ADNOC DISTRIBUTION

ANNUAL REPORT 2019

CUSTOMER EXCELLENCE CREATING VALUE

ADNOC Distribution

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ADNOC DISTRIBUTION AT A GLANCE

ADNOC Distribution is the number one retail and wholesale fuel brand and convenience store operator in the United Arab Emirates. We operate 382 retail fuel service stations and 264 convenience stores (as of 31 December 2019) in the UAE, servicing all seven emirates, and two retail fuel service stations in Saudi Arabia. We are currently the sole fuel distributor in the emirate of Abu Dhabi and have a dominant market position in the northern emirates of Sharjah, Ras Al Khaimah, Fujairah, Ajman and Umm Al Quwain. We began our expansion into Dubai in 2018 with the opening of three fuel service stations. In 2019, an additional three fuel service stations were opened in Dubai and we will continue to grow our network in Dubai in coming years.

We are also the leading marketer and distributor of fuels to commercial, industrial and government customers in the UAE. We provide aviation fuel and refueling and related aviation services to strategic customers throughout the UAE as well as refueling and related services to civil aviation customers at seven airports in the UAE. To further compliment the services we offer at our fuel and retail stations, we operate the only government-authorized vehicle inspection centers in Abu Dhabi and offer car care services such as lube changes, tire changes and car washes at many of our locations. In addition, we lease space at our service stations to restaurants and other service providers, including major household brands such as McDonalds, KFC and Starbucks.

OUR VISION

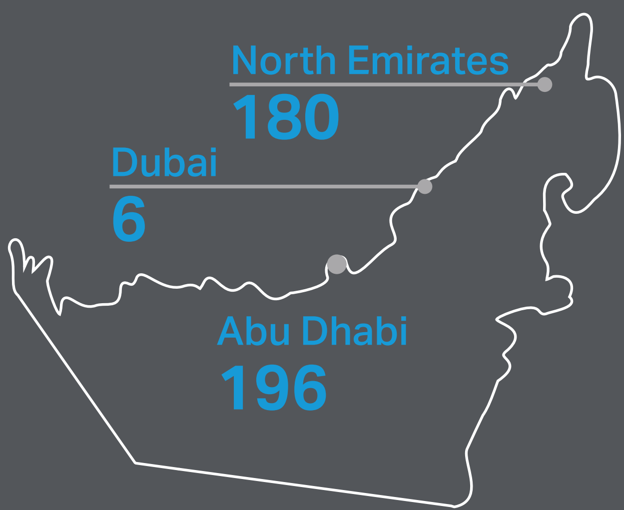
Empowering daily life, ADNOC Distribution excels at meeting the nation's energy needs and sustaining its growth.

OUR MISSION

Our profit centric orientation and commitment to superior quality allow us to continue meeting the energy needs of our customers.

TOTAL NUMBER OF UAE SITES

(31 DECEMBER 2019)



OUR VALUES

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

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

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

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

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

THE LATE SHEIKH ZAYED BIN SULTAN AL NAHYAN

Founder of the United Arab Emirates

HIS HIGHNESS SHEIKH KHALIFA BIN ZAYED AL NAHYAN

President of the United Arab Emirates

HIS HIGHNESS SHEIKH MOHAMED BIN ZAYED AL NAHYAN

Crown Prince of Abu Dhabi
and Deputy Supreme Commander of the UAE Armed Forces

OPERATIONAL AND FINANCIAL HIGHLIGHTS

"Enhance the customer experience and create significant value for our shareholders.

In 2019, we were able to drive higher fuel volumes (in both retail and commercial) and strong non-fuel growth, through a series of targeted customer campaigns.

These included customer experience initiatives such as marketing campaigns, free assisted fueling for all our customers, the launch of our innovative neighborhood fuel station concept 'ADNOC On the go', the new 'ADNOC Rewards' loyalty program, the next generation 'ADNOC Oasis' convenience store and convenient digital payment options.

All of these initiatives were delivered whilst maintaining a strong focus on operating and capital efficiencies. We demonstrated our continued commitment to our shareholders by unveiling a progressive and attractive dividend policy.

Customer initiatives

Our focus on customer experience was an integral part of our success in 2019. We engaged with 14,000 customers throughout the year, through surveys and focus groups. Their feedback formed the backbone of a number of our campaigns through the year: nationwide free assisted fueling; launch of ADNOC Rewards loyalty program, and the return of the popular "Fuel Up and Fly Off" partnership with Etihad Airways.

We launched the new 'ADNOC On the go' neighborhood station, providing smaller, more agile retail points, bringing us even closer to our customers and the communities we serve. With up to 50 stations planned in 2020, this new concept will contribute to the rapid expansion of our network with efficient capital allocation. The first next-generation ADNOC Oasis convenience store was also launched in 2019, offering baked goods, made-to-order sandwiches and premium coffee.

SMART

Smart technology

The next-generation ADNOC Oasis convenience store introduced a new seamless digital experience, with new multiple payment points at the redesigned coffee station and bakery counter, in addition to a self-checkout point where customers can "tap and go''. 'ADNOC On the go' offers a range of new technologies to improve customer experience, including an integrated smart system for payments and drive-through ordering.

Focus on shareholders' value creation

In April 2019, we announced a significant increase in our dividend policy in recognition of the Company's strong financial performance and cash position, as well as confidence in the Company's strong growth prospects and cash flow generation ability going forward.

Backed by a long-term sustainable growth plan, the new dividend policy reflects the shareholders' trust in the Company. Under the new policy, we intend to increase our annual dividend payment (subject to the Board of Directors' recommendation), as follows:

- An annual dividend for fiscal year 2019 of AED 2.39 billion (USD 650 million), equivalent to AED 0.1910 per share and a 62% increase compared to 2018
- An annual dividend for fiscal year 2020 of AED 2.57 billion (USD 700 million), equivalent to AED 0.2057 per share, a 75% increase compared to 2018
- A minimum payout of 75% of distributable profits from 2021 onwards

Fuel volumes
Total fuel volumes sold in 2019 amounted to 9.67 billion liters, an increase of 0.7%, compared to 2018.

Domestic expansion
Our retail fuel network grew to 382 service stations across the seven emirates of the UAE. In 2019, we opened six new retail fuel service stations in UAE, 3 of which were opened in Dubai. Our Dubai network expansion is progressing well, with number of new retail service stations in advanced stages of execution and which are expected to be delivered during the first half of 2020.

Convenience stores
Our convenience store network grew to 264 stores across the seven emirates of the UAE. In 2019, we opened 14 new convenience stores in UAE. The number of non-fuel transactions totaled 46.9 million, an increase of 9.8%, compared to 2018.

Rental properties
Occupancy at our rental properties increased to 84% in 2019, the eighth successive year of growth.

We have continued to transition our tenancy business to a revenue-sharing model to maximize revenue and profitability.

International expansion
While we continue to expand in the UAE, with a focus on Dubai, we are also pursuing opportunities internationally. We currently operate two retail fuel service stations in Saudi Arabia.

Given that the size of the Saudi Arabian market is three times that of the UAE, we see ample opportunity for growth in the Kingdom. We are also looking at new markets that meet our key strategic imperative of profitable business growth.

m liters
9,674
0.7%
TOTAL FUEL VOLUMES

2018	9,611
2019	9,674

AED m
4,978
1.8%
GROSS PROFIT

2018	5,069
2019	4,978

AED m
2,839
2.3%
EBITDA

2018	2,774
2019	2,839

AED m
2,218
4.2%
NET PROFIT

2018	2,128
2019	2,218

AED m
2,331
16.4%
FREE CASH FLOWS

2018	2,002
2019	2,331

AED m
2,388
62.4%
DIVIDEND*

2018	1,470
2019	2,388

*Declared dividend for the fiscal year paid in two installments, October of the same fiscal year and April of next fiscal year

CHAIRMAN'S MESSAGE

TURNING CUSTOMER FOCUS INTO SHAREHOLDER VALUE

"ADNOC Distribution remains focused on delivering attractive returns to its shareholders and best-in-class services to its customers.

More than two years after our successful IPO, the transformation of ADNOC Distribution into a more commercially minded, performance-driven and growth-oriented organization is on track.

In 2019, we made a number of strategic decisions to enhance customer experience and deliver value for our shareholders. This includes the launch of our new ADNOC Rewards loyalty program and the unveiling of our innovative new neighborhood stations 'ADNOC On the go', which bring us even closer to our customers.

None of our success would have been possible without the backing of our nation's leadership, our majority shareholder, our employees and of course, our customers.

Our continued commitment to customer-centricity is central to the future of ADNOC Distribution. We will continue to look at everything we do through a customer lens, and strive to deliver best-in-class service to the millions of customers that we attend to every week.

In this context, our 2019 financial results demonstrate strong operational performance in both fuel and non-fuel business. Net profit grew by 4.2% to AED 2.22 billion, or AED 0.177 per share, and underlying earnings before interest, tax, depreciation and amortization (EBITDA) increased by 7.2% to AED 2.72 billion. Free cash flow (EBITDA minus capital expenditures) generation grew by 16.4% year-on-year to AED 2.33 billion for 2019, driven by strong cash flow from operations and lower capital expenditure.

Whilst delivering strong performance, we continue to benchmark ourselves at every level against our global peers and hold ourselves to the highest standards of international transparency and corporate governance.

I am confident in our ability to sustain this momentum and deliver continued success for this iconic UAE brand. People remain our foundation and we are committed to developing the next generation of leaders and preparing the way for future talent at all levels of the organization.

Dr. Sultan Ahmed Al Jaber
Chairman

CEO'S MESSAGE

DELIVERING GROWTH, GETTING CLOSER TO OUR CUSTOMERS

"Our strategy is digitally oriented, customer-centric and driven by constant feedback from our customers.

It is a pleasure and honor to lead one of the most dynamic businesses in the UAE. My mandate is clear: to grow the business, develop its people, bring our company closer to our customers and to push forward our international expansion.

Consumers and investors have come to trust ADNOC Distribution, and as the new CEO of one of the UAE's most valuable companies, I pledge to deliver on our targets, which include raising EBITDA to over USD$1 billion by 2023.

ADNOC Distribution is in a strong position, and as we sharpen our focus on the customer and pursue growth opportunities both domestically and internationally, we will improve all our distribution channels to reach larger market segments.

We are focused on continuing to grow earnings before interest, tax, depreciation and amortization (EBITDA) across our businesses, to pursue cost optimization and margin improvement initiatives, and to maintain growth momentum.

Our strategy is digitally oriented, customer-centric and driven by constant feedback from our customers, partners and employees. We don't just listen, we act on what they tell us. In 2019, we offered customers free assisted fueling across our network, launched the ADNOC Rewards loyalty program and our 'ADNOC On the go' neighborhood stations.

Growth in our core fuel business will be driven domestically as we expand our commercial focus across the UAE, including into the underserved Dubai market.
In our non-fuel businesses, which includes our convenience stores, we will leverage new sales and greater profitability through better category management supported by an accelerated store revitalization program.

Our customers have already started to enjoy the look and feel of our new ADNOC Oasis store experience, which includes fresh foods, baked goods and premium coffee.

However, some things won't change, like our commitment to cost management and prudent investment. Operating expense efficiencies and the optimization of capital expenditure remains a priority. Also, safety is a core value of our business and we will continuously invest in safety solutions.

We continue to transform ADNOC Distribution into a world-class, customer-focused, commercially-driven jewel of the Emirati business world with a determined focus on driving profitable growth. Our people and our customers will remain at the center of all our expansion plans.

Together, we will take ADNOC Distribution to the next level of excellence and beyond, for the benefit of our people, shareholders and, most importantly, our customers.

Ahmed Al Shamsi
Acting Chief Executive Officer

OUR HISTORY

1970's

1973
During the rule of Sheikh Zayed, Abu Dhabi National Oil Company (ADNOC) for Distribution is established by royal decree as the first UAE government-owned company specializing in the marketing and distribution of petroleum products.
On June 1, 1973, a reception was given under the auspices of Sheikh Zayed Bin Sultan celebrating the handing over of distribution functions to the Abu Dhabi National Oil Company by the foreign companies that were in charge of operations.

1975
A report from the Commercial Department of the British Embassy provides a glimpse of the early days of ADNOC Distribution. “This company,” the note says, “now operates its own fleet of road tankers, it has now a floating tank farm moored offshore, and two Rhine barges for carrying distillate from the tank to shore. It is shortly to commence building its own distribution center.”

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

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

1980's

1982
The Company begins refueling aircraft at Abu Dhabi International Airport.

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

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

1990's

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

AMERICAN PETROLEUM INSTITUTE
FOR GASOLINE ENGINES
CERTIFIED

1998
ADNOC Distribution rebrands and introduces a total retail offering (fuel and non-fuel).

The Company obtains International Organization for Standardization (ISO) 9002 certification from the British Standards Institute. This is followed by ISO 9001-2008 accreditation in 2003.

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

46 successful years as the nation's energy provider

2000's

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

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

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

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

2010's

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

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

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

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

ADNOC Distribution launches Facebook and Twitter pages in Arabic and English.

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

2017
The ADNOC Xpress format is launched. Xpress stations are one-island outlets offering additional fueling capacity in urban areas.

The Company completes its successful initial public offering, listing its shares on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDIST.

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

2019
ADNOC Distribution launches an innovative smart fuel distribution concept 'ADNOC On the go', a new 'ADNOC Rewards' loyalty program and a next generation 'ADNOC Oasis' convenience store.

ADNOC Distribution begins selling LPG gas in 25-pound and 50-pound canisters in Dubai.

OUR STRATEGY

Empowering daily life, ADNOC Distribution excels at meeting the nation's energy needs and sustaining its growth.

We recognize that the success of our business can only be achieved by placing our customers at the center of our offering. Our customer-centric focus is an integral part of our transformational journey from a fuel retailer to a retail destination offering more than just fuel.

Our strategy maps out how we will provide smart solutions to our customers' evolving needs, while delivering sustainable and profitable growth and providing attractive returns to shareholders.

Key Pillars of Our Strategy

Customer & Digital Leadership

Profitable Growth

World Class Efficiency

Performance Culture

1 CUSTOMER AND DIGITAL LEADERSHIP

Improving the customer experience is central to our success. We achieve this by understanding what services customers' value and thus enhance our offers to meet their needs. We differentiate our offering through speed, convenience, service offering, digital experience, price and loyalty.

We are uniquely positioned to introduce products and services to our extensive customer base that boost customer satisfaction and loyalty, while driving incremental revenue and profitability. A number of customer experience initiatives we recently launched include an innovative 'ADNOC On the go' fuel station, a new 'ADNOC Rewards' loyalty program, a next generation 'ADNOC Oasis' convenience store and multiple digital payment options.

The use of advanced technology is key to leveraging our position as the number one retailer in the UAE. For example, our proprietary smart technology allows pump activation and seamless payment processing without pump attendants, should the customer choose. At our newly refurbished next-generation ADNOC Oasis store, customers can also "tap and go" with self-payment option, while 'ADNOC On the go' neighborhood stations offer new digital technologies to enhance customer experience right from the ordering stage until the payment.

2 PROFITABLE GROWTH

We continue to implement a clear and deliverable strategy, with a target to grow EBITDA to over US$1bn by 2023. We aim to achieve this by increasing profitability, consolidating our market leader status in the UAE, enhancing our product range and expanding geographically. We intend to boost our top-line growth in both fuel and non-fuel through the acceleration of our domestic expansion in the UAE, particularly in Dubai. We also expect to grow internationally, including in Saudi Arabia, where we see opportunities that can deliver against our investment criteria of more than 15% internal rate of return.

To achieve our long-term growth objective, we are focusing on the following key areas:

Network expansion in Dubai

Dubai provides access to world-class throughputs and an attractive non-fuel opportunity. Dubai is an underserved market with a clear opportunity for us to expand our network. We are in advanced stages of accelerated network deployment in Dubai that would be a key driver of our growth.

Premiumization

We have a clear plan to drive the adoption of higher-margin premium fuels (Super 98 premium). To achieve this we will ensure all of our stations offer premium fuel, that we are educating our customers about the benefits of higher octane fuels and are developing focused marketing and promotion campaigns.

Commercial growth

We see a concrete opportunity for growth in our Commercial division across our various product segments.

The wider UAE market presents further compelling opportunities for us to seek returns and growth. Our LPG business is already benefiting from sales of cylinders to businesses in Dubai. In 2019, we began selling 25- and 50-pound LPG cylinders to residential customers in Dubai and also entered the commercial 100-pound cylinder market.

Growth will be supported through dynamic pricing initiatives to serve commercial customers and initiatives to curtail the grey market of substandard products and unlicensed distributors. We also see opportunity in the sale of less-expensive 91 octane gasoline, particularly in Dubai where this product has not previously been available, as we are the only UAE supplier of this product. This gives us a competitive advantage in the commercial gasoline space with the ability to offer a lower-priced product.

Lubricants growth

In our domestic lubricants business, we have demonstrated market leadership with a compelling product offering, high customer engagement, and utilization of our existing service station network.

