



# Arabic Drilling

Exceeding  
expectations.  
**Building trust.**  
Delivering  
growth.

ANNUAL REPORT **2023**



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## THEME OF THE YEAR

# EXCEEDING EXPECTATIONS. BUILDING TRUST. DELIVERING GROWTH.

Arabian Drilling exceeded expectations and eclipsed historic benchmarks in 2023, delivering an exceptional year of financial and operational achievements as a newly public company. It enhanced its market standing through strategic fleet expansion and ventured into new, lucrative sectors, marking significant milestones. The Company's resilience and innovative spirit were evident in its operational excellence and the accolades received, solidifying its leadership in the Saudi drilling sector.

Throughout the year, Arabian Drilling's focus on sustainability and technological integration showcased its forward-thinking ethos. The successful commissioning of new rigs and the significant expansion of its fleet demonstrated its operational excellence and strategic agility. The acquisition of the Arabian Drilling Learning Academy underscored its dedication to workforce development, reinforcing its reputation as an industry innovator committed to sustainable expansion and growth. Furthermore, its landmark ventures into the emerging geothermal sector and carbon capture initiatives reflected a deep-rooted commitment to environmental stewardship and Vision 2030's sustainability goals.

With the largest drilling fleet in the Kingdom of Saudi Arabia and a legacy of 60 years, the Company achieved outstanding growth with record revenues, delivering on its promises to shareholders while also fulfilling its broader mandate in advancing Saudi Arabia's energy ambitions. Arabian Drilling's accomplishments in 2023 laid a solid foundation for future success, with a focus on enhancing collaboration, trust, and value creation for all its stakeholders and the Kingdom of Saudi Arabia.



# AT A GLANCE

Arabian Drilling surpassed expectations in 2023, achieving record revenues and solidifying its leadership in Saudi Arabia’s drilling industry. Through strategic fleet expansion, innovative ventures into new sectors, and a deep-rooted focus on sustainability, the Company achieved remarkable success across both financial and operational metrics.

## OPERATIONAL HIGHLIGHTS

### Land Segment



Increased fleet size by

**35%**

(13 new rigs added to an existing fleet size of 37)

Backlog addition of up to

**SAR 3.8 billion**

following the awards of 13 new land rigs for Unconventional Gas.

High utilization rate of

**94.6%**

Strong Aramco’s Rig Efficiency Index (REI) score of

**94.31%**

Improved Non-Productive Time (NPT) from 1.51% in 2022 to

**1.26%** in 2023.

**+75%**

Digitally enabled rigs.

**17 million**

driven kilometers accident-free.

Total Recordable Incident Frequency (TRIF) rate of

**0.94**

(3 times lower than the industry average).

### Offshore



Increased fleet size by

**33%**

(from 9 to 12 rigs)

Aramco’s Rig Efficiency Index (REI) score of

**92.7%**

Low Non-Productive Time (NPT) of

**1.36%**



## FINANCIAL HIGHLIGHTS



Revenue (SAR Millions)

**3,477**

FY'22: 2,704 (Change +29%)

EBITDA (SAR Millions)

**1,485**

FY'22: 1,144 (Change +30%)

EBITDA (% of Revenue)

**42.7%**

FY'22: 42.3% (Change +40bps)

Operating Profit (SAR Millions)

**801**

FY'22: 619 (Change +29%)

Net Income (SAR Millions)

**605**

FY'22: 558 (Change +8%)

EPS (SAR per share)

**6.79**

FY'22: 6.85 (Change -1%)

Backlog (SAR Millions)

**11,908**

FY'22: 8,864 (Change +34%)

Capital Expenditure (SAR Millions)

**1,884**

FY'22: 1,749 (Change +8%)

CF from Operating Activities (SAR Millions)

**1,360**

FY'22: 1,242 (Change +9%)

Active Rigs

**47**

FY'22: 44 (Change +7%)

## SUSTAINABILITY HIGHLIGHTS



### People and Society

Achieved

**ISO: 9001: 2015**

**ISO: 14001: 2015**

**ISO: 45001: 2018**

**762,652 hours** of quality, health, safety, and environment training, a 26.3% increase compared to 2022

**Arabian Drilling Learning Academy** launched

An average of **145.1 training hours** per employee, marking a 6% increase from 2022

**66.3%** Saudization rate

**85.3%** retention rate

### Climate Actions

GHG Emission Intensity disclosure

**15,262 hours** of environmental training, a 36.3% increase compared to 2022

**Zero** spills

**93** environmental audits

**100%** of all hazardous waste recycled

### Corporate Governance

The Health, Safety, Environment, and Sustainability Committee established

**4,163** Code of Conduct training sessions and surveys

**7** training sessions on conflict of interest

## AWARDS



January 2023

**Best Drilling Contractor Award**

Received from International Finance Magazine - Dubai, UAE

January 2023

**Most Innovative Drilling Contractor Award**

Received from International Finance Magazine - Dubai, UAE

February 2023

**Local Currency Corporate Bond – Deal of the Year**

Received from Capital Markets and ESG Finance – Riyadh, Saudi

February 2023

**Local Market IPO / Equity Capital Markets – Deal of the Year**

Received from Capital Markets and ESG Finance – Riyadh, Saudi

February 2023

**Winner of the Best IPO Main Market**

Received from Saudi Exchange (Tadawul) - Riyadh, Saudi

March 2023

**Highly Commended Service Provider of the Year**

Received from Oil and Gas Middle East - Dubai, UAE

November 2023

**Drilling Contractor of the Year Award**

Received from The Energy Year - Al Khobar, Saudi

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## ABOUT ARABIAN DRILLING

**Founded in 1964, Arabian Drilling (AD) is a listed Saudi Joint Stock Company with 30% of its capital traded on the Saudi Main Exchange Market (Tadawul). The remaining 70% is owned between the Industrialization and Energy Services Company (TAQA) with 35.7%, and SLB (previously known as Schlumberger) with 34.3%. Prior to public listing, TAQA and SLB were the two historical Shareholders with ownership of 51 and 49%, respectively.**

Arabian Drilling has a well-established presence and unique leadership position within the oil and gas sector, enabling it to create value in safety and operational efficiency in drilling crude oil and natural gas wells in water and onshore. It is one of the best Land and Offshore drilling contractors in the Kingdom as it received many awards, including:

- “Contractor of the Year Award”, from The Energy Year magazine, at the Saudi Arabia Book Launch and Distribution Ceremony 2023.
- “Best Drilling Contractor” and “Most Innovative Drilling Company” by International Finance Magazine (IFM).

Arabian Drilling is engaged in oil and natural gas well drilling in addition to services related to oil and natural gas extraction (excluding survey services), Arabian Drilling is a prominent regional player in this sector, and it owns a fleet of Land and Offshore rigs in Saudi Arabia, and the neutral zone between the Kingdom and Kuwait. It is a listed joint stock company in which Industrialization & Energy Services Company (TAQA), a Saudi joint stock company, and SLB, one of the world’s

leading oilfield services companies, own the largest ownership ratio.

Arabian Drilling’s customer base includes prominent companies, including Saudi Aramco, SLB, Khafji Joint Operations (KJO) and Baker Hughes. The Company’s fleet consists of high-specification onshore and offshore drilling rigs and operational capability, which enables it to conduct complex drilling operations in harsh environments such as in the Middle East.

Arabian Drilling has established itself to consistently meet the needs of

the industry and the world, integrate sustainable practices into all aspects of its work, and contribute to the response of global energy demand in a sustainable manner. Arabian Drilling’s Sustainability Roadmap aligns with the United Nations Sustainable Development Goals and Saudi Vision 2030, and adopts numerous initiatives and practices that empower employees, local suppliers and the communities and economies through which the company operates and serves, while responsibly managing the growing business impacts on the environment.



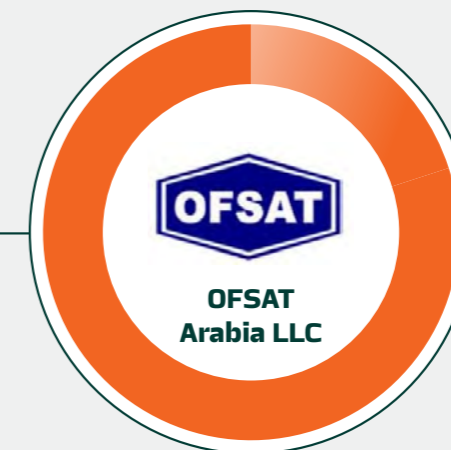
### Company Lines of Business

The Company’s core lines of business consist of 2 segments: the Land and the Offshore segments; offering drilling and related services through drilling rigs. Land drilling is a mechanical process where a well is drilled on land through underlying bedrock utilizing a stationary land rig to explore for and extract oil or natural gas. The Company’s Land fleet ranges from medium to ultra-heavy

capability drilling rigs, which can perform complex horizontal drilling operations and operate in harsh environments in the Middle East. The Company also provides land drilling rig transportation, establishment, relaying, and fueling, in addition to workforce and other services related to this segment. The Offshore segment includes offerings of drilling and related services through Offshore drilling rigs. The Company’s Offshore drilling services include heavy-duty

rigs equipped with high-specification equipment, where it can drill in water depths of up to 375 feet (115 meters). The Company’s operations in the Offshore segment are focused offshore of the Eastern coast of the Kingdom and the Neutral Zone between the Kingdom and Kuwait. The Company also operates an offshore self-propelled multi-purpose service vessel (MPSV), enabling it to provide well intervention and well testing services for its customers.

### Subsidiary Core Lines of Business



**100%**

Arabian Drilling Ownership Ratio

#### CORE LINE OF BUSINESS

The Company provides services for the operations, maintenance, and relay of oil well drilling machines and logistics works. Its main activities are to provide logistical support to move land rigs from one well location to the other, as well as providing a fleet of utility vehicles such as cranes, wheel loaders, and trucks required to support drilling operations.

# OUR HISTORY

The Company was incorporated as a joint stock company under the name "Arabian Drilling Company".

Ownership of 49% of the Schlumberger legacy companies was transferred to Services Pétroliers Schlumberger S.A., a French entity of the Schlumberger Group of companies and current shareholder.

The Industrialization and Energy Services Company (TAQA), a subsidiary of PIF, became the majority shareholder with 51.0% of the shares.

The Company acquired a brand new Offshore rig with new driller cyber technology "AD70".

The Company was awarded the sole gas lump sum turnkey contract in the Kingdom of Saudi Arabia with Schlumberger.

The Company acquired 14 additional rigs, bringing the total number of its rigs to over 40, and 16 new rigs, including 2 acquired before 2018, commenced operations within 1 year of acquisition.

The Company closed the year with Non-Productive Time of 0.74% as the lowest Non-Productive Time in the previous 7 years.

The Company was converted to a closed joint stock company.

The Company submitted tender proposals to expand its geographical footprint, including for projects in Bahrain and Kuwait after completing pre-qualification requirements.

Awarded IKTVA award for the 5th year in a row.

1964

The establishment of the Company as a joint venture, owning 1 Offshore rig, with 51% of the shares held by the General Petroleum and Mineral Organization and the remaining 49% held by the Schlumberger Group following the acquisition of legacy companies.

1969

Saudi Aramco became a customer of the Company.

1972

The Company was converted from a closed joint stock company to a limited liability company.

1990

1999

2003

Schlumberger became a customer of the Company.  
The Company acquired 2 new Offshore drilling rigs "AD50" and "AD60".

2013

2015

The Company acquired OFSAT Arabia LLC.

2017

2018

The Company received the Saudi Aramco Excellence Award for "Highest Overall IKTVA Performance" in the industry.

2019

2021

The Company completed its first capital market transaction by raising SAR 2.0 billion debt through a Shari'ah compliant bond "Sukuk" offering. The transaction attracted strong demand, with the oversubscription reaching 3.4 times the initial issuance size of SAR 1.6 billion.

2022

The Company completed its initial public offering on Saudi Exchange listing 26,700,000 shares, representing 30% of its share capital, at the offering price of SAR 100 per share. Market appetite was overwhelmingly strong with a subscription demand 62x the offering.

The Company unveiled its brand transformation and new identity, including a new logo, mission, values, and motto.

# 2023 IN REVIEW

## Q1

During a year of soaring performance and historic achievement, Arabian Drilling expanded its fleet, launched its growth strategy, and won numerous contracts and prestigious awards, recognizing the Company's commitment to operational excellence, continuous innovation, and sustainable value creation for all its stakeholders.

### 2 Awards at the 10th Annual International Finance Awards at Jumeirah Emirates Towers in Dubai

Arabian Drilling won the "Best Drilling Contractor" and "Most Innovative Drilling Company" awards at the 10th Annual International Finance Awards at Jumeirah Emirates Towers in Dubai, in line with its efforts to be a leader in Land and Offshore drilling.

### "Best IPO Award" from Tadawul

Arabian Drilling won the "Best IPO - Main Market" award from Tadawul, coming out at the top of the year's 51 new IPOs, reflecting the successful planning and execution of its listing as the first Oil and Gas services provider in the Kingdom of Saudi Arabia.

### Awards for Capital Markets Transactions

Arabian Drilling received the "Deal of the Year" award from Capital Markets and ESG Finance Saudi Arabia for its landmark IPO and Sukuk transactions executed in 2022.

### Behavior Empowerment Center Launch

Arabian Drilling introduced its Behavior Empowerment Center to heighten safety across its operations and footprint by preventing systemic issues and rig incidents.

### Unveiling of the New Corporate Strategy

Arabian Drilling's post IPO transformation was endorsed, and it launched its ambitious corporate strategy to drive growth, expansion, operational excellence, and organizational efficiency.

## Q2

### Achieving World-Class Standards

Arabian Drilling received 3 ISO certifications for Company Management Systems related to Environmental Management, Occupational Health and Safety, and Quality Management.

### Shipyard Completion for 3 New Jack-ups

Arabian Drilling successfully completed shipyards for 3 Offshore rigs safely, on time, and on budget to begin their 5-year Saudi Aramco contract, adding to its growth and fleet expansion commitments.

## Q3

### Signing of 10 Unconventional Jafurah Contracts

Arabian Drilling has emerged as the leading partner for Saudi Aramco's ambitious Unconventional Gas Program, securing 10 out of 13 rig tender contracts. This significant win represents a capital expenditure (Capex) investment of approximately SAR 1.8 billion and adds a firm contract backlog of SAR 3 billion to the Company's portfolio. Deliveries, commissioning, and deployment of the new rigs are scheduled for mid-2024, supporting Aramco's strategic goals and contributing to the Company's strategic growth ambitions.

### Growing and Upgrading Facilities

Arabian Drilling completed an office space extension and refurbishment program, as well as the acquisition of a prime building for the new Arabian Drilling Learning Academy.

### Securing Land and Offshore Rig Contract Extensions

Arabian Drilling secured SAR 3 billion of firm backlogs, as contract extensions from Saudi Aramco, with contracts extended on several rigs from 3 to 10 years, contributing to the Company's record backlog.

### Achieving a Record High Backlog

Arabian Drilling's backlog soared to record heights, standing at SAR 12.7 billion as of 30 September 2023, as a result of multiple contract awards and extensions, including a 10-rig award in the Unconventional Gas which is the Company's first.

## Q4

### Pioneering Geothermal Drilling

Arabian Drilling's rig was selected for a geothermal drilling campaign and successfully completed a move of over 2,000 kilometers to drill the well, showcasing its industry-leading capabilities and commitment to expanding operations within Saudi Arabia.

### Launch of Sustainability Framework

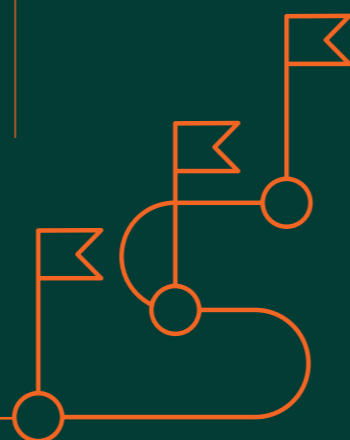
Arabian Drilling developed a comprehensive sustainability framework based on 3 focus areas which supports 11 essential elements, highlighting its focus on investing for long-term growth to secure a sustainable future.

### Payment of First Dividends

Arabian Drilling paid out dividends for H1 2023, the first time since IPO, in line with the guidelines given to shareholders, and its achievement of record results and performance.

### Acquisition of ALDA Building






Arabian Drilling acquired a prime, fit-for-purpose building in Dhahran to launch its Arabian Drilling Learning Academy (ALDA) and host its existing Training Center, positioning ALDA as a center of excellence with state-of-the-art crane and BOP simulators.



# STAKEHOLDER ENGAGEMENT

**Arabian Drilling is dedicated to fostering an environment of continuous dialogue and collaboration with its diverse group of key stakeholders, ensuring the creation of shared and sustainable value.**

Through a variety of engagement channels, we maintain open lines of communication with employees, customers, suppliers, the community, and shareholders. This commitment is rooted in the understanding that listening to and learning from these groups is crucial for mutual success. The approach is strategic and tailored, reflecting the unique needs and expectations of each stakeholder group, thereby reinforcing Arabian Drilling’s commitment to transparency, responsiveness, and responsible business practices.

Stakeholder Group	How We Engage	How Often We Engage	Key Topics	Key Actions	Value Creation
<b>Our Employees</b> 	<ul style="list-style-type: none"> <li>Annual employee engagement survey.</li> <li>Corporate communication emails.</li> <li>Employees town hall.</li> <li>Appraisal process.</li> <li>Years of service recognition (5, 10, and 20 years).</li> <li>Training and development courses.</li> <li>Medical lounge with Takaful Al Rajhi.</li> <li>Diverse employee events.</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Attrition in a booming labor market.</li> <li>Hiring/retaining talent.</li> <li>Soft skills training.</li> <li>Compensation and benefits packages aligned with the market.</li> <li>Aged facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Introduced retention program.</li> <li>Introduced allowances to enhance salary packages.</li> <li>Reviewed grade and salary scales.</li> <li>Acquired a dedicated facility for training needs.</li> <li>Upgraded working environment and facilities (new parking area, refurbished offices, and new accommodation).</li> <li>Creating dedicated Travel Management Department within AD's offices.</li> </ul>	<ul style="list-style-type: none"> <li>Improving the work environment.</li> <li>Enhancing level of engagement, communication, and collaboration among departments.</li> <li>Fostering a corporate culture of excellence.</li> </ul>
<b>Our Customers</b> 	<ul style="list-style-type: none"> <li>Continuous day-to-day engagement at all levels of the organization, including operations (Rig Managers) and non-operations (Finance, Marketing, etc.).</li> <li>At the rig site level, 24/7 customer presence represented by the Company Foreman, working hand in hand with the Rig Superintendent to achieve the drilling program.</li> <li>Responding to any tender issued by our customers for new rig contracts.</li> <li>Attending functions hosted by clients, such as conventions and forums.</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Rig activities.</li> <li>Contract extensions and renewals.</li> <li>Drilling performance.</li> <li>HSE review.</li> <li>Invoice collections.</li> </ul>	<ul style="list-style-type: none"> <li>Improving service quality delivery measured by the KPI Rig Efficiency Index (REI).</li> <li>Safety improvements for the staff, assets, and environment.</li> <li>Extension and/or renewal of contracts on the basis of superior performance.</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to Saudi Arabia's energy transition and decarbonization of electricity production by drilling Unconventional Gas fields.</li> <li>Selected to drill the first geothermal wells in the Kingdom of Saudi Arabia.</li> </ul>
<b>Our Suppliers/ Partners</b> 	<ul style="list-style-type: none"> <li>Ongoing supplier relationship management.</li> <li>Quarterly catering performance reviews.</li> <li>Vendor pre-qualification and assessments.</li> <li>Non-conformance incident reports.</li> <li>System support linked with tutorials for easy learning.</li> </ul>	As required	<ul style="list-style-type: none"> <li>Ensure capital items and spares availability.</li> <li>Secure price for the long-term.</li> <li>Quality of services.</li> </ul>	<ul style="list-style-type: none"> <li>Consignment agreements.</li> <li>Fixed price agreements.</li> <li>Standard contract template for almost 20 identical services.</li> <li>Standard payment T&amp;C's.</li> <li>Scan local and overseas market for new service/spares provider with compatible prices.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing short/long-term agreements with suppliers to secure availability of products and services.</li> <li>Delivering spares and services on time to prevent shutdown.</li> <li>Negotiating the best prices and conclude agreements of fixed prices to meet the budget.</li> </ul>
<b>Our Community</b> 	<ul style="list-style-type: none"> <li>Sponsoring the Saudi Capital Market Forum organized by Tadawul.</li> <li>Beach clean-up campaign.</li> <li>Sponsorship of events, such as triathlon and half marathon.</li> <li>KFUPM keynote speech and exhibiting at career fair.</li> <li>IADC/SPE symposium, Middle East Drilling Technology Conference and Exhibition keynote speech.</li> <li>Visit from IADC KFUPM student chapter to Learning Academy.</li> <li>SPE Panel: Unlocking Human Energy.</li> <li>IADC/SPE symposium.</li> <li>Sponsoring 60 students at the Saudi Arabian Drilling Academy.</li> <li>Various CSR activities.</li> </ul>	Regularly, at least twice per quarter.	<ul style="list-style-type: none"> <li>Working towards a more systematic and targeted approach for our engagement with communities.</li> </ul>	<ul style="list-style-type: none"> <li>Create a committee responsible for overseeing all CSR initiatives, activities, donations, etc.</li> <li>Carefully select the programs/charities that would have the highest impact on the community.</li> <li>Extend CSR activities to neighboring locations within Saudi Arabia.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring thoughtful leadership by engaging in panel discussions.</li> <li>Promoting diversity and inclusion in the workplace.</li> <li>Providing support to communities in need (e.g. Bena Orphanage).</li> <li>Provided a probono rig for SADA, resulting in practical experience for all students.</li> </ul>
<b>Our Shareholders</b> 	<ul style="list-style-type: none"> <li>Public disclosures on Tadawul and Company's website.</li> <li>Quarterly earnings release.</li> <li>Quarterly earnings call.</li> <li>Regular calls with analysts and/or potential investors.</li> <li>Organized rig visits for our key investors and sell-side analyst covering our stock.</li> <li>TV interviews with Chief Financial Officer (al Ekhbariya, CNBC Arabia) and Chief Executive Officer (Bloomberg).</li> <li>Attending investor conferences and organizing 1:1 or small group meetings with investors. In 2023, Arabian Drilling attended 3 different conferences in Riyadh, Dubai, and London, meeting with more than 150 investors and analysts.</li> </ul>	Quarterly, with individual meetings as required.	<ul style="list-style-type: none"> <li>Growth trajectory, including organic expansion plans, inorganic acquisition such as M&amp;A, and regional expansion.</li> <li>Financial performance, including revenue backlog, margin levels, dividend policy, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Giving forward looking statements and guidance.</li> <li>Organizing an Investor Day to visit rig and facilities and showcase various aspects of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Delivering strong share price performance since IPO and introduction price of SAR 100 per share.</li> <li>Returning value to shareholders by distributing a semi-annual dividend based on 80% of the net income.</li> <li>Applying proceeds from the IPO to finance growth Capex and fleet expansion plans, to create future additional value in the form of future dividends.</li> </ul>

# INVESTMENT CASE

## Saudi's National Drilling Champion

### Leadership position in an attractive market:

- Biggest drilling contractor in Saudi Arabia by fleet size as of December 2023.
- Active in both Land and Offshore segment, fostering a balanced business mix and a resilient financial model.
- With a 60-year track record of operations in the Kingdom of Saudi Arabia, Arabian Drilling has the most experience of all contractors in the country.

### Tapping into unconventional and other sustainability initiatives in line with Vision 2030

- Strategic win with a 13-rig award from Aramco for development of Unconventional Gas, which is the cornerstone of energy transition to more sustainable electricity production (gas turbine vs. oil generator).
- Arabian Drilling rig being deployed for geothermal wells.

### Continuous fleet expansion plans

- 40% fleet size expansion since 2022, in both Land and Offshore segments.
- Further opportunities lying ahead with Kuwait Oil Company's pre-qualification and further growth expected in Unconventional Gas.
- Opportunities for regional expansion in the GCC area through inorganic growth (asset acquisition and/or business M&A).

## Operational Excellence

### Solid leadership team

- Highly experienced Management team, backed by its historical shareholders, who bring international expertise and ensures regional interest alignment.
- Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer come with a combined 75+ years in the oil and gas industry and an extensive international career, having lived in 24 different countries all together.

### Robust technical performance and rig move optimization

- Arabian Drilling maintains a high performing Rig Efficiency Index (REI) across the fleet with a 36-month average of 94.2% as of 31 December 2023. The REI is a KPI used by Aramco to measure the performance of the drilling contractor and their respective rigs.
- Arabian Drilling realized a total of 175 rig moves throughout 2023, with an average of 1 day saved per rig move compared to Aramco's KPI. This is equivalent to half a year of extra day rate revenue, which is approximately SAR 25 million.
- Arabian Drilling has launched several initiatives to modernize its operating model, which will lay the foundation for optimizing both the operational and rig move performance. For instance, we are upgrading our ERP and we started to deploy AI to monitor potential unsafe working conditions on our rigs.

### Excellent QHSE

- Arabian Drilling has reported no serious hazardous waste spills in the last 5 years.
- Arabian Drilling has obtained international ISO certifications in Environment Management Systems (ISO 14001 Environmental Management System, ISO 45001 Safety Management System, and ISO 9001 Total Quality Management System).
- Arabian Drilling has published an annual Sustainability Report since 2017 (except 2020 due to COVID-19).
- Significant improvements on the safety front with a Total Recordable Incident Frequency (TRIF), as of 31 December 2023, of 0.94 which measures the number of recordable incidents for every 1,000,000 man hours, as per industry standards. By comparison, the industry average was 2.54 (i.e. 2.7x higher), in accordance with the IADC Incident Statistics Program (2021-2023).

### Experienced industry shareholders

- With historical shareholders TAQA and SLB, Arabian Drilling benefits from the best of both worlds with TAQA's network, capabilities, and market depth in the upstream industry, and from the Schlumberger Group's operational know-how, innovation, and cutting-edge technological solutions in the oilfield services industry.

## Disciplined Growth Strategy

### Focused expansion across Saudi Arabia

- Add new rigs in the growing Saudi Arabian market, the biggest player in the MENA region.
- Next area of growth coming from the development of the vast Jafurah Unconventional Gas field. Saudi Arabia has put gas at the center of its energy transition strategy aiming to change the country energy mix and decarbonize the production of electricity.
- Solidify Arabian Drilling's leadership position in operational excellence.

### Ongoing optimization and improvement programs

- Best in class performance in office support.
- Digital: Drive excellence across functions and operations through digitalization and automation.
- Supply chain: Create a competitive advantage through our Saudi Arabian footprint.
- Culture: Develop a culture of operational excellence and continuous improvement along with a pride to be working for Arabian Drilling.

### Clear medium-term visibility

- Robust backlog of SAR 11.9 billion as of 31 December 2023 with book-to-bill ratio of 3.4x which gives good visibility on the top line for the next few years.
- Transformation journey with approximately 350 initiatives throughout the organization either as enabler for increased efficiencies and/or cost optimization.

### New revenue streams

- Convert Arabian Drilling Learning Academy from a cost center into a profit center by providing training courses to third parties.
- Leverage on OFSAT fleet to serve the Kingdom of Saudi Arabia's land drilling rig market.
- Further Offshore investment opportunity in the Multi-Purpose Service Vessel to serve the increased Offshore platform/well count in the Kingdom of Saudi Arabia.

## Clear Path to Shareholders Return

### Healthy cash flows and financial discipline

- EBITDA of 43% indicating a high level of profitability.
- Strong balance sheet with year-end cash balance of SAR 1.4 billion and net cash generated from Operations of approximately SAR 1.4 billion.
- No speculative investment (i.e. no rig acquisition unless we have a secured contract).

### Semi-annual dividend payout subject to leverage thresholds

- Arabian Drilling aims to pay out a substantial amount of its net income as dividends (in November 2023, Arabian Drilling paid the equivalent of 80% of its net income related to H1'23).

### Long-term leverage (net debt / EBITDA) target levels below 1.75x

- Net debt / EBITDA ratio of 1.2x, well below the 1.75x ceiling target, which indicates Arabian Drilling is moderately leveraged for such a capital-intensive business.



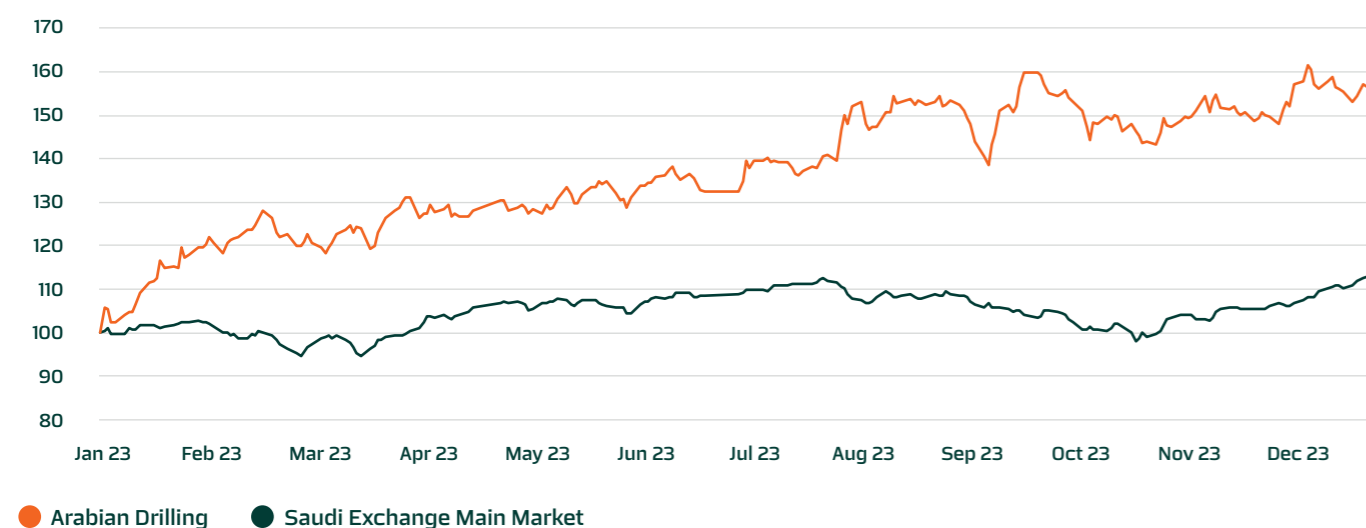
# SHAREHOLDERS' INFORMATION

Note: The data presented below is as of year-end 2023 unless stated otherwise.

## Share Information

Listing date:	7 November 2022
Exchange:	Saudi Exchange (Tadawul)
Symbol:	2381
ISIN:	SA15L11156H7
Number of shares issued:	89,000,000
Closing price as of 31 December 2023:	SAR 191
Market cap as of 31 December 2023:	SAR 16,999 million
Foreign ownership limit:	49%
Free float:	26.7 million (30% of issued shares 89,000,000)

## 2023 Stock Performance



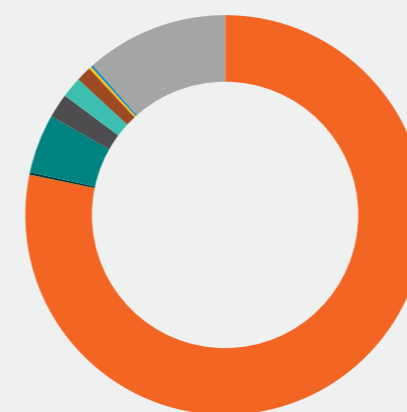
## Major Shareholders



- **35.7%** Industrialization and Energy Services Company (TAQA)
- **34.3%** SLB (Services Petroliers Schlumberger S.A.)
- **30.0%** Public



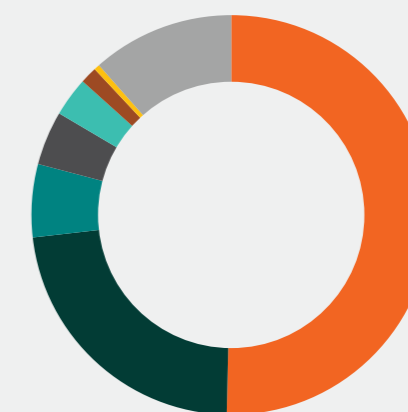
## Shareholding by Geography (%) (Excludes strategic shareholders)



- **78.24** Saudi Arabia
- **4.79** United States of America and Canada
- **1.97** Middle East and North Africa
- **1.68** United Kingdom
- **1.23** Rest of the world
- **0.21** Australia
- **0.19** Europe
- **0.18** Asia
- **11.52** Below threshold\*

Note: The data for the Shareholding by Geography is as of February 2024. \* Minimum threshold of 3,000 shares covered (96.54% coverage of shares in issue/88.48% of free float).

