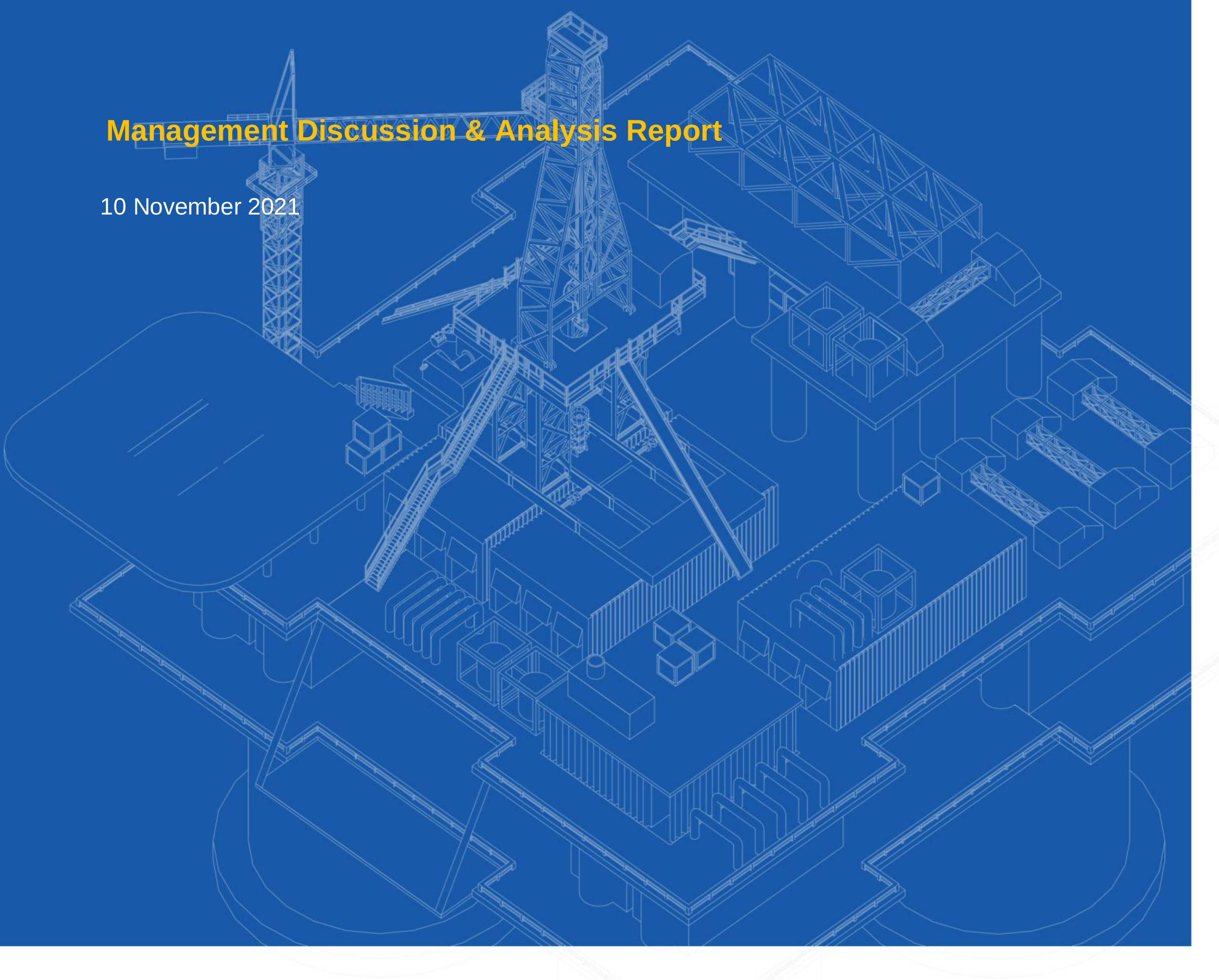
# ADNOC Drilling Company PJSC Third Quarter and Nine-Month 2021 Results

