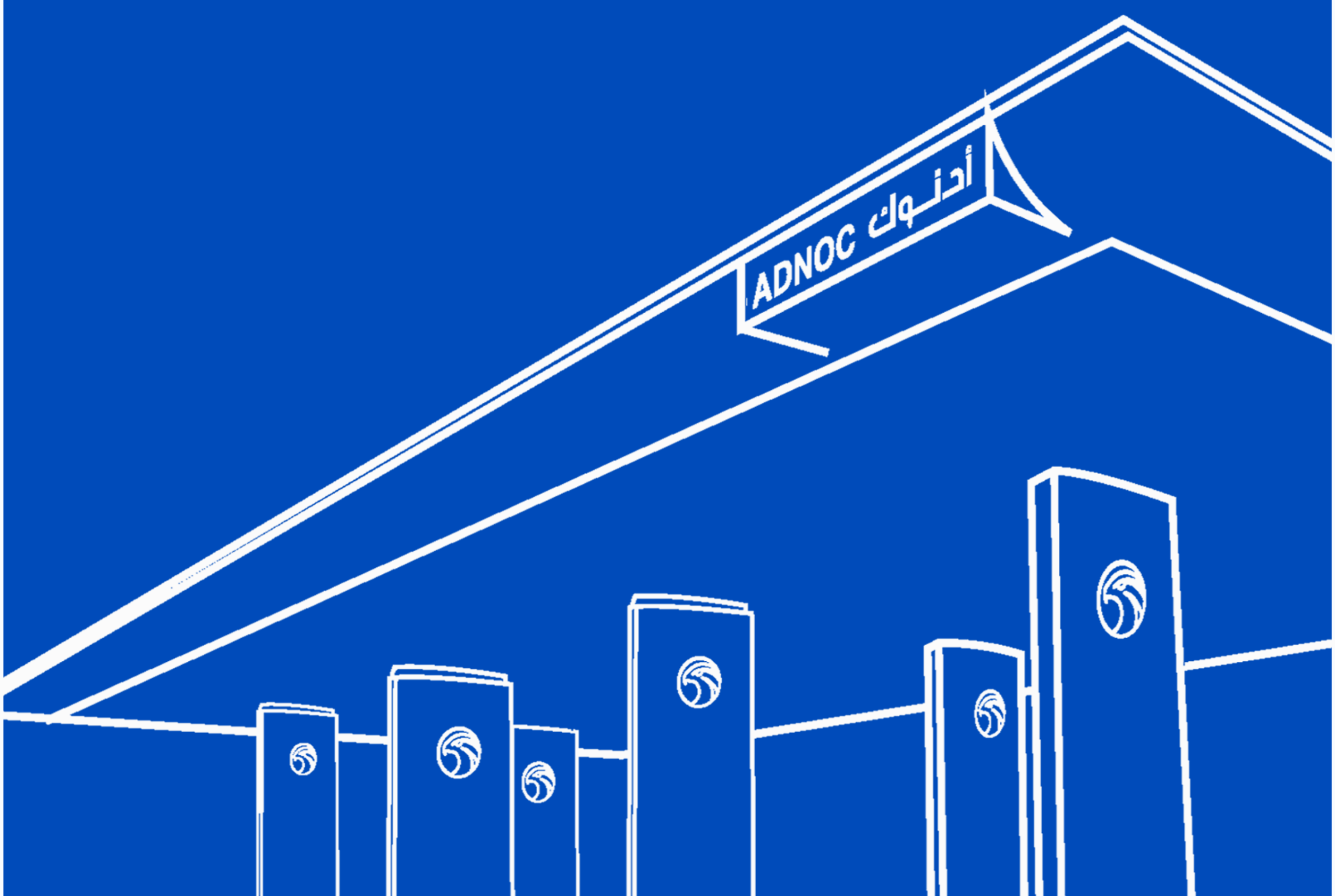
ADNOC DISTRIBUTION

Fourth Quarter & Full Year 2020 Results

Management Discussion & Analysis Report

14 February 2021



ADNOC Distribution
Fourth Quarter & Full Year 2020 Results

Highlights

Demonstrating strength, resilience and growth despite challenging operating environment

- Total fuel volumes sold decreased by 10.5% in 2020 compared to 2019, mainly due to an impact of COVID-19. Retail fuel volumes declined by 11.8% year-on-year, while Commercial fuel volumes decreased by 8.0% year-on-year

- 2020 revenue decreased by 24.4% compared to 2019, due to lower fuel volumes, decline in non-fuel revenues as well as due to lower selling prices (as a result of fall in crude oil prices)

- 2020 gross profit was AED 5,783 million, an increase of 16.2% compared to 2019, driven by retail segment:

  Retail segment (Fuel and Non-Fuel) gross profit increased by 28.3% year-on-year in 2020 as Fuel Retail business delivered a strong performance with gross profit growth of 38.4% year-on-year. This growth was driven by increase in margins as retail pump prices did not fall in line with crude oil prices. Non-Fuel Retail gross profit decreased by 22.4% year-on-year due to lower transactions as a result of COVID-19 impact

  Commercial business gross profit decreased by 10.2% year-on-year due to lower volumes and one-off expenses, whereas 2019 included one-off claims/recoveries

- 2020 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 3,627 million, a growth of 31.6% compared to 2019

- 2020 reported EBITDA was AED 3,189 million, an increase of 12.3% compared to 2019, driven by higher retail fuel margins and inventory gains of AED 99 million, partially offset by significantly higher one-off expenses of AED 537 million, whereas 2019 included one-off losses of AED 36 million and inventory gains of AED 119 million. One-off expenses during the year were mainly as a result of prudent approach, which puts the company in a resilient position for a profitable growth ahead.

  The major items of one-offs booked in 2020 (AED 537 million) are as below:

  - AED 191 million CWIP write-off (full amount booked in 9M 2020)
    The company has performed a comprehensive review of its capital work in progress (CWIP) and took a prudent decision to write off unutilized assets from its balance sheet. The company identified legacy assets which are not being utilized as a result of upgrading the smart technology enabled fueling and payment options that were undertaken to offer increased customer convenience and safety

  - AED 84 million staff restructuring costs (full amount booked in Q3 2020)
    As part of our OPEX optimization initiatives, the company booked non-recurring staff restructuring costs leading to higher OPEX. As part of the company's ongoing transformation, we remain committed to reducing our operating costs and ensuring continued competitiveness. We expect benefits of this restructuring to be visible going forward with meaningful reduction in our staff cost, which remains our major OPEX item

  - AED 70 million provisioning on trade receivables in light of current environment (of which AED 6 million booked in Q4 2020)

    - AED 192 million other one-offs (of which AED 11 million booked in Q4 2020)
      Other one-offs included additional pension costs, business transformation costs and COVID-19 related expenses

- 2020 net profit was AED 2,432 million, an increase of 9.7% compared to 2019, mainly due to higher EBITDA.

