basis.

The UAE was ranked as the number one country in the Arab world and the 19th country globally for its ability to attract foreign direct investment (FDI), according to the World Investment Report 2022.

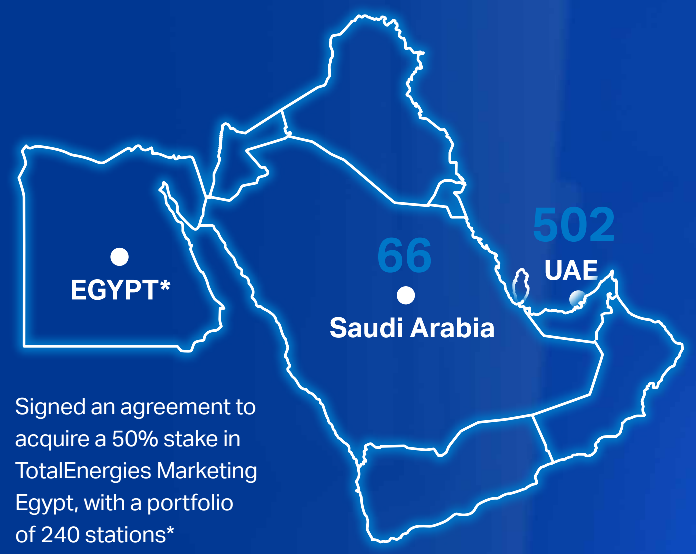
In 2022, the UAE economy is expected to demonstrate the highest growth rate in 11 years. The country's Central Bank projects the Real GDP grew by 7.6% in 2022, driven by a further rise in oil production, as well as significant improvement in the real non-oil GDP (+6.1% in 2022). This growth was driven by the recovery in global travel and tourism following the removal of most COVID-19 related restrictions, the booming real estate and construction sectors, as well as expansion of the manufacturing sector, which benefited from a set of government reforms and programs seeking to provide an attractive business environment.

For 2023, the UAE Central Bank forecasts real GDP growth to moderate to around 3.9%, as hydrocarbon revenue is expected to be lower, while the non-oil sector should continue the trend set in 2022.

KINGDOM OF SAUDI ARABIA

ADNOC Distribution continued its expansion in Saudi Arabia, by adding 26 new stations in 2022, and growing its total network in the Kingdom to 66 stations. This expansion included adding new stations through M&A activities and leasing sites - both greenfield and with existing assets.

Saudi Arabia's economy is one of the top 20 in the world, and the largest economy in the Arab world, as well as in the Middle East. The Kingdom's economic growth is expected to accelerate to 8.3% in 2022, according to a forecast by the World Bank. Oil activity is projected to expand by 15.5%, while the non-oil sector continues its growth trajectory of 4.3%, supported by the announced economic relief package to protect low-income citizens from inflationary pressures.



Signed an agreement to acquire a 50% stake in TotalEnergies Marketing Egypt, with a portfolio of 240 stations*

* The transaction was completed in Q1 2023

Saudi Arabia continues to improve its investment environment by dedicating massive financial resources to diversify its economy as part of its 2030 Vision strategy. In 2022, the country established the Saudi Investment Promotion Authority which will work to attract national and foreign investment as part of the National Investment Strategy. On top of that, the government announced the new tourism law which encourages new investments in the sector and makes it more accessible for tourists from abroad. The outlook for Saudi Arabia's economy remains favorable; it is projected to grow further albeit at a slower pace due to the weakening global economic outlook which results in the oil market high uncertainty. The World Bank estimates Saudi Arabia's real GDP to increase by 3.7% in 2023.

EGYPT

Beyond the GCC region, the Company further advanced its international expansion in 2022 by entering into an agreement with TotalEnergies Marketing Afrique SAS, to acquire a 50% stake in TotalEnergies Marketing Egypt LLC, which is among the top four fuel retail operators in Egypt. The transaction was completed in the first quarter of 2023. The partnership with TotalEnergies includes a diversified portfolio comprising 240 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car wash sites, as well as wholesale fuel, aviation fuel, and lubricant operations. 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.

According to the Government of Egypt, the country posted economic growth at 4.4% in Q1 of the fiscal year 2022/2023 (starts in July 2022). The World Bank forecasts Egypt's real gross domestic product (GDP) for the fiscal year 2022/2023 to grow at 4.8%. Egypt's overall macroeconomic environment during FY2022/2023 is expected to be undermined by the weakening global economic outlook, before starting to improve over the medium-term. The country's finance ministry targets GDP growth of 5.5% in the fiscal year 2023/2024.

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OUR HISTORY

49 SUCCESSFUL YEARS AS THE NATION'S ENERGY PROVIDER

1970

1973
During the rule of Sheikh Zayed, Abu Dhabi National Oil Company for Distribution (ADNOC Distribution) is established by royal decree as the first UAE government-owned company specializing in the marketing and distribution of petroleum products

1976
The Company begins selling Liquid Petroleum Gas (LPG) in canisters for domestic consumption

1979
ADNOC Distribution opens a lubricants blending and packaging plant at Sas Al Nakhl in Abu Dhabi

1980

1982
The Company begins refueling aircraft at Abu Dhabi International Airport

1983
The Company commissions a grease production unit at the Sas Al Nakhl lubricant plant. The unit, only the second of its kind in the world, manufactures high-quality greases

1984
The number of filling stations in remote areas increases as part of a plan to expand the Company's network to cover the whole of Abu Dhabi Emirate. Special attention is given to introducing modern technology. New services, such as the sale and repair of tires, are added at some filling stations

1990

1993
ADNOC Distribution becomes an American Petroleum Institute (API) member and receives its first API lubricants certification

1998
ADNOC Distribution rebrands and introduces a total retail offering (fuel and non-fuel). The Company obtains International Organization for Standardization (ISO) 9002 certification from the British Standards Institute. This is followed by ISO 9001-2008 accreditation in 2003

1999
The Company's aviation division receives the MTMC (US Military Transport Management Command) Quality Award for Excellent Services

2000

2000
The Company begins operating its vehicle inspection centers in coordination with Abu Dhabi Police

2006
ADNOC Distribution's service stations begin offering a third grade of gasoline, E-plus (Octane 91) for low-compression engines, to complement Super (98) for high-compression and Special (95) for medium-compression engines

2008
The Company begins construction of compressed natural gas (CNG) distribution facilities at its service stations to be used by natural gas vehicles (NGVs)

2009
ADNOC Distribution and other ADNOC group companies sign the ADNOC Sustainability Charter

2010

2011
ADNOC Distribution becomes a member and strategic partner of the International Air Transport Association (IATA) and an associate member of the Joint Inspection Group (JIG), which governs standards for the operation of shared fuel storage and handling facilities at world's major airports

2013
The Company agrees to acquire 75 service stations from Emirates General Petroleum Company (Emarat) in the five Northern Emirates of Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain and Fujairah

2014
ADNOC Distribution agrees to take over 25 service stations in Sharjah from Emirates National Oil Company (ENOC)

2015
Pilot phase of ADNOC Distribution's Smart project begins. Smart service stations are fitted with radio frequency identification (RFID) readers, allowing customers to manage their ADNOC wallet accounts online and to pay for fuel without the use of cash or bank cards. ADNOC Distribution launches Facebook and Twitter pages in Arabic and English

2016
The Company marks the opening of its 200th ADNOC Oasis convenience store

2017
The Company completes its successful initial public offering, listing its shares on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The ADNOC Xpress format is launched. Xpress stations are one-island outlets offering additional fueling capacity in urban areas

2018
ADNOC Distribution opens its first service stations in Dubai and Saudi Arabia

2019
ADNOC Distribution launches an innovative smart fuel distribution concept 'ADNOC On the go', a new 'ADNOC Rewards' loyalty program and a next generation 'ADNOC Oasis' convenience store. ADNOC Distribution begins selling LPG gas in 25-pound and 50-pound canisters in Dubai

2020

2020
ADNOC Distribution enhances ADNOC Rewards with the introduction of a point-based program, and introduces home delivery services from its convenience stores

The Company expands its Vehicle Inspection services to the Northern Emirates

The Company executes a definitive agreement to acquire 15 service stations in Saudi Arabia

2021
The Company executes two definitive agreements to acquire 20 service stations in Saudi Arabia

Free float increases to 23%, following ADNOC's placement of 375 million of ADNOC Distribution's shares

ADNOC Distribution shares included in major emerging market benchmark indices of MSCI and FTSE

The Company launches the next generation retail experience, a fully autonomous, contactless and cashier-less ADNOC Oasis store

2022
ADNOC Distribution launched ADNOC Voyager Green Series, a 100% plant-based lubricant range for both petrol and diesel engines.

The Company signs an agreement to acquire a 50% stake in TotalEnergies Marketing Egypt

ADNOC Distribution marks the opening of its 500th station in the UAE

YEAR IN REVIEW

Accelerating execution of our Smart Growth Strategy, bringing enhanced customer experience and delivering attractive shareholder return

2022

Q1

- Opened **18 new stations** in the UAE and KSA
- Opened **4** and refurbished **3 convenience stores** in the UAE
- Launched **ADNOC Voyager Green series**, which offers customers a 100% plant-based lubricant range for both petrol and diesel engines
- **New partners** added to the ADNOC **Rewards program**
- ADNOC Distribution **shares** were included in **FADX15 Index**

Q2

- Opened **9 new stations** in the UAE, including four sites in Dubai
- Added **11 new stations** in KSA, taking the total network in Saudi Arabia to 66
- Opened **9** and refurbished **2 convenience stores** in the UAE
- ADNOC **Rewards program** expanded to include a **fuel redemption** option, whereby customers can pay for their fuel with their ADNOC Rewards points.

Q3

- Opened **9 new stations** in the UAE, of which two were in Dubai, including the Company's flagship station that leverages advanced technologies and has the first double-story ADNOC Oasis convenience store
- Opened **7** and refurbished **6 convenience stores** in the UAE
- Signed an agreement to acquire **50% stake** in **TotalEnergies Marketing Egypt**
- Launched series of promotions including the **Let's Go Shop** and **Win Raffle** as well as comprehensive vehicle inspection, car wash, and lube change offers

Q4

- Opened **21 new stations** in the UAE, including 2 in Dubai, to cross a **500 stations milestone** in the country
- Opened **8** and refurbished **26 convenience stores** in the UAE
- Successfully refinanced an **AED 5.5 billion** loan for a five-year term, converted later into a Sustainability-Linked Loan, and secured a Revolving Credit Facility (RCF) of AED 2.8 billion from ADNOC PJSC for a five-year term
- Added new distributors for **ADNOC Voyager lubes**, taking the total number of countries it is exported to **25**
- Reached **1.6 million** loyalty members of ADNOC Rewards program, a 33% increase compared to end of 2021

	TOTAL FUEL VOLUMES	GROSS PROFIT	EBITDA	NET PROFIT	FREE CASH FLOW [1]	DIVIDEND [2]
2022	9,867 MILLION LITERS	AED 5,668 MILLION	AED 3,517 MILLION	AED 2,749 MILLION	AED 3,391 MILLION	AED 2,571 MILLION [3]
2021	9,139 MILLION LITERS	AED 4,814 MILLION*	AED 3,067 MILLION*	AED 2,252 MILLION*	AED 2,260 MILLION	AED 2,571 MILLION

* For comparable purposes, prior year periods OPEX were reclassified

[1] Free cash flow is defined as net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors

[2] Dividend for the fiscal year paid in two installments, October of the same fiscal year and April of next fiscal year

[3] Subject to shareholders approval at the General Assembly

STRATEGIC REVIEW

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OUR VISION, MISSION & VALUES

OUR VISION

We harness energy resources in the service of our nation.

OUR MISSION

Through partnership, innovation and a relentless focus on high-performance and efficiency we maximize the value of energy resources.

OUR VALUES

PROGRESSIVE

We harness the UAE's spirit of innovation to ensure that our business remains at the forefront of the global energy industry.

COLLABORATIVE

We work in close collaboration with our partners and peers, leveraging our collective strengths to deliver mutually beneficial results.

RESPECTFUL

We encourage a culture of inclusivity and mutual respect, and always operate to the highest professional and ethical standards.

RESPONSIBLE

We are committed to identifying ways that can make a difference to our community, while maintaining an unwavering commitment to health, safety and the environment.

EFFICIENT

We are a performance-driven company, dedicated to maximizing the value of energy resources for the benefit of our people, our community, our partners and our nation.

OUR CULTURE

Our fundamental spirit and the character of our people.

BRING THE ENERGY

Unwavering passion, energy and enthusiasm defines our character and is reflected in how we work.

EMBRACE TEAMWORK

Collaborative work is critical to our success and founded on the understanding that together we achieve more than we can alone.

SEEK EXCELLENCE

We thrive on innovating new solutions, seizing opportunities and raising standards across everything we do.

DELIVER RESULTS

We are driven to deliver and willing to do what it takes to ensure meeting our targets and reaching our aspirations.

EXCEED EXPECTATIONS

We endeavor to achieve our best every day and to never settle for anything less than the very best from ourselves, our people and our company.

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CHAIRMAN'S MESSAGE

A YEAR OF DELIVERY AND GROWTH

DR. SULTAN AHMED AL JABER
CHAIRMAN, ADNOC DISTRIBUTION

The journey of ADNOC Distribution in 2022 was one powered by growth and the realization of the company's vision to venture beyond our borders into new markets.

It is one that has also resulted in a heightened awareness of how closely intertwined our interests are with those of the future as we started along the path of building a more resilient business model which focuses increasingly on sustainability.

Even as the company continues to grow and transform, we keep an eye on our core focus - customers determine our success. Throughout 2022, we remained committed to maintaining a customer-centric approach while implementing a smart growth strategy.

During the year, our network of stations grew to more than 500 service stations, with 68 new site openings across the UAE and KSA. Critically, ADNOC Distribution entered another new territory through our agreement with TotalEnergies to acquire a 50% equity stake in TotalEnergies Marketing Egypt. This development paved the way for us to enter the promising Egyptian fuel retail, aviation, and lubricants market.

In parallel to the pursuit of our growth objectives, we remained focused on upgrading customer experiences. At ADNOC Distribution, we look at everything from the perspective of our customers. We strive to offer them the highest levels of convenience and service and cater to their evolving needs, while seizing the opportunities in the dynamic mobility sector with a continued focus on sustainability across our operations. By doing so, we grew our business by more than 15% in non-fuel transactions, increasing our non-fuel retail gross profit by 6% in in 2022.

Another one of our key initiatives has been to ensure the sustainable growth of our business and future-proofing our operations by utilising the latest technologies to reduce our emissions intensity and support energy transition, such as offering electric vehicle charging and other value-adding services.

All of these efforts contributed to delivering a collective strong performance in 2022, as we reported a 15% increase in EBITDA compared to 2021 at AED 3.52 billion, and net profits of AED 2.75 billion, a 22% increase over the previous year. ADNOC Distribution also maintained a strong balance sheet, with liquidity of AED 5.5 billion in the form of AED 2.7 billion in cash and cash equivalent, and AED 2.8 billion in unutilized credit facilities, and net debt to EBITDA of 0.78x.

Indeed, our strong cash flow and solid financial position added new strength to ADNOC Distribution's 50-year foundation, ensuring that we are well positioned to deliver on our growth ambitions over the coming years, both domestically and internationally.

Despite our successful trajectory to date, we remain focused on creating more value to our shareholders while recognizing that smart growth goes beyond network expansion and customer experience ambitions. It requires a constant review of the way we conduct our business across all functions and exploring innovative solutions to increase the effectiveness and efficiency of our operations, including efficient capital allocation and better integration across all functions. As such, we remain committed to achieving further operational excellence and we expect to realize further considerable OPEX savings in 2023.

As much as 2022 was about growth, our journey in 2023 will focus on taking the first steps into the future and all the promising opportunities that it brings. As we enter the UAE year of sustainability, never has it been so essential for us to further commit to proving that our business can both; support the strategic goals of our nation, while at the same time create long-term sustainable value for our shareholders.

CEO'S MESSAGE

"ACHIEVING NEW MILESTONES AND GROWING OUR GLOBAL PRESENCE

ENG. BADER SAEED AL LAMKI
CEO, ADNOC DISTRIBUTION

2022 Annual Report

As we reflect on our performance in 2022, I am humbled by the extraordinary tenacity of every member of the ADNOC Distribution team. Over the past twelve months, the Company successfully navigated global challenges thanks in large part to our team's commitment to strategic and innovative solutions.

As a result, 2022 became a year of tremendous opportunity in which we were able to pivot from a domestic, regional leader to start building the foundations for becoming a global fuel retailer.

The significant growth and accomplishments experienced across this period shows our ability to fully embrace and overcome any challenges ahead.

Revealed in the pages that follow, the success stories of this year enable ADNOC Distribution to advance in its strategic ambitions as a progressive energy company with a commitment to sustainability and considerably supports our futureproofing efforts to ensure robust, long-term performance in the years ahead.

ADNOC Distribution reported unprecedented earnings and operating cash flows for 2022. The Company saw a year-on-year rise of 8% in total fuel volumes in 2022 on the back of the UAE's continued economic growth, increased traffic at service stations, and substantial increases in corporate fuel volumes, rising 34% compared to 2021. Our non-fuel business also continued to show strong growth, increasing transactions and gross profit year-on-year, driven by customer-centric initiatives, higher traffic at stations and higher F&B sales.

We also achieved a remarkable milestone in customer loyalty with our ADNOC Rewards, when we redeemed more than 1 billion Rewards points in a single calendar month in 2022, a testament to the program's growing popularity, with nearly 1.6 million customers joining its membership so far. We also expanded the program offering by including fuel purchases and integrating our marketing campaigns within its offerings, such as the 'Let's Go Shop and Win' summer campaign and offered members valuable deals and exclusive offers with our partners.

Another milestone was achieved in 2022 by passing our 500th UAE service station, bringing our total local network to 502. We launched 42 new service stations nationwide in 2022, including our first flagship station on Sheikh Zayed road in Dubai, showcasing advanced technologies such as smart cameras and digital screens at the pump to provide customers with a personalized, digitally immersive journey. The station also features ADNOC Distribution's first double-story Oasis convenience store, and it's partially powered by renewable energy sources, including solar, wind and energy-generating walkways.

We also further accelerated efforts to deliver on our International Smart Growth Strategy globally by opening 26 new sites in Saudi Arabia, bringing our total network to 66 service stations across the Kingdom. Further, we signed a landmark agreement to acquire a 50% stake in TotalEnergies' fuel distribution business in Egypt which includes a diversified portfolio comprising 240 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car washes, as well as wholesale fuel, aviation fuel, and lubricant operations.

And finally, we enhanced the reach of our product portfolio internationally by increasing the total number of export network countries of ADNOC Distribution's VOYAGER lubricants to 25 markets worldwide. The Company also launched the ADNOC VOYAGER green series, an alternative 100% plant-based lubricant range for petrol and diesel engines.

Looking ahead to 2023 and beyond, we will continue to exert more efforts to achieve new heights and add new successes to our record. We remain committed to redefining and reimagining our offering to tackle the future needs of our customers and to tap into innovative service offerings. Combined, our efforts aim to futureproof our business in the ongoing quest to become an international commercially driven organization, and a world class provider of future mobility solutions.

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ADNOC DISTRIBUTION'S STRATEGY

Sustained leadership in the UAE fuel distribution market, continued execution momentum and an ambitious international expansion plan.

The ultimate objectives of ADNOC Distribution's strategy are to drive sustainable earnings growth and deliver long-term returns for shareholders. The Company's resilient and diversified business operations create ample room for future growth in both Fuel and Non-Fuel segments, as well as to capture emerging opportunities in new mobility solutions. Whilst remaining focused on its solid growth strategy, the Company is also committed to optimizing its costs, running its business in a sustainable manner, decarbonizing its day-to-day operations, strengthening its brand, and allocating its capital in an efficient manner to generate additional shareholders value. ADNOC Distribution recognizes that business success can be achieved by putting customers at the heart of its offering. The Company's customer-centric focus has been always central to its strategy, and a key driver of its transformational journey from a fuel retailer to a retail destination of choice offering more than just fuel.

The Company has demonstrated a proven track record of executing on its strategy and delivering strong operating and financial results, with a target to grow EBITDA to a minimum $1 billion by 2023. The Company aims to achieve this by consolidating its leadership position in the fuel distribution and convenience retail services in its home market, enhancing its product and service offerings, expanding geographically, maximizing returns from its current portfolio, and increasing efficiencies in costs and capital allocation.

STRATEGIC GROWTH TARGETS BY 2023

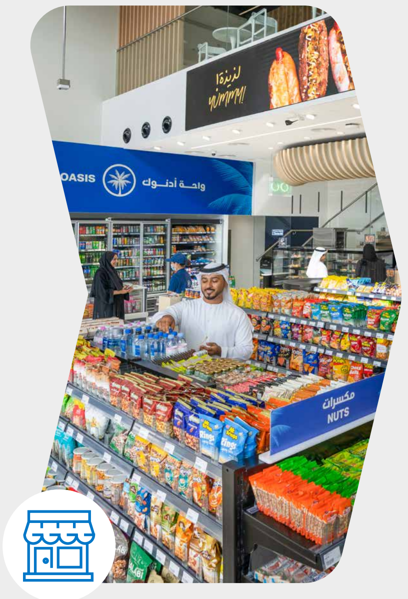
DOMESTIC FUEL

FUEL RETAIL

- Single digit volume growth over 2018-23
- 530-550 stations in UAE by 2023
- Increase ULG-98 contribution as a % of retail gasoline sales by 2023 via increased marketing, use of additives and internationals certifications for premium fuels

COMMERCIAL FUEL

- Market share gain in Dubai and Northern Emirates



DOMESTIC NON FUEL

- Refurbish total C-store network with new look and feel
- Optimise product category management
- Enhance fresh food and premium coffee offering to increase basket size/margins
- Increase C-store conversion (fuel to non-fuel conversion)
- Diversify into franchisee model and e-commerce

CUSTOMER EXPERIENCE

- Increase customer loyalty and enhance customer experience through a variety of initiatives:
- Expand of ADNOC Rewards points-based programme (the first amongst UAE traditional fuel retailers)
- Introduce contactless payment
- E-commerce channel expansion
- Launch mobile fuel & LPG delivery
- Deploy smart technology at stations and C-stores

COST EFFICIENCY & CAPEX

- Approximately $100-$150m in like-for-like OPEX savings over 2019-2023 compared to 2018
- OPEX optimization through smart, targeted initiatives, including staff optimisation via efficient retail site operation model, streamlining marketing costs and back office processes, outsourcing and vendor negotiations, reviewing warehousing costs and improving our utilities usage
- CAPEX acceleration and network growth efficiencies

INTERNATIONAL GROWTH

- Expand in International markets (Saudi Arabia...) including lubricants export opportunities

To achieve long-term growth objectives, ADNOC Distribution is focusing on the following key areas:

DOMESTIC FUEL

FUEL RETAIL

NETWORK EXPANSION IN DUBAI

Dubai provides access to one of the highest retail fuel throughputs per station in the region and a strong non-fuel opportunity. It offers a way for the Company to expand its network domestically without cannibalizing its own volumes. ADNOC Distribution has increased its presence in Dubai from three sites in 2018 to a network of 39 stations as of 31 December 2022, including its recent flagship station on Sheikh Zayed Road which leverages advanced technologies including smart cameras and digital screens at the pump to deliver a personalized, digitally immersive and seamless customer journey.

MAINTAIN A LEADING POSITION IN ABU DHABI AND THE NORTHERN EMIRATES

As the largest fuel retail operator in Abu Dhabi and in the Northern Emirates, the Company continues to expand its network in these regions to defend 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 less capital-intensive station model 'ADNOC On the go" is prioritized, in order to both protect its market share and generate an internal rate of return of at least 15%.

NETWORK PORTFOLIO OPTIMIZATION

The Company is continuously performing retail network health analysis using on data analytics to improve asset utilization at its service stations and grow profitability, thereby unlocking value from its expanding retail assets and maximizing return on capital employed.

To further enhance customer experience across its network, the Company is also ensuring convenient access to its range of premium products. Combined with marketing and promotional campaigns, the Company has provided greater access to information for customers around the benefits of higher-octane fuels.

STRATEGY IN ACTION

Flagship station 222 – bringing convenience, sustainability, and innovation to our forecourts in Dubai

CONTEXT

ADNOC Distribution launched its first flagship service station in Abu Dhabi in 2019 to showcase the best in our offering and the latest innovations we utilize to enhance customer experience. It then launched its first flagship site in Dubai in 2022, with station 222 which is also the first ADNOC station to open on the iconic Sheikh Zayed Road.

OFFERING

The 9,395 sqm station has a unique blend of features, including renewable energy generation, a unique convenience store and an immersive customer journey, all brought together in a new design including an extended canopy that stretches from the fueling bays to the convenience store in a new forecourt design. Station 222 also features the Company's first two-story convenience store, where the ground floor is dedicated to retail shopping while the upstairs area offers a sizeable seating space, where customers can order freshly brewed coffee made by our ADNOC Oasis baristas.

HOW DOES IT WORK?

In line with ADNOC Distribution's commitment to driving sustainability across its business, the station places a strong emphasis on renewable power. The station is partially powered through built-in photovoltaic (PV) panels, in addition to solar and wind-powered trees. Inside the convenience store, customers and staff movement also contribute to providing energy via power-generating walkways. Finally, electric vehicle (EV) motorists will soon be able to re-charge at the station thanks to a soon-to-be-announced innovation.

COMMERCIAL FUEL

ADNOC Distribution expects to sustain growth in its commercial business through ongoing initiatives such as leveraging its leadership position to get into more strategic long-term sales contracts with customers and distributors, dynamic pricing, as well as government action in the enforcement of regulations to gradually eliminate the grey market of substandard products and unlicensed distributors in the UAE. There is a strong opportunity for growth in ADNOC Distribution's commercial business, across various product segments.

