أدنوك للإمداد والخدمات
ADNOC LOGISTICS & SERVICES

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Corporate Participants

Abdulkareem Al Masabi – ADNOC L&S – Chief Executive Officer

Hugh Baker – ADNOC L&S – Chief Financial Officer

Peter Budd – ADNOC L&S – Acting VP Investor Relations

Peter Budd – *ADNOC L&S – Acting VP Investor Relations*

Thank you, Ali. Hello, and good afternoon to everyone, and welcome to the ADNOC L&S First Half 2026 Financial Results Earnings Call. My name is Peter Budd. I'm Acting Vice President of Investor Relations at ADNOC L&S. On behalf of the entire team, I'd like to warmly welcome everyone, and thank you for your ongoing interest in ADNOC L&S. By now, you should have received the earnings presentation pack. If you haven't, you can download it from the ADNOC L&S website in the Investor Relations section.

Please turn to Slide 2. I would like to direct your attention to our disclaimer on Slide #2 before we begin. It contains important information, and we advise caution on the interpretation and limitations of historical data and forward-looking statements. Please turn to Slide 3. Our presenters today include Captain Abdulkareem Al Masabi, ADNOC L&S CEO and Mr. Hugh Baker, ADNOC L&S CFO. I will now hand over to our CEO for his opening remarks. Thank you.

Abdulkareem Al Masabi – *ADNOC L&S – Chief Executive Officer*

Thank you, Peter, and very good afternoon to you all. Thank you for joining us today. Q2 2026 was a landmark quarter for ADNOC Logistics & Services and the strongest financial performance in our history. We delivered record revenue of $2.6 billion and record EBITDA of $1.1 billion and a record net profit of $951 million, taking first half 2026 net profit to $1.2 billion. This was driven primarily by our support provided to ADNOC and the significant uplift in shipping TCE rates.

This exceptional performance and continued support from strong shipping markets has enabled us to raise our full year guidance for the third time in 2026 with significant upgrades across revenue, EBITDA and net profit, which Hugh will explain as we progress with the presentation. You can turn to Slide #5. The company reported a record lost time injury frequency of 0 for the second consecutive quarter and a total recordable injury rate of 0.15. And while we are proud of our safety achievements since the beginning of the conflict, our vessels continue to be targeted while transiting the Strait of Hormuz. Tragically, these attacks have resulted in 1 fatality and 20 injuries to crew members. In close coordination with the relevant authorities, ADNOC is taking all necessary measures to protect our people, assets and operations and meet our customers' requirements as much as possible.

Freedom of navigation and the safe uninterrupted passage of commercial shipping through international waterways must be respected and protected without threat, harassment or attack. And we extend our heartfelt condolences to the family and loved ones of our colleague and remain focused on supporting those affected. We turn to Slide 6. And before I pass over to Hugh, I would like to highlight why we believe ADNOC Logistics & Services remains well-positioned for long-term growth. Our performance today is not just a record quarter. It reflects the strength of the platform we have built and the scale of the opportunity ahead.

ADNOC's long-term growth ambitions continue to provide a clear foundation for our own expansion. And following the UAE's announcements in April that it will withdraw from OPEC, we expect ADNOC's increased production capacity to create further long-term opportunities for ADNOC Logistics and Services as we support the group's growing logistics and maritime requirements across multiple commodities.

This is underpinned by ADNOC's planned $150 billion investments through 2030 to expand production capacity alongside ADNOC L&S's $21 billion of forward contracted revenue with ADNOC from 2027. And we expect to continue to be a key beneficiary of ADNOC's growth, and we are investing in providing for the growing logistical requirements. Our strong cash generation and lower cost financing has allowed us to deploy an incremental $2.3 billion in fleet expansion since July of 2026.

Adding an additional 18 vessels, 12 of these vessels will be deployed within Q3 to support ADNOC, providing immediate earnings growth while strengthening our capability to support ADNOC's expanding production and export volumes. This lifts total committed CapEx to $5.7 billion. At the same time, our balance sheet remains exceptionally strong with limited debt, giving us significant flexibility to pursue further value-accretive growth. I will now hand over to Hugh to provide a detailed update on our results.

