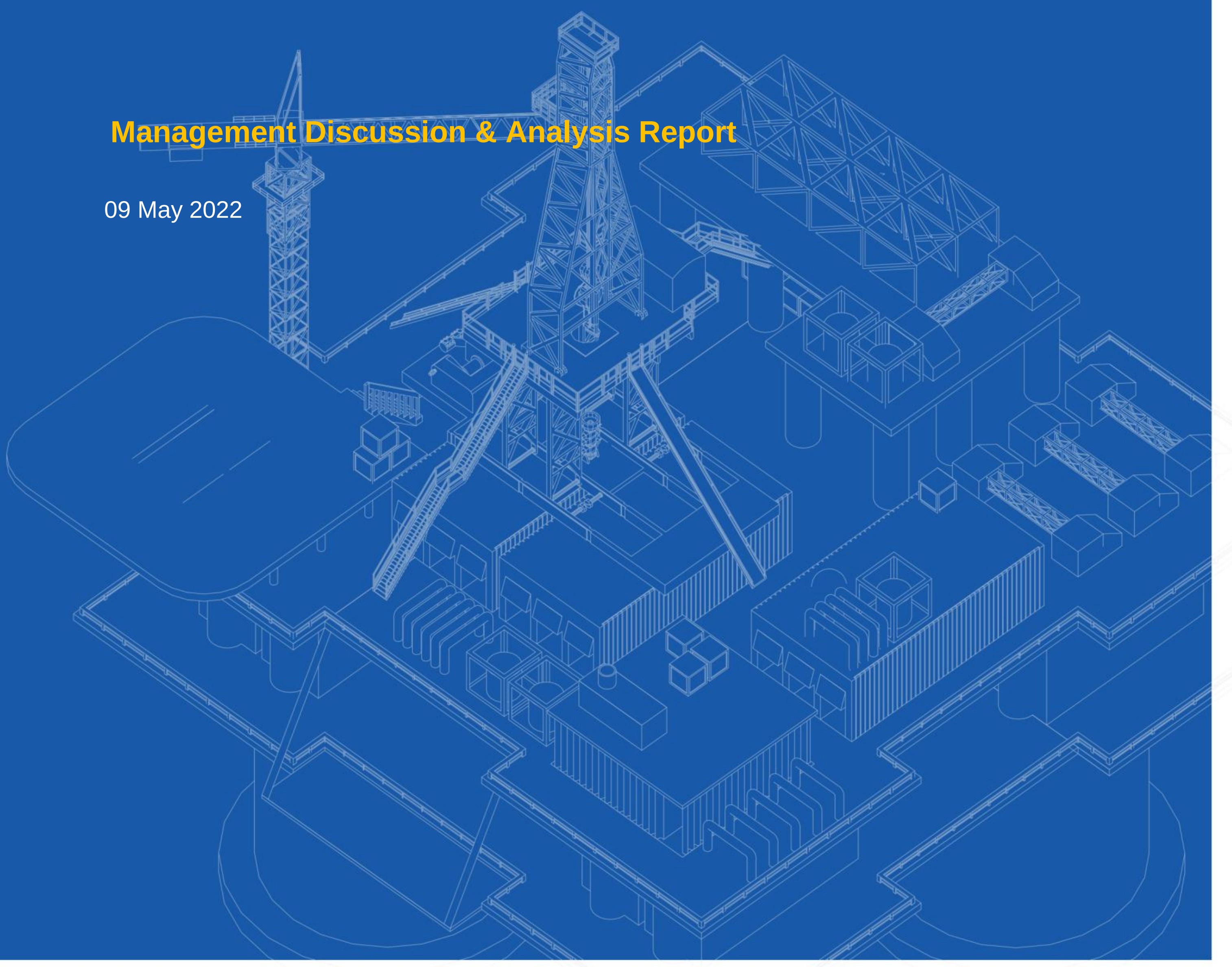
# ADNOC Drilling Company PJSC First Quarter 2022 Results

