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ADNOC

ADNOC Drilling
Annual Report 2022

Enabling Growth. Unlocking Energy. Driving Sustainability.

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ADNOC Drilling

Welcome to ADNOC Drilling

Expanding Our Fleet

A company at the heart of a global energy leader

The United Arab Emirates is located in one of the world's leading hydrocarbon basins, holding 113 billion stock tank barrels (STB) of oil reserves and 290 trillion standard cubic feet (TSCF) of natural gas. Abu Dhabi also holds 22 billion STB of recoverable unconventional oil resources and 160 TSCF of recoverable unconventional gas resources. ADNOC Drilling, as the exclusive drilling services provider in Abu Dhabi, the UAE directly benefits from the opportunity to participate in the development and monetisation of these incredible resources.

Who We Are

ADNOC Drilling is one of the largest drilling and completion services companies in the world.

We operate responsibly on land, at sea and on ADNOC's unique artificial islands off Abu Dhabi's coastline, delivering start–to–finish well drilling and construction across both conventional and unconventional reservoirs. We have the largest operational rig fleet in the Middle East, of 115 owned rigs and a dedicated workforce of engineers, specialists and technicians.

Owned rigs	Direct workforce	Wells delivered	Years of experience
115	**6,598**	**10,000+**	**50+**

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ADNOC Drilling

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Strategic Report

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About ADNOC Drilling

Our Vision

We enable ADNOC to unlock the UAE's oil and gas resources for the benefit of our people, communities, partners, shareholders, customers and our nation.

Our Mission

We drive operational efficiencies by leveraging innovative technology, smart drilling techniques and engineering solutions to consistently capture efficiencies as we drill more wells, creating more value as we grow.

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ADNOC Drilling

Our Values

Collaborative

We work in close collaboration with our partners and customers, leveraging collective strengths to deliver mutually beneficial results.

Progressive

We harness the UAE's spirit of innovation to ensure that our business remains at the forefront of the global energy industry.

Responsible

We are committed to identifying ways that can make a difference to our community while maintaining an unwavering commitment to health, safety, and the environment in which we operate.

Efficient

We are a performance–driven company, dedicated to maximizing the value of energy resources for the benefit of our people, our communities, our partners and customers and our nation.

Respectful

We encourage a culture of inclusivity and mutual respect, and always operate to the highest professional and ethical standards.

At a Glance

ADNOC Drilling's operations are spread across the UAE and organized into four operational segments: **Onshore, Offshore Jack–up, Offshore Island and Oilfield Services (OFS).**

Onshore

Our Onshore fleet consists of 74 land rigs, of varying specifications, including several high–capacity workover rigs. Our rigs drill a wide range of oil and gas wells and handle challenging drilling programs effectively and efficiently.

Wells drilled

528

Read more on pages 27–28

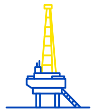
Offshore Jack–up

Our offshore fleet of 31 jack–up rigs and one barge are outfitted with high–specification equipment and are capable of drilling wells to maximum depths ranging from 18,000 to 30,000 feet and in maximum water depths ranging from 110 to 350 feet.

Wells drilled

65

Read more on pages 30–31



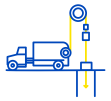
Offshore Island

We own and operate a fleet of 10 island rigs, seven of which are less than five years old. To enable drilling on artificial islands, we acquired state–of–the–art island rigs with integrated low–pressure hydraulic walking systems that allow our island rigs to move between well sites without the need to dismantle them.

Wells drilled

27

Read more on pages 32–33



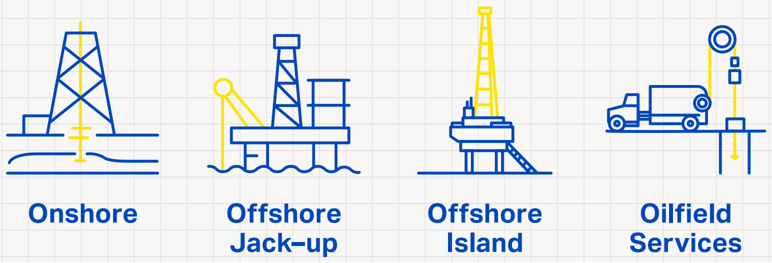
Oilfield Services

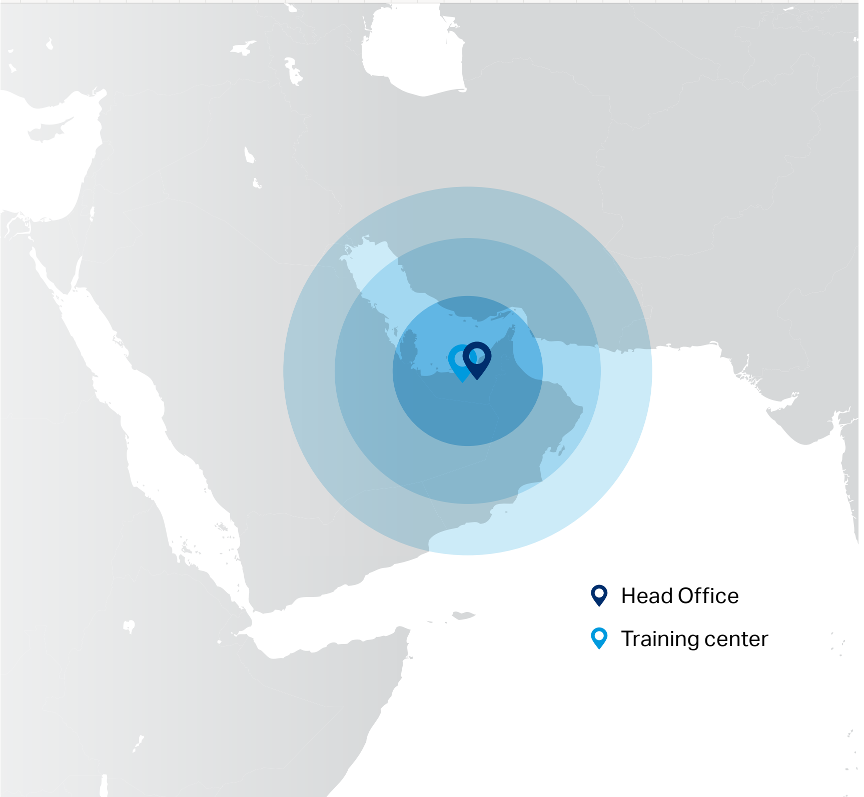
Our Oilfield Services (OFS) division offers comprehensive market–leading drilling and well construction services that span the entire drilling value chain. OFS has facilitated record–breaking performance and efficiency levels and has helped to create savings in well time and cost.

IDS rigs

40

Read more on pages 34–36





Highlights

Strong operational performance supporting healthy financial results.

Financial

Net income growth for FY2022

33%

FY2022 revenue 18% y–o–y

$2,673m

Capital investment during the 12– month period

$942m

Read more on pages 37–39

Operational

Wells delivered

620

Rigs availability Rigs owned 115

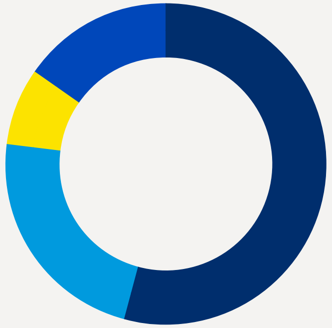
95%

Read more from page 30

Integrated Drilling Services share

39%

less mainly due to increase in number of ADRILL rig fleet



2022 Revenue

$2,673m

- **Onshore** $1,453m
- **Offshore Jack–up** $611m
- **Offshore Island** $204m
- **Oilfield Services** $405m

Our Story

For more than 50 years, ADNOC Drilling has enabled ADNOC's growth, becoming one of the largest drilling fleets in the world.

1972
National Drilling Company was created by Emiri Decree as the first fully owned ADNOC Group company

Known as the National Drilling Company (NDC) until 2017, the Company was established to drill wells to enable ADNOC to unlock the UAE's vast reserves of oil and gas for the benefit of the nation.

1973
First rig acquisition

ADNOC Drilling's first rig, AD–1, today stands outside of ADNOC Group's headquarters on the Abu Dhabi Corniche.

1975
First offshore rig acquisition

The 1970s and 1980s saw robust expansion as the Company added more rigs to its growing fleet to deliver both onshore and offshore wells.

1992
ADNOC Drilling hired its first female as a personnel supervisor

Today, there are 165 female employees, including the Company's first female VP in Operations and 17 recently recruited engineers slated for leadership roles in operations.

1998
Launch of 20–year water exploration survey project in partnership with U.S. Geological Survey

ADNOC Drilling enabled crucial information collection about the UAE's ground water in the Al Ain region.

2000
National leadership

ADNOC Drilling intensified focus on advancing Emiratis for leadership roles. Today, Emiratis hold more than 90% of operational senior positions across the Company.

2004
First four state–of–the–art cluster well drilling rigs acquisition

The first in the region, mechanized cluster rigs were acquired to meet the drilling requirement of 180 wells at ADNOC's artificial islands.

2008
First artificial island drilling

Up to 200 wells can be drilled from each artificial island, compared to 10 from a jack–up rig.

2010
Evolution of service offering

With a fleet of 29 rigs, ADNOC Drilling began to provide electric well logging services to support drilling operations.

2014
Drilling Training Center begins operations in Al Dhafra

Specialized training modules prepare talented young Emiratis for a rewarding drilling career. By the end of 2021, more than 1,000 Emiratis had graduated from the Drilling Training Center.

2018
Transition into a full IDS service provider

A strategic partnership with global industry leader Baker Hughes propelled ADNOC Drilling into the role of a start–to–finish well services and completion company, bringing new efficiencies to customers.

Launch of Technology and Remote Operations Center (TROC)

24/7 direct feed to rig site control cabins offers OFS technical assistance in directional drilling, geo–steering and logging activities.

2019
Completion of first IDS well

ADNOC Drilling delivered its first IDS well to ADNOC Onshore, ahead of plan and within budget.

2020
Records are broken

At 45,000 feet, ADNOC Drilling delivered the Middle East's longest well while recording a record–breaking 21 years of Lost Time Incident (LTI)–free operations at its land rig AD–17.

2021
Public listing

In the largest ever listing at the Abu Dhabi Securities Exchange (ADX), ADNOC Drilling became a publicly listed company, raising $1.1 billion from an 11% share offering.

H&P becomes cornerstone investor

Drilling industry leader Helmerich & Payne (H&P) became a cornerstone investor in the IPO, launching a strategic partnership to enable efficiencies in the onshore segment that will benefit both companies, as well as our customers and shareholders.

2022
Executing on our IPO strategy

A year of delivering on our promises with record profitability, with outstanding operational growth driving FY22 revenue to $2.67 billion, up 18% year–on–year.

Further fleet expansion

The Company has expanded the rig fleet by more than 350%, including the acquisition of 17 UAE–built offshore and onshore rigs. Today, ADNOC Drilling has 99 rigs; more will join the fleet in 2023 and beyond.

Year in Review 2022

Quarter 1

January – Two new jack–up rigs
Two new state–of–the–art jack–up rigs arrive in UAE waters ready to join ADNOC Drilling's fleet.

February – Record offshore well depth
Island rig AD–68 broke its own record for drilling the longest horizontal well in the Middle East and the fourth longest in the world. The length of well UZ668 stretches to 45,297 feet. The well was delivered in 30% less time than planned, with no recorded Non–Productive Time or well control issues, reducing the impact of our operations on the environment, strengthening our cost optimization, and maximizing ADNOC Drilling competitiveness.

February – Launch of Drilling Services Management System (DSMS)
Launched the Drilling Services Management System (DSMS), a set of eight applications that interact together as one platform, supporting the operational needs of the Drilling Services Division (DSD), a subdivision of Oilfield Services (OFS). The DSMS applications support and enhance the efficiency of our operations by collecting data from the entire drilling cycle of a well.

March – The new H&P rigs start to join the fleet
By adding the first two of eight world–class FlexRig© rigs planned to join ADNOC Drilling's fleet, the Company increased the number of owned rigs in the fleet reinforcing its position as the largest drilling company in the Middle East.

Quarter 2

April – First ever ADNOC Drilling AGM
ADNOC Drilling held its first ever AGM where H.E. Dr. Sultan Al Jaber, Chair of ADNOC Drilling said: "Our shareholders' approval of the very attractive 2021 final dividend of $325 million in ADNOC Drilling's inaugural AGM is cemented by the Company's strong full–year results and its unique role as ADNOC's sole drilling services provider. ADNOC Drilling will continue to deliver the thousands of wells required for ADNOC's significant production capacity growth targets, resulting in ongoing demand for drilling services and enabling sustainable growth while ensuring robust future returns for our shareholders."

May – Longest well in the region
ADNOC Drilling broke its own record once again with delivery of the longest well in the region, measuring 45,300 feet. Well UZ–668 was made possible by advanced drilling techniques, which include Extended Reach Drilling and Maximum Reservoir Contact, the advanced equipment instead of this phrase that ends in a preposition, and our excellent collaboration across business divisions and ADNOC Group.

Quarter 3

July – Contract to deliver mega–project
ADNOC Drilling confirms $2 billion contract to enable delivery of Hail and Ghasha mega–project. Substantial IDS award accelerates revenue growth and further cements ADNOC Drilling's position as the Middle East's leader in OFS.

August – Half–year results announced
ADNOC Drilling significantly grows first half net profit by 34% to $379 million and announces increase of 5% for interim dividend to $341 million.

September – Rig fleet expansion
ADNOC Drilling purchases two further premium jack–up rigs as part of accelerated growth strategy, with further acquisitions in the pipeline.

Quarter 4

October
Island rig AD–68 delivers the world's longest extended reach well. It was drilled from Umm Al Ambar Island, one of ADNOC's artificial islands, and stretches 50,000 feet. The achievement enabled ADNOC to unlock additional production capacity, avoid additional costly infrastructure and reduce emissions.

November
ADNOC Drilling is awarded a $1.6 billion integrated drilling fluids services award. The five–year contract added an additional $750 million to previously guided OFS revenue. The award reflects the growing strength and breadth of ADNOC Drilling's OFS offering.

December
ADNOC Drilling acquires two new jack–up rigs, accelerating business growth. The two new premium offshore jack–up rigs are purchased for an attractive $200 million, to enable ADNOC's accelerated production capacity targets. The latest acquisition forms part of ADNOC Drilling's fast–tracked fleet expansion program, with an exceptional fleet growth outlook for 2023. The offshore jack–up rig fleet has grown to 31 rigs and is now one of the largest in the world.

H.E. Dr. Sultan Ahmed Al Jaber
Chair

In Brief

- Expanded number of rigs to 115
- Revenue growth of 18%
- Record net profit of $802 million
- EBITDA growth of 18% to $1.23 billion

Chairman's Message

> **In ADNOC Drilling's first full year as a publicly listed company, the business significantly grew, achieving double-digit growth that was materially ahead of market expectations. These outstanding results would not have been possible without the dedicated people at every level of ADNOC Drilling who continue to deliver safe and efficient operations, ensuring exceptional results for shareholders and the UAE. The Company is well positioned to continue to innovate, responsibly grow and capture greater value in 2023.**

Throughout 2022, ADNOC Drilling continued to grow and evolve in both size and offering. The Company significantly increased revenue by 18%, added new rigs to what was already one of the world's largest drilling fleets, and was awarded over $10 billion in new contracts.

After delivering more than 10,000 wells over its 50–year history, ADNOC Drilling is prepared to responsibly drill the thousands more needed by its main customer, ADNOC, to achieve their accelerated production capacity targets of 5 million barrels of leading low carbon intensity crude per day by 2027 as well as gas self–sufficiency for the UAE.

Today, more than ever, affordable and sustainable energy is everyone's top priority. By 2050, the world will have to produce 30% more energy than today, so this increased production capacity is vital to maintain global energy security. ADNOC Drilling enables ADNOC to safely and reliably unlock leading low carbon intensity energy resources to deliver maximum energy with minimum emissions. Critically, ADNOC Drilling supports ADNOC's commitment to decrease greenhouse gas intensity by 25% by 2030 and meet the UAE Net Zero by 2050 strategic initiative.

Chairman's Message continued

To meet all its customers' targets and deliver sustainable value to shareholders, ADNOC Drilling has embarked on a bold fleet expansion program. Since its public listing in October 2021, ADNOC Drilling's multi–discipline fleet has increased 16%, from 99 rigs to 115 rigs at the end of 2022. With an industry–leading fleet utilization rate, ADNOC Drilling plans further responsible growth to accelerate revenue and drive shareholder returns.

ADNOC Drilling's unique position as one of the industry's largest drilling companies to offer Integrated Drilling Services (IDS) as well as its accelerated activities resulted in an exceptional full–year EBITDA growth of 18%, delivering more than $1.2 billion. IDS provides start–to–finish drilling and completion services to offshore and onshore customers.

Net profit increased to $802 million over the year, an impressive increase of 33% compared to 2021.

We remain firmly committed to our stable and progressive dividend policy, offering investors predictable cash flow.

The Board is pleased to recommend a final dividend of $341 million for the second half of 2022. That represents 7.83 fils per share and brings the total dividend for the financial year to $682.5 million or 15.67 fils per share.

People are our most important asset. As ADNOC Drilling creates and delivers value for shareholders through enhanced growth, the Company maintains an unwavering commitment to 100% HSE.

The Company also develops local business through the In–Country Value program. Once again, ADNOC Drilling exceeded its target of 60% local procurement spending in 2022 by awarding 63% to UAE–based and registered suppliers. This achievement is the result of continued focus on supporting the local market and promoting Emiratization. In the years ahead, I fully expect that innovative technologies and fresh partnerships will deepen the Company's reach in the Abu Dhabi market, further diversifying the economy.

ADNOC Drilling made history in 2021 with its record–breaking IPO. In 2022, the Company created remarkable value for its customers and shareholders by exceeding market expectations. These accomplishments forge a future of continued progress and momentum as ADNOC Drilling retains its key enablement role in ADNOC's strategic growth plans.

With a proud history behind it, I am confident that ADNOC Drilling will deliver an even brighter future and continued success in 2023 and beyond.

> ADNOC Drilling enables ADNOC to safely and reliably unlock leading low carbon intensity energy resources to deliver maximum energy with minimum emissions.

Advancing our fleet expansion plan

Abdulrahman Abdulla Al Seiari
CEO

In Brief

- Onshore revenue $1,453 million
- Offshore revenue $815 million
- Oilfield Services revenue $405 million
- Nine new land rigs
- Seven new jack–up rigs

CEO's Message

> As we celebrated our first full year as a publicly listed company, **ADNOC Drilling delivered on its strategy of accelerating growth and profitability.** I am proud that we exceeded our ambitious targets, driving revenue and materially expanding our drilling rig fleet. Positioned to enable ADNOC's accelerated growth targets, **the best is yet to come–for our employees, customers and shareholders.**

Our significant revenue increase of 18% over 2021 was largely driven by fleet and oilfield services expansion. With one of the largest rig fleets in the world, ADNOC Drilling's total operational fleet stands at 115 owned and operated rigs, an increase of 16% over the previous year. As new rigs enter the fleet, we expect a further increase in financial and operating performance.

Since our public listing in October 2021, we have relentlessly focused on achieving larger market share through value accretive investments and strategic growth. In 2022, we delivered an increase in net profit of 33% over 2021 to reach $802 million for the year.

Revenue for Onshore drilling for 2022 was $1,453 million, up 27% year–on–year, largely driven by adding new rigs to the fleet and further advances in operational excellence. Likewise, Onshore EBITDA increased by 43% over 2021, a direct result of increased drilling activity.

Integrated Drilling Services (IDS) has powered real growth for shareholders and will continue to do so. IDS launched in late 2018 to offer customers start–to–finish drilling and completion services as part of our Oilfield Services (OFS) business segment. IDS offers a total solution that goes beyond drilling to bring our customers increased efficiency, safer operations, lower costs and a reduced environmental footprint. Nearly half of the wells we deliver are now IDS wells.

CEO's Message continued

As one of the largest drilling companies to offer start–to–finish drilling and completion services, ADNOC Drilling is uniquely positioned to capitalize on market opportunities as we capture more revenue from every well we deliver. OFS realized a strong performance with revenue of $405 million, a 23% year–on–year improvement while winning over $5 billion in contracts.

As part of our bold fleet expansion program in support of the Nation's strategy to responsibly unlock Abu Dhabi's leading low carbon intensity energy resources, we have nearly doubled our offshore fleet since the Company's public listing in October 2021. With the addition of seven premium jack–up rigs in 2022, an increase of 29% over 2021. The number of offshore rigs firmly positions us a global leader.

Overall, the bold rig acquisitions across 2022 represent another chapter in executing our strategy of rapidly growing revenue, significantly boosting profits and increasing shareholder returns.

Having delivered more than 10,000 wells in our 50 years of operations, I am proud of ADNOC Drilling's role in responsibly unlocking affordable and reliable energy that goes to markets around the world and creating value for the UAE economy. We look forward to deepening that contribution as we enable ADNOC to meet its accelerated production capacity target of 5 million barrels per day by 2027 and gas self–sufficiency for the UAE.

As we grow, we continue to focus on the key decarbonization levers of energy efficiency and operational excellence.

ADNOC Drilling is committed to reducing and, where possible, eliminating emissions from our operations as we advance ADNOC's commitment to deliver maximum energy with minimum emissions.

Our commitment to the UAE doesn't stop with the environment. Today, Emiratis hold 90% of operational leadership roles at the Company and our Drilling Training Center prepares talented UAE Nationals for a rewarding career in oil and gas drilling. Many of our more than 1,000 graduates now serve in leadership positions.

We continually seek ways to drive sustainable and diverse economic growth for the UAE. We plan to build and manufacture more at home, creating countless jobs and building new avenues of prosperity. In the next few years, we will manufacture technologies and chemicals right here, in the UAE.

As proud as we are of our accomplishments in 2022, the priority was and will always be the safety of our people and our assets. Our people and our rigs work around the clock, and we strive for injury–free operations all day, every day.

ADNOC Drilling is building on 50 years of achievement for an even brighter future. The years ahead will be exciting and full of promise – for our employees, customers and shareholders around the world.

Together we continue to unlock energy for life, making history each day.

> The years ahead will be exciting and full of promise – for our employees, customers, and shareholders around the world.

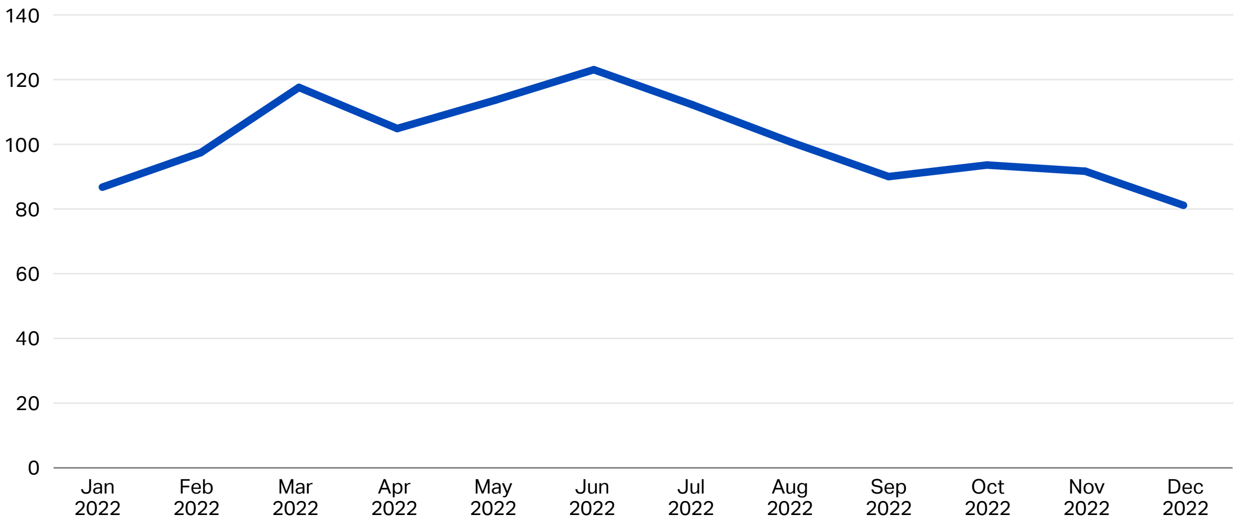
Market Overview

Global economic volatility

While numerous factors contributed to global inflation and the fluctuation of oil prices in 2022, the most influential were the Russia–Ukraine war, continued COVID restrictions in China impacting demand for oil, inflationary pressures fueling recession fears, and the decision by the US to release 180 million barrels from the Strategic Petroleum Reserves (SPR).

The United Arab Emirates' energy sector and drilling industry continued to excel and deliver significant growth, during a year of demand recovery post–COVID coupled with significant supply uncertainty on global energy markets that led to higher average oil prices.

Brent price $/bbl (2022)



Inevitably, the sanctions imposed on Russia and its fuel infrastructure have partly isolated a major oil and gas exporter, leaving much of Europe to source its fuel from elsewhere and driving costs even higher. With the war continuing as of year–end 2022, coupled with bans on Russian crude imports and the introduction of a price–cap mechanism, Russian oil output remains below pre–war levels with limited global stocks to fill the gap over the medium to long term.

This was mitigated to some extent – in the short term at least – as China imposed further COVID lockdown laws to combat the pandemic. This initially led to a decrease in demand for oil, but those laws were later relaxed and the demand for oil in the winter months rose once again. With the recent conclusion of its zero–COVID policy, the Chinese economy remains an unpredictable market as we enter 2023.