Hugh Baker – *ADNOC L&S – Chief Financial Officer*

Thank you very much, Captain Abdulkareem, and thank you to all the analysts and investors joining us today. Slide 7. Q2 was a record quarter for ADNOC L&S, delivering net profit of $951 million alongside record revenue and EBITDA. Shipping was the clear driver of this performance as we continue to benefit from the services we provide to support ADNOC's energy delivery. As Captain Abdulkareem mentioned, we have deployed a material amount of CAPEX from July.

A large proportion of the capital being deployed will drive significant near-term growth with VLCC and VLGC vessels committed to support ADNOC business continuity in the second half of 2026 at highly compelling rates. Our early investments in newbuild LNG carriers are also contributing to growth. During August, we will deliver 5 LNG vessels to ADNOC Gas which start under contracts of up to 15 years, supported by strong time charter equivalent rates. Integrated Logistics remains resilient despite an exceptionally challenging environment.

Material handling volumes are improving sequentially as operations normalize, adding further momentum across the business. As mentioned by Captain Abdulkareem, the UAE's withdrawal from OPEC is expected to create additional long-term demand for ADNOC L&S as we support the group's expanding logistics and marine requirements. We continue to remain focused on deploying capital with discipline, accelerating earnings growth and strengthening our ability to capture these demand-backed opportunities over time.

Slide 13. Slide 13 highlights the significant CAPEX deployed since July with most of the newly purchased vessels entering service immediately and contributing directly to earnings growth. Rather than prioritizing a higher near-term cash return, we have allocated capital to opportunities with clear ADNOC-backed demand, immediate earnings contribution and compelling returns. We believe this is the most value-accretive use of capital today and will strengthen our ability to deliver sustainable shareholder returns over time.

The 6 VLCCs and 3 VLGCs will enter service with ADNOC immediately upon delivery with the remaining resale VLGCs entering service with ADNOC in the fourth quarter, while our additional 4 LNG carriers on order are expected to support future LNG growth as additional capacity comes online by 2029. We've also taken delivery of 2 dry bulk vessels with the third expected shortly, providing additional dry bulk support. These are disciplined demand-backed investments rather than speculative additions.

We are allocating capital to assets that support ADNOC Group's long-term logistics requirements, contribute to business continuity and are expected to generate attractive returns over time. Please turn to Slide 14. Total CAPEX commitments through 2029 is now $5.7 billion, expanding our fleet and capabilities and reinforcing one of the sector's most ambitious growth pipelines. Of the 50 planned vessel additions, 19 have been delivered and 31 are scheduled for delivery over the coming years, providing strong visibility on future growth.

Importantly, these are not speculative investments. We expect the majority to deliver onto long-term contracts with ADNOC, supporting their growing logistics requirements. As these vessels enter service, they will enhance cash flow generation and support ADNOC L&S' next phase of sustainable growth. In addition, our TA'ZIZ port project, the UAE's first dedicated chemicals port in Al Ruwais is nearing completion. We expect this project to contribute to our 2027 earnings as this project is delivered in the first half of 2027.

Please turn to Slide 15. A key strength of our investment case is the direct alignment between ADNOC L&S' growth strategy and ADNOC Group's long-term ambitions. ADNOC is advancing one of the world's largest energy growth programs, supported by our $150 billion capital investment plan through 2030. This includes increasing oil production capacity to 5 million barrels per day by 2027, expanding gas production capacity by nearly 30% and more than doubling LNG capacity by 2029 and growing the chemicals platform.

XRG is extending ADNOC's global reach across gas, chemicals and energy solutions, creating opportunities beyond the UAE. As ADNOC's logistics and marine services partner, we are central to this growth. Every additional barrel produced, LNG cargo exported, offshore project developed and global energy opportunity pursued requires logistics, shipping and marine support and integrated supply chain services, which we expect to provide for. This clear demand visibility gives us confidence to continue investing ahead of future requirements.

