
ADNOC
ADNOC Drilling
ADNOC DRILLING COMPANY PJSC
SECOND QUARTER AND
FIRST HALF 2022 RESULTS
Management Discussion & Analysis Report
9 August 2022

ADNOC Drilling Company PJSC
Second Quarter and First Half 2022 Results

Content

1. Financial Highlights

Financial Summary

ADNOC Drilling Company PJSC (the "Company") has generated revenue of $669 million compared to $601 million in second quarter of 2021. The increase in revenue was driven primarily from continued expansion in OFS segment. Onshore also witnessed activity growth largely driven by new rigs joining the fleet.

The global inflationary environment has impacted the cost of materials across all segments however, our Drilling Services contracts with the ADNOC Upstream Operating Companies are on a cost-plus basis. The contracts provide for cost escalation claims and periodic revision of the daily operating rates in our Onshore and Offshore segments, enabling the Company to deliver strong consistent performance in challenging economic environments. In addition, our progress on cost efficiency initiatives is further boosting income. Net profit for the second quarter of 2022 reached $204 million compared to the $172 million in the second quarter of 2021, an increase of 19%.

The Company continues to support ADNOC to significantly grow production capacity targets, consequently the fleet acquisition strategy has gained momentum in first half of 2022 which is highlighted by the increase in capital expenditure. In first half of 2022 eight new rigs were added to the fleet. The total value of these acquisitions forms part of three-year guidance of capital expenditure and are a step forward in the dynamic growth strategy of the Company to expand the existing fleet to 122 by end of 2024.

USD Million	Q2 2022	Q1 2022	*QoQ %*	Q2 2021	*YoY %*	1H 2022	1H 2021	*YoY %*
Revenue	669	601	11%	601	11%	1,270	1,123	13%
Direct Cost excluding depreciation	(302)	(265)	14%	(252)	20%	(567)	(497)	14%
G&A Expenses excluding depreciation[1]	(67)	(56)	20%	(57)	18%	(123)	(126)	-2%
EBITDA[2]	**300**	**280**	**7%**	**292**	**3%**	**580**	**500**	**16%**
Finance Cost	(7)	(4)	75%	(5)	40%	(11)	(9)	22%
Depreciation[3]	(89)	(101)	-12%	(115)	-23%	(190)	(209)	-9%
Net Profit	**204**	**175**	**17%**	**172**	**19%**	**379**	**282**	**34%**
EBITDA Margin	45%	47%		49%		46%	45%	
Net Profit Margin	30%	29%		29%		30%	25%	
Net cash generated from operating activities	205	613	-67%	291	-30%	818	479	71%
Capital Expenditure[4]	(207)	(78)	165%	(148)	40%	(285)	(283)	1%
Free Cash Flow	(2)	535	NM	144	NM	533	197	171%

NM: Not meaningful
(1) G&A Expenses excluding depreciation includes other income
(2) EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization
(3) Depreciation which is directly related to the operations is included in the direct cost. Indirect depreciation is part of G&A.
(4) Payments for purchase of property and equipment
See Appendix 1 (Glossary) for the calculation of certain metrics referred to above

Results by Segment

Onshore and Oilfield Services segments drove overall first half 2022 revenues to $1,270 million, delivering growth of 13% year-on-year.

Industry-leading fleet utilization of 98% with exceptional progress on cost performance results in first half of 2022 EBITDA of $580 million, up 16% year-on-year.