The United States' announcement that it would release 180 million barrels of its Strategic Petroleum Reserve (SPR) stock was intended to ease fuel prices domestically and slow inflation, with the aim of restocking when prices drop. As of year–end, the impact of this move was evident, slowing inflation and decreasing domestic fuel prices, though not as great as drop as expected.

Market Overview continued

A stronger, greener UAE oil economy

For the United Arab Emirates, 2022 was a return to relative normality. Higher oil prices combined with increased oil export volumes and a revival in non–oil demand supported strong economic growth, with real GDP forecast to grow by 5.9%, according to the World Bank.

Bolstered by a favorable business environment, low cost/low carbon production and world–class infrastructure, it has been a highly positive year for growth, despite the uncertainty associated with the global economy and geopolitical tensions.

Many of last year's investment strategies revolved around a drive towards greener, more sustainable energy sources, including solar, wind, nuclear and hydrogen. In 2022, the UAE launched its net zero emissions by 2050 strategic initiative, making it the first nation in the MENA region to do so. More recently, $15 billion was allocated by ADNOC to progress various projects across a diversified value chain by 2030. These projects will include investments in clean power, carbon capture and storage (CCS), further electrification of ADNOC operations, energy efficiency and new measures to build on ADNOC's long–standing policy of zero routine gas flaring.

In 2022, ADNOC signed agreements with 25 companies potentially worth AED35 billion that will stimulate investment in local manufacturing of critical products in support of the diversification of the United Arab Emirates (UAE's) industrial and manufacturing infrastructure. The agreements set out the suppliers' intention to manufacture 21 products in the UAE, supporting the delivery of ADNOC's 2030 strategy, as it cements its position as one of the world's leading low–cost, lower–carbon intensity energy producers. Among the products which could be manufactured in the UAE are pressure vessels; compressors; pipeline inspections gauges; specialist valves; industrial pumps; switchgears; variable speed drives; and flame and gas detectors. The agreements could also see investments made in machining, reverse engineering, and non–destructive testing equipment.

A suite of new projects and initiatives have been announced, including a first–of–its–kind CCS project, innovative carbon removal technologies, investment in new, cleaner energy solutions and strengthening of international partnerships.

Speaking at ADIPEC 2022, H.E. Dr. Sultan Ahmed Al Jaber, ADNOC Group CEO and Chair of ADNOC Drilling, addressed the need for the UAE to maintain its economic growth through heavily investing in alternative energy. He emphasized a "maximum energy with minimum emissions" approach to ensure global energy security, echoing the UAE's economic and ecological commitment to safeguarding the environment.

> "A new, bold, realistic and pragmatic pathway that benefits humanity, the climate, and the economy.
>
> **H.E. Dr. Sultan Ahmed Al Jaber**
> CEO of ADNOC Group

Market Overview continued

Drilling industry confidence

Global demand has largely recovered from the decline that occurred from 2020 to early 2021, when operators either canceled or postponed projects owing to low commodity prices, leading to a general increase in demand for rigs, both onshore and offshore.

Drilling markets in general

The drilling industry is inherently volatile, demand is linked with movements in commodity prices and supply/demand balance has historically been cyclical, leading to 'super–cycles' at the peaks (last 'super–cycle' occurred in conjunction with high oil prices around 2009–2013) and serious distress at the lows (most recently in 2015–2019, prolonged by the global pandemic in 2020–2021). Many industry players and observers see clear signs of an emerging 'super–cycle' today.

The prolonged period of industry distress has led to a significant number of insolvencies, but also to a long period of no further investment in new drilling capacity on the supply side. In addition to delaying any plans to build new capacity, it has also forced the owners and operators of drilling rigs to rationalize their existing fleets in order to minimize (stacking) costs leading to reduction in global supply. This has all led to an improved balance in the marketplace and created a strong momentum for day rate increase.

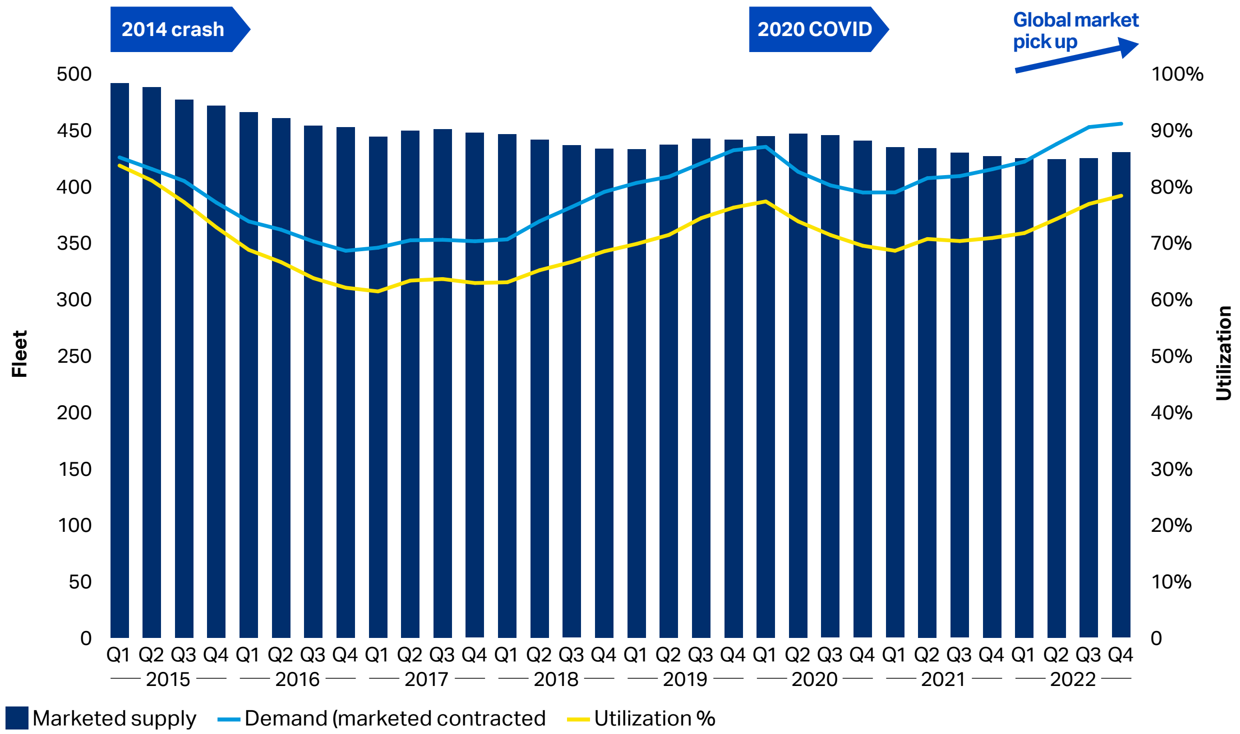
ADNOC Drilling, albeit one of the largest drilling companies in the world, benefits from a differentiated commercial model. Its rigs are typically contracted for a 15–year period with ADNOC Offshore and ADNOC Onshore (its exclusive key clients), whereas a typical drilling contract in the local marketplace from a single well is around 12 months. The pricing model is also differentiated. ADNOC Drilling contracts rigs with its clients based on a (guaranteed) return model, as opposed to the market determined and competitive model used generally in the industry. That provides ADNOC Drilling exceptional visibility of earnings and cash flow, but also a unique platform to optimize operations in a stable and longer–term manner.

Jack–ups

Despite global demand in the jack–up segment still being comparatively low from a historic perspective, confidence in the segment is rising and contractors are feeling more bullish as the recovery is clearly accelerating.

In 2022, with the improvement in oil prices, along with global uncertainty about oil and gas supplies caused by the war between Russia and Ukraine, jack–up demand has increased. Already ahead of this, in the 2016–2021 timeframe, a large number of drilling contractors had gone through insolvency and/or balance sheet restructuring and recapitalization processes strengthening significantly their competitiveness and ability to develop their businesses. In connection with the liquidity crisis, the global drilling community also had to make difficult decisions regarding stacked rig capacity. As a result, supply capacity was permanently removed from the market. The global supply/demand balance has tightened, particularly in the modern high–specification end of the global fleet, allowing drilling contractors are renewing their push for higher day rates after several years of business losses.

Global jack–up market



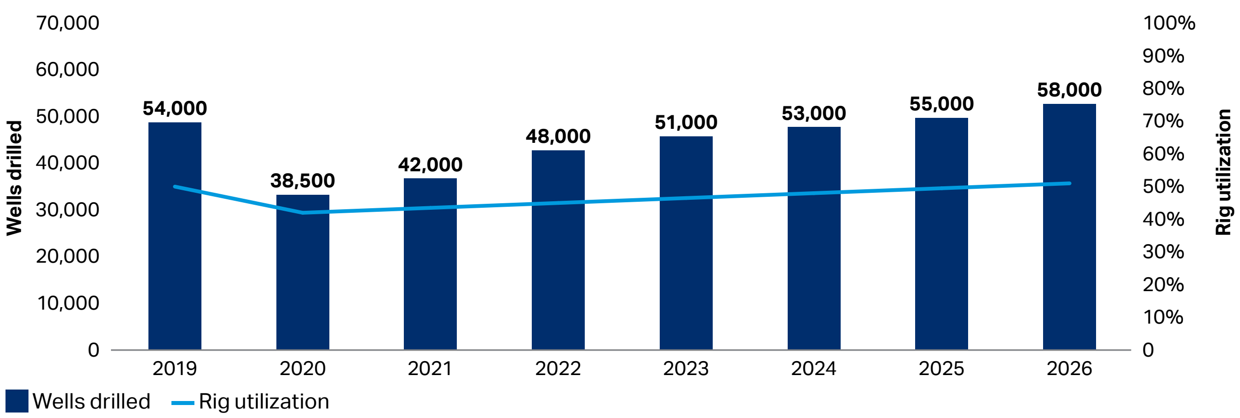
Market Overview continued

Given the vast scale and significant capacity growth programs, particularly in Saudi Arabia, the UAE and Qatar (which together accounted for some 70% of the global contracting activity in 2022), the Middle East is the dominant global jack–up market. Drilling contractors have been migrating jack–ups into the region from around the world to meet increased demand and to position the capacity closer to the opportunities. As a result of this geographic reallocation of supply, the excess capacity has reduced in other geographies.

2022 has seen a mass movement of 28 jack–ups into the Middle East, some of which are still scheduled for later in 2023. This has absorbed much of the global available supply of premium rigs, greatly tightening the market. Regional drilling contractors, namely ADNOC Drilling and ADES from Saudi Arabia, keep expanding their fleets to achieve the ambitious production targets of 5 million barrels per day and 13 million barrels per day by ADNOC and Aramco, respectively.

Middle East jack–up demand is expected to increase from 125 this year to 169 units on average in 2023 and 183 in 2024. The supply of rigs in the region was 150 at the beginning of 2022, and by 2024 this is expected to be 186. The demand drivers are Saudi Aramco, which is expected to increase its fleet by 42 units to more than 90 total between now and 2024, and ADNOC, which still needs to increase its fleet for ambitious 2027 production targets. These two companies will generate about 70% of the Middle Eastern demand.

Global wells drilled and drilling utilization, 2019–2026



Market Overview continued

Rig acquisition is a key part of the Company's fleet expansion and growth strategy that is a key enabler of ADNOC's accelerated oil production capacity target of 5 million barrels per day by 2027. The Company has almost doubled its offshore Jack–up rig fleet to 31 since early 2021. ADNOC Drilling added a total of seven rigs in 2022 and four rigs were acquired in 2021, with further expansion expected in 2023 and beyond.

Land rigs

Overall, 2022 has been a year of significant recovery for land rigs on a global scale, though slower than for jack–up rigs. At the height of the pandemic, a severe drop in activity resulted in a 25% decline to 3,550 operational rigs, but in 2022 many countries saw increased demand for high–spec rigs.

The current economic and socio–political environment has reignited global demand, leading to increasing day rates worldwide, and mid–term forecasts expect drill utilization to steadily increase until 2026 and beyond. Activity in GCC countries has been hampered for much of 2019–2021 by a need to comply with OPEC output restrictions, exacerbated by Covid–19 in 2020, resulting in an unprecedented drop in demand causing OPEC to reduce supply. However, over the past year, GCC countries have been a hotspot for contract awards as several member countries target an increase in production capacities, led by Saudi Arabia and the United Arab Emirates. ADNOC continued to invest in exploration, announcing three new onshore discoveries in May 2022, with a combined 650 million barrels of oil reserves.

Land rig day rates in the Middle East and North Africa continue to vary significantly. GCC countries have commanded higher rates than elsewhere in the region, partially due to demand and the higher spec rigs available. In 2022, there was more fluctuation in North African day rates due to a trend towards short–term rig contracts compared to the long–term contracts in the Middle East.

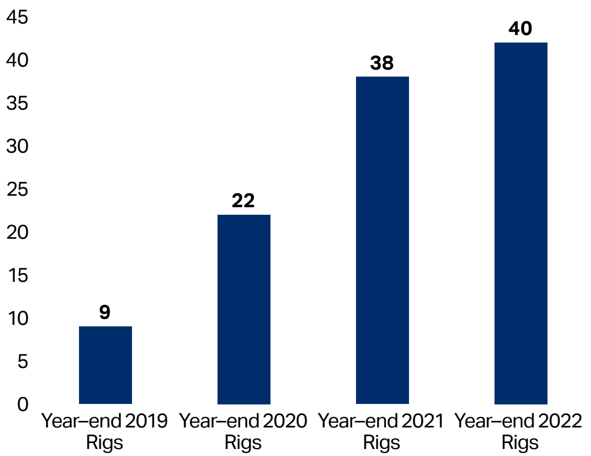
ADNOC Drilling has a Rig Services Framework Agreement with ADNOC Upstream Companies, which ensures that ADNOC Drilling will continue to provide, or procure the provision of, Rig Services to, or on behalf of, the ADNOC Upstream Operating Companies. The unique contractual regime with ADNOC allows long–term de–risked rig investments, generating double–digit Internal Rate of Return (IRR) over a 15–year timeframe, providing high visibility and strong downside protection.

Expansion of our rig fleet will enable us to increase our current scope of rig hire services, drilling and completion services and associated services, and provide unconventional drilling and biogenic wells, leading to increased revenue and profitability. As part of the first phase of the rig fleet expansion program, ADNOC Drilling acquired four technically advanced land drilling rigs, manufactured by NOV in the UAE during 2019 and added eight H&P rigs during 2021–2022.

OFS

2022 was a good year for the oilfield service market as upstream operators boosted investments and suppliers enjoyed higher revenues and improved profitability, despite inflationary headwinds. Rystad Energy has forecasted that this year is set to become even better for the OFS industry, with investments rising by 9.5% from 2022. Furthermore, inflation is likely to slow down in some segments such as Engineering, Procurement, Construction and Installation, improving operating conditions compared to last year. Some regions and service segments are on track to outperform the rest and provide ample opportunities for suppliers in the year ahead. For instance, the Middle East and North America are likely to lead the growth on a regional basis, along with the overall segments for drilling and intervention; reservoir and stimulation; and engineering and construction.

IDS Rig Count



For ADNOC Drilling, OFS offers all–encompassing drilling and well construction services that span the entire drilling value chain. IDS has improved our performance, reliability and costs, enhancing our competitiveness by delivering better well economics for every stage from design to delivery.

In a year marked by continued growth and diversification for our OFS business, we expanded our fleet from 38 to 40 IDS rigs and delivered a total of IDS wells for our customers, including 67 benchmarked wells delivered, of which 52 wells were ahead of schedule and budget.

With an increasing focus on unconventional oil and gas resources, we aim to become a Middle East regional leader in unconventional development. During 2022, we continued to invest in the latest industry innovations to enhance our fracking operations, delivering a total of 64 fracking stages (+10% vs. 2021) and increased our market share from 58% to 100%.

Through our combined industry expertise, specialist innovation and cutting–edge technology, we have succeeded in drastically reducing costs while increasing productivity. In 2022, we performed IDS on 40 rigs, representing 40% market share. We were also awarded $1.3 billion in contracts by ADNOC for the Hail and Ghasha Development Project, to provide IDS and fluids for up to 10 years.

As we continue to set new benchmarks in each of our diversified service areas, our primary goals remain to grow our fleet, expand our reach and maintain our status as the leading OFS provider in the region.

Market Overview continued

Drilling expansion and diversification in the UAE

For ADNOC Drilling and the UAE drilling industry, 2022 was a year of significant exploration and discovery.

Market strategy and industry expertise paid dividends during the year, with significant new reserves discovered. The finds included 500 million barrels of oil at Abu Dhabi's largest onshore field, Bu Hasa, around 100 million discovered barrels in Onshore Block 3, and approximately 50 million barrels in Al Dhafra Petroleum Concession. The first exploration well in Abu Dhabi's Offshore Block 2 Exploration Concession, operated by Eni, also indicated between 1.5 to two trillion standard cubic feet of raw gas in place.

With each find, the Company contributes to ADNOC Group's long–term hydrocarbon development programs to further unlock the oil and gas reserves of Abu Dhabi. This includes delivering the wells necessary to enable ADNOC's plan to increase oil production capacity to 5 million barrels per day by 2027.

Since ADNOC Drilling's IPO, ADNOC has awarded more than $13 billion in contracts for drilling–related equipment and services. In line with ADNOC's (ICV) strategy, 70% of the value of those awards will flow back into the UAE economy, supporting manufacturing growth, employment, and economic diversification.

Our Business Model

ADNOC Drilling enables ADNOC to reliably and efficiently unlock the UAE's oil and gas resources in the service of the nation.

What we bring to the table

Robust balance sheet, sustainable cash flow generation and revenue pipeline

Diverse and committed workforce

Key enabler of ADNOC's expansion plans

Well–maintained assets

World–class operational excellence

What we do

Onshore drilling

Offshore drilling – Jack–up

Offshore drilling – Island

Oilfield Services

How our strategy drives us

- Capitalize on ADNOC's increasing oil and gas production capacity
- Launch a major rig fleet expansion program to support ADNOC's Upstream growth plans
- Become a regional leader in unconventional drilling
- Pursue business expansion beyond Abu Dhabi's borders
- Achieve 100% HSE and asset integrity

Key to our success

- Robust technology and innovation
- Experienced leadership
- Effective corporate governance and risk management models
- Keen focus on sustainability

What sets us apart

- Sole drilling provider in Abu Dhabi
- Largest drilling company in Middle East by rig fleet size
- First integrated drilling provider in region
- ADNOC Upstream Onshore and Offshore operating companies are our main clients
- Well positioned in oilfield services market

Stakeholder value creation

Shareholders
High returns, limited risk, superior financial performance, rewarding dividend policy

Suppliers and Partners
Alliances with industry–leading service providers, Baker Hughes and Helmerich & Payne (H&P)

Customers
ADNOC Upstream operating companies and concession block holders

Community
Strong social responsibility, local community development

Employees
Inclusive culture and diverse workforce, local talent development

Our Strategy

Our corporate strategy is designed to **deliver superior results and enhanced growth.**

Our aim

ADNOC Drilling is a stable, performance–driven, market resilient and cost–focused organization. We drive operational efficiencies and technology and optimize development cost, creating more value as we grow.

Our aim is to deliver even greater value to ADNOC Group, to our shareholders, partners and customers by efficiently delivering wells that contribute to ADNOC Group's leading position as one of the largest and least carbon–intensive, lowest–cost oil producers in the world.

Purpose

To continue to build on our competitive position as a responsible and sustainable service provider, to relentlessly push for efficiency and operational excellence using advanced technologies, while maintaining a firm focus on safety, environment and empowering our people.

Our Vision

We enable ADNOC to unlock the UAE's oil and gas resources for the benefit of our people, communities, partners, shareholders, customers and our nation.

Our Mission

We drive operational efficiencies by leveraging innovative technology, smart drilling techniques and engineering solutions to consistently capture efficiencies as we drill more wells, creating more value as we grow.

Our strategy is enabled by six key objectives:

1
Capitalize on ADNOC's increasing oil and gas production capacity.

2
Launch a major rig fleet expansion program to support ADNOC's Upstream growth plans.

3
Become a regional leader in unconventional drilling.

4
Achieve operating efficiency by optimizing well duration.

5
Pursue business expansion beyond Abu Dhabi's borders.

6
Achieve 100% HSE and asset integrity.

Case Studies

Extended Reach **Drilling**

Following ADNOC's pioneering construction and use of artificial islands for hydrocarbon exploration, ADNOC Drilling pioneered responsible drilling from these islands.

The ADNOC Drilling offshore island segment has led the way in delivering multiple wells from a single surface location. Drilling at the artificial islands advances efficiency by allowing more than 200 wells to be delivered from each island, instead of up to 10 from a conventional jack–up rig.

We have continued to innovate and deliver progressively longer wells for our customers. The technique to deliver these long, horizontal wells is called Extended Reach Drilling (ERD). An advanced form of directional, horizontal drilling, ERD comes with multiple benefits for the customer, including reduced well delivery time, reduced costs, and the associated reduced emissions and environmental impact.

These key benefits are coupled with our customer being able to access previously stranded reserves, as well as reducing cost associated with the traditional infrastructure required. Collectively, this has led to ADNOC Drilling delivering longer and longer wells for its customer ADNOC Offshore, ultimately delivering the longest horizontal well in the world in 2022.

In the summer of 2022, the longest ERD well in the world was delivered from Umm Al Anbar artificial island in the Upper Zakum field. With a total length of 50,000 feet, it allowed our customer to access up to 200 million barrels of stranded reserves, without additional infrastructure cost.

This incredible feat of record–breaking engineering set new industry benchmarks, while maximizing value for our customer by reducing drilling time and costs. The longest well enabled the customer to unlock more resources with reduced emissions, with a reduced environmental footprint and impact on the local marine environment.

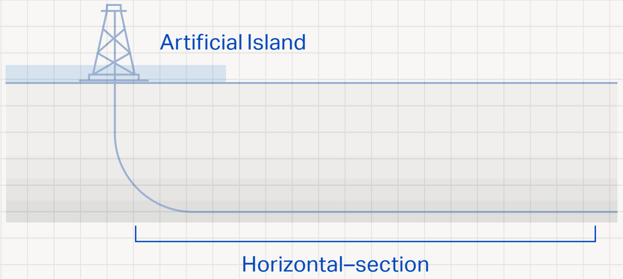
Number of wells delivered from each island

200+

Total length

50,000ft

ERD diagram



Case Studies continued

True teamwork advances efficiency and excellence

On eight new land rigs across Abu Dhabi, 20 operational leaders from across the U.S. supervise drilling and maintenance crews.

Mentoring and coaching ADNOC Drilling crews, the men are from U.S.–based Helmerich & Payne (H&P). For more than a year, they have been part of the ADNOC Drilling team, at rigs and in offices, helping to drive drilling rig efficiencies.

ADNOC Drilling and H&P signed a three–year Rig Enablement Framework Agreement in late 2021 that strengthened the companies' existing strategic partnership. ADNOC Drilling had committed to buy eight high–performance land rigs known as FlexRigs©. When the rigs arrived, so did a total of 29 H&P people. Twenty of them headed to rig sites.

Working side–by–side, the team has implemented preventative maintenance practices and reduced rig move times and costs. Crew sizes are now smaller, leading to safer operations, and less fuel consumption means fewer emissions.

With a total of 150 years of drilling experience between them, the companies have learned that sometimes 1+1 equals far more than two.

New Integrated Drilling Services Contracts Underscore Robust Track Record

ADNOC Drilling has built an Oilfield Services division in under five years that would have taken others over a decade.

Today generating revenues of more than $400m in 2022, the Oilfield Services division is testament to the entrepreneurial nature of ADNOC Drilling. Oilfield Services provide IDS, a total solution, to its customers both onshore and offshore.

IDS is the practice by which integration of all well services and equipment are covered by one service company, the IDS contractor. The customer gains one point of contact, improvements in efficiency and HSE, as well as reduced costs. ADNOC Drilling gains better customer relationships and more value from every well it delivers.

Removing time, cost and management barriers associated with individual services under several contractors for a single oilfield project delivers benefits for customer and service provider alike. Almost half the wells ADNOC Drilling now delivers are IDS wells; from a standing start in 2018, this is an achievement delivered by everyone in ADNOC Drilling.

A succession of landmark IDS contract wins in 2022, including ADNOC's $1.3 billion award over 10 years to deliver IDS at its Ghasha offshore mega–project, underscored the importance of this division. The Ghasha project is the world's largest offshore sour gas development and plays a key role in ADNOC's plans to meet growing domestic and international demand for gas, as well as enabling gas self–sufficiency for the UAE. Production from the concession is expected to start around 2025, ramping up to more than 1.5 billion standard cubic feet per day before the end of the decade.

Powered by IDS, the OFS division was awarded more than $5 billion in contracts in 2022, demonstrating the division really has come of age.

Our Strategy continued

Our Strategic Pillars

Capitalize on ADNOC's increasing oil and gas production capacity.

We believe we are well positioned to benefit from a planned increase in drilling activity to meet ADNOC's target of increasing crude oil production capacity to 5 million barrels per day by 2027 and its integrated gas strategy to unlock the potential of unconventional gas resources in line with the UAE's objective to become gas self–sufficient.

2022 Achievements

Through the strengthening of our relationships and partnerships with Baker Hughes and H&P, eight new rigs became fully operational by the end of the year.

