

ADNOC Drilling



# ADNOC DRILLING COMPANY P.J.S.C. Third Quarter 2024 Earnings

Management Discussion & Analysis Report

October 30, 2024





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## Financial Highlights

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### Financial Summary

ADNOC Drilling Company P.J.S.C. (“ADNOC Drilling” or the “Company”) delivered strong results in the third quarter of 2024 with record revenue, EBITDA and net profit. The Company generated revenue of \$1,026 million, increasing 32% year-on-year and 10% sequentially. This growth was driven by the expansion of operations. The strong top-line translated into EBITDA growth of 34% year-on-year and 8% sequentially to \$510 million, with a margin increase year-on-year to 50%. Net profit also grew, up 30% year-on-year and 14% sequentially to \$335 million, driven by the increase in EBITDA. For the full year 2024, depreciation expense is expected to be higher than 2023 due to the rig fleet expansion.

The Company accrued \$28 million in taxes in the third quarter, following the introduction of a 9% income tax from January 1, 2024, offset by corresponding revenues from clients.

The Company's strong performance in the quarter was mainly driven by the full operational impact of land and jack-up rigs commissioned in stages from the third quarter of last year until the third quarter of 2024. Moreover, the unconventional business contribution to revenue was around \$33 million in the quarter, spread between \$27 million in the OFS segment and \$6 million in the onshore segment.

For the first nine-months of 2024, revenue was \$2,847 million, growing 28% year-on-year. The strong top-line translated into EBITDA growth of 34% year-on-year reaching \$1,419 million, with EBITDA margin expansion by 2-percentage points year-on-year at 50%, driven by the Company's continued and effective cost management initiatives. Net profit increased 29% year-on-year reaching \$905 million, with a margin of 32%. Free cash flow stood at \$439 million, compared to \$119 million in the same period of last year, driven by increase in cash generated from operating activities, supported by EBITDA and working capital. Whereas last year was characterized by higher CapEx for fleet expansion, this year the free cash flow included Enersol's acquisition of 67.2% of Gordon Technologies in two tranches for a total amount of \$205 million for ADNOC Drilling, of which \$117 in the third quarter of 2024.

At the end of September, the fleet consisted of 140 rigs (136 owned plus four lease-to-own land rigs), up from 124 a year ago. Among the eleven hybrid land rigs that entered the rig fleet count in the first half of 2024, five were operational at the end of the second quarter, while the remaining six rigs started operations during the first part of the third quarter of 2024. The overall owned fleet availability was 95% at the end of the quarter.

Oilfield Services (“OFS”) number of IDS rigs stood at 50 (vs 41 in third quarter 2023), and the segment offered at least one discrete service to an additional 48 rigs between onshore and offshore in the third quarter. All in all, oilfield services are offered to around 70% of the drilling fleet, and this coverage is expected to increase over time.

### Update of guidance

Driven by increased visibility and the strong first nine-months results, ADNOC Drilling positively updated its fiscal year 2024 on key financial metrics (*see page 18*).

### Interim dividend 2024

As anticipated, in the last week of August 2024 the interim dividend on the first half of 2024 was distributed for an amount of \$394 million, or around 9.05 fils per share. The dividend amount



represents a 10% year-on-year increase, in line with the Company's new enhanced progressive dividend policy introduced earlier this year.

### **ADNOC Drilling awarded \$733 million contract for three newbuild island rigs**

On July 3, 2024, ADNOC Drilling confirmed the award of an estimated total contract value of \$733 million (including mobilization and options), by ADNOC Offshore, for three island drilling rigs in support of the growing operations at the offshore Zakum field. The contract award will follow existing agreements with revenue underpinned by the long-term duration with guaranteed returns. Delivery of the rigs and commencement of operations is expected during 2026, with the first full-year revenue from the new rigs expected to be 2027. The CapEx expected for the purchase of the new island rigs is approximately \$210 million, mostly concentrated in 2025.

### **Enersol Signs Agreement to Acquire a 51% Stake in NTS AMEGA**

On July 16, 2024, the Company and Alpha Dhabi announced that Enersol has agreed to acquire a 51% equity stake in NTS AMEGA ("NTS") for a consideration of approximately \$58 million, subject to regulatory approval.

### **Enersol Signs Agreement to Acquire Leading Downhole Visualization Company, EV Holdings**

On August 5, 2024, Enersol agreed to acquire a 100% equity stake in EV Holdings Ltd, subject to regulatory approvals and closing adjustments, for a consideration of \$45 million. With corporate headquarters in the United States, EV is a leading global provider of vision-based diagnostics and analytics services for the oil and gas sector. The company has a global footprint with a presence in 36 countries, including the UAE and Saudi Arabia.

### **ADNOC Drilling Added to MSCI's Flagship Indexes**

On August 13, 2024, ADNOC Drilling announced that its stock has been selected for inclusion in the prestigious MSCI indexes effective post market close on August 30, 2024. ADNOC Drilling has then been included in the MSCI Indexes including MSCI EM, and MSCI UAE, becoming the 12<sup>th</sup> member of the MSCI UAE index. The index inclusion followed the successful sale by ADNOC of 880 million shares of ADNOC Drilling earlier in May, representing 5.5% of its share capital. Inclusion in MSCI indexes provides greater visibility among global investors and is expected to boost liquidity, given the passive inflows as well as potential appetite from active institutional investors tracking MSCI indexes.

