

ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six-month periods ended 30 June 2023

with

Independent Auditor's Review Report

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements with independent auditor's review report
For the three and six-month periods ended 30 June 2023

| INDEX | PAGE |
|---|-------------|
| Independent auditor's report on review of condensed consolidated interim financial statements | 2 |
| Condensed consolidated interim statement of financial position | 3 – 4 |
| Condensed consolidated interim statement of profit or loss and other comprehensive income | 5 |
| Condensed consolidated interim statement of changes in equity | 6 |
| Condensed consolidated interim statement of cash flows | 7 |
| Notes to the condensed consolidated interim financial statements | 8 – 21 |



Report on review of condensed consolidated interim financial statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arabian Drilling Company (the “Company”) and its subsidiary (collectively the “Group”) as of 30 June 2023 and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2023 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers



Omar M. Al Sagga
License Number 369

2 August 2023

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------------------------------|------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 6,996,344,686 | 6,490,620,979 |
| Right-of-use assets | | 166,221,284 | 199,262,775 |
| Mobilization cost | | - | 15,026,668 |
| Total non-current assets | | 7,162,565,970 | 6,704,910,422 |
| Current assets | | | |
| Inventories | 4 | 260,036,203 | 172,540,843 |
| Trade and other receivables | | 623,811,155 | 825,059,412 |
| Mobilization cost | | - | 6,732,553 |
| Derivative financial instrument | | - | 378,192 |
| Short-term deposits | | 300,000,000 | 1,000,000,000 |
| Cash and cash equivalents | 5 | 1,536,711,592 | 832,024,714 |
| | | 2,720,558,950 | 2,836,735,714 |
| Assets held for sale | | 11,489,145 | 12,402,180 |
| Total current assets | | 2,732,048,095 | 2,849,137,894 |
| Total assets | | 9,894,614,065 | 9,554,048,316 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 6 | 890,000,000 | 890,000,000 |
| Share premium | 6 | 790,675,825 | 790,675,825 |
| Statutory reserve | 7 | 267,000,000 | 267,000,000 |
| Retained earnings | | 3,923,918,172 | 3,642,148,763 |
| Total equity | | 5,871,593,997 | 5,589,824,588 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 8 | 2,433,373,764 | 2,481,138,537 |
| Lease liabilities | | 102,976,943 | 136,013,930 |
| Employees' benefit obligations | | 287,724,356 | 273,216,040 |
| Mobilization revenue | | 53,683,781 | 115,613,850 |
| Deferred tax liabilities | | 149,635,576 | 148,798,818 |
| Total non-current liabilities | | 3,027,394,420 | 3,154,781,175 |

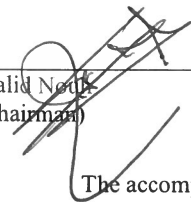
(continued)

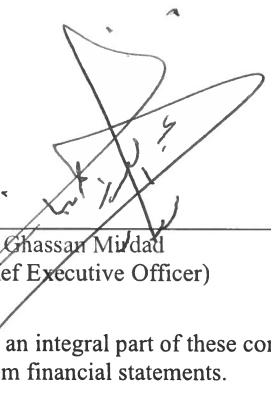
Arabian Drilling Company
(A Saudi Joint Stock Company)

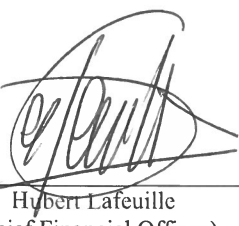
Condensed consolidated interim statement of financial position (continued)

(All amounts in Saudi Riyals unless otherwise stated)

| | <u>Note</u> | <u>30 June 2023 (Unaudited)</u> | <u>31 December 2022 (Audited)</u> |
|---|-------------|---|---|
| Current liabilities | | | |
| Trade and other payables | | 734,194,049 | 584,811,273 |
| Current portion of long-term borrowings | 8 | 113,289,596 | 46,460,449 |
| Current portion of lease liabilities | | 65,589,183 | 63,806,499 |
| Mobilization revenue | | 43,840,848 | 60,216,798 |
| Provision for zakat and income tax | | 38,711,972 | 54,147,534 |
| Total current liabilities | | <u>995,625,648</u> | <u>809,442,553</u> |
| Total liabilities | | <u>4,023,020,068</u> | <u>3,964,223,728</u> |
| Total equity and liabilities | | <u>9,894,614,065</u> | <u>9,554,048,316</u> |


