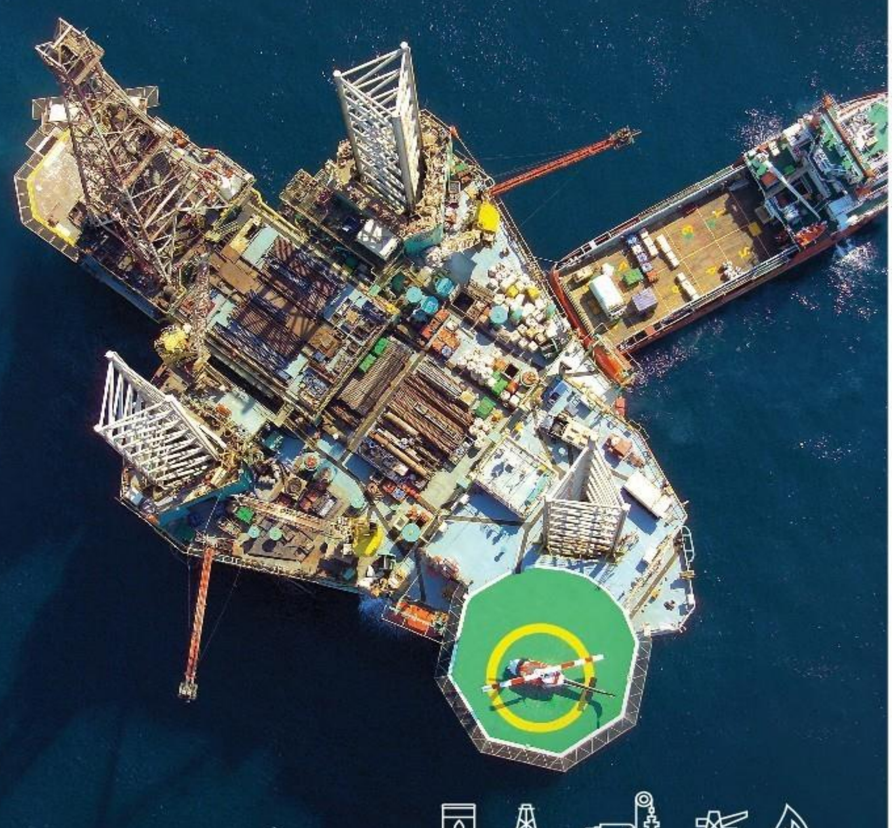
ADNOC DRILLING COMPANY P.J.S.C.

First Quarter 2026 Earnings

Webcast & Conference Call Transcript

May 11, 2026



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Anna Kishmariya - *UBS*

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PRESENTATION

Massimiliano Cominelli - *ADNOC Drilling - Vice President, Investor Relations*

Ladies and gentlemen, welcome to ADNOC Drilling's first quarter 2026 earnings webcast and conference call. My name is Max Cominelli, and I'm the Vice President of Investor Relations at ADNOC Drilling.

Before handing the floor over to our speakers, I would like to draw your attention to the disclaimer on the second slide. I encourage you to read it carefully. The text contains important information. We advise caution on the interpretation and limits of historical data and forward-looking statements. I would like to remind you that this presentation and the recording of this call will be available on our website shortly after the end of the call.

Today's presentation will be led by our Chief Executive Officer, Mr. Abdulla Al Messabi, our Chief Financial Officer, Mr. Youssef Salem, along with Sultan Al Mansoori, our SVP for Onshore, Adel Almarzooqi, our SVP for Offshore, and Emri Zeineldin, our SVP for oilfield services.

After the presentation, we will have a Q&A session where we will be happy to answer your questions.

I will now hand over the call to our CEO. Mr. Abdulla, please go ahead.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you, Max. Good afternoon, and thank you for being with us today.

Before anything else, I really want to start with thank you to our people. For their discipline, commitment, and care to the Company which really made this performance possible. Together, we delivered our best-ever first quarter, supported by our strength of our long-term contracted model.

Operationally, our teams delivered 98% rig availability, drilled 191 wells this quarter. We also reduced the non-productive time by 62% versus our plan, thanks to strong planning and disciplined execution.

Financially, we delivered revenue of $1.23 billion, EBITDA around $530 million, net profit around $350 million, driven by high fleet utilization, resilient execution, and growth across the Integrated Drilling and Oilfield Services.

We are pleased to share that value with our shareholders. In line with our dividend policy, we are distributing $262.5 million for Q1 reflecting our commitment to attractive, progressive returns.

We also closed our second regional transaction with the acquisition of 80% of MBPS. It brings strong capability and 22 rigs to our fleet, taking our regional fleet to 30 rigs.