In our lube change centers, all of which are located at our service stations, we have introduced new formulations and synthetic products using AD base, a world-class base oil supplied by ADNOC. ADNOC base oils are of a very high quality, bringing to advantages in terms of cost and formulation that will become increasingly important in the synthetic market segment. These new formulations with superior properties and improved performance allow us to market our premium lubricants at competitive prices and offer improved margins.

We also see revenue growth through opening of new lube change centers across the UAE, including Dubai, as we continue to expand our service station network.

Lubricants is a high-margin segment and we strongly believe in the growth potential of this business due to our leading position in the UAE and our potential for expanding the brand beyond our borders. We have undertaken a rigorous assessment of the lubricant markets and see ample opportunity to expand our lubricants business internationally.

In the commercial and industrial segment, we have provided increased support for our customers, with greater engagement, leading to increased volumes from our main customers.

Non-Fuel Growth

We remain very optimistic on the future dynamics of the UAE retail market. Convenience stores' share of the grocery market is small compared to other countries, and we believe that with the right offering, there is a significant potential for market growth.

Our next-generation ADNOC Oasis store, unveiled in 2019 at the Corniche Road station, Abu Dhabi offers a contemporary family-friendly environment where customers can refuel, unwind and enjoy freshly prepared food.

The contemporary refreshed look and feel is the start of an extensive refurbishment plan. In 2020, we will accelerate our convenience stores revitalization program and enhance and improve the overall customer experience at our network of stores.

Finally, we are evaluating the opportunities afforded by E-commerce, both in customer-facing and internal functions. Omni-channel expansion and digital on-site ordering are two ways we can use technology to our advantage, and we want to ensure we optimize all the technologies available.

3 WORLD CLASS EFFICIENCY

Our focus is consistently around operational excellence, efficiencies and optimization throughout our organization. We are optimizing our expenditures to become an increasingly efficient organization and balancing a reduction in our costs whilst maintaining a high level of customer service.

In the fuel retail business, we are pursuing network-wide performance analysis while executing operational improvement initiatives. In the commercial business, we are undertaking strategic initiatives to develop and improve the business including product portfolio and price optimization.

In the non-fuel business, we are pursuing network-wide improvement initiatives including convenience stores category management, supplier negotiations and car services optimization.

OPEX reduction and optimization of CAPEX remain our priority. We have made significant progress in rationalizing our cash OPEX. However, there is still room for significant improvements.

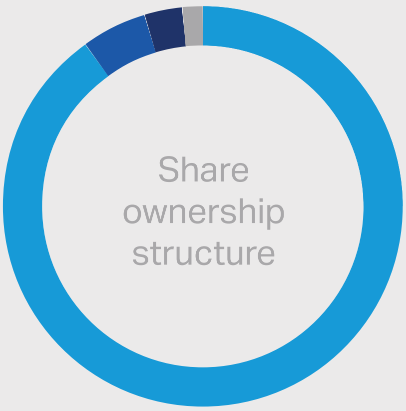
4 PERFORMANCE CULTURE

We are building on ADNOC's legacy by instilling a performance-led culture that views everything we do through a commercial lens. People are at the core of our strategic imperatives.

Throughout the transformation, we focus on the development of a highly skilled, world-class work force and encouraging a strong sense of responsibility and commitment. By investing in our people, we are enabling the successful execution of our strategic priorities.

SHAREHOLDERS' INFORMATION

Trading of ADNOC Distribution shares on the Abu Dhabi Stock Exchange (ADX) began on 13 December 2017 under the symbol ADNOCDIST. The share price at 31 December 2019 was AED 2.96. The Company's market capitalization at 31 December 2019 was AED 37.0 billion. The Company's paid-up share capital is AED 1 billion, divided into 12.5 billion shares, each with a nominal value of AED 0.08.



ADNOC Group	90.0%
UAE and other GCC institutions	5.2%
International Investors	2.8%
Individual retail shareholders	2.0%

ADNOC Distribution share ownership structure

As of 31 December 2019, Abu Dhabi National Oil Company (ADNOC), our parent company, owned 90% of the outstanding shares. UAE and other GCC institutions, international investors and individual retail shareholders owned 5.2%, 2.8% and 2.0% of the outstanding shares, respectively.

The number of total shareholders at 31 December 2019 was approximately 10,500.

Dividend policy

Under our new dividend policy adopted in April 2019, ADNOC Distribution's Board of Directors has recommended that our shareholders approve a final dividend payment of AED 1.194 billion (AED 0.0955 per share) for second half of 2019, resulting in a total dividend of AED 2.39 billion (AED 0.1910 per share) for fiscal year 2019. If approved by our shareholders at our Annual General Meeting, we expect to pay this dividend in April 2020.

In making recommendations to our shareholders regarding the payment of dividends, our Board of Directors considers the cash management requirements of the business for operating expenses, interest expense and anticipated capital expenditures.

The Board also considers market conditions, the operating environment and their outlook for the business. Under the new policy adopted in 2019, the Company will recommend paying total dividend of AED2.57 billion (AED0.2057 per share) for fiscal year 2020 (to be paid in two installments during October 2020 and April 2021) and payout of at least 75% of distributable profits 2021 onwards, which are subject to approval by our shareholders.

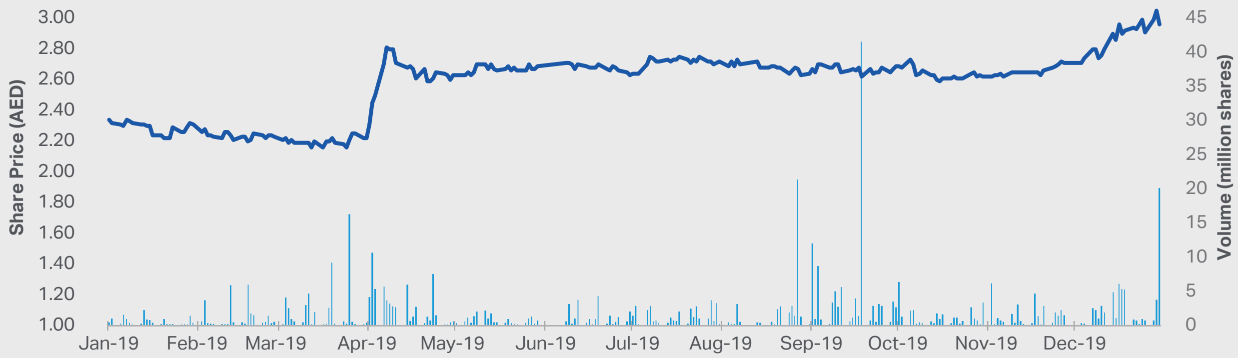
How to buy shares

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

Trading on the ADX is allowed only through authorized brokers. You may contact your broker or visit www.adx.ae (FAQs) for a complete list of brokerage companies. You can also call ADX customer service at 800239 or +971 2 6277777 for further information.

ADNOC Distribution Daily Share Performance

(Prices at daily close)



ADNOC Distribution Share Trading Performance Summary

	At Initial Public Offering	Last trading day 2018	Last trading day 2019	% change in 2019	High	Low
Share Price (AED)	2.5	2.32	2.96	28%	3.05	2.16
ADX General Index	4,384	4,915	5,076	3%		
Number of shares outstanding (billion)	12.5	12.5	12.5			
Market capitalization (AED billion)	31.3	29.0	37.0			
Market capitalization (USD billion)	8.5	7.9	10.1			
Average Daily Trading Volume during the year (million shares)		1.42	1.89			
Average Daily Trading Value during the year (USD million)		0.96	1.34			

Stock Exchange Listing
Abu Dhabi Securities Exchange (ADX)

Date listed on the stock exchange
13 December 2017
Added to ADX General Index (ADI) and Energy sector sub-index (ADEG)
20 December 2017

Currency
AED (United Arab Emirates Dirham)

International Securities Identification Number (ISIN)
AEA006101017

ADX symbol
ADNOCDIST

Reuters Instrument Code (RIC)
ADNOCDIST.AD

Bloomberg symbol
ADNOCDIS UH

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


Natural gas for vehicles

FINANCIAL REVIEW

FINANCIAL REVIEW

ADNOC Distribution reported solid operational and financial performance in 2019 in both fuel and non-fuel businesses. The following discussion and analysis of our financial results is based on our audited financial statements for the year ended 31 December 2019. The results should be read in conjunction with our audited financial statements, including the related notes, which are available on our website.

ADNOC Distribution is now the only fuel retailer serving all seven emirates in the UAE. 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 domestic network starting 2020. Our domestic expansion marks just the start of our growth journey, with further planned expansion to come internationally during 2020.

We continue to pursue our ambition of making the Company more performance-driven and commercially minded.

A disciplined, return-driven capital allocation strategy is driving this transformation, which will also strengthen our competitive positioning. We are moving to a more efficient and effective retail site operating model and remain focused to realize further operating efficiencies across our businesses.

Fuel Volumes

Total fuel volumes sold reached 9,674 million liters in 2019, an increase of 0.7% compared to 2018, driven by growth in our commercial business and growth in retail fuel volumes in the second half of 2019.

AED m
2,766
$ **8.6%** REDUCTION
OPERATING EXPENSES

million liters
9,674 **0.7%**
TOTAL FUEL VOLUMES SOLD FOR 2019

AED m
21,337
6.8%
REVENUE

2018	22,893
2019	21,337

Revenue for 2019 was AED 21,337 million, a decrease of 6.8 percent compared to 2018. This decrease was primarily due to lower retail pump prices as a result of lower oil prices.

AED m
4,978
1.8%
GROSS PROFIT

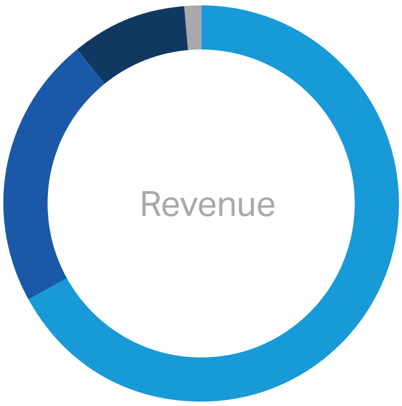
2018	5,069
2019	4,978

Gross profit for 2019 was AED 4,978 million, a decrease of 1.8 percent compared to 2018. The decrease is largely attributed to lower inventory gains in 2019 compared to 2018, as a result of lower oil prices.

AED m
2,839
2.3%
EBITDA

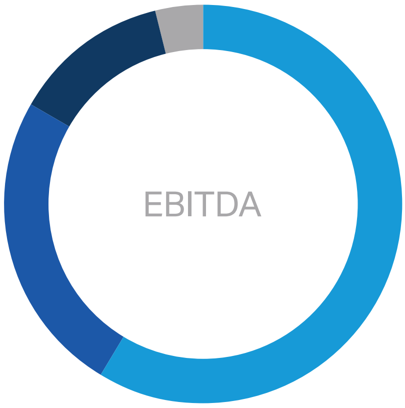
2018	2,774
2019	2,839

EBITDA reached AED 2,839 million in 2019, an increase of 2.3 percent compared to 2018. This was mainly as a result of growth in our corporate and non-fuel businesses, as well as a reduction in operating costs.



Retail (fuel & non-fuel)	67%
Corporate	22%
Aviation	10%
Others	1%

Retail (fuel & non-fuel)	64%
Corporate	17%
Aviation	14%
Others	5%



Retail (fuel & non-fuel)	60%
Corporate	25%
Aviation	13%
Others	2%

Distribution and administrative expenses

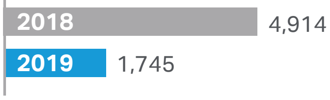
We continue to manage our cost base efficiently. Distribution and administrative expenses for 2019 were AED 2,766 million, a decrease of 8.6 percent compared to 2018, mainly as a result of cost optimization initiatives, including the benefit of restructuring costs incurred in 2018 to reduce staff costs in 2019 and reduction in distribution expenses post outsourcing of logistics function. This resulted in a reduction of like-for-like operating expenses of AED 169 million during 2019.

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

For the year ended 31 December

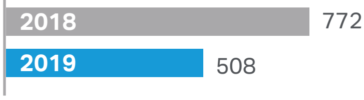
(AED million)	2019	2018	YoY%
Revenue	21,337	22,893	-6.8%
Gross profit	4,978	5,069	-1.8%
EBITDA	2,839	2,774	2.3%
Profit for the period	2,218	2,128	4.2%
Earnings per share (AED/share)	0.177	0.170	4.2%

AED m
1,745
64.5%
NET CASH GENERATED FROM OPERATING ACTIVITIES



Net cash generated from operating activities decreased by 64.5 percent 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.

AED m
508
34.2%
CAPITAL EXPENDITURES



Capital expenditures in 2019 amounted to AED 508 million, relating mainly to the development and construction of new service stations. Technology infrastructure spending on smart solutions and other improvements accounted for the balance.

AED m
2,331
16.4%
FREE CASH FLOW

Free cash flow generation (EBITDA less capital expenditures) totaled AED 2,331 million in 2019, an increase of 16.4 percent compared to AED 2,002 million in 2018. The increase was driven by the increase in EBITDA and the reduction in capital expenditures in 2019.

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.

AED m
3,749
TOTAL EQUITY

AED m
744
NET DEBT

0.26X
NET DEBT TO EBITDA RATIO

Key year on year financials – Balance sheet items

For the year ended 31 December

(AED million)	2019	2018	YoY%
Net cash generated from operating activities	1,745	4,914	-64.5%
Capital expenditures	508	772	-34.2%
Free cash flow*	2,331	2,002	16.4%
Total equity	3,749	3,588	4.5%
Net debt**	744	11	NM
Capital employed	9,675	9,284	4.2%

* Free cash flow is defined as EBITDA less capital expenditures.
** Cash and bank balances used for Net Debt calculation includes term deposits with banks

23.8%
RETURN ON CAPITAL EMPLOYED (ROCE)

59.2%
RETURN ON EQUITY (ROE)

16.5%
LEVERAGE RATIO

Key year on year financials – Financial ratios

For the year ended 31 December

(AED million)	2019	2018
Return on capital employed (ROCE)	23.8%	24.2%
Return on equity (ROE)	59.2%	59.3%
Net debt to EBITDA ratio*	0.26x	0.0x
Leverage ratio*	16.5%	0.3%

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

BUSINESS REVIEW

OUR BUSINESS

ADNOC Distribution is the UAE market leader in retail and wholesale transportation fuels and is engaged primarily in the sale and distribution of fuel to customers as well as in the operation of forecourt convenience stores.

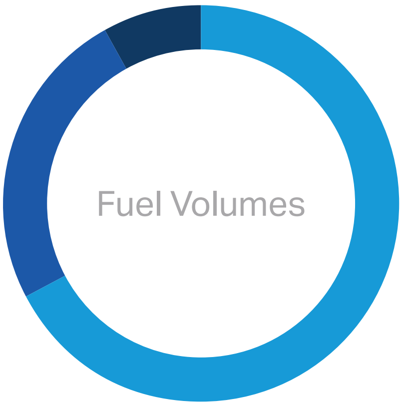
As the UAE market leader, we enjoy a dominant position in retail and wholesale transportation fuels market in Abu Dhabi and the Northern Emirates.

We are active in the UAE and international lubricants markets, in the UAE market for liquefied petroleum gas (LPG) and for compressed natural gas (CNG) market for natural gas vehicles. We are also the leading operator of convenience stores in the UAE and are driving growth in our non-fuels business.

OUR MARKET

The UAE is the second-largest economy, after Saudi Arabia, in the Gulf Cooperation Council (GCC), based on nominal gross domestic product (GDP). The country is regarded as one of the prime destinations for foreign investment in the GCC, based on its prudent fiscal management, return-oriented growth policies, investor-friendly regulation, economic diversification and stable leadership. High rates of economic growth, rising levels of disposable income and moderate rates of inflation are important contributors to its success. An expanding non-oil sector – particularly in trade, finance, real estate and tourism – supports the view that the UAE is generally less vulnerable to energy price fluctuations than most of its GCC neighbors.

UAE government's initiatives and growth supportive policies are expected to support economic growth and thus demand for fuel and other non-fuel products. We 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.



Retail	67%
Corporate	25%
Aviation	8%

#1
IN THE UAE IN RETAIL AND WHOLESALE TRANSPORT FUELS

stations
384
RETAIL FUEL SERVICE STATIONS

million liters
9,674
FUEL VOLUMES SOLD IN 2019

RETAIL BUSINESS

Retail Segment

Fuel

ADNOC Distribution is the UAE's leading operator of retail fuel service stations, operating in 382 domestic locations as of 31 December 2019. We are the only operator of retail fuel stations in Abu Dhabi and a dominant operator in the Northern Emirates. We have expanded presence in UAE and now operate six fuel service stations in neighboring Dubai emirate. We are the only fuel provider to operate in all seven emirates, as well as having two stations located in Saudi Arabia.

We are also active in the retail sale of liquefied petroleum gas (LPG), compressed natural gas (CNG) and automotive lubricants.

Non-fuel

Our non-fuel activities comprise convenience stores located at fuel service stations, as well as value added services such as car washes and lube changes. ADNOC Distribution is the UAE's largest convenience store retailer by number of stores.

