



ADNOC Drilling 

# ANNUAL REPORT 2023

Unlocking  
**Energy For Life**



# Unlocking Energy For Life

For more than 50 years, ADNOC Drilling has played a vital role in safely, efficiently and effectively unlocking the UAE's energy reserves. We remain committed to delivering unparalleled value to ADNOC Group, our shareholders and our diverse stakeholders, while upholding the highest standards of environmental and social responsibility across our growing operations and footprint.

## Strategy in Action Stories



**Enabling  
Growth**



**Powering  
Diversification**



**Driving  
Sustainability**



**Empowering  
our People**

➔ Read more about how we executed our strategy in 2023 from page 18 to 21

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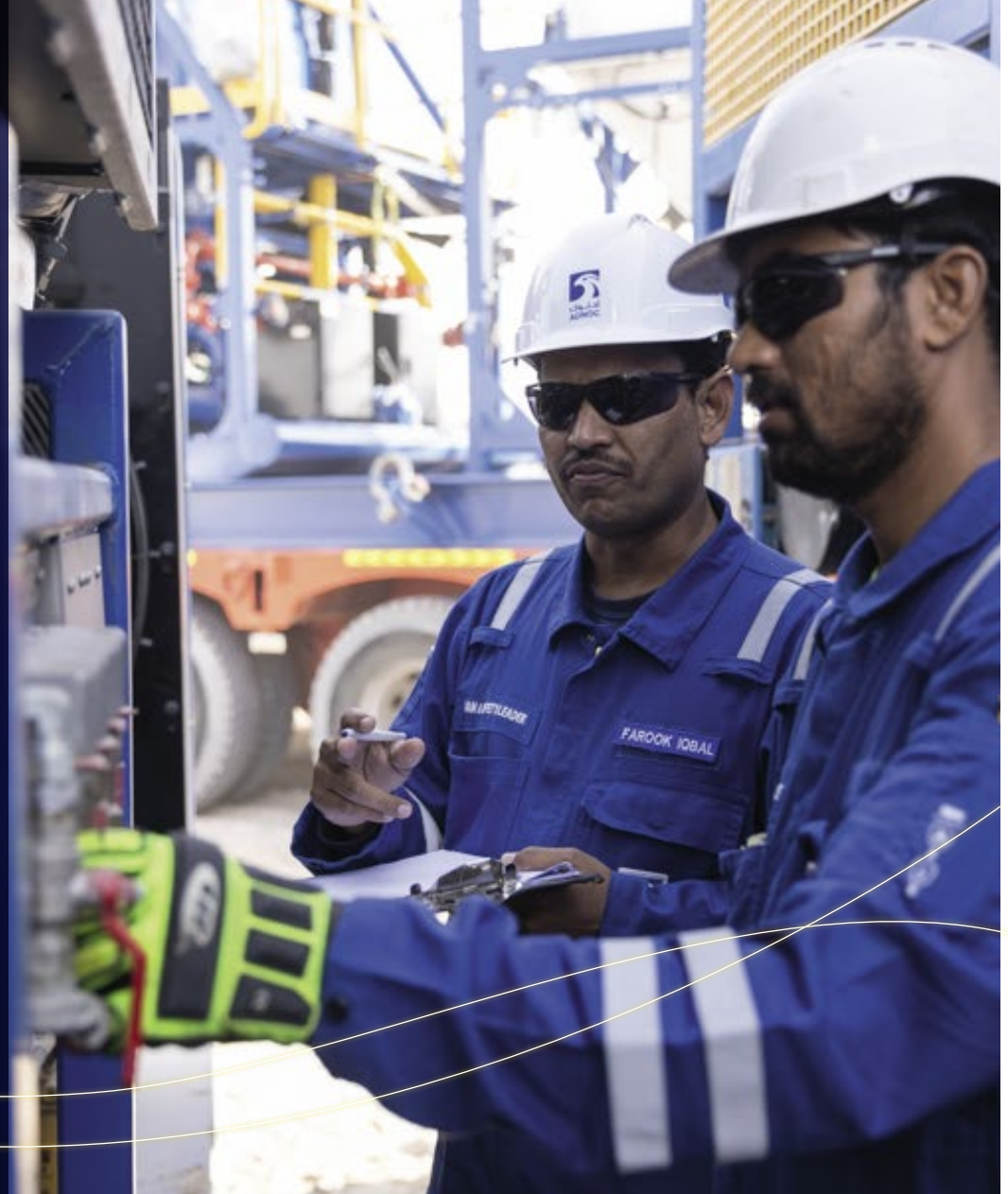
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# Strategic Report

During a year of outstanding growth and achievement, ADNOC Drilling accelerated strategic progress by expanding its fleet, driving diversification, and pursuing operational excellence to create sustainable value for our people, customers and stakeholders.

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## Highlights

### Financial Highlights

2023 Revenue

**\$3,057m**

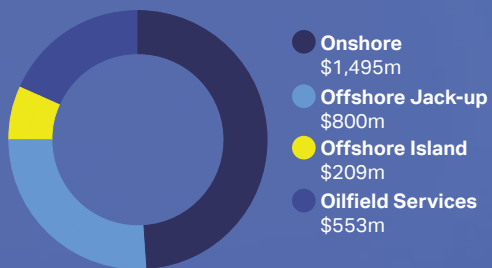
EBITDA Margin

**49%**

Net Profit

**\$1,033m**

Revenue breakdown by Operating Segment



### Operational Highlights

Wells Delivered

**613**

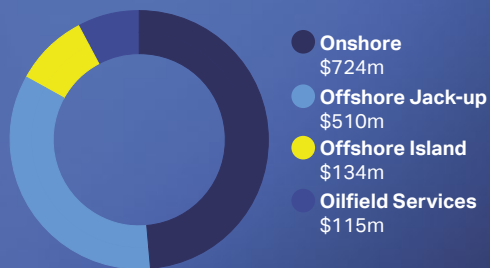
Owned rigs\*

**129**

Integrated Drilling Service (IDS) Rigs

**48**

EBITDA by Operating Segment



### Sustainability Highlights

GHG emissions CO<sub>2</sub> eq.

**563kt**

ICV Value

**71%**

Energy Intensity

**54,438 GJ/rig**

Number of Employees

**10,249**

\* Including four lease-to-own land rigs.



## At a Glance

### ADNOC Drilling is a leader in start-to-finish wells drilling services.

ADNOC Drilling is one of the largest integrated drilling service companies by rig fleet size and is the sole provider of drilling and associated rig-related services to the ADNOC Group. Our expertise encompasses the entire spectrum of well drilling and completion, covering both conventional and unconventional reservoirs – on land, at sea and on ADNOC’s unique artificial islands off the Abu Dhabi coastline. Differentiated by the quality of our fleet, the dedication of our people and our capacity to offer a comprehensive range of integrated drilling services (IDS), we are well positioned for continued growth and expansion.

Our operations are organized into four operational segments:



#### Onshore

Our Onshore fleet consists of 84 land rigs, including four lease-to-own 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.

Total Wells Drilled

515



#### Offshore Jack-up

Our offshore fleet of 35 jack-up rigs outfitted with high-specification equipment and are capable of drilling wells to maximum depths ranging from 18,000 up to 35,000 feet and in maximum water depths ranging from 110 to 350 feet.

Total Wells Drilled

71

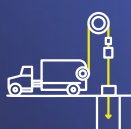


#### Offshore Island

We own and operate a fleet of 10 island rigs, based on the Abu Dhabi coast. 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.

Total Wells Drilled

27



#### 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, for both our Onshore and Offshore clients.

IDS Rigs

48



[Read more in our Business Review from page 24](#)

## At a Glance continued



### Our Aim

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.



### Our 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 Strategic Areas



### Our Vision

To become a leading integrated service company in the field of energy in the Middle Eastern region.



### Our Mission

To sustainably maximize value to our key stakeholders through industry leading, safe, integrated and efficient drilling operations and oilfield services.

## At a Glance continued

### Sustainability Pillars



#### Climate, Emissions and Energy



#### Environment



#### Health, Safety and Security



#### Workforce Diversity and Development



#### Economic and Social Contribution



#### Business Sustainability

### Our Values



#### Collaborative

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



#### 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.



#### Progressive

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



#### Respectful

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



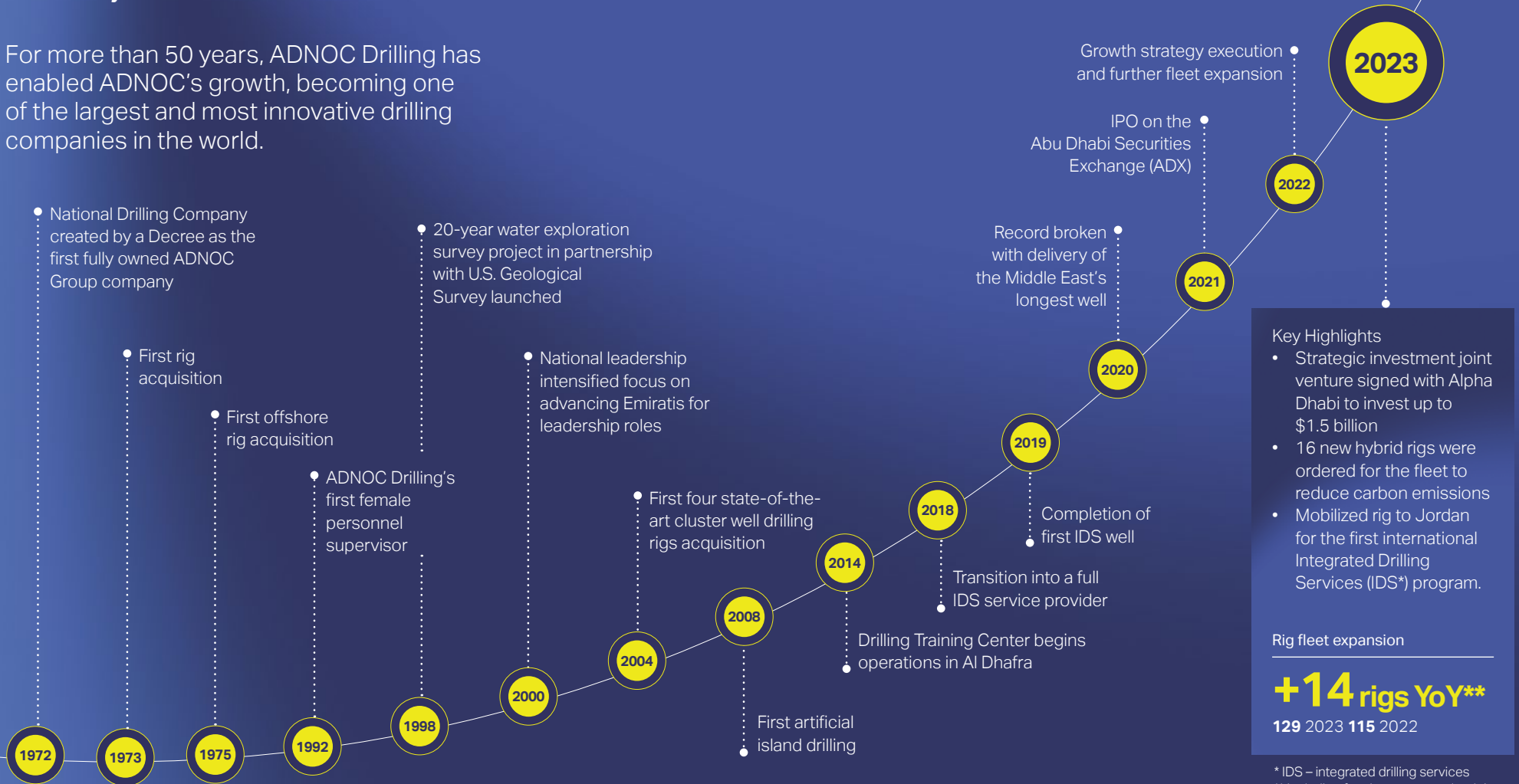
#### Responsible

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.



## Our History

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





## Year in Review

During a year of outstanding financial and operational performance, ADNOC Drilling continued to deliver tangible progress towards its strategic objectives while laying a solid foundation for continued growth and diversification in the future. We expanded our fleet, forged new strategic partnerships and demonstrated groundbreaking innovation to reinforce our unique value proposition, create sustainable value for our shareholders and continue to deliver on our promises to all our valued stakeholders.

### March

#### Acquisition of 10 hybrid rigs

ADNOC Drilling awarded newbuild contract for 10 hybrid power land rigs.

### April

#### Approval of full-year 2022 dividend

ADNOC Drilling's Annual General Meeting approved a robust final dividend of \$341 million or 7.83 fils per share, bringing the full-year dividend for 2022 to \$682.5 million or 15.67 fils per share.

#### Awarding of IDS contract

ADNOC Drilling awarded the \$412 million IDS contract for the development of the Upper Zakum field, the largest producing field in ADNOC's offshore portfolio.



### May

#### Acquisition of 6 additional hybrid rigs

ADNOC Drilling announced the signing of a \$75 million agreement for the purchase of 6 newbuild hybrid power land rigs.

### June

#### Acquisition of two new jack-up rigs

ADNOC Drilling acquired two new premium offshore jack-up rigs for \$220 million to support ADNOC Group's accelerated production capacity growth.

Acquisition Value of 16 Newbuild Hybrid Power Land Rigs

# \$327 million

Value of Awarded IDS Contract

# \$412 million

## Year in Review continued

### June

## Awarding of \$2 billion offshore jack-up contracts

ADNOC Drilling awarded five 10-year contracts, totaling approximately \$2 billion, in support of ADNOC Offshore's growing drilling operations.

## Completion of CO<sub>2</sub> injection well

ADNOC Drilling in the second quarter completed drilling for the first fully sequestered CO<sub>2</sub> injection well in a carbonate saline aquifer.

Strategic Joint Venture Investment

# \$1.5 billion

Value of Awarded Jack-up contracts

# \$2 billion

### October

## Approval of 2023 interim dividend

ADNOC Drilling's Board of Directors approved an interim dividend payment of \$358 million, or 8.22 fils per share, for the first half of 2023, representing another 5% year-on-year increase, in-line with the Company's progressive dividend policy.

## New financing to drive growth

ADNOC Drilling announced a new \$1.5 billion USD-based syndicated loan and entered into a new UAE dirham revolving credit facility of AED1.84 billion.

### November

## Joint venture with Alpha Dhabi

ADNOC Drilling and Alpha Dhabi agreed to establish a strategic investment joint venture to invest up to \$1.5 billion to acquire technology-enabled companies in the oilfield services and energy sectors.



### December

## First rig to Jordan

ADNOC Drilling embarked on its international growth journey, with the 1<sup>st</sup> integrated drilling services program in Jordan, with economics in line with existing returns achieved in Abu Dhabi.

## Investment Case

ADNOC Drilling provides a differentiated value proposition in our region and sector. With a clear vision for the future, long-term mandate from ADNOC Group, and the right combination of scale, capability, and reliability to achieve our strategic ambitions, we are ideally positioned to drive value, yield and growth.

### Our investment case is built on three key features:

**1** A solid base, as the contractual framework with ADNOC provides the Company with strong revenue visibility and superior profit margins in the industry.

**2** A resilient financial performance paired with a strong and prudent balance sheet, providing flexibility to fuel growth and a progressive dividend policy.

**3** A growth profile in both drilling and Oilfield Services, underpinned by ADNOC's strategic growth plans to:

- increase production capacity from 4 to 5 million barrels per day by 2027, and
- achieve the UAE gas self-sufficiency by 2030 through the development of unconventional resources

# Unlocking Energy for Greater Shareholder Value



## 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 unlevered Internal Rate of Return (IRR) for up to 15-years, 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 leads to a special financial profile, with high margins.

Moreover, the Oilfield Services business allows ADNOC Drilling to provide an integrated drilling offering to its clients, further cementing its position as an integral player in the Upstream ecosystem.



## Delivering Superior Financial Results

- Undisputed returns leadership throughout the cycle.
- Strong cash conversion, robust capital stewardship and solid balance sheet.
- Attractive progressive dividend policy.

ADNOC Drilling shows undisputed returns leadership through the cycle.

Its unique status within ADNOC Upstream not only provides solidity to the 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.



## Significant Opportunities for Growth

- Key enabler to ADNOC's delivery on its long-term Upstream targets.
- Strong in-house capability to drive accelerated growth into oilfield services, recently complemented by the creation of a JV with the goal to acquire and invest in companies offering tech-enabled oilfield services solutions.
- 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 the top line growth. OFS is expected to become a material scale business over the coming years and be a substantial driver of growth going forward.

Further potential for disciplined domestic and regional expansion also exists.

## Chairman's Message

2023 was another successful year for ADNOC Drilling, against the backdrop of a highly dynamic and ever-evolving energy landscape.

As Chairman, I take great pride in recognizing the remarkable achievements and growth that have shaped the organization over the past 12 months.

### Evolving into a Technology-Enabled Energy Services Provider

Since ADNOC Drilling was formed in 1972, it has continued to evolve to meet the needs of its customers and the demands of an ever-changing industry. This has seen the company grow rapidly. From a domestic drilling Company to the region's first integrated drilling services provider and now, over 50 years later, it is set to become a leading, international, technology-enabled energy services provider.

The application of advanced technologies will accelerate our evolution by enhancing efficiencies across the business, reducing the emissions of our activities, and improving the safety and sustainability of the Company.

### Growth and Expansion

I am pleased to report that 2023 saw exponential growth across the business. Over the past 12 months, to meet the growing demands of our customers, we continued to grow our fleet while also adding depth and breadth to our service offering, through the rapid expansion of our Oilfield Services segment that grew in revenue by 37% and is a key contributor to our continued success.

Our revenues for the year rose by 14% to \$3,057 million, with EBITDA experiencing an increase of 20% to \$1,483 million and the company delivering a record net profit of \$1,033 million, an increase of 29%.

2023 also marked our expansion beyond the borders of the UAE when we began a drilling campaign, in support of the Kingdom of Jordan's Ministry of Energy and Mineral resources in the Hamzeh oilfield.

### Support our Client's Decarbonization Initiatives and the Nation's Net Zero Ambitions

As the energy sector continues to change and the demand for sustainable solutions grows, we must continue to support our clients and the Nation's net zero ambitions. Our investment in hybrid power land rigs, each capable of delivering emission reductions of up to 15% per rig, is a major milestone in our decarbonization journey. Other important developments include the rollout of solar energy in the support of our operations, the electrification of our central camps and the successful delivery of the world's first of its kind fully sequestered carbon dioxide injection well, in a carbonate saline aquifer.

By implementing these solutions and others like them, we not only reinforce our commitment to reduce emissions and enhance sustainability but demonstrate that growth and decarbonization can go hand-in-hand.

In 2024, ADNOC Drilling will continue to build on its proud legacy as a key enabler of the UAE's economic growth as a leading energy technology provider and partner of choice. We will continue to grow and expand our business, underpinned by a commitment to operational excellence, the highest standards of health and safety, and an unwavering focus on sustainability.