Our focus remains clear: delivering profitable growth, maintaining disciplined capital allocation, while returning cash to shareholders consistently through the long-term contracts and well-defined growth initiatives.

We are well positioned, with our people, our technology, and ADNOC behind us. Our line of sight is clear, and we see a strong opportunity set to keep creating long-term value for the UAE and our shareholders.

I will close by saying this: the UAE continues to lead with resilience and ambition, and we are proud, and grateful, to support that journey, delivering what matters most.

In Q1, we stayed focused. We worked safely, looking after each other. And we delivered, consistently, without disruption. That discipline will not change.

With that, I will hand over to our CFO, Youssef, to walk you through the details. Thank you.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Thank you, Mr. Abdulla, and a good day to all.

We delivered our best-ever Q1 results, driven by high utilization, integrated services, and contracted growth. As highlighted by our CEO, this quarter was a true test to the resilience of our business model, as we navigated evolving market conditions.

For the first quarter of 2026, revenue increased 5% year on year to $1.228 billion. This was driven by increased activity in our oilfield services and offshore segments, partially offset by the anticipated repurposing of certain onshore rigs. EBITDA was $527 million, while net profit increased 2% year on year at $347 million for the quarter.

The full quarterly impact from the repurposing of the onshore rigs in Q1 was approximately $40 million in revenue and around $26 million in EBITDA.

As anticipated in 4Q 2025 disclosure, revenue, EBITDA, and net profit change was lower sequentially in Q1 due to fewer calendar days and the full impact of the onshore rigs repurposing. Net profit sequentially was also influenced by a positive one-off effect of roughly $20 million in 4Q 2025, attributable to the full-year impact of revised estimates for assets' useful lives and residual values.

The unconventional business contributed $131 million to revenue in 1Q 2026. As disclosed previously, given the strong acceleration in 2025, higher than anticipated, we expect a lower phasing in full-year 2026. The lower phasing of unconventional FY 2026, particularly from the second quarter onward, is expected to be largely offset by revenue from additional OFS services, leading to an expected combined contribution of approximately $0.5 billion from unconventional and additional services, resulting in no impact on the full-year 2026 revenue guidance of $5 billion or OFS total guidance of $1.5 billion.

Moving on to cash flows, the business continues its strong performance, generating free cash flow of $356 million, a 12% year-on-year increase.

Finally, the balance sheet remains very strong. Net debt at the end of the quarter stood at $1.7 billion, equivalent to 0.8x EBITDA, below our leverage ceiling and providing significant flexibility to support growth, strategic investments, and shareholder returns.

I will now hand over to Sultan to walk you through Onshore operations.

Sultan Al Mansoori - *ADNOC Drilling - Senior Vice President, Onshore*

Thank you, Youssef, and good afternoon, everyone. It's a pleasure to be here again with you to present the performance of the first three months.

During the quarter, the Onshore segment demonstrated a high level of resilience, underpinned by robust operating frameworks that our teams know well and trust. These frameworks enabled us to maintain operational continuity and performance throughout the period.

Revenue for the quarter reached $477 million, reflecting the positive contribution from the eight land rigs operating in Oman and Kuwait following the establishment of our joint venture with SLB. This was partially offset by the anticipated full impact of onshore rig repurposing and the conversion of two onshore rigs to offshore in the second half of 2025. On a sequential basis, revenue was also impacted by fewer calendar days and lower rig move activity during the quarter.

EBITDA amounted to $220 million, with a margin of 46%, successfully absorbing the impact of rig repurposing and the onshore-to-offshore conversions. This performance reflects our continued focus on disciplined cost management and operational efficiency. Turning to operations, the Onshore segment drilled a total of 160 wells during the quarter, with an overall rig availability of 99%, underscoring the strong reliability and performance of our fleet.

On a pro-forma basis, the onshore fleet stood at 122 rigs at the end of the first quarter, comprising of 92 rigs in Abu Dhabi and 30 rigs across the region, following the recently announced transactions.

With that, I will now hand over to Adel to cover Offshore operations.

Adel Almarzooqi - *ADNOC Drilling - Senior Vice President, Offshore*

Thank you, Sultan, and good afternoon, everyone. It is great to be here with you again this quarter.

In the first quarter, the Offshore segment delivered another strong performance, supported by close coordination with our operators and clients, and a proactive approach to managing a dynamic operational environment.

Most importantly, this was achieved while keeping safety at the core of everything we do.

Offshore revenue increased by 3% year on year to $345 million, supported by the contribution of two jack-ups that started operations at the end of 2Q 2025, and the conversion of two rigs from onshore to offshore island operations.

EBITDA remained stable at $237 million, with a strong margin at 69%, reflecting disciplined cost management and continued focus on repair and maintenance optimization.

Sequentially, revenue performance was impacted by fewer calendar days and the phasing of maintenance activity.

