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**September 6, 2021**

**ADNOC DRILLING COMPANY PJSC**

**ANNOUNCEMENT OF INTENTION TO FLOAT ON THE ABU DHABI  
SECURITIES EXCHANGE**

ADNOC Drilling Company PJSC (the “Company” or “ADNOC Drilling”), the largest national

drilling company in the Middle East by rig fleet size, today announces its intention to proceed with an initial public offering (the “IPO” or the “Offering”) and to list its shares for trading on the ADX. 7.5% of ADNOC Drilling’s issued share capital, will be included in the Offering to individuals and other investors in the UAE and to ADNOC Group Companies Employees and ADNOC Group UAE National Retirees (as defined in the UAE Prospectus) (as part of the UAE retail offering) and to qualified institutional and other investors (as part of the qualified investor offering). Abu Dhabi National Oil Company (“ADNOC” or the “Selling Shareholder”) retains the right to increase the size of the Offering at any time before pricing of the Offering.

ADNOC Drilling is the largest national drilling company in the Middle East by rig fleet size with 107 rigs, of which 96 rigs are owned and 11 rigs are rented, as of 30 June 2021 and the sole provider of drilling rig hire services and certain associated rig-related services to the ADNOC Group on agreed contractual terms. ADNOC Drilling provides its customers with a full suite of drilling services, including rig hire services and certain associated rig-related services in Abu Dhabi and oilfield services (such as integrated drilling services, wireline, directional drilling, cementing, pressure pumping, logging and fluids, and hydraulic fracturing). For the year ended 31 December 2020, ADNOC Drilling had revenue of USD 2,097.9 million, EBITDA of USD 959.7 million and profit of USD 569.0 million. For the six months ended 30 June 2021, ADNOC Drilling had revenue of USD 1,123.5 million, EBITDA of USD 499.5 million and profit of USD 281.6 million

In line with its 2030 strategy, ADNOC has previously embarked on an ambitious transformation program to unlock and create value by expanding its engagement with new strategic partners and global investors. To this end, it has developed an overall strategy for the more active management of its asset portfolio and capital to unlock value and drive growth and returns across its entire value chain. This IPO will constitute a further step in ADNOC’s continued growth trajectory. ADNOC is fully supportive of ADNOC Drilling’s management and business strategy and intends to remain ADNOC Drilling’s long-term majority shareholder.

Commenting on the launch of the ADNOC Drilling IPO process, His Excellency Dr. Sultan Ahmed Al Jaber, UAE Minister of Industry and Advanced Technology and ADNOC Managing Director and Group CEO, said: “I am delighted to announce our intention to float a minority stake in ADNOC Drilling on the Abu Dhabi Securities Exchange through an IPO. This highly compelling offering, in a company with a robust growth trajectory and attractive dividend policy, is open to all citizens and residents of the UAE in addition to international and local institutional investors. Building on the highly successful listing of ADNOC Distribution in 2017, this offering marks another significant milestone in ADNOC’s ongoing journey in unlocking and maximizing value across our integrated asset base.”

His Excellency Dr. Al Jaber added: “ADNOC Drilling’s planned value creation opportunities, including a major rig fleet expansion and well drilling program, ideally position the company to take full advantage of emerging opportunities across the upstream value chain. As such, ADNOC will remain a committed, long-term majority shareholder in ADNOC Drilling, as we believe the company’s strong market position ensures it is poised for further growth for the benefit of Abu Dhabi, the UAE and future ADNOC Drilling shareholders.”

Abdulrahman Abdulla Al Seiri, Chief Executive Officer of ADNOC Drilling, said: “As the sole provider of drilling rig hire services and rig-related services to ADNOC Group on agreed contractual terms, we will continue to play a critical role in enabling ADNOC to deliver on its 2030 crude oil production capacity target of 5 million barrels per day and achieving gas self-

sufficiency for the UAE. The success of ADNOC Drilling has been built on the dedication of our people and their deep engineering and technical expertise. We look forward to welcoming our new shareholders to share in the growth of ADNOC Drilling, as we seek to list our shares on the Abu Dhabi Securities Exchange.”