## Shareholding by Type (%)



- **50.36** Institutional
- **22.83** Retail investors
- **5.91** Corporates
- **4.38** Government agency
- **3.17** Non-institutional
- **1.36** Trading/collateral
- **0.46** State owned enterprises
- **11.52** Below threshold\*

Note: the data for the Shareholding by Type is as of February 2024. \* Minimum threshold of 3,000 shares covered (96.54% coverage of shares in issue/88.48% of free float).

## Investor Relations Calendar 2023-2024

2023 Event Name	Organizers	Dates	Place
Saudi Capital Market Forum 2023	Tadawul Group	12-13 Feb 2023	Riyadh
17th Annual 1:1 Conference – Outplaying Challenges	EFG Hermes	6-7 Mar 2023	Dubai
4Q22 and FY22 Earnings Call	SNB Capital	20 Mar 2023	Al Khobar
1Q23 Earnings Call	SNB Capital	16 May 2023	Al Khobar
Annual General Meeting	Arabian Drilling	7 Jun 2023	Al Khobar
GCC Exchanges – London Conference 2023	HSBC	11-12 Jun 2023	London
Q2 Earnings Call	Al Rajhi Capital	3 Aug 2023	Al Khobar
Q3 Earnings Call	Al Rajhi Capital	6 Nov 2023	Al Khobar
MEIRA 2023: From ESG to Sustainable Capital Markets	MEIRA	13 Nov 2023	Bahrain

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# CHAIRMAN'S STATEMENT

## EXCEEDING EXPECTATIONS. BUILDING TRUST. DELIVERING GROWTH.

In our first year as a publicly listed company, Arabian Drilling has delivered outstanding financial results to its shareholders, provided exceptional services to its clients, and created dynamic strategic growth for its future. We demonstrated resilience in a challenging market and continued to expand our fleet and diversify into the most exciting and lucrative revenue streams in the Kingdom of Saudi Arabia. Once again, our operational excellence, business intelligence, and corporate diligence reaffirm our status as the drilling champion of Saudi Arabia. It is my great pleasure to present our Annual Report for 2023.

As the most trusted operator in Saudi Arabia with more than 60 years of experience, and the largest drilling contractor in Saudi Arabia by fleet size, Arabian Drilling continued its legacy of leadership during 2023.

Delivering on our promise to our shareholders, we have expanded our business through prudent and sustainable growth, doubling down on our business practices of investment through certainty rather than speculation. As a result, in 2023 we achieved the highest revenue in our history and a 25% increase in adjusted net income over 2022, close to 80% of which we distributed as dividends.

### Expanding operations

We entered 2023 with passion, a vision, and a mission to deliver over and above expectations and build upon the bedrock of the Company's peerless pedigree, an ambition which has been realized and recognized by our clients.

The successful acquisition, commission, and safe start of 3 jack-ups was a testament to our operational efficiency and ability to persevere and perform in the face of market adversity with a scarcity of resources. We have now grown our Offshore fleet to 12 highly efficient, productive rigs, crewed by the most qualified team in the safest of work environments, delivering above and beyond our clients' targets.

With regards to our Land segment, our foray into the Unconventional Gas sector has resulted in a 13 rig contract with Aramco as of early 2024. This is a landmark moment as we venture into a segment which is set to become one of the largest drilling opportunities in Saudi Arabia and beyond.

It is a great reflection of our operational excellence and robust market presence that these pivotal and substantial commissions have added to a remarkable 40% fleet size expansion since 2022, in both Land and Offshore Drilling segments.

### Committed to sustainability

In line with Vision 2030, the Kingdom of Saudi Arabia aims to generate 50% of its energy through natural gas, an aspiration in which we will play a significant part. In addition, as we increase our contribution to the sustainability goals of Vision 2030, we are proud to note that Arabian Drilling was selected for Saudi Arabia's first foray into the emerging geothermal sector, a potentially vast energy resource for the future.

Furthermore, in our efforts to protect the environment and play a greater role in conservation, we were selected to drill 3 carbon capture wells.

As part of our pledge to care for the planet, the actions we take for the benefit of our communities, and our commitment to Environmental, Social, and Corporate Governance, I am proud to say, we will be publishing our Annual Sustainability Report in 2024.

### Building new capabilities

Arabian Drilling's overriding priority has always been the health and safety of its people. In 2023 we made great strides through implementing advanced technology and artificial intelligence across our operations to monitor and mitigate risk. Through integrating these innovations into our existing practices, I am proud to say that we achieved an incident frequency almost a third less than the industry average.

Furthermore, in acquiring the Arabian Drilling Learning Academy, we are able to train our new employees in line with our best operational practices, fully preparing them for deployment. The Academy provides yet another element in our ethos of responsibility for our own destiny.

### Robust governance

At the heart of our organization is the duty we have to our shareholders, stakeholders, clients, and workers. We are a business of integrity and honesty with a culture of accountability and transparency. We take enormous pride in our governance history and will remain constant and consistent in delivering our responsibilities. Our communication with shareholders is regular and often, with feedback that assures us we are a company with strong ethics and a moral business compass.

### Positioned for future growth

Arabian Drilling is acknowledged across the local industry for its unrivalled reliability and consummate professionalism at all operational levels, a reputation which we will continue to enhance as we increase our presence. Our financial results in 2023 are indicative of our growth trajectory and, with the satisfactory delivery of our Unconventional Gas projects, we expect many more opportunities for growth in that sector.

It has been an exceptional year marked with many triumphs and record successes, and I look forward to even greater prospects ahead.

### Acknowledgements

On behalf of the Board, I would like to express my deep appreciation to the Government of Saudi Arabia for their constant support, and to our strategic partners for their invaluable contribution as we continue to grow. My sincerest thanks also to our shareholders for their ongoing loyalty and trust in Arabian Drilling.



**WE HAVE EXPANDED OUR BUSINESS THROUGH PRUDENT AND SUSTAINABLE GROWTH, DOUBLING DOWN ON OUR BUSINESS PRACTICES OF INVESTMENT THROUGH CERTAINTY, RATHER THAN SPECULATION.**

**Khalid Mohammed Nouh**

Chairman



# CHIEF EXECUTIVE OFFICER'S MESSAGE

## UNPRECEDENTED EXPANSION AND AMBITION.

Our performance in 2023 was a series of multi-faceted successes, delivering growth, financial results, and safety performance beyond all expectations. Our historic highs in revenue and strategic diversification have reinforced the rewards of our bold but sustainable investment and created vast new opportunities for the future.

The expansion of our fleet last year was significant not only in the growth of our operations, but also in the speed of reaching our objectives. With an objective to reach a fleet size of 65-70 rigs by 2026, we have delivered 70% of that target within our first year and are set to substantially overachieve over the full period.

The safe startup of 3 jack-ups ahead of time and within budget increased our Offshore rig fleet size by 33%. We provided our clients with 12 of the best performing rigs in Saudi Arabia, raising productivity and increasing the Offshore segment's revenue by 83% compared to 2022.

While our initial goals for 2023 were set on regional expansion, the domestic opportunity with the development of Unconventional Gas fields resulted in a strategic shift. The Unconventional Gas opportunity offered significantly more scope for domestic growth. Through our exceptional organizational agility, we were able to realign swiftly and effectively, winning multiple contract awards from Aramco for a total of 13 rigs for Unconventional Gas as of Q1 2024. These new rigs will increase our total Land rig fleet size by 35%.

### Robust financial performance and position

Largely through our Offshore fleet expansion, we achieved record revenues of SAR 3.5 billion, a 29% rise compared to 2022, and net income of SAR 605 million, up by 25% over the previous year.

Similarly, EBITDA showed significant growth at SAR 1.5 billion, an increase of 30%, with a healthy margin of 42.7% as opposed to 42.3% in 2022.

Furthermore, our strong backlog of SAR 11.9 billion as of 31 December 2023 provides Arabian Drilling good visibility on future revenues and confidence to invest in future growth.

### Investing in our people

As demand for our services increased exponentially in both Land and Offshore segments, Arabian Drilling recruited close to 1,000 employees in 2023, inevitably requiring additional investment in our organizational resources and operational model. In order to support the fleet expansion, our Human Resources function was able to identify, recruit, onboard, train, and make ready for deployment an additional 20% of our workforce.

To achieve this major milestone, in 2023 we acquired a prime facility to host our Learning Academy, with state-of-the-art crane and drilling simulators. During the year, the Arabian Drilling Learning Academy provided more than 800,000 man-hours of training offering 566 HSE and technical training courses.

As of year-end 2023, we are proud that Arabian Drilling is now home to a diverse workforce made up of over 50 nationalities, including more than 62% of our team being Saudi nationals – the highest among all drilling companies.

We remain committed to creating an engaging and rewarding working environment for every one of our employees, including providing career paths to foster long-term growth and engagement.

In addition, we achieved a key diversity milestone with the appointment of our Chief Procurement Officer, who is the first female Executive in Arabian Drilling to directly report to me. This is part of an overall trend in our Company, which saw the representation of female employees increase to over 15% of our office staff this year and will continue in the year ahead with further overall representation and the appointment of additional women to our Executive team.

Through our rapid expansion and diversification, we kicked off an organizational transformation and are implementing digital solutions to enhance communication, centralize data, and streamline our processes throughout the business. This transformation will unlock more efficient operational capabilities, utilizing big data, machine learning, and artificial intelligence.

### Safety at the heart of our operations

The first letter of our motto S.T.R.I.V.E is "S" for "Safety" of our employees, clients, contractors, and last but not least, for the environment. Safety is our number one value and is deeply embedded in everything we do.

With the help of CCTV cameras, we are the first drilling contractors in Saudi Arabia to have developed a Behavior Empowerment Center (BEC) to monitor in real time any deviations to safe working conditions on our rigs.

Through the BEC, we have instilled a culture of safe behavior, where staff are encouraged to identify potentially hazardous conditions, and have authority to stop any unsafe jobs. Looking forward, we are looking at integrating the BEC with artificial intelligence to automate the monitoring of the jobs on the rig sites.

OFSAT Arabia, our rig move subsidiary, completed 175 moves in 2023, reducing Aramco's target by 182 days. This means OFSAT has on average beaten the Aramco KPI by one day on every rig move it conducted in 2023. During operations, OFSAT continued its remarkable safety record, driving 17 million kilometers accident-free. To ensure that our operators continue with that unprecedented success, we supported the teams with digitized journey management with monitoring systems in all our operations vehicles.

### An extraordinary future

It has been a year of unparalleled success in every aspect of our business. The outstanding expansion and revenue generation of our Offshore fleet has been key to our record revenue. Its unmatched efficiency has continued our historic reputation as a reliable, solid partner with guaranteed value on every project. The return on our investment for Offshore is greater than ever and we

will continue to support the Offshore segment for the future as the mainstay of our operations.

The Company's penetration into the Unconventional Gas sector has been a triumph on all levels. The realignment of our strategy is a testament to our market insight and industry foresight. The total of 13 contracts, including next year with Aramco, has marked a milestone in our operations and begins a new era in our business. I am sure this will feature heavily in our future.

Not to rule out our vigilance in seeking new regional opportunities, we will remain a highly agile company with the financial resources to invest with

sound business intelligence. We have an exciting time ahead and are positioned perfectly to maximize our potential.

### Acknowledgements

In closing, I would like to thank our Board of Directors for their guidance throughout this exceptional year. My gratitude also goes to the Senior Management team, whose experience and expertise has directed our achievements, to our employees, the driving force of Arabian Drilling for their unrelenting efforts, and our clients for their constant trust in our performance. Our collective efforts have delivered a year of unprecedented performances and endless opportunities.



**THE COMPANY'S PENETRATION INTO THE UNCONVENTIONAL GAS SECTOR HAS BEEN A TRIUMPH ON ALL LEVELS. THE REALIGNMENT OF OUR STRATEGY IS A TESTAMENT TO OUR MARKET INSIGHT AND INDUSTRY FORESIGHT.**

**Ghassan Mirdad**  
Chief Executive Officer

# BUSINESS MODEL

Arabian Drilling leverages its unique proposition in the drilling industry and longstanding record of excellence to create strong and sustainable value for its shareholders, customers, and all its stakeholders.

## Our Strengths



### Financial

- Solid financial performance with sustainable cash flow.
- Financial discipline and moderate balance sheet leverage, allowing for further growth opportunities.



### Operational

- Best-in-class operational capabilities with superior scoring on Rig Efficiency Index (i.e. Aramco KPIs for drilling contractors).
- Technical in-house expertise and workshops to keep well-maintained assets.



### Human Capital

- Highly experienced Management team.
- Diverse and experienced workforce with a high Saudization representation.



### Customers

- Entrenched relationships with Tier 1 customers (Aramco, SLB, Baker Hughes, KJO).
- 60-year trusted partnership with Aramco.



### Diversified Offering

- Stable and resilient model with balanced exposure to Land and Offshore.
- Contractor of choice in specific types of drilling, including Unconventional Gas and geothermal wells.



## How We Create Value

# “STRIVE for Excellence”

### Our Vision

Leading sustainable drilling services.

### Our Values

## S.T.R.I.V.E.

Safety, Teamwork, Reliability, Integrity, Value, and Environment.

### Our Mission

Evolve our business to add value to our people, customers, and shareholders by following the highest safety, technological, and operational standards.

### Our Strategic Priorities

- Grow core business in Saudi Arabia and expand regionally within the GCC area.
- Deliver best-in-class operational performance.
- Upgrade our operating model.

### Our Corporate Governance and Sustainability

Sustainability framework that focuses on 3 key areas:

#### People and Society



- Labor Best Practices
- CSR and Local Communities
- Occupational Health and Safety
- Workplace Diversity and Equal Opportunity

#### Climate Action



- Water Management
- Waste Management
- Biodiversity
- Carbon Footprint Reduction

#### Corporate Governance



- Code of Conduct
- Enterprise Risk Management
- Compliance and Controls

### Value Created

- **40%** fleet expansion in 2023, with Offshore fleet growing by 70% (5 new offshore rigs) and 13 new Land rigs imminent.
- Achieved all-time high record backlog in Q3 2023 with **SAR 12.7 billion** of firm contract terms and an average of 2.5 years remaining contract tenures per rig.
- Average REI scoring in excess of **90%**.

- Total Recordable Incident Frequency is **3x** lower than industry standards\*.
- Strong share performance since IPO and the distribution of **SAR 450 million** of dividends to shareholders in 2023.
- Local content score (IKTVA) over **70%** and Saudization over **60%**.
- Enhancing the Kingdom of Saudi Arabia's energy mix transition and decarbonization of electricity production.

- **800,000+** man-hours of training delivered in 2023.
- Provided pro bono training well for SADA.
- Received many awards and recognitions from Aramco (see p. 54).

\*As reported by International Association of Drilling Contractors (IADC)

# STRATEGY AND KPIs

Arabian Drilling strives to fulfil its vision and create sustainable value for its shareholders and other stakeholders through the faithful execution of its corporate strategy, which is designed to drive growth, expansion, operational excellence, and organizational efficiency.

### Our Vision

Leading sustainable drilling services.

### Our Mission

Evolve our business to add value to our people, customers, and shareholders by following the highest safety, technological, and operational standards.

### Our Values

Our core values define our Code of Conduct. We live by them always as we STRIVE for excellence in everything we do. Our high-performance culture is aligned with our creed, which is defined by our unique value model "STRIVE".

- **Safety:** The safety of our people is our guiding compass and guides all our actions. We adhere to the highest safety standards as we act to create operational excellence.
- **Teamwork:** We collaborate and coordinate our actions to empower each other to achieve exceptional outcomes.
- **Reliability:** We are consistent in our performance and always deliver on our commitment. We inherently value reliability to build long-term relationships based on trust.
- **Integrity:** We are open and transparent in our conduct. We act with honesty, integrity, and in compliance with our code of ethics.
- **Value:** We create value for those around us through responsible, cleaner, and safer access to energy for every community. We strictly adhere to Environmental, Social, and Governance (ESG) standards in everything we do.
- **Environment:** Our planet is our responsibility and all our actions are driven by our concern for the environment and our commitment to protect and preserve it.



## Our Strategic Pillars

	Deliver Best-in-Class Operational Performance to Unlock Shareholders Value	Grow our Core Business in Saudi and Expand Regionally	Upgrade our Operating Model
<b>Description</b>	<ul style="list-style-type: none"> <li>• Promote a culture of an outstanding quality of services and be recognized as an industry leader for our quality of services.</li> <li>• Continually improve safety record.</li> <li>• Optimize rig move process.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand by growing core Saudi business.</li> <li>• Focus on growth in Unconventional Gas.</li> <li>• Identify new revenue streams.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost optimization initiatives.</li> <li>• Digitalization and business process improvement.</li> <li>• Attract world-class talent.</li> <li>• Maintain high rate of Saudization.</li> <li>• Upgrade facilities.</li> </ul>
<b>KPIs</b>	<ul style="list-style-type: none"> <li>• Rig Efficiency Index (REI).</li> <li>• Non-Productive Time (NPT).</li> <li>• Total-Recordable Incident Frequency (TRIF).</li> <li>• One day saved per rig move.</li> </ul>	<ul style="list-style-type: none"> <li>• Fleet size expansion.</li> <li>• Revenue and backlog growth.</li> <li>• Diversify client portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• Onboarding, training and retaining local talent.</li> <li>• ERP upgrade to foster efficiency.</li> <li>• Enhance working environment.</li> <li>• High impact cost savings initiatives.</li> </ul>
<b>2023 Achievements</b>	<ul style="list-style-type: none"> <li>• REI of 94.15% with half of the rig scoring in Superior Performance (i.e. &gt; 95%), according to Aramco 36-month average and scoring matrix.</li> <li>• Saved average of 1 day per rig move for 175 rig moves, equivalent to half a year extra rig day rate revenue.</li> <li>• TRIF of 0.94, c. 3x less than the industry standard.</li> <li>• NPT of only 1.28%</li> </ul>	<ul style="list-style-type: none"> <li>• +29% revenue increase YoY.</li> <li>• Added Baker Hugues as a new client.</li> <li>• Safe, on-time delivery, and startup of 3 new offshore rigs in Q3'23.</li> <li>• Record high backlog of SAR 12.7 billion as of Q3 2023 with average remaining contract tenure of 2.5 years per rig.</li> <li>• 10-rig contract awarded in Unconventional Gas, establishing a strong footprint.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved facilities: employee parking and acquisition of state-of-the-art building to host Learning Academy.</li> <li>• IT and digitalization initiatives: new budget and forecast model, improved cybersecurity, and use of AI on the rigs to identify and prevent unsafe working conditions.</li> <li>• Revamped supply chain function for better back office support.</li> <li>• Recruited c. 1,700 people, representing more than 25% of current headcount.</li> </ul>
<b>2024 Goals</b>	<ul style="list-style-type: none"> <li>• Continue to set new standards for all operational targets (REI, NPT, TRIF, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Successful startup of the 10 new rigs for Unconventional Gas.</li> <li>• Growth in non-drilling related revenue streams, i.e. Learning Academy training courses for outsiders.</li> <li>• Become a regional player and start operations outside of Saudi Arabia.</li> </ul>	<ul style="list-style-type: none"> <li>• ERP upgrade and move to cloud-based solutions.</li> <li>• HR revamp and alignment for better back office support.</li> <li>• Deliver significant cost optimization and implement business enablers with over c. 350 identified initiatives.</li> </ul>

## MARKET OVERVIEW

**IN 2023, THE GLOBAL AND SAUDI OIL AND GAS INDUSTRIES FACED SIGNIFICANT CHANGES DUE TO GEOPOLITICAL EVENTS, ECONOMIC SHIFTS, AND A FOCUS ON SUSTAINABILITY AND TECHNOLOGY. THE INTERNATIONAL MARKET DEALT WITH PRICE FLUCTUATIONS AND A MOVE TOWARDS CLEANER ENERGY, WHILE SAUDI ARABIA EXPERIENCED INCREASED OIL PRODUCTION AND TECHNOLOGICAL ADVANCEMENTS, IN LINE WITH VISION 2030. THE DRILLING SECTOR SAW A VARIED RECOVERY, EMPHASIZING AUTOMATION, DIGITALIZATION, AND ENVIRONMENTAL PRACTICES. OVERALL, THE YEAR MARKED A PERIOD OF ADAPTATION AND GROWTH FOR THE INDUSTRY WORLDWIDE.**

### The International Oil and Gas Market

The international oil and gas market experienced a year marked by significant changes and uncertainty. The landscape was shaped by a complex interplay of geopolitical events, economic factors, and technological advancements, all

under the shadow of the ongoing push towards a cleaner energy future.

Geopolitical disruptions were at the forefront, notably the tensions between Russia and Ukraine, which led to significant impacts on the market. These included disruptions to Russia's oil and gas

exports, contributing to global price volatility and supply concerns. In response, OPEC and its allies (OPEC+) implemented production cuts of 2.5 million barrels per day in November, further intensifying global energy security worries as countries scrambled for alternative energy sources.

Economic factors such as high inflation and rising interest rates also influenced the oil and gas sectors, heightening volatility in oil prices and dampening investment in new projects due to increased costs. This scenario threatened to affect future supply amid fluctuating market conditions.

On the technological front, the adoption of artificial intelligence (AI) became more pronounced, offering solutions for efficient data analysis and enhancing safety by automating tasks in hazardous environments, thus promoting better decision-making and operational efficiencies within the industry.

Social and regulatory trends underscored the energy transition, with significant growth in electric vehicle (EV) sales, up over 35%, signaling a shift towards more sustainable transportation. The industry also saw an increased focus on carbon capture and storage (CCS) technologies as companies aimed to reduce their carbon footprints and adhere to stricter environmental standards.

Regionally, North America witnessed continued growth in its shale oil industry, while Europe faced an energy crisis exacerbated by the conflict in Ukraine, leading to a spike in natural gas prices and an accelerated search for diverse energy sources, including increased LNG imports. In Asia, China's economic rebound post-COVID-19 lockdowns resulted in a heightened demand for oil and gas, underscoring the region's critical role in the global energy market.

### The Saudi Oil and Gas Market

In 2023, the Saudi Arabian oil and gas industry navigated a landscape marked by geopolitical tensions and economic prosperity, underpinned by strategic domestic developments. The industry's dynamics were significantly influenced by global events and internal policy decisions aimed at sustainability and economic diversification.

The geopolitical landscape, particularly sanctions on Russia, had a profound impact on Saudi Arabia as a major oil producer. Saudi Arabia, in conjunction with OPEC+, increased its oil production to stabilize global markets and address price volatility, thereby strengthening its position as a dependable oil supplier and potentially attracting new investments.

Economically, the high global oil prices throughout 2023 bolstered the Saudi economy, leading to substantial revenue generation. Despite this, the Government of Saudi Arabia steadfastly pursued its Vision 2030 objectives, continuing to invest in economic diversification efforts to diminish the country's long-term reliance on oil revenues.

Domestically, there was a continued emphasis on downstream activities, with aims to refine more crude oil locally, producing higher-value products like gasoline and petrochemicals. This strategic move aimed to lessen the dependency on raw crude exports and to attract investments in refineries and petrochemical plants, thereby fostering job creation and economic growth.

Technological advancements mirrored global trends, with a significant investment in AI and automation technologies aimed at enhancing operational efficiency and reducing costs across exploration, production, and refining processes. Additionally, the focus on sustainability grew, especially in CCS technologies, reflecting a commitment to reducing the environmental footprint of oil and gas production and aligning with global climate change objectives.

### The Global Drilling Industry

The global drilling industry experienced a fragmented recovery during 2023, reflecting varied dynamics across different sectors and regions. This period of adjustment highlighted the contrast between Offshore and Land drilling activities and was influenced by multiple factors shaping the landscape.

The industry's uneven recovery was marked by a notable rebound in Offshore drilling activities, while Land drilling faced more subdued conditions. This disparity was particularly evident in the US, where shale oil producers, influenced by investor pressure and a conservative approach towards debt, curtailed their drilling activities, leading to a decreased demand for Land rigs. Additionally, geopolitical uncertainties, underscored by the conflict in Ukraine, and persistent global economic challenges made oil and gas companies wary of committing to any new major drilling projects, further impacting the sector.

## MARKET OVERVIEW (continued)

Technological adoption continued to be a significant trend in the drilling industry, driving changes and innovations. The increased use of automation and robotics, particularly for tasks such as pipe handling and well completions, enhanced operational efficiency while also improving safety standards. The digitalization of drilling operations, through advanced data analytics and real-time monitoring, enabled better decision-making and enhanced rig performance. Furthermore, the expansion of remote drilling centers illustrated the industry's move towards safer and more efficient operations, especially in more challenging and remote environments.

Sustainability concerns also shaped the drilling industry's practices and priorities in 2023. There was a concerted effort to adopt cleaner technologies and optimize well designs, aiming to reduce greenhouse gas emissions associated with drilling activities. Water management became a critical focus, with the industry moving towards closed-loop systems and recycling strategies to reduce freshwater use and mitigate environmental impacts. These shifts reflected the drilling sector's growing commitment to more sustainable and environmentally responsible practices.

### The Saudi Drilling Industry

2023 witnessed a significant surge in activity for the Saudi drilling industry, reflecting broader national trends and the strategic objectives of key industry players. This period of growth was underpinned by a confluence of factors, aligning with both global dynamics and specific regional priorities.

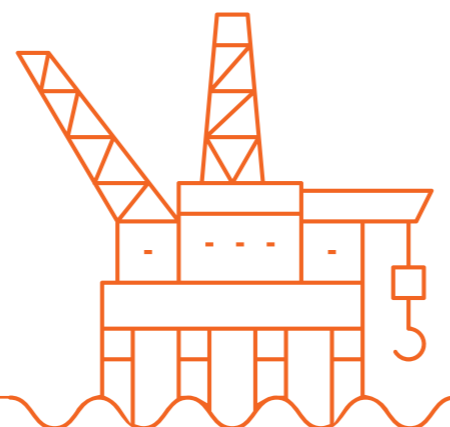
The increase in drilling activity within the Kingdom of Saudi Arabia was primarily fueled by the mandate given by the Saudi Government to increase the maximum sustainable production capacity from 12 to 13 million barrel per day by 2027\*. This economic landscape incentivized Saudi Aramco, the national oil company, to escalate production levels, directly translating into heightened drilling operations. Furthermore, Saudi Arabia's adherence to OPEC+ production quotas played a critical role, as the country ramped up drilling efforts to meet its assigned production targets efficiently. Additionally, Saudi Arabia's strategic focus on bolstering its downstream sector—aimed at expanding its refining capacity—further necessitated an increase in drilling activities to ensure adequate crude oil supply for processing.

Technological innovation also played a pivotal role in shaping the Saudi Arabian drilling landscape in 2023. Arabian Drilling, a leading entity in the sector, showcased a proactive approach in integrating advanced technologies to enhance

operational efficiencies and safety standards. Significant investments were channeled into digitalization, encompassing data analytics, real-time monitoring, and the facilitation of remote operations, mirroring global industry trends. Automation technologies, particularly in tasks such as pipe handling and well completion, were increasingly adopted, aligning with broader industry movements towards more streamlined and less labor-intensive operations.

Notably, Arabian Drilling ventured into the realm of renewable energy by piloting various solar technology projects. These initiatives are aimed at reducing the dependency on diesel-generated power, marking a significant stride towards sustainability. The integration of solar technologies contributed to reducing carbon emissions and positioned Arabian Drilling as a forward-thinking player in the transition towards greener energy solutions within the drilling industry.

\*The additional capacity of 1 million barrel per day target was later abandoned in Jan 2024.



# CHIEF FINANCIAL OFFICER'S REVIEW

Arabian Drilling presented a record financial performance in our first year as a publicly listed company, largely through fleet expansion and robust day rates. Our customers' confidence in our capabilities and service delivery manifested in substantial contracts awarded and extensions throughout 2023, providing a solid foundation and plentiful resources for future growth.

## Record results

Arabian Drilling posted record revenues of SAR 3.5 billion, a 29% increase over 2022, driven largely by increased rig activity following the expansion of the fleet in our Offshore segment. This resulted in a 25% rise in net income to SAR 605 million, resulting in a profitability level of 17%, underscoring our operational excellence and efficiencies.

In Q4 2022, Arabian Drilling became a publicly listed company with an introduction price of SAR 100 per share. Since then, we have delivered an impressive share price performance, closing at SAR 191 on 31 December 2023, largely surpassing the Saudi Exchange Main Market index over the same period.

In addition, Arabian Drilling declared cash dividends of SAR 5.06 per share for the period 2023 and returned SAR 450 million of value to shareholders.

In 2022, we acquired 3 jack-ups, which were delivered on time and on budget in Q3 2023, to start a 5-year contract with Aramco. Additionally, we were awarded multiple contracts for a further 13 Land rigs dedicated to Unconventional Gas in 2023 and early 2024. The 5-year Unconventional

SAR Millions	FY'23	FY'22	Change
Revenue	3,477	2,704	+29%
EBITDA	1,485	1,144	+30%
EBITDA (% of Revenue)	42.7%	42.3%	+40bps
Operating Profit	801	619	+29%
Net Income	605	558	+8%
EPS (SAR per share) <sup>(1)</sup>	6.79	6.85	-1%
Adjusted Net Income <sup>(2)</sup>	605	484	+25%
Capital Expenditure <sup>(3)</sup>	1,884	1,749	+8%
CF from Operating Activities	1,360	1,242	+9%
Active Rigs <sup>(4)</sup>	47	44	+7%

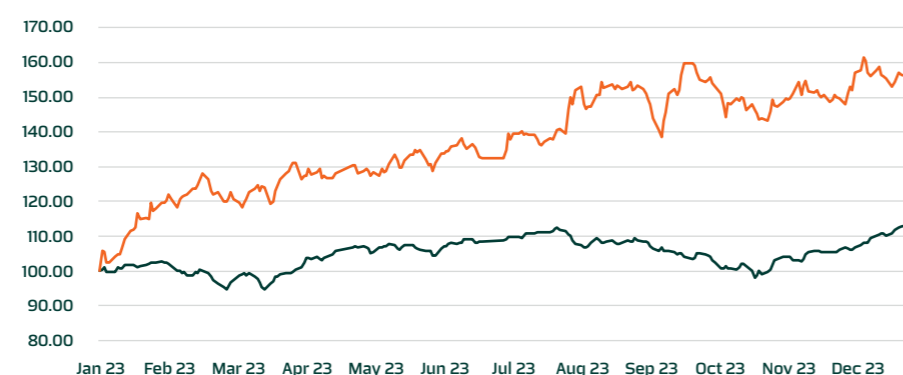
- (1) FY'22 EPS calculated based on weighted average of 81,430,137 shares. FY'23 EPS calculated on 89,000,000 shares.
- (2) FY'22 net income adjusted for a one-time tax effect of change in effective shareholding of SAR 73.8 million.
- (3) Includes the portion of capitalized interests, where applicable.
- (4) Active rigs at the end of the period include rigs operating and generating revenue.

Gas contract with Aramco will entail a significant investment to build new rigs and generate a backlog in excess of SAR 3.8 billion, with rigs beginning to generate revenue in Q2 of 2024. The contract is a strategic win, as Unconventional Gas is an area of growth in the Kingdom of Saudi

Arabia and is the cornerstone of Saudi Arabia's energy transition to more sustainable electricity production.

The Company has shown a financially disciplined approach to growth, avoiding speculation of only acquiring rigs after securing contracts.

## 2023 Stock Performance



● Arabian Drilling ● Saudi Exchange Main Market

## Fleet expansion and completion ahead of schedule

The Company's 5-year business plan for Offshore fleet growth has been achieved ahead of the target deadline, with 5 Offshore rigs in place instead of the planned 4 by 2026. In addition, the Company demonstrated agility in the strategic shift from the original 10 rig regional expansion plan to the more strategic domestic Unconventional Gas market, with greater potential for expansion. In terms of total fleet targets, Arabian Drilling is set to achieve our 5-year business plan ahead of schedule.

Reliability is key to the Company's competitiveness and value. With a consistently high score on Saudi Aramco's Rig Efficiency Index (REI), contracts are often extended and renewed, reflecting timely delivery and operational strength.

## Historic backlog

Our backlog for year-end 2023 stood at SAR 11.9 billion, which translates into committed revenue from awarded contracts, with an average remaining tenure of 2.6 years per rig for the active rigs, further solidifying the stability of future revenue streams.

This impressive backlog boosts both growth and assurance, enabling the Company to confidently invest in growth initiatives without financial risks. While ongoing operations may deplete the backlog, newly awarded contracts, such as the 13-rig acquisition, are able to replenish and increase it. The mechanisms in place to determine their direction enables greater accuracy in understanding the Company's revenue generation cycle.

The ratio of the 2023 backlog to the "Book-to-Bill" ratio was 3.4x at the end of the year, with average day rates reaching mid to high USD 30,000 for the Land segment and around USD 100,000 for the Offshore segment.

