

ADNOC Drilling



ADNOC DRILLING COMPANY P.J.S.C.

Review report and condensed financial
information for the nine-month period ended
30 September 2023



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ADNOC Drilling Company P.J.S.C.

Directors' report for the nine-month period ended 30 September 2023

The Directors present their report together with the unaudited condensed financial information of ADNOC Drilling Company P.J.S.C. ("the Company") for the nine-month period ended 30 September 2023.

Principal activities

The Company is engaged in providing start to finish drilling and construction services across both conventional and unconventional reservoirs, and the hiring out of onshore and offshore drilling rigs to parties involved in onshore and offshore oil and gas exploration and production.

Review of business

During the period, the Company reported revenue of USD 2,216,192 thousand (30 September 2022: USD 1,940,062 thousand). Profit for the period was USD 703,703 thousand (30 September 2022: USD 568,105 thousand).

The appropriation of the results for the period is follows:

Retained earnings at 1 January 2023
Profit for the period
Dividends

Retained earnings at 30 September 2023

USD '000

2,354,738
703,703
(341,246)

2,717,195

For the Board of Directors

Chairman

13 November 2023
Abu Dhabi
United Arab Emirates



REPORT ON REVIEW OF CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ADNOC DRILLING COMPANY P.J.S.C.

Introduction

We have reviewed the accompanying condensed statement of financial position of ADNOC Drilling Company P.J.S.C. (“the Company”), as at 30 September 2023 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this condensed financial information in accordance with International Accounting Standard 34, ‘*Interim financial reporting*’ as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this unaudited condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by IASB.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
13 November 2023
Abu Dhabi
United Arab Emirates

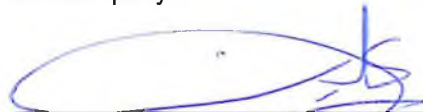
Condensed statement of financial position as at 30 September 2023

	Notes	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
ASSETS			
Non-current assets			
Property and equipment	5	4,405,187	3,921,607
Right-of-use assets	6	193,108	33,909
Intangible assets	7	6,327	8,980
Advances		1,292	5,408
Total non-current assets		4,605,914	3,969,904
Current assets			
Inventories	8	202,527	153,369
Trade and other receivables	9	119,425	115,427
Due from related parties	15	931,719	929,046
Cash and cash equivalents	10	550,879	325,514
		1,804,550	1,523,356
Assets held for sale	11	10,717	-
Total current assets		1,815,267	1,523,356
Total assets		6,421,181	5,493,260
EQUITY AND LIABILITIES			
Equity			
Share capital	12	435,671	435,671
Statutory reserve	12	140,572	140,572
Retained earnings		2,717,195	2,354,738
Total equity		3,293,438	2,930,981
Non-current liabilities			
Borrowings	13	498,026	-
Trade and other payables	14	31,654	28,098
Lease liabilities	6	113,827	20,608
Provision for employees' end of service benefits		100,292	111,081
Total non-current liabilities		743,799	159,787
Current liabilities			
Borrowings	13	1,500,000	1,500,000
Trade and other payables	14	492,065	404,287
Lease liabilities	6	84,311	19,141
Due to related parties	15	295,263	466,759
Provision for employees' end of service benefits		12,305	12,305
Total current liabilities		2,383,944	2,402,492
Total liabilities		3,127,743	2,562,279
Total equity and liabilities		6,421,181	5,493,260


To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed financial information present fairly in all material respects the financial position, financial performance and cash flows of the Company.



H. E. Dr. Sultan Ahmed Al Jaber
Chairman



Abdulrahman Abdulla Alseiri
Chief Executive Officer



Youssef Samy Salem
Chief Financial Officer

The accompanying notes form an integral part of these condensed financial information.

Condensed statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2023

		Three-month ended 30 September		Nine-month ended 30 September	
Notes		2023 USD'000 (unaudited)	2022 USD'000 (unaudited)	2023 USD'000 (unaudited)	2022 USD'000 (unaudited)
Revenue	16	776,104	(restated) 670,423	2,216,192	(restated) 1,940,062
Direct cost		(488,316)	(433,387)	(1,393,048)	(1,258,636)
Gross profit		287,788	237,036	823,144	681,426
General and administrative expenses		(20,551)	(40,878)	(86,685)	(99,161)
Other income		3,124	1,358	5,866	5,343
Finance cost - net	17	(12,985)	(8,722)	(38,622)	(19,503)
Profit for the period		257,376	188,794	703,703	568,105
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		257,376	188,794	703,703	568,105
Earnings per share:					
Basic and diluted	22	0.0161	0.0118	0.0440	0.0355

The accompanying notes form an integral part of these condensed financial information.

