ADNOC Drilling

ADNOC DRILLING COMPANY P.J.S.C.

Second Quarter 2024 Earnings

Management Discussion & Analysis Report

August 5, 2024

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Financial Highlights and Post-Period Events

Financial Summary

ADNOC Drilling Company P.J.S.C. ("ADNOC Drilling" or the "Company") delivered strong results in the second quarter of 2024 with record revenue and EBITDA. The Company generated revenue of $935 million, increasing 29% year-on-year and 6% sequentially. This growth was driven by the expansion of operations across all business segments. The strong top-line translated into EBITDA growth of 37% year-on-year and 8% sequentially to $472 million, with a margin increase to 50%. Net profit also grew, up 29% year-on-year and 7% sequentially to $295 million, driven by the increase in EBITDA, partly offset by higher depreciation and finance costs. For the full year 2024, depreciation expense is expected to be higher than 2023 due to the increase related to the rig fleet expansion.

The Company accrued $29 million in taxes in the second quarter, following the introduction of a 9% income tax from January 1, 2024, with corresponding revenues from clients as per the contracts.

The Company's strong performance in the quarter was mainly driven by the full operational impact of land and jack-up rigs commissioned in stages over the course of 2023 and the first half 2024.

First half 2024 revenue was $1,821 million, growing 26% year-on-year. The strong top-line translated into EBITDA growth of 34% year-on-year reaching $909 million, with EBITDA margin expansion by 3-percentage points year-on-year at 50%, driven by the Company's continued and effective cost management initiatives. Net profit increased 28% year-on-year reaching $570 million, with a margin of 31%. Free cash flow stood at $435 million, a 17% increase from $371 million in the same period last year, driven by increase in cash generated from operating activities, supported by EBITDA and working capital trends, partly offset by increased payments for CapEx.

At the end of June, the fleet consisted of 140 rigs (136 owned plus four lease-to-own land rigs), up from 137 in the previous quarter, due to the addition of three land rigs.
Among the eleven hybrid land rigs that entered the rig fleet count in the first half of 2024, five were operational at the end of the second quarter, while the remaining six rigs are expected to start operations during the third quarter of 2024.

The overall owned fleet availability was 94% at the end of the quarter. In addition, Oilfield Services ("OFS") continued to grow year-on-year with the number of IDS rigs increasing to 50 rigs from 49 in the prior quarter.

Increase in FY2024 and medium-term guidance

Driven by increased visibility and the strong first half results, ADNOC Drilling updated its fiscal year 2024 and medium-term guidance on key financial metrics *(see page 17)*.

Interim dividend 2024

Following the approval of the new progressive dividend policy 2024-2028 by the General Shareholder Meeting on June 24, 2024, the Board of Directors has approved an interim dividend payment of $394 million, or 9.05 fils per share, for the first half of 2024. This represents a 10% year-on-year increase, in-line with the Company's new progressive dividend policy.

The interim dividend distribution is expected to be in the last week of August 2024, to all shareholders of record as of August 12, 2024. More information on the new progressive dividend policy, approved on June 24, 2024 at the Company's General Shareholder meeting, is available on *page 18*.

Transformational $1.7 Billion Contract to Unlock UAE's World-Class Unconventional Energy Resources

On May 13, 2024, ADNOC Drilling announced the award, by ADNOC, of a $1.7 billion contract to provide drilling and associated services for the recovery of unconventional energy resources.

To service the contract, and explore the considerable future opportunities in unconventional resources, ADNOC Drilling has incorporated a new company, Turnwell Industries LLC OPC ("Turnwell").

The contract will see Turnwell deliver 144 unconventional oil and gas wells.

ADNOC Drilling has signed a term sheet to enter into a strategic partnership with Schlumberger Middle East SA ("SLB") and Patterson-UTI International Holdings, Inc. ("Patterson-UTI") subject to signing definitive agreements and any necessary regulatory approvals. The new company will be primarily engaged in unconventional drilling operations. ADNOC Drilling will hold a 55% equity stake in Turnwell during the initial phase of unconventionals development related to the execution of the above mentioned $1.7 billion contract.

Enersol acquisitions of the majority of Gordon Technologies LLC

On June 11, 2024, ADNOC Drilling and Alpha Dhabi Holding PJSC (''Alpha Dhabi'') announced that their joint venture Enersol RSC LTD ("Enersol" or the ''JV'') has agreed to acquire an additional 42.206% equity stake in Gordon Technologies LLC ("Gordon'') for consideration of approximately $270 million, making Enersol the majority equity holder with a stake of 67.2%. The consideration is based on a valuation in-line with the one underpinning the initial 25% stake purchase announced in January 2024.