Khalid Nork
(Chairman)


Ghassan Mirdat
(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

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

Arabian Drilling Company
(A Saudi Joint Stock Company)

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

| Note | Three-month period ended 30 June | | Six-month period ended 30 June | |
|--|-------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Revenue | 10 790,649,349 | 652,899,886 | 1,569,928,129 | 1,251,427,500 |
| Cost of revenue | (561,597,767) | (465,967,019) | (1,133,624,654) | (907,842,417) |
| Gross profit | 229,051,582 | 186,932,867 | 436,303,475 | 343,585,083 |
| Provision for impairment of financial assets | (716,183) | - | (1,316,183) | - |
| General and administrative expenses | (49,245,181) | (38,125,886) | (83,607,292) | (74,498,979) |
| Other operating income | 557,291 | 480,174 | 769,031 | 3,791,410 |
| | 179,647,509 | 149,287,155 | 352,149,031 | 272,877,514 |
| Finance costs | (27,909,420) | (24,949,406) | (53,452,809) | (40,963,830) |
| Finance income | 10,194,794 | 6,222,222 | 23,557,551 | 6,222,222 |
| Finance costs - net | (17,714,626) | (18,727,184) | (29,895,258) | (34,741,608) |
| Profit before zakat and income tax | 161,932,883 | 130,559,971 | 322,253,773 | 238,135,906 |
| Zakat expense | (6,245,228) | (3,715,325) | (15,266,726) | (7,387,651) |
| Income tax expense | 9.1 (15,397,894) | (12,825,371) | (25,217,638) | (23,094,504) |
| Profit for the period | 140,289,761 | 114,019,275 | 281,769,409 | 207,653,751 |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i> | | | | |
| Changes in fair value of cash flow hedges | - | 1,116,495 | - | 4,930,796 |
| Other comprehensive income for the period | - | 1,116,495 | - | 4,930,796 |
| Total comprehensive income for the period | 140,289,761 | 115,135,770 | 281,769,409 | 212,584,547 |
| Earnings per share (Saudi Riyals) | | | | |
| Basic and diluted | 11 1.58 | 1.43 | 3.17 | 2.60 |

Khalid Rouh
(Chairman)

Ghassan Mirdad
(Chief Executive Officer)

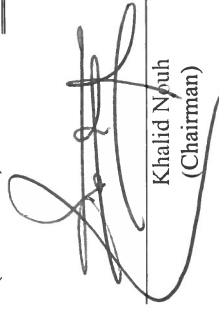
Hubert Lafeuille
(Chief Financial Officer)

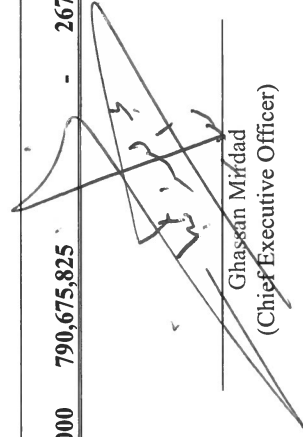
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

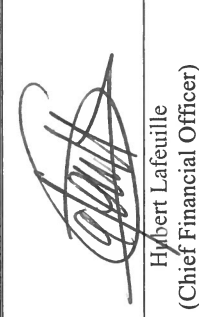
Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