Please turn to Slide 17. With that context, let me turn to the outcome of this performance, our third guidance upgrade this year. As we have outlined throughout the presentation, this upgrade is driven by the strength of our shipping segment and the resilience of our integrated logistics business as operations normalize. Comparing to 2025 actuals, we are guiding you for our revenue up to mid-20% year-on-year growth, EBITDA to mid-60% year-on-year growth and net profit up to high 110% year-on-year growth. That is a significant step-up in profitability.

We continue to model our guidance using similar assumptions. For shipping, our updated guidance is based on actual performance through July with prudent rate assumptions applied from August through the year-end. This gives us a high degree of confidence in the outlook. The recently acquired VLCCs and VLGCs are expected to enter ADNOC employment on short-term contracts, and this is also included in our guidance.

For integrated logistics, the main change in assumptions comes from the normalization of material handling volumes, whereby we guide to pre-conflict levels for the second half. Our assumptions for jack-up barge utilization are unchanged from the previous guidance. Given the strength of the 2026 performance and our latest expansion announcements, we are reviewing our midterm guidance parameters.

We expect these investments to provide meaningful long-term benefits, and we will update the market when that review is complete. Thank you very much, we can move to Q&A.

Abdulkareem Al Masabi – *ADNOC L&S – Chief Executive Officer*

Thank you very much all, and thank you very much to the participants online. And of course, we are looking ahead and our focus remains clear. Supporting ADNOC growth and deploying capital with discipline and strengthening the platform we have built to capture the visible demand backed by the opportunities. This performance demonstrates the resilient business model that we have built and the agility of our operations and of course, the strength of our people in navigating a highly challenging environment as we can see today.

And above all, the safety and well-being of our people will remain our highest priority and their professionalism and commitment continue to underpin everything that we achieve. And with strong visibility, a robust investment pipeline and clear strategic momentum, ADNOC Logistics & Services is well positioned for its next phase of sustainable growth. And we remain focused on delivering sustainable long-term value for our shareholders and investor base.

And thank you again for joining us today and hopefully, very soon, we'll see you in person.

Q&A Session:

Scott Darling (Analyst)

Good afternoon, everyone. Thank you ever so much for allowing me to ask a question and well done for the excellent results and also the excellent presentation. I have a few questions. It's great news on fleet expansion. Are you looking to add any more vessels this year or next year? And should we assume capital allocation is more focused on vessel purchase and you'll just maintain your current dividend policy? That's the first question.
The second question is, can you give any more insight into some of your day rates for the vessels, which will take delivery in the second half of this year? And then my third question is, are we at a stage now in the year where it's better for the market to actually assume that the Strait of Hormuz actually remains broadly shut as we go into next year? What's your thoughts on that?
I ask that because we're at a stage in the year where we're going to see elevated day rates in shipping probably for the rest of this year and now even going into 2027. Your thoughts on the market would be appreciated as well.

Hugh Baker (CFO)

Scott, I'll start and Captain Abdulkareem might step in. CAPEX on more vessels is taken on a case-by-case basis. We are clearly evaluating our capital allocation and our CAPEX based on ADNOC business continuity needs and our long-term strategy. So, I'm going to answer that question by saying we're obviously evaluating lots of opportunities and continue to do so, but there's nothing that we can talk to you about at this time.

In terms of TCE rate guidance, clearly, we've obviously benefited from very strong time charter equivalent rates for our internationally trading tanker fleet. Those rates are expected to continue for the rest of the year. We have a very positive outlook on rates and mainly also related to the fact that we definitely believe that the dislocation in the marketplace at the moment means that rates will not subside from current levels very quickly when they do subside. And in terms of the Strait of Hormuz, I wouldn't want to speculate on what happens there.

Ildar Khaziev (Analyst)

Congratulations on very strong numbers today and for the presentation. Can I ask you about the new VLCCs, which are supposed to join the fleet later this year? Are you saying that those VLCCs will probably generate day rates, which are linked to the prevailing market rates at the moment in the Gulf region? Should that be our working assumption in our models? Or they will actually be sort of on a long-term charter with some stable day rates, which we should model going forward?

