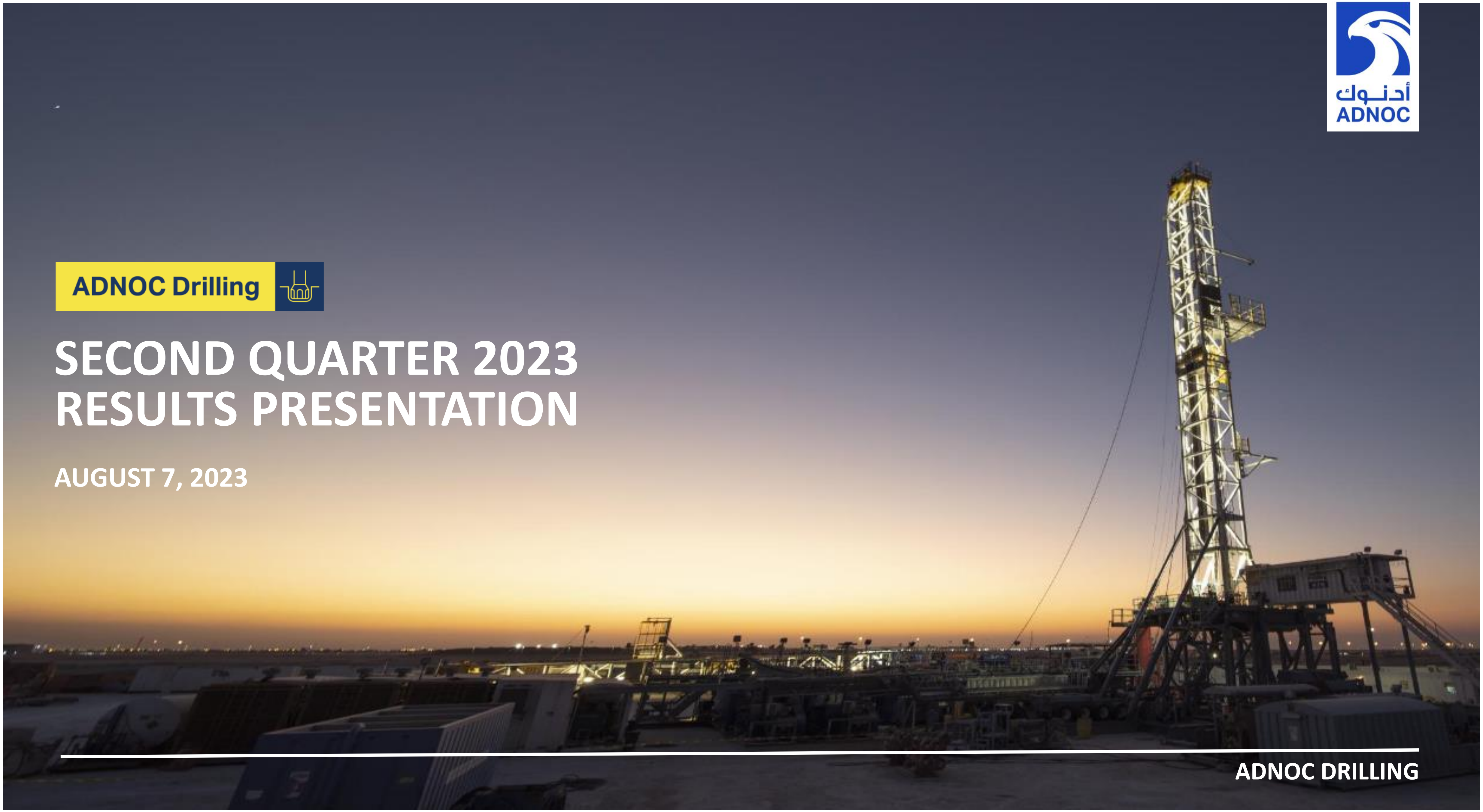

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# SECOND QUARTER 2023 RESULTS PRESENTATION

AUGUST 7, 2023

ADNOC DRILLING

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# AGENDA & PRESENTERS

- 2Q Highlights
- Operational Highlights
- Financial Performance
- Guidance
- Closing Remarks
- Appendix

**Abdulrahman Abdullah Al Seiari**

*Chief Executive Officer*

**Esa Ikaheimonen**

*Chief Financial Officer*

**Emri Zeineldin**

*Senior Vice President, Oilfield Services*

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# 2Q HIGHLIGHTS

# ROBUST EARNINGS GROWTH

## DRIVEN BY EXPANDING RIG FLEET

### Safety & Environment

- **27,032**
  GJ/Rig energy intensity versus target of 27,806 GJ/Rig in 1H23
- **0.46 TRIR**
  Versus target of 0.70 for 1H23
- **297**
  ktCO2eq GHG absolute emissions versus target of 297 ktCO2eq in 1H23

### Financial

- **13%**
  Y-o-Y revenue increase in 1H23
- **47%**
  Industry leading EBITDA margin for 1H23
- **$446m**
  Net profit in 1H23, up 18%YoY

### Operational

- **18 Rigs**
  Acquired in 1H23, 16 hybrid land rigs & 2 jack-ups
- **96%**
  Rig availability in 2Q23
- **116**
  Owned rigs, on track with 2024 target

