

**ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2025
With Independent Auditor's Report**

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated financial statements with independent auditor's report
For the year ended 31 December 2025

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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 2025, 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 2025;
- 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”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matter Impairment assessment of property, plant and equipment and right-of-use assets

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 judgments; 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><i>Impairment assessment of property, plant and equipment and right-of-use assets</i></p> <p>As at 31 December 2025, the Group has property, plant and equipment and right-of-use assets with carrying amounts of Saudi Riyals 8.4 billion and Saudi Riyals 40.1 million, respectively, (collectively referred to as “non-current assets”), net of impairment losses amounting to Saudi Riyals 219.3 million relating to property, plant and equipment (31 December 2024: Saudi Riyals 105.0 million).</p> <p>At each reporting date, management assesses whether there are any events or changes in circumstances (“impairment indicators”) which may indicate that the carrying amount of the non-current assets may not be recoverable. If any impairment indicators are identified, management performs a detailed impairment assessment. This entails (i) identifying cash generating units (CGUs) where a CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets; and (ii) calculating the recoverable amounts of the CGUs, on which impairment indicators are identified and comparing them against their carrying amounts.</p> <p>Based on their assessment, management has concluded that each rig constitutes a single CGU.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ● Evaluated the design and implementation of key controls over the impairment assessment process comprising of identification of the CGUs, identification of impairment indicators and estimation of the CGUs’ recoverable amounts. ● Assessed management’s identification of impairment indicators, including the conclusions reached. ● Evaluated the reasonableness of management's assumptions and estimates used to determine the recoverable amounts of the CGUs where impairment indicators have been identified. This included: <ul style="list-style-type: none"> i. Assessing the appropriateness of the methodology used by management to estimate the value-in-use or fair value less cost to sell of the CGUs; ii. For value-in-use, checking the accuracy and appropriateness of the input data used by management in the discounted cash flow model by tracing to supporting documentation, such as the approved business plans. We tested the reasonableness of the business plans by, in addition to other procedures, comparing them to historical results (including growth rates and the period for which rigs remain suspended prior to resumption of their contracts) and signed contracts;



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

Our audit approach (continued)

Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment assessment of property, plant and equipment and right-of-use assets</i></p> <p>During 2025, impairment indicators were identified by management with respect to certain rigs and accordingly, management performed a detailed impairment assessment for such CGUs. In determining the recoverable amount of these CGUs, management estimated, based on applicable circumstances, their value-in-use or fair value less cost to sell. The value-in-use of rigs is based on the business plans as approved by the Company's Board of Directors which reflect management's view of the external market conditions and certain key internal variables including the estimation of appropriate growth and discount rates. For fair value less cost to sell, management engaged an external expert to determine the fair value of the rigs which was based on the market approach.</p> <p>Management has concluded that the recoverable amounts of three CGUs tested for impairment, were lower than their carrying amounts, and accordingly, an impairment loss of Saudi Riyals 114.3 million was recorded during the year ended 31 December 2025.</p> <p>Management determined that the recoverable amounts of the other CGUs tested for impairment, were higher than their carrying amounts, and accordingly, there was no impairment loss on such CGUs as at 31 December 2025.</p> <p>We considered this as a key audit matter as the assessment of the recoverable amounts of the CGUs requires estimation primarily around future economic and market conditions mainly relating to the timing of resumption of suspended and terminated drilling contracts, growth and discount rates.</p> <p>Refer to Note 3.12 to the consolidated financial statements for the accounting policy relating to the impairment of non-financial assets, Note 2.2 for the disclosure of critical accounting judgments and estimates and Note 4.1; 4.2 and 4.3 for the disclosure of matters related to impairment considerations of the CGUs.</p>	<ul style="list-style-type: none"> iii. Engaging our internal valuation experts to assess the reasonableness of the valuation methodology and the key assumptions for fair value less cost to sell and to assess the reasonableness of the discount rate used in the discounted cash flow model to calculate the value-in-use; and iv. Testing the mathematical accuracy of the underlying calculations used in the discounted cash flow model to calculate the value-in-use. <ul style="list-style-type: none"> ● Assessing the potential impact of a range of possible outcomes by performing sensitivity analyses over key assumptions in the discounted cash flow model used to calculate the value-in-use. ● Assessing the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



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 2025 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 when it becomes available 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 2025 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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



Waleed A. Alhidiri
License Number 559

2 March 2026

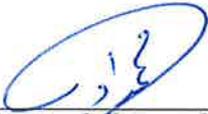
Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	2025	2024
ASSETS			
Non-current assets			
Property, plant and equipment	4	8,404,840,576	8,709,983,089
Intangible asset	5	65,036,118	50,611,327
Long-term deposits		-	16,200,000
Right-of-use assets	6.1	40,093,201	65,126,615
Derivative financial instrument	25.4	2,284,765	6,419,826
Total non-current assets		8,512,254,660	8,848,340,857
Current assets			
Inventories	7	283,090,028	308,671,459
Trade and other receivables	8	662,709,670	779,580,932
Short-term deposits	6.4	8,100,000	-
Income tax refundable	21	-	10,651,614
Cash and cash equivalents	9	595,247,139	581,806,531
		1,549,146,837	1,680,710,536
Assets held for sale	10	28,002,966	5,789,201
Total current assets		1,577,149,803	1,686,499,737
Total assets		10,089,404,463	10,534,840,594
EQUITY AND LIABILITIES			
Equity			
Share capital	11	890,000,000	890,000,000
Share premium		790,675,825	790,675,825
Statutory reserve	12	-	267,000,000
Cash flow hedge reserve		2,284,765	6,419,826
Retained earnings		4,062,972,298	3,984,089,284
Total equity		5,745,932,888	5,938,184,935
Liabilities			
Non-current liabilities			
Long-term borrowings	13	2,652,402,645	2,672,513,247
Lease liabilities	6.2	4,658,107	4,114,021
Employees' benefit obligations	14	302,960,255	326,804,258
Mobilization revenue	16.2	77,593,207	112,889,224
Deferred tax liabilities	21	190,828,152	184,297,340
Total non-current liabilities		3,228,442,366	3,300,618,090

(continued)

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2025	2024
Current liabilities			
Trade and other payables	15	669,436,212	878,012,947
Current portion of long-term borrowings	13	344,640,958	282,427,922
Current portion of lease liabilities	6.2	36,045,641	63,778,335
Mobilization revenue	16.2	54,623,759	66,140,447
Provision for zakat and income tax	21	10,282,639	5,677,918
Total current liabilities		1,115,029,209	1,296,037,569
Total liabilities		4,343,471,575	4,596,655,659
Total equity and liabilities		10,089,404,463	10,534,840,594



Muhammad AlDawood
(Chairman)



Fahad bin Abdullah Albani
(Chief Executive Officer)

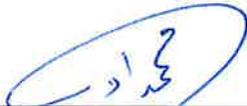


Farid Mustafayev
(Chief Financial Officer)

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)
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	
		2025	2024
Revenue	16	3,433,327,363	3,618,817,503
Cost of revenue	17	(3,059,255,104)	(2,858,917,817)
Gross profit		374,072,259	759,899,686
Expected credit loss reversal / (allowance) on financial assets	8	56,687	(1,155,730)
General and administrative expenses	18	(224,662,482)	(204,694,843)
Other gains - net	19	18,832,653	11,483,783
		168,299,117	565,532,896
Finance cost	20	(219,809,664)	(229,126,894)
Finance income		3,722,861	21,613,634
Finance cost - net		(216,086,803)	(207,513,260)
(Loss) / profit before zakat and income tax		(47,787,686)	358,019,636
Zakat expense	21	(6,832,535)	(4,973,767)
Income tax expense	21	(20,630,110)	(31,681,132)
(Loss) / profit for the year		(75,250,331)	321,364,737
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedge		(4,135,061)	6,419,826
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	14	7,819,782	(6,652,271)
Impact of deferred tax	21	(536,437)	456,346
		7,283,345	(6,195,925)
Other comprehensive income for the year		3,148,284	223,901
Total comprehensive (loss) / income for the year		(72,102,047)	321,588,638
(Loss) / earnings per share (Saudi Riyals)			
Basic and diluted	23	(0.85)	3.61