## EBITDA drivers

While oil and gas sector suppliers faced significant financial challenges due to industry demand, we recorded EBITDA of SAR 1.49 billion, 30% higher than 2022, with a margin of 43% compared to 42% the previous year. The inflationary pressures and compensation costs were partially offset by a slight increase in Land rigs day rates, while significant hikes in Offshore rigs day rates, due to high Offshore rig demand and tight supply, contributed significantly to the EBITDA growth and overall margins.

## Land Segment (\*) (SAR Millions)

	Q4'23	Q3'23	Change	FY'23	FY'22	Change
Revenue	539	501	+8%	2,009	1,902	+6%
Cost of Revenue*	(460)	(420)	+10%	(1,683)	(1,478)	+14%
Gross Profit	79	81	-2%	326	424	-23%

## Offshore Segment (SAR Millions)

	Q4'23	Q3'23	Change	FY'23	FY'22	Change
Revenue	448	419	+7%	1,467	802	+83%
Cost of Revenue**	(254)	(233)	+9%	(818)	(424)	+93%
Gross Profit	194	186	+4%	650	378	+72%

- Notes:
- \* Includes OFSAT results
- \*\* Includes depreciation, but excludes G&A, interest, and tax

## CHIEF FINANCIAL OFFICER'S REVIEW (continued)

### Net debt and cash

The Company's cash and cash equivalents for 2023 was SAR 1.43 billion, of which SAR 969 million was invested in various short-term deposits. The Company's debt principal was SAR 3 billion, comprising of the SAR 2 billion Sukuk plus 2 bank loans of SAR 500 million each. Net debt stood at SAR 1.75 billion, representing a leverage ratio of net debt to EBITDA of 1.2x as of 31 December 2023.

### Providing liquidity for Capex growth and potential business acquisition

The successful IPO launch and Sukuk issuances were perfect timing for strengthening the balance sheet, providing liquidity for growth and acquisition capital. Arabian Drilling demonstrated its commitment to returning value to its shareholders by distributing 2 semi-annual cash dividend payments for an aggregate amount of SAR 450 million for the fiscal year 2023.

Future dividends will be assessed to balance out cash management requirements, to support the ongoing

long-term investment and growth initiatives with the commitment to return shareholders' value on a sustainable basis.

### Awards

In Q1 2023, Arabian Drilling received the Best IPO Award from the Saudi Exchange (Tadawul), ahead of the 51 other companies that got listed in 2022.

At the same time, the Company also received the Deal of the Year Award from Capital Markets and ESG Finance Saudi Arabia for both our landmark IPO completed in Q4 2022 and a Corporate Bond (i.e. Sukuk) transaction that we finalized in Q1 2022.

### Outlook for 2024

In line with continuous growth seen in 2023, revenue for next year is expected to be in the range of SAR 3.6 billion to SAR 3.9 billion, with Capex approximately SAR 2.1 billion to SAR 2.4 billion dependent on the progress of the Unconventional Gas rig projects.

The Company is in a high intensity Capex cycle to deliver on the 13 new rigs, with up to a SAR 1.7 billion additional investment deployed to complete the program in 2024.



**ARABIAN DRILLING POSTED RECORD REVENUES OF SAR 3.5 BILLION, A 29% INCREASE OVER 2022, DRIVEN LARGELY BY INCREASED RIG ACTIVITY FOLLOWING THE EXPANSION OF THE FLEET IN OUR OFFSHORE SEGMENT.**

### Hubert Lafeuille

Chief Financial Officer



CASE STUDY

## IR PROGRAM

### Elevating Investor Relations: Building a foundation for investor confidence

Arabian Drilling's journey in building-up Investor Relations (IR) capabilities marks a significant milestone in our equity story. From the initial coverage by 3 analysts at the time of the IPO to increasing our coverage to 12 sell-side analysts, our rapid strides in Investor Relations have magnified our engagement with the financial community. This expansion in analyst coverage and proactive investor engagement has been pivotal in elevating our market visibility and fostering robust relationships with stakeholders.

### Strategic initiatives for unprecedented engagement

Our approach to perfecting IR activities began with a strategic focus on expanding analyst coverage, attending key industry conferences, and facilitating direct dialogue through one-on-one meetings. These efforts were underpinned by a commitment to transparency, and accessibility of Senior Management, earning us consistent accolades for our disclosure quality and Management's credibility.

We embraced a proactive stance, delivering quarterly earnings announcements and conference calls, attending several key financial events, and facilitating immersive rig site visits for analysts and investors. This deepened their understanding of drilling operations and reinforced their trust in our ability to run a dynamic business and achieve our growth trajectory.

### Recognition of our achievements

Our commitment to building a comprehensive IR function, coupled with our unwavering transparency (such as giving forward-looking guidance during our earnings calls), has contributed to setting new standards in investor communications in the Kingdom of Saudi Arabia. The tangible outcomes of these efforts include tripling our analyst coverage,

outperforming the market in share price appreciation, returning significant value to shareholders through cash dividend payments, and receiving prestigious accolades, such as the "Most Improved Investor Relations program" award from the Middle East Investors Relations Association (MEIRA) in February 2024. These achievements underscore our dedication to enhancing IR practices and fostering enduring relationships with our investors and stakeholders.

### Committed to continued progress

As we continue to build on the successes of our IR program, our focus remains on leveraging strategic initiatives to further enhance transparency, communication, and investor engagement. Our vision for the future is to not only sustain but also enhance and expand investor interest through continuous improvement and strategic engagement, such as a dedicated Capital Market Day to showcase the Company's operational excellence and vision.

Arabian Drilling's journey in Investor Relations serves as a testament to our commitment to excellence and our strategic approach to fostering investor confidence and loyalty. This dedication positions us to strengthen our market presence and achieve our financial objectives, reinforcing our role as a leader in the industry.



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# CHIEF OPERATING OFFICER'S MESSAGE

Arabian Drilling delivered a robust performance in 2023 through substantial fleet growth and operational efficiencies. We strategically diversified our operations into Unconventional Gas field development with Aramco and have secured 13 rig contracts to be deployed throughout 2024. In 2023, we also expanded our Offshore fleet by adding 3 additional jack-up rigs. We are proud that our operations recorded another year of safe operations, and we introduced further measures to bolster safety initiatives for our employees, as we look to build on this year's progress and performance.

In addition to its 13-rig award for Unconventional Gas drilling, Aramco also extended multiple Arabian Drilling contracts for periods ranging between 3 to 10 years in an agreement worth SAR 3 billion. Furthermore, our largest client trusted us with a key project through the selection of one of our land rigs for a geothermal drilling campaign, a first for Arabian Drilling.

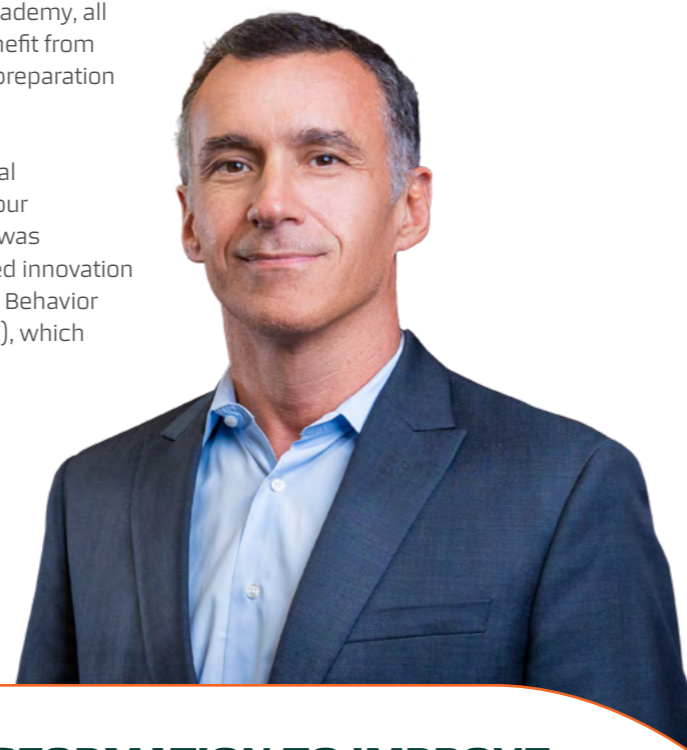
The on-time, on-budget, and safe start of 3 new jack-ups, in addition to the reactivation of AD63 brought the total available fleet number to 49 including a rig count with our latest customer, Baker Hughes, of 5 units. Despite numerous rig startups, overall efficiency improved in comparison to 2022, with Non-Productive Time (NPT) ending the year at 1.3% and Rig Efficiency Index (REI) above 94% at fleet level.

In terms of manpower, we onboarded close to 1,000 employees to our workforce to support the second phase of our Offshore expansion and prepare the startup of the Unconventional Gas rigs. Through our investment in the new Arabian Drilling Learning Academy, all new staff members will benefit from comprehensive training in preparation for deployment.

We also continued our digital transformation to improve our operational efficiency. This was complemented by continued innovation in safety, including our new Behavior Empowerment Center (BEC), which

acts as a control room with real time video feeds from the rigs enabling the prevention of any potential unsafe behaviors and/or working conditions. The BEC enables a proactive approach to behavior change and adherence to work procedures.

In line with our constant efforts to adhere to global best practices, we received the API Q1 certification for drilling and engine maintenance workshops and the ISO9001:2015 for quality management systems in 2023. This progress reflects our ambition to be at the forefront of performance and innovation in the drilling industry.



**WE CONTINUED OUR DIGITAL TRANSFORMATION TO IMPROVE OUR OPERATIONAL EFFICIENCY. THIS WAS COMPLEMENTED BY CONTINUED INNOVATION IN SAFETY, INCLUDING OUR NEW BEHAVIOR EMPOWERMENT CENTER (BEC).**

**Stephane Moynet**

Chief Operating Officer



# LAND SEGMENT

**IN 2023, ARABIAN DRILLING’S LAND SEGMENT ACHIEVED A REMARKABLE MILESTONE BY WINNING A 10-RIG AWARD, OUT OF A 13-RIG TENDER, FOR THE DEVELOPMENT OF UNCONVENTIONAL GAS. THE LAND FLEET FURTHER EXPANDED IN EARLY 2024 WITH THE SECOND AWARD FOR AN ADDITIONAL 3 LAND RIGS. OVERALL, THE 13 RIG FLEET ADDITION REPRESENTS A STRATEGIC WIN IN THE GROWING SECTOR OF UNCONVENTIONAL GAS AND A SIGNIFICANT CAPEX INVESTMENT IN EXCESS OF SAR 2 BILLION.**



### Unconventional Gas Spearheading Organic Growth in the Kingdom

The development of Unconventional Gas on the fields, including Jafurah, North Arabia and South Ghawar is a steppingstone for the Kingdom’s energy mix transition as it will enable decarbonizing the production of electricity. Unconventional Gas has therefore been identified as the new area of growth in the Kingdom and a strategic target for the Company, and the 13-rig awards constitute a major strategic win for Arabian Drilling.

These 13 rigs are new-build rigs which will be added to an existing Land rig fleet size of 37, representing a 35% increase in the fleet size. The associated Capex for these new-builds represent a significant investment in excess of SAR 2 billion. The contract revenue associated

with these 2 awards represents an addition to the Company backlog of c. SAR 3,850 million.

The first 10 rigs will be shipped, assembled, commissioned in Saudi Arabia prior to mobilization to the first well location, expected in Q3 of 2024. The remaining 3 rigs will be deployed in Q1 of 2025. To support these additional rigs, the Company has engaged in massive hiring and onboarding close to 1,000 people to crew up the new rigs and build ramp up operability to ensure a safe and smooth startup.

This major undertaking is one of the largest startups seen in Saudi Arabia and requires seamless integration and collaboration between the Project team in charge of delivering the new build rigs, all the Support functions across the Company, as well as OFSAT,

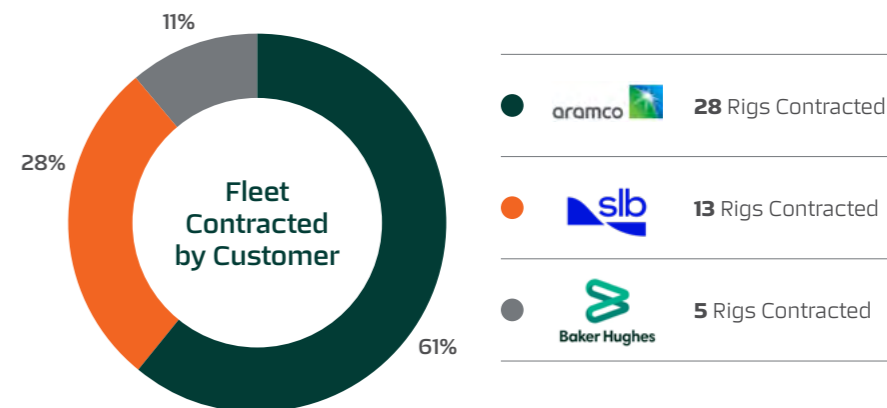
our rig move company, to support the logistics aspect. The scale of this project will require the mobilization of enough trucks to move approximately 2,400 rig and camp loads from delivery port to first well locations.

### Solid Backlog Supported by Strong REI

As one of the largest Land drilling contractors in the Kingdom of Saudi Arabia, Arabian Drilling maintains a strong position on Aramco’s Rig Efficiency Index (REI)\*. In addition to awarding the Company its Unconventional Gas development projects, Aramco also extended several Land contracts, which were due to expire in 2023. These extensions, for periods ranging from 3 to 10 years, added c. SAR 1.2 billion of additional committed revenue to the Company’s backlog.

### Breakdown of Fleet Contracted by the Company

**Today’s contracted 35 rigs, over a total available 37 units, gives a utilization rate of 94.6%.**

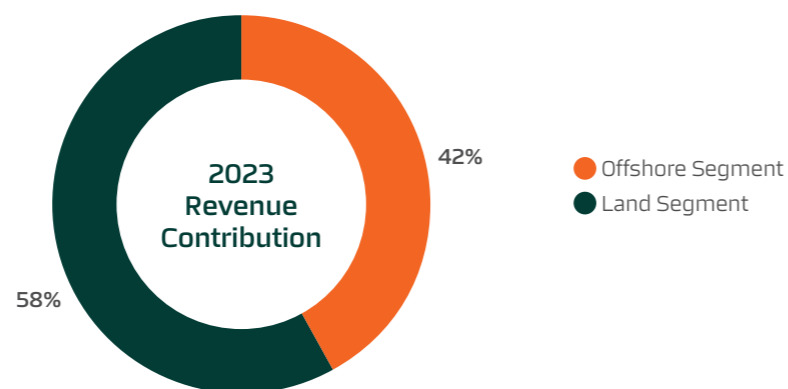


\*REI is one of Saudi Aramco’s internal systems used to measure individual rig performance across all of its contracted and sub-contracted drilling contractors. It is used by Saudi Aramco to determine the likelihood of drilling contractors having their contracts renewed, extended, or terminated. REI is calculated based on 4 different parameters: HSE, Non-Productive Time, drilling flat time and In-Kingdom Total Value Add (IKTVA) and covers the full spectrum of how the performance of any drilling contractor operating in Saudi Arabia would typically be measured. The REI is measured on a rolling average of the last 36 months, and therefore does not include rigs that have been contracted for a shorter period.

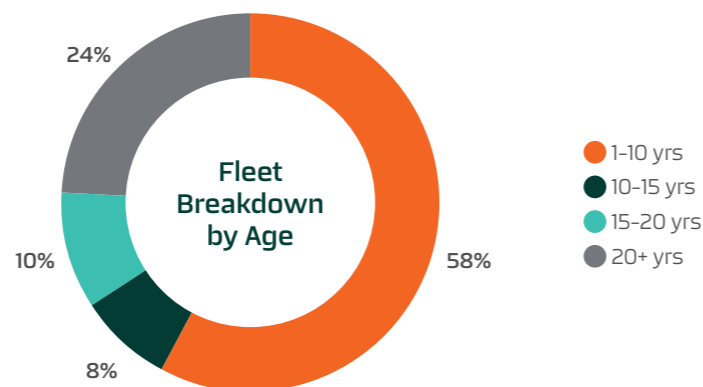
## LAND SEGMENT (continued)

Land revenue in 2023 increased slightly due to higher rig activity, reaching SAR 2,009 million, a 6% increase compared to 2022. This year saw slightly higher rig activity with a net increase of 2 active rigs. However, the gross profit of SAR 326 million (2023) was lower than last year (2022: SAR 424 million) due to the impact of the startup costs for the 10 new Unconventional Gas rigs, as well as additional inflationary and employee cost pressures.

Land Contribution to Arabian Drilling Revenue vs. Offshore Contribution



The Land fleet is relatively young with a majority of the rigs being less than 10 years old, as drilling rigs can have a lifespan of more than 30 years when well maintained.

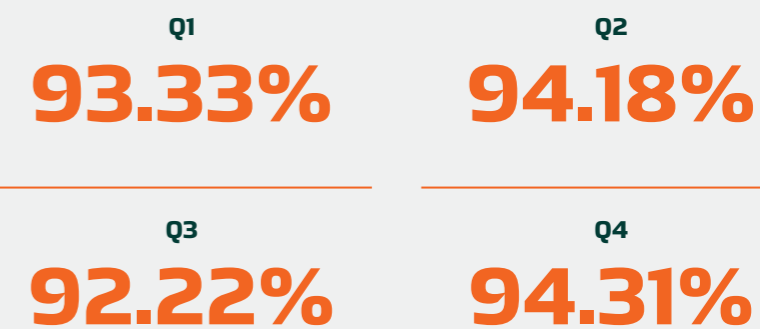


Since the business model is based on a rate earned for every 24 hours of drilling operations, keeping rigs drilling and running and minimizing downtime is crucial. The Non-Productive Time (NPT) is an operational KPI that measures the period during which the rig is on downtime. The efficiency of the rig is then measured by its NPT (the lower the NPT, the more efficient the rig is). Arabian Drilling tracks the NPT by rigs and on a monthly basis to ensure optimal performance across the fleet.

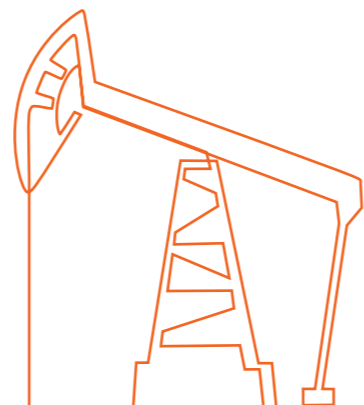
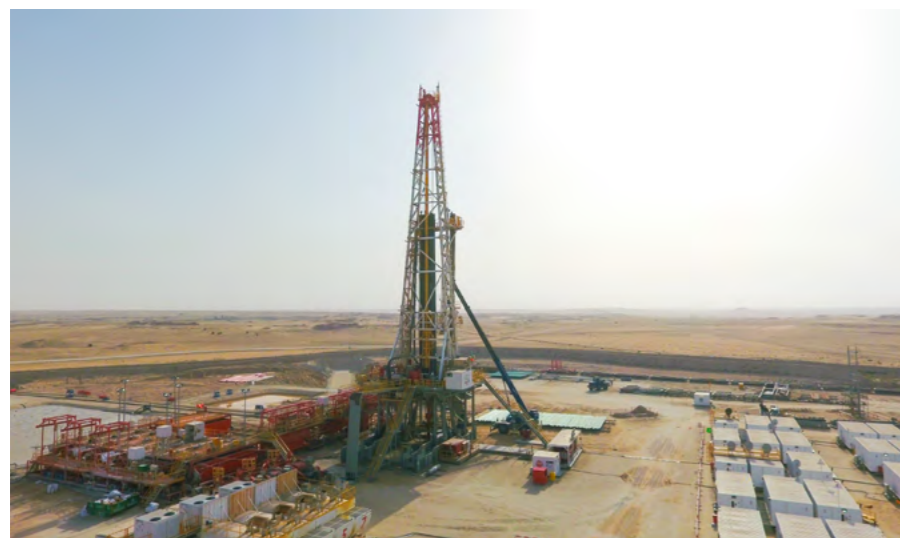
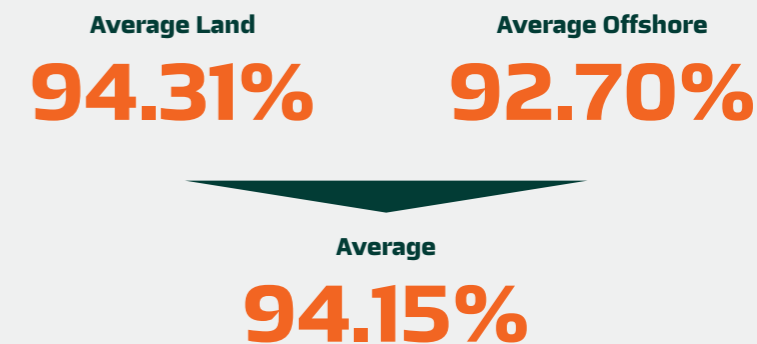
In 2023, the average NPT for the Land segment was 1.26%, demonstrating an improvement compared to NPT of 1.51% in 2022.

The average 2023 REI scoring for the Land segment was 94.31% with more than 88% of the rigs scoring in the High and Superior performance range, according to Aramco's criteria. This remarkable score underpins the Company's success in renewing and/or extending its contracts for the Land rig fleet.

Land Segment Quarterly REI Scoring in 2023



REI Scoring as of 31 December 2023



### Rig Classification – Total 35 Active Land Rigs

**20 rigs**  
Superior Performers

**11 rigs**  
High Performers

**2 rigs**  
Consistent Performers

**2 rigs**  
Average Performers

This was highlighted in 2023 by the AD65 team that successfully delivered SDGM-1269 in 54.8 days, setting a new field record for MK1K-SL in Shedgum. The same team also exceeded expectations by delivering the last HWYH-1264 well, nearly 10 days ahead of schedule.

## OFSAT – A Key Enabler in Rig Moving Performance

OFSAT Arabia (OFSAT) is a wholly owned subsidiary of Arabian Drilling and is specialized in moving Land rigs and camps from one well location to another. As Arabian Drilling’s rig moves are paid through a lump sum

instead of a daily rate, there is an incentive to complete the rig move as efficiently and safely as possible. OFSAT plays a key role in our Land segment operational efficiencies by minimizing the duration of the rig moves.

In 2023, OFSAT completed 175 rig moves and achieved a 182 day reduction in rig move times compared to Aramco’s target. This is equivalent to an average of 1 day saved per rig move compared to Aramco’s KPIs and is equivalent to half a year of additional day rate revenue for 1 rig.



During the year, OFSAT achieved a 20% rise in top-line revenue, underscoring the continued strength and demand for its services. This increase translated to improved profitability, with EBITDA rising from 36% to 40%.

### Unparalleled Safety and Efficiency

In prioritizing the safety of its 600 employees, OFSAT achieved 17 million driven kilometers accident-free, underscoring its commitment to a safe work environment. In addition, continuous safety training programs, vehicle maintenance, and a Company culture of risk mitigation ensured that staff welfare continued to be front and center of all operations.

Working exclusively for Arabian Drilling, OFSAT delivered a minimum fleet utilization rate of around 80% throughout the year, reinforcing positive resource management and equipment uptime.

### Mobilization Expertise

OFSAT successfully mobilized an entire drilling rig in 2023 across a challenging journey of 2,170 kilometers in a highly complex operation, with the meticulous movement of 264 loads, and project completion within 10 days.

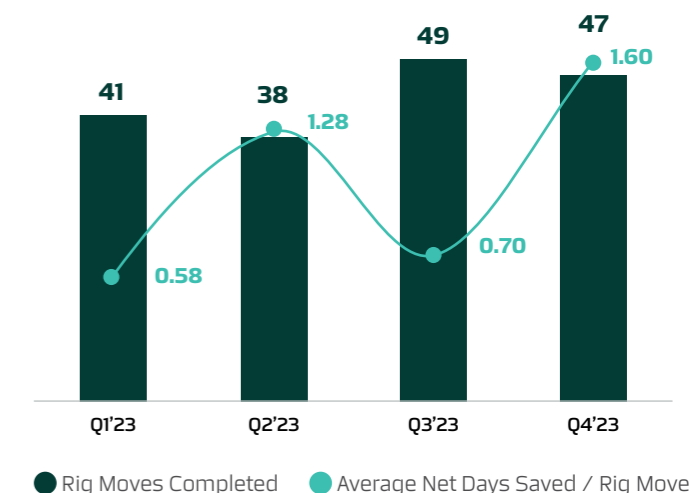
### The Way Ahead for OFSAT

In 2024, OFSAT aims to accelerate its digital transformation for all facets of its business, from fleet management to project planning, and enable data-driven decisions to strengthen safety measures, reduce costs, and improve service delivery.

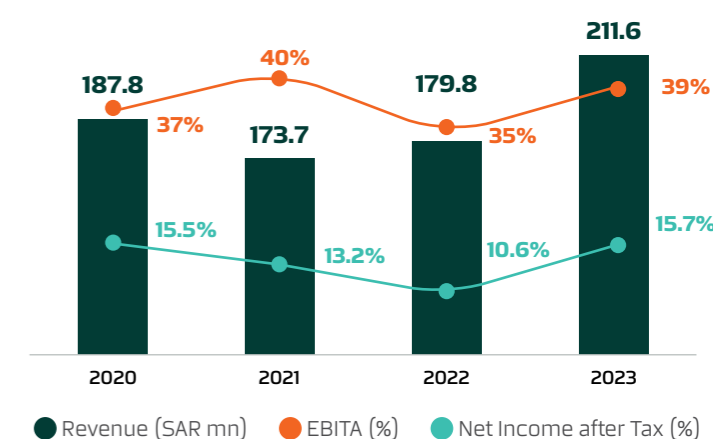
In addition, OFSAT is committed to leveraging technology to further safeguard its employees and operations. In 2024, it will equip its entire fleet with cutting-edge innovation to provide real-time data to mitigate risks.

The subsidiary is also establishing a dedicated organization focused on quality delivery and implementing a new asset utilization and maintenance strategy, segregating preventive maintenance from rescue operations, in order to maximize fleet uptime.

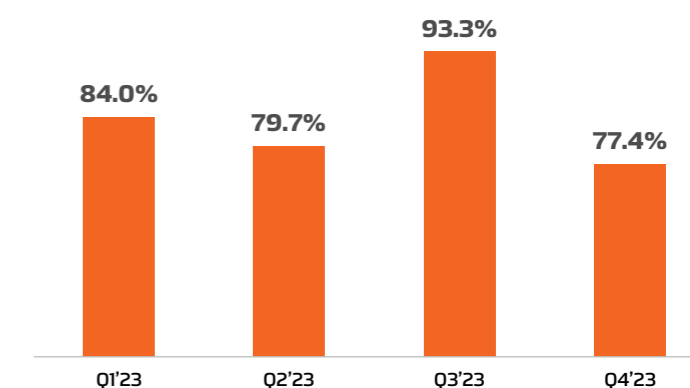
### Rig Moves in 2023



### OFSAT 2020 to 2023



### OFSAT Asset Utilization - Arabian Drilling Focus



### Land Segment Technology Transformation

With more than 75% of Land rigs featuring high-quality specifications and the majority digitally enabled, they are ready for deployment with full automation and digital workflows.

To continue its innovation journey, the installation of DrillOps, a leading digital software solution, has fully supported peak performance on all Lump Sum Turnkey (LSTK) rigs. In addition, Lean Automated Report (LAR) design, customization, and deployment on pilot rigs were instrumental in automating Daily Drill Reporting (DDR).

In terms of employee welfare, using AI on pilot rigs has proactively enhanced safety, security, and quality control. In 2023, video analytics in dynamic zone managements were deployed across all LSTK rigs. In 2023, our average Total Recordable Incident Frequency (TRIF), measured over 1 million manhours, was 0.94 which is approximately 3x lower than the industry average, according to the International Association of Drilling Contractors (IADC).

In addition, trials into interactive screen and digitalization on SQ and HSE alerts and standardization through central control have shown both effective and feasible results.

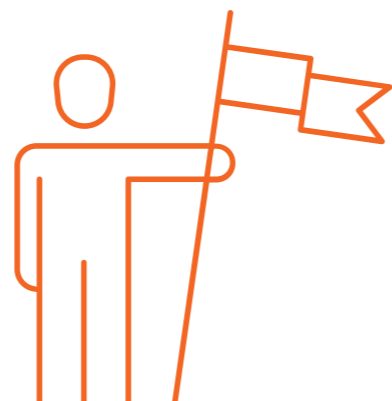
### Outlook for 2024

The Unconventional Gas has led the growth in the Land segment in the Kingdom of Saudi Arabia and the Company's focus in 2024 will be ensuring an efficient and smooth startup of the 10 new rigs and a quick ramp up to optimized drilling performance.

With the Company's commitment to an incident-free working environment, further investments in technology will enable the Land segment to provide a safer environment, implementing advanced industry innovation and AI in its HSE practices.

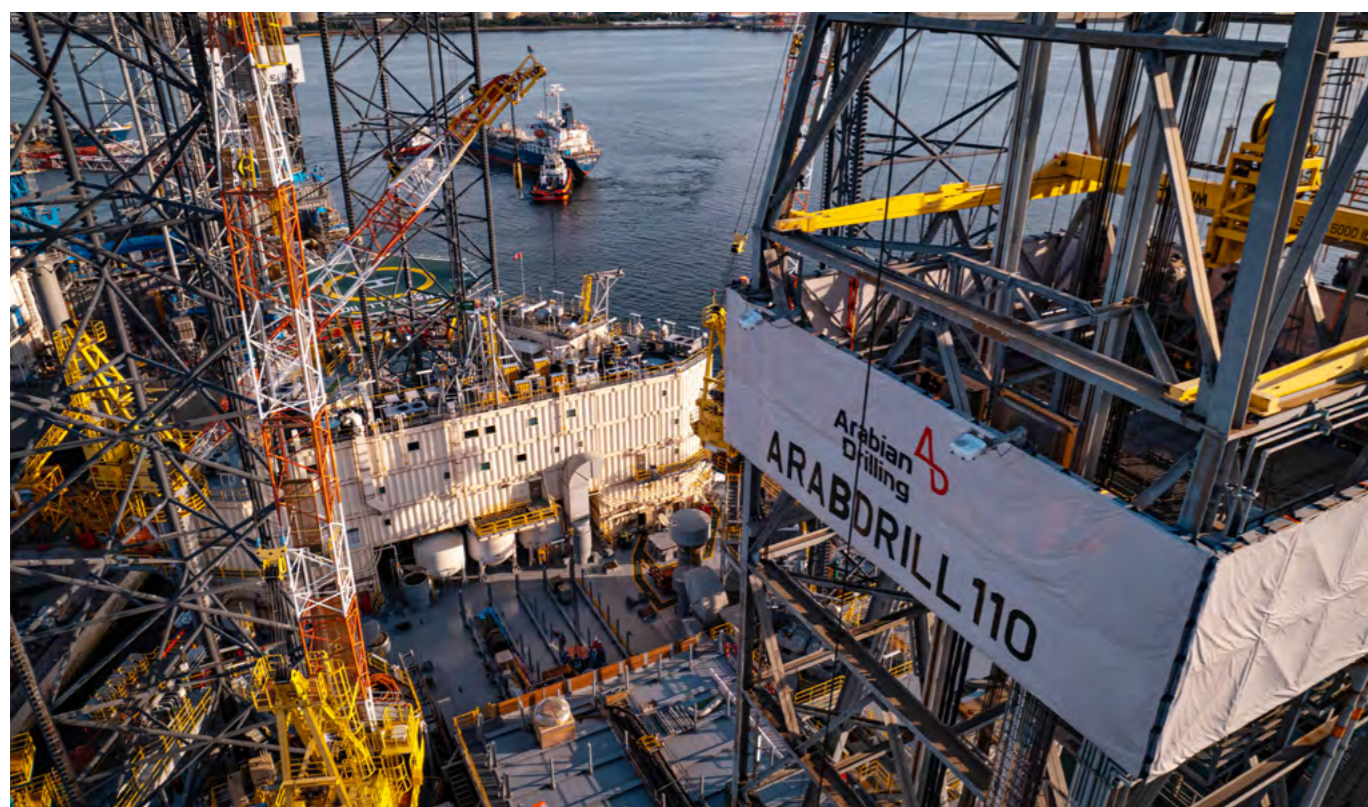
While we believe conventional and unconventional Land drilling will continue to support the growth of our core business in the Kingdom of Saudi Arabia, Arabian Drilling is also looking at becoming an important regional player in the GCC area and is seeking new overseas market opportunities. The recent qualification in Land drilling in Kuwait will allow the Company to participate in tenders and open the door to expand outside of the Kingdom of Saudi Arabia, in line with its geographical expansion plans.

