

ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

For the three-month and six-month periods ended 30 June
2024 with

Independent Auditor's Review Report

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements
with independent auditor's review report
For the three and six-month periods ended 30 June 2024

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Report on review of condensed consolidated interim financial statements

To the shareholders of Arabian Drilling Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arabian Drilling Company (the “Company”) and its subsidiary (collectively the “Group”) as of 30 June 2024 and the related condensed consolidated interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2024 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Omar M. Alsagga', is written over the printed name.

Omar M. Alsagga
License Number 369

1 August 2024

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Note</u>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	3	8,181,700,360	7,737,834,883
Right-of-use assets		98,662,164	131,835,643
Long-term deposits		16,200,000	16,200,000
Total non-current assets		8,296,562,524	7,885,870,526
Current assets			
Inventories		319,933,175	279,741,430
Trade and other receivables		1,143,639,857	1,072,329,381
Cash and cash equivalents		686,814,667	1,435,421,469
		2,150,387,699	2,787,492,280
Assets held for sale		7,726,003	13,111,001
Total current assets		2,158,113,702	2,800,603,281
Total assets		10,454,676,226	10,686,473,807
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	4	890,000,000	890,000,000
Share premium		790,675,825	790,675,825
Statutory reserve		267,000,000	267,000,000
Retained earnings		3,955,362,327	4,013,745,577
Total equity		5,903,038,152	5,961,421,402
Liabilities			
Non-current liabilities			
Long-term borrowings	5	2,837,893,092	2,885,625,878
Lease liabilities		33,403,554	67,892,228
Employees' benefit obligations		319,524,187	304,407,017
Mobilization revenue		177,196,990	211,515,566
Deferred tax liabilities		164,090,168	164,134,909
Total non-current liabilities		3,532,107,991	3,633,575,598

(continued)

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of financial position (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>31 June</u> <u>2024</u> (Unaudited)	<u>31 December</u> <u>2023</u> (Audited)
Current liabilities			
Trade and other payables		671,637,728	729,393,485
Current portion of long-term borrowings	5	166,145,701	168,469,771
Current portion of lease liabilities		68,667,582	67,167,866
Mobilization revenue		95,513,550	94,313,916
Provision for zakat and income tax		17,565,522	32,131,769
Total current liabilities		1,019,530,083	1,091,476,807
Total liabilities		4,551,638,074	4,725,052,405
Total equity and liabilities		10,454,676,226	10,686,473,807


 Khalid Nouh
 (Chairman)


 Ghassan Mirdad
 (Chief Executive Officer)


 Hubert Lafeuille
 (Chief Financial Officer)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.


Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Revenue	7	939,303,389	790,649,349	1,905,968,344	1,569,928,129
Cost of revenue	3	(810,148,741)	(561,597,767)	(1,508,084,006)	(1,133,624,654)
Gross profit		129,154,648	229,051,582	397,884,338	436,303,475
Expected credit loss allowance		(1,155,730)	(716,183)	(1,155,730)	(1,316,183)
General and administrative expenses		(49,053,150)	(49,245,181)	(106,534,808)	(83,607,292)
Other operating(loss) / income, net		(4,047,196)	557,291	(844,293)	769,031
		74,898,572	179,647,509	289,349,507	352,149,031
Finance costs		(58,241,921)	(27,909,420)	(117,145,471)	(53,452,809)
Finance income		5,407,986	10,194,794	17,988,958	23,557,551
Finance costs - net		(52,833,935)	(17,714,626)	(99,156,513)	(29,895,258)
Profit before zakat and income tax		22,064,637	161,932,883	190,192,994	322,253,773
Zakat expense	6.1	(1,287,030)	(6,245,228)	(10,988,566)	(15,266,726)
Income tax expense	6.1	(600,299)	(15,397,894)	(12,771,329)	(25,217,638)
Profit for the period		20,177,308	140,289,761	166,433,099	281,769,409
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		20,177,308	140,289,761	166,433,099	281,769,409
Earnings per share					
Basic and diluted	8	0.23	1.58	1.87	3.17


Khalid Adnan
(Chairman)


Ghassan Mirdad
(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

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Arabian Drilling Company
(A Saudi Joint Stock Company)