Approximately 80% of the consideration for the 42.206% additional stake acquired by Enersol will be funded upon closing. The remaining part of the consideration is expected to be paid in the next two years, subject to certain performance conditions. Closing of the transaction is subject to customary regulatory approvals and closing adjustments.

ADNOC has successfully completed $935 Million institutional placement of ADNOC Drilling shares, increasing the Company's free float

During the second quarter, ADNOC offered ADNOC Drilling shares through a bookbuild offering to professional investors in the UAE and institutional investors elsewhere. The successful $935 Million institutional placement constituted a sale of 880 million shares priced at AED 3.90, representing 5.5% of ADNOC Drilling's total share capital, with ADNOC retaining a majority 78.5% stake.

The transaction witnessed strong investor demand and was largest-ever accelerated bookbuild of a publicly listed company in the UAE. The successful offering increased ADNOC Drilling's free float by 50%, enhancing liquidity and providing a pathway for broader indexation.

ADNOC Drilling

Key Financials

USD Million	2Q24	2Q23	YoY	1Q24	QoQ	1H24	1H23	YoY
Revenue	**935**	**724**	**29%**	**886**	**6%**	**1,821**	**1,440**	**26%**
Opex[1]	(464)	(380)	22%	(451)	3%	(915)	(763)	20%
Share of profit of joint venture	1	-	NM	2	NM	3	-	NM
EBITDA[2]	**472**	**344**	**37%**	**437**	**8%**	**909**	**677**	**34%**
Depreciation and amortization	(115)	(103)	12%	(107)	7%	(222)	(205)	8%
Finance cost-net	(33)	(13)	154%	(28)	18%	(61)	(26)	135%
Taxes	(29)	-	NM	(27)	7%	(56)	-	NM
Net profit	**295**	**228**	**29%**	**275**	**7%**	**570**	**446**	**28%**
EBITDA margin	50%	48%	2%	49%	1%	50%	47%	3%
Net profit margin	32%	31%	1%	31%	1%	31%	31%	0%
Cash generated from operating activities	518	395	31%	347	49%	865	621	39%
Capital Expenditure[3]	(239)	(181)	32%	(110)	117%	(349)	(257)	36%
Investment in joint venture	-	-	NM	(88)	NM	(88)	-	NM
Free cash flow	282	218	29%	153	84%	435	371	17%
Total equity	3,476	3,036	14%	3,181	9%	3,476	3,036	14%
Net debt[4]	1,798	1,217	48%	2,071	-13%	1,798	1,217	48%
Earnings per Share ($ per Share)	0.018	0.014	29%	0.017	7%	0.036	0.028	28%
Capital employed	5,792	4,706	23%	5,690	2%	5,792	4,706	23%
Return on capital employed	22%	19%	3%	20%	-2%	22%	19%	3%
Net debt to LTM EBITDA	1.0	0.9	0.1	1.3	-0.3	1.0	0.9	0.1
Leverage ratio	34%	29%	5%	39%	5%	34%	29%	5%
Return on equity	33%	29%	4%	34%	1%	33%	29%	4%

NM = Not Meaningful

(1) Opex includes allocation of G&A expenses and other income; (2) EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization; (3) Cash payments for purchase of property and equipment including prepaid delivery payments, excluding CapEx accruals (see page 14 for more details); (4) Interest bearing liabilities less cash and cash equivalents.

Post-Period Events - Subsequent to Second Quarter

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

On July 3, 2024, ADNOC Drilling confirmed the award of an estimated total contract value of $733 million (including mobilization and options), by ADNOC Offshore, for three island drilling rigs in support of the growing operations at the offshore Zakum field. The contract award will follow existing agreements with revenue underpinned by the long-term duration with guaranteed returns.

Delivery of the rigs and commencement of operations is expected during 2026, with the first full-year revenue from the new rigs expected to be 2027. The CapEx expected for the purchase of the new island rigs is approximately $210 million, mostly concentrated in 2025.

The rigs will be designed and built as part of a partnership between ADNOC Drilling and Honghua Group (HH). This partnership has been specifically formed to harness the transformative nature of AI, digitization, and advanced technology in the design and operation of these next generation drilling rigs. ADNOC Drilling and HH will look to also collaborate with AIQ, an Abu Dhabi based artificial intelligence pioneer contributing to the energy sector globally.