**Management Discussion & Analysis Report**

09 May 2022



# ADNOC Drilling Company PJSC
# First Quarter 2022 Results

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# 1. Financial Highlights

## Financial Summary

ADNOC Drilling Company PJSC (the "Company") achieved a net profit of USD 175 million for the first quarter period ended 31 March 2022 compared to USD 110 million in the first quarter period ended 31 March 2021, an increase of 59%

| USD millions | Q1-22 | Q4-21 | QoQ % | Q1-21 | YoY % | FY 2021 |
|---|---|---|---|---|---|---|
| Revenue | 601 | 575 | 5% | 523 | 15% | 2,269 |
| Direct cost excluding depreciation | (265) | (260) | 2% | (245) | 8% | (993) |
| General & Administrative expenses (G&A) excluding depreciation and impairment | (57) | (53) | 8% | (72) | -21% | (239) |
| Other Income | 1 | - | NM | 1 | 0% | 10 |
| **EBITDA[1]** | **280** | **262** | **7%** | **207** | **35%** | **1,047** |
| Finance Cost | (4) | (3) | 33% | (4) | 0% | (16) |
| Depreciation[2] | (101) | (115) | -12% | (93) | 9% | (427) |
| **Net Profit** | **175** | **144** | **22%** | **110** | **59%** | **604** |
| EBITDA Margin | 47% | 46% | | 40% | | 46% |
| Net Profit Margin | 29% | 25% | | 21% | | 27% |
| Earnings per Share (USD per Share)[5] | 0.011 | 0.009 | 22% | 0.007 | 59% | 0.038 |
| Net cash generated from operating activities | 613 | 458 | 34% | 188 | 226% | 1,179 |
| Capital Expenditure[3] | (78) | (129) | -40% | (135) | -42% | (583) |
| Free Cash Flow | 535 | 329 | 63% | 53 | 909% | 597 |
| Total equity | 2,970 | 2,795 | 6% | 2,662 | 12% | 2,795 |
| Net debt[4] | 556 | 1,086 | -49% | 1,238 | -55% | 1,086 |
| Capital employed | 4,606 | 4,427 | 4% | 4,270 | 8% | 4,427 |
| Return on capital employed | 15% | 14% | | 13% | | 14% |
| Net debt to LTM EBITDA | 0.5 | 1.0 | | 1.3 | | 1.0 |
| Leverage ratio | 16% | 28% | | 30% | | 28% |
| Return on equity | 23% | 22% | | 20% | | 22% |

NM: Not meaningful
(1) EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation,
(2) Depreciation which is directly related to the operations is included in the direct cost. Indirect depreciation is part of G&A.
(3) Payments for purchase of property and equipment
(4) Interest bearing liabilities less cash and cash equivalents
(5) Number of shares for EPS calculation in the comparatives are adjusted as if the share split and capitalisation had taken place as at 1 Jan 2020
See Appendix 1 (Glossary) for the calculation of certain metrics referred to above

## Results by Segment

| USD millions | Q1-22 | Q4-21 | QoQ % | Q1-21 | YoY % | FY 2021 |
|---|---|---|---|---|---|---|
| **Revenue** | **601** | **575** | **5%** | **523** | **15%** | **2,269** |
| Onshore | 319 | 293 | 9% | 279 | 14% | 1,140 |
| Offshore Jackup | 144 | 146 | -1% | 138 | 4% | 596 |
| Offshore Island | 50 | 38 | 32% | 36 | 39% | 204 |
| Oilfield Services (OFS) | 88 | 98 | -10% | 70 | 26% | 329 |
| **Total OPEX**[1] | **(322)** | **(313)** | **3%** | **(317)** | **2%** | **(1,232)** |
| Onshore | (167) | (161) | 4% | (170) | -2% | (653) |
| Offshore Jackup | (59) | (63) | -6% | (69) | -14% | (244) |
| Offshore Island | (22) | (15) | 47% | (21) | 5% | (77) |
| Oilfield Services (OFS) | (74) | (74) | 0% | (57) | 30% | (258) |
| **EBITDA**[2] | **280** | **262** | **7%** | **207** | **35%** | **1,047** |
| Onshore | 153 | 132 | 16% | 110 | 39% | 493 |
| Offshore Jackup | 85 | 83 | 2% | 69 | 23% | 355 |
| Offshore Island | 28 | 23 | 22% | 15 | 87% | 128 |
| Oilfield Services (OFS) | 14 | 24 | -42% | 13 | 8% | 71 |
| **Net Profit** | **175** | **144** | **22%** | **110** | **59%** | **604** |
| Onshore | 113 | 78 | 45% | 67 | 69% | 293 |
| Offshore Jackup | 44 | 46 | -4% | 33 | 33% | 206 |
| Offshore Island | 16 | 10 | 60% | 4 | 300% | 79 |
| Oilfield Services (OFS) | 2 | 10 | -80% | 6 | -67% | 26 |