Captain Abdulkareem Al Masabi (CEO)

I think we are like 2 stages, basically, the short term, you should look at the TD3 or TD34 as a reference within the Gulf and from outside the Gulf. For long TCE, that's not the plan at the moment, but we will evaluate it later in the year depending on how the market performs. But definitely, you can use the TD3 and TD34 as a guiding reference for those vessels for now.

Ildar Khaziev (Analyst)

And my second question, if you can say that, of course, is about the terms of your insurance coverage. So, I think you have mentioned in the past that your assets are fully covered. I just wanted to double check whether those asset incidents which you have had, whether the insurance would cover both the asset damage and the opportunity lost once you get and if you get the insurance proceeds?

Captain Abdulkareem Al Masabi (CEO)

Yes, they are fully covered as we have highlighted before. So definitely, this will be with us and our insurance and our underwriters. It's already in process, but they are definitely well covered, I would say.

Anna Antonova (Analyst)

Thank you very much for the presentation and congratulations on a strong set of results. We have a question on the integrated logistics division. So two questions. The first one, you mentioned earlier during the presentation that you expect volumes normalization in the second half. Within this context, how should we think about the margin evolution of this division in general or maybe by subsegment evolving in Q3 and Q4 this year? That's the first question.
And the second question, the press release mentions a one-off provision in offshore services recorded in Q2 this year. Could you please comment on the magnitude of that provision because it's not visible in the P&L. It's not the ECL provision in the contracting. It's something that you mentioned in the offshore services.

Hugh Baker (CFO)

Yes. In offshore services subsegment, the provision was $27 million. And our expectation for the rest of the year is that we are not expecting further provisions at this time. And indeed, we potentially may get a write-back on one of our earlier provisions later in the year. So that's the scenario with the provisions. In terms of our offshore logistics division, I mean, you're going to see margins get better throughout the course of the year. I mean we're seeing a normalization of our integrated logistics volumes in the second half of the year.

The material handling volumes were around 282,000 in the first quarter and we're seeing they went up to 287,000 in the second quarter. But that doesn't really reflect the situation because, obviously, in the first quarter, in March, we saw a substantial reduction in volumes. And so we're seeing a lot of recovery in the second quarter. And I think that you're going to see the material handling volumes go over 300,000 again, which is the sort of normal state in the second half of the year.

And again, we're seeing less EPC activity. Again, that segment is really not going to be a major contributor to our integrated logistics segment profits. But again, our offshore business, both in jack-up barges and in terms of the ILSP contract, we're expecting a stronger second half than the first half. And we're really seeing a normalization of both sectors.

Anna Antonova (Analyst)

That's very clear. And maybe a quick follow-up question on that, if I may. On the offshore projects, you previously talked about the ADNOC's expansion all across the board. Is it reasonable to assume that sometime down the line in the future, we may see more offshore EPC projects coming for L&S?

Hugh Baker (CFO)

I think I can answer that by saying I think we're not necessarily going to see major EPC projects on the scale of Al Omairah projects that we were participating in last year. But what you are going to see is we are seeing an increase in volume on offshore production from ADNOC offshore. As you know, ADNOC is increasing its oil production and a lot of that production has been focused on offshore production, which amounts generally to about 45% of the UAE's production.

And that's where we expect to see real growth. And with that growth, we are highly aligned to ADNOC offshore's growth in production. So what you can see is certainly improved results from our offshore integrated logistics and our jack-up barge segments over time aligned with that production.

Ahmed Es'haqi (Analyst)

It's Ahmed from SICO Bank, Bahrain. Firstly, congrats on the great set of results and for the presentation as well. So my first question comes targeting the expansions in the shipping segment. We've seen some additional LNG fleets announced and now the VLGCs and the VLCCs. So in terms of the gas vessels that have been added, are these expected to be contracted to ADNOC gas similar to the previous announced expansions coming in '28 and '29?

Hugh Baker (CFO)

I think I'll answer that by saying we are a subsidiary of one of the major gas producers in the world. So us having LNG ships on order is a very natural thing for us to do. It's a business we're really, really comfortable with. Do we have specific ADNOC gas business to allocate to those vessels? We don't. But I think there's a very strong chance that they could end up under ADNOC employment or with XRG and supporting general ADNOC's ambitions in the gas sector. So we have a high level of comfort that good employment will be found for those vessels.