**Condensed statement of changes in equity
for the nine-month period ended 30 September 2023**

	Share capital USD '000	Statutory reserve USD '000	Retained earnings USD '000	Total equity USD '000
Balance at 1 January 2022 (audited)	435,671	60,391	2,299,362	2,795,424
Total comprehensive income for the period	-	-	568,105	568,105
Dividends (note 18)	-	-	(666,250)	(666,250)
Balance at 30 September 2022 (unaudited)	435,671	60,391	2,201,217	2,697,279
Balance at 1 January 2023 (audited)	435,671	140,572	2,354,738	2,930,981
Total comprehensive income for the period	-	-	703,703	703,703
Dividends (note 18)	-	-	(341,246)	(341,246)
Balance at 30 September 2023 (unaudited)	435,671	140,572	2,717,195	3,293,438

The accompanying notes form an integral part of these condensed financial information.

Condensed statement of cash flows for the nine-month period ended 30 September 2023

	Three-month ended 30 September 2023 USD'000 (unaudited)	Three-month ended 30 September 2022 USD'000 (unaudited)	Nine-month ended 30 September 2023 USD'000 (unaudited)	Nine-month ended 30 September 2022 USD'000 (unaudited)
Cash flows from operating activities				
Profit for the period	257,376	188,794	703,703	568,105
<i>Adjustments for:</i>				
Depreciation of property and equipment	104,160	97,524	300,920	284,672
Amortisation of intangible assets	894	553	2,653	1,641
Impairment of property and equipment - net	-	7,291	-	(274)
Depreciation of right-of-use assets	5,589	3,432	12,303	12,361
Employees end of service benefit charge/(reversal) - net	(12,762)	4,067	(4,676)	13,814
Allowance for slow-moving inventories charge/(reversal)	1,069	(623)	1,333	3,310
Finance cost	16,680	12,549	49,261	23,624
Finance income	(3,695)	(3,827)	(10,639)	(4,121)
Operating cash flows before changes in working capital	369,311	309,760	1,054,858	903,132
Changes in working capital on account of:				
Inventories	(15,359)	(21,270)	(50,491)	3,342
Advance payments	87	559	2,142	1,669
Trade and other receivables	26,932	6,464	(2,840)	(9,074)
Due from related parties	(124,062)	(225,121)	(2,673)	(110,036)
Trade and other payables	93,046	41,182	135,190	85,182
Due to related parties	(10,080)	208,931	(171,496)	267,903
Employees' end of service benefit paid	(2,759)	(3,146)	(6,113)	(6,824)
Cash generated from operating activities	337,116	317,359	958,577	1,135,294
Cash flows from investing activities				
Payments for purchase of property and equipment	(591,580)	(223,650)	(848,403)	(508,321)
Finance income received	2,537	3,201	9,481	3,495
Net cash used in investing activities	(589,043)	(220,449)	(838,922)	(504,826)

The accompanying notes form an integral part of these condensed financial information.

**Condensed statement of cash flows
for the nine-month period ended 30 September 2023 (continued)**

	Three-month ended 30 September 2023 USD'000 (unaudited)	Three-month ended 30 September 2022 USD'000 (unaudited)	Nine-month ended 30 September 2023 USD'000 (unaudited)	Nine-month ended 30 September 2022 USD'000 (unaudited)
Cash flows from financing activities				
Proceed from borrowings	500,000	-	500,000	-
Lease liabilities paid	(7,402)	70	(14,724)	(11,398)
Dividends paid	-	(341,250)	(341,246)	(666,250)
Finance cost paid	(5,893)	(12,178)	(38,320)	(23,314)
Net cash generated from/(used in) financing activities	486,705	(353,358)	105,710	(700,962)
Net increase/(decrease) in cash and cash equivalents	234,778	(256,448)	225,365	(70,494)
Cash and cash equivalent at the beginning of the period	316,101	639,055	325,514	453,101
Cash and cash equivalents at the end of the period	550,879	382,607	550,879	382,607
Non-cash transaction:				
Additions to right-of-use assets and lease liabilities	171,502	-	171,502	-

The accompanying notes form an integral part of these condensed financial information.

Notes to the condensed financial information for the nine-month period ended 30 September 2023

1. General information

ADNOC Drilling Company P.J.S.C. (“the Company”) is a public joint stock company, incorporated in 1972 by a resolution of the Council of Ministers of the Government of Abu Dhabi. On 29 September 2021, Law No. 9 of 2021 was issued amending Law No. 21 of 2018 that was issued on 6 November 2018, replacing Law No. 4 of 1981 in respect of the incorporation of ADNOC Drilling Company PJSC registered with the commercial register in Abu Dhabi under the commercial license number CN-2688881 issued by the Abu Dhabi Department of Economic Development. The Company also holds an industrial license number IN-2003460 jointly issued by the Abu Dhabi Department of Economic Development and Industrial Development Bureau. The Company is a subsidiary of Abu Dhabi National Oil Company (“ADNOC”), which is wholly owned by the Government of Abu Dhabi. The Company’s shares are listed on the Abu Dhabi Securities Exchange.

