Fourth Quarter and Full Year 2019 Results

12 February 2020

ADNOC Distribution
Fourth Quarter and Full Year 2019 Results

Highlights

We have delivered strong results in the fourth quarter as well as for the full year 2019:

- **Solid performance in Q4 2019…**

- Q4 2019 net profit increased by 11.3% to AED 496 million compared to AED 446 million in Q4 2018, driven by growth in total fuel volumes sold, strong results in our non-fuel business, successful customer initiatives and cost optimization efforts.

- EBITDA for the fourth quarter of 2019 reached AED 658 million, an increase of 6.5% compared to the same period of 2018.

- Underlying EBITDA (EBITDA excluding inventory gains) for Q4 2019 was AED 658 million, a 2.2% decrease compared to the same period of 2018, due to the presence of a one-off receivable recovery recorded in our corporate business in Q4 2018.

- Total fuel volumes sold increased by 2.0% in the fourth quarter of 2019, compared to the fourth quarter of 2018, driven by improvement in our core Abu Dhabi market, market share gains in the Northern Emirates following the implementation of free assisted fueling (effective 3 Nov. 2019), contribution from new stations in Dubai, new marketing campaigns, and growth in our corporate business. For the first time since our December 2017 IPO, we witnessed growth in retail fuel volumes (approximately 70% of total volumes) in Q3 2019, which was sustained in Q4 2019 (+1.2% year-on-year).

- **…as well as in FY 2019**

- 2019 net profit increased by 4.2% to AED 2,218 million compared to AED 2,128 million in 2018, driven by recovery in fuel volumes, growth in our corporate business, continued momentum in our non-fuel business, and reduction in operating costs, which were partially offset by lower inventory gains in 2019.

- EBITDA for 2019 reached AED 2,839 million, an increase of 2.3% compared to 2018.

- Underlying EBITDA (EBITDA excluding inventory gains) in 2019 was AED 2,719 million, a 7.2% increase compared to 2018. Inventory gains of AED 119 million were recorded in 2019, compared to AED 238 million in 2018.

- Total fuel volumes sold increased by 0.7% in 2019 compared to 2018, driven by growth in our corporate business and growth in retail fuel volumes in the second half of 2019.

- We continue to make progress in rationalizing our OPEX, achieving AED 169 million in like-for-like OPEX savings (8.6% reduction in OPEX) in 2019 compared to 2018, mainly driven by cost optimization initiatives.

- **Cash flows**

    - Net cash generated from operating activities decreased to AED 1,745 million in 2019 compared to 2018, mainly due to increases in working capital after a reduction in payment terms under our principal retail fuel supply agreement from 60 to 30 days as disclosed in our Q3 2019 results. In 2019, our free cash flow (EBITDA less capital expenditure) increased 16.4% year-on-year to AED 2,331 million, driven by strong cash flow from operations and lower capex. We maintain a robust capital structure with a net debt to EBITDA ratio of 0.26x as of 31 December 2019.

Strategy Update

Throughout 2019, we introduced a series of customer-focused initiatives to enhance the overall customer experience.

- **Fuel business:** Our UAE network reached 382 retail fuel stations as of 31 December 2019, with the addition of six new fuel stations in the UAE in 2019, including three in Dubai, bringing the total number of fuel stations we operate in Dubai to six as of 31 December 2019. In 2019, we focused on redefining our network deployment allocation, including offering a mix of fuel station formats. After obtaining the necessary approvals and awarding construction contracts during 2019, we are now in a position to accelerate deployment of our network plan starting in Q1 2020.

  - We launched three marketing campaigns during 2019, “Good Morning UAE”, “Fuel Up & Fly Off” and “Hello Summer”, to drive higher traffic to our service stations. These marketing campaigns have proven to be a success, both in terms of generating a growth in retail fuel volumes in the third quarter of 2019 for the first time since our IPO, and gaining better insight into our customers’ needs.

  - Based upon feedback from an extensive customer engagement program, we began to offer free assisted fueling beginning 3 November 2019. This has been well received by our customers, driving a recovery in retail fuel volumes, which grew by 1.2% in Q4 2019 compared to Q4 2018. Q4 2019 retail fuel volumes growth reflect the positive impact of free assisted fueling for two months (since implementation of free assisted fueling in November 2019); we expect the full benefit of volume growth to be visible starting Q1 2020.

  - We unveiled an innovative next-generation fuel and retail station, ‘ADNOC On the go’, bringing ADNOC Distribution closer to our customers and the communities that we serve. This initiative is also a result of our drive to effectively tackle competition with faster, more efficient deployment of our fuel stations, while also optimizing CAPEX.