(1) Operational expenses including allocated G&A
(2) Underlying EBITDA includes other income

## First quarter period ended 31 March 2022

Revenue increased from USD 523 million in the first quarter period ended 31 March 2021 to USD 601 million in the first quarter period ended 31 March 2022, an increase of 15%, mainly driven by an increase in:

- **Onshore** revenue from USD 279 million to USD 319 million, an increase of 14%, mainly due to: (i) deployment of three new rigs leading to higher operating days; (ii) rig reactivation related revenue variance across the two period; and (iii) higher revenue recognition from conversion of accrual estimates to client billings.
- **Offshore Jackup** revenue from USD 138 million to USD 144 million, an increase of 4%, mainly due to deployment of one new Jackup rig and higher operating and standby revenue days driven by lower major maintenance as a result of a change in our maintenance schedule, an initiative to optimize our operations.
- **Offshore Island** revenue from USD 36 million to USD 50 million, an increase of 39%, mainly due revenue recognized from six operating rigs and four standby rigs in 1Q 2022 versus revenue from two operating and four standby rigs in 1Q 21. This increase was partly offset by lower claims related revenue in 1Q 22.
- **Oilfield Services (OFS)** revenue from USD 70 million to USD 88 million, an increase of 26%, mainly due to increase in Integrated Drilling Services ("IDS") wherein the services were provided to 25 rigs 1Q 2021 and this grew to 36 rigs in 1Q 2022. Additionally, there was higher revenue generated from Frac activity in 1Q 2022 when compared to corresponding period in the prior year.

## Operational expenses

| USD millions | Q1-22 | Q4-21 | QoQ % | Q1-21 | YoY % | FY 2021 |
|---|---|---|---|---|---|---|
| **OPEX[1]** | **(322)** | **(313)** | **3%** | **(317)** | **2%** | **(1,232)** |
| Manpower | (163) | (163) | 0% | (165) | -1% | (665) |
| Hire Equipment | (24) | (18) | 33% | (23) | 4% | (80) |
| Diesel | (24) | (24) | 0% | (17) | 41% | (84) |
| Chemical | (31) | (37) | -16% | (23) | 35% | (112) |
| Repair & Maintenance | (42) | (38) | 11% | (33) | 27% | (153) |
| Major Maintenance | (17) | (24) | -29% | (21) | -19% | (81) |
| Others | (21) | (9) | 133% | (35) | -40% | (57) |
| **Depreciation** | **(101)** | **(115)** | **-12%** | **(93)** | **9%** | **(427)** |
| Depreciation included in direct cost | (94) | (109) | -14% | (88) | 7% | (392) |
| Depreciation included in G&A[2] | (7) | (6) | 17% | (5) | 40% | (35) |
| **Direct cost excluding depreciation** | **(265)** | **(260)** | **2%** | **(245)** | **8%** | **(993)** |
| Onshore | (132) | (129) | 2% | (129) | 2% | (514) |
| Offshore Jackup | (43) | (46) | -7% | (46) | -7% | (169) |
| Offshore Island | (16) | (11) | 45% | (13) | 23% | (52) |
| Oilfield Services (OFS) | (74) | (74) | 0% | (57) | 30% | (258) |
| **G&A excluding depreciation** | **(57)** | **(53)** | **8%** | **(72)** | **-21%** | **(239)** |
| Onshore | (34) | (32) | 6% | (41) | -17% | (139) |
| Offshore Jackup | (17) | (17) | 0% | (23) | -26% | (75) |
| Offshore Island | (6) | (4) | 50% | (8) | -25% | (25) |
| Oilfield Services (OFS) | - | - | NM | - | NM | - |
| **Depreciation** | **(101)** | **(115)** | **-12%** | **(93)** | **9%** | **(427)** |
| Onshore | (38) | (53) | -28% | (41) | -7% | (189) |
| Offshore Jackup | (39) | (36) | 8% | (35) | 11% | (145) |
| Offshore Island | (11) | (12) | -8% | (11) | 0% | (48) |
| Oilfield Services (OFS) | (13) | (14) | -7% | (6) | 117% | (45) |