| | Share capital | Share premium | Additional paid-in capital | Statutory reserve | Cashflow hedge reserve | Retained earnings | Total |
|--|---------------|---------------|----------------------------|-------------------|------------------------|-------------------|---------------|
| As at 1 January 2022 (Audited) | 22,580,000 | - | 97,420,800 | 18,883,921 | (4,440,687) | 4,057,324,636 | 4,191,768,670 |
| <i>Total comprehensive income for the period</i> | | | | | | | |
| Profit for the period | - | - | - | - | - | 207,653,751 | 207,653,751 |
| Other comprehensive income for the period | - | - | - | - | 4,930,796 | - | 4,930,796 |
| Total comprehensive income for the period | - | - | - | - | 4,930,796 | 207,653,751 | 212,584,547 |
| Transfer to share capital | 777,420,000 | - | (97,420,800) | - | - | (679,999,200) | - |
| Transfer to statutory reserve | - | - | - | 221,116,079 | - | (221,116,079) | - |
| Dividends (Note 17) | - | - | - | - | - | (37,448,045) | (37,448,045) |
| As at 30 June 2022 (Unaudited) | 800,000,000 | - | - | 240,000,000 | 490,109 | 3,326,415,063 | 4,366,905,172 |
| As at 1 January 2023 (Audited) | 890,000,000 | 790,675,825 | - | 267,000,000 | - | 3,642,148,763 | 5,589,824,588 |
| <i>Total comprehensive income for the period</i> | | | | | | | |
| Profit for the period | - | - | - | - | - | 281,769,409 | 281,769,409 |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - | 281,769,409 | 281,769,409 |
| As at 30 June 2023 (Unaudited) | 890,000,000 | 790,675,825 | - | 267,000,000 | - | 3,923,918,172 | 5,871,593,997 |


Khalid Nuh
(Chairman)


Ghassan Mirdad
(Chief Executive Officer)


Hybert Lafeuille
(Chief Financial Officer)

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

Arabian Drilling Company
(A Saudi Joint Stock Company)

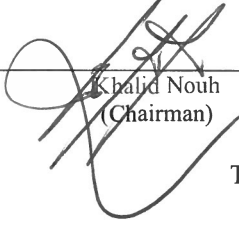
Condensed consolidated interim statement of cash flows

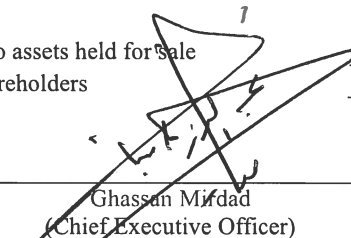
(All amounts in Saudi Riyals unless otherwise stated)


| | For the six month period ended 30 June | |
|---|---|----------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Cash flows from operating activities | | |
| Profit before zakat and income tax | 322,253,773 | 238,135,906 |
| <i>Adjustment for:</i> | | |
| Depreciation and amortization | 305,965,019 | 243,357,057 |
| Provision for employees' benefit obligations | 21,330,721 | 21,817,314 |
| Gain on disposal of non-current assets held for sale | (189,678) | (1,628,951) |
| Amortization of mobilization cost | 6,338,048 | 2,470,247 |
| Amortization of mobilization revenue | (30,102,662) | (7,411,013) |
| Provision for impairment of financial assets | 1,316,183 | - |
| Finance costs – net | 29,895,258 | 34,741,609 |
| | 656,806,662 | 531,482,169 |
| <i>Changes in:</i> | | |
| Inventories | (87,495,360) | (27,654,088) |
| Trade and other receivables | 196,506,984 | 66,202,008 |
| Trade and other payables | 149,382,776 | (45,903,305) |
| Cash generated from operations | 915,201,062 | 524,126,784 |
| Mobilization cost paid | (32,782,184) | (11,411,812) |
| Mobilization revenue received | - | 11,250,000 |
| Zakat and income tax paid | (55,083,169) | (15,826,584) |
| Employees' benefit obligations paid | (6,822,405) | (9,514,474) |
| Net cash generated from operating activities | 820,513,304 | 498,623,914 |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (744,418,441) | (178,053,864) |
| Proceeds from disposal of assets held for sale | 4,454,680 | 3,632,358 |
| Finance income received | 27,360,833 | 6,222,222 |
| Placement in short term deposits | (300,000,000) | - |
| Proceeds from redemption of short term deposits | 1,000,000,000 | - |
| Net cash used in investing activities | (12,602,928) | (168,199,284) |
| Cash flows from financing activities | | |
| Proceeds from issuance of Sukuk | - | 2,000,000,000 |
| Repayment of long-term borrowings | - | (168,407,254) |
| Principal element of lease payments | (31,254,303) | (1,589,534) |
| Finance cost paid | (71,969,195) | (35,342,317) |
| Net cash (used in) / generated from financing activities | (103,223,498) | 1,794,660,895 |
| Net increase in cash and cash equivalents | 704,686,878 | 2,125,085,525 |
| Cash and cash equivalents at the beginning of the period | 832,024,714 | 411,621,031 |
| Cash and cash equivalents at the end of the period | 1,536,711,592 | 2,536,706,556 |

