ADES Holding Company Prospectus

# Offering Period: Three days starting on Tuesday11/03/1445H (corresponding to 26/09/2023G) until 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G).

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ADES HOLDING
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A Saudi mixed closed joint-stock company registered under Commercial Registration No. 2051245446 dated 04/06/1444H (corresponding to 28/12/2022G), whose establishment was licensed under Ministerial Resolution No. 1415 dated 25/05/1444H (corresponding to 19/12/2022G).

Offering of three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) ordinary shares, representing 30% of the capital of ADES Holding Company after the capital increase (and 39.5% of the Company's capital before the capital increase), through a public offering, at an offer price of SAR ([•]) per share.

ADES Holding Company (hereinafter referred to as the "**Company**" or the "**Issuer**") was established on 04/06/1444H (corresponding to 28/12/2022G) as a Saudi mixed closed joint stock company owned by ADES Investments Holding, Public Investment Fund ("**PIF**") and Zamil Group Investment Limited ("**Zamil Investment**") under Commercial Registration No. 2051245446 dated 04/06/1444H (corresponding to 28/12/2022G) issued in Al Khobar, Kingdom of Saudi Arabia, pursuant to Ministerial Resolution No. 1415 dated 25/05/1444H. Its head office is located at 7429 Prince Turki Street, Corniche District, Al Khobar 2203, Kingdom of Saudi Arabia ("**Saudi Arabia**" or the "**Kingdom**") The history of the Group dates back to 2002G, when its first subsidiary, ADES Egypt, was established. The Group operates through its branches and subsidiaries incorporated in various countries, including the following: (1) the Kingdom, (2) Kuwait, (3) the United Arab Emirates, (4) Egypt, (5) the Cayman Islands, (6) Bermuda, (7) Cyprus, and (8) Liberia. The Company directly and wholly owns one subsidiary, ADES International, which is a private limited holding company established in Dubai International Financial Centre in 2016G. It directly and indirectly owns all the 22 Subsidiaries of the Group. (for further information on the incorporation of the Group and its Subsidiaries, please refer to Section 4.2 ("**The Structure of the Group**") and Section 12.4 ("**Subsidiaries**") of this Prospectus).

As of the date of this Prospectus, the Company's capital is eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) shares of equal value, with a nominal value of SAR 1 per share. All shares are ordinary shares, and include one million (1,000,000) cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (857,087,510) in kind shares. After the Offering, the Company's capital will be one billion, one hundred and twenty-nine million, sixty-two thousand, five hundred and thirteen Saudi Arabian Riyals (SAR 1,129,062,513), divided into one billion, one hundred and twenty-nine million, sixty-two thousand, five hundred and thirteen (1,129,062,513) ordinary shares with a nominal value of SAR 1 per share.

The Company was initially established with a fully paid capital of one million Saudi Arabian Riyals (SAR 1,000,000), divided into one hundred thousand (100,000) shares of equal value, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share. On 24/07/1444H (corresponding to 15/02/2023G), the Company's Extraordinary General Assembly agreed to increase the Company's capital from one million Saudi Arabian Riyals (SAR 1,000,000) to eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510) and to reduce the nominal value per share from ten Saudi Arabian Riyals (SAR 10) to one Saudi Arabian Riyal (SAR 1), with the shareholders retaining the same ownership percentages, by registering the book value of the net assets of ADES International (the previous holding company affiliated to the Group) as in-kind shares in the Company's capital, the ownership of which was transferred to the Company on 04/06/1444H (corresponding to 28/12/2022G). On 17/10/1444H (corresponding to 07/05/2023G), the Company's Extraordinary General Assembly agreed to increase the Company's capital from eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510) to one billion, one hundred and twenty-nine million, sixty-two thousand, five hundred and thirteen Saudi Arabian Riyals (SAR 1,129,062,513) by issuing two hundred and seventy million, nine hundred and seventy-five thousand and three (270,975,003) ordinary shares with a nominal value of SAR 1 per share, of which two hundred and thirty-seven million, one hundred and three thousand, one hundred and twenty-eight (237,103,128) shares (representing 21% of the Company's capital after the capital increase) are to be offered for public offering (as shown below) and the remaining thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) shares (representing 3% of the Company's capital after the capital increase), are to be allocated – through the capitalization of thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five Saudi Arabian Riyals (SAR 33,871,875) from retained earnings – to the employees of the Company and its Subsidiaries, according to the long-term incentive scheme, and shall be kept as treasury shares pending transfer of their title to the employees in accordance with the provisions of the long-term incentive scheme (for further information, please refer to Section 4.15.1 ("**Evolution of the Company's Share Capital**") and Section 5.9 ("**Employee Share Program**") of this Prospectus).