### **Completion of the acquisition of 67% of Gordon Technologies by Enersol**

On September 2, 2024, ADNOC Drilling notified ADX that its joint venture with Alpha Dhabi, Enersol has completed the acquisition of an additional equity stake of 42.2% in Gordon Technologies LLC ("Gordon") amounting to a total equity stake held by Enersol in Gordon to 67.2 %, resulting in cash payment of \$117 million against the additional stake of 42.2% in the third quarter.

### **Signing of Turnwell Agreements and Accelerating Initial \$1.7 Billion Unconventionals Campaign**

On September 30, 2024, ADNOC Drilling announced the creation of the Turnwell joint venture with SLB and Patterson-UTI and the acceleration of its 144 unconventional oil and gas well program, following the successful and efficient delivery of the first wells in the campaign.



The Company through its wholly owned subsidiary ADH RSC LTD has signed definitive agreements for the creation of the Turnwell joint venture (JV) with SLB and Patterson-UTI. Focused on the UAE's world-class unconventional energy resources, post completion of the JV, ADNOC Drilling through its wholly owned subsidiary will hold a 55% majority equity stake, SLB a 30% equity stake and Patterson-UTI the remaining 15% equity stake.

Turnwell was established to be the unconventional drilling arm of ADNOC Drilling and execute the contract, awarded to ADNOC Drilling, to provide drilling and associated services to deliver 144 unconventional oil and gas wells. Following Turnwell's efficient and successful start-up and operational delivery, ADNOC has accelerated the campaign's completion timeline.

The economic impact of the acceleration will benefit ADNOC Drilling's 2025 earnings as well as its long-term growth through the potential acceleration of phase two with thousands of wells.

***Below is an illustrative view of the accounting for Turnwell in our Profit and Loss statements and should not be taken as financial guidance. The indicative amounts are cumulative for Phase 1, not annualized.***

*ADNOC Drilling plans to consolidate the first phase of the unconventional business as follows:*

*ADNOC Onshore awarded ADNOC Drilling the \$1.7 billion contract, and this will be reflected in our revenue (\$33 million of which were booked in 3Q2024). Turnwell was established to execute the contract worth \$1.6 billion in revenue for the JV, leaving an expected margin of around \$0.1 billion for ADNOC Drilling over the contract duration.*

*In addition, ADNOC Drilling expects to book the 55% share of profits from Turnwell through equity accounting, similar to Enersol. As Turnwell operates asset-light, the focus will be on its net profit.*

*Overall, ADNOC Drilling expects from unconventional phase 1 to generate revenue of \$1.7 billion over the duration of the contract, with cumulative net income margins of 9-10%, broadly in-line with the OFS segment. Most of the unconventional business consists of oilfield services, with onshore drilling representing a smaller part.*

*From a return on investment perspective, phase 1 of unconventional is expected to deliver accretive returns to ADNOC Drilling.*

## **International activity**

ADNOC Drilling's AD-137 land rig has been operating in the Kingdom of Jordan since the fourth quarter 2023. In July 2024, the Company received an extension to the current contract that will see the rig deliver further wells and stay in Jordan to at least the end of 2024.

Additionally, ADNOC Drilling has been pre-qualified by the Kuwait Oil Company (KOC) to be included in KOC's approved contractors list for provision of drilling, rig and ancillary services. This significant news supports the Company's ambitions to expand its drilling and OFS activities internationally and opens the door to expand activities into Kuwait.



## Key Financials

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
<b>Revenue</b>	<b>1,026</b>	<b>776</b>	<b>32%</b>	<b>935</b>	<b>10%</b>	<b>2,847</b>	<b>2,216</b>	<b>28%</b>
Opex <sup>1</sup>	(518)	(395)	31%	(464)	12%	(1,433)	(1,158)	24%
Share of profit of joint ventures <sup>2</sup>	2	-	NM	1	100%	5	-	NM
<b>EBITDA<sup>3</sup></b>	<b>510</b>	<b>381</b>	<b>34%</b>	<b>472</b>	<b>8%</b>	<b>1,419</b>	<b>1,058</b>	<b>34%</b>
Depreciation and amortization	(116)	(111)	5%	(115)	1%	(338)	(315)	7%
Finance cost-net	(31)	(13)	138%	(33)	-6%	(92)	(39)	136%
Taxes	(28)	-	NM	(29)	-3%	(84)	-	NM
<b>Net profit</b>	<b>335</b>	<b>257</b>	<b>30%</b>	<b>295</b>	<b>14%</b>	<b>905</b>	<b>704</b>	<b>29%</b>
EBITDA margin	50%	49%	1%	50%	0%	50%	48%	2%
Net profit margin	33%	33%	0%	32%	1%	32%	32%	0%
Cash generated from operating activities	315	337	7%	518	-39%	1,180	958	23%
Capital Expenditure <sup>4</sup>	(197)	(592)	-67%	(239)	-18%	(544)	(849)	-36%
Investment in joint ventures	(117)	-	NM	-	NM	(205)	-	NM
<b>Free cash flow</b>	<b>4</b>	<b>(252)</b>	<b>NM</b>	<b>282</b>	<b>-99%</b>	<b>439</b>	<b>119</b>	<b>269%</b>
Total equity	3,412	3,294	4%	3,476	-2%	3,412	3,294	4%
Net debt <sup>5</sup>	2,219	1,645	35%	1,798	23%	2,219	1,645	35%
Earnings per Share (\$ per Share) <sup>6</sup>	0.021	0.016	30%	0.018	14%	0.057	0.044	29%
Capital employed	6,153	5,621	9%	5,792	6%	6,153	5,621	9%
Return on capital employed	22%	18%	4%	22%	0%	22%	18%	4%
Net debt to LTM EBITDA	1.2	1.2	-	1.0	0.2	1.2	1.2	-
Leverage ratio	39%	33%	6%	34%	-5%	39%	33%	6%
Return on equity	36%	28%	8%	33%	-3%	36%	28%	8%