Significant non-cash transactions

| | | |
|---|-----------|------------|
| Transfer from property, plant and equipment to assets held for sale | 3,351,965 | 3,113,227 |
| Dividend adjusted against receivable from shareholders | - | 24,929,068 |


Khalid Nough
(Chairman)


Ghassan Mirdad
(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

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

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-months period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

Arabian Drilling Company (the “Company” or “ADC”) and its subsidiary (collectively the “Group”) are principally engaged in the drilling of oil and natural gas wells, operations, maintenance and hauling of rigs and related activities.

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

The Company 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022 (“latest annual consolidated financial statements”). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group’s consolidated financial position and performance since the last annual consolidated financial statements.

2.2 Basis of preparation

These condensed consolidated interim financial statements are prepared using historical cost convention using the accrual basis of accounting except for derivative financial instruments at fair value through other comprehensive income (FVOCI) and employees’ benefit obligations which is measured at present value of the defined benefit obligations using the projected unit credit method.

2.3 Functional and presentation currency

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

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-months period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

2.4 Use of judgements and estimates

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

2.5. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. A number of amendments to existing standards, as detailed in note 2.6(a) below, became effective from 1 January 2023 but they do not have a material effect on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.6. New standards, amendments and interpretations

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

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

- IFRS 17 Insurance contracts (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimates (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023.
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.

b. New and revised standards issued but not yet effective

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

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

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

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-months period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment

| Cost | 1 January 2023 (Audited) | Additions | Transfers | Transfer to held for sale | 30 June 2023 (Unaudited) |
|---|---|----------------------|------------------|--------------------------------------|---|
| Land | 88,236,250 | - | - | - | 88,236,250 |
| Buildings and portable cabins | 99,693,269 | - | 2,091,168 | - | 101,784,437 |
| Rigs, machinery and equipment | 11,292,935,114 | - | 249,110,154 | (58,021,166) | 11,484,024,102 |
| Furniture, fixtures and office equipment | 111,475,264 | - | 2,108,101 | (2,148,568) | 111,434,797 |
| Vehicles | 142,955,769 | - | 2,810,360 | (658,026) | 145,108,103 |
| Asset under construction | 1,363,762,350 | 781,999,199 | (256,119,783) | - | 1,889,641,766 |
| | 13,099,058,016 | 781,999,199 | - | (60,827,760) | 13,820,229,455 |
| <u>Accumulated depreciation and impairment</u> | | | | | |
| Buildings and portable cabins | (25,474,006) | (1,486,655) | - | - | (26,960,661) |
| Rig, machinery and equipment | (6,394,225,790) | (265,665,549) | - | 54,677,504 | (6,605,213,835) |
| Furniture, fixtures and office equipment | (70,784,409) | (3,691,246) | - | 2,140,265 | (72,335,390) |
| Vehicles | (117,952,832) | (2,080,077) | - | 658,026 | (119,374,883) |
| | (6,608,437,037) | (272,923,527) | - | 57,475,795 | (6,823,884,769) |
| Net book value | 6,490,620,979 | | | | 6,996,344,686 |