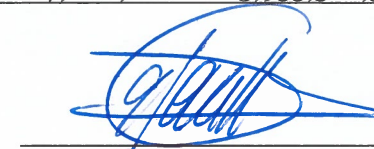
Condensed consolidated interim statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Total
As at 1 January 2023 (Audited)		890,000,000	790,675,825	267,000,000	3,642,148,763	5,589,824,588
Profit for the period		-	-	-	281,769,409	281,769,409
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	-	281,769,409	281,769,409
As at 30 June 2023 (Unaudited)		890,000,000	790,675,825	267,000,000	3,923,918,172	5,871,593,997
As at 1 January 2024 (Audited)		890,000,000	790,675,825	267,000,000	4,013,745,577	5,961,421,402
Profit for the period		-	-	-	166,433,099	166,433,099
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	-	166,433,099	166,433,099
Dividends	14				(224,816,349)	(224,816,349)
As at 30 June 2024 (Unaudited)		890,000,000	790,675,825	267,000,000	3,955,362,327	5,903,038,152


 Khalid Nouh
 (Chairman)


 Ghassan Mirdad
 (Chief Executive Officer)


 Hubert Lafeuille
 (Chief Financial Officer)

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Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities			
Profit before zakat and income tax		190,192,994	322,253,773
<i>Adjustment for:</i>			
Depreciation on property, plant and equipment	3	363,943,845	272,923,527
Depreciation on right-of-use assets	3	33,173,482	33,041,492
Impairment of property, plant and equipment		105,000,000	-
Provision for slow moving inventories		2,493,922	-
Expected credit loss allowance		1,155,730	1,316,183
Provision for employees' benefit obligations		26,060,680	21,330,721
Provision for advances and other receivables		6,068,962	-
Gain on disposal of non-current assets held for sale		(117,049)	(189,678)
Amortization of mobilization cost		11,745,791	6,338,048
Amortization of mobilization revenue		(60,443,266)	(30,102,662)
Finance cost		117,145,471	53,452,809
Finance income		(17,988,958)	(23,557,551)
		<u>778,431,604</u>	<u>656,806,662</u>
Inventories		(42,685,667)	(87,495,360)
Trade and other receivables		(73,772,702)	196,506,984
Trade and other payables		(57,755,757)	149,382,776
Cash generated from operations		<u>604,217,478</u>	<u>915,201,062</u>
Mobilization cost paid		(22,340,059)	(32,782,184)
Mobilization revenue received		37,918,592	-
Zakat and income tax paid		(38,370,882)	(55,083,169)
Employees' benefit obligations paid		(10,943,510)	(6,822,405)
Net cash generated from operating activities		<u>570,481,619</u>	<u>820,513,304</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(919,282,487)	(744,418,441)
Proceeds from disposal of assets held for sale		5,906,250	4,454,630
Placement in short term deposits		-	(300,000,000)
Proceeds from redemption of short term deposits		-	1,000,000,000
Finance income received		19,295,454	27,360,883
Net cash used in investing activities		<u>(894,080,783)</u>	<u>(12,602,928)</u>
Cash flows from financing activities			
Repayment of long-term borrowings		(50,000,000)	-
Principal element of lease payments		(32,988,958)	(31,254,303)
Finance cost paid		(117,202,331)	(71,969,195)
Dividends paid		(224,816,349)	-
Net cash used in financing activities		<u>(425,007,638)</u>	<u>(103,223,498)</u>
Net change in cash and cash equivalents		<u>(748,606,802)</u>	<u>704,686,878</u>
Cash and cash equivalents at the beginning of the period		<u>1,435,421,469</u>	<u>832,024,714</u>
Cash and cash equivalents at the end of the period		<u>686,814,667</u>	<u>1,536,711,592</u>
Significant non-cash transactions			
Transfer from property, plant and equipment to assets held for sale		<u>6,473,165</u>	<u>3,351,965</u>

Khaldoun Nour
(Chairman)

Ghassan Mirdad
(Chief Executive Officer)

Hubert Lareuille
(Chief Financial Officer)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2024

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Arabian Drilling Company (the “Company” or “ADC”) and its subsidiary (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 2003G) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423H (corresponding to 16 April 2002G). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying condensed consolidated interim financial statements include the financial information of the Company and its wholly owned subsidiary, Ofsat Arabia LLC (“Ofsat”). Ofsat is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia.