At the end of Q1, the offshore fleet stood at 48 rigs, including 36 jack-ups and 12 island rigs. We also expect two new island rigs to gradually begin operations in the second half of 2026.

During the quarter, we drilled 31 wells and maintained rig availability of 97%, demonstrating the resilience and reliability of our offshore operations.

I will now hand over to Emri to cover Oilfield Services.

Emri Zeineldin - *ADNOC Drilling - Senior Vice President, Oilfield Services*

Thank you, Adel, and good afternoon, everyone.

Seconding what my colleagues said: safety is always our top priority, and our approach is clear: reduce risk, protect people, and continue delivering for our customers, without compromising performance, service quality nor profitability.

A key enabler of this are our remote operations, particularly in our directional drilling segment. By expanding the use of our remote operations service center, we reduced manpower footprint on rigs, enhanced HSE outcomes, and maintained the same level of activity.

Let’s see why this was another good quarter. Revenue stood at $406 million, increasing 19% year on year driven by higher IDS activity, the expanded delivery of discrete services. This favorable increase in revenue is largely attributed to our directional drilling and drilling & completion fluids service lines.

Our EBITDA increased 37% year on year, supported by growth and the growing contributions from the JVs.

Sequentially, revenue increased by 4% driven by increased activity, partially offset by the anticipated lower phasing in the unconventional business in 2026.

The unconventional business contributed around $105 million in revenue during the first quarter, where we have drilled 94 wells and fracked 64, since our activity inception.

Operationally, IDS rigs increased to 60 from 57 in 1Q25, and we provided at least one discrete service to 53 additional rigs, bringing our total OFS coverage to 113 rigs from the ADNOC Drilling-owned fleet.

We also delivered a 30% improvement in Integrated Drilling Services drilling efficiency versus the 2024 benchmark, as we continue to set benchmarks for our operational excellence, driven by improved execution, technology adoption, and stronger integration.

With that, I'll hand it back to Youssef. Thank you very much.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Thank you, Emri.

Our Board of Directors has recommended a dividend of $262.5 million (approximately 6 fils per share), expected to be paid in early June to shareholders of record as of May 18, 2026.

This showcases the resilience and strength of our business model. For FY26, we expect to pay a dividend of at least $1.05 billion, which represents a minimum 5% year-on-year increase in dividends, in line with our progressive dividend policy.

Importantly, I would also like to highlight that the Board retains discretion to approve additional dividends above the floor, after considering free cash flow accretive growth opportunities.

Let's now turn to our guidance. Next slide, please.

Building on a solid Q1 performance despite recent geopolitical challenges, the business continues to demonstrate strong operations, disciplined execution, and financial resilience.

As anticipated, activity in unconventional OFS is expected to moderate in Q2, reflecting the scheduled phasing of our client's 2026 programs. This shift is forecast to result in approximately $50 million less revenue in Q2 compared to Q1, leading to a lower unconventional revenue for the quarter. However, conventional OFS is set to offset this trend by expanding services throughout the year and increasing IDS deployments. Emri's OFS team is actively collaborating with clients to accelerate execution.

Bottom line, we expect the combined impact of unconventional and additional services to contribute approximately $0.5 billion in the year, maintaining our full-year 2026 revenue guidance of around $5 billion, including a $1.5 billion for OFS.

Looking at the first half, these dynamics support revenue expected at around $2.44 billion, EBITDA $1.05 billion, and net income $0.69 billion. This outlook reflects ongoing cost discipline and operational efficiency.

For the remainder of the year, the quarterly phasing of unconventional business will depend on client scheduling and the broader operating environment. Any lower phasing in unconventional will be balanced by increased IDS deployment and additional oilfield services, supporting the delivery of our results.

Bottom line, despite the current regional landscape, the resilience of our operations underpins our confidence in confirming full-year 2026 guidance across all key metrics, including revenue of around $5 billion, EBITDA between $2.2–2.3 billion, net profit of $1.45–1.5 billion, and free cash flow of $1.2–1.3 billion, reflecting our growth outlook.

Over the medium term, we will focus on sustained drilling and OFS development, supported by new island deliveries and a target of approximately 70 IDS rigs by end of 2026. This will reinforce our scale and earnings visibility, with EBITDA margins expected at around 50% for domestic conventional drilling, and 23–26% for conventional OFS. Maintenance CapEx remains guided at roughly $250 million per year. We will provide updated guidance for 2027 and beyond as further rig and OFS volume phasing is finalized.

As we look ahead, our focus remains clear: disciplined growth, consistent execution, and strong returns. Our business continues to demonstrate resilience, supported by long-term visibility, a robust backlog, and a clear pathway for expansion across our core and adjacent segments.