GROWING LPG BUSINESS ACROSS UAE

The UAE market presents compelling opportunities for the Company to seek returns and growth. This includes 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 LPG distribution model.

INTERNATIONAL EXPANSION FOR LUBRICANTS

The wholesale lubricants segment is one of the most promising operating segments for ADNOC Distribution as it enables expansion not only domestically but also internationally with exports to different markets across Middle East, Africa and Asia. The Company's lubricants exports network continues to expand, reaching 25 markets by end of 2022 compared to 19 markets in 2021.

The Company plans to grow sales in its lubricants segment by introducing new formulations and specialties products using AD base, a world-class base oil supplied by ADNOC. Also, having undertaken a rigorous assessment of the international lubricant market, the Company plans 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.

Moreover, there are also revenue growth opportunities through the opening of new lube change centers across the UAE, including Dubai, as the Company continues to expand its service station network.

STRATEGY IN ACTION

ADNOC Green Voyager- Diversifying our sustainability offering, reaffirming our leadership

CONTEXT

In March 2022, ADNOC Distribution became the first company to introduce a range of lubricant products made from 100% plant-based base oil. The Voyager Green Series range, for petrol and diesel engines, is part of the Company's overall strategy to continue expanding its sustainable and environmentally friendly product range.

OFFERING

Voyager PX Green is developed specifically for petrol engines and Voyager DX Green for diesel engines. The high-quality blending technology is the first approach in the region to be made entirely from plant-based base oils, showcasing the Company's commitment to offering customers more environmentally-friendly product options.

HOW DOES IT WORK?

ADNOC Distribution formulates and produces the Voyager Green Series at its dedicated facility in the UAE, ensuring the highest levels of quality and efficiency in accordance with international standards.

DOMESTIC NON-FUEL RETAIL

ADNOC Distribution remains positive about the outlook of the UAE retail market. Although the convenience store share of the grocery market is small compared to other countries, the Company believes that with the right offering, there is a significant potential for the segment's growth.

The Company's convenience store revitalization program is a key contributor to its convenience stores growth strategy. It offers customers a more convenient shopping experience and a modern family-friendly environment in which customers can refuel, unwind, and enjoy freshly prepared food. The revitalization program focuses on creating a new, modern look and feel, with enhanced category management with focus on fresh food and premium coffee products, leapfrogging the business into fresh, high-quality assortment with high margin products. These efforts are targeted at a higher conversion of our fuel transaction into non-fuel retail segment transactions.

Since the convenience stores revitalization program began in 2020, the Company has refurbished a total of over 190 stores as part of the extensive plan.

ADNOC Distribution is advancing in e-commerce by bringing high quality assortments of its convenience stores to customers. The Company launched its online delivery service, with up to 3,000 products now available to order from over 200 convenience stores across the UAE. ADNOC Distribution has plans to further expand this multi-channel approach, supplemented with greater presence through standalone and mobile convenience stores, thereby providing increased access and convenience for customers.

In addition, network-wide improvement initiatives are consistently underway, including supplier negotiations and car services optimization. The Company has refreshed its strategies for the other non-fuel businesses such as car wash, lube change, vehicle inspection, and property management with the aim to turn around the business model to unlock the potential offered by these businesses. This includes new pricing and product strategy combined with extensive marketing and promotions. In the car wash segment, the Company has plans to improve overall customer experience facilitated by new offerings and adapting innovative digital solutions. This will enable the customers to be served with improved machinery and enhanced experience via digital interventions.

CUSTOMER EXPERIENCE

Enhancing customer experience is key to ADNOC Distribution's success. This is achieved through a better understanding of what services customers value most and enhancing offerings to meet their needs. Convenience, service offering, digital experience, price, and loyalty are all markers of the Company's approach to differentiating itself in the market.

ADNOC Distribution is uniquely positioned to introduce products and services that boost customer satisfaction and loyalty, while driving incremental revenue and profitability. The use of advanced technology is key to offering superior customer experience.

A number of customer experience initiatives were launched, including 'ADNOC Rewards' loyalty program, the next generation, fully autonomous ADNOC Oasis convenience store, and the flagship station in Dubai which leverages advanced technologies such as smart cameras and digital screens at the pump – to deliver a personalized, digitally immersive and seamless customer journey. In addition, the Company continued to provide attractive promotions and marketing campaigns, to elevate customers experience.

2022 Annual Report

STRATEGY IN ACTION

ADNOC Rewards - Integrating our efforts to create higher value and drive popularity

CONTEXT

ADNOC Distribution launched its loyalty program, ADNOC Rewards, in 2019. The program was further upgraded in 2020 to offer point-base rewards, making it the first loyalty program of its kind from a fuel retailer in the UAE.

In 2022, the Company further enhanced its ADNOC Rewards offering within its efforts to elevate the overall customer experience across multiple platforms. This included integrating the Let's Go Shop and Win Raffle, as well as comprehensive vehicle inspection, car wash, and lube change offers within ADNOC Rewards. It also expanded the program's offering by including fuel to the available benefits, allowing customers to redeem their Rewards points against fuel purchases for the first time.

OFFERING

The ADNOC Rewards loyalty program recorded a milestone in 2022 with over one billion ADNOC Rewards points redeemed in a single calendar month, a testament to the value the program offers to its loyal members.

HOW DOES IT WORK?

By analyzing the valuable customer data, the Company gathered through ADNOC Rewards since it first launched in 2019, it has been able to provide customers a personalized experience and a higher value loyalty offering, further increasing the popularity of the program, with nearly 1.6 million members and 50+ partners.

COST EFFICIENCY AND CAPEX

ADNOC Distribution is focused on operational excellence, efficiency, and optimization across the entire organization. By optimizing expenditure, the Company aims to become increasingly efficient and balance a reduction in its costs whilst maintaining a high level of customer service. OPEX reduction and CAPEX optimization remain a priority. There has been significant progress in rationalizing OPEX and reducing CAPEX per station, with further room for improvements.

The Company will continue to improve CAPEX efficiency, including the roll out of less capital intensive stationformats, such as 'ADNOC On the go'.

INTERNATIONAL GROWTH

Delivering on our international expansion remains integral to our ambitious Smart Growth Strategy. We expect to grow internationally, including in Saudi Arabia, where there are opportunities to deliver against investment criteria of 15%+ internal rate of return.

During 2022, the Company continued to expand its presence in KSA by increasing its network of stations to 66 as of 31 December 2022. 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 there both organically and inorganically.

Beyond GCC, the Company further advanced its international expansion in 2022 by entering into an agreement with TotalEnergies Marketing Afrique SAS, to acquire a 50% stake in TotalEnergies Marketing Egypt LLC, which is among the top four fuel retail operators in Egypt. 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. The acquisition was completed in the first quarter of 2023.

In addition to Saudi Arabia and Egypt, ADNOC Distribution is also exploring other markets in the GCC, Middle East, North Africa and Asia regions.

STRATEGY IN ACTION

Expanding our footprint beyond the UAE borders, delivering on our Smart Growth Strategy internationally

CONTEXT

In July 2022, we entered into an agreement with TotalEnergies Marketing Afrique SAS to acquire a 50% stake in TotalEnergies Marketing Egypt. The investment will become the largest in ADNOC Distribution's history, valued at c. $203 million, reflecting the Company's commitment to pursue attractive international growth in line with its Smart Growth Strategy.

OFFERING

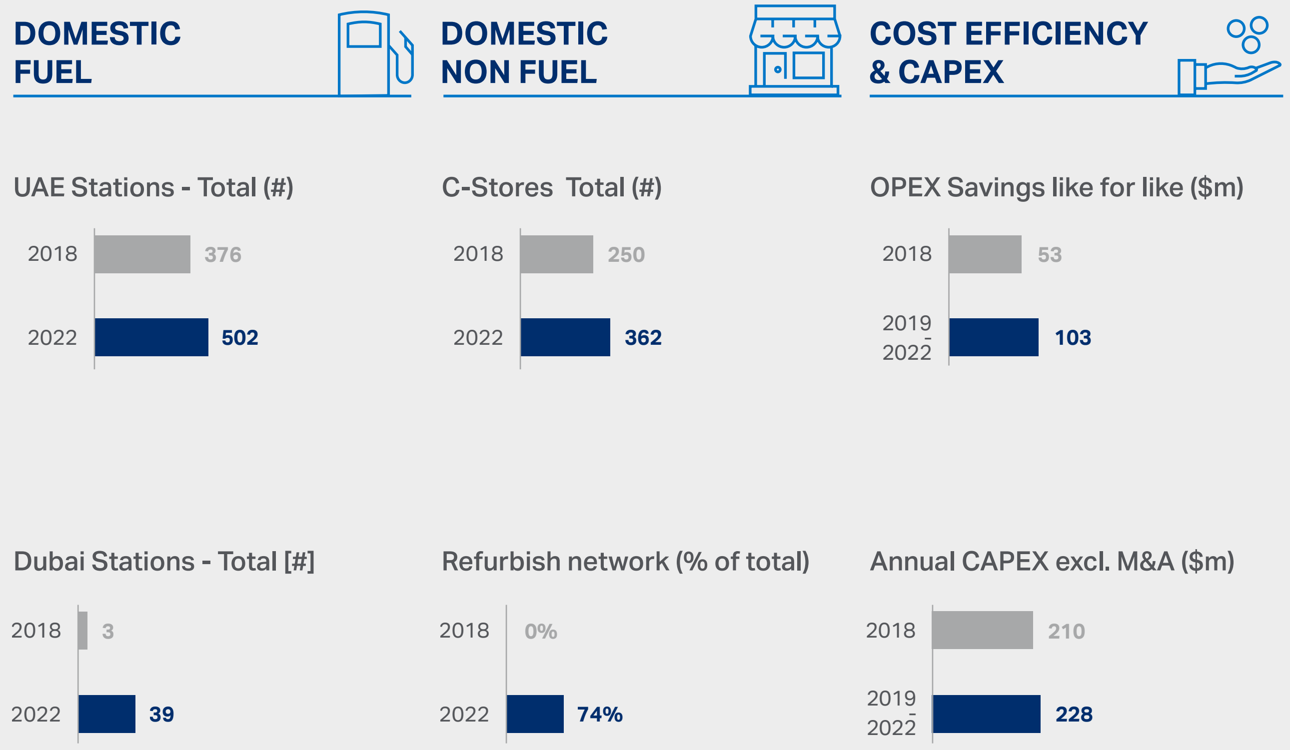
The acquisition marks another important milestone in the delivery of ADNOC Distribution's expansion plans. The partnership with TotalEnergies, a leading global multi-energy company with a strong brand and successful track record in Egypt, includes a diversified portfolio comprising 240 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car washes, as well as wholesale fuel, aviation fuel, and lubricant operations.

HOW DOES IT WORK?

The transaction was completed in Q1 2023, allowing both parties to develop future growth opportunities of TotalEnergies Egypt by unlocking value potential and exploring beneficial synergies in fuel distribution, lubricants and aviation businesses driven by the expected economic growth of the African nation.

SOLID PROGRESS AGAINST KEY STRATEGIC GROWTH TARGETS

EBITIDA >$1BN BY 2023



OTHER COMMITMENTS

INTERNATIONAL GROWTH

2023 Target
Expand in International markets (KSA...)

2022 Progress
- 66 stations in KSA
- An agreement to acquire a 50% stake in TotalEnergies Marketing Egypt
- Lubricants exports to 25 countries

CUSTOMER EXPERIENCE

2023 Target
Enhance Customer experience

2022 Progress
- **ADNOC Rewards** program
- **Online** channel presence
- **Mobile** fuel & LPG delivery
- **Smart technology** at stations
- Continuous marketing promotions

2022 Annual Report

ADNOC DISTRIBUTION UNIQUE VALUE PROPOSITION

BUSINESS RESILIENCE

- Leading fuel retail player in **an attractive UAE market** and robust regulatory fraamework
- **Demonstrable business resilience** with stable and predictable fuel margins with limited exposure to oil price volatility
- **Strong balance sheet** with ample liquidity to pursue growth opportunities
- Disciplined approach in evaluating **growth opportunities**

SMART GROWTH

- Executing a focused, deliverable EBITDA profile to exceed $1bn by 2023
- Ambitious domestic growth expansion programme via fuel and non-fuel initiatives and crystalizing upside from international growth
- Accelerated digital strategy to create additional retail value and customer loyalty
- Unlock hidden value through OPEX initiatives (Targeted additional OPEX savings in excess of $25m in 2023)

ATTRACTIVE SHAREHOLDER RETURNS

- Highly attractive, visible and differentiated dividend policy
- Dividend track record since IPO
- Significant share liquidity after Free float increased to 23%. MSCI EM Index inclusion (May 2021) and FTSE EM Index inclusion (Sept.2021)
- ADNOC a supportive and committed majority shareholder

DIVIDEND POLICY

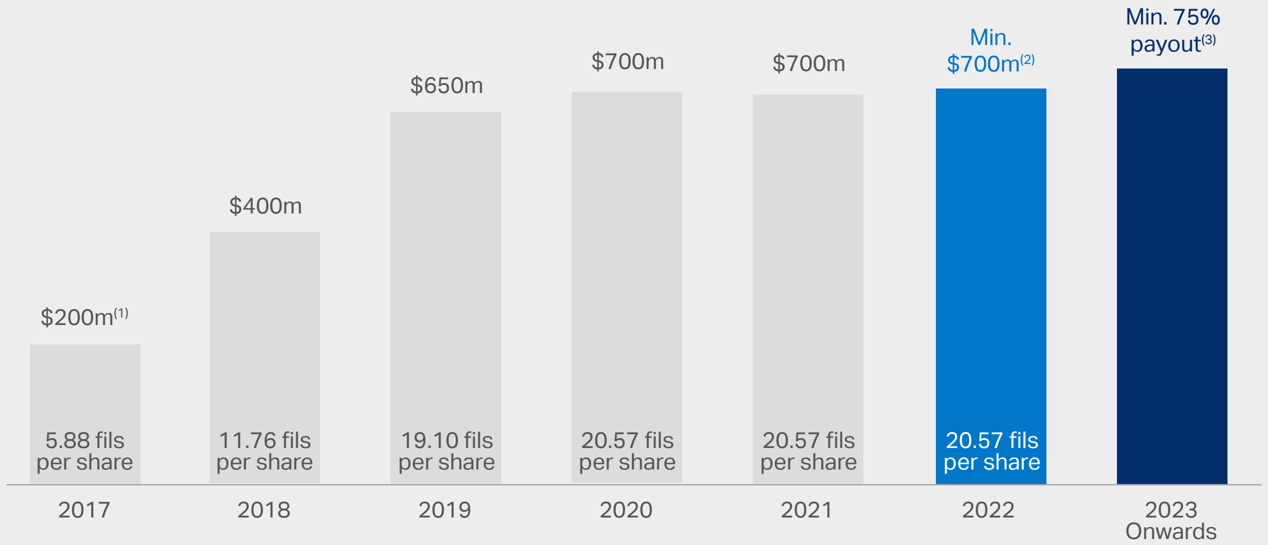
Since IPO, the Company has consistently increased payback to its shareholders through its progressive dividend policy supported by strong cash flow generation and balance sheet strength.

Under the Articles of Association, the Company may distribute quarterly, semi-annual and/or annual dividends to shareholders from operating profits and/or accumulated profits of the Company. Since its IPO, the Company has historically aimed to pay a dividend twice each fiscal year, with an initial interim payment in October and a second payment in April of the following year. In making recommendations to shareholders regarding the payment of dividends, the Board of Directors considers the cash management requirements of the business for operating expenses, interest expenses, and anticipated capital expenditures. The Board also considers market conditions, the operating environment, and outlook for the business.

The Company's dividend policy sets a dividend of minimum of AED 2.57 billion (min. AED 0.2057 per share) for 2022. For the years thereafter, the dividend policy sets a dividend equal to at least 75% of distributable profits. Under our approved dividend policy, ADNOC Distribution's Board of Directors has recommended that shareholders approve a final dividend payment of AED 1.285 billion (AED 0.1028 per share) for the second half of 2022, resulting in a total dividend of AED 2.57 billion (AED 0.2057 per share) for fiscal year 2022. If approved by ADNOC Distribution shareholders at the Annual General Assembly, the Company expects to pay this dividend in April 2023. For the years thereafter, the Company's dividend policy sets a dividend equal to at least 75% of distributable profits.

ADNOC Distribution is unwavering in its commitment to fulfilling its strategic goals and providing long-term sustainable returns to its shareholders.

Historical dividend paid since IPO



(1) Special dividend for the year 2017 (2) Subject to Shareholders' approval (3) Subject to the discretion of the Board of Directors and Shareholders' approval

SHAREHOLDERS' INFORMATION

Trading of ADNOC Distribution shares on the Abu Dhabi Stock Exchange (ADX) began on 13 December 2017 under the symbol ADNOCDIST at an Initial Public Offering (IPO) price of AED 2.50.

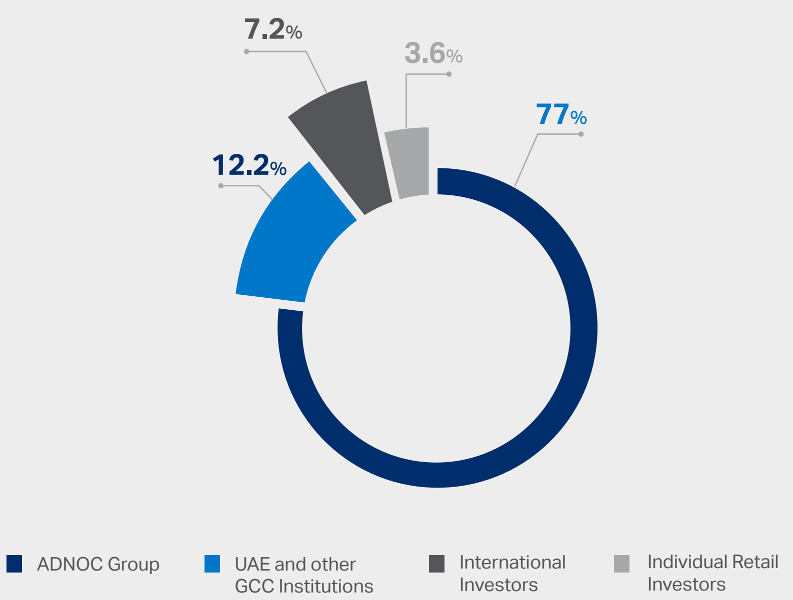
On 31 December 2022, the share price was AED 4.41 and the Company's market capitalization was AED 55.1 billion. The Company's paid-up share capital is AED 1 billion, divided into 12.5 billion shares, each with a nominal value of AED 0.08.

ADNOC DISTRIBUTION SHARE OWNERSHIP STRUCTURE

As of 31 December 2022, Abu Dhabi National Oil Company (ADNOC), the parent company, owned 77% of the outstanding shares. The UAE and other GCC institutions, international institutions, and individual retail investors owned 53%, 31% and 16% of the outstanding shares, respectively.

The total number of shareholders as of 31 December 2022 was approximately 11,400.

Share Ownership Structure*



*Data source: ADNOC Distribution share register as of 31 December 2022

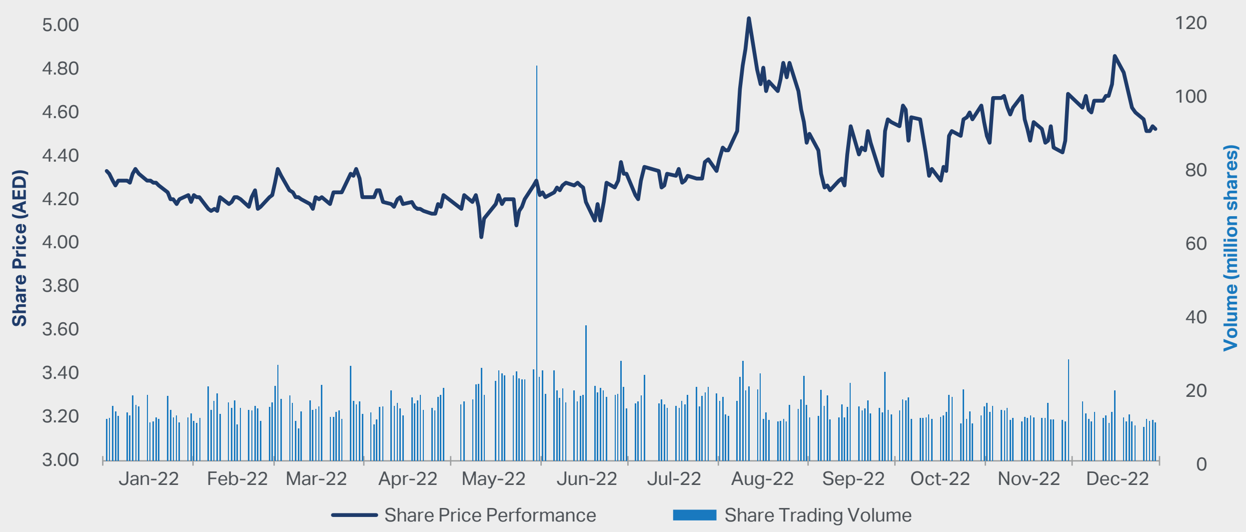
HOW TO BUY SHARES

Any investor with an up-to-date investor number (NIN) registered through the ADX can place orders to buy and sell shares through brokerage companies licensed and registered in the market. Trading on ADX is allowed only through authorized brokers.

Those interested may contact a broker or visit **www.adx.ae (FAQs)** for a complete list of brokerage companies.

Interested parties can also call **ADX customer service** at **800239** or **+971 2 6277777** for further information.

ADNOC Distribution Daily Share Performance, 2022 (Prices at daily close)



ADNOC Distribution Share Trading Performance Summary

	At Initial Public Offering (December 2017)	Last Trading Day 2021	Last Trading Day 2022	% Change in 2022	High	Low
Share Price (AED)	2.50	4.27	4.41	3.3%	4.88	3.95
ADX General Index	4,384	8,488	10,211	20.3%	10,630	8,333
Number of shares outstanding (billion)	12.5	12.5	12.5			
Market capitalization (AED billion)	31.3	53.4	55.1			
Market capitalization (USD billion)	8.5	14.5	15.0			
Average Daily Trading Volume during the year (million shares)		18.0*	12.4			
Average Daily Trading Value during the year (USD million)		19.6*	14.3			

* Excluding private placement of 375 million ADNOC Distribution shares (valued at $445 million) on 27th May 2021

Stock Exchange Listing
Abu Dhabi Securities Exchange (ADX)

Date listed on the stock exchange
13 December 2017

Added to ADX General Index (ADI) and Energy sector sub-index (ADEG)
20 December 2017

Currency
AED (United Arab Emirates Dirham)

International Securities Identification Number (ISIN)
AEA006101017

ADX symbol
ADNOCDIST

Reuters Instrument Code (RIC)
ADNOCDIST.AD

Bloomberg symbol
ADNOCDIS UH

Registrar
Abu Dhabi Securities Exchange
CSD & Registry Services Department
Telephone : +971 2 6277 777
ADX Toll Free : 800 ADX (239)
E-mail : csd@adx.ae

ADNOC Distribution Investor Relations Contact:
ir@adnocdistribution.ae

FINANCIAL REVIEW

FINANCIAL REVIEW

ADNOC Distribution had a very strong 2022, achieving new milestones in its operating and financial performance. The Company delivered strong results, demonstrating continued execution momentum on its Smart Growth Strategy.

The Company remains committed to delivering on its growth initiatives and generating long-term shareholder value. The following discussion and analysis of the Company's financial results is based on audited financial statements for the year ended 31 December 2022. The results should be read in conjunction with audited financial statements, including the related notes, which are available on the Company's website.

In 2022, the UAE's largest fuel and convenience retailer continued its growth trajectory by achieving record-breaking financial results and demonstrating commitment to domestic and international smart growth, by increasing its service station network, further advancing its international expansion, revitalizing its convenience stores, enhancing its non-fuel offerings and delivering modern, digitally-enabled fuel retail convenience to customers to make more out of every visit to an ADNOC service station.

Whilst continuing to deliver on its sustainable profitable growth strategy, ADNOC Distribution remained focused on future proofing the business, capitalizing on energy transition opportunities by addressing customers' energy needs, and unlocking new revenue streams, as well as through decarbonizing its operations by setting a goal of reducing carbon emissions intensity by 25% by 2030. The Company has also accelerated its digital transformation strategy to deliver best-in-class customer service, which will also strengthen its competitive positioning.

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.

2022 FUEL VOLUMES

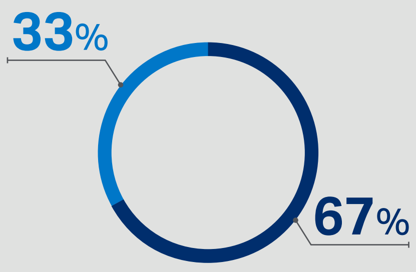
9,867
Million Liters

8.0% increase

For the year 2022, total fuel volumes sold increased by 8.0% compared to 2021, driven by ongoing economic activities growth and network expansion.

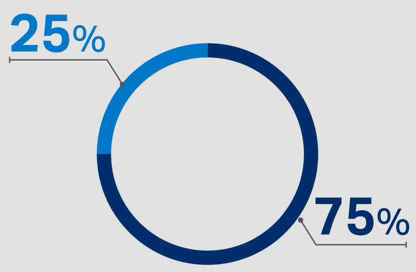
2022

REVENUE



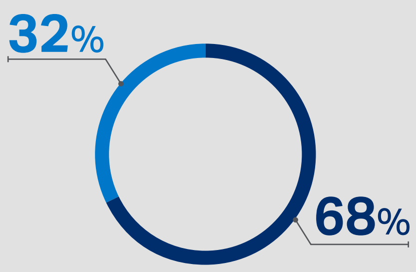
- Retail (Fuel & Non-fuel) AED 21,458 million — 67%
- Commercial (Corporate & Aviation) AED 10,653 million — 33%

GROSS PROFIT



- Retail (Fuel & Non-fuel) AED 4,232 million — 75%
- Commercial (Corporate & Aviation) AED 1,436 million — 25%

EBITDA[1]



- Retail (Fuel & Non-fuel) AED 2,397 million — 68%
- Commercial (Corporate & Aviation) AED 1,117 million — 32%

[1] EBITDA contribution excluding unallocated items of AED 3 million

REVENUE

AED **32,111** Million

53.5% increase

Revenue for 2022 was AED 32,111 million, an increase of 53.5% compared to 2021. This increase was driven by the growth in fuel volumes, higher selling prices (as a result of increase in crude oil prices) as well as higher non-fuel business contribution.