Cash flow and capital structure

- In Q4 2020, the company generated free cash flow of AED 167 million driven by strong cash flow from operations, partially offset by negative working capital movement and higher CAPEX. Working capital in Q4 2020 was impacted due to decrease in payables to our supplier ADNOC

- For FY 2020, net cash generated from operating activities remained strong, driven by robust cash flow from operations. However, our cash position reduced compared to end of 2019 due to negative working capital movement, higher CAPEX and dividend payment in 2020. Negative working capital movements were mainly as a result of decrease in payables to our supplier ADNOC, driven by lower purchases and lower oil prices, partially offset by decrease in trade receivables

- The company maintained strong financial position at the end of December 2020 with liquidity of AED 5.6 billion in the form of AED 2.8 billion in cash & cash equivalents and AED 2.8 billion in unutilized credit facility. Our existing term debt matures at the end of 2022 with no covenants in place. Our balance sheet remains strong with a net debt to EBITDA ratio of 0.85x as of 31 December 2020

Free float doubling to 20% post ADNOC Private Placement of ADNOC Distribution Shares (AED 3.67 billion)

- On 14th September 2020, ADNOC has successfully completed an AED 3.67 billion placement of 1.25 billion of its shares in ADNOC Distribution with institutional investors. This represented 10% of ADNOC Distribution's total share capital, and doubled the Company's free float to 20%, broadening the Company's shareholder base and allowing for greater liquidity of its shares on the Abu Dhabi Securities Exchange. This transaction was the GCC region's largest-ever block trade transaction of a publicly listed company and leveraged significant investor demand for ADNOC Distribution shares driven by its attractive value proposition and following a robust performance with a progressive, attractive and visible dividend policy since its initial public offering in 2017.

Strategy Update

The Company demonstrated strength, resilience and accelerated delivery of its strategic smart growth plans throughout the year of 2020, despite continued market uncertainty caused by the COVID-19 pandemic. The health and safety of employees and customers remained integral to everything the company delivered in 2020, whether that be extensive COVID-19 testing for all employees, ensuring regular cleaning and sanitization of stations, and readily available PPE; or bringing daily essentials closer to customers both on the ground and through doorstep delivery, with the enhanced My Station mobile fuel and LPG delivery services and online delivery of more than 1,700 products from its ADNOC Oasis convenience stores. More recently, the company has become first fuel retailer in the world to have vaccinated 100% of its frontline service station staff, reflecting our unwavering desire to fight against the spread of COVID-19.

Fuel business (Retail + Commercial)

For the year 2020, and following the initial COVID-19 impact on mobility restrictions, ADNOC Distribution's fuel volumes continue to show steady recovery. Total fuel volumes for Q4 2020 increased by 2.3% as compared to the previous quarter. Compared to Q4 2019, total fuel volumes were down 7.4% in Q4 2020. For the year 2020, total fuel volumes sold decreased by 10.5% compared to last year.

In Q4 2020, Retail fuel volumes (c.67% of total fuel volumes in 2020) increased by 1.6% as compared to the previous quarter, but still remain 8.3% below Q4 2019, particularly impacted by ongoing Abu Dhabi border restrictions and many organizations continuing to allow remote working. Commercial fuel volumes increased by 3.8% as compared to the previous quarter, but were lower by 5.2% year-on-year in Q4 2020 due to lower uptake from strategic aviation customers.

New Stations: Our UAE network reached 445 retail fuel stations as of 31 December 2020. In 2020, we opened 64 stations in the UAE, a rate of delivery ten times that of 2019. We remain focused on value accretive Dubai expansion and opened 20 new stations, reflecting the company's commitment to delivering strong growth in 2021 and beyond. As a result, our Dubai station network has grown from six stations by the end of 2019 to 26 fuel stations by the end of 2020.

Since announcing the new 'ADNOC On the go' concept in November 2019, 38 'On the go' neighborhood stations have been brought into operation in 2020 (which includes one reconstructed site converted to 'On the go' format in Abu Dhabi). ADNOC 'On the go' station is an innovative concept that provides neighborhoods and communities with access to fuel and retail in locations where traditional stations are impractical. ADNOC 'On the go' stations are modular in design to reflect the customer needs in the individual neighborhood in terms of size, number of pumps, and type of ADNOC Oasis store. This initiative is a result of our drive towards CAPEX optimization, effectively tackle competition with faster and more efficient deployment of our fuel stations.

International: In addition to the Company's growth in the UAE, international growth was accelerated with the announcement that the company has signed a definitive agreement on 30 December 2020, to acquire 15 service stations in Saudi Arabia at an acquisition price of AED 36.7 million. This transaction has been quickly followed by the announcement on 14 February 2021 of the execution of two further definitive agreements to acquire a total of 20 more stations in Saudi Arabia at an acquisition price of AED 56.9 million, reaffirming our commitment to expand in the Kingdom, and the region. The transactions are subject to certain conditions (including obtaining regulatory approvals) and stem from ADNOC Distribution's long-term smart growth strategy. Upon completion of the transactions, our network in Saudi Arabia will increase to 37.

The stations are located in the central and eastern regions, with sites dedicated to both highway commuters as well as in-community convenience. Many locations will be refurbished in line with ADNOC Distribution endorsed world-class brand standards and staff will be trained to adhere to the Company's renowned service excellence to offer high quality fuel and retail services to customers, including convenience stores.

Mobile Fuel Delivery (My Station): In 2020, the company started providing mobile fuel delivery to retail customers in select areas of Abu Dhabi to provide a convenient fueling service at no additional charge. By the end of 2020, the company has deployed eight fuel trailers and 37 fuel trucks to serve its commercial and retail customers. Throughout the year, the company added 15 new trucks to My Station fleet to expand on-demand fuel delivery service, providing customers with a faster and reliable fueling service.

In addition, the company also provides mobile LPG delivery to its customers through 17 My Station trucks.

