NMDC ENERGY



9M 2024

Management Discussion and Analysis (MD&A)

This Management Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim condensed consolidated financial statements of NMDC Energy PJSC as at and for the three and nine month period ended 30 September 2024.





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Financial Highlights



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Financial Highlights
YTD September 2024

NMDC Energy reported robust financial results, reflecting its sustained strong performance and ongoing growth. This demonstrates the company's ability to consistently enhance shareholder value.

Revenue

AED 9,783 m

96% increase (YOY)

Net Profit

AED 904 m

122% increase (YOY)

Gross Profit

AED 1,003 m

104% increase (YOY)

EBITDA

AED 1,196 m

117% increase (YOY)

Total Assets

AED 15,650 m

20% increase (31 Dec 23)



Total Equity

AED 4,750 m

Free Cash Flow

AED 792 m

Working Capital

AED (405 m) *

*Current assets - current liabilities (excluding cash and debt)

Backlog

AED 50 bn

New Projects Awarded (YTD)

AED 16.6 bn

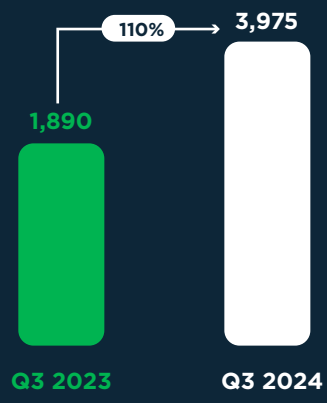
Financial Results
Q3 2024

Revenue

AED 3,975 m

110% increase (YOY)

Revenue for Q3 2024 was AED 3,975 million, an increase of AED 2,085 million (110%) against AED 1,890 million for Q3 2023

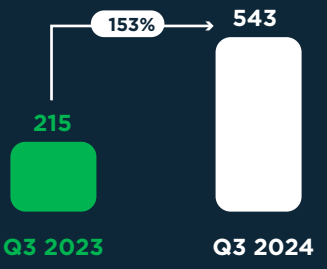


EBITDA

AED 543 m

153% increase (YOY)

EBITDA for Q3 2024 was AED 543 million, an increase of AED 328 million (153%) against AED 215 million for Q3 2023

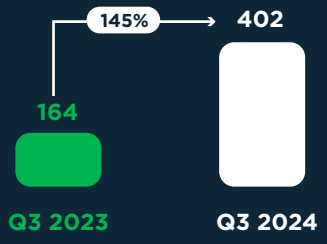


Net Profit

AED 402 m

145% increase (YOY)

Net Profit for Q3 2024 was AED 402 million, an increase of AED 238 million (145%) against AED 164 million for Q3 2023





Financial Results
9 Months 2024

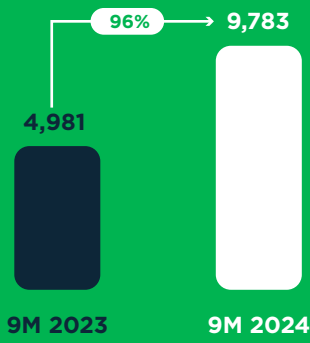


Revenue

AED 9,783 m

96% increase (YOY)

Revenue for the nine-month period ended 30 September 2024 was AED 9,783 million, an increase of AED 4,802 million (96%), compared to AED 4,981 million for the nine-month period ended 30 September 2023

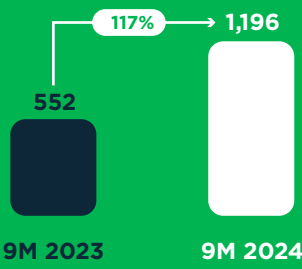


EBITDA

AED 1,196 m

117% increase (YOY)

EBITDA for the nine-month period ended 30 September 2024 was AED 1,196 million, an increase of AED 644 million (117%), compared to AED 552 million for the nine-month period ended 30 September 2023

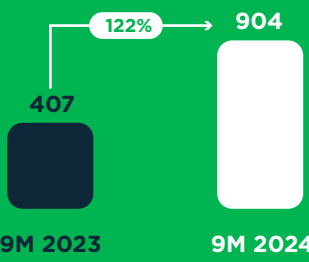


Net Profit

AED 904 m

122% increase (YOY)

Net Profit for the nine-month period ended 30 September 2024 was AED 904 million, an increase of AED 497 million (122%), compared to AED 407 million for the nine-month period ended 30 September 2023



Backlog

AED 50 bn

As of 30 September 2024, the secured backlog stood at approximately **AED 50 billion**, reflecting the robust secured revenue.

