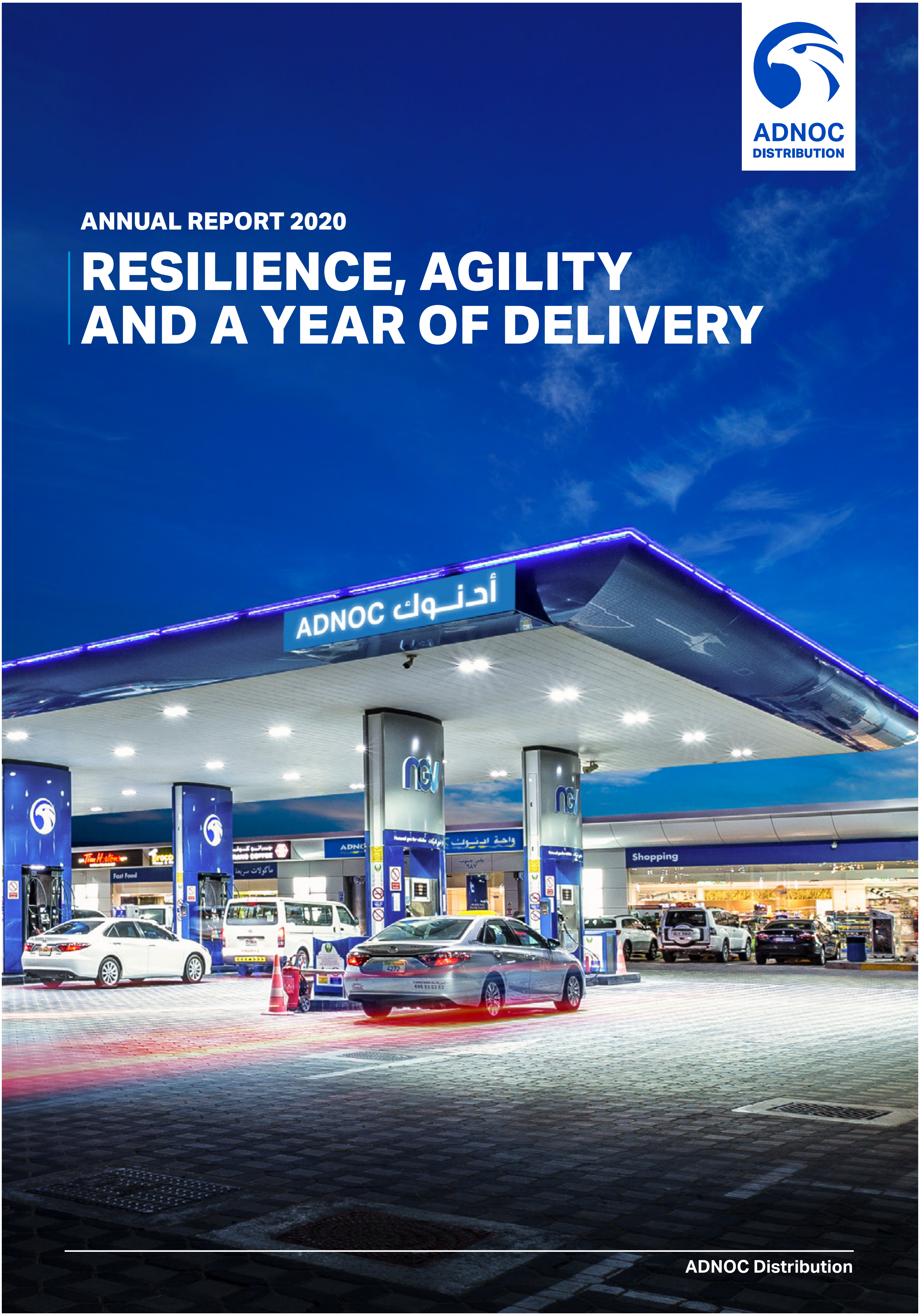
ANNUAL REPORT 2020

RESILIENCE, AGILITY AND A YEAR OF DELIVERY



ADNOC Distribution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واحة أدنوك
800 300
ADNOC

TABLE OF CONTENT

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

OUR VISION

We harness energy resources in the service of our nation.

OUR MISSION

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

OUR VALUES

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

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

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.

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

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.

OUR CULTURE

Our fundamental spirit and the character of our people.

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

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

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

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

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

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

ADNOC DISTRIBUTION AT A GLANCE

WHO WE ARE

ADNOC Distribution is the UAE's largest fuel and retail convenience brand, with 445 service stations and 326 convenience stores (as of 31 December 2020) across the country, servicing all seven emirates, as well as two retail fuel service stations in Saudi Arabia, with more to come in the near future.

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. Our expansion into Dubai began in 2018, with the opening of three fuel service stations. This growth was significantly accelerated in 2020 with 20 new stations opening in the emirate throughout the year.

We continue to hold our position as the leading marketer and distributor of fuels to commercial, industrial and government customers in the UAE. We provide aviation fuel, refueling, and related aviation services to strategic customers throughout the country, as well as refueling and related services to civil aviation customers at seven airports across 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 we expanded our vehicle inspection services to the other Emirates in 2020.

We also offer car care services such as lube changes, tire change, 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.

WHAT WE DO

RETAIL BUSINESS

FUEL

ADNOC Distribution is the UAE's leading operator of retail fuel service stations, operating in 445 domestic locations as of 31 December 2020. 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 26 fuel service stations in neighboring Dubai emirate. We are the only fuel provider to operate in all seven emirates, as well as have 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, lube changes, rental properties and vehicle inspection.

Convenience Stores

ADNOC Distribution is the UAE's largest convenience store retailer by number of stores and operate 326 convenience stores in the UAE by the end of 31 December 2020.

Car Care Services

We offer car care 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.

Rental properties

We manage and lease 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

We operate 28 vehicle inspection centers across the UAE, and we are the only authorized providers of government-mandated annual vehicle inspections in the Emirate of Abu Dhabi.

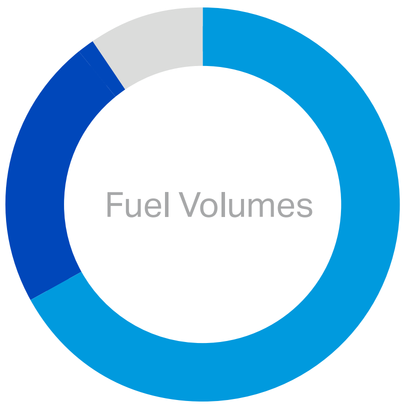
COMMERCIAL BUSINESS

CORPORATE

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

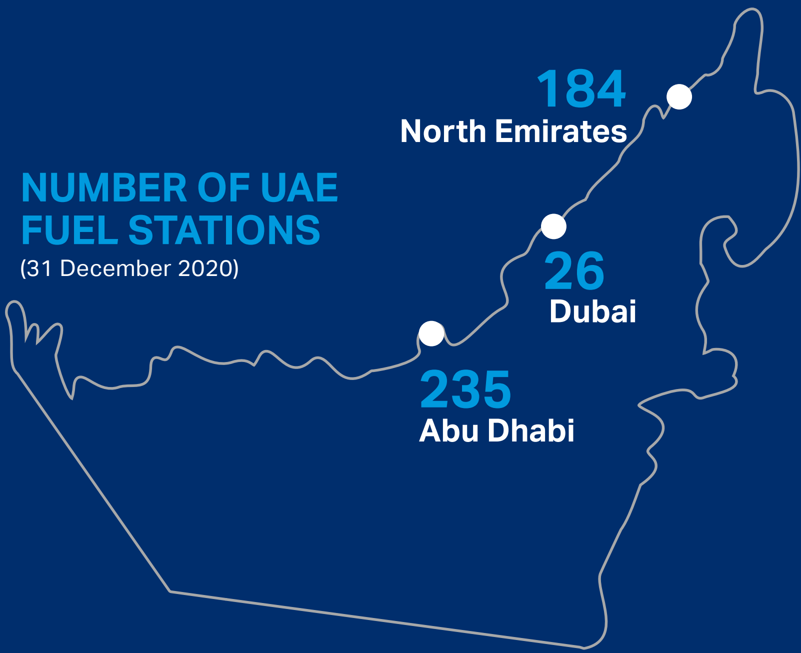
We provide fuel distribution services and aircraft refueling operations to ADNOC's civil aviation customers. In addition, we also sell aviation fuel, and provides refueling and related services, to strategic aviation customers in the UAE.



Retail (5,758 million liters)	67%
Corporate (2,357 million liters)	27%
Aviation (542 million liters)	6%

WHERE WE OPERATE

NUMBER OF UAE FUEL STATIONS
(31 December 2020)



SIGNED DEFINITIVE AGREEMENTS TO ACQUIRE

35

STATIONS*

*of these an agreement to acquire 20 stations signed in February 2021

United Arab Emirates (UAE) is our core market at the end of 31 December 2020. 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. 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.

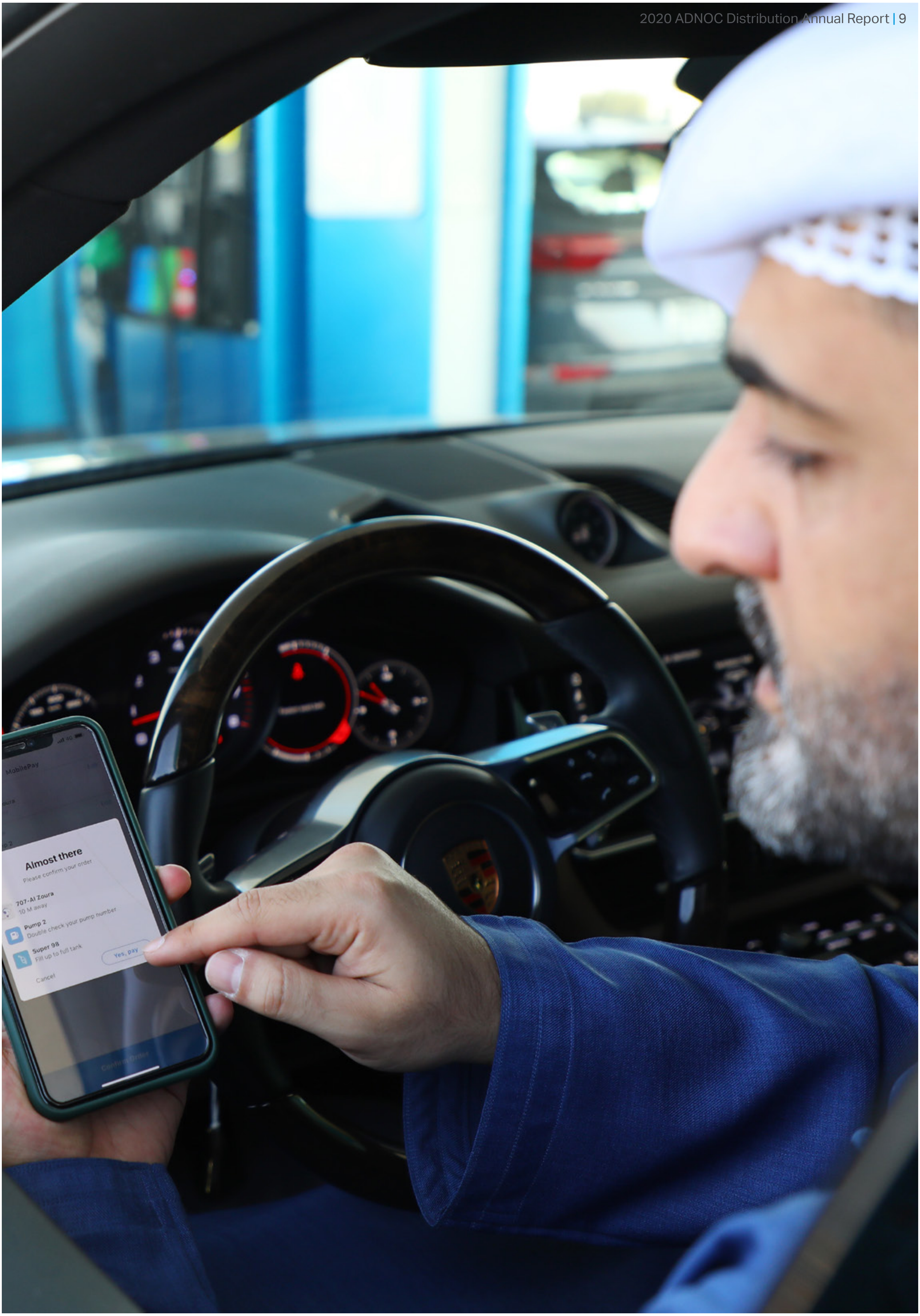
2020 was unprecedented year for countries around the world, impacted by COVID-19 pandemic. UAE government's proactive measures to limit the consequences of pandemic and support businesses through fiscal and monetary stimulus helped economy to reopen quickly.

UAE government is continuing to make solid progress in ensuring the economy recovers back to pre-COVID-19 levels by making vaccine available to wider population. Government's policies are expected to support economic growth in 2021 and thus progressive recovery in demand for fuel and non-fuel products.

We also accelerated our expansion in Saudi Arabia by signing a definitive agreement on 30 December 2020 to acquire 15 retail fuel stations. This was followed by two more definitive agreements in February 2021 to acquire 20 retail fuel stations, taking our network in Saudi Arabia to 37 from 2 stations at the end of 2019 (subject to pending regulatory approvals and certain other conditions). Saudi Arabia is largest economy in the GCC region with transport fuel demand around four times higher than in the UAE.

Economic activity was subdued in 2020 due to COVID-19 crisis and low oil prices. However, 2021 should see country's economy return to growth trajectory.

In line with Saudi vision 2030, the government is taking measures to decrease the country's dependency on the oil sector and support economic diversification, thereby opening up ample opportunities for foreign investors to enter large Saudi Arabian market and pursue growth.


MobilePay
Almost there
Please confirm your order
707-Al Zoura
10 M away
Pump 2
Double check your pump number
Super 98
Fill up to full tank
Yes, pay
Cancel

OPERATIONAL AND FINANCIAL HIGHLIGHTS

"

Unwavering commitment to health & safety while delivering resilient growth, customer focus and shareholders value.

2020 was a challenging year for businesses around the globe. ADNOC Distribution took a proactive approach by ensuring safety of its customers and employees while continuing to drive forward with its smart growth strategy to provide added value to both customers and shareholders. ADNOC Distribution delivered on its promises to customers by increasing its service station network and modernizing its ADNOC Oasis convenience stores, offering customers greater convenience, together with a fresh, modern environment to make more out of every visit to an ADNOC Service Station. The company demonstrated commitment to shareholders by providing dividend amount visibility for the year 2021, thereby making its progressive dividend policy more attractive.

COVID-19 response

As COVID-19 developments started to intensify at the beginning of the last year, ADNOC Distribution responded swiftly to the evolving needs of employees, customers and local communities it serves.

It introduced a number of health and safety measures, to protect staff and customers during the COVID-19 pandemic and ensured that stations remained open to make services accessible to the healthcare sector, emergency services and customers who had to undertake essential journeys.

These measures included daily cleaning of sites and providing personal protective equipment such as face masks, gloves and hand sanitizers to frontline staff. To recognize efforts of healthcare workers to keep our country and communities safe during the pandemic, support was extended to ambulance services as well as free coffee and thank you snack packs delivered to medical staff.

Demonstrating its agility throughout COVID-19, the company provided customers with a seamless digital experience and enhancing the company's position as a best-in-class fuel retailer.

A key element of this has been enhancing the use of advanced Mobile Pay technology, which allows totally contactless refueling and payment. In addition, the ADNOC Distribution Health, Safety, Environment (HSE) division created a comprehensive internal framework to actively engage all business units in the efforts to control and eliminate COVID-19 exposure and streamline the response process to deal with potential or confirmed cases within Company employees while ensuring minimum to no interruption to business operations and in accordance with the federal government's guidelines.

Customer initiatives

COVID-19 pandemic significantly impacted consumers' behavior amid new social distancing norms and perception of safety. ADNOC Distribution quickly adapted products and services to accelerate its digital transformation strategy and launching new services to enhance customer experience.

The health and safety of employees and customers remained integral to everything the company delivered in 2020, bringing daily essentials closer to customers both on the ground and through doorstep delivery, with the online delivery of products from its ADNOC Oasis stores and enhanced My Station mobile fuel and LPG delivery services.

As restrictions began to lift into the second half of the year, the UAE's first loyalty program for fuel retail, ADNOC Rewards, was upgraded to offer points for every dirham spent at ADNOC service stations and ADNOC Oasis stores.

Members can redeem points at station, in store and for a range of deals and discounts on the ADNOC Distribution app. The program also reached a significant milestone in December, reaching more than one million members.