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”).

The registered address of the Company is P.O Box 4017 Abu Dhabi, United Arab Emirates. The Company is engaged in providing start to finish drilling and construction services across both conventional and unconventional reservoirs, and the hiring out of onshore and offshore drilling rigs to parties involved in onshore and offshore oil and gas exploration and production.

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

The accounting policies used in the preparation of this condensed financial information are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2022, and the notes, except for the one listed below:

Assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.1. New and amended standard adopted by the Company

In the current period, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Company’s future transactions or arrangements.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

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

2.1. New and amended standard adopted by the Company (continued)

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective from 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective from 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective from 1 January 2023)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) (effective from 1 January 2023)

Other than the above, there are no other material IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2023.

2.2. New and revised IFRS in issue but not yet effective and not early adopted

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

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (effective from 1 January 2024)
- Non-current Liabilities with Covenants (Amendments to IAS 1) (effective from 1 January 2024)

The above stated new standards and amendments are not expected to have any significant impact on the financial statements of the Company.

Further, on 26 September 2023, the International Sustainability Standards Board (ISSB) published first two IFRS Sustainability Disclosure Standards at the IFRS Foundation Conference 2023:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information - IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- IFRS S2 Climate-related Disclosures - IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Subject to adoption by the local jurisdiction, both Standards are effective for annual periods beginning on or after 1 January 2024, with substantial transitional reliefs to allow preparers more time to align reporting of sustainability related financial disclosures and financial statements.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

3. Summary of significant accounting policies

3.1. Statement of compliance

This condensed financial information for the nine-month period ended 30 September 2023 has been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by IASB.

The condensed financial information does not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2022. In addition, results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

3.2. Basis of preparation

The condensed financial information is prepared in United States Dollar (USD), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousands (USD'000) except when otherwise indicated. Where data is labelled as "audited" that indicates that the financial information has been extracted from the Company's audited financial statements for the year ended 31 December 2022. This condensed financial information has been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time these were acquired.

3.3 Going concern

At 30 September 2023, the Company's current liabilities exceed its current assets by USD 579,394 thousand (2022: USD 879,136 thousand). Management has assessed liquidity forecast under different scenarios and no material uncertainties over going concern were identified. The Company has sufficient liquidity through its undrawn borrowing facilities (note 13) as well as its forecasted cash flows from operations to meet ongoing commitments and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of these financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the condensed financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this condensed financial information, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimates uncertainty were the same as those applied in the Company's financial statements as at and for the year ended 31 December 2022 other than the policy relating to classifying the assets held for sale (note 2 and note 11), offsetting due from/ to related parties and exercising the purchase option for certain leases (note 6). Management considered all facts and conditions and concluded that the assets held for sale meet the criteria to be classified as held for sale.

Balances due from/to related parties as disclosed in note 15 are reported on a net basis in the accompanying condensed financial information. Management has established that a legally enforceable right to set off such amounts exist, and the Company intends to settle on net basis or to realise the assets and settle the liabilities simultaneously.

Certain leases as disclosed in note 6 were entered with a lessor which contain clauses for purchase options of the leased assets. In determining the lease payments included in the measurement of lease liability, Management has considered the exercise price of purchase options as it is reasonably certain that the Company will exercise these options. The right-of-use-assets relating to these leases is being depreciated over the useful life of the underlying assets as the Company is reasonably certain to exercise the purchase option.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

5. Property and equipment

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Net book value at the beginning of the period/year	3,921,607	3,363,443
Additions	795,217	954,692
Depreciation charge for the period/year	(300,920)	(386,428)
Transferred to assets held for sale (note 11)	(10,717)	-
Reclassification to intangible assets* - net (note 7)	-	(7,146)
Impairment charge for the period/year** - net	-	(2,954)
Net book value at end of the period/year	4,405,187	3,921,607

Property and equipment include capital work in progress amounting to USD 1,094,785 thousand as at 30 September 2023 (31 December 2022: USD 644,912 thousand).

* Assets included in property and equipment in the previous year in the nature of intangible assets have been reclassified to intangible assets in accordance with the requirements of IAS 38 (note 7).

** In 2022, the Company performed an impairment assessment and concluded that for certain assets, the recoverable amount was lower than the carrying value of the assets. The Company recognised an impairment/lost in hole of USD 10,519 thousand. Impairment of certain assets amounting to USD 7,565 thousand were also reversed in 2022.