At the time of printing, three Unconventional Rigs had already commenced their contract, ahead of the planned start-up date, with the remaining seven rigs set to gradually come online during Q3'24. The early contribution of the Unconventional Gas Land Rigs will further support the year-on-year revenue growth.



# OFFSHORE SEGMENT

**SINCE 2022, ARAMCO HAS ALMOST DOUBLED ITS OFFSHORE RIG FLEET FOLLOWING A MEGA AWARD OF OFFSHORE RIGS AMONGST NUMEROUS DRILLING CONTRACTORS. ARABIAN DRILLING WERE AWARDED 5 RIGS IN THE PROCESS, 2 OF WHICH STARTED OPERATIONS IN Q4 2022 AND THE REMAINING 3 STARTED IN 2023. THIS MEGA AWARD WAS DRIVEN BY THE GOVERNMENT OF SAUDI ARABIA'S DIRECTIVE TO INCREASE THE MAXIMUM SUSTAINABLE CAPACITY (MSC) FROM 12 TO 13 MILLION BARRELS PER DAY (MBPD) BY 2027, REQUIRING A SIGNIFICANT INCREASE IN THE OFFSHORE FLEET.**



Consequently, Arabian Drilling's Offshore presence increased in 2023, with a further 3 jack-up rigs deployed in the face of significant resource challenges, serving primary customers with a young fleet in prime condition. Through optimizing operations and maintaining ever-vigilant safety practices, the rigs comprising of Arabian Drilling's Offshore segment are among the best performing rigs in Saudi Arabia, retaining its status as the Saudi national drilling champion.

In 2022, Arabian Drilling acquired 3 Offshore jack-ups to meet Aramco's Offshore expansion plans. Of the 3 rigs purchased last year, 2 were idle rigs with little historical utilization and 1 was a new-build which had not previously been operational. The staked rigs were first mobilized from the Gulf of Mexico to the UAE, where they were fully overhauled, recertified, and commissioned in the shipyard, prior to their move to Saudi Arabia at the end of H1 2023. The third rig was brought to operational readiness and commissioned in Singapore prior to being mobilized and commencing operations alongside the 2 others, meaning two thirds of the entire fleet is now less than 10 years old.

The successful upgrade, commissioning, and startup of the 3 high specification jack-ups for Aramco's 5-year contracts were performed on time and within budget against a backdrop of high demand and subsequent shortfall of market resources.

Despite the regional drain on equipment, supply chains, and competent crews, the Arabian Drilling Project, Operational, and Support teams worked with external partners to deliver best-in-class rigs in record time.

Mainly operating off the eastern coast of Saudi Arabia and the Saudi Arabia-Kuwait Neutral Zone, the additional rigs in 2023 increased the fleet size by 33% (from 9 to 12 units), consisting of 11 jack-ups and 1 multi-purpose vessel. Of these, 9 serve Aramco projects and the remaining 3 are contracted to Al Khafji Joint Operations (KJO).

**6 x Heavy duty jack-up rigs outfitted with high specification equipment capable of drilling up to 375 feet water depth.**

**1 x Self-propelled multi-purpose service vessel for well intervention and well testing services.**

## Performance and KPI Targets

Offshore revenue in 2023 increased from SAR 802 million to SAR 1,467 million, an 83% increase over 2022, delivering a gross profit of SAR 650 million, a rise of 72% compared to the previous year.

Underscoring the Offshore segment's efficiency and productivity, total Non-Productive Time (NPT) for 2023 was 1.36% of total operational hours. KPIs were also largely met or exceeded, including on-time delivery of AD130, AD140, and AD150, in addition to positive results in Saudi Aramco's Rig Efficiency Index (REI).\* The average REI scoring of the Offshore segment was 92.7% with 2 of the rigs exceeding the 100% mark.

Offshore NPT:

**1.36%**

FY'22: 1.1%

Offshore REI:

**92.7%**

FY'22: 96.2%

\*REI is one of Saudi Aramco's internal systems used to measure individual rig performance across all of its contracted and sub-contracted drilling contractors. It is used by Saudi Aramco to determine the likelihood of drilling contractors having their contracts renewed, extended, or terminated. REI is calculated based on 4 different parameters: HSE, Non-Productive Time, drilling flat time, and In-Kingdom Total Value Add (IKTVA) and covers the full spectrum of how the performance of any drilling contractor operating in the Kingdom of Saudi Arabia would typically be measured. The REI is measured on a rolling average of the last 36 months, and therefore does not include rigs that have been contracted for a shorter period.

## OFFSHORE SEGMENT (continued)



### Recognition and Awards

Significant resources were invested in the onboarding and training of additional employees required to operate the rigs at the highest global safety and operational standards. In acknowledgement of its ongoing commitment and global best practices, some of our Offshore rigs received numerous industry awards.

**AD70 Aramco Best HSE Offshore Rig of the Year.**



**AD70 Q1 Exceptional Performance by Aramco.**

**Arabian Drilling KJO Safety Recognition Award for Active Participation of Safety Campaign.**

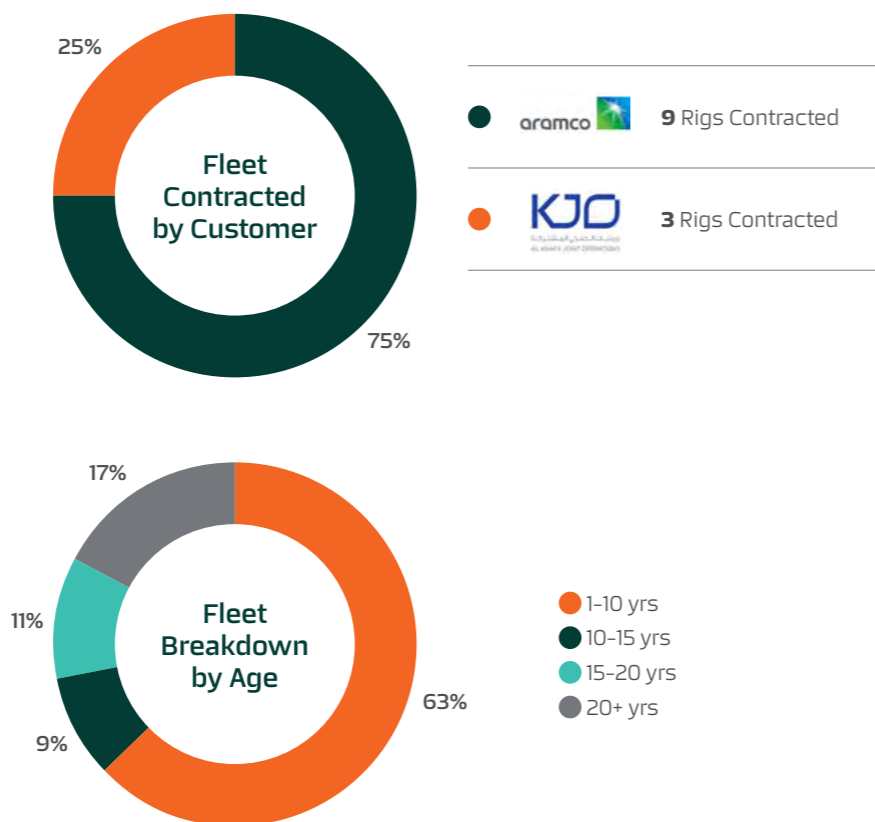
**Arabian Drilling KJO Safety Recognition Award for Exceptional Performance and Contribution to Achieving KJO's Safety Excellence for 2023.**

### The Year Ahead for Offshore Drilling

In January 2024, the Minister of Energy announced that the 13 mbpd MSC target had been revised and was reverted back to 12 mbpd. As a result of this announcement, Aramco has decided to review its Offshore drilling Capex spending and has suspended a number of Offshore rigs across the fleet of drilling contractors operating in the Kingdom of Saudi Arabia.

As of April 2024, Arabian Drilling announced that 3 of its Offshore rigs contracted with Aramco would be suspended for a period of up to 12 months.

In June 2024, the Company announced that two Offshore Rigs have been suspended for a period of up to 12 months and an agreement was reached not to extend the current contract on a third rig, due to significant capex investments that would have been required to prolong the contract. At the time of printing, the Company was actively engaged with various parties regarding new commercial opportunities to reposition the rigs, including outside of Saudi Arabia.



### CASE STUDY

## AI FOR SAFETY

### Revolutionizing Safety through AI: A game-changer in drilling operations

In the face of significant industry downturns and the unprecedented challenges posed by the COVID-19 pandemic, the upstream sector witnessed a substantial outflow of experienced talent, a situation exacerbated by safety concerns amidst rapid sector growth. With a workforce blending seasoned employees and newcomers with limited experience and key skills, enhancing safety measures became paramount. The expansion of both Offshore and Land rig activities called for a novel approach to ensure operational safety and efficiency in this evolving landscape.

### Tech-driven behavioral transformation

Inspired by the success story of Saudi Arabia's implementation of speed cameras, which led to a dramatic 37% reduction in traffic-related fatalities, we embarked on a transformative journey. We established the Behavior Empowerment Center (BEC), a cutting-edge facility equipped with over 200 cameras streaming live footage from our rigs directly to our headquarters in Khobar. This innovative surveillance setup enabled us to make real-time interventions in critical situations, significantly enhancing safe behavior on our rigs.

Our initial efforts faced resistance. This resistance was based on a lack of understanding in the "why" behind the BEC, as well as limited exposure to the real-world benefits resulting from the implementation of the BEC. This prompted Arabian Drilling to implement a 3-day training program that would engage our senior site managers on various aspects of the BEC. Embedding them into practical implementation and resulting actions brought about by the BEC, this immersive experience led to a qualitative behavioral change amongst our employees. The positive feedback highlighted the effectiveness of direct observation in preventing accidents and reinforcing safe practices.

### Harnessing AI for enhanced safety and efficiency

As we scaled up our operations, with projections to own 60 rigs equipped with over 1,000 cameras, the need for an efficient system to monitor and analyze the vast amount of data became evident. Leveraging artificial

intelligence (AI), we introduced sophisticated algorithms capable of real-time risk identification, profiling, and the dissemination of best practices across our operations.

AI technologies enabled us to identify non-compliance issues instantly, assess risk profiles based on operational data, and optimize crew assignments to mitigate potential hazards. Furthermore, we aimed to expand AI capabilities to monitor human behavior on rigs through wearable devices, enhancing our ability to detect unsafe practices and stress levels, thus facilitating timely interventions.

### Setting new benchmarks in operational safety

The integration of AI into our safety management systems revolutionized our approach to risk management and positioned us as a preferred service provider in the drilling sector. By significantly reducing drilling times, we managed to save costs for our clients while also opening avenues for negotiating premium rates and securing extended contracts based on our performance excellence.

This strategic adoption of AI for safety enhancement underscores our commitment to innovation and excellence. It exemplifies how technology can be a transformative force, enabling us to navigate challenges and ensure the safety and well-being of our workforce while setting new industry benchmarks for operational efficiency and safety.



# SUSTAINABILITY

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## SUSTAINABILITY JOURNEY

**AS THE SAUDI NATIONAL DRILLING CHAMPION, ARABIAN DRILLING IS COMMITTED TO ADHERING TO THE HIGHEST STANDARDS AND PRACTICES OF SUSTAINABILITY ACROSS OUR ORGANIZATION AND OPERATIONS. WE WORK TO ENSURE THAT SAFETY, ACCOUNTABILITY, AND EFFICIENT TECHNOLOGICAL DRILLING PRACTICES ARE APPLIED EVERY DAY, IN ORDER TO FULFIL OUR MANDATE AND CONTINUE TO ADD VALUE FOR OUR CUSTOMERS, INVESTORS, EMPLOYEES, AND SUPPLIERS.**

We take immense pride in offering a comprehensive account of Arabian Drilling’s sustainability journey. Our aim is to present our achievements transparently, accurately, and comprehensively, recognizing the significance of open communication

and shared objectives with our stakeholders, which fosters trust and engagement.

During 2023, we continued on our sustainability journey, with a

wide range of accomplishments, sustainable initiatives, and best practices, all while prioritizing the well-being of our people, contributing positively to society, and safeguarding the environment.



## MATERIALITY

**MATERIALITY WITHIN THE ESG SPACE INVOLVES IDENTIFYING, EVALUATING, AND PRIORITIZING ESG TOPICS THAT HAVE THE MOST SIGNIFICANT INFLUENCE ON BOTH THE COMPANY AND ITS STAKEHOLDERS. CONDUCTING A MATERIALITY ASSESSMENT ALLOWS THE BUSINESS TO GAIN A COMPREHENSIVE UNDERSTANDING OF ITS ESG AND SUSTAINABILITY ALIGNMENT BY DETERMINING WHICH TOPICS ARE MATERIAL OR NOT, TO WHOM THESE TOPICS ARE MATERIAL, AND WHY THEY MATTER.**

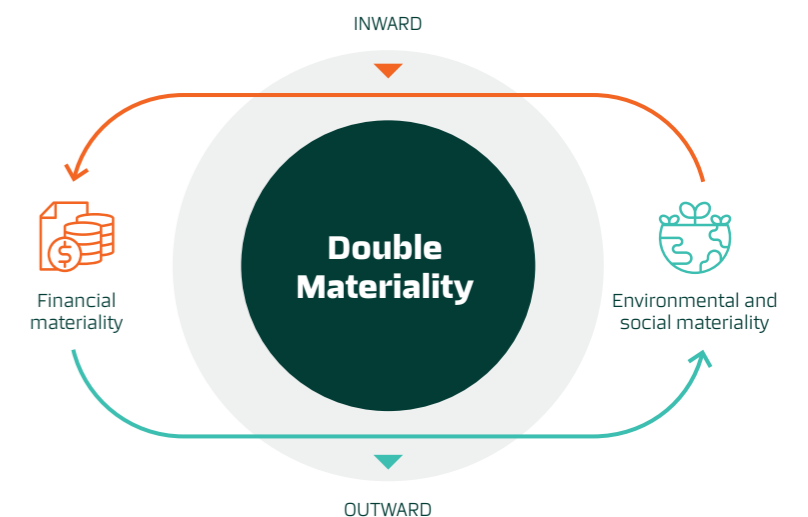
To enhance our evolving ESG journey, we conducted a comprehensive sustainability materiality assessment. While this analysis delved deeply into ESG topics, it also harmonized with the broader enterprise risk management frameworks and processes of the Company, ensuring alignment with its overall risk strategy.

### Materiality Determination Approach

Material topics are determined based on entities directly controlled by Arabian Drilling, which includes its employees and owned assets. Arabian Drilling’s material sustainability focus areas are determined through a structured risk management approach that considers its value creation approach, assesses the Company’s significant impacts on human, natural, social, and relationship capitals, while also considering stakeholder views and interests.

Arabian Drilling employs a dual materiality lens to determine significant ESG and sustainability risks. This lens encompasses both the incoming impacts influencing corporate value and the external impacts through which the Company

holds the power to effect meaningful change. This comprehensive approach enables us to grasp our obligations and potential, guiding our decisions in harmony with our dedication to sustainability and ethical business practices.



## MATERIALITY (continued)

### Steps to Materiality Determination

01

Identify material aspects that are material to the business and key stakeholders, including activities that may have an impact on the natural environment.

02

Evaluate the significance of each topic considering its impact on business processes and strategy realization. Rate the topics from both the business perspective and stakeholder perspective to gain a comprehensive understanding of their importance and relevance.

03

Conduct a rating assessment considering internal and external factors. Utilize statistical methods to determine the significance of each material risk, assigning low, medium, high priority, or concentrated impact weights.

04

Visually present findings to assess risk ratings from both internal and external perspectives. The materiality risk matrix is derived from the combined assessment.



### Materiality Matrix



#### Environment

- 1 Waste management
- 2 Spill prevention and response
- 3 Energy consumption
- 4 Water consumption
- 5 GHG emissions control and reduction
- 6 Impact on biodiversity and habitat protection
- 7 Use of alternative fuels

#### Social

- 8 Occupational health and safety
- 9 Non-discrimination policies and practices
- 10 CSR, social impact, and local community development programs
- 11 Employee diversity and inclusion
- 12 Training and education

#### Governance and Economics

- 13 Economic performance
- 14 Compliance policies
- 15 Code of Conduct practices
- 16 Leadership
- 17 Corporate risk management

# SUSTAINABILITY FRAMEWORK

The core of our sustainability framework comprises of 3 focus areas (FAs). These support 11 essential elements (EEs) and several sub-elements.

## Arabian Drilling Code of Conduct EE 3.1

Our Code of Conduct is defined by a set of rules, principles, values, employee expectations, behaviors, and relationships that a business considers important and believes necessary for its success. The Arabian Drilling Code of Conduct lays the foundation upon which the Company sustains its business. The Arabian Drilling code defines: The principals of operation, fundamental management values, the expected ethical behavior in the work environment, and corporate culture, transparency, and integrity.



## Enterprise Risk Management (ERM) EE 3.2

As the framework for managing organizational risks, ERM identifies, analyzes, assesses, evaluates, and controls operational, financial, legal, strategic, and security risks to an organization. ERM is used to monitor these risk controls to mitigate the adverse effects of loss from a wide variety of sources. These include financial uncertainty, legal liabilities, strategic management errors, accidents, and natural disasters.



## Compliance EE 3.3

Business organizations are compelled to adhere to laws and regulations applicable to them. These include country and regulator specific laws and requirements, supported by internal company directives. Organizations can maintain good compliance by implementing targeted processes and tools.



## Labor Best Practices EE 1.1

Labor practices encompass employee hiring and promotion, remuneration, disciplinary action, complaint response system, transfers and reassignment, and termination of employment. These also cover human resources development (capacity-building, training for competencies), occupational safety, health, working conditions (working hours and remuneration), labor rights, and engagements.



## CSR and Local Communities EE 1.2

Corporate social responsibility (CSR) is a management concept through which organizations integrate social concerns into their business operations and interactions with their stakeholders. Arabian Drilling utilizes CSR to take an active and positive social role in our communities and among our stakeholders.



# Arabian Drilling Sustainability Framework

### 3 Corporate Governance

Corporate governance is the system by which companies are directed and controlled. Corporate governance covers areas such as environmental awareness, ethical behavior, corporate strategy, compensation, and risk management.

### 2 Climate Actions

These are efforts undertaken to combat climate change and its impacts through a range of activities, mechanisms, policy instruments, and other channels. These actions include reducing greenhouse gas emissions and introducing energy management practices.

### 1 People and Society

Arabian Drilling has implemented policies that support dignified living standards, individual rights, treating employees fairly, and equality within society. These aspects such as health, education, CSR, being a good neighbor and community member are all included in our social policies. We understand that a sustainable business should have the approval of its employees, stakeholders, and the community it operates in.

## GHG Emission and Energy Use EE 2.1

A carbon footprint is the total amount of greenhouse gases (including carbon dioxide and methane) that are generated by our actions. Reducing our carbon footprint means changing how we approach and participate in activities that produce greenhouse gases.



## Water Management EE 2.2

Water resources should be managed to minimize damage to life and property and maximize efficient use for optimal benefit. This includes safe and reliable water processing and distribution.



## Waste Management EE 2.3

This means reducing the quantities of unusable materials and avoiding potential health and environmental hazards. These activities include the processes and actions required to manage waste from its creation to its final disposal. Specific aspects include the collection, transport, treatment, and disposal of waste, together with monitoring the waste management process and waste-related laws, technologies, and economic mechanisms.



## Biodiversity EE 2.4

Biodiversity – short for biological diversity – is the variety of all living things and their interactions. Biodiversity changes over time as extinction occurs and new species evolve. Biodiversity is essential for the processes that support all life on Earth, including humans. Without a wide range of animals, plants, and micro-organisms we cannot have the healthy ecosystems that we rely on to provide us with the air we breathe and the food we eat.



## Workplace Diversity and Equal Opportunity EE 1.3

Diversity means recognizing, respecting, and welcoming everyone's different backgrounds, identities, and experiences. Equal opportunity means every person can participate freely and equally in the different areas of the workplace. This means that employers should not discriminate against an employee or job applicant because of race, color, religion, national origin, gender, physical or mental disability, or age.



## Occupational Health and Safety EE 1.3

Occupational health and safety (OHS) is aimed at improving workplace health and safety standards. It enables the analysis of injury and illness trends in the working population and offers suggestions for mitigating the risks and hazards they encounter on the job. In the workplace, OHS is used to prevent work-related injuries and diseases, while promoting the overall health of employees. It also supports the improvement of working conditions to prevent injuries or disease.

# ALIGNMENT WITH UN SDGS





As a significant contributor to the Saudi Arabian economy, Arabian Drilling is dedicated to being a positive agent of change in the regions where we operate. In keeping with this role and in alignment with our values, we are committed to supporting the UN SDGs and Saudi Vision 2030. We aim to make significant contributions to both economic prosperity and social advancement through our sustainability strategy and a series of associated initiatives:

\*Priority of Material Issues ■ Extremely Material ■ Very Material ■ Material

Sustainability Framework Focus Area / Report Chapter	Sustainability Framework Essential Elements / Report Section	Material Issues*	How Arabian Drilling Manages this Issue	Saudi Vision 2030
People and Society	Occupational health and safety	Occupational health and safety	We uphold comprehensive health and safety standards, conduct detailed risk evaluations, deliver thorough safety training, and adhere to emergency readiness protocols, all to ensure our employees' safety meets industry standards.	<b>A Vibrant Society:</b> Prioritizing health and safety aligns with societal well-being.
	Labor best practices	Training and education	We are committed to fostering employee growth through extensive training and development programs and equipping our team with the latest skills and knowledge to excel in their roles and meet industry benchmarks.	<b>A Thriving Economy:</b> Enhancing skills and education drives economic development.
	Workplace diversity and equal opportunity	Employee diversity and inclusion	Arabian Drilling champions diversity and inclusion by creating a workplace that respects and values individual differences. We actively promote diversity in our hiring, training, and career advancement practices, ensuring a supportive environment where all employees can thrive.	<b>A Vibrant Society:</b> Promoting social inclusion and diversity enriches the community. <b>A Thriving Economy:</b> Diverse workplace perspectives boost economic innovation.
		Non-discrimination policies and practices	We enforce stringent non-discrimination policies, guaranteeing fair and equitable treatment for all employees, irrespective of their background or identity, to cultivate a respectful and inclusive workplace culture.	<b>A Vibrant Society:</b> Advocating fairness strengthens social cohesion. <b>A Thriving Economy:</b> Providing equal opportunities boosts economic participation.
	CSR and community development	CSR, social impact, and local community development programs	We participate in various CSR initiatives that have a positive impact on local communities, with a focus on supporting Saudi talent, demonstrating our commitment to community development.	<b>A Vibrant Society:</b> CSR and community initiatives enhance societal welfare.

Sustainability Framework Focus Area / Report Chapter	Sustainability Framework Essential Elements / Report Section	Material Issues*	How Arabian Drilling Manages this Issue	Saudi Vision 2030
Climate Actions	GHG emissions and energy use	GHG emissions control and reduction	Arabian Drilling actively implements measures to control and reduce GHG emissions, incorporating advanced technologies and practices to minimize its environmental footprint, and contributes to global sustainability efforts.	<b>A Thriving Economy:</b> Reducing GHG emissions aligns with the Saudi Arabia's sustainable, diversified economic goals.
		Energy consumption	We concentrate on reducing energy consumption through the adoption of energy-efficient technologies and practices, aiming to diminish energy waste and boost our operational sustainability.	<b>A Thriving Economy:</b> Optimizing energy use bolsters market competitiveness.
		Use of alternative fuels	Arabian Drilling aims to adopt more environmentally friendly fuels that will positively impact our GHG emissions.	<b>A Thriving Economy:</b> Adopting alternative fuels catalyzes new economic sectors.
	Water management	Water consumption	We utilize water-conservation technologies and methodologies to reduce water usage in our operations, highlighting our commitment to sustainable water management and preservation.	<b>An Ambitious Nation:</b> Responsible water use aligns with environmental conservation goals. <b>A Thriving Economy:</b> Water efficiency contributes to economic sustainability.

## ALIGNMENT WITH UN SDGS (continued)

Sustainability Framework Focus Area / Report Chapter	Sustainability Framework Essential Elements / Report Section	Material Issues*	How Arabian Drilling Manages this Issue	Saudi Vision 2030
Climate Actions	Waste management	Waste management	We have effective waste management systems in place to minimize waste generation through reduction, reuse, and recycling strategies, showing our commitment to environmental stewardship.  	<b>A Thriving Economy:</b> Strategic waste management supports economic efficiency.
		Spill prevention and response	We maintain solid spill prevention and response protocols to ensure swift and efficient action during environmental incidents, minimizing impact and reinforcing our commitment to environmental safeguarding. 	<b>A Thriving Economy:</b> Spill prevention safeguards economic resources.
	Biodiversity	Impact on biodiversity and habitat protection	We assess and act to safeguard local biodiversity, underscoring our dedication to environmental conservation. 	<b>A Vibrant Society:</b> Protecting natural habitats enhances community living environments.



Sustainability Framework Focus Area / Report Chapter	Sustainability Framework Essential Elements / Report Section	Material Issues*	How Arabian Drilling Manages this Issue	Saudi Vision 2030
Corporate Governance	Board leadership and structure	Leadership	Our leadership at Arabian Drilling is marked by robust governance, a clear vision, and strategic direction, ensuring we stay true to our core values and goals while fostering a culture of excellence and ethical conduct throughout the Company. 	<b>An Ambitious Nation:</b> Strong leadership underpins effective governance.
		Code of conduct practices	Arabian Drilling maintains a robust Code of Conduct that outlines ethical behavior and expectations for all employees, reinforcing the Company's commitment to integrity, transparency, and accountability. 	<b>An Ambitious Nation:</b> Upholding ethical standards promotes transparency.
		Compliance policies	We adhere to rigorous compliance policies, aligning our business practices with legal and industry norms, thereby maintaining our commitment to lawful and ethical operations and safeguarding our reputation. 	<b>An Ambitious Nation:</b> Compliance with laws underscores regulatory adherence.
	Enterprise risk management	Corporate risk management	We implement thorough risk management approaches, identifying, evaluating, and addressing potential risks within our operations, bolstering our stability and adaptability in the ever-changing industry environment.          	<b>An Ambitious Nation:</b> Strategic risk management ensures preparedness. <b>A Thriving Economy:</b> Risk mitigation secures economic assets.
Economic Performance	Financial impact	Economic performance	We ensure our business growth contributes to regional economic development and aligns with value creation for our stakeholders through diligent monitoring and proactive risk management. 	<b>A Thriving Economy:</b> Economic performance fuels growth and stability. <b>A Vibrant Society:</b> Economic prosperity enables enhanced social programs.

# ENVIRONMENT

## Climate Actions

As climate change emerges as a primary concern for our business and our stakeholders, Arabian Drilling's prerogative is to take action in ways that will positively impact our Company, our region, and beyond. We understand that our operations and our industry have a very real impact on the environment, and we are committed to reducing those impacts both directly and indirectly in everything we do.

For this reason, climate action is a key pillar in our sustainability strategy. Encompassing 4 material elements: GHG emissions and energy use, water management, waste management, and biodiversity, the strategy provides a framework from which to implement best-in-class initiatives for safeguarding our environment and for measuring, monitoring, and managing our progress towards key environmental performance targets.

Guided by our commitment to contribute to the Saudi Vision 2030, the Kingdom's 2060 Net-zero target, and key UN SDGs, our approach to environmental management is underscored by a deep focus on:

- Developing and implementing innovative solutions for tackling climate change across water conservation, energy efficiency, waste management, and environmental safeguarding.
- Minimizing discharges, waste, and emissions, and optimizing our use of natural resources in order

to decrease our carbon footprint and amplify sustainable practices across our operations.

- Optimizing energy performance by ensuring energy efficiency improvements are taken into account throughout the intended lifecycle of our assets.
- Closely collaborating and partnering with stakeholders, including service providers, local communities, governmental bodies, and environmental organizations to grow our own awareness, raise awareness, and drive change that is meaningful and valuable to our planet's future.

## Environmental Management Approach

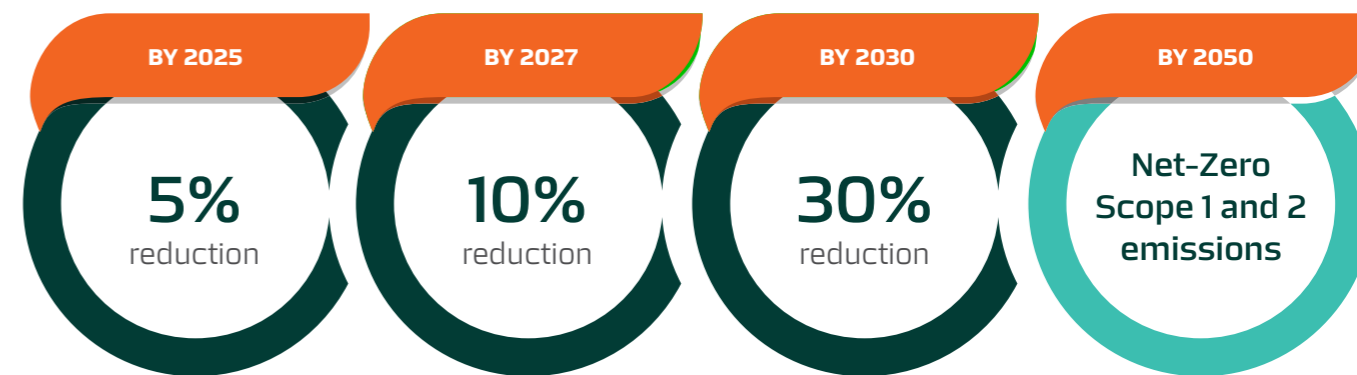
Arabian Drilling has a formal policy and Environmental Management Plan (EMP) designed to implement our environmental stewardship commitments by setting forth a framework for mobilizing action towards our environmental performance goals. As a result, in 2023, we received ISO 14001 Certification for our environmental management policies, system, and practices.

The Environmental Management Plan addresses the main areas of potential environmental impact, including water management, waste management, oil spill control, hazardous materials management and control, engine emissions management, and noise control. Key elements of the EMP include:

- **Evaluation:** Systematic assessment and identification of all activities that have a potential environmental impact.
- **Targets:** Setting SMART (specific, measurable, achievable, relevant, and time-bound) targets for our environmental performance, such as energy consumption or waste reduction milestones.
- **Operational Controls:** Establishing and maintaining clear procedures to achieve our environmental performance objectives, such as implementing energy-saving technologies, optimizing production processes, minimizing waste, and conducting employee training.
- **Monitoring and Measurement:** Continuously monitoring and measuring our environmental performance, using data collection and analysis to drive innovation and continuous improvement.
- **Auditing and Continuous Improvement:** Conducting regular audits of our EMP to ensure its efficacy and identify opportunities for improving our systems and environmental management practices.



## Intensity reduction target



Energy Consumption	Unit	2021	2022	2023
Electricity Consumption	kWh	3,972,356	5,296,475	<b>7,262,879</b>
Diesel Consumption from Rig Move Operations and Vehicles	Liters	6,942,503	5,264,334	<b>6,536,541</b>
Total Fuel Consumed by Off-road Equipment, including Stationary Rigs, Generators and Mounted Equipment	Liters	89,817,657	106,567,880	<b>129,469,241</b>
Total Fuel Consumption	Liters	96,760,160	111,832,214	<b>136,005,782</b>
Rig Count (Active Rigs)	Number	39	44	<b>48</b>

GHG Emissions	Unit	2021	2022	2023
Direct GHG emissions (Scope1)	metric tons of CO2eq	261,511	302,395	<b>367,739</b>
Indirect GHG Emissions (Scope 2)	metric tons of CO2eq	2,260	3,013	<b>4,132</b>
Total GHG Emissions	metric tons of CO2eq	263,771	305,409	<b>371,872</b>

## ENVIRONMENT (continued)

### GHG Emission Reduction Initiatives

Balancing the growth of our operations and an expanding fleet of drilling rigs with our carbon emissions, energy efficiency, and overall environmental responsibility targets is one of our key challenges. In 2023, we continued to accelerate our progress via a range of proactive initiatives in 2 key areas:

- **Transportation and Distribution:** Ensuring the use of upstream transport and distribution modes with maximum energy efficiency and cost efficiency.
- **Waste Generation:** Responsibly sourcing materials and managing waste disposal in ways that maximize efficiency and minimize environmental impact, including requiring all sites to implement engineering and administrative waste reduction controls in accordance with our HSE standards and Environmental Management Plan.

Other recent activities include:

- Upgrades to our diesel consumption systems.
- Exploring sustainable alternatives for engines powering drilling rigs.
- Improvements to the journey management system for crew change practices.
- Investigating best-in-class solutions and hybrid systems with a solar energy supply for residential camps.
- Pursuing more renewable energy options for our operations.