The ADNOC Drilling fleet is now expected to total at least 148 by 2026 including these three new rigs as well as the previously announced three land rigs for the initial phase of the unconventionals.

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

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

In October 2023 Alpha Dhabi acquired a 51% equity stake in NTS, Enersol has now agreed to acquire the same 51% equity stake at the same valuation. The transaction completion remains subject to necessary regulatory approvals and closing adjustments, after which the NTS stake will be formally transferred to Enersol.

NTS AMEGA is a leading global provider of advanced manufacturing, complex tool repair and rental solutions for the Oil and Gas sector. Headquartered in the UAE, NTS has strategically located support hubs in hubs in the USA, Canada, KSA, Singapore, and Norway.

NTS has demonstrated strong financials in FY2023, reporting revenue exceeding $120 million, a robust EBITDA margin, and a free cash flow yield of over 10%. This presents Enersol's shareholders with a significant value proposition that can be unlocked by NTS's healthy profitability, attractive valuation multiples, and strong cashflow generation.

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

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

In FY2024 (ended March 31, 2024), EV delivered strong financial performance, with revenue over $30 million, supported by a significant contribution from the MENA region. It also delivered a robust EBITDA margin and is expected to yield free cash flow of more than 10% going forward. EV's attractive operational and financial profile is aligned with Enersol's acquisition strategy. The acquisition serves as an additional milestone in building Enersol's next-generation technology ecosystem, which will present the JV with an additional avenue for growth across untapped markets as well as further upside potential in the long-term.

International activity

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

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

Segmental Results

Onshore

USD Million	2Q24	2Q23	YoY	1Q24	QoQ	1H24	1H23	YoY
Revenue	441	346	27%	411	7%	852	701	22%
Opex[1]	(230)	(188)	22%	(221)	4%	(451)	(369)	22%
EBITDA[2]	211	158	34%	190	11%	401	332	21%
Net profit	141	111	27%	130	8%	271	239	13%

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

First Half (Year-on-Year Performance)

Onshore revenue grew 22% year-on-year to $852 million in the first half of 2024, mainly driven by the positive revenue impact from the full contribution of rigs acquired in the second half of 2023 and put into operations over the course of last year, along with the contribution of additional rigs entering operations in the first half this year.

Operating expenses increased year-on-year in-line with revenue to $451 million from $369 million in the prior year period. The increase in operating expenses was driven by the rig fleet expansion, partly offset by successful cost management initiatives.

Overall, EBITDA increased 21% year-on-year to $401 million with a stable margin at 47%. Net profit increased 13% year-on-year, a lower growth compared to EBITDA, driven by an increase in financial charges partly offset by lower depreciations from change in remaining useful life and residual value estimates of assets from the fourth quarter 2023.

Second Quarter (Year-on-Year Performance)

Second quarter revenue increased 27% year-on-year to $441 million from $346 million, mainly due to new rigs commencing operations.

Operating expenses increased less than proportionally to revenue to $230 million from $188 million in the same quarter last year, benefitting from realized cost efficiencies.

The combination of the above led to an EBITDA increase of 34% year-on-year to $211 million with a margin of 48%. Net profit increased 27% in the second quarter of 2024 to $141 million from $111 million in the same period last year. The increase in financial charges partly offset the EBITDA growth, leading to a stable net profit margin year-on-year at 32%.

Second Quarter (Sequential Performance)

Revenue in the second quarter increased 7% sequentially to $441 million from $411 million, mainly due to higher rig activity from new rigs commencing operations during the quarter, and a positive impact from our international operations in Jordan upon completion of the initial drilling phase of the project. Excluding this, revenue would have grown sequentially by around 6%.

Operating expenses increased 4% quarter-on-quarter, driven by associated costs for rigs which commenced operations, partly offset by cost efficiency measures.

EBITDA increased 11% sequentially to $211 million from $190 million, leading to significant EBITDA margin expansion to 48%. Net profit increased sequentially to $141 million in the second quarter from $130 million with a margin broadly stable at 32% due to increase in depreciation for fleet expansion, and financial charges.

Offshore Jack-up

USD Million	2Q24	2Q23	*YoY*	1Q24	*QoQ*		1H24	1H23	*YoY*
Revenue	284	192	48%	278	2%		562	376	49%
Opex[1]	(93)	(66)	41%	(96)	-3%		(189)	(147)	29%
EBITDA[2]	191	126	52%	182	5%		373	229	63%
Net profit	115	83	39%	110	5%		225	143	57%

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

First Half (Year-on-Year Performance)

The Offshore Jack-up segment delivered strong revenue growth of 49% to $562 million in the first half of 2024 from $376 million in the same period of last year, driven by the full contribution of new jack-up rigs that went into operations over the course of 2023 and 2024.