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment (continued)

| Cost | 1 January 2022 (Audited) | Additions | Transfers | Transfer to held for sale | 31 December 2022 (Audited) |
|--|--------------------------------|----------------------|---------------|------------------------------|----------------------------------|
| Land | 88,236,250 | - | - | - | 88,236,250 |
| Buildings and portable cabins | 99,385,669 | - | 307,600 | - | 99,693,269 |
| Rigs, machinery and equipment | 10,826,217,554 | - | 516,337,749 | (49,620,189) | 11,292,935,114 |
| Furniture, fixtures and office equipment | 111,018,955 | - | 456,309 | - | 111,475,264 |
| Vehicles | 145,671,754 | - | - | (2,715,985) | 142,955,769 |
| Asset under construction | 131,520,647 | 1,749,343,361 | (517,101,658) | - | 1,363,762,350 |
| | <u>11,402,050,829</u> | <u>1,749,343,361</u> | <u>-</u> | <u>(52,336,174)</u> | <u>13,099,058,016</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | |
| Buildings and portable cabins | (22,779,749) | (2,694,257) | - | - | (25,474,006) |
| Rig, machinery and equipment | (5,939,859,231) | (497,373,769) | - | 43,007,210 | (6,394,225,790) |
| Furniture, fixtures and office equipment | (64,258,762) | (6,525,647) | - | - | (70,784,409) |
| Vehicles | (116,269,050) | (4,399,767) | - | 2,715,985 | (117,952,832) |
| | <u>(6,143,166,792)</u> | <u>(510,993,440)</u> | <u>-</u> | <u>45,723,195</u> | <u>(6,608,437,037)</u> |
| Net book value | <u>5,258,884,037</u> | | | | <u>6,490,620,979</u> |

- a) Asset under construction at 30 June 2023 represents costs incurred on procurement and construction of certain rigs which are expected to complete in 2023.
- b) Rig, machinery and equipment represents assets under contracts with customers for the drilling services which include both leasing and service component.
- c) For the three-month and six-month periods ended 30 June 2023 the Group has capitalized finance costs of Saudi Riyals 19.63 million and Saudi Riyals 37.58 million, respectively (three-month and six-month periods ended 30 June 2022: Saudi Riyals Nil).

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. Inventories

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Spare parts and supplies, held not for sale | 292,900,504 | 201,212,689 |
| Less: provision for slow-moving inventories | (32,864,301) | (28,671,846) |
| | 260,036,203 | 172,540,843 |

Movement in provision for slow-moving inventories is as follows:

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|-----------------------|---|----------------------------------|
| 1 January | 28,671,846 | 22,787,466 |
| Additions | 4,192,455 | 10,204,778 |
| Write-offs | - | (4,320,398) |
| 30 June / 31 December | 32,864,301 | 28,671,846 |

5. Cash and cash equivalents

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Cash at bank | 936,485,706 | 831,829,386 |
| Short term deposits having original maturity 3 months or less | 600,000,000 | - |
| Cash in hand | 225,886 | 195,328 |
| | 1,536,711,592 | 832,024,714 |

6. Share capital

The share capital of the Company as of 30 June 2023 and 31 December 2022 comprised 89,000,000 shares at a nominal value of Saudi Riyals 10 per share.

During Q4 2022, the Company issued 9,000,000 new shares at an offer price of Saudi Riyals 100 per share. The differential price over the nominal value recorded as share premium amounting to Saudi Riyals 790.7 million, after offsetting the issuance cost amounting to Saudi Riyals 19.3 million.

7. Statutory reserve

In accordance with the Company's Bylaws, the Company is required to maintain a statutory reserve equal to minimum of 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

8. Long term borrowings

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|---|
| Sukuk (note 8.1) | 2,000,000,000 | 2,000,000,000 |
| Murabaha borrowings (note 8.2) | 500,000,000 | 500,000,000 |
| Add: accrued finance cost | 63,289,596 | 46,460,449 |
| | 2,563,289,596 | 2,546,460,449 |
| Less: unamortized transaction cost | (16,626,236) | (18,861,463) |
| | 2,546,663,360 | 2,527,598,986 |
| Long-term borrowings are presented as follows: | | |
| Current maturity under current liabilities | 113,289,596 | 46,460,449 |
| Non-current portion | 2,433,373,764 | 2,481,138,537 |
| | 2,546,663,360 | 2,527,598,986 |
| Movement in unamortized transaction cost is as follows: | | |
| Balance at beginning of period / year | 18,861,463 | - |
| Transaction cost incurred during the period / year | - | 22,349,723 |
| Less: amortization for the period / year | (2,235,227) | (3,488,260) |
| Balance at end of period / year | 16,626,236 | 18,861,463 |