- We also launched a new customer loyalty program, ‘ADNOC Rewards’, offering customers more benefits, a seamless digital experience and smart payment options.

- **Non-fuel business.** Our UAE network increased to 264 convenience stores as of 31 December 2019, with the addition of 14 new convenience stores in the UAE in 2019.

  - Our convenience store revitalization program, offering customers an improved shopping experience, is underway and contributing to positive convenience store performance. Improvements were seen in gross margins and an uplift in average basket size by 5.4% in Q4 2019 compared to Q4 2018.

  - In Q4 2019, we unveiled our next-generation Oasis convenience store with a fresh look and feel, upgraded amenities and a family-friendly environment. The new stores also offer fresh food choices, premium coffee, an on-site bakery and convenient digital payment options.

- **Cost efficiency.** We achieved a reduction of AED 169 million in like-for-like operating expenses in 2019 compared to 2018. During 2018 and 2019, we have achieved a total of approximately AED 362 million in like-for-like OPEX reduction, in line with our guidance to the market.

- **Dividend Policy.** Our progressive dividend policy, announced in April 2019, has delivered attractive shareholder returns.

  - An interim dividend payment for the first six months of 2019, totaling AED 1.194 billion (9.55 fils per share), was paid to our shareholders in October 2019.

  - We expect to pay an additional dividend of AED 1.194 billion (9.55 fils per share) for the second half of 2019 in April 2020, subject to shareholder approval at our Annual General Meeting in March 2020.

  - Total dividends for 2019 are expected to be AED 2.39 billion (19.10 fils per share), representing a 62% increase compared to the 2018 dividend, in line with our approved dividend policy. This represents a 6.4% dividend yield (based on a share price of AED 2.97 as of 11 February 2020).

  The decision to significantly increase our dividend policy in 2019 was rooted in our Board of Directors' recognition of our robust financial performance and cash position, as well as confidence in our strong growth prospects and cash flow generation ability going forward.

  Under the approved dividend policy, we expect to increase our annual dividend payment again in 2020, as follows:

  - an annual dividend for fiscal year 2020 of AED 2.57 billion (20.57 fil per share), a 75% increase compared to 2018; and

  - a minimum payout of 75% of distributable profits from 2021 onwards.

  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, subject to the discretion of our Board of Directors and shareholders' approval.

Ahmed Al Shamsi - Acting CEO:

"We have delivered strong results in the fourth quarter as well as for the full year 2019. We continue to transform ADNOC Distribution into a world-class, customer-focused, commercially driven company with a determined focus on driving profitable growth. As we sharpen our focus on the customer experience and pursue growth opportunities, both domestically and internationally, we will expand all our distribution channels to reach larger market segments and sustain volume growth. Finally, operating expense efficiencies and optimization of capital expenditures remain key priorities."

Outlook

UAE economic growth is forecasted to pick up this year amid the government's recent initiatives and growth supportive policies, and benefiting from the Expo 2020 event. All of these measures are expected to support economic growth and thus demand for fuel and other non-fuel products. We have already started to see positive impact on our business as our corporate fuel volumes recorded strong growth in 2019 while retail fuel volumes started to grow in Q3 2019 for the first time since our December 2017 IPO.

For 2020**,** our priorities are creating a superior customer experience and delivering on our accelerated expansion plan to drive profitable earnings growth and returns for our shareholders. After a 7.2% year-on-year underlying EBITDA growth in 2019, we are focused on continuing to grow EBITDA across our businesses, to pursue cost optimization and margin improvement initiatives, and to maintain growth momentum.

- **Fuel business:** In 2020, we are targeting to open at least 60 new fuel stations, including a mix of traditional and 'ADNOC On the go' stations. In Dubai, we plan to open between 20-25 new stations, most of which will be traditional stations. We have made good progress on the awarding of contracts for these stations, which gives us confidence in achieving our targets.

- We anticipate our Dubai expansion will bring market share gains and contribute to higher growth in retail fuel volumes starting in 2020. We expect overall fuel volume growth of low single digits in 2020.

- **Non-fuel business:** In 2020, we will accelerate our convenience store revitalization program to 100 of our stores with a focus on refurbishment and a refreshed look and feel. We will also continue to enhance and improve the overall customer experience with further improvements on category management and the introduction of new fresh food and premium coffee products with higher margins.

- We will also add further enhancements to our customer-centric offerings with more benefits expected under our new 'ADNOC Rewards' loyalty program.