Non-fuel business

Our UAE network increased to 326 convenience stores as of end of 2020, with the addition of 62 new convenience stores in the UAE in 2020. In line with our ambitious non-fuel retail strategy, the Company's focus throughout the year has remained on providing a superior customer experience through a more modern, fresh and digital experience to its customers, including its C-store revitalization plans, which has seen a total of 100 convenience stores being refurbished in 2020. In Q4 2020 alone, we refurbished 59 additional Oasis convenience 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.

Such increased customer-centric initiatives, along with the changing consumer shopping behavior observed during COVID-19 pandemic, contributed to an increase in average gross basket size of 18.8% in 2020 compared to 2019.

Providing increased convenience to customers was integral to the Company's core strategy, particularly through the acceleration of its e-commerce strategy. The Company expanded its flagship partnership with delivery services Talabat and Carriage, which allows customers to order from more than 1,700 ADNOC Oasis products, from over 100 convenience stores across the UAE. The delivery service was well received during lockdown restrictions and continues to be popular into 2021.

ADNOC Rewards loyalty program

ADNOC Distribution enhanced its customer-oriented approach throughout 2020. In July 2020, the Company's ADNOC Rewards, the UAE's first customer loyalty program from a fuel provider, was upgraded to allow customers to further benefit from their purchases at its outlets by earning points on every dirham spent, reached the significant milestone of having one million registered customers during the fourth quarter. The total number of transactions using ADNOC Rewards, since the company launched the points program, has now exceeded 8 million. By offering superior customer benefits, we aim to grow our ADNOC Rewards user base that will allow us to deliver targeted promotional offers to users, thereby increasing customer loyalty and higher share of customer spend.

Cost Optimization

The benefits of cost reduction initiatives taken throughout the year are becoming visible with like-for-like OPEX reduction of AED 57 million year-on-year in 2020. This reduction in like-for-like OPEX is mainly as a result of optimization in staff cost and decrease in general & administrative expenses.

As part of the company's ongoing transformation, started at the time of its IPO in December 2017, it remains committed to reducing operating costs and ensuring continued competitiveness in the UAE fuel retail and convenience store sector. While we have been diligently focused on our COVID-19 response, ensuring the safety and wellbeing of our staff and customers, transformation efforts will continue to ensure that operating costs are market-competitive and the company is well positioned to deliver on its future growth ambitions.

Total operating expenses increased in 2020 mainly due to one-off expenses related to staff restructuring costs, additional pension liabilities, COVID-19 related expenses, growth OPEX associated with our network expansion and owing to the cost of additional staff to implement free assisted fueling (effective 3rd November 2019).

CAPEX

In line with our guidance and plans to continue with our expansion strategy, we incurred higher CAPEX of AED 962 million in 2020 compared to AED 508 million in 2019. Higher CAPEX in 2020 was result of significantly higher number of new stations we delivered, in line with our strong commitment to secure future growth and deliver convenient fuel and retail offerings to our customers across the country.

Ahmed Al Shamsi - Acting CEO:

"I am pleased to announce ADNOC Distribution's robust fourth quarter and full year performance. Through our employees' continued dedication to ensuring customer safety and convenience, we have delivered a strong performance, despite challenging market conditions.

We set ambitious growth targets for 2020 and it is testament to our resilient business model that we not only met, but exceed guidance in terms of both new station openings and convenience store refurbishments.

ADNOC Distribution is well placed to continue building on recent success, in the UAE and beyond, in the year ahead and remains on track to reach EBITDA target of at least USD 1.0 billion by 2023. During Q4 2020, we announced the start of our further expansion into the Kingdom of Saudi Arabia with an agreement to acquire 15 service stations, two further agreements to acquire an additional 20 stations were announced this month. These are important milestones for our company as we expand outside of the UAE and a key element of our profitable growth strategy too. We will continue to seek further international expansion opportunities and unlock incremental value for shareholders."

Outlook

Economic activity in the United Arab Emirates is expected to recover in 2021 on the back of government's accelerated efforts to roll out vaccine to the wider population. This should allow for further ease in mobility restrictions in the UAE and thus support progressive recovery in fuel and non-fuel transactions. Our accelerated expansion in Dubai and Saudi Arabia is also likely to contribute to growth in 2021 and in the coming years, while we continue to explore new growth opportunities presented by the current environment. We remain committed to pursue our expansion plans, in a disciplined manner, deliver an enhanced customer experience, further optimize our operations to become leading cost efficient fuel retailer and generate sustainable value creation for our shareholders.

Fuel business

New Stations: After strong delivery momentum in 2020 with opening of 64 new stations (including 20 stations in Dubai), we expect the delivery momentum to sustain in 2021 with target of opening 70-80 new stations. Of these, 30-35 new stations are expected to open in the UAE, including 12 to 18 stations in Dubai. In addition to new stations we expect to open in UAE in 2021, we plan to add 40-45 new stations in Saudi Arabia in 2021, which include 35 stations acquisition already announced and another 5-10 organic build outs.

In line with our long term smart growth strategy to become a leading fuel operator in KSA, we announced execution of definitive agreements to acquire 35 service stations in the Kingdom of Saudi Arabia. Saudi Arabia is the largest fuel market in the GCC and remains a key strategic market for us.

Furthermore, we are currently evaluating number of potential inorganic growth opportunities in international markets (including Saudi Arabia), which would add incrementally to our guidance. Our focus is to ensure CAPEX is allocated more efficiently towards our growth in value-accretive expansion that meets our targeted rate of returns

Non-fuel business

After witnessing strong momentum in the revitalization of our C-Stores in 2020 with 100 C-stores revitalized, we would continue to invest in offering our customers a modern and engaging experience, in line with our ambitious non-fuel strategy. We expect to refurbish 40 to 60 C-stores in 2021, focusing on modern environment, better assortment of products including fresh food and premium coffee and digital channels to order and transact.

Our online food and grocery delivery service from ADNOC Oasis convenience stores was well received by our customers during lockdown and continues to be popular going into 2021. We expect to further expand our coverage in Dubai and the Northern Emirates, supporting our ambition of sustaining strong growth in our non-fuel offering.

Cost efficiency

We aim to become one of the leading cost efficient fuel retailer and remain on track to take structural costs out and make our operations leaner and more efficient. After realizing like-for-like OPEX savings of AED 422 million over 2018-20, we target additional like-for-like OPEX savings of up to AED 92 million in 2021 and up to AED 312 million over 2021-23.