NM: Not meaningful
(1) Operational expenses including allocated G&A
(2) General and Administrative Expenses

## First quarter period ended 31 March 2022

Operational expenses increased marginally from USD 317 million in the first quarter period ended 31 March 2021 to USD 322 million in the first quarter period ended 31 March 2022, an increase of 2%, mainly driven by an increase in:

- Diesel expenses from USD 17 million to USD 24 million, an increase of 41%, driven by an increase in diesel prices.
- Chemical expenses from USD 23 million to USD 31 million, an increase of 35%, which has been in line with the increase in OFS related business activity where revenue also grew by over USD 11 million or 26% year on year.
- Repair and maintenance from USD 33 million to USD 42 million, an increase of 27%, mainly due to higher unplanned maintenance witnessed in our Onshore segment.

The above increases were partly offset by decreases in:

- Major maintenance expenses from USD 21 million to USD 17 million, a decrease of 19%, mainly due to revision in the planned maintenance schedule of Offshore Jackup segment.
- Other expenses from USD 35 million to USD 21 million, a decrease of 40%, mainly due to lower allowance for slow and non-moving inventories and reversal of legacy opex accruals 1Q 22 and effect of one-off prior period opex costs booked in 1Q 21 in relation to staff bonus and end of service benefits.

General and administrative expenses decreased from USD 72 million in the first quarter period ended 31 March 2021 to USD 57 million in the first quarter period ended 31 March 2022, a decrease of 21%. The decrease was mainly attributable due to slight decrease in administrative manpower costs and the one-off prior period opex costs booked in 1Q 21 as explained above.

## Depreciation

Depreciation increased from USD 93 million in the first quarter period ended 31 March 2021 to USD 101 million in the first quarter period ended 31 March 2022, an increase of 9%, mainly driven by an increase in depreciation from OFS related assets. As we grow our OFS business, the planned OFS asset base will increase resulting in higher y-o-y depreciation.

## Operating Working capital

The Company's Operating Working Capital witnessed continuous improvement over 2021 and continued to improve through 2022 reaching USD 285 million as at 31 March 2022 from USD 590 million as at 31 December 2021. This was mainly a result of our continuous effort to collect delayed payment from related parties which was attributable to the implementation of a new ERP at our major customers.

| USD millions | At 31 Mar 2022 | At 31 Dec 2021 | *QoQ %* | At 31 Mar 2021 | *YoY %* |
|---|---|---|---|---|---|
| **Current Assets** | **2,118** | **1,691** | **25%** | **1,773** | **19%** |
| Inventories | 180 | 175 | 3% | 170 | 6% |
| Trade & other receivables | 106 | 103 | 3% | 108 | -2% |
| Due from related parties | 849 | 960 | -12% | 1,193 | -29% |
| Cash and bank balances | 983 | 453 | 117% | 302 | 225% |
| **Current Liabilities** | **877** | **669** | **31%** | **854** | **3%** |
| Trade & other payables | 331 | 315 | 5% | 411 | -19% |
| Lease liabilities | 27 | 21 | 33% | 24 | 17% |
| Due to related parties | 519 | 333 | 56% | 419 | 24% |
| **Operating Working Capital** | **285** | **590** | **-52%** | **641** | **-56%** |

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

The working capital has now reached close to its optimum level commensurate with the size of the business and currently equates to 12% of annualized revenue. As we progress into the next two quarters 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.

## Free cash flows and capital structure

| USD millions | Q1-22 | Q4-21 | *QoQ %* | Q1-21 | *YoY %* | FY 2021 |
|---|---|---|---|---|---|---|
| Net cash generated from operating activities | 613 | 458 | 34% | 188 | 226% | 1,179 |
| Net cash used in investing activities | (78) | (129) | -40% | (135) | -42% | (582) |
| **Free Cash Flow** | **535** | **329** | **63%** | **53** | **909%** | **597** |

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

## First quarter period ended 31 March 2022

Free cash flow (FCF) increased from USD 53 million in the first quarter period ended 31 March 2021 to USD 535 million in the first quarter period ended 31 March 2022, a ten-fold increase driven by:

- An increase on our overall profitability which has witnessed an improvement in net profit by 59% year on year
- Improvements in operating working capital driven by our continuous efforts to invoice and collect delayed receivable balances.