As a responsible and strong, people-centric company we are well set to deliver another exceptional year and continue to provide our shareholders with long-term progressive returns.

### H.E. Dr. Sultan Ahmed Al Jaber Chairman

## CEO's Message

In 2023 ADNOC Drilling continued to deliver accelerated growth and progressive shareholder returns. This, coupled with our commitment to responsible, safe, and efficient operations, drove the Company to new heights.

Since our IPO in October 2021, we have implemented a twin strategy of expanding both our fleet and our service offering. This has seen our fleet grow in 2023 alone. It is now one of the world's largest drilling fleets – exemplifying our commitment to delivering efficient and sustainable solutions to our partners and clients, for the benefit of our shareholders.

Our Oilfield Services segment has become a key driver of business growth since its inception in 2018, delivering exemplary growth in 2023 of 37%. As we look to the future, this segment will continue to lead our evolution as we adopt and acquire new technologies designed to further increase efficiencies and derive more value from every well. An increasing focus on the development of unconventional resources will also be central to this next chapter as work to support the Nation's goal of gas self-sufficiency.

In 2023, we continued to contribute to ADNOC's goal of achieving a 25% reduction in greenhouse gas intensity by 2030 and net zero by 2045. Key to this was the purchase of newbuild hybrid power land rigs. These fit-for-purpose, grid-compatible rigs can store excess energy in high-capacity batteries, the energy from which can be called upon when needed. This enables engine optimization and supports further emissions reductions. These rigs started to progressively enter the fleet from the end of 2023.

In 2023 we connected two of our central camps to the grid and started using solar energy farms to support remote work sites and accommodation. Additionally, we delivered the world's first of its kind fully sequestered CO<sub>2</sub> injection well, in a carbonate saline aquifer to our customer ADNOC, a truly groundbreaking achievement conducted in support of ADNOC's \$23 billion decarbonization plan.

The year saw our transformation from a domestic drilling company to a technology-enabled energy services provider with international reach, accelerated through our multi-faceted partnership strategy. The partnerships we created in 2023, coupled with the long-standing strategic partnerships and alliances, complement our business, and allow the further development and scaling up of our offering, positioning us for future success.

Our contract with the Kingdom of Jordan, to provide integrated drilling services, marked the first time we have ventured outside of Abu Dhabi and fulfills the promise made at the time of our IPO to expand operations beyond the borders of the UAE.

From a financial viewpoint, 2023 was an exceptional year. We achieved an outstanding full-year revenue of \$3.1 billion, an increase of 14%, EBITDA growth of 20%, a net profit increase of 29%, and Total Shareholder Return of 32%.

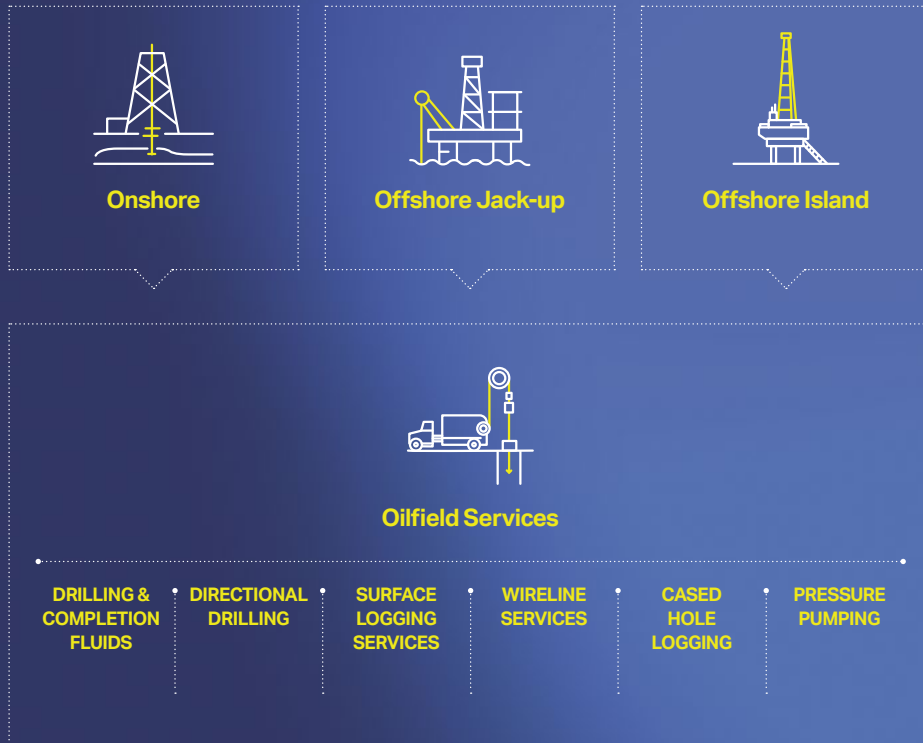
Our remarkable achievements would not have been possible without the dedication and hard work of our employees, who are at the heart of our success. In 2023, we launched a dynamic, leadership-led, multichannel campaign to reinforce our commitment to 100% Health, Safety, and Environment (HSE) to ensure vital HSE messages resonated and became embedded with employees across the organization.

We remain committed to leading, innovating, and contributing to a sustainable and prosperous future for the UAE and are more excited than ever to continue our journey toward responsible growth, expansion, and innovation in 2024 and beyond.

### Abdulrahman Abdulla Al Seiri CEO



# A Truly Integrated Drilling and Completion Services Business



## Key Differentiators and Competitive Advantages

- **Unique Market Position** – sole drilling provider in Abu Dhabi and key enabler of ADNOC’s expansion plans
- **Financial Strength** – healthy balance sheet, sustainable cash flow generation and robust revenue pipeline
- **Operational Excellence** – world-class operational performance supported by well-maintained assets, advanced technology and continuous innovation
- **Integrated Offering** – first integrated drilling provider in region, ideally positioned for growth in the oilfield services market
- **Unmatched Scale** – largest drilling company in Middle East by rig fleet size investing in growing our modern fleet
- **Talented Team** – experienced leadership supported by a diverse and committed workforce
- **ESG Focus** – effective corporate governance and risk management models, with keen focus on sustainability

## Value Creation for our Stakeholders



### Shareholders

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



### Partners and Suppliers

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.



## 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.

	 <b>Shareholders</b>	 <b>Suppliers and Partners</b>	 <b>Customers</b>	 <b>Community</b>	 <b>Employees</b>
<b>How We Engage</b>	Through IR, Senior Management and Board of Directors on calls, issuing press releases and earnings presentations, participating in conference and non-deal roadshows globally, and at scheduled meetings including the AGM.	Surveys, bids and tenders: discussion emails, meetings (virtual and physical) and contractor grievance mechanism system.	Website, social media, circulars, service call center and customer satisfaction survey.	Through events and initiatives during the year, partnerships with entities including the Ministry of Education.	Through line managers, Group-wide and team-wide internal communications, Hub, camps activity at meetings and key events or celebrations during the year.
<b>Key Issues/Items Discussed</b>	<ul style="list-style-type: none"> <li>• Strategy</li> <li>• Financial and operational performance</li> <li>• Opportunities</li> <li>• Business status</li> <li>• Future outlook</li> <li>• Upcoming events and activities</li> <li>• Ad hoc events/activities</li> <li>• Feedback from investors</li> </ul>	<ul style="list-style-type: none"> <li>• Key performance stories</li> <li>• Business development</li> <li>• Quarterly updates</li> <li>• Individual performance</li> </ul>	<ul style="list-style-type: none"> <li>• Performance</li> <li>• Opportunities</li> <li>• Business status</li> <li>• Relationship building</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfilling a need or support for a given initiative</li> <li>• Partnership opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Key performance stories</li> <li>• Business development</li> <li>• Quarterly updates</li> <li>• Individual performance</li> </ul>
<b>Actions to be Implemented</b>	<ul style="list-style-type: none"> <li>• Operational and strategic action taken depending on the discussion</li> <li>• Keeping shareholders well informed of present and upcoming business activities</li> <li>• Fostering transparency and openness in all communications</li> </ul>	<ul style="list-style-type: none"> <li>• Operational and strategic action taken depending on the discussion</li> <li>• Providing an understanding of our business priorities and how they are best suited to deliver against our business needs</li> </ul>	<ul style="list-style-type: none"> <li>• Operational and strategic action taken depending on the discussion</li> <li>• Providing an understanding of our joint key business imperatives</li> <li>• Ensuring customers are getting the best value</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of support or services when required</li> <li>• Assisting communities in times of need, where and when collaboration and support is most needed</li> </ul>	<ul style="list-style-type: none"> <li>• Develop any areas discussed with employees</li> <li>• Enabling more CEO and Senior Management engagement through live and remote internal comms</li> <li>• Focusing on putting employees at the heart of the organization</li> </ul>

## Market Overview

The UAE economy grew by 3% in 2023 and is expected to expand by 4% in 2024, driven by strong growth in its non-oil sector, according to S&P Global. Supportive government initiatives and increasing technology advancements are expected to spur the country's economic expansion.



ADNOC has set a goal to reach 5 million barrels per day (MBD) of crude oil production capacity by 2027

# 5 MBD

## ADNOC Production Growth

ADNOC has set a goal to reach 5 million barrels per day (MBD) of crude oil production capacity by 2027, which is sooner than its previous target of 2030. To achieve this goal, ADNOC has increased upstream exploration and development activities, where ADNOC Drilling play a vital role and act as a key enabler. ADNOC has invested heavily in boosting hydrocarbon production capacity and building midstream and downstream infrastructure to support future growth in hydrocarbon production.

As part of the planned production expansion, in October 2023, ADNOC awarded the contracts for Hail and Ghasha and made the final investment decision (FID) on the mega sour gas project. In addition, the project also includes a 1.5 million metric tons per annum (MMTPA) carbon capture project to help meet the broader decarbonization goals of ADNOC and the UAE. ADNOC is also creating three Artificial Islands in Lower Zakum to aid in its production growth.

ADNOC's commitment to gas self-sufficiency is also driving its developments on unconventional. ADNOC targets to produce an additional 1 billion cubic feet per day (BCFD) of gas by 2030. UAE is seeking to raise its natural gas production and become a net exporter of natural gas by 2030.

## New Strategic Agreements

During ADIPEC 2023, ADNOC announced new agreements with 30 companies for local manufacturing of critical non-oil products in its supply chain, as it accelerates the decarbonization of its operations. The new agreements outline ADNOC's intention to locally manufacture products potentially worth up to AED10 billion (\$2.7 billion) in its supply chain. The agreements support its target to locally manufacture AED70 billion (\$19 billion) worth of products in its procurement pipeline by 2027 as part of the 'Make it in the Emirates' initiative. The agreements will stimulate industrial growth, create more private sector jobs for UAE Nationals, and strengthen the resilience of ADNOC's supply chain.

ADNOC's localization of its supply chain is consistent with its strategy to accelerate the UAE manufacturing sector's transformation and strengthen its position as the region's most competitive industrial hub.

ADNOC targets to produce an additional 1 billion cubic feet per day (BCFD) of gas by 2030

# 1 BCFD



# Drilling Industry Overview

The global drilling services market is expected to recover from a challenging few years and spend over \$130 billion per year on average from this year to 2027, driven by high oil and gas prices, according to a recent study by Rystad Energy. The sector will see an increase in spending with the Middle East leading the growth. Drilling services spending mainly covers investments in onshore and offshore rig services, drilling tools and related services.

The oil and gas drilling market is expected to remain the biggest opportunity for oil field services (OFS) players until at least the end of the decade, even though activity will decline and other sectors such as geothermal and carbon capture and storage (CCS) will expand. There are many opportunities within the core oil and gas sector for OFS companies to use their existing skills and expertise. One of these is the well intervention market, which has become very popular in the last few years. The Middle East is the third-biggest region for drilling services after North America and Asia, but it has the fastest regional growth rate. This is mainly driven by various countries in the region that have expressed their goals and plans.

## Jack-up Rigs

Jack-up demand has continued to increase with several charters being fixed to begin during 2022-2023. In the near term, the upward trend is expected to continue as more fixtures are made and planned. The improvement in oil prices has been a major factor in demand acceleration.

While jack-up demand is expected to increase, the supply remains tight in 2023-2024 with no new builds and global marketed utilization remaining high at 93%. During the forecast period, drilling contractors continue to retire the fleet in turn further shrinking supply. Driven by tightening supply alongside increasing demand, global utilization has risen to more than 90%. The tightening supply means global drilling contractors have pushed higher day rates reaching \$150-170k per day as the competition for available rigs increases.

The global positive trend in jack-up demand in the near term is mainly driven by the Middle East. Demand in the Middle East makes up 40-45% of demand with most of the recent fixtures being in this region. This is primarily driven by three key Middle East countries: Saudi Arabia, UAE and Qatar. Recent rig moves indicate that more than half of the rigs have moved or are scheduled to move to the Middle East after

being bought by other drilling contractors to meet the high regional demand.

## Land Rigs

Global onshore rig demand increased in 2023. The Middle East, despite OPEC quotas, and Asia-Pacific are leading the 2023 increase as demand in North America remains almost flat. Capital discipline presents itself differently throughout the regions.

In North America, it means drilling less as a means of staying within budget and returning value to the shareholder. Within the Middle East, especially in Saudi Arabia, OPEC quotas have gradually decreased to maintain higher oil prices leading to moderating drilling activity.

The Middle East is expected to record an upward trajectory in onshore rig demand over the next few years. The key Middle East markets for the Land rigs are – Saudi Arabia, UAE, Kuwait, and Oman. Saudi Arabia has led a voluntary decrease in production, cutting about 1.5 MBD between January and September 2023.

From the supply side, margins drove the rig contractors' actions in 2023 and will continue to do so in 2024. Newbuilds are rare, with only the Middle East having announced any newbuild

activity. Additionally, the use of current rig supply needs to last for a long period to accommodate fewer newbuilds. The economic life of a rig can reach decades. Land rig contractors are expected to differentiate themselves further integrating technologies in their operations to improve performance.

Regionally based rig suppliers are favored within the Middle East. However, even with the potential of operators to favor local suppliers, the market remains competitive, especially with the growing presence of Far East contractors.

Onshore rig availability rates are relatively higher for the Middle East versus other markets. Despite rig availability and OPEC cuts, some players in the region are ordering newbuild rigs, partly driven by the expansion of unconventional drilling.

## Our Strategy

### Our Strategic Areas

We are fully committed to keep our people safe from harm, maintain integrity of our assets and protect the environment for a sustainable future. 100% HSE means making sure that the people who work with us are safe from any damage or hurt, and that the assets and equipment they use are kept and run in a secure and dependable way.

We aim to have an engaged and capable workforce that delivers quality services. This requires retaining, attracting, and developing the best and brightest people in our industry, with a focus on local talent to fill the capabilities gap. To build a business and commercial mindset and become the most valued employer in UAE

Our goal with the ICV program is to maximize the benefits of our country's oil and gas resources. We want to develop local capacities for key supply chain functions in the oil and gas industry. We also want to diversify our GDP by spending more on a range of local goods and services.

Operate sustainably and responsibly as a Company. We will be a key enabler for ADNOC to become one of the most responsible O&G operators by maintaining low carbon footprint as an O&G operator, reduce GHG emissions and optimize energy efficiency in our operations.



## 2023 Achievements

- Achieved year-on-year revenue growth across all segments driving 14% year-on-year increase in FY23 revenue to \$3,057 million.
- FY23 EBITDA up 20% to \$1,483 million, with industry leading EBITDA margin of 49%.
- Record results for FY23 with net profit reaching \$1,033 million, up 29% year-on-year.
- Agreed to establish a strategic investment joint venture with Alpha Dhabi to invest up to \$1.5 billion to acquire technology-enabled companies in the oilfield services and energy sectors.
- Mobilized first international rig to Jordan for integrated drilling program.
- Added a total of 14 rigs over FY23, 4 jack-ups and 10 land rigs (includes four lease-to-own land rigs).
- Ordered 16 hybrid land rigs throughout 2023, with two starting operations at the end of the year.
- Completed drilling for the first fully sequestered CO<sub>2</sub> injection well in a carbonate saline aquifer during the second quarter.
- OFS performed IDS on 48 rigs, compared to 40 rigs in 2022.
- 15.5% overall improvement in FY2023 IDS drilling efficiency versus the 2022 benchmark.
- Achieved TRIR frequency of 0.44 for 2023.



# Enabling Growth

ADNOC Drilling is driving growth through a strategic expansion of our fleet and service offerings, as part of our broader strategy to maintain profitable, safe and efficient operations while creating long-term shareholder value.

To achieve our growth ambitions, we will execute our growth strategy along the following four key dimensions:

**Growing our rig fleet** to 142 onshore and offshore units by 2024, as part of our fast-tracked fleet expansion program, capitalizing on ADNOC Group's plans to increase production capacity to 5 million barrels per day and an additional 1 billion cubic feet per day of gas.

**Becoming a Middle East regional leader in the development of unconventional energy resources**, reflecting our outstanding technological and technical capabilities that have enabled us to increase the number of unconventional wells drilled this year while reaching new heights and depths.

**Ramping up our Integrated Drilling Services (IDS)** to offer a unique proposition in the market and support ADNOC's ambitious upstream growth plans by continuing to expand our IDS rig fleet to enhance efficiency and reduce the time and cost associated with drilling operations.

**Pursuing new revenue streams at home and abroad**, with our first international rig mobilized to Jordan already this year and our strategic investment joint venture with Alpha Dhabi set to power investments in technology-enabled companies in the OFS and energy sectors for accelerating and sustainable growth moving forward.



Powering

# Diversification

ADNOC Drilling is strategically positioning itself to become a leader in unconventional oil and gas development in the Middle East. With a growing focus on unconventional resources, we took a significant step in our expansion strategy this year through our strategic investment joint venture with Alpha Dhabi, which will accelerate growth in our OFS offerings.

Enhancing the OFS business is a key strategic priority for ADNOC Drilling. We aim to accelerate the expansion of our OFS capabilities and services, offering more cost-efficient and time-effective solutions. This objective will be achieved by continuously improving performance, reliability, and cost-effectiveness, thereby delivering improved well economics from design to delivery.

An integral component of this strategy is the growth of our Integrated Drilling Services (IDS) fleet. We expanded our IDS fleet to 48 rigs, illustrating our commitment to enhancing our OFS portfolio and reinforcing our role as a dynamic enabler in the region's energy sector. This growth reflects our dedication to unlocking energy resources more efficiently and sustainably, catering to the evolving needs of the energy market.



Driving

# Sustainability

ADNOC Drilling is actively contributing to sustainability, aligning with ADNOC's goal to reduce carbon intensity by 25% by 2030 and achieve Net Zero by 2045. A pivotal step in this direction is the acquisition of 16 hybrid land rigs, that started to progressively enter the fleet from the end of 2023. These rigs are designed to cut emissions by up to 15% per rig.

Furthering our commitment, ADNOC Drilling connected two central accommodation camps to the grid, with two more to follow in early 2024, reducing dependence on diesel generators and associated emissions. The integration of solar power across mobile camps is another stride towards incorporating renewable energy in our operations.