We also performed Integrated Drilling Services (IDS) on 40 rigs, representing 39% market share. We were also awarded $1.3 billion in contracts by ADNOC for the Hail and Ghasha Development Project, to provide IDS and fluids for up to 10 years.

Future Goals

Our role as the key enabler of ADNOC's acceleration of the production capacity target has led the Company to bring forward our owned rig count of 127 by 2030 to 142 by the end of 2024.

Launch a major rig fleet expansion program to support ADNOC's Upstream growth plans.

We believe there will be an increase in drilling activity over the coming years considering ADNOC's commitment to increase its crude oil production capacity to 5 million barrels per day by 2027. Additionally, as we plan to expand our business beyond the UAE and pursue business opportunities in the region, we expect a need for rig fleet expansion to support growth plans.

2022 Achievements

We now own and operate 115 fit–for–purpose rigs, up from 99 in 2021.

Future Goals

Given our accelerated activity, we expect the fleet number to climb to 142 rigs by 2024 compared to prior guidance of 127 rigs by 2030. Pulling forward our growth plans will lead to an additional 30 rigs joining the fleet, including three expected retirements over the period, for a total of 21 land rigs and 9 offshore jack-ups. These rigs will enable us to increase our current scope of rig hire services, drilling and completion services and associated services to provide drilling of unconventional wells.

Become a regional leader in unconventional drilling.

The transformation into an integrated drilling service provider forms part of a wider strategy to become a regional leader in unconventional drilling development, expand outside of the UAE, and move toward more integrated drilling services and oilfield services.

2022 Achievements

We continued to invest in the latest industry innovations to enhance our fracking operations, delivering a total of 61 fracking stages (+10% vs. 2021) and increased our market share from 58% to 100%.

Future Goals

In the broader context of achieving the UAE's strategy of gas self-sufficiency, we aim to have 20 rigs performing unconventional drilling by the end of the decade. This is in parallel to the goal of producing 1 billion cubic feet per day of unconventional gas by 2030.

Our ambition remains the same – ADNOC is currently unlocking potential unconventional gas resources as part of its integrated gas strategy in line with the UAE's objective to become gas self–sufficient.

Our Strategy continued

Our Strategic Pillars

Achieve operating efficiency by optimizing well duration.

Increased operational efficiency will enable us to develop and maintain long-term customer relationships and maximize the utilization of our fleet. The added project management and oilfield services capabilities acquired as part of the strategic alliance with Baker Hughes, in addition to our existing in-house rig rental and rig management capabilities, are strong contributors to the optimization of well duration.

2022 Achievements

We completed the longest extended reach well at 50,000 feet, using unparalleled expertise and pioneering drilling technology from artificial islands.

This approach leads to cost efficiencies as well as greater access to reserves without additional costly infrastructure and a reduction in environmental footprint.

Future Goals

We will continue to focus on increased operational efficiency by optimizing well duration with a targeted 5% to 10% year-on-year improvement.

Pursue business expansion beyond Abu Dhabi's borders.

ADNOC Drilling's recent transformation into an IDS provider positions us as a regional drilling services provider. In this role, we expect to enter new markets with a competitive cost base compared to competitors and an improved service range compared to other traditional drilling services providers in the market.

2022 Achievements

2022 focused on expanding within Abu Dhabi and fulfilling existing contracts.

We also continued to discuss and explore expansion opportunities outside Abu Dhabi.

Future Goals

We will proactively continue to explore new opportunities outside Abu Dhabi, particularly in light of the current OFS forecasts of growth by 2025 in onshore and offshore drilling operations and OFS in the MENA region.

Achieve 100% HSE and asset integrity.

Our top priority is to protect our people, our assets and the environment.

Our HSE performance is continuously challenged, particularly as our operations expand and increase in complexity. We recognize the value and importance of the health and safety of our employees and other stakeholders as well as the protection of our environment.

2022 Achievements

We have established an ongoing system for the management of the integrity of our assets and regular audits and controls.

We delivered our lowest ever Total Recordable Injury rate of 0.60 as a result of our proactive HSE culture transformation journey, consisting of HSE academies delivering Human Performance Leadership training for early intervention and encouraging near-miss reporting. HSE communication, reporting, audit programs, inspection and controls have also contributed to our safety record.

Future Goals

Our ongoing mission of 100% HSE and asset integrity sits at the heart of what we do. We will continue to embed a Goal Zero safety strategy, and a culture of empowerment, responsibility and accountability for all our employees.

Stakeholder Engagement

We have identified five main stakeholder groups who are **vitally important to the success of the Company.**

We ensure we are continuously aligned through regular and ongoing communication throughout the year.

Our Shareholders

How you engage?

Through IR, Senior Management and Board of Directors on calls, issuing press releases and earnings presentations, and other communication, and at scheduled meetings including the AGM

How often you engage?

As and when required (daily, bi–weekly, weekly, monthly, bi–monthly, quarterly, bi–annually, annually)

Key issues/items discussed

Financial and operational performance

Opportunities

Business status

Future outlook

Upcoming events and activities

Ad hoc events or activities

Any actions from these discussions that ADNOC Drilling is/will implement

Operational and strategic action taken depending on the discussion

How you create value for the stakeholder group

Keeping shareholders well informed of present and upcoming business activities

Fostering transparency and openness in all communications

Our Employees

How you engage?

Through line managers, Group–wide and team–wide internal communications, Hub, campus activity at meetings and key events or celebrations during the year

How often you engage?

As and when required (daily, bi–weekly, weekly, monthly, bi–monthly, quarterly, bi–annually, annually)

Key issues/items discussed

Key performance stories

Business development

Quarterly updates

Individual performance

Any actions from these discussions that ADNOC Drilling is/will implement

Develop any areas discussed with employees

How you create value for the stakeholder group

Enabling more CEO and Senior Management engagement through live and remote internal comms

Focusing on putting employees at the heart of the organization

Stakeholder Engagement continued

Our Customers

How you engage?

Throughout the year from all business lines and support functions

How often you engage?

As and when required (daily, weekly, monthly)

Key issues/items discussed

Performance

Opportunities

Business status

Relationship building

Any actions from these discussions that ADNOC Drilling is/will implement

Operational and strategic action taken depending on the discussion

How you create value for the stakeholder group

Providing an understanding of our joint key business imperatives

Ensuring customers are getting the best value

Our Suppliers and Partners

How you engage?

Throughout the year from all business lines and support functions

How often you engage?

As and when required (daily, bi–weekly, weekly, monthly, bi–monthly, quarterly, bi–annually, annually)

Key issues/items discussed

Key performance stories

Business development

Quarterly updates

Individual performance

Any actions from these discussions that ADNOC Drilling is/will implement

Operational and strategic action taken depending on the discussion

How you create value for the stakeholder group

Providing an understanding of our business priorities and how they are best suited to deliver against our business needs

Our Community

How you engage?

Through events and initiatives during the year, partnerships with entities including the Ministry of Education

How often you engage?

As and when required

Key issues/items discussed

Fulfilling a need or support for a given initiative

Partnership opportunities

Any actions from these discussions that ADNOC Drilling is/will implement

Provision of support or services when required

How you create value for the stakeholder group

Assisting communities in times of need, where and when collaboration and support is most needed

Investment Case

A life–long strategic partner at the heart of ADNOC Upstream

ADNOC Drilling's investment case is built on three key features:

A solid base, as the contractual framework with ADNOC provides the Company with stable revenues and profit margins superior to other drilling industry competitors

The secure delivery of a resilient financial performance paired with a strong and prudent balance sheet

Captive growth opportunities both in drilling services and on the IDS side of the business. This is driven by ADNOC's strategic plans to increase production capacity from 4 to 5 million barrels per day by 2027, achieving UAE gas self-sufficiency by 2030 including development of unconventional resources leading to 1 billion cubic feet per day of unconventional gas.

High return, limited risk proposition

Integral position to ADNOC operations driving bespoke contractual position

Attractive returns, high visibility and strong downside protection

Compelling IRRs generated over a long time, driving significant cash generation

The unique contractual regime with ADNOC allows long–term de–risked rig investments, generating double–digit Internal Rate of Return (IRR) over a 15–year timeframe, providing high visibility and strong downside protection.

Compelling contractual IRRs generated on the rigs over long periods of time drive a robust and resilient cash generation.

The contractual framework and associated high return/limited risk terms lead to a special financial profile, with high and stable margins.

Delivering superior financial results

Undisputed returns leadership throughout the cycle

Strong cash conversion, robust capital stewardship and solid balance sheet

Attractive cash return–focused dividend policy

ADNOC Drilling shows undisputed returns leadership through the cycle.

Its unique status within ADNOC Upstream not only provides certainty in business, but also visibility in top line, and margins unheard of in the drilling sector.

The Company's margin profile stands out, both in terms of EBITDA and net income margins, as well as stability, despite volatility in commodity prices or external factors like the recent Covid–19 pandemic.

Significant opportunities for growth

Key enabler to ADNOC's delivery on its long–term Upstream targets

Strong in–house capability set drives accelerated growth into oilfield services

Further potential for disciplined domestic and regional expansion

ADNOC's strategic Upstream targets and planned Upstream activity translate into drilling activity and a significant captive demand for us to provide the necessary infrastructure and services.

The accelerated growth into OFS continues to add further upside to the top line. OFS is expected to become a material scale business over the coming years and be a substantial driver of earnings growth going forward.

Further potential for disciplined domestic and regional expansion also exists.

Business Review

Onshore Drilling

In line with ADNOC Drilling's overall profitable expansion strategy, 2022 saw excellent production performance, efficiency and financial results in Onshore. Our Onshore business is one of the largest land drilling businesses in the world, and continues to be the largest contributor to our earnings and cash flow. We added further capacity to our fleet of young, versatile rigs this year, enabling us to grow our footprint and services to create increasing value for our customers and business.

Powering ADNOC Drilling's financial performance for the year, Onshore continued to be the Company's largest segment, delivering strong topline growth to contribute 54% of the Company's overall annual revenue.

Robust margins, strong and visible cash flow and increasing demand for additional land drilling capacity in the UAE continue to drive our reinvestment strategy. We increased the number of deployed Onshore rigs by more than 14% compared to 2021, from 65 to 74, and successfully drilled 528 wells during 2022. This was combined with greater consistency and productivity of our rigs, which had an excellent 94% availability rate for the year.

Our focus on maximum rig utilization, lower costs and greater versatility proves more successful each year, as Onshore teams provide greater access to production in less time, highlighted by our rig efficiency of 93% for the year.

2022 Highlights

Additional rigs
9

Rig efficiency
93%

Total wells
528

Rig availability
94%

Strengthening our core

We continue to accelerate our growth and support for ADNOC Drilling's operational performance as its largest division and revenue generator.

Investment in not only additional capacity, but also technology and digitization continues to be a priority to aid our expansion, delivering exceptional value to our customers and stakeholders. Further investment in Maximum Reservoir Contact (MRC) wells and unconventional oils wells, the first of which was put into operation this year, continues to add to our growth and results, both short and longer term.

Onshore's recent strategic agreements and partnerships paid dividends in 2022, as we continue to expand our operations. As part of our alliance with US–based H&P, a global leader in land drilling alongside ADNOC Drilling, eight additional FlexRigs®, as well as one Great Wall rig, commenced operations last year as part of ADNOC Drilling's ongoing rig acquisition program. The acceleration of ADNOC's production capacity growth program will lead to significant further growth in this segment as we add 21 land rigs to the fleet over the next two years.

As increasingly demonstrated in 2022, the three–year Rig Enablement Framework Agreement with H&P drives operational excellence through maintenance, supply–chain, engineering and design collaboration with a world–class partner. The alliance will also deliver more competitive completion times, greater drilling efficiencies and improved well economics, laying the foundation for future growth by providing opportunities to expand our services beyond the UAE.

Business Review continued

Onshore Drilling continued

Our Onshore operations
Onshore provides optimum services and results with one of the largest, most modern and efficient drilling fleets in the world. More than half of our fleet is fewer than 10 years old, equipped with highly–advanced technical and operational specifications to deliver world–class integrated and diverse drilling solutions to our customers.

Our innovation throughout 2022 continued to play a greater role, including the introduction and implementation of triple catwalk systems in lifting pipes and casing wire drilling to further optimize time and cost of production.

We are 100% committed to the wellbeing of the people who operate our rigs and have instituted a Culture of Care campaign. We have improved safety accountability and initiated an employee reward program for exemplary health and safety practices at work.

Setting new standards
Highlighting our achievements in innovation, planning and collaboration, in the first attempt of its kind in the MENA region, land rig AD–22 ran smart completion within seven days in the longest horizontal section. In another first, Onshore drilled a well in just 8.75 days, a new record for the Company.

This year we achieved new technical milestones, drilling the longest measured depth well (DY–199) across all ADNOC Onshore to a depth of 32,101 feet with a 6–inch drain and recorded pressure points across a 6–inch horizontal hole.

We continued to ensure proper planning of rig spares and preventive maintenance to avoid rig outages and equipment failures, while monitoring rig efficiency through the Real Time Monitoring Center (RTMC) to identify opportunities to enhance operating efficiency and performance.

We also successfully developed Phase 1 of our Integrated Drilling to Billing System (IDBS), designed to streamline the existing billing process with technology to improve working capital, while allowing us to support our partners in more collaborative and efficient manner.

Our financial achievements
Revenue for the year was $1,453 million, up 27%, year–on–year basis, largely driven by new rigs joining the fleet. Likewise, EBITDA had also increased with a rise of 43%, year–on–year due to increased drilling activity for the segment and cost efficiency initiatives. Overall net profit for Onshore increased by 83% on 2021.

2022 Revenue

$1,453m

27% increase over 2021

2022 Net Profit

$537

83% increase over 2021

Contribution to ADNOC Drilling profits 2022

67%

2023 Outlook
Following an excellent year of growth in 2022, we will continue to expand our fleet, enabling ADNOC's accelerated capacity targets, reaching out to new customers in the region and discovering new ways of further improving our profitability. We expect our Onshore business to expand materially, both operationally as well as financially.

We will acquire a large number of new rigs in 2023 and fast track their deployment to accelerate revenue and earnings, while investing in digitization, innovation, technology, artificial intelligence and automation to ensure that our assets are among the most efficient and productive in the region.

Our consistent growth over the past two years remains in line with projections to reach a total of 745 wells in 2023. This is complemented by our focus on continuing to build relationships with our existing customers, and enter new markets by forging new alliances to provide even more opportunities for our fleet.

We will also continue to invest in our people, anchored by health and safety, leadership and training to ensure that we have the most experienced and professional teams in the drilling industry. We are moving into stage two of expanding our Operating Philosophy to utilize automation, digitalization and mechanization to decrease risk exposure by minimizing people on rigs.

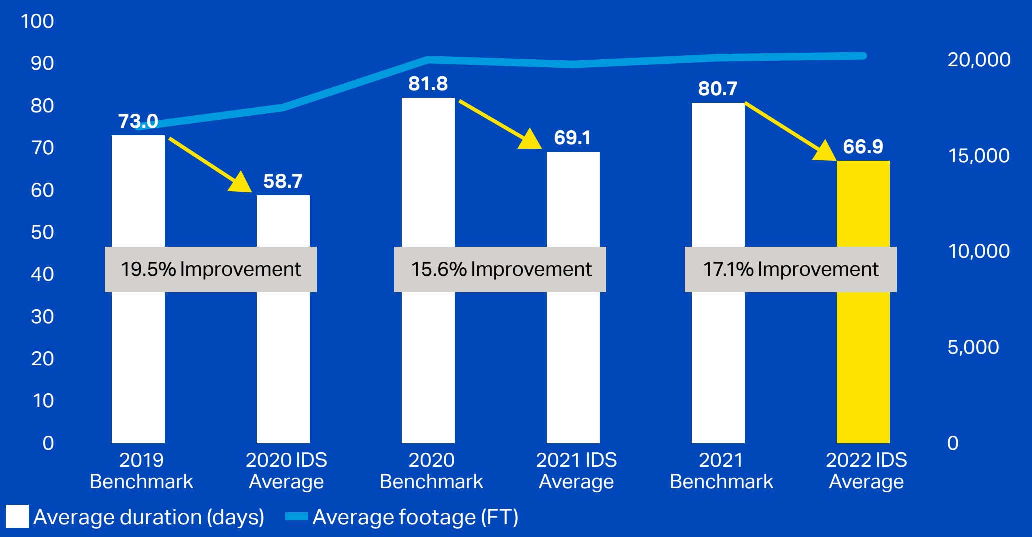
Our ongoing priority to protect the environment and build a greener fuel future will also feature heavily on our agenda. As part of The Company's continued rig acquisition program, we are working with partners to develop and deploy green rigs in the future. We will also link worker's accommodation camps to electric grids and seek to reduce emissions by replacing engines with battery–driven power sources, paving the way for more environmentally–friendly operations in the years ahead.

Business Review continued

Offshore Drilling

The Offshore segment continued its impressive growth and is on track to double its operating fleet between 2021 to 2024 to become one of the largest Jack–up rig operators in the world. The segment delivered another strong performance in 2022, continuing to build on its reputation for operational and HSE excellence based on a stellar track record. This outstanding performance supported the creation of significant value for all our stakeholders, while contributing significantly to the strategic progress and financial performance of the client, ADNOC Offshore.

Combined offshore performance 2022



2022 Offshore highlights

2022 Revenue

$815m

Contribution to ADNOC Drilling revenue 2022

30%

2022 Net profit

$241m

Business Review continued

Offshore Drilling – Jack–up

The Company ended 2022 with a total owned fleet of 31 jack-ups.

Offshore Jack–ups are capable of drilling wells to maximum depths of 30,000 feet and in maximum water depths of 350 feet. During 2022, we maintained all our jack–up rigs and integrated five further jack–up rigs into our operations during the year, transferring an additional five to our ownership for 2023 integration, building capacity to deliver near– and longer–term growth and provide increasing flexibility and support to our customers.

Overall, jack–up rig availability for the year reached 97%. This result is due in large part to the quality of our fleet, commitment to operational excellence and dedication of our workforce. To safeguard our people and assets, we remained disciplined and focused on employee safety, mitigating all identified risks and working proactively to implement key technologies, adhere to strict processes, conduct rigorous training and carry out continuous monitoring.

Innovation and progress during 2022

In line with our commitment to 100% HSE, we achieved the lowest Total Recordable Incident Rate (TRIR) of 0.43 per million–man hours over the last seven years. We also developed a mechanism to support continuous awareness and alignment of third–party crews with ADNOC Drilling HSE requirements and developed a checklist to better evaluate well control equipment, including availability of critical spare parts and certification.

Our Offshore IDS drilling performance was 66.9 days on average this year, continuing a positive trend from 69 days per well last year. Drilled footage also reached record depths of 20,867 feet on average. We also succeeded in raising the percentage of our Offshore owned rig fleet that performs IDS services to 52% as of year–end 2022.

We introduced a range of new technologies to improve operational performance, including using Remotely Operated Vehicles (ROVs) in innovative ways to greatly reduce maintenance idle time of rigs. This enabled faster re–deployment of the rigs into operations and estimated savings of 14 days of operating time for jack–up rigs. A pilot was carried out successfully on the Diyina and Makasib rigs. Rig Qarnin utilized ROV technology which contributed savings of approximately $1.5 million.

Offshore Drilling – Jack–up continued

We continued to ensure proper planning of rig spares and preventive maintenance to avoid rig outages and equipment failures, while monitoring rig efficiency through the Real Time Monitoring Center (RTMC) to identify opportunities to enhance operating efficiency and performance.

Offshore developed and launched Phase 1 of our Integrated Drilling to Billing System (IDBS), designed to streamline the existing billing process with technology to improve working capital of our fleet, both jack–up and Island, while serving our partners in a more collaborative and efficient manner.

In terms of technical achievements, we successfully drilled and completed well UL–096, the longest 6" drain drilled in the Umm Lulu field, at a length of 6,803 feet.

Our Offshore fleet

As the largest offshore drilling business in the region with a market–leading fleet, we drill a wide variety of wells for our customers using our young and well–equipped fleet.

This year we delivered, commissioned and integrated seven new rigs to our jack–up fleet. As of year–end, 31% of the fleet was less than five years old and 23% was between five and 10 years old, while 89% of our Offshore rigs delivered over 2,000 horsepower.

Jack–up Fleet Breakdown by Horsepower (HP)

HP	% of Rigs per HP	Rig Count
1,400	11%	3
2,000	31%	8
3,000	54%	14
4,000	4%	1
Total	**100%**	**31**

Our financial achievements

Activity levels in the Jack–up segment increased due to the new rigs starting operations during the year. However, revenue was relatively flat, rising from $596 million to $611 million, due to maintenance downtime for five jack–ups. Jack-ups are due for maintenance every five years; rigs realize lower day rates during the maintenance period. Downtime was offset by incremental activity from integrating new rigs. Operating expenditures increased by 18%, as the Company incurred running costs prior to the full integration of the five new jack–up rigs into our fleet, resulting in a 7% drop in EBITDA year–on–year, from $355 million to $329 million.

2022 Highlights

Total number of Jack–ups added to the fleet

7

Jack–up rigs integrated into fleet operations by company

5

Record–setting straight years of LTI–free operations at Diyina

20 years

Record–setting longest well in UAE by Jack–up rig Al Gharbia on well Umm Shaif

26,000ft

2023 Outlook

Offshore drilling will continue to expand our Jack–up rig fleet in 2023, with the deployment of additional new rigs already acquired, as well as the planned acquisition of new, advanced rigs in order to further accelerate our growth meeting rising customer demand. To that effect, we have already transferred five additional rigs to our ownership and are in a process of closing additional acquisition deals.

We will work to ensure the highest standards of operational and HSE performance and build capabilities across our business, operations and workforce through human capital development, innovative technologies and new partnerships.

With 70% of Jack–up rig demand related to infill drilling, mainly on oil fields, we will drive growth and value creation for our customers and business through increased drilling at key offshore assets, such as development of the Lower Zakum fields, in order to meet production capacity goals and the development of Al Yasat fields.

Business Review continued

Offshore Drilling – Island

With a fleet of 10 state–of–the–art island rigs designed to drill on artificial islands, our Island business continued to set new operational and technical standards and records during 2022, among others achieving record depths while maintaining our unwavering commitment to 100% HSE.

Throughout the year, Island drilling surpassed customer expectations, achieving more than 100% compliance with our customers' well drilling plans, while introducing innovative new technologies for extended reach drilling (ERD).

Our Real Time Monitoring Center (RTMC) ensured in–depth rig monitoring to drive continuous improvement for ever–increasing operating efficiency, which helped to achieve one of the lowest non–productive time (NPT) averages in the industry at 0.35% as of year–end.

Island rigs also achieved the incredible feat of 100% rig availability for the year, made possible by delivering low NPT and exceeding compliance to rig move and major maintenance plans.

Our Island fleet

Our Island drilling fleet is among the youngest and most technically capable in the industry, with 90% of our rigs between five and 10-years-old. Of our 10 Island drilling rigs, eight are equipped with more than 3,000 horsepower, while the remaining two are still proficient with over 2,500 horsepower.

Island Fleet Breakdown by Horsepower (HP)

HP	% of Rigs by HP	Rig Count
2,500	20%	2
3,300	80%	8
Total	**100%**	**10**

Business Review continued

Offshore Drilling – Island continued

A record–setting year
Setting a new standard for our industry, Island rig AD–68 delivered the world's longest well in 2022. The well, UZ–672, was drilled from Umm Al Ambar Island, one of ADNOC's artificial islands. The well stretches 50,000 feet, 800 feet farther than the previous world record set in 2017. This achievement, completed with 100% HSE, will enable ADNOC to unlock additional production capacity, accelerate growth and create sustained value for the UAE.

In addition, we drilled another well, UZ–668, that reached a depth of 45,297 feet, which was the longest well in the Middle East and the fourth longest well in the world when completed in February 2022.

Another proud accomplishment for Island operations was completing the major maintenance of AD–79 ahead of time, saving 43 days versus projections for the year. Similarly, we performed AD–33 major maintenance during the rig move, avoiding downtime and increasing revenue.

Our financial achievements
Offshore Island revenue for the year was $204 million, flat year–on–year. The activity levels remain unwavering across the year. One of the Company's stacked Island rigs was successfully reactivated at the end of the year as the Hail and Ghasha project commenced. The remaining three stacked Island rigs are expected to be reactivated over the course of fiscal year 2023 as the Hail and Ghasha project ramps up. Operational expenditure increased by 9% in 2022, resulting in a decrease in EBITDA of 5 % year–on–year, from $128 million to $121 million.

2022 Highlights
Longest extended reach well

50,000ft

Reactivation of Island Rigs

3

operations, including AD–33 on the back of Hail and Ghasha start–up

2023 Outlook
In the year ahead, Island drilling is focused on ensuring the safe and efficient launch of operations in support of ADNOC's Hail and Ghasha offshore mega–project, the world's largest offshore sour gas development.

We also plan to implement new revenue streams, beginning with the smooth mobilization and integration of our Hydraulic Workover Unit in the Upper Zakum field.

Finally, we will seek to maintain our outstanding track record of technical and operational achievements, while continuing to expand our business, increase our financial performance and deliver exceptional service to our customers.

Business Review continued

Oilfield Services (OFS)

Our accelerating expansion in the capabilities and services provided by OFS has enabled us to provide even more cost–efficient and time–effective opportunities to our customers, making OFS an ever–increasing driver of ADNOC Drilling's success.