Allied Service Segment

Rental properties

Our Allied Services segment manages and leases retail space within our service stations. Our tenants occupy more than 900 properties, offering quick service restaurants and supplementary products and services including banking and automobile insurance.

Major tenants include well-known global brands such as McDonald's, Starbucks, KFC, Subway and Burger King.

Vehicle inspection

Our 26 vehicle inspection centers are the only authorized providers of government-mandated annual vehicle inspections in the Emirate of Abu Dhabi.

COMMERCIAL BUSINESS

Corporate Segment

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

Aviation Segment

We provide fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers. In addition, we also sell aviation fuel, and provides refueling and related services, to strategic aviation customers in the UAE.

RETAIL BUSINESS

Our Retail business comprises the sale of fuel (gasoline, diesel, CNG and LPG) at retail fuel service stations; the operation of car care services, such as car wash and lube changes; convenience stores; and property management services at our service stations.

Stations

in UAE

382

in Saudi Arabia

2

1.6%

SERVICE STATIONS

2018	378
2019	384

Stores

in UAE

264

5.6%

CONVENIENCE STORES

2018	250
2019	264

OVERVIEW

ADNOC Distribution's Retail business is segregated into fuel (gasoline, diesel, CNG, LPG and lubricants) and non-fuel (convenience stores and car care services, including car wash and lube change services and property management services).

m
158.5

5.5% ↓

RETAIL FUEL TRANSACTIONS

2018	167.8
2019	158.5

m
46.9

9.8% ↑

RETAIL NON-FUEL TRANSACTIONS

2018	42.7
2019	46.9

Retail Segment

Fuel

We are the number one retail fuel brand in the UAE, with 382 owned and operated retail fuel stations as of 31 December 2019. We are the only operator of retail fuel service stations in all seven UAE emirates and the largest operator in Abu Dhabi, Sharjah and the Northern Emirates. We currently operate six stations in Dubai, and two service stations in Saudi Arabia. We plan to open more service stations in Dubai and in other emirates in the coming years.

Our retail fuel business is highly cash-generative business with stable, regulated unit fuel margins and iconic branding at strategically located sites. We benefit from a five-year fuel supply agreement with ADNOC, our parent company, which took effect in October 2017. This guarantees supply on terms which we believe give us a competitive advantage.

Our relationship with ADNOC and our extensive fuel distribution infrastructure, the largest in the UAE, gives us inherent advantages over competitors and presents high barriers to market entry for future challenger brands.

Our main fuel products comprise three grades of gasoline (91, 95 and 98 octane) and diesel as well as CNG, LPG and engine lubricants.

CNG is a growing market in the UAE with increasing number of natural gas vehicles (NGVs). The number of NGVs is forecast to more than double by 2022, resulting in ongoing increased demand for CNG.

LPG is the primary domestic and commercial cooking fuel in the UAE and it is also used for commercial and industrial applications. We sell LPG in 25- and 50-pound cylinders, primarily to residential customers for home cooking, and in bulk to residential and corporate customers.

We market lubricant products under our proprietary Voyager brand. The quality of our Voyager lubricants is recognized by the American Petroleum Institute and European Automobile Manufacturers' Association.

In 2019, we launched our 'ADNOC On the go' compact neighborhood fuel station, which will put smaller, more agile fuel and retail sales points into existing neighborhoods, accelerating our domestic expansion.

Non-fuel

Our non-fuels business is one of our fastest-growing business lines. We operate 264 ADNOC Oasis convenience stores as of 31 December 2019. The stores offer groceries, refreshments, snacks, confectionery goods, tobacco and services.

In 2019, we embarked on a major upgrade of our non-fuels business, introducing our first refurbished ADNOC Oasis convenience store, which features baristas, made-to-order sandwiches, baked goods, premium coffee and convenient "tap and go" payment options. We also offer other non-fuel services at many of our service station locations, including car wash and lube change services. In addition, various services are provided by our partners and tenants, such as vehicle servicing, repairs and tire changes.

26

VEHICLE INSPECTION CENTERS IN ABU DHABI

Allied Services

Property management

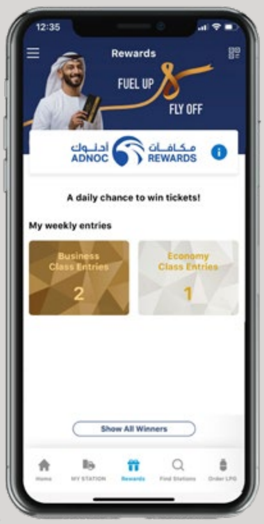
We have actively driven tenancy occupancy across our network. We also continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability.

Vehicle inspection

We operate 26 light vehicle inspection and testing centers in Abu Dhabi, which provide a wide range of inspection services. In total, more than 900,000 inspection services are provided every year (including fresh tests and re-tests). We also offer a premium vehicle inspection service which gives customers a fast-track testing option. An additional door-to-door inspection service is also available, which allows customers to arrange for pick up and drop off. On the back of these initiatives, we continued to witness strong growth in number of vehicles inspected (fresh tests) in 2019.

OPERATIONAL REVIEW

ADNOC Distribution is a self-aware, return-oriented company that seeks to constantly improve how it does business. We believe this process of self-scrutiny and operational efficiency guarantees and enhances the high-quality reputation of our products and services.



ADNOC Rewards application

Retail Segment

Customer-led innovation

In 2019, ADNOC Distribution introduced a series of well-received changes to its fuels and non-fuels businesses as part of the Company's ongoing commitment to leveraging customer input to enhance customer service. After engaging with 14,000 of our retail clients through surveys, focus groups and other outreach methods, in November, we introduced free assisted fueling for all customers. Not only was the change embraced by the vast majority of clients, it led to increases in fuel volumes.

To expedite our domestic network expansion, we also launched new, neighborhood fuel station concept 'ADNOC On the go.' We plan to open more of these smaller, more agile fuel and drive-through convenience store sales points in existing neighborhoods across the UAE. These scaled-down stations are faster to set up and designed to fit more quickly and easily into existing urban and suburban landscapes and will serve the needs of residential, commercial and industrial communities across the UAE.

ADNOC Oasis convenience store refurbishment

We opened our first refurbished ADNOC Oasis convenience store, featuring a new look and feel, tailored product range, coffee stations and food-to-go options. We plan to convert more of our existing convenience stores to this higher retail standard in 2020 and beyond. This upgrade further positions our reputation as a leading retailer for people on the move. Initial indications show that consumers are welcoming the changes; the average basket size at our convenience stores rose by 5.0% to AED 19.0 in 2019, compared to AED 18.1 in 2018.

We continue to see growth in our non-fuels business over coming years, as we upgrade our existing Oasis stores to this new, higher standard and roll out the first of our compact 'ADNOC On the go' fuel- and food stores.

AED m
801

18.0%
CONVENIENCE STORE REVENUE

2018	679
2019	801

Allied Services Segment

Property management

Our property management business of leasing space at our service stations to quick service restaurants and providers of other goods and services grew strongly in 2019. Our major tenants include brands such as McDonald's, KFC and Burger King, which strongly complement our convenience store business profile. We aim to leverage these relationships over the long term to maximize revenue and profitability. We expect our revenue-sharing model, introduced in 2018, to continue contributing to our growth in 2020 and years to come.

Vehicle inspection

In 2019, we opened two new vehicle inspection centers and now operate 26 vehicle inspection centers in Abu Dhabi. We performed over 900,000 vehicle inspections at our centers in 2019. We continue to see strong growth in the business with number of vehicles inspected (fresh tests) growing by 5.4% in 2019 compared to 2018.

We continue to expand our services and now operate premium vehicle inspection centers. We are also in advanced stage of introducing door to door service through a Mobile Inspection Unit.

AED
19.0

5.0%
CONVENIENCE STORES AVERAGE BASKET SIZE

2018	18.1
2019	19.0

AED m
2,838

5.9%

RETAIL SEGMENT FUEL GROSS PROFIT

AED m
325

11.8%

RETAIL SEGMENT NON-FUEL GROSS PROFIT

FINANCIAL REVIEW

Retail Segrement

Volumes

Retail fuel volume sold decreased by 1.1% in 2019 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.

Other operating metrics

Number of fuel transactions decreased by 5.5% in 2019 compared to 2018.

Number of non-fuel transactions witnessed strong growth of 9.8% in 2019 compared to 2018.

Results

Retail revenue, which covers fuel and non-fuel sales, reached AED 14,297 million in 2019, a decrease of 9.0% over 2018. This revenue decline was primarily due to lower retail pump prices.

Retail gross profit was AED 3,163 million in 2019, a decrease of 4.4 percent compared to 2018, mainly due to lower pump prices and lower inventory gains in 2019 compared to 2018.

Retail EBITDA was AED 1,695 million in 2019, an increase of 3.4% over 2018. The increase in EBITDA was mainly driven by strong non-fuel performance and improved operating cost efficiencies.

Our non-fuel segment (mainly convenience stores) generated strong revenues, driven by higher new convenience stores, higher number of transactions, higher conversion rates (convenience store transactions divided by fuel transactions) and higher average basket size.

This improvement was driven by management initiatives to improve the customer experience, including a more focused stores revitalization program, category management and the introduction of fresh food/baked products. As a result, Convenience store revenue and gross profit increased by 18.0% and 20.6% respectively in 2019 compared to 2018.

Retail segment

Key financials (AED million)	2019	2018	YoY %
Revenue	14,297	15,704	-9.0%
Gross profit – fuel	2,838	3,016	-5.9%
Gross profit – non-fuel	325	291	11.8%
EBITDA	1,695	1,639	3.4%
Operating profit	1,249	1,215	2.7%
Capital expenditure	433	423	2.3%

8.9%

ALLIED SERVICES REVENUE

Allied Services Segment

Results

Allied Services revenue increased by 8.9% in 2019 compared to 2018, driven by an increase in number of vehicle inspections and number of tenants.

Other operating metrics

We continue to transition our tenancy business to a revenue-sharing model in order to maximize revenue and profitability. The number of occupied properties was impacted at the end of 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 segment

Key financials (AED million)	2019	2018	YoY %
Revenue	241	221	8.9%
Gross profit	241	221	8.9%
EBITDA	108	105	2.7%
Operating profit	86	83	3.1%
Capital expenditure	2.5	3.0	-16.7%

AED m
3,163

4.4%
RETAIL SEGMENT GROSS PROFIT

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.

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. We are focused on continuing to grow EBITDA across our businesses, to pursue cost optimization and margin improvement initiatives, and to maintain growth momentum.

We are targeting to open significantly higher number of fuel stations in UAE compared to 2019, including a mix of traditional and 'ADNOC On the go' stations with a focus on Dubai. Our capital expenditure on development and construction of new fuel stations in 2020 would be significantly higher than in 2019, reflecting our ambitious new station delivery schedule.

We anticipate our Dubai expansion along with our free assisted fueling offering (effective November 2019) will bring market share gains and contribute to higher growth in retail fuel volumes in 2020 and beyond. We expect retail fuel volume growth of low single digits in 2020.

In non-fuel business, we will accelerate our convenience store revitalization program 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.

We have made significant progress in reducing our operating expenditure and successfully reduce capital costs to build fuel stations without sacrificing safety, quality and overall customer experience. We are moving to a more efficient and effective retail site operating model focusing on staffing optimization as well as a staff redeployment program and thus expect to realize further operating and capital efficiencies.

COMMERCIAL BUSINESS

ADNOC Distribution's Commercial segment is the UAE's leading marketer, supplier and distributor of bulk refined petroleum products, including diesel, gasoline, LPG and lubricants, to commercial, industrial and government customers.

million liters
2,373
6.0% ↑
CORPORATE VOLUMES

2018	2,239
2019	2,373

million liters
777
3.8% ↑
AVIATION

2018	748
2019	777

OVERVIEW

We are the leading marketer, supplier and distributor of bulk refined petroleum products, including diesel, gasoline, LPG, lubricants and other products, to commercial, industrial and government customers in the UAE. The business-to-business commercial market is highly competitive in the UAE. We also export our proprietary Voyager lubricants to distributors in 12 countries, across the GCC, Africa and Asia.

million liters
2,373
6.0%
CORPORATE VOLUMES
2018 2,239
2019 2,373

million liters
777
3.8%
AVIATION VOLUMES
2018 748
2019 777

Our aviation division has two main activities: selling aviation fuel and services to strategic customers and providing aviation services to the civil aviation sector, where we maintain fuel systems and provide fueling services.

Corporate Segment

Fuel – gasoline, diesel and LPG

Demand for wholesale fuels in the UAE is closely aligned with the country's economic activity.

Lubricants and base oil

Our range of proprietary Voyager lubricants covers most requirements for commercial fleet operators and the construction, manufacturing, marine and power generation sectors. Our offering is made up of automotive and marine engine lubricants, automotive gear and transmission fluids, and industrial lubricants and greases.

We operate a lubricant blending plant in Abu Dhabi with an annual capacity of 55 million liters, which produces more than 125 types and grades of lubricants and greases.

Aviation Segment

We sell aviation fuels to strategic customers in the UAE and utilize highly advanced facilities to provide refueling, defueling and other related services to ADNOC's civil aviation customers, comprising regional and international commercial and private aviation customers, at seven commercial airports in the country.

OPERATIONAL REVIEW

Corporate Segment

In corporate business, we maintained our dominant position in Abu Dhabi and increased focus on gaining market share in Dubai and the Northern Emirates

Diesel and gasoline

Diesel fuel market remained competitive amid aggressive pricing environment. The grey market – off-spec products from unauthorized sources – continued to impact our corporate sales. However, we were able to successfully grow our

Corporate segment

Key financials (AED million)	2019	2018	YoY %
Revenue	4,739	4,733	0.1%
Gross profit	869	785	10.8%
EBITDA	715	648	10.2%
Operating profit	679	618	9.8%
Capital expenditure	4.0	16.2	-75.3%

Aviation segment

Key financials (AED million)	2019	2018	YoY %
Revenue	2,061	2,194	-6.1%
Gross profit	705	724	-2.7%
EBITDA	366	340	7.7%
Operating profit	334	305	9.7%
Capital expenditure	1.1	3.9	-71.8%

sales by singing new contracts with commercial clients. We grew our commercial gasoline sales as we continued to grow market share in Dubai and the Northern Emirates.

LPG

The LPG market is somewhat fragmented and falls into two categories: bulk sales is an unregulated market, and sales of subsidized and unsubsidized cylinders, of which the subsidized segment accounts for the largest share, mainly in the residential sector.

We witnessed strong growth in LPG bulk by expanding market share in Dubai and the Northern Emirates through distributors and direct customers.

We put greater focus on our business processes, including the introduction of faster sales intelligence and a more customer-centric approach resulting in increase in sales of bulk LPG.

We entered Dubai commercial LPG cylinder markets with 100 lbs cylinders and continue to grow aggressively in this segment. In Q4 2019, we also entered residential LPG cylinder markets (25 & 50 lbs) in Dubai through our strategic distributor relationship.

Lubricants

Sale of lubricants was stable during the 2019. However, we saw growth in profitability as a result of optimized product portfolio and the efforts in reducing our supply chain and blending cost.

We have been increasingly focusing on exports market and will continue to do so in 2020 with the objective of entering into new markets in Africa and Asia using the distributor model.

Aviation Segment

In aviation business, we provide fuel distribution services and manage aircraft refueling operations to ADNOC's civil aviation customers. In addition to our civil aviation refueling business, we sell aviation fuel and provide refueling services to certain strategic aviation customers. During 2019, our fleet of more than 75 aircraft-refueling vehicles performed more than 100,000 refueling service operations for civil aviation customers at seven airports across the UAE, of which the majority were at Abu Dhabi International Airport.

FINANCIAL REVIEW

Corporate Segment

Volumes

Corporate segment volumes increased 6.0 percent in 2019 compared to 2018. We witnessed strong growth across all our products on the back of dynamic product pricing strategy and increased focus on gaining market share in Dubai and the Northern Emirates.

Results

Corporate segment revenue was flat in 2019 compared to 2018 despite higher volumes, mainly due to lower oil prices. Gross profit increased by 10.8 percent year-on-year, on the back of the increase in volumes as well as higher margin. Corporate segment EBITDA increased by 10.2 percent in 2019 compared to 2018, driven by higher volumes, margins and cost efficiencies.

Aviation Segment

Volumes

Aviation volumes increased by 3.8 percent in 2019 compared to 2018 due to an increase in fuel sales to our strategic customers.

Results

Aviation revenue decreased by 6.1 percent in 2019 compared to 2018 due to lower fuel prices, partially offset by increase in volumes. Aviation gross profit increased by 2.7 percent in 2019. Aviation EBITDA increased by 7.7 percent in 2019 compared to 2018, due to higher cost efficiencies.

OUTLOOK

In 2020, we expect to continue to work with government authorities to enforce regulations to prevent unlicensed suppliers and off-spec product entering the market. We intend to implement an enhanced lubricants growth strategy to increase profitability and to expand our international footprint. We are looking to market and distribute lubricants through distributor network in the Middle East and North Africa as well as in Asia.