# EXECUTING ON OUR STRATEGY

## LONG-TERM STRATEGY FOR GROWTH FOCUSED ON FOUR AREAS

### ADNOC Production Increasing

**Capitalize on ADNOC's** plans to increase production capacity to 5 million barrels per day and 1bcf of gas

▶ **Purchase of 6 hybrid land rigs and 2 jack-ups in 2Q23**

### Unconventional Development

Become a Middle East regional leader in **unconventional** development

▶ **3 rigs drilled unconventional wells during** 2Q23

### Integrated Drilling Services (IDS) Ramp-up

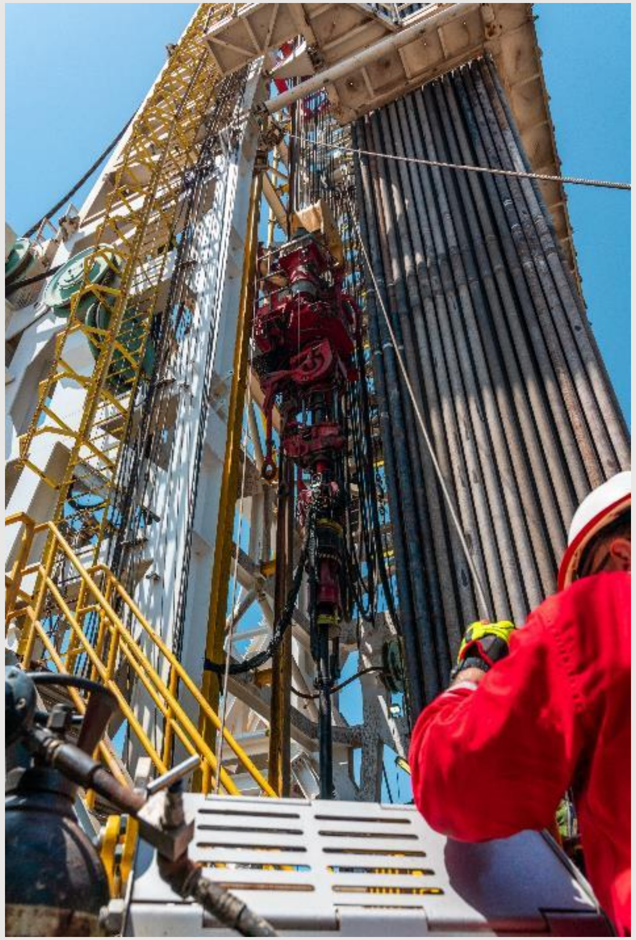
Major **rig fleet expansion** program to support **upstream growth** plans

▶ **Order for 8 IDS rigs expected to be finalized in 2H23**

### New Revenue Streams

Pursue new business **inside and outside** of **Abu Dhabi** for **rigs, services and technology**

▶ **Regional expansion** being explored



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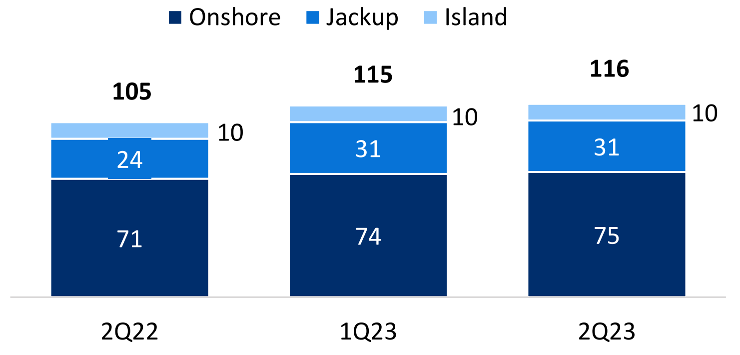
# OPERATIONAL HIGHLIGHTS

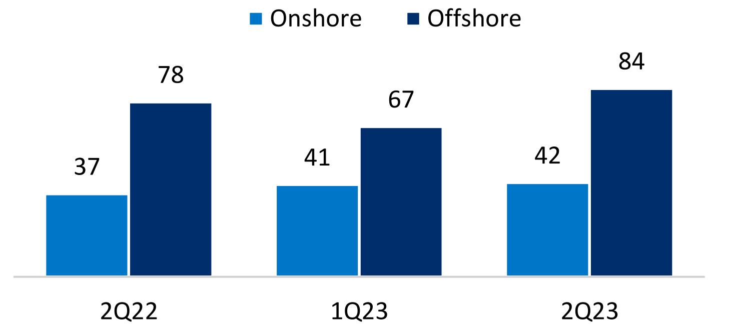
# GROWING FLEET LEADING TO OPERATIONAL EFFICIENCY

## KEY OPERATIONAL HIGHLIGHTS

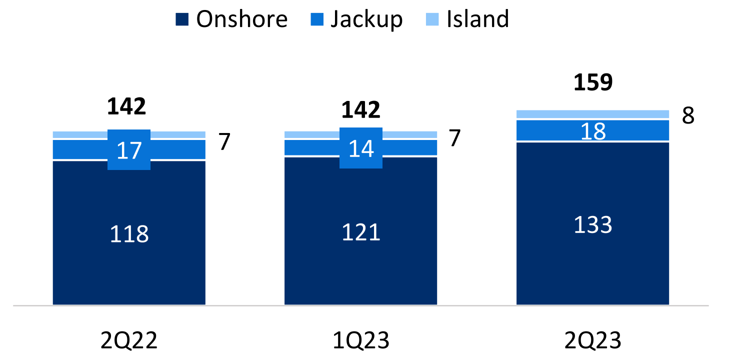
### Owned Rigs



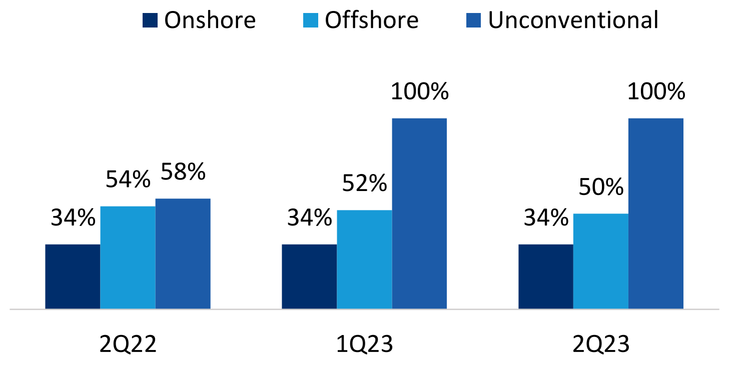

### Drilling Average Duration (days)




### Wells Drilled




### Oilfield Services Market Share




### Commentary

- **159 wells drilled** in 2Q23 compared to 142 wells in 1Q23
- Acquired **6 newbuild hybrid land rigs** and 2 jack-ups over the course of 2Q23
- **OFS** performed **IDS on 40 rigs** in 2Q23
- **Variation order for 8 extra IDS rigs** for ADNOC Onshore **received**
- 13.8% improvement in 2Q23 IDS **drilling efficiency** versus the 2022 benchmark
- **Awarded contracts worth over $2.4 billion,** $2 billion for Offshore Jack-up and $412 million for IDS
- **Several new services added** to OFS portfolio **driving future market share growth**

# STRONG OPERATIONAL PERFORMANCE ACROSS THE BUSINESS

## SEGMENTAL OPERATING HIGHLIGHTS

### Onshore

- 94% rig availability for Onshore operations in 2Q23 versus 93% in 1Q23
- Completed drilling for the first fully sequestered CO2 injection well in a carbonate saline aquifer during the second quarter
- AD-109 commenced batch-drilling in an onshore unconventional project
- Achieved the average rate of penetration (ROP) record for a deviated 16-inch hole section across an onshore field at 61.23 feet / hour