GROSS PROFIT

AED **5,668** Million

17.7% increase

Gross profit for 2022 was AED 5,668 million, an increase of 17.7% compared to 2021, as a result of higher fuel volumes, growth in Non-fuel retail business as well as higher inventory gains of AED 488 million in 2022 versus inventory gains of AED 366 million in 2021.

EBITDA

AED **3,517** Million

14.7% increase

EBITDA for 2022 was AED 3,517 million, an increase of 14.7% compared to 2021, supported by higher fuel volumes and inventory gains.

UNDERLYING EBITDA

AED **3,167** Million

17.0% increase

Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) for 2022 was AED 3,167 million, an increase of 17.0% compared to 2021, mainly driven by higher fuel volumes.

DISTRIBUTION AND ADMINISTRATIVE EXPENSE

AED **2,762** Million

14.0% increase

In 2022, distribution and administrative expenses were AED 2,762 million, an increase of 14.0% compared to 2021, in line with a 13% increase in the Company's network locally and internationally and associated costs.

NET PROFIT

AED **2,749** Million

22.0% increase

In 2022, Net profit was AED 2,749 million, an increase of 22.0% compared to 2021, mainly driven by higher EBITDA and lower depreciation charges due to a change in estimated useful life of assets implemented in 2022.

Key year-on-year financials – Statement of profit and loss items

(AED million)	2022	2021	YoY%
	For the year ended 31 December		
Revenue	32,111	20,921	53.5%
Gross profit	5,668	4,814[1]	17.7%
EBITDA	3,517	3,067	14.7%
Underlying EBITDA*	3,167	2,706	17.1%
Profit for the period	2,749	2,252	22.0%
Earnings per share (AED/share)	0.220	0.180	22.0%

* Underlying EBITDA is defined as EBITDA excluding Inventory gains/losses and one-off gains/losses
[1] For comparable purposes, prior year periods OPEX were reclassified

2022

NET CASH GENERATED FROM OPERATING ACTIVITIES

AED
4,507
Million

Net cash generated from operating activities increased by 56.6% to AED 4,507million in 2022 compared to 2021, supported by a robust cash flow from operations.

FREE CASH FLOW

AED
3,391
Million

Free cash flow generation (Net cash generated from operating activities less payments for purchase of property, plant and equipment and advances to contractors) totaled AED 3,391 million in 2022, significantly higher than 2021, mainly driven by robust cash flow from operations and a positive effect of the working capital change.

The ratio of interest-bearing Net debt to EBITDA at the end of 31 December 2022 was 0.78x. There are no financial covenants in the Company's credit facilities.

CAPITAL EXPENDITURES

AED
1,253
Million

The Company incurred CAPEX (including accruals/provisions) of AED 1,253 million in 2022, in line with guidance and plans to continue with its expansion strategy.

TOTAL EQUITY

AED
3,445
Million

NET DEBT

AED
2,735
Million

NET DEBT TO EBITDA RATIO

0.78x

2022 Annual Report

Key year-on-year financials – Balance sheet items

(AED million)	2022	2021	YoY%
	As of 31 December		
Net cash generated from operating activities	4,507	2,878	56.6%
Capital expenditures	1,253	614	103.9%
Free cash flow*	3,391	2,260	50.0%
Total equity	3,445	3,202	7.6%
Net debt**	2,735	3,244	- 15.7%
Capital employed	10,441	9,811	6.4%

* Free cash flow is defined as net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors.
** Cash and bank balances used for Net Debt calculation includes term deposits with banks

28.5% RETURN ON CAPITAL EMPLOYED (ROCE)

79.8% RETURN ON EQUITY (ROE)

44.3% LEVERAGE RATIO

Key year-on-year financials – Financial ratios

(AED million)	2022	2021
	As of 31 December	
Return on capital employed (ROCE)	28.5%	24.8%
Return on equity (ROE)	79.8%	70 .3%
Net debt to EBITDA ratio*	0.78x	1.06x
Leverage ratio*	44.3%	50.3%

* Cash and bank balances used for Net Debt calculation includes term deposits with banks

BUSINESS REVIEW

2022 Annual Report

RETAIL BUSINESS

ADNOC Distribution's retail business includes fuel (gasoline, diesel, CNG, and LPG) and non-fuel (convenience stores, car care services - including car wash and lube change services, vehicle inspection centers, and property management services).

FUEL STATIONS – UAE	FUEL STATIONS – SAUDI ARABIA	CONVENIENCE STORES – UAE
2022	**2022**	**2022**
502	**66**	**362**
2021	2021	2021
462	40	346

RETAIL SEGMENT

FUEL

ADNOC Distribution is the leading retail fuel brand in the UAE, with 502 owned and operated retail fuel stations as of 31 December 2022. It operates fuel service stations in all seven UAE emirates, and it is the largest operator in Abu Dhabi, Sharjah, and the Northern Emirates. ADNOC Distribution also operates in Saudi Arabia with 66 service stations as of 31 December 2022.

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 sites. It benefits from a fuel supply agreement with its parent company, ADNOC. This arrangement guarantees supply on terms that provide the Company a competitive advantage.

ADNOC Distribution's relationship with ADNOC, as well as the Company's 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 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.

NON-FUEL

ADNOC Distribution's non-fuel business has 362 convenience stores as of 31 December 2022. 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. That journey continued in 2022 with a total of 193 store were refurbished as of 31 December 2022, 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 144 locations and lube change at 197 locations. In addition, various services are provided by our partners and tenants, such as vehicle servicing, repairs, and tire change.

The Company also operates 32 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. ADNOC Distribution continues to transition its tenancy business to a revenue sharing model to maximize revenue and profitability.

OPERATIONAL REVIEW

When it comes to doing business, ADNOC Distribution is an agile, customer-focused, and profit-driven organization. The Company strives to provide its customers with consistently high-quality of its products and services through innovation and operational efficiency.

RETAIL SEGMENT

NETWORK EXPANSION

ADNOC Distribution continued bringing convenience closer to customers in 2022 with 42 new stations opened across the UAE. The Company remained focused on the opportunities offered by the attractive Dubai market as it offers high potential for the Company to gain market share. In 2022 the Company saw the addition of 8 stations in Dubai, taking the company's total network in the emirate to 39 stations.

ADNOC Distribution also continued to grow its agile neighborhood fuel station concept 'ADNOC On the go', with 26 new stations added to its UAE portfolio, in particular in Abu Dhabi and Northern Emirates.

In line with the market demand, the Company has also increased the availability of its higher-octane gasoline grades across UAE, providing greater choice and convenience to customers. Internationally, the Company continued to accelerate execution on its plans in KSA, with 26 new stations opened during 2022, taking its total network in Saudi Arabia to 66 stations as of 31 December 2022. The Company is currently working on revitalizing and rebranding its network in the Kingdom.

Beyond the GCC region, 2022 also saw the Company further advancing its international expansion by entering into an agreement with TotalEnergies Marketing Afrique SAS, to acquire a 50% stake in TotalEnergies Marketing Egypt LLC, one of the top four fuel operators in Egypt a diversified portfolio comprising 240 fuel retail stations, 100+ convenience stores, 250+ lube changing stations, and car wash sites, as well as wholesale fuel, aviation fuel and lubricant operations. Completion of the acquisition is expected to occur in Q1 2023 subject to the satisfaction of certain conditions, including customary regulatory approvals.

ADNOC OASIS CONVENIENCE STORE REVITALIZATION PROGRAM

The Company's non-fuel retail strategy has remained consistent during 2022, with an emphasis on offering superior customer services through a more modern, fresh and digital shopping experience. This included ADNOC Distribution's convenience store revitalization plans, which saw an additional 42 convenience stores being refurbished in 2022, taking the total number of stores refurbished since the launch of the program in 2020 to 193 stores. 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 also includes an enhanced category management and seamless payment options.

The roll out of the refurbishment program will continue over 2023, with more of the existing convenience stores being upgraded, to further strengthen the Company's position as a market leader serving customers on the go.

2022 Annual Report

E-COMMERCE GROWTH

ADNOC Distribution began its e-commerce journey in 2020. At end of 2022, the Company has completed the onboarding of more than 200 convenience stores in the talabat delivery app and continues to activate new stores. In addition, the inventory is constantly being improved, with up to 3,000 active stock keeping units (SKUs) now available in 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 and is planning to expand its e-commerce reach to more convenience stores across more stations, including Dubai and Northern Emirates.

VEHICLE INSPECTION

In 2022, ADNOC Distribution opened two new vehicle inspection centers – one located in Sharjah, further strengthening the Company's entry into vehicle testing services in the Northern Emirates. There was further expansion of VIC service, also in Abu Dhabi, together with the opening of premium vehicle inspection centers to provide customers with a fast-track testing option. The new centers and features have witnessed strong growth in the overall number of vehicles inspected (fresh tests) due to network expansion.

In addition, the Company launched a new comprehensive test service during 2022, in which customers are able to make the right choices prior purchasing used vehicles via carrying out a full inspection comprising of 53 items.

ELEVATING CUSTOMER EXPERIENCE THROUGH 'ADNOC REWARDS' CUSTOMER LOYALTY PROGRAM

ADNOC Rewards, the UAE's first customer loyalty program from a fuel retail provider continued to grow its member base through offers and exclusive partner benefits. Throughout 2022, ADNOC Rewards members benefited from a variety of promotions such as the popular 'Let's Go Shop and Win Raffle' as well as comprehensive vehicle inspection, car wash, and lube change offers. In 2022 the program was expanded to include a fuel redemption option whereby customers can pay for their fuel with their ADNOC Rewards points. In addition to these mass promotions, ADNOC Rewards offered numerous targeted promotions to its members in line with their purchase behavior including trials of the newly launched range of fresh bakery products.

FINANCIAL REVIEW

RETAIL SEGMENT

VOLUMES

In 2022, retail fuel volumes increased by 3.2% compared to 2021. The increase in retail fuel volumes was mainly driven by the country's ongoing economic growth.

In addition, ADNOC Distribution continued its expansion in Saudi Arabia and Dubai by adding new stations, resulting in incremental fuel volumes in 2022 compared to the same period of 2021.

OTHER OPERATING METRICS

Number of fuel transactions increased by 10.4% in 2022 compared to 2021, driven by network expansion, improving consumer sentiment as well as a result of the country's ongoing economic growth.

Number of non-fuel transactions increased by 15.2% in 2022 compared to 2021, driven by improving consumer sentiment, increase in number of convenience stores, improved customer offerings following revitalization of our stores and marketing and promotion campaigns to attract higher footfall and increase customer spending.

Average gross basket size in convenience stores declined by 3.4% year-on-year in 2022, mainly after a double-digit year-on-year growth during the peak of COVID-19 pandemic as customers visited less during pandemic restrictions but bought more during each visit. However, average gross basket size is still above the pre-pandemic levels, driven by customer centric initiatives.

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 increased by 7.4% year-on-year in 2022 to pass 1,000 properties, driven by a proactive non-fuel growth strategy to bring in new tenants.

The number of vehicles inspected (fresh tests) in vehicle inspection centers in 2022 rebounded by 6.0% year-on-year, mainly driven by a higher number of vehicle inspection centers.

RESULTS

Retail revenue, which covers fuel and non-fuel sales, reached AED 21,458 million in 2022, an increase of 43.9% over 2021. This revenue increase was primarily driven by an increase in pump prices, retail fuel volumes growth and increase in non-fuel retail revenue.

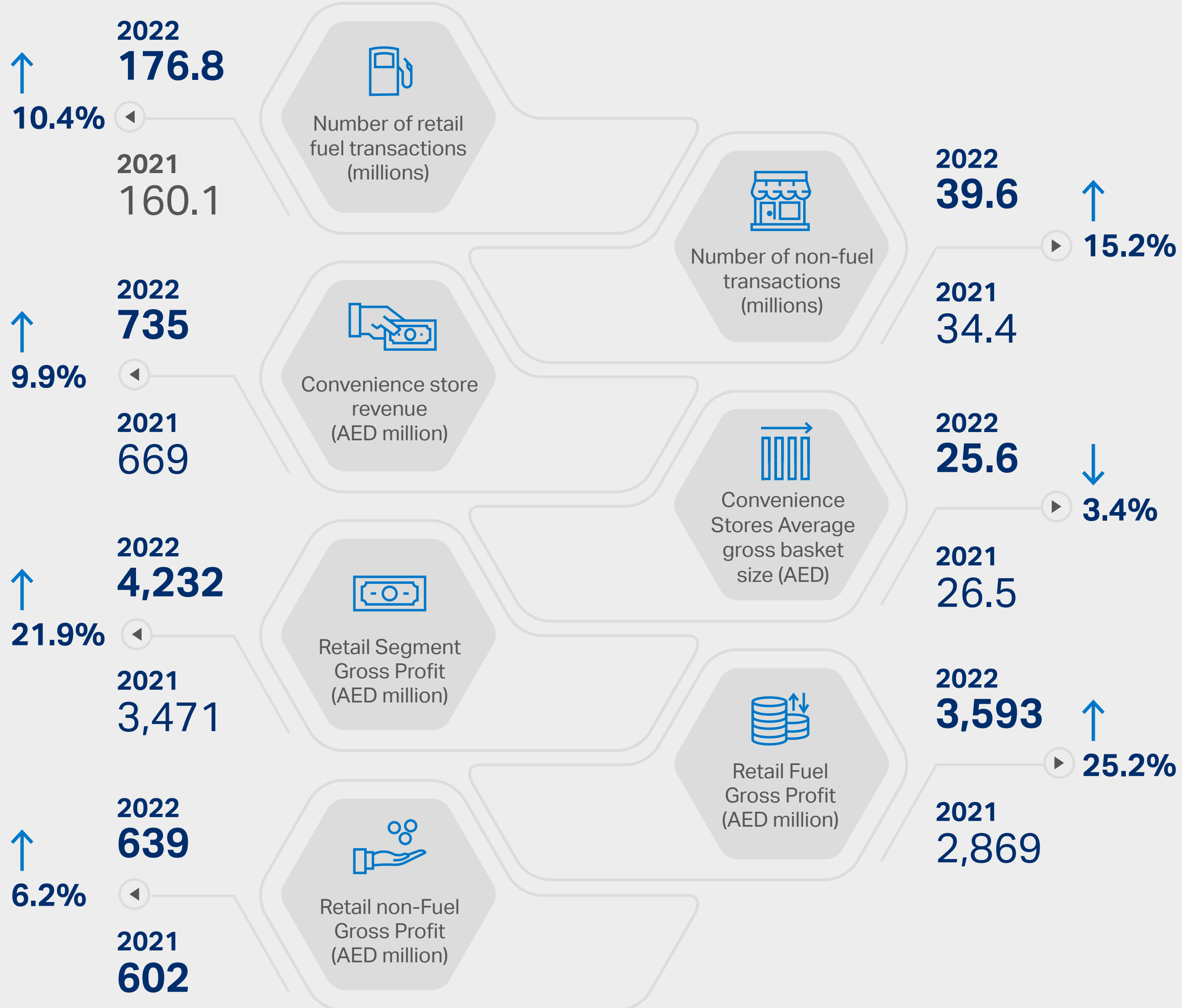
Retail segment gross profit reached AED 4,232 million in 2021, an increase of 21.9% compared to 2021, mainly driven by higher retail fuel volumes, inventory gains and non-fuel business growth. The fuel retail business Gross profit increased by 25.2% year-on-year, mainly driven by higher fuel volumes and inventory gains of AED 488 million in 2022 (versus inventory gains of AED 366 million in 2021). Non-fuel retail Gross profit rose by 6.2% in 2022 compared to 2021, driven by growth in non-fuel transactions, higher number of convenience stores, improvement in margins and improved customer offerings.

Retail EBITDA was AED 2,397 million in 2022, increased 18.5% over 2021 as a result of higher retail fuel volumes, inventory gains, and growth in non-fuel business.

RETAIL SEGMENT

Key financials (AED million)	2022	2021[1]	YoY%
Revenue	**21,458**	14,915	43.9%
Revenue - fuel	**20,308**	13,823	46.9%
Revenue - non-fuel	**1,150**	1,093	5.2%
Gross profit	**4,232**	3,471	21.9%
Gross profit - fuel	**3,593**	2,869	25.2%
Gross profit - non-fuel	**639**	602	6.2%
EBITDA	**2,397**	2,023	18.5%
Operating profit	**1,901**	1,446	31.5%
Capital expenditure	**777**	486	59.9%

[1] For comparable purposes, prior year periods OPEX were reclassified



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OUTLOOK

Following strong 2022 results, the Company's growth trajectory is expected to extend over 2023 driven by expansion in domestic and international markets, while it continues to explore new opportunities to accelerate growth.

RENEWAL OF THE REFINED PRODUCTS SUPPLY AGREEMENT

ADNOC Distribution has successfully renewed its supply agreement with ADNOC for a new five-year term in 2023, reaffirming its strong value proposition driven by predictable margins and highly cash generative core business. The agreement renewal also demonstrates strong and ongoing support from the majority shareholder, ADNOC.

NETWORK EXPANSION

In UAE, ADNOC Distribution expects new stations delivery momentum to continue and fuel volume growth to sustain in 2023, with a plan to open 25 to 35 new stations

In Saudi Arabia, ADNOC Distribution has a fully operational team on the ground. Following the addition of 64 new stations in Saudi Arabia since the beginning of 2021, the Company is currently working on revitalizing and rebranding its network in the Kingdom.

In Egypt, ADNOC Distribution's recent partnership with TotalEnergies to acquire a 50% stake in TotalEnergies Marketing Egypt reaffirms its commitment to expanding business in attractive international growth markets. Egypt's fuel retail market is highly attractive with a potential for future growth. Due to its young and expanding population, alongside a series of progressive economic reforms, Egypt has recorded positive GDP growth with a strong outlook. Through this transaction, ADNOC Distribution and TotalEnergies are expected to explore future growth opportunities of TotalEnergies Marketing Egypt by unlocking value potential in fuel distribution, lubricants and aviation businesses supported by economic growth and post-COVID recovery.

The Company successfully completed the aquisition of a 50% stake in TotalEnergies Marketing Egypt in the first quarter of 2023.

Beyond that, the Company is evaluating a number of potential inorganic growth opportunities in international markets. ADNOC Distribution's focus is to ensure capital is allocated efficiently towards growth in value-accretive expansion that meets targeted rate of returns.

NON-FUEL BUSINESS

After witnessing strong momentum in the convenience stores revitalization program over 2020-2022, with the refurbishment of 193 convenience stores, the Company continues to invest in offering customers a modern and engaging retail experience, in line with its ambitious non-fuel strategy. The focus remains on offering a modern environment and a better assortment of products to our customers, including fresh food and premium coffee, bundle offers and digital channels to order and transact.

The convenience store revitalization program has ensured that the Company is better positioned to capitalize on the benefits of its customer centric initiatives and achieve continued growth in its convenience stores business.

FUTUREPROOFING THE BUSINESS

ADNOC Distribution continues to focus on futureproofing of its business and in January 2023 announced an intention to create together with the utility company TAQA a new mobility joint-venture, E2GO, which will provide mobility and charging solutions to our customers in Abu Dhabi and the wider UAE. E2GO is set to benefit from the opportunities offered by the energy transition and create a new revenue stream for ADNOC Distribution beyond the traditional fuel and non-fuel retail business.

COMMERCIAL BUSINESS

ADNOC Distribution's is the leading marketer, supplier, and distributor of bulk refined petroleum products to commercial, residential, industrial and government customers in the UAE.

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 UAE, in a highly competitive market space. In addition, the Company's proprietary ADNOC Voyager lubricants are exported to distributors in 25 countries, across the GCC, Africa, Europe, and Asia with more countries in the pipeline. The Company's aviation division 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.

CORPORATE SEGMENT

FUEL – GASOLINE, GASOIL, AND LPG

Demand for wholesale fuels in the UAE is closely aligned with the country's economic activity. ADNOC Distribution fuels meet demand from 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 meets the majority of 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. The Company operates a dedicated lubricant blending plant in Abu Dhabi with an annual capacity of 55 million liters, which produces more than 300 types and grades of lubricants and greases. Group III base oil is a highly advanced base oil that is used as the raw material by blenders to produce high quality synthetic lubricants.

AVIATION SEGMENT

Aviation fuel is sold to strategic customers in the UAE. The business also 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.

OPERATIONAL REVIEW

CORPORATE SEGMENT

Within the corporate business, ADNOC Distribution maintained its strong position in Abu Dhabi and increased its focus on gaining market share in Dubai and the Northern Emirates.

GASOIL AND GASOLINE

The Gasoil fuel market remained competitive in 2022, amid an aggressive pricing environment. The grey market – off-spec products from unauthorized sources – continued to partially impact the Company's corporate sales. However, ADNOC Distribution has increasingly benefited from a gradual elimination of the grey market in the UAE.

Throughout 2022, ADNOC Distribution witnessed significantly higher level of gasoil sales, as a result of its loyal customer base of commercial, industrial and government clients in Abu Dhabi together with significant growth in the Northern Emirates due to an increase in term customers and spot deals with large distributors.

The Company significantly increased its commercial gasoline sales with continued expansion of its market share in Dubai and the Northern Emirates. This was partially driven by signing of new contracts with large taxi fleet companies and last mile fuel delivery providers.

In addition, there was a successful introduction and growth of the Company's My Station services using small to mid-sized fuel trucks for fuel delivery to customers. This was especially relevant for the growth of the Company's gasoil business, to ensure provision of product for customers with medium to large commercial vehicle fleets.

LPG

LPG market is divided into bulk sales for large commercial and industrial customers and cylinder sales mainly for residential and small commercial customers (e.g., restaurants and launderettes).

Despite the challenging economic environment, LPG bulk 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 to grow 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.

Since 2021, the Company has expanded its LPG cylinder delivery fleet in Abu Dhabi as part of its LPG digital operating model implementation. Customers can now order LPG cylinders through the ADNOC Distribution 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, as well as providing services directly through the digital operating model.

LUBRICANTS

The Lubricant business continued to grow both domestically and internationally during 2022. In the UAE market, the share increased as a result of strategic distributor restructuring, increased marketing, and a significantly expanded product portfolio offering.

There also was an increase focus on export markets which sustained throughout 2022, 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 increased to 25 markets by the end 2022 compared to 19 markets at the end of 2021.

The team introduced more than 100+ new products, specifically created to serve the international market. It also developed specialty products such as white spirits and carbon black for the domestic market as part of our product portfolio diversification strategy.

In 2022, the Company launched a new ADNOC VOYAGER green series, an alternative 100% plant-based lubricant range for petrol and diesel engines as part of its overall strategy to continue expanding its sustainable and environmentally friendly product range. The new series will also carry certifications from the internationally recognized American Petroleum Institute (API) as well as major vehicle manufacturer approvals, so customers can be assured of the highest level of quality.

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.

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 to the civil aviation refueling business, the Company sells aviation fuel and provides refueling services to strategic aviation customers across many airports in the UAE. During 2022, ADNOC Distribution experienced a significant slowdown in aviation fuel sales, distribution and refueling services due lower uptake from its strategic aviation customers.

FINANCIAL REVIEW

CORPORATE SEGMENT

VOLUMES

Corporate segment volumes increased by 34.0% in 2022 compared to 2021.

RESULTS

Corporate segment Revenue increased by 104.0% in 2022 compared to 2021 as a result of higher selling prices due to an increase in oil prices as well as the material growth in fuel volumes. Gross profit increased by 19.9% year-on-year. Corporate segment EBITDA increased by 21.9% in 2022 compared to 2021, driven by higher volumes.

AVIATION SEGMENT

VOLUMES

Aviation volumes decreased by 53.2% in 2022 compared to 2021 due to lower uptake from our strategic aviation customers.

RESULTS

Aviation Revenue decreased by 19.1% in 2022 compared to 2021 due to lower volumes. Aviation Gross profit decreased by 25.4% year-on-year in 2022, while Aviation EBITDA decreased by 34.4% in 2022 compared to 2021.

CORPORATE FUEL VOLUMES
(MILLION LITERS)

2022	3,061
2021	2,284

34% ↑

AVIATION VOLUMES
(MILLION LITERS)

2022	220
2021	471

53% ↓

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COMMERCIAL SEGMENT

Key financials (AED million)	2022	2021[1]	YoY%
Revenue	**10,653**	6,006	77.4%
Revenue - Corporate	**9,603**	4,708	104.0%
Revenue - Aviation	**1,050**	1,297	-19.1%
Gross profit	**1,436**	1,343 [1]	7.0%
Gross profit - Corporate	**1,150**	960	19.9%
Gross profit - Aviation	**285**	382 [1]	-25.4%
EBITDA	**1,117**	1,048	6.7%
Operating profit	**1,069**	987	8.3%
Capital expenditure	**21**	28	-26.7%

[1] For comparable purposes, prior year periods OPEX were reclassified

OUTLOOK

In 2023, ADNOC Distribution expects to continue working with government authorities as they enforce regulations to prevent unlicensed suppliers and off-spec gasoil product entering the market, while continuing to grow in Dubai and the Northern Emirates.

The Company intends to continue its aggressive growth strategy in commercial gasoline by expanding market share in Dubai and the Northern Emirates.