6. Rights-of-use assets and lease liabilities

Rights-of-use assets

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Balance at the beginning of the period/year	33,909	34,384
Additions during the period/year	171,502	15,317
Depreciation charge during the period/year	(12,303)	(15,792)
Balance at end of the period/year	193,108	33,909

Lease liabilities

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Balance at the beginning of the period/year	39,749	39,348
Additions	171,502	15,317
Accretion of interest	1,611	283
Payments	(14,724)	(15,199)
Balance at end of the period/year	198,138	39,749
<i>Disclosed as follows:</i>		
Current	84,311	19,141
Non-current	113,827	20,608
	198,138	39,749

**Notes to the condensed financial information
for the nine-month period ended 30 September 2023 (continued)**

7. Intangible assets

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Net book value at the beginning of the period/year	8,980	-
Reclassified from property and equipment (note 5)	-	7,146
Additions during the period/year	-	4,148
Amortisation charge for the period/year	(2,653)	(2,314)
Net book value at end of the period/year	6,327	8,980

8. Inventories

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Inventories	229,918	179,427
Allowance for obsolete and slow-moving inventories	(27,391)	(26,058)
	202,527	153,369

Movement in the allowance for obsolete and slow-moving inventories:

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Balance at beginning of the period/year	26,058	25,158
Charge during the period/year	1,333	900
Balance at end of the period/year	27,391	26,058

9. Trade and other receivables

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Trade receivables	11,746	24,181
Advances	40,894	37,199
Accrued revenue	28,186	27,890
Prepayments	17,770	8,134
Other receivables	20,829	18,023
	119,425	115,427

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

10. Cash and cash equivalents

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Cash in bank	550,474	325,108
Cash on hand	405	406
	550,879	325,514

Included within cash in bank is an amount of USD 547,517 thousand (2022: USD 322,643 thousand) held by ADNOC Group Treasury Services (AGTS) which is in nature of cash and cash equivalents. Cash held by AGTS are funds held on behalf of the Company and are available on demand.

11. Assets held for sale

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Cost	72,017	-
Accumulated depreciation	(61,300)	-
Net book value at end of the period/year	10,717	-

The Board of Directors, in their meeting held on 10 February 2023, approved to proceed with the sale of two rigs within the Offshore Jackup segment. The rigs are expected to be sold in the year 2023 upon finalization of the associated negotiations and signing of definitive agreements. There is no impairment required on these rigs as the recoverable amount is higher than the carrying value.

12. Share capital and statutory reserve

	30 September 2023		31 December 2022	
	Number of shares (‘000)	USD ‘000 (unaudited)	Number of shares (‘000)	USD ‘000 (audited)
Ordinary share capital of USD: 0.0272294 (AED: 0.10) each	16,000,000	435,671	16,000,000	435,671

In accordance with the UAE Federal Decree Law (32) of 2021, and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfer is required to be made until the reserve is equal to 50% of the paid-up share capital.

**Notes to the condensed financial information
for the nine-month period ended 30 September 2023 (continued)**

13. Borrowings

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Syndicated and term loan	1,998,026	1,500,000
Disclosed as follows:		
Current	1,500,000	1,500,000
Non-current	498,026	-
	1,998,026	1,500,000

The borrowings presented in the condensed statement of financial position consist of the following:

Type	Currency	Interest rate	Year of maturity	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Syndicated loan	USD	0.9% and three month LIBOR	November 2023	1,500,000	1,500,000
Term loan (facility B)	USD	0.8% and three month LIBOR	October 2025	498,026	-
				1,998,026	1,500,000

The syndicated loan facility carries a fixed margin of 0.9% and three month LIBOR interest rate. The loan matures in a lump sum amount after 5 years which is due in November 2023. (refer note 25 for further details)

The term loan facility carries a fixed margin of 0.8% and three month LIBOR interest rate. The loan matures in a lump sum amount after 2 years which is due in October 2025.

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
First Abu Dhabi Bank (note 15)	375,000	375,000
Sumitomo Mitsui Banking Corporation	225,000	225,000
The National Bank of Ras Al-Khaimah	170,000	170,000
The Norinchukin Bank	150,000	150,000
State Bank of India	125,000	125,000
Abu Dhabi Commercial Bank (note 15)	105,000	155,000
Bank of American Merrill Lynch International Limited	75,000	75,000
Mizuho Bank	75,000	75,000
Sgbtci SA	75,000	75,000
UniCredit Bank Austria AG	75,000	75,000
Agricultural Bank Of China Limited, DIFC Branch	50,000	-
	1,500,000	1,500,000

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

13. Borrowings (continued)

On 24 October 2021, the Company entered into a syndicated Term and Revolving Facilities Agreement with multiple banks and financial institutions, for general corporate purpose and without limitation shall include payment of dividends, payments for products and services to develop integrated services abilities and the payment of transaction costs associated with the facilities which is as follows:

	Facility A – Revolving Loan USD '000	Facility B – Term Loan USD '000
Abu Dhabi Commercial Bank (note 15)	165,000	110,000
First Abu Dhabi Bank (note 15)	165,000	110,000
Emirates NBD Bank PJSC	70,000	140,000
State Bank of India	60,000	40,000
China Construction Bank, DIFC Branch	60,000	20,000
Bank of America Europe Designated Activity Company	60,000	40,000
Goldman Sachs Bank USA	50,000	-
JP Morgan Chase Bank, N.A	30,000	-
United Arab Bank P.J.S.C.	30,000	-
The National Bank of Ras Al-Khaimah	30,000	-
Agricultural Bank Of China Limited, DIFC Branch	30,000	20,000
Banque MISR, Dubai Branch	-	20,000
	750,000	500,000

The facilities carry a fixed margin of 0.8% and three-month LIBOR interest rate. The facilities terminate four (4) years from the date of the agreement and the expiration date to utilize the Term Loan (Facility B) amounting to USD 500,000 thousand is 24 October 2023. An amount of USD 500,000 thousand for facility B has been drawn down as of 30 September 2023.

14. Trade and other payables

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Accrued expenses	256,378	218,263
Trade payables	156,226	130,732
Deferred revenue	59,991	47,837
Retention payables	29,406	20,480
Accrual for employees' benefits	18,447	12,307
Pension payable	3,032	2,645
Other payables	239	121
	523,719	432,385
<i>Disclosed as follows:</i>		
Current	492,065	404,287
Non-current	31,654	28,098
	523,719	432,385

The average credit period is 60 days (2022: 60 days). The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

15. Related party balances and transactions

Related parties represent the Parent entity and its subsidiaries, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties at the end of reporting period comprise the following:

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
(a) Due from related parties	46,590	34,482
(b) Other balances due from related parties	894,133	903,568
Less: expected credit loss allowance	(9,004)	(9,004)
	931,719	929,046
(a) Due from related parties		
ADNOC Offshore	43,043	34,260
Abu Dhabi National Oil Company (ADNOC)	3,485	-
ADNOC Sour Gas	52	191
Al Dhafrah JV	6	20
ADNOC Logistics & Services	4	-
ADNOC Gas Processing	-	5
ADNOC Refining	-	6
	46,590	34,482

At 30 September 2023, the Company had a significant concentration of credit risk, with one of the customer representing 92.4% (2022: one customer representing 99.4%) of related parties receivables outstanding at that date.

The ageing of the related party balances was as follows:

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Not past due	40,548	16,093
Due from 31 to 60 days	128	2,306
Due from 61 to 90 days	560	2,851
Due from more than 91 days	5,354	13,232
	46,590	34,482

**Notes to the condensed financial information
for the nine-month period ended 30 September 2023 (continued)**

15. Related party balances and transactions (continued)

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
(b) Other balances due from related parties		
ADNOC Onshore	597,687	676,166
ADNOC Offshore	256,971	221,447
Abu Dhabi National Oil Company (ADNOC)	29,623	5,100
ADNOC Sour Gas	9,448	455
Al Dhafra JV	404	400
	894,133	903,568

The movement in allowance for expected credit loss during the period/year was as follows:

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (unaudited)
Balance at beginning of the period/year	9,004	-
Charge during the period/year	-	9,004
Balance at end of the period/year	9,004	9,004

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Due to related parties		
ADNOC Onshore	215,616	390,662
Abu Dhabi National Oil Company for Distribution	63,490	62,535
Abu Dhabi National Oil Company (ADNOC)	13,136	12,262
ADNOC Logistics & Services	2,726	751
ADNOC Refining	295	510
ADNOC Gas Processing	-	39
	295,263	466,759

The balances due to/from related parties are non-interest bearing and are payable/receivable on demand.

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Loan from related parties (note 13)		
First Abu Dhabi Bank	485,000	375,000
Abu Dhabi Commercial Bank	215,000	155,000
	700,000	530,000

**Notes to the condensed financial information
for the nine-month period ended 30 September 2023 (continued)**

15. Related party balances and transactions (continued)

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Cash and cash equivalents (note 10)		
ADNOC Group Treasury Services (AGTS)	547,517	322,643
First Abu Dhabi Bank	2,895	2,383
Abu Dhabi Commercial Bank	62	82
	550,474	325,108

Significant transactions with related parties during the period are as follows:

	Three-month ended 30 September 2023 USD '000 (unaudited)	Three-month ended 30 September 2022 USD '000 (unaudited)	Nine-month ended 30 September 2023 USD '000 (unaudited)	Nine-month ended 30 September 2022 USD '000 (unaudited)
Revenue				
ADNOC Onshore	429,404	406,873	1,199,292	1,177,565
ADNOC Offshore	321,905	263,086	934,437	730,177
ADNOC	14,327	-	40,974	-
ADNOC Sour Gas	9,125	34	9,261	464
Al Dhafrah JV	61	68	143	123
	774,822	670,061	2,184,107	1,908,329
Purchases				
ADNOC Distribution	37,759	46,897	101,364	111,156
ADNOC	8,146	8,683	24,720	24,454
ADNOC Logistics & Services	2,318	1,963	8,228	8,066
ADNOC Refining	253	-	457	-
	48,476	57,543	134,769	143,676
Finance cost				
First Abu Dhabi Bank	3,459	2,989	11,008	5,556
Abu Dhabi Commercial Bank	1,068	2,989	3,182	5,556
	4,527	5,978	14,190	11,112
Lease payments				
ADNOC	7,402	-	14,724	10,438

Notes to the condensed financial information
for the nine-month period ended 30 September 2023 (continued)

15. Related party balances and transactions (continued)

	Three-month ended 30 September 2023 USD '000 (unaudited)	Three-month ended 30 September 2022 USD '000 (unaudited)	Nine-month ended 30 September 2023 USD '000 (unaudited)	Nine-month ended 30 September 2022 USD '000 (unaudited)
Key management compensation	1,069	1,124	4,947	5,643
Board of Director members	7	7	7	7
Key management personnel	11	9	11	9

16. Revenue

The Company derives its revenue from providing drilling and oilfield services over time in the following major service lines:

	Three-month ended 30 September 2023 USD '000 (unaudited)	Three-month ended 30 September 2022 USD '000 (unaudited)	Nine-month ended 30 September 2023 USD '000 (unaudited)	Nine-month ended 30 September 2022 USD '000 (unaudited)
Drilling and oilfield services	771,235	669,766	2,208,133	1,933,676
Facilitation of rigs rental	4,869	657	8,059	6,386
	776,104	670,423	2,216,192	1,940,062

As at 30 September 2023, the Company doesn't have any unsatisfied performance obligations that will be recognised as revenue during the next financial period. The amount disclosed above does not include variable consideration which is constrained.

17. Finance cost – net

	Three-month ended 30 September 2023 USD '000 (unaudited)	Three-month ended 30 September 2022 USD '000 (unaudited)	Nine-month ended 30 September 2023 USD '000 (unaudited)	Nine-month ended 30 September 2022 USD '000 (unaudited)
Finance income	3,695	3,827	10,639	4,121
Less: finance cost	(16,680)	(12,549)	(49,261)	(23,624)
	(12,985)	(8,722)	(38,622)	(19,503)

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

18. Dividends

The Board of Directors, in their meeting held on 10 February 2022, proposed a final cash dividend of AED 7.46 fils per share amounting to USD 325,000 thousand for the year ended 31 December 2021 which was approved by shareholders at the Annual General Meeting held on 20 April 2022. The dividend was paid during the prior period.

The Board of Directors, in their meeting held on 8 August 2022, approved an interim cash dividend of 7.83275 fils per share amounting to USD 341,250 thousand. The dividend was paid during the prior period.

The Board of Directors proposed a final cash dividend of AED 7.83 fils amounting to USD 341,246 thousand for the year ended 31 December 2022 which was approved by shareholders at the Annual General Meeting held on 3 April 2023. The dividend was paid during the current period.

19. Commitments and contingencies

The Company has the following commitments and contingent liabilities outstanding at 30 September 2023 and 31 December 2022:

	30 September 2023 USD '000 (unaudited)	31 December 2022 USD '000 (audited)
Capital commitments – rigs procurement	131,967	128,102
Bank guarantees	48	134

The above commitments and bank guarantees were issued in the normal course of business. Capital commitments relate to ongoing and proposed projects towards procurement of rigs, cementing, wireline, drilling system, coil tubing and other major projects across all operating segments.

20. Seasonality of results

The Company is not particularly exposed to seasonality of operations. Revenue and operating profits are evenly spread throughout the year.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

21. Segment reporting

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Executive Officer, as the Chief Operating Decision Maker (CODM), in order to allocate resources to the segment and to assess its performance. Information reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segment and property and equipment only. No information that includes the segments' assets (excluding property and equipment) and liabilities are reported to the Chief Executive Officer.

For management purpose the Company is organised into four operating segments, all of which are referred to as 'business units':

Onshore segment is the largest segment with land rigs, water wells, work over rigs deployed mainly across ADNOC Onshore with a few rigs also assigned to other concessions within the ADNOC group.

Offshore Jackup with owned jackups and some rentals predominantly meeting the ADNOC Offshore drilling needs with a few rigs also assigned to other concessions within the ADNOC group.