Muhammad AlDawood
(Chairman)


Fahad bin Abdullah Albani
(Chief Executive Officer)


Farid Mustafayev
(Chief Financial Officer)

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Cash flow hedge reserve	Retained earnings	Total
As at 1 January 2024	890,000,000	790,675,825	267,000,000	-	4,013,745,577	5,961,421,402
Profit for the year	-	-	-	-	321,364,737	321,364,737
Other comprehensive income for the year	-	-	-	6,419,826	(6,195,925)	223,901
Total comprehensive income for the year	-	-	-	6,419,826	315,168,812	321,588,638
Dividends (Note 27)	-	-	-	-	(344,825,105)	(344,825,105)
As at 31 December 2024	890,000,000	790,675,825	267,000,000	6,419,826	3,984,089,284	5,938,184,935
As at 1 January 2025	890,000,000	790,675,825	267,000,000	6,419,826	3,984,089,284	5,938,184,935
Loss for the year	-	-	-	-	(75,250,331)	(75,250,331)
Other comprehensive (loss) / income for the year	-	-	-	(4,135,061)	7,283,345	3,148,284
Total comprehensive loss for the year	-	-	-	(4,135,061)	(67,966,986)	(72,102,047)
Dividends (Note 27)	-	-	-	-	(120,150,000)	(120,150,000)
Transfer of statutory reserve (Note 12)	-	-	(267,000,000)	-	267,000,000	-
As at 31 December 2025	890,000,000	790,675,825	-	2,284,765	4,062,972,298	5,745,932,888

Muhammed Aldawood
(Chairman)

Fahad bin Abdullah Albani
(Chief Executive Officer)

Farid Mustafayev
(Chief Financial Officer)

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

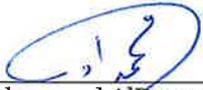
Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		Note For the year ended 31 December	
		2025	2024
Cash flows from operating activities			
(Loss) / profit before zakat and income tax		(47,787,686)	358,019,636
<i>Adjustment for:</i>			
Depreciation on property, plant and equipment	4	880,186,365	770,875,896
Depreciation on right-of-use assets	6.1	65,904,589	66,709,028
	4.2;		
Impairment of property, plant and equipment	4.3	114,349,224	105,000,000
Amortization of intangible asset	5	11,534,979	-
(Reversal of) / provision for slow moving inventories	7	(8,362,143)	2,071,414
Income from insurance claim	19	(7,121,089)	-
Expected credit loss reversal / (allowance) on financial assets	8	(56,687)	1,155,730
Impairment / (reversal) on assets held for sale		172,816	(3,791,407)
Provision for employee benefit obligations	14	41,536,080	47,800,608
Gain on disposal of non-current assets held for sale	19	(7,622,737)	-
Amortization of mobilization cost	17.1	31,937,582	31,847,652
Amortization of mobilization revenue	16.2	(104,648,549)	(146,714,147)
Finance cost	20	219,809,664	229,126,894
Finance income		(3,722,861)	(21,613,634)
		1,186,109,547	1,440,487,670
<i>Changes in working capital</i>			
Inventories		33,943,574	(31,001,443)
Trade and other receivables		125,902,535	288,624,808
Trade and other payables		(208,771,221)	148,619,462
Mobilization cost paid	17.1	(16,793,511)	(72,932,691)
Mobilization revenue received, net	16.2	42,691,773	60,999,375
Cash generated from operations		1,163,082,697	1,834,797,181
Zakat and income tax paid	21	(6,211,935)	(53,141,586)
Employees' benefit obligation paid	14	(57,560,301)	(32,055,638)
Net cash generated from operating activities		1,099,310,461	1,749,599,957
Cash flows from investing activities			
Additions to property, plant and equipment	4	(719,957,682)	(1,859,694,479)
Additions to intangible asset	5	(25,959,770)	(50,611,327)
Proceeds from disposal of assets held for sale		20,692,904	22,783,584
Insurance proceeds received		6,246,503	-
Finance income received		3,521,124	23,911,668
Net cash used in investing activities		(715,456,921)	(1,863,610,554)

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Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals unless otherwise stated)

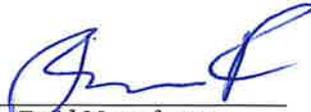
	Note	For the year ended 31 December	
		2025	2024
Cash flows from financing activities			
Proceeds from long-term borrowings	13	300,000,000	-
Repayment of long-term borrowings	13	(262,576,065)	(100,000,000)
Principal element of lease payments	6.2	(68,059,783)	(67,167,738)
Finance cost paid		(219,821,570)	(227,611,498)
Dividends paid	27	(119,955,514)	(344,825,105)
Net cash used in financing activities		(370,412,932)	(739,604,341)
Net change in cash and cash equivalents			
		13,440,608	(853,614,938)
Cash and cash equivalents at the beginning of the year		581,806,531	1,435,421,469
Cash and cash equivalents at the end of the year	9	595,247,139	581,806,531
Non-cash investing and financing activities			
Transfers from property, plant and equipment to assets held for sale	4	30,564,606	11,670,377
Transfers from inventories to assets held for sale	10	4,892,142	-
Transfer of statutory reserve to retained earnings	12	267,000,000	-
Recognition of lease liabilities and corresponding right-of-use assets	6	5,036,858	-
Recognition of the lease remeasurement and corresponding right-of-use assets	6	35,834,317	-
Accruals against liquidated damages	16.2	-	61,813,125



Muhammad AlDawood
(Chairman)



Fahad bin Abdullah Albani
(Chief Executive Officer)



Farid Mustafayev
(Chief Financial Officer)

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

**Arabian Drilling Company
(A Saudi Joint Stock Company)**

Notes to the consolidated financial statements for the year ended 31 December 2025

(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 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 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.

During 2024, the Company established a branch in the Kingdom of Saudi Arabia operating under commercial registration number 2051026089. The branch is located in Dammam and is engaged in training services. During 2025, the Company established a branch in United Arab Emirates, operating under commercial registration number 775479. The branch is located in Sharjah and will be engaged in drilling of oil and natural gas wells and to support the execution of potential oil and gas drilling contracts. As at 31 December 2025, the branch did not have commercial operations.

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.

Shareholders and their ownership in the Company are as follows:

	Number of shares	Ownership (%)	Nominal Value
Industrialization and Energy Services Company (TAQA)	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A. (SPS)	30,527,000	34.3%	305,270,000
Free float	26,700,000	30.0%	267,000,000
Total	89,000,000	100.0%	890,000,000

The Group had issued long term Sukuk during 2022 amounting to Saudi Riyals 2.0 billion which are due for repayment on 3 February 2027, i.e. within 12 months from the date of approval of these consolidated financial statements. As a result, the Group’s current liabilities exceed its current assets from 3 February 2026.

Further, the Group’s borrowing agreement with a lender including Murabaha facility contains, among other items, a financial covenant related to maintenance of minimum current ratio of 1:1, which needs to be complied with at all times. The Group was in compliance with such covenant throughout the year ended 31 December 2025. However, subsequent to the reporting date, from 3 February 2026, the Group is in breach of this covenant which could result in actions by the bank to call for immediate repayment of the loan. The management believes that the Group will be able to settle its liabilities as they fall due over the next 12 months based on the following:

- subsequent to the reporting date, on 26 February 2026, the Group has obtained the waiver from one of the lenders for the breach of loan covenant related to the current ratio;
- the Group is currently in discussion with various banks for alternative settlement options for the Sukuk.
- As per the current borrowing arrangements, the Company may borrow up to 2.5 times of its equity whereas its leverage ratio as of 31 December 2025 is 0.76;
- the Group has unutilized working capital facility of Saudi Riyals 700 million available for use; and

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- the Group's ability to continue to generate cash from operations in line with the approved business plan.

Accordingly, the consolidated financial statements have been prepared under the going concern basis.

2. Basis of preparation and use of judgments 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, require another measurement basis as disclosed in the applicable accounting policies in Note 3 – Material accounting policy information.

2.2 Use of judgments 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. Other than the matters set out in note 1 related to the going concern assessment, the information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements are disclosed below:

Judgments

(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 Group 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.