### Our Approach to Water Management

Our commitment to responsible water stewardship is embedded in the preventive measures and proactive management approaches incorporated in our HSE policies and our Environmental Management Plan, along with the implementation of best-in-class engineering controls for water treatment. We have also introduced a portfolio of measures

to save water and reduce effluent discharge across our operations, as part of our commitment to optimizing our water stewardship and consumption practices.

Because most of our water consumption is driven by our drilling rigs and land operations, our 2023 water management actions focused on maximizing our water efficiency in these areas:

- Using water-saving low-flow technologies to minimize water consumption.
- Conducting routine inspections for water leaks.
- Conducting employee awareness campaigns.
- Reducing potable water consumption by documenting daily consumption, analyzing data on a regular basis, and engaging employees.
- Cleaning and sanitizing all portable water tanks annually, including track tankers.

- Conducting daily water testing by the MOH (Ministry of Health) medics, along with monthly third-party laboratory bacterial, physical, and chemical testing.
- Equipping each Offshore rig or marine operation unit with a dedicated marine water treatment plan to provide water for sanitary use, along with a wastewater treatment plan in accordance with current marine regulations and international standards for mobile offshore drilling units (MODU) and the American Bureau of Shipping (ABS) specifications.
- Adhering to strict standards and procedures for freshwater consumption and wastewater treatment, monitoring our performance daily, and implementing mitigation measures when necessary.
- Providing fresh water to our land rigs from an approved government source or treatment facility and conveying water to the rigs via closed tankers.
- Reducing potable water consumption by tracking daily water consumption and then engaging with employees to encourage consumption reduction.
- Purchasing fresh water for crews' domestic use.

### Our Approach to Waste Management

In 2023, Arabian Drilling continued to make significant progress towards effective waste management, via a strategic portfolio of waste reduction and Management's approach, including:

- Abiding by waste management standards and work instructions embedded in the environmental policies and commitments set forth in our HSE and our EMP.

- Employing best-in-class engineering controls to ensure proper waste segregation practices designed to mitigate potential negative impacts on the environment and enable effective waste reduction and recycling programs. This includes close collaboration with leading technology providers in waste management and recycling to adopt a comprehensive approach to reducing, reusing and/or recycling all generated waste.
- Tracking waste quantities and maintaining waste records, as well as monitoring and evaluating waste sub-contractors, and taking immediate preventive and/or corrective action when necessary.
- Fostering employee engagement in environmental activities, including frequent waste-related awareness campaigns and recognition programs, alongside regular communication with employees and stakeholders to keep them apprised of environmental health issues and encourage their active participation in waste reduction activities.
- Engaging internal stakeholders via meetings, workshops, emails, conferences, and essential training. For external stakeholders, the Company organizes various programs and volunteering activities in collaboration with the CSR team. Feedback from all stakeholders is then used as a guideline for the continuous improvement of our waste management practices.
- Using proactive reporting, leadership dashboards, training, compliance with audit plans, and adherence to local and client waste management requirements to monitor and manage our waste.

- Employing administrative controls, such as policies, procedures, standards, and work instructions, complemented by best-in-class engineering controls and the expertise of technology providers.
- Using regular tracking, monitoring, and training sessions further contribute to waste-related improvements and reducing our Company's environmental footprint.
- Ensuring third-party waste management aligns with Arabian Drilling's commitment to responsible waste practices by monitoring compliance with contractual and legislative obligations concerning waste management and via comprehensive contractor management and evaluation procedures.
- Collecting and monitoring waste data through our QUEST platform, into which trained and qualified personnel input monthly data for easy accessibility, highlighting specific locations, and required information. This data enables Arabian Drilling to make informed decisions and continually improve our waste management strategies across our value chain.

### Biodiversity

Arabian Drilling recognizes that biodiversity is the key to all life on our planet. A deep and abiding respect for and commitment to conserving, protecting, and fostering biodiversity across the ecosystems we affect is inherent throughout our approach to environmental safeguarding and stewardship.



# PEOPLE AND SOCIETY

**WE TAKE AN ACTIVE APPROACH TO PRIORITIZING THE SAFETY OF ALL PEOPLE ASSOCIATED WITH ARABIAN DRILLING, AND TO EMPOWERING OUR TEAM THROUGH WORLD-CLASS TOOLS, RESOURCES, EDUCATION, AND TRAINING. KNOWING OUR ACTIVITIES HAVE A VERY REAL HUMAN IMPACT, WE ALSO TAKE PRIDE IN SUPPORTING THE COMMUNITIES WHERE WE OPERATE, AND WHERE OUR EMPLOYEES LIVE, WORK, AND PLAY. WE ARE COMMITTED TO SUPPORT THE SAUDI VISION 2030 AND UN SDGS THROUGH OUR INITIATIVES.**

## Occupational Health and Safety

Arabian Drilling understands that a strong safety culture is mission-critical for the protection, health, and well-being of our people and our stakeholders. In keeping with our aim of serving as the region’s leading drilling provider, it is our objective to protect all people and assets within our operations, as well as protect our environment and the communities in which our operations exist.

In 2023, Arabian Drilling experienced a good reduction in injury severity while having zero fatalities and no incidents of permanent impairment, however, a general increase in work-related injuries was observed. Hazards such as stepping, handling,

manual lifting, and falling represented 42% of these incidents, while machinery, equipment, and hand tools represented 40% of these incidents.

## Labor Best Practices

As a responsible corporate citizen, Arabian Drilling understands that maintaining the highest ethical labor standards and practices is fundamental to our success, particularly in a highly regulated and competitive industry. This includes ensuring an inclusive, conflict-free workplace, and upholding human rights, including those in our local communities.


Our current workforce comprises 5,361 full-time employees, encompassing both Arabian Drilling personnel and


non-employee workers, including rig and office staff.


Arabian Drilling’s workforce expanded in 2023 with the addition of 5 new Offshore rigs to our fleet. Due to the suspension of the Government’s Tamheer program (a program paid by the Government of Saudi Arabia to enable local workforces to gain experience for 3, 6, or 12 months), the number of temporary workers decreased, as Arabian Drilling directly hired these employees instead. Finally, an increase in non-employee workers can be attributed to the hiring of people as consultants, rig welders at the rigs, and HR coordinators at the office level.

### Material Issues:

 Occupational health and safety

 Training and education

 Employee diversity and inclusion

 Non-discrimination policies and practices

 CSR, social impact, and local community development programs

### SDGs:



### Saudi Vision 2030 Pillars:

**A Vibrant Society.  
A Thriving Economy.**

### Employee Headcount

	2021	2022	2023
Total Headcount (excl. Contractors)	4,190	4,779	5,650
Middle Management	149	180	282
Senior Management	8	9	8
Rig Employees	3,563	3,694	4,789
Office Employees	470	896	571
Contractors	50	120	116

### New Hires and Turnover

	2021	2022	2023
Employees Hired	578	1,134	1,694
Employees Who Left the Organization*	497	525	830
Employee Turnover	11.7%	11.0%	14.7%

\*Includes termination, resignation, retirement, death, and redundancy.

## PEOPLE AND SOCIETY (continued)

### Employee Education, Training, and Capacity-Building

Our training program encompasses a wide spectrum of professional development and skill-building designed to enable emerging leaders and support employees at every stage of their careers with Arabian Drilling. In addition to career planning and skills-based education and training, our capacity-building programs also provide exposure to working in virtual and multicultural teams. Each thoughtfully created learning opportunity is designed to align closely with our Company's objectives and projects, forming a foundational component of our overall strategy by cultivating a strong talent pipeline equipped to address our Company's operational and managerial needs now – and into the future.

Any employee concerns regarding our training approaches are addressed during CEO roundtable meetings, and corrective action is promptly taken when necessary. Similarly, we proactively recognize the positive impacts feedback and recognition of employees, who excel in their training and education efforts, has.

### Leadership Development

Through our structured leadership development program, emerging leaders within Arabian Drilling have the opportunity to understand business trends, strategic insights, and decision-making models while developing interpersonal skills and creating a global best practice and knowledge-sharing network. With support from talent and succession planning, this leadership initiative aims to prepare and enable high-potential individuals to step into pivotal roles within Arabian Drilling, facilitating our “promote from within” philosophy and intensifying organizational stability and growth.

### Empowering Performance Improvement

Professional development and skill-building considerations are integrated into annual employee performance reviews via the creation of Individual Development Plans (IDPs). Through workshops and collaboration, our Talent Department actively collaborates with rig department heads and senior crews to ensure our training, education, and development initiatives support IDP needs.

### FARES Career Development

Our FARES career development program was created to provide career development support for our graduate-level staff. Launched in 2021, the program evaluates their skills, core competencies, and knowledge while broadening their awareness of our Company's support functions with the aim of helping each employee develop a clear, personalized career advancement pathway at Arabian Drilling.



## PEOPLE AND SOCIETY (continued)

### Performance and Career Development Reviews

We provide regular performance and career development reviews to support the long-term success of each employee.

Performance and Career Development Reviews	2021	2022	2023
Employees	3,804	4,310	<b>4,072</b>
Middle Management Employees	149	180	<b>205</b>
Senior Management Employees	8	9	<b>8</b>

### Employee Satisfaction

As a leading employer in Saudi Arabia, we are proud of our exceptional retention rate - 85.3% in 2023 - which we use as one indicator of employee satisfaction. To continue to maintain and grow employee satisfaction and engagement, our Employee Services Department operates a series of strategic initiatives designed to enhance the experience of Arabian Drilling employees. These include data management systems, technical assessments, IDPs, career advancement programs, and field visits to enhance services and awareness. We also facilitated employee self-assessments and 360 surveys involving supervisors and peers, encouraging the adoption of Tayseer to reduce the need for in-person attendance. To ensure open lines of communication and feedback from all employees, we also use regular engagement surveys and feedback requests. Employees also have 24/7 access to our ethics hotline to report any potential concerns.

### Workplace Diversity and Equal Opportunity

We believe in recognizing and championing the contributions of all Arabian Drilling employees, regardless of gender, nationality, religion, socioeconomic status, or disability, and we are dedicated to creating and preserving a workplace that is safe and inviting for all employees. To prevent and address any incidents of workplace discrimination or harassment, we have the following measures in place: the Arabian Drilling Code of Conduct, our internal HR policy, all applicable labor laws, and our HR manual. Attracting and retaining top-tier employees remains critical for meeting the needs of our expanding business. In alignment with the Saudi Vision 2030, this commitment extends throughout our operations, and we work hard to attract and retain diverse talent locally and internationally.

### Saudization

We are deeply engaged in fostering the growth of Saudi nationals in various technical and support roles. As of December 2023, 66.3% of our

workforce is comprised of Saudi nationals, as we continue to actively attract, support, and retain Saudi talent through a rigorous recruitment process, comprehensive training programs, competitive compensation packages, and robust employee engagement initiatives.

These efforts contribute to our enduring sustainability, reduced turnover rates, strengthened client relationships, and enhanced operational efficiencies.

Beyond recruitment, we are deeply committed to fostering the growth and development of Saudi nationals in various technical and support roles. This commitment not only benefits our organization but also plays a pivotal role in the economic advancement of local communities. Aligned with our vision for growth, we are determined to further bolster our Saudi national workforce, in support of the Saudi Vision 2030. This strategic focus on enhancing local human capital capabilities is not just a priority but also one of our core social responsibilities.

Saudization	2021	2022	2023
Total Employees	76.2%	74.4%	66.3%



# CSR AND COMMUNITY DEVELOPMENT

**AS THE LEADING DRILLING COMPANY IN SAUDI ARABIA, WE HAVE A RESPONSIBILITY TO CONTRIBUTE TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE COMMUNITIES IN WHICH WE OPERATE. TO DO THIS, WE FOCUS OUR EFFORTS ON 3 CORNERSTONE AREAS: EMPOWERING SAUDI YOUTH AND SUPPORTING COMMUNITY ORGANIZATIONS, PROGRAMS AND PROJECTS DESIGNED TO DRIVE POSITIVE SOCIAL IMPACT.**

Due to our CSR and community development commitment expanding, in 2023 Arabian Drilling began to establish a formal management approach to CSR. Scheduled to launch in 2024, our new CSR Committee will oversee efforts to support economic development and to share our time and resources for good causes throughout our operational areas.

## Empowering Saudi Youth

Arabian Drilling takes pride in supporting the training and development of young Saudi talent through initiatives such as:

- SADA, which provides young Saudis with a comprehensive training experience that combines theoretical classroom knowledge and practical on-the-job training, preparing them for crucial roles on the rig site.
- The Saudi Petroleum Services Polytechnic (SPSP), which offers training and growth opportunities to young Saudis, enabling them to excel in their careers across various positions at the rig site.



## CASE STUDY

# ARABIAN DRILLING LEARNING ACADEMY (ADLA)

### Arabian Drilling Learning Academy: Cultivating excellence for sustainable success

In the highly competitive and rapidly evolving oil and gas industry, the challenge of maintaining a best-in-class workforce is ever-present. Recognizing the critical need for highly skilled professionals, especially in supervisory and managerial positions, we identified an opportunity to lead from the front. The goal was to enhance our operational excellence while contributing significantly to the local talent pool, emphasizing the training and development of Saudi nationals.

### Empowering the future through knowledge and skills development

To address this challenge and leverage the opportunity, Arabian Drilling established the Arabian Drilling Learning Academy (ADLA), a beacon of knowledge and development. As the first and largest training facility run by a drilling contractor in the Kingdom of Saudi Arabia, ADLA became the cornerstone of our commitment to excellence. Spanning a prime facility of 7,000m<sup>2</sup>, it is dedicated to offering a wide range of training and courses designed to meet the industry's dynamic needs.

Inaugurated in 1993, ADLA achieved the accolade of being the first training center in the Kingdom of Saudi Arabia to be accredited by the International Well Control Forum and the International Association of Drilling Contractors. This recognition is a testament to our commitment to adhering to and exceeding global standards in training and education within the oil and gas sector.

Our curriculum is carefully designed to impart technical knowledge and foster leadership and management skills among our employees, with a special focus on empowering Saudi nationals. The ADLA is accredited with international certifications such as ISO 9001:2015 for Quality Management and ISO 29993:2017 for Training Practice in non-formal education, confirming our programs meet the highest standards.

ADLA offers accelerating programs for selected Saudi national junior employees to prepare them for a rewarding career in the industry and to shape our future leaders in the drilling industry. ADLA applies the use of advanced simulators for hands-on training combined

with blended in-class and online training, followed by field assessments to ensure the highest quality of learning is delivered to our team and clients.

### Setting new standards for lasting impact

The establishment and operational success of ADLA has had a profound impact on our organization and the industry at large. By developing a competent and efficient workforce, we significantly enhanced the safety and efficiency of our operations. The emphasis on training Saudi nationals as supervisors and managers has contributed to the socio-economic development of Saudi Arabia, aligning with the national goals for employment and skills development.

The number of monthly training courses increased 5-fold once ADLA was implemented. For the year, 7,035 trainings were conducted for a total of 2,889 trainees, and this number is set to increase substantially in 2024. In addition, the training of 1,000 employees, on short notice to meet operation and client requirements, to startup 10 unconventional rigs simultaneously wouldn't have been possible without ADLA.

Our leadership in training and development has set new benchmarks in the industry, making ADLA not just a facility but a symbol of Arabian Drilling's commitment to excellence, safety, and the sustainable development of human capital. The ADLA stands as a proud testament to our proactive approach in facing industry challenges and seizing opportunities to shape the future of the oil and gas sector in the Kingdom of Saudi Arabia and beyond.



## CSR AND COMMUNITY DEVELOPMENT (continued)

Total Trainees

**2,889**

Total Training Courses Offered

**33**

Approximate Savings

**SAR 14 mn\***

\*Compared to cost of external training providers

Total # of Training Courses Completed

**7,035**

Total Training Hours

**838,608**

### Enabling People and Communities

In 2023 our CSR activities focused on 3 elements of community development: social enterprise, environmental awareness, and sports.

#### Social Enterprise

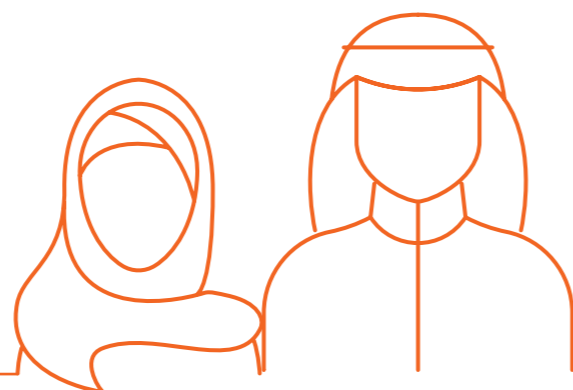
- A contribution of SAR 100,000 to the Nama Association for Orphans.
- Financial support for the neediest families at Tarahum via a contribution of SAR 334,050 to the Tarahum Association.

#### Environment

- During Saudi Environment Week led by the Saudi Ministry of Environment, Water, and Agriculture, volunteers from Arabian Drilling participated in a Beach Cleaning Campaign in Khobar Municipality organized by TAQA in collaboration with the Eastern Region and Dharan municipalities.

#### Sport

- Arabian Drilling was the exclusive sponsor of the Saudi Triathlon Federation Asian Championship via a contribution of SAR 1 million.
- We sponsored the Khobar International Half Marathon via a contribution of SAR 100,000 to the Saudi Arabian Athletics Federation.
- We sponsored the half marathon of the Royal Commission in Jubail, via a contribution of SAR 400,000 to the Saudi Arabian Athletics Federation.



# RISK MANAGEMENT

**ARABIAN DRILLING RECOGNIZES THE NUMEROUS GEOPOLITICAL AND ECONOMIC RISKS INHERENT IN THE OIL AND GAS INDUSTRY, INCLUDING CHALLENGES RELATED TO CRUDE SUPPLIES AND PRODUCT PRICING LIMITATIONS. TO COUNTER THESE THREATS, ARABIAN DRILLING HAS ESTABLISHED A ROBUST RISK GOVERNANCE SYSTEM, BACKED BY A STRONG ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK. THIS SYSTEM IS METICULOUSLY DESIGNED TO ENHANCE THE RESILIENCE AND PREPAREDNESS OF ARABIAN DRILLING'S OPERATIONS IN THE FACE OF POTENTIAL DISRUPTIONS.**

## Enterprise Risk Management

Within Arabian Drilling, ongoing engagement between internal stakeholders and our management team fosters regular discussions and evaluations of the Company's sustainability-focused strategy, risk management strategies, and performance outcomes. This collaborative engagement is important in helping us anticipate and manage the numerous internal and external risks inherent to the oil and gas industry, including but not limited to crude supplies and product pricing limitations. As part of our holistic corporate governance approach, we have implemented a robust risk governance system to help us counter these potential threats. The backbone of this system is our

powerful Enterprise Risk Management (ERM) framework, which has been intentionally designed to enhance and fortify the resilience of Arabian Drilling's operations in the face of potential disruption.

First introduced in 2019, the ERM framework is guided by the principles of the Committee of Sponsoring Organizations (COSO) ERM framework. It serves as a valuable tool for systematically identifying, quantifying, and categorizing risks, leading to the formulation of robust mitigation plans. Risks across various domains, including environmental, financial, strategic, and operational sectors are carefully classified. Oversight of risk management programs including the ERM framework is undertaken by our Compliance Department, under the oversight of the Executive Committee.

## Key ERM Achievements

We are committed to the continuous improvement of our risk management governance and ERM framework with the aim of continually enhancing and strengthening our risk management practices. This continuous improvement practice encompasses various aspects of risk management, including risk identification, monitoring, mitigation, prioritization, treatment, response, communication, and control. In 2023 we took the key step of prioritizing energy and water on our risk register in accordance with our ESG commitments and sustainability strategy. These risks will be tracked through key risk indicators aligned with our sustainability performance targets. In 2024, we look forward to further streamlining and digitalizing the process with the implementation of our ERP built-in module for Governance, Risk and Compliance (GRC).

2019

### Electronic Document Management System (EDMS)

- Implemented electronic data management system to centralize the process of capturing, storing, and retrieving documents. The EDMS guidelines, established in 2019, have facilitated the creation of an efficient document management system.



2020

### Enhancing reporting processes

- Conducted in the fourth quarter of 2020, the First Annual Risk Refresh Workshop involved the participation of 13 departments and required more than 225 man-hours for its effective implementation.
- Notably, revisions were made to the Risk Impact and Risk Appetite Criteria for the Finance, HR, and Market/Reputational segments.
- A noteworthy milestone was reached as Arabian Drilling introduced its first ERM Annual Report for the year 2020, underscoring substantial progress in the realm of ERM.



2021

- Improvements to ERM, and risk assessment processes.



2022

- Improvements to ERM, and risk assessment processes using best practices in the market.



2023

- Risk assessments are performed on a quarterly basis, and quarterly reports are provided to the Audit Committee.
- Reviewed risk factors from the Arabian Drilling IPO prospectus, identifying risks related to operations, industry, and post-IPO phases.
- Training and awareness programs have been provided to new business owners and risk champions.
- Developed, reviewed, and revised the policies, procedures, and Employee Manual of Arabian Drilling departments according to business requirements.



# CORPORATE GOVERNANCE

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## PROCEDURE TO INFORM BOARD MEMBERS ABOUT SHAREHOLDERS' FEEDBACK ON THE COMPANY AND ITS PERFORMANCE

The Company has a dedicated Investor Relations Department responsible for answering all inquiries, complaints, opinions, or suggestions from shareholders via phone or email. In addition, the Board is kept informed of the shareholders' communications and observations through the submission of periodic reports that include information related to shareholders' affairs, inquiries raised, and actions taken to answer their inquiries in a satisfactory and appropriate manner. Through these measures, all of the Board members, especially Non-Executives, are informed of shareholders' proposals and observations regarding the Company and its performance.

## BOARD OF DIRECTORS

	Name	Role	Capacity		
			Independent	Non-Executive	Executive
1	Khalid Mohammed Nouh	Chairman of the Board		•	
2	Tarek Rizk	Vice Chairman		•	
3	Waleed Abdullah Al-Mulhim	Board Member		•	
4	Vijay Kasibhatla	Board Member		•	
5	Samir Seth	Board Member		•	
6	Jesus Lamas Rios	Board Member		•	
7	Khlood Abdulaziz Aldukheil	Board Member	•		
8	Adnan Ghabris	Board Member	•		
9	Michael Mannering	Board Member	•		

\*On 25 January 2023, 2 Independent Members were elected by the General Assembly Meeting to complete the current session. The results were announced on 26 January 2023, and Adnan Ghabris and Michael Eric Mannering have been appointed as Independent Members.

### Meetings of the Board of Directors

The Board of Directors held 5 meetings during 2023, and attendance was as follows:

	Name	First	Second	Third	Fourth	Fifth
		16 Feb 2023	11 May 2023	01 Aug 2023	19 Oct 2023	10 Dec 2023
1	Khalid Mohammed Nouh	Attended	Attended	Attended	Attended	Attended
2	Tarek Rizk	Attended	Attended	Attended	Attended	Attended
3	Waleed Abdullah Al-Mulhim	Attended	Attended	Attended	Attended	Attended
4	Vijay Kasibhatla	Attended	Attended	Attended	Not attended*	Attended
5	Samir Seth	Attended	Attended	Attended	Attended	Attended
6	Jesus Lamas Rios	Attended	Attended	Attended	Attended	Attended
7	Khlood Abdulaziz Aldukheil	Attended	Attended	Attended	Attended	Attended
8	Adnan Ghabris	Attended	Attended	Attended	Attended	Attended
9	Michael Eric Mannering	Attended	Attended	Attended	Attended	Attended

\*Vijay Kasibhatla did not attend due to a discrepancy in the date of the meeting for another meeting, and therefore Mr. Tarek Rizk was assigned to this meeting.

## AUDIT COMMITTEE

The Audit Committee held 6 meetings during 2023, and attendance was as follows:

	Name	First	Second	Third	Fourth	Fifth	Sixth
		27 Feb 2023	09 Mar 2023	09 May 2023	25 Jul 2023	05 Sep 2023	31 Oct 2023
1	Khlood Abdulaziz Aldukheil	Attended	Attended	Attended	Attended	Attended	Attended
2	Vijay Kasibhatla	Attended	Attended	Attended	Attended	Attended	Attended
3	Mostafa Ahmed Abdullatif	Attended	Attended	Attended	Attended	Attended	Attended

### Annual Audit Committee Report 2023

#### Audit Committee report for the financial year ended 31 December 2023

During the fiscal year 2023, the Audit Committee monitored the Company's business, verified the integrity of the annual and preliminary reports as well as the financial statements, and ensured the application of internal control systems and the adequacy of the internal control system in the Company. This report deals with the work carried out by the Audit Committee during the year 2023 according to the tasks and responsibilities mentioned in the Company's Audit Committee work regulations, which were prepared in accordance with the requirements of the Companies Law and the Corporate Governance Regulations issued by the Board of the Capital Market Authority, as follows:

1. Studying the interim and annual consolidated financial statements for the year 2023 to verify their fairness and transparency in light of the presentation and disclosure of the information contained in the financial statements, in accordance with the generally accepted and approved international accounting standards in the Kingdom of Saudi Arabia, before they are published on the Company's page at "Tadawul" on the date specified by the Capital Market Authority, in addition to submitting a recommendation to the Board of Directors for approval of the annual consolidated financial statements in preparation for submission to the General Assembly for approval.

2. Before approving the financial statements, studying the reports and notes submitted by the external Auditor, meet with him in order to verify his independence, objectivity, and effectiveness of the audit work, answer his queries, and ensure that there are no obstacles that may affect the progress of their work.
3. Recommending to the Board of Directors the appointment of the external Auditor and reviewing their plan and actions.
4. Studying the reports and notes submitted by the internal Auditor and meet with the Executive Management to discuss the departments' work plans to address any risks resulting from these reports in order to reach a tight and effective control environment.

Within the limits of the Audit Committee mandate, the Internal Audit Department's plan and follow-up, and in discussions with the external Auditor and the Executive Management for the year 2023, the Audit Committee did not find material weakness within the internal control environment.

Respectfully submitted,  
**Audit Committee Chair**

### Audit Committee Functions

The Audit Committee is responsible for assisting the Board with oversight of the following:

1. The integrity and accuracy of the Company's financial statements, reports, and the internal control systems.
2. The Company's compliance with legal and regulatory requirements and the Code of Conduct.
3. The qualifications and independence of the Company's external Auditor.
4. The performance of the Company's Internal Audit Department and the external Auditor's duties.
5. Evaluating and supervising the risk management system in the Company and the relevant procedures in this regard.

### The Audit Committee has the following responsibilities:

#### Financial Statements and Reports:

- Reviewing significant issues related to accounting affairs, reporting matters, including complex or unusual transactions, critical discretionary areas, and new professional and organizational announcements, and evaluating their impact on the financial statements.
- Reviewing important or unusual issues included in the Company's financial statements and reports and review issues raised by the Company's Chief Financial Officer (or his/her delegate), Compliance Officer, or external Auditor.
- Reviewing the results of the external audit, along with the Management and the external Auditor, including any difficulties encountered.
- Examining the Company's interim and annual financial statements, expressing an opinion thereon, and making recommendations to the Board in this regard, prior to their submission to the Board, to ensure the validity, integrity, and transparency thereof, and considering whether they are complete and consistent with the information known to the members and whether they reflect appropriate accounting principles and policies.
- Reviewing other sections of the Annual Report and related regulatory filings before they are issued and considering the accuracy and completeness of the information.

- Reviewing all matters required to be referred to the Committee in light of the generally accepted auditing standards, in cooperation with the Management and the external Auditor.
- Considering the Company's accounting policies, expressing an opinion thereon, and making recommendations to the Board.
- Identifying how the Financial Management team develops preliminary financial information, and the nature and extent of involvement of the Internal Audit Department and the external Auditor.
- At the request of the Board, providing a technical opinion on whether or not the Board's report and Company's financial statements are fair, balanced, and understandable and contain information that enables the shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
- Verifying accounting estimates with regard to significant matters contained in the Company's financial statements and reports.

#### Internal Control:

- Considering and reviewing the Company's internal and financial control and risk management systems, and their effectiveness, including information technology, security, and controls.
- Understanding the scope of the internal audit of the financial reports, by the Internal Audit Department, and obtaining reports including important findings and recommendations, and Management's observations and comments.

#### Internal Audit:

- Adopting the Internal Audit Charter.
- Reviewing the performance and activities of the Head of the Internal Audit Department and ensuring that there are no unjustified restrictions on his/her activities and making recommendations to the Board with respect to his/her appointment, dismissal, annual remuneration, and salary.
- Overseeing and supervising the performance and activities of the Company's Internal Audit Department to verify the availability of the necessary resources and its effectiveness in performing its duties in accordance with appropriate professional standards.

- Approving the annual audit plan and all changes thereto and reviewing the performance and activities of the Internal Audit Department compared to the plan set for it.
- Working with the Head of the Internal Audit Department to review the Internal Audit budget, resource plan, activities, and organizational structure for the Internal Audit duties.
- Reviewing the Company's Internal Audit procedures.
- Reviewing Internal Audit reports and monitoring the implementation of corrective measures with regard to the observations contained therein.
- Holding separate meetings with the Head of the Internal Audit Department on a regular basis to discuss any matters that the Committee or Internal Audit officials deem necessary to be discussed in separate sessions.

#### External Audit:

- Reviewing the external Auditors' proposed audit scope, approach, and plan, and providing an opinion thereon, including coordinating audit efforts with Internal Audit activities.
- Recommending to the Board to nominate, dismiss, and determine the fees of the external Auditor and reviewing the scope of work thereof and the terms of contract with the same, provided that the recommendation considers the independence of the external Auditor.
- Reviewing the external Auditor's performance, supervising their activities, and approving any activity outside the scope of audit work assigned thereto during the performance of his/her duties.
- Studying the external Auditor's report, observations, and reservations on the Company's financial statements and following up on the relevant actions.
- Verifying the independence, objectivity, and fairness of the external Auditor, and the effectiveness of auditing, taking into account the relevant rules and standards and making recommendations to the Board in this regard.
- Verifying that the external Auditor is not providing technical or management services outside the scope of the audit work and make recommendations to the Board in this regard.

- Holding separate meetings with the external Auditor on a regular basis to discuss any matters that the Committee or Auditor deem necessary to be discussed in separate sessions.
- Responding to the inquiries of the external Auditor.
- Settling any disputes that may arise between the Management and the external Auditor regarding financial reporting.

#### Compliance:

- Verifying and monitoring the Company's compliance with relevant laws, regulations, and policies.
- Reviewing the effectiveness of the control system, ensuring compliance with the applicable laws, reviewing results of investigations conducted by Management, and following up on any non-compliance (including taking disciplinary actions).
- Reviewing reports and results of investigations conducted by competent regulatory or supervisory entities, in addition to any remarks given by the external or internal Auditor and verifying that the Company is taking the required measures.
- Reviewing the process of communicating the Code of Conduct to the Company's employees and ensuring compliance with the same.
- Reviewing contracts and proposed transactions that the Company plans to conduct with any related party and making recommendations to the Board in this regard.
- Ensuring that appropriate mechanisms and arrangements are in place to allow the Company's employees to submit confidential and anonymous opinions or concerns regarding any financial, accounting, or auditing matters, or any cases of non-compliance.
- Obtaining regular updates from the Company's Management and Legal Advisor regarding compliance issues.

# NOMINATION AND REMUNERATION COMMITTEE

## Reporting:

- Submitting periodic reports to the Board regarding the Committee’s activities and issues identified and providing recommendations to the Board that it deems appropriate on any matter within its competencies.
- Providing an open avenue of communication amongst the Internal Audit Management, the external Auditor, and the Board.
- Providing an Annual Report to shareholders describing the Committee’s formation, duties, and performance of such duties in addition to other information as may be required by applicable rules, including approving services outside the auditing scope.
- Reviewing any other reports issued by the Company concerning the Committee’s responsibilities.
- Preparing an annual written report assessing the efficiency and effectiveness of the Company’s internal control, financial, and risk management systems – including information technology security and controls – and its recommendations in this regard, in addition to any other work performed within the scope of the Committee’s responsibility. Copies of the report shall be made available, for collection, to the Company’s shareholders at the Company’s head office. It is also published on the Company’s corporate website as well as the Saudi Stock Exchange, along with the invitation to convene the relevant Annual General Assembly Meeting. The report shall be read out during the meeting.
- Preparing a written report for the Board regarding the Company’s Internal Audit procedures and the Committee’s recommendations in this regard.

## Miscellaneous:

- Performing other activities relating to the Audit Committee Charter, as requested by the Board.
- Initiating special investigations and supervising them as required.
- Reviewing and evaluating the adequacy and appropriateness of the Audit Committee Charter annually, providing recommendations to the Board in this regard, and guaranteeing that necessary disclosures are made as required by related laws and regulations.
- Confirming, on an annual basis, that all responsibilities set forth in the Audit Committee Charter have been performed.
- Regularly evaluating the performance of the Committee and every member thereof.