- **Cost efficiency:** In line with our previous guidance, we are targeting to realize further like-for-like OPEX savings of approximately AED 367 million over the 2020-23 period (of which up to AED 92 million is expected in 2020), after achieving a similar amount over the 2018-19 period.

- We are moving to a more efficient and effective retail site operating model focusing on staffing optimization as well as a staff redeployment program, leading to a like-for-like reduction in full time employees per station.

- **CAPEX:** We plan to spend between AED 1.1 billion to AED 1.5 billion of CAPEX in 2020, which is significantly higher than in 2019, reflecting our ambitious new station delivery schedule.

Financial summary

AED millions	Q4-19	Q3-19	*QoQ %*	Q4-18	*YoY %*	2019	2018	YoY %
Revenue	5,426	5,637	*-3.7%*	5,972	*-9.1%*	21,337	22,893	*-6.8%*
Gross profit	1,255	1,245	*0.9%*	1,184	*6.0%*	4,978	5,069	*-1.8%*
EBITDA	658	698	*-5.8%*	617	*6.5%*	2,839	2,774	*2.3%*
Underlying EBITDA (excluding inventory gains)	658	698	*-5.8%*	672	*-2.2%*	2,719	2,536	*7.2%*
Operating profit	509	565	*-9.8%*	465	*9.6%*	2,301	2,242	*2.6%*
Profit for the period	496	549	*-9.5%*	446	*11.3%*	2,218	2,128	*4.2%*
Earnings per share (AED/share)	0.040	0.044	*-9.5%*	0.036	*11.3%*	0.177	0.170	*4.2%*
Net cash generated from operating activities	*261*	*511*	*-48.8%*	*1,177*	*-77.8%*	*1,745*	*4,914*	*-64.5%*
Capital expenditures	264	106	*148.1%*	245	*7.8%*	508	772	*-34.2%*
Free cash flow*	394	592	*-33.4%*	373	*5.7%*	2,331	2,002	*16.4%*
Total equity	3,749	3,233	*15.9%*	3,588	*4.5%*	3,749	3,588	*4.5%*
Net debt**	744	-311	*NM*	11	*NM*	744	11	*NM*
Capital employed	9,675	9,117	*6.1%*	9,284	*4.2%*	9,675	9,284	*4.2%*
Return on capital employed (ROCE)	23.8%	24.8%	--	24.2%	--	23.8%	24.2%	--
Return on equity (ROE)	59.2%	67.0%	--	59.3%	--	59.2%	59.3%	--
Net debt to EBITDA ratio**	0.26x	-0.11x	--	0.00x	--	0.26x	0.00x	--
Leverage ratio**	16.5%	-10.6%	--	0.3%	--	16.5%	0.3%	--

NM: Not meaningful
* Free cash flow is defined as EBITDA less capital expenditures.
** Cash and bank balances used for Net Debt calculation includes term deposits with banks
(1) Prior period numbers are as previously reported before the impact of the retrospective application of IFRS16, the impact of which is immaterial.
(2) See the Glossary for the calculation of certain metrics referred to above.

Headlines

Fuel Volumes

In Q4 2019, total fuel volumes sold reached 2,481 million liters, up 2.0% compared to Q4 2018 and down 1.2% compared to Q3 2019. In Q4 2019, Retail fuel volumes sold increased by 1.2%, Corporate fuel volumes sold increased by 6.7%, and Aviation fuel volumes sold decreased by 4.3%, compared to Q4 2018.

For full year 2019, total fuel volumes sold were up 0.7%, compared to 2018, driven by an increase in Corporate and Aviation volumes, partially offset by a decrease in Retail volumes.

Fuel volumes by segment *(million liters)*	Q4-19	Q3-19	*QoQ %*	Q4-18	*YoY %*	2019	2018	YoY %
Retail	1,705	1,612	5.8%	1,685	1.2%	6,525	6,600	-1.1%
Corporate	585	683	-14.4%	548	6.7%	2,373	2,239	6.0%
Aviation	190	216	-11.8%	199	-4.3%	777	748	3.8%
Total	**2,481**	**2,510**	***-1.2%***	**2,432**	***2.0%***	**9,674**	**9,611**	***0.7%***