NM = Not Meaningful

(1) Opex includes allocation of G&A expenses and other income; (2) Includes ADNOC Drilling's 51% of Enersol's net profit, accounted for in OFS, and the 55% of Turnwell's net profit from unconventional business, related to both rig operations and OFS (3) EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization; (4) Cash payments for purchase of property and equipment including prepaid delivery payments, excluding CapEx accruals (see page 15 for more details); (5) Interest bearing liabilities less cash and cash equivalents; (6) Calculated on the weighted average number of shares outstanding, excluding treasury shares



## Segmental Results

### Onshore

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
Revenue	487	378	29%	441	10%	1,339	1,079	24%
Opex <sup>1</sup>	(246)	(188)	31%	(230)	7%	(697)	(557)	25%
Share of profit of joint venture <sup>2</sup>	0	-	NM	-	NM	0	-	NM
EBITDA <sup>3</sup>	241	190	27%	211	14%	642	522	23%
EBITDA margin	49%	50%	-1%	48%	1%	48%	48%	0%
Net profit	173	136	27%	141	23%	444	377	18%
Net profit margin	36%	36%	0%	32%	4%	33%	35%	-2%

(1) Opex includes allocation of G&A expenses and other income

(2) Includes ADNOC Drilling's 55% of Turnwell's net profit related to land rig operations for unconventional business

(3) Underlying EBITDA includes other income

### First Nine-Months (Year-on-Year Performance)

For the first nine months of 2024, onshore revenue grew 24% year-on-year to \$1,339 million, mainly driven by the positive revenue contribution from the full integration of new rigs entering operations.

Operating expenses increased year-on-year broadly in-line with revenue to \$697 million from \$557 million in the prior year period. The increase in operating expenses was mainly attributable to the owned rig fleet expansion, partly offset by successful cost management initiatives.

Overall, EBITDA increased 23% year-on-year to \$642 million with a stable margin at 48%. Net profit increased 18% year-on-year, a lower growth compared to EBITDA, driven by an increase in financial charges partly offset by lower depreciations from change in remaining useful life and residual value estimates of assets from the fourth quarter 2023.

### Third Quarter (Year-on-Year Performance)

Third quarter revenue increased 29% year-on-year to \$487 million from \$378 million, mainly due to new rigs commencing operations.

Operating expenses increased broadly in-line with revenue to \$246 million from \$188 million in the same quarter last year, mainly attributable to the growth in operations.

The combination of the above led to an EBITDA increase of 27% year-on-year to \$241 million with a margin of 49%. Net profit increased in-line with EBITDA by 27% year-on-year in the third quarter of 2024 to \$173 million from \$136 million, leading to a stable net profit margin at 36%.

### Third Quarter (Sequential Performance)

Revenue in the third quarter increased 10% sequentially to \$487 million from \$441 million, mainly due to higher rig activity from new rigs commencing operations from the beginning of the quarter, and the positive impact from the unconventional business related to land drilling. Revenue for phase 1 of unconventional are fully recorded by ADNOC Drilling, with the majority being in OFS and the minority in Onshore. In the third quarter of 2024, the Onshore segment revenue included \$6 million from the unconventional business.



Operating expenses increased 7% quarter-on-quarter, driven by associated costs for rigs commencing operations, partly offset by cost efficiency measures.

EBITDA increased 14% sequentially to \$241 million from \$211 million, mainly driven by the above-mentioned growth in operations, and cost efficiency measures, leading to margin expansion to 49%. For the first time in the third quarter 2024, and going forward, EBITDA will factor the contribution from the line “Share of profit of joint venture”, which reflects the portion of net profit related to *land drilling operations* of Turnwell, the joint venture 55% controlled by ADNOC Drilling which will execute the unconventional program. The *oilfield services* portion of net profit from Turnwell, which represents the majority of it, will be reflected in the OFS segment (see page 10 and 11).

Net profit increased sequentially to \$173 million in the third quarter from \$141 million with margin expansion by 4-percentage points quarter-on-quarter at 36%.

### **Offshore Jack-up**

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
Revenue	290	199	46%	284	2%	852	575	48%
Opex <sup>1</sup>	(92)	(68)	35%	(93)	-1%	(281)	(215)	31%
EBITDA <sup>2</sup>	198	131	51%	191	4%	571	360	59%
<i>EBITDA margin</i>	68%	66%	2%	67%	1%	67%	63%	4%
Net profit	122	86	42%	115	6%	347	228	52%
<i>Net profit margin</i>	42%	43%	-1%	40%	2%	41%	40%	1%

(1) Opex includes allocation of G&A expenses and other income

(2) Underlying EBITDA includes other income

### **First Nine-Months (Year-on-Year Performance)**

The Offshore Jack-up segment delivered strong revenue growth of 48% to \$852 million in the first nine-months of 2024 from \$575 million in the same period of last year, driven by the full contribution of new jack-up rigs that went into operations over the course of 2023 and 2024.

Operating expenses amounted to \$281 million in the first nine-months of 2024, an increase of 31% from \$215 million a year-ago due to business growth leading to improved operational efficiency.

Driven by the significant revenue growth, EBITDA increased 59% year-on-year to \$373 million from \$229 million. Net profit grew 52% leading to margin expansion year-on-year at 41%.