In a year marked by continued growth and diversification for our OFS business, we expanded our fleet to 40 rigs and delivered a total of 205 wells in 2022 for customers, of which 56 benchmarked wells were delivered ahead of schedule and budget.

With an increasing focus on unconventional oil and gas resources, we aim to become a Middle East regional leader in unconventional development. During 2022, we continued to invest in the latest industry innovations to enhance our fracking operations, delivering a total of 64 fracking stages (+10% vs. 2021) and increased our market share from 58% to 100%.

The IDS advantage

Our strategic partnership with Baker Hughes was a driver in the transformation of ADNOC Drilling into an Integrated Drilling Services (IDS) provider.

OFS offers all–encompassing drilling and well construction services that span the entire drilling value chain. IDS has improved our performance, reliability and costs, enhancing our competitiveness by delivering better well economics for every stage from design to delivery.

Through our combined industry expertise, specialist innovation and cutting–edge technology, we have succeeded in drastically reducing costs while increasing productivity. We were the first IDS company in the Middle East and, by the end of 2019, ten rigs had delivered 33 IDS wells.

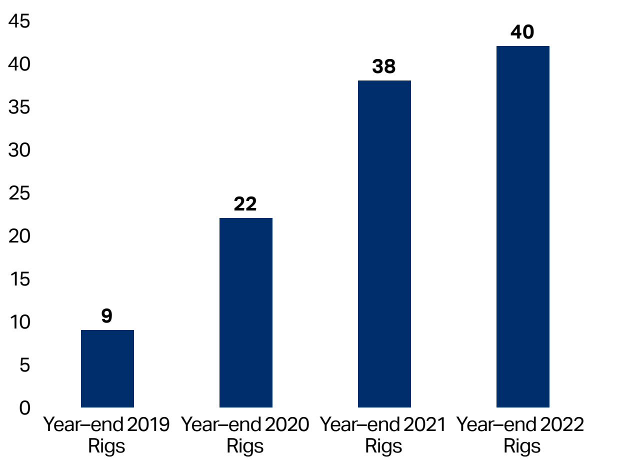
In 2022, we performed IDS on 40 rigs, representing 39% market share. We were also awarded $1.3 billion in contracts by ADNOC for the Hail and Ghasha Development Project, to provide IDS and fluids for up to 10 years.

Operational success

As a market leader in conventional and unconventional domains, we are the most reliable, productive and effective service provider and continue to position ourselves as internationally competitive on performance and cost platforms. As a result, our tender wins have been consistent and highly profitable.

OFS is an invaluable driver in cost–saving for ADNOC Drilling and its strategy of expansion regionally and globally will contribute even further while successfully retaining value within the UAE.

IDS Rig Count



Business Review continued

Oilfield Services (OFS) continued

Performance driven

During 2022, OFS delivered on all targets for increasing operational efficiency. We have seen a 63% cumulative improvement over the past four years, enabling the Company to complete projects in relatively shorter periods of time and redeploy our rigs into other projects.

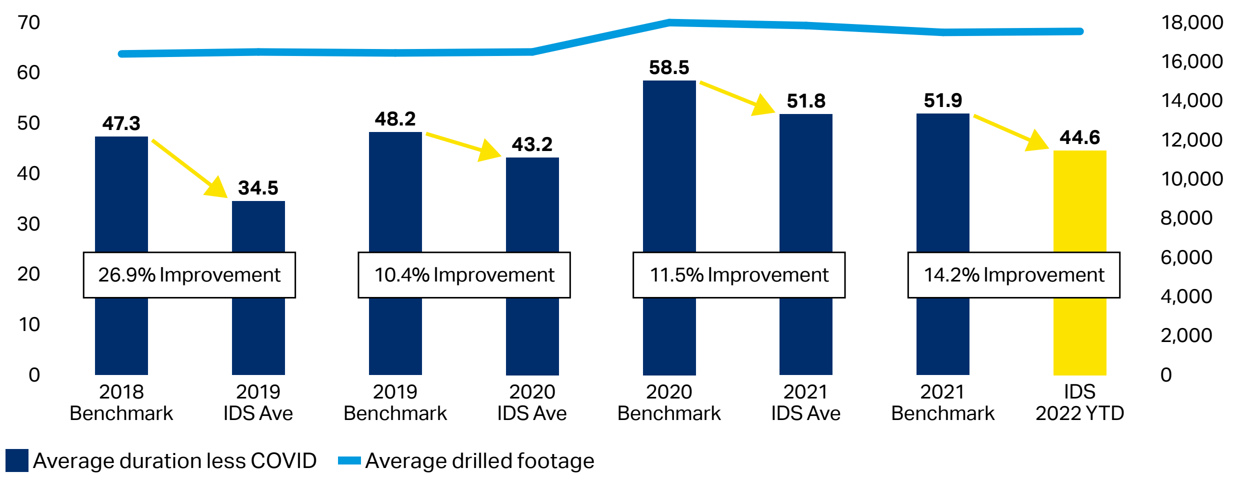
This enhanced efficiency increases the number of wells that ADNOC Drilling is able to deliver in a year, increasing the revenue generation for our OFS business as well. Our OFS market share at the end of 2022 was 205 wells with 56 benchmarked wells completed ahead of schedule and under budget.

We delivered 182 IDS wells and achieved drilling savings of $18.8 million. Launched in 2019, IDS has delivered cumulative savings of $282.8 million to our ADNOC Upstream partners.

Expanding IDS fleet

Our fleet of drilling rigs that provide IDS will be 40 rigs by end of 2022, of which 27 rigs are Onshore, 12 are Offshore and three are on artificial islands. This represents an increase of four rigs that provided IDS in 2022, covering 42% of the overall fleet.

2022 YTD combined Onshore and Offshore YOY performance



2022 Highlights

IDS wells delivered since start–up in 2019 (482 wells delivered since 2019 with 251 benchmarked wells delivered of which 190 were completed ahead of schedule and below budget)

482

Year–on–year improvement in drilling efficiency

14.3%

Fracked stages

64

Key awards for 2022

- 40% of ADNOC GPU Wireline Services and Perforation for five years – $800 million
- 30% of ADNOC Offshore Integrated Rigless services for five years – $228 million
- 40% of ADNOC GPU Drilling and Completion Fluids for five years – $1.6 billion
- 100% of Hail and Ghasha Integrated Drilling services for 10 years – $1.3 billion
- Extended ADNOC Offshore Integrated Drilling services for two years – $1.53 billion
- Extended ADNOC Onshore Integrated Drilling services for two years – $1.19 billion

Business Review continued

Oilfield Services (OFS) continued

Diversifying services

As we expand our services and become more efficient, effective and productive, we continue to innovate and diversify in the interests of our shareholders and customers.

Specifically, next year we will add the following services to our portfolio:

- Tubular running services
  - Offshore and Onshore activity
- Solid control equipment
  - Offshore and Onshore activity
- New formulation for water–based mud
- Liquid Mud Plants
  - Integral service of Hail and Ghasha project
  - Installation of LMPs on artificial Islands as well as port facility to support Hail and Ghasha project
- Coring
- Mud Logging services
  - Integral service of Hail and Ghasha project
- Well Testing services
  - Offshore and Onshore activity
- Well Bore Clean Out
  - Offshore and Onshore activity
  - Integral service of Hail and Ghasha project

With these new services in place and many more initiatives to come in 2023 and beyond, we will constantly seek to drive innovation to explore new market opportunities for growth and diversification of our business.

Growing unconventional business

Our fracking business continued to expand to effectively meet increasing customer requirements and Abu Dhabi's expansion into unconventional oil and gas plays.

Since launching our fracking operations in 2020, we have successfully Performed Hydraulic FRAC on 11 wells with 100% efficiency for a total of 166 stages, including 64 stages carried out YTD 2022 on four wells. This has generated $40 million in additional revenue for the Company.

2022 Financial performance

In 2022, we generated revenue of $405 million, compared to $329 million in 2021. The 23% increase compared to the prior year is primarily driven by higher IDS volume and an increase in unconventional activity. Furthermore, IDS rig counts increased from 38 at the end of 2021 to 40 at the end of 2022, resulting in the growth across this segment.

Expected EBITDA of $77 million improved $6 million in 2022 compared to 2021. The improvement in EBITDA was driven by higher revenue, cost savings and synergies. This was partially offset due to increase in fuel and commodity chemicals price, global scarcity of chemicals, revenue mix (high margin drilling revenue was partially offset by workover jobs) and one–off high margin LIH of 2021 for wireline not repeated.

Depreciation cost increased by $10 million in 2022 compared to 2021, mainly due to ongoing expansion in the IDS product lines and capitalization of assets purchased in H2 2021.

MPFY 2022

	M$
Revenue	405
OPEX	328
EBITDA	77
EBITDA %	20%
Depreciation	53
OP	25
OP %	7%

HSE at work

As always, the health and safety of our people is paramount and we have an HSE Academy for all our employees.

We are proud to say that we have improved on last year's HSE performance, with a total of 0.4 recordable incidents in 2022 versus a target of 1.0. This is supported by zero lost time incidents (LTI) during the year.

2023 Outlook

OFS will continue its expansion and innovation program to serve a greater customer base across a wider area with more diversification.

By 2030, we intend to contribute more than a quarter of ADNOC Drilling's EBITDA, while playing a significant role in ADNOC's goal of increasing oil production capacity to 5 mmbpd and achieving gas self–sufficiency.

As we continue to set new benchmarks in each of our diversified service areas, our primary goals remain to grow our fleet, expand our reach and maintain our status as the leading Oilfield Services provider in the region.

In Brief

- Outstanding operational growth drives FY22 revenue to $2.67 billion.
- FY22 revenue up 18% year–on–year.
- Powerful revenue momentum, coupled with excellent progress on cost efficiency, drives EBITDA to $1.23 billion.
- Awarded over $10 billion of contract backlog.

Financial Review

Profitable growth **accelerates.**

ADNOC Drilling delivered a 33% increase in net income in 2022, driven by 18% year–on–year revenue growth, providing a solid foundation for continued growth in 2023.

Increased revenue and continuously high margins led to EBITDA of over $1.23 billion in 2022, up 18% compared to the previous year. The quality of earnings remains industry leading, driving EBITDA margins to 46%, despite a growing contribution from the lower margin OFS segment and a significant number of new rigs joining the fleet and being deployed into operations.

Net income for the year was $802 million, up 33% compared to 2021, naturally driven by the increase in EBITDA.

Strong cash conversion was maintained in 2022, with cash from operations at 124% of EBITDA. The timeline to deliver the working capital improvements communicated to investors of 11% of revenue was accelerated; a level of below 12% was achieved during the year, significantly down from the peak of 36% in the third quarter of 2021 and from 26% at year–end 2021.

Reflecting the accelerated growth program, capital expenditure continued to increase to nearly double from the previous year, as we accelerated our rig acquisition program and continued the OFS expansion. As such, we succeeded in proactively securing additional rigs at what we believe to be very attractive prices during a year when rig valuations, especially in the Offshore Jack–up segment, increased dramatically as activity levels picked up and the market experienced a significant uptick in demand.

Steady and strong increase in revenues

The Onshore segment delivered impressive year–on–year revenue growth of 27% in 2022, driven by increased drilling activity on the back of the integration of eight new H&P rigs and the phased reactivation of stacked rigs into the fleet, leading to more operating days. Reimbursement of cost escalation claims in line with the contractual framework agreement between the Company and its client, ADNOC Onshore, which states that increases beyond the specifically agreed benchmark price in diesel, consumables and materials costs are recoverable through an escalation claim mechanism, also contributed to the strong performance in the segment.

The Offshore Jack–up segment reported a 3% increase in segmental full–year revenue, to reach $611 million versus $596 million in 2021. This increase was due to the integration of five jack–up rigs into fleet operations. The addition of new rigs was offset by reduced realized day rates for a larger number of rigs that underwent major maintenance during the year. Full–year revenue for the Offshore Island segment remained stable at $204 million, as one of the Company's stacked rigs was reactivated due to the commencement of the Hail and Ghasha project.

The OFS segment reported strong revenue growth of 23% year–on–year. This performance was driven by a higher volume of activity from continued expansion, the introduction of Tubular Running Services and healthy margin development.

Financial Review continued

On track to double EBITDA in the medium term

Full–year EBITDA was just above $1.23 billion, up 18% compared to last year. The EBITDA margin remained stable at 46%, despite the increased contribution from the lower margin OFS segment revenue and deployment of new rigs during the year, which puts an inherent pressure on the margin given ramp–up costs associated with new rigs in the pre–operational phase ahead of any revenue contribution.

The Company also made excellent progress on delivering further cost efficiencies, and more than compensated for the margin loss associated with the addition of new rigs. Lower relative operating expenses helped drive a further increase in margins, with multiple cost management and efficiency improvement initiatives underway to further boost profitability.

Strong cash flow and balance sheet

ADNOC Drilling remains a highly cash–generative business, delivering over $1.5 billion in cash from operations in 2022.

As a result of the high growth capex and competitive dividend, free cash flow during the year was $588 million, compared to $597 million in the previous year, reflecting the higher investment in accelerating the rig growth program. We invested $740 million in new jack–up rigs, $74 million in new land rigs and $128 million to grow our OFS business.

Borrowing did not change during the year, as we maintained a healthy net debt to EBITDA ratio of 1.0x. The net debt position remained stable, supported by improvements to working capital, irrespective of the heavy capital investment and competitive dividend.

Our strong financial position was maintained at the end of 2022, with liquidity of $1.6 billion, in the form of $326 million in cash and cash equivalents, coupled with $500 million in an unutilized term facility and $750 million in the form of an unutilized revolving facility. The Company plans to put these attractive funding facilities increasingly to work in 2023 as our growth program accelerates.

Increased capex and improved working capital

Capital expenditure saw a significant increase year–on–year, totaling $942 million, nearly doubling the 2021 spend. This was primarily due to the accelerated rig acquisition program for additional land and jack–up rigs, but also partly due to our strategic OFS expansion.

All the rigs purchased in 2022 will be operational in 2023 and will therefore contribute to additional revenue and earnings growth going forward.

During 2022, there was increased focus on working capital management to ensure operational efficiency. The timeline to deliver the targeted working capital of 10–11% of revenue was accelerated, and our working capital was just shy of the targeted range at 11.8% as of the end of 2022.

Net working capital improved by $275 million for full–year 2022 compared to 2021. The improvement was primarily driven by increased billing and collections throughout the year from ADNOC Onshore and Offshore, thereby reducing the related parties' balances as of year end.

Targeting growth and competitive returns

The guidance presented at the time of IPO needs updating, as our profitable growth program continues to accelerate. We executed our strategy to achieve deliver growth across the board in 2022 – 18% increase in revenue, 18% increase in EBITDA and 33% increase in net income.

Following these exceptional 2022 results, and further acceleration of near–term growth, ADNOC Drilling initiated guidance for fiscal year 2023:

$ million	2023 guidance
Revenue	**3,000 – 3,200**
Onshore revenue	1,500 – 1,600
Offshore Jack–up revenue	800 – 900
Offshore Island revenue	200 – 250
OFS revenue	500 – 550
EBITDA	1,350 – 1,500
EBITDA margin	45% – 47%
Net income	**850 – 1,000**
Net income margin	28% – 31%
Capex	**1,300 – 1,750**
Leverage target	**< 2.0x**

Looking at our operating segments:

- Onshore is anticipated to grow revenue in 2023, consistent with the continued addition of rigs to the segment to support ADNOC's acceleration of production capacity targets. Margins are expected to be similar to those achieved in 2022
- Offshore Jack–up activity levels are anticipated to grow materially in 2023 compared to 2022, as more acquired rigs enter the fleet and contribute to an increase in operating days generating full day rate. The impact of this transition will contribute positively to revenue growth and increase margins, as we move from incurring ramp–up cost to fully capturing day rate and fully benefiting from the operating margin from mid–2023
- More idle Offshore Island rigs are expected to come back into operation, as work on the Hail and Ghasha mega–project, the world's largest Offshore sour gas development, fully ramps up. One of the stacked rigs was reactivated and deployed on this project at the end of 2022, and the remaining stacked rigs will gradually be reactivated and integrated into operations. In aggregate, EBITDA is anticipated to remain flat in the Island segment in 2023
- In OFS, growth momentum will continue into 2023. We maintain our expectation that this segment will contribute at low to mid–20s EBITDA margins, as it continues to ramp up and add product lines
- Additional cost management efforts on general and administrative expenses will support improving EBITDA margins in 2023. On working capital, further improvements will be less significant than in 2022, but sufficient to maintain a flat overall working capital balance in 2023, and therefore avoiding working capital becoming a draw on funds in 2023

Financial Review continued

ADNOC Drilling achieved net profit of $802 million for the full year ended 31 December 2022 (FY22), a year–on–year increase of 33% compared to $604 million for the previous year.

Key performance indicators

Financial ratios		2018	2019	2020	2021	2022
Margins						
Gross profit margin	%	44	39	38	39	**41**
EBITDA margin	%	55	49	46	46	**46**
Profit for the period margin	%	35	28	27	27	**30**
Key ratios						
Return on equity (ROE)	%	24	17	17	22	**24**
Return on average capital employed (ROACE)	%	16	13	12	14	**16**
Leverage						
Debt/Equity	%	53	45	47	55	**53**
Net debt/EBITDA	X (times)	1.1	1.3	0.6	1	**1.1**

Balance sheet		2018	2019	2020	2021	2022
Total assets	$ million	4,657	5,422	5,478	5,096	**5,493**
Non–current assets	$ million	3,570	3,412	3,305	3,405	**3,970**
Current assets	$ million	1,087	2,010	2,172	1,691	**1,523**
Total equity	$ million	2,851	3,383	3,252	2,795	**2,931**
Total liabilities	$ million	1,806	2,039	2,226	2,301	**2,562**
Non–current liabilities	$ million	1,578	1,604	1,615	1,632	**160**
Current liabilities	$ million	229	436	611	669	**2,402**
Total equity and liabilities	$ million	4,657	5,422	5,478	5,096	**5,493**

Income statement		2018	2019	2020	2021	2022
Revenue	$ million	1,961	2,062	2,098	2,269	**2,673**
Gross profit	$ million	859	797	806	884	**1,093**
Gross profit margin	%	44	39	38	39	**41**
EBITDA	$ million	1,072	1,015	960	1,047	**1,232**
EBITDA margin	%	55	49	46	46	**46**
Operating profit	$ million	692	633	594	621	**830**
Operating profit margin	%	35	31	28	27	**31**
Profit for the period	$ million	685	583	569	604	**802**
Profit margin	%	35	28	27	27	**30**
Earnings per share	$/share	0.043	0.036	0.036	0.038	**0.050**

Cash flow statement		2018	2019	2020	2021	2022
Profit for the year	$ million	685	583	569	604	**802**
Non–cash adjustments	$ million	401	449	441	481	**455**
Changes in working capital	$ million	–303	–1,013	779	94	**267**
Net cash from operating activities	$ million	783	19	1,789	1,179	**1,524**
Net cash from investing activities	$ million	346	–101	–232	–582	**–936**
Net cash from financing activities	$ million	–387	–109	–737	–1,098	**–715**
Net increase & decrease in cash & cash equivalents	$ million	50	–191	820	–501	**–127**
Cash and cash equivalents at the beginning of the year	$ million	275	325	134	954	**453**
Cash and cash equivalents at the end of the year	$ million	325	134	954	453	**326**

Our People

People are the foundation of the **success of ADNOC Drilling.**

We remain dedicated to attracting, developing and retaining outstanding talent across the Company, to further drive operational, financial and commercial excellence into everything we do. We are committed to creating an engaging and empowering corporate culture that drives performance and progress, in full alignment with the One HC model of ADNOC Group.

Over the course of 2022, ADNOC Drilling centralized many of its shared services within ADNOC HQ, with Human Capital and Organizational Development amongst the first services to undergo this transformation. Driven by ambitious targets to lower costs and increase profit margins across the Company in line with the 100x improvement program, a project management office was formed this year to develop cost–effective solutions and revenue–generating ideas from all functions.

As manpower cost is a significant part of ADNOC Drilling's overall operating expenses, the Company continues its journey of implementing effective solutions and innovative ideas to improve efficiency and reduce costs while maintaining highest operational standards. These solutions included right–sized rigs, outsourcing, performance improvements and increasing the dependency on our Drilling Training Center (DTC) for mandatory training programs.

Through this model, ADNOC Drilling's Human Capital function is individually unique but fully aligned with ADNOC Group, working together and benefiting from the larger capabilities of the Group to support the success of our business.

Benefits of ADNOC's Shared Services Model

Employee opportunities
Upskill and provide career opportunities and exposure for Shared Services employees.

Cost efficiency
Optimize cost efficiency and improve the bottom line.

Business synergy
Streamline business operations across the Group.

Growth & continuity
Unlock business value and allow Group Companies to focus on their core business.

Consumer centricity
Improve service delivery for customers through standardization.

> "During 2022, ADNOC Drilling centralized many of its shared services within ADNOC HQ, with Human Capital and Organizational Development among the first services to undergo this transformation.

Our People continued

Attracting exceptional talent

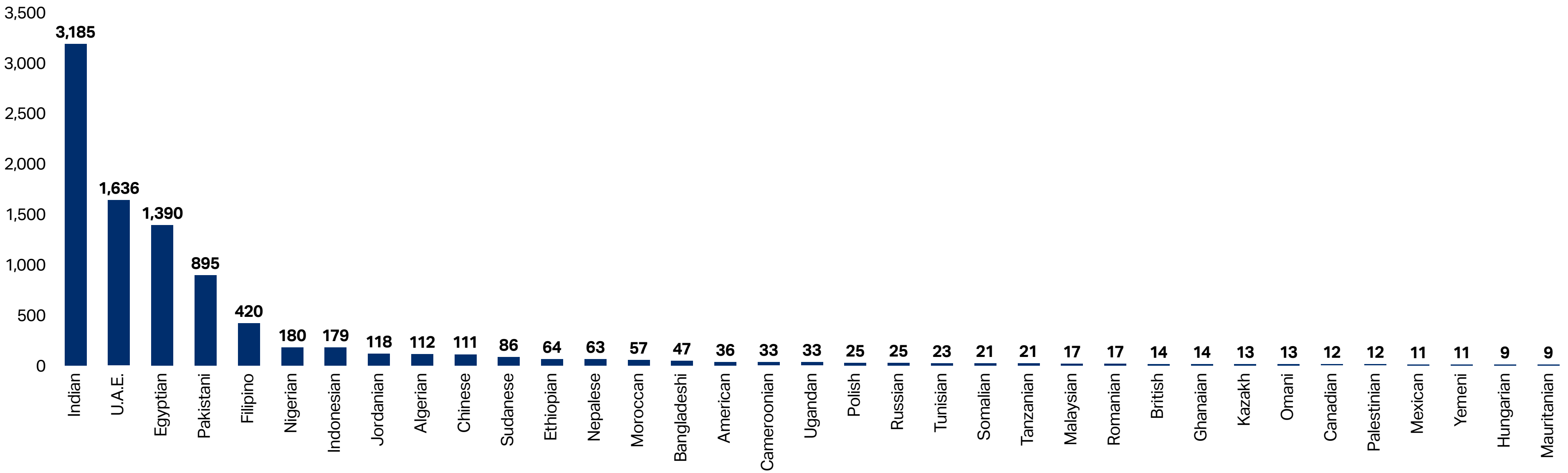
As a publicly listed company with a strategy to grow materially and aspirations to penetrate new markets, ADNOC Drilling has adopted innovative ideas to attract, develop and retain the right talent. We are committed to being an employer of choice in our industry and maintaining the right balance to sustain performance and adapt to the evolving needs of the business.

In 2022 alone, we conducted six recruitment campaigns in Indonesia, India, Egypt, Algeria, Nigeria and Poland to identify new talent, in addition to local recruitment drives within the UAE and the intake of fresh UAE national graduates for development. We hired 1,072 new employees, a 90% increase in new hires compared to 2021, to support our operations and achieve ADNOC's new production capacity targets. As of year end, the total workforce strength of ADNOC Drilling stands at 9,282 (including outsourced manpower).

We value diversity and inclusiveness in our workforce and believe that it results in better performance for the Company. Females in leadership positions have now increased to six. The total number of nationalities in the Company reached 80 in 2022 and the Company increased its Emiratization percentage to more than 26%. Direct hire employees made up 74% of our workforce; the balance of 26% was made up of outsourced manpower.

ADNOC Drilling is also proud to support our community by training new graduates and developing UAE Nationals to pursue rewarding job opportunities. During this year, we introduced a new trainees' contract, which resulted in a four–fold increase to a record intake of 80 trainees by the Company.

Population – Nationality



Strategic alignment across ADNOC

Our One HC model provides scale and strength by bringing together the strategic focus and resources of all the Human Capital functions across ADNOC Group. By working together, we are able to be more efficient and productive, ultimately creating more value for all our stakeholders through the newly introduced shared services model.

The One HC shared services model is designed to deliver:

1. **BETTER EXPECTATION SETTING WITH THE BUSINESS:** Formal service–level agreements (SLAs) help clarify the terms of service delivery upfront, ensuring greater transparency for the business and helping to align customers' expectations about what exactly to expect from the Shared Services Model, how they need to contribute to the job's completion and who is accountable in the case of a process breakdown.
2. **INCREASED RESPONSIVENESS TO CHANGING BUSINESS NEEDS:** A unifying customer–oriented vision enables shared services staff to better sense and respond to changes in customer requirements.
3. **DEPLOYMENT OF AUTOMATED SERVICE DELIVERY:** The centralization of HC and IT service delivery is already an effective means of reducing costs, but it's even more effective when combined with the technological advantage of a shared services portal which creates the opportunity for ADNOC to introduce process automation into its service delivery processes for repetitive, rule–based activities.
4. **ELIMINATE SERVICE DUPLICATION AND BUSINESS UNIT SILOS:** Shared Service Centers reduce service duplication and business unit silos within organizations by integrating service functions into a single department which prevents knowledge silos from developing within business units and ensures that knowledge generated through service delivery can benefit the entire ADNOC Group.