ملتزمون
SEHA
صحة
I AM COMMITTED - ملتزمون

64

NEW STATIONS OPENED IN THE UAE (20 IN DUBAI)

62 new
100 refurbished

CONVENIENCE STORES

35 stations in KSA

SIGNED DEFINITIVE AGREEMENTS TO ACQUIRE 35 STATIONS IN KSA*

*of these an agreement to acquire 20 stations signed in February 2021

Solid execution on growth strategy

Bringing convenience closer to customers was a key driver of the company's 2020 expansion, with 64 new stations opened across the UAE - a ten-fold increase in delivery compared to 2019 and ahead of the company's guidance to market of 50-60 new stations. The company continued to provide more choices for customers and opened 62 new convenience stores. The year saw a significant increase in ADNOC Distribution's Dubai network, with 20 new service stations opened. The ambitious rollout has already seen ADNOC Distribution more than triple its Dubai footprint, from six service stations at the start of 2020 to 26 stations at the end of the year.

New station concept, 'ADNOC On the go', provides neighborhoods and communities with access to fuel and retail in locations where traditional stations would be impractical. A total of 38 were opened in 2020 across the country. Increasing access to its services was delivered hand in hand with an upgrade to the customer experience. A total of 100 ADNOC Oasis convenience stores were refurbished throughout the year, above the market guidance of 80-90. The refurbishments create a fresh and modern look and feel together with fresh pastries and sandwiches, freshly brewed coffee made by trained baristas, and a broader menu offering.

In addition to its growth in the UAE, the company also increased its commitment to Saudi Arabia by announcing the execution of a definitive agreement in 2020 to acquire 15 service stations.

More recently, the company announced execution of two more definitive agreements in February 2021 to acquire 20 stations in Saudi Arabia, which will bring the company's total network in country to 37 (subject to pending regulatory approvals and certain other conditions).

These locations will be refurbished in line with ADNOC Distribution endorsed brand standards to offer high quality fuel and retail services to customers, including convenience stores.

Focused on delivering attractive shareholders' return

At the Annual General Assembly meeting in March 2020, the shareholders confirmed its 2020 dividend policy and announced an amendment to its dividend policy for 2021 onwards.

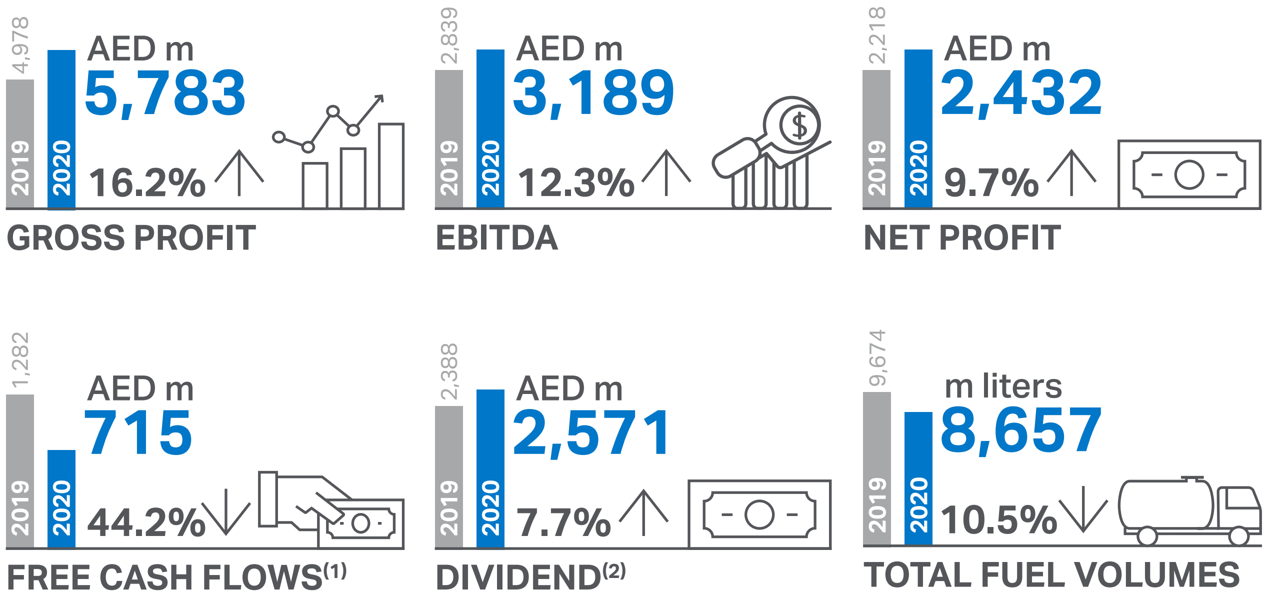
In line with our approved dividend policy, the company's Board of Directors has proposed a cash dividend of AED 1.285 billion (10.285 fils per share) for the second half of 2020, which will be submitted to the Company's shareholders for approval at the Annual General Assembly Meeting.

Subject to shareholders' approval, total dividend for fiscal year 2020 is expected to be AED 2.57 billion (20.57 fils per share), which would represent a 7.5% increase compared to the 2019 dividend. The company paid half of the 2020 dividend in October of last year and expects to pay the final payment in April 2021, subject to shareholders' approval.

The company's 2021 dividend policy is set to continue with dividend of AED 2.57 billion (compared to minimum 75% of distributable profits as per previous policy).

On 14th February, 2021, the Board further recommended amendments to the dividend policy to enhance visibility of shareholder return, proposing a minimum of AED 2.57 billion dividend for 2022 (compared to minimum 75% of distributable profits as per current policy) Dividend policy for the years thereafter remains unchanged at a dividend equal to at least 75% of distributable profits.

This proposal will be presented to Company's shareholders at the upcoming Annual General Assembly meeting. If approved, this will provide secured and predictable payback to shareholders until April 2023.



(1) Free cash flow is defined as net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors.
(2) Dividend for the fiscal year paid in two installments, October of the same fiscal year and April of next fiscal year. 2020 final dividend subject to shareholder approval at the 2021 AGM.

Note: Prior period numbers are as previously reported before the impact of restatement, the impact of which on EBITDA is immaterial (details in Note 34 of audited financial statements).

CHAIRMAN'S MESSAGE

Dr. Sultan Ahmed Al Jaber

Chairman, ADNOC Distribution

"

ADNOC Distribution continued to demonstrate resilience and growth throughout 2020, staying true to the commitments it made to its customers, employees and the market.

2020 was truly a unique year, with the Covid-19 pandemic bringing the world to a standstill, impacting lives, businesses and communities. Throughout 2020 we maintained our focus on what matters most: the health and safety of our people and customers. We implemented a broad range of precautionary measures. Throughout the year, our people continued to be our most valuable asset. They remain integral to everything ADNOC Distribution does and delivers. I want to acknowledge the superb efforts of our frontline colleagues whose dedication was essential to ensuring business continuity. ADNOC Distribution's efforts to safeguard all its employees and customers have continued in 2021 with the launch of a company-wide vaccination campaign. Since the program's launch, ADNOC Distribution has become the first fuel retailer globally with 100% of frontline employees now vaccinated.

This was only possible through the vision of the wise leadership and the decisions and directive of the UAE's governments, as well as the national efforts made by: the National Emergency Crisis and Disasters Management Authority (NCEMA), Ministries of Foreign Affairs, Interior, Defense, Health and Education, and Health Authorities across the UAE, and other Government authorities. Their restless efforts and rapid and effective response have contributed to the UAE becoming a global model for combating Covid-19.

ADNOC Distribution also embarked on expanding its network. The Company is now more accessible to its customers and closer to the communities it serves than ever before. Customer-centricity and experience were a key focus, demonstrating to clients and investors the company's resilience and, at the same time, its steadfast commitment to smart growth. Investment in digital solutions strengthened and enhanced the consumer experience and increased the versatility of our products and services. We adapted to the changing needs of our customers through the launch of a range of customer-orientated services, while opening 64 new stations in the UAE, a ten-fold increase on 2019. The execution of an acquisition agreement, signed on 30 December 2020, to acquire 15 service stations in the Kingdom of Saudi Arabia, further highlighted our international expansion plans.

There was also significant investor interest in ADNOC Distribution which our major shareholder, ADNOC, responded to quickly and efficiently through an institutional placement, doubling the company free float to 20%. This process also shows the high-quality investment opportunities offered by ADNOC Distribution, the emirate of Abu Dhabi and the UAE in general. The transaction presented investors with a unique opportunity to access a sizeable stake in ADNOC Distribution, an opportunity to capitalize on the company's stable and compelling equity story and its attractive and resilient dividend policy.

ADNOC Distribution demonstrated unprecedented strong results in 2020 which reflect the Company's resilient performance and commitment to its smart growth plans. Net profit increased to AED 2.4 billion in 2020, an increase of 9.7% compared to 2019. These result reflect the robust margins, with EBITDA reaching AED 3.2 billion.

ADNOC Distribution remains committed to the dividend policy for 2020 which provides for a dividend payment of AED 2.57 billion (20.57 fils per share), which would represent a 7.5% increase compared to the 2019 dividend. This means that ADNOC Distribution's shares offer shareholders and investors unique investment opportunities, in particular as the Company offers a low level of exposure to oil price volatility and a good rate of predictable cash flows, as well as ample growth opportunities and a clear and attractive dividend policy that provides investors with visible future returns.

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

I am confident in ADNOC Distribution's ability to sustain and further its momentum to deliver continued success for this iconic brand in 2021 and beyond, maintaining focus on smart, strategic growth while maintaining commitment to 100% HSE.

ACEO MESSAGE

Ahmed Al Shamsi

Acting Chief Executive Officer

"

Our digital transformation allowed us to navigate this challenging year and brought us closer to our customers.

At the beginning of 2020, we had a clear mandate: to grow the business, develop its people, bring our company closer to our customers, and to push forward with our international expansion. However, less than two months into the year the world changed, and we had to quickly adapt to support our people and customers in the midst of a global pandemic. The key priority for us was safety and well-being of our employees, customers, suppliers, contractors, and all business partners. Businesses worldwide were heavily impacted by COVID-19, and it was important for us to also understand the opportunities it presented, to ensure the health and safety of all stakeholders, whilst continuing to deliver the convenience needed for all essential journeys. This saw us move beyond the role of a traditional fuel retailer and accelerate our digital offerings, bringing us closer than ever to our customers, providing them with daily essentials as close to home as possible.

We have responded to changing marketing dynamics and trends throughout 2020. We implemented improvement of our distribution channels to reach larger market segments, expanded our service station network with openings across the country, including significant growth in Dubai and the rapid roll out of our new 'ADNOC On the go' neighborhood stations. We have also significantly accelerated our digital strategy, with a broader range of contactless payment solutions, including the 100% contactless ADNOC Wallet, and the launch of our online delivery service from more than 100 ADNOC Oasis stores across the UAE. Ensuring we were always closer to our customers was also the drive behind our expanded mobile fuel and LPG delivery service; and the introduction of a daily essentials shelf at ADNOC Oasis, to make it even easier for our customers to pick up exactly what they need.

As we begin to see the country and the economy recover and reopen, customer experience will remain integral, and a visit to an ADNOC Service Station should be about more than just refueling. An excellent example of this is the ADNOC Oasis refurbishment program, with 100 convenience stores upgraded and modernized in 2020, to offer a fresh, relaxing environment with an enhanced menu, freshly brewed coffee, with pastries, sandwiches and wraps prepared onsite. This experience has been further augmented with the launch of our enhanced ADNOC Rewards program, the UAE's first loyalty program for the fuel retail sector. The new points-based system, which offers a range of deals and discounts on the ADNOC Distribution app, reached a significant milestone, marking its one millionth member in December 2020.

Looking back on 2020, I'm very happy to say that we have turned challenges posed by the pandemic into real opportunities. We have continued to accelerate our smart growth strategy, and we exceeded our commitments to our customers and shareholders. We opened more new stations than we have ever done before in one single year, and our ADNOC Oasis refurbishment program upgraded around one-third of our convenience store network. We also achieved an important milestone in our Saudi Arabia expansion, with the execution of an aquisition agreement to acquire 15 service stations with more to come in 2021. The company maintains a strong, robust balance sheet and is well positioned to continue to grow both domestically and internationally as well as sustain attractive shareholder returns.

Despite the challenges of the year, we have ultimately remained focused on disciplined growth, committed to best-in-class efficiency and customer service standards, which enabled us to emerge stronger and to successfully navigate in newer markets.

I'm proud to be a part of the transformation journey ADNOC Distribution is on to become a world-class, customer-focused, commercially driven organization. This wouldn't have been possible without the efforts of our people and the active engagement of our customers who are at the center of everything we do. I look forward to achieving more successes and hitting new milestones throughout 2021 and beyond, to always unlock additional value.

OUR HISTORY

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.

1970'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.

1980's

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

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

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

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

1990's

47 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 200^{th} 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.

2020's

2020
Free float doubled to 20%, following ADNOC's successful private placement of 1.25 billion of ADNOC Distribution's shares.

ADNOC Distribution launches its point-based loyalty program, and introduces online delivery services from its convenience stores.

ADNOC Distribution expands its Vehicle Inspection services to Northern Emirates.

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

OUR STRATEGY

Our smart growth strategy targets to deliver sustainable and profitable earnings growth and create long term value for shareholders.

Our diversified businesses creates ample room for future growth in both our Fuel and Non-Fuel segments. Whilst remaining focused on our ambitious growth strategy, we are also committed to optimize our cost to become a leading cost efficient fuel retailer. 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. We are on track to implement a clear and deliverable strategy, with a target to grow EBITDA to over USD 1 billion by 2023. We aim to achieve this by consolidating our market leader status in the UAE fuel sector, enhancing our product range, expanding geographically, maximizing returns from our current portfolio and increasing efficiencies in our costs and capital allocation.

Strategic Pillars

1 GROW MARKET SHARE IN UAE

Objectives:

Maintain retail market share in Abu Dhabi and Northern Emirates, **Grow** in Dubai

Driver higher volumes in commercial fuels and lubes

Increase Non-Fuel Retail contribution

2 GROW INTERNATIONALLY

Grow internationally in markets such as KSA, as well as exploring other markets in GCC, Middle East and Northern Africa and Asia region

Lube Exports

3 UNLOCK VALUE FROM OUR ASSETS

Maximize ROCE through:

- Network Portfolio Optimization
- Property Services transformation
- Fuel Premiumization & portfolio management

4 OPEX AND CAPEX EFFICIENCY

To be **lean & efficient**

OPEX: Optimize to transition towards leading cost efficient fuel retailer

CAPEX: efficient and focused CAPEX investments to drive higher returns from every $

	1	2	3	4	5
Enablers	People & Performance Culture	Digital & IT Infrasture	Operational & Customer Excellence	Brand	Sustainability & CSR

1 GROW MARKET SHARE IN UAE

Despite uncertainties caused by COVID-19 pandemic, we are accelerating our domestic expansion plans in the UAE, reiterating our commitment to deliver growth in 2021 and beyond. We intend to boost our top-line growth in both fuel and non-fuel businesses. To achieve our long-term growth objective, we are focusing on the following key areas:

Network expansion in Dubai to gain market share

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. Currently, we have limited presence in Dubai with low single digit retail market share by volumes sold.

We accelerated network deployment in Dubai in 2020 by opening 20 new stations thereby increasing our network by four times to 26 stations. We plan to gain further market share in Dubai and grow our fuel volumes by operating 60-75 stations by 2023.

Maintain dominant market share in Abu Dhabi and the Northern Emirates

We are the only fuel operator in Abu Dhabi and have dominant market share in the northern emirates. We are expanding our network in Abu Dhabi and the northern emirates to defend our market leading position and ensure convenient access to fuel and non-fuel services for our customers. We are focused on protecting our market share while maintaining min. 15% internal rate of return on our investment.

We are therefore targeting our innovative and less capital intensive station format 'ADNOC on the go' as part of our defensive expansion strategy.

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. 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.

We plan to expand our Lubricant portfolio benchmarked to key global leaders and modernizing packaging. We are also taking initiatives to enhance supply chain efficiency.

We are also expanding our Lubricants exports to multiple markets besides organic and inorganic growth in key international markets such as KSA, India and others. 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 convenience store revitalization program offers customers an improved convenience shopping experience and a contemporary family-friendly environment where customers can refuel, unwind and enjoy freshly prepared food. We are focusing on new look and feel, category management and the introduction of new fresh food and premium coffee products as part of our revitalization program. Revitalization of convenience stores have gained momentum starting 2020 and we refurbished 100 stores in 2020 as part of our extensive refurbishment plan. In 2021, we will advance on convenience stores revitalization program and enhance and improve the overall customer experience at our network of stores.