8.1 Sukuk

During the year ended 31 December 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. The repayment of the Sukuk is due in a single installment in 2027 and it bears finance costs based on prevailing market rates which are based on Saudi Inter-Bank Offer Rates ("SIBOR") plus an applicable margin. The Sukuk requires the Group to maintain certain financial and non-financial covenants. As at 30 June 2023 and 31 December 2022, the Group was in compliance with such covenants.

8.2 Murabaha borrowings

During the year ended 31 December 2022, the Group obtained a new murabaha facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance capital expenditure. The murabaha facility is repayable over a period of 5 years starting from February 2024 through November 2028 on a quarterly basis. These loans bear finance costs based on prevailing market rates which are based on SIBOR plus an applicable margin. The murabaha facility requires the Group to maintain certain financial and non-financial covenants. As at 30 June 2023 and 31 December 2022, the Group was in compliance with the covenants of the Murabaha facility.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

9. Zakat and income tax

9.1 Zakat and income tax expense

| | For three-month period ended 30 June | | For the six-month period ended 30 June | |
|--------------------------------|---|-------------|---|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Zakat expense | 6,245,228 | 3,715,325 | 15,266,726 | 7,387,651 |
| Current tax charge | 14,205,473 | 7,594,893 | 24,380,881 | 14,959,588 |
| Deferred tax (reversal) charge | 1,192,421 | 5,230,478 | 836,757 | 8,134,916 |
| | 21,643,122 | 16,540,696 | 40,484,364 | 30,482,155 |

9.2 Status of assessments

Arabian Drilling Company

The Zakat, Tax and Customs Authority ("ZATCA") has finalized the Company's zakat and income tax assessments for the years up to 2014 and for the years 2019 and 2020. During 2021, the Company received additional zakat assessments for the years 2015 through 2018 amounting to Saudi Riyals 11.0 million which was reduced to Saudi Riyals 3.9 million during the year ended 31 December 2022. The Company has filed an appeal against such assessment with the General Secretariat of the Zakat, Tax and Customs Committees ("GSTC"), and the final outcome of such appeal is pending as of the date of approval of these condensed consolidated interim financial statements. Management of the Company believes that the provision for zakat and income tax payable as at the reporting date is adequate and no additional zakat or income tax liability will arise upon the ultimate resolution of such appeal.

Ofsat

The ZATCA has finalized the zakat and income tax assessments for the years up to 2020 of Ofsat.

10. Revenue

| | For three-month period ended 30 June | | For the six-month period ended 30 June | |
|----------------------------|---|-------------|---|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Drilling revenue | 671,496,912 | 525,203,103 | 1,303,120,564 | 1,017,198,923 |
| Rig move revenue | 79,574,461 | 114,573,711 | 185,757,560 | 197,717,073 |
| Mobilization revenue | 15,051,330 | 3,933,708 | 30,102,662 | 7,411,014 |
| Catering and other revenue | 24,526,646 | 9,189,364 | 50,947,343 | 29,100,490 |
| | 790,649,349 | 652,899,886 | 1,569,928,129 | 1,251,427,500 |

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

10.1 Drilling revenue

Revenue from drilling activities was recognised in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components. Expected lease component of future revenue from drilling activities under such contracts is as follows:

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|-----------------------|---|-----------------------------|
| Within one year | 773,994,881 | 569,744,126 |
| Within two years | 1,370,108,276 | 881,954,104 |
| Within three years | 948,951,079 | 681,124,515 |
| Within four years | 330,146,408 | 372,179,901 |
| Within five years | 245,723,803 | 49,748,683 |
| Later than five years | 131,552,963 | 11,010,938 |
| | 3,800,477,410 | 2,565,762,267 |