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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 was for a committed period of three years ending in November 2025, which is consistent with the related drilling contracts with the customers, and includes an extension option for additional one year, exercisable at the Group's discretion. At commencement of the lease, due to the volatile nature of the offshore market, management believed that the extension of the underlying drilling contracts with the customers is not reasonably certain and accordingly did not consider the extension options when recording the related lease liabilities and right-of-use assets. During the year ended 31 December 2025, the Group exercised the extension option for one of the leased rigs beyond the committed term, while the other leased rig was not renewed past its original committed period. The financial effect of revising lease terms to reflect the effect of exercising extension option was an increase in recognised lease liabilities and right-of-use assets of Saudi Riyals 35.8 million (2024: Nil).

(b) Determining the timing of return to contract for suspended rigs

In assessing impairment for the Company's cash generating units ("CGUs"), the Group makes critical judgments regarding the timing of when suspended rigs are expected to return to operation. This judgment directly affects the estimation of future cash flows and the recoverable amount of each CGU.

In addition, management has considered current discussions with the customer, operational readiness of the rigs, and broader market indicators that support the likelihood of redeployment within the expected timeframe.

The timing of return to contract is reassessed at each reporting date and revised if significant changes in market conditions, customer commitments, or operational plans occur. If the return to contract is no longer considered reasonably certain, the rig may be subject to impairment. During the year, the Company received confirmation from a customer for resumption of operations for certain suspended rigs subsequent to the reporting date.

Estimates and assumptions

Other than the matters set out in note 1, the significant estimates and assumptions are as follows:

(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 14.5.

(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".

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At year end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, loss for the year would have been Saudi Riyals 88.0 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, loss for the year would have been Saudi Riyals 0.6 million higher / lower, respectively.

(c) Impairment of property, plant and equipment and right-of-use assets

Management, in accordance with the accounting policy stated in 3.12.1, tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A suspension or non-renewal of contracts for the rigs; and
- a significant change in the extent or manner in which an asset is being used or a deterioration in its physical condition, including a significant decrease in current and projected future cash inflows.

Management determines the recoverable amount of the assets based on value-in-use calculations or, based on applicable circumstance, fair value less cost to sell. The value-in-use calculations require the use of estimates in relation to the future economic and market conditions mainly relating to the timing of resumption of suspended and terminated drilling contracts, growth rates and use of an appropriate discount rate applicable to the circumstances of the Group. Fair value less cost to sell is determined based on the market approach with consideration of recent sales of similar assets in the regional and international markets. . The Group has engaged an independent external valuer to determine the estimated fair values of the underlying rigs. The fair value measurement is categorised as Level 2 in the fair value hierarchy. The key assumptions used in the valuation are as follows:

- i. Physical condition of the rig
- ii. Reactivation and recertification costs of Saudi Riyals 13.1 million, Saudi Riyals 13.1 million and Saudi Riyals 18.7 million for AD 68, AD 63 and AD 62 respectively
- iii. Costs of disposal of nil as the transportation costs will be borne by the buyer and the legal and marketing activities will be managed in – house by the Group.

Future events could cause the estimates used in these value-in-use calculations or fair value less cost to sell to change adversely with a consequent effect on the future results of the Group. Management has performed a sensitivity analysis around the estimates. For details on the key assumptions and sensitivities, refer note 4.1.

(d) Provision for slow moving inventories

Inventory is stated at cost or 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 provision for slow-moving inventories in each subsequent period in accordance with the Group's policy. 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, loss for the year would have been Saudi Riyals 2.9 million lower or higher, respectively.

3. Material accounting policy information

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.

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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.

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(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.

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. 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.

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(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 recognized 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 represent costs incurred for the 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. Catering and manpower services are satisfied over time as the customer simultaneously receives and consumes the benefits as the services are performed. Revenue is recognised using an output method based on customer-approved timesheets/service entry sheets for the period, which provide evidence of services delivered and support the measurement of progress.

3.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates ("functional currency"). The Group's entities 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 entities operations. Accordingly, USD is considered to be the functional currency of the Group's entities.

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.

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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
- The Group does not have a right, at the end of the reporting period, 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.

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, and
- hedge ineffectiveness recognized in the consolidated statement of profit or loss and other comprehensive income.

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 Zakat, Tax and Customs Authority ("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.

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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.

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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.

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 on property, plant and equipment (except freehold land) so as to allocate its cost, less estimated residual values, on a straight line method over the estimated useful lives of the assets. 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.

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.

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.

3.8 Intangible asset

Intangible asset represent software cost and are amortized using straight-line method over their estimated useful life of six years.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

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3.9 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.

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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.

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.

3.10 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, 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.

3.11 Financial instruments

3.11.1 Financial assets

(i) Classification

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

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(ii) *Recognition and derecognition*

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iii) *Measurement*

Subsequent measurement of financial assets depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

3.11.2 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities (cash flow hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 24.1. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

(i) *Cash flow hedges that qualify for hedge accounting*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other gains - net'.

Amounts accumulated in equity are accounted for as follows:

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

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(ii) *Classification of derivatives*

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, and so the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. Since all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps might occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2025 and 2024.

3.11.3 Offsetting financial assets and liabilities

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.

3.12 Impairment of financial and non-financial assets

3.12.1 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual rig as the Group has concluded that each rig constitutes a single CGU, being the smallest group of assets that generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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3.12.2 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

For trade receivables and contract assets, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the Group's customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected rate of increase in inflation for the upcoming year in the Kingdom of Saudi Arabia as the most relevant factor, and accordingly adjusts the loss rates based on such expected changes.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Other financial assets are considered to have low credit risk; therefore, 12 months expected loss model is used for impairment assessment.

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.

3.13 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.

3.14 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 are 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.

3.15 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.

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3.16 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.

3.17 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.

3.18 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 a right, at the end of the reporting period, 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.

3.19 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.

Defined benefit 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 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.

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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.

3.20 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.

3.21 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.

3.22 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.

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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 and 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 amended standards with no material effect on the consolidated financial statements

The Group has applied the following relevant amendment to IFRS which is effective for the periods beginning on and after 1 January 2025, and have no impact on the Group's transactions and balances for the current or prior periods:

- Amendment to IAS 21 – Lack of Exchangeability

(b) New and amended standards issued but not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board ("IASB") and endorsed in the Kingdom of Saudi Arabia by SOCPA, that are not mandatory for the 31 December 2025 reporting period and have not been early adopted by the Group.

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026);
- Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after 1 January 2026);
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027); and
- IFRS 18 - Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027).

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

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4 Property, plant and equipment

Cost	Freehold land	Buildings and portable cabins	Rigs, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
As at 1 January 2025	88,236,250	184,788,166	15,104,215,193	128,526,925	147,472,137	768,199,985	16,421,438,656
Additions	-	-	-	-	-	719,957,682	719,957,682
Transfers	-	5,994,717	1,274,610,181	14,028,468	23,301,705	(1,317,935,071)	-
Transfers to held for sale	(6,100,000)	(2,011,355)	(425,629,694)	(1,337,239)	(431,503)	-	(435,509,791)
As at 31 December 2025	82,136,250	188,771,528	15,953,195,680	141,218,154	170,342,339	170,222,596	16,705,886,547
Accumulated depreciation and impairment							
As at 1 January 2025	-	(27,082,519)	(7,485,063,646)	(82,075,648)	(117,233,754)	-	(7,711,455,567)
Charge for the year	-	(8,709,918)	(840,863,988)	(9,592,154)	(21,020,305)	-	(880,186,365)
Impairment loss (Note 4.2)	-	-	(114,349,224)	-	-	-	(114,349,224)
Transfers to held for sale	-	1,415,873	402,069,250	1,045,694	414,368	-	404,945,185
As at 31 December 2025	-	(34,376,564)	(8,038,207,608)	(90,622,108)	(137,839,691)	-	(8,301,045,971)
Net book value							
As at 31 December 2025	82,136,250	154,394,964	7,914,988,072	50,596,046	32,502,648	170,222,596	8,404,840,576

- a) Assets under construction at 31 December 2025 mainly represent costs related to the refurbishment of rigs which is expected to be capitalised in 2026.
- b) Rigs, machinery and equipment represent assets under contracts with customers for the drilling services which include both leasing and service components.
- c) Pursuant to the approval by the Company's Board of Directors, during the year the Group transferred certain assets with a net book value of Saudi Riyals 30.6 million (2024: Saudi Riyals 11.7 million) to assets held for sale. During the year ended 31 December 2025, the Group sold assets previously classified as held for sale, with a carrying value of Saudi Riyals 13.1 million (2024: Saudi Riyals 22.8 million) resulting in a gain on disposal of Saudi Riyals 7.6 million, refer Note 19.