Our People continued

Prioritizing employee happiness

In 2022, the Human Capital Division launched the new Employee Happiness Center to serve as a hub for meetings with employees, in order to better understand and provide support for all their diverse needs.

Over the course of the year, Human Capital carried out staff promotions or upgrades for 2,296 employees, 2,091 employees received appreciation or rewards via the ADNOC Way Recognition Platform, and the overall attrition rate was below 1.2% despite high demand for drilling crews in the market, demonstrating employee engagement across the Company.

During this 'Year of Communication', we made it a priority to better understand the needs of our employees and act with purpose to bridge any identified gaps. One of the primary platforms used to engage our employees in this way is our Pulse Survey. Conducted in late 2021, the results of this survey led to five streams to improve employee experience, which were led by SVPs to ensure effective and constructive solutions. In addition, we conducted our Employee Engagement Survey in late 2022 and will compile the results and take action as needed in 2023.

Overall, in a highly competitive market for drilling talent, ADNOC Drilling continued to pursue talent and adapt to the evolving marketplace through competitive bonus and rewards schemes, in order to enhance employee engagement and minimize talent loss. We follow 'The ADNOC Way', a unified ADNOC recognition and reward platform that supports organizational and Group success.

Developing practical knowledge and skills

ADNOC Drilling is committed to continuously developing the knowledge and skills of all our employees. During this year, we developed an Integrated Training and Development Model, which included upskilling and multi–skilling, to improve ADNOC Drilling's capabilities and ultimately support the delivery of ADNOC's 2030 Strategy.

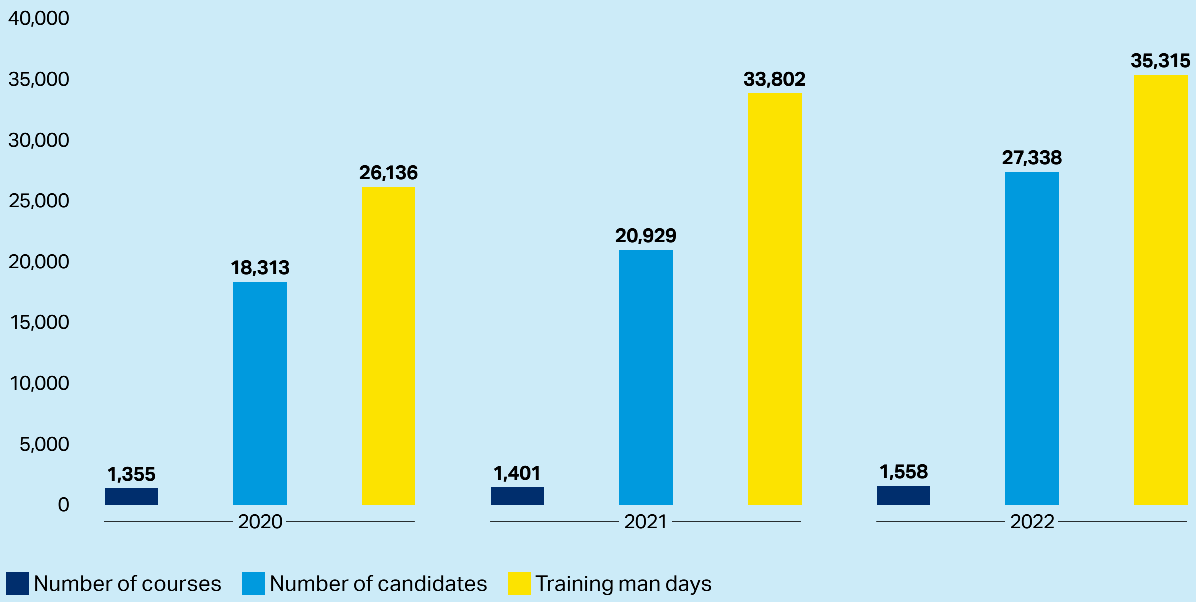
Drilling Training Center

Established in 2013, our Drilling Training Center (DTC) includes 12 classrooms, a 120–seat auditorium, three laboratories, a library, three IWCF simulators, a pipe handling simulator and two VR system. It offers a wide range of programs, from HSE and technical training to soft skill and leadership training for ADNOC Drilling, ADNOC Group companies and contractors.

Since launch, the DTC has delivered more than 145,000 man–days of training, which includes:

- 60+ programs
- 6,245 courses completed (**1,558** courses completed for the year 2022)
- 98,374 people trained (**27,338** people trained for the year 2022)
- 2,000+ UAE National employees trained (**347** UAE National employees trained for the year 2022)
- 5,000+ employees in green–hat program (**1,671** employees in green–hat program for the year 2022)
- **35,315** man–days of training for the year 2022

Training progression over years



> ADNOC Drilling is committed to continuously developing the knowledge and skills of all our employees. During this year, we developed an Integrated Training & Development Model, which included upskilling and multi–skilling, to support ADNOC's 2030 Strategy.

Our People continued

In addition, the DTC provides 13 nationally and internationally recognized accreditations in HSE and Drilling, forging a path for world–class knowledge and skill development for its accredited program participants, including:

DTC Accreditations	Year Awarded
International Association of Drilling Contractors	2012
Abu Dhabi Center for Technical and Vocational Education and Training	
International Well Control Forum, IWCF L2, L3 & L4	2017
Offshore Petroleum Industry Training Organization	
IWCF Well intervention	2018
Highfields	2019
Lifting Equipment Engineers Association	
American Heart Association	
Virtual Classroom and Remote Assessment Center Accreditation	2021
American Safety & Health Institute	
Stuck Pipe Prevention	2022
National Qualification Center	

Continuing to support and develop our people in 2023

In the year ahead, ADNOC Drilling will continue to prioritize attracting, retaining, engaging and developing talent across the organization to power our performance and progress our strategy.

We will continue to strengthen alignment and collaboration across ADNOC Group, sharing best practices and learning from other Human Capital functions, in order to fulfill our One HC promise that 'Together, we are the difference.'

We will emphasize an enhanced employee experience across the full lifecycle of employment, with focused strategies to make every stage of the employee journey at ADNOC Drilling more efficient and fulfilling.

Direct workforce

6,598

New employees

1,072

Nationalities

79

Women in leadership roles

6

Emiratization

26.08%

Man–days of training

35,315

Governance Report

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Corporate Governance

ADNOC Drilling is one of the largest drilling and completion services companies in the world.

We operate responsibly on land, at sea and on ADNOC's unique artificial islands off Abu Dhabi's coastline, delivering start–to–finish well drilling and construction across both conventional and unconventional reservoirs. We have the largest fleet in the Middle East, of 115 owned rigs and a dedicated workforce of engineers, specialists and technicians.

As a key enabler of ADNOC Upstream companies, we are ideally placed to benefit from ADNOC's 2027 production capacity target of five million barrels a day, as well as its ambition to achieve gas self–sufficiency for the UAE.

With our highly experienced homegrown leadership, decades of operational excellence, strategic partnership with an international industry player and our position as the first fully IDS company in the Middle East, we are geared for a future of great possibilities, in Abu Dhabi and beyond.

With such broad reach comes a responsibility to continuously develop and maintain our corporate governance. We believe that an organizational commitment to corporate governance helps to drive enhanced management accountability, create value for shareholders, and protect the interests of all stakeholders and the communities we serve. We have created a corporate governance framework that fulfills all applicable laws and regulations while complying with international best practice. This framework was designed, and is being implemented, in line with our cultural values, to ensure the sustainability of our business and to help us achieve our prospects – as dictated by our vision and mission.

Our values are the core principles that guide decision making and ensure consistency in our employees' actions and behaviors. They represent our organization's collective commitment to set, achieve and exceed ambitious targets.

Our values are underpinned by an unwavering focus on 100% HSE: our commitment to keeping employees, communities, the environment and assets safe from harm.

Owned rigs

115

Operating

Largest fleet in the Middle East

Corporate Governance continued

We are:

Collaborative
We work closely with our partners and peers, leveraging collective strengths to deliver mutually beneficial results. We strive to raise teamwork to a higher level, solve issues together and innovate faster. By recognizing efforts and results, we build trust–based relationships, encourage information sharing and deliver constructive feedback.

Progressive
We foster the UAE's spirit of innovation to ensure that our business remains at the forefront of the global energy industry. Daily, we go beyond business as usual, do things differently and embrace new ways of thinking. Our culture empowers us to be change agents, where we share creative ideas, overcome challenges together and adapt to the evolving energy landscape quickly.

Responsible
We devote our efforts to making a positive difference in our community while maintaining an unwavering commitment to health, safety and the environment. We take the initiative to identify new opportunities, honor our obligations and stay responsible for our contributions. By adopting a 'can do' approach, we motivate each other, demonstrate a spirit of excellence and achieve amazing results.

Efficient
We are a performance–driven company dedicated to maximizing the value of every barrel of oil for the benefit of our people, our community, our partners and our nation. We also strive for excellence while minimizing wastage of resources. We take an energetic approach towards carrying out our responsibilities, look for continuous improvement, see projects through to completion and inspire others to do the same.

Respectful
We encourage a culture of inclusivity and mutual respect, and always operate to the very highest professional and ethical standards. We look out for each other and promote open communication that supports our development as individuals and as an organization. We support constructive dialogue and active listening while respecting cultural diversity.

This report provides an overview of ADNOC Drilling's corporate governance systems and procedures as of 31 December 2022 has been filed with the Securities and Commodities Authority (SCA), has been posted on the Abu Dhabi Securities Exchange (ADX) website and the Company's website.

Our Corporate Governance Overview

We are committed to having a corporate governance framework that is compliant with all corporate governance requirements applicable to public joint stock companies in the UAE and consistent with international best practices. Below is a summary of some of the key policies under which we operate.

Corporate Governance Manual

Our Corporate Governance Manual provides clear guidance on: (a) ADNOC Drilling's corporate governance structure and the interface between ADNOC Drilling and its stakeholders; (b) the authorities and decision–making mechanisms within ADNOC Drilling and between its stakeholders; and (c) the role and responsibilities of ADNOC Drilling's corporate governance function.

Code of Conduct

Our Code of Conduct demonstrates ADNOC Drilling's commitment to compliance and ethical behavior in all that it does. Our Code of Conduct (a) sets out the minimum standard of conduct that we expect from anyone working for or on behalf of ADNOC Drilling; and (b) provides a set of basic rules and standards that are designed to ensure that our business is conducted in an ethical and compliant manner and in accordance with our core values.

Dividend Policy

Our ability to pay dividends is dependent on several factors, including the availability of distributable reserves and our capital expenditure plans and other cash requirements in future periods. The payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of our Board of Directors and ultimately shareholder approval. We intend to pay dividends twice each fiscal year, with an initial payment in April and a second payment in October of each year.

Inside Information and Insider Dealing Standard

The requirement to have fair and transparent dealings in our securities is of paramount importance to us and we take a zero–tolerance approach to insider dealing. Accordingly, we have implemented an Inside Information and Insider Dealing Standard to ensure that the obligations and responsibilities with respect to dealings in our securities are clearly defined.

Related Party Transactions Standard

Our Related Party Transactions Standard is designed to ensure that: (a) Related Party Transactions are conducted on arm's length terms; (b) the Board of Directors and Executive Management are aware of the steps required to approve Related Party Transactions ; and (c) a legitimate business case supports the related party transactions, including its arm's length nature. In accordance with this policy, we may not enter into a related party transaction unless: (i) our Board of Directors has approved the transaction, where the value of the transaction between the Company and a Related Party does not exceed 5% per cent of the Company's share capital; or (ii) the General Assembly of the Company has approved the transaction, where the value of the transaction between the Company and a Related Party exceeds 5% of the Company's share capital. Refer to the section on Related Party Transactions on page 54 for more information.

Anti–Bribery and Anti–Corruption Standard

We are committed to doing business lawfully, ethically and with integrity, and we expect all our employees and representatives to act accordingly. Consistent with this commitment, we take a zero–tolerance approach to fraud, bribery and all other forms of corruption. Our Anti–Bribery and Anti–Corruption Standard sets out our requirements to ensure that none of our employees or representatives engage in any of these activities.

Compliance Investigations Standard

Our commitment to operating with integrity includes investigating, where necessary, allegations of ethical misconduct. Our Compliance Investigations Standard and supporting procedures set out our approach to investigations relating to alleged violation: of (a) ethical business practices; (b) integrity in our interactions and arrangements with third parties; and (c) applicable laws, regulations, policies, and procedures relating to ethical business practices and integrity. This standard requires all our personnel to cooperate fully and truthfully with all investigations and to avoid engaging in certain activities that may hinder or interfere with an investigation.

Conflict of Interests Standard

We understand that our employees will engage in legitimate social, financial and business activities outside the scope of their work for us. Our Conflict of Interests Standard sets out our requirements for the avoidance and management of conflicts of interests that may arise because of these other activities, including the avoidance of situations that have the appearance of a conflict of interests. Under this standard, conflicts of interests must be promptly disclosed so that the appropriate course of action can be taken to protect ADNOC Drilling's interests.

Whistleblowing and Non–Retaliation Standard

Having an open, honest and transparent culture supports our commitment to integrity. Our Whistleblowing and Non–Retaliation Standard encourages our employees to report concerns about potential violations of applicable laws, standards or procedures and unethical behavior in connection with our business by ensuring confidentiality and by protecting good faith whistleblowers from any form of retaliation.

Information Disclosure and Transparency Standard

Our Information Disclosure and Transparency Standard is designed to ensure that the Board of Directors and Executive Management are aware of the required steps and timeframes to disclose material information that could affect the price of the Company's shares, in accordance with all applicable regulatory disclosure requirements.

Our Corporate Governance Overview continued

Gender Diversity Standard

We are committed to advancing gender diversity and equality across the organization and are constantly working to recruit more women in all areas of our business. We are also developing initiatives to advance women's career growth across the Company and have created a Gender Diversity Standard to support our actions. The Company will continue to ensure that its female employees obtain access to all necessary training and development to achieve their full potential, in line with the standards of high performance we expect from all our employees – both men and women alike.

Board Evaluation Standard

Our Board Evaluation Standard has been developed to establish the procedures and criteria for evaluating the performance of the Board, Board sub–committees, the Chair, individual Directors and Executive Management. The evaluation process supports the commitment of ADNOC Drilling to improving the overall performance and effectiveness of the Board and its sub–committees, to maximize its strengths and take corrective actions where necessary.

Board of Directors

Our Board of Directors comprises seven Directors. All Directors are independent Non–Executive Directors, within the meaning of Resolution No. (3/R.M) of 2020 of the SCA.

Pursuant to our Articles of Association, every Director shall hold his/her position for a term of three years. At the end of such term, the Board of Directors shall be reconstituted. A Director whose term of membership is completed may be re–elected.

H.E. Dr. Sultan Ahmed Al Jaber was appointed as the Chair of the Board on the 5 September 2021.

The table below summarizes the details of the ADNOC Drilling Board of Directors:

Name	Committee Role	Appointment Start Date
H.E. Dr. Sultan Ahmed Al Jaber	Chair	5 September 2021
Abdulmunim Al Kindy	Vice Chair	5 September 2021
Yaser Al Mazrouei	Member	5 September 2021
H.E. Ahmed Jasim Al Zaabi	Member	5 September 2021
Mohamed Al Aryani	Member	5 September 2021
Muna Al Mheiri	Member	5 September 2021
H.E. Omar Suwaina Al Suwaidi	Member	5 September 2021

H.E. Dr. Sultan Ahmed Al Jaber
Chair

H.E. Dr. Sultan Ahmed Al Jaber has served as Minister of Industry and Advanced Technology since July 2020, as a member of the Supreme Council for Financial and Economic Affairs since December 2020, as UAE Cabinet Member since March 2013, as Minister of State from March 2013 up to July 2020, as Chairman of the National Media Council from 2016 up to July 2020, as the UAE's special envoy for Climate Change since November 2020, as Group Chief Executive Officer of ADNOC since February 2016 and additionally Managing Director of ADNOC since February 2021. From January 2014 to February 2016, he served as Chief Executive Officer, Energy, of Mubadala Development Company.

H.E. Dr. Al Jaber is also Chairman of several ADNOC Group companies, Chairman of Masdar, Chairman of Emirates Development Bank, Chairman of the Board of Trustees of Mohammed bin Zayed University of Artificial Intelligence, as well as a member of the Board of Directors of Emirates Global Aluminium, Emirates Investment Authority, First Abu Dhabi Bank and Khalifa University.

H.E. Dr. Al Jaber holds a PhD in business and economics from Coventry University in the United Kingdom, an MBA from the California State University, and a Bachelor in Chemical Engineering from the University of Southern California, USA.

Board of Directors continued

Abdulmunim Al Kindy
Vice Chair

Chair of Board Executive Committee

Abdulmunim Al Kindy has served as Executive Director, People Technology and Corporate Support Directorate at ADNOC since January 2020. Prior to that, from March 2016 to January 2020, Al Kindy served as Executive Director, ADNOC Upstream Directorate.

Al Kindy also serves as a member of the Board of Directors of several ADNOC–affiliated companies.

Al Kindy holds an MBA from Brunel University, UK.

H.E. Omar Suwaina Al Suwaidi
Director

Chair of Nomination and Remuneration Committee

H.E. Omar Ahmed Hassan Suwaina Al Suwaidi currently serves as an Undersecretary at the Ministry of Industry and Advanced Technology. H.E. Al Suwaidi held various positions in ADNOC, starting as a geologist in 1990. From October 2020 to February 2021, H.E. Al Suwaidi served as a Director, Commercial and In–Country Value. Prior to that, H.E. Al Suwaidi served as a Director, The Executive Office Directorate, from May 2017 to November 2020.

H.E. Al Suwaidi holds a BSc in Geological Engineering from Colorado School of Mines, USA.

H.E. Ahmed Jasim Al Zaabi
Director

Chair of Audit Committee

H.E. Ahmed Jasim Yousif Naser Al Zaabi is the Chair of Abu Dhabi Global Market. He served as Group Chief Financial Officer of ADNOC from December 2019 to December 2021, and as Director, Finance and Investments Directorate of ADNOC from February to December 2019.

He also serves as a member of the Board of Directors of Khalifa Fund for Enterprise Development, Abu Dhabi Oil Refining Company (ADNOC Refining), Abu Dhabi National Oil Company for Distribution PJSC (ADNOC Distribution) as well as several ADNOC–affiliated companies.

H.E. Al Zaabi holds a master's degree in Economics Science with Honours from University of Aberdeen, UK.

Muna Al Mheiri
Director

Member of Board Executive Committee

Member of Nominations and Remuneration Committee

Muna Khalifa Mohamed Hazeem Al Mheiri is the Chief Executive Officer of Ruwais Fertilizer Industries LLC (Fertil). Al Mheiri held various senior positions in ADNOC Onshore, where she served as Senior Vice President (Terminals and Pipelines Operations) from July 2019 to January 2020. From 2017 to July 2019, Al Mheiri served as Senior Vice President (Strategy and Business Support) and from 2015 to September 2017, she served as Senior Vice President (Corporate Support).

Al Mheiri holds a bachelor's degree in Chemical Engineering and a master's degree in Business Administration from United Arab Emirates University, UAE.

Yaser Al Mazrouei
Director

Member of Board Executive Committee

Member of Nominations and Remuneration Committee

Yaser Saeed Ahmed Omran Al Mazrouei has served as Executive Director, Upstream Directorate, at ADNOC since January 2020. He also served as the Chief Executive Officer of ADNOC Onshore from May 2018 through January 2020.

Al Mazrouei also serves as a member of the Board of Directors of several ADNOC–affiliated companies. Al Mazrouei holds a master's degree in Petroleum Engineering from the University of London, UK.

Mohamed Al Aryani
Director

Member of Board Executive Committee

Member of Audit Committee

Mohamed Saif Ali Abed Al Aryani has served as Senior Vice President, Strategic Investments at ADNOC since 2019.

Al Aryani is a CFA Charter holder and holds a bachelor's and master's degree in Chemical Engineering from Imperial College (London University), UK.

Board of Directors continued

Women's representation on the Board of Directors

Al Mheiri is a member of the Board of Directors since 2021. Keeping with our commitment to gender diversity, we are actively seeking opportunities to increase female representation on our Board. To this end, where vacancies arise, we will actively seek out greater female representation while at the same time considering all qualified candidates, regardless of gender.

Directors' remuneration

In 2022, our shareholders approved a total remuneration of AED16.93 million which was paid to the members of our Board of Directors for 2021, on a prorated basis from their date of appointment until 31 December 2021 equating to AED5.64 million.

On the 3rd of April 2023, our shareholders at our Annual General Assembly meeting approved the payment of AED23.5 million to the Board of Directors as remuneration for 2022, which will be paid in 2023.

Statement of allowances paid to Board sub–committee members in 2022

No allowances, salaries or additional fees were paid to Board sub–committee members in 2022.

The Secretary to the Board of Directors

Mr. Mann El Aydi was appointed Secretary to the Board of Directors (in October 2021). He is the Senior Advisor, Legal – Executive Office at ADNOC, a role he has held since May 2017. He also serves as company Secretary for ADNOC Distribution PJSC. Mr. El Aydi advises on a broad range of legal and governance risks and provides hands on counsel to the Managing Director and Group Chief Executive Officer of ADNOC in relation to the development and implementation of the group's business strategy.

Mr. El Aydi brings over 20 years of corporate, strategic and commercial experience to his role at ADNOC and immediately prior to joining, he spent three years as the Executive Director of Legal and Secretariat at the Tourism Development & Investment Company (TDIC), and five years as the General Counsel and Company Secretary at Abu Dhabi National Hotels PJSC.

A UAE national and fully bilingual in English and Arabic, Mr. El Aydi holds a bachelor's degree in Law from the London School of Economics and Political Science, a master's degree in International and Comparative Business Law, is admitted as a solicitor of the Supreme Court of England and Wales and is a Chartered Secretary registered with The Chartered Governance Institute UK & Ireland.

Board meetings – attendance records

Our Articles of Association require that the Board of Directors meet a minimum of four times each year. The quorum for meetings is a majority of Directors, and the quorum for voting during meetings is a majority of attendees.

In 2022, our Board met on four occasions. The following tables set forth the meetings held by our Board of Directors in 2022:

Board Member	Position on the Board	10 Feb 2022	9 May 2022	8 Aug 2022	11 Nov 2022
H.E. Dr. Sultan Ahmed Al Jaber	Chair	P	P	A	P
Abdulmunim Al Kindy	Board Member Chair of Board Executive Committee (BEC)	P	P	P	P
Yaser Al Mazrouei	Board Member Member of BEC Member of Nomination and Remuneration Committee (NRC)	P	P	P	P
H.E. Ahmed Jasim Al Zaabi	Board Member Chair of Audit Committee (AC)	P	P	A	P
Mohamed Al Aryani	Board Member Member of BEC Member of AC	P	P	P	P
Muna Al Mheiri	Board Member Member of BEC Member of NRC	P	P	P	P
H.E. Omar Suwaina Al Suwaidi	Board Member Chair of NRC	P	P	P	P

P – Present, A – Absent

Board of Directors continued

Board resolutions

In addition, our Articles of Association permit our Board to act by circulation. In 2022, our Board adopted resolutions by circulation on 11 occasions.

Resolution	Date
Resolution 1 – Appointment of CFO	25 April 2022
Resolution 2 – Rig acquisition	30 May 2022
Resolution 3 – Contract award	27 July 2022
Resolution 4 – Contract award	5 August 2022
Resolution 5 – Rig acquisition	24 August 2022
Resolution 6 – Rig acquisition	26 September 2022
Resolution 7 – Contract award	10 October 2022
Resolution 8 – Contract award	13 October 2022
Resolution 9 – Contract award	2 November 2022
Resolution 10 – Rig acquisition	21 November 2022
Resolution 11 – Rig acquisition	14 December 2022

Purchases and sales of our shares and other transactions involving our securities by employees and representatives are governed by our Inside Information and Insider Dealing Standard.

It is the policy of ADNOC Drilling that inside information must not be used by any ADNOC Drilling personnel and their connected persons for personal gain. ADNOC Drilling expects that all of its employees, as well as the other persons with whom ADNOC Drilling transacts, abide by this standard, and in doing so adhere to the applicable laws on inside information and dealings.

The following table sets out the details of all purchases and sales of our shares undertaken by our Directors, their spouses and their children in 2022:

Director	Position	Shares Held as at 31 December 2022	Total Sale Transactions	Total Purchase Transactions
H.E. Dr. Sultan Ahmed Al Jaber	Chair	–	–	–
Abdulmunim Al Kindy	Member	652,173	–	–
Yaser Al Mazrouei	Member	652,173	–	–
H.E. Ahmed Jasim Al Zaabi	Member	1,086,956	–	–
Mohamed Al Aryani	Member	434,782	–	–
Muna Al Mheiri	Member	–	–	–
H.E. Omar Suwaina Al Suwaidi	Member	652,173	–	–

Related Party Transactions

We are and have been a party to various agreements and other arrangements with related parties, comprising ADNOC and certain of its other subsidiaries.