In addition, the Company intends to implement an enhanced lubricants growth strategy domestically to increase profitability, complemented by the ongoing expansion of its international footprint. ADNOC Distribution is looking to market and distribute lubricants through its distributor network in the Middle East, Africa and in Asia, with the intension to grow aggressively in base oil and specialty products as part of its product diversification strategy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

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SUSTAINABILITY APPROACH & STRATEGIC FRAMEWORK

ADNOC Distribution strongly supports the UAE's National Sustainability Agenda and maintains its affiliation with ADNOC's overarching strategic vision.

The Company views ADNOC's 2030 Sustainability Strategy as a solid base for reinforcing its commitment and a path forward to improving the Company's overall ESG performance. ADNOC Distribution has developed a Sustainability Strategic Framework that summarizes its short, medium, and long-term sustainability goals and objectives. The Framework drives progress and strengthens previously established strategies, and is incorporated into the Company's strategy. Through its well-defined implementation cycle, the Framework is instrumental in integrating sustainability within the Company and enabling it to deliver positive ESG impacts.

ADNOC Distribution's Sustainability Strategic Framework is classified under six pillars spread across ESG domains and aligns with eight UN SDGs adopted through the framework:

ENVIRONMENT

CLIMATE, EMISSIONS & ENERGY

Optimize carbon emissions & energy consumption footprint

- Adopt Green Liquid Fuels portfolio
- Develop Low Carbon Alternative Fuels/Energy portfolio (EV, Hydrogen, LCNG)
- Reduce GHG Emissions & Energy Intensity

LOCAL ENVIRONMENT

Adopt a restorative approach to protect and preserve the local environment.

- Reduce waste by optimizing consumption
- Reuse water & other natural resources for conservation
- Recycle plastic resources & waste to optimize footprint
- Recover plastic non-recyclable waste, where feasible

SOCIAL

ECONOMIC & SOCIAL CONTRIBUTION

Develop and deliver Corporate Social Responsibility (CSR) projects in priority areas

- Community – Support local communities by focusing on social campaigns
- Environment – Support environmental programs that contribute to UAE's 2050 net-zero emissions goal
- Economy – Create shared value with local businesses

WORKFORCE DIVERSITY & DEVELOPMENT

Promote diversity, equity & inclusion

- Fairness – be a fair and meritocratic employer
- Diversity & inclusion – be a diverse and inclusive organization
- Employee wellbeing – preserve and improve employee wellbeing
- Employee satisfaction – provide and promote a motivating, engaging, and fulfilling working life

HEALTH, SECURITY & SAFETY

Demonstrate 100% commitment to HSE as 1st priority

- Planning – Implement HSE five year business plan
- Execution – Comply with HSE lifesaving rules.
- Safety Culture – Implement safety culture transformation strategy
- Asset Integrity – compliance with Asset Integrity related HSE standards

GOVERNANCE

BUSINESS SUSTAINABILITY

Adopt best practices for business sustainability

- Corporate Governance – adopt global best-practices of management & reporting systems
- Sustainability Governance - implement a comprehensive sustainability governance framework
- IT Transformation – modernize and digitize IT landscape to act as a critical enabler of growth & efficiency
- Future-Proofing – Strategy to proactively adapt to the energy transition, mobility transformation, digital disruption & impact of climate change on its business
- Ethics & Compliance – Align various policies such as anti-bribery & corruption, ethics & compliance, transparency with global standard

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GOVERNANCE OF ESG AGENDA[1 2 3]

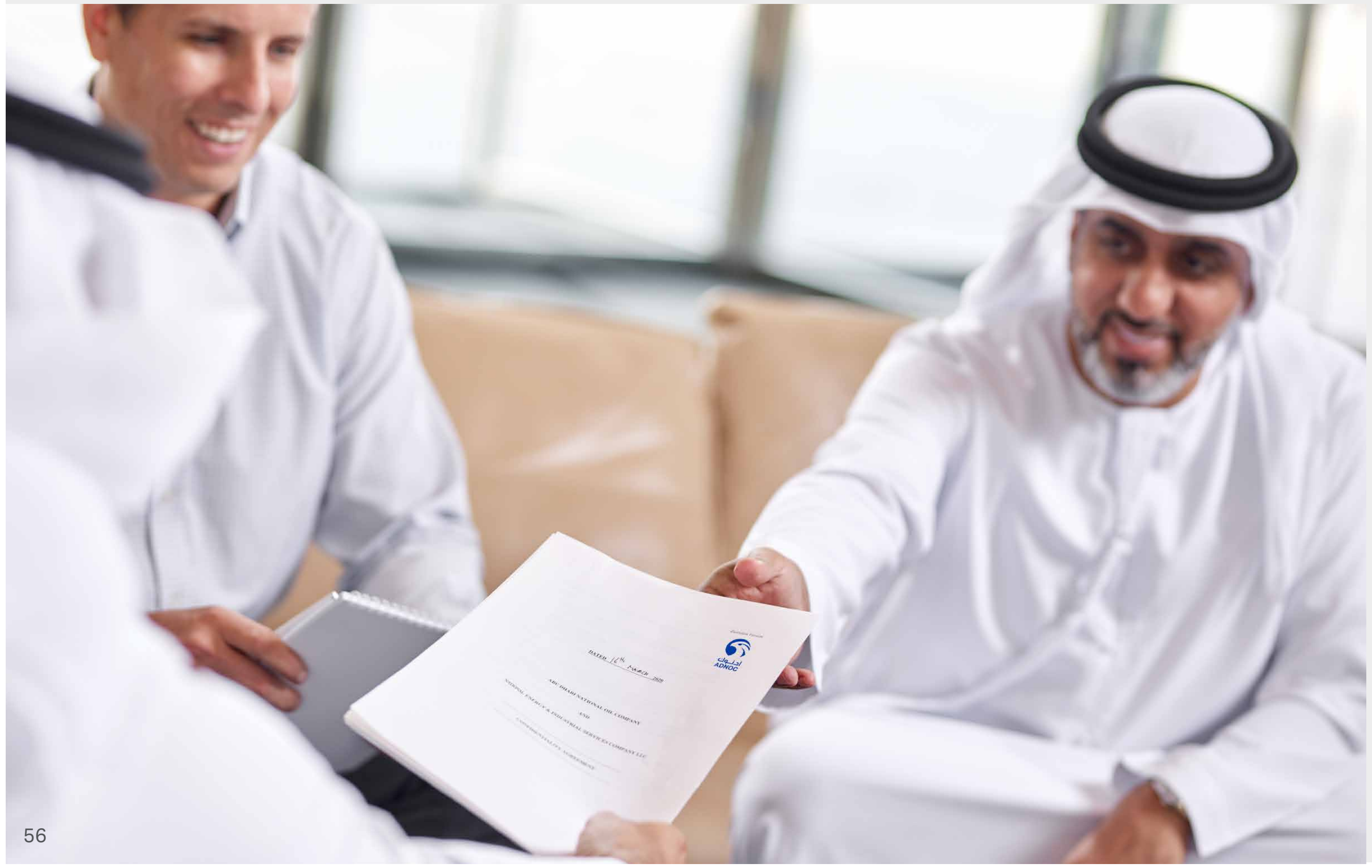
ADNOC Distribution established an Organizational Performance Scorecard to effectively monitor and review key metrics within the Sustainability Strategic Framework. The Scorecard is a tool used in the internal governance process of the Company. The Company has incorporated key sustainability targets such as reducing GHG emissions and energy intensity, health and safety, employee engagement score, Emiratization, and in-country value contribution into its annual performance scorecard. Oversight and progress on the Company's ESG goals are monitored through the following governance structures:

The Company's Board of Directors approves the Code of Conduct, which outlines ADNOC Distribution's values. It also approves the Vision, Mission, Strategies, Policies, and Goals of the Company. The Board ensures that sustainability goals and targets remain mutually beneficial while also serving important local, national, regional, and international directives. The Board of Directors is ultimately responsible for approving the company's sustainability strategy and monitoring its implementation.

Chief Executive Officer of ADNOC Distribution is responsible for developing and implementing a Company-wide Sustainability Strategy, as well as reporting on the progress of key initiatives in the economic, environmental, and social areas. Some of these responsibilities have been delegated by the CEO to key executive management team members to assist in driving the Company's sustainability strategy as well as in the implementation, tracking, and reporting of key initiatives.

To further strengthen the governance of the sustainability management processes, ADNOC Distribution has established a corporate-level Sustainability Committee, comprising of members from the Executive Management. The Sustainability Committee has been established to assist, provide insights and recommendations to the CEO on activities and policies relevant to sustainability practices. It also seeks to develop proactive systems in integrating sustainability across the value chain and assists in identifying, evaluating, and monitoring all aspects from strategies to material risks that would affect the sustainable performance of the Company, while ensuring alignment to ADNOC's 2030 Sustainability Strategy, Abu Dhabi Economic Vision 2030, and other ESG guidelines and requirements moving forward. Furthermore, in 2022, a dedicated Sustainability Department was established under the Chief Investor Relations Officer to drive, coordinate, and monitor the implementation of the sustainability initiatives, as well as to foster a culture of sustainability within the Company and amongst all its stakeholders.

[1]ADX ESG Guide: E7 Environmental Operations
[2]ADX ESG Guide: E8 Environmental Oversight – Management
[3]ADX ESG Guide: E9 Environmental Oversight – Board



This report includes a brief description of ADNOC Distribution's alignment and contribution to national and global ESG priorities and its 2022 ESG performance and initiatives. For full details, please refer to ADNOC Distribution 2022 Environmental, Social and Governance Report, which will be published on the Company's website.

ALIGNING WITH NATIONAL POLICIES, FRAMEWORKS, AND INITIATIVES

The Company aims to support key mandates and directives, at a local and national level, as well as those that are relevant to its business operations. ADNOC Distribution joins the effort to create a more sustainable future for the generations to come by working toward these common goals. ADNOC Distribution has therefore considered and aligned its business activities across these mandates.

ABU DHABI ECONOMIC VISION 2030

ADNOC Distribution is aligned to Abu Dhabi's Economic Vision 2030 Guidelines, and it fully supports the UAE's leadership in transforming Abu Dhabi's economy into a knowledge-based one and achieving smart government and smart cities initiatives. In 2022, ADNOC Distribution increased its In-Country Value (ICV) contribution to the economy to 70%, up from 61% in 2021. During the year, the Company also opened 42 new stations across the UAE to support infrastructure development, increased employment opportunities, and overall contribution to the local economy. ADNOC Distribution is actively working to leverage its extensive network to install electric vehicle (EV) charging facilities in its stations and to provide alternative fuel options such as CNG to support a low-carbon economy.

ENVIRONMENT VISION 2030

The Environment Vision 2030 seeks to coordinate and consolidate local sustainability responses, and to promote Abu Dhabi's natural heritage through enhancing resource efficiency.

In 2022, ADNOC Distribution strengthened its Sustainability Strategic Framework to enhance sustainability performance across ESG focus areas. To accelerate its sustainability journey, the Company developed its de-carbonization strategy underpinned by active work to mitigate the impact on climate. The roadmap has recently been announced with a target to reduce its carbon footprint 25% by 2030, which sets the path to Net zero by 2050, by putting sustainability at the core of ADNOC Distribution's day-to-day operations to future-proof its business and deliver sustainable long-term shareholder value.

ADNOC Distribution aims to install solar panels to power its service stations and use biofuels in its fleet of vehicles, in addition to expanding its network of EV charging stations.

The Company will also utilize 'green concrete', that is eco-friendly and has a smaller carbon footprint than traditional concrete, in the construction of new service stations.

ADNOC Distribution also utilized its position as the leading fuel retailer in the UAE to influence behavioral change, and to support the reduction of GHG emissions through the conversion of public vehicles to compressed natural gas (CNG) fuel. The Company currently operates 31 service stations with CNG fueling capacity and continues to grow its CNG offering across the network. Over 2018-2022, the Company fueled 154 Million Metric Standard Cubic Meters (MMSCM) of CNG to vehicles that removed approximately 131 tons of CO_2 emissions, cumulatively.

On water management, ADNOC Distribution uses treated recycled water to operate car washing docks, accounting for 80%-90% of the total water used in this operation.

UAE ENERGY STRATEGY 2050

UAE Energy Strategy 2050 seeks to increase the contribution of clean energy in the nation's total energy mix from 25% to 50% by 2050, and to reduce the carbon footprint of power generation by nearly 70%.

ADNOC Distribution is focused on improving its own energy efficiency through a systematic approach to energy management. This includes the continued roll out of ADNOC On the go neighborhood stations, with a total of 72 now operational across the UAE. The efficient service stations require 50% less energy to run compared to traditional ones and therefore support our emission reduction plans. These sites also reduced the potential environmental risks, a result of their above-ground storage tanks, meaning any minor leaks could be quickly readily detected and adequately dealt with. ADNOC Distribution also has solar photovoltaic panels (PV) installed on five of its service stations (as of end of 2022), which generated and consumed 2,327 GJ solar energy and contributed to save approximately 290.8 tons in CO_2e emissions in 2022. The Company is aiming to increase the share of renewable energy usage for its own operations by installing solar PVs across more service stations in 2023 and beyond, which will further contribute to reducing the Company's grid electricity energy consumption and cut carbon emissions. ADNOC Distribution also aims to achieve energy intensity optimization through identifying Energy Conservation Opportunities (ECOs) at its facilities and carry out retrofitting on existing building services.

PROCUREMENT PRACTICES

ADNOC Distribution's procurement processes are a centralized function that supports all Company business lines. Vendors and suppliers must declare their compliance with the ADNOC Distribution Code of Conduct during registration, prequalification, and tendering. To support our strong ethics & compliance agenda, ADNOC Distribution requires suppliers and partners to comply with the Supplier and Partner Business Code of Ethics and conducts Integrity Due Diligence (IDD) before engaging in business or partnership with the Company.

IN-COUNTRY VALUE

ADNOC Distribution follows ADNOC Group's Corporate Procurement initiative, which emphasizes the selection of local suppliers and contribution to In-Country Value (ICV) with the aim of creating additional employments opportunities for Emiratis in the private sector and supporting the UAE GDP diversification through sourcing more goods and services within the UAE.

In 2022, the Company successfully increased its In-Country Value to 70% of total spend during the year. The ICV amount retained and circulated within the UAE economy was AED 1,951 million. The Company will continue to identify opportunities to further increase spending on local suppliers and to enhance the ICV contribution.

SUPPLIER AND PARTNER COMPLIANCE[4]

Vendors and suppliers are required to comply with ADNOC Distribution Code of Conduct by declaration to the code during registration, pre-qualification, and tendering. To support our strong ethics & compliance agenda, ADNOC Distribution ensures that suppliers and partners adhere to the Supplier and Partner Business Code of Ethics and must undergo Integrity Due Diligence (IDD) prior to entering business or partnership with the company. The Code outlines our zero tolerance approach to bribery and corruption which all suppliers and partners must adhere to. IDD is performed on supplier and partners, and areas such as M&A have additional IDD measures applied to ensure risk are clearly mapped and assessed. The Company also conducts trainings for the stakeholders on the Code of Conduct. Moreover, the Code of Conduct and Supplier & Partner Code of Ethics are made accessible to all employees, suppliers, and partners through the website.

[4]ADX ESG Guide: G4 Supplier Code of Conduct

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IT SECURITY AND DATA PRIVACY[5]

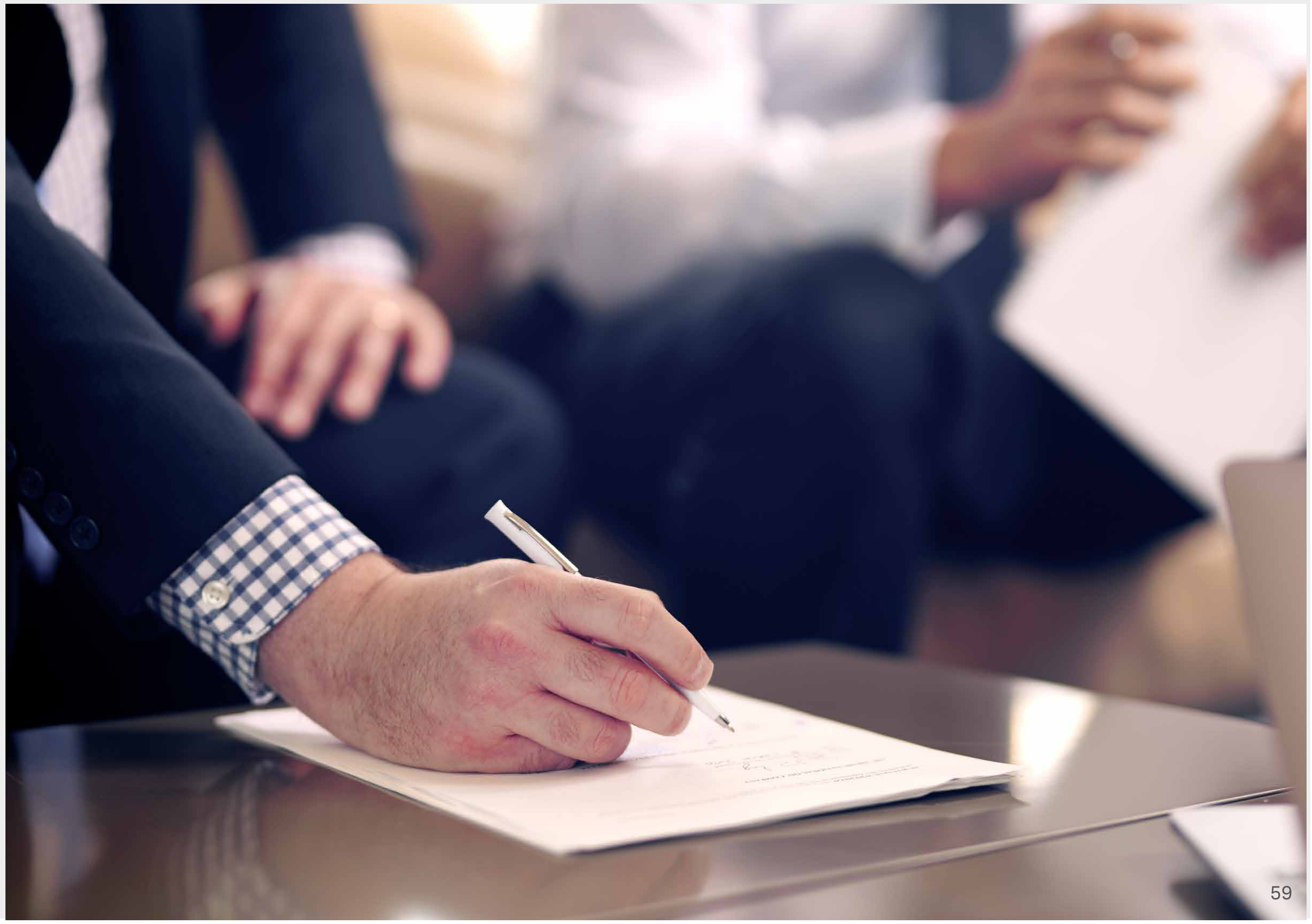
ADNOC Distribution's strategy is to provide enterprise infrastructure and services with necessary controls to protect our physical and virtual workplace in terms of confidentiality, integrity, availability, and privacy of data. This is achieved with a dual approach of strengthening our security posture and preparedness to manage potential incidents.

During 2022, ADNOC Distribution achieved many milestones on cyber security and data privacy such as execution of Retail Service Station Network and Security Revamp Project for establishing the cyber security controls to improve the security posture, introduce multiple security layers to provide highest level of security standards and protect the highly critical Retail Service Stations data. This also enhanced the retail system network management operational efficiency through the integration of security and network management solution. During 2022, we also continued our ongoing penetration testing program and security assessments in order to prioritize action steps to proactively address vulnerabilities and security weaknesses before they can be exploited.

Other successful deliveries of 2022 included implementation of Amazon Web Services (AWS) Security restrictions for mobile app customer data protection, Payment Card Industry Data Security Standard (PCI-DSS) accreditation to ensure that the full customer card payment cycle is secure; and enforcement of enhanced customer password complexity and Multi-Factor Authentication (MFA) for ADNOC wallet customers.

Governance of IT security and risks remains a cornerstone to ensure oversight of the Company's cybersecurity strategy implementation, proactive protection of information assets and establishment of safe and resilient infrastructure which empowers the business to thrive.

[5]ADG ESG Guide: G6 Data Privacy



CORPORATE GOVERNANCE

ADNOC Distribution marked a successful five-year track-record as a publicly listed Company, during which it has been guided by its corporate governance principles to drive best practices and to uphold its commitments to the shareholders.

ADNOC Distribution strongly believes in having a robust governance framework to meet the requirements and interests of its stakeholders and communities, as well as to create value for its shareholders.

The Company operates a corporate governance framework that fulfils all applicable laws and regulations while complying with international best practice. This Framework was designed, and is being operated, in line with the Company's cultural values to ensure the sustainability of business and to help it achieve future goals - as dictated by the Company's vision and mission statements.

Ensuring that governance processes and procedures are undertaken properly helps to contribute to long-term sustainable success. Accordingly, the Company is taking this opportunity to remind stakeholders of the comprehensive corporate governance framework that has been adopted and under which the company operates.

COMPANY COMMITMENT

ADNOC Distribution is committed to having a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE. Moreover, the Company ensures that the framework is consistent with leading global practices through periodic benchmarking and assessment.

CORPORATE GOVERNANCE FRAMEWORK

The Company's Board is responsible for the implementation and oversight of its corporate governance framework. The Board complies with the corporate governance requirements applicable to public joint stock companies listed on the Abu Dhabi Securities Exchange, as set out in the Governance Rules and Corporate Discipline Standards issued on 2 February 2020 pursuant to UAE Securities and Commodities Authority Resolution No. 3/Chairman of 2020 and its amendments (the Corporate Governance Rules).

The Company reports to its shareholders and to the Securities and Commodities Authority (SCA) on its compliance with the Corporate Governance Rules.

The Corporate Governance Rules require that two thirds of the Board must comprise non-executive independent directors, in accordance with the criteria set out in the Corporate Governance Rules.

ADNOC Distribution's Board of Directors comprises seven directors, elected at the Annual General Meeting on 16th March 2021. All directors are independent non-executive directors, within the meaning of the Corporate Governance Rules). Pursuant to the Articles of Association, each director serves a three-year term, after which a director may be elected to a successive term or terms[6].

[6] ADX ESG Guide: G2. Board Independence

BOARD DIVERSITY[7]

On 16th March 2021, Ms. Mariam Saeed Ghobash was elected to the Board of Directors. Ms. Ghobash also serves as Chairwoman of the Nomination and Remuneration Committee and is a Member of the Executive Committee. Currently, the Company has only one female member of the Board of Directors, which is in compliance with SCA's Corporate Governance Rules.

Where vacancies on the Board of Directors arise we will actively seek out greater female representation while at the same time considering all qualified candidates, regardless of gender, and recognizing that appointment of directors is a matter reserved for the shareholders of ADNOC Distribution.

To assist the Board in the discharge of its duties, the Board has established the following committees: the Audit Committee, the Nomination and Remuneration Committee, the Executive Committee, and the Insider Dealing Committee.

AUDIT COMMITTEE

Our Audit Committee assists the Board of Directors in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including: reviewing and monitoring the integrity of our annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors; advising on the appointment of external auditors; overseeing the relationship with external auditors; reviewing the effectiveness of the external audit process; and reviewing the effectiveness of the internal control review function. The Audit Committee makes recommendations to the Board, which retains ultimate responsibility for reviewing and approving the annual report and financial accounts.

The Audit Committee gives due consideration to the applicable laws and regulations of the UAE, SCA and the ADX, including the provisions of the Corporate Governance Rules.

The Corporate Governance Rules, reflected in the Audit Committee Charter require that the Audit Committee comprise of at least three members who are non-executive directors, and that at least two of the members must be independent. One of the independent members must be appointed as chairman of the Committee. In addition, all members must have knowledge in financial and accounting matters and at least one member shall have practical experience in accounting or finance and shall have a university degree or professional certificate in accounting or finance or another relevant field. The current members of the Audit Committee are H.E. Ahmed Jasim Al Zaabi (Chairman), H.E. Ahmed Al Kuttab and Mr. Abdulaziz Alhajri.

The Audit Committee has taken appropriate steps to ensure that ADNOC Distribution's external auditors are independent of ADNOC Distribution as required by the Corporate Governance Rules. The Audit Committee has also obtained written confirmation from its auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The Audit Committee's responsibilities in relation to the Audit & Assurance function include the review and approval of the overall audit strategies and annual audit work plan, budget, and overseeing the Internal Audit programs and performance. In addition, the Audit Committee ensures that Audit & Assurance has full and unrestricted access to all required sources of information relevant to performance of its work.

As part of his role as the Chairman of the Audit Committee, H.E. Ahmed Jasim Al Zaabi is responsible for ensuring the Committee's overall effectiveness and that the Committee properly complies with all stated objectives.

NOMINATION AND REMUNERATION COMMITTEE

Our Nomination and Remuneration Committee assists the Board of Directors in discharging its responsibilities relating to the composition and make-up of the Board of Directors and any committees of the Board of Directors. It is responsible for evaluating the balance of skills, knowledge and experience and the size, structure, and composition of the Board of Directors and committees of the Board of Directors and, in particular, for monitoring the independent status of the independent non-executive directors. It is also responsible for periodically reviewing the Board of Directors' structure and identifying potential candidates to be appointed as directors or committee members as the need may arise.

[7] ADX ESG Guide: G1 Board Diversity

In addition, the Nomination and Remuneration Committee assists the Board of Directors in determining its responsibilities in relation to remuneration, including making recommendations to the Board of Directors on ADNOC Distribution's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of our remuneration policy and determining the individual remuneration and benefits package of our senior management.

The Corporate Governance Rules, reflected in the Nomination and Remuneration Committee Charter, require the Nomination and Remuneration Committee to be comprised of at least three non-executive directors, at least two of whom must be independent. The chairman of the Nomination and Remuneration Committee must be chosen from amongst the independent Committee members. The current members of the Nomination and Remuneration Committee are Ms. Mariam Ghobash (Chairwoman), H.E. Ahmed Al Kuttab, Mr. Khaled Salmeen and Mrs. Ayesha Al Hammadi.