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Cost	Freehold land	Buildings and portable cabins	Rigs, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
As at 1 January 2024	88,236,250	180,087,917	13,323,425,718	121,189,474	147,638,044	985,192,811	14,845,770,214
Additions	-	-	-	-	-	1,859,694,479	1,859,694,479
Transfers	-	4,725,899	2,058,182,818	8,526,298	5,252,290	(2,076,687,305)	-
Transfers to held for sale	-	(25,650)	(277,393,343)	(1,188,847)	(5,418,197)	-	(284,026,037)
As at 31 December 2024	88,236,250	184,788,166	15,104,215,193	128,526,925	147,472,137	768,199,985	16,421,438,656
Accumulated depreciation and impairment							
As at 1 January 2024	-	(23,138,957)	(6,893,258,117)	(74,709,639)	(116,828,618)	-	(7,107,935,331)
Charge for the year	-	(3,964,219)	(752,614,016)	(8,548,081)	(5,749,580)	-	(770,875,896)
Impairment loss (Note 4.3)	-	-	(105,000,000)	-	-	-	(105,000,000)
Transfers to held for sale	-	20,657	265,808,487	1,182,072	5,344,444	-	272,355,660
As at 31 December 2024	-	(27,082,519)	(7,485,063,646)	(82,075,648)	(117,233,754)	-	(7,711,455,567)
Net book value							
As at 31 December 2024	88,236,250	157,705,647	7,619,151,547	46,451,277	30,238,383	768,199,985	8,709,983,089

Depreciation and impairment charge has been allocated as follows:

	2025	2024
Costs of revenue (Note 17)	986,375,709	865,992,313
General and administrative expenses (Note 18)	8,159,880	9,883,583
	994,535,589	875,875,896

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
Rigs, machinery and equipment	7 – 30
Furniture, fixtures and office equipment	7
Vehicles	4 – 7

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4.1 Impairment loss

During the year ended 31 December 2025, drilling contracts for certain offshore and onshore rigs were suspended by the customer while the drilling contract related to an onshore rig will not be renewed. This was in addition to suspension, termination and non-renewal of certain rig contracts during the year ended 31 December 2024. These events were identified as impairment indicators by the Group management for the suspended and out of contract rigs where each rig was concluded to be a single CGU. Accordingly, an impairment assessment was carried out for such rigs as at 31 December 2025. 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.

Key assumptions used in this analysis included:

- a pretax discount rate (weighted average cost of capital) of 11.10% calculated using a Capital Asset Pricing Model methodology (CAPM);
- increase of 5% in day rates in the forecasted period after every three years; and
- Cash flow forecast period in the range of 5-21 years;

Management concluded that the recoverable amount for such CGUs excluding the CGUs stated in note 4.2 was higher than their carrying amounts. The estimated recoverable amount was based on an approved business plan. The calculation involved an in-depth review of each key element of the CGUs' revenues and costs (including day rates, operating costs and capital expenditure) and included a review of historical results, external market and economic conditions.

The recoverable amounts of certain CGUs would equal their carrying amounts due to the following changes in certain key estimates:

	31 December 2025	
	From	To
Discount rate to increase	11.10%	11.43%
Growth in day rates to decrease	5.00%	3.90%
Cash flow forecast period (in years)	5-21	4-19

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. Management has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the recoverable amount of the CGUs to be less than its carrying amount.

4.2 Impairment loss recognized during the year ended 31 December 2025

As a result of softening of demand for certain rigs, the Group management decided to impair three out of contract onshore rigs up to their recoverable amounts of Saudi Riyals 43.1 million, Saudi Riyals 48.8 million and Saudi Riyals 45.0 million, respectively, and an impairment loss of Saudi Riyals 114.3 million was recorded in cost of revenue during the year ended 31 December 2025. The recoverable amounts were based on fair values less costs of disposal for the rigs which are categorised within Level 2 of the fair value hierarchy and were determined through the market approach by considering recent sales in the regional and international markets for similar type of rigs.

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4.3 Impairment loss recognized during the year ended 31 December 2024

As at 31 December 2024, management identified impairment indicators for certain cash generating units (CGUs) and accordingly, an impairment assessment was carried out for such CGUs as at 31 December 2024. Based on such assessment, management concluded to impair two rigs and an impairment loss of Saudi Riyals 105.0 million was recorded in cost of revenue during the year ended 31 December 2024. The recoverable amounts were based on fair values less costs of disposal for the rigs which was categorised within Level 2 of the fair value hierarchy and were determined by obtaining independent quotations from prospective buyers for the same or similar rigs.

5. Intangible asset

	2025	2024
As at 1 January	50,611,327	-
Additions	25,959,770	50,611,327
Amortisation	(11,534,979)	-
As at 31 December	<u>65,036,118</u>	<u>50,611,327</u>

The additions relate to cost of SAP S/4 Hana upgrades and related customisation capitalized during the year. The Group amortises the software using the straight-line method, over a 6-year period.

6. 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.

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6.1 Right-of-use assets

Cost	Vehicles	Warehouse	Rigs and related equipment	Total
As at 1 January 2025	9,018,948	4,508,656	191,734,241	205,261,845
Additions	-	5,036,858	-	5,036,858
Lease remeasurement (Note 6.3)	-	-	35,834,317	35,834,317
As at 31 December 2025	9,018,948	9,545,514	227,568,558	246,133,020

Accumulated depreciation

As at 1 January 2025	(4,004,054)	(1,277,452)	(134,853,724)	(140,135,230)
Charge for the year	(2,253,194)	(1,989,906)	(61,661,489)	(65,904,589)
As at 31 December 2025	(6,257,248)	(3,267,358)	(196,515,213)	(206,039,819)

Net book value as at 31 December 2025

	2,761,700	6,278,156	31,053,345	40,093,201
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Cost	Vehicles	Warehouse	Rigs and related equipment	Total
As at 1 January 2024 and 31 December 2024	9,018,948	4,508,656	191,734,241	205,261,845

Accumulated depreciation

As at 1 January 2024	(1,744,687)	(826,587)	(70,854,928)	(73,426,202)
Charge for the year	(2,259,367)	(450,865)	(63,998,796)	(66,709,028)
As at 31 December 2024	(4,004,054)	(1,277,452)	(134,853,724)	(140,135,230)

Net book value as at 31 December 2024

	5,014,894	3,231,204	56,880,517	65,126,615
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6.2 Lease liabilities

	2025	2024
As at 1 January	67,892,356	135,060,094
Additions	5,036,858	-
Lease remeasurement (Note 6.3)	35,834,317	-
Finance cost on lease liability (Note 20)	2,264,120	5,227,796
Payments during the year	(70,323,903)	(72,395,534)
As at 31 December	40,703,748	67,892,356
Non-current portion	4,658,107	4,114,021
Current portion	36,045,641	63,778,335
As at 31 December	40,703,748	67,892,356

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Maturity analysis of lease liabilities are as follows:

	2025	2024
Less than one year	37,794,875	66,521,888
Two to five years	4,999,750	3,410,850
Over five years	92,700	1,205,100
Total undiscounted cash flow	42,887,325	71,137,838
Less: Future finance costs on lease liabilities	(2,183,577)	(3,245,482)
Carrying value of lease liabilities	40,703,748	67,892,356

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

	2025	2024
Depreciation charge for right-of-use assets		
Cost of revenue (Note 17)	65,904,589	66,709,028
Finance cost on lease liabilities		
Finance costs on lease liability (Note 20)	2,264,120	5,227,796

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 2025 amounted to Saudi Riyals 149.5 million (2024: Saudi Riyals 140.9 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 2025 amounts to Saudi Riyals 70.3 million (2024: Saudi Riyals 72.4 million).