Fuel volumes by product *(million liters)*	Q4-19	Q3-19	*QoQ %*	Q4-18	*YoY %*	2019	2018	YoY %
Gasoline (1)	1,518	1,435	*5.8%*	1,483	*2.4%*	5,782	5,838	*-1.0%*
Diesel	614	716	*-14.2%*	578	*6.3%*	2,469	2,450	*0.8%*
Aviation products	190	216	*-11.8%*	199	*-4.3%*	777	748	*3.8%*
Other (2)	157	144	*9.4%*	172	*-8.5%*	646	575	*12.4%*
Total	**2,481**	**2,510**	***-1.2%***	**2,432**	***2.0%***	**9,674**	**9,611**	***0.7%***

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

Results

Q4 2019 revenue was AED 5,426 million, a decrease of 9.1% compared to Q4 2018 revenue of AED 5,972 million. The decrease in Q4 2019 revenue was due to lower retail pump prices as a result of lower oil prices, partially offset by higher volumes in our Retail and Corporate segments. Compared to Q3 2019, Q4 2019 revenue decreased by 3.7%, driven by lower volumes and lower retail pump prices as a result of lower oil prices.

Q4 2019 gross profit was AED 1,255 million, an increase of 6.0% compared to Q4 2018 gross profit of AED 1,184 million and a 0.9% increase compared to Q3 2019 gross profit of AED 1,245 million. Growth in Q4 2019 gross profit was driven by higher volumes in our Retail and Corporate segments and an increase in retail fuel margins following the renegotiation of our fuel supply contract effective November 2019.

Q4 2019 EBITDA was AED 658 million, an increase of 6.5% compared to Q4 2018 EBITDA of AED 617 million and a decrease of 5.8% compared to Q3 2019 EBITDA of AED 698 million.

Q4 2019 net profit was AED 496 million, an 11.3% increase compared to Q4 2018 net profit of AED 446 million and a 9.5% decrease compared to Q3 2019 net profit of AED 549 million.

The increase in Q4 2019 gross profit, EBITDA and net profit compared to Q4 2018 was mainly driven by higher volumes, an increase in retail fuel margins following the renegotiation of our fuel supply contract, improved cost efficiencies and the absence of inventory losses in our Corporate segment in Q4 2019, compared to Q4 2018. This was partially offset by lower one-off gains recorded in our Corporate segment in Q4 2019 compared to Q4 2018.

For full year 2019, revenue reached AED 21,337 million, a decline of 6.8% compared to 2018, mainly due to lower retail pump prices as a result of lower oil prices.
2019 gross profit was AED 4,978 million, a decrease of 1.8% compared to 2018, mainly due to lower inventory gains in 2019 compared to 2018.

2019 EBITDA was AED 2,839 million, an increase of 2.3% compared to 2018, driven by growth in our Corporate and non-fuel businesses, as well as a reduction in operating costs.

Revenue by segment ***(AED millions)***	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Fuel and Non-Fuel Retail	3,708	3,636	2.0%	4,089	-9.3%	14,297	15,704	-9.0%
Corporate	1,151	1,377	-16.4%	1,227	-6.2%	4,739	4,733	0.1%
Aviation	502	561	-10.5%	598	-16.0%	2,061	2,194	-6.1%
Allied Services	65	62	4.5%	57	12.9%	241	221	8.9%
Total	**5,426**	**5,637**	**-3.7%**	**5,972**	**-9.1%**	**21,337**	**22,893**	**-6.8%**

Gross Profit by segment ***(AED millions)***	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Fuel and Non-Fuel Retail	821	759	8.1%	766	7.0%	3,163	3,307	-4.4%
Of which Fuel Retail	740	676	9.5%	693	6.7%	2,838	3,016	-5.9%
Of which Non-Fuel Retail	81	83	-2.9%	73	10.4%	325	291	11.8%
Corporate	200	231	-13.4%	178	12.6%	869	785	10.8%
Aviation	170	192	-11.8%	182	-6.9%	705	724	-2.7%
Allied Services	65	62	4.5%	57	12.9%	241	221	8.9%
Total	**1,255**	**1,245**	**0.9%**	**1,184**	**6.0%**	**4,978**	**5,069**	**-1.8%**

EBITDA by Segment ***(AED millions)***	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Fuel and Non-Fuel Retail	405	392	3.3%	309	31.0%	1,695	1,639	3.4%
Corporate	159	179	-10.7%	189	-15.6%	715	648	10.2%
Aviation	92	98	-5.7%	84	9.7%	366	340	7.7%
Allied Services	24	28	-16.1%	24	-0.8%	108	105	2.7%
Total	**658**	**698**	**-5.8%**	**617**	**6.5%**	**2,839**	**2,774**	**2.3%**

Distribution and administrative expenses

Q4 2019 distribution and administrative expenses were AED 771 million, a decrease of 5.6% compared to Q4 2018 distribution and administrative expenses of AED 816 million. The decrease in distribution and administrative expenses was driven by cost optimization initiatives, including the benefit of restructuring costs incurred in 2018 to reduce staff costs in 2019, partially offset by higher business transformation costs. Q4 2019 distribution and administrative expenses increased by 9.7% compared to Q3 2019, driven by higher marketing costs and year-end accruals.