**Management Discussion & Analysis Report**

10 November 2021



# ADNOC Drilling Company PJSC
# Third Quarter & Nine-Month 2021 Results

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# 1. Financial Highlights

**Financial Summary**

ADNOC Drilling PJSC (the "Company") achieved net profit of USD 460 million for the nine-month period ended 30 September 2021, growth of 9% compared to USD 422 million for the corresponding period in 2020. Strong financial performance demonstrated healthy business resilience, sustained growth momentum and solid progress in the delivery of key strategic priorities.

| USD millions | Q3-21 | Q2-21 | *QoQ %* | Q3-20 | *YoY %* | 9M 2021 | 9M 2020 | *YoY %* |
|---|---|---|---|---|---|---|---|---|
| Revenue | 571 | 601 | (5%) | 515 | 11% | 1,694 | 1,517 | 12% |
| Direct Cost | (332) | (351) | (5%) | (334) | (1%) | (1,015) | (913) | 11% |
| **Gross Profit** | **239** | **250** | **(4%)** | **181** | **32%** | **679** | **604** | **12%** |
| General & Administrative expenses (G&A) | (57) | (81) | (30%) | (58) | (2%) | (216) | (168) | 29% |
| Other Income | - | 8 | NM | - | NM | 10 | 5 | 100% |
| Finance Cost | (4) | (5) | (20%) | (3) | 33% | (13) | (19) | (32%) |
| **Net Profit** | **178** | **172** | **3%** | **120** | **48%** | **460** | **422** | **9%** |
| Depreciation[1] | (103) | (115) | (10%) | (86) | 20% | (312) | (264) | 18% |
| **EBITDA[2]** | **285** | **292** | **(2%)** | **209** | **36%** | **785** | **705** | **11%** |
| EBITDA Margin | 50% | 49% | | 41% | | 46% | 46% | |
| Net Profit Margin | 31% | 29% | | 23% | | 27% | 28% | |
| Earnings per Share (USD per Share) | 0.0112 | 0.0108 | 4% | 0.0075 | 49% | 0.0287 | 0.0264 | 9% |
| Net cash generated from operating activities | 242 | 291 | (17%) | 369 | (34%) | 721 | 1,347 | (46%) |
| Capital Expenditure[3] | 171 | 148 | 16% | 21 | 714% | 454 | 100 | 354% |
| Free Cash Flow | 71 | 143 | (50%) | 350 | (80%) | 268 | 1,249 | (79%) |
| Total equity | 2,652 | 2,833 | (6%) | 3,105 | (15%) | 2,652 | 3,105 | (15%) |
| Net debt[4] | 1,412 | 1,118 | 26% | 874 | 62% | 1,412 | 874 | 62% |
| Capital employed | 4,278 | 4,459 | (4%) | 4,716 | (9%) | 4,278 | 4,716 | (9%) |
| Return on capital employed | 15% | 13% | | 11% | | 15% | 11% | |
| Net debt to LTM EBITDA | 1.4 | 1.2 | | 1.0 | | 1.4 | 1.0 | |
| Leverage ratio | 35% | 28% | | 22% | | 35% | 22% | |
| Return on equity | 23% | 20% | | 16% | | 23% | 16% | |