Offshore Island rigs is the third largest segment representing the Island part of ADNOC Offshore's requirement.

Oilfield Services (OFS) segment was created through the partnership with Baker Hughes in late 2018 and provides other services.

The Company operates solely in United Arab Emirates and accordingly no further geographical analysis of revenue, profit, assets and liabilities has been provided.

The revenue reported represents revenue generated from external customers only. There were no inter-segment sales in current or previous period.

Earnings before interest, tax, depreciation and amortisation "EBITDA" is the measure of the profitability being reviewed by the CODM which is the profit for the period before finance cost, net (both of which are as presented in condensed statement of profit or loss and other comprehensive income) depreciation, amortisation and impairment.

Refer to note 15 for analysis of revenue from major customers.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

21. Segment reporting (continued)

	Three-month ended 30 September 2023 (unaudited)					Three-month ended 30 September 2022 (unaudited)				
	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
Revenue	378,334	199,494	53,611	144,665	776,104	372,215	142,924	52,050	103,234	670,423
Direct cost* - restated	(180,613)	(65,681)	(15,759)	(121,595)	(383,648)	(177,291)	(61,804)	(12,888)	(85,778)	(337,761)
Gross profit – restated	197,721	133,813	37,852	23,070	392,456	194,924	81,120	39,162	17,456	332,662
General and administrative expenses* - restated	(8,965)	(3,522)	(1,235)	(1,060)	(14,782)	(19,543)	(11,589)	(3,863)	-	(34,995)
Other income, net	1,506	992	192	434	3,124	1,080	209	69	-	1,358
EBITDA	190,262	131,283	36,809	22,444	380,798	176,461	69,740	35,368	17,456	299,025

EBITDA is reconciled to profit for the period as follows:

	Three-month ended 30 September 2023 (unaudited)					Three-month ended 30 September 2022 (unaudited)				
	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
EBITDA	190,262	131,283	36,809	22,444	380,798	176,461	69,740	35,368	17,456	299,025
Depreciation, amortisation and impairment reversal in direct cost	(43,307)	(38,432)	(10,051)	(12,878)	(104,668)	(37,113)	(33,780)	(10,912)	(13,821)	(95,626)
Depreciation, amortization and impairment reversal in general and administrative expense	(3,374)	(1,625)	(454)	(316)	(5,769)	(3,440)	(1,832)	(611)	-	(5,883)
Total depreciation and amortisation	(43,680)	(41,057)	(11,505)	(14,194)	(110,436)	(40,553)	(35,612)	(11,523)	(13,821)	(101,509)
Finance cost, net	(7,132)	(4,782)	(832)	(239)	(12,985)	(5,235)	(2,615)	(872)	-	(8,722)
Profit for the period	136,449	86,446	25,472	9,011	257,376	130,673	31,513	22,973	3,635	188,794

*excludes depreciation, amortisation and impairment.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

21. Segment reporting (continued)

	Nine-month ended 30 September 2023 (unaudited)					Nine-month ended 30 September 2022 (unaudited)				
	Onshore	Offshore Jackup	Offshore Island	OFS USD	Total	Onshore	Offshore Jackup	Offshore Island	OFS	Total
	USD '000	USD '000	USD '000	'000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Revenue	1,079,667	575,388	156,545	404,592	2,216,192	1,073,993	431,072	153,312	281,685	1,940,062
Direct cost* - restated	(521,378)	(192,227)	(50,695)	(327,532)	(1,094,832)	(512,414)	(181,036)	(50,618)	(233,651)	(977,719)
Gross profit - restated	558,289	380,161	105,850	77,060	1,121,360	561,579	250,036	102,694	48,034	962,343
General and administrative expenses* - restated	(39,160)	(21,499)	(5,270)	(3,095)	(69,024)	(48,606)	(30,272)	(10,091)	-	(88,969)
Other income, net	2,881	1,892	360	733	5,866	3,686	1,243	408	6	5,343
EBITDA	522,010	360,554	100,940	74,698	1,058,202	516,659	221,007	93,011	48,040	878,717

EBITDA is reconciled to profit for the period as follows:

	Nine-month ended 30 September 2023 (unaudited)					Nine-month ended 30 September 2022 (unaudited)				
	Onshore	Offshore Jackup	Offshore Island	OFS	Total	Onshore	Offshore Jackup	Offshore Island	OFS	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
EBITDA	522,010	360,554	100,940	74,698	1,058,202	516,659	221,007	93,011	48,040	878,717
Depreciation, amortisation and impairment reversal in direct cost	(115,270)	(111,607)	(31,479)	(39,860)	(298,215)	(106,571)	(103,858)	(32,445)	(38,043)	(280,917)
Depreciation and amortisation in general and administrative expense	(10,328)	(4,976)	(1,390)	(967)	(17,661)	(5,831)	(3,271)	(1,090)	-	(10,192)
Total depreciation and amortisation	(122,597)	(117,583)	(33,869)	(41,827)	(315,876)	(112,402)	(107,129)	(33,535)	(38,043)	(291,109)
Finance cost, net	(21,238)	(13,997)	(2,629)	(758)	(38,622)	(11,703)	(5,850)	(1,950)	-	(19,503)
Profit for the period	375,174	229,974	65,442	33,113	703,703	392,554	108,028	57,526	9,997	568,105