### **Third Quarter (Year-on-Year Performance)**

Third quarter revenue increased 46% year-on-year to \$290 million from \$199 million, due to higher activity from jack-ups compared to last year, as the offshore operations expanded.

Operating expenses reached \$92 million, a 35% year-on-year increase. The increase in rig activity resulted in higher operational efficiency.

As a result, EBITDA grew 51% year-on-year to \$198 million, with a margin expansion to 68%. Net profit was up 42% to \$122 million with a margin of 42%.





### Third Quarter (Sequential Performance)

Revenue in the third quarter of 2024 increased 2% sequentially to \$290 million from \$284 million, driven by an additional calendar day in the quarter, marginally offset by some maintenance in the third quarter.

Operating expenses decreased 1% to \$92 million from \$93 million in the prior quarter, driven by the operational efficiency.

As a result, EBITDA increased 4% sequentially to \$198 million from \$191 million with a margin expansion to 68%.

Net profit increased 6% quarter-on-quarter, reaching \$122 million from \$115 million, mainly driven by the EBITDA increase, leading to margin of 42%.

### Offshore Island

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
Revenue	52	54	-4%	53	-2%	156	157	-1%
Opex <sup>1</sup>	(20)	(17)	18%	(20)	0%	(60)	(56)	7%
EBITDA <sup>2</sup>	32	37	-14%	33	-3%	96	101	-5%
<i>EBITDA margin</i>	62%	69%	-7%	62%	0%	62%	64%	-2%
Net profit	22	26	-15%	23	-4%	66	66	0%
<i>Net profit margin</i>	42%	48%	-6%	43%	-1%	42%	42%	0%

(1) Opex includes allocation of G&A expenses and other income

(2) Underlying EBITDA includes other income

### First Nine-Months (Year-on-Year Performance)

Offshore Island revenue decreased 1% year-on-year to \$156 million from \$157 million, mainly driven by one-off claim related to demobilization of island rig which has been allocated to the Hail and Ghasha project last year.

The restart of operations of the island rigs is not expected to significantly contribute to an increase in revenue, in light of the contractual framework with client, where the rigs were already being paid for.

Operating expenses increased year-on-year by \$4 million from \$56 million to \$60 million, driven mainly by the reactivation cost of the island rigs assigned to Hail and Ghasha project, leading to an EBITDA reduction year-on-year at \$96 million.

Net income remained stable year-on-year, driven by the reduction in depreciation from the fourth quarter of 2023, offsetting the reduction of EBITDA.

### Third Quarter (Year-on-Year Performance)

Third quarter revenue decreased 4% year-on-year to \$52 million, driven by the one-off claim in the last year, mentioned above.

Operating expenses increased by \$3 million year-on-year, driven by the reactivation cost of the island rigs explained earlier.



As a result, EBITDA reduced to \$32 million from \$37 million in the prior year, with a margin of 62%, while net profit closed at \$22 million from \$26 million in the same quarter of last year.

### Third Quarter (Sequential Performance)

Third quarter revenue was broadly flat sequentially at \$52 million from \$53 million in the second quarter.

Operating expenses were flat quarter-on-quarter.

Overall, EBITDA decreased 3% sequentially to \$32 million from \$33 million, while net profit fell 4% sequentially.

### Oilfield Services

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
Revenue	197	145	36%	157	25%	500	405	23%
Opex <sup>1</sup>	(160)	(122)	31%	(121)	32%	(395)	(330)	20%
Share of profit of joint ventures <sup>2</sup>	2	-	NM	1	NM	5	-	NM
EBITDA <sup>3</sup>	39	23	70%	37	5%	110	75	47%
<i>EBITDA margin</i>	20%	16%	4%	24%	-4%	22%	19%	3%
Net profit	18	9	100%	16	13%	48	33	45%
<i>Net profit margin</i>	9%	6%	3%	10%	-1%	10%	8%	2%

NM = Not Meaningful

(1) Opex includes allocation of G&A expenses and other income

(2) Includes ADNOC Drilling's 51% of Enersol's net profit, and the 55% of Turnwell's net profit from unconventional business related to OFS operations

(3) Underlying EBITDA includes other income

### First Nine-Months (Year-on-Year Performance)

The Oilfield Services segment continued to deliver significant growth with first nine-months revenue up 23% year-on-year to \$500 million, on the back of increased activity in volume, driven by higher IDS activity and the unconventional business, as revenue for phase 1 is recorded by ADNOC Drilling.

The number of IDS rigs stood at 50, growing from 41 in the same period of last year. Moreover, the OFS segment also offered at least one discrete service to an additional 48 rigs between onshore and offshore in the third quarter 2024. All in all, the segment offers oilfield services to around 70% of the drilling fleet.

Operating expenses increased 20% year-on-year to \$395 million from \$330 million, mainly due to increased activity levels, partly offset by cost efficiencies. Going forward, operating expenses are expected to increase due to the costs related to the unconventional business.

Additionally, the segment recorded a \$4 million share of net profit from the newly established joint venture named Enersol ("Share of profit of joint ventures").

Starting from the third quarter 2024 and going forward, the line "Share of profit of joint ventures" will also reflect the portion of net profit related to *oilfield services* of Turnwell, the joint venture 55% controlled by ADNOC Drilling which will execute the unconventional program. The portion of net profit from Turnwell related to *land drilling activities*, which is the minority of it, will be reflected in the Onshore segment (see page 7 and 8).