The Nomination and Remuneration Committee held 7 meetings during 2023, and attendance was as follows:

			First	Second	Third	Fourth	Fifth	Sixth	Seventh
	Name	Capacity	10 May 2023	10 Jul 2023	27 Jul 2023	21 Aug 2023	18 Sep 2023	16 Oct 2023	07 Dec 2023
1	Adnan Ghabris	Committee Chairman Independent Board Member	Attended	Attended	Attended	Attended	Attended	Attended	Attended
2	Jesus Lamas Rios	Committee Member Non-Executive Board Member	Attended	Attended	Attended	Attended	Attended	Attended	Attended
3	Moutaz Mohammed Othman Mashhour	Committee Member External Non-Executive Board Member	Attended	Attended	Did not attend	Attended	Attended	Attended	Attended

## Nomination and Remuneration Committee Functions

The Nomination and Remuneration Committee is responsible for nominating Directors and determining the remunerations of Directors and Senior Executives of the Company. The Committee’s main responsibilities and duties are as follows:

1. Leading the process of nominating and evaluating the Directors, Senior Executives, and employees of the Company.
2. Ensuring the effectiveness and integrity of the Board of Directors (the Board) and Executive Management structures, and the relevant internal policies and procedures.
3. Assisting the Board in reviewing and determining the remuneration of Directors, members of the Board Committees, Senior Executives, and employees of the Company.

## The Nomination and Remuneration Committee has the following responsibilities:

### Nominations:

- Preparing policies and standards related to the nomination and appointment of Board Members and Senior Management of the Company, proposing them to the Board, and overseeing their implementation.
- Ensuring that all necessary and appropriate inquiries are made concerning such candidates’ qualifications before recommending their nomination to the Board.

- Recommending candidates for nomination (and re-nomination) to the Board in accordance with the applicable law and the Nomination and Remuneration Committee Charter.
- Reviewing, evaluating, and providing recommendations to the Board on the capabilities, qualifications, and experiences required for Board membership and the Company’s Executive Management on an annual basis. This includes determining the time required for such membership and preparing job descriptions for Executive, Non-Executive, Independent Directors, and the Company’s Executive Management.
- Verifying the independence of each Independent Director on an annual basis, as per the applicable regulations, and ensuring that there is no conflict of interest, in case a Director also serves as a member of the Board of another Company.
- Periodically reviewing and making recommendations to the Board concerning the succession plans for Directors and Senior Executives, considering the challenges and opportunities facing the Company, as well as the skills and expertise required in the future.
- Evaluating and recommending potential candidates to the Board for Executive Management positions in the Company, including the Chief Executive Officer position.
- Developing, and periodically reviewing, procedures for filling vacancies on the Board or the Company’s Executive Management and making recommendations to the Board regarding the selection and approval of candidates to fill such vacancies.

## EXECUTIVE COMMITTEE

### Review and Evaluation:

- Periodically reviewing of the structure, size, composition, strengths, and weaknesses of the Company’s Board and Senior Management (including skills, knowledge, and experience). In addition, submitting recommendations, and proposing appropriate solutions to the Board, in line with the Company’s best interests.
- Developing and overseeing an orientation program for new Directors.
- Developing, recommending, and overseeing an annual self-evaluation process for the Directors and certain Senior Executives of the Company.

### Remuneration:

- Preparing, recommending, and overseeing the implementation and disclosure of a policy for the remuneration of Directors, the Senior Executives, and members of the Committees of the Board (Remuneration Policy), which shall be presented before the General Assembly for approval.
- Preparing an Annual Report on the remuneration and other payments (in cash or in kind) received by Directors, Executive Management and Committee members, the basis for the remuneration received with reference to the Remuneration Policy (including a description of any significant departures from the Remuneration Policy) (the Annual Report on Remuneration), and submitting it to the Board for consideration.

- Regularly reviewing and evaluating the effectiveness and appropriateness of the Remuneration Policy and making recommendations to the Board in this regard.
- Recommending to the Board the remuneration for Directors, Committee members, and Senior Executives (including the nature and amount of the remuneration), in accordance with the approved Remuneration Policy.
- Reviewing the Company’s incentive plans for Directors and employees, and making recommendations to the Board regarding the adoption, amendment, and termination of such plans.
- Preparing and supervising a career progression framework for the Company’s employees, clarifying the general range of professional ranks and levels, salary scale, benefits, and allowances (in cash or in kind) for the relevant professional rank and level.
- Preparing the required disclosures relating to remuneration, as per the policies of the Company, and the systems, rules, and regulations applicable to the Company, taking into account the Remuneration Policy and the disclosures in the Annual Report.

The Executive Committee held 5 meetings during 2023, and attendance was as follows:

	Name	Membership	First	Second	Third	Fourth	Fifth
			17 Jan 2023	09 March 2023	04 May 2023	29 Sep 2023	10 Dec 2023
1	Khalid Mohammed Nouh	Committee Chairman	Attended	Attended	Attended	Attended	Attended
2	Tarek Rizk	Committee Member	Attended	Did not attend	Attended	Attended	Attended
3	Waleed Abdullah Al-Mulhim	Committee Member	Attended	Attended	Attended	Attended	Attended
4	Jesus Lamas Rios	Committee Member	Attended	Attended	Attended	Did not attend	Attended
5	Samir Seth	Committee Member	Attended	Attended	Attended	Attended	Attended

### Executive Committee Functions

The Committee shall have the right to exercise all the powers delegated to it by the Board and shall complement the role of the Board within its scope in the interim period between the meetings of the Board. The exercise of such authorities by the Committee shall not diminish the authority reserved for the Board.

### The Executive Committee has the following responsibilities:

#### Review and Evaluation:

- Reviewing and providing recommendations to the Board on the following matters, where applicable:
- Annual operating plans, capital expenditure budgets, and any material changes to them.
  - Interim and annual declaration and distribution of dividends.

- Changes in the Company’s share capital or equity.
- Approval of the Company’s investor relations website framework and content (through which the Company communicates with its shareholders).
- The Company’s investment plans and strategies, including those related to expansion into new business sectors or geographic areas.
- Any decision to stop operating all, or any material part, of the Company’s business operations.
- Joint ventures, acquisitions, and investments, in line with the Company’s long-term business, financial, and operating plans.
- Related financing agreements.
- Changes in delegation levels as specified in the Authority Matrix.

# SAFETY, HEALTH, ENVIRONMENT, AND SUSTAINABILITY COMMITTEE

The Board of Directors issued a resolution to form the Safety, Health, Environment, and Sustainability Committee on 26 July 2023.

The Committee held 2 meetings during 2023, as follows:

	Name	Membership Classification	First	Second
			30 Jul 2023	06 Dec 2023
1	Michael Eric Mannering	Member of the Board of Directors - Independent	Attended	Attended
2	Fahd Saleh Al Hadyani	A member from outside the council	Attended	Attended
3	Mario Pip	A member from outside the council	Attended	Attended

## Safety, Health, Environment, and Sustainability Committee Functions and Responsibilities:

- Setting long-term HSE and sustainability goals with the Arabian Drilling Executive team, assessing its progress against those goals, and reporting to the Board of Directors.
- Advising the Executive team on HSE issues that may affect Arabian Drilling's business, performance, or reputation.
- Developing strategic plans to maintain and improve health, safety, environment, and sustainability creating value consistent with maintaining and enhancing the Company's long-term value.
- Providing recommendations to the Arabian Drilling Executive team on economically, environmentally, and socially responsible business practices that are consistent with the HSE objectives of Arabian Drilling.
- Monitoring HSE risk processes at Arabian Drilling
- Overseeing the construction, reviewing the ongoing effectiveness, and ensuring that the processes and systems necessary to ensure compliance with HSE policies, rules, and regulations are up-to-date.

# BIOGRAPHIES OF THE BOARD OF DIRECTORS, MEMBERS OF THE BOARD COMMITTEES, AND EXECUTIVE MANAGEMENT



## Khalid Mohammed Nouh

Chairman of the Board and Chairman of the Executive Committee

### Membership Status

Non-Executive

### Academic and Professional Qualifications

- Bachelor's degree in Mechanical Engineering, King Saud University, Riyadh, Saudi Arabia, 1986.

### Current Positions

- Chairman of the Board of Directors of the Company.
- Chief Executive Officer, Industrialization & Energy Services Company (TAQA) (Closed Joint-Stock Company), operating in the oilfield equipment and service industry, since November 2019.
- Chairman of the Board of Directors, Arabian Geophysical and Surveying Company (ARGAS) (Limited Liability Company), operating in the oil and energy sector, since 2020.
- Board Member, OPT Petroleum Technologies Company Limited (Limited Liability Company), operating in the oilfield chemicals industry, since 2020.
- Board Member, TAQA Well Services Company (formerly known as TAQA Sanjel) (Single-Shareholder Limited Liability Company), operating in the oilfield equipment and service industry, since 2018.

### Previous Professional Experience

- Chairman of the Board of Directors, TAQA Drilling Solutions, Inc (Private Company located in Canada), operating in the oilfield equipment and service industry, 2019 - 2021.
- Chairman of the Board of Directors, Jubail Energy Services Company (JESCO) (Closed Joint-Stock Company), operating in the oil and energy sector, 2019 - 2021.
- Executive Vice President, Production and Completions, Industrialization and Energy Services Company (TAQA) (Closed Joint-Stock Company), operating in the oilfield equipment and service industry, 2019.

- Chief Technology Officer, Emirates National Oil Company Limited (ENOC) (Limited Liability Company), operating in the integrated oil and gas industry, 2018.
- President of Middle East and Asia Pacific, Baker Hughes EHO Ltd (Private Corporation), operating in the oil and energy sector, 2009 - 2016.
- Vice President of Saudi, Bahrain, Kuwait, and Pakistan, Schlumberger Middle East S.A. (Private Joint Stock Company registered in Panama), operating in the oilfield services sector, 2004 - 2008.
- Director of Recruiting, Training, and Development, Schlumberger N.V. (Schlumberger Limited) (Public Limited Company registered in Curaçao), operating in the oilfield services sector, 2002 - 2003.
- Vice President of Wireline Drilling Operations, Schlumberger Middle East S.A., UAE (Private Joint Stock Company registered in Panama), operating in the oilfield services sector, 2000 - 2002.
- Product Development Engineer, Schlumberger N.V. (Schlumberger Limited) (Public Limited Company registered in Curaçao), operating in the oilfield services sector, 1998 - 2000.
- Engineer in Charge of Wireline Operations, Schlumberger N.V. (Schlumberger Limited) (Public Limited Company registered in Curaçao), operating in the oil services industry, 1996 - 1998.
- Wireline Drilling Operations Specialist Engineer, Schlumberger Middle East S.A. (Private Joint Stock Company registered in Panama), operating in the oilfield services industry, 1994 - 1996.
- Test and Inspection Engineer in the Industry of Manufacturing, Supply, and Transport, Saudi Aramco (Public Joint Stock Company), operating in the oil and energy sector, 1989 - 1994.



### Tarek Rizk

Vice Chairman of the Board and Member of the Executive Committee

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Bachelor's degree in Electrical Engineering, Alexandria University, Alexandria, Egypt, 2000.

#### Current Positions

- Vice Chairman of the Board of Directors of the Company.
- President of Middle East and North Africa, Schlumberger, Schlumberger Global Support Center Limited (Private Limited Company by shares, registered in Dubai), UAE, operating in the oilfield services sector, since 2020.

#### Previous Professional Experience

- President of Drilling and Measurement, Schlumberger, Schlumberger Oilfield UK Plc (Public Limited Company registered in England and Wales), UK, operating in the oilfield services sector, 2018 - 2020.
- Human Resources Director of Drilling Group, Schlumberger, Schlumberger Oilfield UK Plc, (Public Limited Company registered in England and Wales), UK, operating in the oilfield services sector, 2017 - 2018.
- Vice President of Wireline in the Middle East and Asia, Schlumberger, Schlumberger Global Support Center Limited (Private Limited Company by shares, registered in Dubai), UAE, operating in the oilfield services sector, 2016 - 2017.
- Vice President of Wireline in Russia and Caspian Region, Schlumberger, Schlumberger Logelco Inc. (Private Joint Stock Company registered in Panama), operating in the oil and gas sector, 2015 - 2016.
- Operations Manager, Schlumberger Norway and Denmark, and Schlumberger Norge AS (Private Joint Stock Company registered in Norway), operating in the oilfield services sector, 2012 - 2015.



### Waleed Abdullah Al-Mulhim

Board Member and Member of the Executive Committee

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Bachelor's degree in Petroleum Engineering, University of Southern California, California, USA, 1989.
- Master's degree in Petroleum Engineering, Stanford University, Stanford, California, USA, 1995.

#### Current Positions

- Member of the Board of Directors of the Company.
- Senior Vice President, Saudi Aramco (Public Joint Stock Company), operating in the oil and energy sector, since 2021.
- Board Member of Aramco Digital Company (non-listed).
- Board Member of Aramco Service Company (USA).
- Board Member of Saudi Aramco Upstream Technology Company (non-listed).

#### Previous Professional Experience

- Chief Petroleum Engineer of Petroleum Engineering Development, Saudi Aramco (Public Joint Stock Company), operating in the oil and energy sector, 2018 - 2021.
- Manager of Upstream Development Strategy and Reserves Department, Saudi Aramco (Public Joint Stock Company), operating in the oil and energy industry, 2016 - 2018.
- Manager of EXPEC Advanced Research Center (EXPEC ARC), Saudi Aramco (Public Joint Stock Company), operating in the oil and energy sector, 2015 - 2018.



### Vijay Kasibhatla

Board Member and Member of the Audit Committee

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Bachelor's degree in Chemical Engineering, Andhra University, Andhra Pradesh, Republic of India, 1984.
- Master's degree in Chemical Engineering, University of Kentucky, Kentucky State, USA, 1986.
- Master of Business Administration (MBA), London Business School, London, UK, 1995.

#### Current Positions

- Member of the Board of Directors for the Company, since 2022.
- Board Member, Sherwater Geo Services Holding Company (Private Limited Liability Company in the Kingdom of Norway), operating in the geophysical services sector, since 2017.
- Director of Mergers and Acquisitions, Schlumberger N.V. (Schlumberger Limited) (Public Corporation with Limited Liability registered in Curaçao), operating in the oilfield services sector, since 2013.

#### Previous Professional Experience

- Financial and Commercial Director of the Production Management Department, Schlumberger N.V. (Schlumberger Limited) (Public Limited Liability Company registered in Curaçao), operating in the oilfield services sector, 2011 - 2012.
- Financial Controller in the Integrated Projects Division, Schlumberger N.V. (Schlumberger Limited) (Public Limited Liability Company registered in Curaçao), operating in the oilfield services sector, 2008-2011.



### Jesus Lamas Ríos

Board Member, Member of the Nomination and Remuneration Committee, and Member of the Executive Committee

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Bachelor of Science in Mechanical Engineering, Simon Bolivar University, Miranda State, Venezuela, 1995.
- Master of Science in Oil and Gas Industry Management, Heriot-Watt University, Edinburgh, UK, 2010.

#### Current Positions

- Member of the Board of Directors of the Company, since 2022.
- President of Well Construction Division, Schlumberger Technology Corporation (Private Company registered in Texas, USA), operating in the oil services sector, since 2019.

#### Previous Professional Experience

- GeoMarket Manager of Mexico and Central America, Schlumberger Global Resources Limited (Private Company limited by shares registered in Bermuda), operating in the oil services sector, 2016 - 2019.
- Vice President of Drilling and Measurements Segment for Latin and South America, Schlumberger Global Resources Limited (Private Company limited by shares registered in Bermuda), operating in the oil services sector, 2013 - 2016.
- Personnel Manager for Latin and South America, Schlumberger Global Resources Limited (Private Company limited by shares registered in Bermuda), operating in the oil services sector, 2012 - 2013.
- Operations Manager of Drilling and Measurements Segment for China, Japan, Korea, and Taiwan, Schlumberger Global Resources Limited (Private Company limited by shares registered in Bermuda), operating in the oil services sector, 2009 - 2011.



### Samir Seth

Board Member and Member of the Executive Committee

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Bachelor's degree in Commerce, St. Xavier College, Kolkata, Republic of India, 1990.
- Member of the Institute of Chartered Accountants of India, Kolkata, Republic of India, 1990.

#### Current Positions

- Member of the Board of Directors of the Company, since 2020.
- Executive Vice President of Corporate Finance and Planning, Industrialization and Energy Services Company (TAQA) (Closed Joint Stock Company), operating in the oilfield equipment and service industry, since 2019.
- Board Member, TAQA Drilling Solutions, Inc. (Private Company located in Canada), operating in the oilfield equipment and service industry, since 2022.
- Board Member, TAQA Technologies Holdings B.V. (Private Limited Company registered in Netherlands), operating in the oilfield equipment and service industry, since 2022.
- Board Member, Tendeka B.V. (Private Limited Company registered in Netherlands), operating in the oilfield equipment and service industry, since 2022.
- Board Member, Fracturing and Energy Oil Service Company (Limited Liability Company), operating in the oilfield equipment and service industry, since 2022.

#### Previous Professional Experience

- Board Member, TAQA Al Rushaid for Marine Works Limited (Limited Liability Company), operating in the offshore and oil and gas facilities' manufacturing, operation, and maintenance sector, 2020 - 2022.
- Vice President of Companies' Development Division, Baker Hughes Ltd. (Limited Company registered in Delaware, USA), operating in the industrial services sector, 2016 - 2017.
- Vice President of Finance in the Middle East and North Africa, International Professional Resources Limited (a wholly owned subsidiary of Baker Hughes) (Limited Company registered at the Dubai International Financial Center, UAE), operating in the oilfield services sector, 2012 - 2016.



### Khlood Abdulaziz Aldukheil

Board Member, Chairman of the Audit Committee, and Chairman of the Nomination and Remuneration Committee

#### Membership Status

Independent

#### Academic and Professional Qualifications

- Bachelor's degree in International Finance and Commerce, Georgetown University, Washington D.C., USA, 1994.
- Master's degree in Financial Business Administration, American University, Washington D.C., USA, 1997.
- Chartered Financial Analyst (CFA), CFA Institute, Charlottesville, Virginia, USA, 2003.

#### Current Positions

- Member of the Board of Directors of the Company.
- Chief Executive Officer, Erteqa Financial Company, operating in the financial services sector, since 2021.
- Chairman of the Board, Financial Analytics Company, Rating Agency Licensed by the CMA since 2022.
- Board Member and NRC Chair, BNY Melon Saudi operating in the Financial Sector since 2021.
- Member of the Advisory Committee, CMA since 2023.
- Board Member, Kafala Government Program since 2021.

#### Previous Professional Experience

- Member of the Audit Committee, Public Pension Agency (Saudi government agency), operating in the financial sector, 2020 - 2021.
- Board Member and Chairman of the Audit Committee, Technical and Vocational Training Corporation (Saudi government agency), operating in the education sector, 2018 - 2021.
- Chairman of the National Committee for Statistics, Federation of Saudi Chambers of Commerce (Saudi government agency), 2017 - 2020.



### Adnan Ghabris

Board Member

#### Membership Status

Independent

#### Academic and Professional Qualifications

- Bachelor's degree in Chemical Engineering, Rutgers University, USA, 1983.
- Master's degree in Chemical Engineering, Kuwait University, Kuwait, 1988.

#### Current Positions

- Chief Executive Officer and Founder, Excella MENA DMCC, since 2020.
- Chairman of the Board of Directors and Partner, Afkar Petroleum Projects Company, since 2020.

#### Previous Professional Experience

- Chairman of the Board of Directors, National Energy Services Reunited Corp. (NESR), 2018 - 2019.
- Chief Executive Officer, National Petroleum Services Company (NPS), 2008 - 2018.
- Field Engineer, Director of Operations and Marketing, Regional Marketing Director and Vice President, Petroleum Projects in the Middle East and Asia, Schlumberger Co., 1988 - 2008.
- Chairman of the Nomination and Remuneration Committee, Alkhorayef Petroleum Company.
- Board Member, FZE Manufacturing Co., Dubai.
- Board Member, APICORP Coretrax Co., UK.
- Board Member and Partner, Afkar Venture Co., Dubai.

Note: Adnan Ghabris was elected by the Ordinary General Assembly on 25 January 2023. This is the date of his appointment to the Board of Directors as an Independent Member.



### Michael Eric Mannering

Board Member

#### Membership Status

Independent

#### Academic and Professional Qualifications

- Bachelor's degree in Mechanical Engineering, University of Southampton, UK, 1974.

#### Current Positions

- Chairman of the Board of Directors and Member of the Nomination and Remuneration Committee, Acoustic Data Co. Ltd, since 2018.
- Director and Founder, Threedeeemee Ltd, UK, since 2016.

#### Previous Professional Experience

- Chairman, Navitas Energy Co.; Director, Songa Offshore SE Co.; and Chairman, Polarcus Co., 2008 - 2021.
- Technical Director and Marketing Manager, Sedco Forex (Singapore); General Manager, Sedco Forex (Nigeria); Vice President, IPM Paris; Vice President, Sedco Forex (Singapore); General Manager and President, Schlumberger UK; and Vice President, QHSE Global, President Rig Management Group, 1985 - 2015.
- Drilling Engineer and Supervisor of Onshore and Offshore Activities (Egypt), Deminex Company, 1980-1985.
- Drilling Engineer and Supervisor of Onshore and Offshore Activities (Holland), Shell International Company, 1974-1980.

Note: Michael Mannering was elected by the Ordinary General Assembly on 25 January 2023. This is the date of his appointment to the Board of Directors as an Independent Member.



### Mostafa Ahmed Abdullatif

Member of the Audit Committee

#### Membership Status

Independent / Non-Board

#### Academic and Professional Qualifications

- Bachelor's degree in Architectural Engineering and Planning, King Faisal University, Dhahran, Saudi Arabia, 1989.

#### Current Positions

- Member of the Audit Committee of the Company, since 2021.
- Management Consultant of Governance, Risk, and Compliance functions, Bakhsh Trading and Finance Consulting Company (Sole Proprietorship), operating in the financial and accounting consulting sector, since 2020.
- Member of the Audit Committee, Allianz Saudi Fransi Company (Public Joint Stock Company), operating in the insurance sector, since 2019.

#### Previous Professional Experience

- Head of Governance in the Risk and Compliance Department, Real Estate Development Fund (Housing Bank) (Saudi government-owned agency), 2015 - 2019.
- Head of Compliance, Corporate Governance and Anti-Financial Crime, Bank Albilad (Public Joint Stock Company), operating in the banking sector, 2012 - 2015.
- Audit Program Director, Samba Financial Group (Public Joint Stock Company), operating in the banking sector, 2011 - 2012.
- Chief Compliance Officer, Global Investment House (Closed Joint Stock Company), operating in the investment banking sector, 2008 - 2011.
- Chief Compliance Officer, Banque Saudi Fransi (BSF) (Public Joint Stock Company), operating in the banking sector, 2007 - 2008.
- Head of Compliance - Management Investment Group, Banque Saudi Fransi (BSF) (Public Joint Stock Company), operating in the banking sector, 1998 - 2007.
- Chief Auditor, Banque Saudi Fransi (BSF) (Public Joint Stock Company), operating in the banking sector, 1996 - 1998.
- Senior Auditor, Saudi American Bank, a subsidiary of Citibank (Public Joint Stock Company), operating in the banking sector, 1994 - 1995.



### Fahad Saleh Al-Hadyani

Member of the Health, Safety, Environment, and Sustainability Committee

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Bachelor of Science in Mechanical Engineering, University of Toledo, USA.
- Master of Science in Oil and Gas Industry Management, Heriot-Watt University, UK.

#### Current Positions

- Managing Director of TAQA Frack

#### Previous Professional Experience

- Fahad Al-Hadiani has more than 22 years of experience in the oil and gas industry, holding multiple positions in the management of operations, sales, marketing, and supply chain activities in multiple geographies with Schlumberger. Fahad Al-Hadiani joined TAQA in 2017 as General Manager of TAQA Well Services, responsible for the general management of Coiled Pipe, Cement, and Fracking Operations. In 2020, he assumed the position of Vice President of QHSSE Energy Group (Quality, Health & Safety, Security, and Environment), where he was responsible for the overall development and implementation of the QHSSE program for the entire group of companies, as well as the implementation of the integrated management system and the digitization of the QHSE reporting platform. He served as a member of the Board of Directors of Airliquide Arabia W.L.L. (ALAR). He is also a Board Member of OPT Petroleum Technologies Co., Ltd. Specialized Chemicals Company for Oilfields.



### Moutaz Mohammed Othman Mashhour

Member of the Nomination and Remuneration Committee

#### Membership Status

Independent / Non-Board

#### Academic and Professional Qualifications

- Master of Business Administration (MBA), King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1993.
- Bachelor's degree in Industrial Management, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1989.

#### Current Positions

- Chief Human Resources Officer, in a Public Investment Fund fully owned subsidiary, Riyadh Saudi Arabia, since 2024.
- Member of the Board of Managers, Taqnia Engineering and Technical Services Company, providing solutions in engineering and technology, is a subsidiary of the Saudi Technology Development and Investment Company, since 2024.
- Member of the Nomination and Remuneration Committee Council for Health Insurance, Ministry of Health, Riyadh - Saudi Arabia, since 2023.
- Member of the Nomination and Remuneration Committee of the Company, since 2022.
- Board Member, TAQA Drilling Solutions Inc., (Private Company registered in Canada), operating in the oilfield services and equipment sector, since 2022.
- Board Member, TAQA Well Services Company (formerly known as TAQA Single) (Single-Shareholder Limited Liability Company), operating in the oilfield services and equipment sector, since 2022.
- Board Member, Fracking Operations and Energy Co. for Oilfield Services (Sole Proprietorship Company with Limited Liability), operating in the oilfield services and equipment sector, since 2022.

#### Previous Professional Experience

- Executive Vice President of Shared Services, Industrialization & Energy Services Company (TAQA) (Closed Joint Stock Company), operating in the oilfield services and equipment sector, since 2020.
- Chief Human Resources Officer, Johns Hopkins Aramco Healthcare (JHAH) (Limited Liability Company), operating in the healthcare sector, 2016 - 2020.
- Vice President - Industrial Relations, Yanbu Aramco Sinopec Refining Company Ltd. (YASREF) (Limited Liability Company), operating in the oil and gas production sector, 2013 - 2016.
- Vice President of Industrial Relations, Aramco Services Company (ASC) (Company registered in the state of Delaware, USA), operating in the oil and gas sector, 2010 - 2013.
- Director of Career Development - Training and Career Development Department, Saudi Aramco (Public Joint Stock Company), operating in the oil and gas sector, 2008 - 2009.
- Interim Vice President of Human Resources (seconded from Saudi Aramco), King Abdullah University of Science and Technology (KAUST), a private university and research center, 2007 - 2008.



### Mario Pepe

HSE Manager Middle East and North Africa

#### Membership Status

Non-Executive

#### Academic and Professional Qualifications

- Master's degree in Civil Engineering, Polytechnic Institute of Milan, Italy, 1996.

#### Current Positions

- HSE Manager Middle East and North Africa, MSP (Dubai, United Arab Emirates), Quality & HSE.

#### Previous Professional Experience

- EME HSE Manager OFS (Abu Dhabi, United Arab Emirates) Quality & HSE, 2019 - 2020.
- Integrated Services Project Manager ISM (St. John's, Canada) Line & Operations Management, 2016 - 2019.
- Operations Integrity Global Account Manager - ExxonMobil, OFS, Quality & HSE (Houston, United States), 2013 - 2016.
- Alaska Operations Manager, D&M (Anchorage, United States), Line & Operations Management, 2008 - 2013.
- Libya Operations Manager, D&M (Tripoli, Libya) Line & Operations Management, 2007 - 2008.
- ECA Training, Development and Staffing Manager, D&M (Paris, France), Human Resources, 2004 - 2007.
- Field Service Manager for Southern Continental Europe, D&M (Ravenna, Italy), Line & Operations Management, 2001 - 2004.
- EIC, Directional Driller, D&M (Las Morochas, Venezuela), Operations PTEs, Engineers & Specialists. Worked as EIC and as Directional Driller (Horizontal Wells for PDVSA), 2000 - 2001.
- EIC for International Clients (Chevron and Phillips), D&M (Maracaibo, Venezuela), Operations PTEs, Engineers & Specialists, July 2000 - October 2000.
- MLWD Field Engineer (DSE), D&M (Las Morochas and Maracaibo, Venezuela) Operations PTEs, Engineers & Specialists, Field Engineer - MWD, LWD, 1998 - 2000.
- Reserve Officer (Lieutenant), Italian Engineer Corps (Rome), 1996 - 1997.