Throughout 2020, we have continued to enhance and improve the overall customer experience. We were quick to adapt our products and services to the evolving situation and took this as an opportunity to accelerate our digital transformation strategy. We widened our portfolio of services, such as a new low-cost grocery essentials range at our ADNOC Oasis stores, online delivery of 1,700 products from more than 100 convenience stores, car interior sanitization services etc. We are targeting to further expand our multi-channel approach to ensure Omni-presence through standalone and mobile convenience stores, thereby providing increased access and convenience for our customers.

2 GROW INTERNATIONALLY

Delivering on our international expansion remains integral to our ambitious smart growth strategy. We expect to grow internationally in markets, including in Saudi Arabia, where we see opportunities that can deliver against our investment criteria of more than 15% internal rate of return.

2020 was milestone year for our international growth. In line with our long term growth strategy to become a leading fuel operator in Saudi Arabia, we announced signing of definitive agreement to acquire 15 stations in Saudi Arabia, which was quickly followed by signing of two more definitive agreements to acquire 20 stations, taking our network in Saudi Arabia to 37 stations (from 2 stations at the end of 2019).

Saudi Arabia is a very large and fragmented market. We believe that ADNOC Distribution's experience and strengths can be leveraged to capture growth. Our integrated approach to fuel and non-fuel offering would be a key differentiator in Saudi Arabia. We plan to further accelerate our expansion in Saudi Arabia organically and inorganically.

Besides Saudi Arabia, we are also exploring other markets in GCC, Middle East and Northern Africa and Asia region.

*subject to certain conditions be met, including obtaining regulatory approvals.

3 UNLOCK VALUE FROM OUR ASSETS

To unlock value from our growing retail assets in order to maximize return on capital employed, we are undertaking comprehensive retail network health analysis based on data analytics to enhance asset utilization and earnings growth.

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.

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. We are balancing our fuels portfolio to provide green and advanced fuels to cater to evolved UAE customer base.

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

We are also in process of transforming our property management services and reviewing ways to enhance our Quick Service Restaurant business through portfolio management and adoption of innovative operating models.

4 OPEX AND CAPEX EFFICIENCY

We are adopting an OPEX and CAPEX efficiency approach with customized operating models across the value chain. 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.

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.

Since announcing the new 'ADNOC On the go' concept in November 2019, 38 'On the go' neighborhood stations have been brought into operation in 2020.

This initiative is a result of our drive towards CAPEX optimization, effectively tackle competition with faster and more efficient deployment of our fuel stations.

We will continue to improve CAPEX efficiency, including the rolling out of less capital intensive new station formats, such as 'ADNOC On the go' and mobile fuel station concept 'My Station'.

Key Enablers

To achieve our strategic objectives, we are continuing to invest in key enablers that will enable us to successfully execute our strategy. We are 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.

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.

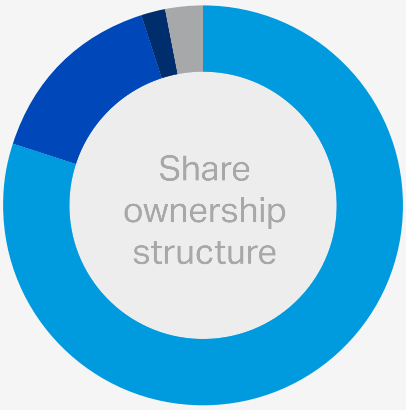
We are closely monitoring our customer satisfaction and investing in ADNOC brand in UAE and new markets as we expand internationally.

The use of advanced technology is key to leveraging our position as the number one retailer in the UAE. We are modernizing our entire IT landscape through multiple digital and IT initiatives that comprise ERP, CRM, Unified Retail Management system, Machine Learning and Artificial Intelligence. We are revamping our digital Infrastructure to offer superior customer interface. 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.

Finally, we are committed to meet energy needs of our nation in a sustainable manner. We are undertaking initiatives to reduce Green House gas emissions in line with our 2030 decarburization strategy. We are taking concrete steps for reducing our energy intensity like use of solar panels, installation of EV chargers, use of smart technology etc. Our corporate social responsibility initiatives are focused in the pillars of Economy and Community service, wherein we are committed to increase In-country value, promote local employment and entrepreneurship.

SHAREHOLDERS' INFORMATION

Trading of ADNOC Distribution shares on the Abu Dhabi Stock Exchange (ADX) began on 13 December 2017 under the symbol ADNOCDIST. As of 31 December 2020, the share price was AED 3.75 and the Company's market capitalization was AED 46.9 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	80.0%
UAE and other GCC institutions	15.2%
International Investors	1.88%
Individual retail shareholders	2.92%

ADNOC Distribution share ownership structure

As of 31 December 2020, Abu Dhabi National Oil Company (ADNOC), our parent company, owned 80% of the outstanding shares. UAE and other GCC institutions, international investors and individual retail shareholders owned 15.20%, 1.88% and 2.92% of the outstanding shares, respectively.

The number of total shareholders at 31 December 2020 was approximately 10,500.

Dividend policy

Under our dividend policy, ADNOC Distribution's Board of Directors has recommended that our shareholders approve a final dividend payment of AED 1.285 billion (AED 0.1028 per share) for second half of 2020, resulting in a total dividend of AED 2.57 billion (AED 0.2057 per share) for fiscal year 2020. If approved by our shareholders at our Annual General Meeting, we expect to pay this dividend in April 2021.

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 expenses and anticipated capital expenditures.

The Board also considers market conditions, the operating environment and their outlook for the business. Under the amended policy adopted in April 2020, the Company expects to pay a total dividend of AED2.57 billion (AED0.2057 per share) for fiscal year 2021 (to be paid in two installments during October 2021 and April 2022) and payout of at least 75% of distributable profits 2022 onwards, which are subject to approval by our shareholders.

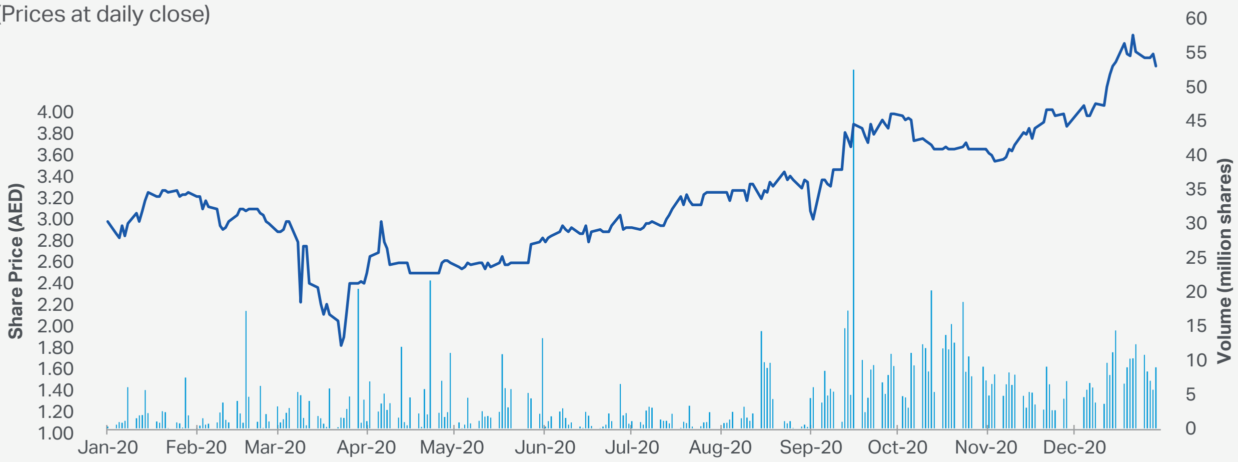
How to buy shares

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 2019	Last trading day 2020	% change in 2020	High	Low
Share Price (AED)	2.5	2.96	3.75	26.7%	3.90	2.40
ADX General Index	4,384	5,076	5,045	-0.6%	5,244	3,323
Number of shares outstanding (billion)	12.5	12.5	12.5			
Market capitalization (AED billion)	31.3	37.0	46.9			
Market capitalization (USD billion)	8.5	10.1	12.7			
Average Daily Trading Volume during the year (million shares)*		1.89	8.8			
Average Daily Trading Value during the year (USD million)*		1.34	4.0			

* Excluding private placement of 1.25 billion ADNOC Distribution shares (valued at USD1.0 billion) on 14th September 2020

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


Warning:

FINANCIAL REVIEW

FINANCIAL REVIEW

The Company demonstrated strength, resilience and accelerated delivery of its strategic smart growth plans throughout the year of 2020, despite continued market uncertainty caused by the COVID-19 pandemic. The following discussion and analysis of our financial results is based on our audited financial statements for the year ended 31 December 2020.

The results should be read in conjunction with our audited financial statements, including the related notes, which are available on our website. Note that prior period numbers are as previously reported before the impact of restatement, the impact of which on EBITDA is immaterial (details in Note 34 of audited financial statements).

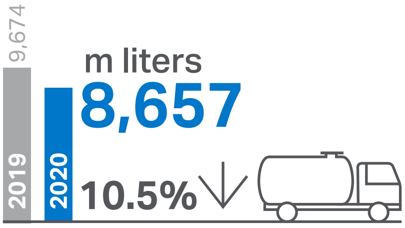
ADNOC Distribution is the only fuel retailer serving all seven emirates in the UAE. In 2020, the company delivered ahead of its promises to customers and shareholders by increasing its service station network and modernizing its ADNOC Oasis convenience stores, offering customers greater convenience, together with a fresh, modern environment to make more out of every visit to an ADNOC Service Station.

All of this was achieved while maintaining rigorous compliance to government guidelines and upholding the highest standards of health and safety.

Whilst continuing to deliver on our growth strategy, we remained focused on pursuing efficiencies in our operations in line with our ambition to become leading cost efficient fuel retailer.

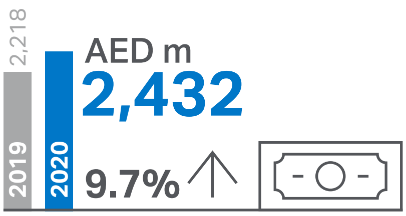
We also accelerated our digital transformation strategy to deliver best-in-class customer service, which will also strengthen our competitive positioning.

We have solid financial framework in place for all our investments to ensure a disciplined, return-driven capital allocation and value creation for our shareholders.



TOTAL FUEL VOLUMES

For the year 2020, total fuel volumes sold decreased by 10.5% compared to last year, mainly due to an impact of COVID-19. However, following the initial COVID-19 impact on mobility restrictions, ADNOC Distribution's fuel volumes continue to show steady recovery.

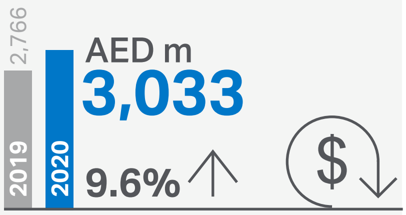


NET PROFIT

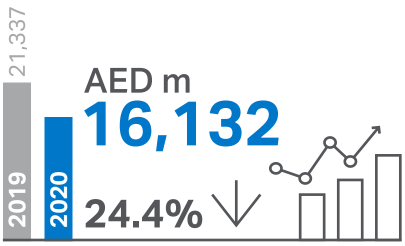
2020 net profit was AED 2,432 million, an increase of 9.7% compared to 2019, driven by higher retail fuel margin, partially offset by lower volumes, non-fuel revenues and one-off expenses/prudent provisioning.

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

On a like-for-like basis, cash OPEX reduced by AED 57 million in 2020, mainly as a result of optimization in staff cost and decrease in general & administrative expenses.

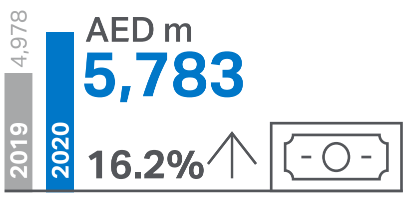


DISTRIBUTION AND ADMINISTRATIVE EXPENSES



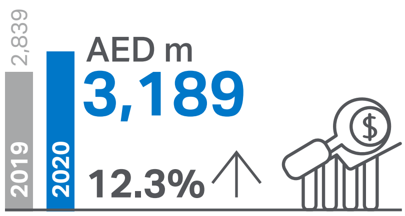
REVENUE

Revenue for 2020 was AED 16,132 million, a decrease of 24.4 percent compared to 2019. This decrease was primarily due to an impact of COVID-19 on fuel volumes and non-fuel revenues as well as due to the lower oil prices.



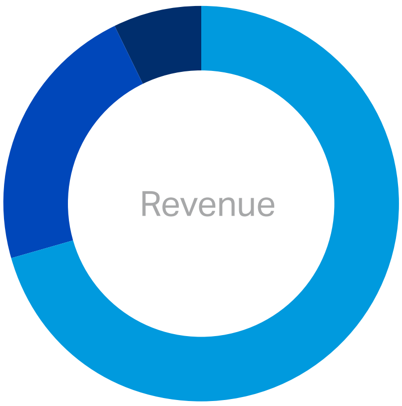
GROSS PROFIT

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



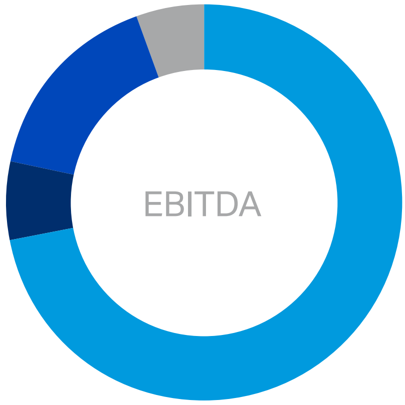
EBITDA

EBITDA grew to AED 3,189 million in 2020, an increase of 12.3% compared to 2019 driven by higher gross profit, despite negative impact of one-off expenses and prudent write-off of capital work-in-process and provisioning on trade receivables, partially offset by inventory gains of AED 99 million, whereas 2019 included one-off losses of AED 36 million and inventory gains of AED 119 million.



- Retail (fuel & non-fuel) (AED 11,346 m) **70%**
- Corporate (AED 3,620 m) **22%**
- Aviation (AED 1,166 m) **7%**

- Retail (fuel & non-fuel) (AED 4,368 m) **76%**
- Corporate (AED 846 m) **15%**
- Aviation (AED 568 m) **10%**



- Retail (fuel & non-fuel) (AED 2,562 m) **80%**
- Corporate (AED 580 m) **18%**
- Aviation (AED 233 m) **7%**
- Unallocated[1] (-AED 187 m) **-6%**

(1) Includes Unallocated EBITDA of other operating income/expenses not allocated to specific segment.

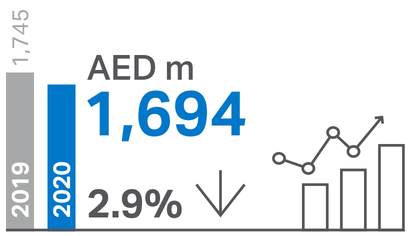
Key year on year financials – Statement of profit and loss items

For the year ended 31 December

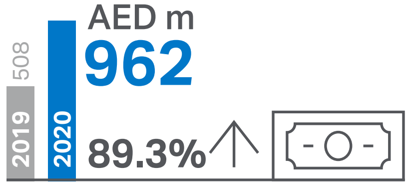
(AED million)	2020	2019	YoY%
Revenue	16,132	21,337	-24.4%
Gross profit	5,783	4,978	16.2%
EBITDA	3,189	2,839	12.3%
Underlying EBITDA*	3,627	2,756	31.6%
Profit for the period	2,432	2,218	9.7%
Earnings per share (AED/share)	0.195	0.177	9.7%

*Underlying EBITDA is defined as EBITDA excluding Inventory gains/losses and one-off gains/losses.

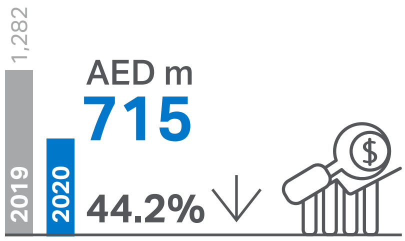
Note: Prior period numbers are as previously reported before the impact of restatement of prior period errors, the impact of which on EBITDA is immaterial (details in Note 34 of audited financial statements).



NET CASH GENERATED FROM OPERATING ACTIVITIES



CAPITAL EXPENDITURES



FREE CASH FLOW

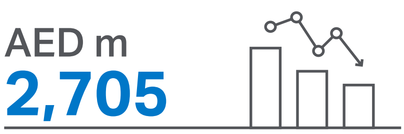
Net cash generated from operating activities decreased by 2.9 percent to AED 1,694 million in 2020 compared to 2019, mainly due to increases in working capital as a result of decrease in trade payables to our supplier ADNOC, driven by lower purchases and lower oil prices, partially offset by decrease in trade receivables.

We incurred higher CAPEX of AED 962 million in 2020 compared to AED 508 million in 2019, mainly driven by growth CAPEX relating to the development and construction of new service stations.