The Company was listed on the Saudi Stock Exchange (Tadawul) on 7 November 2022 with a free float of 30% of the Company’s share capital.

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (IAS 34) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023 (“latest annual consolidated financial statements”). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group’s consolidated financial position and performance since the last annual consolidated financial statements.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

2.2 Basis of preparation

These condensed consolidated interim financial statements are prepared under the historical cost convention using the accrual basis of accounting except for employees’ benefit obligations which are measured using the projected unit credit method.

2.3 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual consolidated financial statements except for those related to impairment indicators and impairment assessments as explained in Note 3.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six-month periods ended 30 June 2024
(All amounts in Saudi Riyals unless otherwise stated)

2.4 Material accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2023. A number of amendments to existing standards, as detailed in note 2.6 (a) below, became effective from 1 January 2024 but they do not have a material effect on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.5 New standards, amendments and interpretations

a. New and revised standards with no material effect on the condensed consolidated interim financial statements

The following revisions to existing standards have been adopted. The application of these revisions to IFRSs did not have a material impact on the amounts reported for current and prior periods.

- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

b. New and revised standards issued but not yet effective

The amendments to existing standards that are issued, but not yet effective, up to the date of issuance of the Group's condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these amendments to existing standards, if applicable, when they become effective.

- 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.
- Presentation and Disclosure in Financial Statements (IFRS 18), effective for annual periods beginning on or after 1 January 2027.

Management is assessing the impact, if any, that these amendments may have on the Group's condensed consolidated interim financial statements.

Arabian Drilling Company
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Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2024

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment

Cost	1 January 2024 (Audited)	Additions / (charge)	Transfers / (impairment)	Transfers to held for sale	30 June 2024 (Unaudited)
Freehold land	88,236,250	-	-	-	88,236,250
Buildings and portable cabins	180,087,917	-	9,086,304	(4,360,405)	184,813,816
Rigs, machinery and equipment	13,323,425,718	-	320,445,731	(142,015,079)	13,501,856,370
Furniture, fixtures and office equipment	121,189,474	-	6,307,462	(1,392,182)	126,104,754
Vehicles	147,638,044	-	844,000	(1,024,160)	147,457,884
Assets under construction	985,192,811	919,282,487	(336,683,497)	-	1,567,791,801
	14,845,770,214	919,282,487	-	(148,791,826)	15,616,260,875
Accumulated depreciation and impairment					
Buildings and portable cabins	(23,138,957)	(2,012,484)	-	4,360,405	(20,791,036)
Rig, machinery and equipment	(6,893,258,117)	(354,393,936)	(105,000,000)	136,325,616	(7,216,326,437)
Furniture, fixtures and office equipment	(74,709,639)	(4,485,359)	-	632,826	(78,562,172)
Vehicles	(116,828,618)	(3,052,066)	-	999,814	(118,880,870)
	(7,107,935,331)	(363,943,845)	(105,000,000)	142,318,661	(7,434,560,515)
Net book value	7,737,834,883				8,181,700,360

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2024

(All amounts in Saudi Riyals unless otherwise stated)

<u>Cost</u>	1 January 2023 (Audited)	Additions / (charge)	Transfers	Transfers to held for sale	31 December 2023 (Audited)
Freehold Land	88,236,250	-	-	-	88,236,250
Buildings and portable cabins	99,693,269	-	90,555,572	(10,160,924)	180,087,917
Rigs, machinery and equipment	11,292,935,114	-	2,146,241,585	(115,750,981)	13,323,425,718
Furniture, fixtures and office equipment	111,475,264	-	15,118,514	(5,404,304)	121,189,474
Vehicles	142,955,769	-	10,981,400	(6,299,125)	147,638,044
Assets under construction	1,363,762,350	1,884,327,532	(2,262,897,071)	-	985,192,811
	<u>13,099,058,016</u>	<u>1,884,327,532</u>	-	<u>(137,615,334)</u>	<u>14,845,770,214</u>
<u>Accumulated depreciation and impairment</u>					
Buildings and portable cabins	(25,474,006)	(3,293,708)	-	5,628,757	(23,138,957)
Rig, machinery and equipment	(6,394,225,790)	(600,824,943)	-	101,792,616	(6,893,258,117)
Furniture, fixtures and office equipment	(70,784,409)	(8,424,459)	-	4,499,229	(74,709,639)
Vehicles	(117,952,832)	(4,999,304)	-	6,123,518	(116,828,618)
	<u>(6,608,437,037)</u>	<u>(617,542,414)</u>	-	<u>118,044,120</u>	<u>(7,107,935,331)</u>
Net book value	<u>6,490,620,979</u>				<u>7,737,834,883</u>