We expect to grow bulk sale of LPG by increasing our market share in Dubai and the Northern Emirates, driven by strong brand and high quality of the product. In Dubai, we would continue to focus on growing our sales of 100 Lbs cylinders to commercial customers and 25 Lbs and 50 Lbs cylinders to residential customers using our strategic distributor relationship and optimal pricing strategy, backed by new promotional and advertising campaigns.

CORPORATE REVIEW

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

ADNOC Distribution holds a successful two-year track record as a publicly listed company, during which we have been guided by our corporate governance principles to drive best practice and to uphold the commitments we set out at our IPO.

In 2019 we reaffirmed those pledges to our shareholders at our Capital Markets Days in London and New York, of driving sustainable growth and shareholder return while delivering best-in-class services to our customers.

We believe that by having a high quality corporate governance framework and complete information transparency, we are better able to promote the long-term sustainable success of ADNOC Distribution, generate value for all stakeholders and contribute to the wider community. Accordingly, we have adopted and implemented a complete corporate governance framework that fulfils all applicable laws and regulations while also being in line with international best practice. This corporate governance framework is designed to ensure that our Company has a culture of consistency, responsibility, accountability and transparency of the highest standards at all levels.

Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success. Accordingly, we are taking this opportunity to remind you of the comprehensive corporate governance framework that we have adopted and under which we operate. In this report, we will provide you with an overview of our corporate governance processes and report on how these processes have been implemented by us.

Our commitment

We are committed to having corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE and that are consistent with international best practices.

Our corporate governance framework

Our Board is responsible for the implementation and oversight of our corporate governance framework. Our Board complies with the corporate governance requirements applicable to public joint stock companies listed on the ADX, as set out in the Governance Rules and Corporate Discipline Standards issued on 28 April 2016 pursuant to UAE Securities and Commodities Authority Resolution No. R.M/7 of 2016 (**the Corporate Governance Rules**).

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

The Corporate Governance Rules require that the majority of the Board must comprise non-executive directors, and that at least one-third of the Board must be independent, in accordance with the criteria set out in the Corporate Governance Rules.

Our seven-member Board consists entirely of non-executive directors with three independent members. To assist the Board in the discharge of its duties, the Board has established three permanent committees: the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee.

Audit Committee

Our Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including: reviewing and monitoring the integrity of our annual and interim financial statements; reviewing and monitoring the extent of the non-audit work undertaken by external auditors; advising on the

Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success.

appointment of external auditors; overseeing the relationship with our external auditors; reviewing the effectiveness of the external audit process; and reviewing the effectiveness of our internal control review function. The Audit Committee makes recommendations to the Board, which retains ultimate responsibility for reviewing and approving our annual report and financial accounts.

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

The Corporate Governance Rules, reflected in the Audit Committee's Charter require that the Audit Committee comprises at least three members who are non-executive directors, and that at least two of the members must be independent. One of the independent members must be appointed as chairman of the committee.

In addition, at least one member is required to have recent and relevant audit and accounting experience, The Audit Committee has taken appropriate steps to ensure that ADNOC Distribution's external auditors are independent of ADNOC Distribution as required by the Corporate Governance Rules.

The Audit Committee has also obtained written confirmation from our auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The chairman of the Nomination and Remuneration Committee must be chosen from amongst the independent committee members.

Nomination and remuneration committee

Our Nomination and Remuneration Committee assists the Board of Directors in discharging its responsibilities relating to the composition and make-up of the Board of Directors and any committees of the Board of Directors.

It is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board of Directors and committees of the Board of Directors and, in particular, for monitoring the independent status of the independent non-executive directors. It is also responsible for periodically reviewing the Board of Directors' structure and identifying potential candidates to be appointed as directors or committee members as the need may arise.

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

The Corporate Governance Rules, reflected in the Nomination and Remuneration Committee Charter, require the Nomination and Remuneration Committee to be comprised of at least three non-executive directors, at least two of whom must be independent.

The chairman of the Nomination and Remuneration Committee must be chosen from amongst the independent committee members.

Executive committee

Our Executive Committee consists of three members, all being non-executive directors with one member also being an independent director. The Executive Committee was established by the Board in 2019 in order to assist the Board in the discharge of its duties.

The role of the Executive Committee is to act on behalf of the Board during the intervals between scheduled Board meetings so that matters that require Board approval during such intervals can be dealt with in a timely and efficient manner.

Additionally, the Executive Committee provides recommendations to the Board on matters that require Board approval.

For more information about our permanent Board committees, please refer to our 2019 Corporate Governance Report

Code of conduct

ADNOC Distribution has implemented a Code of Conduct that provides an overview of the standards of integrity and ethical behavior expected of all ADNOC Distribution employees and everyone who does business with our company. At ADNOC Distribution, integrity and ethics remain the foundation of our success. Our values form the foundation of our business operations and relationships. They inspire and inform how we conduct ourselves – with our partners, suppliers, each other and the communities in which we operate.

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

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

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

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

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

Ensuring that our governance processes and procedures are undertaken properly helps contribute to our long-term sustainable success.

BOARD OF DIRECTORS

H.E. Dr. Sultan Ahmed Al Jaber

Non-executive Chairman

H.E. Dr. Sultan Ahmed Al Jaber has served as UAE Cabinet Member and Minister of State since March 2013, and as Chief Executive Officer of ADNOC since February 2016. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company. H.E. Dr. Al Jaber is also Chairman of Masdar, the National Media Council, and several other ADNOC Group companies. He is also a member of the Board of Directors of Emirates Global Aluminum.

H.E. Dr. Al Jaber holds a BSc in Chemical Engineering from the University of Southern California, a PhD in Business and Economics from Coventry University, and an MBA from California State University.

Khaled Salmeen

Non-executive Director (appointed on 5 February 2019)
Chairman of the Executive Committee
Member of the Nomination and Remuneration Committee

Mr. Khaled Salmeen has served as Executive Director, Marketing, Sales & Trading, of ADNOC since 5 February 2019. He previously served as Chief Executive Officer of the Khalifa Industrial Zone (KIZAD), Chairman of Abu Dhabi Terminals, and Chief Operating Officer of National Central Cooling Company (Tabreed). He also served as Director of ADNOC's Transformation Project Management Office from 2016 to 2017.

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

Abdulaziz Abdulla Alhajri

Non-executive Director

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

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

Ahmed Jasim Al Zaabi

Non-executive Director
Member of the Audit Committee
Member of the Executive Committee

Mr. Ahmed Jasim Al Zaabi has served as Group Chief Financial Officer at the Finance and Investments Directorate of ADNOC since February 2019. He previously served as a Director of the Office of Government Investments at Abu Dhabi Department of Finance from 2018 until February 2019, and as a Director of Office of State Owned Enterprises, General secretariat of the Executive Council from 2011 until 2018. Prior to this, he held senior management positions in organisations such as the Abu Dhabi Municipality and Khalifa Fund for Enterprise Development. Mr. Al Zaabi serves as a board member of Khalifa Fund for Enterprise Development and several other ADNOC subsidiaries.

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

Jassim Alseddiqi

Independent Non-executive Director
Chairman of the Nomination and Remuneration Committee
Member of the Audit Committee

Mr. Jassim Alseddiqi has served as a Director and Chief Executive Officer of Abu Dhabi Financial Group since January 2011, and a Chief Executive Officer of Shuaa Capital PSC. He also serves as the Chairman of Eshraq Properties PJSC, Chairman of Islamic Arab Insurance Co. (Salama) PJSC, Chairman of GFH Financial Group BSC and Chairman of Khaleeji Commercial Bank BSC. He is also a member of the Board of Directors of First Abu Dhabi Bank, Dana Gas and the Tourism and Development Investment Company. Mr. Alseddiqi holds a Bachelor's degree in Electrical Engineering from the University of Wisconsin-Madison and a Master's degree in Electrical Engineering from Cornell University. He has also served as a lecturer at the Abu Dhabi-based Petroleum Institute.

Pedro Miró Roig

Independent Non-executive Director
Member of the Nomination and Remuneration Committee

Mr. Pedro Miró Roig has been Chief Executive Officer of Compañía Española de Petróleos (CEPSA) from September 2013, and Vice Chairman from June 2014, in each case until October 2019. He served as Chief Operating Officer of CEPSA from 2011 to 2013.

Mr. Miró also serves as a member of the Board of Trustees of Linea Directa Foundation.

Mr. Miró holds a Bachelor's degree in Chemistry from the University of Barcelona.

David-Emmanuel Beau

Independent Non-executive Director
Chairman of the Audit Committee
Member of the Executive Committee

Mr. David-Emmanuel Beau is Chief Investment Officer of the Direct Investments Department at the Abu Dhabi Investment Council (ADIC), where he focuses on the MENA region. Previously, he was a fund manager at the Abu Dhabi Investment Authority (ADIA). He is also a Director of Invest AD.

Mr. Beau is a CFA Charter holder.

Matar Hamdan Al Ameri

Non-executive Director (resigned on 30 April 2019)
Member of the Audit Committee (resigned on 30 April 2019)

Mr. Matar Hamdan Al Ameri has served as Director, Finance and Investments of ADNOC since 2012 until February 2019. He also serves as the Vice Chairman of Aafaq Islamic Finance Company.

Mr. Al Ameri holds a Bachelor's degree from the United Arab Emirates University.

Abdulla Salem Al Dhaheri

Non-executive Director (resigned on 5 February 2019)
Member of the Nomination and Remuneration Committee (resigned on 5 February 2019)

Mr. Abdulla Salem Al Dhaheri served as Director, Marketing, Sales and Trading, of ADNOC from 2016 until February 2019. From 2009 to 2016, Mr. Al Dhaheri served as our Chief Executive Officer.

Mr. Al Dhaheri holds a Bachelor's degree in Business Administration from California Baptist University, California, USA.

SENIOR MANAGEMENT TEAM

Ahmed Al Shamsi

Acting Chief Executive Officer

Mr. Ahmed Al Shamsi was appointed as Acting Chief Executive Officer with effect as from 5 January 2020. Before joining ADNOC Distribution, Mr. Al Shamsi served as Senior Vice President for Middle East, Africa and Export at Borouge, and was responsible for leading that company's Sales and Marketing initiatives, as well as developing and implementing the long-term strategies of that company within the region. Previously, Mr. Al Shamsi held senior leadership roles across diverse functions of Global Supply Chain and Project Management.

Mr. Al Shamsi holds a Bachelor's degree in Chemical Engineering from the University of Tulsa, USA. He also holds a Master's degree in Quality Management (MQM) from the University of Wollongong.

Mohamed Al Hashemi

Chief Operating Officer

Mr. Mohamed Al Hashemi was appointed as Chief Operating Officer in July 2019. Before joining ADNOC Distribution, Mr. Al Hashemi served as Senior Vice President, Asset Management & Business Development for ADNOC Group and was also advisor to ADNOC Distribution's Executive-Committee. Previously, Mr. Al Hashemi served as Senior Vice President, Group Strategic Investments for ADNOC Group delivering world-class projects.

Mr. Al Hashemi holds a Master's Degree in Business Administration and Management from Harvard University.

Petri Pentti

Chief Financial Officer

Mr. Petri Pentti joined ADNOC Distribution as Chief Financial Officer in November 2017. Before joining ADNOC Distribution, Mr. Pentti served as Chief Financial Officer of Emirates National Oil Company (ENOC) since 2008. Previously, Mr. Pentti served as Chief Financial Officer of Neste Corporation, an oil refining, renewable fuels and marketing company, from 2004 to 2008, and of Finnair from 1998 to 2004.

Mr. Pentti holds a Master's degree in Economics and Business Administration from the Turku School of Economics and Business Administration.

Athmane Benzerroug

Chief Investor Relations Officer

Mr. Athmane Benzerroug joined ADNOC Distribution in September 2018 as Chief Investor Relations Officer. He has 20 years of experience in equity capital markets. Prior to joining ADNOC Distribution, Mr. Benzerroug managed industrial sectors for Emerging Markets Equities for Deutsche Bank in Dubai, since 2008. Previously, Mr. Benzerroug was responsible for European Infrastructure at Natixis Securities in Paris.

Mr. Benzerroug holds an MSc in Econometrics from University of Paris X, France.

Aakash Nijhawan

Chief Strategy and Business Development Officer

Mr. Aakash Nijhawan joined ADNOC Distribution in January 2019 as Chief Strategy and Business Development Officer. From 2014 to 2019, Mr. Nijhawan was the Group Head of Investments and Corporate Solutions at Emirates National Oil Company (ENOC). Previously, Mr. Nijhawan spent 15 years in investment banking covering the broader energy sector, including with HSBC, Citi and UBS in New York and Dubai.

Mr. Nijhawan holds a Bachelor's degree in Electrical Engineering from Stevens Institute of Technology in New Jersey, USA, and an MBA from Columbia Business School, New York.

Brian Anthony Kuz

Chief Marketing Officer

Mr. Brian Anthony Kuz joined ADNOC Distribution in August of 2019. Mr. Kuz has worked in the Retail and Fast Moving Consumer Goods industry for more than 30 years. Mr. Kuz started his career in Canada and the US, but has worked for the last 10 years in Global roles, covering 176 countries, working directly in more than 80 countries. Mr. Kuz has worked for industry leaders including Safeway, Coca-Cola, Groupe Danone, Red Bull, Talking Rain, and most recently Shell North America.

Mr. Kuz holds a BA in English, Economics and Sociology from the University of Winnipeg in Winnipeg, Manitoba, Canada.

Saeed Nasser Al Ahbabi

Chief Business & Commercial Support Officer

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

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

Mohamed Omar

Senior Vice President, Human Capital

Mr. Mohammed Omar has served as our Senior Vice President, Human Capital, since July 2019. Previously, Mr. Omar served as Senior Human Capital Business Partner of ADNOC from September 2018 to July 2019. From October 2014 through August 2018, Mr. Omar served as Director of Recruitment and Human Capital Services at DP World. Mr. Mohammed has more than 16 years of experience in the maritime, trading and logistics, financial services and utilities sectors.

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

José Aramburu

Senior Vice President, Commercial

Mr. José Aramburu joined ADNOC Distribution as Senior Vice President, Commercial in October 2017. From 2012 to 2017, Mr. Aramburu held numerous senior positions with Compañia Española de Petróleos (CEPSA), including Specialties Manager of CEPSA Commercial Petroleum from 2014 to 2017; Lubricants Manager of CEPSA Commercial Petroleum from 2012 to 2014; and Business Development Director of CEPSA Quimica from March 2012 to December 2012.

Mr. Aramburu holds a BSc from Universidad Autónoma de Madrid, Spain.

Lars Höglund

Senior Vice President, Non-Fuel Retail

Mr. Lars Höglund joined ADNOC Distribution as Senior Vice President, Non-Fuel Retail in October 2019. Mr. Höglund has more than 30 years of experience in International retail, FMCG, online and private equity. Most recently Mr. Höglund was the Senior Vice President, Retail for MOL Group a public oils and gas company with more than 2,000 service stations across eight countries. Prior to this Mr. Höglund held numerous senior leadership positions within Procter & Gamble, Gillette and Mars.

Mr. Höglund holds a degree in Marketing from IHM Business School and an Executive GMP from CEDEP in France.

Mohamed Rashed Al Mehrezi

Acting Senior Vice President, Operations

Eng. Mohamed Rashed Al Mehrezi was appointed as Acting Senior Vice President, Production, Supply Chain & Maintenance in January 2020. From November 2011, he served with ADNOC Distribution as Vice President, Production, Supply Chain & Maintenance. He served in Emirates General Petroleum Corporation (EMARAT) as Manager Terminal Operations since 1996 and the Senior Planning Engineer in ETISALAT since 1991.

Eng. Al Mehrezi holds a BSc in Electrical Engineering from the University of Bridgeport, Connecticut, USA and an Executive MBA from Zayed University, UAE.

Mohamed Ali Al Obaidli

Acting Senior Vice President, Retail Fuel

Dr. Mohamed Ali Alobaidli was appointed as Acting Senior Vice President, Retail Fuel in January 2020. He has worked with ADNOC Distribution since 1996 and served as Vice President Abu Dhabi Fuel Retail from 2018 until December 2019 and as Vice President, Commercial Sales and Vice President Aviation Sales from 2011 to 2018.

Dr Alobaidli holds a Bachelor Degree from Ajman University of Science and Technology, a Masters Degree from the University of Sharjah and Doctorate (PhD) from IIUM, Malaysia.

Ben Hennessy

General Counsel & Board Secretary

Mr. Ben Hennessy joined ADNOC Distribution as General Counsel and Company Secretary in October 2019. He has served as an international lawyer for more than 15 years, initially at global law firm DLA Piper and for the past eight years at BP PLC, leading legal teams and supporting BP's retail fuels and lubricants business. He has worked in the UAE for four years, two of which were in Musanada.

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

Mohamed Salum Saleh

Vice President, Internal Audit Division

Mr. Mohamed Salum Saleh joined ADNOC Distribution in 2007 and was appointed as the Vice President, Audit and Assurance in 2017. He brings 18 years of well-rounded experience in Audit and Management Consulting on Assurance, Corporate Governance, Risks and Controls. Previously, Mr. Saleh worked in consulting roles with the Big4 in UAE as well as with other companies across Africa and Europe.