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

## Results by Segment

| USD millions | Q3-21 | Q2-21 | *QoQ %* | Q3-20 | *YoY %* | 9M 2021 | 9M 2020 | *YoY %* |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **571** | **601** | ***(5%)*** | **515** | ***11%*** | **1,694** | **1,517** | **12%** |
| *Onshore* | 279 | 289 | (3%) | 257 | 9% | 847 | 771 | 10% |
| *Offshore Jackup* | 157 | 156 | 1% | 160 | (2%) | 450 | 443 | 2% |
| *Offshore Island* | 61 | 69 | (12%) | 42 | 45% | 166 | 149 | 11% |
| *Oilfield Services (OFS)* | 74 | 87 | (15%) | 56 | 32% | 231 | 154 | 50% |
| **OPEX**[1] | **(286)** | **(317)** | **(10%)** | **(306)** | **(7%)** | **(919)** | **(817)** | **13%** |
| *Onshore* | (161) | (157) | 3% | (168) | (4%) | (493) | (454) | 9% |
| *Offshore Jackup* | (59) | (57) | 4% | (61) | (3%) | (181) | (171) | 6% |
| *Offshore Island* | (16) | (25) | (36%) | (24) | (33%) | (62) | (68) | (9%) |
| *Oilfield Services (OFS)* | (50) | (78) | (36%) | (53) | (5%) | (183) | (124) | 49% |
| **EBITDA**[2] | **285** | **292** | **(2%)** | **209** | **36%** | **785** | **705** | **11%** |
| *Onshore* | 117 | 137 | (15%) | 89 | 31% | 360 | 320 | 13% |
| *Offshore Jackup* | 99 | 101 | (2%) | 99 | - | 273 | 274 | (1%) |
| *Offshore Island* | 45 | 45 | - | 18 | 150% | 105 | 81 | 33% |
| *Oilfield Services (OFS)* | 24 | 9 | 167% | 3 | NM | 47 | 30 | 68% |
| **Depreciation** | **(103)** | **(115)** | **(10%)** | **(86)** | **20%** | **(312)** | **(264)** | **18%** |
| *Onshore* | (43) | (56) | (23%) | (37) | 16% | (136) | (117) | 16% |
| *Offshore Jackup* | (35) | (36) | (3%) | (32) | 9% | (109) | (100) | 9% |
| *Offshore Island* | (12) | (11) | 9% | (11) | 9% | (36) | (33) | 9% |
| *Oilfield Services (OFS)* | (13) | (12) | 8% | (6) | 117% | (31) | (14) | 121% |

NM: Not meaningful
(1) Operational expenses
(2) Underlying EBITDA includes other income

## Revenue

### Nine-month period ended 30 September 2021

Revenue increased by 12% USD 1,694 million for the nine-month period ended 30 September 2021, compared to USD 1,517 million for the corresponding period of 2020, driven by the following:

- **Onshore** revenue of USD 847 million compared to USD 771 million in 2020 reflecting strong performance due to increased operating rig days due to new rigs and reactivations, offset partly by decline in rented rig revenue.
- **Offshore Jackup** revenue of USD 450 million compared to USD 443 million in 2020, largely unchanged despite lower rig count and offset by the credit note variation between periods.
- **Offshore Island** revenue of USD 166 million compared to USD 149 million in 2020 increased due to a claim pertaining to 2020 that was finalized in 2021; partially offset by lower operating rig days revenue across periods.
- **Oilfield Services (OFS)** revenue of USD 231 million compared to USD 154 million in 2020, reflecting strong growth in market share across various product lines (including Directional Drilling and Completion Fluids, E-logging, Cementing).

**Third quarter period ended 30 September 2021**

Revenue increased by 11% USD 571 million for the third quarter period ended 30 September 2021, compared to USD 515 million for the corresponding period of 2020, driven by the following:

- **Onshore** revenue of USD 279 million compared to USD 257 million in 2020 reflecting strong performance due to increased operating rig days due to reactivations and 2 new rigs that went on contract in March and May 2021.
- **Offshore Jackup** revenue of USD 157 million compared to USD 160 million in 2020, largely unchanged with minor variation due to higher major maintenance days in the three-month period ended 30 September 2021 compared to the corresponding period in 2020.
- **Offshore Island** revenue of USD 61 million compared to USD 42 million in 2020 increased due to higher standby revenue, partially offset by lower operating rig days revenue.
- **Oilfield Services (OFS)** revenue of USD 74 million compared to USD 56 million in 2020 reflecting strong growth in market share across various product lines (including Directional Drilling and Completion Fluids, E-logging, Cementing).