In line with our sustainability ambitions and initiatives, we signed a five-year 'memorandum of understanding with Masdar during the year to explore geothermal energy opportunities. This collaboration aims to develop and invest in projects that advance the energy transition, both in the UAE and globally, reinforcing ADNOC Drilling's role in promoting sustainable energy solutions.





# Empowering our People

## Our Weekly Employee Engagement Activities

Our caring, connected and collaborative culture at ADNOC Drilling is committed to ensuring a dynamic and performance-driven organization with a diverse and talented workforce that works together to achieve a shared purpose.

To achieve this, we are working to foster a strong and supportive culture that is continuously developed and reinforced through a wide range of engagement activities.

Each day of the week is dedicated to a specific theme, nurturing an environment where our people feel welcomed, appreciated, and encouraged to share ideas.

**Marhaba Monday:** A day to come together with fellow colleagues over breakfast and have a catch up with their Line Manager.

**Tuesday Tips:** A day to share helpful insights and advice on policies, guidelines, procedures and systems among colleagues to enhance their work safety and performance.

**Wednesday Weyakum:** A day for management's unofficial floor visits to meet and engage with colleagues, get feedback and conduct a culture pulse check to promote a sense of belonging and teamwork.

**Thank-You Thursday:** A day to encourage the utilization of the ADNOC Way Recognition Platform to express gratitude and appreciation.

**Friday Friends:** A day to foster social connections and camaraderie among colleagues by introducing newly recruited colleagues by email to the entire ADNOC Drilling team.

These activities, coupled with interactive sessions with management and recognition platforms, ensure that our people's voices are heard, contributing to innovation, health, safety, and a positive work environment. This multifaceted approach successfully builds a cohesive and motivated workforce, driving the Company's overall success.



## Financial Review

ADNOC Drilling achieved double-digit revenue growth and industry-leading margins in 2023, as we expanded our operations and improved cost efficiencies. We amplified our efforts to diversify revenue streams and enhance competitiveness, entering a pivotal technology joint venture and commencing drilling on our first international integrated drilling services campaign in Jordan.

We delivered on our promise of profitable growth to shareholders through efficient and sustainable operations, along with continued value creation and regional expansion. Our outstanding growth was driven by our two-pronged strategy of expanding the rig fleet and service offerings. Our accelerated fleet expansion since our successful initial public offering (IPO) underpins our growth targets, while boosting revenue as incoming rigs commence operations.

This year, we added 14 new rigs to our fleet for a total of 129. Revenue grew to \$3.1 billion in 2023, compared to \$2.7 billion the previous year. This 14% improvement was driven by increased drilling activity and the rapid development of Oilfield Services (OFS), which grew by 37%.

EBITDA increased by an impressive 20% in 2023 to \$1,483 million, compared to \$1,232 million the previous year. This was a result of strong topline growth and effective cost management

initiatives. Improvements in cost efficiencies delivered an EBITDA margin of 49%, compared to 46% in 2022. Net profit was \$1,033 million, compared to \$802 million the previous year, an improvement of 29%.

In line with our commitment to our stable and progressive dividend policy, the Board recommended a final dividend of \$358 million for the second half of 2023, representing 8.22 fils per share. This brings the total dividend for the 2023 financial year to \$717 million (or 16.45 fils per share). We project an annual dividend growth of at least 5% per annum until 2026, as we seek to continue to reward our shareholders for their trust.

### Strong Growth across all Segments

We demonstrated strong performance across all our business segments, with OFS leading the way. Focused on providing integrated services, OFS achieved 37% year-on-year growth for revenue of \$553 million. Notably, OFS improved

its efficiency by 15.5% compared to the 2022 benchmark. The segment is rapidly expanding its market share and is expected to double revenues within the next three years.

Offshore Jack-up also achieved impressive revenue growth of 31% for \$800 million. This was mainly attributable to higher activity and lower maintenance requirements. Offshore Island revenue improved 2% to \$209 million, driven by increased activity. The Onshore segment grew its revenue by 3% to \$1,495 million, with an overall increase in activity offsetting the lower year-on-year recovery of fuel costs.



## Financial Review continued

### Strategic Expansion and Diversification

In 2023, ADNOC Drilling embarked on an international growth journey, mobilizing our first international rig in Jordan to provide integrated drilling services. The investment is expected to achieve the same financial returns as ADNOC's drilling operations in Abu Dhabi. It marks the beginning of ADNOC Drilling's international expansion as part of our commitment through the IPO.

In November, ADNOC Drilling and Alpha Dhabi agreed to establish investment joint venture (JV) to invest up to \$1.5 billion to acquire technology-enabled companies in the oilfield services (OFS) and energy sectors. The JV will be jointly controlled by ADNOC Drilling (51%) and Alpha Dhabi (49%), with Lunate Capital providing asset management and advisory support. ADNOC Drilling will account for the JV through the equity method. Representing its inaugural strategic investment in the JV, Alpha Dhabi transferred its 25% interest in Gordon Technologies, a US-based oil engineering company, to the JV in January 2024.

The globally focused platform will invest in value-accretive businesses across the OFS and energy value chain. It will leverage the strengths of both partners and enable a broader portfolio offering for ADNOC Drilling as an integrated solution provider. It will insource and strengthen the Company's value chain to increase

resilience, enhance operational efficiencies, and spur future growth in the OFS offering.

### Capital Expenditure and Liquidity Management

Capital expenditure for 2023 was \$1,333 million compared to \$942 million in 2022, a 42% increase/decrease. Spending was in line with the ramp-up in rig acquisitions and was optimized and disciplined as we purchased rigs at the bottom end of the cycle.

At the end of 2023, cash from operating activities stood at \$1,355 million. Operating working capital decreased by 24% year on year to \$239 million from \$314 million the previous year. This was driven by the increased net balance with related parties, which last year benefited from collections. Net working capital stood at 8% of revenue in 2023, driven by improved collections and some phasing related to capital expenditures. Net of this phasing, the normalized ratio was 12%.

The Company's net debt to EBITDA ratio increased from 1 in 2022 to 1.2 in 2023. This was an expected result from our ambitious investments in rig expansion. Liquidity stood at \$1.6 billion at the end of the year, including unutilized syndicated term and revolving facilities.

As part of our financial strategy, we secured a new \$1.5 billion syndicated term loan in US dollars and

a new AED1.84 billion revolving credit facility. The term loan will refinance our maturing debt of the same amount due in November 2023, while the revolving credit facility will support our working capital needs and growth ambitions.

### Future Outlook

Following our exceptional 2023 results, ADNOC Drilling has announced its guidance for full-year 2024 and refreshed its medium-term targets:

\$ million	2024 guidance
Revenue	3,600-3,800
Onshore revenue	1,600-1,700
Offshore jack-up revenue	1,000-1,100
Offshore Island revenue	200-250
OFS revenue	700-800
EBITDA	1,700-1,900
EBITDA margin	48%-50%
<b>Net income</b>	1,050-1,250
Net income margin	30%-33%
Capex	750-950
<b>Leverage target</b>	< 2.0x

Medium-term guidance is as follows:

- Revenue CAGR in the 12%-16% range from FY 2023 base.
- 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, excluding material M&A.
- Net working capital as percentage of revenue target of around 12%.
- Maintenance CapEx post-2024 of \$200-\$250 million per annum.

By the end of 2024, the total rig count is expected to be 142, surpassing IPO guidance of 127 rigs by the end of 2030.

### Youssef Salem Chief Financial Officer





## Business Review

Reflecting on an outstanding year of growth and strategic execution for ADNOC Drilling, we are proud to report our achievements in 2023. We set new records for wells drilled, expanded our fleet by 12% and grew our team with the addition of over 1,301 skilled employees, enhancing our operational capabilities and readiness to capture future opportunities.

Key operational milestones during the year included successfully and safely acquiring, upgrading, and incorporating 14 new rigs into the fleet, to align with ADNOC's accelerated capacity target of 5 million barrels per day by 2027. It is noteworthy that included in our fleet expansion was the introduction of the first two hybrid land rigs which became operational in late 2023. A further 14 hybrid land rigs will be added to the fleet over the course of 2024. We also took the first step in our strategic regional expansion ambitions, with the launch of our first international drilling campaign in Jordan and continued to set new records in drilling lengths and depths to 'unlock energy for life'.

These achievements have powered robust financial results, enabling ADNOC Drilling to meet our targets and maintain best-in-class cost performance. Our success is underpinned by our unique business model and strategic focus on continued expansion, exploring inorganic growth and implementing innovative technologies across our operations, in alignment with our corporate vision for long-term growth and sustainability.

We measure operational excellence not only through drilling targets but also through the health, safety and well being of our people and our continued progress in our sustainability ambitions. This year, our unwavering commitment to safety resulted in more management visibility around HSE issues and an improved overall safety record. Meanwhile, the introduction of hybrid rigs is a testament to our dedication to sustainability and our contribution to the UAE's Net Zero targets. These rigs support the electrification and decarbonization of our operations, which is crucial in our journey towards a more sustainable future.

Looking ahead to 2024, we are poised to continue our growth trajectory, focusing on integrating additional rigs, driving cost savings and efficiencies, enhancing safety, and expanding our capabilities in our oilfield services business. We are also committed to building efficiency and a robust cost model for unconventional growth, further solidifying our position as a leader in the industry and playing a key role in ADNOC's ambitions and achieving gas self-sufficiency for the UAE.

## Highlights

HSE/TRIR

0.44

Total Rigs\*

129

Number of Wells Drilled

613

Number of Rigs Added to Fleet\*

14

Non Productive Time (NPT) %

0.78%

\* Including four lease-to-own land rigs



# Onshore Drilling

## Growing fleet and internal expansion

In 2023, ADNOC Drilling's Onshore Division exemplified unparalleled growth and innovation, solidifying its status as the cornerstone of the Company's financial and operational strength. This year was marked by strategic advancements, from expanding our rig fleet and venturing into international markets to adopting cutting-edge technologies and prioritizing sustainability. These endeavors not only reinforced our position as a key revenue generator but also underscored our commitment to setting new standards in the energy sector.

Powering ADNOC Drilling's financial performance for the year, Onshore continued to be the Company's largest segment, delivering strong topline growth to contribute 49% of the Company's overall annual revenue.

As ADNOC Drilling's largest division and revenue generator, onshore drilling maintained focus on the growth, expansion and modernization of its operations this year, to support the Company's operational and financial performance.

We successfully deployed three of our owned rigs – AD-188, AD-217 and AD-218 – safely and efficiently bringing these rigs into operation. This deployment was executed with efficiency and precision, leading to a fleet of 84 land rigs.

In our pursuit of technological innovation and environmental stewardship, AD-217 and AD-218 were the first hybrid rigs to join our fleet. These hybrid rigs represent a significant leap forward in drilling technology, combining conventional drilling methods with advanced hybrid power solutions. This introduction is a clear reflection of our commitment to sustainable practices and operational efficiency.

In addition to the deployment of our owned rigs, we also integrated rental rigs and four lease-to-own rigs. This integration was completed safely and, notably, ahead of the planned dates. The seamless addition of these rental rigs further emphasized our capability to manage large-scale operations and adhere to strict safety standards.

A key milestone in our expansion strategy was the mobilization and operation of rig AD-137 in Jordan during the fourth quarter. This initiative marks our foray into Jordan, symbolizing a strategic step towards becoming a leading integrated service company in the energy sector across the Middle Eastern region. This expansion not only extends our geographic footprint but also enhances our ability to serve a broader range of clients in the region.

### Financial Highlights 2023

2023 Revenue

**\$1,495m**

2023 Net Profit

**\$568m**

Contribution to ADNOC Drilling Revenue 2023

**49%**

## Business Review continued

### Onshore Drilling continued

#### Performance Highlights 2023

Land rigs added to fleet count\*

# 10

Total owned land rigs\*

# 84

Total wells

# 515

Rig availability

# 95%

Furthermore, in 2023, ADNOC Drilling awarded contracts for 16 newbuild hybrid power land rigs. These acquisitions signify our dedication to embracing innovative technologies and reducing our environmental impact. These rigs started to progressively enter the fleet from the end of 2023, marking a new era of sustainable and efficient drilling operations.

Overall, the deployment of our owned rigs, integration of rental rigs, expansion into Jordan, introduction of hybrid rigs, and the acquisition of additional hybrid power land rigs, collectively underscore our commitment to growth, innovation and sustainability. These steps are integral to our strategy of strengthening our position as a leader in the energy sector in the Middle East, setting new benchmarks for operational excellence and environmental responsibility.

#### Onshore Performance

In 2023, Onshore achieved remarkable success in several key operational areas, demonstrating our commitment to excellence and efficiency in the drilling industry.

Firstly, we achieved a significant milestone in well delivery for Onshore. During 2023, we successfully delivered 515 wells, or 101% of our planned target number of wells. This high level of performance in well delivery is a testament to our team's dedication and operational efficiency.

Another major highlight of the year was our rig move performance. During the course of the year we had completed a total of 522 rig moves, with an impressive average of 3.31 rig move days against a target of 3.6 days. This outstanding performance not only surpassed our

target but also resulted in a significant time saving of 151 days. This achievement directly contributed to additional operational months, demonstrating our expertise in project management and operational planning. The rig move team also successfully deployed new Rig Move Software, which is set to digitalize and streamline our rig move Petra moving forward.

Another notable achievement was in reducing Non-Productive Time (NPT). We achieved a remarkable 0.73% NPT year-to-date as of December, surpassing our target of 0.9%. This achievement in exceeding our NPT targets is largely due to the effective implementation of our Preventive Maintenance System (PMS), highlighting our commitment to continuous improvement and operational excellence.

Moreover, our rig availability throughout the year at an impressive 95%, exceeding our divisional target of 93%. This incredible feat was achieved through maintaining low NPT and completing rig moves ahead of planned days. High rig availability is crucial in the drilling industry as it directly impacts our ability to meet client demands and maintain operational continuity.

Overall, the achievements in well delivery, rig move performance, reducing NPT, and maintaining high rig availability reflect ADNOC Drilling's commitment to operational excellence. These accomplishments not only demonstrate our capability to meet and exceed targets but also reinforce our position as a leader in the drilling sector, consistently delivering high-quality service to our clients.

#### Setting New Standards

In 2023, Onshore continued to set new benchmarks while also receiving significant recognition from our customers, underscoring our commitment to excellence and efficiency in drilling operations.

In a remarkable achievement, our AD-34 rig successfully completed drilling the well DY-342 to a measured depth of 37,605 feet. This accomplishment sets a new record, as DY-342 now holds the title of the longest well in ADNOC Onshore's history.

Our AD-59 rig was honored with the award for the best Integrated Drilling Services (IDS) rig from ADNOC Onshore. This recognition is a testament to the rig's outstanding performance in delivering comprehensive drilling services that combine drilling, directional drilling, well engineering, rig provision, and more, all under a single contract.

In addition, rig AD-55 received the award for the best performance rig from ADNOC Onshore. This award recognizes the rig's superior operational performance, including factors such as efficiency, safety, environmental protection, and overall productivity.

These awards are significant achievements for ADNOC Drilling, highlighting our rigs' capabilities and the dedication of our teams, reinforcing our position as a leader in the industry and motivate us to continue setting the bar high in all our drilling operations.

\* Including four lease-to-own land rigs

## Business Review continued

### Onshore Drilling continued

#### Financial Achievements

Revenue for the year was \$1,495 million, up 3% year-on-year, largely driven by new rigs joining the fleet. Likewise, EBITDA also increased by 3% year-on-year, due to increased drilling activity for the segment and cost efficiency initiatives. Overall net profit for Onshore increased by 6% compared to 2022.

In June 2023, we successfully implemented the Integrated Drilling to Billing System across all land rigs. This initiative streamlined our billing processes, harnessing technology to enhance working capital efficiency and improve partner collaboration.

#### 2024 Outlook

For 2024, Onshore's focus will remain on safety and innovation to lead our industry. First and foremost, we are dedicated to going beyond 100% HSE compliance across all operations. This unwavering commitment to HSE is not just a goal but a fundamental aspect of our Company culture.

We are gearing up for the integration of new land rigs into our operations, enabling us to undertake more projects and deliver superior service to our clients. We aim to integrate the new rigs seamlessly, minimizing idle time and ensuring operational efficiency from the outset. This expansion is a testament to our dedication to leveraging the latest in drilling technology and meeting the growing demands of the industry, positioning us as a key player in the region's energy sector.

Sustainability remains at the forefront of our initiatives. We plan to contribute significantly to ADNOC's sustainability drive. This includes implementing solar systems for our mobile camps, electrifying our central camps, deploying hybrid rigs, and optimizing diesel use. These initiatives are not just environmentally responsible but also align with our commitment to innovation and efficiency.

Driving a performance-based culture is another key focus. We aim to reduce Invisible Lost Time (ILT) at all our land rigs. This requires a concerted effort towards efficiency, accountability, and continuous improvement in our operational practices. Another objective is to reduce major maintenance outages for our land rigs. By optimizing our maintenance schedules and procedures, we aim to increase rig uptime and overall productivity. Further, we will establish and implement a robust mechanism for investigating Non-Productive Time (NPT) occurrences. By cascading lessons learned and tracking actions, we aim to continually improve our operational processes and reduce downtime.

In terms of technology, we plan to develop and implement a technology roadmap for our land rigs. This includes harnessing the latest in technology and artificial intelligence. By staying at the forefront of technological advancements, we aim to enhance our operational capabilities, our HSE performance and efficiency.

Lastly, we aim to contribute to corporate cost optimization and will look for opportunities to drive costs lower, harnessing the economies of scale that a larger fleet brings. Achieving our divisional cost optimization targets is crucial for this, and we plan to implement strategic measures to enhance cost-effectiveness across all aspects of our operations.

Overall, our focus for 2024 is on safety, sustainability, efficiency, technological advancement, and cost optimization. These goals align with our commitment to being a leader in the drilling industry and supporting the broader objectives of ADNOC Drilling.



# Offshore Jack-up Drilling

In 2023, Jack-up Drilling achieved significant milestones, marking a year of strategic growth and operational excellence. The integration of new rigs into our fleet was a major highlight, substantially increasing our capacity and reinforcing our position in the regional drilling market. This expansion contributed to a strong financial performance while also demonstrating our adaptability and commitment to growth.

## Highlights 2023

Total owned Jack-ups

35

Jack-up rigs integrated into operations

8

Jack-ups added to fleet count

4

## Jack-up Performance

Jack-up Drilling achieved a landmark accomplishment during 2023, with the integration of eight new Jackup rigs into operations: Al Danat, Al Gurm, Ramhan, Yas, Al Jubail, Al Sila, Salamah and Al Saadiyat. This significant expansion not only bolstered our position as a regional leader in drilling but also enhanced the quality of our offshore Jack-up fleet, marking a major stride in our growth trajectory. The successful deployment of all eight newly acquired Jack-up rigs.

The addition of four rigs brought our total Jack-up fleet count to 35 rigs, a substantial increase that underscores our commitment to expanding our operational capabilities.