We remain focused on driving efficiency, maintaining cost discipline, and allocating capital with care, ensuring that growth translates into strong cash generation and sustainable earnings. This approach underpins our confidence in continuing to deliver attractive returns to shareholders, while further strengthening our financial position. We will remain disciplined, focused, and consistent in how we execute our strategy. Next slide please.

To conclude, 1Q26 was another record quarter as we continue to execute through operational excellence, disciplined execution, and a clear strategic direction. As a key enabler to ADNOC's upstream plans, ADNOC Drilling outlook looks very strong as we continue to deliver our client needs, supporting their long-term energy strategy of meeting rising global demand.

The Board’s recommendation of the first quarter dividend under our progressive policy reflects the resilience of our business model. We are equally excited about advancing our strategy for regional expansion, having successfully closed two transactions that added a total of 30 rigs to our fleet. At the same time, we remain focused on advancing our ESG agenda and pursuing ambitious goals.

In summary, ADNOC Drilling is strategically positioned for sustained growth, maintaining resilience while ensuring consistent cash flow and delivering lasting value for the long term.

Thank you for your time. We will now open the floor for your questions.

QUESTIONS AND ANSWERS

Afaq Nathani - *International Securities*

Hello, congratulations on a great set of numbers as always. A couple of questions from me more on the strategic side. So firstly, I mean with the regional tensions, and I know those really haven't impacted the results, which is commendable, but just want to understand if that changes anything on the regional expansion strategy. Is it still the same or would you reassess any of the plans?

That's one. The other on the recent news of the OPEC exit. I understand it may be too early to comment and the decision probably is largely by the government itself. But what is your thought around it and how much more capacity do you think would be required for UAE to potentially achieve its goals? Could we see sizable requirement for new rigs infrastructure resulting in material revision of your medium-term guidance as well? Thank you.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you very much. This is Abdulla, the CEO of the Company. I think you have touched very important points. The first point about basically the current situation and the disturbance and what we are seeing around our expansion, I think a very valid point. The good thing that we would like to report is this quarter really has tested our resilience and I think it is something that we are super proud of.

It's really not only the resilience of the operating model or the business model because of this long-term contracted, let's say, take-or-pay contract. But it's really the resilience of our people, where they really stood and delivered the highest-ever rig availability, reduction of risk, non-productive time, so the quality of the job.

This is really, really was commendable with great efforts, with all this disturbance around us. I think you have heard the news how the country stood basically to respond to these basically unjustified attacks.

So I think the Company is no different. I think we have really stood and delivered the great results despite what's happening in the region. Does this change our strategy? The answer is no. I think we are based on fundamentals. What we see, we see short-term disturbance. I think on the long-term perspective, the supply of this region and what's needed in terms of energy from this region is something that it has to restore. I think we have full trust in our leadership, in our ecosystem, that this energy from this part of the world has really to be restored somehow.

The second question about the exit of OPEC and how ADNOC is reacting to this, I think you're right. It's too early to say but I think this is a long-awaited decision and the UAE itself has announced that this is the time. I think if you look to all around us when it comes to the strategic reserves, all basically storages are drained and now it's the time really to refill these strategic reserves and ADNOC has taken the right move into helping the world with bringing the energy security and the energy supply to the entire world.

So soon, I think ADNOC will come with their plans, what they would like to do exactly. I think stay tuned because we, as a Company, we are very much well positioned to help ADNOC to fulfill its mandate and do whatever they would like really to do in the future. We will be the first people to really help them to deliver their mandate. Thank you very much.

Afaq Nathani - *International Securities*

Thank you, Abdulla. That's very welcoming to hear and good luck for the rest of the year. Thank you.

Guillaume Delaby - *Bernstein Societe Generale Group*

Yes. Good afternoon. Thank you for taking my questions. One strategic question and one more housekeeping one. So the strategic question, over the past three years, you developed a portfolio of new OFS technologies by essentially acquiring some high-tech mid-size US OFS.

At that time, my view is that you were probably one of the very rare net buyers of OFS technologies in the world. So my question is, given the current environment, how could your plan change in terms of acquiring new OFS technologies, especially given the fact that maybe now new players are going to emerge and maybe compete with you on valuation?

So I would like first to have a sense on that and my second much more housekeeping question is regarding your number of rigs. So there are two island rigs which are joining the fleet. I think there is another one in '27, and I think three other ones. Am I correct on that? Thank you very much.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you very much, and I think you are right. I think basically acquiring technology-led US companies, it's very important and a strategic move from our perspective. I think it's no brainer. I think the future is technology, the future is innovation, the future is all about best practices, and we believe our Enersol platform is the right platform with our partner, Alpha Dhabi, to acquire the right technology, the right IP in order really to bring these technologies whether to the region or really to allow them to excel in their own domain in US.