6.3 Lease remeasurement

During the year, the Group exercised the extension option in the contract for one of the leased rigs beyond the original lease term of three years by extending the term by one year. This was accounted for a lease remeasurement in accordance with IFRS 16 – ‘Leases’. The financial effect of revising lease terms to reflect the effect of exercising extension option was an increase in recognised lease liabilities and right-of-use assets by Saudi Riyals 35.8 million (2024: Nil).

6.4 Short term deposit

Short term deposit amounting to Saudi Riyals 8.1 million pertain to security deposit against the leased rig which is refundable upon completion of the lease contract.

7. Inventories

	2025	2024
Spare parts, supplies and consumables	303,976,299	337,919,873
Less: provision for slow moving inventories	(20,886,271)	(29,248,414)
	283,090,028	308,671,459

Pursuant to the approval by the Company's Board of Directors, during the year ended 31 December 2025, the Group transferred certain assets with a net book value of Saudi Riyals 4.9 million (2024: Nil) to assets held for sale.

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During the year, the Group has consumed spare parts, supplies and consumables amounting to Saudi Riyals 281.5 million (2024: Saudi Riyals 260.8 million). Movement in provision for obsolete, slow moving and damaged inventories is as follows:

	2025	2024
1 January	29,248,414	34,813,806
(Reversal) / charge for the year	(8,362,143)	2,071,414
Write offs during the year	-	(7,636,806)
31 December	20,886,271	29,248,414

8. Trade and other receivables

	2025	2024
Trade receivables:		
Third parties	134,155,002	163,488,017
Unbilled receivable	277,172,513	365,756,926
Related parties (Note 26)	192,696,919	151,181,823
	604,024,434	680,426,766
Less: allowance for ECL	(5,200,383)	(5,257,070)
	598,824,051	675,169,696
Other receivables:		
Prepayments	43,492,909	60,339,102
Advance to suppliers	13,296,313	36,710,829
Other	7,096,397	7,361,305
	662,709,670	779,580,932

	2025	2024
Movement in allowance for ECL is as follows:		
As at 1 January	5,257,070	4,101,340
(Reversal) / charge for the year	(56,687)	1,155,730
As at 31 December	5,200,383	5,257,070

The Group applies simplified approach under IFRS 9 to measure lifetime expected credit losses for its trade receivables. The Group considers any trade receivables overdue for more than a year to be in default and are accordingly fully provided for.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables are included in Note 25.1 (b). The aging analysis of these trade receivable is as follows:

	2025	2024
Not due	366,439,693	475,703,039
Overdue up to 90 days	133,276,368	151,215,492
Overdue for a period between 91 to 180 days	75,184,008	19,745,543
Overdue for a period between 181 to 270 days	26,956,867	22,343,727
Overdue for a period between 271 to 365 days	818,993	4,930,117
Overdue for more than 365 days	1,348,505	6,488,848
	604,024,434	680,426,766

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9. Cash and cash equivalents

	2025	2024
Cash at bank	431,227,642	581,641,174
Cash in hand	1,519,497	165,357
Time deposits	162,500,000	-
	<u>595,247,139</u>	<u>581,806,531</u>

The time deposits (Islamic) are placed with commercial banks and have maturities ranging from one to two months. Such deposits yield finance income ranging from 4.30% and 4.88% per annum.

10. 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, related equipment and inventories and the Group disposes of these assets in accordance with the policy approved by the Board of Directors.

	2025	2024
As at 1 January	5,789,201	13,111,001
Transfers from property, plant and equipment	30,564,606	11,670,377
Transfers from inventories	4,892,142	-
Disposals during the year	(13,070,167)	(22,783,584)
(Impairment) / reversal on assets held for sale	(172,816)	3,791,407
As at 31 December	<u>28,002,966</u>	<u>5,789,201</u>

11. Share capital

As at 31 December 2025, the share capital of the Company comprised of 89,000,000 shares at a nominal value of Saudi Riyals 10 per share (31 December 2024: 89,000,000 shares at a nominal value of Saudi Riyals 10 per share).

12. Statutory reserve

According to the newly enacted Companies Law and its implementing regulations effective in KSA starting 19 January 2023, the mandatory statutory reserve requirement was abolished. Pursuant to this change, the Board of Directors resolved to amend the Group's By-laws to exclude the requirement to maintain a statutory reserve and recommended to the general assembly to transfer this reserve to retained earnings. The general assembly in their meeting held on 22 October 2025, approved to transfer the statutory reserve to retained earnings. Accordingly, the statutory reserve was transferred to retained earnings during the year.

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13. Long term borrowings

	2025	2024
Sukuk (Note 13.3)	2,000,000,000	2,000,000,000
Murabaha borrowings (Note 13.2)	937,408,835	899,984,900
Add: accrued finance costs	64,924,934	64,780,863
	3,002,333,769	2,964,765,763
Less: unamortized transaction cost	(5,290,166)	(9,824,594)
	2,997,043,603	2,954,941,169
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	344,640,958	282,427,922
Non-current portion	2,652,402,645	2,672,513,247
	2,997,043,603	2,954,941,169
Movement in unamortized transaction cost is as follows:		
As at 1 January	9,824,594	14,359,022
Less: amortization for the year	(4,534,428)	(4,534,428)
As at 31 December	5,290,166	9,824,594

13.1 The borrowings comprise of long-term financing arrangements with certain non-conventional banks and carry finance costs based on prevailing market rates plus an applicable margin.

13.2 Murabaha borrowings

During 2025, the Group utilised Saudi Riyals 300.0 million from an existing murabaha facility of Saudi Riyals 500.0 million which was obtained from a Saudi commercial bank to finance the Group's capital expenditure. The murabaha loan is repayable over a period of 5 years starting from October 2025 through July 2030 on a monthly installment basis. The loan bears finance cost based on prevailing market rate which are based on SAIBOR plus an applicable margin.

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.

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.

Under the Murabaha facility agreements stated above, the Group is required to comply with the following financial covenants, with one Saudi commercial bank requiring compliance at all times and the other bank only at the end of the reporting period:

- Minimum current ratio of 1:1 and
- Maximum leverage ratio of 2.5x;

The Group has complied with these covenants throughout the year ended 31 December 2025. The Group had issued long term Sukuk during 2022 amounting to Saudi Riyals 2.0 billion which are due for repayment on 3 February 2027 as stated in note 13.3, i.e. within 12 months from the date of approval of these consolidated financial statements. As a result, the Group's current liabilities exceed its current assets from 3 February 2026. This results in breach of the above current ratio from 3 February 2026 and the change in classification of non-current liability as the bank may proceed for actions related to immediate repayment of the loan by the Group. Subsequent to the reporting date, on 26 February 2026, the Group has obtained the waiver from a Saudi commercial bank for the breach of loan covenant related to current ratio. Also see note 1.

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13.3 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 the sukuk prospectus, the Group management utilised 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.

Under the Sukuk agreement, the Group is required to comply with the following financial covenant throughout the year:

- Maximum leverage ratio of 2.5.

The Group has complied with this covenant throughout the year ended 31 December 2025.

13.4 Maturity profile of principal portion of the borrowings including accrued finance costs:

	2025	2024
Year ended 31 December		
2025	-	247,058,824
2026	279,716,024	217,647,059
2027	2,279,716,024	2,217,647,059
2028	279,716,024	217,631,958
2029	62,068,965	-
2030	36,191,798	-
	<u>2,937,408,835</u>	<u>2,899,984,900</u>

14. Employees’ benefit obligations

14.1 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 2025 and 2024.

14.2 Movement in liability recognized in the consolidated statement of financial position:

	2025	2024
1 January	326,804,258	304,407,017
Charge for the year	41,536,080	47,800,608
Benefits paid during the year	(57,560,301)	(32,055,638)
Remeasurement (gain) / loss	(7,819,782)	6,652,271
31 December	<u>302,960,255</u>	<u>326,804,258</u>

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

	2025	2024
Current service cost	26,518,884	34,016,082
Interest expense	15,017,196	13,784,526
Recognized in consolidated statement of profit or loss	41,536,080	47,800,608
Remeasurement (gain) / loss:		
• financial assumptions	(4,292,408)	2,239,684
• experience adjustments	(3,527,374)	4,412,587
Recognized in consolidated other comprehensive income	(7,819,782)	6,652,271

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

	2025	2024
Discount rate	5.52%	4.96%
Salary growth rate	3.75%	3.75%
Mortality rate	A 1949-52	A 1949-52

14.5 Sensitivity analysis for actuarial assumptions

	2025	2024
Discount rate		
1% increase	(25,159,777)	(24,871,815)
1% decrease	29,577,747	28,899,078
Salary growth rate		
1% increase	30,776,687	30,223,762
1% decrease	(26,646,525)	(26,481,731)

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.