Central to our strategic focus is the goal of meeting ADNOC's ambitious target of 5 million barrels a day of production capacity by 2027. As part of this objective, we have extended our operations to new fields in Abu Dhabi, demonstrating our adaptability and commitment to growth. This expansion into new operating fields is not only a response to the evolving demands of the industry but also a proactive approach to securing our position as a leading provider of drilling services in the region.

Jack-up Drilling successfully delivered 71 wells for ADNOC Offshore, with a well duration 15% better than plan (excluding events not under ADNOC Drilling's control). This impressive compliance rate underscores our dedication to meeting and surpassing client expectations.

We improved our overall Non-Productive Time (NPT) in 2023 on a per-rig basis and successfully completed maintenance ahead of benchmarked days for the Junana and Yemillah rigs, achieving 100% compliance. This accomplishment reflects our efficiency and ability to meet maintenance schedules effectively.

## Business Review continued

### Offshore Drilling – Jack-up Drilling continued

Customer satisfaction was another area of notable success. We achieved a 94% satisfaction score from ADNOC Offshore Drilling Supervisors, surpassing our 90% target. This high satisfaction score can be attributed to our ability to meet client requirements, coupled with high HSE performance and well delivery compliance.

Overall, Jack-up Drilling showcased a strong commitment to operational excellence, client satisfaction, and strategic growth. These achievements reflect our ongoing dedication to improving our services and maintaining our position as a leader in the offshore drilling sector.

### Financial Achievements

Jack-up Drilling's Revenue for the year was \$800 million, up 31% year-on-year, largely driven by jack-ups that went into operation in 2022 and in 2023. Likewise, EBITDA rose by 55% for the year, reflecting our ability to optimize revenue and manage expenses efficiently.

We contributed to ADNOC's Corporate Cost Optimization by modifying the Major Maintenance cycles for three rigs, exceeding our savings target and adding extra operational months.

### 2024 Outlook

In 2024, a crucial goal for Jack-up Drilling is the seamless integration of new Jack-up rigs, in accordance with ADNOC Offshore's plans. This will be carried out with an emphasis on safety and operational excellence. We also aim to establish a robust system for investigating NPT, enabling us to learn from incidents and improve our operational efficiency.

Our efforts to reduce Major Maintenance (MM) outage are underway, as part of our strategy to enhance rig uptime and productivity.

Our unwavering commitment to go Beyond 100% HSE will continue, ensuring the highest safety standards in all operations. We are also focused on the professional development of our team and achieving cost optimization targets as part of ADNOC's Corporate Cost Optimization efforts, involving the strategic management of operational efficiency and costs.

Overall, our 2024 agenda is centered around safety, efficient integration of new rigs, operational optimization, cost management, and professional growth, aligning with our commitment to contributing to the broader objectives of ADNOC Drilling.

### Financial Highlights 2023

#### 2023 Revenue

**\$800m**

#### Contribution to ADNOC Drilling Revenue 2023

**26%**

#### 2023 Net Profit

**\$306m**



# Offshore Island Drilling

In 2023, Island Drilling delivered another record-breaking well and grew revenues and profitability, reflecting our focus on operational excellence, outstanding innovation, and ability to create value for ADNOC Drilling and our customers.

## Highlights 2023

World's longest extended reach well (UZ-685) at 51,000 ft from Umm Al Anbar Island

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# 51,000 ft

Drilled the longest well in SARB field to a total depth of 27,867 ft.

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# 27,867 ft

## Island Drilling Performance

Island Drilling achieved a remarkable milestone by drilling the world's longest extended reach well for ADNOC Offshore in 2023. The UZ-685 well reached a staggering 51,000 feet from Umm Al Anbar Island, tapping into a previously unreachable part of the reservoir. Impressively, since 2021, five of the top ten longest wells globally have been drilled from Umm Al Anbar Island, a testament to our pioneering drilling capabilities.

Other significant achievements in our drilling operations include AD-78 drilling the longest well in the SARB project, with a total depth of 27,867 feet, while AD-33 commenced drilling the first Maximum Reservoir Contact well, GH0023, in the H&G project in May 2023.

Our efforts to reduce Planned Off Time (POT), Invisible Lost Time (ILT), and optimize operations have been fruitful. In terms of Non-productive time (NPT), we surpassed our annual target. This success is attributed to the effective implementation of our Preventive Maintenance System and the availability of critical spare parts.

Finally, our Island Rig Moves performance was exceptional. We completed a total of 30 rig moves, saving a total of 45 days, equating to additional revenue, against planned days. This achievement is a clear indication of our efficiency and capability in managing complex rig move operations, further solidifying our position as a leader in the drilling industry.

## Business Review continued

### Offshore Island Drilling continued

#### Financial Achievements

Island Drilling's Revenue for the year was \$209 million, up 2% year-on-year, largely driven by mobilization revenue for the re-activated island rig allocated to the Hail and Ghasha project. Likewise, EBITDA rose by 11% for the year, reflecting the success of our operational efficiency and profitability strategies.

Our credit collection effectiveness showed progress, and the implementation of the Integrated Drilling to Billing System in 2023 marked a significant step in enhancing our billing efficiency and partner collaboration, reflecting our commitment to continuous improvement in financial management.

In a significant contribution to ADNOC Drilling's Corporate Cost Optimization, Island Drilling achieved remarkable OPEX savings, underscoring our commitment to cost-effective operations and strategic financial management, playing a crucial role in the Island's overall performance and efficiency.

#### 2024 Outlook

In 2024, a pivotal aspect of Offshore Island Drilling's strategy involves the targeted reactivation later in 2024 of three island rigs, AD-80, AD-130, and AD-131, in accordance with our strategic Hail and Ghasha (UDR) plans. We aim to manage this process with the highest levels of safety and operational integrity.

To optimize operational efficiency, we are set to establish a comprehensive system for analyzing NPT. This will include detailed incident investigations, sharing of insights and lessons learned, and meticulous tracking of follow-up actions to improve our operational processes. In addition, we aim to develop and implement a specific technology roadmap for our Island rigs. This plan will guide us in leveraging cutting-edge technologies to enhance operational effectiveness and maintain our competitive edge.

We will continue our unwavering dedication to safety, sustainability, technological innovation and efficiency. At the heart of our goals is the commitment to achieving 100% HSE. We will also reinforce our environmental commitment through the Green Island initiative, particularly focusing on H&G Island.

Lastly, in alignment with ADNOC Drilling's overarching financial goals, we are committed to reaching our internal cost optimization targets. This will involve strategic measures to improve operational efficiency and cost management, thereby contributing significantly to the overall financial growth and sustainability of the Company.

#### Financial Highlights 2023

2023 Revenue

**\$209m**

2023 Net Profit

**\$113m**

Contribution to ADNOC Drilling Revenue 2023

**7%**





# Oilfield Services (OFS)

In 2023, ADNOC Drilling's Oilfield Services (OFS) achieved significant growth and diversification, notably expanding our fleet to 48 IDS rigs and delivering 204 wells, with 68 benchmarked and 48 completed ahead of schedule and budget. Our focus on unconventional oil and gas resources accelerating our proposition as a regional leader in unconventional development. We continued investing in key innovations to enhance our fracking operations, successfully delivering 193 stages since inception. This expansion of OFS capabilities provides more efficient and effective solutions to our customers, driving ADNOC Drilling's diversification and sustainable success.

## 2023 Highlights

IDS wells delivered since inception in 2019

# 686

Year-on-year improvement in combined drilling efficiency to ADNOC Onshore and Offshore

# 15.5%

FRAC'd stages since Inception in 2019

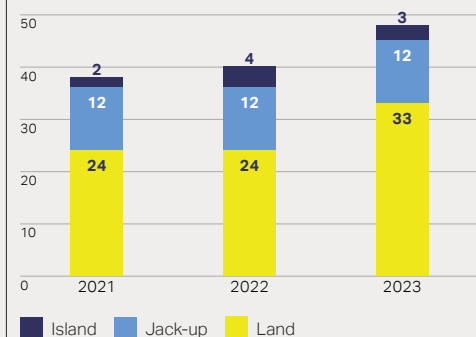
# 193

### A Regional IDS Trailblazer

Our partnership with Baker Hughes has been instrumental in transforming ADNOC Drilling into a leading Integrated Drilling Services (IDS) provider. OFS now offers comprehensive drilling and well construction services across the drilling value chain, significantly improving our performance, reliability, and cost-effectiveness. This has enhanced our competitiveness, ensuring better economics for each well from design to delivery.

Leveraging our joint expertise, innovative solutions, and advanced technology, we effectively reduced costs and increased

IDS Rig Count increased to 48 Rigs



productivity. In 2023, we operated IDS on 48 rigs, and were awarded a \$422 million contract for the Upper Zakum Island Development Project to provide IDS for up to five years.

### Operational Expansion

At ADNOC Drilling, we pride ourselves on being a market leader in both conventional and unconventional domains, known for our reliability, productivity, and effectiveness. Our competitive edge in performance and cost platforms has led to consistent and profitable tender wins.

A notable achievement this year was drilling our first bundled services well outside the UAE, in Jordan. This success propels our plans to expand internationally. Moreover, OFS remains a key contributor to our cost-saving effort.

## Business Review continued

### Oilfield Services (OFS) continued

#### Improving Performance

In 2023, OFS demonstrated remarkable operational efficiency, achieving a 78.6% cumulative improvement over five years. This efficiency has enabled the Company to complete projects faster, allowing for quicker redeployment of rigs. Consequently, the number of wells delivered within a year increased, boosting revenue for ADNOC Drilling.

By the end of the year, successfully drilling a total of 204 wells, with 68 benchmarked and 48 delivered ahead of schedule and under budget. This resulted in cumulative savings of over \$320 million for ADNOC.

#### Expanding IDS Fleet

Our fleet of drilling rigs that provide IDS stood at 48 IDS rigs as of year-end 2023. This consists of 33 Onshore rigs, 12 Offshore rigs and three rigs on artificial islands.

#### Key Awards for 2023

- \$422 million by ADNOC for the Upper Zakum Island Development Project to provide IDS for up to five years
- \$17 million by ADNOC for the Offshore FRAC activity in the upcoming year
- Extension process with ADNOC Offshore for the Integrated Drilling Services contract for three years

#### Diversifying Products and Services

We are continuously innovating to meet the needs of our customers and expanding our services to create increasing value, and becoming more efficient, effective and productive.

In 2023, we continued to implement the latest technologies and began manufacturing our own branded production chemicals and cementing slurries, with the aim to expand further in 2024.

We also added the following services to our portfolio:

- Tubular running services
- Solid control equipment
- New formulation for water-based mud
- ADNOC Drilling branded slurries for the Hail & Ghasha Project
- Liquid Mud Plants
- Coring
- Well Testing services
- Well Bore Clean Out
- Cutting re-injection and waste management

By offering these new services, along with many more to be introduced in 2024 and beyond, we will continue to drive innovation to explore new market opportunities for growth and diversification of our business.



**Business Review** continued  
Oilfield Services (OFS) continued

**Growing Unconventional Business**

Our unconventional business, particularly in fracking, has seen substantial growth to meet the rising demands in Abu Dhabi's unconventional oil and gas sector. Since initiating our fracking operations in 2020, we have successfully performed hydraulic fracturing on 20 wells with 100% efficiency, completing 193 stages for both Proppant and Acid FRAC. This expansion bolstered our operational capabilities while also significantly contributing to our revenue.

Hydraulic fracturing wells

**20**

**Financial Performance**

In 2023, we generated revenue of \$553 million, a 37% increase compared to \$405 million in 2022. This strong performance was primarily driven by higher IDS volume and an increase in discrete services volume. Furthermore, IDS rig counts increased from 40 at the end of 2022 to 48 at the end of 2023, resulting in growth across this segment.

EBITDA of \$115 million for the year was a \$38 million improvement compared to 2022, which was driven by higher revenue, coupled with cost savings initiatives.

2023 revenue

**\$553m**

**Committed to HSE Excellence**

At ADNOC Drilling, the health and safety of our workforce remains our utmost priority. To this end, we have established an HSE Academy for all employees. In 2023, we achieved a notable improvement in our HSE performance, recording a lower rate of incidents than targeted.

Our total recordable incident rate (TRIR) was 0.50 surpassing our goal of 0.70. This performance reflects our ongoing commitment to maintaining and improving safety standards.

2023 Total Recordable Incident Rate (TRIR)

**0.50**

**2024 Outlook**

In 2024, OFS is set to further expand and innovate, aiming to reach a broader customer base and diversify across more regions. By 2030, our goal is to contribute significantly to ADNOC Drilling's EBITDA, aligning with ADNOC's ambition to increase oil production and achieve gas self-sufficiency.

Our JV with Alpha Dhabi is expected to support the expansion of our OFS services portfolio over time.

As we strive to set new standards in our service areas, our focus remains on growing our fleet, widening our operational reach, and sustaining our position as the top Oilfield Services provider in the region.

## Sustainability Summary



### Our Commitment to Sustainable Progress

Sustainability remains the foundation of our strategic focus and successful operations, reflecting our deep-seated commitment to key areas that include energy efficiency, environmental stewardship, client service, and regional socio-economic growth.

Building upon the momentous milestone of establishing our Corporate ESG Statement last year, 2023 was a pivotal year for sustainability at ADNOC Drilling. Following a global best-practice, stakeholder-centered approach to building our strategy, we conducted a detailed stakeholder engagement (internal and external) and peer review process to refresh our materiality this year. Our new materiality is aligned with ADNOC's sustainability pillars, as well as newly adopted ISSB frameworks, along with reference to GRI Core, GRI 11 Oil & Gas, IADC ESG guidelines and ADX ESG Guidelines.

Accordingly, ADNOC Drilling's sustainability efforts now have renewed focus, prioritizing business ethics and transparency, ESG risks and opportunities, HSE, climate impacts, and diversity and inclusion – all crucial elements in our ongoing journey towards greater environmental and social responsibility.

Our well-defined and diligently executed approach to sustainability governance ensures meaningful development and integration of sustainability into our Company culture, values, and strategy.

At ADNOC Drilling, we are profoundly committed to ensuring the highest standards of sustainability, aligning with pride and precision to ADNOC Group's standards and other applicable national and international frameworks. This dedication is integral to safeguarding our business and addressing the diverse interests of all our key stakeholders.

By seeking to continuously improve and consistently uphold best practices, we ensure sustainable operations and responsible stewardship of resources, reflecting our dedication to long-term environmental, social, and economic sustainability in our operations.”

**Youssef Salem**  
Chief Financial Officer



▶ The ADNOC Drilling Sustainability Report can be found on our website


### Our Sustainability Vision

To provide efficient, reliable, and responsible drilling solutions that create long-lasting, sustainable value for our people, society, and environment across our operations.

### ADNOC Drilling Sustainability Strategy 2021-2030

Our strategic ambition is to achieve our sustainability goals through detailed action plans, strong governance, and a future-focused roadmap. We conduct our business operations based on the fundamental belief in the intrinsic connection between ESG performance and a sustainable, profitable operating model.

### Our Sustainability Pillars

 Climate, Emissions and Energy

 Environment

 Health, Safety and Security

 Workforce Diversity and Development

 Economic and Social Contribution

 Business Sustainability

## Sustainability Summary continued

### Sustainability Governance

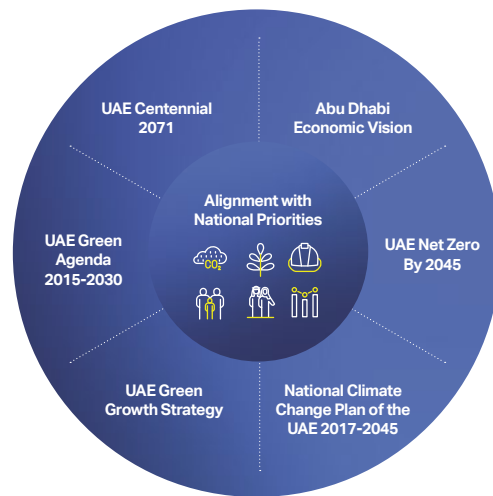
ADNOC Drilling's approach to sustainability is grounded in a sustainability governance setup, consisting of appropriate committee members, policies, and processes.

We revamped committee members and roles and responsibilities of the committee in 2023, naming our CFO as Chairman and including other senior management members. Overall, strategic sustainability oversight sits with this Committee and updates are reported on a quarterly basis to the management and the Board.

Furthermore, the management of sustainability efforts is now anchored in the Finance – ERM and Treasury function, which is responsible for developing the sustainability strategy, tracking strategy execution and progress, supporting in CSR initiatives, and preparing the annual sustainability report and necessary communications.

Sustainability focus areas are placed with relevant subject matter experts across the divisions. These divisional and functional owners are responsible for progressing their respective initiatives and reporting on risk and performance.

### Alignment with National Priorities



### Materiality Assessment

ADNOC Drilling's sustainability framework is built upon our material environmental, social, economic, and governance topics. We continue to engage in open, frank dialogue with our stakeholders to ensure we are focused on the right priorities.

In 2023, we refreshed our materiality assessment through engagement with investors and analysts, our workforce, suppliers and contractors, and ADNOC to help identify and prioritize material topics that create the most impact and are the most important for ADNOC Drilling and our stakeholders.

Our materiality assessment takes into consideration a range of best-practice global frameworks and benchmarks, including ISSB, AIDC, and GRI 13 Oil & Gas sector-specific standards, along with GRI Core and ADX ESG Guidelines.

This enhanced approach allowed us to refine our focus and redefine our sustainability boundaries. Accordingly, we identified prioritized sustainability material topics for our business and stakeholders.