The key drivers of further OPEX savings are staff optimization including a more efficient deployment of staffing levels for stations and c-stores, energy efficiency through smart technology, outsourcing of logistics, centralization of key functions etc.

CAPEX

We are committed to pursuing our expansion plans, in a disciplined manner to deliver on our smart growth strategy. We expect CAPEX of AED 918 million to AED 1.1 billion in 2021. We will continue to improve CAPEX efficiency, including the rolling out of less capital intensive new station formats, such as ADNOC On the go and My Station. Our CAPEX guidance does not include any potential M&A opportunities.

Dividend Policy

During the General Assembly on 31 March 2020, the company confirmed its 2020 dividend policy and announced an amendment to its dividend policy for 2021 onwards. As per our approved dividend policy:

> The company's Board of Directors has proposed a cash dividend of AED 1.285 billion (10.285 fils per share) for the second half of 2020, which will be submitted to the Company's shareholders for approval at the Annual General Assembly Meeting scheduled on 16th March 2021.
>
> Subject to shareholders' approval, total dividend for fiscal year 2020 is expected to be AED 2.57 billion (20.57 fils per share), which would represent a 7.5% increase compared to the 2019 dividend. This would translate to a 5.3% annual dividend yield for 2020 (based on a share price of AED 3.88 as of 10th February 2021). The company paid half of the 2020 dividend in October of last year and expects to pay the final payment in April 2021, subject to shareholders' approval.
>
> The company's 2021 dividend policy is set to continue with dividend of AED 2.57 billion (compared to minimum 75% of distributable profits as per previous policy)

On 14th February, 2021, the Board further recommended amendments to the dividend policy to enhance visibility of shareholder return, proposing a minimum of AED 2.57 billion dividend for 2022 (compared to minimum 75% of distributable profits as per current policy). Dividend policy for the years thereafter remains unchanged at a dividend equal to at least 75% of distributable profits. This proposal will be presented to Company's shareholders at the upcoming Annual General Assembly meeting. If approved, this will provide secured and predictable payback to shareholders until April 2023.

Amendment in dividend policy recommended by Board recognizes the Company's strong financial position at the end of 2020 (cash & equivalent of AED 2.8 billion, retained earnings of AED 2.1 billion and net debt to EBITDA of 0.85x at the end of 2020), confidence in its growth prospects and cash-flow generation ability going forward. Despite current market conditions, ADNOC Distribution remains confident and steadfast in the delivery of its strategic commitments and sustainable returns for its shareholders.

In accordance with our dividend policy, we expect to continue to pay half of the annual dividend in October of the relevant year and half in April of the following year. The payment of dividends is subject to the discretion of our Board of Directors and shareholders' approval.

Financial summary

AED millions	Q4-20	Q3-20	*QoQ %*	Q4-19	*YoY %*	2020	2019	*YoY %*
Revenue	4,146	4,030	*2.9%*	5,426	*-23.6%*	16,132	21,337	-24.4%
Gross profit	1,611	1,726	*-6.7%*	1,255	*28.3%*	5,783	4,978	16.2%
Margin	*38.9%*	*42.8%*		*23.1%*		*35.8%*	*23.3%*	
EBITDA	1,055	879	*20.1%*	658	*60.4%*	3,189	2,839	12.3%
Margin	*25.5%*	*21.8%*		*12.1%*		*19.8%*	*13.3%*	
Underlying EBITDA[1]	1,072	1,132	*-5.3%*	707	*51.6%*	3,627	2,756	31.6%
Operating profit	902	710	*27.1%*	509	*77.1%*	2,597	2,301	12.8%
Net Profit for the period	851	671	*26.9%*	496	*71.5%*	2,432	2,218	9.7%
Margin	*20.5%*	*16.6%*		*9.1%*		*15.1%*	*10.4%*	
Earnings per share (AED/share)	0.068	0.054	*26.9%*	0.040	*71.5%*	0.195	0.177	9.7%
Net cash generated from operating activities	533	1,773	*-69.9%*	*261*	*103.9%*	1,694	*1,745*	-2.9%
Capital expenditures	361	217	*66.5%*	264	*36.8%*	962	508	89.3%
Free Cash Flow[2]	167	1,574	-89.4%	202	-17.0%	715	1,282	*-44.2%*
Total equity	3,477	2,778	*25.1%*	3,749	*-7.3%*	3,477	3,749	*-7.3%*
Net debt[3]	2,705	1,524	*77.5%*	744	*263.8%*	2,705	744	*263.8%*
Capital employed	9,818	8,955	*9.6%*	9,675	*1.5%*	9,818	9,675	*1.5%*
Return on capital employed (ROCE)	26.4%	24.6%	-	23.8%	-	26.4%	23.8%	-
Return on equity (ROE)	74.7%	74.8%	-	59.2%	-	74.7%	59.2%	-
Net debt to EBITDA ratio[3]	0.85x	0.55x	-	0.26x	-	0.85x	0.26x	-
Leverage ratio[3]	43.8%	35.4%	-	16.5%	-	43.8%	16.5%	-

NM: Not meaningful
(1) Underlying EBITDA is defined as EBITDA excluding Inventory gains/losses and one-off gains/losses
(2) Free Cash Flow is defined as Net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors
(3) Net debt to equity, Cash and bank balances used for Net Debt calculation includes term deposits with banks
(4) Prior period numbers are as previously reported before the impact of restatement of prior period errors, the impact of which on EBITDA is immaterial (details in Note 34 of audited financial statements)
Notes:
See the Glossary for the calculation of certain metrics referred to above

New Reporting Segments

Our Board of Directors approved changes with respect to our segment reporting effective 1 January 2020. These changes have been reflected in our 2020 Results and previous year numbers have been restated to align with new reporting segment. The new reporting structure aligns our segmentation with management's categorization of our customers into Retail (B2C) and Commercial (B2B) categories.

Our new Retail reporting segment includes the sale of gasoline and other petroleum products, convenience store sales, car wash and other car care services, oil change services, vehicle inspection services, and property leasing and management through our retail sites. Our new Commercial segment includes the sale of petroleum products and ancillary products to commercial and government customers, the provision of aviation fuel and fueling services to strategic customers, and the provision of fueling services to our parent company's civil aviation customers.