USD Million	Q2 2022	Q1 2022	*QoQ %*	Q2 2021	*YoY %*	1H 2022	1H 2021	*YoY %*
Revenue	**669**	**601**	**11%**	**601**	**11%**	**1,270**	**1,123**	**13%**
Onshore	383	319	20%	289	33%	702	567	24%
Offshore Jackup	144	144	0%	156	-8%	288	293	-2%
Offshore Island	51	50	2%	69	-26%	101	106	-5%
Oilfield Services (OFS)	91	88	3%	87	5%	179	157	14%
OPEX[1]	**(369)**	**(321)**	**15%**	**(309)**	**19%**	**(690)**	**(623)**	**11%**
Onshore	(195)	(166)	17%	(152)	28%	(361)	(324)	11%
Offshore Jackup	(78)	(59)	32%	(57)	37%	(137)	(121)	13%
Offshore Island	(22)	(22)	0%	(23)	-4%	(44)	(44)	0%
Oilfield Services (OFS)	(74)	(74)	0%	(77)	-4%	(148)	(134)	10%
EBITDA[2]	**300**	**280**	**7%**	**292**	**3%**	**580**	**500**	**16%**
Onshore	188	153	23%	137	37%	341	243	40%
Offshore Jackup	66	85	-22%	99	-33%	151	172	-12%
Offshore Island	29	28	4%	46	-37%	57	62	-8%
Oilfield Services (OFS)	17	14	21%	10	70%	31	23	35%
Net Profit	**204**	**175**	**17%**	**172**	**19%**	**379**	**282**	**34%**
Onshore	149	113	32%	78	91%	262	145	81%
Offshore Jackup	32	44	-27%	63	-49%	76	96	-21%
Offshore Island	19	16	19%	33	-42%	35	37	-5%
Oilfield Services (OFS)	4	2	100%	(2)	NM	6	4	50%

(1) Opex Expenses includes allocated G&A and other income
(2) Underlying EBITDA includes other income

First half period ended 30 June 2022
Revenue

Revenue was $1,270 million in the first half of 2022, an increase of 13% as compared to first half of 2021:

Onshore revenue for the first half of 2022 was $702 million, an increase of $135 million, 24%, primarily reflecting increased drilling activity. In first half, Onshore segment added new rigs and recorded higher operating days across the fleet. The first half result also included the recovery of higher fuel costs in-line with contractual terms.

Offshore Jackup revenue for the first half was broadly flat year-on-year. Marginal decline was due to discontinuation of barge services; and lower operating / higher standby revenue due to higher rig moves, standby and maintenance days.

Offshore Island revenue for the first half of 2022 was $101 million, a drop of $5 million, 5%, primarily driven by one-off contractual claims booked in 1H21 offset by positive operating and stand-by revenue mix in 2022.

Oilfield Services (OFS) revenue for the first half of 2022 was $179 million, an increase of $22 million, 14%, driven by increased activity volume across the portfolio. Introduction of a new product line, Tubular Running Services, has contributed to the expansion plans for this segment.

Second quarter period ended 30 June 2022

Revenue in the second quarter of 2022 was $669 million, an increase of 11% from $601 million in the second quarter of 2021:

Onshore revenue was $383 million, an increase of 33%, in the second quarter of 2022 compared to second quarter of 2021, primarily due to the inflationary adjustment and additional rigs added to the fleet.

Offshore Jackup revenue was $144 million, an 8% decrease in second quarter of 2022 as compared to second quarter of 2021, mainly due activity mix.

Offshore Island revenue was $51 million, a decrease of 26%, in the second quarter of 2022 as compared to second quarter of 2021, mainly due to one off revenue phasing in the second quarter of last year. Activity levels remains the same between the years.

Oilfield Services (OFS) revenue was $91 million, an increase of 5%, in the second quarter of 2022 as compared to second quarter of 2021, mainly due to activity increase in product-line/service-line and the introduction of the Tubular Running Services.