In 2019, distribution and administrative expenses were AED 2,766 million, a decrease of 8.6% compared to 2018 distribution and administrative expenses of AED 3,028 million, mainly as a result of cost optimization initiatives. On a like-for-like basis, we have achieved total cash OPEX savings of AED 169 million in 2019 compared to 2018.

AED millions	Q4-19	Q3-19	*QoQ %*	Q4-18	*YoY %*	2019	2018	YoY %
Staff costs	368	410	*-10.3%*	480	*-23.4%*	1,594	1,826	*-12.7%*
Depreciation	148	133	*11.6%*	153	*-2.8%*	538	532	*1.1%*
Repairs, maintenance and consumables	63	28	*126.3%*	40	*56.1%*	145	138	*5.1%*
Distribution and marketing expenses	41	15	*161.9%*	33	*22.7%*	90	125	*-28.0%*
Utilities	51	46	*10.5%*	44	*15.8%*	161	166	*-3.1%*
Insurance	4.9	3.0	*63.3%*	1.3	*276.9%*	12	10	*25.0%*
Others	95	67	*41.8%*	65	*45.9%*	228	232	*-2.0%*
Total	**771**	**702**	***9.7%***	**816**	***-5.6%***	**2,766**	**3,028**	***-8.6%***

Capital expenditures

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

In 2019, the majority of our capital expenditure (about 70% of the total) was incurred for the development and construction of new service stations. The decrease in industrial and technology Infrastructure capital expenditures is mainly due to lower spending on smart solutions and digital spend at our fuel stations compared to 2018. The table below presents the breakdown of our capital expenditures for the reviewed periods:

AED millions	Q4-19	Q3-19	*QoQ %*	Q4-18	*YoY %*	2019	2018	YoY %
Service stations projects	199	69	*187.6%*	86	*132.1%*	345	232	*48.3%*
Industrial projects	0.5	0.6	*-16.7%*	39	*-98.7%*	36	209	*-82.6%*
Machinery and equipment	2.3	7.0	*-67.1%*	21	*-89.0%*	30	109	*-72.2%*
Distribution fleet	4.5	0.3	*NM*	13	*-64.6%*	5.6	20	*-71.4%*
Technology infrastructure	56	28	*99.6%*	85	*-34.1%*	86	195	*-55.8%*
Office furniture and equipment	1.7	1.2	*41.7%*	1.5	*13.3%*	5	7	*-30.1%*
Total	**264**	**106**	***148.1%***	**245**	***7.8%***	**508**	**772**	***-34.2%***

NM: Not meaningful

Cash flow and leverage

Q4 2019 free cash flow (EBITDA less capital expenditures) increased by 5.7% to AED 394 million compared to Q4 2018 free cash flow of AED 373 million.
In 2019, our free cash flow (EBITDA less capital expenditure) increased 16.4% year-on-year to AED 2,331 million, driven by strong cash flow from operations and lower capex.

Our ratio of interest bearing net debt to EBITDA at the end of 31 December 2019 was 0.26x. There are no financial covenants in our credit facilities.

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Business segments operating review

Our business is grouped into four segments: Retail, Corporate, Aviation and Allied Services.

Retail (Fuel and Non-Fuel)

Volumes

In Q4 2019, Retail segment fuel volumes increased 1.2% compared to Q4 2018 and 5.8% compared to Q3 2019.

For full year 2019, Retail segment volumes decreased 1.1% compared to 2018 due to declines experienced in the first half of the year.

In the second half of 2019, we have experienced two successive quarters of growth in our retail fuel volumes, reflecting 1.2% growth compared to the same period in the prior year.

Retail volumes *(million liters)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Gasoline	1,491	1,408	*5.9%*	1,467	*1.6%*	5,694	5,753	*-1.0%*
Diesel	182	172	*5.6%*	188	*-3.0%*	703	740	*-5.0%*
Other (1)	33	31	*4.2%*	31	*6.5%*	127	106	*20.2%*
Total	**1,705**	**1,612**	***5.8%***	**1,685**	***1.2%***	**6,525**	**6,600**	***-1.1%***

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

Results

The decrease in Retail segment fuel revenue for Q4 2019 compared to Q4 2018 was primarily due to lower retail pump prices as a result of lower oil prices, partially offset by higher volumes.