As part of her role as the Chairwoman of the Nomination and Remuneration Committee, Ms. Mariam Ghobash is responsible for ensuring the Committee's overall effectiveness and that the Committee properly complies with all stated objectives.

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board in 2019 in order to assist the Board in the discharge of its duties.

The role of the Executive Committee is to act on behalf of the Board during the intervals between scheduled Board meetings so that matters that require Board approval during such intervals can be dealt with in a timely and efficient manner. Additionally, the Executive Committee provides recommendations to the Board on matters that require Board approval. Our Executive Committee consists of six members, three of whom are independent non-executive directors. The members of the Executive Committee as of today are, Mr. Khaled Salmeen (Chairman), Ms. Mariam Ghobash, Mr. Abdulaziz Alhajri, Mr. Khaled Al Zaabi, Mr. Ahmed Omar and Miss. Hanan Balalaa.

As part of his role as the Chairman of the Executive Committee, Mr. Khaled Salmeen is responsible for ensuring the Committee's overall effectiveness and that the Committee properly complies with all of its stated objectives.

INSIDER DEALING COMMITTEE

Our Insider Dealing Committee oversees compliance with the Insider Dealing Policy and Share Dealing Code (which has been established by the Insider Dealing Policy).

Pursuant to the Share Dealing Code, all directors, officers and other employees who are in possession of inside information are prohibited from dealing in ADNOC Distribution's shares during certain periods and must seek approval from the Insider Dealing Committee to purchase, sell or otherwise deal in shares during other periods.

In order to grant approval, the Insider Dealing Committee must be satisfied that the individual seeking to deal in ADNOC Distribution's shares is not, at that time, in possession of inside information.

The Insider Dealing Committee is comprised of three members who are appointed by the Board of Directors. Currently, the members of the committee are Mr. Ben Hennessy, General Counsel, who chairs the committee, Mr. Wayne Beifus, Chief Financial Officer, and Mr. Athmane Benzerroug, Chief Investor Relations Officer.

For more information about the Company's corporate governance framework, please refer to the 2022 Corporate Governance Report.

BOARD OF DIRECTORS

H.E. Dr. Sultan Ahmed Al Jaber
Chairman

H.E. Dr. Sultan Ahmed Al Jaber has served as Minister of Industry and Advanced Technology since July 2020, as a member of the Supreme Council for Financial and Economic Affairs since December 2020, as UAE Cabinet Member since March 2013, as a Minister of State from March 2013 up to July 2020, as the Chairman of the National Media Council from 2016 up to July 2020, as the UAE's special envoy for Climate Change since November 2020, as Group Chief Executive Officer of ADNOC since February 2016 and additionally Managing Director of ADNOC since February 2021. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company.

H.E. Dr. Al Jaber is also Chairman of several ADNOC Group companies, Chairman of Masdar and Chairman of Emirates Development Bank, Chairman of the Board of trustees of Mohammed bin Zayed University of Artificial Intelligence, as well as a member of the Board of Directors of Emirates Global Aluminum, Emirates Investment Authority, First Abu Dhabi Bank and Khalifa University.

H.E. Dr. Al Jaber holds a Ph.D. in business and economics from Coventry University in the United Kingdom, an MBA from California State University, and a Bachelor in Chemical Engineering from the University of Southern California, USA.

H.E. Ahmed Jasim Al Zaabi
Director
Chairman of the Audit Committee

H.E. Ahmed Jasim Al Zaabi has served as the Chairman of Abu Dhabi Department of Economic Development and as member of Abu Dhabi Executive Council since January 2023, Chairman of Abu Dhabi Global Market (ADGM) since October 2021. He previously served as Group Chief Financial Officer of ADNOC from December 2019 to December 2021. He also served as a member of the Board of Directors of a number of banks and financial institutions such as the Abu Dhabi Securities Exchange (ADX), Union National Bank (UNB) and the Abu Dhabi Retirement Pensions & Benefits Fund (ADRPBF). He is a member of the Board of Directors of Khalifa Fund for Enterprise Development and several other ADNOC Group companies.

H.E. Al Zaabi holds a Master's degree in Economics Science with Honors from the University of Aberdeen, UK.

H.E. Ahmed Tamim Al Kuttab
Director
Member of the Nomination and Remuneration Committee
Member of the Audit Committee

H.E. Ahmed Tamim Al Kuttab has served as Chairman of Abu Dhabi Department of Government Support and a member of the Executive Council since January 2023, as Director of the Executive Office of ADNOC since October 2020. He previously served as Executive Vice President, Strategy of ADNOC as well as Senior Vice President, Special Projects of ADNOC from 2016 to 2018.

H.E. Al Kuttab also serves as a member of the Board of Directors of several other ADNOC Group companies and has served as a member of the Board of Directors of Emirates Development Bank since Sept 2020.

H.E. Al Kuttab holds a Master's degree of Business Administration (MBA) from the University of Oxford (UK) and a BSc (Finance) from George Mason University, USA.

H.E. Mohamed Hassan Alsuwaidi
Director

H.E. Mohamed Hassan Alsuwaidi has served as Managing Director and Chief Executive Officer of ADQ since May 2019, having previously served as the Director of Metals and Mining of Mubadala Investment Company from 2007 to 2019. H.E Alsuwaidi is also a Chairman of the Board of Directors of TAQA, NEXT50, Pure Health and ADC Acquisition Corporation (ADC) and, Vice Chairman of Abu Dhabi Airports (ADAC) and Second Vice Chairman of Aldar Properties. His Excellency is a member of the Board of Directors of the Dhabi Pension Fund, Emirates Nuclear Energy Co, Louis Dreyfus Company (LDC), Al Dahra Holding, Lulu Group International, and MiZa.

H.E. Alsuwaidi holds a BSc Degree in Accounting from the United Arab Emirates University, UAE.

Khaled Salmeen
Director
Chairman of the Executive Committee
Member of the Nomination and Remuneration Committee

Mr. Khaled Salmeen has served as the Executive Director of Downstream Industry, Marketing and Trading (DM&T) of ADNOC since January 2021, having previously served as Executive Director of Marketing, Sales & Trading (MS&T) of ADNOC from February 2019. He previously also served as Chief Executive Officer of the Khalifa Industrial Zone (KIZAD), Chairman of Abu Dhabi Terminals, and Chief Operating Officer of National Central Cooling Company (Tabreed). He also served as Director of ADNOC's Transformation Project Management Office from 2016 to 2017. Mr. Salmeen currently serves as a member of the Board of Directors of a number of ADNOC Group companies. He is also Chairman of TA'ZIZ and Chairman of ADNOC Trading.

Mr. Salmeen holds a BSc in Engineering from Colorado School of Mines, Colorado, USA, an Executive MBA from INSEAD, and a Project Management Professional (PMP) from the Project Management Institute (PMI) and Harvard Business School, USA.

Mariam Saeed Ghobash
Director
Chairwoman of the Nomination and Remuneration Committee
Member of the Executive Committee

Ms. Mariam Saeed Ghobash served as Director of the Global Special Situations Department of Abu Dhabi Investment Council from 2009 to June 2021. She previously served as an Associate at HSBC from 2006 to 2009. Ms. Ghobash is a member of the Board of Directors of Etisalat, Emirates Development Bank, Gulf Capital, and Zayed University. She previously served as Vice-Chairperson of Aldar Properties and Invest AD as well as a member of the Board of Directors of the National Bank of Abu Dhabi, Al Hilal Bank and Abu Dhabi National Takaful Co. "Watania".

Ms. Ghobash holds a BSc in Economics from the University of Pennsylvania, Philadelphia, USA.

Abdulaziz Abdulla Alhajri
Director
Member of the Executive Committee
Member of the Audit Committee

Mr. Abdulaziz Abdulla Alhajri has served as Executive Director, Downstream Directorate of ADNOC from May 2016 until December 2020. From October 2007 to May 2016, he was the Chief Executive Officer of Abu Dhabi Polymers Company (Borouge), a joint venture of ADNOC and Borealis. He also serves on several other ADNOC Group company boards of directors.

Mr. Alhajri holds a BSc in Chemical Engineering from the University of Texas, USA.

SENIOR MANAGEMENT TEAM

Bader Saeed Al Lamki
Chief Executive Officer

Eng. Bader Al Lamki was appointed Chief Executive Officer in May 2021, where he is responsible for managing the Company's overall operations, as well as developing and implementing long-term regional and international growth strategies. He brings more than 20 years of diversified experience in the oil and gas, clean energy, and utilities sectors. Previously, Eng. Al Lamki held the role of the Chief Executive Officer at National Central Cooling Company PJSC (Tabreed) from April 2019 to May 2021, leading the company's operations and growth ambitions in the UAE, across the GCC and internationally. Eng. Al Lamki has extensive experience with some of the UAE's biggest energy companies, including with ADNOC operating company ADMA-OPCO, where he successfully led a strategic development initiative to increase the company's daily oil production. He also worked with Masdar Clean Energy, where he was responsible for business growth activities, including acquisitions and green field project development, having an instrumental role in building the company's international renewable energy portfolio, with projects spanning across 25 countries. Earlier in his career, Eng. Al Lamki gained experience with a number of renowned organizations, including French oil major Total, where he advised on oil and gas projects in Africa.

Eng. Al Lamki holds a BSc degree in Chemical Engineering from the United Arab Emirates University.

Wayne Beifus
Chief Financial Officer

Mr. Wayne Beifus joined ADNOC Distribution as the Chief Financial Officer in June 2022. He brings over 30 years of financial sector expertise, with almost twenty years in executive leadership roles at some of the world's largest and market-leading organizations within the FMCG and retail industries, including British American Tobacco. Prior to joining ADNOC Distribution, he worked for British American Tobacco and, most recently, for Walgreens Boots Alliance-International Retail, where he was Chief Financial Officer for the past three years.

Mr. Beifus holds a double Bachelors' degree in Commerce and Accounting Science from the University of South Africa and is a qualified Chartered Accountant by the South African Institute of Chartered Accountants and the Australian Institute of Chartered Accountants.

Athmane Benzerroug
Chief Investor Relations Officer

Mr. Athmane Benzerroug joined ADNOC Distribution in September 2018 as Chief Investor Relations Officer. He also serves as Acting Senior Vice President, Strategy and Transformation since September 2022. Prior to joining ADNOC Distribution, Mr. Benzerroug served 10 years at Deutsche Bank as a Director focusing on industrials, Real Estate, and Retail. He has 20 years of experience in investment banking and equity capital markets leading major IPOs in Europe, the Middle East, and Turkey. Previously, Mr. Benzerroug was responsible for European Infrastructure at Natixis Securities in Paris.

Mr. Benzerroug holds an MSc in Banking and Finance from the University of Paris X, France.

Saeed Nasser Al Ahbabi
Chief Business & Commercial Support Officer

Eng. Saeed Nasser Al Ahbabi was appointed as Chief Business & Commercial Support Officer in June 2019. Prior to joining ADNOC Distribution, Mr. Al Ahbabi served in various roles at ADNOC since 2007, including Vice President, Civil Projects, since 2011.

Mr. Al Ahbabi holds a BSc in Civil & Environmental Engineering from the United Arab Emirates University and an MBA from the American University, UAE.

Thomas Rebeyrol
Chief Operating Officer

Mr. Thomas Rebeyrol joined ADNOC Distribution as the Chief Operating Officer in July 2022. He brings extensive strategy, marketing, and retail operations experience with TotalEnergies (previously Total), where he worked since 1998. In 2009, he led the operations for Egypt as the Managing Director and holds broad industry knowledge of the downstream and power sector. He successfully led operations for 11 affiliates and JVs in the UAE, KSA, Qatar, Lebanon, Jordan, Pakistan, South Korea, Taiwan, and Japan. Since 2021, Thomas was based in Singapore as the Regional Vice President Middle East, Pakistan and Northeast Asia for TotalEnergies.

Thomas holds a Master's degree from the University of Sorbonne and is a graduate of the HEC Paris Business School (France).

Tanveer Rahman
Chief Investment Officer

Mr. Tanveer Rahman joined ADNOC Distribution as the Chief Investment Officer in June 2022. He brings over 22 years of experience in investment banking covering downstream energy sector, including refining, fuel retail, aviation fuel, lubricants, and storage. He joins ADNOC Distribution from his role as Head of Chemicals Asia and Oil & Gas SE Asia, Investment Banking at HSBC, where he led the investment banking franchise for Oil, Gas and Chemicals sectors in Asia.

Tanveer holds a Bachelor's degree in Economics and Management from Oxford University, UK and is a Chartered Financial Analyst charter holder from the CFA Institute.

Ahmed Abdel-Karim
Chief Marketing Officer

Mr. Ahmed Abdel-Karim joined ADNOC Distribution as Chief Marketing Officer in October 2022. He brings over 20 years of marketing and commercial expertise between PepsiCo and HSBC. He has diverse experience in setting new marketing standards and global best practices across emerging, developing and developed markets in the UK, Europe, the Middle East and Africa.

Ahmed holds a Bachelor of Economics with High Honors from the American University in Cairo (Egypt) and completed his executive education at Harvard Business School.

Mr. Mohammed Omar is an Experienced Human Capital Professional with 18 years of robust experience in multinational companies in the Oil & Gas, Banking, Maritime, Utilities, Logistics and Supply Chain sectors. Since July 2019, Mr. Omar is serving as Senior Vice President, Human Capital responsible for designing, developing, implementing and managing Human Resources strategies and programs that facilitate the attainment of business goals. Before joining ADNOC Distribution, Mr. Omar served as Director of Recruitment and Human Capital Services at DP World.

Mr. Omar holds a Bachelor of Business Administration from the University of Sharjah, UAE.

Mohamed Omar
Senior Vice President,
Human Capital

Mr. Ben Hennessy joined ADNOC Distribution in October 2019 as General Counsel. He served as an international lawyer for more than 18 years, initially at global law firm DLA Piper, followed by eight years at BP PLC, where he led legal teams supporting BP's retail fuels and lubricants businesses.

Mr. Hennessy is a qualified solicitor in England & Wales and holds an LPC from the University of Law, London and a BA from the University of Newcastle, UK.

Ben Hennessy
General Counsel

CODE OF CONDUCT[8]

Our Distribution's Code of Conduct demonstrates ADNOC Distribution's commitment to compliance and ethical behavior in all that it does. Its Code of Conduct:

(a) Sets out the minimum standard of conduct that we expect from anyone working for or on behalf of ADNOC Distribution; and

(b) Provides a set of basic rules and standards that are designed to ensure that our business is conducted in an ethical and compliant manner and in accordance with our core values.

WE ARE RESPONSIBLE

WE ARE RESPECTFUL

WE ARE PROGRESSIVE

WE ARE COLLABORATIVE

WE ARE EFFICIENT

CORPORATE GOVERNANCE POLICY

Our Corporate Governance Policy provides clear guidance on

a) The Company's corporate governance structure and the interface between the Company and its stakeholders;

b) The authorities and decision-making mechanisms within the Company and between its stakeholders; and

c) The role and responsibilities of the Company's corporate governance function.

DIVIDEND POLICY

Our Dividend Policy sets out a clear and transparent criteria and method for the distribution of profits such that the distribution of our profits serves the interests of both ADNOC Distribution and its shareholders.

The payment of dividends is subject to consideration of:

(a) The cash management requirements of the Company for operating expenses, interest expense, and anticipated capital expenditures; and

(b) Market conditions, current operating environment in our markets, and the outlook for the business of the Company.

In addition, any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of the Board of Directors and approval of the Shareholders.

Under our Articles of Association, the Company may distribute quarterly, semi-annual and/or annual dividends to shareholders from operating profits and/or accumulated profits of the Company. The Company currently intends to pay a dividend twice each fiscal year, with an initial interim payment in October of that year and a second payment in April of the following year.

RELATED PARTY TRANSACTIONS POLICY

Our Related Party Transaction Policy is designed to ensure that:

(a) Transactions with related parties are conducted on arm's length terms;

(b) The Board of Directors and senior management are aware of the steps required to approve transactions with related parties; and

(c) A legitimate business case is present, and which supports the relevant related party transactions, including their arm's length nature. In accordance with this policy, we may not enter into a related party transaction unless it has been approved by:

(i) Our Board of Directors, where the transaction's value does not exceed 5% of the value of our share capital; or

(ii) Our shareholders at a General Assembly, where the transaction's value exceeds 5% of our share capital. The foregoing requirements do not apply to transactions with ADNOC and with other ADNOC group companies.

However, for so long as ADNOC owns more than 50% of our shares, we may not enter into transactions with ADNOC or other ADNOC group companies unless such transactions have been approved by our Board of Directors, including a majority of the independent members of the Board of Directors, subject to certain thresholds under our Delegation of Authority Matrix.

[8]ADX ESG Guide: G5 Ethics & Prevention of Corruption

INSIDER DEALING POLICY

The requirement to have fair and transparent dealings in our securities is of paramount importance to us and we take a zero-tolerance approach to any activities which would prevent this requirement from being properly implemented. Accordingly, we have implemented an Insider Dealing Policy to ensure that the obligations and responsibilities of our employees, officers, and directors with respect to dealings in our securities are clearly defined. In accordance with the Insider Dealing Policy, we have established an Insider Dealing Committee to oversee the ongoing implementation of this policy.

ANTI-BRIBERY AND CORRUPTION POLICY

We are committed to doing business lawfully, ethically and with integrity, and we expect all our employees and representatives to act accordingly. Consistent with this commitment, we take a zero-tolerance approach to fraud, bribery, and all other forms of corruption. Our Anti-Bribery and Corruption Policy sets forth our requirements to ensure that none of our employees or representatives engage in any of these activities.

COMPLIANCE INVESTIGATIONS POLICY

Our commitment to operating with integrity includes investigating, where necessary, allegations of ethical misconduct. Our Compliance Investigations Policy and supporting procedures set forth our approach to investigations relating to alleged violation of:

(a) Ethical business practices;
(b) Integrity in our interactions and arrangements with third parties; and
(c) Applicable laws, regulations, policies and procedures relating to ethical business practices and integrity.

This policy requires all our personnel to cooperate fully and truthfully with all investigations and to avoid engaging in certain activities that may hinder or interfere with an investigation.

CONFLICTS OF INTEREST POLICY

We understand that our employees, officers, and directors will engage in legitimate social, financial and business activities outside the scope of their work for us. Our Conflicts of Interest Policy sets forth our requirements for the avoidance and management of conflicts of interest that may arise as a result of these other activities, including the avoidance of situations that merely have the appearance of a conflict of interest. Under this policy, conflicts of interest must be promptly disclosed so that the appropriate course of action can be taken in order to protect ADNOC Distribution's interests.

WHISTLEBLOWING POLICY

Having an open, honest, and transparent culture supports our commitment to integrity. Our Whistleblowing Policy encourages our employees to report concerns about unethical behavior in connection with our business by assuring confidentiality and by protecting good faith whistle-blowers from retaliation, even if they are mistaken.

GENDER DIVERSITY POLICY

We are committed to advancing gender diversity and equality across the organization and are constantly working to recruit more women in all areas of our business. We are also working on a number of initiatives to advance women's career growth across the Company. To this end, our Gender Diversity Policy has been designed to both Board-level appointments and the company-wide approach to gender diversity. In addition, the Company will continue to ensure that its female employees obtain access to all necessary training and development in order to achieve their full potential in line with the standards of high performance we expect from all our employees - both men and women alike.

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GIFTS AND ENTERTAINMENT POLICY

As part of ADNOC Distribution's code of conduct, the Gifts and Entertainment Policy provide a robust framework to manage to receive and accept forms of gifts and entertainment in the context of business. Anything of value that is provided or received in the context of business (as opposed to personal) interaction can be included in the definition of gifts and policy. On the contrary, anything with no legitimate business reason to offer or accept, inconsistent with ethical, cultural, or professional norms, such as in the form of cash or cash equivalents, which offer to influence improperly, and compromise objectivity are treated as inappropriate in nature. Appropriate gifts and entertainment can build goodwill in business relationships, however, accepting or offering inappropriate gifts and entertainment is a breach of code of conduct and is treated as unethical, putting organization's reputation at risk. In case of any non-compliance or inappropriate offers, all ADNOC Distribution employees are required to report the matter to respective line managers, ethics, and compliance representative or via the Takallam platform.

NON-DISCRIMINATION[9]

ADNOC Distribution maintains a zero-tolerance approach to any form of discrimination or harassment at the workplace, and actively promotes and maintains a core value of non-discrimination across its business activities and services, covering all stakeholders, including employees, customers, and suppliers.
The Company's policies, processes, and activities regarding non-discrimination are guided by its core value of 'WE ARE RESPECTFUL' and direct towards promoting equality and embracing diversity.

HUMAN RIGHTS[10]

ADNOC Distribution operates mainly in the United Arab Emirates (UAE) and human rights policies are aligned to the UAE Labor law. The UAE guarantees human rights under its constitution and strongly prohibits torture, arbitrary arrest, and detention, while protecting civilian liberties, including freedom of speech and press, peaceful assembly and association, and the practice of religious beliefs. Nine conventions of International Labor Organization's (ILO) related to the rights of workers has been ratified by the UAE, which protect labor rights, implemented the Labor Law for private sector and laborers and set up channels to resolve labor disputes.

FAIR LABOR PRACTICES[11]

The UAE Federal Labor Law strictly prohibits any form of forced, compulsory or child labor in the country. At ADNOC Distribution, we abide by all laws of the government and ensure that no such violations occur across any of our workplaces.

DATA PRIVACY POLICY AND SYSTEMS

ADNOC Distribution abides by several policies and initiatives to manage data privacy and cybersecurity issues and believes that its customers have a right to know how their information is gathered, analyzed, and used responsibly. The Privacy Policy of the Company set out the basis on which any personal data is collected, or provided, and will be processed to ensure it is protected and processed in a fair, transparent, and lawful way. The Company utilizes Information Security Management System (ISMS) accredited with ISO 27001:2013 Information Security credentials and is fully committed to the objectives of UAE's Personal Data Protection Law.

SUSTAINABILITY RELATED COMPENSATION AND INCENTIVE SCHEME [12]

Environmental, Social, and Governance (ESG) KPIs, such as nationalization, GHG Emission reduction, ICV are included in ADNOC Distribution's Annual Performance Scorecard. Based on the Performance Scorecard's rating, variable compensation of executive management is determined by the Remuneration Committee of ADNOC Distribution's Board of Directors.

[9] ADX ESG Guide: S6 Non-discrimination
[10] ADX ESG Guide: S10 Human Rights
[11] ADX ESG Guide: S9 Child & Forced Labour
[12] ADX ESG Guide: G3 Incentivized Pay

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PEOPLE OF ADNOC DISTRIBUTION

As the UAE's leading fuel distributor and convenience store operator, ADNOC Distribution believes its employees are the Company's greatest asset. Their well-being, and personal and professional development are key to the success and sustainability of its business. ADNOC Distribution proudly embraces the unique talents of its versatile workforce, including men and women from over 70 nationalities, who contribute their wealth of experience and rich cultural backgrounds to establish our strong corporate culture at ADNOC Distribution.

HEALTH AND SAFETY

- Health and safety continue to be ADNOC Distribution's top priority as it remains committed to its 100% HSE strategy.
- It strives to safeguard the wellbeing of its customers employees and assets whilst delivering the highest levels of quality and service consistently.
- A total of 11,009 employees received HSE trainings in 2022.
- It conducted 11 major evacuation drills and 44 mock drills in 2022.
- It is proud to have recorded zero fatalities and zero catastrophic events related to HSE in 2022.

EMIRATIZATION AND DIVERSIFICATION[13][14][15]

- Based on ADNOC Distribution's innate belief that people are its main asset, the company strives to attract the best talents, locally and internationally, to acquire the smartest and most innovative minds to run our operations and drive the Company's journey towards the future.
- ADNOC Distribution strongly supports the UAE Government's direction to empower, retain, and invest in local talents, while ensuring they are well-equipped with the necessary skills to harness its operations.
- It has proudly achieved a 63.93% Emiratization rate in 2022 across all corporate functions.
- The Company benefits from a multicultural pool of talents, with employees from 71 nationalities working across the business, adding valuable global expertise and exposure to strengthen its offering.
- Female representation continues to be among ADNOC Distribution's main points of development, and in 2022, a total of 39 women were in team leader and above positions.
- The Company continued to offer its Fresh Graduate Program for UAE national employees in 2022 – a program we first launched to support local talents in 2021. In 2022, we successfully identified and enrolled over 42 highly promising fresh graduate talents who recently joined ADNOC Distribution.
- ADNOC Distribution Temporary Worker Ratio was at 0.02%
- ADNOC Distribution developed a new Gender Diversity Policy with the aim to further enhance our drive to be an equal opportunities employer and improve transparency. This new policy will serve as our guide on thinking and decision-making that takes gender diversity into consideration.

RECRUITMENT

- A total of 2,932 new talents were recruited in 2022, including 2,603 employees in the core service station business – demonstrating the ongoing growth of the Company and its increasing operational network and associated human resource requirements.
- Successfully executed 8 recruitment campaigns (including 5 locally and 3 internationally in Sri Lanka, The Philippines and Nepal), securing over 4,000+ initial; selections in liaison with the retail team. Our most recent campaign in Nepal saw the successful recruitment of 1,200 new staff members, who will be deployed to join the Company during Q1 2023.

[13] ADX ESG Guide: S4 Gender Diversity
[14] ADX ESG Guide: S11 Nationalization
[15] ADX ESG Guide: S5 Temporary Worker Ratio

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SUCCESSION PLANNING

- Succession planning continued to be a focus area in 2022.
- Robust succession planning allows the Company to hold onto talent that is important in achieving future business ambitions through innovation and professionalism.
- Selected employees within the succession-planning model are offered special programs to help them further develop their interpersonal and professional skills, to retain and prepare them for future leadership positions.
- In 2022, corporate TRC identified 104 successors (60% UAE nationals from successors pool and 15 out of 104 are UAE women) and were offered development plans accordingly.