Headlines

Fuel Volumes

Q4 2020 total fuel volumes sold reached 2,298 million liters, down 7.4% compared to Q4 2019 but increased by 2.3% compared to Q3 2020. In Q4 2020, Retail fuel volumes sold decreased by 8.3% y-o-y mainly owing to the business impact of COVID-19 on transport mobility. Corporate fuel volumes sold continue to show resilience and increased by 6.0% y-o-y and by 3.6% q-o-q in Q4 2020. Aviation fuel volumes sold to strategic customers decreased by 39.6% y-o-y but increased by 4.9% compared to Q3 2020.

2020 total fuel volumes sold decreased by 10.5% compared to 2019, mainly due to an impact of COVID-19 starting March 2020. Retail fuel volumes declined by 11.8% in 2020 compared to the same period last year, while Commercial fuel volumes decreased by 8.0% year-on-year.

Fuel volumes by segment *(million liters)*	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Retail (B2C)	**1,563**	**1,538**	***1.6%***	**1,705**	***-8.3%***	**5,758**	**6,525**	***-11.8%***
Commercial (B2B)	**735**	**708**	***3.8%***	**775**	*-5.2%*	**2,899**	**3,150**	***-8.0%***
Of which Corporate	*620*	598	*3.6%*	585	*6.0%*	2,357	2,373	*-0.7%*
Of which Aviation	*115*	109	*4.9%*	190	*-39.6%*	542	777	*-30.2%*
Total	**2,298**	**2,246**	***2.3%***	**2,481**	***-7.4%***	**8,657**	**9,674**	***-10.5%***

Fuel volumes by product *(million liters)*	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Gasoline (1)	1,440	1,406	*2.4%*	1,518	*-5.2%*	5,219	5,782	*-9.7%*
Diesel	572	591	*-3.3%*	614	*-6.9%*	2,281	2,469	*-7.6%*
Aviation products	115	109	*4.9%*	190	*-39.6%*	542	777	*-30.2%*
Others (2)	171	139	*23.0%*	157	*8.8%*	615	646	*-4.9%*
Total	**2,298**	**2,246**	***2.3%***	**2,481**	***-7.4%***	**8,657**	**9,674**	***-10.5%***

(1) Includes grade 91, 95 and 98 unleaded gasoline.
(2) Includes CNG, LPG, kerosene, lubricants and base oil.

Results

Q4 2020 revenue was AED 4,146 million, a decrease of 23.6% compared to Q4 2019. The decrease in revenue was driven by lower fuel volumes and non-fuel revenues as well as due to the lower oil prices compared to Q4 2019.

Q4 2020 gross profit was AED 1,611 million, an increase of 28.3% compared to Q4 2019 supported by higher fuel margins in the retail fuel business and reduction in fuel cost following renegotiation of our fuel supply contract effective November 2019, partially offset by lower gross profit in Non-Fuel Retail and Commercial businesses.

Q4 2020 Underlying EBITDA (EBITDA excluding inventory losses/gains and one-offs) was AED 1,072 million, a growth of 51.6% compared to Q4 2019.

Q4 2020 reported EBITDA was AED 1,055 million, an increase of 60.4% compared to Q4 2019, supported by higher retail fuel margin, partially offset by total one-off expenses of AED 17 million related to provisioning on trade receivables, additional pension costsand COVID-19 expenses.

Q4 2020 net profit was AED 851 million, increasing by 71.5% compared to Q4 2019 mainly due to increase in EBITDA as explained above, partially offset by higher depreciation and lower interest income.

2020 revenue decreased by 24.4% compared to 2019, due to an impact of COVID-19 on fuel volumes and non-fuel revenues as well as due to the lower oil prices.

2020 gross profit was AED 5,783 million, an increase of 16.2% compared to 2019 driven by higher retail fuel margin.

2020 Underlying EBITDA (EBITDA excluding inventory gains and one-offs) was AED 3,627 million, a growth of 31.6% compared to 2019.

2020 reported EBITDA was AED 3,189 million, an increase of 12.3% compared to 2019 despite negative impact of AED 537 million due to one-off expenses related to prudent write-off of capital work-in-process and provisioning on trade receivables, non-recurring staff restructuring cost, additional pension costs and COVID-19 expenses, partially offset by inventory gains of AED 99 million, whereas 2019 included one-off losses of AED 36 million and inventory gains of AED 119 million.

2020 net profit was AED 2,432 million, an increase of 9.7% compared to 2019, driven by higher retail fuel margin, partially offset by lower volumes, non-fuel revenues and one-off expenses as discussed above. Adjusting for inventory gains and one-offs, the company reported strong earnings growth despite the business impact of COVID-19.

Revenue by segment ***(AED millions)***	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Retail (B2C)	**2,951**	**2,916**	***1.2%***	**3,773**	***-21.8%***	**11,346**	**14,537**	***-22.0%***
Of which Fuel Retail	2,729	2,681	*1.8%*	3,483	*-21.6%*	10,466	13,408	*-21.9%*
Of which Non-Fuel Retail	222	234	*-5.2%*	290	*-23.4%*	880	1,129	*-22.1%*
Commercial (B2B)	1,194	**1,115**	*7.1%*	**1,653**	*-27.8%*	4,786	**6,800**	*-29.6%*
Of which Corporate	937	871	*7.6%*	1,151	*-18.6%*	3,620	4,739	*-23.6%*
Of which Aviation	257	244	*5.6%*	502	*-48.7%*	1,166	2,061	*-43.4%*
Total	**4,146**	**4,030**	***2.9%***	**5,426**	***-23.6%***	**16,132**	**21,337**	***-24.4%***

Gross Profit by segment ***(AED millions)***	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Retail (B2C)	**1,219**	**1,321**	*-7.8%*	**885**	*37.6%*	**4,368**	**3,404**	*28.3%*
Of which Fuel Retail	1,100	1,196	*-8.1%*	740	*48.6%*	3,929	2,838	*38.4%*
Of which Non-Fuel Retail	119	125	*-4.9%*	146	*-18.3%*	439	566	*-22.4%*
Commercial (B2B)	**392**	**405**	*-3.1%*	**370**	*6.0%*	**1,415**	**1,574**	*-10.2%*
Of which Corporate	246	262	*-6.1%*	200	*22.8%*	846	869	*-2.6%*
Of which Aviation	146	143	*2.5%*	170	*-13.7%*	568	705	*-19.4%*
Total	**1,611**	**1,726**	***-6.7%***	**1,255**	***28.3%***	**5,783**	**4,978**	***16.2%***