## Sustainability Summary continued

Sustainability Strategic Pillars	Sustainability Goals and Commitments	Material Topics	UN SDGs	Key Strategic Commitments
 <b>Business Sustainability</b>	<ul style="list-style-type: none"> <li>Strengthen collaboration with our stakeholders</li> <li>Advance leadership programs</li> </ul>	<ul style="list-style-type: none"> <li>Transparency, Accounting, and Reporting</li> <li>Board Oversight</li> <li>Sustainability Governance</li> <li>Business Ethics and Integrity</li> <li>Anti-Corruption and Anti-Competitive Behavior</li> <li>Digitization – Cyber Risks and Data Protection</li> </ul>	   	<ul style="list-style-type: none"> <li>Transparency, accounting, and reporting is a new material topic of high importance</li> <li>Reporting against ISSB and IADC for the first time, indicating a focused approach and industry-specific expertise in sustainability</li> <li>Customer Satisfaction Survey Result 92.9%</li> </ul>
 <b>Health, Safety, and Security</b>	<ul style="list-style-type: none"> <li>Achieve zero-harm every day</li> <li>Implement HSE and performance safety culture at 100%</li> <li>Improve security practices</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Business Continuity and Emergency Response Management</li> <li>Asset Integrity and Process Safety Management</li> </ul>	 	<ul style="list-style-type: none"> <li>97% in the e-Work Management System (WMS), among the highest of all Group companies</li> <li>TRIR achieved and LTIF achieved initiated the Supply Chain Management Resilience Survey</li> </ul>
 <b>Climate, Emissions, and Energy</b>	<ul style="list-style-type: none"> <li>Reduce GHG emission intensity</li> <li>Reduce energy intensity gradually every year</li> <li>Reduce non-GHG emissions</li> <li>Enhance use of alternative clean energies</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change Impact</li> <li>Greenhouse Gases and Air Emissions</li> <li>New Energy and Transition Opportunities</li> </ul>	 	<ul style="list-style-type: none"> <li>Robust decarbonization projects for meeting the target of reducing GHG emissions intensity by 25% by 2030</li> <li>Electricity consumption reduced because of these decarbonization projects</li> </ul>
 <b>Environment</b>	<ul style="list-style-type: none"> <li>Minimize impacts through best-in-class EMS</li> <li>Achieve zero spill incidents</li> <li>Conduct 360-degree review of our water recycling and waste management practices</li> </ul>	<ul style="list-style-type: none"> <li>Marine Land and Environment</li> <li>Water and Effluents Management</li> <li>Waste – Recycling and Circular Economy</li> </ul>	   	<ul style="list-style-type: none"> <li>Environment Day celebration awareness sessions on waste management</li> </ul>
 <b>Workforce Diversity and Development</b>	<ul style="list-style-type: none"> <li>Empower women employees in leadership and technical roles</li> <li>Enhance the capabilities of our people</li> <li>Improve Emiratization rate</li> </ul>	<ul style="list-style-type: none"> <li>Employment Practices</li> <li>Diversity, Equity, and Inclusion</li> <li>Nationalization</li> <li>Learning and Development</li> </ul>	  	<ul style="list-style-type: none"> <li>Gender Diversity Standard                             <ul style="list-style-type: none"> <li>84 number of nationalities</li> <li>187 female employees</li> <li>5 people with determination</li> </ul> </li> </ul>
 <b>Economic and Social Contribution</b>	<ul style="list-style-type: none"> <li>Improve In-Country Value (ICV) score across our entire value chain</li> <li>Engage more with local community</li> <li>Improve economic value generated and distributed</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Procurement Practices</li> <li>Community Engagement</li> </ul>	   	<ul style="list-style-type: none"> <li>100% of our suppliers formally certified their compliance with the Code of Conduct</li> <li>ICV 90.63%</li> </ul>

# Governance Report

ADNOC Drilling is committed to adhering to the highest standards of corporate governance and robust risk management to safeguard our business and the interests of our diverse stakeholders.

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# 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 one of the largest operational fleets in the world, and a dedicated workforce of engineers, specialists and technicians.

Owned rigs\*

# 129

## One of the largest fleets in the world

\* Including four lease-to-own land rigs



As a key enabler of ADNOC Upstream companies, we are ideally placed to benefit from ADNOC's 2027 target production capacity 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 an integrated drilling services provider of scale, 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.



**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 December 31, 2023, 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 is consistent with international best practices. Beside 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 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 48 for more information.

## Our Corporate Governance Overview continued

### 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 time frames to disclose material information that could affect the price of the Company's shares, in accordance with all applicable regulatory disclosure requirements.

### 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.

## Governance Structure



## 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 September 5, 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	September 5, 2021
Abdulmunim Al Kindy	Vice Chair	September 5, 2021
Yaser Al Mazrouei	Member	September 5, 2021
H.E. Ahmed Jasim Al Zaabi	Member	September 5, 2021
Mohamed Al Aryani	Member	September 5, 2021
Muna Al Mheiri	Member	September 5, 2021
H.E. Omar Suwaina Al Suwaidi	Member	September 5, 2021

### H.E. Dr. Sultan Ahmed Al Jaber Chair

H.E. Dr. Sultan Ahmed Al Jaber is a member of the UAE Federal Cabinet, Minister of Industry and Advanced Technology, and the UAE's special envoy for climate. In November 2020, H.E. Dr. Sultan was appointed as the UAE's special envoy for climate, a role he previously served in from 2010 to 2016. He was appointed to the UAE cabinet in 2013, where he served as a Minister of State of the UAE until July 2020.

H.E. Dr. Al Jaber serves as Group CEO and Managing Director of the ADNOC Group. Prior to taking on the leadership position at ADNOC, he was the CEO of the Energy platform at Mubadala. In 2006, while at Mubadala, he helped

establish Masdar, and served seven years as its CEO. He continues to serve as Chairman of Masdar. In July 2020, he was appointed Chairman of Emirates Development Bank. In December 2020, he was appointed as a board member to the Abu Dhabi Supreme Council for Financial and Economic Affairs.

H.E. Dr. Al Jaber is Chairman of the Board of Trustees of the Mohamed bin Zayed University of Artificial Intelligence. He served as Chairman of the Abu Dhabi Ports Company from 2009-2019. He served as Chairman of the UAE National Media Council from 2015 to 2020 and he previously served on the United Nations Secretary General's High-Level Group on Sustainable Energy for All.

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 Saif Al Kindy**

Vice Chair

### Committee Membership

Chair of Board Executive Committee

Abdulmunim Saif Al Kindy serves as Executive Director, ADNOC Upstream Directorate.

Al Kindy previously held the position of Executive Director, Upstream from 2016 to early 2020. From 2020 to early 2023, he was Executive Director, People, Technology & Corporate Support Business.

Al Kindy joined ADNOC in 1975 and he serves as Chairman and member of several boards of directors.

Educated in the UAE and the UK, Al Kindy graduated in Mechanical Engineering in 1982 and holds an MBA from Brunel University and Henley Management College.



**H.E. Omar Ahmed 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 is member of the Abu Dhabi Executive Council and Chairman of the Abu Dhabi Department of Economic Development (ADDED).

He serves as a member of the Board of Directors of Khalifa Fund for Enterprise Development, ADNOC Refining, 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 Khalifa 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.



**Mr. Yaser Saeed Al Mazrouei**

Director

Member of Board Executive Committee, Member of Nominations and Remuneration Committee

Yaser Saeed Almazrouei is the Executive Director of People, Commercial & Corporate Support (PC&CS) Directorate at ADNOC.

Prior to his current role, Almazrouei held the positions of Executive Director, Upstream and Chief Executive Officer, ADNOC Onshore and Chief Executive Officer, ADNOC Offshore where he led a successful merger of ADMA-OPCO and ZADCO.

Almazrouei is a board member of several organizations, including ADNOC Offshore and NMDC/NPCC. He holds a Master's degree in Petroleum Engineering from Imperial College London, UK, and is an alumni member at the Harvard Business School, General Management.



**Mohamed Saif Al Aryani**

Director

Member of Board Executive Committee, Member of Audit Committee

Mohamed Saif Al Aryani is the Executive Vice President, International Growth and is responsible for developing and implementing strategies for ADNOC's international growth and overseeing the company's expansion in various key regions.

Prior to his current role, he served as Senior Vice President of Strategic Investments, where he oversaw and led its strategic investments program.

Al Aryani holds a Bachelor's and Master's degree in Chemical Engineering from Imperial College London, UK. He is also a Chartered Financial Analyst (CFA) Charterholder.

## Board of Directors continued

### Women's Representation on the Board of Directors

Muna Khalifa Al Mheiri has served as 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

On the April 3, 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 was paid in 2023.

### Statement of Allowances Paid to Board Sub-Committee Members in 2023

No allowances, salaries or additional fees were paid to Board sub-committee members in 2023.

### 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.

Board Member	Position on the Board	Feb 10, 2023	May 10, 2023	Aug 3, 2023	Nov 13, 2023
H.E. Dr. Sultan Ahmed Al Jaber	Chair	A	P	P	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	A	P	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

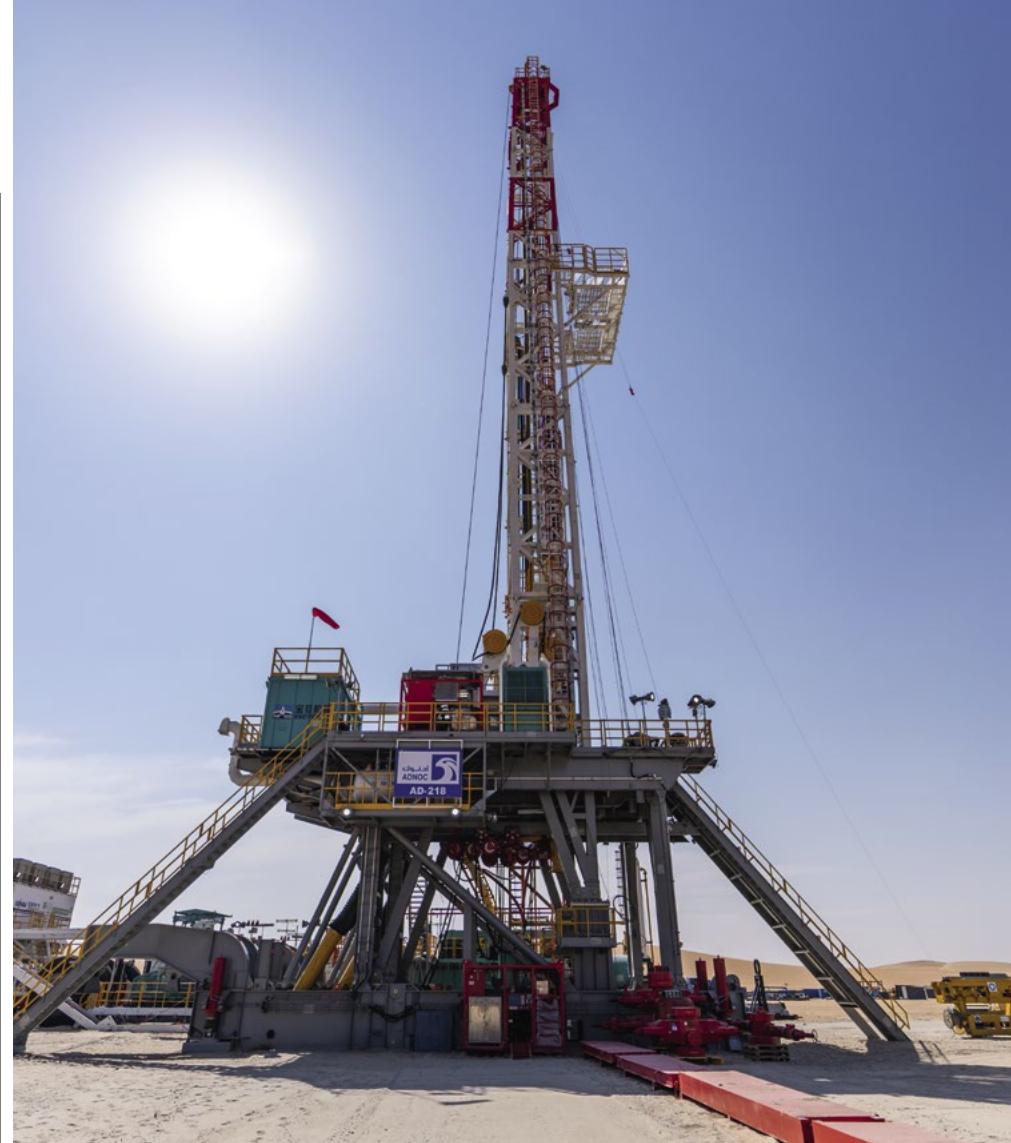
P – Present, A – Absent

## Board of Directors continued

### Board Resolutions

In addition, our Articles of Association permit our Board to act by circulation. In 2023, our Board adopted resolutions by circulation on nine occasions.

Resolution	Date
Resolution 1 – Rig acquisition	March 2, 2023
Resolution 2 – Rig acquisition	May 24, 2023
Resolution 3 – Rig acquisition	June 6, 2023
Resolution 4 – Contract award	June 23, 2023
Resolution 5 – Appointment of COO	August 8, 2023
Resolution 6 – Resignation of CFO	October 19, 2023
Resolution 7 – Appointment of CFO	October 20, 2023
Resolution 8 – Term Loan Facility	October 26, 2023
Resolution 9 – Strategic Partnership	November 10, 2023



## Share Dealings

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 2023:

Director	Position	Shares Held as at December 31, 2023	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 2023 (as disclosed in our 2023 financial statements) is as follows:

As per 2023 Financial Statements	USD '000
Revenues – ADNOC Group	3,020,144
Purchase – ADNOC Group	183,196
Lease payments to a related party	14,036
Other income	–
Finance income	15,506

### 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 Seiri, 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 Seiri can sub-delegate activities to other members of ADNOC Drilling's Executive Management.

Notwithstanding the Delegation of Authority that has been provided to Al Seiri, the Board of Directors maintains oversight over these activities, and Al Seiri 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 Seiri 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.

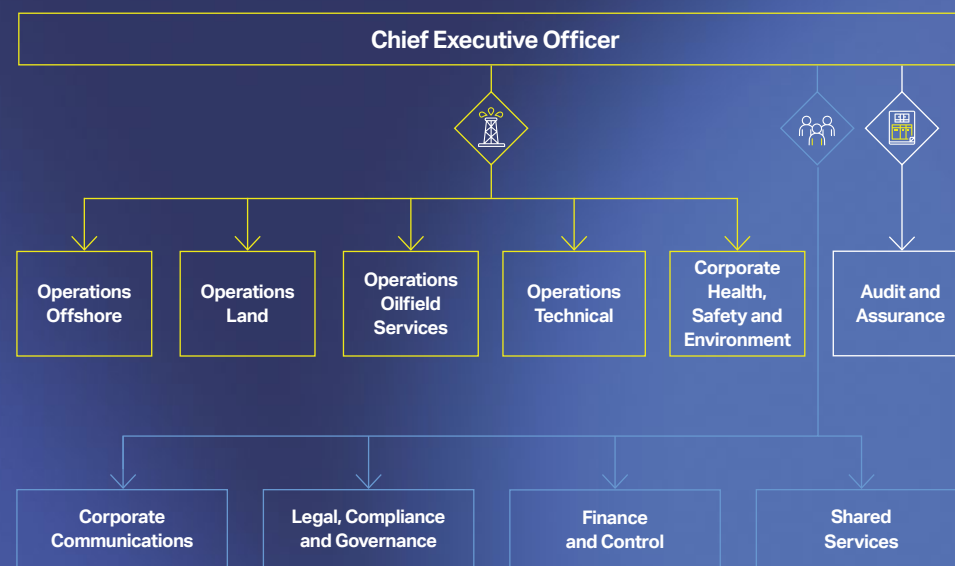
### Duration of Delegation

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.

### ADNOC Drilling Organization Chart

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.

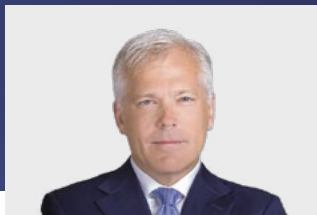


## Executive Management Team



**Abdulrahman Abdulla Al Seiri**  
CEO

Abdulrahman Abdulla Al Seiri has more than 35 years of onshore and offshore drilling experience within ADNOC Upstream group companies, with his most recent appointment being in 2020 as our CEO. He has held numerous senior positions within ADNOC Onshore and ADNOC Drilling including Senior Vice President of Operations and Senior Vice President of Drilling, where he had oversight of all major drilling operations.



**Christopher Michael McDonald**  
Chief Operating Officer

Christopher McDonald joined ADNOC Drilling in 2023 as Chief Operating Officer. Over the past 30+ years, Christopher has held executive positions at several leading energy service companies including Halliburton/KBR, Petrofac, and most recently Lamprell.



**Youssef Salem**  
Chief Financial Officer

Youssef Salem joined ADNOC Drilling as Chief Financial Officer in 2023. Previously serving as the CFO of AIQ, a leading AI Platform for the energy sector, Youssef has over 11 years of investment banking experience, holding several key executive and advisory roles with Moelis & Company and QInvest. He is also a CFA Charterholder, a Fellow of the Society of Actuaries, and a former Adjunct Professor of Practice at the American University in Cairo.



**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.

## Executive Management Team continued



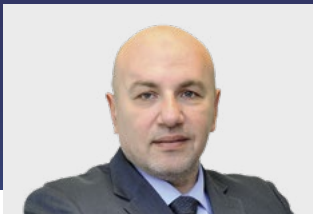
**Sultan Saeed Al Mansoori**  
Senior Vice President –  
Operations (Land)

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 Al Mahri currently has oversight and responsibility over our offshore jack-up, island rig and marine service divisions. He 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.



**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 1992-1995.



**Elias Tarawneh**  
General Counsel

Elias Tarawneh joined ADNOC Drilling as General Counsel in September 2023. He has more than 21 years of experience practicing as a counsel in the areas of energy and capital markets. Previously, Elias has served as a Regional General Counsel at Baker Hughes, Regional Lead Counsel for the OFE business at GE Oil and Gas and General Counsel and Board Secretary at National Petroleum Services.

## Executive Management Team continued

### Executive Management Remuneration 2023<sup>1</sup>

Name	Position	Appointment date	Salary and Allowances (AED)	Bonuses <sup>2</sup> (AED)	Other Benefits (AED)
Abdulahman Abdulla Al Seiari	CEO	January 2020	3,225,850	1,750,000	–
Youssef Salem	Chief Financial Officer	October 2023	347,679	–	–
Christopher Michael McDonald	Chief Operating Officer	August 2023	1,349,742	–	–
Alexander Urquhart	Senior Vice President – Finance and Control	January 2020	1,440,000	346,938	–
Shaikha Al Dhaheri	Senior Vice President – Shared Services	May 2022	1,341,276	594,750	–
Sultan Saeed Al Mansoori	Senior Vice President – Operations (Land)	October 2022	1,655,004	392,000	–
Ali Essa Al Mahri	Senior Vice President – Operations (Offshore)	November 2018	1,455,164	697,125	–
Emri Mahmoud Zeineldin	Senior Vice President – Oilfield Services	December 2018	1,593,936	697,125	–
Elias Tarawneh	General Counsel	September 2023	442,000	–	–

<sup>1</sup> The table above sets out Executive Management remuneration of current executives and, where applicable, includes prorated remuneration based on appointment date.

<sup>2</sup> Bonus details relate to 2022 bonuses paid in 2023. Bonuses for 2023 that are payable in 2024 are yet to be determined or awarded.



## 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 following table sets out the meetings held by our Board Executive Committee in 2023:

Board Member	Position on the Committee	Jan 30, 2023	Apr 26, 2023	Jul 24, 2023	Oct 30, 2023
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	A	P	P

P – Present, A – Absent

1 Appointed on September 12, 2021.

2 Appointed on November 9, 2021.

## 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 following table sets out the meetings held by our Nomination and Remuneration Committee in 2023:

Board Member	Position on the Committee	Jan 17, 2023	Mar 9, 2023	Jul 3, 2023	Oct 10, 2023
H. E. Omar Suwaina Al Suwaidi <sup>1</sup>	Chair	P	P	P	P
Yaser Al Mazrouei <sup>1</sup>	Member	P	P	A	P
Muna Al Mheiri <sup>1</sup>	Member	P	P	P	P
Ayesha Al Hammadi <sup>2</sup>	Member	P	P	P	P

P – Present, A – Absent

<sup>1</sup> Appointed on September 12, 2021.