The increase in Retail segment gross profit and EBITDA for Q4 2019 compared to Q4 2018 was mainly driven by higher volumes, an increase in retail fuel margins following the renegotiation of our fuel supply contract effective November 2019, an increase in non-fuel retail gross profit, and improved operating cost efficiencies.

For full year 2019, Retail segment revenue and gross profit decreased compared to 2018 due to lower fuel volumes, lower retail pump prices and lower inventory gains. Retail segment EBITDA increased in 2019 compared to 2018 mainly driven by better non-fuel performance and improved operating cost efficiencies.

Retail financials *(AED millions)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Revenue	3,708	3,636	*2.0%*	4,089	*-9.3%*	14,297	15,704	*-9.0%*
Gross profit	821	759	*8.1%*	766	*7.0%*	3,163	3,307	*-4.4%*
Of which Fuel Retail	740	676	*9.5%*	693	*6.7%*	2,838	3,016	*-5.9%*
Of which Non-Fuel Retail	81	83	*-2.9%*	73	*10.4%*	325	291	*11.8%*
EBITDA	405	392	*3.3%*	309	*31.0%*	1,695	1639	*3.4%*
Operating profit	278	282	*-1.2%*	183	*52.0%*	1,249	1215	*2.7%*
Capital expenditures	241	78	*209.0%*	135	*78.7%*	433	423	*2.3%*

Other operating metrics

In Q4 2019, fuel transactions increased by 1.5% compared to Q4 2018 and by 2.7% compared to Q3 2019.

Fuel operating metrics	Q4-19	Q3-19	QoQ %	Q4-18	YoY %	2019	2018	YoY %
Number of service stations – UAE (1)	382	382	0.0%	376	1.6%	382	376	1.6%
Number of service stations - Saudi Arabia (1)(2)	2	2	-	2	-	2	2	-
Throughput per station (million liters)	4.4	4.1	*7.3%*	4.4	*0.0%*	16.7	17.3	*-3.5%*
Number of fuel transactions (millions)	41.4	40.3	*2.7%*	40.8	*1.5%*	158.5	167.8	*-5.5%*

Non-fuel transactions decreased by 0.9% in Q4 2019 compared to Q4 2018 and Q3 2019.

Our non-fuel segment (mainly convenience stores) generated higher revenues in Q4 2019 compared to Q4 2018, driven by an increase in the number of convenience stores and higher average basket size.

In 2019, our convenience stores recorded revenue growth of 18.0% compared to 2018. This was driven by new convenience stores, higher number of transactions, higher conversion rates (convenience store transactions divided by fuel transactions) and higher average basket size.

Non-fuel operating metrics	Q4-19	Q3-19	QoQ %	Q4-18	YoY %	2019	2018	YoY %
Number of convenience stores - UAE (1)	264	264	*0.0%*	250	*5.6%*	264	250	*5.6%*
Convenience store revenue (AED million)	204	204	*-0.2%*	193	*5.6%*	801	679	*18.0%*
Convenience store gross profit (AED million)	61	64	*-4.4%*	59	*4.6%*	244	202	*20.6%*
Number of non-fuel transactions (millions)	11.6	11.7	*-0.9%*	11.7	*-0.9%*	46.9	42.7	*9.8%*
Conversion rate (3)	25%	26%		26%		27%	22%	
Average basket size (AED) (4)	19.5	19.6	*-0.5%*	18.5	*5.4%*	19.0	18.1	*5.0%*
Average gross basket size (AED)(5)	24.8	23.0	*7.8%*	24.0	*3.3%*	23.9	23.5	*1.7%*

(1) At end of period.
(2) Includes one franchised site.
(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 basket size is calculated as convenience store revenue (including revenue from consignment items) divided by number of convenience store transactions.

Corporate

Volumes

In Q4 2019, Corporate segment fuel volumes increased by 6.7% compared to Q4 2018, driven by higher sales of diesel and gasoline. Corporate segment fuel volumes decreased by 14.4% in Q4 2019 compared to Q3 2019, mainly due to lower sales of diesel.

In 2019, Corporate segment fuel volume increased by 6.0% compared to 2018, driven by higher sales across the products.