Overall, EBITDA increased 47% to \$110 million from \$75 million a year ago, reflecting increased activity across the segment, and the above-mentioned contribution from Share of profit of joint ventures. EBITDA growth led to a margin expansion of over 3 percentage points to 22%.

Net income grew 45% year-on-year, driven by EBITDA growth, partly offset by the increase in depreciation as the business expanded its activity.

### **Third Quarter (Year-on-Year Performance)**

Third quarter revenue increased 36% to \$197 million from \$145 million in the same period last year, mainly driven by increased activity in directional drilling and drilling fluids. The overall volume of activity of the segment is expected to increase in the final part of the year, in-line with planned phasing, and driven by a ramp-up in IDS rigs and unconventional business. Revenue for phase 1 of unconventional is fully recorded by ADNOC Drilling, with the majority being in OFS and the minority in Onshore. In the third quarter of 2024, the OFS segment revenue included \$27 million from the unconventional business.

Operating expenses increased 31% to \$160 million from \$122 million, as a result of increased activity.

Additionally, the segment recorded a \$2 million share of net profit from both Enersol and Turnwell (“Share of profit of joint ventures”).

As a result, EBITDA increased 70% year-on-year to \$39 million, with EBITDA margin improvement of almost 4 percentage points reaching 20%, and a net profit doubled year-on-year.

### **Third Quarter (Sequential Performance)**

Third quarter revenue increased 25% sequentially to \$197 million from \$157 million, driven by the contribution of the unconventional business and increased activity in drilling fluids. IDS activity remained stable at 50 rigs versus the last quarter, while the segment also offered at least one discrete service to an additional 48 rigs between onshore and offshore.

As already mentioned, the overall volume of activity of the segment is expected to increase, in line with planned phasing and driven by IDS rigs ramp-up and unconventional business. As previously mentioned, the majority of the revenue for phase 1 of unconventional - \$27 million - have been booked in the OFS segment.

Operating expenses amounted to \$160 million, a 32% sequential increase driven by activity mix.

The sequential increase of \$1 million in Share of profit of joint ventures was driven by the initial contribution by Turnwell.

As a result, EBITDA increased 5% sequentially to \$39 million from \$37 million, leading to a net profit increase of 13% in the quarter.



## Operating Working Capital

USD Million	30 Sep 24	30 Sep 23	YoY	30 Jun 24	QoQ
<b>Current Assets<sup>1</sup></b>	<b>1,783</b>	<b>1,254</b>	<b>42%</b>	<b>1,555</b>	<b>15%</b>
Inventories	224	203	10%	225	0%
Trade & other receivables	174	119	46%	158	10%
Due from related parties	1,385	932	49%	1,172	18%
<b>Current Liabilities<sup>2</sup></b>	<b>1,365</b>	<b>800</b>	<b>71%</b>	<b>1,305</b>	<b>5%</b>
Trade & other payables	1,129	505	124%	1,027	10%
Due to related parties	236	295	-20%	278	-15%
<b>Operating Working Capital</b>	<b>418</b>	<b>454</b>	<b>-8%</b>	<b>250</b>	<b>67%</b>

(1) Excludes cash and bank balances

(2) Excludes lease liabilities

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

Operating working capital improved over the course of the nine months of 2024 ending at \$418 million, an 8% year-on-year decrease. This was driven by the phasing of capital expenditure-related payments at quarter end offset by an increase of receivables due from related parties, as the activity grew with new rigs becoming operational.

Net working capital increased 67% sequentially, mainly driven by increase of receivables due from related parties as the activity grew.

Net working capital as a percentage of revenue stood at around 11% at the end of the third quarter of 2024. The normalized ratio at the end of the third quarter was 12%, adjusted for the impact from phasing of capital expenditure-related payments at quarter-end.

The Company expects to maintain a net working capital to revenue ratio broadly stable at around 12% in the fourth quarter and in the medium term.



## Free Cash Flow

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
Cash from operating activities	315	337	-7%	518	-39%	1,180	958	23%
Cash used in investing activities <sup>1</sup>	(311)	(589)	-47%	(236)	32%	(741)	(839)	-12%
<b>Free Cash Flow</b>	<b>4</b>	<b>(252)</b>	<b>NM</b>	<b>282</b>	<b>-99%</b>	<b>439</b>	<b>119</b>	<b>269%</b>

NM = Not Meaningful

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

(1) Cash payments for purchase of property and equipment (including prepaid delivery payments, excluding capex accruals), and investments in joint ventures

Free cash flow stood at \$439 million in the nine-month period ended 30 September 2024; a 269% increase compared to the same period last year mainly due to increased collections in the current period. Investing activities were lower than in same period last year, driven by lower payments for rig acquisitions, partially offset by the \$205 million investment in Enersol for the acquisition of the 67.2% stake in Gordon Technologies, of which \$117 million was in the third quarter.

Free cash flow in the third quarter of 2024 decreased to \$4 million, driven by the investment in Enersol.