Operating expenses amounted to $189 million in the first half of 2024, an increase of 29% from $147 million a year-ago due to business growth leading to improved operational efficiency.

Driven by the significant revenue growth, EBITDA increased 63% year-on-year to $373 million from $229 million. Net profit grew by 57% leading to margin expansion year-on-year at 40%.

Second Quarter (Year-on-Year Performance)

Second quarter revenue increased 48% year-on-year to $284 million from $192 million, due to higher activity from jack-ups gradually contributing to revenue in the last few quarters.

Operating expenses reached $93 million, a 41% year-on-year increase. The increase in rig activity resulted in higher operational efficiency.

As a result, EBITDA grew 52% year-on-year to $191 million, with a margin expansion to 67% from 65% in the same period of last year. Net profit was up 39% to $115 million with a margin at 40%.

Second Quarter (Sequential Performance)

Revenue in the second quarter of 2024 increased 2% sequentially to $284 million from $278 million, mainly driven by a jack-up rig that began contributing to revenue from the middle of the first quarter.

Operating expenses decreased by 3% to $93 million from $96 million in the prior quarter, driven by the above-mentioned operational efficiency.

As a result, EBITDA increased 5% sequentially to $191 million from $182 million with a margin of 67%, an increase of around 2 percentage points.

Net profit increased 5% quarter-on-quarter, reaching $115 million from $110 million, mainly driven by the EBITDA increase, leading to margin expansion to over 40%.

Offshore Island

USD Million	2Q24	2Q23	*YoY*	1Q24	*QoQ*	1H24	1H23	*YoY*
Revenue	53	52	2%	51	4%	104	103	1%
Opex[1]	(20)	(20)	-	(20)	-	(40)	(39)	3%
EBITDA[2]	33	32	3%	31	6%	64	64	-
Net profit	23	20	15%	21	10%	44	40	10%

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

First Half (Year-on-Year Performance)

Offshore Island revenue increased 1% year-on-year to $104 million from $103 million, mainly driven by the re-activation of one rig during the second quarter.

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

Operating expenses slightly increased year-on-year, leading to a stable EBITDA at $64 million.

Net income grew by 10% year-on-year driven by the reduction in depreciation from the fourth quarter of 2023 described earlier.

Second Quarter (Year-on-Year Performance)

Second quarter revenue grew 2% year-on-year to $53 million, driven by the rig re-activation mentioned above.

Operating expenses were stable year-on-year at $20 million.

As a result, EBITDA increased 3% to $33 million from $32 million in the prior year, with a margin of 62%.

Net profit increased to $23 million from $20 million a year ago, also benefiting from the reduction of depreciation mentioned above.

Second Quarter (Sequential Performance)

Second quarter revenue increased 4% sequentially to $53 million from $51 million, also due to the rig re-activation previously mentioned.

Operating expenses were flat quarter-on-quarter.

Overall, EBITDA increased 6% sequentially to $33 million from $31 million, while net profit increased 10% sequentially.

Oilfield Services

USD Million	2Q24	2Q23	YoY	1Q24	QoQ	1H24	1H23	YoY
Revenue	157	134	17%	146	8%	303	260	17%
Opex[1]	(121)	(106)	14%	(114)	6%	(235)	(208)	13%
Share of profit of joint venture	1	-	NM	2	NM	3	-	NM
EBITDA[2]	37	28	32%	34	9%	71	52	37%
Net profit	16	14	14%	14	14%	30	24	25%

NM = Not Meaningful
(1) Opex includes allocation of G&A expenses and other income
(2) Underlying EBITDA includes other income

First Half (Year-on-Year Performance)

The Oilfield Services segment continued to deliver significant growth with first half revenue up 17% year-on-year to $303 million, on the back of increased activity volume, driven by higher IDS activity.

Operating expenses increased 13% year-on-year to $235 million from $208 million, mainly due to increased activity levels, partly offset by cost efficiencies.

Additionally, the segment recorded a $3 million share of net profit from the newly established joint venture named Enersol ("Share of profit of joint venture").

Overall, EBITDA increased 37% to $71 million from $52 million a year ago, reflecting increased activity across the segment, and the above-mentioned contribution from Enersol. The EBITDA growth led to a margin expansion of over 3 percentage points to 23%.