## **OFFERING HIGHLIGHTS**

- Intention to list on ADX.
- Offering size will be 7.5% of ADNOC Drilling’s issued share capital, with ADNOC retaining the right to increase the size of the Offering at any time before pricing of the Offering.
- All shares to be offered shall represent the sale of existing shares held by ADNOC.
- Admission of the shares to trading on the ADX (the “Admission”) is expected in October 2021.
- The Offering shall be made available to individual and other investors and to ADNOC Group Companies Employees and ADNOC Group UAE National Retirees (as defined in the UAE Prospectus) as part of the UAE retail offering as well as to qualified investors as part of the qualified investor offering. Five percent of the Offering will be reserved for offer to the Emirates Investment Authority.

## **DETAILS OF THE OFFERING**

ADNOC expects to sell 7.5% of the Company’s issued share capital, with ADNOC retaining the right to increase the size of the Offering at any time before pricing of the Offering. It is intended that the Offering will comprise of (i) a public offering to (a) individual and other investors in the UAE and to (b) ADNOC Group Companies Employees and ADNOC Group UAE National Retirees (as defined in the UAE Prospectus) (the “UAE Retail Offering”), and (ii) an offering to qualified institutional and other investors in a number of countries, including in the UAE (the “Qualified Investor Offering”). The offer price per Share (the “Offer Price”) will be determined through, and following, a bookbuilding process. Retail investors in the UAE Retail Offering will subscribe for the shares at the Offer Price.

All of the shares are being offered by ADNOC which, prior to the Offering, holds 95% of the share capital of the Company. The net proceeds generated by the Offering will be received by ADNOC. The Offering is being conducted, among other reasons, to allow ADNOC to sell part of its shareholding to more actively manage and optimize its portfolio of assets and create new investment opportunities across its business, increase trading liquidity in the shares and raise its profile with the international investment community. ADNOC will continue to own a majority of ADNOC Drilling’s share capital post IPO. Baker Hughes Holding SPV Ltd. which, prior to the Offering, holds 5% of the share capital of the Company, will not be offering any shares for sale in the Offering.

The completion of the Offering and Admission is currently expected to take place in October 2021, subject to market conditions and obtaining relevant regulatory approvals in the UAE, including approval of Admission to listing and trading on the ADX.

Details of the Offering will be included in an Arabic-language prospectus (the “UAE Prospectus”) and public subscription announcement (the “Public Announcement”) in respect of the UAE Retail Offering and an English-language International Offering Memorandum in respect of the Qualified Investor Offering. The UAE Prospectus and the Public Announcement will be published today and the International Offering Memorandum is expected to be published in due course.

First Abu Dhabi Bank PJSC, Goldman Sachs International, HSBC Bank Middle East Limited and J.P. Morgan Securities Plc have been appointed as Joint Global Coordinators. EFG-Hermes UAE Limited, Emirates NBD Capital PSC, International Securities L.L.C, Merrill Lynch International and Société Générale have been appointed as Joint Bookrunners. First Abu Dhabi Bank PJSC has been appointed as the Lead Receiving Bank. Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC and Emirates NBD Bank PJSC have been appointed as Receiving Banks. Moelis & Company UK LLP DIFC Branch (“Moelis & Company”) has been appointed as independent financial adviser.

The Internal Sharia Supervision Committees of First Abu Dhabi Bank PJSC and HSBC Bank Middle East Limited have issued pronouncements confirming that, in their view, the Offering is compliant with Shariah principles. Investors may not rely on these pronouncements and should undertake their own due diligence to ensure that the Offering is Shariah compliant for their own purposes.

## **OVERVIEW OF ADNOC DRILLING**

ADNOC Drilling is the largest national drilling company in the Middle East by rig fleet size, with 107 rigs, out of which 96 rigs are owned and 11 are rented as of 30 June 2021, and the sole provider of drilling rig hire services and certain associated rig-related services to the ADNOC Group on agreed contractual terms. ADNOC Drilling provides its customers with a full suite of drilling services, including rig hire services and certain associated rig-related services and oilfield services (such as integrated drilling services, wireline, directional drilling, cementing, pressure pumping, logging and fluids, and hydraulic fracturing) in Abu Dhabi. Approximately half of ADNOC Drilling’s fleet is less than five years old and 29 of its rigs are performing integrated drilling services to its customers. From its inception to 31 December 2020, ADNOC Drilling had drilled over 9,600 wells with a total distance drilled of over 70 million feet. In the first half of 2021, ADNOC Drilling drilled 286 additional wells.