Operational Expenses and Depreciation

USD Million	Q2 2022	Q1 2022	QoQ %	Q2 2021	YoY %	1H 2022	1H 2021	YoY %
OPEX[1]	**(369)**	**(321)**	**15%**	**(309)**	**19%**	**(690)**	**(623)**	**11%**
Manpower	(187)	(163)	15%	(163)	15%	(350)	(327)	7%
Hire Equipment	(27)	(24)	13%	(20)	35%	(51)	(43)	19%
Fuel and lubricants	(42)	(24)	75%	(20)	110%	(66)	(37)	78%
Chemicals	(23)	(31)	-26%	(20)	15%	(54)	(43)	26%
Repair & Maintenance	(40)	(42)	-5%	(65)	-38%	(82)	(98)	-16%
Major Maintenance	(31)	(17)	82%	(12)	158%	(48)	(33)	45%
Others	(19)	(20)	-5%	(9)	111%	(39)	(42)	-7%
Depreciation, amortization and impairment	**(89)**	**(101)**	**-12%**	**(115)**	**-23%**	**(190)**	**(209)**	**-9%**
Onshore	(34)	(38)	-11%	(55)	-38%	(72)	(92)	-22%
Offshore Jackup	(33)	(39)	-15%	(36)	-8%	(72)	(74)	-3%
Offshore Island	(11)	(11)	0%	(12)	-8%	(22)	(24)	-8%
Oilfield Services (OFS)	(11)	(13)	-15%	(12)	-8%	(24)	(19)	26%

(1) Opex Expenses includes allocated G&A and other income.

First half period ended 30 June 2022

Operational expenses (Opex)

Operational expenses were $690 million in the first half period 2022, an increase of 11%, as compared to first half of 2021, mainly driven by increased activity levels and associated costs and consumables costs inflation, partially offset by cost efficiencies.

Fuel and lubricants increased by $29 million, 78% year-on-year, due to spike in price. Further, Chemicals and Consumables noted an increase of 26% year-on-year, primarily driven by higher activity in OFS segment along with cost inflation impact. Major Maintenance observed an increase of $15 million, an increase of 45%, for planned maintenance in Onshore and Offshore Island segment.

Depreciation, amortization and impairment

Depreciation, amortization and impairment was $190 million, a decrease of 9%, in the first half of 2022 compared to first half of 2021 primarily due to a one-off accounting adjustment recorded to correct the useful life of low-value assets.

Second quarter period ended 30 June 2022

Operational expenses (Opex)

Operational expenses were $369 million, an increase of 19%, in the second quarter of 2022 as compared to the second quarter of 2021, mainly driven by increased activity levels associated costs including planned major maintenance and consumables costs inflation, partially offset by cost efficiencies.

Depreciation, amortization and impairment

Depreciation, amortization and impairment was $89 million, a decrease of 23%, in the second quarter of 2022 as compared to second quarter period of 2021, mainly for one off accounting adjustments recorded to correct the useful life of low-value assets.

Operating working capital

The Company's Operating Working Capital has considerably improved in 2022. This is mainly from strong collections from Related Parties.

As at 30 June 2022, the operating working capital was $378 million (36% lower than the year ended 2021 and 33% higher than first quarter of 2022) reflecting growth in business activity, offset by strong collections in first half of 2022.

USD Million	30 Jun 2022	31 Mar 2022	*QoQ %*	30 Jun 2021	*YoY %*	31 Dec 2021	*YoY %*
Current Assets	**1,749**	**2,118**	**-17%**	**2,119**	**-17%**	**1,691**	**3%**
Inventories	147	180	-18%	163	-10%	175	-16%
Trade & other receivables	118	106	11%	124	-5%	103	15%
Due from related parties	845	849	0%	1,413	-40%	960	-12%
Cash and bank balances	639	983	-35%	419	53%	453	41%
Current Liabilities	**747**	**877**	**-15%**	**968**	**-23%**	**669**	**12%**
Trade & other payables	339	331	2%	371	-9%	315	8%
Lease liabilities	15	27	-44%	22	-32%	20	-25%
Due to related parties	393	519	-24%	575	-32%	334	18%
Operating Working Capital	**378**	**285**	**33%**	**754**	**-50%**	**589**	**-36%**

See Appendix 1 (Glossary) for the calculation of certain metrics referred to above.

Overall, the working capital position remains healthy. As we progress into second half of 2022, marginal improvements are expected with an aim to bring the working capital to approximately 11% of annualized revenue in accordance with our previous guidance bearing in mind the year-on-year growth in overall business.

Free cash flows and capital structure

As at 30 June 2022, cash generated from operating activity was $205 million primarily driven by increased activity in OFS and Onshore segment. The Company has also dispersed cash to fund capex spending as the Company's significant rig fleet expansion program has gained momentum.