Net income grew 25% year-on-year driven by EBITDA growth, partly offset by the increase in depreciation as the business expanded its activity.

Second Quarter (Year-on-Year Performance)

Second quarter revenue increased 17% to $157 million from $134 million in the same period last year, mainly driven by increased activity in drilling fluids and wireline services. The overall volume of activity of the segment is expected to increase throughout the year, in-line with planned phasing on the back of IDS rigs ramp-up and unconventionals.

Operating expenses increased 14% to $121 million from $106 million, as a result of increased activity. Additionally, the segment recorded a $1 million share of net profit from Enersol ("Share of profit of joint venture").

As a result, EBITDA increased 32% year-on-year to $37 million, with EBITDA margin improvement of almost 3 percentage points reaching 24%.

Net profit increased 14% year-on-year driven by the increase in EBITDA, partly offset by an increase in depreciation for additional OFS tools.

Second Quarter (Sequential Performance)

Second quarter revenue increased 8% sequentially to $157 million from $146 million, driven by increased activity in drilling fluids and higher IDS activity. The number of IDS rigs increased sequentially from 49 to 50 rigs in the second quarter. As already mentioned, the overall volume of activity of the segment is expected to increase throughout the year, in line with planned phasing and driven by IDS rigs ramp-up and unconventionals.

Operating expenses amounted to $121 million, a 6% sequential increase due to activity mix.

The contribution from Enersol to EBITDA was broadly stable versus the first quarter.

As a result, EBITDA increased 9% sequentially to $37 million from $34 million, leading to a sequential margin improvement to 24%.

Driven by the EBITDA increase, net profit increased 14% in the quarter to $16 million.

Operating Working Capital

USD Million	30 Jun 24	30 Jun 23	*YoY*	31 Mar 24	*QoQ*
Current Assets[1]	**1,555**	**1,141**	**36%**	**1,460**	**7%**
Inventories	225	188	20%	217	4%
Trade & other receivables	158	145	9%	136	16%
Due from related parties	1,172	808	45%	1,107	6%
Current Liabilities[2]	**1,305**	**750**	**74%**	**1,119**	**17%**
Trade & other payables	1,027	445	131%	854	20%
Due to related parties	278	305	-9%	265	5%
Operating Working Capital	**250**	**391**	**-36%**	**341**	**-27%**

(1) Excludes cash and bank balances
(2) Excludes lease liabilities
See Appendix 1 (Glossary) for the calculation of certain metrics referred to above.

The Company's continued focus on improving working capital delivered positive results. Operating working capital improved considerably over the course of the second quarter of 2024 ending at $250 million, a 36% year-on-year decrease. This was driven by continued focus on collections from clients, and the phasing of capital expenditure-related payments at quarter end.

Net working capital decreased 27% sequentially, mainly driven by improved collections and the above-mentioned phasing related to capital expenditures.

Net working capital as a percentage of revenue stood at around 7% at the end of the second quarter of 2024. The normalized ratio at the end of the second quarter was 12%, once adjusted for the impact from phasing of capital expenditure related payments at quarter-end. The normalized ratio has been stable since year-end 2023.

As the Company growth plans materialize, the Company expects to maintain a net working capital on revenue ratio of around 12% in the medium term.

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Free Cash Flow

USD Million	2Q24	2Q23	YoY	1Q24	QoQ	1H24	1H23	YoY
Cash from operating activities	518	395	31%	347	49%	865	621	39%
Cash used in investing activities[1]	(236)	(177)	33%	(194)	22%	(430)	(250)	72%
Free Cash Flow	**282**	**218**	**29%**	**153**	**84%**	**435**	**371**	**17%**

NM = Not Meaningful

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

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

Free cash flow stood at $435 million in the first half of 2024, a 17% increase compared to the same period last year mainly due to increased collections in the current period. This was partly offset by an increase in capital expenditure to execute on the fleet expansion program and $88 million investment made in Enersol which acquired 25% of Gordon Technologies.

Free cash flow in the second quarter 2024 increased 84% sequentially from $153 million to $282 million as a result of the increase in net cash generated from operating activities, driven by working capital improvements, including increased collections.