Corporate volumes *(million liters)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Gasoline	27	26	*2.6%*	16	*71.1%*	88	85	*4.1%*
Diesel	433	544	*-20.5%*	391	*10.8%*	1,766	1,709	*3.3%*
Other (1)	125	113	*10.9%*	142	*-11.8%*	519	445	*16.5%*
Total	**585**	**683**	***-14.4%***	**548**	***6.7%***	**2,373**	**2,239**	***6.0%***

(1) Includes LPG, lubricants and base oil.

Results

In Q4 2019, Corporate segment revenue decreased by 6.2% compared to Q4 2018 mainly due to lower oil prices. Q4 2019 Corporate segment revenues decreased by 16.4% compared to Q3 2019 mainly due to lower volumes and lower oil prices.

Corporate segment gross profit increased by 12.6% in Q4 2019 compared to Q4 2018 driven by higher volumes.

In Q4 2019, Corporate segment EBITDA decreased by 15.6% compared to Q4 2018 due to the presence of a one-off receivable recovery recorded in Q4 2018.

In 2019, Corporate segment gross profit and EBITDA increased by 10.8% and 10.2% respectively, compared to 2018, driven by higher volumes, improved margins and improved cost efficiencies.

Corporate financials *(AED millions)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Revenue	1,151	1,377	*-16.4%*	1,227	*-6.2%*	4,739	4,733	*0.1%*
Gross profit	200	231	*-13.4%*	178	*12.6%*	869	785	*10.8%*
EBITDA	159	179	*-10.7%*	189	*-15.6%*	715	648	*10.2%*
Operating profit	150	169	*-11.1%*	178	*-15.6%*	679	618	*9.8%*
Capital expenditures	0.1	1.6	*-93.8%*	0.5	*-80.0%*	4.0	16	*-75.3%*

Aviation

Volumes

In Q4 2019, Aviation segment volumes decreased by 4.3% compared to Q4 2018. In 2019, Aviation segment volumes increased by 3.8% compared to 2019 due to an increase in fuel sales to our strategic customers.

Aviation volumes *(million liters)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Aviation products	190	216	*-11.8%*	199	*-4.3%*	777	748	*3.8%*

Results

The decrease in Aviation segment revenue for Q4 2019 compared to Q4 2018 was due to lower volumes and lower fuel prices as a result of lower oil prices.

Aviation segment gross profit decreased by 6.9% in Q4 2019 compared to Q4 2018 mainly due to a 4.3% decrease in volumes.

In 2019, Aviation segment revenue decreased by 6.1% compared to 2018 due to lower fuel prices, partially offset by a 3.8% increase in volumes.

Aviation segment EBITDA increased by 7.7% in 2019 compared to 2018 driven by improved operating cost efficiencies.

Aviation financials *(AED millions)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Revenue	502	561	*-10.5%*	598	*-16.0%*	2,061	2,194	*-6.1%*
Gross profit	170	192	*-11.8%*	182	*-6.9%*	705	724	*-2.7%*
EBITDA	92	98	*-5.7%*	84	*9.7%*	366	340	*7.7%*
Operating profit	85	89	*-5.4%*	74	*14.5%*	334	305	*9.7%*
Capital expenditures	0.5	0.0	*NM*	1.1	*-54.5%*	1.1	3.9	*-71.8%*

NM: Not meaningful

Allied Services

Results

In Q4 2019, Allied Services (vehicle inspection and property management) segment revenue and gross profits increased by 12.9% compared to Q4 2018 mainly due to a higher number of vehicle inspection transactions.

In 2019, Allied Services segment revenue and gross profit increased 8.9% compared to 2018 driven by an increase in the number of tenants and vehicle inspections. Allied Services segment EBITDA increased by 2.7% in 2019 compared to 2018 driven by higher revenues and gross profits.

Allied Services financials *(AED millions)*	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Revenue	65	62	*4.5%*	57	*12.9%*	241	221	*8.9%*
Gross profit	65	62	*4.5%*	57	*12.9%*	241	221	*8.9%*
EBITDA	24	28	*-16.1%*	24	*-0.8%*	108	105	*2.7%*
Operating profit	18	23	*-20.4%*	18	*2.3%*	86	83	*3.1%*
Capital expenditures	1.2	0.2	*NM*	0.5	*140.0%*	2.5	3.0	*-16.7%*

NM: Not meaningful

Other operating metrics

We continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability.

The number of occupied properties was impacted at the end of Q4 2019 due to portfolio optimization by some of our tenants.

The number of vehicles inspected (fresh tests) in our vehicle inspection centers during 2019 increased by 5.4% compared to 2018.