## Operational Expenses

| USD millions | Q3-21 | Q2-21 | *QoQ %* | Q3-20 | *YoY %* | 9M 2021 | 9M 2020 | *YoY %* |
|---|---|---|---|---|---|---|---|---|
| **OPEX[1]** | **(286)** | **(317)** | **(10%)** | **(306)** | **(7%)** | **(919)** | **(817)** | **12%** |
| Manpower | (155) | (164) | (5%) | (158) | (2%) | (483) | (459) | 5% |
| Hire Equipment | (20) | (19) | 5% | (18) | 11% | (62) | (47) | 32% |
| Diesel | (23) | (20) | 15% | (17) | 35% | (60) | (48) | 25% |
| Chemical | (21) | (26) | (19%) | (13) | 62% | (64) | (60) | 7% |
| Repair & Maintenance | (15) | (60) | (75%) | (50) | (70%) | (115) | (120) | (5%) |
| Major Maintenance | (24) | (12) | 100% | (24) | - | (57) | (40) | 43% |
| Others | (28) | (16) | 75% | (26) | 8% | (78) | (43) | 81% |

(1) Operational expenses

**Nine-month period ended 30 September 2021**

Operational expenses increased by 12% USD 919 million for the nine-month period ended 30 September 2021, compared to USD 817 million for the corresponding period in 2020, driven by the following:

- Increases in Manpower, Hire Equipment and Chemicals costs primarily driven by the expansion of the OFS business segment (USD 30 million) and rigorous period end accruals implemented in 2021 in comparison to the corresponding period.
- Increases in Diesel Costs, primarily incurred for Onshore business segment as a result of both price and volume variance. Price variance is circa 25% year-on-year compared to the corresponding period in 2020 due to an increase in diesel prices; and volume variance is driven by higher consumption due to additional rigs and higher operational hours.
- Reduction in Repair and Maintenance (R&M) costs was mainly due to reduced activity in the Offshore Island segment and an over accrual in the corresponding period in 2020. These reductions were partly offset by R&M in the OFS segment, which saw an increase due to the overall increase in business activity.
- Increases in Major Maintenance was mainly due to increased planned maintained across the Onshore and Offshore Jackup business segments in accordance with the rig fleet maintenance schedule.
- Increases in Other costs were mainly due to the increase in Pandemic costs incurred in 2021 in relation to in-country quarantine requirements for rig crew and higher provisions for slow and non-moving inventories booked in the nine months period ended 30 September 2021 compared to the corresponding period in 2020.

**Third quarter period ended 30 September 2021**

Operational expenses reduced by 7% USD 286 million for the third quarter period ended 30 September 2021, compared to USD 306 million for the corresponding period in 2020, driven by the following:

- Decrease in Manpower costs were mainly due to lower activity in the Offshore Island segment as the majority of the rigs have been on standby, and reduced field support manpower costs during 3Q 2021 in comparison to the corresponding period in 2020. These reductions were partly offset by increased Manpower costs due to growth in the OFS business segment.
- Increase in Hire equipment costs and Chemicals was mainly due to expansion of the OFS business segment in 3Q 2021 in comparison to the corresponding period in 2020.
- Increase in diesel costs, mainly due to substantial price and volume variance for 3Q compared to the corresponding period in 2020.
- Reduction in R&M costs, mainly due to over accrual of costs (due to unsettled capex of $16 million) in the OFS business segment for 2Q 2021, which was reversed out subsequently in 3Q. In addition, there was a significant reduction in R&M costs across the Offshore Island segment due to reduced activity as well as lower R&M costs across the Onshore and Offshore Jackup business segments.

## Depreciation

**Nine-month period ended 30 September 2021**

Depreciation increased 18% USD 312 million for the nine-month period ended 30 September 2021, compared to USD 264 million for the corresponding period in 2020, driven by the following:

- Increased depreciation for the Onshore business segment is mainly due to capitalization of 2 new rigs during 1Q and 2Q of 2021, in addition to the full period impact of capitalization of 2 new rigs in 3Q of 2020. Together the 4 rigs, along with the overhead depreciation related to common Right of Use (“RoU”) and other assets, has led to the increase in depreciation charge during the current period when compared to corresponding period in 2020.
- Increased depreciation in Offshore Jackup and Offshore Island is mainly due to overhead depreciation related to capitalization of common RoU and other assets leading to the increase during the current period when compared to the corresponding period in 2020.
- Increased depreciation within OFS is mainly due to significant expansion in the asset base to support growth across the Directional Drilling, Pressure Pumping and Wireline Services product lines.