14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation as at reporting period is 9 years (31 December 2024: 8 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a	Between 1 -	Between 2 -	Over 5 years	Total
	year	2 years	5 years		
31 December 2025	39,216,339	66,969,439	86,937,807	1,088,956,245	1,282,079,830
31 December 2024	36,934,501	36,150,225	113,674,895	1,048,838,610	1,235,598,231

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15. Trade and other payables

	2025	2024
Trade payables	316,498,030	194,364,705
Accrued expenses	332,146,397	669,318,680
Value added tax payable	16,401,647	11,071,442
Dividend payable	201,957	7,471
Other	4,188,181	3,250,649
	<u>669,436,212</u>	<u>878,012,947</u>

The carrying amounts of trade and other payables approximate their fair values.

16. Revenue

	For the year ended 31 December	
	2025	2024
Drilling revenue (Note 16.1)	2,575,912,982	2,911,354,427
Rig move revenue	545,029,947	374,872,730
Mobilization revenue (Note 16.2)	104,648,549	146,714,147
Catering and other revenue	207,735,885	185,876,199
	<u>3,433,327,363</u>	<u>3,618,817,503</u>

16.1 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:

	2025	2024
Within one year	1,530,283,820	1,774,372,635
Within two years	1,352,157,945	972,352,299
Within three years	1,030,996,433	814,629,225
Within four years	745,431,806	672,187,866
Within five years	396,466,650	421,315,772
Later than five years	1,152,446,216	478,664,131
	<u>6,207,782,870</u>	<u>5,133,521,928</u>

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

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16.2 Mobilization revenue

	2025	2024
As at 1 January	281,969,742	367,684,514
Additions	42,691,773	60,999,375
Revenue recognized during the year	(104,648,549)	(146,714,147)
As at 31 December	220,012,966	281,969,742

Additions to mobilization revenue for the year ended 31 December 2024 includes adjustment of Saudi Riyals 61.8 million related to liquidated damages. The Group incurred such damages due to delays in mobilization of certain new rigs whereby the customer, exercising its rights in the related contracts, will adjust these amounts against future billings. These were accounted for by the Group as variable consideration by netting off from mobilization revenue and will be amortized over the period of the contract term of the relevant rigs.

Mobilization revenue is presented in the accompanying consolidated statement of financial position net of mobilization cost as follows:

	2025	2024
Current portion	54,623,759	66,140,447
Non-current portion	77,593,207	112,889,224
	132,216,966	179,029,671

17. Cost of revenue

	For the year ended 31 December	
	2025	2024
Salaries, wages and benefits	1,452,625,203	1,417,622,420
Depreciation and impairment charge on property, plant and equipment (Note 4)	986,375,709	865,992,313
Material consumed and rig move expenses	491,100,023	448,157,862
(Reversal) / provision for slow moving inventories (Note 7)	(8,362,143)	2,071,414
Depreciation on right-of-use assets (Note 6)	65,904,589	66,709,028
Mobilization cost (Note 17.1)	31,937,582	31,847,652
License expenses	8,435,503	697,438
Professional and technical consultation fees	5,828,124	3,782,962
Other	25,410,514	22,036,728
	3,059,255,104	2,858,917,817

17.1 Mobilization cost

	2025	2024
As at 1 January	102,940,071	61,855,032
Additions	16,793,511	72,932,691
Charge for the year	(31,937,582)	(31,847,652)
As at 31 December	87,796,000	102,940,071

Mobilization cost is netted off with mobilization revenue in the accompanying consolidated statement of financial position.

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18. General and administration expense

	For the year ended 31 December	
	2025	2024
Salaries and benefits	113,769,008	108,680,273
Professional services	52,835,655	43,378,376
Depreciation on property, plant and equipment (Note 4)	8,159,880	9,883,583
Office supplies	6,868,762	17,581,144
Office expenses	13,045,254	14,796,223
Amortisation of intangible asset (Note 5)	11,534,979	-
Other	18,448,944	10,375,244
	224,662,482	204,694,843

Statutory audit fees for the year ended 31 December 2025 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 0.7 million (2024: Saudi Riyals 0.7 million). Other fees charged by the statutory auditor for the year ended 31 December 2025 comprise of Saudi Riyals 0.3 million (2024: Saudi Riyals 0.4 million) for allowable zakat and tax compliance services and certain other allowable services.

19. Other gains - net

	For the year ended 31 December	
	2025	2024
Gain on disposal of non-current assets held for sale	7,622,737	-
Income from insurance claim*	7,121,089	-
Sale of scrap	4,088,827	11,483,783
	18,832,653	11,483,783

*The income from insurance claim relates to an insurance claim against damage to rig mast of AD 45 during normal course of business amounting to Saudi Riyals 7.1 million (2024: Nil).

20. Finance cost

	For the year ended 31 December	
	2025	2024
Finance cost on murabaha loans	62,460,417	64,453,539
Finance cost on sukuk	153,632,796	158,726,717
Finance cost on lease liabilities (Note 6.2)	2,264,120	5,227,796
Other finance costs	1,452,331	718,842
	219,809,664	229,126,894

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21. Zakat and income tax

21.1 Components of zakat base

The Company and its subsidiary file their zakat and income tax declaration on a standalone basis. The zakat declaration is based on the zakat regulations introduced by the Ministry of Finance under Ministerial Resolution No. 1007 dated 29 February 2024. These regulations, known as the New Zakat By-Laws, were effective for financial years starting from 1 January 2024, as such the Company and its subsidiary prospectively adopted these new regulations from the financial year ending 31 December 2024 and adjusted the zakat calculation accordingly. Zakat is payable at 2.578% on all components of the zakat base, subject to a minimum and maximum limit as introduced in the Revised ZATCA Regulations.

The principal elements of the zakat base are as follows:

	2025	2024
Total equity and the equivalents	3,999,580,405	4,092,855,018
Liabilities and the equivalents	2,283,043,782	2,323,204,117
Non- current assets and the equivalents	(6,001,540,223)	(6,224,735,961)
Other	(16,051,575)	(9,181,620)
Total base	265,032,389	182,141,554
Minimum zakat base – adjusted net profit	-	192,931,226
Maximum zakat base	265,032,389	182,141,554
Approximate zakat base	265,032,389	192,931,226
Zakat rate	2.578%	2.578%
Zakat due at 2.578% on the approximate zakat base	6,832,535	4,973,767
Zakat expense	6,832,535	4,973,767

21.2 Zakat and income tax

	For the year ended 31 December	
	2025	2024
Zakat charge (Note 21.1)	6,832,535	4,973,767
Current tax expense – Local tax	4,025,077	9,062,354
Current tax expense – Foreign tax	10,610,658	2,000,000
Deferred tax expense (Note 21.5)	5,994,375	20,618,778
Income tax expense	20,630,110	31,681,132
Net charge to consolidated statement of profit or loss	27,462,645	36,654,899
Deferred tax expense / (credit) on other comprehensive income elements (Note 21.5)	536,437	(456,346)
	27,999,082	36,198,553

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21.3 Provision for zakat and income tax

	Zakat	Income tax	Total
As at 1 January 2025	5,677,918	(10,651,614)	(4,973,696)
Current year charge – Local tax	6,832,535	4,025,077	10,857,612
Current year charge – Foreign tax (Note 21.6)	-	10,610,658	10,610,658
ZATCA-approved offset against income tax receivable	(5,220,024)	5,220,024	-
Payments made during the year	(235,101)	(5,976,834)	(6,211,935)
As at 31 December 2025	7,055,328	3,227,311	10,282,639
As at 1 January 2024	27,122,730	5,009,039	32,131,769
Current year charge – Local tax	5,677,918	9,504,442	15,182,360
Current year charge – Foreign tax	-	2,000,000	2,000,000
Payments made during the year	(26,418,579)	(26,723,007)	(53,141,586)
Prior year adjustments	(704,151)	(442,088)	(1,146,239)
As at 31 December 2024	5,677,918	(10,651,614)	(4,973,696)