Reduced capex spends in the three months period ended 31 March 2022 in comparison to the same period last year due to lower rig acquisition and OFS related capex spend. Overall, our cash and cash equivalent balance as at 31 March 2022 amounted to USD 983 million with our cash head room (i.e. including unutilized syndicated term and revolving facilities) of USD 2,233 million.

The Company’s overall ratio of Net debt to last twelve months EBITDA improved significantly to 0.5 as at 31 March 2022 when compared to 1.0 as at 31 December 2021 and 1.3 at 31 March 2021.

## Balance Sheet

| USD Millions | At 31 Mar 2022 | At 31 Dec 2021 | *QoQ %* | At 31 Mar 2021 | *YoY %* |
|---|---|---|---|---|---|
| **Total Assets** | **5,483** | **5,096** | **8%** | **5,124** | **7%** |
| Non-current assets | 3,365 | 3,405 | -1% | 3,351 | 0% |
| Current assets | 2,118 | 1,691 | 25% | 1,773 | 19% |
| **Total Liabilities** | **2,513** | **2,301** | **9%** | **2,462** | **2%** |
| Non-current liabilities | 1,636 | 1,632 | 0% | 1,608 | 2% |
| Current liabilities | 877 | 669 | 31% | 854 | 3% |
| **Total Equity** | **2,970** | **2,795** | **6%** | **2,662** | **12%** |
| Share capital | 436 | 436 | 0% | 109 | 300% |
| Statutory Reserve | 60 | 60 | 0% | - | NM |
| Retained earnings | 2,474 | 2,299 | 8% | 2,553 | -3% |
| **Total Equity and Liabilities** | **5,483** | **5,096** | **8%** | **5,124** | **7%** |

NM: Not meaningful

Total assets increased by 8% from USD 5,096 million as at 31 December 2021 to USD 5,483 million as at 31 March 2022 mainly driven by an increase in Current assets which increased from USD 1,691 million as at 31 December 2021 to USD 2,118 million as at 31 March 2022, an increase of 25%. This was mainly driven by increased cash collections from clearing of the billing backlog to related parties.

Total liabilities increased by 9% from USD 2,301 million as at 31 December 2021 to USD 2,513 million as at 31 March 2022 mainly driven by an increase in Current liabilities which increased from USD 669 million as at 31 December 2021 to USD 877 million as at 31 March 2022, an increase of 31%. This was mainly driven by increased payments from related parties in relation to services provided that remain unbilled as at 31 March 2022.

Total Equity increased by 6% from USD 2,795 million as at 31 December 2021 to USD 2,970 million as at 31 March 2022 mainly due to increase in retained earnings for the three months period ended 31 March 2022.

## Property and Equipment

| USD Millions | Q1-22 | Q4-21 | *QoQ %* | Q1-21 | *YoY %* | FY 2021 |
|---|---|---|---|---|---|---|
| **Property and Equipment Additions** | **61** | **152** | **-60%** | **140** | **-56%** | **505** |
| *Onshore* | 4 | - | NM | 9 | -56% | 123 |
| *Offshore Jackup* | 45 | 112 | -60% | 66 | -32% | 271 |
| *Offshore Island* | - | 1 | -100% | 1 | -100% | 3 |
| *Oilfield Services (OFS)* | 12 | 39 | -69% | 64 | -81% | 108 |

NM: Not meaningful

## First quarter period ended 31 March 2022

Property and equipment additions for the first quarter period ended 31 March 2022 amounted to USD 61 million, a decrease of 56% from USD 140 million in the first quarter period ended 31 March 2021 and was mainly due to reduced capex on rig acquisition and OFS expansion in line with the first quarter plan. As we progress into FY22, the capex spending is expected to increase across our Jackup and OFS segments in line with our growth plans.