Free cash flow generation (Net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors) totaled AED 715 million in 2020, a decrease of 44.2 percent compared to AED 1,282 million in 2019. The decrease was mainly due to negative working capital movement and higher CAPEX.

Our ratio of interest bearing net debt to EBITDA at the end of 31 December 2020 was 0.85x. There are no financial covenants in our credit facilities.

TOTAL EQUITY



NET DEBT

NET DEBT TO EBITDA RATIO

Key year on year financials – Balance sheet items

As at 31 December

(AED million)	2020	2019	YoY %
Net cash generated from operating activities	1,694	1,745	-2.9%
Capital expenditures	962	508	89.3%
Free cash flow*	715	1,282	-44.2%
Total equity	3,477	3,749	-7.3%
Net debt**	2,705	744	263.8%
Capital employed	9,818	9,675	1.5%

Note: Prior period numbers are as previously reported before the impact of restatement of prior period errors, the impact of which on EBITDA is immaterial (details in Note 34 of audited financial statements).
* Free cash flow is defined as net cash generated from operating activities less payments for purchase of property, plant & equipment and advances to contractors.
** Cash and bank balances used for Net Debt calculation includes term deposits with banks.

26.4%
RETURN ON CAPITAL EMPLOYED (ROCE)

74.7%
RETURN ON EQUITY (ROE)

43.8%
LEVERAGE RATIO

Key year on year financials – Financial ratios

As at 31 December

(AED million)	2020	2019
Return on capital employed (ROCE)	26.4%	23.8%
Return on equity (ROE)	74.7%	59.2%
Net debt to EBITDA ratio*	0.85x	0.26x
Leverage ratio*	43.8%	16.5%

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


Rewards
مكافآت
GET REWARDED
FOR EVERY PURCHASE
اكسب النقاط
لكل عملية شراء
أدنوك
ADNOC
On the go
98
95

BUSINESS REVIEW

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.

FUEL STATIONS

2019: 384
2020: 445

Stations in UAE
445
& in Saudi Arabia
2
16.4%↑

CONVENIENCE STORES

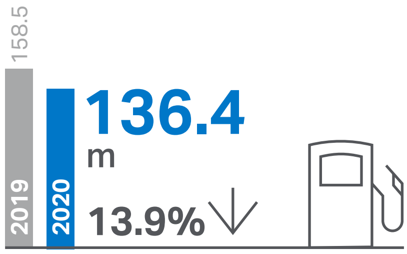
2019: 264
2020: 326

Stores in UAE
326
23.5%↑

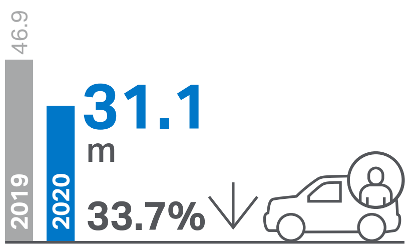
RETAIL BUSINESS

OVERVIEW

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



RETAIL FUEL TRANSACTIONS



RETAIL NON-FUEL TRANSACTIONS

Retail Segment

Fuel

We are the number one retail fuel brand in the UAE, with 445 owned and operated retail fuel stations as of 31 December 2020. 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 also operate two service stations in Saudi Arabia as of 31 December 2020.

Our retail fuel business is highly cash-generative business with stable, regulated unit fuel margins in the UAE and iconic branding at strategically located sites. We benefit from a fuel supply agreement with ADNOC, our parent company. 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 lubricants, CNG and LPG.

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.

CNG is a growing market in the UAE with increasing number of natural gas vehicles (NGVs), 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 corporate customers.

Non-fuel

Our non-fuels business is high margin business. We operate 326 convenience stores as of 31 December 2020. The stores offer groceries, refreshments, snacks, confectionery goods, tobacco and services.

In 2019, we embarked on a major upgrade of our non-fuels business with the refresh of our pilot store. In 2020 we have continued on that journey and completed the refurbishment of 100 Oasis stores, which feature 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. In addition, various services are also provided by our partners and tenants, such as vehicle servicing, repairs and tire changes.

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.

In addition to these we also operate 28 light vehicle inspection and testing centers in Abu Dhabi and Northern Emirates, which provide a wide range of inspection services.

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.

38 *On the go*

NEW STATIONS 'ADNOC ON THE GO' WERE OPENED

Retail Segment

Network Expansion & Customer-led innovation

2020 was a year of network growth for us. Bringing convenience closer to customers was a key driver of the company's 2020 expansion, with 64 new stations opened across the UAE - a ten-fold increase in delivery compared to 2019.

We remained focused on value accretive and underserved Dubai market with the addition of 20 stations in 2020, taking our total network in Dubai to 26 stations.

To expedite this domestic network expansion, we rolled out our new, agile neighborhood fuel station concept 'ADNOC On the go', which provides neighborhoods and communities with access to fuel and retail in locations where traditional stations would be impractical. A total of 38 were opened in 2020 across the country.

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.

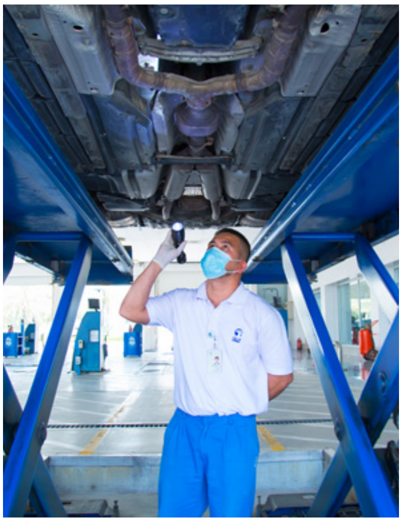
In line with market demand, we have also increased the availability of our higher octane gasoline grades across UAE, providing greater choice to our customers.

We reaffirmed our commitment to grow in International markets and announced singing of a definitive agreement on 30 December 2020 to acquire 15 fuel stations in Saudi Arabia. This was followed by signing of two more definitive agreements in February 2021 to acquire 20 more stations. Upon completion of these transactions (subject to pending regulatory approvals and certain conditions), our network in Saudi Arabia will grow to 37 stations. We plan to continue to expand our retail service station network both domestically and internationally.

'ADNOC Rewards' Customer Loyalty Program

ADNOC Distribution enhanced its customer-oriented approach throughout 2020. In July 2020, The Company's ADNOC Rewards, the UAE's first customer loyalty program from a fuel provider, was upgraded to allow customers to further benefit from their purchases at its outlets by earning points on every dirham spent. Through this our customers will be able to unlock greater value for every dirham spent at our service stations, irrespective of whether it is at the fuel pump or in any of our non-fuel offerings.

The program reached the significant milestone of having one million registered customers during the fourth quarter. The total number of transactions using ADNOC Rewards, since the company launched the points program, has now exceeded 8 million.



Mobile Fuel Delivery (My Station)

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

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

ADNOC Oasis convenience store refurbishment

In line with our ambitious non-fuel retail strategy, the Company's focus throughout the year has remained on providing a superior customer experience through a more modern, fresh and digital experience to its customers, including its C-store revitalization plans, which has seen a total of 100 convenience stores being refurbished in 2020.

The new-look stores create a welcoming environment with fresh pastries and sandwiches, freshly brewed coffee made by trained baristas, and a broader menu offering. We plan to continue to convert more of our existing convenience stores to this higher retail standard in 2021 and beyond. This upgrade further positions our reputation as a leading retailer for people on the move. 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.

E-commerce Launch

We also launched our e-commerce business at the start of the national lockdown in 2020. Providing increased convenience to customers was integral to the Company's core strategy, particularly through the acceleration of its e-commerce strategy.

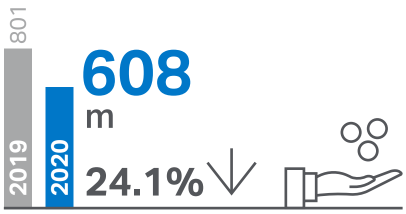
The expanded its flagship partnership with delivery services Talabat and Carriage, which allows customers to order from more than 1,700 ADNOC Oasis products, from over 100 convenience stores across the UAE.

Vehicle inspection

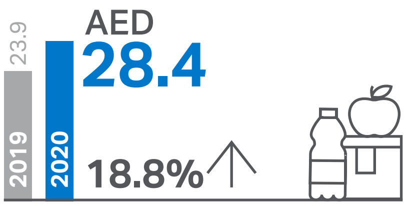
In 2020, we opened three new vehicle inspection centers, marking our entry into Vehicle testing services in Northern emirates and taking the total vehicle inspection center count to 28 across UAE.

We continue to expand our services in Abu Dhabi and Northern Emirates and also operate premium vehicle inspection centers – which provides customers a fast-track testing option. We are also in the advanced stages of introducing door to door service through a Mobile Inspection Unit.

On the back of these initiatives, we are witnessing strong growth in number of vehicles inspected (fresh tests) and the business is recovering quickly from the effects of the pandemic.



CONVENIENCE STORE REVENUE



CONVENIENCE STORES AVERAGE GROSS BASKET SIZE

FINANCIAL REVIEW

Retail Segrement

Volumes

In 2020, retail fuel volumes declined by 11.8% compared to 2019. The decline in Retail fuel volumes was mainly owing to the impact of COVID-19 beginning March while first two months of 2020 witnessed mid-single digit growth.

Other operating metrics

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

Number of non-fuel transactions decreased by 33.7% in 2020 compared to 2019, mainly due to decline in customer visits following lockdown restrictions and more caution during the pandemic, closure of stores during refurbishment of 100 convenience stores as well as due to the absence of voucher redemption at our convenience stores after implementing free assisted fueling (effective November 2019).

Average gross basket size for our convenience stores business sustained growth and increased by 18.8% y-o-y in 2020, driven by changed customer shopping behavior during COVID-19, whereby customers are visiting less frequently but buying more during each visit.

This growth was also supported by our customer centric initiatives like improvement in category management and online delivery service from convenience stores.

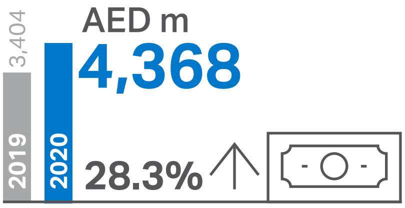
In our Property Management business, we continue to transition our tenancy business to a revenue sharing model to maximize revenue and profitability. The number of occupied properties decreased compared to previous year due to portfolio optimization by some of our tenants.

The number of vehicles inspected (fresh tests) in our vehicle inspection centers decreased by in 2020 compared to 2019 due to closure of centres during lockdown, partially offset by increase in number of vehicle inspection centres.

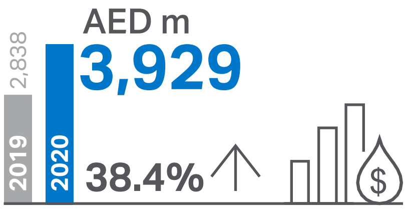
Results

Retail revenue, which covers fuel and non-fuel sales, reached AED 11,346 million in 2020, a decrease of 22.0% over 2019. This revenue decline was primarily due to lower fuel volumes, lower pump prices as a result of ower oil prices and lower non-fuel retail revenues.

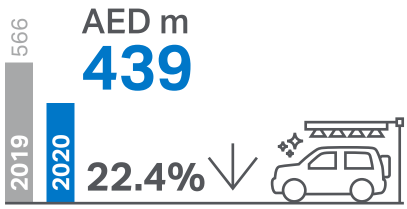
Retail segment gross profit increased by 28.3% in 2020 compared to 2019. Fuel Retail business posted strong operating performance with gross profit growth of 38.4% year-on-year, mainly supported by higher retail fuel margins and reduction in fuel cost, partially offset by lower retail fuel volumes. Non-fuel retail gross profit decreased by 22.4% in 2020 compared to 2019 due to lower transactions as a result of COVID-19 business impact. Retail EBITDA was AED 2,562 million in 2020, an increase of 42.1% over 2019. The increase in EBITDA was driven by higher retail fuel margins, offset by lower fuel volumes, decline in non-fuel gross profit and increase in one-off OPEX.



RETAIL SEGMENT GROSS PROFIT



RETAIL SEGMENT FUEL GROSS PROFIT



RETAIL SEGMENT NON-FUEL GROSS PROFIT

Retail segment

Key financials (AED million)	2020	2019	YoY %
Revenue	11,346	14,537	-22.0%
Gross Profit	4,368	3,404	28.3%
Gross profit – fuel	3,929	2,838	38.4%
Gross profit – non-fuel	439	566	-22.4%
EBITDA	2,562	1,803	42.1%
Operating profit	2,035	1,335	52.5%
Capital expenditure	893	435	105.2%

OUTLOOK

Economic activity in the United Arab Emirates is expected to recover in 2021 on the back of government's accelerated efforts to roll out vaccine to the wider population. This should allow for further ease in mobility restrictions in the UAE and thus support progressive recovery in fuel and non-fuel transactions.

Our accelerated expansion in Dubai and Saudi Arabia is also likely to contribute to growth in 2021 and in the coming years, while we continue to explore new growth opportunities presented by the current environment.

We remain committed to pursue our expansion plans, in a disciplined manner, deliver an enhanced customer experience, further optimize our operations to become leading cost efficient fuel retailer and generate sustainable value creation for our shareholders.

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

Saudi Arabia is the largest fuel market in the GCC and remains a key strategic market for us. In line with our long term smart growth strategy, we are targeting to become a leading fuel operator in KSA by 2025.

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

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

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

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

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

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.

CORPORATE VOLUMES

2019: 2,373

2020: million liters **2,357**

0.7% ↓

AVIATION

2019: 777

2020: million liters **542**

30.2% ↓

COMMERCIAL BUSINESS

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. Our aviation division has two main activities: selling aviation fuel / providing 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. Despite the challenging economic environment, we able to keep our Gasoil sales fairly stable due to our loyal customer base of commercial and government clients in Abu Dhabi and growth in Northern Emirates due to increased spot deals with large distributors.

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

We successfully introduced and grew our My Station services using small to mid-sized fuel trucks for fuel delivery to customers. This was especially relevant in growing our Gasoil business with customers having large commercial vehicle fleets.

LPG

The LPG market is divided into bulk sales for large commercial and industrial customers and cylinder sales mainly for residential and small commercial customers (e.g. restaurants and launderettes). Despite the challenging economic environment, our LPG bulk sales remained fairly stable due to expanding market share in Dubai and the Northern Emirates through distributors and direct customers.

We expanded the Dubai commercial LPG cylinder markets with 100 lbs. cylinders and continue to grow aggressively in this segment. We also experienced double digit growth in the residential LPG cylinder markets (25 & 50 lbs.) in Dubai as we continued to expand our market share through our strategic distributor partnership.

One of the significant changes in 2020 was to introduce single price for all purchases and a uniform delivery charge through our distributors for our LPG cylinders sold in Abu Dhabi and the Northern Emirates. This meant a more transparent pricing structure that ensures uniform rates for all customers - retail and commercial, whether purchased at the station or through a distributor. This initiative resulted in improvement in profitability of LPG business.

Lubricants

We experienced a slight drop in the sale of lubricants mainly due to the lockdown impact during COVID-19. However, despite the drop in sales, profitability was broadly stable 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 2021 with the objective of entering into new markets in the Africa and Asia using the distributor model.

We also experienced growth in profitability in base oils due to price premiumization with large blenders and distributors.

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 2020, we experienced a significant slowdown in the sales, distribution and refueling services due to prolonged shut down of economic activity.

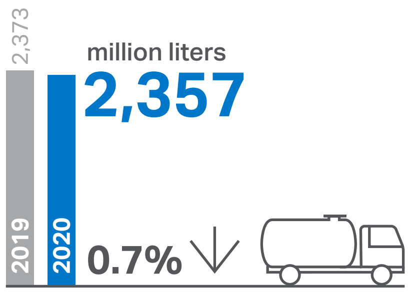
FINANCIAL REVIEW

Corporate Segment

Volumes
Corporate segment volumes decreased 0.7 percent in 2020 compared to 2019 despite challenging operating environment, driven by dynamic product pricing strategy and increased focus on gaining market share in Dubai and the Northern Emirates.

Results
Corporate segment revenue decreased 23.6% in 2020 compared to 2019 mainly due to lower oil prices. Gross profit decreased by 2.6% year-on-year.

Corporate segment EBITDA decreased by 18.8% in 2020 compared to 2019, driven by lower margins and negative one-offs, while 2019 included one-off recoveries.



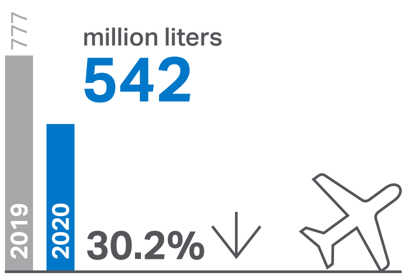
CORPORATE VOLUMES

Aviation Segment

Volumes
Aviation volumes decreased by 30.2% in 2020 compared to 2019 due to decrease in fuel sales to our strategic customers.