**Third quarter period ended 30 September 2021**

Depreciation increased 20% USD 103 million for the third quarter period ended 30 September 2021, compared to USD 86 million for the corresponding period in 2020. Key movements were largely related to the factors described above for the nine-month period.

## Free cash flows and capital structure

**Nine-month period ended 30 September 2021**

Free cash flows for the nine months period ended 30 September 2021 was USD 268 million, compared to USD 1,249 million in the corresponding period in 2020, driven by the following:

- Negative working capital movements mainly resulting from an increase in dues from related parties’ due to implementation of the state-of-the-art SAP4HANA ERP system for ADNOC Onshore in November 2020 and ADNOC Offshore in June 2021, which resulted in delayed invoicing and settlements due to ongoing system configuration and process stabilization tasks.
- Increased capital procurement during the period primarily due to significant expansion in OFS assets to support increased business and an extensive rig acquisition program for additional Land and Jackup rigs, the majority of which are expected to be operational in 2022.

The company maintained a strong financial position at the end of September 2021 with liquidity of USD 1,375 million, in the form of USD 125 million in cash and cash equivalents, in addition to USD 1,250 million in an unutilized credit facility from ADNOC. Existing term debt matures in 2023 with no covenants in place. ADNOC Drilling's balance sheet remains strong with a net debt to (Last Twelve Months) EBITDA ratio of 1.4x as of 30 September 2021 vs 1.0x as of 30 September 2020.

**Third quarter period ended 30 September 2021**

Free cash flow for the third quarter ended 30 September 2021 was USD 71 million, compared to USD 350 million in the corresponding period in 2020. Key movements were related to those factors described above for the nine-month period.

## Working capital

| USD millions | 30 Sep 2021 | 30 Jun 2021 | *QoQ %* | 30 Sep 2020 | *YoY %* | 31 Dec 2020 | *YoY %* |
|---|---|---|---|---|---|---|---|
| **Current Assets** | **2,223** | **2,119** | **5%** | **1,859** | **20%** | **2,172** | **2%** |
| Inventories | 185 | 163 | 13% | 159 | 16% | 177 | 5% |
| Trade & other receivables | 134 | 124 | 8% | 108 | 24% | 139 | (4%) |
| Due from related parties | 1,779 | 1,413 | 26% | 936 | 90% | 903 | 97% |
| Cash and bank balances | 125 | 419 | (70%) | 656 | (81%) | 953 | (87%) |
| **Current Liabilities** | **1,310** | **967** | **35%** | **358** | **266%** | **611** | **114%** |
| Trade & other payables | 394 | 370 | 6% | 301 | 31% | 414 | (5%) |
| Lease liabilities | 23 | 22 | 5% | 7 | 229% | 12 | 92% |
| Due to related parties | 893 | 575 | 55% | 50 | 1686% | 185 | 383% |
| **Working Capital** | **811** | **755** | **7%** | **852** | **(5%)** | **620** | **31%** |

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

Working capital of USD 811 million as at 30 September 2021 is marginally lower (5%) than USD 852 million as at 30 September 2020, however, it is higher 31% in comparison to USD 620 million as at 31 December 2020. This is primarily due to an increase in Due from related parties (partly offset by an increase in Due to related parties) and increase in inventory balances, which were enhanced to insulate operations from Covid-19 related supply disruptions. The increase in Due from and Due to related party balances during the nine-month period ended 30 September 2021 was mainly due to implementation of the state-of-the-art SAP4HANA ERP system at ADNOC Onshore (November 2020) and ADNOC Offshore (June 2021), which resulted in delayed invoicing and settlements due to ongoing system configuration and process optimization. These are likely to stabilize in 2022, once the post-implementation upgrades are applied across ADNOC.