<sup>2</sup> Appointed on November 9, 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 following table sets out the meetings held by our Audit Committee in 2023:

Member	Position	Jan 31, 2023	Apr 27, 2023	Jul 26, 2023	Oct 31, 2023
H.E. Ahmed Jasim Al Zaabi	Chair	P	P	P	P
Mohamed Al Aryani	Member	P	P	P	P
Abdulla Al Jarwan	Member	P	P	P	P
Khalfan Al Dahmani	Member	P	P	P	P
Ahmed Abujarad	Member	P	P	P	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.**

<b>Number of years the Deloitte &amp; Touche (M.E.) has served as the Company's External Auditor:</b>	Four years
<b>Partner name:</b>	Faeza Sohawon (Engagement and Signing Partner)
<b>Number of years the Partner has served as the Company's External Auditor:</b>	First year
<b>Total fees for auditing the financial statements of 2023 (in AED), including provision of reasonable assurance report on the effectiveness of internal financial controls over financial reporting:</b>	Total audit fee – AED1,170,788 Financial statements audit – AED825,847 Internal controls – AED209,496 Quarterly Reviews – AED135,445
<b>Statement of the other services performed by an external auditor other than ADNOC Drilling's auditor in 2023 (if any):</b>	None
<b>For our annual financial statements for the year ended December 31, 2023, Deloitte &amp; Touche (M.E.) issued an unqualified audit opinion:</b>	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 the Company's resilience to market disruption and evolving business practices.

The Company'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

The Company 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 (a) continually meet the operational and financial objectives of the Company; (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 the Company's staff to confidentially report any potential violations in financial reports, internal control, etc.

Elias Tarawneh, in his role as General Counsel overseeing the Legal, Compliance and Governance Division and Youssef Salem 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 2023, no significant issues were identified with respect to our compliance and control systems.

### Violations Committed During 2023

No violations were committed by the Company in 2023.



## 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 October 3, 2021 under the symbol ADNOCDRILL. The closing share price at December 31, 2023 was AED3.78. ADNOC Drilling's market capitalization at December 31, 2023 was AED60.48 billion.

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

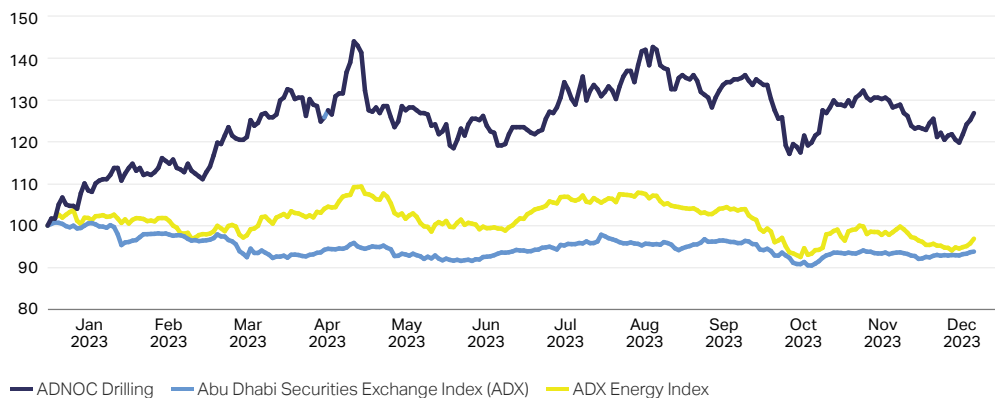
The following table sets out the closing price and the high and low share prices of our shares at the end of each month during 2023.

Month	High (AED)	Low (AED)	Close (AED)
January	3.41	2.96	3.39
February	3.50	3.25	3.31
March	3.99	3.28	3.95
April	4.33	3.69	4.29
May	4.29	3.59	3.63
June	3.80	3.47	3.56
July	4.00	3.54	3.94
August	4.29	3.86	4.10
September	4.11	3.81	4.02
October	4.09	3.45	3.64
November	3.96	3.61	3.84
December	3.86	3.54	3.78

## 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 2023 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 2023.

Shareholders	Individuals	Companies	Government	Total
Local	1.8%	92.7%	0.5%	94.9%
GCC	0.0%	1.8%	0.3%	2.0%
Arab	0.1%	0.0%	0.0%	0.1%
Foreign	0.1%	2.9%	0.0%	3.0%
Total	2.0%	97.3%	0.7%	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 2023.

Class	Shareholdings	Number of Shareholders	Number of Shares Held	% of Shares Held
1	More than 5,000,000	59	15,458,550,856	96.6%
2	From 500,000 to less than 5,000,000	251	393,190,905	2.5%
3	From 50,000 to less than 500,000	670	109,609,721	0.7%
4	Less than 50,000	15,663	38,648,518	0.2%

## General Information continued

### Statement of shareholders who held 5% or more of ADNOC Drilling's capital as at December 31, 2023

The table below shows the name of shareholders who held 5% or more of ADNOC Drilling's capital at the end of 2023 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 Massimiliano Cominelli can be contacted at [ir@adnocdrilling.ae](mailto:ir@adnocdrilling.ae). Additional investor relations information can be found on our website in English and Arabic at <https://adnocdrilling.ae/en/investor-relations>.

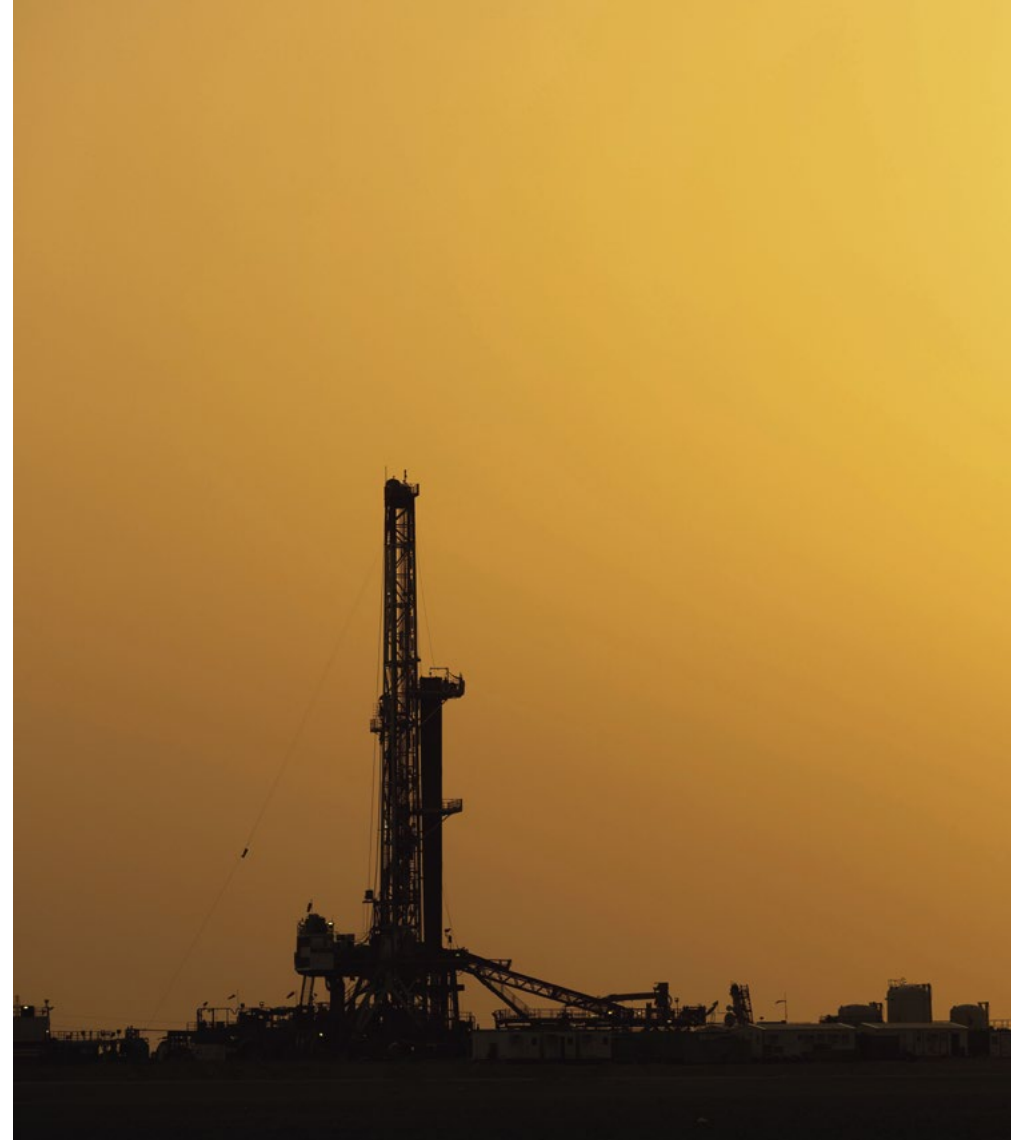
### General Assembly and Special Resolutions presented to the General Assembly in 2023

The Company held its Annual General Assembly meeting on April 3, 2023.

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 2023, there were no special resolutions passed by the shareholders.

### Corporate Social Responsibility spend in 2023

Our total expenditure on social development and related sponsorship projects for 2023 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.



# Consolidated Financial Statements

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## Directors' Report

### For the year ended December 31, 2023

The Directors are pleased to submit their report, together with the audited consolidated financial statements of ADNOC Drilling Company P.J.S.C. ("the Company") and its subsidiary ("the Group") for the year ended December 31, 2023.

#### 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 Group 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

##### Consolidated statement of financial position

The Group's financial position remains very healthy showing net assets at December 31, 2023 of USD3,264,221 thousand (2022: USD2,930,981 thousand) with the increase in total net assets mainly due to the profit made in excess of dividend payments in the current year.

##### Consolidated statement of profit or loss and other comprehensive income:

The Group recognised revenue for the year of USD3,056,865 thousand (2022: USD2,673,251 thousand). Profit for the year was USD1,032,799 thousand (2022: USD801,807 thousand). The increase in revenue was due to an increase in rig fleet and additional drilling services provided to ADNOC Onshore and ADNOC Offshore.

#### Consolidated statement of cash flows:

Net cash generated from operating activities amounted to USD1,355,056 thousand (2022: USD1,523,811 thousand), the decrease is mainly due to movement in trade and other payables and related party balances. Net cash used in investing activities amounted to USD1,049,044 thousand (2022: USD935,868 thousand) which relates to additions to property and equipment and finance income. Net cash used in financing activities amounted to USD277,404 thousand (2022: USD715,530 thousand) which mainly relates to finance cost, dividend payments and net borrowings movement.

The appropriation of the results for the year is follows:

	USD '000
Retained earnings at January 1, 2023	2,354,738
Total comprehensive income for the year	1,032,799
Transfer to statutory reserve	(77,264)
Dividends	(699,559)
<b>Retained earnings at December 31, 2023</b>	<b>2,610,714</b>

#### Subsequent events

As of the date of this report, no major events have occurred (except as disclosed in note 30 to the consolidated financial statements) that may have a significant impact on the consolidated financial statements for the year ended December 31, 2023.



**Directors' Report** continued  
**For the year ended December 31, 2023**

**Financial reporting framework**

The Directors of the Group, to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Group, fairly present its state of affairs, the results of its operation, cash flows and changes in equity;
- The Group has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in the preparation of consolidated financial statements unless otherwise stated, and accounting estimates are based on reasonable and prudent judgment; and
- The consolidated 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

**Chairman**

Abu Dhabi  
United Arab Emirates  
February 12, 2024

## Independent Auditor’s Report to the Shareholders of ADNOC Drilling Company P.J.S.C. Report on the audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of ADNOC Drilling Company P.J.S.C. (“the Company”) and its subsidiary (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 Group’s consolidated 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, were of most significance in our audit of the consolidated financial statements of the current year. The key audit matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue Recognition</b></p> <p>The Group reported revenue of USD3,056 thousand from drilling and oilfield services for the year ended December 31, 2023, of which 96% is attributable to contracts with its related parties, ADNOC Onshore and ADNOC Offshore.</p> <p>The Group 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 96% of the transactions are with related parties.</p> <p>Due to the materiality of the amounts involved and large volume of transactions we have considered this to be a key audit matter.</p> <p>The Group’s accounting policies relating to revenue recognition are presented in note 3 to the consolidated financial statements and details about the Group’s revenue are disclosed in note 16 to the consolidated financial statements.</p>	<p>Our audit approach included a combination of test of controls and substantive procedures and included, inter alia, the following:</p> <ul style="list-style-type: none"> <li>• Understanding the significant revenue processes and identifying the relevant controls related to revenue recognition;</li> <li>• Evaluating the design and testing the operating effectiveness of manual controls over sales to related parties;</li> <li>• Analysing relevant agreements and determining that transactions were recorded in accordance with the substance of the relevant agreements.</li> <li>• Comparing revenue amounts to the prior year. Where we identified any unexpected variance, we carried out more focused testing;</li> <li>• Performing test of details on a sample basis to confirm that the revenue was recognised in accordance with the terms of relevant agreements;</li> <li>• Obtaining direct confirmations from related parties of 96% of the revenue recognised during the year and reconciling these amounts with the billings and accruals made during the year;</li> <li>• 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;</li> <li>• Assessing whether the revenue recognition criteria adopted by the Group is appropriate and is in accordance with the requirements of IFRSs; and</li> <li>• Assessing the adequacy of disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.</li> </ul>

## Independent Auditor's Report to the Shareholders of ADNOC Drilling Company P.J.S.C. Report on the audit of the Consolidated Financial Statements continued

### 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 Operational and Financial Highlights, Chairman's Message, CEO's Message and the other information in the annual report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Operational and Financial Highlights, Chairman's Message and CEO's Message, 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report to the Shareholders of ADNOC Drilling Company P.J.S.C. Report on the audit of the Consolidated Financial Statements continued

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements continued

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.

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 consolidated 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 2023 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated 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 Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2023;
- Note 16 to the consolidated 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 2023 any of the applicable provisions of the UAE Federal Decree (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at December 31, 2023.

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 consolidated financial statements for the year ended December 31, 2023, that nothing has come to our attention that causes us to believe that the Group 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 consolidated financial statements as at December 31, 2023:

Its Articles of Association which would materially affect its activities or its consolidated financial position as at December 31, 2023

Deloitte & Touche (M.E.)

### Mohammad Khamees Al Tah

Registration No. 717  
February 12, 2024  
Abu Dhabi  
United Arab Emirates

## Consolidated Statement of Financial Position As at December 31, 2023

	Notes	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	4,847,540	3,921,607
Right-of-use assets	6	173,911	33,909
Intangible assets	7	5,432	8,980
Advances		1,654	5,408
<b>Total non-current assets</b>		<b>5,028,537</b>	3,969,904
<b>Current assets</b>			
Inventories	8	206,107	153,369
Trade and other receivables	9	153,946	115,427
Due from related parties	16	986,696	929,046
Cash and cash equivalents	10	354,122	325,514
		<b>1,700,871</b>	1,523,356
Assets held for sale	11	10,717	–
<b>Total current assets</b>		<b>1,711,588</b>	1,523,356
<b>Total assets</b>		<b>6,740,125</b>	5,493,260
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserve</b>			
Share capital	12	435,671	435,671
Statutory reserve	12	217,836	140,572
Retained earnings		2,610,714	2,354,738
<b>Total equity</b>		<b>3,264,221</b>	2,930,981

	Notes	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Non-current liabilities</b>			
Borrowings	13	1,992,264	–
Trade and other payables	15	80,936	28,098
Lease liabilities	6	152,378	20,608
Provision for employees' end of service benefits	14	105,328	111,081
<b>Total non-current liabilities</b>		<b>2,330,906</b>	159,787
<b>Current liabilities</b>			
Borrowings	13	–	1,500,000
Trade and other payables	15	848,834	404,287
Lease liabilities	6	36,833	19,141
Due to related parties	16	250,237	466,759
Provision for employees' end of service benefits	14	9,094	12,305
<b>Total current liabilities</b>		<b>1,144,998</b>	2,402,492
<b>Total liabilities</b>		<b>3,475,904</b>	2,562,279
<b>Total equity and liabilities</b>		<b>6,740,125</b>	5,493,260

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 Group as of December 31, 2023, and for the periods presented in the report.

**H. E. Dr. Sultan Ahmed Al Jaber**  
Chairman

**Abdulrahman Abdulla Alseiri**  
Chief Executive Officer

**Youssef Salem**  
Chief Financial Officer

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

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended December 31, 2023

	Notes	December 31, 2023 USD '000	(Restated) December 31, 2022 USD '000
<b>Revenue</b>	17	<b>3,056,865</b>	2,673,251
Direct cost	18	<b>(1,848,729)</b>	(1,730,040)
<b>Gross profit</b>		<b>1,208,136</b>	943,211
General and administrative expenses	19	<b>(126,334)</b>	(118,965)
Other income – net		<b>9,847</b>	6,167
Finance cost – net	21	<b>(58,850)</b>	(28,606)
<b>Profit for the year</b>		<b>1,032,799</b>	801,807
Other comprehensive income for the year		<b>–</b>	–
<b>Total comprehensive income for the year</b>		<b>1,032,799</b>	801,807
<b>Earnings per share:</b>			
Basic and diluted	27	<b>0.065</b>	0.050

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

## Consolidated Statement of Changes in Equity For the year ended December 31, 2023

	Share capital USD '000	Statutory reserve USD '000	Retained earnings USD '000	Total equity USD '000
Balance at January 1, 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 22)	–	–	(666,250)	(666,250)
Balance at December 31, 2022	435,671	140,572	2,354,738	2,930,981
Balance at January 1, 2023	435,671	140,572	2,354,738	2,930,981
Total comprehensive income for the year	–	–	1,032,799	1,032,799
Transfer to statutory reserve	–	77,264	(77,264)	–
Dividends (note 22)	–	–	(699,559)	(699,559)
<b>Balance at December 31, 2023</b>	<b>435,671</b>	<b>217,836</b>	<b>2,610,714</b>	<b>3,264,221</b>

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

## Consolidated Statement of Cash Flows For the year ended December 31, 2023

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Cash flows from operating activities</b>		
<b>Profit for the year</b>	<b>1,032,799</b>	801,807
Adjustments for:		
Depreciation of property and equipment	<b>368,110</b>	386,428
Depreciation of right-of-use assets	<b>19,589</b>	15,792
Amortisation of intangible assets	<b>3,548</b>	2,314
Impairment/lost in hole of property and equipment – net	<b>2,016</b>	2,954
Employees end of service benefit charge – net	<b>130</b>	18,373
Allowance for slow-moving inventories	<b>1,114</b>	900
Expected credit loss charge	<b>10,000</b>	9,004
Finance cost	<b>74,577</b>	34,880
Finance income	<b>(15,727)</b>	(6,274)
<b>Operating cash flows before changes in working capital</b>	<b>1,496,156</b>	1,266,178
<b>Changes in working capital on account of:</b>		
Inventories	<b>(53,852)</b>	20,756
Advances	<b>3,754</b>	2,226
Trade and other receivables	<b>(38,519)</b>	(12,973)
Due from related parties	<b>(67,650)</b>	22,350
Trade and other payables	<b>240,783</b>	100,258
Due to related parties	<b>(216,522)</b>	133,363
Employees' end of service benefit paid	<b>(9,094)</b>	(8,347)
<b>Cash generated from operating activities</b>	<b>1,355,056</b>	1,523,811

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Cash flows from investing activities</b>		
Payments for purchase of property and equipment	<b>(1,062,274)</b>	(937,994)
Payments for purchase of intangible assets	–	(4,148)
Finance income received	<b>13,230</b>	6,274
<b>Net cash used in investing activities</b>	<b>(1,049,044)</b>	(935,868)
<b>Cash flows from financing activities</b>		
Lease liabilities paid	<b>(10,129)</b>	(14,916)
Proceed from borrowings – net	<b>492,264</b>	–
Dividends paid	<b>(699,559)</b>	(666,250)
Finance cost paid	<b>(59,980)</b>	(34,364)
<b>Net cash used in financing activities</b>	<b>(277,404)</b>	(715,530)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>28,608</b>	(127,587)
Cash and cash equivalent at the beginning of the year	<b>325,514</b>	453,101
<b>Cash and cash equivalents at the end of the year</b>	<b>354,122</b>	325,514
<b>Non-cash transactions:</b>		
Additions to right-of-use assets and lease liabilities	<b>159,591</b>	15,317
Proceed from borrowings	<b>1,500,000</b>	–
Repayment of borrowings	<b>(1,500,000)</b>	–

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

## Notes to the consolidated financial statements

### For the year ended December 31, 2023

#### 1. General information

ADNOC Drilling Company P.J.S.C. ("the Company") is a public joint stock company, incorporated in 1972 by a resolution of the Council of Ministers of the Government of Abu Dhabi. On September 29, 2021, Law No. 9 of 2021 was issued amending Law No. 21 of 2018 that was issued on November 6, 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.