Results
Aviation revenue decreased by 43.4% in 2020 compared to 2019 due to lower volumes and fuel prices.

Aviation gross profit decreased by 19.4% year-on-year in 2020. Aviation EBITDA increased by 36.5% in 2020 compared to 2019.



AVIATION

OUTLOOK

In 2021, we expect to continue to work with government authorities to enforce regulations to prevent unlicensed suppliers and off-spec Gasoil product entering the market while continuing to grow in Dubai and the Northern Emirates

We intend to continue our aggressive growth strategy in commercial Gasoline by expanding our market share in Dubai and the Northern Emirates

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.

Commercial segment

Key financials (AED million)	2020	2019	YoY %
Revenue	4,786	6,800	-29.6%
Gross profit	1,415	1,574	-10.2%
Gross profit - Corporate	846	869	-2.6%
Gross profit - Aviation	568	705	-19.4%
EBITDA	813	1,081	-24.8%
Operating profit	748	1,013	-26.1%
Capital expenditure	13	5.2	140.4%


100% HSE

CORPORATE REVIEW

CORPORATE GOVERNANCE

ADNOC Distribution holds a successful three-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 2020 we reaffirmed those pledges to our shareholders 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 Abu Dhabi Securities Exchange, as set out in the Chairman of Authority's Board of Directors' Decision No.(3 R.M) of 2020 Concerning the Standards of Institutional Discipline and Governance of Public Joint Stock Companies (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 independent directors, in accordance with the criteria set out in the Corporate Governance Rules.

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

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

of the non-audit work undertaken by external auditors; advising on the 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 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 independent directors. 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.

Insider Dealing Committee

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

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

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

The Insider Dealing Committee is comprised of three members who are appointed by the Board of Directors. Currently, the members of the committee are the General Counsel & Board Secretary who chairs the committee, the Chief Financial Officer and the Chief Investor Relations Officer.

For more information about our corporate governance framework, please refer to our 2020 Corporate Governance Report.

> At ADNOC Distribution, integrity and ethics remain the foundation of our success.

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.

OUR BOARD OF DIRECTORS

H.E. Dr. Sultan Ahmed Al Jaber

Chairman

H.E. Dr. Sultan Ahmed Al Jaber has served as Minister of Industry and Advanced Technology since July 2020, as a 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 several other ADNOC Group companies, Chairman of Masdar and Chairman of Abu Dhabi Media Company PJSC. He is also a member of the Board of Directors of Emirates Global Aluminum and First Abu Dhabi Bank. H.E. Dr. Al Jaber holds a PhD in business and economics from Coventry University in the United Kingdom, an MBA from the California State University, and a Bachelor in Chemical Engineering from the University of Southern California, the United States.

Khaled Salmeen

Director

Chairman of Executive Committee

Member of the Nomination and Remuneration Committee

Mr. Khaled Salmeen has served as Executive Director of Downstream Industry, Marketing and Trading Directorate of ADNOC since 24th January 2021, having previously served as Executive Director of Marketing, Sales & Trading Directorate of ADNOC from 5 February 2019. He previously also served as Chief Executive Officer of the Khalifa Industrial Zone (KIZAD), Chairman of Abu Dhabi Terminals, and Chief Operating Officer of National Central Cooling Company (Tabreed). He also served as Director of ADNOC's Transformation Project Management Office from 2016 to 2017. Mr. Salmeen currently serves on a number of ADNOC Group company boards of directors. He is also Chairman of TA'ZIZ and Chairman of ADNOC Trading. Mr. Salmeen holds a BSc in Engineering from Colorado School of Mines, Colorado, USA, and an Executive MBA from INSEAD and a Project Management Professional (PMP) from the Project Management Institute (PMI) and Harvard Business School.

Abdulaziz Abdulla Alhajri

Director

Mr. Abdulaziz Abdulla Alhajri served as Executive Director, Downstream Directorate of ADNOC from May 2016 until 31 December 2020. 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

Director

Member of the Audit Committee
Member of the Executive Committee

Mr. Ahmed Jasim Al Zaabi has served as Group Chief Financial Officer of ADNOC since December 2019, and as Director, Finance & Investments Directorate of ADNOC since February to December 2019. He previously served as Executive 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, GSEC from 2011 until 2018. Mr. Al Zaabi currently serves as a board member of Khalifa Fund for Enterprise Development, TAZIZ, IFAD and several other ADNOC Group companies. Mr. Al Zaabi holds a Master's degree in Economics Science with Honors from University of Aberdeen, UK.

Jassim Alseddiqi

Director

Chairman of the Nomination and Remuneration Committee
Member of the Audit Committee

Mr. Jassim Alseddiqi has served as the Group Chief Executive Officer of Shuaa Capital since October 2019. He also serves as the Chairman of GFH Financial Group, Islamic Arab Insurance Company (SALAMA), Eshraq Investments, Khaleeji Commercial Bank and The Entertainer. He is a member of the Board of Directors of First Abu Dhabi Bank (FAB) and Dana Gas. 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

Director

Member of the Nomination and Remuneration Committee

Mr. Pedro Miró Roig was 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. He serves as a member of the board of Mubadala Petroleum. Mr. Miró holds a Bachelor's degree in Chemistry from the University of Barcelona.

David-Emmanuel Beau

Director

Chairman of the Audit Committee
Member of the Executive Committee

Mr. David-Emmanuel Beau has served as Senior Vice President, Asset Management & Business Development (Downstream Industry, Marketing & Trading Directorate) at ADNOC since November 2020. He previously served as Chief Investment Officer of the GSS Department at Abu Dhabi Investment Council (ADIC) from 2007 to 2020, where he focused on the MENA region, and prior to that as a fund manager at the Abu Dhabi Investment Authority (ADIA) from 2003 until 2007. He serves as a member of the board of Invest AD. Mr. Beau is a CFA Charter holder.

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, and Acting Chief Operating Officer as of from 30 September 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 Financial Officer

Mr. Mohamed Al Hashemi was appointed as Chief Financial Officer as from 30 September 2020, prior to which he served as Chief Operating Officer since 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.

Athmane Benzerroug

Chief Investor Relations Officer

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

Mr. Benzerroug holds an MSc in 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). Mr. Nijhawan has 21 years of experience in the energy industry and the energy investment banking industry covering strategy formulation and strategy execution. Previously, Mr. Nijhawan held senior roles with HSBC, Citi and UBS in New York and Dubai.

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

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.

Juma Al Khemeiri

Senior Vice President, Commercial

Mr. Juma Al Khemeiri joined ADNOC Distribution as Senior Vice President, Commercial in November 2020. Mr. Juma has worked in ADNOC HQ for 20 years in the Marketing, Supply & Trading Directorate, being responsible for Gasoil, Jet and Sulphur sales for export and local market. He also spent a few years analyzing Global Oil & Gas markets as part of the Market Research Team.

Mr. Al Khemeiri holds a BSc of Science in Marketing and Finance from Portland State University, Oregon, USA.

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

Senior Vice President, Production, Supply Chain & Maintenance

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

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

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, Audit & Assurance

ADNOC Distribution in 2007 and was appointed as the Vice President, Audit and Assurance in December 2017. He brings 19 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 in January 2019. Mr. Al Suwaidi has an extensive work experience in ADNOC Group Companies for 19 years where he has been holding senior positions for more than 10 years.

Mr. Al Suwaidi holds a Master Mariner Certificate 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 has more than 20 years' experience in senior communications and journalism positions, including more than 10 years with the BBC as a news and sports journalist. For the past decade, Mr. Barber has worked in the UAE and KSA 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 sits on the Executive Board of the Middle East Public Relations Association (MEPRA) and is a Broadcast Journalist graduate of Nottingham Trent University.

OUR PEOPLE

For the success and strength of our business, we believe that our greatest asset is our people. Their progress and preservation are central to our operations and in ensuring we achieve our ultimate business goals. It is as a result of the continued hard work and unique skills of our employees that we continue in our position as the leading, and largest, fuel and convenience retailer in the UAE.

Health and safety

In 2020, we invested heavily in protecting the health and safety of our employees, offering and innovating solutions that would ensure the successful continuity of our vital training programs, as well as helping our people deliver their professional goals for the year amid the COVID-19 pandemic.

We adopted several safety measures to ensure our employees were not subjected to any potential exposure risks, such as swift implementation of working from home solutions for our office staff at the beginning of the pandemic. We also continued to follow the UAE federal government's guidelines regarding reopening the economy, issue travel guidelines and gradually re-introducing work from our offices while adhering to social distancing measures and conducing regular PCR testing - we conducted approximately 23,500 PCR tests for our employees during the year.

Company Reorganization (Project Right)

This important project was introduced in 2019 and continues to be an extremely valuable part of managing and optimizing our service station operations. The program aims to augment the efficiency and competence of our fuel retail business along with the reduction of expenditure in areas linked to the operational, tactical, and strategic fields. These are vital factors in our efforts to boost competitiveness and maintain our leadership position.

The project has introduced a number of initiatives that helped in the simplification of our operations and functions, reducing costs and increasing overall efficiency.

Our people play a crucial role in implementing "Project Right" through the continuous testing, improving and eventually implementing these initiatives. This leads to humanizing the experience and ensuring our business decisions are made to benefit business and customer interests, hence leading to achieving customer loyalty and operational success.

People Development

Despite the challenging and unprecedented work environment in 2020, we continued to invest in our people to ensure they have the necessary competencies to meet and exceed their business requirements, as well as achieve their future career prospects. We conducted a total of 433 courses and trainings in 2020, covering various subject matters. Most of these sessions were presented virtually.

This included launching our Leadership Academy to further develop the competencies of our employees and ensure their readiness to hold future leadership positions through acquiring the necessary skills. We also introduced the E-Learning mobile application, which was crucial to ensure our employees are able to continue with their personal and professional development, whenever and wherever they are.

We also partnered with the Higher Colleges of Technology (HCT) for the deployment of 'Tomooh' program. The customized training program is designed to support the development of UAE nationals as service leaders, enabling them to take up frontline leadership roles at ADNOC service stations. More than 250 ADNOC Distribution employees were included in the first phase of the program.

Emiratization and diversification

Based on our innate belief that our people are our main asset, we strive to acquire the best talents in the UAE and worldwide to ensure we have the smartest and most innovative minds running our operations and planning our Company's future.

We also strongly support the UAE Government's direction to empower, retain and invest in local talent, to ensure they are well equipped with the necessary leadership skills to harness our operations.

This has led to us achieving an Emiratization rate of 72% of positions subject to Emiratization (Emiratizable positions) across all functions in our Company, and we are proud that all of our service station managers are UAE nationals We are able to benefit from a multicultural pool of talent, as we have employees from 62 nationalities working across our different operations, bringing global expatriate expertise and worldwide exposure to our business and hence boosting our local and international appeal to the market.

72%

EMIRATIZATION RATE
of Emiratizable positions

We believe that strong leadership is a key factor in any organization's effort to achieve its micro and macro goals and that's why we had 25 leadership appointments on the Vice President and executive leadership levels in 2020, out of which 20 positions were appointed internally.

Succession Planning

Succession planning was one of our most important human capital tasks in 2020. This approach allows us to keep hold of talent that is important in achieving our future business ambitions through innovation and professionalism. Selected employees within the succession-planning model are offered special programs to help them further develop their interpersonal and professional skills, to retain and prepare them for leadership positions in the future.

ADNOC Distribution identified 77 talented employees through the succession-planning scheme in 2020, out of which 59 are UAE nationals and 10 women, and they were all offered a development plan accordingly.

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:

- 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:

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

> By 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 developing job opportunities for UAE nationals, encouraging local procurement, improving customer satisfaction, and through social initiatives and partnerships to advance community and environmental goals.

In 2020, our CSR outreach efforts were focused, like many, on supporting a nation through the fight against COVID-19. ADNOC Distribution launched a number of campaigns throughout the year to raise awareness, combat the spread of the disease, and offer support to the communities we serve.

In the wake of the crisis, our employees assembled 1,000 care packages that were distributed as a thank you token to medical professionals, for all their efforts during the first initial month of the pandemic. The bags were sent to numerous hospitals and medical centers across the UAE including Sheikh Khalifa Medical city and Al Ruwais hospital.

We continued to show support to our medical frontline heroes by offering them free hot beverages, with more than 50,000 cups distributed at ADNOC Oasis across the UAE, with an additional 10,000 KitKats distributed in partnership Nestlé UAE. ADNOC Distribution, in collaboration with the UAE health authorities, also provided support to all national emergency response ambulances refueling at ADNOC service stations.

Our partnership with the Emirates Red Crescent launched a health and safety awareness campaign where volunteers gave away PPE to customers at ADNOC service stations including gloves, masks and hand sanitizers. The volunteers also shared valuable information on how to maintain a hygienic lifestyle. The campaign ran over the course of 70 days in 54 stations across Abu Dhabi, Al Ain, Sharjah, Umm Al Quwain, Rask Al Khaimah and Fujairah.

ADNOC Distribution also offered the new complementary internal car sanitization service with any car wash during the period of the national sterilization program to help reduce the spread of the COVID-19 virus. We also distributed 100,000 water bottles and 30,000 hand sanitizers through our Waqaiya Kit campaign.

As the UAE's largest fuel supplier, we are proud of our contributions to social investment and community development programs, especially in the times of crisis. While we invest heavily in developing our infrastructure nationwide to ensure the continuous provision of uninterrupted supply of energy to the most vital sectors of our life and economy, we are continually looking for new ways to make a positive impact on the lives of the people of the UAE and their communities.

HEALTH, SAFETY AND ENVIRONMENT

There's no doubt that the COVID-19 pandemic has impacted every aspect of life and business worldwide. ADNOC Distribution's business like any other was affected, but the Company's long standing commitment to 100% health, safety and environmental protection (HSE) has reshaped the outcome of the pandemic for the Company, as it undertook unprecedented and innovative initiatives to overcome the HSE implications of the pandemic on the business.

ADNOC Distribution's HSE team had to simultaneously address the ongoing health and safety of employees, customers and business partners, and the impact of the crisis on set HSE targets and leading key performance indicators. Throughout 2020, ADNOC Distribution demonstrated an extremely high level of resilience and adapted to the changing business environment and customer needs, and was able to meet and exceed its HSE targets at the same time.

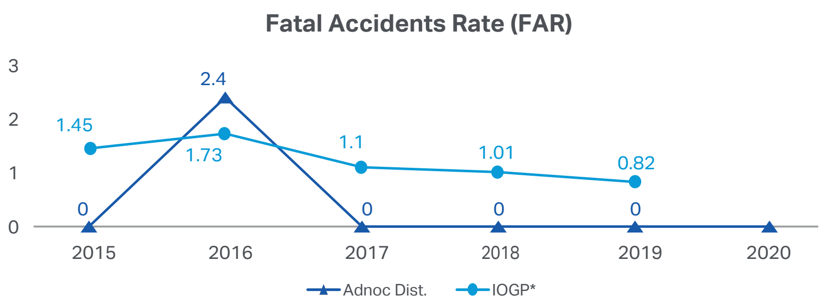
HSE performance in 2020

The ADNOC Distribution HSE team has carefully planned and accomplished objectives through smart tactics, while proactively managing COVID-19 risk exposure across the Company. This was facilitated through the effective deployment of virtual technology to conduct meetings, audits, inspections and trainings. COVID-19 has also influenced innovation in HSE at ADNOC Distribution, as the team introduced new ideas to rollout HSE campaigns virtually while engaging employees and contractor.

As a result, our HSE performance witnessed improvement during 2020. ADNOC Distribution successfully reduced Lost Time Frequency Rate (LTIF) by 57% and Total Recordable Incident Rate (TRIR) by 40% in 2020 compared to 2019 levels. The Company also did not report any Process Safety Events in 2020. The comparison of our HSE performance with international benchmarks clearly demonstrates ADNOC Distribution's outperformance.

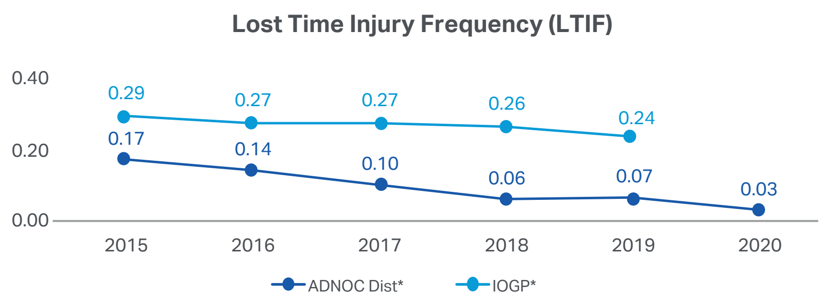
This success was driven by the thriving HSE culture within ADNOC Distribution and the continuous efforts to raise awareness on HSE matters across the board.