Details of these transactions are described below. In addition, the value of all related party transactions undertaken by ADNOC Drilling during 2022 (as disclosed in our 2022 financial statements) is as follows:

As per 2022 Financial Statements	USD(000)
Revenues – ADNOC Group	2,628,469
Purchase – ADNOC Group	187,859
Lease payments to a related party	15,199
Other income	331
Finance income	6,164

Relationship Agreement with ADNOC

In 2021, we entered into a Relationship Agreement with ADNOC pursuant to which ADNOC agreed, for so long as our shares are listed on the ADX and ADNOC owns or controls more than 50% of the shares, to take or not to take certain specified actions. These include:

a) not to take certain actions that might interfere with our status as an independent company, including:
   i. ADNOC will not take any action that would interfere with our ability to comply with our obligations under certain ADX and SCA listing and governance rules, and
   ii. ADNOC will conduct all transactions with us on arm's length terms and on a commercial basis and will allow us to carry out our business independently.

b) not to terminate, and to renew at our request, any real estate lease or land–use agreement, the Brand Usage Agreement and the Shareholder Services Agreement, in each case so long as we are not in material default of our obligations under those agreements; and

c) to acquire or lease, on our behalf and at our expense, any real estate needed for the operation of our business, and to enter into a corresponding lease agreement, sub–lease agreement or land–use agreement with us for such land.

If ADNOC ceases to hold the majority of the Company's shares, it shall continue to adhere to the provisions described in (b) and (c) as if it still held such majority, subject to any instruction or direction from a governmental authority, until such time as an alternative arrangement giving effect to the same can be entered into.

Pursuant to the Relationship Agreement, we have also agreed to enter into transactions with ADNOC and other members of the ADNOC group only with the approval of a majority of our Directors, including a majority of the independent Non–Executive Directors (other than transactions that, in accordance with our delegation of authority, do not require Board approval). Any enforcement of the provisions of the Relationship Agreement against ADNOC requires approval by our Board of Directors. However, for so long as ADNOC holds the majority of our shares, ADNOC has agreed to procure that there shall be a majority of independent Non–Executive Directors appointed to the Board at all times.

Executive Management

Matters reserved to the Board of Directors and delegated to the Executive Management

The Board of Directors has issued a Delegation of Authority to our CEO, Abdulrahman Al Seiari, under which the Board of Directors has delegated to him the authority to conduct the daily management activities of the Company, subject to appropriate limits (beyond which, the approval of the Board of Directors must be sought). Under the Delegation of Authority, Al Seiari can sub–delegate activities to other members of ADNOC Drilling's Executive Management.

Notwithstanding the Delegation of Authority that has been provided to Al Seiari, the Board of Directors maintains oversight over these activities, and Al Seiari is regularly required to report to the Board of Directors with respect to the activities undertaken by him pursuant to the terms of the Delegation of Authority.

Details of the Delegation of Authority

Mr. Abdulrahman Al Seiari

CEO

Scope of authority

Authority to conduct the daily management activities of ADNOC Drilling, subject to appropriate limits as set down by the Board of Directors from time to time.

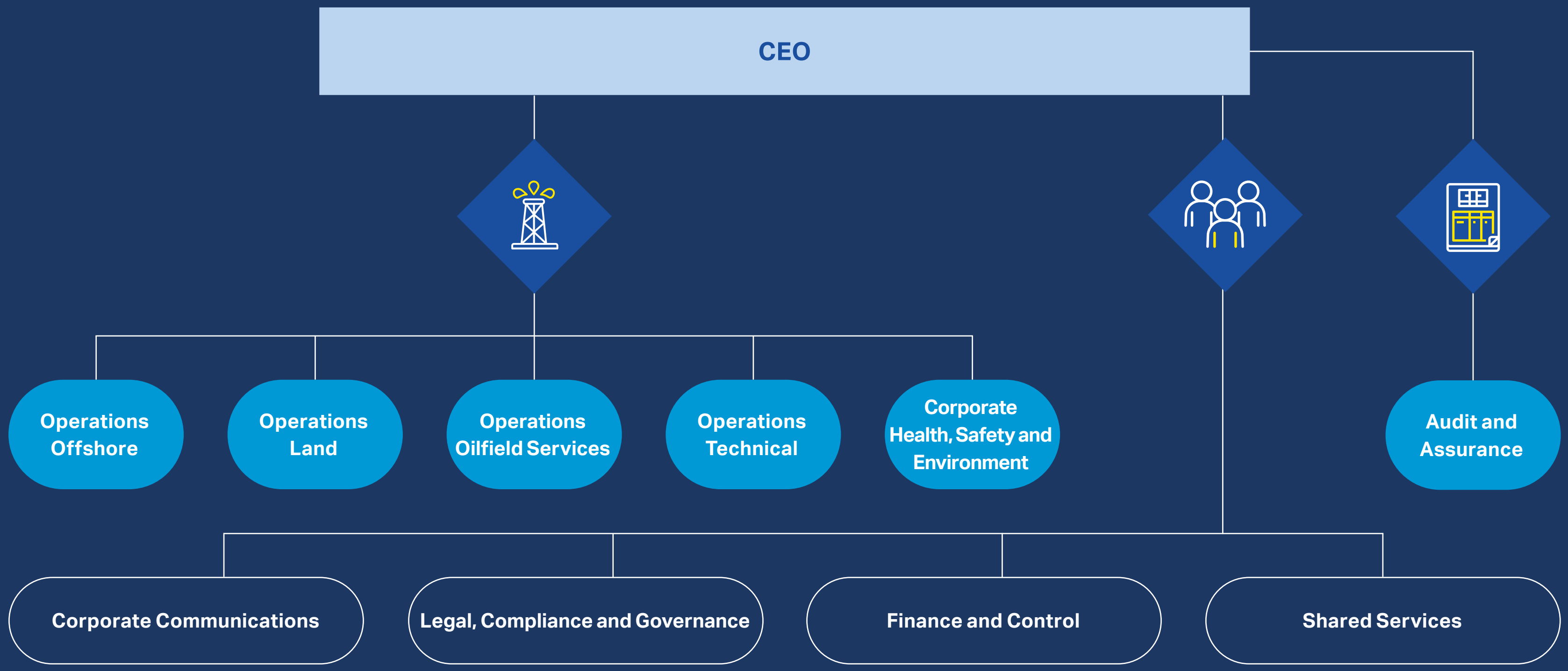
Duration of delegation

Until the authority is revoked by the Board of Directors.

Under the Delegation of Authority, and in consultation with the Board of Directors, our Chief Executive Officer has sub–delegated some of the powers given to him to members of our Executive Management team.

Our Executive Management team carries out the day–to–day activities of ADNOC Drilling pursuant to the Company's Delegation of Authority and in line with international best practice and the relevant governance rules and regulations.

ADNOC Drilling Organization Chart



Executive Management Team

Abdulrahman Abdulla Al Seiari
CEO

Abdulrahman Abdulla Al Seiari has over 42 years of onshore and offshore drilling experience within the ADNOC Upstream group companies, with his most recent appointment being in 2020 as our CEO.

Esa Ikaheimonen
Chief Financial Officer

Mr. Esa Ikaheimonen joined ADNOC Drilling in 2022. Over the past 30 years, Esa has held senior leadership positions at a number of the world's leading operators including Shell, Transocean, Genel Energy and Seadrill.

Alexander Urquhart
Senior Vice President – Finance and Control

Alexander Urquhart joined ADNOC Drilling in 2018 as the Deputy CFO and held the role of Chief Financial Officer from 2020, until his appointment as SVP of Finance and Control in 2022. Prior to joining ADNOC Drilling, Alexander worked with BP for 23 years covering various finance leadership roles in Petrochemicals, Treasury and Exploration.

Shaikha Al Dhaheri
Senior Vice President – Shared Services

Shaikha Ali Al Dhaheri joined ADNOC Drilling in 2022. She has overall responsibility for leading the Company's human capital, procurement, business services and digital functions. Shaikha has been associated with ADNOC since 2004, and most recently served as Senior Vice President, Human Capital and Administration at ADNOC Offshore.

Sultan Saeed Al Mansoori
Senior Vice President – Operations (Land)

Sultan Al Mansoori joined ADNOC Drilling in 2022. He has over 20 years of drilling experience at ADNOC and has held many leadership roles across ADNOC Upstream group companies (Offshore and Onshore). As Senior Vice President – Operations (Land), he is responsible for the Company's Land Rig Operations Function that includes Land Rigs, Water Well Rigs, Rig Moves, Operations Support and Base Support.

Ali Essa Al Mahri
Senior Vice President – Operations (Offshore)

Ali Essa Al Mahri joined the Company in 2018, as Senior Vice President, Technical with responsibility over Engineering, Projects, Maintenance, Business Development and Asset Integrity Departments. Prior to that, he served as Vice President, Drilling, in ADNOC Offshore with responsibility over their offshore and islands drilling activities in their various field concessions. As the Senior Vice President, Operations (Offshore), he has oversight and responsibility over Offshore Jack–ups, Island Rig and Marine Service divisions.

Fahed Salem Al Ameri
Senior Vice President – Technical

Fahed Alameri joined ADNOC Drilling in 2022. He has 20 years of drilling experience in both international oil companies and ADNOC. Since 2010, he held many key leadership roles across ADNOC Group of companies – most recently as Senior Vice President, Drilling & Logistics of ADNOC Offshore. As Senior Vice President – Technical, he is responsible for the Company's Engineering, Projects, Maintenance and Asset Integrity Departments.

Emri Mahmoud Zeineldin
Senior Vice President – Oilfield Services

Emri Zeineldin joined ADNOC Drilling in December 2018 as Senior Vice President, Oilfield Services (OFS). In the past, he held various senior positions within Baker Hughes OFS division (2003–2018) and in Smith International & Schlumberger from 1995–2003. He was also an assistant lecturer at Ain Shams University from 1992 to 1995.

Executive Management Team continued

Executive Management Remuneration 2022[1]

Name	Position	Appointment date	Salary and Allowances (AED)	Bonuses[2] (AED)	Other Benefits (AED)
Abdulrahman Abdulla Al Seiari	CEO	January 2020	3,072,919	1,750,000	–
Esa Ikaheimonen	Chief Financial Officer	April 2022	1,530,000	–	1,926,750[3]
Alexander Urquhart	Senior Vice President – Finance and Control	January 2020*	1,440,000	510,000	–
Shaikha Al Dhaheri	Senior Vice President – Shared Services	May 2022	728,798	–	–
Sultan Saeed Al Mansoori	Senior Vice President – Operations (Land)	October 2022	414,351	–	–
Ali Essa Al Mahri	Senior Vice President – Operations (Offshore)	November 2018**	1,775,164	765,000	–
Fahed Salem Al Ameri	Senior Vice President – Technical	October 2022	326,706	–	–
Emri Mahmoud Zeineldin	Senior Vice President – Oilfield Services	December 2018	1,593,936	510,000	–

1 The table above sets out Executive Management remuneration of current executives and where applicable, includes prorated remuneration based on appointment date.
2 Bonus details relate to 2021 bonuses paid in 2022. Bonuses for 2022 that are payable in 2023 are yet to be determined or awarded.
3 One–off sign–on bonus.
* Position changed from Chief Financial Officer to Senior Vice President Finance in April 2022.
** Position changed from Senior Vice President – Technical to Senior Vice President Operations (Offshore) in October 2022.

Board Executive Committee

The Board Executive Committee consists of six members, all being independent Non–Executive Directors. The Board Executive Committee was established by the Board to assist the Board in the discharge of its duties.

The role of the Board Executive Committee is to act on behalf of the Board during the intervals between scheduled Board meetings so that matters that require Board approval during such intervals can be dealt with in a timely and efficient manner. The committee focuses on matters including health, safety and the environment, along with ADNOC Drilling's sustainability initiatives, operational and business planning, financial results, investor relations and the corporate communications strategy.

As part of his role as the Chair of the Board Executive Committee, Abdulmunim Al Kindy is responsible for ensuring the committee's overall effectiveness and that the committee properly complies with all of its stated objectives.

The Board Executive Committee held four meetings in 2022. In 2022, our shareholders approved a fixed value remuneration of AED50,000 to non–board committee members for 2021 paid on a prorated basis from the date of appointment until 31 December 2021.

The following table sets out the meetings held by our Board Executive Committee in 2022:

Board Member	Position on the Committee	4 Feb 2022	26 Apr 2022	25 Jul 2022	26 Oct 2022
Abdulmunim Al Kindy	Chair	P	P	P	P
Yaser Al Mazrouei	Member	P	P	P	P
Muna Al Mheiri	Member	P	P	P	P
Mohamed Al Aryani	Member	P	P	A	P
Khalid Abdul Samad	Member	P	P	P	P
Mohamed Al Marzouqi	Member	P	P	P	P

P – Present, A – Absent

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board to discharge its responsibilities relating to the composition and make–up of the Board and any committees of the Board.

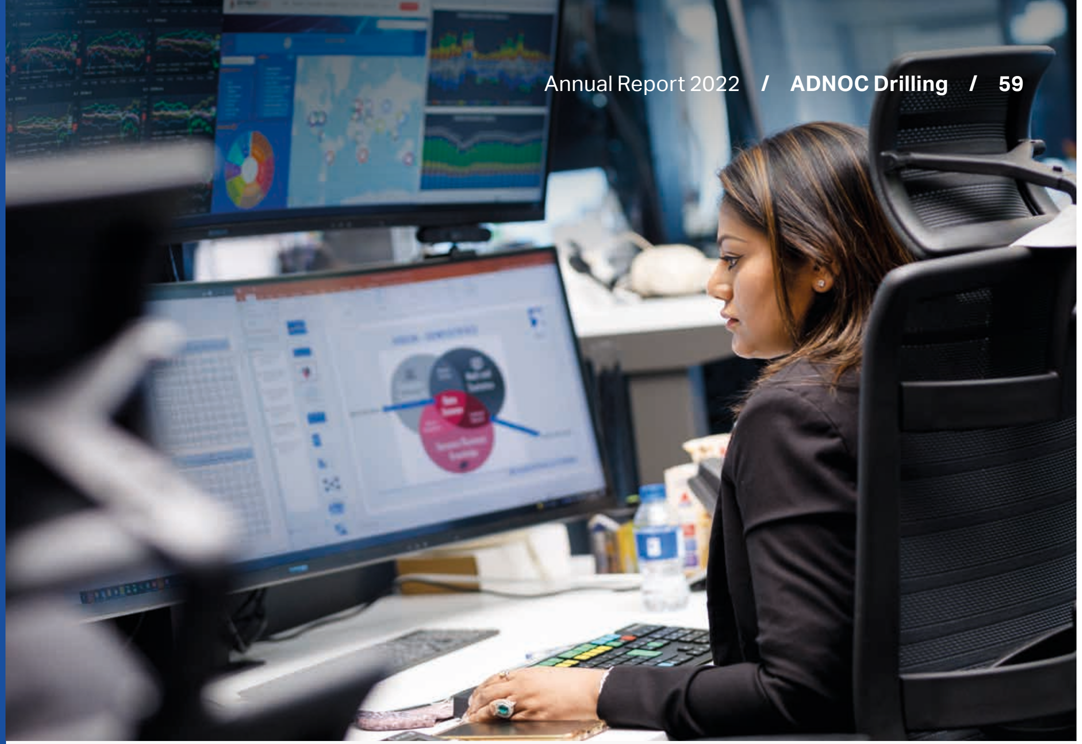
The Nomination and Remuneration Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board and, in particular, for monitoring the independent status of the independent Non–Executive Directors. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. In addition, the Nomination and Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the over–arching principles, parameters and governance framework of our remuneration policy and determining the individual remuneration and benefits package of our senior management.

The SCA Joint Stock Companies Governance Guide (Governance Guide), as reflected in the Nomination and Remuneration Committee Terms of Reference, requires the Nomination and Remuneration Committee to comprise of at least three Non–Executive Directors, at least two of whom must be independent. The chair of the Nomination and Remuneration Committee must be chosen from amongst the independent committee members, and its other members will be appointed by the Board. The Nomination and Remuneration Committee will meet at least twice per year, or more frequently as required.

The current members of the Nomination and Remuneration Committee are H.E. Omar Suwaina Al Suwaidi (Chair), Yaser Al Mazrouei, Muna Al Mheiri and Ayesha Al Hammadi.

As part of his role as the Chair of the Nomination and Remuneration Committee, H.E. Omar Suwaina Al Suwaidi is responsible for ensuring the committee's overall effectiveness and that the committee properly complies with all of its stated objectives.

The Nomination and Remuneration Committee met three times in 2022. In 2022, our shareholders approved a fixed value remuneration of AED50,000 to non–board committee members for 2021 paid on a prorated basis from the date of appointment until 31 December 2021.



The following table sets out the meetings held by our Nomination and Remuneration Committee in 2022:

Member	Position	12 Jan– 2022	23 Aug 2022	24 Oct 2022
H.E. Omar Suwaina Al Suwaidi[1]	Chair	P	P	P
Yaser Al Mazrouei[1]	Member	P	A	P
Muna Al Mheiri[1]	Member	P	P	P
Ayesha Al Hammadi[2]	Member	P	P	P

P – Present, A – Absent
1 Appointed on 12 September 2021.
2 Appointed on 9 November 2021.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls.

This includes reviewing and monitoring the integrity of the Company's annual and interim financial statements, reviewing and monitoring the extent of the non–audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Company's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Company's internal control review function.

The ultimate responsibility for reviewing and approving the annual report and financial statements remains with the Board. The Audit Committee will give due consideration to the applicable laws and regulations of the UAE, governmental authorities and the ADX, including the provisions of the Governance Guide.

The Governance Guide, as reflected in the Audit Committee Terms of Reference, requires that the Audit Committee must comprise at least three members who are Non–Executive Directors, at least two of whom must be independent. One of the independent members must be appointed as the Chair of the Audit Committee. In addition, at least one member is required to have recent and relevant audit and accounting experience. The Audit Committee will be chaired by one of the independent members and will include other members elected by the Board. The Audit Committee will meet not less than four times a year.

The Audit Committee has taken appropriate steps to ensure that the Company's External Auditors are independent of the Company as required by the Governance Rules and has obtained written confirmation from the Company's Auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The Audit Committee's responsibilities in relation to the Audit and Assurance Division include the review and approval of the overall audit strategies and annual audit work plan, budget, and overseeing the internal audit programs and performance. In addition, the Audit Committee ensures that Audit and Assurance has full and unrestricted access to all required sources of information relevant to the performance of its work.

As part of his role as the Chair of the Audit Committee, H.E. Ahmed Al Zaabi is responsible for ensuring the committee's overall effectiveness and that the committee properly complies with all of its stated objectives.

The Audit Committee held five meetings in 2022 and all recommendations of the Audit Committee were accepted by the Board. In 2022, our shareholders approved a fixed value remuneration of AED50,000 to non–board committee members for 2021 paid on a prorated basis from the date of appointment until 31 December 2021.

The following table sets out the meetings held by our Audit Committee in 2022:

Member	Position	31 Jan 2022	10 Feb 2022	28 Apr 2022	27 Jul 2022	27 Oct 2022
H.E. Ahmed Jasim Al Zaabi	Chair	P	P	P	P	P
Mohamed Al Aryani	Member	P	P	P	P	P
Abdulla Al Jarwan	Member	P	P	P	P	P
Khalfan Al Dahmani	Member	P	P	P	P	P
Ahmed Abujarad	Member	P	P	P	A	P

P – Present, A – Absent

External Auditors

We have entrusted the external audit function for ADNOC Drilling's yearly accounts to Deloitte & Touche (M.E.), which has been ADNOC Drilling's external auditor since 2020.

Number of years the Deloitte & Touche (M.E.) has served as the Company's External Auditor:	Three years
Partner name:	Farhad Aklas (Engagement Partner); Rama Padmanabha Acharya (Signing Partner)
Number of years the Partner has served as the Company's External Auditor:	Three years
Total fees for auditing the financial statements of 2022 (in AED), including provision of reasonable assurance report on the effectiveness of internal financial controls over financial reporting:	Total audit fee AED1,134,500 / Financial statements audit – AED800,000 / Internal controls – AED203,000 / Quarterly Reviews – AED131,500
Statement of the other services performed by an external auditor other than ADNOC Drilling's auditor in 2022 (if any):	None
For our annual financial statements for the year ended 31 December 2022, Deloitte & Touche (M.E.) issued an unqualified audit opinion:	Yes

Internal Control System

Responsibility of the Board of Directors

The Board of Directors is responsible for the internal control system within ADNOC Drilling and has established a number of processes and procedures which are designed to ensure the effectiveness of our internal control system.

Our Internal Control System

The key objectives of the internal control system are:

a. creating control mechanisms that ensure efficient business processes and the implementation of ADNOC Drilling's objectives;
b. ensuring the safety of ADNOC Drilling's assets and efficient use of its resources;
c. protecting the interests of ADNOC Drilling's shareholders and preventing and resolving conflicts of interest;
d. creating conditions for timely preparation and submission of reliable reports and other information that is legally required to be publicly disclosed; and
e. ensuring that ADNOC Drilling is compliant with applicable laws and requirements of regulators.

In addition to the functions and remit of the Board of Directors, ADNOC Drilling's internal control system is embedded in ADNOC Drilling at three levels:

i. Level 1: the business units and divisions within ADNOC Drilling are responsible for assessing and managing risks and building an efficient control system by complying with the standard and procedures, KPIs, corporate and or divisional performance contracts;
ii. Level 2: appropriate internal departments and committees (enterprise risk management, quality, and compliance functions) are responsible for facilitating and guiding the risk assessment process, developing, communicating and monitoring the appropriate standards, processes and procedures; and
iii. Level 3: the Audit and Assurance function conducts independent assessments of the efficiency of the internal control system.

Audit and Assurance Function

The Board of Directors has approved and implemented governance functions and structures, including an Audit and Assurance function that is independent of our Executive Management and reports directly to ADNOC Drilling's Audit Committee. The key aim of the Audit and Assurance function is to provide assurance and advice on the adequacy of ADNOC Drilling's internal control environment, corporate governance framework and risk management processes.

Our Audit and Assurance Division is led by Dr. Eisa Al Salem Al Hammadi who was appointed as Vice President Audit and Assurance in 2017. Dr. Al Hammadi is responsible for reporting the Audit and Assurance Division's internal audit findings to the Executive Management and the Audit Committee on a regular basis. To enhance the independence of our Audit and Assurance Division, it reports functionally to our Audit Committee and administratively to ADNOC Drilling's CEO.

Audit and Assurance's charter, policies, procedures, methodologies and risk–based internal audit plans are presented to and approved by the Audit Committee. Our Audit and Assurance activities are performed by teams of appropriate, qualified and experienced employees. Additionally, a continuous improvement process is implemented using a learning and development framework that is designed to ensure that the Audit and Assurance team members maintain their required professional competencies and capabilities.

Considering the independence requirements, our Audit and Assurance Division also serves as an in–house advisor on many areas of interest which allows the Division to provide value–added services that are critical to an efficient and effective governance, risk management and internal control processes.

Internal Control System continued

Risk management

The Company has implemented an integrated enterprise risk management system, which showcases its commitment to protecting the business and the interest of all stakeholders. This enterprise risk management system:

a. facilitates risk informed strategic planning to achieve business objectives and identify potential business opportunities;
b. supports the Company in identifying and managing key strategic, functional, investment and project risks (including the use of an objective driven process);
c. assesses the identified risks and the potential impact of such risks on the Company and its key objectives;
d. enhances corporate performance as processes become more risk aware and control focused; and
e. strengthens ADNOC Drilling's resilience to market disruption and evolving business practices.

ADNOC Drilling's risks are monitored by a dedicated enterprise risk unit and this unit provides quarterly reports to the Audit Committee and Board of Directors.

Legal, Compliance and Governance

ADNOC Drilling has established and maintains an internal control framework that provides our Executive Management and Board of Directors with reliable assurances on the health of our internal controls. These controls are designed to ensure that we can (a) continually meet the operational and financial objectives of ADNOC Drilling; (b) properly manage risks; (c) ensure the validity and transparency of the information we provide to our stakeholders; and (d) comply with applicable laws and regulations.

Our Legal, Compliance and Governance Division is responsible for ensuring that the Company conducts its business in full compliance with all relevant laws and regulations, as well as professional standards, accepted business practices and internal standards.

Our compliance and control function performs several tasks that are designed to ensure that our internal control system is effectively implemented and managed. These include:

a. discussing the internal control system with the Board of Directors;
b. considering the results of investigations in internal control issues;
c. studying internal control reports and following up the implementation of corrective measures arising from the findings of such reports; and
d. setting rules that enable ADNOC Drilling's staff to confidentially report any potential violations in financial reports, internal control, etc.

Obiageli Nnabuihe, in her role as Acting General Counsel of ADNOC Drilling, oversees ADNOC Drilling's Legal, Compliance and Governance Division and Esa Ikaheimonen in his role as Chief Financial Officer oversees the Enterprise Risk Management function, and together they are responsible for ensuring that, through the input of these functions, we consistently operate in accordance with the highest international standards.

Identified issues and recent developments

For 2022, no significant issues were identified with respect to our compliance and control systems.

Violations committed during 2022

No violations were committed by ADNOC Drilling in 2022.