### Offshore Jack-up and Offshore Island

- 100% rig availability for Offshore Jack-up and Offshore Island rigs in 2Q23 versus 97% and 100% in 1Q23 respectively
- AD-68 delivered the world's longest extended reach well to a depth of 51,000 feet.
- AD-33 commenced the first maximum reservoir contact well in the Hail & Ghasha
- Drilled 8 ½ inch hole at a total depth of 27,500 feet (longest well in an offshore field)

### Oilfield Services

- 45 wells delivered in 2Q23. Of the 15 benchmarked wells, 8 were delivered ahead of budget and schedule
- Second quarter LTI and TRIR free across all OFS business segments
- ADNOC Drilling IDS drilled the longest 8 ½ inch hole section of 5,332 feet with the best 8 ½ inch ROP of 63 feet / hour in an offshore field; also, the longest 6-inch section in the same field of 11,014 feet. Delivered well total depth of 29,398 feet

# WE CONTINUE TO PURSUE AMBITIOUS ESG GOALS

## ESG FRAMEWORK AND PERFORMANCE HIGHLIGHTS

### Climate, Emissions and Energy

- Support ADNOC's target to decrease GHG intensity by **25% by 2030 and 50% by 2050**
- Energy intensity at a target of 27,806 GJ/Rig in 1H23 versus the current actual of 27,032 GJ/Rig

### Economic and Social Contribution

- Economic performance of the Company improved with the increase in number of rigs
- **In-country value** at 31.01% versus target of 60%

### Health, Safety and Security

- **6 recordable incidents** across the business in 2Q23
- **TRIR at** 0.46 versus target of 0.70 for 1H23

### Local Environment

- Minimizing impacts through **best-in-class** environmental management system
- **Zero spill incidents** in 1H23

### Workforce Diversity and Development

- Company committment to **gender diversity and development** at **all levels** of the organization
- 81 nationalities across the workforce

### Business Sustainability

- Integrate risk management across operations and business planning
- Strengthen collaboration in environmental protection, conservation and sustainable development

# DECARBONIZATION INITIATIVES DRIVING ESG AGENDA

## PURSUING AMBITIOUS GOALS

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### Camps Emission Abatement

**Base Camp Grid Connectivity**

- Madinat Zayed: nearing completion, connection expected by end of August
- Tarif camp to be connected in 4Q23

**Solar System for Mobile Camps**

- Evaluating the techno-commercial offers for solar powered mobile camps

### Rigs Emission Abatement

**Green Rigs**

- Acquired 6 newbuild hybrid land rigs in 2Q, bringing the total to 16 rigs in 1H23
- Energy Monitoring System in deployment

**Battery Energy Storage System (BESS)**

- BESS to be installed on new-build rigs and select existing rigs


### Sustainability Initiatives

**Remote Operation Center (ROC)**

- Enable digitally focused workforce
- Keep skilled personnel in ROC and optimize number of personnel at rig site

**Diesel optimization**

- Fuel additive to improve combustion efficiency, trial under preparation

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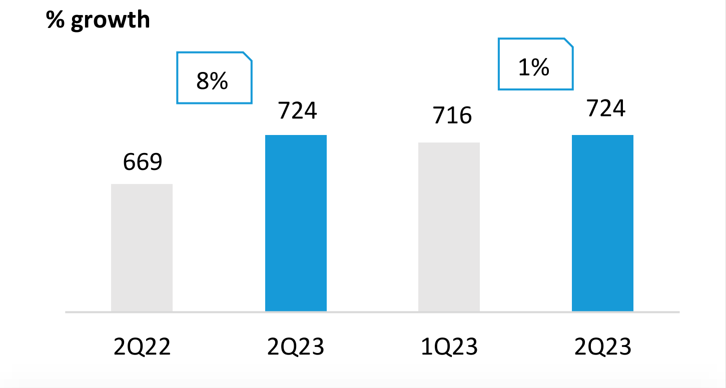
# FINANCIAL PERFORMANCE

# FINANCIAL HIGHLIGHTS

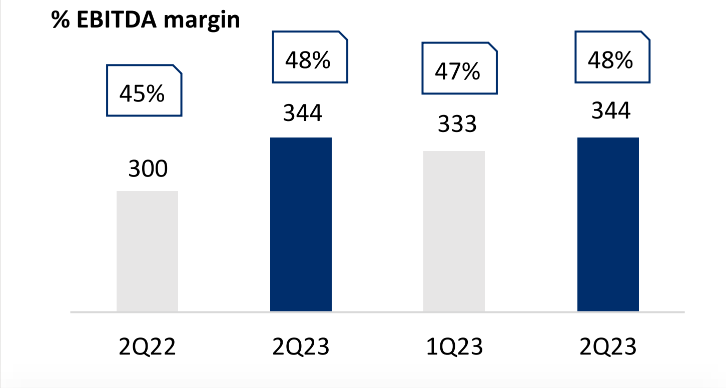
## STRONG EBITDA GROWTH DRIVES UP PROFITABILITY