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



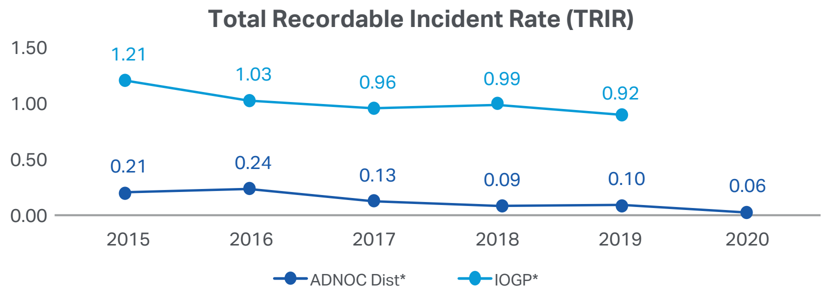
Lost Time Injury Frequency (LTIF): # of LTIs / Million Man Hours

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

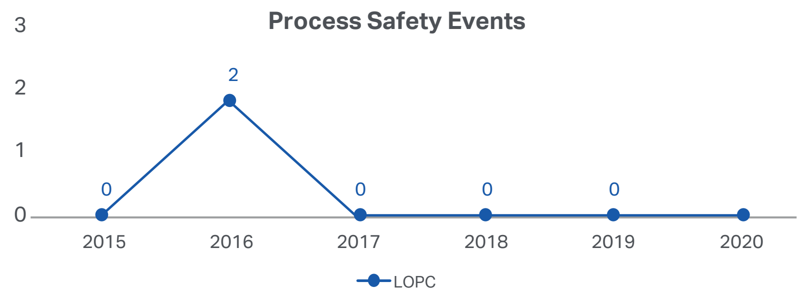


Total Recordable Incidents Rate (TRIR): # of Recordable Incidents* / Million Man Hours

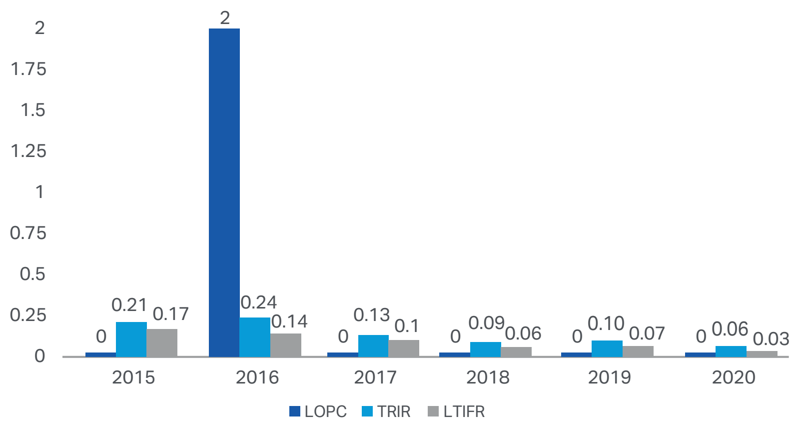
*Recordable incidents are a sum of Loss Time Incidents, Restricted Work Cases and Medical Treatment Cases.



All lagging indicators (Fatal Accident Frequency Rate, Lost Time Injury Frequency, and Total Recordable Incident Rate) ADNOC Distribution performing much better than most of our competitors.



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



HSE Campaigns and studies in 2020

ADNOC Distribution conducted two HSE campaigns during 2020; including the annual "Beat the Heat" summer campaign and its "Safety Week" campaign. Both campaigns were conducted virtually for the first time, and were led by the acting CEO.

Employees were engaged on HSE topics related to the core business through interactive virtual activities such as quizzes and rewards, which boosted the level of engagement resulting in optimal results.

ADNOC Distribution also conducted a study to test the operational phase HSE Impact Assessment (HSEIA) for its terminals and plants during 2020. The study is designed to assess the baseline condition of soil, groundwater, ambient air and occupational health exposures at select Company sites.

The ongoing project is expected to be completed during 2021 and the findings will be used to review and upgrade the current operating model at the terminals and plants, which will eventually reduce the environmental effects from the Company's operations.

SUSTAINABILITY

Sustainable development is one of the key enablers to successfully achieve our vision and mission of maximizing value of our energy resources in service of nation. Since its IPO in December of 2017, ADNOC Distribution has announced its commitment to achieving sustainable development and growth.

This has influenced the way the Company perceived its business and reshaped culture, as HSE and sustainability became a top of mind topics when discussing ideas. We are undertaking initiatives to reduce Green House gas emissions and taking concrete steps for reducing our energy intensity, in line with our 2030 decarburization strategy. This also aligns with the wider national initiatives that call for investment in sustainable solutions such as the UAE Vision 20201, the UAE Strategy for Green Development and more. We continue to provide a responsible service to our customers and applied our Corporate Social Responsibility (CSR) principles. We continue to be transparent with both our customers and different stakeholders and continuously engage with them through various channels.

Aligning with national policies, Frameworks and Initiatives

As one of the largest companies in the regional fuel distribution industry, ADNOC Distribution has a responsibility to contribute to the sustainable development and prosperity of the UAE. Both federal and local governments have introduced sustainability mandates in response to the overall national vision. At the national level, leadership has introduced UAE Vision 2021, UAE Energy Strategy 2050, and the National Climate Change Plan 2017-2050, while at the emirate level there is Abu Dhabi Economic Vision 2030, Abu Dhabi Demand Side Management and Energy Rationalization Strategy (DSM) and Environment Vision 2030. ADNOC Distribution has therefore considered its business activities across these mandates and has aligned its activities.

Some of the actions we have taken are:

UAE Vision 2021 and UAE Strategy for Green Development

ADNOC Distribution continues to promote HSE practices and push for sustainability in everything it does. The Company invests in green diesel solutions and continues to expand its natural vehicle gas offering across its service station network.

ADNOC Distribution has installed electric vehicle chargers and installed solar panels at select stations to provide sustainable energy solutions.

ADNOC Distribution also commenced the development of an Environmental Risk Profile project in 2020. The project helps to assess the individual environmental effect of each station and thus take the necessary timely actions to control it. The Company plans to complete the project during the first quarter of 2021 and will be deploying it across 200 stations.

Additionally in 2020, ADNOC Distribution installed a Continuous Air Monitoring System in Khalifa South Service Station.

The system will help create a benchmark for benzene, toluene, ethyl benzene and xylene emissions resulting from service station operations.

Another initiative that ADNOC Distribution has undertaken in 2020, in line with its commitment to sustainability and to increase efficiency, was the introduction of a new engineering strategy designed to optimize space utilization and reduces energy consumption in service stations.

Abu Dhabi Economic Vision 2030

We are fully supportive of the Abu Dhabi Economic Vision 2030 guidelines to support UAE leadership in transforming Abu Dhabi's economy into a knowledge based one and achieving smart government and smart cities initiatives.

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.

ADNOC Distribution continued to roll out its innovative 'ADNOC On the go' neighborhood stations, with a total of 38 opened nationwide in 2020. The efficient service stations require 50% less energy to run compared to traditional ones and are highly effective in reducing GHG emissions.

ADNOC Distribution also utilized its position as the leading fuel retailer in the UAE to influence behavioral change, to support the reduction of GHG emissions, by converting public vehicles to CNG fuel.

The Company currently operates 31 service stations with CNG fueling capacity and continues to grow its CNG offering across the network.

In 2020, the Company fueled 22 Million Metric Standard Cubic Meters (MMSCM) of CNG to vehicles that reduced approximately 90 tons of CO_2 emissions.

ADNOC Distribution also installed solar photovoltaic panels on four of its service stations (as of end of 2020), which saved the equivalent of approximately 373 tons in CO_2 emissions.

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.

Energy management

In 2020, ADNOC Distribution further optimized energy consumption that reduced associated GHG emissions and enhanced profits by reducing energy consumption. We introduced compact ADNOC On the go service stations that reduce the construction cost, optimize the energy consumption and associated GHG emissions.

ADNOC Distribution also invested in a state-of-the-art Energy Management System that meets the requirements of ISO 50001:2011, and is verified annually through external certification.

Solar energy

ADNOC Distribution continues to invest in solar power with a total of three solar powered stations in Dubai in addition to implementing a pilot solar power project in Yas North service station in Abu Dhabi where Japanese photovoltaic cells were installed.

Waste

ADNOC Distribution abides by regulatory requirements for the safe handling and disposal of waste generated from its operations.

The Company generated 10,440 tons of non-hazardous waste during 2020, which was moved to landfill sites as per regulatory requirements.

The Company uses a specialized recycling services provider to handles its paper waste. ADNOC Distribution also contracted with a specialized service provider; to collect and recycle lube waste from its sites that resulted in recycling 1,506 tons of lube waste.

With regards to the hazardous waste generated from cylinder washing activities, ADNOC Distribution worked with a specialized contractor who transferred and treated 1,355 tons of hazardous water waste in 2020.

Water

ADNOC Distribution committed to adopting water saving initiatives since 2019 and continues to do so today. This includes installing aerator water savers across all washrooms and mosque ablution areas in ADNOC service stations, offices and sites. The grid spray pattern generated from this device reduces the water consumption by more than 80%. The Company also uses treated recycled water to operate its car washing docks, which accounts for 80% of the total water used in this operation.

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 2020, 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 803 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

ADNOC Distribution continues its journey to ensure protection of information systems and data assets. Our IT Security played a vital role in the year of 2020 in supporting the Company strategies despite the rising challenges due to COVID-19 Pandemic. We embarked on numerous initiatives to improve our cyber security posture and ensure business continuity. We successfully launched the secure remote workplace program and also conducted a Security Awareness Campaign to help our staff to stay aware of the heightened cyber security risks brought by Covid-19 and home working.

On the other hand, Information technology division continuously working to optimize the service stations experience and transform ADNOC Distribution into a leading customer-centric, technology-enabled retail fuel service provider. We've executed major projects to improve the network access control and upgrade our main datacenter network and security. We also successfully implemented an improved service stations security architecture to ensure critical OT infrastructure operations follow best practices. In 2020, we significantly enhanced the cyber security posture of our smart services, by performing periodic 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.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FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2020

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 2020.

Board of Directors

The Directors of the Company are:

Chairman	H. E. Dr. Sultan Ahmed Al Jaber
Members	Khaled Salmeen
	Abdulaziz Abdulla Alhajri
	Ahmed Jasim Al Zaabi
	Jassim Mohammed Alseddiqi
	Pedro Miró Roig
	David-Emmanuel Beau

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 16,132,060 thousand (2019: AED 21,336,960 thousand). Profit for the year was AED 2,432,364 thousand (2019: AED 2,153,810 thousand (restated)).

The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2020 (restated)	2,175,581
Total profit for the year	2,432,364
Dividend paid	(2,479,375)
Retained earnings at 31 December 2020	**2,128,570**

The Board of Directors approved a final dividend of 9.55 fils per share to the shareholders in respect of the year ended 31 December 2019. The dividend comprised of AED 1,193,750 thousand, which was approved at the General Assembly Meeting held on 31 March 2020 and paid on 2 April 2020.

The Board of Directors approved an interim dividend of 10.29 fils per share to the shareholders in respect of the first half of 2020. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 29 September 2020 and paid on 1 October 2020.

for the Board of Directors

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

Abu Dhabi, UAE

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 2020, 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 2020, 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
Revenue recognised from retail sales and related IT systems	
The Group reported revenue of AED 11.3 billion from retail sales for the year ended 31 December 2020. There is inherent risk around the accuracy and completeness 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 19 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 recognition against the requirements of IFRSs. ■ Performing test of details on a sample basis to reconcile the daily sales to the cash collections and the subsequent bank deposits; ■ Performing substantive analytical procedures over revenue by building expectations of sales on the basis of quantities sold, regulated prices and building an expectation of gross margin based on prior periods comparable information; and ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.
Decommissioning obligation related to assets constructed on leased land	
The Group has recorded a provision for decommissioning of AED 120.2 million. These provisions relate to an obligation to dismantle service stations constructed on leased land, at a future date. The Group operates over 196 service stations in Dubai and other emirates in the United Arab Emirates and the Kingdom of Saudi Arabia on land leased from third parties. The Group has a contractual obligation to restore the land to its original condition at the end of the lease period.	Our audit strategy comprised a combination of test of controls and substantive procedures over both the measurement of the decommissioning obligation and the related restatement of comparative information. These included, but were not limited to, the following: ■ Obtaining an understanding of the Group's process for identifying the agreements for which a provision needs to be raised and testing the design, implementation and operating effectiveness of the controls over this process; ■ Evaluating the skills, objectivity, qualifications and competence of the specialist employed by management; ■ Reviewing the engagement letter between the Group and the specialist to determine if the scope of their engagement was sufficient for audit purposes. ■ Assessing the validity and completeness of the list of service stations used for the underlying calculation;

Key audit matter	How our audit addressed the key audit matter
Decommissioning obligation related to assets constructed on leased land	
The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and available technology. At each reporting date the decommissioning liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred at reporting date. Management employed a specialist to assist them in determining the provision. We have considered the measurement of decommissioning costs as a key audit matter as it requires significant judgments to be applied and estimates to be made due to the inherent complexity in estimating the amount and timing of future costs including, inter alia, the determination of an appropriate rate to discount these costs to their present value. In addition, the prior period comparative information has been restated as disclosed in note 34. The Group's accounting policies relating to the dismantling obligations are presented in note 3 and the critical accounting estimates made, and judgements applied by management are disclosed in note 4 to the consolidated financial statements.	■ Evaluating the approach adopted by management in determining the expected costs of decommissioning and determining if the significant judgements applied and estimates of cost per service station are appropriate by inspecting supporting documentation from independent third parties; ■ Identifying the cost assumptions used that have the most significant impact on the provisions and determining if these assumptions are appropriate; ■ Discussing the estimates used by the specialist with management and the specialist; ■ Performing test of details by reviewing the lease agreements, on a sample basis to determine if the term over which the obligation has been discounted is correct; ■ Reperforming the calculation of notional interest on the obligation; ■ Determining if the provision has taken into account the effect of any restoration undertaken during the year; ■ Reviewing, with the assistance of our internal specialists, the discount and inflation rates used in the estimation to determine if they are appropriate; ■ Agreeing the results of the specialist's calculation to the amounts reported in the consolidated financial statements; and ■ Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report for the year ended 31 December 2020 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 2020;

- Note 8 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

- As disclosed in note 1 to the consolidated financial statements, the Group made social contributions amounting to AED 251 thousand during the year ended 31 December 2020; and

- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

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 2020:

- 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.)

Obada Alkowatly
Registration Number 105614
14 February 2021
Abu Dhabi, United Arab Emirates

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

as at 31 December 2020

	Notes	31 December 2020 AED'000	31 December 2019 AED'000 (restated)	1 January 2019 AED'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**5,567,588**	5,359,952	5,457,450
Right-of-use assets	9	**547,374**	207,700	132,856
Advances to contractors		**75,451**	113,843	88,832
Other non-current assets	14	**5,213**	7,931	10,693
Total non-current assets		**6,195,626**	**5,689,426**	**5,689,831**
Current assets				
Inventories	6	**670,749**	915,122	1,173,854
Trade receivables and other current assets	7	**2,180,563**	3,039,712	2,249,668
Due from related parties	8	**567,893**	569,713	996,859
Term deposits	10	**644,150**	2,130,000	130,000
Cash and bank balances	10	**2,145,322**	2,599,891	5,342,959
Total current assets		**6,208,677**	9,254,438	9,893,340
Total assets		**12,404,303**	**14,943,864**	**15,583,171**
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		**(151,471)**	(114,525)	-
Retained earnings		**2,128,570**	2,175,581	1,950,521
Total equity		**3,477,099**	**3,561,056**	**3,450,521**
Non-current liabilities				
Lease liabilities	13	**447,055**	149,202	84,357
Long term debt	14	**5,494,597**	5,489,540	5,484,400
Derivative financial instruments	17	**80,149**	80,869	-
Provision for decommissioning	18	**120,193**	87,949	73,752
Provision for employees' end of service benefit	15	**199,185**	206,057	212,427
Total non-current liabilities		**6,341,179**	**6,013,617**	**5,854,936**
Current liabilities				
Lease liabilities	13	**28,147**	5,013	7,901
Trade and other payables	16	**1,590,189**	1,739,085	1,960,996
Due to related parties	8	**884,771**	3,586,539	4,308,817
Derivative financial instruments	17	**82,918**	38,554	-
Total current liabilities		**2,586,025**	**5,369,191**	**6,277,714**
Total liabilities		**8,927,204**	**11,382,808**	**12,132,650**
Total equity and liabilities		**12,404,303**	**14,943,864**	**15,583,171**

To the best of our knowledge, the financial information included in the report fairly present in all material respects the financial condition, result of operations and cash flows of the Group as of 31 December 2020, and for the periods presented in the report.