We think it was a great strategic move and we will continue evaluating the market. We still have another $800 million, if I'm not mistaken, to invest on the same platform as announced. Our strategy remains the same, that we will continue to grow in terms of technology, AI-adapted companies, and if you have a good target, let us know, please. The other question about number of rigs, maybe, Youssef.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Yes, you're absolutely correct on the second point. So we have two island rigs where they've already joined the fleet. They will start operations in the remainder of this year. One more island rig which will join the fleet and start operations this year. Then three more which will join and start operations next year.

So in total, six incremental island rigs in terms of financial impact between the remainder of this year and next year, for effectively 2028 to be the first year where you have the full impact of all incremental six island rigs.

Guillaume Delaby - *Bernstein Societe Generale Group*

Thank you very much. Very clear. Thank you very much.

Anna Kishmariya - *UBS*

Good day. Thank you very much for strong results and the presentation. A couple of questions from my side. Starting from the current level of disruption, can we say that in April and May, the disruption to operations from the ongoing situation in the region remains the same as of March levels? Basically not that much and maybe sometimes offshore operations being suspended for a little bit of time, is this fair to say for April and May as well?

The second question will be around the UAE move from OPEC as a follow-up and two blocks here. First, around the oilfield services bit. If we assume that the UAE will not immediately increase the plan for a higher maximum production capacity, what level of additional oil services just to increase production maybe closer to 5 million barrels per day do you think would be required and how much of the contribution from that do you expect to capture?

Second one is I think there were comments that some of this increased production will be coming from the unconventional production. Do you see it as a sign that we can see FID around the unconventional phase 2 reasonably soon? Thank you very much.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you very much and I think you have listed three questions. The first one is about the disturbance in April and May, and I can confirm basically we do not have any material disturbance for our operation in April and May and we will continue to see the same resilience that you have seen in quarter 1, will continue with us basically in the current quarter. So the answer is we do not see any material disturbance to our operation. The second question about…

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Additional OFS to increase production.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Yes, I think there is enough let's say clarity about what ADNOC would like to do in the coming quarter. But I think we are waiting, ADNOC as the operator really, to firm their basically plans, what they want to do exactly.

The moment they have basically announcing whether it's extra capacity or same capacity or whatever. So I think we will be the most positioned player really to fill that mandate. The third question about the unconventional and do we see FID? I think there is really a good momentum happening today with Upstream when it comes to FID for phase 2.

We have already basically engaged with very good international partners like EOG in the country, and I think they have seen great results from their de-risking program. Hopefully, the operator will announce their FID at the soonest. We are really expecting good things to come very soon. Thank you.

Anna Kishmariya - *UBS*

Thank you very much.

Faisal AlAzmeh - *Goldman Sachs*

Yes, hi and congratulations on the numbers and the resilience of your operations in the quarter. I hope everyone remains safe as well over the coming period as well.

Maybe just two questions on my end. Maybe just if we circle back on the comments on the capacity and the production. Is there a sensitivity that you can provide towards how we should think about the number of rigs required should the UAE decide to add another million barrels?

I know there's a variable there, which is obviously timing. But if you can, from your perspective, given where you are and the scale that you have today, how should we think about the number of rigs to be added with an additional million barrels compared to the last time you've added a million barrels a day of extra capacity?

Maybe if we can add another layer to that question which is, when we think about production, maybe if you can give us some level of sensitivity around every 100,000 barrels of extra oil production, what does that mean for the business? That would be very helpful. Thank you.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Faisal, you highlighted one of the variables, which is timing. So obviously, depending on the time, you need to achieve a certain amount of barrels that has a significant impact. There's also a significant number of other variables. For example, how much of that is onshore versus offshore. Offshore, you would have a higher productivity per rig. Even within offshore, how much of that is jack-up versus island. Also, for example, if it's conventional versus unconventional. Conventional productivity per rig is higher than unconventional, given the shorter well life of the unconventional.

Also, the nature of the fields. You have some giant fields like Upper Zakum versus some smaller fields. There's a very significant number of variables that would impact that. For example, if you look at the number of rigs we talk about when we talk about the unconventional, these are very significant, despite the actual production from the unconventional being materially smaller than the conventional.

I think there's a really very large number of variables that makes it very difficult at this point to try to estimate. I think what we need to look at is different scenarios. So obviously, yes, you mentioned what we had last time, where 1 million barrels was equivalent to 45 rigs.

So I think the best starting point is to start from something historical factual and then to simulate that. If, for example, this is more conventional, more unconventional, more onshore, offshore, then what that would mean.

Because again, as Bu Mohamed mentioned, we need first to get from ADNOC, kind of a well plan for what is their future drilling well look like, and then effectively translating that well plan into a rig plan.