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 registered address of ADH RSC LTD ("the subsidiary") is 2705,2, Al Sarab Tower, Abu Dhabi Global Market Square, Abu Dhabi, United Arab Emirates. The subsidiary is engaged in the activities of holding companies.

These consolidated financial statements comprise of the assets & liabilities and results of operations of Company and its subsidiary ("the Group").

The Group has not purchased or invested in any shares during the financial year ended December 31, 2023.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2023, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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 January 1, 2023.



**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**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**

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet decided
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements	January 1, 2024
Amendment to IFRS 16 Leases – Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024, subject to adoption by the jurisdiction
Amendment to IAS 27 – Lack of Exchangeability	January 1, 2025

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

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

- IFRS S2 Climate-related Disclosures – IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

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

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

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

**3. Summary of material accounting policy information**

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

**Statement of compliance**

The consolidated 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) and applicable provision of the UAE Federal Decree Law no. (32) of 2022.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Basis of preparation

The consolidated financial statements have been prepared in United States Dollar (USD), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands (USD'000) except when otherwise stated.

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

##### Going concern

The directors have, at the time of approving consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company ("its subsidiary"). Control is achieved where the Company has:

- power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Basis of consolidation continued

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2023	2022		
ADH RSC LTD	100%	–	U.A.E.	Activities of holding Company

##### Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Investments in equity-accounted investees continued

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

##### 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 recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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 capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income 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 consolidated 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:

	2023	2022
Building and yards	<b>10-20 years</b>	10-20 years
Drilling rigs and equipment	<b>4-30 years</b>	8-20 years
Motor vehicles	<b>4 years</b>	4 years
Furniture, fixtures and office equipment	<b>4 years</b>	4 years

During the year, the Group has revised the useful lives and residual value of the Drilling rigs and equipment based on its strategic objectives, business plan, internal and external assessment, and approval from the management. The financial impact of this re-assessment is disclosed in note 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 consolidated statement of profit or loss and other comprehensive income when incurred.

An item of property and equipment is derecognised 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 recognised in the consolidated statement of profit or loss and other comprehensive income.

##### 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.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised 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 4 years and is amortised on straight-line basis.

The estimated useful lives, residual values and amortisation 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 derecognised.

##### Impairment of non-financial assets

At each reporting date, the Group 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 Group 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 recognised 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 recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

##### Leases

###### The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises 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 Group recognises 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 Group uses its incremental borrowing rate.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Leases continued

##### The Group as lessee continued

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 consolidated 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.

The Group 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 revised 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 Group 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 of assets are presented as a separate line in the consolidated statement of financial position.

The Group 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 recognised when the Group 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 recognised as interest expense.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group 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 recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

##### Drilling and oil field 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 Group'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 Group 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 recognised, management considers whether there are factors outside of the Group'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.

##### Foreign currencies

For the purpose of these consolidated financial statements United States Dollar (USD) is the functional and the presentation currency of the Group.

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 recognised in profit or loss in the period in which they arise.

##### Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group 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 recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

##### Financial assets

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

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Financial assets continued

##### Financial assets designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised 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 contractual 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.

##### Amortised cost and effective interest rate method

The amortised 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 amortisation 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 amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised 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 recognised by applying the effective interest rate to the amortised 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 recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised 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 recognised in the consolidated statement of profit or loss and other comprehensive income.

##### Impairment of financial assets

The Group recognises 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 Group always recognises 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 Group'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.

For all other financial instruments, the Group recognises 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised 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 Group 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 Group considers both quantitative and qualitative



## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Financial assets continued

##### Impairment of financial assets continued

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 Group 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 contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group 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 Group 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 fulfil its contractual cash flow obligations.

##### (ii) Definition of default

The Group 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 Group, in full (without taking into account any collateral held by the Group).

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

##### (iii) Write-off policy

The Group 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 Group derecognises 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised 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.

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 3. Summary of material accounting policy information continued

##### Financial liabilities and equity instruments continued

##### Financial liabilities measured subsequently at amortised cost

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

The effective interest method is a method of calculating the amortised 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 amortised cost of a financial liability.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### Offsetting of financial instruments

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

##### Employees' pension

The Group 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 Group 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

recognised as employee benefit expenses when they are due. Prepaid contributions are recognised 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 January 1, 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 consolidated 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 consolidated statement of financial position, VAT receivable is reclaimable against sales VAT upon payment of the purchases.

##### Non-current assets held-for-sale

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

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

Property and equipment and intangible assets are not depreciated or amortised once classified as held-for-sale.

Assets classified as held-for-sale are presented separately as current items in the consolidated statement of financial position.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 4. Key judgement and source of estimation and uncertainty

The preparation of the consolidated 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 consolidated 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 Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated 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 Group 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 Group 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 USD139,833 thousand in the current year (2022: USD149,980 thousand).

#### Capitalisation of borrowing costs

As described in note 3, the Group capitalises 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

capitalised 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 USD34,304 thousand (2022: 9,626 thousand) have been capitalised.

#### 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 considers all facts and circumstances that create an economic incentive to not terminate the lease to determine the appropriate lease terms.

During the year ended December 31, 2023, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term of such contracts.

#### Contract modifications

The Group, 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 recognised will occur at the conclusion of such negotiations.

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 4. Key judgement and source of estimation and uncertainty continued

##### Critical accounting judgments continued

##### Leases purchase option

Certain leases as disclosed in note 6 were entered with a lessor which contain clauses for purchase options of the leased assets. In determining the lease payments included in the measurement of lease liability, Management has considered the exercise price of purchase options as it is reasonably certain that the Group will exercise these options. The right-of-use-assets relating to these leases is being depreciated over the useful life of the underlying assets as the Group is reasonably certain to exercise the purchase option. Management has applied judgment and estimates to determine the incremental borrowing rate (IBR) at the commencement of the lease.

##### Offsetting of related party balances

Balances due from/to related parties as disclosed in note 16 are reported on a net basis in the accompanying consolidated financial statements. Management has established that a legally enforceable right to set off such amounts exist, and the Group intends to settle on net basis or to realise the assets and settle the liabilities simultaneously.

##### Joint arrangement

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on the rights to the net assets of the arrangements, in which case these are treated as joint ventures, or rights to the assets and obligations for the liabilities relating to the arrangement, in which case these are treated as joint operations.

##### Key sources of estimation uncertainty

##### Calculation of ECL

Calculation of ECL When measuring ECL the Group uses reasonable and supportable forward-looking information and estimates, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring ECL and is an estimate of the likelihood of default over a given

time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at December 31, 2023, the Group's allowance for expected credit losses amounted to USD19,004 thousand (2022: USD9,004 thousand)

##### 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 has not identified impairment indicators in the current year for property and equipment. During the prior year, an impairment /lost in hole amounting to USD2,016 thousand (2022: USD10,519 thousand) has been recognized.

##### Provision for slow moving or obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their aging and accordingly for each category are recognised as a provision for obsolete and slow-moving inventories. Provision for obsolete and slow-moving inventories at December 31, 2023 amounted to USD27,172 thousand (2022: USD26,058 thousand).

##### Useful lives and residual values of property and equipment

Management reviews the estimated useful lives and residual values of property and equipment at the end of each annual reporting period in accordance with IAS 16 Property, Plant and Equipment. In the current year, Management has reassessed the useful life of drilling rigs and equipment and changed it from 8-20 years to 4-30 years. The financial impact of the reassessment resulted in the reduction of related depreciation charge on profit and loss due to the increase in useful lives and residual value by USD28,134 thousand.

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**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 USD '000	Total USD '000
<b>Cost</b>							
At January 1, 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 January 1, 2023	83,688	6,743,699	29,622	63,563	644,912	55,041	7,620,525
Additions during the year	–	266,026	–	913	936,900	131,900	1,335,739
Transfers during the year	13,341	882,045	27,181	23,264	(945,831)	(28,963)	(28,963)
Transfer to held for sale (note 11)	–	(72,017)	–	–	–	–	(72,017)
Write off	–	(15,073)	–	–	–	–	(15,073)
<b>At December 31, 2023</b>	<b>97,029</b>	<b>7,804,680</b>	<b>56,803</b>	<b>87,740</b>	<b>635,981</b>	<b>157,978</b>	<b>8,840,211</b>
<b>Depreciation and impairment</b>							
At January 1, 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 January 1, 2023	58,836	3,554,922	27,639	57,521	–	–	3,698,918
Charge for the year	8,300	330,631	14,384	14,795	–	–	368,110
Transfer to held for sale (note 11)	–	(61,300)	–	–	–	–	(61,300)
Eliminated on write off	–	(13,057)	–	–	–	–	(13,057)
<b>At December 31, 2023</b>	<b>67,136</b>	<b>3,811,196</b>	<b>42,023</b>	<b>72,316</b>	<b>–</b>	<b>–</b>	<b>3,992,671</b>
<b>Carrying amount</b>							
<b>At December 31, 2023</b>	<b>29,893</b>	<b>3,993,484</b>	<b>14,780</b>	<b>15,424</b>	<b>635,981</b>	<b>157,978</b>	<b>4,847,540</b>
<b>At December 31, 2022</b>	<b>24,852</b>	<b>3,188,777</b>	<b>1,983</b>	<b>6,042</b>	<b>644,912</b>	<b>55,041</b>	<b>3,921,607</b>

\* 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 consolidated financial statements** continued  
**For the year ended December 31, 2023**

**5. Property and equipment** continued

	December 31, 2023 USD '000	(Restated) December 31, 2022 USD '000
<b>The depreciation is allocated as follows:</b>		
Direct cost (note 18)	<b>363,860</b>	381,893
General and administrative expenses (note 19)	<b>4,250</b>	4,535
	<b>368,110</b>	386,428

\* 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).

Property and equipment include assets that are still in use and which are fully depreciated amounting to USD1,103,465 thousand (2022: USD896,011 thousand).

In the prior year, the Group 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 Group recognised an impairment/lost in hole of USD10,519 thousand and reversed impairment of certain assets amounting to USD7,565 thousand. In the current year, lost in hole charges amounted to USD2,016 thousand.

**6. Rights-of-use assets and lease liabilities**

Rights-of-use assets and lease liabilities include rigs, warehouse, and office building. Amounts recognised in the consolidated statement of financial position are as follows:

**Rights-of-use assets**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Balance at the beginning of the year	<b>33,909</b>	34,384
Additions during the year	<b>159,591</b>	15,317
Depreciation charge during the year	<b>(19,589)</b>	(15,792)
Balance at end of the year	<b>173,911</b>	33,909

**Lease liabilities**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Balance at the beginning of the year	<b>39,749</b>	39,348
Additions	<b>159,591</b>	15,317
Accretion of interest	<b>3,907</b>	283
Payments	<b>(14,036)</b>	(15,199)
<b>Balance at end of the year</b>	<b>189,211</b>	39,749
Disclosed as follows:		
Current	<b>36,833</b>	19,141
Non-current	<b>152,378</b>	20,608
	<b>189,211</b>	39,749

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	December 31, 2023 USD '000	(Restated) December 31, 2022 USD '000
Direct cost (note 18)	<b>5,912</b>	2,108
General and administrative expenses (note 19)	<b>13,677</b>	13,684
	<b>19,589</b>	15,792

Finance cost (note 21) includes an amount of USD3,907 thousand (2022: USD283 thousand) for the unwinding of interest on lease liability.

**Notes to the consolidated financial statements** continued  
For the year ended December 31, 2023

**7. Intangible assets**

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Cost</b>		
Balance at the beginning of the year	12,649	–
Reclassified from property and equipment (note 5)	–	8,501
Additions during the year	–	4,148
<b>Balance at end of the year</b>	<b>12,649</b>	12,649
<b>Accumulated amortisation</b>		
Balance at the beginning of the year	3,669	–
Reclassified from property and equipment (note 5)	–	1,355
Amortisation charge for the year (note 19)	3,548	2,314
<b>Balance at end of the year</b>	<b>7,217</b>	3,669
<b>Carrying value</b>		
<b>At December 31</b>	<b>5,432</b>	8,980

**8. Inventories**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Inventories	233,279	179,427
Less: allowance for slow moving or obsolete inventories	(27,172)	(26,058)
	<b>206,107</b>	153,369

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
Balance at beginning of the year	26,058	25,158
Charge during the year	1,114	900
<b>Balance at end of the year</b>	<b>27,172</b>	26,058

**9. Trade and other receivables**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Advances	63,166	37,199
VAT receivables – net	46,080	17,297
Prepayments	21,363	8,134
Accrued revenue	14,248	27,890
Trade receivables	4,384	24,181
Other receivables	4,705	726
	<b>153,946</b>	115,427

**10. Cash and cash equivalents**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Cash held by ADNOC Group Treasury Services (AGTS) (note 16)	353,613	322,643
Cash in bank	7	2,465
Cash on hand	502	406
	<b>354,122</b>	325,514

Cash held by AGTS are funds held on behalf of the Group and are available on demand and is in nature of nature of cash and cash equivalents.

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**11. Assets held for sale**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Cost	<b>72,017</b>	–
Less: accumulated depreciation	<b>(61,300)</b>	–
Net book value at end of the period/year	<b>10,717</b>	–

The Board of Directors, in their meeting held on February 10, 2023, approved to proceed with the sale of two rigs within the Offshore Jackup segment. The rigs are expected to be sold in 2024 upon finalization of the associated negotiations and signing of definitive agreements. There is no impairment required on these rigs as the recoverable amount is higher than the carrying value.

**12. Share capital and statutory reserve**

	December 31, 2023		December 31, 2022	
	Number of shares '000	USD '000	Number of shares '000	USD '000
Ordinary share capital of USD: 0.0272294 (AED: 0.10) each (2022 USD: 0.0272294 (AED: 0.10) each)	<b>16,000,000</b>	<b>435,671</b>	16,000,000	435,671

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

**13. Borrowings**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Syndicated loan	–	1,500,000
Term loans*	<b>1,992,264</b>	–
	<b>1,992,264</b>	1,500,000

\* The amount is net of transaction cost.

	December 31, 2023 USD '000	December 31, 2022 USD '000
Disclosed as follows:		
Current	–	1,500,000
Non-current	<b>1,992,264</b>	–
	<b>1,992,264</b>	1,500,000

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

Type	Currency	Interest rate	Year of maturity	December 31, 2023 USD '000	December 31, 2022 USD '000
Syndicated loan	USD	0.9% and one month LIBOR	November 2023	–	1,500,000
Term Loan (Facility B)	USD	0.8% and Term SOFR	October 2025	<b>498,014</b>	–
Term Loan (Facility D)	USD	0.95 % and Term SOFR	November 2027	<b>1,494,250</b>	–
				<b>1,992,264</b>	1,500,000



**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**13. Borrowings** continued

**Syndicated loan**

The syndicated loan was settled during the current year with the proceeds from the new term loan through the lead bank.

	<b>December 31, 2023 USD '000</b>	December 31, 2022 USD '000
First Abu Dhabi Bank (note 16)	–	375,000
Sumitomo Mitsui Banking Corporation	–	225,000
The National Bank of Ras Al-Khaimah	–	170,000
Abu Dhabi Commercial Bank (note 16)	–	155,000
The Norinchukin Bank	–	150,000
State Bank of India	–	125,000
Bank of American Merrill Lynch International Limited	–	75,000
Mizuho Bank	–	75,000
Sgbtci SA	–	75,000
UniCredit Bank Austria AG	–	75,000
	–	1,500,000

On October 24, 2021, the Group 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:

**Term loan (Facility B)**

	Facility A – Revolving Loan USD '000	Facility B – Term Loan USD '000
Abu Dhabi Commercial Bank (note 16)	165,000	110,000
First Abu Dhabi Bank (note 16)	165,000	110,000
Emirates NBD Bank PJSC	70,000	140,000
Bank of America Europe Designated Activity Company	60,000	40,000
China Construction bank – DIFC Branch	60,000	20,000
State Bank of India – DIFC Branch	60,000	40,000
Goldman Sachs Bank USA	50,000	–
J.P. Morgan Securities PLC	30,000	–
The National Bank of Ras Al-Khaimah	30,000	–
Agricultural bank of China	30,000	20,000
United Arab Bank P.J.S.C.	30,000	–
Banque MISR- Dubai Branch	–	20,000
	750,000	500,000

The facilities terminate four (4) years from the date of the agreement. An amount of USD500,000 thousand for facility B was drawn down with facility A unutilized as of December 31, 2023.

**Term loan (Facility D)**

On 1 November 2023, the Group entered into a term loan facility of USD1,500,000 thousand and Revolving Facility up to AED1,840,000 thousand with multiple banks and financial institutions with an initial maturity of 4 years. The term loan facility was used to repay the existing syndicated term loan for an equal amount which expired in November 2023, while the new Revolving Credit Facility (in AED) will fund the Group's growth and the associated working capital and is unutilized as of December 31, 2023.