Mr. Saleh is a Certified Internal Audit (CIA) USA, Certified Fraud Examiner (CFE) USA, Certified Risk Management Assurance (CRMA) USA and holds MSc in Finance from Birmingham City University, UK.

Majid Saeed Al Suwaidi

Vice President, Health, Safety, Environment & Quality

Mr. Majid Saeed Al Suwaidi joined ADNOC Distribution as Vice President, Health, Safety, Environment & Quality in January 2019. Mr. Al Suwaidi has held senior positions in other ADNOC group companies for more than 10 years.

Mr. Al Suwaidi holds an Advanced Diploma in Applied Science from the University of Tasmania, Australia.

Jon Barber

Vice President, Communications

Mr. Jon Barber joined ADNOC Distribution as Vice President, Communications in July 2019. Mr. Barber is a senior communications specialist with experience in Government and Private industry throughout the Middle East. He more than 20 years' experience in senior communications and journalism positions, and he spent more than 10 years with the BBC as a news and sports journalist. For the past decade, Mr. Barber has worked in Dubai and Abu Dhabi as a leading communicator for many of the UAE's most notable brands including Ferrari World Abu Dhabi, DAMAC Properties, Dubai World Trade Centre and ACWA Power.

Mr. Barber is a Broadcast Journalist graduate of Nottingham Trent University.

OUR PEOPLE

Our people are one of our most valued assets and their attraction, development, retention and engagement is central to the strength and success of our business. In 2019, we continued to invest in our people through programs that promote a culture of shared values and safety in our working environment. Through continued efforts we were able to meet a dynamic business agenda, create a more diversified culture, acquire new capabilities and strengthen our employee engagement.

Company Reorganization (Project Right)

In 2019, Human Capital embarked on Project Right, designed to drive operational efficiency and optimize costs in strategic and operational areas of the organization. The project's aim is to right-size and streamline the operations of our functions, creating room for growth and expansion, while realizing cost savings and greater efficiency. Project Right focuses on improving the customer experience through supporting our people who play a pivotal role in this area. We achieved right-sizing by having the right talent in the right role.

Employee Engagement

We continually strive to engage and motivate our people, which promotes accelerated productivity. In 2019, we introduced the Ma'an Program, which educates our employees across multiple UAE locations about their rights and duties, in addition to providing a platform for recognizing and awarding our front-line staff.

As part of this program, we launched our AskHC, an online employee enquiry system that helps streamline access and reporting for our employees and improves effective follow-up.

Service Excellence

We leverage technology and developmental methods wherever we can to create an enhanced service culture. In 2019, we launched an e-learning platform for all service station employees, as part of our service excellence initiatives.

Our learning needs analysis process has been overhauled to fully engage line managers and identify precise learning needs so that customized blended learning solutions can be developed for teams.

People development initiatives such as implementing 70:20:10 learning principles, on the job coaching, technical training by subject matter experts (SMEs), focused training approach for HSE, Youth Development Program (YDP), and hiring the best talent, has helped implement a culture of service excellence at our service stations.

To improve customer experience, 919 employees have completed all relevant training and were awarded HSE certification. Our own customized learning and development program "Tomooh", is designed to upskill our UAE national employees and develop a pipeline of potential service leaders to help build and secure a competitive future.

In addition, our service station supervisors have the opportunity to cultivate their leadership and operational capabilities through the Service Leadership Development program, which is delivered by our internal specialists and SMEs.

Succession Planning

Succession planning was one of the key focus areas for our management in 2019. We developed an integrated and systematic approach to identifying, developing, and retaining high potential talent who can hold critical positions within our future organization to meet projected business objectives. So far, as part of our succession planning, we have identified 48 employees who were provided with a development plan to upskill them for future roles.

ENTERPRISE RISK MANAGEMENT

Proactive engagement of risk management is an integral aspect of the Company's core business activities. Our risk management process identifies and mitigates exposure to uncertainty wherever possible, and enhances exposure to opportunities by identifying, understanding and managing risks in accordance with a defined risk management policy and procedures.

Our risk management objectives, governance structure and the role and responsibilities of the board of directors, the audit committee, management team and internal audit function have been defined in the ERM Policy document in accordance with the ISO 31000 standard.

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

- Openly disclose the risk management process, both internally and externally, to ensure that shareholders view ADNOC Distribution as a transparent organization where awareness and understanding of the risk-management policy and procedures are established at the appropriate levels of the organization.
- Assume responsibility for establishing and overseeing the implementation and review of the risk-management system.
- Identify, manage, monitor and report on risk, holding the management team accountable for managing identified risks effectively.

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

- Implement the process and key components documented under the governance of risk-management policy and procedure.
- Identify risks using an objective-driven process to assess the impact that risks would have on achieving the Company's objectives by embedding risk management into all decision-making process.
- Ensure that significant business risks to which ADNOC Distribution is exposed are systematically identified, assessed and managed to acceptable levels based on risk tolerance and appetite levels as approved by the Board.
- Have a clearly defined responsibility structure.

> "By having an iterative risk management process as prescribed by ISO 31000:2018, we believe we are able to increase the probability of success while reducing the failure rate and uncertainties by taking into consideration the potential benefits and risk factors for the organization.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to leveraging our presence in the UAE and the communities in which we operate to benefit our people and society as a whole. We do this through our job creation and development initiatives, and through an extensive program of sponsorships, social initiatives and partnerships to advance community and environmental goals.

In 2019, our CSR outreach efforts reflected our desire to help a broad swath of Emirati society, including its most vulnerable. For example, we once again conducted a successful campaign that distributed food during fasting breaks to thousands of people during the holy month of Ramadan.

We organized and administered free health checks to hundreds of people at selected ADNOC Oasis fuel stations, and when necessary, referred them for treatment. And we sold thousands of reusable shopping bags through our sales outlets to help cut down on the use of disposable plastic bags.

As we move into a new decade, ADNOC Distribution will continue to listen, respond and collaborate with our customers and the communities we serve. As we grow as a company, we will never lose sight of our obligation to serve the people whose lives we touch every day.

Supporting social development

As the UAE's largest fuel supplier, we are proud of our contributions to social investment and community development programs. We are continually looking for new ways to make a positive impact on the lives of Emiratis and their communities.

2019 Initiatives

Bag 4 Life

We are committed to encouraging responsible use of the UAE's precious resources and protecting our pristine environment. In partnership with the Ministry of Climate Change and Environment, we sold thousands of reusable shopping bags at ADNOC stations in a new campaign to encourage people to cut down on disposable plastics. Customers responded to our 'Bag for Life' campaign and bought our reusable bags, which are made of 75% jute vegetable fiber and 25% cotton.

Have a Healthy Day

In another first, ADNOC Distribution provided free health screenings to more than 500 people at four ADNOC stations in Abu Dhabi and Al Dhafra. In coordination with VPS Healthcare, we conducted the public awareness campaign in Rabdan, Mahawi North, Madinat Zayed and Ghayathi. We placed a mobile health unit in each station for two days. We distributed 925 first-aid kits and 515 clients did health screenings.

The holy month of Ramadan

The spirit of kindness of Ramadan informs everything we do. Partnering with the Khalifa bin Zayed Al Nahyan Foundation, we allocated and distributed 6,340 LPG cylinders to more than 300 families across the UAE during Ramadan in 2019.

These cylinders were used to cook Iftar meals that were distributed by our employees and the general public to Ramadan tents in Abu Dhabi, Al Dhafra and Fujairah.

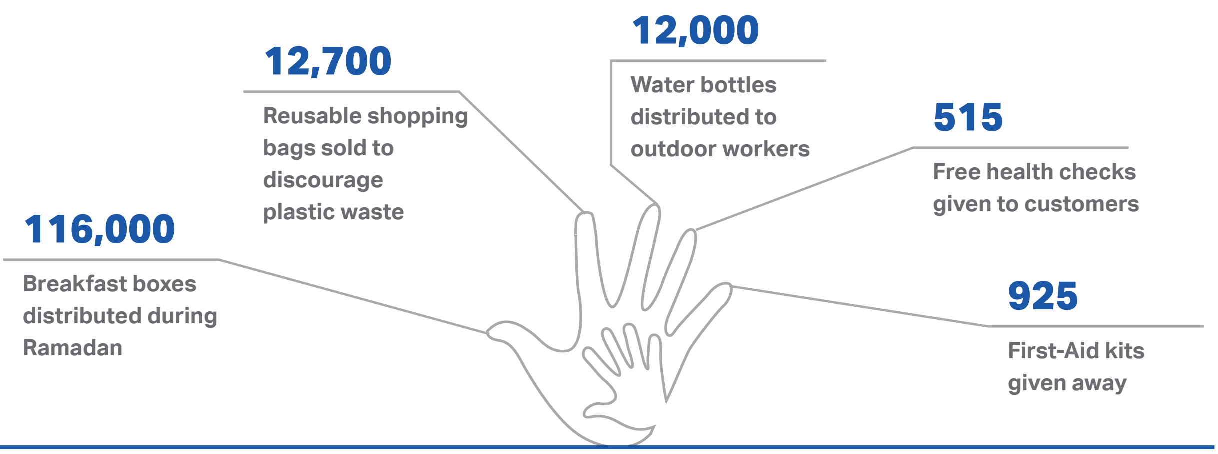
Preservation of Grace, a humanitarian initiative run by the Emirates Red Crescent to spread awareness about the virtues of grace and giving in society, allocated 116,000 Iftar boxes of water, dates, cookies and cleansing wipes from ADNOC Distribution service stations throughout the UAE.

Rahma Campaign

In this initiative, we assisted ADNOC LNG in distributing water bottles and juices in August to 12,000 people who worked outdoors in Abu Dhabi and Al Dhafra. This project was coordinated with the summer midday break period and timings, during which laborers, construction workers and other outdoor workers are prohibited from working in the hot sun.

Sponsorship

In 2019, we sponsored several initiatives in coordination with local entities such as the Pink Caravan campaign for early breast cancer detection, the Dubai Police White Points Program to encourage responsible driving behavior, the AD Desert Challenge Cross-Country Rally and to Ms. Alia Al Mansoori, the UAE teenager and resident NYU research fellow who aspires to be an astronaut.



HEALTH, SAFETY AND ENVIRONMENT

ADNOC Distribution aspires to be a leader in HSE. We plan to achieve this goal by developing the competencies of our people and enhancing their performance through adequate planning and periodic monitoring to address areas of improvement. We strongly believe that lowering incident rates is directly proportional to raising profitability as it reduces incident-related costs. All of these measures ultimately improve our efficiency.

In 2019, ADNOC Distribution maintained its superior HSE performance of previous years. We successfully achieved all KPIs in Loss Time Injuries (LTI), Total Recordable Injuries and Tier 1 and 2 process safety events, maintaining our record of excellence.

We take our social and community responsibilities very seriously. In facilitating access by police and other agencies to our service station resources, we contribute to the prevention of anti-social behavior and criminal activity, and ultimately to the safety and security of the nation.

We also consider the well-being of our staff to be a major priority. To avoid the chronic health effects of exposure to volatile organic compounds (VOCs), our service stations and terminals are equipped with vapor recovery units (VRUs). In addition, we perform ambient air monitoring at strategic locations on our premises.

Ensuring the availability of best-quality food items at our Oasis convenience stores, we initiated the sampling and lab analysis of edible stuffs.

We also accepted responsibilities imposed on us during acquisition of assets of other operators. Soil environmental conditions of all 68 service stations acquired from EMARAT in the Northern Emirates were comprehensively tested through Passive Soil Gas (PSG) surveys. These surveys provided information about regulatory compliance.

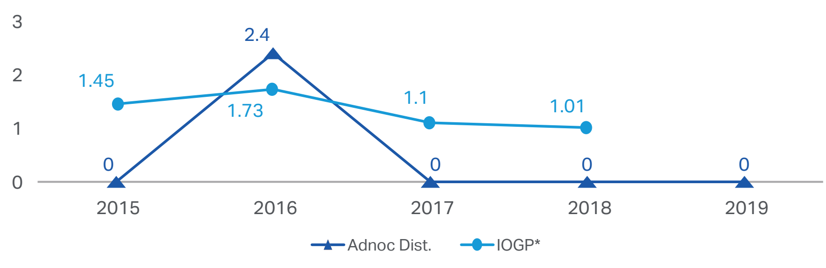
Improving HSE performance

ADNOC Distribution is continually improving its HSE performance by promoting initiatives around culture transformation, including leadership site visits, new HSE campaigns and increasing the frequency of HSE audits and inspections. Compared to regional and global industrial HSE performance, ADNOC is well ahead of its peers.

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

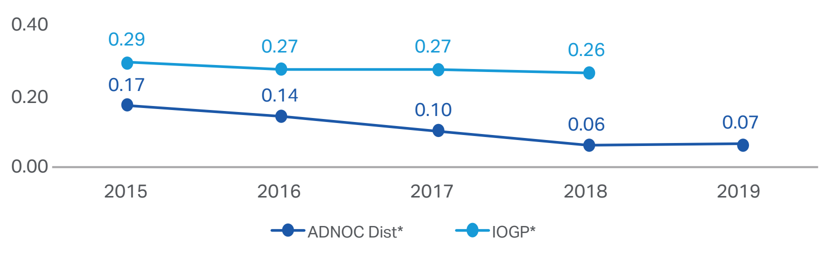
* International Association of Oil & Gas Producers

Fatal Accidents Rate (FAR)

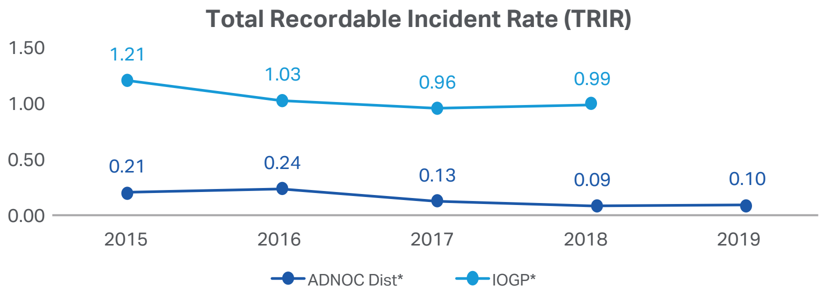


Loss Time Injury Frequency (LTIF): # of LTIs / Million Man Hours

Loss Time Injury Frequency (LTIF)

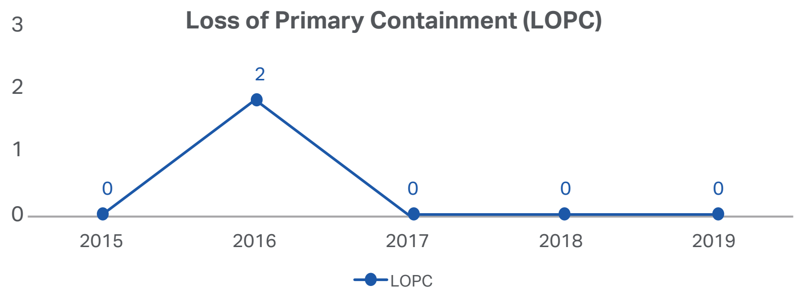


In all key indicators (Fatal Accident Frequency Rate, Lost Time Injury Frequency, and Total Recordable Incident Rate) ADNOC Distribution reported lower values than most competitors, a testimony to our success. We are proud of our performance. At the same time, there is no room for complacency. We remain committed to follow Life Saving Rules (LSRs) and achieve targets set in our HSE & Process Safety Assurance Programs for 2020. We also reduced at-large GHG emissions by converting public vehicles to CNG. We are currently operating 31 Service Stations with CNG fueling facility. In 2019, we fueled 40 Million Metric Standard Cubic Meters (MMSCM) of CNG to vehicles that reduces 35,332 tons of CO_2 emissions. Supplying Natural gas for domestic consumption in many areas by pipeline also eliminated the safety risks associated with bulk LPG storage and cylinder usage.



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

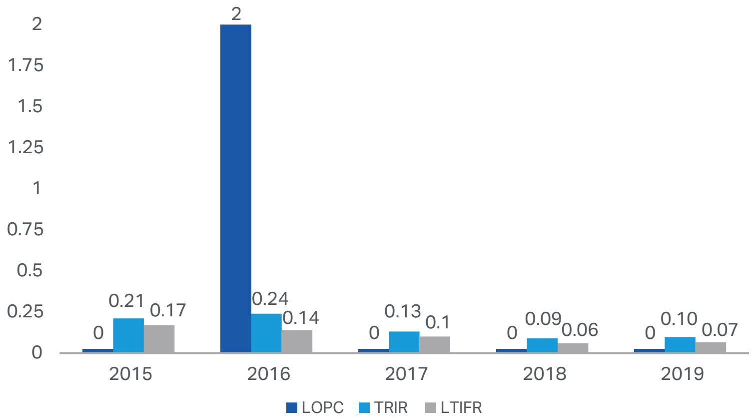
*Recordable incidents are a sum of Loss Time Incidents, Restricted Work Cases and Medical Treatment Cases.
Loss of Primary Containment: Number of Tier 1 and 2 process safety events.