**(USD, Millions)**

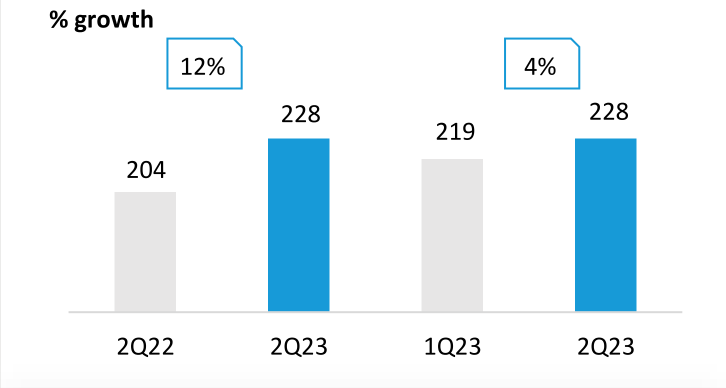
### Revenue



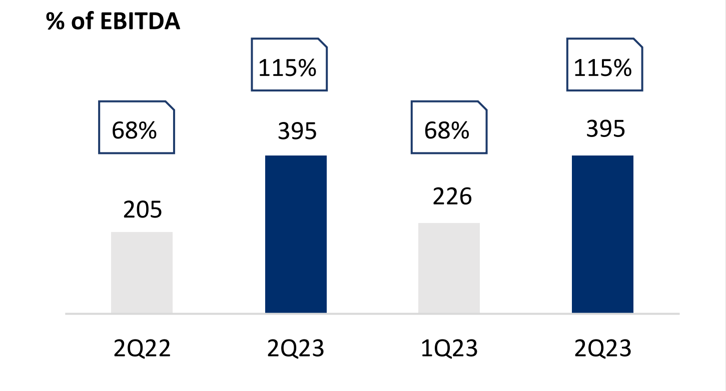

### EBITDA



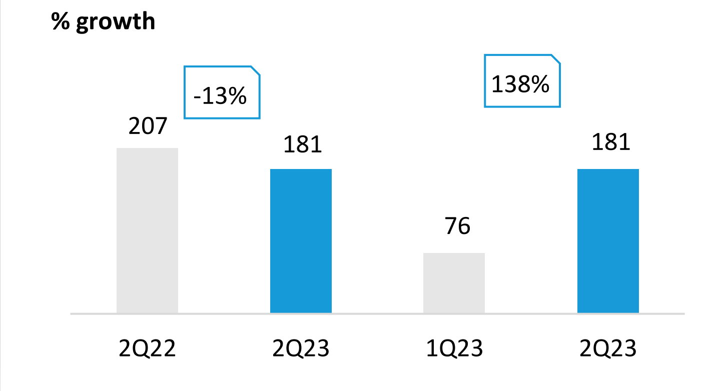

### Net Profit



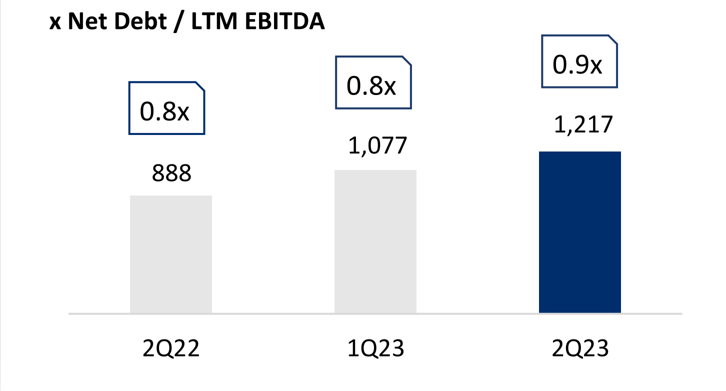

### Cash from Operating Activities




### CapEx




### Net Debt

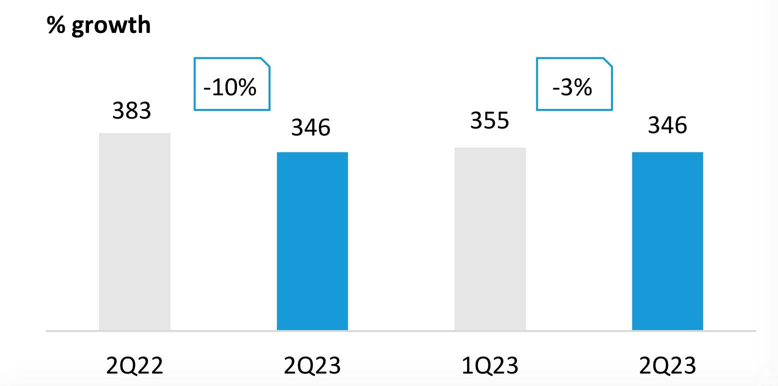


# SEGMENTAL REVENUE

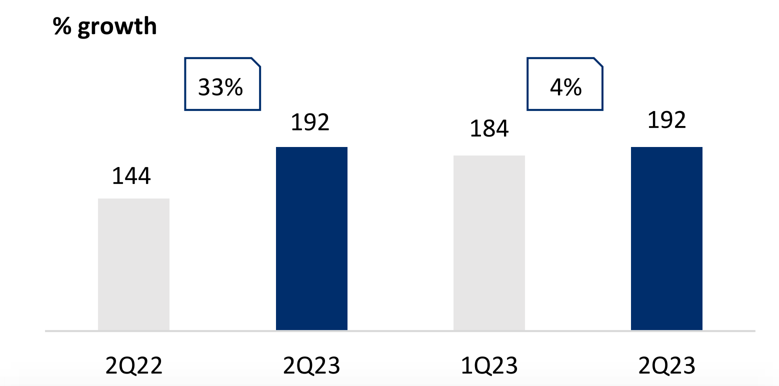
## OFFSHORE JACK-UP AND OFS DELIVER IMPRESSIVE YEAR-ON-YEAR GROWTH

**(USD, Millions)**

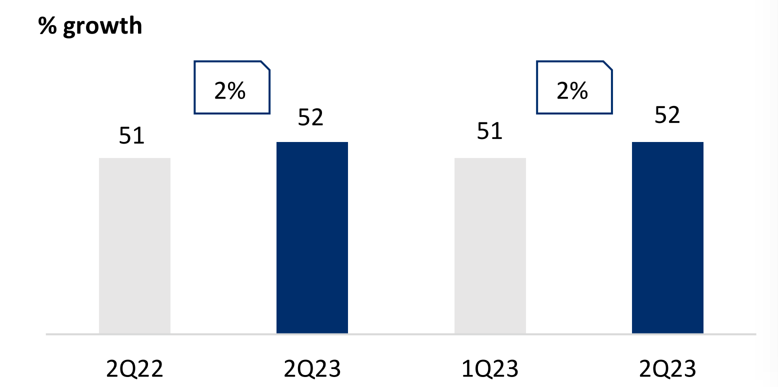
### Onshore



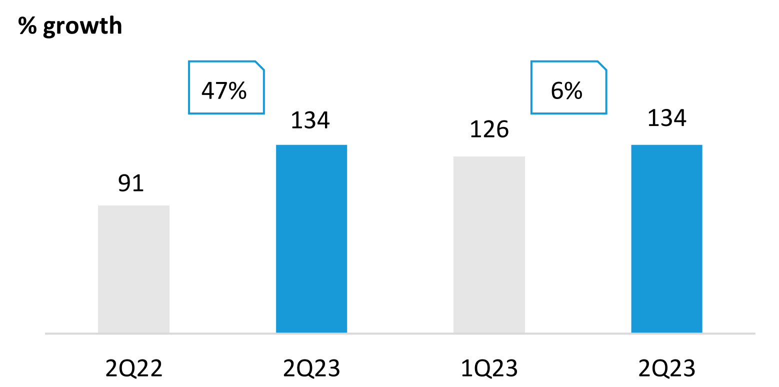

### Offshore Jack-up




### Offshore Island




### Oilfield Services




### Commentary

Offshore Jack-up and OFS drive 8% YoY increase in revenue to $724 million

**Onshore:** 2Q23 revenue decreased 10% YoY as last year was positively impacted by recovery of higher fuel costs. QoQ revenue declined 3% due to lower reimbursement of cost escalation claims