PEOPLE DEVELOPMENT

- 2022 was the year of recovery post COVID-19 and continuation our transformation journey. ADNOC Distribution delivered 427 unique training courses to more than 28,000 participants during the year, including:
  a. Retail Academy: Part of our performance-driven culture initiative that has enabled the career development opportunities for retail operations staff.
  b. Leadership trainings:
     i. First Level Leadership Program.
     ii. Leading the ADNOC Way.
     iii. Leaders as Effective Communicators.
     iv. ADNOC Unified HSE Matrix Implementation training.
  c. Training effectiveness program: to measure the behavioral change observations.
  d. Internal e-learning platform access for KSA employees.
  e. Coach Buddy program for Service Station Managers.
- Maximize the utilization of our online e-learning services and platform offerings.
- Provide certification courses for functional/technical skills:
  a. Call Center Training.
  b. IMS Internal Auditor as part of the IMS initiative.
  c. Certified Machinery Lubrication Technician.
  d. ITIL Certification course.
  e. Certified Vehicle Inspection Program.
  f. PMP Certification Course.
  g. Tawafiq Program to enhance the level of customer service and communication skills (written and verbal).

CLOSING THE GAP[16 17]

The Company has taken ambitious strides and steps to provide wages based on an employee's skillset rather than gender and provide fair opportunities to employees irrespective of gender. It has also sought to reduce the compensation gap between top management and other employees. 2022 saw a change in the gender pay ratio as well as the CEO Pay ratio.

	CEO Total Compensation to median Full Time Equivalent (FTE) total compensation	Median male compensation to median female compensation
2018	6.98:1	1.00:1
2019	8.25:1	1.01:1
2020	7.47:1	1.04: 1
2021	10.6:1	0.93: 1
2022	9.65:1	0.96:1

[16]ADX ESG Guide: S1 CEO Pay Ratio
[17]ADX ESG Guide: S2 Gender Pay Ratio

EMPLOYEE TURNOVER[18]

ADNOC Distribution requires employees who wish to leave the Company to serve a notice period. They will receive a notification letter from our human capital department containing the notice period duration according to their grade category. Employees are well-informed of policy changes with clear communication for notification and acknowledgment. The Company's Human Capital team works together with the Communication and Line Management teams to ensure that proper management communication plan is well-implemented within our business. This approach provides employees transparency in communicating issues regarding employment and resignation.

In 2022, ADNOC Distribution Full-Time Employee Turnover Rate was at 9.5%

[18]ADX ESG Guide: S3 Employee Turnover

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ENTERPRISE RISK MANAGEMENT

Proactive engagement of risk management is a key component of the Company's core business activities. By identifying, understanding, and managing risks in accordance with a defined risk management policy and set of procedures, the risk management process identifies and mitigates exposure to uncertainty wherever possible, while increasing exposure to opportunities

The ERM Policy defines the risk management objectives, governance structure, and roles and responsibilities of the Board of Directors, audit committee, management team, ERM function, and internal audit function in accordance with the ISO 31000 standard.

In pursuing the Company's risk management objectives, the Board of Directors undertakes to:

- Ensure that ADNOC Distribution is a transparent organization where awareness and understanding of the risk-management policy and procedures are established at the appropriate levels of the organization.
- Be responsible for overseeing and monitoring the risk-management system.
- Identify, manage, monitor, and report on risk, holding the management team accountable for managing identified risks effectively.

To ensure the risk-management process is effective, the Board:

- Identifies risks using an objective-driven process to assess the impact that risks would have on achieving the Company's objectives by embedding risk management into all decision-making process.
- Ensures that significant business risks to which ADNOC Distribution is exposed are systematically identified, assessed, and managed to acceptable levels based on risk tolerance and appetite levels as approved by the Board.
- Has a clearly defined responsibility structure.

By implementing an iterative risk management process in accordance with ISO 31000:2018, the Company can increase the likelihood of success while decreasing the failure rate and uncertainties by taking into account potential benefits and risk factors for the organization.

ENTERPRISE RISK MANAGEMENT GOVERNANCE

The primary goal of the company's enterprise risk management and governance processes is to enable sustainable growth and business performance through improved decision making, planning, and a focus on mitigating high priority risk areas in order to increase shareholder value. In this context, the Company employs an Enterprise Risk Management Governance Structure with clearly defined roles and responsibilities.

The Scope, Internal and External Context and Risk Criteria defines the basic parameters within which risks will be managed at the Company and sets the scope for the rest of the ERM Process.

Communication and consultation are critical components of effective risk management practices. Communicating risk information to stakeholders helps to maintain confidence and trust while also developing a shared understanding of the Company's risks.

CORPORATE SOCIAL RESPONSIBILITY[19]

ADNOC Distribution is one of UAE's most recognized brands, and it takes pride in supporting local communities where it operates. As the UAE's leading fuel and convenience retailer, ADNOC Distribution leverages its extensive network across the seven emirates to cater to the needs of its stakeholders and by utilizing partnerships with strong, reputable organizations to deliver community service projects focusing on healthcare and socio-economic initiatives.

We remain committed to our longstanding responsibility to place the interests of our people and customers as a top priority for our Company and maintaining the highest levels of HSE measures into consideration.

This is particularly visible in the Company's commitment to serving the local community, including the national Emiratization agenda, where we continue to work on creating job opportunities for Emirati nationals and support to enable local talents to reach their full professional potential. This is also evident in our local ICV procurement program, where we support local businesses by channeling our purchasing activities through them.

This mixture of elements works collectively to shape our unique corporate social responsibility (CSR) agenda. ADNOC Distribution makes a conscious effort every year to ensure that its CSR contributions, including partnerships on projects it chooses to support, resonate with the Company's values. We carefully assess the potential impact of each initiative to ensure we associate our brand with the right ones that will result in creating the best value to benefit the targeted local communities.

STEM Summer Camp Competition – 'Beat the Heat' campaign

The competition is part of ADNOC Distribution's annual 'Beat the Heat' campaign, which aims to raise awareness among its employees on the importance of following HSE measures during the hot summer months. The STEM Summer Camp Competition was created by ADNOC Distribution's CSR team targeting school students, offering them a fun and engaging learning experience that can be useful during the long summer holidays.

Participating students get introduced to the 'Beat the Heart' campaign and its objectives to ensure maintaining the health and safety of ADNOC Distribution's family, especially among employees whose work conditions require spending long hours in open-air settings.

Participating students are enrolled in a ten-day training program, where they learn about effective communication, creative thinking, and industrial product design through a series of virtual workshops. They are then asked to create innovative solutions by submitting a three-minute video pitching their design idea and prototype.

In 2022, more than 1,200 students took part in the STEM Summer Camp Competition where three projects were selected as the winners. The winning projects were implemented and rolled-out as part of the 'Beat the Heat' campaign and contributed to ensuring the safety of more than 10,000 employees during the summer season.

[19]ADX ESG Guide: S12. Community Investment

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Pink Caravan breast cancer awareness campaign

Pink Caravan is a national campaign that takes place during the international breast cancer awareness month in October. The initiative was created in 2011 by the Friends of Cancer Patients Group and we've since partnered with them to help raise awareness about the disease. In addition to ADNOC Distribution's direct monetary contribution to support the cause, the Company also offers physical space at its service stations to enable the campaign's mobile screening and examination clinics to offer free consultations and health screenings to the public.

In 2022, ADNOC Distribution supported the Pink Caravan with a direct monetary contribution, in addition to providing the required physical space and volunteers' support to ensure the success of the campaign. This has resulted in conducting a total of 2,505 examinations, 311 screenings and 604 mammograms, which has contributed to saving so many precious lives through early detection and raised awareness about this dangerous health issue.

Al Ghadeer UAE Crafts – Supporting local SMEs and reviving the UAE heritage

ADNOC Distribution extended its partnership with the Emirates' Red Crescent project, Al Ghadeer UAE Crafts, for a second year in 2022, following the remarkable success of the cooperation during the first year.

The project was established in 2006 to offer women from different nationalities and ages with vocational training, designs, raw materials, and marketing services to create culturally inspired products to assist them in earning a dignified living and sustain traditional crafts. ADNOC Distribution supported the initiative by allocating retail space at select ADNOC Oasis convenience stores in Al Bateen, Mahwi, Al Ain and Dubai regions to showcase artifacts created by Al Ghadeer's craftswomen.

In 2022, we increased the number of stands allocated for Al Ghadeer UAE Crafts to showcase their products to 9 at ADNOC Oasis locations.

Reach Campaign

An ongoing CSR partnership with the UAE's Emirates Red Crescent, the Reach Campaign aims to raise awareness on the river blindness disease and provide the necessary support to prevent it from spreading worldwide.

The devastating medical condition affects millions of people around the world, especially in Africa. However, it can be easily treated at a minimal cost of two dirhams per patient, enough to cure the case and protect the patient from re-contracting it for up to one year. ADNOC Distribution promotes and encourages customers to provide charitable donations to support the cause through the ADNOC Distribution app and by placing special collection boxes across the Company's service station network nationwide.

In 2022, ADNOC Distribution managed to collect total donations of AED 400,000 to support the Reach Campaign, enough to provide treatment to 400,000+ patients. This included AED 155,271 in donations collected from the physical boxes across the network and was hugely complemented through online donations through the ADNOC Distribution app. with total contributions of AED 244,729.

ADNOC Distribution total expenditure on social development and related sponsorship projects for 2022 was approximately AED 2 million

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HEALTH AND SAFETY[20, 21]

ADNOC Distribution puts safety as its top priority, and it is embedded in its core values. It has adopted ADNOC's HSE Management System (HSEMS) with a strategic goal and commitment to protecting its employees, contractors, and third parties through its programs, practices, and a working culture that promotes safety at every level of its organization.

ADNOC Distribution seeks quality of life and productivity by enhancing and protecting its peoples' physical and mental health and overall wellbeing. The HSE Management System is composed of various performance indicators and procedures, and is regularly reviewed and updated, and continually improved to align with applicable legal and other requirements, and leading global practices. ADNOC Distribution's HSE Division oversees the management of Health & Safety topics across the organization's assets and operations, including service stations.

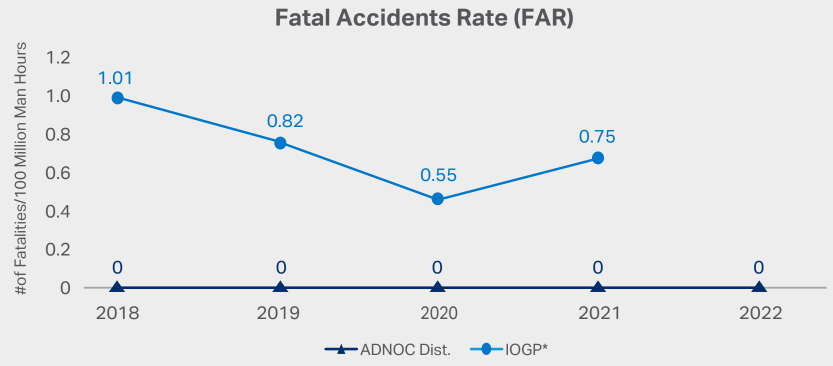
The ADNOC HSEMS is aligned with the common high-level framework structure, the requirements of ISO Standard 45001:2018 (Occupational Health & Safety) and ISO 14001:2015 (Environmental Management System). It applies the 'Plan-Do-Check Act' cycle (PDCA) similar to ISO to achieve continual improvement. The ADNOC HSE Management System is an integral part of the ADNOC Integrated Management System (IMS). ADNOC IMS Manual outlines the "context of the organization" and defines the ADNOC IMS framework for understanding and meeting the needs and expectations of interested parties. The HSEMS covers depots, service stations, vehicle inspection centers, aviation filling facilities and project sites. Supplies or services provided to different strategic partners are out of the scope of the Company's HSE management system.

HSE PERFORMANCE IN 2022

The ADNOC Distribution HSE team has carefully planned and accomplished objectives through smart tactics while proactively managing COVID-19 risk exposure across the Company. This was facilitated through the effective deployment of virtual technology to conduct meetings, audits, inspections, and trainings. COVID-19 has also inspired innovation in HSE at ADNOC Distribution, as the team introduced new ideas to roll out HSE campaigns virtually while engaging employees and contractors. This also contributed to the reduction in Company's overall carbon footprint, in addition to other initiatives we are undertaking to manage our business activities impact on the environment proactively.

Our HSE performance continued to demonstrate healthy results, and reporting only one minor Lost Time Injury (LTI) incident last year. That was investigated to establish the root causes. No Restricted Work Case (RWC) and No Medical Treatment Case (MTC) were recorded in the reporting period. In year 2022 TRIR & LTIF were 0.027, while TRIR was well within the annual target of 0.06. No Process Safety Event were observed last year. Comparing our HSE performance with international benchmarks, demonstrates ADNOC Distribution's better scores. This success was driven by the strong leadership commitment, thriving HSE culture within ADNOC Distribution, and continuous efforts to raise awareness on HSE matters across the board.

[20] ADX ESG Guide: S7 Injury Rate
[21] ADX ESG Guide: S8 Global Health and Safety



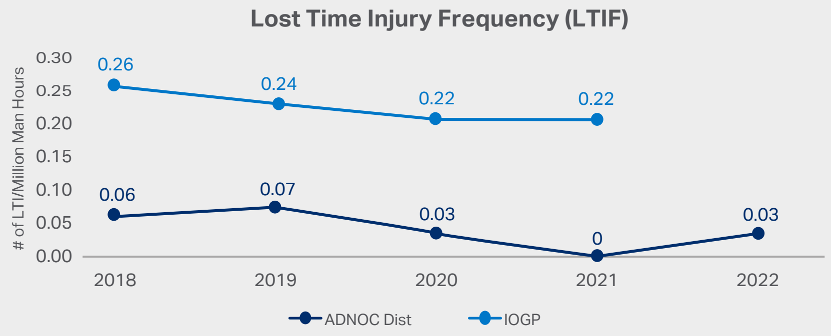
Formulae:

Fatal Accidents Rate (FAR) = # of Fatalities /100 Million Man Hours

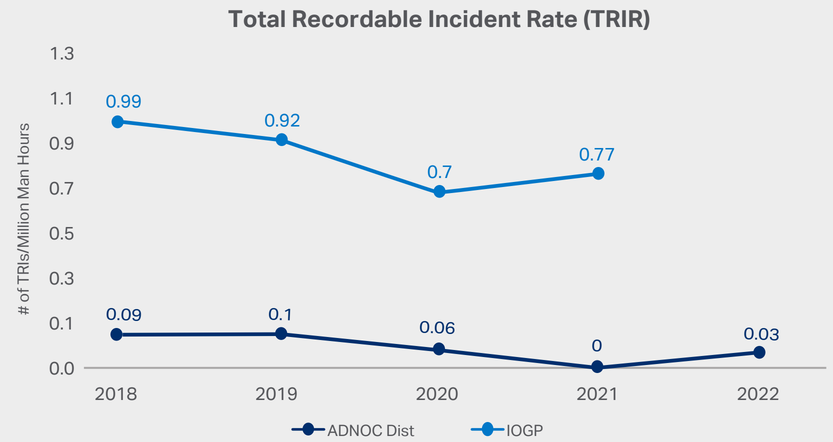
Loss Time Injury Frequency (LTIF): # of LTIs / Million Man Hours

Total Recordable Injury Rate (TRIR): # of Recordable Incidents* / Million Man Hours

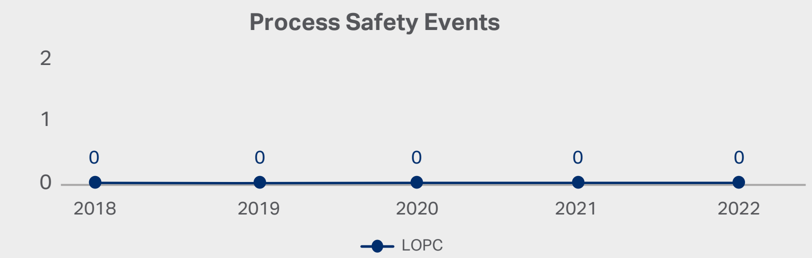
*Recordable incidents are a sum of Loss Time Incidents, Restricted Work Cases and Medical Treatment Cases

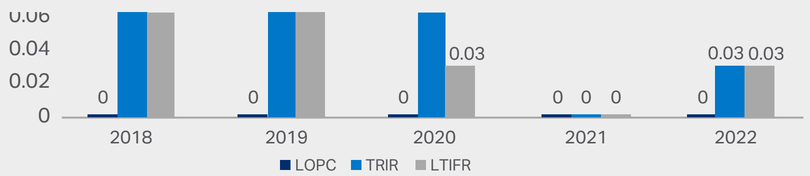


Lost Time Injury is the sum of Fatalities, Permanent Total Disabilities, Permanent Partial Disabilities and Lost Workday Cases



Total Recordable Injury is the number of injuries (Fatalities + Permanent Total Disabilities + Permanent Partial Disabilities + Lost Workday Cases + Restricted Work Cases + Medical Treatment Cases)





All lagging indicators (Fatal Accident Frequency Rate, Lost Time Injury Frequency, and Total Recordable Incident Rate) show that ADNOC Distribution performs better than IOGP combined HSE Performance.

1. Lost time injury x 1,000,000/man hours
2. Recordable injuries x 1,000,000/man hours
3. Number of Tier 1/2 process safety events

PROTECTING ENVIRONMENT[22]

ADNOC Distribution's business operations and services are underpinned by a commitment to generate a positive impact on the communities and geographies in which the Company operates.

ADNOC Distribution develops and maintains policies, guidelines, processes, and management systems in line with leading practices, standards, and regulatory requirements to ensure it mitigates any adverse environmental impacts caused by its business operations.

CLIMATE RISK MITIGATION

Accurately identify, assess, and manage climate-related risks and opportunities, and ensure integration with our Enterprise Risk Management systems.

EMISSIONS

Minimize the GHG emissions caused by our operations through effective measurement, reporting and verification processes, and use of clean energy sources.

ENERGY

Management enhances energy performance of our business operations and services, in line with leading standards and mitigates any negative environmental impact.

ADNOC Distribution works closely with its partners and suppliers to manage its resource consumption in a responsible manner, including the use of energy and water, and management of waste throughout its operations. Ensuring adequate environmental oversight is essential to the Company's approach, including management-level discussions on sustainability; certified environmental operations, development of climate risk mitigation tools; and recycling measures. Overall environmental performance is supported by key performance indicators (KPIs) related to energy, emissions, water, and waste.

In 2022, ADNOC Distribution developed its de-carbonization strategy underpinned by active work to mitigate the impact on climate. In January 2023, the decarbonization roadmap was announced with a target to reduce the Company's carbon footprint 25% by 2030, which sets a path to Net zero by 2050, by identifying a set of tangible initiatives.

ENERGY MANAGEMENT[23][24][25]

ADNOC Distribution aims to become the UAE's leading mobility retailer by developing more efficient energy solutions and products, facilitating the global energy transition to cleaner energy sources (such as electric vehicles), and reducing its organizational energy intensity levels. The Company aligns its energy efficiency policies, programs, and initiatives, as well as its strategic approach to energy management with all applicable national visions and strategies, including UAE Energy Strategy 2050.

ADNOC Distribution's plans and implements strategic and operational clean energy initiatives to reduce its dependence on traditional energy sources and increase the uptake of clean energy sources, including solar energy and execute energy optimization initiatives. This will contribute to the company's target of achieving 25% reduction in GHG emission intensity target by 2030 as well as will allow the company to achieve local, national, and international targets such as UAE's Net-Zero by 2050 strategic initiative and reduce its energy costs.

In 2022, ADNOC Distribution's Energy Intensity Ratio was at 44 GJ/Million AED

GREEN HOUSE GAS EMISSIONS[26][27]

ADNOC Distribution is committed to mitigating the greenhouse gas (GHG) emissions caused by business operations and services, in line with the global, regional, and national climate change plan, including UAE's recently announced Net zero by 2050 strategic initiative and the UAE's National Climate Change Plan 2017-2050.

The Company has identified a set of initiatives to reduce its Scope 1 and 2 emissions including the use of biofuel in its vehicles, fleet management, installation of PV solar panels and other energy optimization initiatives and is executing on its decarbonization roadmap to achieve a 25% reduction in its carbon intensity by 2030.

In 2022, ADNOC Distribution generated absolute Scope 1 GHG emissions of 27,320 tCO_2e, and scope 2 emission of 130,850 tCO_2e emissions from its operations. The Company's emissions intensity ratio based on the organization's revenues was at 4.9 tCO_2e/Million AED.

WASTE

ADNOC Distribution follows the "Reduce, Reuse, and Recycle" principle for its waste disposal. The Company is compliant with all applicable legal requirements for waste management, and it follows the requirements of several regulatory authorities including the Abu Dhabi Waste Management Center (Tadweer) and Dubai Municipality. The Company keeps track of its inventory levels and disposes of solid waste and expired chemicals, through external third-party Environmental Services Providers, approved by Tadweer, who are obliged to comply with applicable legal waste disposal regulations.

Currently, hazardous solid waste is delivered to BeAAT's treatment facility while non-hazardous domestic waste is disposed of in landfills. In addition to recycling used lube oils, the company also recycles solid waste including paper and cardboard.

In 2022, ADNOC Distribution generated 11,999 tons of non-hazardous waste.

WATER[28]

ADNOC Distribution is committed to adopting water saving initiatives. This includes installing aerator water savers across all washrooms and mosque ablution areas in ADNOC service stations, offices, and sites. The grid spray pattern generated from this device reduces water consumption by more than 80%. The Company also uses treated recycled water to operate its car washing docks, which accounts for 80-90% of the total water used in this operation.

[22] ADX ESG Guide: E10 Climate Risk Mitigation
[23] ADX ESG Guide: E3 Energy Usage
[24] ADX ESG Guide: E4 Energy Intensity
[25] ADX ESG Guide: E5 Energy Mix
[26] ADX ESG Guide: E1 GHG Emissions
[27] ADX ESG Guide: E2 Emissions Intensity
[28] ADX ESG Guide: E6 Water Usage

ESG INDEX

ADNOC DISTRIBUTION ALIGNMENT WITH ADX ESG GUIDE

ADX Guidelines	Disclosure	Section	Page Number(s)	ADX Alignment
	ESG Disclosures			
ENVIRONMENTAL	E1 GHG Emissions	Protecting Environment	83	Scope 1 & 2 Emissions
	E2 Emissions Intensity	Protecting Environment	83	Yes
	E3 Energy Usage	Protecting Environment	83	Yes
	E4 Energy Intensity	Protecting Environment	83	Yes
	E5 Energy Mix	Protecting Environment	83	Yes
	E6 Water Usage	Protecting Environment	83	Yes
	E7 Environmental Operations	Governance of the ESG Agenda	56	Yes
	E8 Environmental Oversight – Management	Governance of the ESG Agenda	56	Yes
	E9 Environmental Oversight – Board	Governance of the ESG Agenda	56	Yes
	E10 Climate Risk Mitigation	Protecting Environment	82	Yes
SOCIAL	S1 CEO Pay Ratio	Closing the Gaps	74	Yes
	S2 Gender Pay Ratio	Closing the Gaps	74	Yes
	S3 Employee Turnover	People of ADNOC Distribution	75	Yes
	S4 Gender Diversity	People of ADNOC Distribution,	73	Yes
	S5 Temporary Worker Ratio	People of ADNOC Distribution	73	Yes
	S6 Non-discrimination	Non-Discrimination	71	Yes
	S7 Injury Rate	HSE	80	Yes
	S8 Global Health and Safety	HSE	80	Yes
	S9 Child & Forced Labour	Fair Labor Practices	71	Yes
	S10 Human Rights	Human Rights	71	Yes
	S11 Nationalization	People of ADNOC Distribution	73	Yes
	S12 Community Investment	Corporate Social Responsibility	78	Yes
GOVERNANCE	G1 Board Diversity	Board Diversity	62	Yes
	G2 Board Independence	Corporate Governance Framework	61	Yes
	G3 Incentivized Pay	People of ADNOC Distribution	71	Yes
	G4 Supplier Code of Conduct	Supplier and Partner Compliance	58	Yes
	G5 Ethics & Prevention of Corruption	Code of Conduct	69	Yes
	G6 Data Privacy	IR Security and Data Privacy	59	Yes
	G7 Sustainability Reporting			Yes – Annual ESG Report
	G8 Disclosure Practices			Yes – Annual ESG Report
	G9 External Assurance			Yes – Seek to obtain assurance for future ESG reports

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FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2022

The Directors present their report together with the audited consolidated financial statements of Abu Dhabi National Oil Company for Distribution PJSC (the "Company") and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2022.

BOARD OF DIRECTORS

The Directors of the Company are:

Chairman **H. E. Dr. Sultan Ahmed Al Jaber**

Members **H.E. Mohamed Hassan Alsuwaidi**
H.E. Ahmed Jasim Al Zaabi
Khaled Salmeen
Abdulaziz Abdulla Alhajri
Mariam Saeed Ghobash
H.E. Ahmed Tamim Al Kuttab

PRINCIPAL ACTIVITIES

The principal activities of the Group are marketing of petroleum products, natural gas for vehicles and ancillary products.

REVIEW OF BUSINESS

During the year, the Group reported revenue of AED 32,111,061 thousand (2021: AED 20,921,115 thousand). Profit for the year was AED 2,748,508 thousand (2021: AED 2,252,411 thousand). The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2022	1,767,632
Total profit for the year	2,748,508
Dividend paid	(2,571,250)
Retained earnings at 31 December 2022	**1,944,890**

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2021. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 24 March 2022 and paid on 1 April 2022.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2022. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 28 September 2022 and paid on 6 October 2022.

for the Board of Directors

H.E. Dr. Sultan Ahmed Al Jaber
Chairman

Abu Dhabi, UAE

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of Abu Dhabi National Oil Company for Distribution PJSC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or "the Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other 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 a summary of significant accounting policies.