Overall, our cash and cash equivalent balance as at 30 June 2022 amounted to $639 million with our liquidity (i.e. including unutilized syndicated term and revolving facilities) being $1,889 million.

USD Million	Q2 2022	Q1 2022	*QoQ %*	Q2 2021	*YoY %*	1H 2022	1H 2021	YOY %
Net cash generated from operating activities	205	613	-67%	291	-30%	818	479	71%
Net cash used in investing activities	(207)	(78)	165%	(147)	41%	(285)	(282)	1%
Free Cash Flow	**(2)**	**535**	**NM**	**144**	**NM**	**533**	**197**	**171%**

See Appendix 1 (Glossary) for the calculation of certain metrics referred to above.

Balance Sheet

Total assets of $5,224 million as at 30 June 2022 increased by 3% year on year, driven by an increase in both non-current assets and current assets primarily due to Capital expenditure increases in-line with the rig acquisition plans and increase in cash and bank balances as a result of improved cash collections.

Total liabilities increased by 3% from $2,301 million as at 31 December 2021 to $2,374 million as at 30 June 2022 mainly driven by current liabilities increase of 12% from $669 million as at 31 December 2021 to $747 million as at 30 June 2022. This was mainly driven by an increase in due to related parties and trade and other payables as at 30 June 2022.

USD Million	30 Jun 2022	31 Mar 2022	QoQ %	30 Jun 2021	YoY %	31 Dec 2021	YoY %
Total Assets	**5,224**	**5,483**	**-5%**	**5,427**	**-4%**	**5,096**	**3%**
Non-current assets	3,475	3,365	3%	3,308	5%	3,405	2%
Current assets	1,749	2,118	-17%	2,119	-17%	1,691	3%
Total Liabilities	**2,374**	**2,513**	**-6%**	**2,594**	**-8%**	**2,301**	**3%**
Non-current liabilities	1,627	1,636	-1%	1,626	0%	1,632	0%
Current liabilities	747	877	-15%	968	-23%	669	12%
Total Equity	**2,850**	**2,970**	**-4%**	**2,833**	**1%**	**2,795**	**2%**
Share capital	436	436	0%	109	300%	436	0%
Statutory reserve	60	60	0%	-	NM	60	0%
Retained earnings	2,354	2,474	-5%	2,724	-14%	2,299	2%
Total Equity and Liabilities	**5,224**	**5,483**	**-5%**	**5,427**	**-4%**	**5,096**	**3%**

NM: Not meaningful

The Company's overall ratio of Net debt to last twelve months EBITDA increased to 0.8 as at 30 June 2022 when compared from 0.5 as at 31 March 2022. This was mainly driven by a decrease in our cash and cash equivalent balances to $639 million as at 30 June 2022 from $983 million as at 31 March 2022 and was mainly due to the dividend payment of $325 million made in May 2022.

USD Million	Q2 2022	Q1 2022	QoQ %	Q2 2021	YoY %	1H 2022	1H 2021	YOY %
Total equity	2,850	2,970	-4%	2,833	1%	2,850	2,833	1%
Net debt[1]	888	556	60%	1,118	-21%	888	1,118	-21%
Earnings per Share ($ per Share)[2]	0.013	0.011	18%	0.011	18%	0.024	0.018	33%
Capital employed	4,477	4,606	-3%	4,459	0%	4,477	4,459	0%
Return on capital employed	16%	15%		13%		16%	13%	
Net debt to LTM EBITDA	0.8	0.5		1.2		0.8	1.2	
Leverage ratio	24%	16%		28%		24%	28%	
Return on equity	25%	23%		19%		25%	19%	

(1) Interest bearing liabilities less cash and cash equivalents.
(2) Number of shares for Earnings per Share calculation in the comparatives are adjusted as if the share split and capitalization had taken place as at 1 Jan 2020.
See Appendix 1 (Glossary) for the calculation of certain metrics referred to above.