- a) Asset under construction at 30 June 2024 mainly represent advances paid to suppliers against procurement of certain rigs which are expected to be capitalised in Q3 2024.
- b) Rig, machinery and equipment represent assets under contracts with customers for the drilling services which include both leasing and service components.

Arabian Drilling Company
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Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2024

(All amounts in Saudi Riyals unless otherwise stated)

- 3.1** During the three-month period ended 31 March 2024, the Ministry of Energy of the Kingdom of Saudi Arabia (“MoE”) announced to curtail the expansion plans of its production capacity, which in repercussion has resulted in Saudi Arabian Oil Company (“Saudi Aramco”) adjusting the number of its required offshore contracted rigs downwards. As a result of this announcement and after several discussions with Saudi Aramco, during the three-month period ended 30 June 2024, the Company announced that Saudi Aramco decided to suspend the drilling contract for two of its offshore rigs, while the drilling contract related to a third offshore rig will not be renewed.

This event was identified as an impairment indicator by the Group management for the two suspended rigs. Accordingly, an impairment assessment was carried out for such rigs as at 30 June 2024, however, no impairment loss was identified. The impairment assessment was based on value-in-use calculations which require management to estimate the future cash flows and appropriate discount and growth rates. As at 30 June 2024, there are no estimates related to the impairment assessment that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period.

As a result of the suspension and non-renewal of the drilling contracts for the three offshore rigs and its impact on the Group’s cash flows, the Group management decided to reassess and cancel certain planned capex spendings related to two rigs. Since this planned capex was deemed critical for the continuous marketability of these rigs, the Group management decided to impair the concerned rigs up to their residual values. As a result, an impairment loss of Saudi Riyals 105.0 million was recorded during the three-month period ended 30 June 2024.

The Group management will continue to monitor this in the next reporting period i.e. 30 September 2024.

4. Share capital

The share capital of the Company as of 30 June 2024 and 31 December 2023 comprised 89,000,000 shares at a nominal value of Saudi Riyals 10 per share.

5. Long term borrowings

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Sukuk (note 5.1)	2,000,000,000	2,000,000,000
Murabaha borrowings (note 5.2)	949,984,900	999,984,900
Add: accrued finance cost	66,145,701	68,469,771
	3,016,130,601	3,068,454,671
Less: unamortized transaction cost	(12,091,808)	(14,359,022)
	3,004,038,793	3,054,095,649
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	166,145,701	168,469,771
Non-current portion	2,837,893,092	2,885,625,878
	3,004,038,793	3,054,095,649
Movement in unamortized transaction cost is as follows:		
Balance at beginning of period / year	14,359,022	18,861,463
Less: amortization for the period / year	(2,267,214)	(4,502,441)
Balance at end of period / year	12,091,808	14,359,022

Arabian Drilling Company
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Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2024

(All amounts in Saudi Riyals unless otherwise stated)

5.1 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 Saudi Arabia Inter-Bank Offer Rates (“SAIBOR”) plus an applicable margin. The covenants of the Sukuk require the Group to maintain certain levels of financial conditions and certain other requirements. As at 30 June 2024, the Group was in compliance with such covenants.

5.2 Murabaha borrowings

During 2023, the Group 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 SAIBOR plus an applicable margin. The covenants of this borrowing facility require the Group to maintain certain levels of financial conditions and certain other requirements. As at 30 June 2024, 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 levels of financial conditions and certain other requirements. As at 30 June 2024, the Group was in compliance with the covenants of the borrowing facility.

6. Zakat and income tax

6.1 Zakat and income tax expense

	For three-month period ended 30 June		For six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Zakat expense	1,287,030	6,245,228	10,988,566	15,266,726
Current tax charge	4,245,740	14,205,473	12,816,069	24,380,881
Deferred tax charge / (reversal)	(3,645,441)	1,192,421	(44,740)	836,757
	1,887,329	21,643,122	23,759,895	40,484,364

6.2 Status of assessments

Arabian Drilling Company

ZATCA has finalized the Company's zakat and income tax assessments for the years up to 2021. The assessments for the years 2022 and 2023 are under review of ZATCA and no assessments for these years have been received as at 30 June 2024.