21.4 Numerical reconciliation of income tax expense

	For the year ended 31 December	
	2025	2024
(Loss) / profit before zakat and income tax	(47,787,686)	358,019,636
Income tax rate applicable to the Group	20%	20%
Income tax on (loss) / profit before zakat and income tax	(9,557,537)	71,603,927
Reconciliation:		
Tax effect of deductions / (profit) subject to zakat	6,279,322	(47,043,780)
Foreign tax	10,610,658	2,000,000
Interest in excess of limit	14,823,994	-
Tax effect of other exempt income and disallowed expenses - net	(1,526,307)	5,120,985
	20,630,110	31,681,132

21.5 Deferred taxes

The balance comprises deductible / (taxable) temporary differences attributable to:

	2025	2024
Employees' benefit obligations	302,960,255	326,804,258
Property, plant and equipment, intangible assets and right of use assets	(3,372,131,296)	(3,055,090,920)
Provisions and other	287,419,556	41,736,488
Taxable temporary differences - net	(2,781,751,485)	(2,686,550,174)
Deferred tax liabilities	(190,828,152)	(184,297,340)

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Movement in deferred tax liabilities is attributable to:

	Employees' benefit obligations	Property, plant and equipment, intangible assets and right of use assets	Provisions and other	Total
As at 1 January 2025	22,418,775	(209,579,238)	2,863,123	(184,297,340)
(Charge) / credit to consolidated statement of profit or loss	(1,099,265)	(21,748,969)	16,853,859	(5,994,375)
Credited to consolidated statement of other comprehensive income	(536,437)	-	-	(536,437)
As at 31 December 2025	<u>20,783,073</u>	<u>(231,328,207)</u>	<u>19,716,982</u>	<u>(190,828,152)</u>
As at 1 January 2024	20,882,322	(188,486,279)	3,469,048	(164,134,909)
Credited / (charge) to consolidated statement of profit or loss	1,080,107	(21,092,959)	(605,925)	(20,618,777)
Charge to consolidated statement of other comprehensive income	456,346	-	-	456,346
As at 31 December 2024	<u>22,418,775</u>	<u>(209,579,238)</u>	<u>2,863,123</u>	<u>(184,297,340)</u>

21.6 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 through 2024 are still open for zakat and income tax assessment from ZATCA and no assessments for these years have been received as at 31 December 2025.

The Company historically filed its income tax return for the rigs operating in Neutral Zone using the deemed profit basis. During 2023, the Company commenced filing tax returns based on actual profit. During 2025, the Company assessed that this change may be challenged by the tax authorities, who could potentially require the Group to apply the deemed profit basis. Accordingly, management has recognized a provision of Saudi Riyals 10.1 million for the years 2023 to 2025, representing management's best estimate of potential exposure arising from possible reassessment by the tax authorities.

Based on the Company's assessment, it is not anticipated that any material liabilities, other than currently recognized, will be incurred as a result of outstanding assessments.

Ofsat Arabia LLC

ZATCA has finalized the zakat and income tax assessments of Ofsat for the years up to 2021. The assessments for years 2022 through 2024 are still open for zakat and income tax assessments from ZATCA and no assessments for these years have been received as at 31 December 2025.

22. Contingencies and commitments

- i. As at 31 December 2025, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 475.1 million (31 December 2024: Saudi Riyals 451.8 million) and letters of credit issued in the normal course of business amounting to Nil (31 December 2024: Saudi Riyals 2.6 million).

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- ii. The capital expenditure contracted by the Group but not incurred till 31 December 2025 was approximately Saudi Riyals 180.9 million (31 December 2024: Saudi Riyals 187.0 million).

23. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated as follows:

	<u>For the year ended 31 December</u>	
	2025	2024
(Loss) / profit attributable to the shareholders of the Company	(75,250,331)	321,364,737
Weighted average number of ordinary shares for basic and diluted (loss) / earnings per share	89,000,000	89,000,000
Basic and diluted (loss) / earnings per share	<u>(0.85)</u>	<u>3.61</u>

24. 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 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 as 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 at least on a quarterly basis. The segment disclosures are consistent with the information reviewed by the 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.

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Consolidated financial information as of 31 December 2025 and 2024 and for the year ended 31 December 2025 and 2024, summarized below based on above stated operating segments:

a) *Segment results*

For the year ended 31 December 2025

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	2,434,480,976	997,806,908	1,039,479	3,433,327,363
Intersegment revenue	-	-	307,483,822	307,483,822
Intersegment cost	(307,483,822)	-	-	(307,483,822)
Cost of revenue	(2,044,405,089)	(771,193,616)	(243,656,399)	(3,059,255,104)
Segment results	<u>82,592,065</u>	<u>226,613,292</u>	<u>64,866,902</u>	<u>374,072,259</u>

For the year ended 31 December 2024

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	2,140,822,296	1,477,995,207	-	3,618,817,503
Intersegment revenue	-	-	236,823,954	236,823,954
Intersegment cost	(236,823,954)	-	-	(236,823,954)
Cost of revenue	(1,742,549,080)	(914,546,181)	(201,822,556)	(2,858,917,817)
Segment results	<u>161,449,262</u>	<u>563,449,026</u>	<u>35,001,398</u>	<u>759,899,686</u>

Reconciliation of segment results with (loss) / profit before zakat and income tax

	For the year ended 31 December	
	2025	2024
Total results for reporting segments	374,072,259	759,899,686
Expected credit loss reversal / (allowance) on financial assets	56,687	(1,155,730)
General and administrative expenses	(224,662,482)	(204,694,843)
Other gains - net	18,832,653	11,483,783
Finance costs - net	(216,086,803)	(207,513,260)
	<u>(47,787,686)</u>	<u>358,019,636</u>

b) *Segment assets*

As at 31 December 2025

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	4,053,807,053	3,543,715,035	232,047,630	-	7,829,569,718
Right-of-use-assets	-	32,812,866	7,280,335	-	40,093,201
Short-term deposits	-	8,100,000	-	-	8,100,000
Inventories	168,448,419	109,520,637	5,120,972	-	283,090,028
Trade receivables	454,786,904	151,597,252	127,771,567	(130,131,289)	604,024,434
Assets held for sale	-	28,002,966	-	-	28,002,966
	<u>4,677,042,376</u>	<u>3,873,748,756</u>	<u>372,220,504</u>	<u>(130,131,289)</u>	<u>8,792,880,347</u>

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As at 31 December 2024

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	4,426,679,190	3,501,738,323	267,024,301	-	8,195,441,814
Right-of-use-assets	-	61,895,411	3,231,204	-	65,126,615
Long-term deposits	-	16,200,000	-	-	16,200,000
Inventories	188,447,387	114,956,827	5,267,245	-	308,671,459
Trade receivables	521,326,197	159,100,569	62,174,344	(62,174,344)	680,426,766
Assets held for sale	-	5,789,201	-	-	5,789,201
	5,136,452,774	3,859,680,331	337,697,094	(62,174,344)	9,271,655,855

Reconciliation of segment assets with total assets

	2025	2024
Total segment assets	8,792,880,347	9,271,655,855
Cash and cash equivalents	595,247,139	581,806,531
Unallocated property, plant & equipment (corporate assets)	575,270,858	565,152,602
Derivative financial instrument	2,284,765	6,419,826
Others	123,721,354	109,805,780
	10,089,404,463	10,534,840,594

c) Other information

Revenues from all contracts with customers are generated within the Kingdom of Saudi Arabia. Revenues derived from customers are presented below:

	2025	2024
Saudi Aramco	2,399,883,661	2,515,980,502
Schlumberger Middle East S.A.	589,551,332	593,189,967
Al Khaffji Joint Operations	303,900,117	278,526,191
Baker Hughes Company	138,952,774	231,120,843
Others	1,039,479	-
	3,433,327,363	3,618,817,503

25. Financial risk management

25.1 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.

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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 2025 and 2024, the Group's borrowings were denominated in Saudi Riyals.