**Offshore Jack-up:** 2Q23 revenue was up 33% YoY driven by 5 new jack-up rigs joining the fleet and lower major maintenance activity. QoQ increased 4% due to two additional operating days and less major maintenance

**Offshore Island:** 2Q23 revenue increased 2% YoY due to increased activity in the Hail & Ghasha field. QoQ up 2% as a result of two more operating days

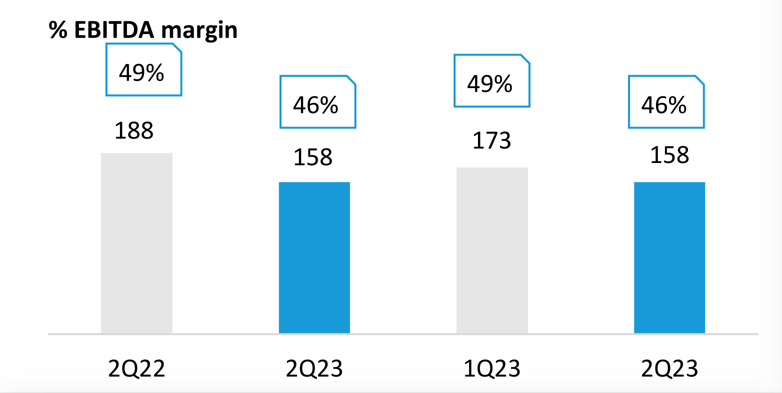
**OFS:** 2Q23 revenue increased 47% YoY due to increased activity volume across the portfolio. QoQ revenue up 6% driven by growth in our Tubular Running and Cementing Services lines

# EBITDA GENERATION

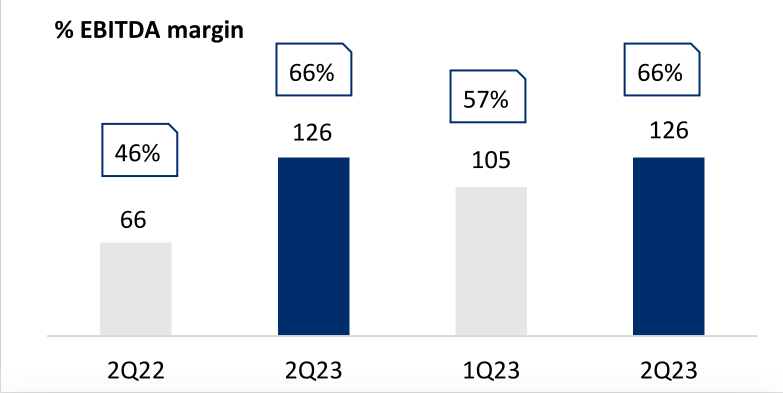
## INDUSTRY-LEADING MARGINS

**(USD, Millions)**

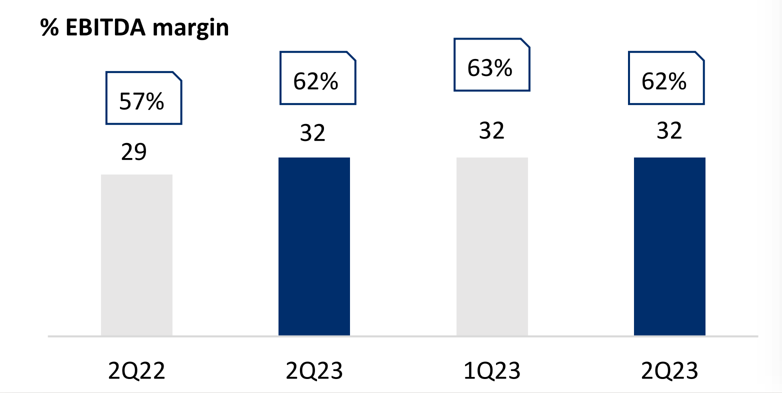
### Onshore



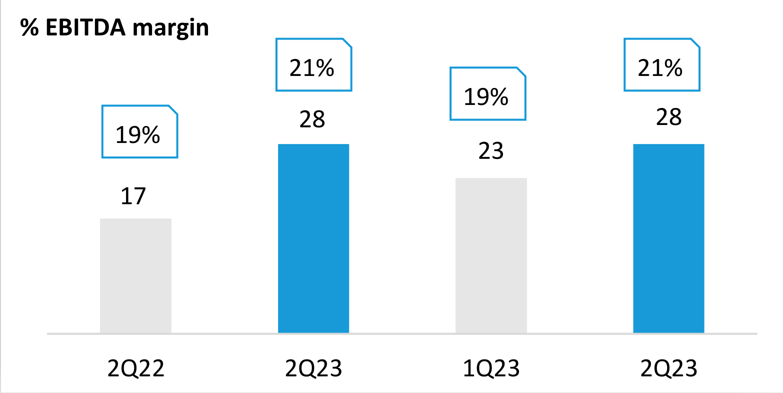

### Offshore Jack-up




### Offshore Island




### Oilfield Services




### Commentary

2Q23 EBITDA up 15% over prior year driven by robust revenue growth and strong margins

**Onshore:** 2Q23 EBITDA down 16% YoY driven by revenue drop. QoQ declined 9% due to lower revenue and higher diesel consumption related to increased activity

**Offshore Jack-up:** 2Q23 EBITDA up 91% YoY due to higher revenue and lower major maintenance activity. The same drivers led to a 20% QoQ growth

**Offshore Island:** 2Q23 EBITDA increased 10% YoY due to a decrease in operating costs due to the implementation of cost efficiency measures. EBITDA was flat QoQ