Now, what it means financially, again, obviously that also has a linkage because, for example, as you know, if it's, for example, more unconventional, then the top line per well is significantly higher, given the ability to also offer oilfield services and lump sum turnkey, but obviously at lower margins given the tighter economics for the operator.

So similarly, the financial impact would need to be simulated on a scenario basis, where if it is for the conventional site, then it is fair to continue to simulate it on a rig basis, where, for example, as you know now, at a very high level on the onshore side, you were generating around $20 million revenue per rig, $10 million EBITDA per rig. Whereas, for example, on the offshore side, we are averaging closer to $30 million revenue per rig per year and closer to $20 million EBITDA per rig per year. Whereas, for example, if it comes to unconventional, then that will be simulated more on a well basis, given the oilfield services component. So that would be closer to between $8 million to $10 million revenue per unconventional well, depending on, again, the nature of the well, being oil, gas, et cetera.

So I think at this point, I think looking at sensitivities and ranges, rather than looking at specific numbers. Then while obviously, we're now starting also our business planning schedule, because also the latest announcement coincides with the general natural business planning cycle. Basically, by our Q3 results we would have the new business plan for 2027 to 2031 endorsed.

I think at that point, we'll be able to provide a clear guidance in terms of both '27, as well as updated medium-term and long-term guidance once the latest plans are baked into our own Board-approved business plan by end of October.

Faisal AlAzmeh - *Goldman Sachs*

In terms of, I guess if I can add another question, just when we think about knowing your client and what they are set up for, do you think it's mostly going to be on the unconventional side if they wanted to add another million barrels? I mean what are the deciding factors that go into that plan when we think about it, whether you think about onshore and offshore versus unconventional? Maybe if you can shed some color on how the decision-making process usually takes place.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

So when you think about what technically our clients are, our clients are multiple entities which have multiple different international partners. For example, our client on the offshore side would be ADNOC Offshore. Where, for example, in some of the biggest fields like Zakum, you will have, for example, a company like Exxon having an important role. For example, on the other hand, you have ADNOC Onshore, you have different partners. Then we have, for example, ADNOC Sour Gas, where Oxy is very important in the expansion of the onshore sour gas fields.

Then you have, for example, on the offshore sour gas side with Hail & Ghasha as a separate company. Then you have the unconventional as separate companies with PETRONAS and EOG. So by definition, the growth of ADNOC will always be diversified because you have a number of different partners who have invested significant CapEx into different concessions.

So you will never, let's say at ADNOC, at the UAE, take all your expansion into only one field or one bucket. (1) Because by definition, you want to have a diversified and these different fields give you different things in terms of oil, gas, et cetera. But also because you have different partners who have invested substantial CapEx in different fields and concessions and each of these partners needs to be able to see a return on their investment.

Hence, you will always have a diversified. Again, if you think back to the historical example, when we had the growth from four to five, it was almost equally split between the growth in onshore and offshore, and the growth of the fleet was almost also equally split with almost each of the two fleets increasing by 50%.

So that diversified approach to growth is inherent by design, given the concession partners, international partners. It's something we see and we expect to continue to see, as opposed to disproportionate growth from one specific field or subpart of operation.

Faisal AlAzmeh - *Goldman Sachs*

Very helpful, thank you very much.

Abhishek Kumar - *Bank of America*

Thank you very much and congratulations on the resilience and a great quarter. My question is around two. One is on Enersol. We haven't seen any acquisition in that business for some time now. What is the thinking there in terms of deployment of balance of $800 million? Is it valuation which is preventing you from doing these deals or what is the thinking there, is the first one. Second one is, again, I mean we have talked about that in previous questions, et cetera, in terms of the various scenarios that you talked about.

So again, I mean staying on that, given in offshore, the preference is more towards island rigs, is it okay to assume that between jack-up and island rigs, the preference from the operator is for island rig? Especially on the Upper Zakum, which is going to play a significant role in this production expansion if that happens. Thank you.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you very much for your question. Youssef is the Enersol Chair of the Board. So if you would like to hear from the company, Enersol, Youssef can answer. But if you'd like to hear from the shareholder, I can answer it. But I think from my perspective, yes, I think the guys are really trying to find the right targets. We have deployed the management now. The management now is fully on board with the Company. Dean and his team have already taken the role of finding the right targets. We have found good targets and they are already in the M&A pipeline.

A couple of targets basically were turned down because of high multiples. As I said, we were very, very, let's say, careful when it comes to value creation, and we would like really to put the CapEx on platforms that really generate value for us and for the Company as Enersol.