## Balance Sheet

| USD Millions | 30 Sep 2021 | 30 Jun 2021 | QoQ % | 30 Sep 2020 | YoY % | 31 Dec 2020 | YoY % |
|---|---|---|---|---|---|---|---|
| **Total Assets** | **5,588** | **5,427** | **3%** | **5,074** | **10%** | **5,478** | **2%** |
| Non-current assets | 3,365 | 3,308 | 2% | 3,215 | 5% | 3,306 | 2% |
| Current assets | 2,223 | 2,119 | 5% | 1,859 | 20% | 2,172 | 2% |
| **Total Liabilities** | **2,936** | **2,593** | **13%** | **1,969** | **49%** | **2,226** | **32%** |
| Non-current liabilities | 1,626 | 1,626 | - | 1,611 | 1% | 1,615 | 1% |
| Current liabilities | 1,310 | 967 | 35% | 358 | 266% | 611 | 114% |
| **Total Equity** | **2,652** | **2,834** | **(6%)** | **3,105** | **(15%)** | **3,252** | **(18%)** |
| Share capital | 436 | 109 | 300% | 109 | 300% | 109 | 300% |
| Retained earnings | 2,216 | 2,725 | (19%) | 2,996 | (26%) | 3,143 | (29%) |
| **Total Equity and Liabilities** | **5,588** | **5,427** | **3%** | **5,074** | **10%** | **5,478** | **2%** |

Total assets of USD 5,588 million as at 30 September 2021 increased over the nine-month period compared to USD 5,478 million as at 31 December 2020. The movements were a result of the following:

- **Non-current assets** of USD 3,365 million at 30 September 2021 have increased over the nine-month period compared to USD 3,306 million at 31 December 2020, mainly due to an increase in property and equipment balances due to acquisition of new rigs and Oilfield Services assets, offset by depreciation during the nine-month period.
- **Current assets** of USD 2,223 million at 30 September 2021 have increased over the nine-month period compared to USD 2,172 million at 31 December 2020, mainly due to an increase in due from related party balances offset by a lower balance of cash and cash equivalents.
- **Non-current liabilities** of USD 1,626 million at 30 September 2021 are largely unchanged over the nine-month period compared to USD 1,615 million at 31 December 2020, with minor movements on account of non-current lease liabilities.
- **Current liabilities** of USD 1,310 million at 30 September 2021 have increased over the nine-month period compared to USD 611 million at 31 December 2020, mainly due to an increase in due to related party balances.
- **Total equity** of USD 2,652 million at 30 September 2021 has reduced over the nine-month period compared to USD 3,252 million at 31 December 2020, mainly due to movement in share capital and retained earnings. Share capital increased by USD 327 million during the nine-month period due to capitalization of retained earnings prior to the Company's public listing. Retained earnings reduced during the nine-month period due to dividend distribution of USD 1,060 million offset partly by earnings during this period.

## Property and Equipment

| USD Millions | Q3-21 | Q2-21 | *QoQ %* | Q3-20 | *YoY %* | 9M 2021 | 9M 2020 | *YoY %* |
|---|---|---|---|---|---|---|---|---|
| **Property and Equipment Additions** | **168** | **46** | **265%** | **18** | **833%** | **354** | **128** | **177%** |
| *Onshore* | 85 | 24 | 254% | 8 | 963% | 158 | 34 | 365% |
| *Offshore Jackup* | 40 | 17 | 135% | 8 | 400% | 125 | 28 | 345% |
| *Offshore Island* | - | - | - | 2 | NM | 2 | 7 | (71%) |
| *Oilfield Services (OFS)* | 43 | 5 | 760% | - | NM | 69 | 59 | 17% |

NM: Not meaningful

**Nine-month period ended 30 September 2021**

Property and equipment additions for the nine-month period ended 30 September 2021 were USD 354 million, compared to USD 128 million for the corresponding period in 2020, driven by the following:

- **Onshore:** Advance payment made to acquire 8 new Onshore land rigs amounting to USD 87 million paid in 3Q. The rigs are expected to be delivered in 2022.
- **Offshore Jackup:** Additions to 3 new Offshore Jackup rigs (USD 62 million in 1Q 2021 and USD 34 million in 3Q 2021).
- **Oilfield Services:** Additions to property and equipment are mainly in Wireline and Drilling services (USD 30 million in 3Q 2021).