At 31 December 2025, the Group had variable interest bearing financial liabilities of Saudi Riyals 2.9 billion (2024: Saudi Riyals 2.9 billion), and had the interest rate varied by 1% with all the other variables held constant, net change in loss before zakat and income tax would have been approximately Saudi Riyals 30.1 million (2024: Saudi Riyals 29.6 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.

During 2024, the Group has entered into interest rate swap agreements which have been designated as cash flow hedge. Since the critical terms under the hedging arrangement are similar, the hedging effectiveness is expected to remain 100% throughout the life of the hedging arrangement. The notional amount covered under the hedging arrangement amount to Saudi Riyals 250.0 million.

(a) *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 rating 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 short-term deposits are not exposed to significant credit risk.

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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 2025, 99.9% (2024: 99.3%) 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 2025		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.3%	366,439,693	1,005,274
Overdue up to 90 days	0.7%	133,276,368	988,724
Overdue for a period between 91 to 180 days	0.8%	75,184,008	607,692
Overdue for a period between 181 to 270 days	2.8%	26,956,867	764,049
Overdue for a period between 271 to 365 days	59.4%	818,993	486,139
Overdue for more than 365 days	100.0%	1,348,505	1,348,505
	0.9%	604,024,434	5,200,383

	31 December 2024		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.3%	475,703,039	1,199,367
Overdue up to 90 days	0.8%	151,215,492	1,242,690
Overdue for a period between 91 to 180 days	1.6%	19,745,543	325,740
Overdue for a period between 181 to 270 days	2.0%	22,343,727	441,160
Overdue for a period between 271 to 365 days	2.7%	4,930,117	131,259
Overdue for more than 365 days	29.5%	6,488,848	1,916,854
	0.8%	680,426,766	5,257,070

(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.

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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.

As disclosed in Note 1, the Group's liquidity risk is primarily driven by the upcoming Sukuk maturity and related covenant considerations, and management mitigates this through ongoing refinancing discussions, available undrawn facilities and forecast net cash inflows.

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.

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31 December 2025	Carrying amount	Total	Less than 1 year	Contractual cashflows		
				Less than 2 years	Less than 3 years	More than 4 years
Non-derivative financial liabilities						
Long term borrowings	3,002,333,769	2,937,408,835	279,716,024	2,279,716,024	279,716,024	98,260,763
Lease liabilities	40,703,748	42,887,325	37,794,875	2,603,075	728,075	1,761,300
Trade and other payables	648,846,384	648,846,384	648,846,384	-	-	-
Total	3,691,883,901	3,629,142,544	966,357,283	2,282,319,099	280,444,099	100,022,063

31 December 2024	Carrying amount	Total	Less than 1 year	Contractual cashflows		
				Less than 2 years	Less than 3 years	More than 4 years
Non-derivative financial liabilities						
Long term borrowings	2,964,765,763	2,899,984,900	247,058,824	217,647,059	2,217,647,059	217,631,958
Lease liabilities	67,892,356	71,137,838	66,521,888	1,742,250	556,200	2,317,500
Trade and other payables	863,683,385	863,683,385	863,683,385	-	-	-
Total	3,896,341,504	3,834,806,123	1,177,264,097	219,389,309	2,218,203,259	219,949,458

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25.2 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 2025 and 2024.

As at 31 December 2025 and 2024, 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 2025. There are no transfers between levels during the year ended 31 December 2025 and 2024.

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25.3 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:

	2025	2024
Total borrowings (including lease liabilities)	3,037,747,351	3,022,833,525
Less: cash and cash equivalents	(595,247,139)	(581,806,531)
Net debt	2,442,500,212	2,441,026,994
Total equity	5,745,932,888	5,938,184,935
Gearing ratio	43%	41%

Net debt reconciliation:

The net debt of the Group is as follows:

	2025	2024
Cash and cash equivalents	(595,247,139)	(581,806,531)
Borrowings	2,997,043,603	2,954,941,169
Lease liabilities	40,703,748	67,892,356
As at 31 December	2,442,500,212	2,441,026,994

The Group's net debt reconciliation is as follows:

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
At 1 January 2024	1,435,421,469	(3,054,095,649)	(135,060,094)	(1,753,734,274)
Interest expense	-	(223,180,256)	(5,227,796)	(228,408,052)
Interest paid	-	222,334,736	5,227,796	227,562,532
Cash flows for the year	(853,614,938)	100,000,000	67,167,738	(686,447,200)
At 31 December 2024	581,806,531	(2,954,941,169)	(67,892,356)	(2,441,026,994)
New loan / leases	-	(300,000,000)	(5,036,858)	(305,036,858)
Lease remeasurement	-	-	(35,834,317)	(35,834,317)
Interest expense	-	(216,093,213)	(2,264,120)	(218,357,333)
Interest paid	-	217,557,451	2,264,120	219,821,571
Others	-	(6,142,737)	-	(6,142,737)
Cash flows for the year	13,440,608	262,576,065	68,059,783	344,076,456
At 31 December 2025	595,247,139	(2,997,043,603)	(40,703,748)	(2,442,500,212)

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25.4 Categories of financial instruments

The financial instruments by category are detailed in the table below:

	2025	2024
Assets as per statement of financial position		
Financial assets at amortized cost		
Long-term deposits	-	16,200,000
Trade and other receivables	598,824,051	682,531,001
Short-term deposits	8,100,000	-
Cash and cash equivalents	595,247,139	581,806,531
	<u>1,202,171,190</u>	<u>1,280,537,532</u>
Financial asset at fair value through other comprehensive income		
Derivative financial instrument	2,284,765	6,419,826
Total	<u>1,204,455,955</u>	<u>1,286,957,358</u>
Liabilities as per statement of financial position		
Financial liabilities at amortized cost		
Borrowings	2,997,043,603	2,964,765,763
Trade and other payables	648,846,384	863,683,385
	<u>3,645,889,987</u>	<u>3,828,449,148</u>
Lease liabilities	40,703,748	67,892,356
Total	<u>3,686,593,735</u>	<u>3,896,341,504</u>

At 31 December 2025, for the purpose of the financial instruments disclosure, non-financial instruments amounting to Saudi Riyals 63.9 million (2024: Saudi Riyals 97.0 million) and Saudi Riyals 20.8 million (2024: Saudi Riyals 14.3 million) have been excluded from trade and other receivables and trade and other payables, respectively.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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26. Related party transactions and balances

Related parties comprises the shareholders that have control or significant influence over the Group, directors, affiliates (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).

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

	For the year ended 31 December	
	2025	2024
Revenue from an affiliate	589,551,331	593,189,967
Costs charged by an affiliate	110,301,373	7,554,774

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	
	2025	2024
Salaries and other short-term employee benefits	19,291,334	16,560,359
Post-employment benefits	1,096,803	1,272,103
Directors' fees including travelling costs	5,552,068	6,016,918
	25,940,205	23,849,380

c) *Due from a related party:*

	2025	2024
Schlumberger Middle East S.A., an affiliate	192,696,919	150,571,877

No allowance for expected credit loss was recognised in relation to the balance due from the related party during the period. The revenue transactions were made on terms and conditions agreed between the Company and the related party.

d) *Due to related parties – affiliated companies:*

	2025	2024
TAQA Well Services	5,689,805	-
Al-Rushaid Trading Company	482,519	122,781
AlMansoori Petroleum Industries	2,034,240	2,000,484
Cameron Al Rushaid Co Ltd	7,801,431	2,292,898
Cameron Middle East LLC	922,063	487,821
Schlumberger Rig Technology, Inc.	554,840	-
	17,484,898	4,903,984

The above outstanding balances are unsecured, settled in the ordinary course of business and bear no financial charges.

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27. Dividends

On 11 March 2025, the Company's shareholders approved cash dividends of Saudi Riyals 1.35 per share totaling to Saudi Riyals 120.2 million (2024: approved cash dividends of Saudi Riyals 3.87 per share totaling to Saudi Riyals 344.8 million).

28. Subsequent events

See notes 1, 13.2, 13.3 and 25.1. There are no other subsequent events which occurred between 31 December 2025 and the date of approval of these consolidated financial statements which may have a material impact on these consolidated financial statements.

29. Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 26 February 2026G (corresponding to 09 Ramadan 1447H).