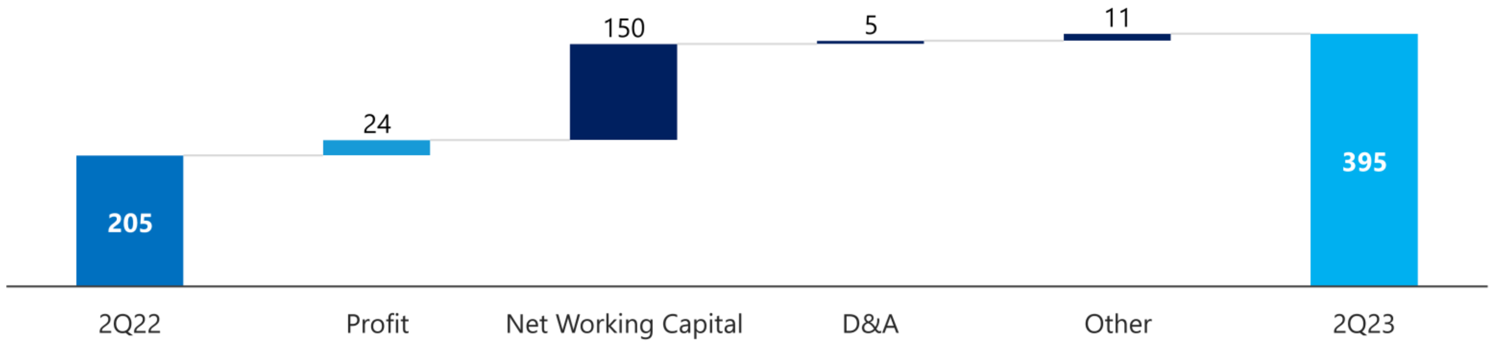
**OFS:** 2Q23 EBITDA increased 65% YoY driven by strong revenue growth and a favourable product mix. QoQ increased 22% due to the same reasons

# STRONG CASHFLOW AND BALANCE SHEET

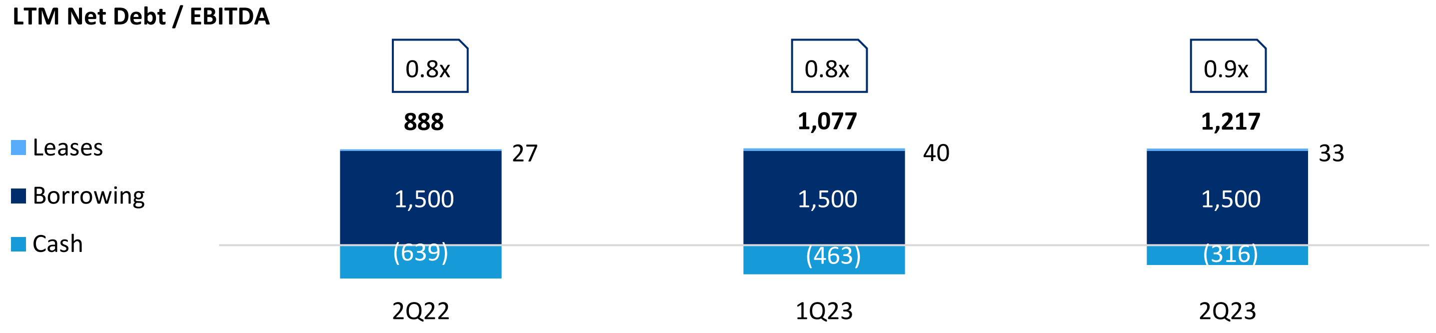
## HEALTHY CASH POSITION WITH AMPLE LIQUIDITY TO POWER ACCELERATED RIG FLEET GROWTH

**(USD, Millions)**

### Cash from Operating Activities




### Net Debt




## Commentary

**Cash from Operating Activities**

- 2Q23 cash from operating activities came at $395 million, up 93% from the prior year
- Related party balances and increase in net profit supported the year-on-year improvement
- Operating Working Capital increased 3% year-on-year on the back of increased activity levels

**Net Debt**

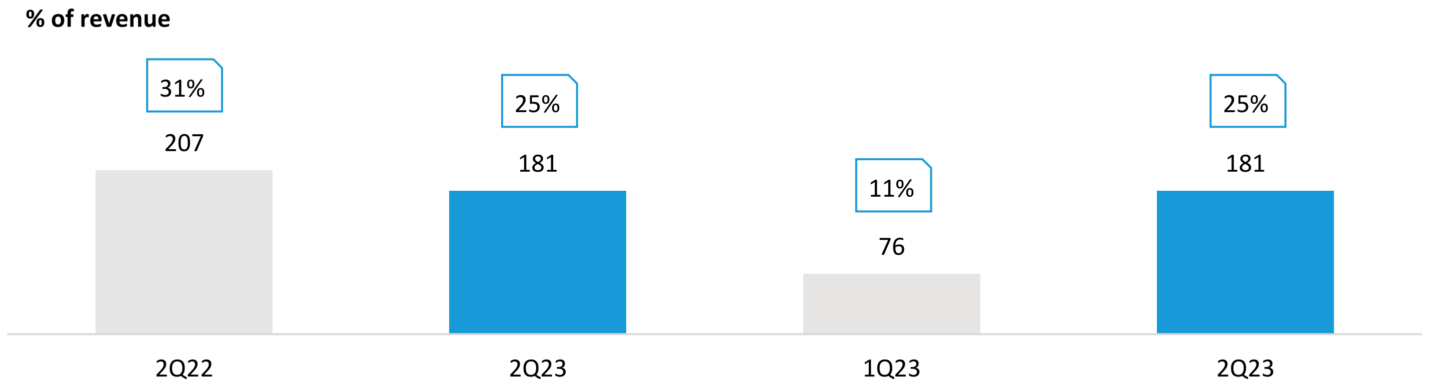
- Net Debt / EBITDA ratio increased marginally QoQ from 0.8x to 0.9x
- Cash and cash equivalents decreased to $316 million in 2Q23
- Liquidity stood at $1.6 billion, including unutilized syndicated term and revolving facilities