Ahmed Es'haqi (Analyst)

Perfect. And maybe one more question about the integrated logistics. So in terms of fundamentals, you've mentioned that material handling volumes have been increasing month-on-month and you've added 5 new offshore support vessels.

So just heading towards let's say, an outlook for the second half of the year and 2027 as things ramp up, do you expect more of the capital allocation to be towards the integrated logistics segment? You've focused on that a lot previously expanding the integrated logistics. So what are your plans in terms of capital allocation?

Captain Abdulkareem Al Masabi (CEO)

I think the offshore logistics for now, I mean, looking at the geopolitical situation, it is challenging, I would say. But definitely, as we have always said that we're always looking at balancing between our shipping portfolio and the integrated logistics portfolio. The aim is always to keep them in bar and around 50-50 contribution. However, as you would know, I mean, today, the shipping is by far the biggest contributor in our results given the market situation and the geopolitical situation.

Offshore logistics will remain one of our biggest focus, I think, once the, I would say, situation normalized, I would say. And then there, I think we have the same option as we did before. We have the organic growth, I would say, adding more assets, whether it be in the offshore logistics or in the jack-up barges business or Marine services. But at the same time, we are eyeing definitely expansion by another maybe M&A or JV. All these opportunities are evaluated at the moment. We're just waiting for the right time to start executing on those big opportunities that we have in our place.

Audrey Zhong (Analyst)

This is Audrey from China Securities, and thank you for taking my questions. Please allow me to ask question one by one. My first question is about the margin of gas carriers. We noticed that the gas carrier EBITDA margin declined from 87% in the first half 2025 to like 50% in the first half 2026, like 37% decrease. Could you please help us understand the reason for this decline? And how should we think about the margin going forward?

Hugh Baker (CFO)

It's principally related to the chartering in of vessels, which was done at that time and also some provisioning on the LNG.

Audrey Zhong (Analyst)

Okay. Great. Thank you. And may I ask -- so going forward, how should we expect the margins?

Hugh Baker (CFO)

I think you're going to see a stabilization of our gas margins because obviously the vessels have now settled into long-term contracts with ADNOC Gas. And therefore, you're going to see a lot of stable earnings position. The third quarter margins will not -- well, let me say that the fourth quarter margins are not going to differ now from the third quarter margins because of the new sort of the stability that we now have in our gas segment earnings.

Audrey Zhong (Analyst)

Great. That's very helpful. And my second question is also about the TCE rate in the shipping sector, especially for tankers. And actually, you previously mentioned that the MR market goes softer. So I can understand why in Q3, the MR contracted rate going down? And actually, I want to know why the LR2 rate goes down and the VLCC

TCE rate goes down, but the LR1 TCE rate going up from like $80,000 per day to $90,000 per day in Q3. So could you please help us understand this?

Hugh Baker (CFO)

General point, if you look at in the appendix on Page 26 of our presentation, you can see the time charter equivalent rates. And a lot of them are and nearly all categories are related to a blending of the rates that we are receiving from the external market and the rates we've received and we booked from chartering our vessels out. And so you're seeing a lot of changes in rates. The overwhelming trend is obviously very strong rates.
But essentially, I can say on the MRs, for instance, that the MRs are principally trading or in fact, universally trading outside the Strait of Hormuz and the Middle East area. So the rates are much more constant. With the other vessel types, you're seeing a lot more difference in rates between where the vessels are trading geographically. And as Captain Abdulkareem talked about earlier, if you want to understand how the VLCCs are doing, you've got to look at TD34 and TD3. It's related to the blending of time charter out rates and the remaining vessels that are actually working on the spot market.

Audrey Zhong (Analyst)

Please allow me to ask one more question. And my final question actually is, could you please quantify how much of your shipping earnings growth came from ADNOC Group-related business versus the third-party and market-driven business? Could you please give us a brief introduction about the service provided to ADNOC Group because you said it's the main driver of your Q2 results. And so actually, I want to know what are the contract arrangements about? Would it be the long-term contract or the voyage-based business or the market-linked charters?