HSE awareness

The year was notable for several proactive initiatives involving people and structures, systems and procedures, and equipment and technology, and for our growing use of social media channels to spread safety awareness messages to customers and staff. We also continued to regularly circulate HSE flyers addressing critical HSE issues.

Our awareness programs for staff and customers during 2019 included **Life Saving Rules** (LSRs) covering critical safety hazards and **Beat the Heat**, a campaign to manage the consequences of heat stress. Through a series of activities promoting these efforts, staff and customers were made aware of HSE measures to keep them and their surroundings safe while protecting assets and being responsible and HSE vigilant in everything they do. We also initiated a Bag for Life campaign for our customers. This initiative discouraged the consumption of single-use plastic bags in our convenience stores. Customers were made aware of the environmental problems caused by plastic bags, and a reusable fabric shopping bag was offered for sale as an alternative.



SUSTAINABILITY

ADNOC Distribution recognizes its responsibility to conduct business in a sustainable manner. We are aiming to achieve sustainable growth focusing on the economy, the environment and the community, which protects and improves quality of life for future generations.

Aligning with national policies

We review national sustainability initiatives and guidelines to identify the policies that will have an impact on our business. Some of the actions we have taken are:

UAE Vision 2021 and UAE Strategy for Green Development

Our initiatives include placing sustainability topics prominently on our corporate governance agenda, promoting products such as green diesel, expanding our natural gas vehicle (NGV) operations, installing electric vehicle chargers at selected stations, and installing solar power systems at some of our service stations.

Abu Dhabi Economic Vision 2030

We are fully supportive of the Abu Dhabi Economic Vision 2030 guidelines to support UAE leadership in achieving smart governments and smart cities.

One of the pillar of our Corporate Strategy is to achieve Customer & Digital leadership. In this context, we have undertaken a number of strategic initiatives to enhance the overall customer experience by deploying the latest digital innovations and unique personalized solutions to ensure the highest customer satisfaction.

This includes utilizing latest technological solutions such as ADNOC Distribution's new Mobile Application with features like ADNOC Wallet, Mobile Pay.

Our significant investment in new technologies improve the speed and convenience of the customer experience around refueling.

We offered a more seamless digital experience at the first of our next-generation ADNOC Oasis convenience stores, with new multiple payment points at the redesigned coffee station and bakery counter, in addition to a self-checkout point on exit where customers have the quick and easy option to "tap and go.

" We also introduced new digital technologies at 'ADNOC On the go' to improve customer experience such as integrated smart system for payments and drive-through ordering.

UAE Energy Strategy 2050

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

We are focusing on improving our own energy efficiency through a systematic approach to energy management.

Creating prosperity

We have contributed to our nation's economic goals as the UAE has enhanced its leading position in business and corporate innovation, and evolved into a global destination for a wide range of new businesses.

> We are fully supportive of the Abu Dhabi Economic Vision 2030 guidelines to support UAE leadership in achieving smart governments and smart cities.

Energy management

In 2019, ADNOC Distribution optimized energy consumption that reduced associated GHG emissions at large and enhanced profits by reducing energy consumption. We have a state of art Energy Management System in place that meets the requirements of ISO 50001:2011, which is verified each year through external verification. Last year, we reduced our energy consumption by 5% or reduction of approx. 9,000 ton of CO2 equivalent. Considering the volume of our business, this is a significant achievement.

Solar energy

We successfully commissioned six new service stations in Dubai with rooftop Photovoltaic cells. We will continue to install similar solar power systems in many of our service stations in the future.

Waste

We abide by regulatory requirements for the safe handling and disposal of waste generated by our operations. Last year, we generated 8,200 tons of non-hazardous waste, which was moved to landfill sites as per regulatory requirements.

We also send used paper for recycling through a specialized service provider. In 2019, we saved 1.6 tons of paper in this way.

Our recycling of paper also had a significant positive environmental impact, by eliminating the equivalent of 27 tons of CO2 from the environment.

We have also contracted with service providers to collect waste lube oil from our facilities for recycling, with some 4,150 tons of used lube collected and recycled.

Expired chemicals from lube and grease blending plants, spent catalyst from natural gas operations, and other categories of hazardous facilities were shifted to an ADNOC centralized hazardous waste management facility for treatment. In 2019, we shifted 10 tons of hazardous waste for treatment.

ADNOC Distribution also initiated a campaign to reduce the consumption of single-use plastic bags in its Oasis stores. The campaign boosted customer awareness to the problem and offered a reusable fabric shopping bag for sale as an alternative.

Water

Besides efficient energy and waste management, we turned our focus to water conservation in 2019. We have aerator water savers across all washrooms and mosque ablution

areas in our service stations and other premises. The grid spray pattern generated by this device has reduced per-wash water consumption by more than 80 percent. All car wash docks are equipped with water from the water treatment plant. We are using 80% of recycled water for car washing.

Sourcing our products responsibly

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

For year 2019, we successfully achieved 40 percent In-Country Value (percentage of procurement awarded to local suppliers). The ICV amount retained and circulated within the UAE economy was AED 595 Million. We will continue to identify opportunities to further increase spending on local suppliers and to enhance the ICV contribution.

IT security and data privacy

One of our primary business objectives is to ensure the protection and security of information systems and data assets. Our Information Technology division has been certified with ISO 27001:2013, the international benchmark for information security.

2019 was a remarkable year for IT Security as we embarked on numerous initiatives to improve our cyber security posture on business-critical operational services. We successfully executed a major cyber security transformation project that involved performing an in-depth cyber security assessment across our service stations, aviation sites and fueling depots. We also performed a cyber-security assessment in key Operational Technology industrial control systems and a new governance framework, known as a cyber-security management system, was introduced, establishing policies, procedures and processes to ensure critical OT infrastructure operations follow best practices.

In 2019, we significantly enhanced the cyber security posture of our smart services, by performing penetration testing and risk assessment, mainly on our mobile application and its supporting infrastructure, which provides on-the-go refueling services with credit top-up, smart tagging integration, a loyalty point reward system and ordering of LPG cylinders. These and other initiatives continue to provide a strong foundation in securing our digital assets.


ADNOC
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ADNOC

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors present their report together with the audited financial statements of Abu Dhabi National Oil Company for Distribution PJSC (the "Company") and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2019.

Board of directors

The Directors of the Company are:

Chairman	H. E. Dr. Sultan Ahmed Al Jaber
Members	Khaled Salmeen (appointed 5 February 2019)
	Abdulaziz Abdulla Alhajri
	Ahmed Jasim Al Zaabi (appointed 30 April 2019)
	Jassim Mohammed Alseddiqi
	Pedro Miró Roig
	David-Emmanuel Beau
	Abdulla Salem Al Dhaheri (resigned 5 February 2019)
	Matar Hamdan Al Ameri (resigned 30 April 2019)

Principal activities

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

Review of business

During the year, the Group reported revenue of AED 21,336,960 thousand (2018: AED 22,893,491 thousand). Profit for the year was AED 2,217,684 thousand (2018: AED 2,125,739 thousand).

The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2019	2,074,641
Total profit for the year	2,217,684
Dividend	(1,928,750)
Retained earnings at 31 December 2019	**2,363,575**

As authorized by the Shareholders at the General Assembly Meeting held 4 April 2019, the Board of Directors approved on 29 September 2019 a cash dividend of 9.55 fils per share to the shareholders in respect of the first half of 2019. The dividend comprised of AED 1,194 million and was paid on 3 October 2019.

The Board of Directors proposed a final cash dividend of 9.55 fils per share to the shareholders in respect of the second half of 2019.

for the Board of Directors

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

Abu Dhabi, UAE

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Abu Dhabi National Oil
Company for Distribution
PJSC Abu Dhabi, UAE.

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accuracy and completeness of its revenue recognised from retail sales and related IT systems	
The Group reported revenue of AED 14.2 billion from retail sales as at 31 December 2019. There is inherent risk around the accuracy of revenue recognised given the complexity of the systems and business products and services. Complex IT systems are used in processing large volume of data through a number of different systems and consequently we considered this to be a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 3 to the consolidated financial statements and details about the Group's revenue are disclosed in note 18 to the consolidated financial statements.	Our audit approach included a combination of test of controls and substantive procedures, in particular, the following: ■ Understanding the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; ■ Understanding the control environment and testing the general IT controls over the main systems and applications involved in the revenue recording process; ■ Evaluating the design and testing the operating effectiveness of automated controls in the IT environment in which the core network and related systems reside, covering pervasive IT risks around access security, change management, data center and network operations; ■ Assessing the Group's accounting policy for revenue against the requirements of IFRSs. Performing substantive analytical procedures over revenue by building expectations of sales on the basis of quantities sold, regulated prices and building expectation of gross margin based on prior periods comparable information; ■ Assessing the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.
Related party balances and transactions	
The Group has large volumes of transactions with related parties in the normal course of business. Related party balances and transactions are assessed as a key audit matter as the large volume of transactions increases the likelihood of error and the risk of misstatement. Furthermore, the Group entered into agreements with related parties that involved a degree of complexity affecting the reported balances and transactions with related parties. Refer to note 8 which contains details about the Group's related party transactions and balances.	Our audit procedures included the assessment of controls over transactions with related parties. We tested the design and operating effectiveness of relevant controls over the intergroup sales and purchase processes. This included testing controls over the accuracy and completeness of the transactions. We also obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of controls. In addition, we performed the following substantive audit procedures: ■ Determined if the related party balances and transactions existed or occurred, were accurate and complete; ■ Evaluated the business rationale of significant transactions including any non-routine transactions; ■ Analyzed relevant agreements and determined that transactions were recorded in accordance with the substance of the relevant agreements; ■ Obtained direct confirmations on the related party balances and/or performed alternate procedures; and ■ Determined that the disclosures in the financial statements relating to related parties were in accordance with IFRSs.

Key audit matter	How our audit addressed the key audit matter
Re-adoption of IFRS 1 and application of IFRS 16 "Leases"	
The Group adopted IFRS 16 Leases with effect from 1 January 2019, which resulted in changes to the accounting policies. The Group has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16. The impact of IFRS 16 is a change in the accounting policy for operating leases. The changes in accounting policy results in right-of-use assets and lease liabilities being recognized in the statement of financial position. The incremental borrowing rate ("IBR") method has been applied where the implicit rate in a lease is not readily determinable. The adoption of IFRS 16 has resulted in changes to processes, systems and controls. Because of the number of judgements which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter. The transitional impact of IFRS 16 has been disclosed in note 2 to the consolidated financial statements.	We obtained an understanding of the Group's adoption of IFRS 16 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard. We assessed the design and implementation of key controls pertaining to the application of IFRS 16. We assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our internal specialists. We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment. We considered the completeness of the lease data by testing the reconciliation of the Group's lease liability to operating lease commitments disclosed in the 2018 financial statements and by considering if we had knowledge of any other contracts which may contain a lease. We determined if the disclosures made in the financial statements pertaining to leases, including disclosures relating to the transition to IFRS 16, were in compliance with IFRSs.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we will read the Operational and Financial Highlights, Chairman's Message and CEO's Message if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company and UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2019;
- Note 8 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and
- As disclosed in note 1 to the consolidated financial statements, the Group made social contributions amounting to AED 1,227 thousand during the year ended 31 December 2019.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2019:

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

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
11 February 2020
Abu Dhabi
United Arab Emirates

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

as at 31 December 2019

	Notes	31 December 2019 AED'000 (audited)	31 December 2018 AED'000 (audited)	1 January 2018 AED'000 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**5,481,252**	5,541,653	5,313,897
Right-of-use assets	9	**152,751**	87,061	88,615
Advances to contractors		**113,843**	88,832	100,558
Other non-current assets	14	**7,931**	10,693	13,462
Total non-current assets		**5,755,777**	**5,728,239**	**5,516,532**
Current assets				
Inventories	6	**915,122**	1,173,854	1,344,014
Trade receivables and other current assets	7	**3,039,712**	2,249,668	2,283,326
Due from related parties	8	**569,713**	996,859	361,634
Cash and bank balances	10	**4,746,029**	5,472,959	2,785,452
		9,270,576	9,893,340	6,774,426
Assets classified as held for sale		**-**	**-**	**74,819**
Total current assets		**9,270,576**	**9,893,340**	**6,849,245**
Total assets		**15,026,353**	**15,621,579**	**12,365,777**
EQUITY AND LIABILITIES				
Equity				
Share capital	11	**1,000,000**	1,000,000	1,000,000
Statutory reserve	12	**500,000**	500,000	500,000
Hedge reserve		**(114,525)**	-	-
Retained earnings		**2,363,575**	2,074,641	1,418,902
Total equity		**3,749,050**	**3,574,641**	**2,918,902**
Non-current liabilities				
Lease liabilities	13	**149,202**	84,357	87,672
Long term debt	14	**5,489,540**	5,484,400	5,479,201
Derivative financial instruments	17	**80,869**	-	-
Provision for employees' end of service benefit	15	**206,057**	212,427	223,937
Total non-current liabilities		**5,925,668**	**5,781,184**	**5,790,810**
Current liabilities				
Lease liabilities	13	**5,013**	7,901	1,695
Trade and other payables	16	**1,705,391**	1,949,036	1,158,821
Due to related parties	8	**3,602,677**	4,308,817	2,495,549
Derivative financial instruments	17	**38,554**	-	-
Total current liabilities		**5,351,635**	**6,265,754**	**3,656,065**
Total liabilities		**11,277,303**	**12,046,938**	**9,446,875**
Total equity and liabilities		**15,026,353**	**15,621,579**	**12,365,777**

Dr. Sultan Ahmed Al Jaber

Petri Pentti
Chief Financial Officer

Ahmed Al Shamsi
Acting Chief Executive Officer

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

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

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Revenue	**18**	**21,336,960**	**22,893,491**
Direct costs	19	**(16,358,645)**	(17,824,106)
Gross profit		**4,978,315**	**5,069,385**
Distribution and administrative expenses	20	**(2,766,464)**	(3,025,482)
Other income	21	**155,661**	237,732
Impairment losses and other operating expenses	22	**(66,445)**	(36,695)
Operating profit		**2,301,067**	**2,244,940**
Interest income		**121,453**	64,451
Finance costs	24	**(204,836)**	(183,652)
Profit for the year		**2,217,684**	**2,125,739**
Other comprehensive income		**(114,525)**	-
Total comprehensive income for the year		**2,103,159**	**2,125,739**
Earnings per share:			
Basic and diluted (AED)	25	**0.177**	0.170

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

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2018	1,000,000	500,000	-	1,418,902	2,918,902
Total comprehensive income for the period	-	-	-	2,125,739	2,125,739
Dividend declared and paid	-	-	-	(1,470,000)	(1,470,000)
Balance as at 31 December 2018	1,000,000	500,000	-	2,074,641	3,574,641
Net profit for the period	-	-	-	2,217,684	2,217,684
Other comprehensive income for the period	-	-	(114,525)	-	(114,525)
Dividends declared and paid (note 26)	-	-	-	(1,928,750)	(1,928,750)
Balance at 31 December 2019	**1,000,000**	**500,000**	**(114,525)**	**2,363,575**	**3,749,050**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Cash flows from operating activities		
Profit for the year	**2,217,684**	2,125,739
Adjustments for:		
Depreciation of property, plant and equipment	**533,199**	532,060
Depreciation of right-of-use assets	**4,525**	2,722
Recoveries on receivables	**(49,971)**	(85,424)
Impairment losses on receivables	**18,427**	11,150
Employees' end of service benefit charge	**23,172**	24,759
Loss/(gain) on disposal of property, plant and equipment	**28**	(7,488)
(Reversal)/write down of finished goods to net realisable value	**(104,541)**	104,541
Reversal for slow moving and obsolete inventories	**-**	(3,699)
Impairment of property, plant and equipment	**46,853**	-
Inventories written off	**746**	5,583
Finance costs	**204,836**	183,652
Interest income	**(121,453)**	(64,451)
Operating cash flows before movements in working capital	**2,773,505**	**2,829,144**
Decrease in inventories	**362,527**	63,735
(Increase)/decrease in trade receivables and other current assets	**(758,949)**	117,390
Decrease/(increase) in due from related parties	**427,022**	(520,999)
(Decrease)/increase in trade and other payables	**(323,662)**	646,495
(Decrease)/increase in due to related parties	**(706,140)**	1,813,268
Cash generated from operating activities	**1,774,303**	**4,949,033**
Payment of employees' end of service benefit	**(29,418)**	(31,978)
Net cash generated from operating activities	**1,744,885**	**4,917,055**
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(381,265)**	(646,663)
Payments for advances to contractors	**(81,590)**	(28,266)
Proceeds from disposal of property, plant and equipment	**357**	20,487
Increase in term deposit with maturity more than three months	**(2,000,000)**	-
Interest received	**121,900**	49,372
Net cash used in investing activities	**(2,340,598)**	**(605,070)**
Cash flows from financing activities		
Finance cost paid	**(187,507)**	(151,338)
Payment of lease liabilities	**(14,960)**	(3,140)
Dividend paid	**(1,928,750)**	(1,470,000)
Net cash used in financing activities	**(2,131,217)**	**(1,624,478)**
Net (decrease)/ increase in cash and cash equivalents	**(2,726,930)**	**2,687,507**
Cash and cash equivalents at beginning of the year	**5,342,959**	2,655,452
Cash and cash equivalents at end of the year (note 10)	**2,616,029**	**5,342,959**
Non cash transaction		
Accruals for property, plant and equipment	**414,707**	332,515
Advances to contractors transferred to property, plant and equipment	**56,579**	37,282
Transfer of property, plant and equipment (from)/to assets classified as held for sale	**-**	(74,819)
Transfer of property, plant and equipment (to)/from a related party	**-**	(39,992)
Transfer of city gas assets to a related party	**-**	90,830

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. General information

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

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

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

The Group's registered head office is at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company's shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its Subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the "Group") are the marketing of petroleum products, natural gas and ancillary products.