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

11. Basic and diluted earnings per share

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

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|---|--------------------|---|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit attributable to the shareholders of the Group | 139,283,764 | 114,019,275 | 280,763,412 | 207,653,751 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 89,000,000 | 80,000,000 | 89,000,000 | 80,000,000 |
| Basic and diluted earnings per share | 1.56 | 1.43 | 3.15 | 2.60 |

12. Contingencies and commitments

- As at 30 June 2023, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 428.86 million (31 December 2022: Saudi Riyals 385.19 million) and the letters of credit issued in the normal course of business amounting to Saudi Riyals 77.8 million (31 December 2022: Saudi Riyals 77.69 million).
- The capital expenditure contracted by the Group but not incurred till 30 June 2023 was Saudi Riyals 391.11 million (31 December 2022: Saudi Riyals 540.12 million).

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

13. Fair value measurement

The Group's principal financial assets include cash and cash equivalents, short term deposits, cash flow hedge at fair value through other comprehensive income, trade receivables and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise borrowings, trade and other payables and lease liabilities.

Fair values hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no such transfers during the period and year ended 30 June 2023 and 31 December 2022 respectively.

As at 30 June 2023 and 31 December 2022, the fair values of the Group's financial instruments, except for cash flow hedge reserve at fair value through other comprehensive income, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the condensed consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Cash flow hedge at fair value through other comprehensive income is recorded at fair value which is assessed by management to fall in Level 2 of the fair value hierarchy as at 31 December 2022.

Financial Risk Management

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. There is no significant change in the Group's objectives, policies and processes for measuring and managing risk since the last annual consolidated financial statements.

14. 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

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

ii) Provision of drilling and related services through off-shore rigs.

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

Condensed consolidated interim financial information as of 30 June 2023 and 31 December 2022 and for the three and six-month periods ended 30 June 2023 and 2022, summarized by the above operating segments, is as follows:

a) Segment results

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

| | Land rigs | Off-shore rigs | Other | Total |
|---------------------------------|----------------------|-----------------------|---------------------|----------------------|
| Revenue from external customers | 488,905,936 | 301,720,498 | 22,915 | 790,649,349 |
| Intersegment revenue | - | - | 45,347,264 | 45,347,264 |
| Intersegment cost | (45,347,264) | - | - | (45,347,264) |
| Cost of revenue | (350,751,777) | (169,613,975) | (41,232,016) | (561,597,767) |
| Segment results | 92,806,896 | 132,106,523 | 4,138,163 | 229,051,582 |

For the three month period ended 30 June 2022 (Unaudited)

| | Land rigs | Off-shore rigs | Other | Total |
|---------------------------------|------------------|-----------------------|--------------|---------------|
| Revenue from external customers | 467,101,230 | 183,730,739 | 2,067,917 | 652,899,886 |
| Intersegment revenue | - | - | 44,495,470 | 44,495,470 |
| Intersegment cost | (44,495,470) | - | - | (44,495,470) |
| Cost of revenue | (325,027,485) | (102,534,579) | (38,404,955) | (465,967,019) |
| Segment results | 97,578,275 | 81,196,160 | 8,158,432 | 186,932,867 |

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

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

For the six month period ended 30 June 2022 (Unaudited)

| | Land rigs | Off-shore rigs | Other | Total |
|---------------------------------|------------------|-----------------------|--------------|---------------|
| Revenue from external customers | 903,266,455 | 344,801,205 | 3,359,840 | 1,251,427,500 |
| Intersegment revenue | - | - | 83,945,956 | 83,945,956 |
| Intersegment cost | (83,945,956) | - | - | (83,945,956) |
| Cost of revenue | (640,409,513) | (193,795,924) | (73,636,980) | (907,842,417) |
| Segment results | 178,910,986 | 151,005,281 | 13,668,816 | 343,585,083 |