Balance Sheet

USD Million	30 Jun 24	30 Jun 23	YoY %	31 Mar 24	QoQ %
Total Assets	**7,097**	**5,456**	**30%**	**6,809**	**4%**
Non-current assets	5,200	3,988	30%	5,092	2%
Current assets[1]	1,555	1,141	36%	1,460	7%
Assets Held for sale	11	11	100%	11	0%
Cash and cash equivalents	331	316	5%	246	35%
Total Liabilities	**3,621**	**2,420**	**50%**	**3,628**	**0%**
Non-current liabilities	2,181	144	1415%	2,438	-11%
Current liabilities	1,440	2,276	-37%	1,190	21%
Total Equity	**3,476**	**3,036**	**14%**	**3,181**	**9%**
Share capital	436	436	0%	436	0%
Statutory Reserve	218	140	56%	218	0%
Retained earnings	2,822	2,460	15%	2,527	12%
Total Equity and Liabilities	**7,097**	**5,456**	**30%**	**6,809**	**4%**

(1) Excludes cash and bank balances

Total assets for the period ending June 30, 2024, amounted to $7,097 million, an increase of 30% year on year from $5,456 million. This was mainly due to a 30% increase in non-current assets to $5,200 million from $3,988 million on the back of the new rig acquisitions associated with the fleet expansion program and a 36% increase in current assets driven by increased activity.

Cash and cash equivalents increased to $331 million from $316 million year-on-year mainly due to improved collections. As of June 30, 2024, the Company's liquidity headroom (including unutilized syndicated term and revolving facilities) was around $1.6 billion.

Total liabilities increased 50% to $3,621 million as of June 30, 2024, from $2,420 million in the prior year period. The change was mainly attributable to the drawdowns of $500 million made against the Company's available facilities in the third quarter of 2023, accounted for in non-current liabilities.

As disclosed in the prior reporting periods, the utilized syndicated loan of $1,500 million was reclassified since the fourth quarter of 2022 from a non-current liability to a current liability, as the facility would have matured in less than 12 months. Excluding the reclassification of the loan facility, current liabilities would have increased by $664 million due to higher payables driven by CapEx accruals, lease liabilities of four lease to own rigs and deferred mobilization liability for new rigs.

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

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

The classifications of the drawn facilities between non-current and current liabilities in 2022 and 2023 led to current liabilities year-on-year decrease to $1,440 million in June 2024 from $2,376 million a year ago. For the same reason, non-current liabilities increased year-on-year from $144 million to $2,181 million.

Total assets for the period ended June 30, 2024, grew 4% sequentially to $7,097 million from $6,809 million at the end of March 2024. Non-current assets slightly increased to $5,200 million from $5,092 million, while current assets were up sequentially by 7% to $1,555 million from $1,460 million due to increased activity. Cash and cash equivalents increased to $331 million from $246 million driven by the net effect between improved collections in the second quarter and the repayment of a facility drawn in the first quarter. The sequential trend was also driven by the final 2023 dividend payment made in the first quarter.

Total liabilities were stable at $3,621 million at the end of the second quarter of 2024 compared to $3,628 million at the end of first quarter of 2024, resulting from the combination of $165 million (AED 600 million) repayment of Emirati dirham revolving credit facility in the second quarter, and higher payables due to CapEx.