But I can tell you, the pipeline is full, they have good targets, they are really assessing and stay tuned. I think the guys will announce something soon. So maybe Youssef, as the Enersol Chair, can comment on this as well.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

No, absolutely, Bu Mohamed, fully agreed and, Abhishek, I think the point you made about valuations is very fair. We are very disciplined. You've seen the increase in valuations for us. We're not under any pressure to try to deploy by specific points in time.

For us, this is a long-term strategic approach of building an IP and patents and technology portfolio that futureproofs the business and puts us at kind of by adding a clear value prop around competitiveness. So we'll do it at the right time and as Bu Mohamed said, we have a very healthy pipeline to do it, but we'll only do it at the right term.

Same thing with the regional growth, right? We're doing it because we have the right deals now. But at the end, we also have the ability to deploy rigs organically. Like we've won four rigs organically in the GCC. So for us, M&A is always a complementary tool that we'll do it as long as effectively it makes strategic and financial sense.

Abhishek Kumar - *Bank of America*

Yes, thank you.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

I think we missed another question. I think your question was about the preference, jack-up or island. I think going forward, ADNOC have really made their preference that they would like really to work on islands, artificial islands, we're bringing island rigs in order really to bring the efficiency with this extended reach, let's say, capability of the new rigs that we have bought. So two of them already in the country. The other four coming 2027. So I think the future is really, really bright. Once ADNOC maybe they need to announce the new capacities, more rigs will come as well as the island rigs.

Audrey Zong - *China Securities*

Hi, good afternoon. This is Audrey from China Securities and thank you for taking my question. My question is about statistics. Actually, the first small question is about cost. I observed that the cost in Q1 increased about 11%. Compared with the revenue increase, it is a little bit higher. I want to know what drives the cost to be higher? This is the first one.

And the second one is about your EBITDA margin. I observed that the first quarter's EBITDA margin is about 43%. Compared with your guidance, it's a little bit lower. So can we expect that the EBITDA margin in Q3 and Q4 would be a little bit higher? Thank you.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Thank you, Audrey, and thank you again for hosting us in China. So I think on the first point, there is the reason, and these two points are interlinked, EBITDA and the cost. Because the oilfield services has again outperformed in Q1 and grew faster than guidance and consensus and was the fastest-growing part of the business, it does come with a higher cost as a percentage of revenue and effectively a lower EBITDA margin and hence resulting in that lower overall margin or higher overall cost as a percentage of revenue.

However, again, because of the more asset-light relative nature of the services, it continues to propel our return, and that's why our return on equity has reached 33%. That's why we continue to see it as a very healthy outperformance that, yes, optically may show as higher cost or lower EBITDA margin, but from a returns perspective, it continues to be accretive to the business.

Plus, from a strategic perspective, having that growth in the oilfield services combined with the rigs, allows us to continue to be the only drilling contractor in the Middle East that is able to offer that integrated drilling service and lump sum turnkey offering which positions us very competitively both in the UAE and externally to gain more market share.

So we see it as a very intentional and accretive and strategic move. Do we expect to see a slightly higher margins in Q3 and Q4? Yes, because we have the island rigs coming in which come at around the 65% EBITDA margin, and hence, by definition, present a bit of a margin boost. Again, it's not something that we were trying to specifically reach for us, the focus is on the returns. So even if the OFS was to effectively come in and accelerate again, and hence offset that additional margin from the island, that's totally okay, because of again the returns.

So do we have a margin advantage coming in? Yes, because of the island. But if the OFS is to outperform again and again, that may offset that advantage, but that's again absolutely fine because of the return enhancement that that brings.

Audrey Zong - *China Securities*

Great. Thank you, Youssef. That's very helpful. Thank you.

Mick Pickup - *Barclays*

Good afternoon, everybody. A couple of questions, if I may, on MBPS. Obviously, it looks like it's completed a bit sooner than expected. So obviously, you've been very resilient in your own domestic market. Has MBPS been seeing any impacts in its markets, which are non-UAE? Secondly, I think you gave a guide for 1H. If my maths is right, 2Q is going to be flat on 1Q. How does that tally with MBPS coming in for half a quarter?

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you very much for the question. I think for us, MBPS, really a great deal. We really managed to close on a record time. We really managed to close this on 4 May.

From a performance perspective and from what they are really facing in their own market, their own domain, we can confirm that they are really outperforming their basically original investment case. So I think versus our base case of investment, they are doing much better. Versus the budget and the plan, they are doing even more. So I think all in all, I think this transaction tends to be very, very positive and hopefully will continue with their, let's say, disciplined execution.

They have a great management, they have a great team who is really delivering, connecting with their customers, and we are coming to 80% of their stake, we are really trying to support them with the disciplined execution when it comes to investments.