Free Cash Flow and Working Capital



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Free Cash Flow and Working Capital

Free Cash Flow

Free cash flow in Q3 2024 was driven by lower CapEx incurred during the quarter. For the nine month period in 2024 free cash flows have more than doubled given the significant increase in business operations and favorable working capital management.

AED MILLION

	Q3 24	Q3 23	9M 24	9M 23
Cash from Operations	415	294	**1,097**	821
Capital Expenditures	(100)	(401)	**(305)**	(503)
Free Cash Flow	315	(107)	**792**	318

Working Capital

Net working capital continued to remain negative as at 30 September 2024 largely driven by increased focus on collections which led to a reduction in debtor days, and advances from customers coupled with an expansion in payable days. On an overall basis the business continues to operate with a healthy position from a working capital cycle perspective despite significant growth in operations.



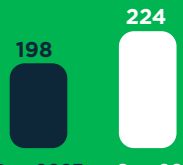
AED MILLION

	30 Sep 2024	31 Dec 2023
Inventories	**250**	236
Trade & Receivables	**5,759**	3,175
Contract Assets	**2,997**	2,209
Other Current Assets	**204**	1,041
Trade & Other Payables	**(9,045)**	(6,028)
Contract Liabilities	**(333)**	(141)
Other Current Liabilities	**(237)**	(851)
Net Working Capital	**(405)**	(359)

Days Sales Outstanding



Days Payables Outstanding



Backlog



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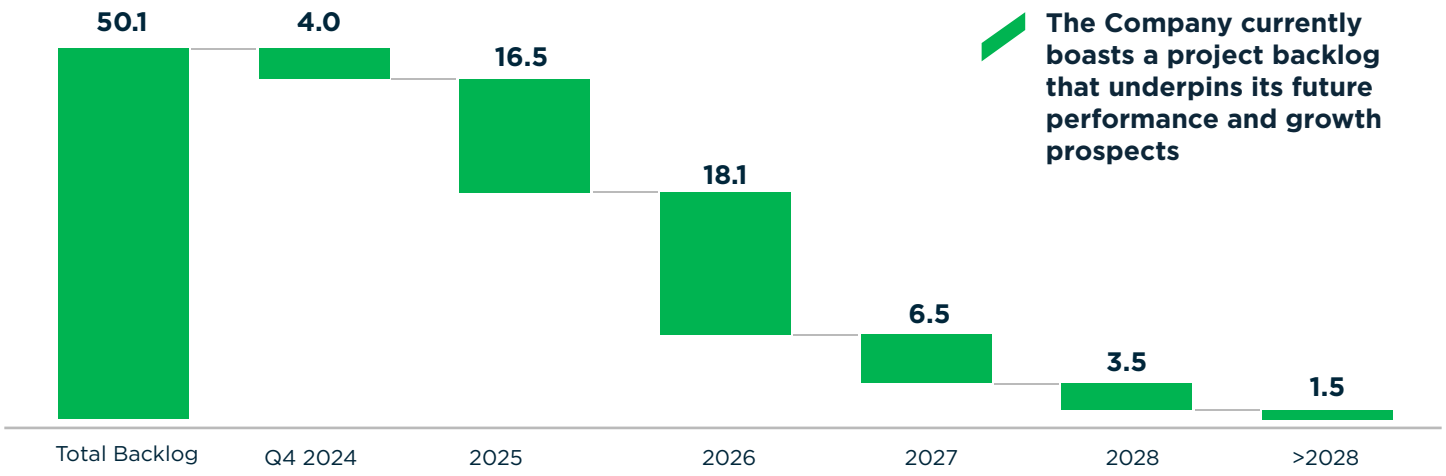
Backlog

Expected backlog unwinding (AED billion)



The Company currently boasts a project backlog that underpins its future performance and growth prospects

The Company's project backlog represents the total value of contracted projects that are yet to be completed. This backlog is a key indicator of the future revenue potential and operational workload.