## Balance Sheet

USD Million	30 Sep 24	30 Sep 23	YoY %	30 Jun 24	QoQ %
<b>Total Assets</b>	<b>7,499</b>	<b>6,421</b>	<b>17%</b>	<b>7,097</b>	<b>6%</b>
Non-current assets	5,397	4,605	17%	5,200	4%
Current assets <sup>1</sup>	1,783	1,254	42%	1,555	15%
Assets Held for sale	11	11	100%	11	0%
Cash and cash equivalents	308	551	-44%	331	-7%
<b>Total Liabilities</b>	<b>4,087</b>	<b>3,127</b>	<b>31%</b>	<b>3,621</b>	<b>13%</b>
Non-current liabilities	2,190	808	171%	2,181	0%
Current liabilities	1,897	2,319	-18%	1,440	32%
<b>Total Equity</b>	<b>3,412</b>	<b>3,294</b>	<b>4%</b>	<b>3,476</b>	<b>-2%</b>
Share capital	436	436	0%	436	0%
Treasury shares	(4)	-	NM	-	NM
Statutory Reserve	218	141	55%	218	0%
Retained earnings	2,762	2,717	2%	2,822	-2%
<b>Total Equity and Liabilities</b>	<b>7,499</b>	<b>6,421</b>	<b>17%</b>	<b>7,097</b>	<b>6%</b>

NM = Not Meaningful

(1) Excludes cash and bank balances

Total assets for the period ending September 30, 2024, amounted to \$7,499 million, an increase of 17% year on year from \$6,421 million. This was mainly due to a 17% increase in non-current assets to \$5,397 million from \$4,605 million on the back of the new rig acquisitions associated with the fleet expansion program and a 42% increase in current assets driven by increased activity.

Cash and cash equivalents decreased to \$308 million from \$551 million year-on-year mainly due to rig purchases tied to ADNOC Drilling's fleet expansion and investments into Enersol as part of the Company's overall strategy. Moreover, the interim dividend 2024 was paid in the third quarter, while in 2023 the same was paid in the fourth quarter. As of September 30, 2024, the Company's liquidity headroom (including unutilized syndicated term and revolving facilities) was around \$1.1 billion.

Total liabilities increased 31% to \$4,087 million as of September 30, 2024, from \$3,127 million in the prior year period. The change was mainly attributable to the drawdowns of AED 1,500 million made



against the Company's available facilities in the third quarter of 2024, accounted for in current liabilities.

As disclosed in the prior reporting periods, the utilized syndicated loan of \$1,500 million was reclassified since the fourth quarter of 2022 from a non-current liability to a current liability, as the facility would have matured in less than 12 months. Excluding the reclassification of the loan facility, current liabilities would have increased by \$670 million due to higher payables driven by CapEx accruals, lease liabilities of four lease to own rigs and deferred mobilization liability for new rigs.

On October 27, 2023, the Company entered into a new syndicated loan in US dollars for \$1,500 million and entered into a new Emirati dirham revolving credit facility of AED 1,840 million. The term loan facility has been used to repay the earlier syndicated term loan for an equal amount which expired in November 2023, while the new revolving credit facility will fund the Company's growth and the associated working capital.

The existing \$1,500 million syndicated loan and the \$500 million term loan have been classified as non-current liabilities while the AED 1,500 million has been classified as current liabilities as of September 30, 2024.

The classifications of the drawn facilities between non-current and current liabilities led to current liabilities year-on-year decrease to \$1,897 million in September 2024 from \$2,319 million a year ago. For the same reason, non-current liabilities increased year-on-year from \$808 million to \$2,190 million.

Total assets for the period ended September 30, 2024, grew 6% sequentially to \$7,499 million from 7,097 million at the end of June 2024. Non-current assets slightly increased to \$5,397 million from \$5,200 million, and current assets were up sequentially by 15% to \$1,783 million from \$1,555 million due to increased activity from new rigs. The increase in current assets was offset by the marginal decrease in cash and cash equivalents to \$308 million from \$331 million. The sequential trend was also driven by the 2024 interim dividend payment made in the third quarter.

Total liabilities increased by 13% to \$4,087 million at the end of the third quarter of 2024 from \$3,621 million at the end of second quarter, resulting from the drawdown of Emirati dirham revolving credit facility of AED 1,500 million (\$408 million) during the third quarter.



## Capital Expenditure

Capital expenditure (CapEx), including prepayments and accruals, amounted to \$201 million in the third quarter of 2024. Pre-payments in the period were mostly associated with the purchase of island rigs and OFS-related equipment.

Rig purchases are usually spread out over at least two milestones with the first payment at signing of the sale and purchase agreement, whereas the final payment is then made on transfer of the title of the rig to the Company.

Among the eleven hybrid land rigs that entered the rig fleet count in the first half of 2024, five were operational at the end of the second quarter, while the remaining six rigs have started operations during the first part of the third quarter of 2024.

ADNOC Drilling expects CapEx to be in a range between \$800 - \$900 million for 2024, as the Company continues to deliver its rig acquisition program.

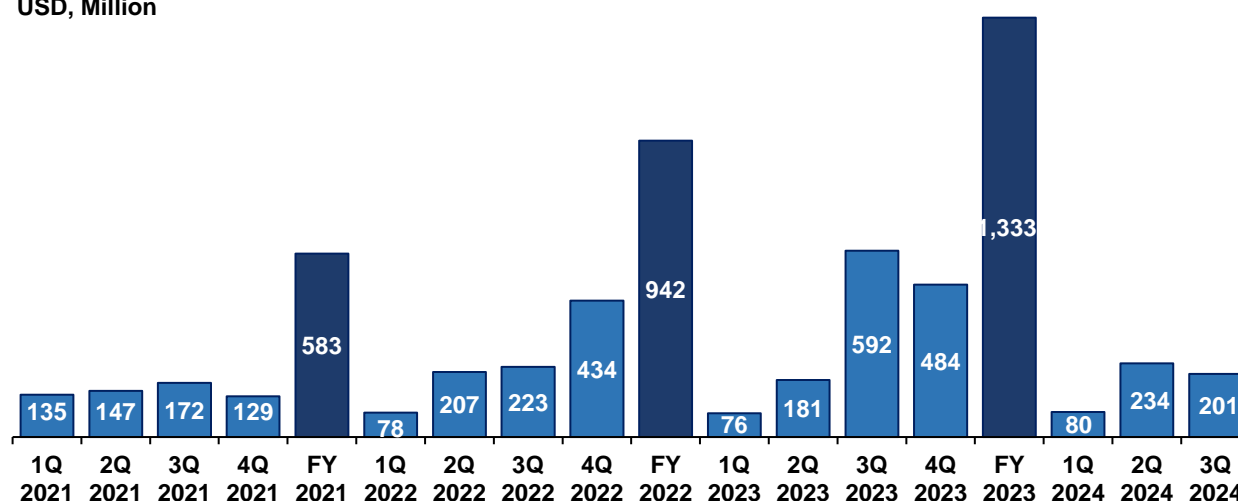
Organic growth CapEx is expected to continue to come down gradually in 2025, and it will be composed primarily of:

1. The bulk of the \$210 million CapEx for the 3 new island rigs arriving in 2026.
2. Additional rig and OFS equipment driven by the accelerated unconventional program.
3. OFS equipment for growth in OFS IDS and discrete services market share.

This CapEx is expected to drive growth towards the top-end of the medium-term revenue growth guidance. Moreover, the Company expects to have additional inorganic growth investments in our JV Enersol up to \$560 million in the rest of 2024 and 2025, as \$205 million have been invested in the first nine months of 2024.

### Quarterly and Annual Capital Expenditure

USD, Million





## Operational Highlights

### Drilling Services

USD Million	3Q24	3Q23	YoY	2Q24	QoQ	9M24	9M23	YoY
<b>Fleet</b>	<b>140<sup>1</sup></b>	<b>124<sup>1</sup></b>	<b>13%</b>	<b>140<sup>1</sup></b>	<b>0%</b>	<b>140<sup>1</sup></b>	<b>124<sup>1</sup></b>	<b>13%</b>
<i>Onshore</i>	95 <sup>1</sup>	79 <sup>1</sup>	20%	95 <sup>1</sup>	0%	95 <sup>1</sup>	79 <sup>1</sup>	20%
<i>Offshore Jack-up</i>	35	35	0%	35	0	35	35	0%
<i>Offshore Island</i>	10	10	0	10	0	10	10	0
<i>Rented rigs</i>	14	10	40%	14	0%	14	10	40%
<b>Rigs Availability*</b>	<b>95%</b>	<b>97%</b>	<b>-2%</b>	<b>94%</b>	<b>1%</b>	<b>95%</b>	<b>97%</b>	<b>-2%</b>
<i>Onshore</i>	94%	95%	-1%	93%	1%	94%	95%	-1%
<i>Offshore Jack-up</i>	96%	100%	-4%	96%	0%	96%	100%	-4%
<i>Offshore Island</i>	99%	99%	0	100%	-1%	99%	99%	0%
<b>Number of Wells Drilled*</b>	<b>175</b>	<b>159</b>	<b>10%</b>	<b>148</b>	<b>18%</b>	<b>462</b>	<b>452</b>	<b>2%</b>
<i>Onshore</i>	141	129	9%	120	18%	378	375	1%
<i>Offshore Jack-up</i>	28	23	22%	21	33%	65	55	18%
<i>Offshore Island</i>	6	7	-14%	7	-14%	19	22	-14%

(1) Includes 4 lease-to-own land rigs.

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

The Company had a fleet of 140 rigs (136 owned plus four lease-to-own) at the end the third quarter 2024. The overall owned fleet availability was 95% at the end of September 2024. Operational highlights of note during the period are as follows:

- Among the eleven hybrid land rigs that entered the rig fleet count in the first half of 2024, five were operational at the end of the second quarter, while the remaining six rigs started operations during the first part of the third quarter of 2024.
- The number of IDS rigs remained stable at 50 rigs sequentially (vs 41 rigs in third quarter 2023); offered at least one discrete service to an additional 48 rigs.
- Achieved TRIR frequency of 0.55 against a target of 0.63 for 3Q2024.

### 3Q2024 Highlights:

- AD-66 drilled 4,590 feet in a 24-hour period, ranked as the 9th most 8 ½” hole turned in during a day in the history of Upper Zakum operations.
- Qarnin completed 10 years Hurt Free Operations.
- AD-67 & Yemillah completed 10 years LTI Free Operations.





### **Oilfield Services (OFS)**

- The number of IDS rigs remained stable at 50 rigs sequentially (vs 41 rigs in third quarter 2023); offered at least one discrete service to an additional 48 rigs.
- 19% overall improvement in 3Q2024 IDS drilling efficiency versus the 2023 benchmark.
- AD-120 achieved “best of best” ROP of 79.02 feet/hr in 12.25” hole section in Asab field.
- Efficient operations resulted in cumulative savings of \$397 million to ADNOC since inception in 2019.



## Outlook update

To enable ADNOC's strategic imperative of expanding production capacity from four to five million barrels per day by 2027, ADNOC Drilling accelerated its own growth plans.

The Company expects its owned rig count to increase to at least 148 by the end of 2026.

Driven by increased visibility on operations, earnings and profitability, ADNOC Drilling positively updates its fiscal year 2024 guidance.