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 2022, 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities with the requirements of 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
Revenue recognised from retail sales and related IT systems	
Revenue from retail sales amounted to AED 21.5 billion for the year ended 31 December 2022. There are complex IT systems in use which comprise multiple IT applications which are used to process large volumes of data pertaining to retail 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 consequently we considered this 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 20 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.
Decommissioning obligation related to assets constructed on leased land	
The Group has recorded a provision for decommissioning of AED 134.5 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 other emirates in the United Arab Emirates and the Kingdom of Saudi Arabia 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. 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 19 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 design, implementation and operating effectiveness of the 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 of cost per service station are appropriate by inspecting supporting documentation from independent third parties; ■ 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; ■ Determining if the provision has taken into account the effect of any restoration undertaken during the year; ■ 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; and ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Key audit matter	How our audit addressed the key audit matter
Right-of-use assets	
As part of the Group's plans to expand its distribution network in the United Arab Emirates and the Kingdom of Saudi Arabia, 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 551.5 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 for 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.

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, 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 2022:

- 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 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2022;
- 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 2,016 thousand during the year ended 31 December 2022; 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 2022 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 2022.

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 2022,
that nothing has come to our attention that causes us to believe that the Company 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 2022.

- 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 Company's operations.

GRANT THORNTON
Farouk Mohamed Registration No: 86
Abu Dhabi, United Arab Emirates
8 February 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	31 December 2022 AED'000	31 December 2021 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**6,385,075**	5,574,167
Right-of-use assets	9	**1,373,338**	952,758
Intangible assets	10	**1,128**	-
Advances to contractors		**47,297**	41,308
Other non-current assets	15	**13,313**	-
Total non-current assets		**7,820,151**	**6,568,233**
Current assets			
Inventories	6	**1,286,377**	1,046,158
Trade receivables and other current assets	7	**3,295,714**	2,683,275
Due from related parties	8	**868,868**	1,225,600
Term deposits	11	**130,225**	130,225
Cash and bank balances	11	**2,617,099**	2,125,540
Total current assets		**8,198,283**	7,210,798
Total assets		**16,018,434**	**13,779,031**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**1,000,000**	1,000,000
Statutory reserve	13	**500,000**	500,000
Hedge reserve		**-**	(65,567)
Retained earnings		**1,944,890**	1,767,632
Total equity		**3,444,890**	**3,202,065**
Non-current liabilities			
Lease liabilities	14	**1,184,538**	787,383
Borrowings	15	**5,482,124**	-
Provision for decommissioning	19	**134,532**	129,226
Provision for employees' end of service benefit	16	**194,439**	192,583
Total non-current liabilities		**6,995,633**	**1,109,192**
Current liabilities			
Lease liabilities	14	**129,789**	88,975
Trade and other payables	17	**1,995,664**	1,509,013
Due to related parties	8	**3,452,458**	2,292,510
Borrowings	15	**-**	5,499,641
Derivative financial instruments	18	**-**	77,635
Total current liabilities		**5,577,911**	**9,467,774**
Total liabilities		**12,573,544**	**10,576,966**
Total equity and liabilities		**16,018,434**	**13,779,031**

To the best of our knowledge, the financial information included in the report fairly present in all material respects the financial condition, result of operations and cash flows of the Group as of 31 December 2022, and for the periods presented in the report.

Wayne Beifus
Chief Financial Officer

Bader Saeed Al Lamki
Chief Executive Officer

Dr. Sultan Ahmed Al Jaber
Chairman of the Board of Directors

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Revenue	20	**32,111,061**	20,921,115
Direct costs	21	**(26,443,179)**	(16,107,072)
Gross profit		**5,667,882**	**4,814,043**
Distribution and administrative expenses	22	**(2,761,631)**	(2,422,227)
Impairment losses on trade and other receivables	7	**(20,351)**	(30,209)
Other impairment losses and expenses	24	**(15,826)**	(4,626)
Other income	23	**103,342**	72,302
Operating profit		**2,973,416**	**2,429,283**
Interest income		**54,697**	7,686
Finance costs	26	**(279,605)**	(184,558)
Profit for the year		**2,748,508**	**2,252,411**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value gain on hedging instruments		**65,567**	85,904
Total comprehensive income for the year		**2,814,075**	**2,338,315**
Earnings per share:			
Basic and diluted (AED)	27	**0.220**	0.180

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2021	1,000,000	500,000	(151,471)	2,086,471	3,435,000
Profit for the year	-	-	-	2,252,411	2,252,411
Other comprehensive income for the year	-	-	85,904	-	85,904
Total comprehensive income for the year	-	-	85,904	2,252,411	2,338,315
Dividends paid (note 28)	-	-	-	(2,571,250)	(2,571,250)
Balance as at 31 December 2021	1,000,000	500,000	(65,567)	1,767,632	3,202,065
Profit for the year	-	-	-	2,748,508	2,748,508
Other comprehensive income for the year	-	-	65,567	-	65,567
Total comprehensive income for the year	-	-	65,567	2,748,508	2,814,075
Dividends paid (note 28)	-	-	-	(2,571,250)	(2,571,250)
Balance at 31 December 2022	**1,000,000**	**500,000**	**-**	**1,944,890**	**3,444,890**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	2022 AED'000	2021 AED'000
Cash flows from operating activities		
Profit for the year	**2,748,508**	2,252,411
Adjustments for:		
Depreciation of property, plant and equipment	**437,960**	582,121
Depreciation of right-of-use assets	**105,971**	55,446
Recoveries on receivables	**(11,631)**	(23,678)
Impairment losses on receivables	**20,351**	30,209
Employees' end of service benefit charge	**29,053**	23,820
(Gain)/loss on disposal of property, plant and equipment	**(2,963)**	(31)
(Reversal)/write down of finished goods to net realisable value	**-**	(1,373)
Impairment of capital work in progress	**8,075**	1,674
Inventories written off	**5,251**	2,952
Finance costs	**279,605**	184,558
Interest income	**(54,697)**	(7,686)
Operating cash flows before movements in working capital	**3,565,483**	**3,100,423**
Increase in inventories	**(245,470)**	(376,988)
Increase in trade receivables and other current assets	**(621,159)**	(508,468)
Decrease/(increase) in due from related parties	**356,732**	(657,707)
Increase/(decrease) in trade and other payables	**319,107**	(56,969)
Increase in due to related parties	**1,159,948**	1,407,739
Cash generated from operating activities	**4,534,641**	**2,908,030**
Payment of employees' end of service benefit	**(27,197)**	(30,422)
Net cash generated from operating activities	**4,507,444**	**2,877,608**
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(1,063,481)**	(603,744)
Payments for advances to contractors	**(56,394)**	(13,728)
Proceeds from disposal of property, plant and equipment	**2,963**	401
Decrease in term deposit with maturity more than three months	**-**	513,925
Interest received	**54,697**	6,909
Net cash (used in) from investing activities	**(1,062,215)**	**(96,237)**
Cash flows from financing activities		
Net proceeds from borrowings	**5,479,742**	-
Finance cost paid	**(206,030)**	(139,935)
Repayment of borrowings	**(5,505,938)**	-
Payment of lease liabilities	**(150,194)**	(89,968)
Dividends paid	**(2,571,250)**	(2,571,250)
Net cash used in financing activities	**(2,953,670)**	**(2,801,153)**
Net increase/ (decrease) in cash and cash equivalents	**491,559**	**(19,782)**
Cash and cash equivalents at beginning of the year	**2,125,540**	2,145,322
Cash and cash equivalents at end of the year (note 11)	**2,617,099**	**2,125,540**
Non-cash transaction		
Accruals for property, plant and equipment	**451,232**	306,269
Advances to contractors transferred to property, plant and equipment	**50,405**	47,871
Finance cost related to provision for decommissioning	**4,764**	4,491
Additions to right of use assets	**551,482**	467,441

The accompanying notes form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. GENERAL INFORMATION

Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company"), formerly Abu Dhabi National Oil Company for Distribution, is a company incorporated by Law No. 13 of 1973 issued by His Highness the Acting Ruler of the Emirate of Abu Dhabi.

On 22 November 2017, Law No. 15 of 2017 (the "New Law of Establishment") was issued replacing Law No. 13 of 1973 in respect of the incorporation of Abu Dhabi National Oil Company for Distribution PJSC, a public joint stock company registered with the commercial register in Abu Dhabi under commercial licence number CN-1002757 issued by Abu Dhabi Department of Economic Development. The Articles of Association of the Company became effective as of 22 November 2017, at the same time that the New Law of Establishment was issued and became effective. The duration of the Company is 100 Gregorian years commencing on the date of issuance of the New Law of Establishment.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Amended Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and came into effect starting from the 2 January 2021.

Federal Law By Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 with an effective date of January 2, 2022, and has entirely replace Amended Federal Law No. 2 of 2015 on Commercial Companies ("Existing Companies Law") including Federal Decree Law No. 26 of 2020 ("Decree Amending the Existing Companies Law") issued on 20 September 2020 pursuant to which fifty one (51) articles of the Existing Companies Law, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law. The Group has applied the requirements of the New Companies Law during the year ended 31 December 2022.

The head office of the Company and its subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the "Group"), is registered at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

Pursuant to the resolution of Abu Dhabi National Oil Company ("ADNOC", "Shareholder", or the "Parent Company"), as the sole shareholder of the Company, dated 28 June 2017, ADNOC approved the listing of all the Company's share in Abu Dhabi Securities Exchange and the sale by way of offer to the public of 10% of the Company held by ADNOC.

In September 2020, ADNOC completed a USD 1 billion institutional placement of 10% of ADNOC Distribution shares. Subsequently in May 2021, ADNOC completed another placement of approximately 375 million shares in ADNOC Distribution shares, representing 3%, approximately, of the registered share capital of the company. The two placements have increased the free float of the Group on the Abu Dhabi Securities Exchange to 23%. The Parent Company currently retains 77% ownership of the Group.

In May 2021, ADNOC also issued approximately USD 1.195 billion of senior unsecured bonds due 2024, exchangeable into existing shares of ADNOC Distribution under certain conditions, constituting approximately 7% of the Company's registered share capital.

The principal activities of the Group are the marketing of petroleum products, natural gas and ancillary products.

The Group owns retail fuel stations located in the emirate of Abu Dhabi in which the Group is the sole fuel retailer, and in the emirates of Dubai, Sharjah, Ajman, Fujairah, Ras Al Khaimah, Umm Al Quwain and the Kingdom of Saudi Arabia.

The Group operates "ADNOC Oasis" convenience stores at a majority of its service stations, and leases retail and other space to tenants, such as quick service restaurants.

The Group is also a marketer and distributor of fuels and lubricants to corporate and government customers throughout the UAE. In addition, the Group provides refuelling and related services at eight airports in the UAE, and owns and operates a compressed natural gas distribution network in Abu Dhabi.

The Group also exports its proprietary Voyager lubricants to distributors in various countries, across the Gulf Cooperation Council, Africa and Asia.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2022.

The Group made social contributions amounting to AED 2,016 thousand during the year ended 31 December 2022 (2021: AED 139 thousand).

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There are no implications to the financial and reporting period ended 31 December 2022. Management is in the process of evaluating the impact in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1. New and amended IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements.

New and revised IFRSs
Reference to the Conceptual Framework (Amendments to IFRS 3)
COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Subsidiary as a First-time Adopter (Amendments to IFRS 1)
Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
Lease Incentives (Amendments to IFRS 16)
Taxation in Fair Value Measurements (Amendments to IAS 41)

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.2. New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4) IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.	1 January 2023

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New and revised IFRSs	Effective for annual periods beginning on or after
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	1 January 2023
Deferred Tax related to Assets and Liabilities from a Single Transaction The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted. Disclosure of Accounting Policies (Amendments to IAS 1)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Basis of preparation

The consolidated financial statements are presented in United Arab Emirates Dirham (AED) which is the functional currency of the Company and the Group's presentation currency. All amounts have been rounded to the nearest AED thousand ("000"), unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved where the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2022	2021		
ADNOC Distribution Global Company L.L.C.	100%	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

On 30 December 2020, ADNOC Distribution Global Company LLC signed a definitive Business and Asset Purchase Agreement to acquire fifteen (15) service stations in the Kingdom of Saudi Arabia. On 14 February 2021 two further definitive agreements were signed to acquire a total of 20 more stations. Out of these 35 stations, the subsidiary has added seventeen stations into its network as of 31 December 2021. The fair valuation of the businesses acquired is disclosed in note 10.

On 28 July 2022, the Company entered into a quota purchase agreement with TotalEnergies Marketing Afrique SAS pursuant to which the Company shall acquire a 50% stake in TotalEnergies Marketing Egypt LLC ("the Acquisition"), subject to satisfaction of certain conditions including obtaining regulatory approvals. The Acquisition does not have any impact in the consolidated financial statements of the Group.

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

The accounting for business combination has been completed and the fair value determination and the purchase price allocation exercise is disclosed in note 10.

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of replaced parts are derecognised.

All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

The Group has revised the estimated useful lives of its AED 6,883,649 thousands cost of assets, currently classified as property, plant and equipment beginning of 2022. This change in estimate has been applied current and prospectively and resulted in a lower depreciation charge by AED 163.6 million during the year ended 31 December 2022.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	2022	2021
Buildings	**15 – 30 years**	**5 – 25 years**
Plant and machinery	**5 – 30 years**	**5 – 30 years**
Motor vehicles	**5 – 20 years**	**4 – 10 years**
Furniture, fixtures and computer equipments	**5– 10 years**	**5 – 10 years**
Pipelines	**10 – 40 years**	**15 – 20 years**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

Land was historically provided by the Government of Abu Dhabi for no consideration and is accounted for at a nominal value of AED 1 per plot of land. In order to continue to comply with property ownership laws in the UAE, the Group's real estate properties portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group has continued access to the properties, the Group entered into Real Estate Transfer Liability and Leaseback Agreements with ADNOC.
Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to its operations on the properties.

Capital work-in-progress

Capital work-in-progress is included in property, plant and equipment at cost. Capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned and available for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

a) The financial instrument has a low risk of default;
b) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) Significant financial difficulty of the issuer or the borrower;
b) A breach of contract, such as a default or past due event (see (ii) above);
c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group has elected the IFRS 9 simplified approach to measure loss allowance for cash and bank balances, trade and other receivables, and due from related parties at an amount equal to lifetime ECLs. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Expected credit losses related to cash and bank balances, trade and other receivables and due from related parties are presented in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement of profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue

Application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is in the business of marketing of petroleum products, natural gas and ancillary products as described in note 1 of the consolidated financial statements.

The goods are generally sold on their own in separately identified contracts with customers.

Sales of goods
Sale of goods and petroleum products are recognised when the control of the products or services are transferred to the customers, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been received by the customer. Revenue from sale of goods is recognised at a point in time upon delivery of the goods.

Rendering of services and delivery income
Revenues from rendering of services are recognised when the services have been rendered and the outcome of the transactions can be estimated reliably.

Revenue from petroleum transport are recognised when services are rendered. These revenues are based on the quantities transported and measured according to procedures defined in each service contract.

Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customers and payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Rental income
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income
Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

Loyalty programme
A deferred liability is recognised based on the portion of the consideration received arising from the Group's loyalty program. Revenue is recognised when the points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Allocation of the consideration is based on the relative stand-alone selling prices.

The deferred liability is included within trade and other payables.

Leases

The Group as a lessee
The Group leases various leasehold properties. Leasehold contracts are typically made for fixed periods of 15-20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the earlier of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received; and
- Restoration costs.

The Group as a lessor

- The Group enters into lease agreements as a lessor with respect to some of its retail space in the service stations.
- Leases for which the group is the lessor are all accounted as operating leases.
- Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise.

Employees' benefit

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting date.

With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Pension Fund (the "Fund") calculated in accordance with the Fund's regulations. With respect to its GCC national employees, the Group makes contributions to the pension funds or agencies of their respective countries. The Group's obligations are accrued over the period of employment.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Asset retirement obligations

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

Derivative financial instruments

The Group enters into derivative financial instrument contracts to manage its exposure to interest rate.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting
The Group designates certain derivatives as hedging instruments in respect of interest rate risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirement

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is re cognised immediately in profit or loss, and is included in the 'finance cost' line item. The hedge agreement has ended as of November 2022.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates made by management are summarised as follows:

Critical accounting judgments

Provision for decommissioning

The Group recognises provisions for the future cost associated with the dismantling of leased plots in Dubai and the Northern Emirates. The dismantling events are many years in the future and the exact requirements that will have to be met when a removal event occurs are uncertain. Assumptions are made by management in relation to settlement dates, technology, inflation and discount rates. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provision to be required. A provision of AED 134,532 thousand has been recognised as at 31 December 2022 (2021: AED 129,226 thousand) using a discount rate of 4.24 % (2021: 4.24%) and assuming all dismantling activities will take place at the current estimate of the end of life of each lease.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Changes in Judgements

The Group has revised the estimated useful lives of its AED 6,883,649 thousands cost of assets, currently classified as property, plant and equipment beginning of 2022. This change in estimate has been applied current and prospectively and resulted in a lower depreciation charge by AED 163.6 million during the year ended 31 December 2022.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	2022	2021
Buildings	**15 - 30 years**	5 – 25 years
Plant and machinery	**5 – 30 years**	5 – 30 years
Motor vehicles	**5 – 20 years**	4 – 10 years
Furniture, fixtures and computer equipments	**5 – 10 years**	5 – 10 years
Pipelines	**10 – 40 years**	15 – 20 years

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2022, the Group's allowance for expected credit losses of trade receivables amounted to AED 66,013 thousand (2021: AED 57,293 thousand).

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Management did not identify any impairment indicators in the current or prior year for property, plant and equipment. However, management identified certain capital work-in-progress for which future development is not expected and, accordingly, recorded an impairment of AED 8,075 thousand (2021: AED 1,674 thousand).

Discounting of lease payments

The lease payments are discounted using the interest rate implicit in the lease (IRTL). For leases where the Group is unable to determine the IRTL, the Group's incremental borrowing rate is used. Management has applied judgments and estimates to determine the discount rate at the commencement of lease. An incremental borrowing rate of 4.6% was used in the current year to determine the lease obligations for new leases entered into (2021: 4.6%).

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participant

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
1 January 2021	6,201,155	2,251,881	215,548	1,113,056	79,740	430,624	10,292,004
Additions	-	-	-	-	-	590,744	590,744
Transfers	235,949	210,819	97	234,797	5,326	(686,988)	-
Disposals	(14)	-	(2,942)	(3,411)	-	-	(6,367)
Impairment	-	-	-	-	-	(1,674)	(1,674)
1 January 2022	6,437,090	2,462,700	212,703	1,344,442	85,066	332,706	10,874,707
Additions	-	-	-	-	-	1,258,849	1,258,849
Transfers	446,744	120,962	23,464	130,976	4,247	(726,393)	-
Transfers to other assets	-	-	-	-	-	(1,906)	(1,906)
Impairment	-	-	-	-	-	(8,075)	(8,075)
31 December 2022	**6,883,834**	**2,583,662**	**236,167**	**1,475,418**	**89,313**	**855,181**	**12,123,575**
Accumulated depreciation							
1 January 2021	2,352,082	1,432,106	164,564	736,011	39,653	-	4,724,416
Charge for the year	284,619	154,805	12,032	127,216	3,449	-	582,121
Disposals	(14)	-	(2,942)	(3,041)	-	-	(5,997)
Reclassifications	(25,607)	4,369	-	21,238	-	-	-
1 January 2022	2,611,080	1,591,280	173,654	881,424	43,102	-	5,300,540
Charge for the year	208,711	103,731	8,947	114,793	1,778	-	437,960
31 December 2022	**2,819,791**	**1,695,011**	**182,601**	**996,217**	**44,880**	**-**	**5,738,500**
Net carrying amount							
31 December 2022	**4,064,043**	**888,651**	**53,566**	**479,201**	**44,433**	**855,181**	**6,385,075**
31 December 2021	3,826,010	871,420	39,049	463,018	41,964	332,706	5,574,167

The Group's buildings and facilities located in the Emirate of Abu Dhabi are constructed on land given by the Government of Abu Dhabi for no consideration. These lands are accounted for at nominal value of AED 1 per plot of land. Facilities located in other Emirates are constructed on land leased from third parties (note 9).

In order to continue to comply with property ownership laws in the UAE, The Group's real estate property portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, The Group entered into a Real Estate Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to our operations on the properties.

During the period, management carried out an assessment of their capital work in progress and identified certain projects, which are unlikely to be further developed. Accordingly, an impairment of AED 8,075 thousand was recognised (31 December 2021: AED 1,674 thousand).

The depreciation charge has been allocated as follows:

	2022 AED'000	2021 AED'000
Distribution and administrative expenses (note 22)	**437,960**	575,833
Direct cost (note 21)	**-**	6,288
	437,960	582,121

6. INVENTORIES

	2022 AED'000	2021 AED'000
Finished goods	**1,160,063**	900,345
Spare parts and consumables	**97,418**	97,096
Lubricants raw materials, consumables and work in progress	**21,214**	25,477
LPG cylinders	**24,730**	40,288
	1,303,425	1,063,206
Less: Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(17,048)**	(17,048)
	1,286,377	1,046,158

The cost of inventories recognised as expense and included in direct cost amounted to AED 26,249,476 thousand (2021: AED 15,864,334 thousand) (note 21). During the year, a direct write off of inventory was recognised as expense amounting to AED 5,251 thousand (2021: AED 2,952 thousand) (note 24).

The Ministry of Energy regulates prevailing Gasoline and Gasoil selling prices for all retail distribution companies.

The Group is carrying finished goods of AED nil (2021: 153 thousand) on behalf of a customer as at 31 December 2022.

Movement of the Group's inventory write down of finished goods to net realisable value and allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders is as follows:

	2022 AED'000	2021 AED'000
At 1 January	**17,048**	18,421
Reversal to net realisable value	**-**	(1,373)
At 31 December	**17,048**	17,048

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7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2022 AED'000	2021 AED'000
Trade receivables	**3,135,849**	2,537,422
Less: Allowance for expected credit losses	**(66,013)**	(57,293)
	3,069,836	2,480,129
Prepaid expenses	**48,101**	40,792
Receivable from employees	**109,309**	100,697
VAT receivables	**13,888**	6,347
Other receivables	**54,580**	55,310
	3,295,714	2,683,275

Receivables from employees consist of staff car loans, furniture loans, personal loans and staff advances.

As at 31 December 2022, the Group had significant concentration of credit risk with three customers (2021: three) accounting for 47% (2021: 52%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

The average credit period on sales and services is between 30-60 days. No interest is charged on trade receivables. The receivables from certain customers are secured by the bank guarantees.

Trade receivables from related parties are disclosed under (note 8)

Trade receivables as on 31 December 2022

	Up to 60 days	61-90 days	90-365 days	Over one year	Total
Expected credit loss rate (%)	**0-1%**	**0-1%**	**2%**	**5%**	
Estimated total gross carrying amount (AED'000)	**1,655,595**	**96,227**	**658,799**	**725,228**	**3,135,849**
Lifetime Expected credit loss (AED'000)	**(14,797)**	**(1,337)**	**(12,995)**	**(36,884)**	**(66,013)**

Trade receivables as on 31 December 2021

	Up to 60 days	61-90 days	90-365 days	Over one year	Total
Expected credit loss rate (%)	**0-1%**	**0-1%**	**4%**	**4%**	
Estimated total gross carrying amount (AED'000)	**1,264,092**	**127,302**	**601,432**	**544,596**	**2,537,422**
Lifetime Expected credit loss (AED'000)	**(9,400)**	**(987)**	**(23,281)**	**(23,625)**	**(57,293)**

Movement in the allowance for expected credit losses is as follows:

	Collectively Assessed AED'000	Individually Assessed AED'000	Total AED'000
Balances at 1 January 2021	19,555	31,207	50,762
Recovery made during the year	(23,678)	-	(23,678)
Charge for the year	27,478	2,731	30,209
Balances at 1 January 2022	**23,355**	**33,938**	**57,293**
Recovery made during the year	**(11,631)**	**-**	**(11,631)**
Charge for the year	**16,581**	**3,770**	**20,351**
Balance at 31 December 2022	**28,305**	**37,708**	**66,013**

Amounts charged to expected credit loss allowance of trade receivables are generally written off when there is no realistic expectation of recovery. The carrying amounts of the Group's trade receivables are denominated in UAE Dirham and US Dollars and approximate to their fair value as at 31 December 2022. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent the Parent Company and its subsidiaries, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

	2022 AED'000	2021 AED'000
Due from related parties		
ADNOC Logistics and Services	**255,757**	374,793
ADNOC Drilling	**232,330**	296,822
Abu Dhabi National Oil Company (ADNOC)	**182,436**	328,705
ADNOC Onshore	**131,740**	117,502
ADNOC Offshore	**22,346**	72,550
ADNOC Gas Processing	**13,119**	11,888
ADNOC Sour Gas	**2,306**	4,046
Others	**28,834**	19,294
	868,868	1,225,600
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**3,435,354**	2,258,381
ADNOC Logistics and Services	**6,455**	31,199
ADNOC Refining	**2,808**	2,930
Others	**7,841**	-
	3,452,458	2,292,510

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The amounts due from related parties are against the provision of petroleum products and services. These balances are unsecured, earn no interest and have an average credit period of 30-60 days.

The amount due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges, administrative charge. The above balances are unsecured, bear no interest and are payable on demand.

The Group has an amount of AED 2,717,972 thousand (2021: AED 2,168,259 thousand) held with banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles.

As at 31 December 2022, the Group has a term loan from banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles amounting to AED 4,131,563 thousand (2021: AED 5,276,563 thousand).