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

Reconciliation of segment results with profit before zakat and income tax

| | For the three month period ended 30 June | | For the six month period ended 30 June | |
|--|---|--------------------|---|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Total results for reporting segments | 229,051,582 | 186,932,867 | 436,303,475 | 343,585,083 |
| Impairment losses on financial assets, net | (716,183) | - | (1,316,183) | - |
| General and administrative expenses | (49,245,181) | (38,125,886) | (83,607,292) | (74,498,979) |
| Other operating income, net | 557,291 | 480,174 | 769,031 | 3,791,410 |
| Finance costs - net | (17,714,626) | (18,727,184) | (29,895,258) | (34,741,608) |
| Profit before zakat and income tax | 161,932,883 | 130,559,971 | 322,253,773 | 238,135,906 |

b) Segment assets

| | 30 June 2023 | 31 December 2022 |
|----------------|-------------------------|-----------------------------|
| | (Unaudited) | (Audited) |
| Land rigs | 3,136,391,945 | 3,014,056,904 |
| Off-shore rigs | 4,225,574,819 | 3,983,267,428 |
| Other | 293,047,559 | 286,353,874 |
| Eliminations | (18,768,549) | (48,298,170) |
| | 7,636,245,774 | 7,235,380,036 |

As at 30 June 2023, segment assets did not include unallocated assets amounting to Saudi Riyals 2.3 billion (31 December 2022: Saudi Riyals 2.3 billion).

15. Related party transactions and balances

During the year 2022, the Company's ordinary shares were listed on the Saudi Stock Exchange. This has resulted in change in Group's ownership structure and consequently change in related parties' relationships. As at 30 June 2023, related parties comprise the shareholders, directors, associated companies (representing entities directly or indirectly controlled by the Group's shareholders) and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

Prior to the listing as at 30 June 2022, the immediate controlling party of the Group was Industrialization and Energy Services Company - TAQA and the ultimate controlling party of the Group was the Government of the Kingdom of Saudi Arabia (the "KSA Government"). Related parties comprised the shareholders, directors, Government controlled entities, associated companies (representing entities directly or indirectly controlled by the Group's shareholders), and key management personnel. Accordingly the significant transactions with the Government controlled entities until the date of loss of control by TAQA is included in the three and six-month periods ended 30 June 2022.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|---|-------------|---|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from Government controlled entities | - | 445,357,777 | - | 847,480,968 |
| Revenue from an associated company | 189,734,720 | 203,898,107 | 374,609,075 | 400,302,531 |
| Rental income from an associated company | - | - | - | 162,788 |
| Costs charged by an associated company | 1,606,500 | 1,221,011 | 3,213,000 | 2,517,775 |

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

Key management personnel compensation:

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|---|-------------|---|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Salaries and other short-term employee benefits | 4,732,920 | 3,621,490 | 8,961,676 | 10,698,862 |
| Post-employment benefits | 214,846 | 187,060 | 427,200 | 582,876 |

Additionally, the Group incurred board of directors' fee, including travelling cost for the three and six month periods ended 30 June 2023 amounting to Saudi Riyals 4,725,332 and Saudi Riyals 4,854,332, respectively (three and six-month periods ended 30 June 2022: Saudi Riyals 341,600 and Saudi Riyals 377,600, respectively).

b) *Due from related parties:*

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|---|----------------------------------|
| Due from related parties | | (Audited) |
| SMESA, an associated company | 236,947,061 | 201,904,665 |
| Services Petroliers Schlumberger S.A., a shareholder | - | 11,183,843 |
| TAQA Well Services, an associated company | 5,161,529 | 4,891,538 |
| | 242,108,591 | 217,980,046 |

16. Subsequent events

Except as disclosed in Note 17, there are no subsequent events which occurred between 30 June 2023 and the date of approval of these condensed consolidated interim financial statements, which may have a material impact on these condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

17. Dividends

During the six-month period ended 30 June 2023, the Company's shareholders approved cash dividends amounting to Nil (six-month period ended 30 June 2022: approved cash dividends amounting to Saudi Riyals 37.5 million).

On 1 August 2023, the Company's Board of Directors approved dividend distribution amounting to Saudi Riyals 225.2 million (Saudi Riyals 2.53 per share).

18. Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issuance on 1 August 2023G (corresponding to 14 Muharram 1445H).