As of 30 September 2024, the secured backlog stood at approximately AED 50 billion, reflecting the robust pipeline of upcoming projects, the extent to which revenues are contractually secured and the continued confidence from clients on the Company's capabilities.

AED 50 BN

Secured Backlog

During the first 9 months of 2024, AED 16.6 billion was added to the backlog on both existing and new projects.

Key Developments & Events



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Key Developments and Events

IPO

11 September 2024: NMDC Energy began trading on the Abu Dhabi Securities Exchange (ADX) following an Initial Public Offering (IPO) that was oversubscribed by 31.3 times.

The offering of 1.15 billion shares in NMDC Energy, representing 23 per cent of the total share capital, was made available to eligible investors at Dh2.8 per share.

The IPO saw outstanding demand across all segments, becoming oversubscribed within hours of its launch on 30th August 2024. At the close of the subscription period, the retail tranche was oversubscribed 600 times, and the professional tranche by 16.7 times.

The unprecedented interest we received underscores the market's trust in NMDC Energy's ability to grow within the sectors it operates in and NMDC Group's ability to lead the industries of the future.

11 September 2024
Listing Date

1.15 bn (23%)
Shares

31.3 times
over-subscribed



Key Developments and Events

Key Projects

Hail & Gasha Project

Offshore drilling centers, subsea pipelines, umbilicals, power cable connections, seawater intake structure, bridges, risers, flare, and facilities at Ghasha Offshore Processing with a value of approximately AED 15 billion and an expected completion date of Q3-2028.

MERAM Project

New facilities to recover the ethane from residue gas from various existing NGL Recovery Units with a value of approximately AED 6.4 billion and an expected completion date of Q3-2027.

ZULUF Project

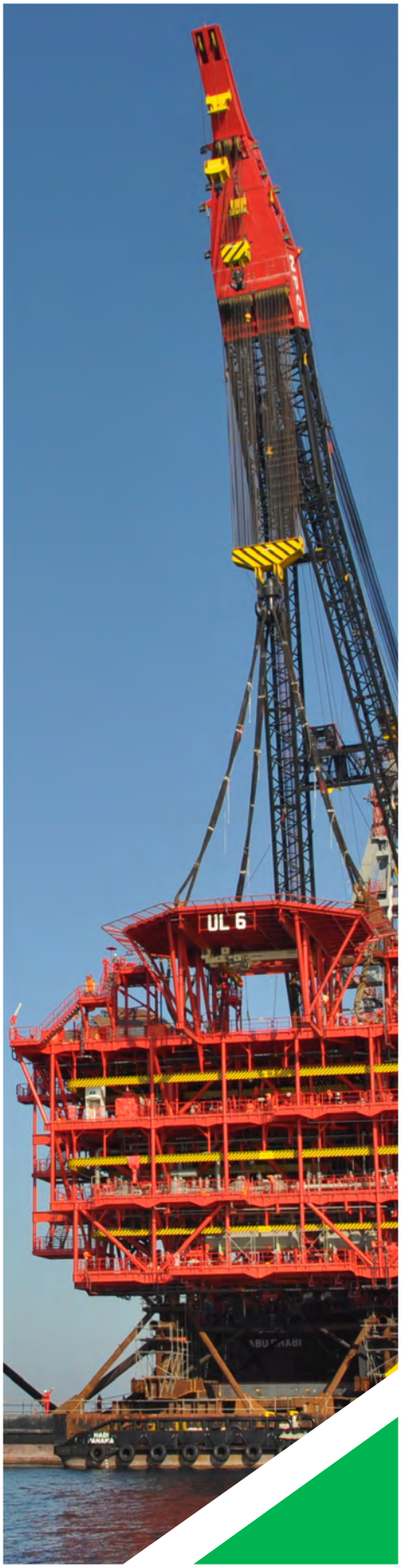
New ZULUF AH West/East Oil Facilities and associated subsea works with a value of approximately AED 8 billion and an expected completion date of Q2-2026.