Dr. Sultan Ahmed Al Jaber

Mohamed Al Hashimi
Chief Financial Officer

Ahmed Al Shamsi
Acting Chief Executive Officer

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

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000 (restated)
Revenue	19	**16,132,060**	21,336,960
Direct costs	20	**(10,349,052)**	(16,358,645)
Gross profit		**5,783,008**	**4,978,315**
Distribution and administrative expenses	21	**(3,032,908)**	(2,807,041)
Impairment losses on trade and other receivables	7	**(70,352)**	(18,427)
Other impairment losses and expenses	23	**(196,889)**	(48,018)
Other income	22	**113,704**	**155,661**
Operating profit		**2,596,563**	**2,260,490**
Interest income		**47,849**	121,453
Finance costs	25	**(212,048)**	(228,133)
Profit for the year		**2,432,364**	**2,153,810**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value loss on hedging instruments		**(36,946)**	(114,525)
Total comprehensive income for the year		**2,395,418**	**2,039,285**
Earnings per share:			
Basic and diluted (AED)	26	**0.195**	0.172

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

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2018 (as previously stated)	1,000,000	500,000	-	2,074,641	3,574,641
Impact of restatement (note 34)	-	-	-	(124,120)	(124,120)
Balance as at 1 January 2019 (restated)	1,000,000	500,000	-	1,950,521	3,450,521
Profit for the year (restated)	-	-	-	2,153,810	2,153,810
Other comprehensive income for the year	-	-	(114,525)	-	(114,525)
Total comprehensive income for the year (restated)	-	-	(114,525)	2,153,810	2,039,285
Dividends paid (note 27)	-	-	-	(1,928,750)	(1,928,750)
Balance as at 31 December 2019 (restated)	1,000,000	500,000	(114,525)	2,175,581	3,561,056
Profit for the year	-	-	-	2,432,364	2,432,364
Other comprehensive income for the year	-	-	(36,946)	-	(36,946)
Total comprehensive income for the year	-	-	(36,946)	2,432,364	2,395,418
Dividends paid (note 27)	-	-	-	(2,479,375)	(2,479,375)
Balance at 31 December 2020	**1,000,000**	**500,000**	**(151,471)**	**2,128,570**	**3,477,099**

CONSOLIDATED STATEMENT
OF CASH FLOWS

for the year ended 31 December 2019

	2020 AED'000	2019 AED'000 (restated)
Cash flows from operating activities		
Profit for the year	**2,432,364**	2,153,810
Adjustments for:		
Depreciation of property, plant and equipment	**572,968**	570,297
Depreciation of right-of-use assets	**19,193**	6,018
Recoveries on receivables	**(28,744)**	(49,971)
Impairment losses on receivables	**70,352**	18,427
Employees' end of service benefit charge	**25,291**	23,172
loss on disposal of property, plant and equipment	**180**	28
(Reversal)/write down of finished goods to net realisable value		(104,541)
Impairment of capital work in progress	**190,882**	46,853
Provision for slow moving items	**2,975**	-
Inventories written off	**3,032**	746
Finance costs	**212,048**	228,133
Interest income	**(47,849)**	(121,453)
Operating cash flows before movements in working capital	**3,452,692**	**2,771,519**
Decrease in inventories	**238,367**	362,527
Decrease/(increase) in trade receivables and other current assets	**818,666**	(758,949)
Decrease in due from related parties	**1,820**	427,022
Decrease in trade and other payables	**(83,500)**	(321,676)
Decrease in due to related parties	**(2,701,768)**	(722,278)
Cash generated from operating activities	**1,726,277**	**1,758,165**
Payment of employees' end of service benefit	**(32,163)**	(29,418)
Net cash generated from operating activities	**1,694,114**	**1,728,747**
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(927,811)**	**(381,265)**
Payments for advances to contractors	**(51,232)**	(81,590)
Proceeds from disposal of property, plant and equipment	**1,389**	357
Decrease/(increase) in term deposit with maturity more than three months	**1,485,850**	(2,000,000)
Interest received	**46,719**	121,900
Net cash generated/ (used) in investing activities	**554,915**	**(2,340,598)**
Cash flows from financing activities		
Finance cost paid	**(194,154)**	(187,507)
Payment of lease liabilities	**(30,069)**	(14,960)
Dividends paid	**(2,479,375)**	(1,928,750)
Net cash used in financing activities	**(2,703,598)**	**(2,131,217)**
Net decrease in cash and cash equivalents	**(454,569)**	**(2,743,068)**
Cash and cash equivalents at beginning of the year	**2,599,891**	5,342,959
Cash and cash equivalents at end of the year (note 10)	**2,145,322**	**2,599,891**
Non-cash transaction		
Accruals for property, plant and equipment	**367,140**	414,707
Advances to contractors transferred to property, plant and equipment	**89,624**	56,579
Transfer of property, plant and equipment from a related party	**2,905**	-
Finance cost related to provision for decommissioning	**4,214**	3,550
Additions to right of use assets	**330,837**	70,215

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

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.

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

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

In September 2020, ADNOC completed a USD 1 billion institutional placement of 10% of ADNOC Distribution shares. The transaction has increased the free float of the Group in Abu Dhabi Securities Exchange to 20%. The Parent Company currently retains 80% ownership of the Group.

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

The Group owns retail fuel stations located in the 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 has not purchased or invested in any shares during the financial year ended 31 December 2020.

The Group made social contributions amounting to AED 251 thousand during the year ended 31 December 2020 (2019: AED 1,227 thousand).

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

2.1. 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 after1 January 2020, have been adopted in these financial statements.

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
Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7 The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	1 January 2020
Covid-19-Related Rent Concessions – amendments to IFRS 16 The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	1 June 2020

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
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 January 1, 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.
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	1 January 2023
Amendments to IFRS 3 – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	1 January 2022

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020 The Annual Improvements include amendments to four Standards. IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.	1 January 2022
IAS 41 Agriculture The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022

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 2020 been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial 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.

On 30 December 2020, ADNOC Distribution Global Company LLC signed a definitive Business and Asset Purchase Agreement to acquire fifteen (15) service stations in the Kingdom of Saudi Arabia, but the agreement is subject to unconditional approval from General Authority for Competition (GAC) and other regulatory or tax authorities on the transaction in addition to the other closing conditions on the selling and buying parties.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest 2020	Ownership interest 2019	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:

	2020
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 and is accounted for at a nominal value of AED 1 per plot of land. In order to continue to comply with property ownership laws in the UAE, the Group's real estate properties portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group has continued access to the properties, the Group entered into Real Estate Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to its operations on the properties.

Capital work-in-progress

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

Inventories

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

Impairment of tangible assets

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

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

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

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

Financial instruments

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

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

Financial assets

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

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

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

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

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

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

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

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

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 investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement 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 recognised in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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

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

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

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

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

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

The deferred liability is included within trade and other payables.

Leases

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

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

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

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

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

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

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its retail space in the service stations.

Leases for which the group is the lessor are all accounted as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

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

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

Employees' benefit

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

With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi 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.

Asset retirement obligations

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

Derivative financial instruments

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

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

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

Hedge accounting

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

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

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

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

Cash flow hedges

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical accounting judgments

Provision for decommissioning

The Group recognises provisions for the future cost associated with the dismantling of leased plots in Dubai and the Northern Emirates. The dismantling events are many years in the future and the exact requirements that will have to be met when a removal event occurs are uncertain. Assumptions are made by management in relation to settlement dates, technology, inflation and discount rates. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provision to be required. A provision of AED 120,193 has been recognised as at 31 December 2020 (2019: AED 77,302 (restated)) using a discount rate of 3.91 % (2019: 4.6% (restated)) and assuming all dismantling activities will take place at the current estimate of the end of life of each lease.

Management believes it does not have a contractual or constructive obligation to dismantle service stations in Abu Dhabi as the land has been granted by the Government of Abu Dhabi without any specific dismantling obligations. Accordingly, management believe any restoration in the future is not probable.

Determining the lease term

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

Key sources of estimation uncertainty

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

Calculation of loss allowance

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

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2020, the Group's allowance for expected credit losses of trade receivables amounted to AED 50,762 thousand (2019: AED 9,154 thousand).

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Management did not identify any impairment indicators in the current or prior year for property, plant and equipment. However, management identified certain capital work-in-progress for which future development is not expected and, accordingly, recorded an impairment of AED 190,882 thousand (2019: AED 46,583).

Discounting of lease payments

The lease payments are discounted using the interest rate implicit in the lease (IRTL). For leases where the Group is unable to determine the IRTL, the Group's incremental borrowing rate is used. Management has applied judgments and estimates to determine the discount rate at the commencement of lease. An incremental borrowing rate of 4.6 % was used in the current year to determine the lease obligations for new leases entered into (2019: 4.6%).

Derivative financial instruments

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

COVID-19

In March 2020, the World Health Organization (WHO) declared a new strain of coronavirus (COVID-19) as a pandemic outbreak after finding the increase in exposure and infections across the world. To contain the outbreak in the United Arab Emirates, the government enforced restriction of movement for both people and goods including the closure of both inbound and outbound flights to and from the country.

The outbreak comes with unpredictable human and economic consequences and its evolution remains unknown at the date of the issuance of the financial statements. As the situation is rapidly evolving, the impact on the Group's activities and operations remains extraordinarily uncertain.

The Group regularly assesses the impact of COVID-19 on its operations, business continuity, liquidity and legal obligations. The Group expects a continued recovery in consumption in the retail and non-retail fuel sector due to the easing of some of the restrictions that had been in place at the beginning of the pandemic.

The impact of this outbreak led to an increase in the expected credit loss of trade receivables to AED 50,762 thousand (31 December 2019: AED 9,154 thousand) and allowance for write-down to net realisable value and slow moving of inventories of AED 18,421 thousand (31 Dec 2019: AED 15,446 thousand). The Group will continue to closely monitor the impact of COVID 19 and a prolonged continuation of the situation and/or another lockdown may lead to further provisions and/or impairment in future periods.

The Group has a documented business continuity plan (BCP) that has been activated to ensure the safe and stable continuation of its business operations as well as the safety of its employees and customers. The Group has also introduced proactive comprehensive measures to address and mitigate key operational and financial issues arising from the current situation and has reasonably managed several areas of operational risks identified and implemented various measures that ensured continuity of the operations.

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 2019 (restated)	5,180,597	2,156,894	205,049	818,660	77,798	628,861	9,067,859
Additions	-	-	-	-	-	520,036	520,036
Transfers	149,351	53,868	7,472	232,334	1,102	(444,127)	-
Disposals	-	(347)	(14,741)	(952)	-	-	(16,040)
Impairment	-	-	-	-	-	(46,853)	(46,853)

	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 2020 (restated)	5,329,948	2,210,415	197,780	1,050,042	78,900	657,917	9,525,002
Additions	-	-	-	-	-	969,868	969,868
Transfers	868,462	41,968	28,905	66,944	-	(1,006,279)	-
Disposals	(303)	(679)	(11,137)	(7,486)	-	-	(19,605)
Transfers from a related party	3,048	177	-	3,556	840	-	7,621
Impairment	-	-	-	-	-	(190,882)	(190,882)
31 December 2020	**6,201,155**	**2,251,881**	**215,548**	**1,113,056**	**79,740**	**430,624**	**10,292,004**

	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 2019 (restated)	1,811,883	1,106,335	162,551	497,054	32,587	-	3,610,410
Charge for the year (restated)	280,454	166,629	14,213	105,642	3,357	-	570,295
Disposals	-	(264)	(14,469)	(922)	-	-	(15,655)
Reclassifications	35	(259)	46	165	13	-	-
1 January 2020 (restated)	2,092,372	1,272,441	162,341	601,939	35,957	-	4,165,050
Charge for the year	256,952	160,177	13,080	139,433	3,326	-	572,968
Disposals	(268)	(669)	(10,855)	(6,244)	-	-	(18,036)
Reclassifications	192	19	(2)	(209)	-	-	-
Transfers from a related party	2,834	138	-	1,092	370	-	4,434
31 December 2020	**2,352,082**	**1,432,106**	**164,564**	**736,011**	**39,653**	**-**	**4,724,416**
Carrying amount							
31 December 2020	**3,849,073**	**819,775**	**50,984**	**377,045**	**40,087**	**430,624**	**5,567,588**
31 December 2019 (restated)	3,237,576	937,974	35,439	448,103	42,943	657,917	5,359,952

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 8).

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

During the period, management carried out an assessment of their capital work in progress and identified certain projects, which are unlikely to be further developed. Accordingly, an impairment of AED 190,882 thousand was recognised (31 December 2019: AED 46,853 thousand).

The depreciation charge has been allocated as follows:

	2020 AED'000	2019 AED'000 (restated)
Distribution and administrative expenses (note 21)	**569,358**	566,783
Direct cost (note 20)	**3,400**	3,267
Work-in-progress inventories (note 6)	**210**	245
	572,968	570,295

6. Inventories

	2020 AED'000	2019 AED'000
Finished goods	**514,058**	802,743
Spare parts and consumables	**62,062**	48,107
Lubricants raw materials, consumables and work in progress	**62,623**	37,026
LPG cylinders	**50,427**	42,692
	689,170	930,568
Less: Allowance for write down of finished goods to net realisable value	**(234)**	(234)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(18,187)**	(15,212)
	670,749	915,122

The cost of inventories recognised as expense and included in direct cost amounted to AED 10,334,643 thousand (2019: AED 16,340,065 thousand) (note 20). During the year, a direct write off of inventory was recognised as expense amounting to AED 3,032 thousand (2019: AED 746 thousand) (note 23).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 210 thousand (2019: AED 245 thousand) (note 5).

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

The Group is carrying finished goods of AED 103,819 thousand (2019: 76,575 thousand) on behalf of a customer as at 31 December 2020.

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:

	2020 AED'000	2019 AED'000
At 1 January	**15,446**	119,987
Reversal to net realisable value	**-**	(104,541)
Impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 23)	**2,975**	-
At 31 December	**18,421**	15,446

7. Trade receivables and other current assets

	2020 AED'000	2019 AED'000
Trade receivables	**2,014,391**	2,821,346
Less: expected credit loss allowance	**(50,762)**	(9,154)
	1,963,629	2,812,192
Prepaid expenses	**17,625**	17,007
Receivable from employees	**101,537**	109,590
VAT receivables	**1,182**	3,950
Other receivables	**96,590**	96,973
	2,180,563	3,039,712

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

As at 31 December 2020, the Group had significant concentration of credit risk with three customers (2019: two) accounting for 55% (2019: 61%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

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

Trade receivables as on 31 December 2020

	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%**	**2%**	**11%**	
Estimated total gross carrying amount	**933,675**	**107,651**	**691,699**	**281,366**	**2,014,391**
Lifetime Expected credit loss	**(5,161)**	**(724)**	**(14,784)**	**(30,093)**	**(50,762)**

Trade receivables 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)

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

	Collectively Assessed AED'000	Individually Assessed AED'000	Total AED'000
Balances at 1 January 2019	15,012	25,686	40,698
Recovery made during the year	(24,285)	(25,686)	(49,971)
Charge for the year	18,427	-	18,427
Balances at 1 January 2020	9,154	-	9,154
Recovery made during the year	(28,744)	-	(28,744)
Charge for the year	39,145	31,207	70,352
Balances at 31 December 2020	19,555	31,207	50,762

Amounts charged to 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 2020. 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.

	2020 AED'000	2019 AED'000 (restated)
Due from related parties		
ADNOC Drilling	169,799	59,782
ADNOC Logistics and Services	134,093	70,048
Abu Dhabi National Oil Company (ADNOC)	110,384	359,515
ADNOC Offshore	84,803	20,077
ADNOC Onshore	49,027	22,365
ADNOC Gas Processing	3,501	21,134
ADNOC Sour Gas	3,156	2,745
Others	13,130	14,047
	567,893	569,713
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	872,766	3,559,438
ADNOC Logistics and Services	10,178	10,250
ADNOC Refining	1,420	16,851
Others	407	-
	884,771	3,586,539

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 2,768,689 thousand (2019: AED 4,722,758 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2020, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 5,276,563 thousand (2019: AED 5,276,563 thousand).

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

	2020 AED'000	2019 AED'000
Revenue – ADNOC group entities	**748,543**	1,055,564
Purchases – ADNOC	**9,619,696**	15,322,254
Vessel hire and port charges – ADNOC group	**62,057**	69,970
Transfer of property, plant and equipment (to)/from related party	**7,621**	-
Dividends paid (note 27)	**2,479,375**	1,928,750
Rendering of service (note 19)	**220,226**	273,488
Recovery of expenses incurred related to City Gas	**60,868**	57,456
End of service benefits transferred	**-**	124

Compensation of key management personnel

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

	2020 AED'000	2019 AED'000
Short term benefits	**36,279**	33,830
Pension contribution	**1,277**	1,280
	37,556	35,110

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.