Ofsat

ZATCA has finalized the zakat and income tax assessments for the years up to 2021 of Ofsat. The assessments for the years 2022 and 2023 are under review of ZATCA and no assessments for these years have been received as at 30 June 2024.

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7. Revenue

	For three-month period ended 30 June		For six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Drilling revenue	778,411,806	671,496,912	1,562,717,246	1,303,120,564
Rig move revenue	86,047,619	79,574,461	180,578,730	185,757,560
Mobilization revenue	30,652,651	15,051,330	67,943,266	30,102,662
Catering and other revenue	44,191,313	24,526,646	94,729,102	50,947,343
	939,303,389	790,649,349	1,905,968,344	1,569,928,129

7.1 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. Expected lease component of future revenue from drilling activities under such contracts is as follows:

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Within one year	1,737,886,628	773,994,881
Within two years	1,196,654,141	1,370,108,276
Within three years	807,800,676	948,951,079
Within four years	692,196,402	330,146,408
Within five years	459,214,268	245,723,803
Later than five years	611,041,238	131,552,963
	5,504,793,353	3,800,477,410

The expected revenue is based on signed agreements with the customers and expected utilization rates of the underlying rigs.

8. Basic and diluted earnings per share

As the Company does not have any potential dilutive shares, the diluted earnings per share is the same as the basic earnings per share. Basic and diluted earnings per share are calculated as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to the shareholders of the Group	20,177,308	140,289,761	166,433,099	281,769,409
Weighted average number of ordinary shares for basic and diluted earnings per share	89,000,000	89,000,000	89,000,000	89,000,000
Basic and diluted earnings per share	0.23	1.58	1.87	3.17

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9. Contingencies and commitments

- i. As at 30 June 2024, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 455.9 million (31 December 2023: Saudi Riyals 482.6 million) and letters of credit issued in the normal course of business amounting to Saudi Riyals 30.7 million (31 December 2023: Saudi Riyals 27.9 million).
- ii. The capital expenditure contracted by the Group but not incurred till 30 June 2024 was Saudi Riyals 1,431.5 million (31 December 2023: Saudi Riyals 1,550.1 million).

10. Fair value measurement

The Group's principal financial assets include cash and cash equivalents, short term deposits, trade receivables and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise borrowings, trade and other payables and lease liabilities.

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 period and year ended 30 June 2024 and 31 December 2023 respectively.

As at 30 June 2024 and 31 December 2023, the fair values of the Group's financial instruments 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 the condensed 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.

Financial risk management

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. There is no significant change in the Group's objectives, policies and processes for measuring and managing risk since the last annual consolidated financial statements.

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11. 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:

- i) Provision of drilling and related services through land rigs; and
- ii) Provision of drilling and related services through offshore rigs.

Intersegment revenue and intersegment cost represents the transactions between entities within the Group which have been eliminated during the consolidation process.

Condensed consolidated interim financial information as of 30 June 2024 and 31 December 2023 and for the three and six-month periods ended 30 June 2024 and 2023, summarized by the above operating segments, is as follows:

a) Segment results

For the three-month period ended 30 June 2024 (Unaudited)

	Land rigs	Offshore rigs	Other	Total
Revenue from external customers	520,053,256	419,250,133	-	939,303,389
Intersegment revenue	-	-	54,334,510	54,334,510
Intersegment cost	(54,334,510)	-	-	(54,334,510)
Cost of revenue*	(481,144,501)	(283,153,390)	(45,850,850)	(810,148,741)
Segment results	(15,425,755)	136,096,743	8,483,660	129,154,648

For the three-month period ended 30 June 2023 (Unaudited)

	Land rigs	Offshore rigs	Other	Total
Revenue from external customers	488,905,936	301,720,498	22,915	790,649,349
Intersegment revenue	-	-	45,347,264	45,347,264
Intersegment cost	(45,347,264)	-	-	(45,347,264)
Cost of revenue	(350,751,776)	(169,613,975)	(41,232,016)	(561,597,767)
Segment results	92,806,896	132,106,523	4,138,163	229,051,582