EBITDA by Segment ***(AED millions)***	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Retail (B2C)	**792**	**815**	*-2.8%*	**428**	*84.9%*	**2,562**	**1,803**	*42.1%*
Commercial (B2B)	**263**	**226**	*16.2%*	**251**	*4.5%*	**813**	**1,081**	*-24.8%*
Of which Corporate	195	177	*10.3%*	159	*22.5%*	580	715	*-18.8%*
Of which Aviation	67	49	*37.6%*	92	*-26.8%*	233	366	*-36.4%*
Unallocated[1]	0	-162	*n/m*	-22	*n/m*	-187	-45	*n/m*
Total	**1,055**	**879**	***20.1%***	**658**	***60.4%***	**3,189**	**2,839**	***12.3%***

(1) Unallocated includes other operating income/expenses not allocated to specific segment

Distribution and administrative expenses

Q4 2020 distribution and administrative expenses were AED 730 million, a decrease of 5.3% compared to Q4 2019 distribution and administrative expenses of AED 771 million. This decrease was due to lower marketing expenses, consultancy cost and reversal of one-off expenses, partially offset by increase in COVID-19 expenses, as well as due to growth OPEX associated with our network expansion and cost of additional staff to implement free assisted fueling (effective 3rd November 2019).

On a like-for-like basis, cash OPEX reduced by AED 19 million in Q4 2020, mainly as a result of optimization in staff cost and decrease in other general & administrative expenses.

2020 distribution and administrative expenses were AED 3,033 million, an increase of 9.6% compared to 2019, mainly due to one-off expenses related to staff restructuring cost, additional pension cost, COVID-19 related expenses, growth OPEX associated with our network expansion and owing to the cost of additional staff to implement free assisted fueling (effective 3rd November 2019), while 2019 had benefited from a presence of one-off OPEX reversals.

On a like-for-like basis, cash OPEX reduced by AED 57 million in 2020.

AED millions	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Staff costs	392	509	*-23.1%*	368	*6.5%*	1,765	1,594	*10.8%*
Depreciation	153	169	*-9.4%*	148	*2.9%*	592	538	*10.1%*
Repairs, maintenance and consumables	61	47	*31.1%*	63	*-2.9%*	195	145	*34.5%*
Distribution and marketing expenses	18	29	*-36.7%*	41	*-54.9%*	88	90	*-1.9%*
Utilities	55	36	*53.4%*	51	*7.7%*	178	161	*10.8%*
Insurance	3.0	3.2	*-6.3%*	4.9	*-38.8%*	14	12	*20.0%*
Others[1]	48	66	*-26.7%*	95	*-49.3%*	201	228	*-12.0%*
Total	**730**	**858**	***-14.9%***	**771**	***-5.3%***	**3,033**	**2,766**	***9.6%***

(1) Others include lease cost, bank charges, consultancies etc.

Capital expenditures

Our capital expenditures primarily consist of (i) investments related to the development and construction of new service stations and fuel terminal projects and capitalized maintenance costs related to our properties, (ii) the purchase of machinery and equipment, and (iii) other capital expenditures related to our properties, including structural upgrades, technology infrastructure upgrades and other improvements.

In 2020, the majority of our capital expenditure (about 80% of the total) was incurred for the development and construction of new service stations. Industrial and other projects capital expenditure increased due to higher spending on accelerated convenience stores refurbishment, My Station assets and new vehicle inspections sites. The table below presents the breakdown of our capital expenditures for the reviewed period:

AED millions	**Q4-20**	**Q3-20**	***QoQ %***	**Q4-19**	***YoY %***	**2020**	**2019**	***YoY %***
Service stations projects	282	162	*74.4%*	199	*42.0%*	761	345	*120.7%*
Industrial & other projects	63	32	*95.4%*	0.5	*NM*	111	36	*205.0%*
Machinery & Equipment	4.0	3.7	*8.1%*	2.3	*73.9%*	21	30	*-30.1%*
Distribution fleet	5.0	0.6	*NM*	4.5	*11.1%*	15	5.6	*167.9%*
Technology infrastructure	5.4	18	*-69.7%*	56	*-90.3%*	52	86	*-39.7%*
Office furniture and equipment	0.9	0.4	*125.0%*	1.7	*-47.1%*	2.1	5.1	*-58.8%*
Total	**361**	**217**	***66.5%***	**264**	***36.8%***	**962**	**508**	***89.3%***

NM: Not meaningful

Business segments operating review

Retail Segment – B2C (Fuel and Non-Fuel)

Volumes

Q4 2020 retail fuel volumes declined by 8.3% compared Q4 2019. Compared to Q3 2020, volumes continued to show steady recovery and increased by 1.6%.

In 2020, retail fuel volumes declined by 11.8% compared to 2019. The decline in Retail fuel volumes in Q4 and 2020 was mainly owing to the impact of COVID-19.

Retail Segment volumes (million liters)	Q4-20	Q3-20	*QoQ %*	Q4-19	*YoY %*	2020	2019	*YoY %*
Gasoline	1,399	1,371	*2.0%*	1,491	*-6.2%*	5,086	5,694	*-10.7%*
Diesel	122	132	*-7.4%*	182	*-32.9%*	534	703	*-24.0%*
Other [(1)]	42	36	*18.8%*	33	*29.8%*	137	127	*7.9%*
Total	**1,563**	**1,538**	***1.6%***	**1,705**	***-8.3%***	**5,758**	**6,525**	***-11.8%***

(1) Includes CNG, LPG, kerosene and lubricants.

Results

Q4 2020 Retail segment revenue decreased by 21.8% compared to Q4 2019, primarily due to lower fuel volumes, lower pump prices and lower Non-Fuel Retail revenues.

Q4 2020 Retail segment gross profit increased by 37.6% y-o-y compared to Q4 2019, driven by Fuel Retail business. Fuel Retail gross profit increased by 48.6% y-o-y, on the back of higher retail fuel margins, reduction in fuel cost following renegotiation of our fuel supply contract, effective November 2019, partially offset by lower retail volumes.

Q4 2020 Retail segment EBITDA increased by 84.9% compared to Q4 2019, mainly driven by higher retail margins, partially offset by lower fuel volumes and decline in non-fuel gross profit.

2020 retail segment gross profit increased by 28.3% y-o-y. Fuel Retail business posted strong operating performance with gross profit growth of 38.4% y-o-y, mainly supported by higher retail fuel margins and reduction in fuel cost, partially offset by lower retail fuel volumes. Non-fuel retail gross profit decreased by 22.4% compared to 2019 due to lower transactions as a result of COVID-19 lockdown restrictions.