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## Independent auditor's report to the shareholders of Arabian Drilling Company

### Report on the audit of the consolidated financial statements

#### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arabian Drilling Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

#### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

#### Our audit approach

##### Overview

Key audit matter	Revenue recognition
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.	We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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## Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

### Our audit approach (continued)

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Revenue recognition</b></p> <p>During the year ended 31 December 2023, the Group recognized revenue of Saudi Riyals 3.5 billion (2022: Saudi Riyals 2.7 billion) for drilling and related services.</p> <p>Revenue from such services is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Mobilization revenue is recognized as a contract liability and is amortized over the term of the respective contracts for drilling services.</p> <p>Revenue recognition is considered a key audit matter due to the significance of the amount and risk of fraud associated with revenue recognition.</p> <p>Refer to Note 3.2 and Note 15 to the accompanying consolidated financial statements for the revenue recognition accounting policy and the relevant revenue disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understood the significant revenue processes and identified the relevant controls related to revenue recognition;</li> <li>• Understood and evaluated the appropriateness of the accounting policy for revenue recognition with respect to International Financial Reporting Standard 15 – Revenue from Contracts with Customers ("IFRS 15");</li> <li>• Obtained an understanding of the nature of revenue contracts entered into by the Group and tested a representative sample of such contracts to confirm our understanding and assess whether the management's application of IFRS 15 requirements was appropriate;</li> <li>• Tested a sample of transactions for different performance obligations and traced these transactions to underlying source documents;</li> <li>• Tested on a sample basis, revenue transactions recorded before and after the reporting date against underlying source documents to assess whether revenue was recognized in the correct period;</li> <li>• Tested on a sample basis, additions to mobilization revenue during the year against underlying source documents and assessed whether the amortization during the year is accurate; and</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.</li> </ul>



## Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

### Other information

The directors are responsible for the other information. The other information comprises the Group's 2023 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2023 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### PricewaterhouseCoopers

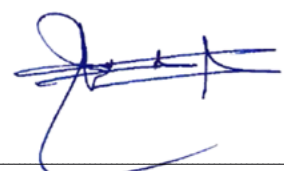
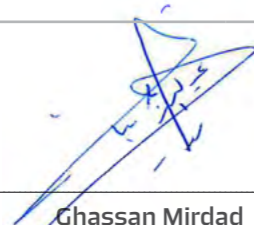
Omar M. Al Sagga  
License Number 369

17 March 2024

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	7,737,834,883	6,490,620,979
Long-term deposits		16,200,000	-
Right-of-use assets	5.1	131,835,643	199,262,775
Mobilization cost	16.1	-	15,026,668
<b>Total non-current assets</b>		<b>7,885,870,526</b>	<b>6,704,910,422</b>
<b>Current assets</b>			
Inventories	6	279,741,430	172,540,843
Trade and other receivables	7	1,072,329,381	825,059,412
Mobilization cost	16.1	-	6,732,553
Derivative financial instrument		-	378,192
Short-term deposits		-	1,000,000,000
Cash and cash equivalents	8	1,435,421,469	832,024,714
		<b>2,787,492,280</b>	<b>2,836,735,714</b>
Assets held for sale	9	13,111,001	12,402,180
<b>Total current assets</b>		<b>2,800,603,281</b>	<b>2,849,137,894</b>
<b>Total assets</b>		<b>10,686,473,807</b>	<b>9,554,048,316</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	890,000,000	890,000,000
Share premium	10	790,675,825	790,675,825
Statutory reserve	11	267,000,000	267,000,000
Retained earnings		4,013,745,577	3,642,148,763
<b>Total equity</b>		<b>5,961,421,402</b>	<b>5,589,824,588</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	12	2,885,625,878	2,481,138,537
Lease liabilities	5.2	67,892,228	136,013,930
Employees' benefit obligations	13	304,407,017	273,216,040
Mobilization revenue	15.2	211,515,566	115,613,850
Deferred tax liabilities	19	164,134,909	148,798,818
<b>Total non-current liabilities</b>		<b>3,633,575,598</b>	<b>3,154,781,175</b>
<b>Current liabilities</b>			
Trade and other payables	14	729,393,485	584,811,273
Current portion of long-term borrowings	12	168,469,771	46,460,449
Current portion of lease liabilities	5.2	67,167,866	63,806,499
Mobilization revenue	15.2	94,313,916	60,216,798
Provision for zakat and income tax	19	32,131,769	54,147,534
<b>Total current liabilities</b>		<b>1,091,476,807</b>	<b>809,442,553</b>
<b>Total liabilities</b>		<b>4,725,052,405</b>	<b>3,964,223,728</b>
<b>Total equity and liabilities</b>		<b>10,686,473,807</b>	<b>9,554,048,316</b>


Khalid Nouh  
(Chairman)

Ghassan Mirdad  
(Chief Executive Officer)

Hubert Lafeuille  
(Chief Financial Officer)

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
Revenue	15	3,476,523,864	2,703,535,475
Cost of revenue	16	(2,500,619,916)	(1,902,092,383)
<b>Gross profit</b>		<b>975,903,948</b>	<b>801,443,092</b>
Expected credit loss allowance		(619,603)	(47,306)
General and administrative expenses	17	(181,119,645)	(179,600,335)
Other operating income / (expense) – net		7,068,550	(2,702,159)
		<b>801,233,250</b>	<b>619,093,292</b>
Finance cost	18	(160,882,330)	(94,318,292)
Finance income		47,596,014	27,525,180
Finance cost – net		(113,286,316)	(66,793,112)
<b>Profit before zakat and income tax</b>		<b>687,946,934</b>	<b>552,300,180</b>
Zakat expense	19	(28,273,103)	(14,719,476)
Income tax (expense) / credit	19	(55,059,898)	20,139,255
<b>Profit for the year</b>		<b>604,613,933</b>	<b>557,719,959</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedge reserve		-	4,440,687
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of employee benefit obligations	13	(8,425,079)	(8,125,752)
Impact of deferred tax	19	577,960	793,244
<b>Other comprehensive loss for the year</b>		<b>(7,847,119)</b>	<b>(2,891,821)</b>
<b>Total comprehensive income for the year</b>		<b>596,766,814</b>	<b>554,828,138</b>
<b>Earnings per share (Saudi Riyals)</b>			
Basic and diluted	21	6.79	6.85


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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Additional paid-in capital	Statutory reserve	Cash flow hedge reserve	Retained earnings	Total
As at 1 January 2022	22,580,000	-	97,420,800	18,883,921	(4,440,687)	4,057,324,636	4,191,768,670
Profit for the year	-	-	-	-	-	557,719,959	557,719,959
Other comprehensive income (loss) for the year	-	-	-	-	4,440,687	(7,332,508)	(2,891,821)
Total comprehensive income for the year	-	-	-	-	4,440,687	550,387,451	554,828,138
Transfer to share capital (Note 10)	777,420,000	-	(97,420,800)	-	-	(679,999,200)	-
Transfer to statutory reserve (Note 11)	-	-	-	248,116,079	-	(248,116,079)	-
Issuance of new shares (Note 10)	90,000,000	790,675,825	-	-	-	-	880,675,825
Dividends (Note 25)	-	-	-	-	-	(37,448,045)	(37,448,045)
As at 31 December 2022	890,000,000	790,675,825	-	267,000,000	-	3,642,148,763	5,589,824,588
As at 1 January 2023	<b>890,000,000</b>	<b>790,675,825</b>	<b>267,000,000</b>	<b>-</b>	<b>-</b>	<b>3,642,148,763</b>	<b>5,589,824,588</b>
Profit for the year	-	-	-	-	-	604,613,933	604,613,933
Other comprehensive income for the year	-	-	-	-	-	(7,847,119)	(7,847,119)
Total comprehensive income for the year	-	-	-	-	-	596,766,814	596,766,814
Dividends (Note 25)	-	-	-	-	-	(225,170,000)	(225,170,000)
As at 31 December 2023	<b>890,000,000</b>	<b>790,675,825</b>	<b>267,000,000</b>	<b>-</b>	<b>-</b>	<b>4,013,745,577</b>	<b>5,961,421,402</b>

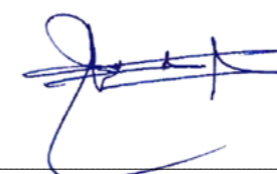

Khalid Nouh  
(Chairman)

Ghassan Mirdad  
(Chief Executive Officer)

Hubert Lafeuille  
(Chief Financial Officer)**CONSOLIDATED STATEMENT OF CASH FLOWS**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
<b>Cash flows from operating activities</b>			
Profit before zakat and income tax		<b>687,946,934</b>	552,300,180
Adjustment for:			
Depreciation on property, plant and equipment	4	<b>617,542,414</b>	510,993,440
Depreciation on right-of-use assets	5.1	<b>66,527,995</b>	8,771,629
Amortization on intangible assets		-	5,517,718
Provision for obsolete, slow moving and damaged inventories	6	<b>6,141,960</b>	10,204,778
Expected credit loss allowance		<b>619,603</b>	47,306
Provision for income tax refundable		-	9,268,917
Provision for advances and other receivables		-	12,941,430
Impairment on assets held for sale		<b>8,272,443</b>	-
Provision for employee benefit obligations	13	<b>44,062,210</b>	34,857,946
Loss / (gain) on disposal of non-current assets held for sale		<b>6,135,271</b>	(1,628,952)
Amortization of mobilization cost	16.1	<b>16,311,937</b>	4,868,815
Amortization of mobilization revenue	15.2	<b>(85,661,234)</b>	(14,843,125)
Finance cost	18	<b>160,882,330</b>	94,318,292
Finance income		<b>(47,596,014)</b>	(27,525,180)
		<b>1,481,185,849</b>	1,200,093,194
Inventories		<b>(113,342,547)</b>	(39,416,266)
Trade and other receivables		<b>(267,153,042)</b>	(155,784,429)
Trade and other payables		<b>145,152,473</b>	122,225,803
Mobilization cost paid	16.1	<b>(56,407,748)</b>	(21,656,196)
Mobilization revenue received	15.2	<b>277,515,100</b>	176,250,000
<b>Cash generated from operations</b>		<b>1,466,950,085</b>	1,281,712,106
Zakat and income tax paid	19	<b>(85,567,091)</b>	(18,783,024)
Employee's benefit obligation paid	13	<b>(21,296,312)</b>	(20,733,330)
<b>Net cash generated from operating activities</b>		<b>1,360,086,682</b>	1,242,195,752


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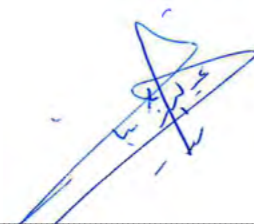
The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS** (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	4	(1,846,746,772)	(1,749,343,361)
Proceeds from disposal of assets held for sale		4,454,679	3,632,359
Placement of short-term deposits		-	(1,000,000,000)
Redemption of short-term deposits		1,000,000,000	-
Finance income received		53,040,775	21,375,180
<b>Net cash used in investing activities</b>		<b>(789,251,318)</b>	<b>(2,724,335,822)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	12	499,984,900	2,500,000,000
Repayment of long-term borrowings	12	-	(1,377,434,235)
Proceeds from issuance of new shares	10	-	880,675,825
Principal element of lease payments	5.2	(64,760,335)	(9,546,835)
Finance cost paid		(177,500,645)	(69,476,479)
Dividends paid	25	(225,162,529)	(21,674,523)
<b>Net cash generated from financing activities</b>		<b>32,561,391</b>	<b>1,902,543,753</b>
<b>Net increase in cash and cash equivalents</b>		<b>603,396,755</b>	<b>420,403,683</b>
Cash and cash equivalents at the beginning of the year		832,024,714	411,621,031
<b>Cash and cash equivalents at the end of the year</b>	8	<b>1,435,421,469</b>	<b>832,024,714</b>
<b>Significant non-cash transactions</b>			
Additions to right-of-use assets and lease liabilities	5.1	-	206,242,721
Transfer from property, plant and equipment to assets held for sale	4	19,571,214	6,612,979
Dividends adjusted against receivable from shareholders		-	24,929,068
Borrowing cost capitalized during the year	4	37,580,760	20,459,958


Khalid Nouh  
(Chairman)

Ghassan Mirdad  
(Chief Executive Officer)

Hubert Lafeuille  
(Chief Financial Officer)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in Saudi Riyals unless otherwise stated)

**1. General information**

Arabian Drilling Company (the "Company" or "ADC") and its wholly owned subsidiary, Ofsat Arabia LLC ("Ofsat"), collectively the "Group" are principally engaged in the drilling of oil and natural gas wells, operations, maintenance and hauling of rigs and related activities.

The Company is a Saudi Joint Stock Company licensed under foreign investment license number 2031047241 issued by the Ministry of Investment on 18 Dhu-al-Hijja 1424H (corresponding to 13 December 2003) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423H (corresponding to 16 April 2002). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying consolidated financial information includes the financial information of the Company and its wholly owned subsidiary, Ofsat. Ofsat is a limited liability company incorporated in the Kingdom of Saudi Arabia.

During 2021, the Board of Directors ("BoD") of the Company recommended to shareholders to initiate legal formalities to file for an Initial Public Offering ("IPO Application") with the relevant regulatory authorities in the Kingdom of Saudi Arabia.

On 29 June 2022, the Capital Market Authority (CMA) approved the application filed by the Company to float 26,700,000 ordinary shares in an Initial Public Offering (IPO) on Saudi Stock Exchange (Tadawul). The planned stake sale represents 30% of the Company's total shares post listing.

On 18 September 2022, the Company announced its intention to proceed with the initial public offering and listing of its ordinary shares, where offering comprises a sale of

- 17,700,000 shares by way of offer for sale by the existing shareholders of the Company; and
- issuance of 9,000,000 new shares.

On 18 October 2022, the Company announced commencement of retail subscription period until 20 October 2022 at an offer price of Saudi Riyals 100 per share. Allotment of shares to new shareholders completed on 3 November 2022 and trading of the Company's ordinary shares commenced in Saudi Stock Exchange Tadawul on 7 November 2022 (also refer Note 10).

This resulted in a free float of 30% of the Company's share capital post listing. Shareholders and their ownership in the Company, pre and post offering is as follows:

Shareholder	Pre-Offering			Post-Offering		
	No of Shares	Ownership (%)	Nominal Value	No of Shares	Ownership (%)	Nominal Value
Industrialization and Energy Services Company (TAQA)	40,800,000	51%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A. (SPS)	39,200,000	49%	392,000,000	30,527,000	34.3%	305,270,000
Free float	-	-	-	26,700,000	30%	267,000,000
<b>Total</b>	<b>80,000,000</b>	<b>100%</b>	<b>800,000,000</b>	<b>89,000,000</b>	<b>100%</b>	<b>890,000,000</b>

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

## 2. Basis of preparation and use of judgements and estimates

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA). Details of the Company's material accounting policies are included in Note 3.

The consolidated financial statements have been prepared on the historical cost basis except where IFRS, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires another measurement basis as disclosed in the applicable accounting policies in Note 3 – Material accounting policies.

### 2.2 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements are disclosed below:

#### Critical judgements in applying accounting standards

##### (a) Leases

The Group management uses the below estimate to determine the lease where the Group acts:

##### As a lessee

- lease term whether the Group is reasonably certain to exercise the extension options

The Group leases warehouses, vehicles, rigs and related equipment. The leases have an option to renew the lease contracts upon expiry. Where practicable, the Company includes the extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant change in the circumstances within its control. The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of the lease.

During 2022, the Group entered into a lease contract for two offshore rigs which were subsequently deployed on drilling contracts with customers. The lease contract is for a committed period of three years, which is consistent with the related drilling contracts with the customers, and includes an extension option for additional two years, exercisable only by the Group. Due to the volatile nature of the offshore market, management believes that the extension of the underlying drilling contracts with the customers is not reasonably certain and accordingly has not considered the extension options when recording the related lease liabilities and right-of-use assets.

##### As a lessor

- to determine the lease term at inception or on modification of a contract that contains a lease component,
- to allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone selling prices, and
- determines at lease inception whether each lease is a finance lease or an operating lease.

##### (b) Capitalization of borrowing costs

As described in Note 4, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are the acquisition of rigs which take substantial period of time to get ready for their intended use or sale. The borrowing cost is capitalized for these rigs, until such time as the rigs are substantially ready for their intended use or sale. Significant judgment is required to determine whether the rigs take a significant period of time to get ready for their intended use based on management's assessment of the various activities that are required before the rigs enter into operation. Management has determined that a rig takes a significant period of time to get ready for its intended use if the total construction period is expected to be twelve months or more. During the year, borrowing costs amounting to Saudi Riyals 37.58 million (2022: Saudi Riyals 20.45 million) have been capitalized.

#### Estimates and assumptions

##### (a) Employees' benefit obligations

Employees' benefits obligations represent obligations that will be settled in the future and require assumptions to project these obligations. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group's management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred, refer note 13.5.

##### (b) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment and intangible assets for calculating depreciation and amortization respectively. This estimate is determined after considering expected usage of the assets and physical wear and tear. The management at least annually reviews the estimated useful lives and the depreciation and amortization method to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefit of the assets.

The residual value of the asset represents the estimated amount that the entity will receive from the disposal of the asset less the estimated disposal costs, if the asset is indeed of age and in the condition it is expected to be in at the end of its useful life.

The management reconsiders the residual value of the asset at least at the end of each financial year, and if expectations differ from previous estimates, this is treated as a change in accounting estimate, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

At year end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been Saudi Riyals 61.8 million higher or lower, respectively. At year end, if the residual values increased / decreased by 10% against the current residual values with all other variables held constant, profit for the year would have been Saudi Riyals 0.4 million higher / lower, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

## 2. Basis of preparation and use of judgements and estimates (continued)

### (c) Provision or impairment of obsolete, slow moving and damaged inventories

Inventory is stated at cost and net realizable value, whichever is lower. The amount of write-off and any reduction in inventory to the net realizable value and inventory losses is recognized as an expense in the same period in which the write-off or expense occurred. A provision (if necessary) is made for obsolete, slow moving and damaged inventories in accordance with the Group's policy.

The Group re-assesses the net realizable value in each subsequent period in accordance with the Group's policy. When there is a change in the initial estimate which previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

At the year end, if the provisioning rates increased / decreased by 5% against the current provisioning rates, with all other variables held constant, profit for the year would have been Saudi Riyals 1.7 million lower or higher, respectively.

## 3. Material accounting policies

The material accounting policies applied in the preparation of consolidated financial statements of the Group are set out below. These policies have been consistently applied to all years presented.

### 3.1 Basis of consolidation

#### (a) Subsidiary

These consolidated financial statements comprise the financial statements of the Company and its subsidiary. Subsidiary financial statements reporting period and accounting framework is aligned with the Company's reporting period and accounting framework. A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Non-controlling interests are measured by their proportionate share of the identifiable net assets of the acquiree at the date of acquisition.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed-off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if any. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and

Reclassifies the parent's share of component previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### (b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized losses, if any, are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### (c) Loss of control

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

### 3.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue from performance of services is recognized in the accounting period in which the services are rendered. The Group has concluded that it is the principal in its revenue arrangement since it is the prime obligor and is exposed to credit risk.

The Group recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on the following five step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

## 3. Material accounting policies (continued)

The Group has following revenue streams:

### (a) Drilling revenue

Revenue against drilling services is recorded over time as the customers simultaneously receive and consume the related benefit, using the output method where the customers sign the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customers based on the day rate specified in the contract upon acknowledgement of the receipt of services.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year except for contractual retentions in certain cases, and accordingly, the transaction prices are not adjusted for the time value of money. As per the contracts with the customers, there is no financing, non-cash consideration and consideration payable to customers involved in the transaction price.

Revenue from drilling activities was recognized in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components.

The Company allocates the transaction price, based on stand-alone selling prices, related to its drilling revenue which contain both leasing and service elements. Revenue from such leasing arrangements is recorded in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the respective lease.

### (b) Rig move revenue

The Group provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. Revenue is recognized upon completion of underlying performance obligation and customers' acknowledgement of the receipt of services.

### (c) Mobilization revenue and costs

Mobilization revenue represents fees for initial mobilization of rigs. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services mentioned above.

Accordingly, mobilization revenues are recognized as contract liabilities and are amortized over the term of the respective contracts with customers for drilling services.

Mobilization costs represents costs incurred for initial mobilization of rigs. Such costs are recognized as contract assets and are amortized over the term of the respective contracts with customers for drilling services.

### (d) Catering and other revenue

The Group provides catering services and sub-contracts its manpower to its customers based on pre-agreed unit rates. Revenue against such services is recorded over time, as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the time sheet for the month as acknowledgement of the receipt of services. Revenue is recognized upon customers' acknowledgement of the receipt of services.

## 3.3 Foreign currencies

### (a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The Group's cash flows, financing and transactions occur in more than one currency. Since a significant portion of revenue and capital expenditure is denominated in USD, management believes that USD is the currency with the most influence over the Group's operations. Accordingly, USD is considered to be the functional currency of the Group.

Management has elected to prepare these consolidated financial statements in Saudi Riyals which is the Group's presentation currency and believes that there is no translation impact on these consolidated financial statements since Saudi Riyal is pegged to USD.

### (b) Transactions and balances

The USD is the functional currency of the Company and its subsidiary, other major transactions of the Company and its subsidiary are in Saudi Riyals which is pegged to USD. All other foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on translation of monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates at the dates of the initial transactions.

Foreign exchange differences resulting from the translation of cash flow hedges are recognized to the extent that the hedge is effective in the consolidated statement of profit or loss and other comprehensive income.

## 3.4 Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

## 3. Material accounting policies (continued)

### 3.5 Finance income and finance costs

The Group's finance income and finance costs includes the following:

- interest income,
- interest expenses,
- the foreign currency gain or loss on financial assets and financial liabilities, impairment losses and reversals on investment in debt securities carried at amortized cost,
- hedge ineffectiveness recognized in the consolidated statement of profit or loss and other comprehensive income, and

The interest income or expense is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial assets or
- the amortized cost of the financial liability.

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 3.6 Zakat and income taxes

In accordance with the regulations of the ZATCA, the Group is subject to zakat and income tax to the extent attributable to the effective Saudi and foreign shareholding respectively within the Group. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment.

#### Zakat

Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the ZATCA in the Kingdom of Saudi Arabia. The Group computes its zakat by using the zakat base. The zakat provision is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalization.

#### Income tax

Income tax expense comprises of current and deferred tax. Expenses are charged to the consolidated statement of profit or loss and other comprehensive income except to that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

#### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the taxable payable or receivable in respect of the previous years. The amount of the current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are allowed to offset only if certain criteria are met.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Arabian Oil Company ("Saudi Aramco") are subject to the Saudi Arabian Income Tax Law of 2004. However, article 2(a) of the income tax law, provides an exemption from the above requirement to the Companies listed in KSA. Hence indirect shareholding of Saudi Aramco is not subject to income tax.

#### Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to right-of-use assets and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognizing deferred tax.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

### 3.7 Property, plant and equipment

#### Recognition and measurement

Property, plant and equipment except for freehold land and asset under construction are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Asset under construction are carried at historical cost less impairment (if any) and are transferred to property, plant and equipment when ready for use as intended by management. Historical cost includes expenditure that is directly attributable to the acquisition of the items including eligible capitalized borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted as separate items (major components) of property, plant and equipment. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

## 3. Material accounting policies (continued)

### Subsequent expenditure

Subsequent expenditures are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

### Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight line method over their estimated useful lives, and depreciation expenses are charged to consolidated statement of profit or loss and other comprehensive income. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

Freehold Land is not depreciated. No depreciation is charged on assets under construction until transferred to property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Carrying value of property, plant and equipment is written down immediately to its recoverable amounts if carrying amount is greater than its estimated recoverable amount

### 3.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in consolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities in the consolidated statement of financial position.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assess the lease classification of a sub-lease with reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group provides drilling services to its customers which include both leasing and service components.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Material accounting policies (continued)

#### Lease revenue

The Group recognizes the lease payments received under operating leases as income on a straight line basis over the lease term as part of drilling revenue. The drilling contracts do not include any variable lease payments or escalation clauses.

#### 3.9 Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets (if any), which continued to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statement of profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

#### 3.10 Financial instruments

##### (a) Recognition and initial measurement

Trade receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (b) Classification and subsequent measurement

###### Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through OCI ("FVOCI"); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### Financial assets - Business model and assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

## 3. Material accounting policies (continued)

### **Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par value, a feature that permits or requires prepayment at an amount that substantially represents the contractual par value plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### **Financial assets - Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of profit or loss.

### **Financial liabilities - Classification, subsequent measurement and gains and losses:**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in the consolidated statement of profit or loss.

### **(c) Derecognition**

#### **Financial assets**

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expires, or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred or
  - Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### **Financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of profit or loss.

### **(d) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## 3.11 Impairment of financial and non-financial assets

### **(a) Non-derivative financial assets**

#### **Financial instruments and contract assets**

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost; and
- contract assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Material accounting policies (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables including unbilled revenue are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 730 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses.

#### **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

#### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to consolidated statement of profit or loss and is recognized in other comprehensive income.

#### **Write-off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For third party customers, the Group has a policy of writing off the gross carrying amount when the management has reasonable evidence that the financial asset no longer recoverable, based on historical experience of recoveries of similar assets. For the related parties, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery, then the amount is written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### **(b) Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and contract assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **3.12 Inventories**

Inventories primarily represent spare parts and consumables used to provide the drilling service, which are carried at the lower of cost and net realizable value. The cost of inventories are determined using the weighted average method.

At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Provision for obsolete, slow moving and damaged inventories is made considering various factors including age of the inventory items, historic usage and expected future utilization.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Material accounting policies (continued)

#### 3.13 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in current accounts with banks and other short-term high-liquidity investments with original maturities of three months or less (if any) available to the Group without any restrictions. Deposits with original maturities over 3 months and below 12 months is reported as short term deposits in the consolidated statement of financial position under current assets and any deposits over 12 months are included in non-current assets.

#### 3.14 Equity

Ordinary shares are classified as equity. Incremental costs, if any, directly attributable to the issue of new shares are shown in equity as a deduction, net of tax and zakat, from the proceeds.

Share premium represents the proceeds (net of issuance cost) from issue of new shares over and above the par value.

#### 3.15 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### 3.16 Trade and other payables

Trade payable and accrued liabilities are obligations to be paid for goods and services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

#### 3.17 Long-term borrowings

Long-term borrowings are initially recognized at their fair value (being proceeds received, net of eligible transaction costs incurred, if any). Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the long-term borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred.

#### 3.18 Employees' benefit obligations

##### Short-term obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits. Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. These liabilities are presented part of "trade and other payables" in the consolidated statement of financial position.

##### Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labor Law. The entitlement to these benefits is based upon the employees' last drawn salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognized immediately in the consolidated statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

#### 3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Board of Directors ("BoD") of the Group assesses the financial performance and position of the Group and makes strategic decisions. The BoD has been identified as being the CODM.

Segment results reported to the Group's CODM represent revenue and cost of revenue and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Material accounting policies (continued)

#### 3.20 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

#### 3.21 Value Added Tax (VAT)

The Group is subject to a value added tax ("VAT") for providing services. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of services provided (output VAT) less VAT paid on purchases made / services received with the relevant supporting invoices (input VAT). The Group reports revenue net of value added tax for all the periods presented in the consolidated statement of profit or loss and other comprehensive income.

Assets and expenses are recognized net of VAT, except that when VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

#### 3.22 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### 3.23 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated financial statement under trade and other payables. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

#### 3.24 Withholding Tax (WHT)

The Group withholds taxes on certain transactions with non-resident parties, including dividend payments to the shareholders, as required under the Saudi Arabian Income Tax Law.

#### 3.25 Cost of revenue

Cost of revenue includes labor cost, consumables, depreciation, mobilization costs, rig move, direct and indirect overheads related to provision of services.

#### 3.26 General and administrative expenses

All other expenses, excluding cost of revenue, financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

#### 3.27 New standards, amendments and interpretations

##### (a) New and revised standards with no material effect on the consolidated financial statements

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Organisation for Economic Co-operation and Development (OECD) Pillar Two Rules; and
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### (b) New and revised standards issued but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective.

- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7), effective for annual periods beginning on or after 1 January 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRS Sustainability Disclosures Standards S1 and S2, effective for annual periods beginning on or after 1 January 2024.

The management is currently in the process of assessing the impact of the above-mentioned standards on the consolidated financial statement of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 4. Property, plant and equipment

	Freehold land	Buildings and portable cabins	Rig, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
<b>Cost</b>							
As at 1 January 2023	88,236,250	99,693,269	11,292,935,114	111,475,264	142,955,769	1,363,762,350	13,099,058,016
Additions	-	-	-	-	-	1,884,327,532	1,884,327,532
Transfers	-	90,555,572	2,146,241,585	15,118,514	10,981,400	(2,262,897,071)	-
Transfers to held for sale	-	(10,160,924)	(115,750,981)	(5,404,304)	(6,299,125)	-	(137,615,334)
As at 31 December 2023	88,236,250	180,087,917	13,323,425,718	121,189,474	147,638,044	985,192,811	14,845,770,214
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2023	-	(25,474,006)	(6,394,225,790)	(70,784,409)	(117,952,832)	-	(6,608,437,037)
Charge for the year	-	(3,293,708)	(600,824,943)	(8,424,459)	(4,999,304)	-	(617,542,414)
Transfers to held for sale	-	5,628,757	101,792,616	4,499,229	6,123,518	-	118,044,120
As at 31 December 2023	-	(23,138,957)	(6,893,258,117)	(74,709,639)	(116,828,618)	-	(7,107,935,331)
<b>Net book value</b>							
As at 31 December 2023	88,236,250	156,948,960	6,430,167,601	46,479,835	30,809,426	985,192,811	7,737,834,883

- a) Rig, machinery and equipment represents assets used for drilling contracts to provide drilling service to its customers.  
b) Assets under construction at 31 December 2023 mainly represent advances paid to suppliers against procurement of certain rigs which are expected to be capitalised in 2024.  
c) As at 31 December 2023, assets under construction include advances for capital expenditure amounting to Saudi Riyals 545.7 million (2022: Saudi Riyals 85.2 million).  
d) During 2023, finance cost of Saudi Riyals 37.6 million has been capitalized (2022: Saudi Riyals 20.5 million).

	Freehold land	Buildings and portable cabins	Rig, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
<b>Cost</b>							
As at 1 January 2022	88,236,250	99,385,669	10,826,217,554	111,018,955	145,671,754	131,520,647	11,402,050,829
Additions	-	-	-	-	-	1,749,343,361	1,749,343,361
Transfers	-	307,600	516,337,749	456,309	-	(517,101,658)	-
Transfers to held for sale	-	-	(49,620,189)	-	(2,715,985)	-	(52,336,174)
As at 31 December 2022	88,236,250	99,693,269	11,292,935,114	111,475,264	142,955,769	1,363,762,350	13,099,058,016
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2022	-	(22,779,749)	(5,939,859,231)	(64,258,762)	(116,269,050)	-	(6,143,166,792)
Charge for the year	-	(2,694,257)	(497,373,769)	(6,525,647)	(4,399,767)	-	(510,993,440)
Transfers to held for sale	-	-	43,007,210	-	2,715,985	-	45,723,195
As at 31 December 2022	-	(25,474,006)	(6,394,225,790)	(70,784,409)	(117,952,832)	-	(6,608,437,037)
<b>Net book value</b>							
As at 31 December 2022	88,236,250	74,219,263	4,898,709,324	40,690,855	25,002,937	1,363,762,350	6,490,620,979

#### Depreciation charge has been allocated as follows:

	2023	2022
Costs of revenue (Note 16)	607,255,923	502,198,488
General and administrative expenses (Note 17)	10,286,491	8,794,952
	617,542,414	510,993,440

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Class of assets	Useful lives (in years)
Building and portable cabins	10 – 33
Rig, machinery and equipment	7 – 30
Furniture, fixtures and office equipment	7
Vehicles	4 – 7

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 5. Leases

#### Group as a lessee

The Group leases vehicles, warehouse, rigs and related equipment for a period ranging from 3 to 5 years. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes. Lease payments are renegotiated during renewal of the contract to reflect market rentals. The Group has elected not to recognize right-of-use assets and lease liabilities for the short-term and/or leases of low-value items.

Extension and termination options are included to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor. Information about leases for which the Group is a lessee is presented below.

#### 5.1 Right-of-use assets

	Vehicles	Warehouse	Rigs and related equipment	Total
<b>Cost</b>				
As at 1 January 2023	9,018,948	5,489,532	191,734,241	206,242,721
Adjustment	-	(980,876)	-	(980,876)
As at 31 December 2023	9,018,948	4,508,656	191,734,241	205,261,845
<b>Accumulated depreciation</b>				
As at 1 January 2023	(1,189,105)	(457,460)	(5,333,381)	(6,979,946)
Charge for the year	(555,582)	(450,866)	(65,521,547)	(66,527,995)
Adjustment	-	81,739	-	81,739
As at 31 December 2023	(1,744,687)	(826,587)	(70,854,928)	(73,426,202)
Net book value as at 31 December 2023	7,274,261	3,682,069	120,879,313	131,835,643

	Vehicles	Warehouse	Rigs and related equipment	Total
<b>Cost</b>				
As at 1 January 2022	8,657,521	1,937,119	-	10,594,640
Additions for the year	9,018,948	5,489,532	191,734,241	206,242,721
Adjustment	(8,657,521)	(1,937,119)	-	(10,594,640)
As at 31 December 2022	9,018,948	5,489,532	191,734,241	206,242,721
<b>Accumulated depreciation</b>				
As at 1 January 2022	(7,420,731)	(1,382,226)	-	(8,802,957)
Charge for the year	(2,425,895)	(1,012,353)	(5,333,381)	(8,771,629)
Adjustment	8,657,521	1,937,119	-	10,594,640
As at 31 December 2022	(1,189,105)	(457,460)	(5,333,381)	(6,979,946)
Net book value as at 31 December 2022	7,829,843	5,032,072	186,400,860	199,262,775

#### 5.2 Lease liabilities

	2023	2022
As at 1 January	199,820,429	1,847,313
Additions	-	206,242,721
Unwinding of interest on lease liability (Note 18)	8,491,996	1,277,230
Payments during the year	(73,252,331)	(9,546,835)
As at 31 December	135,060,094	199,820,429
Non-current portion	67,892,228	136,013,930
Current portion	67,167,866	63,806,499
As at 31 December	135,060,094	199,820,429

Maturity analysis of lease liabilities are as follows:

	2023	2022
Less than one year	72,395,535	72,348,563
Two to five years	68,432,426	140,845,769
Over five years	1,761,300	2,911,250
Total undiscounted cash flow	142,589,261	216,105,582
Less: Unwinding of interest on lease liabilities	(7,529,167)	(16,285,153)
Carrying value of lease liabilities	135,060,094	199,820,429

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 5. Leases (continued)

Amounts recognized in the consolidated statement of profit and loss and other comprehensive income:

	2023	2022
<b>Depreciation charge for right-of-use assets</b>		
Cost of revenue (Note 16)	66,527,995	6,345,734
General and administrative expenses (Note 17)	-	2,425,895
	<b>66,527,995</b>	8,771,629
<b>Finance cost on lease liabilities</b>		
Unwinding of interest on lease liability (Note 18)	8,491,996	1,277,230

Other amounts recognized in the consolidated statement of profit and loss and other comprehensive income:

Expenses relating to short term leases for the year ended 31 December 2023 amounted to Saudi Riyals 113.9 million (2022: Saudi Riyals 108.85 million) are charged to the consolidated statement of profit or loss and other comprehensive income.

Amounts presented in the consolidated statement of cash flows:

The total cash outflow for leases during the year ended 31 December 2023 amounts to Saudi Riyals 73.12 million (2022: Saudi Riyals 9.55 million).