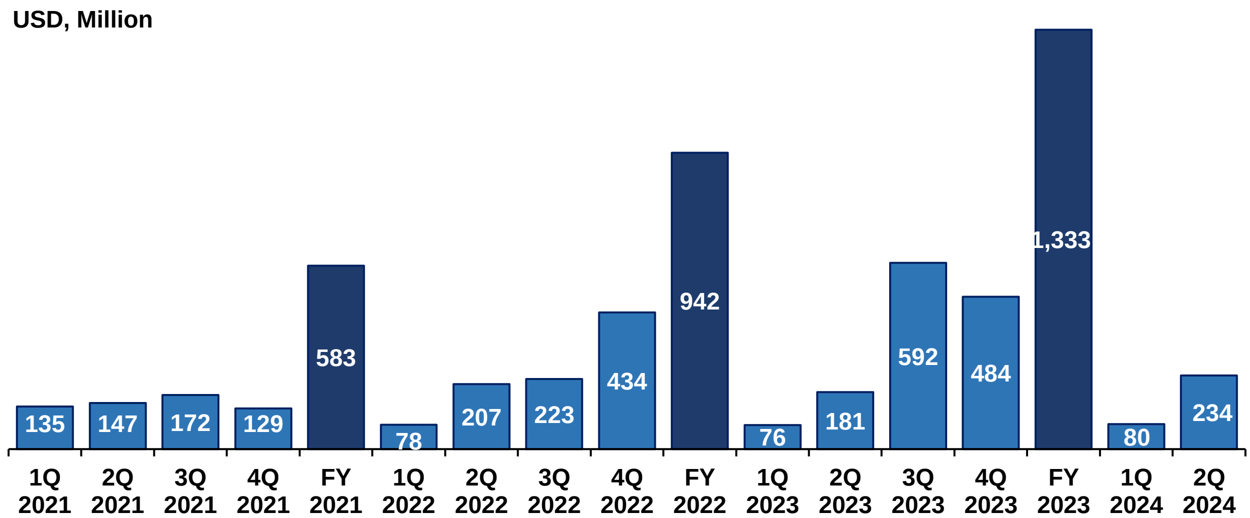
Capital Expenditure

Capital expenditure (CapEx), including prepayments and accruals, amounted to $234 million for the quarter ended June 30, 2024. Pre-payments in the period were mostly associated with the purchase of onshore rigs and OFS-related equipment.
Rig purchases are usually spread out over at least two milestones with the first payment at signing of the sale and purchase agreement, whereas the final payment is then made on transfer of the title of the rig to the Company.

During the second quarter of 2024, three land rigs entered the rig fleet count and are expected to gradually begin operations during the third quarter of 2024.

ADNOC Drilling expects CapEx to be in a range between $750 million - $950 million for 2024, as the Company continues to deliver its rig acquisition program.

Quarterly and Annual Capital Expenditure



Operational Highlights

Drilling Services

USD Million	2Q24	2Q23	*YoY*	1Q24	*QoQ*	1H24	1H23	*YoY*
Fleet	**140[1]**	**116**	**21%**	**137[1]**	**2%**	**140[1]**	**116**	**21%**
Onshore	95[1]	75	27%	92[1]	3%	95[1]	75	27%
Offshore Jack-up	35	31	13%	35	-	35	31	13%
Offshore Island	10	10	-	10	-	10	10	-
Rented rigs	14	7	100%	11	27%	14	7	100%
Rigs Availability*	**94%**	**96%**	**1%**	**97%**	**-3%**	**94%**	**96%**	**-2%**
Onshore	93%	94%	-1%	97%	-3%	93%	94%	-1%
Offshore Jack-up	96%	100%	-4%	99%	-3%	96%	100%	-4%
Offshore Island	100%	100%	-	97%	3%	100%	100%	-
Number of Wells Drilled*	**148**	**159**	**-7%**	**139**	**6%**	**287**	**301**	**5%**
Onshore	120	133	-10%	117	3%	237	254	-7%
Offshore Jack-up	21	18	17%	16	31%	37	32	16%
Offshore Island	7	8	-13%	6	17%	13	15	-13%

(1) Includes 4 lease-to-own land rigs.
* See Appendix 1 (Glossary) for the calculation of certain metrics referred to above.

The Company had a fleet of 140 rigs (136 owned plus four lease-to-own) at the end the second quarter 2024. The overall owned fleet availability was 94% at the end of June 2024. Operational highlights of note during the period are as follows:

- The Company added a total of three land rigs to the fleet count during the second quarter. These land rigs are expected to gradually begin operations during the third quarter.
- Among the eleven hybrid land rigs that entered the rig fleet count in the first half of 2024, five were operational at the end of the second quarter, while the remaining six rigs are expected to start operations during the third quarter of 2024.
- The number of IDS rigs increased to 50 rigs from 49 in the prior quarter.
- Achieved TRIR frequency of 0.49 against a target of 0.63 for 2Q2024.

2Q2024 Highlights:

- AD137 completed two wells in Jordan.
- AD-80 (Island) reactivated and accepted in the second quarter.
- AD-68 drilled the longest well in the world with a total depth of 52,000 feet.
- Integrated into operations six additional land rigs during the second quarter.

- AD-217 drilled the longest lateral section in unconventional oil with a 6,000 feet interval compared to the previous record 3,300 feet.
- AD-66 completed two years of hurt free operations.

Oilfield Services (OFS)

- IDS rigs increased to 50 in 2Q2024 compared to 49 rigs at the end of 1Q2024 and 40 in 2Q2023.
- 15% overall improvement in 2Q2024 IDS drilling efficiency versus the 2023 benchmark.
- Al Hudairiyat (Batch Drilling) drilled 8 ½ inch hole to total depth of 25,100 feet, with fastest ROP for a roatry steerable s RSS standalone bottom hole assembly.
- Efficient operations resulted in cumulative savings of $359 million to ADNOC since inception in 2019.