Captain Abdulkareem Al Masabi (CEO)

During this geopolitical situation and the constraint that we have and the challenges that we have within this region, you can assume that ADNOC Logistics and Services is the main shipper and transporter for most, if not all, ADNOC molecules and cargoes that are going out the Strait. And hence, why the increased activities with ADNOC Logistics and Services with ADNOC. So we are the major transporter, if not the only one today, I mean, by far because of the situation as it is.

Contracting, we have short-term contracts with ADNOC and its group companies, its affiliates. The only ones that signed on a long-term contract are the gas carriers contracts that we did earlier before the crisis. But as of today, we take it as the market comes. And definitely, I mean, as a logistic company or the shipping company, as you call it, we are basically doing our best to support our group companies.

But at the same time, benefiting from the market and the elevated rates as well. And hence, why you will see our big investments in the secondhand vessels to support ADNOC Group companies, but at the same time, benefiting from these high charter rates that you are seeing in the market.

Faris Alyousef (Analyst)

Thank you very much for taking the time. My question is on potential further upside on the integrated logistics. If I take this quarter's number of $132 million and then I add back the $27 million ECL and the $21 million onetime provision, that gets us kind of to a clean number of $180 million. And then just considering the guide, it seems to me that it would imply another 2 quarters of -- just at the midpoint of 25%, would imply another 2 quarters at the 170 level, which is a bit of a step down, whereas you anticipate the volumes would actually come up.
So maybe we anticipate stronger even profitability at the integrated logistics on a clean level. Could you just maybe help me understand this and kind of what your guide embeds versus the second quarter rate of 180 excluding these provisions?

Hugh Baker (CFO)

I think I'd have to really understand the assumptions you're making, but the guidance, we've been very thoughtful about our guidance on the integrated logistics segment. And we're very comfortable that, that is in line with what we expect to happen. In terms of your assumptions in terms of utilization, our guidance is generally pretty conservative on jack-up barge utilization.

I mean, we're assuming 85% JUB utilization, for instance, which is obviously much lower than it is right now. But that's because we have a duty to be relatively conservative in respect to those kind of assumptions. But we are, again, very confident that the integrated logistics and offshore services revenue are going to increase quarter-on-quarter for the remainder of the year.

Faris Alyousef (Analyst)

Clear. Thank you very much. And can we think about the second quarter rate? Is it correct to think about it as the clean number, excluding these provisions would be the $180 million with these being more like onetime?

Hugh Baker (CFO)

So I'm afraid we're not guiding on the quarters.

Faris Alyousef (Analyst)

I was referring to this quarter itself, the second quarter, excluding the $27 million ECL and then the $21 million onetime provision.

Captain Abdulkareem Al Masabi (CEO)

Yes. Yes, yes, we agreed on this. I think that's a correct interpretation. Correct, but bear in mind, I mean, when we guided as well, there's two sides of it. I mean, when we think that market or things will actually improve, that's all dependent on the geopolitical situation today.
So while we are seeing improvements in the utilization of the jack-up barges and the volumes of the material handling, but again, if the geopolitical situation and the challenges sustain for a longer period, then that might

push the results to stay at the same level rather than continuing to improve because of the closure of the challenges that we are facing in terms of material handling and the volumes.

Iuliia Ferrer (Analyst)

Thank you for the presentation and thank you for taking my questions. I have 3. First, could you give a bit more color on the various moving pieces of the upgraded full year EBITDA guidance? I mean, how much is driven by rate assumptions and how much by the new vessels entering the fleet in the second half of 2026?
Then the second question relates to this addition and how much will ADNOC represent of the tanker business after this new addition to the fleet? And finally, assuming ADNOC increases production capacity beyond the 5 million barrels, could you quantify the potential upside for the integrated logistics? What incremental fleet capacity or CAPEX would be required? And how quickly could that upside materialize?

Hugh Baker (CFO)

Okay. Guliia, I think I'll start with your first question on EBITDA guidance. Firstly, we're comfortable with our EBITDA guidance for the remainder of the year. We've been modelling it very closely. We included July actuals. We are obviously very comfortable about what we're earning for August because we have a lot of visibility there. So we have a really pretty strong visibility in the next month or so and a lot of comfort about our guidance for the remainder of the year, which is not too far away.