So I think there is really a great fit between us and MB as a partner. I think we have a great story, and I think in the coming months or years, you will see this platform to grow.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

I think on your second point, Mick, in terms of that, yes, you're absolutely right that kind of implied from the guidance is kind of Q2 relatively flattish on Q1. As you said, on one hand, you have a slight advantage of having a month and kind of three weeks of MBPS coming in.

On the other hand, as we have mentioned, because on the unconventional, we were significantly ahead of plan on phase 1. Turnwell effectively now getting close to almost 100 wells done, and some of these wells also have effectively more like deeper laterals, effectively almost being in reality, even though they're 100 wells, if you compare them to the original 144, in reality, they're more than 100, because obviously ADNOC looks at this on a footage basis, and hence we're getting more footage done.

So as a percentage, we're even more than 100 out of 144. So as a result of this, you will have slightly less in the unconventional in Q2 because some of these have already been preloaded before. Hence these two things, a slight impact of just above a month from MBPS and the slight preloading that already took place for the unconventional, broadly offset each other, leaving us with a Q2 that is broadly in line with Q1. So you're absolutely right on that assessment.

Mick Pickup - *Barclays*

Okay, thanks.

Aakarsh Tomar - *SICO*

Thank you so much for the opportunity to ask the question and congratulations on a great set of results. But this is our question from SICO Investment Bank. So just one last question. I mean I know you have answered a lot of questions around the hypothetical scenario of the higher minimum sustainable capacity.

Just wanted to know, that Youssef, that you said last time you had an increase of 1 million barrels per day you needed 45 rigs. Now my understanding is that you don't need these 45 rigs to maintain the production, right? It was for the increment you needed it. So in case there is an announcement of a higher minimum sustainable capacity, how many of these 45 rigs can you use for that? I mean assuming that the split is like last time, 50% onshore, 50% offshore, assuming everything remains as per like the last increase, how many of these 45 would be required to maintain the production and how many can be used for the next leg of growth? Thank you.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

I think we have previously communicated that there is a high single-digit number of onshore rigs, which were the older rigs, which were effectively getting repurposed. We've generally talked around a couple of jack-ups in that space.

Apart from that, the vast majority of the rigs, and effectively all our fleet pretty much which is operating, needs to continue to operate in order to maintain the 5 million barrels per day plateau. Because it's not only about reaching the 5 million, it is also about maintaining that 5 million against a backdrop of natural decline of these fields and wells.

So these are ultimately fields and wells as they age, there is more work that's required to effectively maintain that capacity. Plus, there's also a gas growth to the significant minority of rigs, which support ADNOC's gas plans, which part of them are standalone gas. So they're not necessarily linked to the 5 million. So they're standalone onshore sour gas, offshore sour gas in Shah, in Hail & Ghasha, in unconventional.

Hence, apart from, call it this kind of 10 plus minus onshore and offshore rigs, which we've already explained the repurposing of, as already predominantly have exited or exiting from the financials, the vast majority of the remaining fleet is continuing to operate to support the 5 million and the gas expansion plan.

Hence, to the extent, if and when there is any further upgrade of capacity or any additional growth, then obviously the vast majority of that would need to be served by incremental rigs. So I think two parts to the answer. One part is even if hypothetically there was nothing above the five, that would not present any risk to the existing business because the impact of that in terms of this predominantly on the onshore side that we've already baked into the financials.

Plus, we obviously have capability as well now with a regional footprint that is 30 plus rigs. We now have more flexibility and options in terms of deployment of rigs. Then the second part of your question is, to the extent if and when there's an upside in capacity, does this still present an upside to our rig count? Then the answer is absolutely yes.

Aakarsh Tomar - *SICO*

Thank you so much.

Anna Kishmariya - *UBS*

Thank you for taking a follow up. A quick question around Oman and Kuwait contribution in first quarter. Can you please specify what was the contribution for the quarter and what is expected overall for the year, if you can? Thank you so much.

Youssef Salem - *ADNOC Drilling - Chief Financial Officer*

Yes, for sure. So on the SLDC side, that is the one that contributed in Q1. So we're looking at around $30 million contribution from that side of the business. Then MBPS will start coming in on the revenue side. Again, on Q2, it will add incrementally around $30 million. Obviously MBPS is bigger than SLDC, but because it's not coming in for the full size, so it's coming in only for part of that contract with just under two months as part of that. So if you annualize all of that in terms of a full year, you'd be looking at above $250 million of revenue run rate from both businesses combined.

Anna Kishmariya - *UBS*

Thank you.

Abdulla Ateya Al Messabi - *ADNOC Drilling - Chief Executive Officer*

Thank you very much for your time and we really enjoyed the discussion and our commitment remains to you that we will remain disciplined, resilient, and transparent with you about our activities about, let's say, progress. So looking forward to seeing you on the next call. Thank you very much, guys.