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

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

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

The Group was a wholly owned subsidiary of ADNOC which is wholly owned by the Government of Abu Dhabi (the "Ultimate Shareholder"), and is registered in Abu Dhabi, United Arab Emirates.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2019.

The Group made social contributions amounting to AED 1,227 thousand during the year ended 31 December 2019 (2018: AED 1,955 thousand).

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1. Application of IFRS beginning 1 January 2018

The Group previously applied IFRS through the year ended 31 December 2016. Such financial statements were only provided to its Parent and were not publically available. In connection with its initial public offering ("IPO") in November 2017 as described in Note 1, the Group prepared carve-out financial statements for the years ended 31 December 2016 and 2015. These carve-out financial statements were prepared in accordance with IFRS except for the exclusion of the Group's aviation business, which remained with the Parent after the IPO. Accordingly, the carve-out financial statements for the years ended 31 December 2016 and 2015 did not include an explicit and unreserved statement of compliance with IFRS.

The comparative information included in the financial statements for the year ended 31 December 2017 was extracted from the carve-out financial statements prepared for the IPO and accordingly the financial statements for the year ended 31 December 2017 also did not include an explicit and unreserved statement of compliance with IFRS.

As explained in Note 3, the Group has prepared the consolidated financial statements in accordance with IFRS for the year ended 31 December 2019. These consolidated financial statements includes an explicit and unreserved statement of compliance with IFRS. As such, the Group re-applied IFRS 1 'First time adoption of International Financial Reporting Standards' with a date of transition of 1 January 2018. With the exception of the opening balance sheet adjustments related to lease accounting described in Note 3, there is no impact on the previously reported balances on account of the transition to IFRS, and all other accounting policies remain unchanged from those set out in the Group's annual financial statements for the year ended 31 December 2018.

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	1 January 2019
The Annual Improvements include amendments to four Standards.	1 January 2019
IAS 12 Income Taxes The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1 January 2019

New and revised IFRSs	Effective for annual periods beginning on or after
IAS 23 Borrowing costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRS 3 Business Combinations The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 Joint Arrangements The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1 January 2019
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: ■ Whether tax treatments should be considered collectively; ■ Assumptions for taxation authorities' examinations; ■ The determination of taxable profit (tax loss), tax bases, unused tax ■ losses, unused tax credits and tax rates; and ■ The effect of changes in facts and circumstances.	1 January 2019

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	1 January 2020
Definition of a Business – Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at 1 January 2022.	1 January 2022
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

3. Summary of significant accounting policies

Statement of compliance

The consolidated financial statements for the year ended 31 December 2019 been prepared in accordance with International Financial Reporting Standards (IFRS).

Transition to IFRS

When the Group adopted IFRS beginning 1 January 2018, it also adopted IFRS 16 'Leases,' which replaced the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group's statement of financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortised over the useful life. They are subsequently measured at cost less accumulated depreciation and impairment loss. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

The Group has applied IFRS 16 as of its IFRS transition date, recording an opening balance sheet adjustment. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the discount rate at the time of first time application. The off-balance sheet lease obligations as at 1 January 2018 are reconciled as follows to the recognised lease liabilities as at 31 December 2018.

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the prior year.

	2018 AED'000
Impact on profit for the year	
Increase in depreciation expenses	2,722
Increase in finance costs	5,162
Decrease in rental expenses	(5,470)
Decrease in profit for the year	**2,414**

Impact on assets, liabilities and equity as at 1 January 2018	As previously reported AED '000	Opening balance sheet adjustments AED '000	Opening IFRS balance AED '000
Right-of-use assets (1), (2)	-	88,615	88,615
Trade and other receivables	2,293,120	(9,794)	2,283,326
Net impact on total assets	2,293,120	78,821	2,371,941
Lease liabilities (1), (3)	-	89,367	89,367
Net impact on total liabilities	-	89,367	89,367
Retained earnings	**1,429,448**	**(10,546)**	**1,418,902**
Impact on assets, liabilities and equity as at 31 December 2018	**As previously reported AED '000**	**Opening balance sheet adjustment AED '000**	**IFRS balance AED '000**
Right-of-use assets (1), (2)	**-**	**87,061**	**87,061**
Trade and other receivables	**2,257,431**	**(7,763)**	**2,249,668**
Net impact on total assets	**2,257,431**	**79,298**	**2,336,729**
Lease liabilities (1), (3)	**-**	**92,258**	**92,258**
Net impact on total liabilities	**-**	**92,258**	**92,258**
Retained earnings	**2,087,601**	**(12,960)**	**2,074,641**

Group as a lessee

(1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in 'rental expenses' and an increase in depreciation and finance cost.

(2) Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-to-use assets. There has been no change in the amount recognised.

(3) Lease liability on leases previously classified as finance leases under IAS 17 and previously presented within obligations under finance leases is now presented in the line "lease liabilities". There has been no change in the liability recognised.

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group. Under IFRS 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 17 (the Group has opted to include interest paid as part of financing activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has decreased by AED 3,140 thousand and net cash used in financing activities decreased by the same amount.

Other right-of use assets were measured at the amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The additions during the period for right-of-use assets amount to AED 70,215 thousand (31 December 2018: AED 1,168 thousand).

The Group's leasing activities and how these are accounted for:

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

Previously, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

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

First time adopter exemptions

In applying IFRS for the first time, the Group used the following exemptions permitted by IFRS 1:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Basis of preparation

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

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

The principal accounting policies adopted are set out below:

Basis of consolidation

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

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

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

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

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest 2019	Ownership interest 2018	Country of incorporation	Principal activities
ADNOC Distribution Global Company L.L.C.	100%	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

Property, plant and equipment

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

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

The carrying amounts of replaced parts are derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

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

	2019
Buildings	5 – 25 years
Plant and machinery	5 – 30 years
Motor vehicles	4 – 10 years
Furniture, fixtures and equipment	5 years
Pipelines	15 – 20 years

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

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

Capital work-in-progress

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

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

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

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Financial instruments

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

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

Financial assets

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

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

The Group has the following financial assets as at 31 December 2019: 'cash and cash equivalents', term deposits, trade receivables and other current assets (excluding prepaid expenses) and due from related parties.

Amortised cost

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

Impairment of financial assets

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

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

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

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

Revenue

Application of IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, and principal versus agent considerations, as well as licensing application guidance.

There is no material impact on Group's revenue recognition due to application of IFRS 15.

The Group is in the business of marketing of petroleum products, natural gas and ancillary products as described in note 1 of the consolidated financial statements. The goods are generally sold on their own in separately identified contracts with customers.

Sales of goods
Sale of goods and petroleum products are recognised when the control of the products or services are transferred to the customers, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been received by the customer. The Group has concluded that revenue from sale of goods should be recognised at the point in time on delivery of the goods. Therefore, the adoption of IFRS 15 did not have any significant impact on the timing of revenue recognition and the amount of revenue to be recognised.

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

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

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

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

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

Sale of coupons- Flex income
A contract liability for the coupons is recognised at the time of sale of coupons. Revenue is recognised when the coupons are redeemed, management estimates the probability of the redemption or when they expire after 1 month of the sale.

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

Foreign currencies

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

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

Employees' benefit

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

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

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

Provisions

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

Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

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

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

Hedge accounting

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

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

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

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

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time

value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation.

Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash flow hedges

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

4. Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgments

Dismantling cost of property, plant and equipment

In accordance with IAS 16, the cost of property, plant and equipment shall include an initial estimate of the costs of dismantling and removing the item and restoring the site.

Management have considered the requirements and determined that dismantling and removing the item and restoring the site in the future is not probable and estimate of costs is not significant.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Estimates of future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Key sources of estimation uncertainty

Calculation of loss allowance

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

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2019, the Group's allowance for expected credit losses of trade receivables amounted to AED 9,154 thousand (2018: AED 40,698 thousand).

Estimated useful lives and residual values of property, plant and equipment
Management reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16 Property, Plant and Equipment. Management determined that current year expectations do not differ from previous estimates based on its review.

Impairment of property, plant and equipment
Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment.

Cash flows are determined based on contractual agreements and estimations over the estimated useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment.

Variable lease payments
Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied.

Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Discounting of lease payments
The lease payments are discounted using the interest rate implicit in the lease (IRTL). For the leases where the Group is unable to determine the IRTL, the lease's incremental borrowing rate is used. Management has applied judgments and estimates to determine the discount rate at the commencement of lease.

Derivative financial instruments
The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participant

5. Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
1 January 2018	4,407,508	1,933,136	262,286	683,096	50,368	1,056,723	8,393,117
Additions	-	-	-	-	-	811,190	811,190
Transfers	655,521	237,410	5,046	54,148	27,430	(979,555)	-
Disposals	(10,041)	(13,474)	(62,283)	(8,388)	-	-	(94,186)
Transfer to a related party	(3,048)	(178)	-	(584)	-	(38,453)	(42,263)
1 January 2019	**5,049,940**	**2,156,894**	**205,049**	**728,272**	**77,798**	**849,905**	**9,067,858**
Additions	**-**	**-**	**-**	**-**	**-**	**520,036**	**520,036**
Transfers	**128,111**	**53,868**	**7,472**	**133,935**	**1,102**	**(324,488)**	**-**
Disposals	**-**	**(347)**	**(14,741)**	**(952)**	**-**	**-**	**(16,040)**
Impairment	**-**	**-**	**-**	**-**	**-**	**(46,853)**	**(46,853)**
31 December 2019	**5,178,051**	**2,210,415**	**197,780**	**861,255**	**78,900**	**998,600**	**9,525,001**

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Accumulated depreciation							
1 January 2018	1,522,416	932,640	197,607	396,884	29,673	-	3,079,220
Charge for the year	235,774	176,269	19,802	97,205	3,010	-	532,060
Disposals	(6,274)	(13,446)	(54,833)	(6,635)	-	-	(81,188)
Reclassifications	(6)	(5)	-	11	-	-	-
Transfer to a related party	(2,834)	(147)	(25)	(783)	(98)	-	(3,887)
1 January 2019	**1,749,076**	**1,095,311**	**162,551**	**486,682**	**32,585**	**-**	**3,526,205**
Charge for the year	**243,356**	**166,629**	**14,213**	**105,644**	**3,357**	**-**	**533,199**
Disposals	**-**	**(264)**	**(14,469)**	**(922)**	**-**	**-**	**(15,655)**
Reclassifications	**35**	**(259)**	**46**	**165**	**13**	**-**	**-**
31 December 2019	**1,992,467**	**1,261,417**	**162,341**	**591,569**	**35,955**	**-**	**4,043,749**
Carrying amount 31 December 2019	**3,185,584**	**948,998**	**35,439**	**269,686**	**42,945**	**998,600**	**5,481,252**
31 December 2018	**3,300,864**	**1,061,583**	**42,498**	**241,590**	**45,213**	**849,905**	**5,541,653**

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

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

The depreciation charge has been allocated as follows:

	2019 AED'000	2018 AED'000
Distribution and administrative expenses (note 20)	**529,687**	501,321
Direct cost (note 19)	**3,267**	3,444
Work-in-progress inventories (note 6)	**245**	27,295
	533,199	532,060

6. Inventories

	2019 AED'000	2018 AED'000
Finished goods	**802,743**	1,182,056
Spare parts and consumables	**48,107**	44,772
Lubricants raw materials, consumables and work in progress	**37,026**	30,649
LPG cylinders	**42,692**	36,364
	930,568	1,293,841
Less: Allowance for write down of finished goods to net realisable value	**(234)**	(104,775)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(15,212)**	(15,212)
	(15,446)	(119,987)
	915,122	1,173,854

The cost of inventories recognised as expense and included in 'direct cost' amounted to AED 16,340,065 thousand (2018: AED 17,796,743 thousand) (note 19). During the year, a direct write off of inventory was recognised as expense amounting to AED 746 thousand (2018: AED 5,583 thousand) (note 22).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 245 thousand (2018: AED 27,295 thousand) (note 5).

The Ministry of Energy regulates prevailing Gasoline and Gasoil selling prices for all retail distribution companies on a monthly basis. The allowance for write down of finished goods to net realisable value established at 31 December 2018 was utilised subsequently.

The Group is carrying finished goods of AED 76.6 million (2018: nil) on behalf of a customer as at 31 December 2019.

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

	2019 AED'000	2018 AED'000
At 1 January	**119,987**	19,145
(Reversal)/write down to net realisable value	**(104,541)**	104,541
(Reversal)/impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 22)	**-**	(3,699)
At 31 December	**15,446**	119,987

7. Trade receivables and other current assets

	2019 AED'000	2018 AED'000
Trade receivables	**2,821,346**	2,021,689
Less: expected credit loss allowance	**(9,154)**	(40,698)
	2,812,192	1,980,991
Prepaid expenses	**17,007**	19,080
Receivable from employees	**109,590**	111,930
VAT receivables	**3,950**	412
Other receivables	**96,973**	137,255
	3,039,712	2,249,668

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

As at 31 December 2019, the Group had significant concentration of credit risk with two customers (2018: two) accounting for 61% (2018: 65%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

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

Trade receivables –days past due as on 31 December 2019

	Up to 60 days AED '000	61-90 days AED '000	90-365 days AED '000	Over one year AED '000	Total AED '000
Expected credit loss rate	**0-1%**	**0-1%**	**0-1%**	**0-1%**	
Estimated total gross carrying amount	**1,336,471**	**105,044**	**768,046**	**611,785**	**2,821,346**
Lifetime Expected credit loss	**(5,263)**	**(373)**	**(2,108)**	**(1,410)**	**(9,154)**

Trade receivables –days past due as on 31 December 2018

	Up to 60 days AED '000	61-90 days AED '000	90-365 days AED '000	Over one year AED '000	Total AED '000
Expected credit loss rate	0-1%	0-1%	0-1%	0-1%	
Estimated total gross carrying amount	1,340,613	120,752	391,404	168,920	2,021,689
Lifetime Expected credit loss	(9,920)	(718)	(3,077)	(26,983)	(40,698)

Movement in the allowance for impairment of trade receivables is as follows:

	Collectively Assessed AED'000	Individually Assessed AED'000	Total AED'000
Adjusted at 1 January 2018	**12,420**	**106,614**	**119,034**
Recovery made during the year	**(8,558)**	**(76,866)**	**(85,424)**
Amounts written off	**-**	**(4,062)**	**(4,062)**
Charge for the year (note 22)	**11,150**	**-**	**11,150**
Balances at 31 December 2018	**15,012**	**25,686**	**40,698**
Recovery made during the year	**(24,285)**	**(25,686)**	**(49,971)**
Amounts written off	**-**	**-**	**-**
Charge for the year (note 22)	**18,427**	**-**	**18,427**
Balances at 31 December 2019	**9,154**	**-**	**9,154**

Amounts charged to the allowance for expected credit loss of trade receivables are generally written off when there is no realistic expectation of recovery. The carrying amounts of the Group's trade receivables are denominated in UAE Dirham and US Dollars and approximate to their fair value as at 31 December 2019. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

8. Related party balances and transactions

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

	2019 AED'000	2018 AED'000
Due from related parties		
Abu Dhabi National Oil Company (ADNOC)	**359,515**	597,176
ADNOC Logistics and Services	**70,048**	195,365
ADNOC Drilling	**59,782**	70,385
ADNOC Onshore	**22,365**	53,297
ADNOC Gas Processing	**21,134**	19,241
ADNOC Offshore	**20,077**	35,120
ADNOC Sour Gas	**2,745**	10,102
Others	**14,047**	16,173
	569,713	996,859
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**3,575,576**	4,279,215
ADNOC Refining	**16,851**	15,424
ADNOC Logistics and Services	**10,250**	14,178
	3,602,677	4,308,817

The amounts due from related parties are against the provision of petroleum products and services. These balances are not secured, bear no interest and have an average credit period of 30-60 days.

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

The Group has an amount of AED 4,722,758 thousand (2018: AED 4,991,992 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2019, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 5,276,563 thousand (2018: 5,276,563 thousand).