Property and Equipment

USD Million	Q2 2022	Q1 2022	QoQ %	Q2 2021	YoY %	1H 2022	1H 2021	YoY %
Property and Equipment Additions	**49**	**61**	**-20%**	**46**	**7%**	**110**	**186**	**-41%**
Onshore	15	4	NM	17	-12%	19	23	-17%
Offshore Jackup	22	45	-51%	17	29%	67	135	-50%
Offshore Island	2	-	NM	-	NM	2	2	0%
Oilfield Services (OFS)	10	12	-17%	12	-17%	22	26	-15%

NM: Not meaningful

Second quarter period ended 30 June 2022

Property and equipment additions for the second quarter of 2022 amounted to $49 million, an increase of 7% as compared to second quarter of 2021.

2. Operational Highlights

Rig availability and number of wells drilled

Rigs Operational information	Q2 2022	Q1 2022	QoQ%	Q2 2021	*YoY %*	1H 2022	1H 2021	*YoY %*
Fleet	**105**	**104**	**1%**	**95**	**11%**	**105**	**95**	**11%**
Onshore	71	70	1%	65	9%	71	65	9%
Offshore Jackup	24	24	0%	20	20%	24	20	20%
Offshore Island	10	10	0%	10	0%	10	10	0%
Rented rigs	7	8	-13%	10	-30%	7	10	-30%
Rigs Availability	**98%**	**96%**		**99%**		**98%**	**98%**	
Onshore	97%	95%		98%		97%	95%	
Offshore Jackup	100%	98%		100%		100%	98%	
Offshore Island	100%	98%		100%		100%	100%	
Rig Efficiency	**94%**	**92%**		**93%**		**93%**	**92%**	
Onshore	*93%*	92%		94%		*92%*	94%	
Offshore Jackup	*95%*	90%		94%		*92%*	94%	
Offshore Island	*94%*	98%		*90%*		*94%*	*88%*	
Number of Wells Drilled	**142**	**147**	**-3%**	**146**	**-3%**	**289**	**271**	**7%**
Onshore	118	128	*-8%*	126	*-6%*	246	238	*3%*
Offshore Jackup	17	14	*21%*	18	*-6%*	31	29	*7%*
Offshore Island	7	5	*40%*	2	*250%*	12	4	*200%*

See Appendix 1 (Glossary) for the calculation of certain metrics referred to above.

Drilling Services operational highlights

For the first half period of 2022, the Company had a fleet of 105 owned rigs with availability at 98% compared to a fleet of 95 owned rigs with availability of 98% for the corresponding period in 2021. Rig efficiency for the first half of 2022 was at 93% compared to 92% for corresponding period last year. Further operational highlights are as follows:

- Six Onshore H&P rigs were handed over in 1H 2022 of which four rigs have been put into operations. The remaining two Onshore rigs purchased last year are likely to be handed over next few months with plans to integrate the remaining rigs into operations during 2H 2022.
- One new Jackup was integrated into operations towards the end of last year and three new Jackups are likely to be integrated into operations during second half of this year.
- During 1H 2022, the Company has drilled 289 wells (footage of 2.38m ft.) compared to 271 wells in corresponding period last year (footage of 2.45m ft.) from owned rigs.
- Island rig AD-68 drilled longest well (UZ 668) in the world at a depth of 50,000 ft.

Oilfield Services (OFS) operational highlights

- OFS performed IDS on 36 rigs (40% market share) in first half of 2022.
- 378 IDS wells delivered since 2019 with 213 Benchmarked wells delivered of which 163 wells ahead of schedule and budget.
- 101 wells delivered in first half of 2022 with 34 Benchmarked wells delivered of which 29 wells ahead of schedule and budget.
- 16.7 % YoY improvement in drilling efficiency.
- Frac have performed 17 stages in the first three months of 2022 and 13 stages in Q2 2022.

3. Outlook

Already a market leader in the region, the company is committed to expand its offering to further capitalize on market opportunities. In delivering on our growth program for 2022 and beyond, we've succeeded in driving up both consolidated revenues and EBITDA in 1H 2022.

Since the Company launched its IDS offering in 2018, the Company has delivered more than $250 million in savings for its customers through the delivery of start-to-finish wells. Drilling and completion services are a crucial part of the Company's strategy to maximize value from every well.