ADNOC Drilling's updated full year 2024 financial guidance is presented below:

USD Million	FY2024 Previous Guidance	FY2024 New Guidance
<b>Revenue</b>	<b>3,700 - 3,850</b>	<b>3,800 - 3,900</b>
<i>Onshore Revenue</i>	1,650 - 1,750	1,700 - 1,800
<i>Offshore Jack-up Revenue</i>	1,000 - 1,100	1,000 - 1,100
<i>Offshore Island Revenue</i>	200 - 250	200 - 250
<i>Oilfield Services Revenue</i>	700 - 800	700 - 800
<b>EBITDA</b>	<b>1,800 - 1,950</b>	<b>1,850 - 1,950</b>
EBITDA Margin	49% - 51%	49% - 51%
<b>Net Profit</b>	<b>1,150 - 1,300</b>	<b>1,200 - 1,300</b>
Net Profit Margin	31% - 34%	31% - 34%
<b>CapEx</b>	<b>750 - 950</b>	<b>800 - 900</b>
<b>Leverage Target</b>	<b>&lt; 2.0x</b>	<b>&lt; 2.0x</b>

ADNOC Drilling's medium-term guidance is updated as follows:

- Revenue CAGR in the 14% - 18% range from 2023 base.
- Around 50% conventional EBITDA margin with conventional drilling margins exceeding 50% and OFS margin in a range of 22-26% medium-term.
- Conservative long-term leverage target of up to 2.0x net debt / EBITDA.
- Net working capital as percentage of revenue target of around 12%.
- Maintenance CapEx post-2024 of \$200 - \$250 million per annum. This CapEx excludes organic and inorganic growth capex.



## Dividend Policy 2024-2028

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The Company's ability to pay dividends is dependent on several factors, including the availability of distributable reserves, 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 the Board of Directors and ultimately shareholder approvals.

An enhanced progressive dividend policy has been approved at the Company's General Shareholder Meeting on June 24, 2024. According to the enhanced policy, dividends are expected to grow by at least 10% per annum on a dividend per share basis over the next five years (2024-2028).

Furthermore, the Board of Directors, at its discretion, may approve additional dividends over and above the progressive dividend policy after considering free cash flow accretive growth opportunities.

As per the policy, dividends are expected to be paid semi-annually with a final dividend distributed to shareholders in the first half and the payment of the interim dividend in the second half of each fiscal year.

In line with the progressive policy, the Board considers dividends a capital allocation priority alongside investment in profitable growth and is committed to returning a competitive and growing cash dividend to our shareholders.

Following the approval of the enhanced progressive dividend policy 2024-2028 by the General Shareholder Meeting on June 24, 2024, the Board of Directors has approved an interim dividend payment of \$394 million, or around 9.05 fils per share, for the first half of 2024. This represented a 10% year-on-year increase, in line with the Company's new progressive dividend policy. As anticipated, the interim dividend was distributed to shareholders in the last week of August 2024.



## Earnings Webcast and Conference Call

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ADNOC Drilling will host the earnings webcast and conference call followed by a Q&A session for investors and analysts on Wednesday, October 30, 2024, at 12:00 pm UAE time / 08:00 am UK time.

The call will be hosted by Abdulrahman Alseiari (CEO) and Youssef Salem (CFO). Interested parties are invited to join the call by clicking [here](#).

A replay and transcript will be made available following the event, accessible from the [Investor Relations section](#) of ADNOC Drilling's website.

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## Share Price and Ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDRILL. The closing share price as of September 30, 2024, was AED 4.73. In the period from July 1, 2024, through September 30, 2024, the share price traded in a range between AED 4.10 and AED 5.05. Market capitalization was AED 75.7 billion as of September 30, 2024, and an average of 16.4 million shares traded daily during the third quarter of 2024. Excluding from the average, August 30 volumes (approximately 264 million shares triggered by the MSCI indexes inclusion) the average traded volume would have been 12.6 million.

As of September 30, 2024, the Abu Dhabi National Oil Company ("ADNOC") owned a majority 78.5% stake in the Company and Baker Hughes Holding SPV Ltd. ("Baker Hughes") owned 5% stake in the Company, while 16.5% of our outstanding shares were publicly owned by other institutional and retail investors.

ADNOC Drilling has then been included in the MSCI Indexes including MSCI EM, and MSCI UAE, becoming the 12<sup>th</sup> member of the MSCI UAE index. Moreover, the Company is 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. Furthermore, in the first quarter of 2023, ADNOC Drilling was also included as an inaugural member of the FADX 15 Index. The index is uniquely designed by ADX and FTSE Russell to track the performance of the most liquid and largest companies on the ADX main market.

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## Fourth Quarter 2024 Results

We expect to announce our fourth quarter 2024 results in February 2025.

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## Contacts

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**October 30, 2024**  
**ADNOC Drilling Company P.J.S.C.**



## Appendix: Glossary

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### Financial Terms

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

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

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

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

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

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

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

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

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

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

**Opex** represents Operating expenditure that includes direct cost and general and administrative expenses excluding depreciation, amortization and impairment as stated in the statement of profit or loss and other comprehensive income.

**Capital expenditure** or **CapEx** is total cash capital expenditure for payments made for purchase of property and equipment including prepaid delivery payments as stated in the cash flow statement.

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

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



## Industry Terms

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

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

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

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

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

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

**Unconventional drilling** refers to a method of extracting hydrocarbons from tight reservoirs using Oil Field Services technologies combined with well stimulation activities.



## Cautionary Statement Regarding Forward-Looking Statements

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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 consider that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC Onshore and ADNOC Offshore for deploying rigs as per existing terms and conditions; failure to successfully implement our operating initiatives and growth plans, including our cost savings initiatives, due to general economic conditions, our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, the extent of our related party transactions with ADNOC Group; the introduction of 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 September 6, 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.