General Information

Statement of the share price in the market at the end of each month during the fiscal year

Trading of ADNOC Drilling shares on the ADX started on 3 October 2021 under the symbol ADNOCDRILL. The closing share price at 31 December 2022 was AED2.98. ADNOC Drilling's market capitalization at 31 December 2022 was AED47.68 billion.

ADNOC Drilling's share capital is AED1.6 billion, divided into 16.0 billion shares, each with a nominal value of AED0.10.

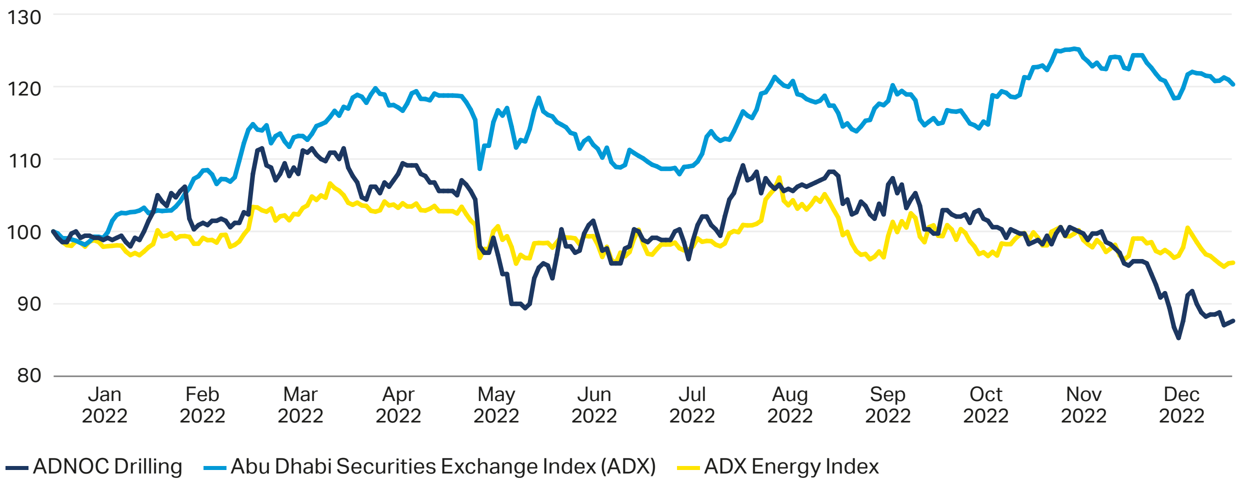
The following table sets out the closing price and the high and low share prices of our shares at the end of each month during 2022.

Month	High (AED)	Low (AED)	Close (AED)
January	3.46	3.32	3.45
February	3.65	3.34	3.44
March	3.92	3.44	3.79
April	3.79	3.53	3.59
May	3.67	2.97	3.23
June	3.51	3.15	3.40
July	3.63	3.17	3.58
August	3.78	3.57	3.66
September	3.66	3.35	3.39
October	3.53	3.33	3.35
November	3.44	3.21	3.26
December	3.30	2.90	2.98

General Information continued

Statement of the comparative performance with the general market index and sector index

The figure below sets out our share price performance for 2022 compared to the ADX General Index and the ADX Energy Index.



Statement of the shareholders' ownership distribution by region

The table below shows the percentage of the shares owned by different categories of shareholders as at the end of 2022.

Shareholders	Individuals	Companies	Government	Total
Local	2.2%	92.9%	0.5%	95.6%
GCC	0.0%	0.9%	0.9%	1.8%
Arab	0.1%	0.0%	0.0%	0.1%
Foreign	0.1%	2.4%	0.0%	2.5%
Total	2.5%	96.1%	1.4%	100.0%

Statement of the shareholders' ownership distribution by size of equity

The table below shows the shareholding percentage to capital as at the end of 2022.

Class	Shareholdings	Number of Shareholders	Number of Shares Held	% of Shares Held
1	More than 5,000,000	46	15,433,663,911	96.5%
2	From 500,000 to less than 5,000,000	268	386,832,997	2.4%
3	From 50,000 to less than 500,000	848	134,517,633	0.8%
4	Less than 50,000	16,494	44,985,459	0.3%

General Information continued

Statement of shareholders who held 5% or more of ADNOC Drilling's capital as at 31 December 2022

The table below shows the name of shareholders who held 5% or more of ADNOC Drilling's capital at the end of 2022 and the percentage of such shareholdings.

Name	Number of Shares Held	% of Shares Held of ADNOC Drilling's Capital
Abu Dhabi National Oil Company	13,440,000,000	84.0%
Baker Hughes Holdings Ltd	800,000,000	5.0%

No other shareholder owns 5% or more of our shares.

Our Investor Relations department, which is overseen by Nicolas Robert can be contacted at ir@adnocdrilling.ae. Additional investor relations information can be found on our website in English and Arabic at https://adnocdrilling.ae/en/investor–relations.

General Assembly and Special Resolutions presented to the General Assembly in 2022

The Company held its first Annual General Assembly meeting on 20 April 2022.

A Special Resolution is defined in our Articles of Association as a resolution requiring the approval of the Company's General Assembly by shareholders owning not less than three–quarters of the shares represented in that General Assembly. In 2022, there were no special resolutions passed by the shareholders.

Corporate Social Responsibility spend in 2022

Our total expenditure on social development and related sponsorship projects for 2022 was approximately AED664,742.43, of which AED245,960.33 was in cash and AED418,782.10 was in–kind. For more information on our Corporate Social Responsibility initiatives please refer to our Sustainability Report.

Financial Statements

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Directors' Report
For the year ended 31 December 2022

The Directors are pleased in submitting their report, together with the audited financial statements of ADNOC Drilling Company P.J.S.C. (the Company) for the year ended 31 December 2022.

Board of Directors
The Directors of the Company are:

Chairman	H.E. Dr. Sultan Ahmed Al Jaber
Vice Chairman	Abdulmunim Saif Hamoud AlKindi
Members	Yaser Saeed Ahmed Omran AlMazrouei Ahmed Jasim Yousif Naser AlZaabi Mohamed AlAryani Muna Khalifa Mohamed Hazeem Almheiri Omar Ahmed Hassan Suwaina Alsuwaidi

Principal activity
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.

Financial highlights
Statement of financial position
The Company's financial position remains very healthy showing net assets at 31 December 2022 of USD2,930,981 thousand (2021: USD2,795,424 thousand) with the increase in total net assets mainly due to the profit made in excess of dividend payments in the current year.

Statement of profit or loss and other comprehensive income
The Company recognized revenue for the year of USD2,673,251 thousand (2021: USD2,269,470 thousand). Profit for the year was USD801,807 thousand (2021: USD603,913 thousand). The increase in revenue was due to increase in rig fleet and additional drilling services provided to ADNOC Onshore and ADNOC Offshore.

Statement of cash flows
Net cash generated from operating activities amounted to USD1,523,811 thousand (2021: USD1,179,132 thousand), the increase is mainly due to increase in profit and movement in trade and other payables and related party balances. Net cash used in investing activities amounted to USD935,868 thousand (2021: USD582,019 thousand) which relates to additions to property and equipment, intangible assets and finance income.

The appropriation of the results for the year is follows:

	USD'000
Retained earnings at 1 January 2022	2,299,362
Total comprehensive income for the year	801,807
Transfer to statutory reserve	(80,181)
Dividends	(666,250)
Retained earnings at 31 December 2022	**2,354,738**

Future outlook
The Company has made great progress in 2022, firmly establishing its position as the largest drilling and well completions company in the Middle East by fleet size, owning and operating one of the largest multi-discipline drilling fleets in the world. The Company continues to relentlessly pursue its long-term strategic objectives that is focused on delivering sustained business growth through the efforts and commitment of highly skilled and dedicated workforce and its unwavering commitment to industry leading health and safety standards and decarbonization. We remain very enthusiastic about the year ahead as we focus towards supporting three key pillars including gas self-sufficiency, development of unconventional, continued expansion of OFS segment and pursuit of both regional expansion opportunities and new revenue streams. The immediate focus remains on meeting robust financial targets, whilst maintaining operational excellence.

Subsequent events
As of the date of this report, no major events have occurred that may have significant impact on the financial statements for the year ended 31 December 2022.

Financial reporting framework
The Directors of the Company, to the best of their knowledge, believe that:

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operation, cash flows and changes in equity;
- The Company has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements unless otherwise stated, and accounting estimates are based on reasonable and prudent judgment; and
- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and comply, where appropriate with the local laws.

For the Board of Directors

H.E. Dr. Sultan Ahmed Al Jaber
Abu Dhabi
United Arab Emirates
10 February 2023

Independent Auditor's Report to the Shareholders of ADNOC Drilling Company P.J.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ADNOC Drilling Company P.J.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition The Company reported revenue of USD2,673,251 thousand from drilling and oilfield services for the year ended 31 December 2022, of which 98% is attributable to contracts with its related parties, ADNOC Onshore and ADNOC Offshore. The Company has large volume of transactions with related parties in the normal course of business. There is inherent risk around occurrence of revenue recognised given over 98% of the transactions are with related parties. Due the materiality of the amounts involved and large volume of transactions we have considered this to be a key audit matter. The Company's accounting policies relating to revenue recognition are presented in note 3 to the financial statements and details about the Company's revenue are disclosed in note 16 to the financial statements.	Our audit approach included a combination of test of controls and substantive procedures, in particular, the following: • Understanding the significant revenue processes and identifying the relevant controls related to revenue recognition; • Evaluating the design and testing the operating effectiveness of manual controls over sales to related parties; • Analyzing relevant agreements and determining that transactions were recorded in accordance with the substance of the relevant agreements; • Performing test of details on a sample basis to confirm that the revenue was recognised in accordance with the terms of relevant agreements; • Obtaining direct confirmations from related parties of 98% of the revenue recognised during the year and reconciling these amounts with the billings and accruals made during the year; • Evaluating the business rationale for any non- routine transactions; • Performing sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; and • Assessing the adequacy of disclosures in the financial statements relating to revenue against the requirements of IFRSs.

Independent Auditor's Report to the Shareholders of ADNOC Drilling Company P.J.S.C. continued

Report on the audit of the financial statements

Other information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Company's Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Company's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the applicable provisions of the Articles of Association of the Company, UAE Federal Decree Law (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report to the Shareholders of ADNOC Drilling Company P.J.S.C. continued

Report on the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law (32) of 2021, we report for the year ended 31 December 2022 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law (32) of 2021;
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Company;
- As disclosed in note 1 to the financial statements, the Company has not purchased or invested in shares during the financial year ended 31 December 2022;
- Note 15 to the financial statements discloses material related party transactions, balances, and the terms under which they were conducted; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Further, as required by ADAA Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we report, in connection with our audit of the financial statements for the year ended 31 December 2022, that nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2022:

I. Its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration No. 701
10 February 2023
Abu Dhabi
United Arab Emirates

Statement of Financial Position
As at 31 December 2022

	Notes	31 December 2022 USD'000	31 December 2021 USD'000
ASSETS			
Non-current assets			
Property and equipment	5	**3,921,607**	3,363,443
Right-of-use assets	6	**33,909**	34,384
Intangible assets	7	**8,980**	–
Advances		**5,408**	7,634
Total non-current assets		**3,969,904**	3,405,461
Current assets			
Inventories	8	**153,369**	175,025
Trade and other receivables	9	**115,427**	102,454
Due from related parties	15	**929,046**	960,400
Cash and cash equivalents	10	**325,514**	453,101
Total current assets		**1,523,356**	1,690,980
Total assets		**5,493,260**	5,096,441
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**435,671**	435,671
Statutory reserve	11	**140,572**	60,391
Retained earnings		**2,354,738**	2,299,362
Total equity		**2,930,981**	2,795,424
Non-current liabilities			
Borrowings	12	**–**	1,500,000
Trade and other payables	14	**28,098**	–
Lease liabilities	6	**20,608**	19,031
Provision for employees' end of service benefits	13	**111,081**	113,360
Total non-current liabilities		**159,787**	1,632,391
Current liabilities			
Borrowings	12	**1,500,000**	–
Trade and other payables	14	**404,287**	314,913
Lease liabilities	6	**19,141**	20,317
Due to related parties	15	**466,759**	333,396
Provision for employees' end of service benefits	13	**12,305**	–
Total current liabilities		**2,402,492**	668,626
Total liabilities		**2,562,279**	2,301,017
Total equity and liabilities		**5,493,260**	5,096,441

The accompanying notes form an integral part of these financial statements.

To the best of our knowledge, the financial information included in the report fairly present in all material respects the financial condition, result of operations and cash flows of the Company as of 31 December 2022, and for the periods presented in the report.

H.E. Dr. Sultan Ahmed Al Jaber
Chair

Abdulrahman Abdulla Alseiari
CEO

Esa Ikaheimonen
Chief Financial Officer

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

	Notes	31 December 2022 USD'000	31 December 2021 USD'000
Revenue	16	**2,673,251**	2,269,470
Direct cost	17	**(1,580,617)**	(1,385,202)
Gross profit		**1,092,634**	884,268
General and administrative expenses	18	**(268,388)**	(273,518)
Other income – net		**6,167**	10,135
Finance cost – net	20	**(28,606)**	(16,972)
Profit for the year		**801,807**	603,913
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**801,807**	603,913
Earnings per share:			
Basic and diluted	26	**0.050**	0.038

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital USD'000	Statutory reserve USD'000	Retained earnings USD'000	Total equity USD'000
Balance at 1 January 2021	108,918	–	3,142,893	3,251,811
Capitalization (notes 1 and 11)	326,753	–	(326,753)	–
Total comprehensive income for the year	–	–	603,913	603,913
Transfer to statutory reserve	–	60,391	(60,391)	–
Dividends (note 21)	–	–	(1,060,300)	(1,060,300)
Balance at 31 December 2021	435,671	60,391	2,299,362	2,795,424
Balance at 1 January 2022	435,671	60,391	2,299,362	2,795,424
Total comprehensive income for the year	–	–	801,807	801,807
Transfer to statutory reserve	–	80,181	(80,181)	–
Dividends (note 21)	–	–	(666,250)	(666,250)
Balance at 31 December 2022	**435,671**	**140,572**	**2,354,738**	**2,930,981**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2022

	31 December 2022 USD'000	31 December 2021 USD'000
Cash flows from operating activities		
Profit for the year	801,807	603,913
Adjustments for:		
Depreciation of property and equipment	386,428	392,473
Depreciation of right-of-use assets	15,792	23,775
Amortization of intangible assets	2,314	–
Impairment/lost in hole of property and equipment – net	2,954	10,321
Employees end of service benefit charge	18,373	33,180
Allowance for slow-moving inventories	900	4,781
Expected credit loss charge	9,004	–
Finance cost	34,880	17,700
Finance income	(6,274)	(728)
Operating cash flows before changes in working capital	1,266,178	1,085,415
Changes in working capital on account of:		
Inventories	20,756	(2,753)
Advance payments	2,226	(3,384)
Trade and other receivables	(12,973)	36,842
Due from related parties	22,350	(57,799)
Trade and other payables	100,258	(20,667)
Due to related parties	133,363	147,758
Employees' end of service benefit paid	(8,347)	(6,280)
Cash generated from operating activities	1,523,811	1,179,132

	31 December 2022 USD'000	31 December 2021 USD'000
Cash flows from investing activities		
Payments for purchase of property and equipment	(937,994)	(582,747)
Payments for purchase of intangible assets	(4,148)	–
Finance income received	6,274	728
Net cash used in investing activities	(935,868)	(582,019)
Cash flows from financing activities		
Lease liabilities paid	(14,916)	(19,622)
Dividends paid	(666,250)	(1,060,300)
Finance cost paid	(34,364)	(17,555)
Net cash used in financing activities	(715,530)	(1,097,477)
Net decrease in cash and cash equivalents	(127,587)	(500,364)
Cash and cash equivalent at the beginning of the year	453,101	953,465
Cash and cash equivalents at the end of the year	325,514	453,101
Non-cash transactions:		
Additions and modification to right-of-use assets and lease liabilities	15,317	18,858
Capitalization of retained earnings	–	326,753

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2022

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.

In September 2021, the Company announced its intention to float a minority stake on Abu Dhabi Securities Exchange through an Initial Public Offering (IPO), pursuant to the resolution of the shareholders of the Company. The shareholders approved the listing and the sale by way of offer to the public of part of the share capital of the Company held by ADNOC. The subscription period commenced on 13 September 2021 and closed on 26 September 2021 and trading of the shares commenced on 3 October 2021.

Prior to the IPO, the shareholders approved the adoption of new Articles of Association, including the new par value of AED0.10 (USD: 0.0272294) per share from the previous AED100 (USD27.2294) per share thereby increasing the then existing number of shares from 4,000 thousand to 4,000,000 thousand. Further, an additional 12,000,000 thousand shares of the Company at the new par value of AED0.10 (USD: 0.0272294) per share were issued by way of capitalizing retained earnings of the Company amounting to USD326,753 thousand.

On 22 September 2021, ADNOC announced that it had increased the number of ordinary shares offered in the IPO of the Company from 1,200,000,000 ordinary shares to 1,760,000,000 ordinary shares, which equated to 11% of the Company's total issued share capital. Upon completion of the IPO, ADNOC continues to own a majority 84% stake in the Company, while Baker Hughes Holding SPV Ltd. (Baker Hughes), which entered into a strategic partnership with the Company in October 2018, continues to retain its 5% shareholding. ADNOC and Baker Hughes entered into an agreement to terminate the erstwhile shareholders' agreement (the SHA) between them effective from date of listing of the Company's shares on 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 Company has applied the requirements of New Companies Law during the year ended 31 December 2022.

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED375,000 or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

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.

The Company has not purchased or invested in any shares during the financial year ended 31 December 2022.

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

2.1. New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts–Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020: The Annual Improvements include amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases

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 2022.

Notes to the Financial Statements continued
For the year ended 31 December 2022

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

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 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)
- Annual Improvements to IFRS Standards 2018–2020: The Annual Improvements include amendments to (effective date not yet decided) and
- Amendments to IAS 1 and IFRS Practice Statement 2 related to Disclosure of Accounting Policies (effective from 1 January 2023)

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

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRSs as issued by the International Accounting Standard Board (IASB).

Basis of preparation

The financial statements have been 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 stated.

These financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

At 31 December 2022, the Company's current liabilities exceed its current assets by USD879,136 thousand. Management has assessed liquidity forecast under different scenarios and no material uncertainties over going concern were identified. The Company has sufficient liquidity through the Company's undrawn borrowing facilities (note 12) as well as the Company's 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.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The historical cost consists of expenses related directly to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the statement of profit or loss as incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight–line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated using the straight–line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Building and yards	10–20
Drilling rigs and equipment	8–20
Camps and equipment	4–10
Motor vehicles	4
Furniture, fixtures and office equipment	4

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The repair and maintenance expenses are included in the statement of profit or loss and other comprehensive income when incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements continued
For the year ended 31 December 2022

3. Summary of significant accounting policies continued
Capital work in progress
Capital work in progress is included in property and equipment at cost. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and the asset is commissioned and available for uses.

Intangible assets
Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and impairment losses, if any. Amortization is recognized in profit or loss on a straight–line basis over the estimated useful lives of intangible assets from the date that they are available for use. Intangible assets represent computer software with estimated useful life of four years and is amortized on a straight–line basis.

The estimated useful lives, residual values and amortization method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognized.

Impairment of non–financial assets
At each reporting date, the Company reviews the carrying amounts of its property and equipment, intangible assets, and rights of use to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash–generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash–generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash–generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash–generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and includes invoice value, freight and other expenses incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Leases
The Company as lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right–of–use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short–term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight–line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in–substance fixed payments), less any lease incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Notes to the Financial Statements continued

For the year ended 31 December 2022

3. Summary of significant accounting policies continued

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right–of–use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used)
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

The right–of–use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right–of–use of asset reflects that the Company expects to exercise a purchase option, the related right–of–use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right–of–use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right–of–use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of tangible and intangible assets' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non–lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Employee benefits

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end–of–service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Revenue

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Drilling and oilfield services

The drilling services represent drilling contracts that includes rig packages, including crews and support equipment and providing start–to–finish drilling and construction services across both conventional and unconventional reservoirs, to its customers. Contracts may be for a single well, multiple wells or a fixed term.

The Company's drilling services provided under each drilling rig contract is a single performance obligation satisfied over time and is comprised of a series of distinct time service periods in which the Company provides drilling services.

Variable consideration is assessed to the extent that it is probable that a significant reversal will not occur during the contract term. When determining if variable consideration should be recognized, management considers whether there are factors outside of the Company's control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue.

Revenue from reimbursable goods and services

Revenue from reimbursable goods and services represents mark-ups on certain equipment, materials and supplies, third party services and other expenses acquired at the request of the customer.

Notes to the Financial Statements continued
For the year ended 31 December 2022

3. Summary of significant accounting policies continued

Foreign currencies
For the purpose of these financial statements United States Dollar (USD) is the functional and the presentation currency of the Company.

Transactions in currencies other than USD (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

Financial instruments
Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of profit or loss and other comprehensive income.

Financial assets
All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. The Company does not currently have any financial assets that are measured at fair value.

Financial assets designated at amortized cost
Debt instruments that meet the following conditions are measured subsequently at amortized cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contratual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Amortized cost and effective interest rate method
The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in the statement of profit or loss and other comprehensive income.

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on trade receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the Financial Statements continued
For the year ended 31 December 2022

3. Summary of significant accounting policies continued

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 365 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments
Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements continued
For the year ended 31 December 2022

3. Summary of significant accounting policies continued
Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Financial liabilities measured subsequently at amortized cost
All financial liabilities are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Employees' pension
The Company makes pension contributions on behalf of UAE citizens in accordance with the Emirate of Abu Dhabi Law No. 2 of 2000. The contributions are treated as payments to a defined contribution pension plan. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate pension entity fund.

The Company has no legal or constructive obligations to pay further contributions if the Abu Dhabi Retirement Pensions & Benefits Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Value added tax
Value added tax (VAT) represents a standard rate of 5% that shall be imposed on any supply or import pursuant to Article (2) of the Federal Decree Law No. (8) of 2017 on the value of the supply or import as specified in the provisions of this Decree Law, effective from 1 January 2018.

- VAT payable, is payable to the Tax Federal Authority upon collection of receivables from customers. VAT on purchases, which have been settled at the date of the statement of financial position, are deducted from the amount payable
- VAT receivable, relates to purchases which have not been settled at the date of the statement of financial position, VAT receivable is reclaimable against sales VAT upon payment of the purchases

4. Key judgment and source of estimation and uncertainty
The preparation of the financial statements in compliance with IFRSs requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Revenue presentation
Third-party rig rental contracts are those which are entered into with third parties for the benefit of related parties. In such contracts, the Company neither has control over the rigs or services provided by the third party nor takes delivery of the rigs prior to its deployment by the related parties. In addition, the Company enters into back-to-back arrangements with related parties on the same term as it does with the third parties (which is contractually acknowledged by the third parties). Consequently, management has concluded that it is acting as an agent in these arrangements. Accordingly, revenue and cost relating to these services are presented on a net basis. Had management concluded that they were acting as principal in these transactions, revenue and direct costs would have been higher by USD149,980 thousand in the current year (2021: USD178,120 thousand).

Notes to the Financial Statements continued
For the year ended 31 December 2022

4. Key judgment and source of estimation and uncertainty continued

Contract modifications

The Company, from time to time and in the normal course of business, amends its revenue contracts with related parties. Significant judgment is required to determine whether, based on the status of ongoing negotiations, it is highly probable that a significant reversal in the amount of cumulative revenue recognized will occur at the conclusion of such negotiations.

Capitalization of borrowing costs

As described in note 3, the Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are the acquisition of rigs which take substantial period of time to get ready for their intended use or sale. The borrowing cost is capitalized for these rigs, until such time as the rigs is substantially ready for their intended use or sale. Significant [judgment] is required to determine whether the rigs take a significant period of time to get ready for their intended use based on management's assessment of the various activities that are required before the rigs enter into operation. During the year borrowing costs amounting to USD9,626 thousand (2021: nil) have been capitalized.

Determining the lease term

Certain leases are entered into with a related party which contain clauses for automatic annual renewal of the lease term unless either party provides a notice to not extend the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated. Management consider all facts and circumstances that create an economic incentive to not terminate the lease to determine the appropriate lease terms.

During the year ended 31 December 2022, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term of such contracts.

Key sources of estimation uncertainty

Impairment of property and equipment

Property and equipment are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication of impairment. Management identified impairment indicators in the current year for property and equipment and recognized impairment losses/lost in hole to bring the asset value to its recoverable which amounted to USD10,519 thousand (2021: USD10,321 thousand).

Provision for slow–moving or obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realizable value. Inventory items are categorized based on their aging and accordingly for each category are recognized as a provision for obsolete and slow–moving inventories. Provision for obsolete and slow-moving inventories at 31 December 2022 amounted to USD26,058 thousand (2021: USD25,158 thousand).