*excludes depreciation, amortisation and impairment.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

21. Segment reporting (continued)

The following table represents segment assets for the Company's operating segments as reviewed by CODM:

	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
Property and equipment					
30 September 2023 (unaudited)	996,354	2,574,312	154,686	679,835	4,405,187
31 December 2022 (audited)	974,554	2,143,938	185,715	617,400	3,921,607

22. Basic and diluted earnings per share

Earnings per share (EPS) amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of share outstanding during the period.

	Three-month ended 30 September 2023 USD'000 (unaudited)	Three-month ended 30 September 2022 USD'000 (unaudited)	Nine-month ended 30 September 2023 USD'000 (unaudited)	Nine-month ended 30 September 2022 USD'000 (unaudited)
Profit attributable to shareholders of the Company (USD'000)	257,376	188,794	703,703	568,105
Weighted average number of shares for the purpose of basic earnings per share	16,000,000	16,000,000	16,000,000	16,000,000
Earnings per share (USD'000)	0.0161	0.0118	0.0440	0.0355

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

23. Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

The Company has performed an initial assessment and concluded that it qualifies for an exemption under the Law. However, the recent interaction with authorities in the Department of Finance (DOF) indicates that the Company will be subject to Emirates level Income Tax at an agreed rate on its taxable income effective from 1 January 2024.

Notes to the condensed financial information for the nine-month period ended 30 September 2023 (continued)

24. Comparative figures

In the current period and as required by IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Change in Accounting Estimates and Errors”, Management has reclassified certain general and administrative expenses which are more direct in nature to direct costs and therefore balances for comparative period was re-classified for consistency with the current presentation, as follows:

- a) The Company presented general and administrative expenses of USD 197,051 thousand for the nine-month period ended 30 September 2022 and in the current period it was restated to USD 99,161 thousand due to a reclassification of USD 97,890 thousand which was reported earlier under general and administrative expenses to direct cost. Accordingly, direct cost of USD 1,160,746 thousand presented for the nine months period ended 30 September 2022 restated to USD 1,258,636 thousand. Consequently, due to the aforementioned reclassification, reported gross profits of USD 779,316 thousand for the nine-month period ended 30 September 2022 restated to USD 681,426 thousand.
- b) The Company presented general and administrative expenses of USD 69,243 thousand for the three-month period ended 30 September 2022 and in the current period it was reclassified to USD 40,878 thousand due to a reclassification of USD 28,365 thousand which was reported earlier under general and administrative expenses to direct cost. Accordingly, direct cost of USD 405,022 thousand presented for the three months period ended 30 September 2022 restated to USD 433,387 thousand. Consequently, due to the aforementioned reclassification, reported gross profits of USD 265,401 thousand for the three-month period ended 30 September 2022 restated to USD 237,036 thousand.

The aforementioned reclassification had no impact on the reported results on the company.

25. Subsequent events

- a) On 9 October 2023, the Board of Directors approved an interim cash dividend of AED 8.2244 fils amounting to USD 358,313 thousand for the first half of 2023.
- b) On 26 October 2023, the Board of Directors through a circular resolution approved the Company to enter into a term loan facility of up to USD 1,500,000 thousand and a Revolving Credit Facility of up to AED 1,840,000 thousand (equivalent to USD 500,000 thousand) with an initial maturity period of 4 years. The term loan facility will be used to repay the existing syndicated term loan for an equal amount which expires in November 2023, while the new Revolving Credit Facility (in AED) will fund the Company’s growth and the associated working capital.
- c) On 09 November 2023, ADNOC Drilling entered into a joint venture agreement with Alpha Dhabi Holdings to invest up to \$1.5 billion in the acquisition of technology-enabled companies in the OFS and energy sectors. The Jointly controlled entity is expected to be accounted for under the equity method.
- d) On 6 October 2023, a new entity, ADH RSC LTD, was incorporated in the Abu Dhabi Global Market (“ADGM”) as a Restricted Scope Company. This entity is set up under the Abu Dhabi Global market Companies Regulations 2020, as amended, with its registered address in ADGM Square, Abu Dhabi and is a wholly owned subsidiary of ADNOC Drilling.

26. Approval of condensed financial information

These condensed financial information were approved by the Board of Directors and authorised for issue on 13 November 2023.