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**13. Borrowings** continued

**Term loan (Facility D)** continued

	Facility C – Revolving Loan AED '000	Facility D – Term Loan USD '000
Abu Dhabi Commercial Bank PJSC (note 16)	690,000	200,000
First Abu Dhabi Bank (note 16)	550,000	200,000
Emirates NBD Bank PJSC	500,000	–
Arab Bank for Investment & Foreign Trade (Al Masraf)	100,000	100,000
The Saudi National Bank	–	250,000
Bank of China (Dubai) Branch	–	200,000
Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch	–	200,000
JPMorgan Chase Bank, N.A., London Branch	–	150,000
Citibank N.A., ADGM Branch	–	100,000
Gulf Bank K.S.C.P	–	100,000
	<b>1,840,000</b>	<b>1,500,000</b>

**14. Provision for employees' end of service benefits**

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
Balance at beginning of the year	<b>123,386</b>	113,360
Charge during the year (note 20) – net	<b>130</b>	18,373
Paid during the year	<b>(9,094)</b>	(8,347)
<b>Balance at end of the year</b>	<b>114,422</b>	123,386
Disclosed as follows:		
Current	<b>9,094</b>	12,305
Non-current	<b>105,328</b>	111,081
	<b>114,422</b>	123,386

**15. Trade and other payables**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Accrued expenses	<b>575,713</b>	218,263
Trade payables	<b>159,221</b>	130,732
Contract liability	<b>140,207</b>	47,837
Retention payables	<b>33,686</b>	20,480
Accrual for employees' benefits	<b>16,895</b>	12,307
Pension payable	<b>3,182</b>	2,645
Other payables	<b>866</b>	121
	<b>929,770</b>	432,385
Disclosed as follows:		
Current	<b>848,834</b>	404,287
Non-current	<b>80,936</b>	28,098
	<b>929,770</b>	432,385

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

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**16. Related party balances and transactions**

Related parties represent the shareholders, directors and key management personnel of the Group, 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 Group's management.

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>(a) Due from related parties</b>	<b>52,764</b>	34,482
<b>(b) Other balances due from related parties (i)</b>	<b>952,936</b>	903,568
Less: expected credit loss allowance	<b>(19,004)</b>	(9,004)
	<b>986,696</b>	929,046
<b>(a) Due from related parties</b>		
ADNOC Offshore	<b>32,876</b>	34,260
ADNOC Sour Gas	<b>14,193</b>	191
Abu Dhabi National Oil Company (ADNOC)	<b>5,573</b>	–
Al Dhafrah JV	<b>122</b>	20
ADNOC Refining	<b>–</b>	6
ADNOC Gas Processing	<b>–</b>	5
	<b>52,764</b>	34,482

At December 31, 2023, the Group had a significant concentration of credit risk, with two of the customer representing 89% (2022: 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 Group 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 December 31, the ageing of related party balances was as follows:

	December 31, 2023 USD '000	December 31, 2022 USD '000
Not past due	<b>48,490</b>	16,093
Due from 31 to 60 days	<b>192</b>	2,306
Due from 61 to 90 days	<b>707</b>	2,851
Due from more than 91 days	<b>3,375</b>	13,232
	<b>52,764</b>	34,482
	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>(b) Other balances due from related parties (i)</b>		
ADNOC Onshore	<b>519,018</b>	676,166
ADNOC Offshore	<b>392,678</b>	221,447
Abu Dhabi National Oil Company (ADNOC)	<b>39,198</b>	5,100
ADNOC Sour Gas	<b>1,665</b>	455
Al Dhafra JV	<b>377</b>	400
	<b>952,936</b>	903,568

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

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**16. Related party balances and transactions** continued

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
Balance at beginning of the year	9,004	–
Charge during the year (note 18)	10,000	9,004
Balance at end of the year	19,004	9,004

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Due to related parties</b>		
ADNOC Onshore	104,553	390,662
Abu Dhabi National Oil Company for Distribution	66,055	62,535
ADNOC Offshore	61,910	–
Abu Dhabi National Oil Company (ADNOC)	11,590	12,262
ADNOC Logistics & Services	6,129	751
ADNOC Refining	–	510
ADNOC LNG	–	39
	<b>250,237</b>	466,759

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Loan from related parties (note 13)</b>		
Abu Dhabi Commercial Bank	310,000	155,000
First Abu Dhabi Bank	310,000	375,000
	<b>620,000</b>	530,000

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Cash and cash equivalents (note 10)</b>		
ADNOC Group Treasury Services (AGTS)	353,613	322,643
First Abu Dhabi Bank	7	2,383
Abu Dhabi Commercial Bank	–	82
	<b>353,620</b>	325,108

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Revenue</b>		
ADNOC Onshore	1,668,437	1,594,187
ADNOC Offshore	1,280,729	1,032,707
Abu Dhabi National Oil Company (ADNOC)	55,505	919
ADNOC Sour Gas	15,294	511
Al Dhafrah JV	179	145
	<b>3,020,144</b>	2,628,469

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**16. Related party balances and transactions** continued

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Purchases</b>		
ADNOC Distribution	137,598	147,473
Abu Dhabi National Oil Company (ADNOC)	31,573	27,891
ADNOC Logistics & Services	13,352	11,650
ADNOC Refining	673	845
	<b>183,196</b>	187,859
<b>Other income</b>		
Abu Dhabi National Oil Company (ADNOC)	-	331
<b>Finance income</b>		
ADNOC Group Treasury Services (AGTS)	15,506	6,164
<b>Finance cost</b>		
First Abu Dhabi Bank	9,382	7,437
Abu Dhabi Commercial Bank	9,382	3,074
	<b>18,764</b>	10,511
<b>Lease payments</b>		
Abu Dhabi National Oil Company (ADNOC)	14,036	15,199
<b>Key management compensation</b>		
Compensation of key management personnel	6,316	5,841
Board of Directors members	7	7
Key management personnel	10	8

**17. Revenue**

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

	December 31, 2023 USD '000	December 31, 2022 USD '000
Drilling and oilfield services	3,042,813	2,665,225
Facilitation of rigs rental	14,052	8,026
	<b>3,056,865</b>	2,673,251

As at December 31, 2023, the Group has unsatisfied performance obligations amounting to USD62,373 thousand (2022: to USD19,739 thousand) 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 consolidated financial statements** continued  
**For the year ended December 31, 2023**

**18. Direct cost**

	December 31, 2023 USD '000	(Restated) December 31, 2022 USD '000
Staff costs (note 20)	<b>643,488</b>	628,255
Depreciation of property and equipment (note 5)	<b>363,860</b>	381,893
Repairs and maintenance	<b>216,385</b>	170,357
Chemicals	<b>172,972</b>	119,879
Hire of equipment	<b>162,698</b>	114,103
Fuel and lubricants	<b>140,655</b>	153,203
Major maintenance charges	<b>71,751</b>	91,978
Expected credit loss charge (note 16)	<b>10,000</b>	9,004
Depreciation of right-of-use assets (note 6)	<b>5,912</b>	2,108
Lost in hole charges (note 5)	-	5,972
Impairment of property and equipment (note 5)	-	4,547
Other direct cost	<b>61,008</b>	48,741
	<b>1,848,729</b>	1,730,040

**19. General and administrative expenses**

	December 31, 2023 USD '000	(Restated) December 31, 2022 USD '000
Staff costs (note 20)	<b>75,274</b>	92,178
Depreciation of property and equipment (note 5)	<b>4,250</b>	4,535
Depreciation of right-of-use assets (note 6)	<b>13,677</b>	13,684
Amortisation of intangible assets (note 7)	<b>3,548</b>	2,314
Impairment reversal of property and equipment (note 5)	-	(7,565)
Other expenses*	<b>29,585</b>	13,819
	<b>126,334</b>	118,965

\* Included in other expenses is auditors' remuneration amounting to USD191 thousand for audit services and USD128 thousand for non-audit services.

**20. Staff cost**

	December 31, 2023 USD '000	(Restated) December 31, 2022 USD '000
Salaries and allowances	<b>584,459</b>	586,900
End of service benefits (note 14)	<b>130</b>	18,373
Pension	<b>22,491</b>	23,153
Other employees' benefits	<b>111,682</b>	92,007
	<b>718,762</b>	720,433

**21. Finance cost, net**

	December 31, 2023 USD '000	December 31, 2022 USD '000
Finance income	<b>15,727</b>	6,274
Less: finance costs	<b>(74,577)</b>	(34,880)
	<b>(58,850)</b>	(28,606)

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 22. Dividends

The Board of Directors, in their meeting held on February 10, 2022, proposed a final cash dividend of AED7.46 fils per share amounting to USD325,000 thousand for the year ended December 31, 2021 which was approved by shareholders at the Annual General Meeting held on April 20, 2022. The dividend was paid during the year ended December 31, 2022.

The Board of Directors, in their meeting held on August 8, 2022, approved an interim cash dividend of 7.83275 fils per share amounting to USD341,250 thousand. The dividend was paid during the year ended December 31, 2022.

The Board of Directors proposed a final cash dividend of AED7.83 fils amounting to USD341,246 thousand for the year ended December 31, 2022 which was approved by shareholders at the Annual General Meeting held on April 3, 2023. The dividend was paid during the current year.

On October 9, 2023, the Board of Directors approved an interim cash dividend of AED8.2244 fils amounting to USD358,313 thousand for the first half of 2023. The dividend was paid during the current year.

#### 23. Commitments and contingencies

The Group has the following commitments and contingent liabilities outstanding at December 31, 2023 and December 31, 2022:

	December 31, 2023 USD '000	December 31, 2022 USD '000
Capital commitments – rigs procurement	93,114	128,102
Commitment for investment in Joint venture	765,000	–
Bank guarantees	47	134

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

#### 24. Financial Instruments by category

	December 31, 2023 USD '000	December 31, 2022 USD '000
<b>Financial assets</b>		
Trade and other receivables	55,169	42,204
Due from related parties	52,764	34,482
Cash and cash equivalents	354,122	325,514
	<b>462,055</b>	402,200
<b>Financial liabilities</b>		
Borrowings	1,992,264	1,500,000
Trade and other payables	789,563	384,548
Due to related parties	250,237	466,759
Lease liabilities	189,211	39,749
	<b>3,221,275</b>	2,391,056

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**25. Financial instruments**

**Financial risk management**

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**Market risk management**

**Foreign exchange risk**

Foreign exchange risk is limited as the Group'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 Group 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.

**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 Group's profit.

	Effect on profit USD '000
<b>2023</b>	
<b>+10 increase in basis points</b>	<b>(1,992)</b>
<b>-10 increase in basis points</b>	<b>1,992</b>
2022	
+10 increase in basis points	(1,500)
-10 increase in basis points	1,500

The fair values of the Group'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 utilisation of credit limits is regularly monitored.

The Group's policy is to place cash and cash equivalents with reputable banks and financial institutions and the Group'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 Group's trade receivable balances are monitored on an ongoing basis with the result that the Group'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 Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group 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 summarises the maturity profile of the Group's financial liabilities at December 31, 2023 and 2022 based on the contractual undiscounted payments.



**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**25. Financial instruments** continued

**Market risk management** continued

**Liquidity risk management** continued

	Notes	Carrying value USD'000	Contractual cash flows USD'000	1 year or less USD'000	More than 1 year USD'000
<b>December 31, 2023</b>					
Lease liabilities	6	<b>189,211</b>	<b>200,641</b>	<b>36,833</b>	<b>163,308</b>
Borrowings	13	<b>1,992,264</b>	<b>2,000,000</b>	<b>–</b>	<b>2,000,000</b>
Trade and other payables	15	<b>789,563</b>	<b>789,563</b>	<b>789,563</b>	<b>–</b>
Due to related parties	16	<b>250,237</b>	<b>250,237</b>	<b>250,237</b>	<b>–</b>
		<b>3,221,275</b>	<b>3,240,441</b>	<b>1,076,633</b>	<b>2,163,808</b>
<b>December 31, 2022</b>					
Lease liabilities	6	39,749	40,795	19,436	21,359
Borrowings	13	1,500,000	1,527,506	1,527,506	–
Trade and other payables	15	384,548	384,548	384,548	–
Due to related parties	16	466,759	466,759	466,759	–
		2,391,056	2,419,608	2,398,249	21,359

**Capital risk management**

The Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group 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 consolidated statement of financial position) less

cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

**26. Segment reporting**

Information regarding the Group'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 Group 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 Group is organised into four operating segments, all of which are referred to as 'business units':

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

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

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

**Oilfield Services (OFS)** segment was created to provide oil field services through the partnership with Baker Hughes in late 2018.

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

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**26. Segment reporting** continued

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 amortisation "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 consolidated statement of profit or loss and other comprehensive income) depreciation, amortisation and impairment.

Refer to note 16 for analysis of revenue from major customers.

December 31, 2023	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
<b>Revenue</b>	<b>1,495,057</b>	<b>799,726</b>	<b>209,079</b>	<b>553,003</b>	<b>3,056,865</b>
Direct cost (excluding depreciation and impairment)	<b>(714,316)</b>	<b>(261,068)</b>	<b>(67,482)</b>	<b>(436,091)</b>	<b>(1,478,957)</b>
<b>Gross profit</b>	<b>780,741</b>	<b>538,658</b>	<b>141,597</b>	<b>116,912</b>	<b>1,577,908</b>
General and administrative expenses (excluding depreciation)	<b>(61,355)</b>	<b>(31,911)</b>	<b>(8,402)</b>	<b>(3,191)</b>	<b>(104,859)</b>
Other income, net	<b>5,079</b>	<b>3,321</b>	<b>635</b>	<b>812</b>	<b>9,847</b>
<b>EBITDA</b>	<b>724,465</b>	<b>510,068</b>	<b>133,830</b>	<b>114,533</b>	<b>1,482,896</b>

EBITDA is reconciled to profit for the year as follows:

December 31, 2023	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
<b>EBITDA</b>	<b>724,465</b>	<b>510,068</b>	<b>133,830</b>	<b>114,533</b>	<b>1,482,896</b>
Depreciation included in direct cost	<b>(109,729)</b>	<b>(178,721)</b>	<b>(13,623)</b>	<b>(67,699)</b>	<b>(369,772)</b>
Depreciation included in general and administrative expenses	<b>(12,806)</b>	<b>(5,682)</b>	<b>(1,718)</b>	<b>(1,269)</b>	<b>(21,475)</b>
<b>Total depreciation</b>	<b>(122,535)</b>	<b>(184,403)</b>	<b>(15,341)</b>	<b>(68,968)</b>	<b>(391,247)</b>
Finance cost, net	<b>(33,861)</b>	<b>(19,980)</b>	<b>(5,009)</b>	<b>-</b>	<b>(58,850)</b>
<b>Profit for the year</b>	<b>568,069</b>	<b>305,685</b>	<b>113,480</b>	<b>45,565</b>	<b>1,032,799</b>

**Notes to the consolidated financial statements** continued  
**For the year ended December 31, 2023**

**26. Segment reporting** continued

December 31, 2022	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
Revenue	1,453,295	611,188	204,126	404,642	2,673,251
Direct cost* – restated	(702,592)	(241,294)	(69,859)	(327,747)	(1,341,492)
<b>Gross profit</b>	<b>750,703</b>	<b>369,894</b>	<b>134,267</b>	<b>76,895</b>	<b>1,331,759</b>
General and administrative expenses* – restated	(49,716)	(42,211)	(14,070)	–	(105,997)
Other income, net	4,290	1,401	461	15	6,167
<b>EBITDA</b>	<b>705,277</b>	<b>329,084</b>	<b>120,658</b>	<b>76,910</b>	<b>1,231,929</b>

EBITDA is reconciled to profit for the year as follows:

December 31, 2022	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
<b>EBITDA</b>	<b>705,277</b>	<b>329,084</b>	<b>120,658</b>	<b>76,910</b>	<b>1,231,929</b>
Depreciation included in direct cost	(144,004)	(147,886)	(44,061)	(52,597)	(388,548)
Depreciation and impairment included in general and administrative expenses	(7,622)	(4,276)	(832)	(238)	(12,968)
<b>Total depreciation and impairment – restated</b>	<b>(151,626)</b>	<b>(152,162)</b>	<b>(44,893)</b>	<b>(52,835)</b>	<b>(401,516)</b>
Finance cost, net	(17,172)	(8,575)	(2,859)	–	(28,606)
<b>Profit for the year</b>	<b>536,479</b>	<b>168,347</b>	<b>72,906</b>	<b>24,075</b>	<b>801,807</b>

\* Excludes depreciation, amortisation and impairment.

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

	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
<b>December 31, 2023</b>					
<b>Property and equipment</b>	<b>1,242,716</b>	<b>2,726,326</b>	<b>186,674</b>	<b>691,824</b>	<b>4,847,540</b>
December 31, 2022					
Property and equipment	974,554	2,143,938	185,715	617,400	3,921,607

**27. Basic and diluted earnings per share**

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

	<b>December 31, 2023 USD '000</b>	December 31, 2022 USD '000
Profit attributable to shareholders of the Group (USD'000)	<b>1,032,799</b>	801,807
Weighted average number of shares for the purpose of basic earnings per share (note 12)	<b>16,000,000</b>	16,000,000
Earnings per share (USD'000)	<b>0.065</b>	0.050

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

## Notes to the consolidated financial statements continued

### For the year ended December 31, 2023

#### 28. Corporate income tax

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

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED375,000.

The Group has performed an assessment and concluded that it qualifies for an exemption under the Law. However, the recent interaction with authorities in the Department of Finance (DOF) indicates that the Group will be subject to Emirates level Income Tax at an agreed rate on its taxable income effective from January 1, 2024. The Group shall be subject to and shall comply with the Abu Dhabi Income Tax Decree of 1965, as amended or re-enacted from time to time ("Tax decree"), terms of the fiscal letter issued by Supreme Council for Financial and Economic Affairs (SCFEA) and the procedures appended thereto.

#### 29. Comparative figures

In the current year, Management has noted certain expenses which are directly attributable to its operations, and these were re-classified from general and administrative expenses to direct cost. As required by IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors", comparative period was re-classified as follows:

	As previously reported USD '000	Reclassification USD '000	As reported USD '000
Direct cost	1,580,617	149,423	1,730,040
Gross profit	1,092,634	(149,423)	943,211
General and administrative expenses	268,388	(149,423)	118,965

The above reclassification has no impact on the total assets, total liabilities, total equity and profit of the Group.

#### 30. Subsequent events

- The Board of Directors, in their meeting held on February 12, 2024, proposed a final cash dividend of AED8.2244 fils per share amounting to USD358,313 thousand for the year ended December 31, 2023. The proposed dividend is subject to approval of the shareholders at the Annual General Meeting.
- On January 2, 2024, ENERSOL RSC LTD "Joint Venture" was incorporated in Abu Dhabi Global Market. The Company, through its subsidiary ADH RSC Ltd holds 51% shares in the joint venture while Alpha Dhabi Energy Holding LLC holds 49% shares. On January 9, 2024, the Joint Venture completed its first strategic investment in Gordon Technologies, a US-based market leading provider of 'measurement while drilling' technology.

#### 31. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on February 12, 2024.

**Headquarters**

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