The following transactions were carried out with related parties during the year:

	2022 AED'000	2021 AED'000
Revenue – ADNOC group entities	**1,806,868**	1,154,589
Purchases – ADNOC	**25,165,119**	15,486,637
Vessel hire and port charges – ADNOC group	**105,744**	35,415
Dividends paid (note 28)	**2,571,250**	2,571,250
Rendering of service (note 20)	**170,915**	160,585
Recovery of expenses incurred related to City Gas	**5,008**	55,567

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2022 AED'000	2021 AED'000
Short term benefits	**45,106**	30,183
Pension contribution	**1,319**	1,272
	46,425	31,455

The Group has elected to use the exemption under IAS 24 Related Party Disclosures for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and control.

The Group provides in the normal course of business petroleum distribution services to entities owned and controlled by the Government of Abu Dhabi.

In September 2017, the Group entered into an agreement with ADNOC Distribution Assets LLC (the "SPV") for the operation and maintenance of certain of the assets transferred to the SPV by Takreer with an effective date of 1 October 2017, for which the SPV will compensate the Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such operations (the "Owner Consideration") and the Group will compensate the SPV for the use of such assets (the "Operator Consideration"). The Group and the SPV also signed an asset use fee letter confirming that the Owner Consideration will be the same as, and will therefore offset, the Operator Consideration.

In September 2017, the Group entered into an agreement with the Parent Company and the SPV to provide support services relating to the Parent Company's civil aviation fuel supply business and to operate and maintain certain assets belonging to the SPV with an effective date of 30 September. The SPV will compensate the Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such support services and operations.

The Group is in negotiation with the Parent Company for historical costs relating to a land in Musaffah which has been utilised free of charge. The outcome of the negotiations may lead to retrospective charges for the use of the land. Management do not expect the final charge, if any, to be material.

In November 2017, the Group entered into an agreement with the Parent Company for supply of refined petroleum products. As per this arrangement, the contract price effective 1 October 2017 applicable to gasoline and diesel shall be equal to the sum of (a) the mean of Platt's Average as defined in the agreement, plus (b) a fixed premium. For illuminating kerosene and aviation fuel, the contract price shall be the Parent Company's official selling prices. In 2020, the group renegotiated the agreement with the Parent Company for a further reduction of the retail fuel supply cost. The renegotiated agreement is effective until 31 December 2022.

Also, during the initial five-year term only, to the extent that during any invoicing period the difference between the contract price payable by the Group to the Parent Company for any litre of a gasoline or diesel and the relevant retail price for the same litre of gasoline or diesel, is less than a specified level, such contract price shall be reduced for that period so that the difference equals such specified level.

In addition, if at the end of any quarter, during the initial five-year term, it is determined that, for any grade of gasoline (ULG 91, 95 or 98) or diesel, the difference between the actual revenue per litre achieved by the Group for sales at the pump and the price paid by the Group to the Parent Company for the quantities sold, is less than a specified level, then the Parent Company will pay the Group an amount equal to the per-litre difference, multiplied by the total volumes sold of the affected grade. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement.

The Company entered into a new corporate revolving credit facilities agreement with the Parent Company for an amount of USD 375,000 thousand and AED 1,377,188 thousand to be used for general corporate purposes (note 15).

9. RIGHT-OF-USE ASSETS

Group as a Lessee

The Group leases leasehold properties. The average lease term is 15 - 40 years (2021: 15 – 40 years).

The dismantling cost related to the leasehold properties to return the land to its original condition is also included in the cost.

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

	2022 AED'000	2021 AED'000
At 1 January	**952,758**	541,669
Additions related to land lease	**551,482**	467,441
Additions to decommissioning	**362**	4,542
Change in estimate of decommissioning	**180**	-
Change in estimate of land lease	**(5,585)**	(5,448)
Reversal due to terminated contracts	**(19,888)**	-
Depreciation charge during the year	**(105,971)**	(55,446)
At 31 December	**1,373,338**	952,758

Amounts recognised in profit and loss

	2022 AED'000	2021 AED'000
Depreciation expense on right-of-use assets	**105,971**	55,446
Interest expense on lease liabilities	**62,800**	28,631

The total cash outflow for leases amounted to AED 150,194 thousand (2021: AED 89,968 thousand) (note 14).

Additions during the year relate to the lease of plots of land and equipment across the United Arab Emirates and Kingdom of Saudi Arabia for construction of retail service stations.

10. BUSINESS COMBINATIONS

During the year, the Group completed the fair valuation of identifiable assets acquired and liabilities assumed in respect of the businesses acquired under the business and asset purchase agreements in 2021.

The below is the summary of the transactions:

	2022 AED'000
Property, plant and equipment	**32,384**
Inventories	**226**
Other assets	**2,641**
Other liabilities	**(1,136)**
Total identifiable net assets acquired	**34,115**
Total cash consideration transferred	**30,034**
Goodwill	**1,128**
Gain on bargain purchases	**5,209**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Service Stations into the Group's existing business.

Goodwill arising on the acquisition of business under the business and asset purchase agreements is measured at cost less accumulated impairment losses.

Gain on bargain purchases is incurred where the value of identifiable net assets acquired is higher than the purchase consideration paid and is recorded in profit and loss

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following amounts:

	2022 AED'000	2021 AED'000
Cash on hand and in bank	**2,617,099**	2,125,540
Term deposit with maturities above 3 months	**130,225**	130,225

Cash and bank balances include short-term and call deposits amounting to AED 2,587,748 thousand (2021: AED 2,168,259 thousand) carrying interest rate ranging from 0.07% to 3.60% (2021: 0.03% to 0.70%) per annum.

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12. SHARE CAPITAL

The original share capital of the Company as per the Law No. 13 of 1973 was AED 30 million divided into 300,000 shares, each valued at AED 100.

By virtue of the decision of the Board of Directors of the Parent Company dated 17 October 1984, the share capital of the Company was increased to AED 200 million divided into 2 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 6 October 1998, the share capital of the Company was increased to AED 600 million divided into 6 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 9 July 2006, the share capital of the Company was increased to AED 1,000 million divided into 10 million shares, each valued at AED 100.

In accordance with the Article of Association of the Company which became effective on 22 November 2017, the authorised capital and number of ordinary shares was amended as follows:

	2022 AED'000	2021 AED'000
Authorised:		
25,000,000,000 ordinary shares of AED 0.08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED 0.08 each	**1,000,000**	1,000,000

13. STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. 32 of 2021 and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% of the paid up share capital.

14. LEASE LIABILITIES

	2022 AED'000	2021 AED'000
Balance as at 1 January	**876,358**	475,202
Additions	**551,482**	467,441
Accretion of interest	**62,800**	28,631
Reversal due to terminated contracts	**(20,534)**	-
Changes in estimates	**(5,585)**	(4,948)
Payments	**(150,194)**	(89,968)
Balance as at 31 December	**1,314,327**	876,358
Current	**129,789**	88,975
Non-current	**1,184,538**	787,383
	1,314,327	876,358

	31 December 2022 AED'000	31 December 2021 AED'000
Maturity analysis		
Not later than 1 year	**129,789**	88,975
Later than 1 year and not later than 5 years	**510,838**	350,106
Later than 5 years	**673,700**	437,277
	1,314,327	876,358

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Group's finance function.

15. BORROWINGS

	31 December 2022 AED'000	31 December 2021 AED'000
Term loan – non-current	**5,482,124**	-
Term loan – current	-	5,499,641

On 16 October 2017, ADNOC Distribution signed a mandate letter (the "Mandate Letter") with a consortium of banks where the consortium agreed to underwrite a 5 year, USD 2,250,000 thousand (AED 8,263,130 thousand) unsecured credit facility (the "Facility"). The Facility is bifurcated further into a term facility commitment of USD 1,500,000 thousand (AED 5,508,750 thousand) and a revolving facility commitment of USD 750,000 thousand (AED 2,754,380 thousand). The purpose of the facility is for general corporate and working capital purposes including payment of dividend, repayment of debt and payment of transaction costs associated with the facility. There are no financial covenants included in the facility documents.

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 2,503 thousand as at 31 December 2021 is presented as trade and other current assets.

On 16 November 2017, the Group made a drawdown from the Facility amounting to USD 375,000 thousand and AED 4,128,750 thousand. The Facility carries variable interest at USD LIBOR plus a 0.875% for USD denominated facility portion and EIBOR plus a margin of 0.60% for AED denominated facility portion. The term facility is to be repaid at final maturity which is 5 years from the date of the facility agreement.

On 26 October 2022, the Company refinanced its maturing term loan for another 5 year term with a set of lenders.

The Company also entered into a new corporate revolving credit facilities agreement with the Parent Company for an amount of USD 375,000 thousand and AED 1,377,188 thousand to be used for general corporate purposes. The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 13,313 thousand as at 31 December 2022 is presented as other non-current assets.

The term loan was classified as current liability as of December 2021 as it was due on November 2022.

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The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's financial statements of cash flows as cash flows from financing activities.

	2022 AED'000	2021 AED'000
At 1 January	**5,499,641**	5,494,597
Payments made	**(5,505,938)**	-
Net proceeds from borrowings	**5,479,742**	-
Other charges [i]	**8,679**	5,044
At 31 December	**5,482,124**	5,499,641

[i] Other charges include amortisation of transaction costs of the term loan.

16. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2022 AED'000	2021 AED'000
At 1 January	**192,583**	199,185
Charge for the year (note 25)	**29,053**	23,820
Payments	**(27,197)**	(30,422)
At 31 December	**194,439**	192,583

17. TRADE AND OTHER PAYABLES

	2022 AED'000	2021 AED'000
Trade payables	**452,368**	383,540
Capital accruals	**451,232**	306,269
Operating accruals	**210,493**	165,315
VAT payable	**308,016**	266,937
Coupon and prepaid card sales outstanding	**113,584**	100,009
Contract retentions payable	**79,528**	44,788
Advances from customers	**46,110**	36,879
Other payables	**334,333**	205,276
	1,995,664	1,509,013

18. DERIVATIVE FINANCIAL INSTRUMENTS

In 2019, the Group entered into a floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating interest rates payable on the term loans, with all critical terms matching. These derivatives contracts have been designated as cash flow hedges under IFRS 9. The arrangement concluded on November 2022.

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As at 31 December 2022, the fair value of the derivative financial instrument was as follows:

	2022 AED'000	2021 AED'000
Current liabilities	-	77,635

The Group has categorised the derivative financial instruments into the Level 2 hierarchy for the purpose of determining and disclosing the fair value of financial instruments. There were no transfers between the hierarchy noted for the year ended 31 December 2022.

- Level 1: Quoted prices (unadjusted) prices in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

19. PROVISION FOR DECOMMISSIONING

The provision for decommissioning obligation is with respect to dismantling obligation of the service stations built on leased lands in Dubai and Northern Emirates. The discount rate used to determine the obligation at 31 December 2022 is 4.24% (2021: 4.24%). The change in estimate is due to the change in the cash outflows expected to settle the future liabilities.

	2022 AED'000	2021 AED'000
At 1 January	**129,226**	120,193
Additions during the year	**362**	4,542
Change in estimate	**180**	-
Accretion of interest	**4,764**	4,491
At 31 December	**134,532**	129,226

20. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 30):

	2022 AED'000	2021 AED'000
Retail (B2C)		
■ Fuel	**20,308,082**	13,921,173
■ Non-fuel	**1,149,929**	994,325
Commercial (B2B)		
■ Corporate	**9,603,265**	4,708,410
■ Aviation	**1,049,785**	1,297,207
	32,111,061	20,921,115

Management expects that AED 50,388 thousand (2021: AED 74,164 thousand) is the remaining performance obligations as of the year ended 31 December 2022, which will be recognised as revenue during the next reporting period.

In connection with the transfer of the sales and purchasing activities of the Civil Aviation Division, the Company entered into a service agreement (the "Aviation Service Agreement"), pursuant to which the Parent Company reimburses the Company for and pays an additional margin of 8% of the total distribution and administrative costs of the Division incurred by the Company for handling the operations and providing certain aviation refuelling and other related services to its civil aviation customers.

The cost plus the margin of handling the civil aviation operations amounting to AED 170,915 thousand (2021: AED 160,585 thousand) was recognised as revenue (note 8).

21. DIRECT COSTS

	2022 AED'000	2021 AED'000
Materials (note 6)	**26,249,476**	15,939,343
Staff costs (note 25)	**193,703**	161,441
Depreciation (note 5)	**-**	6,288
	26,443,179	16,107,072

22. DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	2022 AED'000	2021 AED'000
Staff costs (note 25)	**1,480,421**	1,271,972
Depreciation (note 5)	**543,931**	637,567
Utilities	**198,478**	150,018
Repairs, maintenance and consumables	**187,110**	147,686
Distribution and marketing expenses	**54,908**	37,556
Insurance	**18,780**	12,379
Others	**278,003**	165,049
	2,761,631	2,422,227

23. OTHER INCOME

	2022 AED'000	2021 AED'000
Gain on disposal of property, plant and equipment	**2,963**	31
Miscellaneous income	**100,379**	72,271
	103,342	72,302

Miscellaneous income consists mainly of convenient store income for the consigned goods and sales of scrap items, used oil, batteries, tyres.

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24. OTHER IMPAIRMENT LOSSES AND EXPENSES

	2022 AED'000	2021 AED'000
Inventories written off (note 6)	**5,251**	2,952
Impairment on capital work in progress (note 5)	**8,075**	1,674
Miscellaneous expenses	**2,500**	-
	15,826	4,626

25. STAFF COSTS

	2022 AED'000	2021 AED'000
Salaries and allowances	**1,399,834**	1,319,585
Other benefits	**261,884**	116,322
Employees' end of service benefit (note 16)	**29,053**	23,820
	1,690,771	1,459,727
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 22)	**1,480,421**	1,271,972
Direct costs (note 21)	**193,703**	161,441
Capital work-in-progress	**16,647**	26,314
	1,690,771	1,459,727

Other benefits consist mainly of medical expenses, trainings, leave and travel expenses and uniforms.

26. FINANCE COSTS

	2022 AED'000	2021 AED'000
Finance charges on bank facilities	**212,041**	151,436
Interest expense on lease liabilities (note 14)	**62,800**	28,631
Interest expense on provision for decommissioning (note 19)	**4,764**	4,491
	279,605	184,558

27. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of share outstanding during the year.

	2022	2021
Profit attributable to owners of the Company (AED '000)	**2,748,508**	2,252,411
Weighted average number of shares for the purpose of basic earnings per share('000) (note 12)	**12,500,000**	12,500,000
Earnings per share (AED)	**0.220**	0.180

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

28. DIVIDENDS

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2020. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 16 March 2021 and paid on 20 March 2021.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2021. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 30 September 2021 and paid on 4 October 2021.

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2021. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 24 March 2022 and paid on 1 April 2022.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2022. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 28 September 2022 and paid on 6 October 2022.

29. COMMITMENTS

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 298,022 thousand (2021: AED 117,838 thousand).

30. SEGMENT REPORTING

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, as the Chief Operating Decision Maker (CODM), in order to allocate resources to the segment and to assess its performance. Information reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segments only. No information that includes the segments' assets and liabilities are reported to the Board of Directors.

Effective from 2020, the CODM has approved the use of the new segment reporting structure. The new structure aligns the segmentation of the management's categorisation of the Group's customers into Commercial (B2B) and Retail (B2C) categories.

- Commercial (B2B) segment, which involves sale of petroleum products and ancillary products to commercial and government customers, the provision of aviation fuel and fuelling services to strategic customers, and the provision of fuelling services to the Parent Company civil aviation customers.
- Retail (B2C) segment, which involves sale of gasoline and petroleum products, convenience store sales, car wash and other car care services, oil change services, vehicle inspection services and property leasing and management through the retail sites.

Transactions between segments are conducted at the rates determined by management taking into consideration the cost of funds. The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given to the chief operating decision maker.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous year. Operating profit is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Information regarding the new segment structure are as follows:

	Commercial (B2B) AED'000	Retail (B2C) AED'000	Unallocated AED'000	Total AED'000
31 December 2022				
Revenue	**10,653,050**	**21,458,011**	**-**	**32,111,061**
Direct costs	**(9,217,178)**	**(17,226,001)**	**-**	**(26,443,179)**
Gross profit	**1,435,872**	**4,232,010**	**-**	**5,667,882**
Distribution and administrative expenses	**(373,241)**	**(2,388,390)**	**-**	**(2,761,631)**
Other income	**20,588**	**79,986**	**2,768**	**103,342**
Impairment losses and other operating expenses	**(14,369)**	**(21,808)**	**-**	**(36,177)**
Operating Profit	**1,068,850**	**1,901,798**	**2,768**	**2,973,416**
Interest income				**54,697**
Finance costs				**(279,605)**
Profit for the year				**2,748,508**

31 December 2021				
Revenue	6,005,617	14,915,498	-	20,921,115
Direct costs (restated)	(4,662,561)	(11,444,513)	2	(16,107,072)
Gross profit	1,343,056	3,470,985	2	4,814,043
Distribution and administrative expenses (restated)	(370,833)	(2,051,394)	-	(2,422,227)
Other income	25,793	45,769	740	72,302
Impairment losses and other operating expenses	(10,589)	(19,618)	(4,628)	(34,835)
Operating Profit	987,427	1,445,742	(3,886)	2,429,283
Interest income				7,686
Finance costs				(184,558)
Profit for the year				**2,252,411**

Unallocated income consists mainly of gain on disposal of fixed assets, insurance recovery and other miscellaneous income.

31. ADNOC GROUP CENTRAL FUND FOR RISK FINANCING

The Group is a participant in a centralised fund, administered by ADNOC, to finance certain self-insured risks. The fund is made up of premium discounts, investment income and contributions from participants, as agreed upon from time to time. Under the scheme, the Group is obliged to provide additional funding, if required. As at 31 December 2022, the central fund has been discontinued and moved to another entity wherein Group's has no more share (2021: AED nil).

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32. CONTINGENCIES AND LITIGATIONS

As at 31 December 2022, the Group had contingent liabilities amounting to AED 287,823 thousand (2021: AED 3,402,095) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's financial statements if concluded unfavourably.

33. FINANCIAL INSTRUMENTS

Capital risk management

The primary objective of the Group's capital risk management activities is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital defined as equity plus net debt. The capital structure of the Group consists of debt, which includes long term debts, cash and cash equivalents and equity comprising share capital, statutory reserve and retained earnings.

The leverage ratio, determined as net debt to net debt plus equity, at the year-end was as follows:

	2022 AED'000	2021 AED'000
Debt	**5,482,124**	5,499,641
Cash and cash equivalent (note 11)	**(2,617,099)**	(2,125,540)
Net debt	**2,865,025**	3,374,101
Net debt	**2,865,025**	3,374,101
Equity	**3,444,890**	3,202,065
Net debt plus equity	**6,309,915**	6,576,166
Leverage ratio	**45.4%**	**51.3%**

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), commercial and credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) **Market risk**

i) Foreign exchange risk

The Group has no significant currency risk exposure from its operations as a majority of the Group's transactions are in UAE Dirham or US Dollars. The UAE Dirham is pegged to the US Dollar, hence, balances in US Dollars are not considered to present a significant foreign exchange risk.

ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and Group's debt obligations with floating interest rates. Consequently, the Group's income and operating cash flows are dependent on changes in market interest rates. Deposits or placements issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage these risks based on management's assessment of available options and placing any surplus funds with ADNOC for treasury management or with creditworthy banks (note 11).

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The deposits and placements are on rollover basis for three months or less, as such the carrying amounts have not been discounted as the impact of discounting is not deemed to be significant.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial position date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would have decreased/increased by AED 27,410 thousand (2021: AED 27,496 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

In 2019, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank borrowings. The arrangement concluded on November 2022.

iii) **Price risk**

The Group is exposed to commodity price risk arising from retail prices of the refined petroleum products. Gasoline and diesel prices are set by the UAE Ministry of Energy, which limits and may result in reductions in the profit margins on these products. There can be no assurance that the UAE Ministry of Energy will continue to set retail prices at a level that provides the same or a similar profit margin, and any reduction in the profit margin on these products would have a material adverse impact on our results of operations and financial position. Under the new supply agreements, ADNOC will provide the Group protection against reduction in per-litre gross profits below certain specified levels (note 8).

b) **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and others factors. Individual risk limits are based on management's assessment on a case-by-case basis.

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks and financial institutions and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 7.

c) **Liquidity risk**

The Group limits its liquidity risk by ensuring adequate cash from operations is available to meet its funding requirements. The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., bank deposits, trade receivables and other financial assets), and projected cash flows from operations. The Group's objective is to maintain liquidity through credit lines available from banks or with the Parent. As at 31 December 2022, the Group had access to a USD 375 million and AED 1,377,188 thousand credit facility which was fully unutilised (note 15).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 and 2021 based on the contractual undiscounted payments.

	Less than 1 year AED '000	More than 1 year AED '000	Total AED'000
At 31 December 2022			
Borrowings	-	5,482,124	5,482,124
Due to related parties	3,452,458	-	3,452,458
Lease liabilities	129,789	1,184,538	1,314,327
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	1,527,954	-	1,527,954
Total	**5,110,201**	**6,666,662**	**11,776,863**

	Less than 1 year AED '000	More than 1 year AED '000	Total AED'000
At 31 December 2021			
Borrowings	5,499,641	-	5,499,641
Due to related parties	2,292,510	-	2,292,510
Lease liabilities	88,975	787,383	876,358
Derivative financial instruments	77,635	-	77,635
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,105,188	-	1,105,188
Total	**9,063,949**	**787,383**	**9,851,332**

Whilst the Parent Company account is payable on demand or within agreed payment terms, the Parent Company considers the ability of the Group to pay, and its cash position prior to any payment request or transfer. The Parent Company account includes the cost of supplying the Group with its inventories as the Parent Company is the principal supplier of petroleum products to the Group (note 8).

Fair value estimation

The carrying value less any impairment provision of trade receivables and payables, approximate to their fair values as they are mainly short-term in nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for financial instruments.

34. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 AED'000	2021 AED'000
Financial assets:		
Cash and bank balances (including term deposits)	**2,747,324**	2,255,765
Due from related parties	**868,868**	1,225,600
Trade and receivables and other current assets (excluding prepaid expenses and VAT receivable)	**3,233,725**	2,636,136
	6,849,917	6,117,501

	2022 AED'000	2021 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	**1,527,954**	1,105,188
Due to related parties	**3,452,458**	2,292,510
Derivative financial instruments	**-**	77,635
Lease liabilities	**1,314,327**	876,358
Borrowings	**5,482,124**	5,499,641
	11,776,863	9,851,332

For the purpose of the disclosure, non-financial assets amounting to AED 61,990 thousand (2021: AED 47,139 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 467,710 thousand (2021: AED 403,825 thousand) have been excluded from trade and other payables.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified from prior year, wherever necessary, to conform to the presentation adopted in the current year of the consolidated financial statements. These reclassifications, except as they relate to the impact of aviation service agreements, maintenance and transport costs, were not significant and have no impact on the total assets, total liabilities, total equity and profit of the Group.

Impact on consolidated statement of profit or loss for the year ended 31 December 2021	As previously reported AED'000	Reclassification AED'000	After reclassification AED'000
Direct cost	(15,880,704)	(226,368)	(16,107,072)
Gross profit	5,040,411	(226,368)	4,814,043
Distribution and administrative expenses	(2,648,595)	226,368	(2,422,227)

36. SUBSEQUENT EVENTS

The Board of Directors proposed a final cash dividend of 10.285 fils per share to the shareholders in respect of second half of 2022. In January 2023, the Company has agreed with Abu Dhabi National Energy Company (TAQA), one of the largest listed integrated utility companies in the EMEA region, to work together to establish a mobility joint venture, E2GO, to build and operate electric vehicle infrastructure in Abu Dhabi and the wider UAE. The transaction does not have any impact in the consolidated financial statements of the Group.

The Company entered into a Refined Products Sales Contract with the Parent Company for the sale by Parent Company and purchase by Company of refined petroleum products, for a term of five years from 1 January 2023 to 31 December 2027, replacing the previous refined product sales contract that expired on 31 December 2022.

There have been no other events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2022.

37. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 February 2023.

GLOSSARY

ADEG	Abu Dhabi Energy Index
ADI	Abu Dhabi General Index
ADNOC	Abu Dhabi National Oil Company
ADNOCDIS UH	Bloomberg symbol for ADNOC Distribution
ADNOCDIST	ADX symbol for ADNOC Distribution
ADNOCDIST.AD	Reuters Instrument Code for ADNOC Distribution
ADX	Abu Dhabi Securities Exchange
AD Base	A world-class base oil supplied by ADNOC
AED	United Arab Emirates Dirham, the currency of the United Arab Emirates
AI	Artificial Intelligence
API	American Petroleum Institute
CAPEX	Capital expenditure
CNG	Compressed Natural Gas
the Company	ADNOC Distribution
EBITDA	Earnings before interest, tax, depreciation and amortization
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EV	Electrical Vehicles
FAR	Fatal Accidents Rate, number of Fatalities /100 million man hours
FCF	Net cash generated from operating activities less payments for purchase of property, plant and equipment and advances to contractors
FTSE	The Financial Times Stock Exchange (FTSE), now known as FTSE Russell Group
GHG	Greenhouse gas
Grey market	An unofficial market in goods that have not been obtained from an official supplier
HC	Human Capital
HSE	Health, Safety and Environment
ICV	In-Country Value
IPO	Initial Public Offering
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
JIG	Joint Inspection Group
KSA	Kingdom of Saudi Arabia
LPG	Liquefied Petroleum Gas
LTIF	Loss Time Injury Frequency, the number of loss Time Injuries / million man hours
MENA	Middle East and North Africa
MSCI	Morgan Stanley Capital International
NIN	National Investor Number
NGV	Natural Gas Vehicles
OPEX	Operating expenses
Premiumization	Consumer preference or trend towards higher quality, higher price offerings
RFID	Radio Frequency Identification
RIC	Reuters Instrument Code
ROCE	Return on Capital Employed
ROE	Return on Equity
SCA	Securities and Commodities Authority
TRIR	Total Recordable Incidents Rate, the number of Recordable Incidents /million man hours
UAE	United Arab Emirates
USD	United States Dollar, the currency of the United States