HURLK Project

Lower Zakum HURLK EPC project with a total value of approximately AED 2.3 billion and expected completion date of Q3 2026.

Lower Zakum LTDP 1

EPC works with a value of approximately AED 8.8 billion and expected completion date of Q2 2028.





Key Developments and Events

Industry 4.0 Digital Leader



9 August 2024 – NMDC Energy has been officially recognized and certified as an Industry 4.0 Digital Leader by the Ministry of Industry and Advanced Technology (MoIAT).

This distinction recognizes NMDC Energy as a leader in the Fourth Industrial Revolution, leveraging state-of-the-art technologies to enhance operational efficiency, promote sustainable growth, and increase competitiveness within the UAE's industrial sector.

Sustainability and Health, Safety & Environment



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Sustainability and Health, Safety & Environment

Sustainability

MSCI Rating

We are proud to announce that NMDC Group, the majority shareholder of NMDC Energy, has achieved an MSCI AA ESG rating, which reflects the group's commitment to sustainability. As a leader in this field, we are striving for excellence and aim to attain an AAA rating.



A company leading its industry in managing the most significant ESG risks and opportunities.

Emission Inventory

We have updated our emissions inventory to enhance the accuracy of our emissions assessment. These insights enable us to focus on minimizing emissions in our operations (Scope 1 and 2) as well as those of our suppliers (Scope 3).

ESG Strategy

To further optimize our sustainability performance, we have developed a comprehensive strategy built on five pillars (two environmental, two social, and one governance). This strategy encompasses a number of initiatives to enhance our overall performance.

Sustainability and Health, Safety & Environment

HSE

IPLOCA Award

NMDC Energy was the winner of the recent 2024 IPLOCA Environmental Award for Blue Carbon Initiative sponsored by Shell. NMDC Energy planted 20,001 mangrove seedlings which can capture 246 tons of CO2 annually.

On site solar panels

We are setting up a pilot to install temporary solar panels on our off-grid project sites. These panels provide a renewable energy source, reducing reliance on diesel generators and minimizing greenhouse gas emissions during project execution.

Electrification

As part of our commitment to sustainability and reducing our environmental impact, we have initiated the electrification of our construction yard. This transition from traditional fuel-based power sources to renewable electricity aligns with our ESG goals.



Strategic Expansion



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Strategic Expansion

New Business

Offshore wind

Strategic move to increase our revenue from wind projects by acquiring a DP vessel is poised to be a transformative step, propelling the company towards an annual revenue exceeding AED 1 billion and solidifying its position as a key player in the rapidly expanding renewable energy sector.

Module Fabrication

By investing in module fabrication, NMDC Energy plans to enhance its service offerings, reduce costs, improve project timelines, and capture a larger market share in the Middle Eastern Energy industry. This expansion also aligns with global trends towards modularization, which is likely to become a preferred method in offshore projects in the coming years.

Energy Transition

Strategic Joint Venture with Technip (NT Energies) is a collaborative journey to decarbonize industries. At NT Energies, we combined efforts of two large players to support our clients in their energy transition.

Decommissioning

Enter the decommissioning sector either through building our own in-house capabilities or inorganically through acquisitions. Total expected global decommissioning expenditure out to 2050 is around USD 500 billion of which USD 128 billion between 2022 and 2030.



South East Asia

Strategic entry into the Southeast Asian market through potential partnerships with a number of existing players heralds a new era, unlocking promising avenues for projects in that dynamic region and broadening the Company's global footprint.

Africa

Enter the African Energy market signals a pivotal expansion, with the continent offering immense potential with total project values in the African market estimated to surpass more than AED 100 billion in the next five years.

India

The Company is currently expanding the capabilities of its engineering office in India to undertake small and medium-sized EPC projects, ensuring a diversified portfolio and targeting additional revenue streams for the Company.

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These forward-looking statements and other statements contained in this document regarding matters that are not historical facts as of the date of this document involve predictions. No assurance can be given that such future results will be achieved. There is no obligation or undertaking to update these forward-looking statements contained in this document to reflect any change in the expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so: (i) as a result of an important change with respect to a material point in this document; or (ii) by applicable laws of the UAE.

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