ADNOC Drilling organizes its business into four reportable segments: Onshore, Offshore Jack Up, Offshore Island and Oil Field Services.

## **BUSINESS HIGHLIGHTS**

*The largest national drilling company in the Middle East by rig fleet size.*

- Rig fleet size of 107 rigs, out of which 96 are owned rigs, as of 30 June 2021, representing approximately twice the size of the second largest regional drilling provider.
- Size and quality of rig fleet, together with ability to provide a full suite of integrated drilling services, is unmatched by any other regional drilling services provider, and our leading market position in the UAE positions ADNOC Drilling as the go-to drilling service provider.

*Preferential contractual framework with ADNOC which provides ADNOC Drilling with strong downside protection.*

- Integral part of the ADNOC upstream ecosystem and a key enabler in delivering the upstream strategy of Abu Dhabi for almost 50 years, as the sole provider of drilling rig hire services and certain associated rig-related services to ADNOC Group companies on agreed contractual terms.

- Attractive, internal rate of return (IRR) based contracts entered into with customers with a base term of 15 years.
- Ability to review the rates charged by ADNOC Drilling to certain customer contracts to ensure that the contractual IRR or EBIT margin targets are maintained.

*Attractive financial profile with leading and resilient profitability margins.*

- Benefit from its preferential contractual framework with ADNOC which helps ADNOC Drilling achieve leading profitability margins.
- Achieved 50% EBITDA margin on average during the three-year period from 2018 to 2020 and robust net cash from operating activities in excess of USD 1 billion during the same period.
- Strong balance sheet position with leverage of 1.2x as of 30 June 2021, providing headroom for further capital optimization.
- Combination of robust cash flow generation and strong balance sheet expected to deliver consistent dividends and attractive returns to shareholders.

*Well positioned to achieve strong growth in both drilling and integrated drilling activities and generate sustainable growing free cash flows.*

- Well positioned to benefit from significant demand growth driven by ADNOC's strategic upstream targets.
- Plan to expand our rig fleet over the course of the coming 5 to 10 years with a planned net addition of 23 rigs by 2030.
- Achieved a 36% cumulative drilling performance improvement from 2018 to 2020 and completed 86 out of 108 integrated drilling services wells ahead of schedule and below the expected budget for 2019 and 2020.
- Fully-integrated services offering positions ADNOC Drilling to gain market share in the oilfield services space.
- Integrated drilling solutions market share has grown from 10% in 2019 to 35% in 2020 and expected to increase up to 45% by the end of 2021.
- Well-placed to pursue additional opportunities for further growth in the UAE and regionally.

*Almost 50-year track record of strong operational performance, with an extensive footprint and well-developed drilling infrastructure in the UAE, a high quality, well maintained fleet and an experienced senior management team.*

- Achieved a 30% reduction in well duration over four years (from 2016 to 2019 compared against the 2015 baseline) driven mainly by its real time monitoring centre, which allows ADNOC Drilling to remotely monitor up to 120 wells simultaneously.
- Efforts to continuously improve operational performance resulted in a reduction in well duration from an average 96 days in 2018 to an average 58 days in 2020, and an average 46 days in 2018 to an average 36 days in the Offshore segment and Onshore segment, respectively.
- Fleet is comprised of well-maintained onshore rigs, jack up rigs and island rigs with proven technologies and operating capabilities.
- More than half of onshore rigs are less than five years old and more than half of jack up rigs are less than 10 years old and 70% of island rigs are less than five years old.
- Senior management team averages 25 years of experience in the drilling, workover and oilfield services industry, and has 200 years of collective industry experience.