Outlook update

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

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

Moreover, driven by increased visibility on operations, earnings and profitability, ADNOC Drilling updates its fiscal year 2024 and medium-term guidance.

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

USD Million	FY2024 Previous Guidance	FY2024 New Guidance
Revenue	**3,600 - 3,800**	**3,700 - 3,850**
Onshore Revenue	1,600 - 1,700	1,650 - 1,750
Offshore Jack-up Revenue	1,000 - 1,100	1,000 - 1,100
Offshore Island Revenue	200 - 250	200 – 250
Oilfield Services Revenue	700 - 800	700 – 800
EBITDA	**1,700 - 1,900**	**1,800 - 1,950**
EBITDA Margin	*48% - 50%*	*49% - 51%*
Net Profit	**1,050 - 1,250**	**1,150 - 1,300**
Net Profit Margin	*30% - 33%*	*31% - 34%*
CapEx	**750 - 950**	**750 - 950**
Leverage Target	**< 2.0x**	**< 2.0x**

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

- Revenue CAGR in the 14% - 18% from 2023 base *(previous range: 12% - 16%)*.
- EBITDA Margins around 50% with drilling margins exceeding 50% and OFS Margin in a range of 22% - 26% medium term.
- Conservative long-term leverage target of up to 2.0x net debt / EBITDA.
- Net working capital as percentage of revenue target of around 12%.
- Maintenance CapEx post-2024 of $200 - $250 million per annum.

New Dividend Policy 2024-2028

The Company's ability to pay dividends is dependent on several factors, including the availability of distributable reserves, capital expenditure plans and other cash requirements in future periods. Any level or payment of dividends will depend on, among other things, future profits and the business plan of the Company, at the discretion of the Board of Directors and ultimately shareholder approvals.

A new, progressive dividend policy has been approved at the Company's General Shareholder Meeting on June 24, 2024. According to the new policy, dividends are expected to grow by at least 10% per annum on a dividend per share basis over the next five years (2024-2028).
Furthermore, the Board of Directors, at its discretion, may approve additional dividends over and above the progressive dividend policy after considering free cash flow accretive growth opportunities.

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

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

Following the approval of the new progressive dividend policy 2024-2028 by the General Shareholder Meeting on June 24, 2024, the Board of Directors has approved an interim dividend payment of $394 million, or 9.05 fils per share, for the first half of 2024. This represents a 10% year-on-year increase, in line with the Company's new progressive dividend policy.

The interim dividend distribution is expected to be in the last week of August 2024, to all shareholders of record as of August 12, 2024.

Earnings Webcast and Conference Call

ADNOC Drilling will host the earnings webcast and conference call followed by a Q&A session for investors and analysts on Monday, August 5, 2024, at 12:00 pm UAE time / 09:00 am UK time.

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

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

Share Price and Ownership

Our shares are traded on the Abu Dhabi Securities Exchange (ADX) under the symbol ADNOCDRILL. The closing share price as of June 30, 2024, was AED 4.10. In the period from April 1, 2024, through June 30, 2024, the share price traded in a range between AED 3.78 and AED 4.60. Market capitalization was AED 65.6 billion as of June 30, 2024, and an average of 7.5 million shares traded daily (excluding from May 24 volumes 880 million shares of the ADNOC placement of ADNOC Drilling shares) during the second quarter of 2024.

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

ADNOC Drilling is included in three of FTSE Russell's globally recognized indices including the FTSE Emerging Index, FTSE Global Large Cap Index and FTSE All-World Index. Furthermore, in the first quarter of 2023, ADNOC Drilling was also included as an inaugural member of the FADX 15 Index. The index is uniquely designed by ADX and FTSE Russell to track the performance of the most liquid and largest companies on the ADX main market.

Third Quarter 2024 Results

We expect to announce our third quarter 2024 results on or around November 13, 2024.

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August 5, 2024
ADNOC Drilling Company P.J.S.C.

Appendix: Glossary

Financial Terms

EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization

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

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

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

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

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

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

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

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

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

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

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

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

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

Industry Terms

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

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

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

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

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

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

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

Cautionary Statement Regarding Forward-Looking Statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance, and anticipated developments in markets in which we operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "would", "intends", "estimates", "plans", "targets", or "anticipates" or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we consider that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC Onshore and ADNOC Offshore for deploying rigs as per existing terms and conditions; failure to successfully implement our operating initiatives and growth plans, including our cost savings initiatives, due to general economic conditions, our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, the extent of our related party transactions with ADNOC Group; the introduction of new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated September 6, 2021 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.