For the six-month period ended 30 June 2024 (Unaudited)

	Land rigs	Offshore rigs	Other	Total
Revenue from external customers	1,033,652,317	872,316,027	-	1,905,968,344
Intersegment revenue	-	-	107,036,216	107,036,216
Intersegment cost	(107,036,216)	-	-	(107,036,216)
Cost of revenue*	(892,985,413)	(526,082,406)	(89,016,187)	(1,508,084,006)
Segment results	33,630,688	346,233,621	18,020,029	397,884,338

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For the six-month period ended 30 June 2023 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	967,579,878	601,136,998	1,211,253	1,569,928,129
Intersegment revenue	-	-	94,446,960	94,446,960
Intersegment cost	(94,446,960)	-	-	(94,446,960)
Cost of revenue	(719,113,233)	(330,183,851)	(84,327,570)	(1,133,624,654)
Segment results	<u>154,019,685</u>	<u>270,953,147</u>	<u>11,330,643</u>	<u>436,303,475</u>

* Cost of revenue includes impairment loss amounting to Saudi Riyals 54.5 million and Saudi Riyals 50.5 million on land rigs and offshore rigs segments respectively during the three and six-month periods ended 30 June 2024.

Reconciliation of segment results with profit before zakat and income tax

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Total results for reporting segments	129,154,648	229,051,582	397,884,338	436,303,475
Impairment losses on financial assets, net	(1,155,730)	(716,183)	(1,155,730)	(1,316,183)
General and administrative expenses	(49,053,150)	(49,245,181)	(106,534,808)	(83,607,292)
Other operating(expense) / income, net	(4,047,196)	557,291	(844,293)	769,031
Finance costs - net	(52,833,935)	(17,714,626)	(99,156,513)	(29,895,258)
Profit before zakat and income tax	<u>22,064,637</u>	<u>161,932,883</u>	<u>190,192,994</u>	<u>322,253,773</u>

b) Segment assets

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Land rigs	4,575,740,817	3,136,391,945
Offshore rigs	4,380,447,800	4,225,574,819
Other	259,440,050	293,047,559
Eliminations	-	(18,768,549)
	<u>9,215,628,667</u>	<u>7,636,245,774</u>

As at 30 June 2024, segment assets did not include unallocated assets amounting to Saudi Riyals 1.2 billion (31 December 2023: Saudi Riyals 2.0 billion).

12. Related party transactions and balances

As at 30 June 2024, related parties comprise the significant shareholders, directors, affiliates (representing entities directly or indirectly controlled by the Group's significant shareholders) and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

a) *Following are the significant transactions entered into by the Group with its related parties:*

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Revenue from an affiliate	147,835,155	189,734,720	296,907,191	374,609,075
Costs charged by an affiliate	1,622,925	1,606,500	3,245,850	3,213,000

These transactions are based on the agreed terms between the Group and the respective related parties.

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Key management personnel compensation:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Salaries and other short-term employee benefits	3,978,923	4,732,920	7,931,244	8,961,676
Post-employment benefits	296,790	214,846	600,983	427,200

Additionally, the Group incurred board of directors' fee, including travelling cost for the three and six-month periods ended 30 June 2024 amounting to Saudi Riyals 1.3 million and Saudi Riyals 3.1 million, respectively (three and six-month periods ended 30 June 2023: Saudi Riyals 4.7 million and Saudi Riyals 4.8 million, respectively).

Due from related parties:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Due from related parties		
Schlumberger Middle East S.A. (SMESA), an affiliate	255,427,389	236,947,061
TAQA Well Services, an affiliate	-	5,161,529
	255,427,389	242,108,590

13. Subsequent events

Except as disclosed in Note 14, there are no subsequent events which occurred between 30 June 2024 and the date of approval of these condensed consolidated interim financial statements, which may have material impact on these condensed consolidated interim financial statements.

14. Dividends

On 18 March 2024, the Company's shareholders approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 224.82 million (2023: approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.17 million).

On 1 August 2024, the Company's Board of Directors approved dividend distribution amounting to Saudi Riyals 120.15 million (Saudi Riyals 1.35 per share).

15. Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors on 1 August 2024G (corresponding to 26 Muharram 1446H).