So again, I don't want to use the word conservative, but we've been very sensible and considered about our guidance in terms of EBITDA and net income. You asked how much the VLCCs and the VLGCs what sort of contribution they're going to make? What we can tell you is that they've been delivered very promptly. We've received, I think, half of them, and we're going to receive the remainder of the vessels by the end of this month. So they are having and will have a very immediate impact on our third and fourth quarter earnings.

So again, those numbers, we can't disclose the rates. But again, it's something that is in our forecasts. And again, we're very comfortable with our forecast. And finally, to quantify how quickly our CAPEX and our growth and our profitability can be reflected if ADNOC's production goes beyond 5 million barrels a day? And the answer is it's relatively closely aligned. I think that the key thing for us is the long term, which is if ADNOC's production increases, then indeed, their logistics needs increase, and we are absolutely primed to be providing for those logistics needs.

Mohammed Al-Thunayan (Analyst)

Congratulations on the great set of results and having us on the call. I have a question regarding the shipping segment, specifically the tanker segment. The performance has been very strong, but I would appreciate some color on the economics of the chartering agreement with ADNOC. Is the agreement structured around the fixed fee spread? Or is the compensation variable and linked in some way to prevailing tanker rates?

I ask because based on the reported figures and the minority interest in the financials, it appears that a significant portion of the shipping contribution is coming from ADNOC L&S rather than Navig8. So could you therefore elaborate on the key drivers and the economics of the ADNOC chartering business or agreement?

Hugh Baker (CFO)

Firstly, you're correct that a significant portion of it is coming directly from ADNOC and our activities supporting ADNOC's business continuity and UAE exports. The Navig8 fleet, which is obviously about 30 vessels is combined in our tanker segment with the other 20 vessels that were originally owned by ADNOC L&S. And so we report them together and look at them together. But those vessels, the direct earnings from those vessels have been considerable.

And obviously, it's the best quarter ever for that segment of the business that much of that earnings is coming directly from services provided to ADNOC. And I'm afraid we're not able to break that down for you. But you're correct in identifying that it's significant.

Ahmed Es'haqi (Analyst)

Just a follow-up from my end. I know we've never looked at ADNOC Logistics from a dividend point of view. It's mainly a growth story. But given the current balance sheet strength and possibly this strength continuing in the second half as well, what are your plans for dividends for the rest of the year?

Hugh Baker (CFO)

I think I want to start by saying we've spent about $2.3 billion of CAPEX or announced $2.3 billion of CAPEX since July alone. And we do have a continued appetite for CAPEX during the remainder of this year. So I think it's fair to say that we are absolutely deploying capital at a very rapid rate. Now that doesn't mean that we want to neglect the dividend, but our dividend is unchanged for the quarter.

It's something that is always under review and will always be under review by our Board of Directors. But one amazing quarter is probably not the right time to signal a wholesale change in our dividend policy. So I think it's something that we will continue to monitor, but there's no change in our dividend policy for this quarter.

Ildar Khaziev (Analyst)

Just from a modeling perspective, a technical question. Could you give us a bit more guidance in terms of when exactly during 3Q, you expect the new VLCCs to join the fleet? Just sort of we could try to model the 3Q more accurately. And secondly, also from the same perspective, if we look at the snapshot of your current fleet on Page 25 of the presentation, should we assume that all of those vessels are currently generating revenue or we should sort of make an adjustment for a few?

Captain Abdulkareem Al Masabi (CEO)

The vessels that just have recently been purchased, they will all be deployed in Q3, starting early Q3 onwards. And what was the other question?

Ildar Khaziev (Analyst)

Yes. And for the existing ones, should we assume they're all generating revenue in 3Q or there are some which are not operational?

Captain Abdulkareem Al Masabi (CEO)

All existing fleet, you mean?

Ildar Khaziev (Analyst)

Yes. Looking at tankers and gas carriers, are they all operational during the 3Q? Are they all generating revenue?

Captain Abdulkareem Al Masabi (CEO)

They are all operational utilization and all operational generating money as of today.