The Company's significant fleet expansion program is central to the dynamic growth strategies of ADNOC and enables support to a growing number of world-scale projects in the UAE. The Company plans to double its delivery of IDS wells in 2022, and double its IDS-capable fleet by 2024, which will support the doubling of OFS revenues by 2025.

On July 27, ADNOC Drilling was awarded $2 billion in contracts for offshore drilling units and Integrated Drilling Services ("IDS") to support the delivery of ADNOC's Ghasha offshore gas mega project. The Ghasha project is the world's largest offshore sour gas development and the Production from the concession is expected to start around 2025, ramping up to produce more than 1.5 billion standard cubic feet per day before the end of the decade. The Ghasha award accelerates the Company's ability to deliver growth in rigs and OFS.

On August 5, the company confirmed the agreement of contracts to the value of an additional $3.4 billion for 8 high-specification premium jack-up rigs to support ADNOC Offshore drilling operations.

Overall, the Company is playing a vital role in enabling significant production capacity growth for ADNOC as well as the UAE's objective to achieve gas self-sufficiency. ADNOC Drilling will continue to make strong progress on delivering grow and maximizing returns for our shareholders. The immediate focus remains meeting robust financial targets, whilst maintaining operational excellence. These targets are underpinned by ambitious sustainability goals, as the Company strives to achieve industry leading ESG performance.

4. Dividend Policy

The Company's ability to pay dividends is dependent on several factors, including the availability of distributable reserves and the capital expenditure plans and other cash requirements in future periods. Any level or payment of dividends will depend on, among other things, future profits, and the business plan of the Company, at the discretion of our Board of Directors and shareholder approval.

The Company intends to pay dividends twice each fiscal year, with an initial payment in first half and a second payment in second half of each year. Subject to the foregoing, at the recently concluded Annual General Meeting, the shareholders approved to pay dividend amount of $325 million for the second half of 2021. This was distributed to the shareholders in May 2022. The dividend is expected to grow by 5% per annum on a dividend per share basis over the next five years (2022 – 2026). This dividend policy is designed to reflect our expectation of strong cash flow and our expected long-term earnings potential, while allowing us to retain sufficient cash to fund ongoing operating requirements and continued investment for long-term growth. This dividend policy is subject to consideration by our Board of Directors and will cover the cash management requirements of our business for operating expenses, interest expense, anticipated capital expenditures and market conditions.

Accordingly, as per the company's approved dividend policy, the Board of Directors have announced a cash interim dividend of $341.25 million (7.83 fils per share) for the first half of 2022, 5% higher than the 2021 second half dividend.

5. Share price and Ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDRILL. The closing share price as of 30 June 2022 was AED 3.4. In the period from 1 April 2022 through 30 June 2022, the share price range AED 3.7 to AED 3.4 at close. Our market capitalization was AED 54.4 billion as of 30 June 2022, and an average of 9.2 million shares have traded daily in Q2 2022.

As of 30 June 2022, Abu Dhabi National Oil Company ("ADNOC") owned a majority 84% stake in the Company and Baker Hughes Holding SPV Ltd. ("Baker Hughes") owned 5% stake in the Company, while 11% of our outstanding shares are publicly owned by other institutional and retail investors.

In October, ADNOC Drilling was included in three of FTSE Russell's globally recognized indices including the FTSE Emerging Index, FTSE Global Large Cap Index and FTSE All-World Index. In Q1 2022, ADNOC Drilling was also included as an inaugural member of the FADX 15 Index on ADX a new tradable index created by ADX and FTSE Russell. The index is uniquely designed by ADX and FTSE Russell to track the performance of the most liquid and largest companies on the ADX main market.

Reporting date for third quarter 2022

We expect to announce our third quarter and nine-months 2022 results on or around November 14, 2022.

Contacts

Investor Relations
Nicolas Robert
Vice President, Investor Relations
nrobert@adnoc.ae

August 9, 2022
ADNOC Drilling Company PJSC

Appendix 1: Glossary

Financial Terms

EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization

Net debt is calculated as total interest-bearing debt less cash and bank balances (including term deposits with banks) adjusted for lease liabilities.