### *Commitment to environmental and social initiatives*

- Committed to take part and contribute towards ADNOC's goals, which align with the UN Sustainable Development Goals, to:
  - decrease greenhouse gas intensity by 25% by 2030
  - expand carbon capture, utilization and storage capacity by 500% to 5 million tons of carbon dioxide per year by 2030
  - limit freshwater consumption to below 0.5% of total water usage
  - plant 10 million mangrove seedlings in Al Dhafra region.
- Utilize best-in-class technology to minimize greenhouse gas emissions which has enabled us to:
  - achieve a total 147,000 metric tons reduction from 2014 to 2020 in greenhouse gas emissions
  - save approximately a total of 5,000 US Gallons per rig per day based on horsepower since 2014.

### **COMPANY STRATEGY**

ADNOC Drilling intends to pursue the following business and growth strategies:

- Capitalize on ADNOC's plans to increase crude oil production capacity to 5 million barrels per day and produce 1 billion cubic feet per day of unconventional gas by 2030.
- Become a regional leader in unconventional and biogenic development.
- Achieve operational efficiency by optimizing well duration.
- Launch a major rig fleet expansion program to support upstream growth plans.
- Pursue business expansion outside Abu Dhabi for rigs and services.
- Aim to achieve 100% Health, Safety and Environment (HSE) integrity.

### **CAPITAL STRUCTURE AND DIVIDEND POLICY**

The Company is aiming to follow a healthy level of leverage and optimised capital structure.

The Company has established a dividend policy based on semi-annual payments:

- The Company intends to pay the first dividend after the Offering, in April, with a second payment in October of each year. The Company expects to pay a fixed dividend amount of USD 325 million for the second half of 2021, to be paid in April 2022.
- Thereafter, the Company expects to grow the dividend amount from USD 650 million (annualized dividend of second half of 2021), by a growth rate of 5% per annum on a dividend per share basis over the next five years (2022 – 2026). This dividend policy is designed to reflect the Company's expectation of strong cash flow and its expected long-term earnings potential, while allowing the Company to retain sufficient capital to fund ongoing operating requirements and continued investment for long-term growth.

### **CORPORATE GOVERNANCE**

ADNOC Drilling is committed to high standards of corporate governance.

- All of the seven members of the Company's Board are appointed in accordance with SCA corporate governance rules.
- Audit and Nomination & Remuneration Committee chairs drawn from independent board members.

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*In particular, this announcement does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person in the United States, Australia, Canada, the United Arab Emirates or Japan, or in any jurisdiction to whom or in which such offer or solicitation is unlawful. The securities referred to herein may not be offered or sold in the United States unless registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or offered in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and in compliance with applicable state law. The offer and sale of the securities referred to herein has not been and will not be registered under the Securities Act or under the applicable securities laws of the United States, Australia, Canada or Japan. Subject to certain exceptions, the securities referred to herein may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. Any securities sold in the United States will be sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A. There will be no public offer of the securities in the United States or any jurisdiction other than the UAE. Copies of this announcement are not being, and should not be, distributed in or sent into the United States, Australia, Canada, the United Arab Emirates or Japan.*

*In the European Economic Area (the "EEA"), this announcement and this Offering are only addressed to and directed at persons in member states of the EEA who are "qualified investors" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended)*



*(“EU Qualified Investors”). In the United Kingdom, this announcement and this Offering are only addressed to and directed at persons who are “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended), which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 (“UK Qualified Investors”). This announcement must not be acted or relied on (i) in any member state of the EEA, by persons who are not EU Qualified Investors and (ii) in the United Kingdom, by persons who are not UK Qualified Investors. Any securities, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities, and any investment activity, to which this announcement relates (i) in any member state of the EEA is available only to, and may be engaged in only with, EU Qualified Investors; and (ii) in the United Kingdom is available only to, and may be engaged only with, UK Qualified Investors.*

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*with respect thereto, the securities to which this announcement relates have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, “distributors” should note that: the price of the securities may decline and investors could lose all or part of their investment; the securities offer no guaranteed income and no capital protection; and an investment in the securities to be issued in the Offering is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.*

*For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the securities. Each distributor is responsible for undertaking its own target market assessment in respect of the securities and determining appropriate distribution channels.*

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