The initial public offering (the "**IPO**") is represented in the offering of three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) ordinary shares as follows: (1) the sale of one hundred and one million, six hundred and fifteen thousand, six hundred and twenty-six (101,615,626) current ordinary shares (the "**Sale Shares**") by the Company's current shareholders, on a pro-rata basis according to their ownership percentages in the Company (hereinafter collectively referred to as the "**Selling Shareholders**"), and (2) the issuance of two hundred and thirty-seven million, one hundred and three thousand, one hundred and twenty-eight (237,103,128) new ordinary shares (the "**New Shares**", which, together with the Sale Shares, are referred to as the "**Offer Shares**" and each as an "**Offer Share**") at an offer price of SAR ([•]) per Offer Share (the "**Offer Price**"), with a fully paid nominal value of SAR 1 per share. The Sale Shares shall represent nine percent (9%) and the New Shares shall represent twenty-one percent (21%) of the Issuer's capital when the Offering is completed, totalling thirty percent (30%) of the Issuer's capital after the issuance of the New Shares and the increase of the Company's capital.

Subscription shall be limited to two tranches of investors (hereinafter referred to as the "**Investors**"), as follows:

**Tranche (A): Participating Parties:** This tranche includes the categories that are entitled to participate in the book building process (hereinafter referred to as the "**Book Building Process**") in accordance with the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (the "**Book Building Instructions**") issued by the Capital Market Authority (hereinafter referred to as the "**CMA**"), including investment funds, qualified foreign companies and institutions, investors from Gulf companies and other foreign investors under Swap Agreements (SWAP Agreements) (such categories shall be collectively referred to as the "**Participating Parties**" and each as a "**Participating Party**") (for further details, please see Section 1 ("**Definitions and Abbreviations**") of this Prospectus). The number of Offer Shares initially allocated to Participating Parties shall be three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) Offer Shares, representing one hundred percent (100%) of the Offer Shares. Final allocation shall be after the end of the individual subscription period, noting that in the event of sufficient demand from Individual Subscribers (defined in Tranche (B) below) to subscribe for the Offer Shares allocated to them, the Financial Advisors have the right, in coordination with the Company, to reduce the number of Offer Shares allocated to Participating Parties to three hundred and four million, eight hundred and forty-six thousand, eight hundred and seventy-nine (304,846,879) shares, representing ninety percent (90%) of the total Offer Shares. The Financial Advisors, each as defined in Section 1 ("**Definitions and Abbreviations**"), in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties using the discretionary allocation mechanism. It is possible that certain Participating Parties shall not be allocated any shares, as deemed appropriate by the Company and the Financial Advisors.

**Tranche (B): Individual Subscribers:** This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, where she shall be entitled to subscribe to the Offer Shares for her own benefit, in the names of her minor children, provided that she prove that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, who have a bank account with one of the Receiving Agents and an active stock portfolio with one of the Capital Market Institutions affiliated with the Receiving Agent through which the subscription is to be made. The subscription will be considered invalid in the absence of an active share portfolio account with one of the Capital Market Institutions affiliated to the Receiving Agent through which the subscription is intended. (collectively referred to as the "**Individual Subscribers**", each as an "**Individual Subscriber**" and, together with the Participating Parties, as the "**Subscribers**"). A subscription for shares made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) Offer Shares representing ten percent (10%) of the Offer Shares shall be allocated to Individual Subscribers. If Individual Subscribers do not subscribe for all the Offer Shares allocated to them, the Financial Advisors may, in coordination with the Company, reduce the number of shares allocated to them in proportion to the number of shares to which they subscribed.

The Company's substantial shareholders are the current shareholders of the Company (ADES Investments Holding, with a shareholding of 54.5% pre-Offering, PIF, with a shareholding of 35.5% pre-Offering, and Zamil Group Investment Limited, with a shareholding of 10% pre-Offering), hereinafter referred to as the "**Substantial Shareholders**"). The Sale Shares shall be sold by the current shareholders, who collectively own all of the Company's shares before the Offering (as shown in Table 5.1 (the "**Company's Ownership Structure Before and After the Offering**") of this Prospectus). After completion of the Offering, the Selling Shareholders shall collectively own sixty-seven percent (67 %) of the Company's shares. They shall therefore retain a controlling interest in the Company. ADES Investments Holding will independently own 36.5% of the Company's share and will therefore retain a controlling interest in the Company.