### 6. Inventories

	2023	2022
Spare parts, supplies and consumables	314,555,236	201,212,689
Less: provision for obsolete, slow moving and damaged inventories	(34,813,806)	(28,671,846)
	<b>279,741,430</b>	172,540,843

During the year, the Group has charged spare parts, supplies and consumables amounting to Saudi Riyals 270.22 million (2022: Saudi Riyals 171.64 million). Movement in provision for obsolete, slow moving and damaged inventories is as follows:

	2023	2022
1 January	28,671,846	22,787,466
Charge for the year	6,141,960	10,204,778
Write offs during the year	-	(4,320,398)
31 December	<b>34,813,806</b>	28,671,846

### 7. Trade and other receivables

	2023	2022
<b>Trade receivables:</b>		
Third parties	455,939,422	329,496,482
Unbilled receivable	392,053,398	285,544,354
Related parties	159,684,752	134,750,734
	<b>1,007,677,572</b>	749,791,570
Less: allowance for ECL	(4,101,340)	(3,481,737)
	<b>1,003,576,232</b>	746,309,833
<b>Other receivables:</b>		
Prepayments	47,280,079	38,024,934
Advance to suppliers	12,729,208	21,820,406
Zakat and income tax reimbursable from shareholders	-	11,183,843
Other	8,743,862	7,720,396
	<b>1,072,329,381</b>	825,059,412

	2023	2022
<b>Movement in allowance for ECL is as follows:</b>		
As at 1 January	3,481,737	3,434,431
Charge for the year	619,603	47,306
As at 31 December	<b>4,101,340</b>	3,481,737

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables are included in Note 23.1 (b). The aging analysis of these trade receivable is as follows:

	2023	2022
Not due	608,293,621	285,544,354
Overdue up to 90 days	295,104,267	428,247,283
Overdue for a period between 91 to 180 days	90,360,704	6,870,560
Overdue for a period between 181 to 270 days	12,991,087	17,353,166
Overdue for a period between 271 to 365 days	198,350	5,919,847
Overdue for more than 365 days	729,543	5,856,360
	<b>1,007,677,572</b>	749,791,570

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 8. Cash and cash equivalents

	2023	2022
Cash at bank		
in current accounts	<b>466,404,665</b>	831,829,386
Cash in hand	<b>266,804</b>	195,328
Time deposits	<b>968,750,000</b>	-
	<b>1,435,421,469</b>	832,024,714

### 9. Assets held for sale

Assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale primarily represent discarded vehicles, rigs and related equipment, and the Group disposes of these assets in accordance with the policy approved by CODM.

	2023	2022
As at 1 January	<b>12,402,180</b>	7,792,608
Transfer from property, plant and equipment	<b>19,571,214</b>	6,612,979
Disposals during the year	<b>(10,589,950)</b>	(2,003,407)
Impairment on assets held for sale	<b>(8,272,443)</b>	-
As at 31 December	<b>13,111,001</b>	12,402,180

### 10. Share capital and share premium

As at 31 December 2023, the share capital of the Company comprised of 89,000,000 shares at a nominal value of Saudi Riyals 10 per share (31 December 2022: 89,000,000 shares at a nominal value of Saudi Riyals 10 per share).

Share capital had been increased during the year 2022 as follows:

- Pursuant to shareholders' resolution dated 17 March 2022, the Company transferred Saudi Riyals 680.0 million from retained earnings and Saudi Riyals 97.4 million from additional paid-in capital to share capital and additional shares are issued in proportion to their existing shareholding; and
- Issuance of 9,000,000 new shares (refer to Note 1)

During 2022, the Company issued 9,000,000 new shares at an offer price of Saudi Riyals 100. The differential of price over their nominal value was recorded as share premium which amounted to Saudi Riyals 790.7 million, after offsetting the issuance cost amounting to Saudi Riyals 19.3 million.

The legal formalities for increase in share capital were completed during the year ended 31 December 2022.

### 11. Statutory reserve

In accordance with the Company's By-laws, the Company is required to maintain a statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the Regulations for Companies in the Kingdom of Saudi Arabia, the mandatory statutory reserve requirement had been abolished. In pursuant to this change, the Group is in the process of amending its Bylaws.

### 12. Long term borrowings

	2023	2022
Sukuk (Note 12.2)	<b>2,000,000,000</b>	2,000,000,000
Murabaha borrowings (Note 12.1)	<b>999,984,900</b>	500,000,000
Add: accrued finance costs	<b>68,469,771</b>	46,460,449
	<b>3,068,454,671</b>	2,546,460,449
Less: unamortized transaction cost	<b>(14,359,022)</b>	(18,861,463)
	<b>3,054,095,649</b>	2,527,598,986
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	<b>168,469,771</b>	46,460,449
Non-current portion	<b>2,885,625,878</b>	2,481,138,537
	<b>3,054,095,649</b>	2,527,598,986
Movement in unamortized transaction cost is as follows:		
As at 1 January	<b>18,861,463</b>	-
Transaction cost incurred during the year	-	22,349,723
Less: amortization for the year	<b>(4,502,441)</b>	(3,488,260)
As at 31 December	<b>14,359,022</b>	18,861,463

#### 12.1 Murabaha borrowings

During 2023, the Group has obtained a murabaha loan facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance its capital expenditure. The murabaha loan is repayable over a period of 5 years starting from December 2024 through December 2028 on a quarterly installment basis. These loans bear finance cost based on prevailing market rate which are based on Saudi Arabia Inter-Bank Offer Rates ("SAIBOR") plus an applicable margin. The covenants of this borrowing facility require the Group to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023, the Group was in compliance with the covenants of the borrowing facility.

During 2022, the Group had obtained a murabaha facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance capital expenditure. The murabaha loan is repayable over a period of 5 years starting from February 2024 through November 2028 on a quarterly installment basis. These loans bear finance costs based on prevailing market rate which are based on SAIBOR plus an applicable margin. The covenants of this borrowing facility require the Group to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023, the Group was in compliance with the covenants of the borrowing facility.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 12. Long term borrowings (continued)

#### 12.2 Sukuk

During 2022, the Group issued Sukuk amounting to Saudi Riyals 2.0 billion after obtaining necessary regulatory approvals and incurred a transaction cost of Saudi Riyals 22.3 million. In line with sukuk prospectus, the Group management utilized these proceeds towards repayment of existing murabaha borrowings and for other corporate purposes including procurement of additional rigs.

The repayment of the Sukuk is due in a single balloon payment in 2027 and it bears finance costs based on prevailing market rates which are based on SAIBOR plus an applicable margin. The covenants of the Sukuk requires the Group to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023, the Group was in compliance with such covenants.

#### 12.3 Maturity profile of principal portion of the borrowings including accrued interest:

	2023	2022
<b>Year ended</b>		
2023	-	46,460,449
2024	168,469,771	100,000,000
2025	200,000,000	100,000,000
2026	200,000,000	100,000,000
2027	2,200,000,000	2,000,000,000
2028	200,000,000	100,000,000
2029	99,984,900	100,000,000
	<b>3,068,454,671</b>	<b>2,546,460,449</b>

### 13. Employees' benefit obligations

#### 13.1 General description of the plan

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labor Law. The entitlement to these benefits is based upon the employees' last drawn salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period. The valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2023 and 2022.

#### 13.2 Movement in liability recognized in the consolidated statement of financial position

	2023	2022
1 January	273,216,040	250,965,672
Charge for the year	44,062,210	34,857,946
Benefits paid during the year	(21,296,312)	(20,733,330)
Remeasurement loss	8,425,079	8,125,752
31 December	<b>304,407,017</b>	<b>273,216,040</b>

### 13.3 Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

	2023	2022
Current service cost	33,296,926	28,241,473
Interest expense	10,765,284	6,616,473
<b>Recognized in consolidated statement of profit or loss</b>	<b>44,062,210</b>	<b>34,857,946</b>
Remeasurement (gain) / loss:		
financial assumptions	(3,524,297)	(6,395,685)
experience adjustments	11,949,376	14,521,437
<b>Recognized in consolidated other comprehensive income</b>	<b>8,425,079</b>	<b>8,125,752</b>

### 13.4 Key actuarial assumptions used to calculate the employees' benefit obligations:

	2023	2022
Discount rate	4.78%	4.10%
Salary growth rate	3.50%	3%
Mortality rate	A 1949-52	A 1949-52

### 13.5 Sensitivity analysis for actuarial assumptions

	2023	2022
<b>Discount rate</b>		
1% increase	(20,908,953)	(19,601,014)
1% decrease	23,918,678	22,470,881
<b>Salary growth rate</b>		
1% increase	25,046,046	23,481,566
1% decrease	(22,294,097)	(20,862,670)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligations.

### 13.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation as at reporting period is 8 years (31 December 2022: 8 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
<b>31 December 2023</b>	<b>34,743,791</b>	<b>35,346,478</b>	<b>108,754,048</b>	<b>870,841,393</b>	<b>1,049,685,710</b>
31 December 2022	29,290,139	30,540,338	94,661,621	705,295,266	859,787,364

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 14. Trade and other payable

	2023	2022
Trade payable	242,648,398	174,486,434
Accrued expenses	455,422,737	366,333,801
Value added tax and other taxes payable	27,024,493	35,209,860
Dividend payable	7,471	-
Other	4,290,386	8,781,178
	<b>729,393,485</b>	584,811,273

The carrying amounts of trade and other payable approximate their fair values.

### 15. Revenue

	For the year ended 31 December	
	2023	2022
Drilling revenue (Note 15.1)	2,859,838,078	2,193,883,809
Rig move revenue	417,715,600	410,393,795
Mobilization revenue (Note 15.2)	85,661,234	14,843,125
Catering and other revenue	113,308,952	84,414,746
	<b>3,476,523,864</b>	2,703,535,475

#### 15.1 Drilling revenue

Revenue from drilling activities was recognised in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components. Lease component of future revenue from drilling activities under such contracts is as follows:

	2023	2022
Within one year	1,793,079,049	1,446,970,641
Within two years	1,441,366,620	1,368,464,222
Within three years	796,051,808	977,195,160
Within four years	691,469,869	300,577,284
Within five years	539,665,421	233,601,141
Later than five years	692,347,563	105,213,572
	<b>5,953,980,330</b>	4,432,022,020

The expected revenue is based on signed agreements with the customers and expected utilization rates of the underlying rigs.

### 15.2 Mobilization revenue

	2023	2022
As at 1 January	175,830,648	14,423,773
Additions	277,515,100	176,250,000
Revenue recognized during the year	(85,661,234)	(14,843,125)
As at 31 December	<b>367,684,514</b>	175,830,648

Mobilization revenue is presented in the accompanying consolidated statement of financial position net of mobilization cost for 2023 (2022: gross basis) as follows:

	2023	2022
Current portion	94,313,916	60,216,798
Non-current portion	211,515,566	115,613,850
	<b>305,829,482</b>	175,830,648

### 16. Cost of revenue

	For the year ended 31 December	
	2023	2022
Salaries, wages and benefits	1,405,116,709	1,072,330,139
Depreciation on property, plant and equipment (Note 4)	607,255,923	502,198,488
Material consumed and rig move expenses	371,190,097	275,409,319
Provision for obsolete, slow moving and damaged inventories (Note 6)	6,141,960	10,204,778
Depreciation on right-of-use assets (Note 5)	66,527,995	6,345,734
Mobilization cost (Note 16.1)	16,311,937	4,868,815
Other	28,075,295	30,735,110
	<b>2,500,619,916</b>	1,902,092,383

#### 16.1 Mobilization cost

	2023	2022
As at 1 January	21,759,221	4,971,840
Additions	56,407,748	21,656,196
Charge for the year	(16,311,937)	(4,868,815)
As at 31 December	<b>61,855,032</b>	21,759,221

Mobilization cost is presented in the accompanying consolidated statement of financial position as follows:

	2023	2022
Current portion	-	6,732,553
Non-current portion	-	15,026,668
	-	21,759,221

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 17. General and administration expense

	For the year ended 31 December	
	2023	2022
Salaries and benefits	124,705,816	110,674,233
Provision for advances and other receivables	-	12,941,430
Provision for income tax refundable (Note 19)	-	9,268,917
Professional services *	36,216,119	8,925,635
Depreciation on property, plant and equipment (Note 4)	10,286,491	8,794,952
Office supplies	7,362,364	6,779,548
Amortization	-	5,517,718
Depreciation on right-of-use assets (Note 5)	-	2,425,895
Other	2,548,855	14,272,007
	181,119,645	179,600,335

\* Professional services include auditors remuneration amounting to Saudi Riyals 0.8 million for the year ended 31 December 2023 (31 December 2022: Saudi Riyals 0.7 million).

Statutory audit fees for the year ended 31 December 2023 related to the audit and the review of the Group's consolidated financial statements and quarterly condensed consolidated interim financial statements, respectively, was Saudi Riyals 0.66 million (2022: Saudi Riyals 0.71 million). Other fees for the year ended 31 December 2023 comprise of Saudi Riyals 0.12 million (2022: Saudi Riyals 0.30 million) for zakat and tax compliance services and certain other engagements.

### 18. Finance cost

	For the year ended 31 December	
	2023	2022
Finance cost on murabaha loans	19,240,187	34,494,301
Finance cost on sukuk	129,031,372	55,539,975
Finance cost on derivatives	-	1,540,012
Finance cost on lease liabilities (Note 5.2)	8,491,996	1,277,230
Other finance costs	4,118,775	1,466,774
	160,882,330	94,318,292

### 19. Zakat and income tax

#### 19.1 Components of zakat base

The Company and its subsidiary file their zakat and income tax declaration on a standalone basis. The significant components of the zakat base of the Company, under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted profit, less deduction for the net book value of Property, plant and equipment and certain other items.

#### 19.2 Zakat and income tax (credit) / expense

	For the year ended 31 December	
	2023	2022
Zakat charge	28,273,103	14,719,476
Current tax expenses – Local tax	30,816,329	37,645,980
Current tax expenses – Foreign tax	8,329,519	-
Deferred tax expenses (Note 19.6)	15,914,050	(57,785,235)
Net charge / (credit) to consolidated statement of profit or loss	83,333,001	(5,419,779)
Deferred tax income on other comprehensive income elements (Note 19.6)	(577,960)	(793,244)
	82,755,041	(6,213,023)

#### 19.3 Provision for zakat and income tax

	Zakat	Income tax	Total
As at 1 January 2023	18,890,403	35,257,131	54,147,534
Current year charge – Local tax	28,273,103	30,816,329	59,089,432
Current year charge – Foreign tax	-	8,329,519	8,329,519
Payments made during the year	(16,173,151)	(69,393,940)	(85,567,091)
Prior year adjustments	(3,867,625)	-	(3,867,625)
As at 31 December 2023	27,122,730	5,009,039	32,131,769
As at 1 January 2022	20,286,544	278,558	20,565,102
Current year charge	14,719,476	37,645,980	52,365,456
Payments made during the year	(16,115,617)	(2,667,407)	(18,783,024)
As at 31 December 2022	18,890,403	35,257,131	54,147,534

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 19. Zakat and income tax (continued)

#### 19.4 Numerical reconciliation of income tax expense

	For the year ended 31 December	
	2023	2022
Profit before zakat and income tax	687,946,934	552,300,180
Income tax rate applicable to the Group	20%	20%
Income tax on profit before zakat and income tax	137,589,387	110,460,036
Reconciliation:		
Tax effect on profit subject to Zakat	(90,396,227)	(56,595,486)
Tax effect of change in effective shareholding	-	(73,823,139)
Tax effect of foreign tax	8,329,519	-
Tax effect on disallowed expenses and other differences	(462,781)	(180,666)
	55,059,898	(20,139,255)

#### 19.5 Advance tax

	2023	2022
As at 1 January	-	9,268,917
Provision against refundable advance taxes	-	(9,268,917)
As at 31 December	-	-

#### 19.6 Deferred taxes

The balance comprises deductible / (taxable) temporary differences attributable to:

	2023	2022
Employees' benefit obligations	304,407,017	273,216,040
Property, plant and equipment	(2,747,613,398)	(2,491,698,603)
Provisions	50,569,237	49,403,583
Taxable temporary differences - net	(2,392,637,144)	(2,169,078,980)
Deferred tax liabilities	(164,134,909)	(148,798,818)

Movement in deferred tax liabilities is attributable to:

	Employees' benefit obligations	Property, plant and equipment	Provisions	Total
As at 1 January 2023	18,742,621	(170,930,526)	3,389,087	(148,798,818)
(Charge) / credited to consolidated statement of profit or loss	1,561,741	(17,555,753)	79,961	(15,914,051)
Credited to consolidated statement of other comprehensive income	577,960	-	-	577,960
As at 31 December 2023	20,882,322	(188,486,279)	3,469,048	(164,134,909)
As at 1 January 2022	25,761,859	(235,795,232)	2,656,076	(207,377,297)
(Charge) / credited to consolidated statement of profit or loss	(7,812,482)	64,864,706	733,011	57,785,235
Charge to consolidated statement of other comprehensive income	793,244	-	-	793,244
As at 31 December 2022	18,742,621	(170,930,526)	3,389,087	(148,798,818)

During 2022, the Group has completed its listing requirements as disclosed in Note 1 to these consolidated financial statements. Pursuant to listing, the Group's tax base subject to income tax has been reduced from 51.33% to 34.3%. Accordingly, the Group has restricted the recognition of temporary differences to 34.3% of applicable tax rate as at 31 December 2022 and recorded a deferred tax credit amounting to Saudi Riyals 73.82 million (refer Note 19.4).

#### 19.7 Status of assessments

##### Arabian Drilling Company

ZATCA has finalized the Company's zakat and income tax assessments for the years up to 2020. The assessments for the years 2021 & 2022 are still open for zakat and income tax assessment from ZATCA and no assessments for these years have been received as at 31 December 2023.

##### Ofsat Arabia LLC

ZATCA has finalized the zakat and income tax assessments of Ofsat for the years up to 2020. The assessments for years 2021 & 2022 are still open for zakat and income tax assessments from ZATCA and no assessments for these years have been received as at 31 December 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 20. Contingencies and commitments

- As at 31 December 2023, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 482.58 (31 December 2022: Saudi Riyals 385.19 million) and the letters of credit issued in the normal course of business amounting to Saudi Riyals 27.86 (31 December 2022: Saudi Riyals 77.69 million).
- The capital expenditure contracted by the Group but not incurred till 31 December 2023 was approximately Saudi Riyals 1,550.16 million (31 December 2022: Saudi Riyals 540.12 million).

### 21. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the year ended 31 December	
	2023	2022
Profit attributable to the shareholders of the Group	<b>604,613,933</b>	557,719,959
Weighted average number of ordinary shares for basic and diluted earnings per share	<b>89,000,000</b>	81,430,137
Basic and diluted earnings per share	<b>6.79</b>	6.85

#### 21.1 Weighted-average number of ordinary shares

	2023	2022
As at 1 January (Note 21.2)	<b>81,430,137</b>	80,000,000
Effect of new shares issued in November 2022	<b>7,569,863</b>	1,430,137
Weighted-average number of shares at 31 December	<b>89,000,000</b>	81,430,137

**21.2** The weighted average number of shares for the year ended 31 December 2022 has been adjusted to 81,430,137 shares, to the extent of increase in shares resulted from capitalization of retained earnings and additional paid-in capital with no additional consideration (refer to Note 10).

### 22. Segment information

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates principally in the following two operating segments:

- Provision of drilling and related services through land rigs; and
- Provision of drilling and related services through off-shore rigs.

Other segments primarily represents transportation service provided by subsidiary to transport the land rigs. Transactions between the Company and subsidiary is reported part of intersegment revenue and cost this will have nil impact to the segment results.

The Group's CODM reviews the internal management reports of each segment atleast on a quarterly basis. The segment disclosures are in consistent with the information reviewed by CODM to make any strategic decision.

Intersegment revenue and intersegment cost represents the transactions between entities within the Group which have been eliminated during the consolidation process.

Consolidated financial information as of 31 December 2023 and 2022 and for the year ended 31 December 2023 and 2022, summarized below based on above stated operating segments:

#### a) Segment results

##### For the year ended 31 December 2023

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	<b>2,007,644,278</b>	<b>1,467,487,066</b>	<b>1,392,520</b>	<b>3,476,523,864</b>
Intersegment revenue	-	-	<b>210,247,898</b>	<b>210,247,898</b>
Intersegment cost	<b>(210,247,898)</b>	-	-	<b>(210,247,898)</b>
Cost of revenue	<b>(1,519,338,765)</b>	<b>(817,755,460)</b>	<b>(163,525,691)</b>	<b>(2,500,619,916)</b>
Segment results	<b>278,057,615</b>	<b>649,731,606</b>	<b>48,114,727</b>	<b>975,903,948</b>

##### For the year ended 31 December 2022

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	1,894,763,670	801,862,775	6,909,030	2,703,535,475
Intersegment revenue	-	-	172,933,906	172,933,906
Intersegment cost	(172,933,906)	-	-	(172,933,906)
Cost of revenue	(1,326,974,452)	(424,033,079)	(151,084,852)	(1,902,092,383)
Segment results	394,855,312	377,829,696	28,758,084	801,443,092

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 22. Segment information (continued)

#### Reconciliation of segment results with profit before zakat and income tax

	For the year ended 31 December	
	2023	2022
Total results for reporting segments	<b>975,903,948</b>	801,443,092
Expected credit loss allowance	<b>(619,603)</b>	(47,306)
General and administrative expenses	<b>(181,119,645)</b>	(179,600,335)
Other operating income / (expense) - net	<b>7,068,550</b>	(2,702,159)
Finance costs - net	<b>(113,286,316)</b>	(66,793,112)
	<b>687,946,934</b>	552,300,180

#### b) Segment assets

##### As at 31 December 2023

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	<b>3,222,899,024</b>	<b>3,782,750,218</b>	<b>24,6673,486</b>	-	<b>7,252,322,728</b>
Right-of-use-assets	-	<b>122,576,925</b>	-	-	<b>122,576,925</b>
Long-term deposits	-	<b>16,200,000</b>	-	-	<b>16,200,000</b>
Inventories	<b>170,368,307</b>	<b>103,931,361</b>	<b>5,441,762</b>	-	<b>279,741,430</b>
Trade receivables	<b>560,079,267</b>	<b>451,256,652</b>	<b>36,690,314</b>	<b>(40,348,661)</b>	<b>1,007,677,572</b>
Assets held for sale	<b>6,136,750</b>	<b>5,551,767</b>	<b>1,272,440</b>	-	<b>12,960,957</b>
	<b>3,959,483,348</b>	<b>4,482,266,923</b>	<b>290,078,002</b>	<b>(40,348,661)</b>	<b>8,691,479,612</b>

##### As at 31 December 2022

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	2,498,135,261	3,366,614,052	228,141,744	-	6,092,891,057
Right-of-use-assets	-	186,400,860	-	-	186,400,860
Mobilization cost	-	21,759,221	-	-	21,759,221
Inventories	127,786,313	40,054,646	4,699,884	-	172,540,843
Trade receivables	385,075,501	359,501,993	53,512,246	(48,298,170)	749,791,570
Assets held for sale	3,059,829	8,936,656	-	-	11,996,485
	3,014,056,904	3,983,267,428	286,353,874	(48,298,170)	7,235,380,036

#### Reconciliation of segment assets with total assets

	2023	2022
Total segment assets	<b>8,691,479,612</b>	7,235,380,036
Cash and cash equivalents	<b>1,435,421,469</b>	832,024,714
Short-term deposits	-	1,000,000,000
Unallocated property, plant & equipment (corporate assets)	<b>485,512,155</b>	397,729,922
Unallocated right-of-use assets	<b>9,258,718</b>	12,861,915
Unallocated assets held for sale	<b>150,044</b>	405,695
Others	<b>64,651,809</b>	75,646,034
	<b>10,686,473,807</b>	9,554,048,316

#### c) Other information

Revenue from all the contracts with customers are generated within the Kingdom of Saudi Arabia. Revenue derived from customers are presented below:

	2023	2022
Saudi Aramco	<b>2,374,040,625</b>	1,717,255,855
Schlumberger Middle East S.A.	<b>613,980,275</b>	794,743,017
Al Khafji Joint Operations	<b>215,269,526</b>	167,914,929
Baker Hughes Company	<b>271,840,919</b>	16,146,844
Others	<b>1,392,519</b>	7,474,830
	<b>3,476,523,864</b>	2,703,535,475

## 23. Financial risk management

### 23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors are responsible for developing and monitoring the Group's risk management policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 23. Financial risk management (continued)

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals and USD. Since Saudi Riyal is pegged to USD, the Group believes that the currency risk for the financial instruments is not significant.

##### (ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms. During 2023 and 2022, the Group's borrowings were denominated in Saudi Riyals.

At 31 December 2023, the Group had variable interest bearing financial liabilities of Saudi Riyals 3.05 billion (2022: Saudi Riyals 2.53 billion), and had the interest rate varied by 1% with all the other variables held constant, net change in profit before zakat and income tax would have been approximately Saudi Riyals 25.3 million (2022: Saudi Riyals 25.3 million) lower/higher, mainly as a result of lower/higher financial charges on floating rate borrowings.

The Group's receivables and payables are carried at amortized cost and are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

##### (iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

#### (b) Credit risk

Credit risk arises from cash and cash equivalents (including short term deposits) carried at amortized cost, as well as credit exposures to customers, including outstanding receivables. Cash and cash equivalents and short-term deposits represent low credit risk as they are placed with reputable banks. For banks and time deposits, only independently rated parties with a minimum credit of Baa3 are accepted. Time deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk, hence provision is recognized at an amount equal to 12 month ECL unless there is evidence of significant increase in credit risk of the counter party.

Other receivables and long-term deposits are not exposed to significant credit risk.

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. At 31 December 2023, 99.7% (2022: 99.8%) of trade receivables were due from four customers. Management believes that this concentration of credit risk is mitigated as the customers have an established track record of regular and timely payments.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a few customers for whom there is no recent history of default.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables:

	31 December 2023		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.1%	608,293,621	584,600
Overdue up to 90 days	0.6%	295,104,267	1,758,612
Overdue for a period between 91 to 180 days	1.5%	90,360,704	1,323,766
Overdue for a period between 181 to 270 days	2.8%	12,991,087	363,200
Overdue for a period between 271 to 365 days	3.8%	198,350	7,576
Overdue for more than 365 days	8.7%	729,543	63,586
	0.4%	1,007,677,572	4,101,340

	31 December 2022		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.5%	285,544,354	1,502,664
Overdue up to 90 days	0.1%	428,247,283	384,708
Overdue for a period between 91 to 180 days	1.0%	6,870,560	66,046
Overdue for a period between 181 to 270 days	3.97%	17,353,166	688,405
Overdue for a period between 271 to 365 days	4.06%	5,919,847	240,206
Overdue for more than 365 days	10.2%	5,856,360	599,708
	0.5%	749,791,570	3,481,737

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 23. Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Reconciliation of movements of liabilities to cash flows arising from financing activities are not presented separately since these movements are included in the respective notes to the financial statements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2023	Carrying amount	Contractual cashflows			
		Total	Less than 1 year	2 to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>					
Long term borrowings	3,068,454,671	3,826,505,591	350,135,215	3,476,370,376	-
Lease liabilities	135,060,094	142,589,261	72,395,535	68,432,426	1,761,300
Trade and other payables	700,719,079	700,719,079	700,719,079	-	-
<b>Total</b>	<b>3,904,233,844</b>	<b>4,669,813,931</b>	<b>1,123,249,829</b>	<b>3,544,802,802</b>	<b>1,761,300</b>

31 December 2022	Carrying amount	Contractual cashflows			
		Total	Less than 1 year	2 to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>					
Long term borrowings	2,546,460,449	3,066,888,462	177,579,831	2,785,997,399	103,311,232
Lease liabilities	199,820,429	216,105,582	72,348,563	140,845,769	2,911,250
Trade and other payables	547,993,239	547,993,239	547,993,239	-	-
<b>Total</b>	<b>3,294,274,117</b>	<b>3,830,987,283</b>	<b>797,921,633</b>	<b>2,926,843,168</b>	<b>106,222,482</b>

#### 23.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues (if any) are reported to the Group's management.

#### Fair values hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no such transfers during the year ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, the fair values of the Group's financial instruments, except for cash flow hedge reserve at fair value through other comprehensive income, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Cash flow hedge at fair value through other comprehensive income is carried at fair value which is assessed by management to fall in Level 2 of the fair value hierarchy as at 31 December 2022. There are no transfers between levels during the year ended 31 December 2023 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 23. Financial risk management (continued)

#### 23.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings which includes long-term borrowings and lease liabilities as shown in the consolidated statement of financial position, less cash and cash equivalents. Total equity is as per the consolidated statement of financial position.

The gearing ratios at 31 December were as follows:

	2023	2022
Total borrowings (including lease liabilities)	3,189,155,743	2,727,419,415
Less: cash and cash equivalents (including short term deposits)	(1,435,421,469)	(1,832,024,714)
Net debt	1,753,734,274	895,394,701
Total equity	5,961,421,402	5,589,824,588
Gearing ratio	29%	16%

	2023	2022
As at 1 January	895,394,701	2,727,419,415
Finance costs	160,882,330	94,318,292
Proceeds from long-term borrowings	499,984,900	
Finance costs paid	(177,500,645)	(74,241,968)
Repayment of long-term borrowings	-	(1,373,945,976)
Principal element of lease payments	(64,760,335)	(8,269,605)
Other changes in cash and cash equivalents	439,733,323	(469,885,457)
As at 31 December	1,753,734,274	895,394,701

#### 23.4 Categories of financial instruments

The financial instruments by category are detailed in the table below:

	2023	2022
<b>Financial assets at amortized cost</b>		
Long-term deposits	16,200,000	-
Trade and other receivables	1,060,489,156	762,977,392
Short-term deposits	-	1,000,000,000
Cash and cash equivalents	1,435,421,469	832,024,714
	2,512,110,625	2,595,002,106
<b>Financial asset at fair value through other comprehensive income</b>		
Derivative financial instrument	-	378,192
<b>Financial liabilities at amortized cost</b>		
Long-term borrowings	3,068,454,671	2,546,460,449
Lease liabilities	135,060,094	199,820,429
Trade and other payables	700,719,079	547,993,239
	3,904,233,844	3,294,274,117

Short term deposits represent the deposit held with commercial banks having original maturity over 3 months but less than 12 months and yield financial income at prevailing market rates based on SAIBOR. These deposits are denominated in Saudi Riyals.

### 24. Related party transactions and balances

During the year 2022, the Company's ordinary shares were listed on Saudi Stock Exchange (refer to note 1). This has resulted in change in Group's ownership structure and consequently change in related parties' relationships. As at 31 December 2023 related parties comprise the shareholders, directors, associated companies (representing entities directly or indirectly controlled by the Group's shareholders) and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

Prior to the listing, the immediate controlling party of the Group was TAQA and the ultimate controlling party of the Group was the Government of the Kingdom of Saudi Arabia (the "KSA Government"). Related parties comprise the shareholders, directors, Government controlled entities, associated companies, and key management personnel. Accordingly, the significant transactions with the government entities until the date of loss of control by TAQA is included part of this consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

(All amounts in Saudi Riyals unless otherwise stated)

### 24. Related party transactions and balances (continued)

a) Following are the significant transactions entered into by the Group with its related parties:

	For the year ended 31 December	
	2023	2022
Revenue from Government controlled entities	-	1,522,661,389
Revenue from an associated company	<b>615,372,794</b>	775,366,369
Rental income from an associated company	-	54,262
Costs charged by an associated company	<b>8,441,536</b>	6,086,693
Zakat and income tax reimbursable by shareholders	-	11,183,843

Prior to listing, promoter shareholders (i.e., TAQA and SPS) had agreed to reimburse the Group for their share of zakat and tax, including any future obligations arising from the assessments, accordingly this reimbursement is adjusted against equity. However, zakat and tax expenses of the Group for any assessment period after 2021 will not be reimbursed.

These transactions are based on the agreed terms between the Group and the respective related parties.

b) Key management personnel compensation:

	For the year ended 31 December	
	2023	2022
Salaries and other short-term employee benefits	<b>17,630,555</b>	20,607,304
Post-employment benefits	<b>780,646</b>	1,316,776
	<b>18,411,201</b>	21,924,080

Additionally, the Group incurred board of directors' fees, including travelling cost for the year ended 31 December 2023 amounting to Saudi Riyals 8.10 million, (31 December 2022: Saudi Riyals 1.06 million).

c) Due from related parties:

	2023	2022
	Schlumberger Middle East S.A., an associated company	<b>152,028,171</b>
Services Pétroliers Schlumberger S.A. (SPS), a shareholder	<b>5,359,834</b>	11,183,843
TAQA Well Services, an associated company	<b>2,178,773</b>	4,891,538
	<b>159,566,778</b>	217,980,046

### 25. Dividends

On 1 August 2023, the Company's shareholders approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.17 million (2022: approved cash dividends of Saudi Riyals 16.58 per share totaling to Saudi Riyals 37.45 million).

The Company's Board of Directors, at their meeting held on 14 March 2024, proposed cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.17 million which are subject to approval in the Company's annual general assembly meeting. (31 December 2022: approved cash dividends of Saudi Riyals 16.58 per share totaling to Saudi Riyals 37.45 million).

### 26. Subsequent events

Subsequent to 31 December 2023, the Group has reallocated certain capital expenditure planned for the refurbishment of one of its land rigs. The Group will assess the impact of halting such capital expenditure on the impairment indicators for such land rig in the next reporting period i.e. 31 March 2024. The Group management believes that the events and conditions resulting in the reallocation of such capital expenditure did not exist at the reporting date and accordingly considers such development and its corresponding impact as a non-adjusting event at 31 December 2023.

Except as disclosed in Note 25 and above, no other subsequent events occurred between 31 December 2023 and the date of approval of these consolidated financial statements, which may have a material impact on these consolidated financial statements.

### 27. Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 14 March 2024G (corresponding to 4th Ramadan 1445H).



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