**Third quarter period ended 30 September 2021**

Property and equipment additions for the third quarter period ended 30 September 2021 were USD 168 million compared to USD 18 million for the corresponding period in 2020. The movements in Onshore and Offshore Jackup were largely related to those factors described above for the nine-month period.

# 2. Operational Highlights

**Rig availability and number of wells drilled**

| Rigs Operational information | 9M 2021 | 9M 2020 | *YoY %* |
|---|---|---|---|
| **Fleet** | **105** | **109** | ***(4%)*** |
| *Onshore* | 65 | 63 | 3% |
| *Offshore Jackup* | 21 | 20 | 5% |
| *Offshore Island* | 10 | 10 | - |
| *Rented rigs* | 9 | 16 | (44%) |
| **Rigs Availability** | **96%** | **94%** | |
| *Onshore* | 94% | 91% | |
| *Offshore Jackup* | 99% | 100% | |
| *Offshore Island* | 100% | 100% | |
| **Rig Efficiency** | **95%** | **95%** | |
| *Onshore* | 97% | 97% | |
| *Offshore Jackup* | 94% | 91% | |
| *Offshore Island* | 94% | 96% | |
| **Number of Wells Drilled** | **396** | **432** | **(8%)** |
| *Onshore* | 349 | 354 | (1%) |
| *Offshore Jackup* | 40 | 60 | (33%) |
| *Offshore Island* | 7 | 18 | (61%) |

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

**Nine-month period ended 30 September 2021**

For the nine-month period ended 30 September 2021, the company had a fleet of 95 owned rigs with availability of 95.5% compared to 93 owned rigs with availability of 94% for the corresponding period in 2020. Rig efficiency for the nine-month periods ended 30 September 2021 and 2020 was at 95%. Further operational highlights are as follows:

- Two new Onshore rigs (AD127 & AD128) were added to the fleet in 2021. AD127 started providing drilling services in March 2021 and AD128 in May 2021.
- Deployed 15 stacked Land Rigs & 2 new Land Rigs with new clients – OXY and JODCO
- In the nine-month period ended 30 September 2021 the Company has drilled 396 wells compared to 432 wells for the corresponding period of 2020, which represents a decrease of (8%).

**Oilfield Services (OFS) operational highlights**

- OFS performed Integrated Drilling Services (IDS) on 31 rigs in the nine-month period ended 30 September 2021.
- 285 IDS wells delivered in the nine-month period ended 30 September 2021 with 187 wells ahead of schedule and budget.
- FRAC'd 97 stages in the nine-month period ended 30 September 2021 - highest FRAC'd stages in well GU 03 with Zipper FRAC on wells XN 44 & XN 47 delivering record 6 stages per day

# 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 to the final quarter and to 2022, the management see operations returning to normal post- 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.

The Company remains active in a number of 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 a number of 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. Subject to the foregoing, our Board approved a dividend payment of USD 360.3 million, reflecting the dividends for the first half of 2021, distributed to existing shareholders in August 2021 ahead of the Offering.

The Company intends to pay dividends twice each fiscal year after the Offering, with an initial payment in April and a second payment in October of each year. Subject to the foregoing, we expect to pay a fixed dividend amount of USD 325 million for the second half of 2021, to be paid in April 2022. Thereafter, we expect to grow the dividend amount to USD 650 million (annualized dividend of second half of 2021), by a growth rate of 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 then 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 trading of the Company's shares commenced on 3 October 2021 at AED 2.30 and the share price has reached a high of AED 3.20 to date. Our market capitalization currently stands at AED 51.20 billion.

As of 30 September 2021, 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.

# Appendix 1: Glossary

- 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.

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

- 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.

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

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

- 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.

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

- Rig availability - 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), including any activity during trip (less than 30 minutes).
    - Connection time = (total number of connections divided by total duration).
    - Excluded exploration wells and workover well.
    - Excluded all restricted operations from calculation.

## 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 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.