Allied Services operating metrics	**Q4-19**	**Q3-19**	***QoQ %***	**Q4-18**	***YoY %***	**2019**	**2018**	**YoY %**
Number of tenants (1)	277	268	*3.4%*	244	*13.5%*	277	244	*13.5%*
Number of occupied properties for rent (1)	909	926	*-1.8%*	917	*-0.9%*	909	917	*-0.9%*
Number of vehicle inspection centers(1) (2)	26	26	*0.0%*	24	*8.3%*	26	24	*8.3%*
Number of vehicles inspected (fresh tests) (thousands)	187	191	*-2.1%*	177	*5.6%*	749	710	*5.4%*
Other vehicle inspection transactions (thousands)*	77	57	*36.3%*	58	*33.0%*	249	240	*3.9%*

* Other vehicle inspection transactions includes the number of vehicles inspected (re-tests) and sale of safety items at our vehicles inspection centers
(1) At end of period.
(2) Includes one permitting center.

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 2019 was AED 2.96. In the period from 1 January 2019 through 31 December 2019, the share price has ranged from AED 2.16 to AED 3.05 at close. Our market capitalization was AED 37 billion as of 31 December 2019, and an average of 1.9 million shares have traded daily in 2019 (+33% versus 2018). In 2019, the average daily traded value of our shares was USD 1.34 million (+39% versus 2018).

As of 31 December 2019, our parent company, ADNOC, owned 90% of our outstanding shares. Of the free float (10%), UAE and other regional institutions owned 52%, international institutional investors 28%, and private retail shareholders 20%.

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.

New Segment Reporting in 2020

Our Board of Directors has approved changes with respect to our segment reporting effective 1 January 2020. These changes will be reflected beginning with our Q1 2020 Results. 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.

2019 quarterly and yearly performance information as per our new reporting segments is attached as an appendix to this report.

Public

Q4 & FY 2019 Earnings conference call details

A conference call in English for investors and analysts will be held on Wednesday, February 12, 2020, 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 '**9928303'**.

UAE Toll free: 8000 3570 2653

UK Toll free: 0800 358 6377

USA Toll free: 866 548 4713

For other countries, please dial UK Toll +44 330 336 9105

The conference call will also be webcast live on the company web site. To register for the webcast please follow the link. Please note that participants joining by webcast will be able to ask questions via a chat box within the webcast player. The webcast will remain available for playback for 90 days.

The presentation materials will be available for download in English on Wednesday, February 12, 2020 at adnocdistribution.ae/conferencecall.

Reporting date for the first quarter of 2020

We expect to announce our first quarter 2020 results on or around May 12, 2020.

Appendix: 2019 quarterly & full year financial information as per new reporting segments

Retail Segment volumes (million liters)	Q1-19	Q2-19	Q3-19	Q4-19	FY 2019
Gasoline	1,399	1,395	1,408	1,491	5,694
Diesel	177	173	172	182	703
Other	31	32	31	33	127
Total	**1,607**	**1,600**	**1,612**	**1,705**	**6,525**

Retail Segment financials (AED million)	Q1-19	Q2-19	Q3-19	Q4-19	FY 2019
Revenue	3,256	3,810	3,698	3,773	14,537
Gross profit	767	930	821	885	3,404
Of which Fuel Retail	632	790	676	740	2,838
Of which Non-Fuel Retail	135	140	145	146	566
EBITDA	436	519	420	428	1,803
Operating profit	325	408	305	297	1,335
Capital expenditures	38	76	78	242	435

Commercial Segment volumes (million liters)	Q1-19	Q2-19	Q3-19	Q4-19	FY 2019
Gasoline	15	19	26	27	88
Diesel	385	404	544	433	1,766
Aviation	188	183	216	190	777
Other	140	142	113	125	519
Total	**728**	**747**	**899**	**775**	**3,150**

Commercial Segment financials (AED million)	Q1-19	Q2-19	Q3-19	Q4-19	FY 2019
Revenue	1,514	1,694	1,939	1,653	6,800
Gross profit	379	402	424	370	1,574
Of which Corporate	206	231	231	200	869
Of which Aviation	172	171	192	170	705
EBITDA	294	259	276	251	1,081
Operating profit	277	242	259	235	1,013
Capital expenditures	0.4	2.7	1.6	0.6	5.2

Contacts

Investor Relations, tel. +971 2 695 9770 – ir@adnocdistribution.ae
Athmane Benzerroug – Chief Investor Relations Officer – athmane.benzerroug@adnocdistribution.ae

February 12, 2020
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 EBITDA less capital expenditures.
- 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 total convenience store sales revenue 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.