Ildar Khaziev (Analyst)

I'm asking because in the footnotes of the financial statements, there was mention of one of the assets which was -- I think there was an incident or something, one of your own VLCCs. Should we remove that VLCC from the count?

Captain Abdulkareem Al Masabi (CEO)

Yes, we've declared 2 VLCCs that went under attack. And those are -- they are not if you are referring to these 2, which we have already declared.

Ildar Khaziev (Analyst)

So it's 6 for 3Q, it's 6 VLCCs, the owned ones which are generating revenue.

Captain Abdulkareem Al Masabi (CEO)

Yes. You're right.

Ildar Khaziev (Analyst)

And lastly, actually, one more question. It's actually about 1Q. So sorry if it was discussed already, but I noticed that there was a capital return in 1Q from AW Shipping joint venture. I was a bit surprised to see that because I think there was a lot of investment there at the joint venture. Should we expect any other cash flows or inflows, investments into that JV going forward?

Hugh Baker (CFO)

The answer is it's been very successful. And yes, the second quarter profits from AW Shipping were record profits, and those will continue to grow as vessels get delivered. But most of the cash flow is being retained internally within the joint venture to pay for the newbuilding deliveries.
So you're not going to see a lot of cash out of the joint venture, but it's been a remarkably successful joint venture, I think, particularly related to the timing of the asset acquisitions and the new buildings. So the joint venture is doing great, but don't expect any dividends. The money is going to be reinvested into the -- redeployed into the newbuilding instalments.

Ildar Khaziev (Analyst)

Is there any spot exposure in that fleet at the JV?

Hugh Baker (CFO)

No.

Ejayan Al-Ahbabi (Analyst)

Thank you for allowing me to ask my questions and congratulations management for the set of results. This is Ejayan Al-Ahbabi from AlRayan Investment in Qatar. My question is regarding the rates. So Mr. Hugh, I think earlier, you mentioned that the rates will not come down very quickly. Could you please give us some color on why you think so given that the conflict is resolved?

Captain Abdulkareem Al Masabi (CEO)

I think I'll just step in here just to give you some highlight. Any easing of the geopolitical situation still until it gets normalized, it takes at least a minimum of 2 months. This is just if things are solved, okay? Because the long voyages across the globe, each voyage takes minimum of 45 days, especially on the big vessels.

Second thing that we take into account is the inventories across the globe, whether it be the crude inventories or the gas inventories, you've seen the statistics across the globe. They are at the lowest level in decades, I would say. And to refill these inventories, definitely, it will take some time as well. And the third thing is the scrapping and the aging of the vessels as well, while there might be more deliveries of new vessels coming into the market.

But also you've seen that the shadow fleet or the sanctions are increasing on genuine fleet, so taking these fleet out of the normal fleet that reduces the size of the fleet. But at the same time, the aging of the old fleet as well, the number of vessels that are reaching 20-plus years old are just a record high, if you look at it these days as well. So all in all, it will definitely normalize, but it's not going to be a straight fall.

Moderator

We currently have no further audio questions. So I'd like to hand back to the team to go through any text questions.

Peter Budd (Acting VP of Investor Relations)

Thank you very much. Just a question coming from online. In terms of the 2 L&S vessels involved in the recent incident, when do you expect them to come back into the fleet in operation?

Captain Abdulkareem Al Masabi (CEO)

I think these are under insurance with our underwriters. The extent of the damage might take definitely some time and given geopolitical situation, just take them aside for repair and maintenance, we do not expect them before 6 months or 8 months minimum. So definitely, it will take time for these 2 vessels to be repaired.

Peter Budd (Acting VP of Investor Relations)

And just the last question before we go to close. Does management expect further provisioning in the second half of this year?

Hugh Baker (CFO)

No, we don't. At the moment, on the ECLs, we're not seeing any material sort of ECLs in our future. We've done a lot of provisioning in the first and second quarter. There may be some write-backs of ECLs in the third quarter. In terms of provisioning for other things, we don't have any firm expectations on that. So nothing really to report there.

Moderator

That concludes today's call. We thank everyone for joining. You may now disconnect your lines.