# CAPEX SUPPORTS FLEET EXPANSION

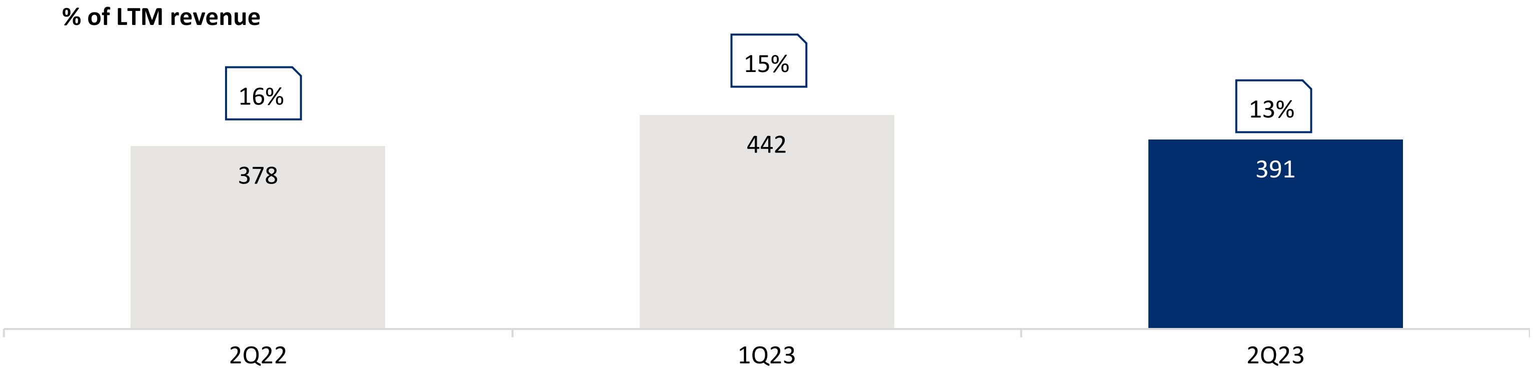
## RAMP UP EXPECTED IN THE SECOND HALF

**(USD, Millions)**

### CapEx




### Operating Working Capital




## Commentary

**CapEx**

- 2Q23 CapEx of $181 million, slightly lower than expected due to phasing in the payment for rig acquisitions
- Rig fleet expansion program progressing, supported by the announced acquisition of 16 newbuild hybrid land rigs and 2 jack-ups in 1H23
- Increased CapEx in the second half of the year expected for further rig acquisitions

**Operating Working Capital**

- Operating Working Capital down 12% QoQ mainly due to lower related party balances, thanks to increased collections
- Aim to bring working capital within the targeted range of 10-11% of annualized revenue

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# GUIDANCE

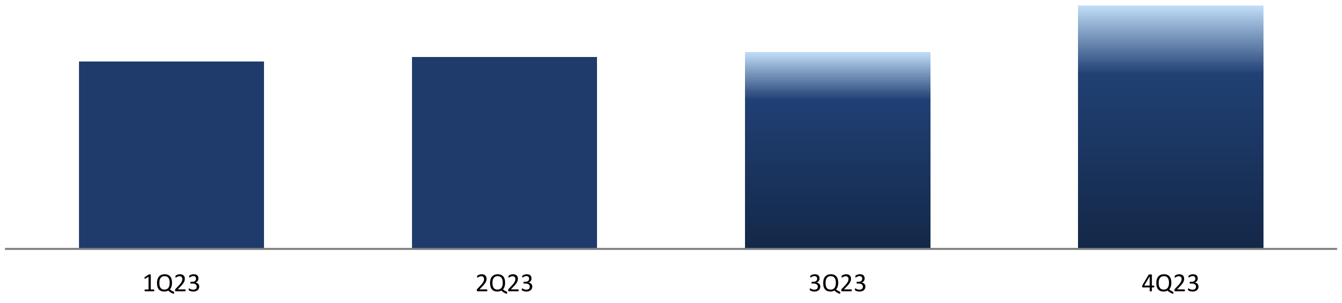
# DELIVERING ON GROWTH TARGETS

## GUIDANCE REITERATED, ACCELERATION EXPECTED IN SECOND HALF, SKEWED TOWARDS 4Q

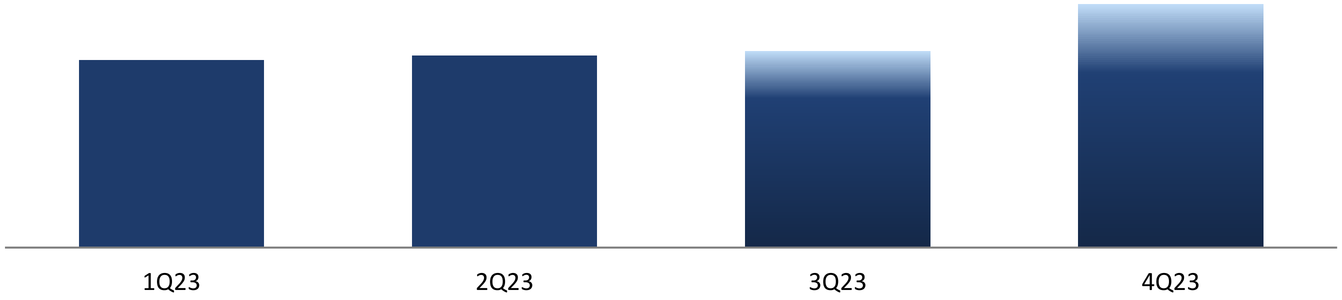
### FY2023 Progression (USD, Millions)*

**The graphs are not to scale and are for illustrative purposes only*

**Revenue Progression**




**EBITDA Progression**




### Guidance

**Revenue**

**$3,000 million - $3,200 million**

**EBITDA**

**$1,350 million - $1,500 million**

**Net Profit**

**$850 million - $1,000 million**

# ACCELERATED GROWTH TARGETS

## FY2023 AND MEDIUM-TERM GUIDANCE REITERATED

| (USD, Millions) | FY2023 Guidance |
|---|---|
| **Revenue** | **3,000 - 3,200** |
| *Onshore Revenue* | 1,500 - 1,600 |
| *Offshore Jack-up Revenue* | 800 - 900 |
| *Offshore Island Revenue* | 200- 250 |
| *Oilfield Services Revenue* | 500- 550 |
| **EBITDA** | **1,350 - 1,500** |
| EBITDA Margin | *45% - 47%* |
| **Net Profit** | **850 - 1,000** |
| Net Profit Margin | *28% - 31%* |
| **CapEx** | **1,300-1,750** |
| **Leverage Target** | **< 2.0x** |

### Medium-Term Guidance

- Revenue CAGR in the 12-16% range
- EBITDA margin around 50% with drilling margins exceeding 50% and OFS margin in a range of 22-26% medium term versus 2021
- Conservative long-term leverage target of up to 2.0x Net Debt / EBITDA, excluding material M&A
- Net working capital as percentage of revenue target of 10% - 11%
- Owned rig count to total 142 by the end of 2024, compared to IPO guidance of 127 rigs by the end of 2030
- CapEx over the coming two-year period ending 2024 to be between $2.0 - $2.5 billion
- Maintenance CapEx post-2024 of $200 - $250 million per annum
- Annual dividend growth of at least 5% per annum over the next four years (2023 - 2026)