Effective July 2020, the agreement related to the pricing mechanism agreement for the LPG products has been discontinued.

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

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

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

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

In 2019, the Group adjusted the purchase price of certain products supplied by ADNOC due to market conditions with effect from 1 January 2019. 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 (2019: 15 – 40 years).

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

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

	2020 AED'000	2019 AED'000 (restated)
At 1 January	**207,700**	132,856
Additions related to land lease	**330,837**	70,215
Additions to decommissioning	**4,567**	10,647
Change in estimate of decommissioning (note 18)	**23,463**	-
Depreciation charge during the year	**(19,193)**	(6,018)
31 December 2020	**547,374**	207,700

Amounts recognised in profit and loss

	2020 AED'000	2019 AED'000 (As restated)
Depreciation expense on right-of-use assets	**19,193**	6,018
Interest expense on lease liabilities	**20,219**	6,702

The total cash outflow for leases amounted to AED 30,069 thousand (2019: AED 14,960 thousand) (note 13).

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

10. Cash and cash equivalents

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

	2020 AED'000	2019 AED'000 (restated)
Cash held by ADNOC	**-**	1,144
Cash on hand and in bank	**2,145,322**	2,598,747
Cash and bank balances	**2,145,322**	2,599,891
Term deposit with maturities above 3 months	**644,150**	2,130,000

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 2,780,697 thousand (2019: AED 2,593 million) carrying rate ranging from 0.05% to 2.80% (2019: 0.02% to 3.20%) 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:

	2020 AED'000	2019 AED'000
Authorised:		
25,000,000,000 ordinary shares of AED 0.08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED 0.08 each	**1,000,000**	1,000,000

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% (2019: 50%) of the paid up share capital.

13. Lease liabilities

	2020 AED'000	2019 AED'000
Balance as at 1 January	**154,215**	92,258
Additions	**330,837**	70,215
Accretion of interest	**20,219**	6,702
Payments	**(30,069)**	(14,960)
Balance as at 31 December	**475,202**	154,215
Current	**28,147**	5,013
Non-current	**447,055**	149,202
	475,202	154,215

	31 December 2020 AED'000	31 December 2019 AED'000
Maturity analysis		
Not later than 1 year	**28,147**	5,013
Later than 1 year and not later than 5 years	**110,940**	19,844
Later than 5 years	**336,115**	129,358
	475,202	154,215

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

	2020 AED'000	2019 AED'000
Term loan	5,494,597	5,489,540

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

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 5,213 thousand as at 31 December 2020 (2019: AED 7,931 thousand) is presented as other non-current asset in the financial statements.

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

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.

	2020 AED'000	2019 AED'000
At 1 January	**5,489,540**	5,484,400
Other charges [(1)]	**5,057**	5,140
	5,494,597	5,489,540

(1) 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:

	2020 AED'000	2019 AED'000
At 1 January	**206,057**	212,427
Charge for the year (note 24)	**25,291**	23,172
Transfer to a related party (note 8)	**-**	(124)
Payments	**(32,163)**	(29,418)
At 31 December	**199,185**	**206,057**

16. Trade and other payables

	2020 AED'000	2019 AED'000 (restated)
Trade payables	**544,097**	542,219
Capital accruals	**367,140**	414,707
Operating accruals	**182,587**	208,329
VAT payable	**158,827**	242,615
Coupon and prepaid card sales outstanding	**99,470**	108,090
Contract retentions payable	**60,208**	59,357
Advances from customers	**35,345**	33,016
Other payables	**142,515**	130,752
	1,590,189	1,739,085

17. Derivative financial instruments

In the prior year, 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 31 December 2020, the fair value of the derivative financial instrument was as follows:

	2020 AED'000	2019 AED'000
Current liabilities	**82,918**	38,554
Non – current liabilities	**80,149**	80,869
	163,067	119,423

18. Provision for decommissioning

The provision for decommissioning obligation is with respect to dismantling obligation of the service stations built on leased lands in Dubai and Northern Emirates. The discount rate used to determine the obligation at 31 December 2020 is 3.91% (2019: 4.6%). The change in estimate is due to the reduction of the risk-free rate which was used to determine the discount rate.

	2020 AED'000	2019 AED'000 (As restated)
At 1 January	**87,949**	73,752
Additions during the period	**4,567**	10,647
Change in estimate	**23,463**	-
Amortisation of interest	**4,214**	3,550
At 31 December	**120,193**	87,949

19. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 29):

	2020 AED'000	2019 AED'000
Fuel	**10,466,470**	13,408,190
Non-fuel	**879,524**	1,129,058
Commercial (B2B)		
Corporate	**3,619,825**	4,739,079
Aviation	**1,166,241**	2,060,633
	16,132,060	21,336,960

Management expects that AED 5,436 thousand (2019: AED 5,345 thousand) is the remaining performance obligations as of the year ended 2020, 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 220,226 thousand (2019: AED 273,488 thousand) was recognised as revenue in the consolidated financial statements (note 8).

20. Direct costs

	2020 AED'000	2019 AED'000
Materials (note 6)	**10,334,643**	16,340,065
Staff costs (note 24)	**8,089**	11,172
Depreciation (note 5)	**3,400**	3,267
Overheads	**2,920**	4,141
	10,349,052	16,358,645

21. Distribution and administrative expenses

	2020 AED'000	2019 AED'000 (restated)
Staff costs (note 24)	**1,772,353**	1,605,430
Depreciation (note 5)	**588,551**	572,801
Repairs, maintenance and consumables	**193,618**	144,004
Distribution and marketing expenses	**87,516**	88,358
Utilities	**90,313**	82,762
Insurance	**14,252**	11,897
Others	**286,305**	301,789
	3,032,908	2,807,041

22. Other income

	2020 AED'000	2019 AED'000
Gain/(loss) on disposal of property, plant and equipment	**1,113**	(28)
Miscellaneous income	**112,591**	155,689
	113,704	155,661

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

23. Impairment losses and other operating expenses

	2020 AED'000	2019 AED'000
Impairment on capital work in progress (note 5)	**190,882**	46,853
Impairment for slow moving items	**2,975**	-
Inventories written off (note 6)	**3,032**	746
Others	**-**	419
	196,889	48,018

24. Staff costs

	2020 AED'000	2019 AED'000 (As restated)
Salaries and allowances	**1,447,753**	1,441,435
Other benefits	**327,599**	171,588
Employees' end of service benefit (note 15)	**25,291**	23,172
	1,800,643	1,636,195
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 21)	**1,772,353**	1,605,430
Capital work-in-progress	**20,201**	19,593
Direct costs (note 20)	**8,089**	11,172
	1,800,643	1,636,195

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

25. Finance costs

	2020 AED'000	2019 AED'000 (restated)
Finance charges on bank facilities	187,615	217,881
Interest expense on lease liabilities (note 13)	20,219	6,702
Interest expense on provision for decommissioning (note 18)	4,214	3,550
	212,048	228,133

26. 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.

	2020 AED'000	2019 AED'000 (restated)
Profit attributable to owners of the Company (AED '000)	**2,432,364**	2,153,810
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)	**0.195**	0.172

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

27. Dividends

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 735,000 thousand, 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 1,193,750 thousand and was paid on 3 October 2019.

The Board of Directors approved a final dividend of 9.55 fils per share to the shareholders in respect of the year ended 31 December 2019. The dividend comprised of AED 1,193,750 thousand, which was approved at the General Assembly Meeting held on 31 March 2020 and paid on 2 April 2020.

The Board of Directors approved an interim dividend of 10.29 fils per share to the shareholders in respect of the first half of 2020. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 29 September 2020 and paid on 1 October 2020.

28. Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 638,588 thousand (2019: AED 314,894 thousand.).

29. 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.

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

- Commercial (B2B) segment, which involves sale of petroleum products and ancillary products to commercial and government customers, the provision of aviation fuel and fuelling services to strategic customers, and the provision of fuelling services to the Parent Company civil aviation customers.

- Retail (B2C) segment, which involves sale of gasoline and petroleum products, convenience store sales, car wash and other car care services, oil change services, vehicle inspection services and property leasing and management through the retail sites.

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

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

Information regarding the new segment structure are as follows:

	Commercial (B2B) AED'000	Retail (B2C) AED'000	Unallocated AED'000	Total AED'000
31 December 2020				
Revenue	**4,786,066**	**11,345,994**	**-**	**16,132,060**
Direct costs	**(3,371,539)**	**(6,977,522)**	**9**	**(10,349,052)**
Gross profit	**1,414,527**	**4,368,472**	**9**	**5,783,008**
Distribution and administrative expenses	**(649,401)**	**(2,377,582)**	**(5,925)**	**(3,032,908)**
Other income	**24,508**	**74,069**	**15,127**	**113,704**
Impairment losses and other operating expenses	**(41,508)**	**(28,844)**	**(196,889)**	**(267,241)**
Operating Profit	**748,126**	**2,036,115**	**(187,678)**	**2,596,563**
Interest income				**47,849**
Finance costs				**(212,048)**
Profit for the period				**2,432,364**
31 December 2019				
Revenue	6,799,712	14,537,248	-	21,336,960
Direct costs	(5,225,321)	(11,133,324)	-	(16,358,645)
Gross profit	1,574,391	3,403,924	-	4,978,315
Distribution and administrative expenses (restated)	(600,957)	(2,198,733)	(7,351)	(2,807,041)
Other income	47,217	99,612	8,832	155,661
Impairment losses and other operating expenses	(8,096)	(10,332)	(48,017)	(66,445)
Operating Profit (restated)	1,012,555	1,294,471	(46,536)	2,260,490
Interest income				121,453
Finance costs (restated)				(228,133)
Profit for the period (restated)				**2,153,810**

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

30. 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 2020, the Group's share in the fund held by ADNOC was AED 503 thousand (2019: AED 650 thousand).

31. Contingencies and litigations

As at 31 December 2020, the Group had contingent liabilities amounting to AED 3,402,095 (2019: AED 902,095) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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

32. 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:

	2020 AED'000	2019 AED'000 (restated)
Debt	**5,494,597**	5,489,540
Cash and cash equivalent (note 10)	**(2,145,322)**	(2,599,891)
Net debt	**3,349,275**	2,889,649
Net debt	**3,349,275**	2,889,649
Equity	**3,477,099**	3,561,056
Net debt plus equity	**6,826,374**	6,450,705
Leverage ratio	**49.1%**	**44.8%**

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 2020 would have decreased/increased by AED 27,473 thousand (2019: AED 27,448 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

(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 2020, 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 2020 and 2019 based on the contractual undiscounted payments.

	Less than 1 year AED '000	More than 1 year AED '000	Total AED'000
At 31 December 2020			
Long term debt	-	5,494,597	5,494,597
Due to related parties	884,771	-	884,771
Lease liabilities	28,147	447,055	475,202
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,455,374	-	1,455,374
Total	**2,368,292**	**5,941,652**	**8,309,944**

	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	3,586,539	-	3,586,539
Lease liabilities	5,013	149,202	154,215
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,597,979	-	1,597,979
Total	5,189,531	5,638,742	10,828,273

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.

33. Financial instruments by category

	2020 AED'000	2019 AED'000 (restated)
Financial assets:		
Cash and bank balances (including term deposits)	**2,789,472**	4,729,891
Due from related parties	**567,893**	569,713
Trade and receivables and other current assets (excluding prepaid expenses)	**2,162,938**	3,022,705
	5,520,303	8,322,309

	2020 AED'000	2019 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,455,374**	1,597,979
Due to related parties	**884,771**	3,586,539
Lease liabilities	**475,202**	154,215
Long term debt	**5,494,597**	5,489,540
	8,309,944	10,828,273

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 17,625 thousand (2019: AED 17,007 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 134,815 thousand (2019: AED 141,106 thousand) have been excluded from trade and other payables.

34. Prior period errors

During the year, certain restatements were made by management to amend prior errors as required by IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". The amendment of prior period errors resulted in restatement of the comparative amounts for the consolidated statement of financial position as at 1 January 2019 and 31 December 2019. The impact is tabulated below:

	As previously reported AED'000	Restatement AED'000	Reclassification AED'000	As restated AED'000
Impact consolidated statement of financial position as at 1 January 2019				
Property, plant and equipment (1)	5,541,653	(84,203)	-	5,457,450
Right of use assets (2)	87,061	45,795	-	132,856
Term deposits (3)	-	-	130,000	130,000
Cash and bank balances (3)	5,472,959	-	(130,000)	5,342,959
Trade and other payables	1,949,036	11,960	-	1,960,996
Provision for decommissioning (2)	-	73,752	-	73,752
Retained earnings	2,074,641	(124,120)	-	1,950,521

(1) Certain assets that were being used by the Group were not being depreciated on a timely basis. The comparative periods have been adjusted to record the cumulative impact of depreciation against the opening retained earnings as at 1 January 2019. The impact on the consolidated statement of profit or loss for the year ended 31 December 2019 was an adjustment to depreciation within distribution and administrative expense of AED 37,097 thousand.

(2) Management obtained in the current year, for the first time, an external valuation of its decommissioning obligations relating to land leased in Dubai and Northern Emirates. Provision for decommissioning obligations were not previously recognised. The decommissioning asset has been recorded within right of use asset and the cumulative impact of unwinding of the provision and depreciation of the asset has been adjusted against the opening retained earnings as at 1 January 2019. The impact on the consolidated statement of profit or loss for the year ended 31 December 2019 was an adjustment to finance costs of AED 3,263 thousand and an adjustment to depreciation within distribution and administrative expense of AED 1,493 thousand.

(3) Term deposits which were previously presented as part of cash and bank balances have been disclosed separately to conform to current period presentation.

	As previously reported AED'000	Restatement AED'000	Reclassification AED'000	As restated AED'000
Impact consolidated statement of financial position as at 31 December 2019				
Property, plant and equipment [1]	5,481,252	(121,300)	-	5,359,952
Right of use assets [2]	152,751	54,949	-	207,700
Term deposits [3]	-	-	2,130,000	2,130,000
Cash and bank balances [3]	4,746,029	(16,138)	(2,130,000)	2,599,891
Trade and other payables	1,705,391	33,694	-	1,739,085
Provision for decommissioning [2]	-	87,949	-	87,949
Due to related parties	3,602,677	(16,138)	-	3,586,539
Retained earnings	2,363,575	(187,994)	-	2,175,581

	As previously reported AED'000	Restatement AED'000	Reclassification AED'000	As restated AED'000
Impact on consolidated statement of profit or loss for the year ended 31 December 2019				
Distribution and administrative expenses [1], [2]	2,766,464	40,577	-	2,807,041
Impairment losses and other expenses	(66,445)	-	18,427	(48,018)
Impairment losses on trade and other receivables	-	-	(18,427)	(18,427)
Finance costs [2]	204,836	23,297	-	228,133
Profit for the year	2,217,684	(63,874)	-	2,153,810
Total comprehensive income for the year	2,103,159	(63,874)	-	2,039,285
Impact on earnings per share for the year ended 31 December 2019				
Basic and diluted	0.177	(0.005)	-	0.172
Impact on consolidated statement of cash flows as at 31 December 2019				
Net cash generated from operating activities	1,744,885	(16,138)	-	1,728,747
Cash and cash equivalents at the end of the year	2,616,029	(16,138)	-	2,599,891

(1) Certain assets that were being used by the Group were not being depreciated on a timely basis. The comparative periods have been adjusted to record the cumulative impact of depreciation against the opening retained earnings as at 1 January 2019. The impact on the consolidated statement of profit or loss for the year ended 31 December 2019 was an adjustment to depreciation within distribution and administrative expense of AED 37,097 thousand.

(2) Management obtained in the current year, for the first time, an external valuation of its decommissioning obligations relating to land leased in Dubai and Northern Emirates. Provision for decommissioning obligations were not previously recognised. The decommissioning asset has been recorded within right of use asset and the cumulative impact of unwinding of the provision and depreciation of the asset has been adjusted against the opening retained earnings as at 1 January 2019. The impact on the consolidated statement of profit or loss for the year ended 31 December 2019 was an adjustment to finance costs of AED 3,263 thousand and an adjustment to depreciation within distribution and administrative expense of AED 1,493 thousand.

(3) Term deposits which were previously presented as part of cash and bank balances have been disclosed separately to conform to current period presentation.

35. Subsequent events

The Board of Directors proposed a final cash dividend of _____ fils per share to the shareholders in respect of second half of 2020.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Group shall apply and adjust their status in accordance with the provisions thereof (to the extent applicable) by no later than one year from the date on which this Decree-Law takes effect.

36. Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 February 2021.

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