2020 Retail segment EBITDA increased by 42.1% y-o-y, driven by higher retail margins, offset by lower fuel volumes, decline in non-fuel gross profit and increase in one-off OPEX.

Retail Segment (AED million)	Q4-20	Q3-20	*QoQ %*	Q4-19	*YoY %*	2020	2019	*YoY %*
Revenue	**2,951**	**2,916**	***1.2%***	**3,773**	***-21.8%***	**11,346**	**14,537**	***-22.0%***
Of which Fuel Retail	2,729	2,681	*1.8%*	3,483	*-21.6%*	10,466	13,408	*-21.9%*
Of which Non-Fuel Retail	222	234	*-5.2%*	290	*-23.4%*	880	1,129	*-22.1%*
Gross profit	**1,219**	**1,321**	***-7.8%***	**885**	***37.6%***	**4,368**	**3,404**	***28.3%***
Of which Fuel Retail	1,100	1,196	*-8.1%*	740	*48.6%*	3,929	2,838	*38.4%*
Of which Non-Fuel Retail	119	125	*-4.9%*	146	*-18.3%*	439	566	*-22.4%*
EBITDA	**792**	**815**	***-2.8%***	**428**	***84.9%***	**2,562**	**1,803**	***42.1%***
Operating profit	654	663	*-2.8%*	297	*120.4%*	2,035	1,335	*52.5%*
Capital expenditures	351	190	*85.0%*	242	*44.7%*	893	435	*105.2%*

Other operating metrics

Q4 2020 fuel transactions decreased by 11.8% compared to Q4 2019, primarily due to COVID-19 business impact. Compared to Q3 2020, fuel transactions increased marginally by 0.3%.

2020 fuel transactions decreased by 13.9% compared to 2019, primarily due to COVID-19 business impact.

Fuel operating metrics	Q4-20	Q3-20	*QoQ %*	Q4-19	*YoY %*	2020	2019	*YoY %*
Number of service stations – UAE (1)	445	418	*6.5%*	382	*16.5%*	445	382	16.5%
Number of service stations - Saudi Arabia (1) (2)	2	2	*0.0%*	2	*0.0%*	2	2	0.0%
Throughput per station (million liters)	3.4	3.6	*-5.6%*	4.4	*-22.7%*	12.6	16.7	-24.6%
Number of fuel transactions (millions)	36.5	36.4	*0.3%*	41.4	*-11.8%*	136.4	158.5	-13.9%

(1) At end of period.
(2) Includes one franchised site.

Q4 2020 Non-fuel transactions decreased by 34.5% compared to Q4 2019, and by 33.7% in 2020 compared to 2019, mainly due to COVID-19 which has resulted in a decline in customer visits as well as due to the absence of vouchers after implementing free assisted fueling (effective November 2019).

Our convenience stores generated lower revenues in Q4 2020 compared to Q4 2019, mainly due to lower transactions. However, average gross basket size sustained growth and increased by 20.5% y-o-y in Q4 2020, driven by COVID-19 impact, whereby customers are visiting less frequently but buying more during each visit.

This was also supported by our customer centric initiatives like improvement in category management and online delivery.

We continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability. The number of occupied properties decreased compared to previous year due to portfolio optimization by some of our tenants.

The number of vehicles inspected (fresh tests) in our vehicle inspection centers increased by 2.9% in Q4 2020 compared to Q4 2019 driven by increase in number of vehicle inspection centres.

Non-Fuel operating metrics	Q4-20	Q3-20	QoQ %	Q4-19	YoY %	2020	2019	YoY %
Total number of non-fuel transactions (millions) (2)	7.6	8.0	*-5.0%*	11.6	*-34.5%*	31.1	46.9	-33.7%
Number of convenience stores - UAE (1)	326	299	*9.0%*	264	*23.5%*	326	264	23.5%
Convenience stores revenue (AED million)	144	155	*-7.1%*	204	*-29.2%*	608	801	-24.1%
Convenience stores gross profit (AED million)	43	48	*-10.3%*	61	*-30.4%*	174	244	-28.6%
Margin	*29.6%*	*30.6%*		*30.0%*		*28.6%*	*30.4%*	
Conversion rate % (3)	17%	18%		25%		19%	27%	
Average basket size (AED) (4)	23.5	23.1	*1.7%*	19.5	*20.5%*	23.1	19.0	21.6%
Average gross basket size (AED)(5)	28.5	27.7	*2.9%*	24.8	*14.9%*	28.4	23.9	18.8%
Number of Property Management tenants (1)	269	253	*6.3%*	277	*-2.9%*	269	277	-2.9%
Number of occupied properties for rent (1)	867	863	*0.5%*	909	*-4.6%*	867	909	-4.6%
Number of vehicle inspection centers (1) (6)	28	29	*-3.4%*	26	*7.7%*	28	26	7.7%
Number of vehicles inspected (fresh tests) (thousands)	193	192	*0.6%*	187	*2.9%*	594	749	-20.6%
Other vehicle inspection transactions (thousands)7	57	54	*6.2%*	77	*-26.6%*	184	249	-26.3%

(1) At end of period.
(2) Includes convenience stores, car wash and oil change transactions.
(3) Number of convenience stores transactions divided by number of fuel transactions.
(4) Average basket size is calculated as convenience store revenue divided by number of convenience store transactions
(5) Average gross basket size is calculated as convenience store revenue (including revenue from consignment items shown under other operating income) divided by number of convenience store transactions.
(6) Includes one permitting center.
(7) Other vehicle inspection transactions includes the number of vehicles inspected (re-tests) and sale of safety items at our vehicles inspection centers

Commercial Segment – B2B (Corporate and Aviation)

Volumes

Q4 2020 Commercial Fuel volumes were down by 5.2% compared to Q4 2019, mainly due to decline in Aviation volumes sold to our strategic customers by 39.6%, while Corporate volumes remained resilient and increased by 6.0%.

2020 Commercial Fuel volumes were down by 8.0% compared to 2019. 2020 Corporate volumes decreased by 0.7% y-o-y, while Aviation volumes sold to our strategic customers decreased by 30.2% y-o-y.