## 2. Operational Highlights

**Rig availability and number of wells drilled**

| Rigs Operational information | 31 Mar 2022 | 31 Mar 2021 | *YoY %* |
|---|---|---|---|
| **Owned Fleet** | **104** | **94** | **11%** |
| *Onshore* | 70 | 64 | 9% |
| *Offshore Jackup* | 24 | 20 | 20% |
| *Offshore Island* | 10 | 10 | 0% |
| *Rented rigs* | 8 | 11 | -27% |
| **Rigs Availability*** | **96%** | **97%** | |
| *Onshore* | 95% | 98% | |
| *Offshore Jackup* | 98% | 94% | |
| *Offshore Island* | 98% | 98% | |
| **Rig Efficiency*** | **92%** | **93%** | |
| *Onshore* | 92% | 94% | |
| *Offshore Jackup* | 90% | 93% | |
| *Offshore Island* | 98% | 86% | |
| **Number of Wells Drilled*** | **145** | **125** | **16%** |
| *Onshore* | 128 | 112 | 14% |
| *Offshore Jackup* | 12 | 11 | 9% |
| *Offshore Island* | 5 | 2 | 150% |

See Appendix 1 (Glossary) for the calculation of certain metrics referred to above, * Rig Availability, Rig Efficiency and Number of Wells Drilled is provided for owned rig fleet and excludes rented rigs.

**Drilling Services operational highlights**

For the three months period ended 31 March 2022, the Company had a fleet of 104 owned rigs with availability of 96% compared to a fleet of 94 owned rigs with availability of 97% for the corresponding period in 2021. Rig efficiency for the first quarter of 2022 was at 92% compared to 93% for corresponding period last year. Further operational highlights are as follows:

- Five Onshore rigs were handed over during 1Q 2022 of which two rigs were put into operations. The remaining three Onshore rigs purchased last year are likely to be handed over next few months with plans to integrate with the remaining six rigs into operations in 2Q and 3Q this year.
- One new Jackup was integrated into operations towards the end of last year and three new Jackups are likely to be integrated into operations over 2Q and 3Q of this year.
- During 1Q 22, the Company has drilled 145 wells (footage of 0.95 million ft.) compared to 125 wells in corresponding period last year (footage of 1.2 million ft.) from owned rigs.
- Island rig AD-68 drilled longest well (UZ 668) in Middle East at a depth of 45,297 ft.

**Oilfield Services (OFS) operational highlights**

- OFS performed IDS on 36 rigs (40% market share) in first three months of 2022.
- 326 IDS wells delivered since 2019 with 194 Benchmarked wells delivered of which 148 wells ahead of schedule and budget.
- 49 wells delivered in first three months of 2022 with 16 Benchmarked wells delivered of which 15 wells ahead of schedule and budget.
- 17.6 % YoY improvement in drilling efficiency for 1Q2022.
- Frac have performed 17 stages in the first three months of 2022.

# 3. Outlook

The Company is embarked on a growth trajectory that will see it grow its rig fleet and OFS offer in the short to medium term, expanding its position as a regional leader in Total Drilling Solutions equipped with the potential to expand regionally.

As the Company looks past 1Q 2022, the management see minimal disruptions to operations (despite the brief disruptions experienced in late December 2021 and January 2022) from the ongoing pandemic and expect to make good progress in the execution of its long-term strategy. 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.

Many recently acquired rigs are likely to be operationalized in the next few months. The Company remains active in several mega-tenders in Abu Dhabi, while also pursuing the further expansion of its discrete services portfolio and increased market share in the OFS segment. If awarded, these tenders will expand the Company’s portfolio outside of the Integrated Drilling Services (IDS) segment, with awards expected during 2022.

# 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.

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 USD 325 million for the second half of 2021. We expect to grow the dividend 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 capital to fund ongoing operating requirements and continued investment for long-term growth. This dividend policy is subject to consideration by our Board of Directors of the cash management requirements of our business for operating expenses, interest expense, and anticipated capital expenditures. In addition, we expect that our Board of Directors also will consider market conditions, the current operating environment in our markets, and the Board of Directors' outlook for our business.

# 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 31 March 2022 was AED 3.79. In the period from 1 January 2022 through 31 March 2022, the share price range AED 3.33 to AED 3.79 at close. Our market capitalization was AED 60.64 billion as of 31 March 2022, and an average of 8.1 million shares have traded daily in Q1 2022.

As of 31 March 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 second quarter 2022

We expect to announce our second quarter and first half 2022 results on or around August 12, 2022.

# Contacts

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May 9, 2022
ADNOC Drilling Company PJSC

# Appendix 1: Glossary

## Financial Terms

**EBITDA** represents Earnings Before Interest, Tax, Depreciation and Amortisation

**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.

**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 standardised 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.