	2019 AED'000	**2018 AED'000**
Revenue - ADNOC group	**1,055,564**	1,341,437
Purchases – ADNOC	**15,322,254**	16,483,092
Administrative expenses – ADNOC	**-**	42,151
Vessel hire and port charges – ADNOC group	**69,970**	83,100
Transfer of property, plant and equipment (to)/from related party	**-**	(38,736)
Dividend paid (note 26)	**(1,928,750)**	(1,323,000)
Rendering of service (note 18)	**273,488**	299,928
Transfer of city gas assets - ADNOC Group	**-**	(90,830)
Recovery of expenses incurred related to City Gas	**57,456**	30,749
	2019	2018
	AED'000	AED'000
End of service benefits transferred	**124**	4,291

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

	2019 AED'000	**2018 AED'000**
Short term benefits	**33,830**	25,550
Pension contribution	**1,280**	1,240
	35,110	26,790

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

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

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

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

In November 2017, the Group entered into an agreement with the Parent Company relating to its supply of Butane, Propane and Mixed Liquefied Petroleum Gas ("LPG") which specifies the pricing mechanism for those products effective 1 October 2017. As per the new arrangement for LPG cylinders, the Parent Company will charge the Group the regulated price with a deduction for Cylinder OPEX as defined in the agreement and an agreed margin whereas historically the Group paid the Parent Company's official selling prices. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement. This reimbursement will be recorded as reduction from the purchase price of the LPG cylinders.

In November 2017, the Group entered into an agreement with the Parent Company for supply of refined petroleum products. As per this arrangement, the contract price effective 1 October 2017 applicable to gasoline and diesel shall be equal to the sum of (a) the mean of Platt's Average as defined in the agreement, plus (b) a fixed premium. For illuminating kerosene and aviation fuel, the contract price shall be the Parent Company's official selling prices. In 2019, the group renegotiated the agreement with the parent company for a further reduction of the retail fuel supply cost. The renegotiated agreement is effective until 31 December 2022.

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

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

In 2018, the Group adjusted the purchase price of certain products supplied by ADNOC due to market conditions with effect from 1 January 2018. During the period, the Group has made further adjustments to the pricing of these products effective for the periods from 1 July 2018. These adjustments have been reflected in inventory and direct costs.

9. Right-of-use assets

Group as a Lessee

The Group leases leasehold properties. The average lease term is 15-40 years (2018: 40 years).

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

	2019 AED'000	2018 AED'000
At 1 January	**87,061**	88,615
Additions	**70,215**	1,168
Depreciation charge during the year	**(4,525)**	(2,722)
31 December 2019	**152,751**	87,061

Amounts recognised in profit and loss:

	2019 AED'000	2018 AED'000
Depreciation expense on right-of-use as-sets	**4,525**	2,722
Interest expense on lease liabilities	**6,702**	5,164

The total cash outflow for leases amount to AED 14.96 million (2018: AED 3.14 million).

10. Cash and cash equivalents

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

	2019 AED'000	2018 AED'000
Cash held by ADNOC	**17,282**	346,730
Cash on hand and in bank	**4,728,747**	5,126,229
Cash and bank balances	**4,746,029**	5,472,959
Term deposit with maturities above 3 months	**(2,130,000)**	(130,000)
	2,616,029	5,342,959

Cash held by ADNOC are funds held by ADNOC on behalf of the Group and are available on demand. These funds as approved by both parties are non-interest bearing.

Cash and bank balances include short-term and call deposits amounting to AED 2,593 million (2018: AED 4,991 million) carrying rate ranging from .02% to 3.20% (2018: 0.02% to 3%) per annum.

11. Share capital

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

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

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

By virtue of the decision of the Supreme Petroleum Council dated 9 July 2006, the share capital of the Company was increased to AED 1,000 million.

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

	2019 AED'000	2018 AED'000
Authorised:		
25,000,000,000 ordinary shares of AED .08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED .08 each	**1,000,000**	1,000,000

12. Legal reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% (2018: 50%) of the paid up share capital.

13.Lease liabilities

	2019 AED'000	2018 AED'000
Balance as at 1 January	**92,258**	**89,367**
Additions	**70,215**	867
Accretion of interest	**6,702**	5,164
Payments	**(14,960)**	(3,140)
Balance as at 31 December	**154,215**	**92,258**
Current	**5,013**	7,901
Non-current	**149,202**	84,357
	154,215	92,258

	31 December 2019 AED'000	31 December 2018 AED'000
Maturity analysis	**AED '000**	AED'000
Not later than 1 year	**5,013**	7,901
Later than 1 year and not later than 5 years	**19,844**	8,008
Later than 5 years	**129,358**	76,349
	154,215	92,258

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

14. Long term debt

	2019 AED'000	2018 AED'000
Term loan	**5,489,540**	5,484,400

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

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 7,931 thousand as at 31 December 2019 (2018: 10,693) is presented as other non-current asset in the financial statements.

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

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

	2019 AED'000	2018 AED'000
At 1 January	**5,484,400**	5,479,201
Other charges (i)	**5,140**	5,199
	5,489,540	5,484,400

(i) Other charges include amortisation of transaction costs of the term loan.

15. Provision for employees' end of service benefit

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

	2019 AED'000	2018 AED'000
At 1 January	**212,427**	223,937
Charge for the year (note 23)	**23,172**	24,759
Transfer to a related party (note 8)	**(124)**	(4,291)
Payments	**(29,418)**	(31,978)
At 31 December	**206,057**	**212,427**

16. Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	**542,219**	591,824
Operating accruals	**208,329**	397,447
Capital accruals	**414,707**	332,515
Vat payable	**242,615**	249,600
Coupon and prepaid card sales outstanding	**108,090**	97,578
Contract retentions payable	**59,357**	71,044
Advances from customers	**33,016**	48,895
Other payables	**97,058**	160,133
	1,705,391	1,949,036

17. Derivative financial instruments

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

As at 31st December 2019, the fair value of the derivative financial instrument was as follows:

	31 December 2019 AED'000
Current liabilities	**38,554**
Non – current liabilities	**80,869**
	119,423

18. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 28):

	2019 AED'000	2018 AED'000
Corporate	**4,739,079**	4,733,114
Retail	**14,296,554**	15,703,503
Aviation	**2,060,633**	2,193,846
Others	**240,694**	263,028
	21,336,960	22,893,491

Management expects that AED 5,345 thousand (2018: AED 1,573 thousand) is the remaining performance obligations as of the year ended 2019, which will be recognised as revenue during the next reporting period.

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

The cost of the Division's related handling operations plus the additional margin amounting to AED 273,488 thousand (2018: AED 299,928 thousand) is recognised as revenue in the consolidated financial statements (note 8).

19. Direct costs

	2019 AED'000	2018 AED'000
Materials (note 6)	**16,340,065**	17,796,743
Staff costs (note 23)	**11,172**	11,642
Overheads	**4,141**	12,277
Depreciation (note 5)	**3,267**	3,444
	16,358,645	17,824,106

20. Distribution and administrative expenses

	2019 AED'000	2018 AED'000
Staff costs (note 23)	**1,603,443**	1,834,171
Depreciation (note 5)	**534,211**	501,321
Repairs, maintenance and consumables	**144,004**	131,701
Distribution and marketing expenses	**88,358**	127,809
Utilities	**82,762**	81,596
Insurance	**11,897**	9,455
Others	**301,789**	339,429
	2,766,464	3,025,482

21. Other income

	2019 AED'000	2018 AED'000
(Loss)/gain on disposal of property, plant and equipment	**(28)**	7,488
Miscellaneous income	**155,689**	230,244
	155,661	237,732

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

22. Impairment losses and other operating expenses

	2019 AED'000	2018 AED'000
Impairment of capital work in progress (note 5)	**46,853**	-
Expected credit loss of trade receivables (note 7)	**18,427**	11,150
Inventories written off (note 6)	**746**	5,583
Others	**419**	19,962
	66,445	36,695

23. Staff costs

	2019 AED'000	2018 AED'000
Salaries and allowances	**1,441,435**	1,638,278
Other benefits	**169,601**	233,473
Employees' end of service benefit (note 15)	**23,172**	24,759
	1,634,208	1,896,510
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 20)	**1,603,443**	1,834,171
Capital work-in-progress	**19,593**	50,697
Direct costs (note 19)	**11,172**	11,642
	1,634,208	1,896,510

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

24. Finance costs

	2019 AED'000	2018 AED'000
Finance charges on bank facilities	**198,134**	178,490
Interest expense on lease liabilities	**6,702**	5,162
	204,836	183,652

25. Basic and diluted earnings per share

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

	2019	2018
Profit attributable to owners of the Company (AED '000)	**2,217,684**	2,125,739
Weighted average number of shares for the purpose of basic earnings per share('000) (note 11)	**12,500,000**	12,500,000
Earnings per share (AED)	**0.177**	0.170

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

26. Dividend

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the

fiscal year ended 31 December 2017. The dividend comprised of AED 735 million, which was approved at the Annual General Meeting, held on 8 April 2018 and paid on 11 April 2018.

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the

first half of 2018. The dividend comprised of AED 735 million which was approved at the General Assembly Meeting held on 14 October 2018 and paid on 20 October 2018.

The Board of Directors proposed a final dividend of 5.88 fils per share to the shareholders in respect of the year ended 31 December 2018. The dividend comprised of AED 735 million, which was approved at the Annual General Meeting, held on 4 April 2019 and paid on 9 April 2019.

As authorized by the Shareholders at the General Assembly Meeting held 4 April 2019, the Board of Directors approved on 29 September 2019 a cash dividend of 9.55 fils per share to the shareholders in respect of the first half of 2019. The dividend comprised of AED 1,194 million and was paid on 3 October 2019.

The Board of Directors proposed a final cash dividend of 9.55 fils per share to the shareholders in respect of the second half of 2019.

27. Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 314.9 million (2018: AED 113.9 million).

28. Segment reporting

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

For operating purposes, The Group is organised into four major business segments:

(i.) Corporate segment, which involves sale of petroleum products and ancillary products.

(ii.) Retail segments, which involves sale of petroleum products through service stations services and convenience stores catering the consumers.

(iii.) Government aviation segment, engages in the provision of fuel and fuelling services to strategic customers as well as fuelling services to the Parent Company's aviation customers.

(iv.) Operating segments Allied Services and Natural Gas have been aggregated as 'Other' reportable segment of the Group. Allied services involves property management and vehicle inspection services.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at the rates determined by management taking into consideration the cost of funds.

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given.

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

Information regarding these segments are as follows:

	Corporate AED'000	Retail AED'000	Aviation AED'000	Others AED'000	Unallocated AED'000	Total AED'000
31 December 2019						
Revenue	**4,739,079**	**14,296,554**	**2,060,633**	**240,694**	**-**	**21,336,960**
Direct costs	**(3,869,730)**	**(11,133,324)**	**(1,355,591)**	**-**	**-**	**(16,358,645)**
Gross profit	**869,349**	**3,163,230**	**705,042**	**240,694**	**-**	**4,978,315**
Distribution and administrative expenses	**(228,898)**	**(2,003,123)**	**(371,871)**	**(155,221)**	**(7,351)**	**(2,766,464)**
Other income	**42,824**	**99,181**	**4,393**	**431**	**8,832**	**155,661**
Impairment losses and other operating expenses	**(4,735)**	**(10,236)**	**(3,361)**	**(96)**	**(48,017)**	**(66,445)**
Interest income	**-**	**-**	**-**	**-**	**121,453**	**121,453**
Finance cost	**-**	**-**	**-**	**-**	**(204,836)**	**(204,836)**
Profit/(loss) for the year	**678,540**	**1,249,052**	**334,203**	**85,808**	**(129,919)**	**2,217,684**
31 December 2018						
Revenue	4,733,114	15,703,503	2,193,846	263,028	-	22,893,491
Direct costs	(3,948,285)	(12,396,625)	(1,469,510)	(9,649)	(37)	(17,824,106)
Gross profit	784,829	3,306,878	724,336	253,379	(37)	5,069,385
Distribution and administrative expenses	(248,199)	(2,164,935)	(418,614)	(196,430)	2,696	(3,025,482)
Other income	84,986	96,647	1,839	30,927	23,333	237,732
Impairment losses and other operating expenses	(3,718)	(23,198)	(2,884)	(1,311)	(5,584)	(36,695)
Interest income	-	-	-	-	64,451	64,451
Finance cost	-	-	-	-	(183,652)	(183,652)
Profit/(loss) for the year	**617,898**	**1,215,392**	**304,677**	**86,565**	**(98,793)**	**2,125,739**

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

29. ADNOC Group central fund for risk financing

The Group is a participant in a centralised fund, administered by ADNOC, to finance certain self-insured risks. The fund is made up of premium discounts, investment income and contributions from participants, as agreed upon from time to time. Under the scheme, the Group is obliged to provide additional funding, if required. As at 31 December 2019, the Group's share in the fund held by ADNOC was AED 650 thousand (2018: AED 630 thousand).

30. Contingencies and litigations

As at 31 December 2019, the Group had contingent liabilities amounting to AED 902.1 thousand (2018: AED 902.1 thousand) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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

31. Financial instruments

Capital risk management

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

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

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

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

	2019 AED'000	2018 AED'000
Debt	**5,489,540**	5,484,400
Cash and cash equivalent (note 10)	**(2,616,029)**	(5,342,959)
Net debt	**2,873,511**	141,441
Net debt	**2,873,511**	141,441
Equity	**3,749,050**	3,587,601
Net debt plus equity	**6,622,561**	3,729,042
Leverage ratio	**43.4%**	**3.8%**

Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and Group's debt obligations with floating interest rates. Consequently, the Group's income and operating cash flows are dependent on changes in market interest rates. Deposits/placements issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage these risks based on management's assessment of available options and placing any surplus funds with ADNOC for treasury management or with creditworthy banks (note 10).

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would have decreased/increased by AED 27,448 thousand (2018: AED 27,422 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

During previous years, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank borrowings. Hedged portion of the bank borrowings is not included in the sensitivity analysis.

(iii) Price risk

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

(b) Credit risk

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

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

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

(c) Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations is available to meet its funding requirements. The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., bank deposits, trade receivables and other financial assets), and projected cash flows from operations. The Group's objective is to maintain liquidity through credit lines available from banks. As at 31 December 2019, the Group had access to a USD 750 million credit facility which was fully unutilised (note 14).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 based on the contractual undiscounted payments.

	Less than 1 year AED '000	More than 1 year AED '000	Total AED'000
At 31 December 2019			
Long term debt	**-**	**5,489,540**	**5,489,540**
Due to related parties	**3,602,677**	**-**	**3,602,677**
Trade and other payables (excluding advanc-es from customers and coupon and pre-paid card sales outstanding)	**1,564,285**	**-**	**1,564,285**
Total	**5,166,962**	**5,489,540**	**10,656,502**

	Less than 1 year AED '000	More than 1 year AED '000	Total AED'000
At 31 December 2018			
Long term debt	-	5,484,400	5,484,400
Due to related parties	4,308,817	-	4,308,817
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,802,564	-	1,802,564
Total	6,111,381	5,484,400	11,595,781

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

Fair value estimation

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

32. Financial instruments by category

	2019 AED'000	2018 AED'000
Financial assets:		
Cash and bank balances	**4,746,029**	5,472,959
Due from related parties	**569,713**	996,859
Trade and receivables and other current assets (excluding prepaid expenses)	**3,022,705**	2,230,588
	8,338,447	8,700,406

	2019 AED'000	2018 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,564,285**	1,802,564
Due to related parties	**3,602,677**	4,308,817
Long term debt	**5,489,540**	5,484,400
	10,656,502	11,595,781

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 17,007 thousand (2018: AED 19,080 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 141,106 thousand (2018: AED 146,473 thousand) have been excluded from trade and other payables.

33. Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2020.

GLOSSARY

ADEG	Abu Dhabi Energy Index
ADI	Abu Dhabi General Index
ADNOC	Abu Dhabi National Oil Company
ADNOCDIS UH	Bloomberg symbol for ADNOC Distribution
ADNOCDIST	ADX symbol for ADNOC Distribution
ADNOCDIST.AD	Reuters Instrument Code for ADNOC Distribution
ADX	Abu Dhabi Securities Exchange
AD Base	A world-class base oil supplied by ADNOC
AED	United Arab Emirates Dirham, the currency of the United Arab Emirates
API	American Petroleum Institute
Capex	Capital expenditure
CNG	Compressed Natural Gas
the Company	ADNOC Distribution
EBITDA	Earnings before interest, tax, depreciation and amortization
EnMS	Energy Management System
ERM	Enterprise Risk Management
EV	Electrical Vehicles
FCF	Free Cash Flow equals Earnings before interest, tax, depreciation and amortization minus capital expenditures
GCC	Gulf Cooperation Council (United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain)
Grey market	An unofficial market in goods that have not been obtained from an official supplier
HC	Human Capital
HSE	Health, Safety and Environment
ICV	In-Country Value
IPO	Initial Public Offering
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
JIG	Joint Inspection Group
LPG	Liquefied Petroleum Gas
MENA	Middle East and North Africa
NIN	National Investor Number
NGV	Natural Gas Vehicles
OPEX	Operating expenses
Premiumization	Consumer preference or trend towards higher quality, higher price offerings
RFID	Radio Frequency Identification
RIC	Reuters Instrument Code
ROCE	Return on Capital Employed
ROE	Return on Equity
SCA	Securities and Commodities Authority
SMEs	Subject matters experts
UAE	United Arab Emirates
USD	United States Dollar, the currency of the United States
YDP	Youth Development Program