Commercial Segment volumes (million liters)	Q4-20	Q3-20	*QoQ %*	Q4-19	*YoY %*	2020	2019	*YoY %*
Gasoline	41	35	*16.9%*	27	*52.2%*	133	88	*49.8%*
Diesel	450	459	*-2.2%*	433	*3.9%*	1,747	1,766	*-1.1%*
Aviation	115	109	*4.9%*	190	*-39.6%*	542	777	*-30.2%*
Other [(1)]	129	104	*24.4%*	125	*3.3%*	477	519	*-8.0%*
Total	**735**	**708**	***3.8%***	**775**	***-5.2%***	**2,899**	**3,150**	***-8.0%***

(1) Includes LPG, lubricants and base oil.

Results

Q4 2020 Commercial segment revenue decreased by 27.8% compared to Q4 2019, mainly due to lower volumes and lower oil prices.

Q4 2020 Commercial segment gross profit increased by 6.0% driven by higher margins and one-off reversals, partially offset by lower volumes.

Q4 2020 Commercial segment EBITDA increased by 4.5% compared Q4 2019, driven by higher gross profit, partially offset by lower other income and higher bad debt provision.

2020 Commercial segment revenue decreased by 29.6% compared to 2019, mainly due to lower volumes and lower oil prices.

2020 Commercial segment gross profit declined by 10.2%, due to lower volumes as well as negative one-off items, whereas 2019 included one-off recoveries.

2020 Commercial EBITDA declined by 24.8% y-o-y due to lower volumes, prudent bad debt provision and negative one-off items in the Commercial business, whereas 2019 included one-off receivables recoveries/OPEX reversals.

Commercial Segment (AED million)	Q4-20	Q3-20	*QoQ %*	Q4-19	*YoY %*	2020	2019	*YoY %*
Revenue	**1,194**	**1,115**	***7.1%***	**1,653**	**-27.8%**	**4,786**	**6,800**	***-29.6%***
Of which Corporate	937	871	*7.6%*	1,151	*-18.6%*	3,620	4,739	*-23.6%*
Of which Aviation	257	244	*5.6%*	502	*-48.7%*	1,166	2,061	*-43.4%*
Gross profit	**392**	**405**	***-3.1%***	**370**	***6.0%***	**1,415**	**1,574**	***-10.2%***
Of which Corporate	246	262	*-6.1%*	200	*22.8%*	846	869	*-2.6%*
Of which Aviation	146	143	*2.5%*	170	*-13.7%*	568	705	*-19.4%*
EBITDA	**263**	**226**	***16.2%***	**251**	***4.5%***	**813**	**1,081**	***-24.8%***
Operating profit	248	209	*18.5%*	235	*5.5%*	748	1,013	*-26.1%*
Capital expenditures	0.0	1.3	*-100%*	0.6	*-100%*	13	5.2	*140.4%*

Share trading and ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST. The closing share price as of 31 December 2020 was AED 3.75. In the period from 1 January 2020 through 31 December 2020, the share price has ranged from AED 2.40 to AED 3.90 at close. Our market capitalization was AED 46.9 billion as of 31 December 2020, and an average of 4.5 million shares have traded daily in 2020 (2.4x 2019 level). In 2020, the average daily traded value of our shares was USD 4.0 million (3x 2019 level).

As of 31 December 2020, ADNOC owned 80% of our outstanding shares.

Potential risks

Key risks potentially affecting ADNOC Distribution's financial and operational results include supply chain risks, asset integrity and information technology risks. The company has identified and implemented several key controls and mitigation strategies to ensure business continuity, including engineered controls and managed controls as well as contractual safeguards to limit its financial exposure to these risks. For more detailed information on risks and risk management, please refer to the Risk Factors section of the international offering memorandum dated 26 November 2017 relating to our IPO, which is available on our website at www.adnocdistribution.ae.

Q4 & Full Year 2020 Earnings conference call details

A conference call in English for investors and analysts will be held on Monday, February 15, 2021, at 5 p.m. UAE / 1 p.m. London / 8 a.m. New York. To access the conference call, followed by a Q&A session, please dial one of the toll free numbers listed below and enter the conference call access code '**6285895'**.

UAE Toll free: 8000 3570 3474

KSA Toll free: 800 844 0260

UK Toll free: 0800 279 6891

USA Toll free: 800-289-0569

For other countries, please dial UK Toll: +44 (0)330 336 9101, or US Toll: +1 646-828-8098

The conference call will also be webcast live on the company web site. To register for the webcast please follow the link and enter passcode 'adnoc'. Please note that participants joining by webcast will be able to ask questions via a chat box within the webcast player.

The presentation materials will be available for download in English on Monday, February 15, 2021 at https://www.adnocdistribution.ae/en/investor-relations/investor-relations/downloads/

Reporting date for the first quarter 2021

We expect to announce our first quarter 2021 results on or around May 10, 2021.

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February 14, 2021
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Glossary

- Net debt is calculated as total interest bearing debt less cash and bank balances (including term deposits with banks).
- Free cash flow is calculated as Net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors.
- Capital employed is calculated as the sum of total assets minus non-interest bearing current liabilities.
- Return on capital employed is calculated as operating profit for the twelve months ended divided by capital employed on the last day of the period presented.
- Return on equity is calculated as profit for the period for the twelve months ended divided by total equity on the last day of the period presented.
- Net debt to EBITDA ratio is calculated interest bearing net debt as of the end of the period presented, divided by EBITDA for the twelve months ended on the last day of the period presented.
- Leverage ratio is calculated as (a) interest bearing net debt, divided by (b) the sum of interest bearing net debt plus total equity.
- Average basket size is calculated as convenience store revenue divided by number of convenience store transactions
- Average gross basket size is calculated as total convenience store sales revenue (including revenue from consignment items shown under other operating income) divided by number of convenience store transactions.

Cautionary Statement Regarding Forward-Looking Statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance and anticipated developments in markets in which operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "would", "intends", "estimates", "plans", "targets", or "anticipates" or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC to supply us with substantially all of the fuel products that we sell; an interruption in the supply of fuels to us by ADNOC; changes in the prices that we pay ADNOC for our fuels and to the prices that we are allowed to charge our retail customers in the UAE; failure to successfully implement our operating initiatives and growth plans, including our mixed-mode service offering, our convenience store optimization initiatives, our cost savings initiatives, and our growth plans; competition in our markets; decrease in demand for the fuels we sell, including due to general economic conditions, improvements in fuel efficiency and increased consumer preference for alternative fuels; the dangers inherent in the storage and transportation of the products we sell; our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, and product quality; the extent of our related party transactions with ADNOC and our reliance on ADNOC to operate our business; the introduction of VAT and other new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated 26 November 2017 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.