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# CLOSING REMARKS

# CLOSING REMARKS

Strong earnings growth driven by expanding fleet and cost efficiencies

SPA signed for 16 newbuild hybrid land units and 2 jack-ups in 1H

Delivering on our ESG agenda by pursuing ambitious goals

Enabling ADNOC's accelerated production capacity targets

**On track with FY2023 and medium-term guidance while executing on our strategy**

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# APPENDIX

# FINANCIAL SUMMARY 2Q23

| (USD, Millions) | 2Q23 | 2Q22 | YoY | 1Q23 | QoQ | 1H23 | 1H22 | YoY |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **724** | **669** | **8%** | **716** | **1%** | **1,440** | **1,270** | **13%** |
| Opex[1] | (380) | (369) | 3% | (383) | -1% | (763) | (690) | 11% |
| **EBITDA[2]** | **344** | **300** | **15%** | **333** | **3%** | **677** | **580** | **17%** |
| Depreciation and amortization | (103) | (89) | 16% | (102) | 1% | (205) | (190) | 8% |
| Finance cost - net | (13) | (7) | 86% | (12) | 8% | (26) | (11) | 136% |
| **Net Profit** | **228** | **204** | **12%** | **219** | **4%** | **446** | **379** | **18%** |
| EBITDA Margin | 48% | 45% | 3% | 47% | 1% | 47% | 46% | 1% |
| Net Profit Margin | 31% | 31% | 0% | 31% | 0% | 31% | 30% | 1% |
| | | | | | | | | |
| Net cash generated from operating activities | 395 | 205 | 93% | 226 | 75% | 621 | 818 | -24% |
| Capital Expenditure[3] | (181) | (207) | -13% | (76) | 138% | (257) | (285) | -10% |
| Free Cash Flow | 218 | (2) | NM | 153 | 42% | 371 | 533 | -30% |
| | | | | | | | | |
| Total Equity | 3,036 | 2,850 | 7% | 3,150 | -4% | 3,036 | 2,850 | 7% |
| Net Debt[4] | 1,217 | 888 | 37% | 1,077 | 13% | 1,217 | 888 | 37% |
| Earnings per Share ($)[5] | 0.014 | 0.013 | 12% | 0.014 | 4% | 0.028 | 0.024 | 18% |
| Capital employed | 4,706 | 4,477 | 5% | 4,827 | -3% | 4,706 | 4,477 | 5% |
| | | | | | | | | |
| Return on capital employed | 19% | 16% | 3% | 18% | 1% | 19% | 16% | 3% |
| Net Debt to LTM EBITDA | 0.9 | 0.8 | 0% | 0.8 | 0% | 0.9 | 0.8 | 0% |
| Leverage ratio | 29% | 24% | 5% | 25% | 4% | 29% | 24% | 5% |
| Return on equity | 29% | 25% | 4% | 27% | 2% | 29% | 25% | 4% |

NM: Not meaningful
(1) Opex includes allocation of G&A expenses and other income
(2) EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization
(3) Payments for purchase of property and equipment
(4) Interest bearing liabilities less cash and cash equivalents
(5) Number of shares for earnings per Share calculation in the comparatives are adjusted as if the share spilt and capitalization had taken place as at 1 Jan 2021.

# SEGMENTAL RESULTS 2Q23

| (USD, Millions) | 2Q23 | 2Q22 | YoY | 1Q23 | QoQ | 1H23 | 1H22 | YoY |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **724** | **669** | **8%** | **716** | **1%** | **1,440** | **1,270** | **13%** |
| Onshore | 346 | 383 | -10% | 355 | -3% | 701 | 702 | 0% |
| Offshore Jack-up | 192 | 144 | 33% | 184 | 4% | 376 | 288 | 31% |
| Offshore Island | 52 | 51 | 2% | 51 | 2% | 103 | 101 | 2% |
| Oilfield Services (OFS) | 134 | 91 | 47% | 126 | 6% | 260 | 179 | 45% |
| **Total OPEX[1]** | **(380)** | **(369)** | **3%** | **(383)** | **-1%** | **(763)** | **(690)** | **11%** |
| Onshore | (188) | (195) | -4% | (182) | 3% | (369) | (362) | 2% |
| Offshore Jack-up | (66) | (78) | -15% | (79) | -16% | (147) | (137) | 7% |
| Offshore Island | (20) | (22) | -9% | (19) | 5% | (39) | (43) | -9% |
| Oilfield Services (OFS) | (106) | (74) | 43% | (103) | 3% | (208) | (148) | 41% |
| **EBITDA[2]** | **344** | **300** | **15%** | **333** | **3%** | **677** | **580** | **17%** |
| Onshore | 158 | 188 | -16% | 173 | -9% | 332 | 340 | -2% |
| Offshore Jack-up | 126 | 66 | 91% | 105 | 20% | 229 | 151 | 52% |
| Offshore Island | 32 | 29 | 10% | 32 | 0% | 64 | 58 | 10% |
| Oilfield Services (OFS) | 28 | 17 | 65% | 23 | 22% | 52 | 31 | 68% |
| **Net Profit** | **228** | **204** | **12%** | **219** | **4%** | **446** | **379** | **18%** |
| Onshore | 111 | 149 | -26% | 127 | -13% | 239 | 262 | -9% |
| Offshore Jack-up | 83 | 32 | 159% | 62 | 34% | 143 | 76 | 88% |
| Offshore Island | 20 | 19 | 5% | 20 | 0% | 40 | 35 | 14% |
| Oilfield Services (OFS) | 14 | 4 | 250% | 10 | 40% | 24 | 6 | 300% |

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

# OUR INVESTMENT PROPOSITION

## VALUE CREATION PROFILE

**Near-term growth plans driven by the expansion of production capacity from 4 to 5 million barrels per day by 2027**

**Key enabler in achieving UAE’s goal of gas self-sufficiency and development of unconventional resources by 2030**

**Exclusive provider of drilling rig services in Abu Dhabi through long-term contracts with guaranteed minimum IRRs**

**Strong and growing in-house oilfield services capabilities, enabling additional value to be extracted from each rig**

**Further potential from disciplined regional expansion as well as developing new revenue streams**

ADNOC Drilling

# THANK YOU

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