5. Property and equipment

	Building and yards USD'000	Drilling rigs and equipment USD'000	Motor vehicles USD'000	Furniture fixtures and office equipment USD'000	Construction work- in -progress USD'000	Pre-delivery payments	Total USD'000
Cost							
At 1 January 2021	88,448	5,702,806	28,450	76,128	303,194	–	6,199,026
Additions during the year	–	81,421	–	23	423,357	–	504,801
Transfers during the year	16	327,708	299	9,466	(337,489)	–	-
At 1 January 2022	88,464	6,111,935	28,749	85,617	389,062	–	6,703,827
Additions during the year	–	79,163	1,706	10	818,772	55,041	954,692
Transfers during the year	–	559,768		3,154	(562,922)	–	-
Transfer to intangible assets*	–	–	–	(8,501)	–	–	(8,501)
Write-off	(4,776)	(7,167)	(833)	(16,717)	–	–	(29,493)
At 31 December 2022	**83,688**	**6,743,699**	**29,622**	**63,563**	**644,912**	**55,041**	**7,620,525**
Depreciation and impairment							
At 1 January 2021	58,136	2,787,723	28,195	63,536	–	–	2,937,590
Charge for the year	2,735	383,264	157	6,317	–	–	392,473
Impairment	36	9,117	59	1,109	–	–	10,321
At 1 January 2022	60,907	3,180,104	28,411	70,962	–	–	3,340,384
Charge for the year	2,728	378,347	109	5,244	–	–	386,428
Impairment/lost in hole – net	(23)	3,638	(48)	(613)	–	–	2,954
Transfer to intangible assets*	–	–	–	(1,355)	–	–	(1,355)
Eliminated on write-off	(4,776)	(7,167)	(833)	(16,717)	–	–	(29,493)
At 31 December 2022	**58,836**	**3,554,922**	**27,639**	**57,521**	**–**	**–**	**3,698,918**
Carrying amount							
At 31 December 2022	**24,852**	**3,188,777**	**1,983**	**6,042**	**644,912**	**55,041**	**3,921,607**
At 31 December 2021	27,557	2,931,831	338	14,655	389,062	–	3,363,443

* 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).

Notes to the Financial Statements continued
For the year ended 31 December 2022

5. Property and equipment continued
The depreciation is allocated as follows:

	31 December 2022 USD'000	31 December 2021 USD'000
Direct cost (note 17)	**378,706**	374,954
General and administrative expenses (note 18)	**7,722**	17,519
	386,428	392,473

Property and equipment includes assets that are still in use and which are fully depreciated amounting to USD896,011 thousand (2021: USD879,872 thousand).

The Company performed an impairment assessment and concluded that for certain assets, the recoverable amount was lower than the carrying value of the assets. In 2022, the Company recognised an impairment/lost in hole of USD10,519 thousand (2021: USD10,321 thousand). Impairment of certain assets amounting to USD7,565 thousand have been reversed while the assets for which prior year impairment was not reversed have been written off in the current year.

6. Right-of-use assets and lease liabilities
Amounts recognized in the statement of financial position:

	31 December 2022 USD'000	31 December 2021 USD'000
Right-of-use assets		
Balance at the beginning of the year	**34,384**	39,301
Additions during the year	**15,317**	11,115
Lease modification*	**–**	7,743
Depreciation charge during the year	**(15,792)**	(23,775)
Balance at end of the year	**33,909**	34,384

	31 December 2022 USD'000	31 December 2021 USD'000
Lease liabilities		
Balance at the beginning of the year	**39,348**	40,112
Additions	**15,317**	11,115
Lease modification	**–**	7,743
Accretion of interest	**283**	783
Payments	**(15,199)**	(20,405)
Balance at end of the year	**39,749**	39,348
Disclosed as follows:		
Current	**19,141**	20,317
Non-current	**20,608**	19,031
	39,749	39,348

Amounts recognized in the statement of profit or loss and other comprehensive income:

	31 December 2022 USD'000	31 December 2021 USD'000
Direct cost (note 17)	**9,275**	16,811
General and administrative expenses (note 18)	**6,517**	6,964
	15,792	23,775

During the previous year, the Company and the lessor agreed to amend the annual lease payments for an additional period of two years from the original contract period for lease of hire equipment. The Company accounted it as a lease modification and remeasured the lease liability to reflect the modified lease payments discounted at a revised incremental borrowing rate (IBR) of 1.5%. This resulted in lease modification amounting to USD7,743 thousand.

Notes to the Financial Statements continued
For the year ended 31 December 2022

7. Intangible assets

	31 December 2022 USD'000	31 December 2021 USD'000
Cost		
Balance at the beginning of the year	–	–
Reclassified from property and equipment (note 5)	8,501	–
Additions during the year	4,148	–
Balance at end of the year	12,649	–
Accumulated amortization		
Balance at the beginning of the year	–	–
Reclassified from property and equipment (note 5)	1,355	–
Amortization charge for the year (note 18)	2,314	–
At 31 December	3,669	–
Carrying value		
Balance at end of the year	8,980	–

8. Inventories

	31 December 2022 USD'000	31 December 2021 USD'000
Inventories	179,427	200,183
Less: allowance for slow–moving or obsolete inventories	(26,058)	(25,158)
	153,369	175,025

The movement in the allowance for slow–moving or obsolete inventories during the year was as follows:

	31 December 2022 USD'000	31 December 2021 USD'000
Balance at beginning of the year	25,158	20,377
Charge during the year	900	4,781
Balance at end of the year	26,058	25,158

9. Trade and other receivables

	31 December 2022 USD'000	31 December 2021 USD'000
Trade receivables	24,181	28,613
Advances	37,199	36,280
Accrued revenue	27,890	18,554
Prepayment	8,134	5,665
Other receivables	18,023	13,342
	115,427	102,454

10. Cash and cash equivalents

	31 December 2022 USD'000	31 December 2021 USD'000
Cash in bank	325,108	452,795
Cash on hand	406	306
	325,514	453,101

Included within cash in bank is an amount of USD322,643 thousand held by ADNOC Group Treasury Services (AGTS) (2021: USD451,752 thousand held by ADNOC), which is in nature of cash and cash equivalents. Cash held by AGTS/ADNOC are funds held on behalf of the Company and are available on demand.

11. Share capital and statutory reserve

	31 December 2022 USD'000	31 December 2021 USD'000
Ordinary share capital of USD: 0.0272294 (AED: 0.10) each (2021 USD: 0.0272294 (AED: 0.10) each)	435,671	435,671

Notes to the Financial Statements continued
For the year ended 31 December 2022

11. Share capital and statutory reserve continued
The movement in ordinary share capital and fully paid is as follows:

	31 December 2022		31 December 2021	
	Number of shares ('000)	**USD'000**	Number of shares ('000)	USD'000
Balance at beginning of the year	**16,000,000**	**435,671**	4,000	108,918
Share split (AED100 to AED0.10) (note 1)	**–**	**–**	3,996,000	–
Capitalization	**–**	**–**	12,000,000	326,753
Balance at end of the year	**16,000,000**	**435,671**	16,000,000	435,671

In 2021, the shareholders resolved to increase the ordinary share capital by USD326,753 thousand by issuance of 12,000,000 thousand ordinary shares of AED0.10 (USD: 0.0272294) each by way of capitalization of retained earnings.

In accordance with the Federal Law No. 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.

12. Borrowings

	31 December 2022 USD'000	31 December 2021 USD'000
Syndicated loan	**1,500,000**	1,500,000
Disclosed as follows:		
Current	**1,500,000**	–
Non-current	**–**	1,500,000
	1,500,000	1,500,000

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

Type	Currency	Interest rate	Year of maturity	**31 December 2022 USD'000**	31 December 2021 USD'000
Syndicated loan	USD	0.9% and one month LIBOR	2023	**1,500,000**	1,500,000

The facility carries a fixed margin of 0.9% and one month LIBOR interest rate. The loan matures in a lump sum amount after five years, which is due in 2023.

	31 December 2022 USD'000	31 December 2021 USD'000
First Abu Dhabi Bank (note 15)	**375,000**	375,000
Sumitomo Mitsui Banking Corporation	**225,000**	375,000
The National Bank of Ras Al-Khaimah	**170,000**	–
Abu Dhabi Commercial Bank (note 15)	**155,000**	375,000
The Norinchukin Bank	**150,000**	–
State Bank of India	**125,000**	–
Bank of America 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
Citibank	**–**	75,000
	1,500,000	1,500,000

Notes to the Financial Statements continued

For the year ended 31 December 2022

12. 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	165,000	110,000
First Abu Dhabi Bank	165,000	110,000
J.P. Morgan Securities PLC	90,000	60,000
HSBC Bank Middle East Limited	90,000	60,000
Emirates NBD Bank PJSC	70,000	140,000
Bank of America Europe Designated Activity Company	60,000	40,000
Goldman Sachs Bank USA	50,000	–
Societe Generale	30,000	40,000
The National Bank of Ras Al-Khaimah	30,000	–
	750,000	500,000

The facilities carry a fixed margin of 0.8% and six-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 USD500,000 thousand is 24 October 2023. No drawdown has been made as at 31 December 2022 against these facilities.

13. Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefit is as follows:

	31 December 2022 USD'000	31 December 2021 USD'000
Balance at beginning of the year	113,360	86,460
Charge during the year (note 19)	18,373	33,180
Paid during the year	(8,347)	(6,280)
Balance at end of the year	123,386	113,360
Disclosed as follows:		
Current	12,305	–
Non-current	111,081	113,360
	123,386	113,360

14. Trade and other payables

	31 December 2022 USD'000	31 December 2021 USD'000
Accrued expenses	218,263	177,167
Trade payables	130,732	107,831
Deferred revenue	47,837	–
Retention payables	20,480	11,895
Accrual for employees' benefits	12,307	12,524
Pension payable	2,645	4,685
Other payables	121	811
	432,385	314,913
Disclosed as follows:		
Current	404,287	314,913
Non-current	28,098	–
	432,385	314,913

The average credit period on purchases is 60 days (2021: 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 Financial Statements continued
For the year ended 31 December 2022

15. Related party balances and transactions
Related parties represent the shareholders, Directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties and the Government of the Emirate of Abu Dhabi and its related parties. Pricing policies and terms of these transactions are approved by the Company's management.

The Company's transaction with other entities owned or controlled, either directly or indirectly by the Government of Abu Dhabi, included in the statement of financial position are as follows:

	31 December 2022 USD'000	31 December 2021 USD'000
(a) Due from related parties	**34,482**	81,607
(b) Other balances due from related parties[(i)]	**903,568**	878,793
Less: expected credit loss allowance	**(9,004)**	–
	929,046	960,400

(a) Due from related parties		
ADNOC Offshore	**34,260**	81,099
ADNOC Sour Gas	**191**	55
Al Dhafrah JV	**20**	21
ADNOC Refining	**6**	134
ADNOC Gas Processing	**5**	18
Abu Dhabi National Oil Company (ADNOC)	**–**	280
	34,482	81,607

At 31 December 2022, the Company had a significant concentration of credit risk, with one of the customer representing 99% (2021: one customer representing 99%) of related parties receivables outstanding at that date.

Management is confident that this concentration of credit risk will not result in any loss to the Company considering the credit history of these customers and the fact that those balances are due from sister companies majority owned by ADNOC, which is wholly owned by the Government of Abu Dhabi. Fitch Ratings has given ADNOC Group a standalone credit rating of AA+ and a long-term issuer default rating of AA with a stable outlook, in line with the sovereign rating of Abu Dhabi.

As at 31 December, the aging of related party balances was as follows:

	31 December 2022 USD'000	31 December 2021 USD'000
Not past due	**16,093**	49,181
Due from 31 to 60 days	**2,306**	3,977
Due from 61 to 90 days	**2,851**	3,004
Due from more than 91 days	**13,232**	25,445
	34,482	81,607

	31 December 2022 USD'000	31 December 2021 USD'000
(b) Other balances due from related parties[(i)]		
ADNOC Onshore	**676,166**	653,799
ADNOC Offshore	**221,447**	223,776
Abu Dhabi National Oil Company (ADNOC)	**5,100**	–
ADNOC Sour Gas	**455**	863
Al Dhafra JV	**400**	355
	903,568	878,793

(i) Other balances due from related parties represents revenue generated from providing drilling services but not yet billed. Billing will occur based on the terms of the contract. The contract assets primarily relate to the Company's rights to consideration for the provided drilling services to the Company's clients but not billed at the reporting date.

Notes to the Financial Statements continued
For the year ended 31 December 2022

15. Related party balances and transactions continued
The movement in allowance for expected credit loss during the year was as follows:

	31 December 2022 USD'000	31 December 2021 USD'000
Balance at beginning of the year	–	–
Charge during the year (note 17)	9,004	–
Balance at end of the year	9,004	–

	31 December 2022 USD'000	31 December 2021 USD'000
Due to related parties		
ADNOC Onshore	390,662	231,154
Abu Dhabi National Oil Company for Distribution	62,535	76,403
Abu Dhabi National Oil Company (ADNOC)	12,262	19,580
ADNOC Logistics & Services	751	5,244
ADNOC Refining	510	1,015
ADNOC LNG	39	–
	466,759	333,396

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

	31 December 2022 USD'000	31 December 2021 USD'000
Loan from related parties (note 12)		
First Abu Dhabi Bank	375,000	375,000
Abu Dhabi Commercial Bank	155,000	375,000
	530,000	750,000

	31 December 2022 USD'000	31 December 2021 USD'000
Cash and cash equivalents (note 10)		
ADNOC Group Treasury Services (AGTS)	322,643	–
First Abu Dhabi Bank	2,383	932
Abu Dhabi Commercial Bank	82	111
Abu Dhabi National Oil Company (ADNOC)	–	451,752
	325,108	452,795

Notes to the Financial Statements continued
For the year ended 31 December 2022

15. Related party balances and transactions continued

Shareholder Loan Agreement

On 16 August 2021, the Company entered into a shareholder loan facility (Facility) of USD1,250,000 thousand with ADNOC (the Shareholder Loan Agreement). The purpose of the Facility was to provide financing for working capital and general corporate purposes. Pursuant to the Shareholder Loan Agreement (i) the Facility maturity date was to be 30 June 2023, unless extended, canceled in the event of non-utilization or the Facility is repaid in accordance with the terms of the Shareholder Loan Agreement; and (ii) interest was to be the aggregate of six (6) month LIBOR plus a margin of 1.2% per annum, payable biannually on 30 June and 31 December of each year. The principal amount of the Facility was payable upon maturity or termination. The Shareholder Loan Agreement contained no maintenance or incurrence covenants. This agreement was terminated on 23 November 2021 and there was no draw down from the Facility in 2021.

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

	31 December 2022 USD'000	31 December 2021 USD'000
Revenue		
ADNOC Onshore	**1,594,187**	1,262,004
ADNOC Offshore	**1,032,707**	886,499
Abu Dhabi National Oil Company (ADNOC)	**919**	52,889
ADNOC Sour Gas	**511**	–
Al Dhafrah JV	**145**	–
	2,628,469	2,201,392
Purchases		
Abu Dhabi National Oil Company (ADNOC)	**27,891**	22,780
ADNOC Logistics & Services	**11,650**	8,931
ADNOC Distribution	**147,473**	78,929
ADNOC Refining	**845**	–
	187,859	110,640
Other income		
Abu Dhabi National Oil Company (ADNOC)	**331**	2,427

	31 December 2022 USD'000	31 December 2021 USD'000
Finance income		
Abu Dhabi National Oil Company (ADNOC)	**6,164**	624
Lease payments		
Abu Dhabi National Oil Company (ADNOC)	**15,199**	20,405
Key management compensation		
Compensation of key management personnel	**5,841**	5,042
Board of Directors members	**7**	7
Key management personnel	**8**	8

16. Revenue

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

	31 December 2022 USD'000	31 December 2021 USD'000
Drilling and oilfield services	**2,665,225**	2,260,618
Facilitation of rigs rental	**8,026**	8,852
	2,673,251	2,269,470

As at 31 December 2022, the Company has unsatisfied performance obligations amounting to USD19,739 thousand (2021: nil) that will be recognised as revenue during the next financial year. The amount disclosed above does not include variable consideration, which is constrained.

Notes to the Financial Statements continued
For the year ended 31 December 2022

17. Direct cost

	31 December 2022 USD'000	31 December 2021 USD'000
Staff costs (note 19)	**498,621**	465,594
Depreciation of property and equipment (note 5)	**378,706**	374,954
Repairs and maintenance	**178,557**	152,716
Fuel and lubricants	**153,203**	83,794
Chemicals	**123,199**	111,592
Hire of equipment	**114,103**	79,995
Major maintenance charges	**91,978**	81,314
Depreciation of right-of-use assets (note 6)	**9,275**	16,811
Expected credit loss charge (note 15)	**9,004**	–
Lost in hole charges (note 5)	**5,972**	–
Impairment of property and equipment (note 5)	**4,547**	–
Other direct cost	**13,452**	18,432
	1,580,617	1,385,202

18. General and administrative expenses

	31 December 2022 USD'000	31 December 2021 USD'000
Staff costs (note 19)	**221,532**	199,074
Depreciation of property and equipment (note 5)	**7,722**	17,519
Depreciation of right-of-use assets (note 6)	**6,517**	6,964
Amortization of intangible assets (note 7)	**2,314**	–
Impairment (reversal)/charge of property and equipment (note 5)	**(7,565)**	10,321
Other expenses	**37,868**	39,640
	268,388	273,518

19. Staff costs

	31 December 2022 USD'000	31 December 2021 USD'000
Salaries and allowances	**590,766**	531,587
End of service benefits (note 13)	**18,373**	33,180
Pension	**23,153**	22,685
Other employees' benefits	**87,861**	77,216
	720,153	664,668

20. Finance cost, net

	31 December 2022 USD'000	31 December 2021 USD'000
Finance income	**6,274**	728
Less: finance costs	**(34,880)**	(17,700)
	(28,606)	(16,972)

Notes to the Financial Statements continued
For the year ended 31 December 2022

21. Dividends
On 16 March 2021, the shareholders approved a declaration of dividend amounting to USD700,000 thousand pertaining to 2020, in accordance with the Shareholders' Agreement in the relevant shareholding portions of USD665,000 thousand for ADNOC and USD35,000 thousand for Baker Hughes Holdings SPV LTD. The dividend was paid during the prior period.

On 21 August 2021, the shareholders approved declaration of interim dividend for 2021 amounting to USD360,300 thousand in accordance with the Shareholders' Agreement in the relevant shareholding portions of USD342,285 thousand for ADNOC and USD18,015 thousand for Baker Hughes Holdings SPV LTD. The dividend was fully paid on 30 August 2021.

The Board of Directors, in their meeting held on 10 February 2022, proposed a final cash dividend of AED7.46 fils per share amounting to USD325,000 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 current year.

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 USD341,250 thousand. The dividend was paid during the current year.

22. Commitments and contingencies
The Company has the following commitments and contingent liabilities outstanding at 31 December 2022 and 31 December 2021:

	31 December 2022 USD'000	31 December 2021 USD'000
Capital commitments – rigs procurement	**128,102**	89,659
Bank guarantees	**134**	87

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.

23. Financial Instruments by category

	31 December 2022 USD'000	31 December 2021 USD'000
Financial assets		
Trade and other receivables	**42,204**	41,955
Due from related parties	**34,482**	81,607
Cash and cash equivalents	**325,514**	453,101
	402,200	576,663
Financial liabilities		
Borrowings	**1,500,000**	1,500,000
Trade and other payables	**384,548**	314,913
Due to related parties	**466,759**	333,396
Lease liabilities	**39,749**	39,348
	2,391,056	2,187,657

24. Financial instruments
Financial risk management
The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Market risk management
Foreign exchange risk
Foreign exchange risk is limited as the Company's transactions are principally in UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in AED are not considered to represent significant currency risk.

Price risk
The Company has no significant direct exposure to commodity price risk. Reduction in oil prices may lead to reduction in the level of future drilling services procured by customers who have significant exposure to oil and gas prices.

Notes to the Financial Statements continued
For the year ended 31 December 2022

24. Financial instruments continued

Cash flow and fair value interest rate risk

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Company's profit.

	Effect on profit USD'000
2022	
+10 increase in basis points	**(1,500)**
-10 increase in basis points	**1,500**
2021	
+10 increase in basis points	(1,500)
-10 increase in basis points	1,500

The fair values of the Company's financial instruments are not materially different from their carrying amounts.

Credit risk management

Credit risk arises from balances with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and other factors. Individual risk limits are based on management's assessment on a case-by-case basis. The utilization of credit limits is regularly monitored.

The Company's policy is to place cash and cash equivalents with reputable banks and financial institutions and the Company's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Company's trade receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 9.

Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a short–term period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The table below summarzes the maturity profile of the Company's financial liabilities at 31 December 2022 and 2021 based on the contractual undiscounted payments.

	Notes	Carrying value USD'000	Contractual cash flows USD'000	1 year or less USD'000	More than 1 year USD'000
31 December 2022					
Lease liabilities	**6**	**39,749**	**40,795**	**19,436**	**21,359**
Borrowings	**12**	**1,500,000**	**1,527,506**	**1,527,506**	**–**
Trade and other payables	**14**	**384,548**	**384,548**	**384,548**	**–**
Due to related parties	**15**	**466,759**	**466,759**	**466,759**	**–**
		2,391,056	**2,419,608**	**2,398,249**	**21,359**
31 December 2021					
Lease liabilities	6	39,348	42,091	21,017	21,074
Borrowings	12	1,500,000	1,547,104	15,701	1,531,403
Trade and other payables	14	314,913	314,913	314,913	–
Due to related parties	15	333,396	333,396	333,396	–
		2,187,657	**2,237,504**	**685,027**	**1,552,477**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The policies are based on management's assessment of available options, in conjunction with the shareholders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

Notes to the Financial Statements continued
For the year ended 31 December 2022

25. 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. There were no changes in the current year which warranted a reassessment of the operating segments.

For management purpose the Company is organized 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 Jack–up with owned jack–ups 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 year.

Earnings before interest, tax, depreciation and amortization (EBITDA) is the measure of the profitability being reviewed by the CODM which is the profit for the year before finance cost, net (both of which are as presented in statement of profit or loss and other comprehensive income) depreciation, amortization and impairment.
Refer to note 15 for analysis of revenue from major customers.

	Onshore USD'000	Offshore Jack–up USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
31 December 2022					
Revenue	1,453,295	611,188	204,126	404,642	2,673,251
Direct cost (excluding depreciation and impairment)	(598,896)	(204,014)	(57,432)	(327,747)	(1,188,089)
Gross profit	854,399	407,174	146,694	76,895	1,485,162
General and administrative expenses (excluding depreciation and impairment)	(153,412)	(79,491)	(26,497)	–	(259,400)
Other income, net	4,290	1,401	461	15	6,167
EBITDA	705,277	329,084	120,658	76,910	1,231,929

EBITDA is reconciled to profit for the year as follows:

	Onshore USD'000	Offshore Jack–up USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
EBITDA	705,277	329,084	120,658	76,910	1,231,929
Depreciation and impairment included in direct cost	(146,574)	(149,090)	(44,029)	(52,835)	(392,528)
Depreciation and impairment included in general and administrative expenses	(5,052)	(3,072)	(864)	–	(8,988)
Total depreciation and impairment	(151,626)	(152,162)	(44,893)	(52,835)	(401,516)
Finance cost, net	(17,172)	(8,575)	(2,859)	–	(28,606)
Profit for the year	536,479	168,347	72,906	24,075	801,807

Notes to the Financial Statements continued
For the year ended 31 December 2022

25. Segment reporting continued

	Onshore USD'000	Offshore Jack–up USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
31 December 2021					
Revenue	1,140,139	595,831	203,880	329,620	2,269,470
Direct cost (excluding depreciation)	(514,707)	(168,550)	(52,176)	(258,004)	(993,437)
Gross profit	625,432	427,281	151,704	71,616	1,276,033
General and administrative expenses (excluding depreciation and impairment)	(138,723)	(74,993)	(24,998)	–	(238,714)
Other income, net	6,478	2,728	909	20	10,135
EBITDA	493,187	355,016	127,615	71,636	1,047,454

EBITDA is reconciled to profit for the year as follows:

	Onshore USD'000	Offshore Jack–up USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
EBITDA	493,187	355,016	127,615	71,636	1,047,454
Depreciation included in direct cost	(167,663)	(134,526)	(44,262)	(45,314)	(391,765)
Depreciation and impairment included in general and administrative expenses	(21,196)	(10,206)	(3,402)	–	(34,804)
Total depreciation and impairment	(188,859)	(144,732)	(47,664)	(45,314)	(426,569)
Finance cost, net	(11,288)	(4,263)	(1,421)	–	(16,972)
Profit for the year	293,040	206,021	78,530	26,322	603,913

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

	Onshore USD'000	Offshore Jack–up USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
31 December 2022					
Property and equipment	**974,554**	**2,143,938**	**185,715**	**617,400**	**3,921,607**
31 December 2021					
Property and equipment	1,051,954	1,585,148	223,199	503,142	3,363,443

26. 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 year.

	31 December 2022 USD'000	31 December 2021 USD'000
Profit attributable to shareholders of the Company (USD'000)	**801,807**	603,913
Weighted average number of shares for the purpose of basic earnings per share (note 11)	**16,000,000**	16,000,000
Earnings per share (USD'000)	**0.050**	0.038

There are no dilutive securities, therefore diluted EPS is the same as basic EPS. The weighted average number of shares outstanding at 31 December 2021 are adjusted proportionately as if the share split and capitalization had taken place at the start of the earliest year for which EPS is presented.

27. Subsequent event

The Board of Directors, in their meeting held on 10 February 2023, approved to proceed with the sale of two rigs within the Offshore Jack-up segment with a NBV of USD10,717 thousand. The rigs are expected to be sold within the first half of 2023 upon finalization of the associated negotiations and signing of definitive agreements.

28. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2023.

Notes

Notes

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