Net debt to EBITDA ratio is calculated as interest-bearing net debt as of the end of the period presented, divided by EBITDA for the twelve months ended on the last day of the period presented.

Capital employed is calculated as the sum of total assets minus non-interest-bearing current liabilities.

Return on capital employed is calculated as operating profit for the twelve months ended on the last day of the period presented divided by capital employed on the last day of the period presented. Operating Profit is defined as profit excluding financing, tax and income and expenses from investments.

Leverage ratio is calculated as (a) interest-bearing net debt, divided by (b) the sum of interest-bearing net debt plus total equity.

Return on equity is calculated as profit for the period for the twelve months ended on the last day of the period presented divided by total equity on the last day of the period presented.

Operating Working capital is calculated as current assets excluding cash and bank balances minus current liabilities excluding lease liabilities.

Operating Cashflows are Net cash generated from operating activities as stated in the cash flow statement.

Free cash flow is calculated as net cash generated from operating activities less payments for purchase of property & equipment and advances to contractors and finance income received.

Capital expenditure is total cash capital expenditure for payments made for purchase of property and equipment as stated in the cash flow statement.

All financial terms have meaning as defined in the International Financial Reporting Standards ("IFRS") unless otherwise stated.

IFRS are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). They constitute a standardized way of describing the company's financial performance and position so that company financial statements are understandable and comparable across international boundaries.

Industry Terms

Rig means a drilling unit and equipment package and is an integrated system that drills Oil and gas wells, in the earth's subsurface.

Rig Move means moving the Rig from one location to another location usually from one well to another for purposes of drilling or workover as may be necessary and moves occasioned by emergency.

Cold Stack also referred to as mothballing and involves reducing the crew to either zero or just a few key individuals and "preserving" the rig in a harbor, shipyard, or designated area. Steps taken to protect the rig's facilities include applying protective coatings, filling equipment with protective fluids and dehumidifiers in confined areas.

Rig Release or Termination is when a rig is taken off contract by the client. In case the rig is required again based on demand, it can be reactivated for the same customer. During this time the Rig is available to be put on contract with another customer.

Standby is period when the works are unable to proceed and when the rig is put on standby for various reasons, waiting-on-weather or inspection, or any other reason based on the mutual understanding between the Company and the customer and as defined in the contract.

Major Maintenance (MM) is a scheduled Turnaround maintenance. and it varies based on built year, class and design. Usually drilling rigs undergo major maintenance every five years subject to HSE and Asset Integrity Protocols. However, Jack up rigs may require outages during the intermediate two and half years for class renewal surveys.

Owned Rig includes rigs acquired through rig-built project or purchased from market, the title of which is transferred to ADNOC Drilling.

Rented Rigs are rigs rented from 3rd party rig providers on the basis of back-to-back contracts with customers with minimal mark-up to cover for administrative overheads.

Rig availability is Cumulative of (Rig days less actual maintenance days less rig related non-productive time less actual rig move days) divided by Cumulative of (Rig days less planned maintenance days less planned rig move days).

Rig efficiency:

- Rig efficiency source is ADNOC Real Time Monitoring Centre (RTMC) database
- Criteria considered is the weighted ratings of the Drilling Parameters
- Parameters:
    - Tripping speed criteria = (total number of stands divided by total duration).
    - Connection time = (total number of connections divided by total duration).
    - Excluded exploration wells and workover well.
    - Excluded all restricted operations.

Appendix 2: Cautionary Statement Regarding Forward-Looking Statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance, and anticipated developments in markets in which we operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management’s current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “would”, “intends”, “estimates”, “plans”, “targets”, or “anticipates” or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC Onshore and ADNOC Offshore for deploying rigs as per existing terms and conditions; failure to successfully implement our operating initiatives and growth plans, including our cost savings initiatives, due to general economic conditions, our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, the extent of our related party transactions with ADNOC Group; the introduction of VAT and other new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated 6 September 2021 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.