The Offering proceeds (the "**Offering Proceeds**"), after deducting the Offering costs (the "**Net Offering Proceeds**"), shall be provisionally distributed as follows: (1) an amount of [•] Saudi Arabian Riyals ([•]) shall be distributed to the Selling Shareholders on a pro-rata basis, based on their respective ownership percentage of the Sale Shares, and (2) an amount of [•] Saudi Arabian Riyals ([•]) shall be distributed to the Company to reduce part of the Group's outstanding debt and finance the Group's growth strategy in addition to achieving the Company's general objectives (for further details, please see Section 8 ("**Use of Offering Proceeds**") of this Prospectus). The subscription has been fully underwritten by the Underwriters (for further details, please refer to Section 13 ("**Underwriting**") of this Prospectus). The Company's Substantial Shareholders shall be prohibited from disposing of their shares for a period of six months from the date trading of the Company's shares on the Exchange commences (the "**Lock-up Period**"), as indicated in the "**Offering Summary**" section of this Prospectus. After the Lock-up Period, the Substantial Shareholders shall have the right to dispose of their shares (for more information on the Company's current shareholders and their ownership percentages, please see Table 5.1 ("**Company's Ownership Structure Before and After the Offering**") of this Prospectus).

The Offer Shares shall be offered to certain qualified foreign financial institutions outside the United States (by way of Swap Agreements (SWAP Agreements)). Subscription by this category shall take place outside United States territory, in accordance with Regulation "S" issued under the United States Securities Act of 1933G, as amended (the "**US Securities Act**"). The Company's shares have not been, and shall not be, registered under the US Securities Act or under other applicable securities laws in the United States. No Offer Shares may be offered or sold under this Prospectus except in the context of transactions that are exempted from or not subject to any registration requirements under the US Securities Act or the securities laws of any country other than the Kingdom of Saudi Arabia. This Offering shall not constitute an invitation to sell shares or a solicitation to purchase them in any country where this Offering is unlawful or is not permitted.

The Offering Period shall commence on Tuesday 11/03/1445H (corresponding to 26/09/2023G) and shall continue for a period of three days, including the closing day of subscription, ending at the end of the day of 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G) (the "**Offering Period**"). During this period, Individual Subscribers may submit Subscription applications to any of the receiving agents ("**Receiving Agents**") listed on page (x) of this Prospectus, or via the internet, telephone banking or ATMs of the Receiving Agents, or through any other electronic channels provided by the Receiving Agents to their customers during the Offering Period (for further details, please refer to the "**Key Dates and Subscription Procedures**" section and Section 17 ("**Information on the Shares and Offering Terms and Conditions**") of this Prospectus). Participating Parties may subscribe for the Offer Shares through the Bookrunners during the Book Building Process, which takes place prior to the Offering of the shares to Individual Subscribers.

Each individual subscriber who subscribes to the Offer Shares must request a minimum subscription of ten (10) shares. The minimum number of Offer Shares that can be allocated is ten (10) shares, and the maximum number is two hundred and fifty thousand (250,000) shares. The balance of Offer Shares, if any, shall be allocated pro-rata, based on the number of Offer Shares requested by each Individual Subscriber and the total number of Offer Shares requested for subscription. In the event that the number of Subscribers exceeds three million, three hundred and eighty-seven thousand, one hundred and eighty-seven (3,387,187) Subscribers, the Company shall not guarantee the minimum allocation of ten (10) Offer Shares per Subscriber. In this case, allocation shall be determined at the discretion of the Company and the Financial Advisors. Surplus subscriptions, if any, shall be refunded to the Individual Subscribers without any charge or commission being withheld by the Receiving Agents. Final allocation shall be announced on no later than Wednesday 19/03/1445H (corresponding to 04/10/2023G) and surplus (if any) shall be refunded no later than Tuesday 25/03/1445H (corresponding to 10/10/2023G) (for further details, refer to the Subsection "**Allocation of Shares and Refund of Excess Subscription Monies**" under Section 17 ("**Information on the Shares and Offering Terms and Conditions**") of this Prospectus).

The Company has one category of ordinary shares. Each share entitles its holder to one vote, and each Company shareholder shall have the right to attend and vote at meetings of the Company's General Assembly (the "**General Assembly**"). No shareholder shall benefit from any preferential voting rights. The Offer Shares shall entitle holders to receive their portion of any dividends declared by the Company as of the date of this Prospectus and for subsequent financial years (please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).

The Company's shares have not been listed or traded on any stock market inside or outside the Kingdom of Saudi Arabia prior to its public offering. The Company has submitted an application to the CMA for the registration and offering of its shares and an application to the Saudi Exchange ("**Tadawul**" or the "**Exchange**") for the listing of its shares, and this Prospectus has been approved. All required documents have been submitted, all requirements of the relevant authorities have been met, and the necessary official approvals have been obtained to offer the shares. It is expected that trading in the shares shall commence on the Exchange after the final allocation of the shares and satisfaction of the relevant regulatory requirements (please refer to the "**Key Dates and Subscription Procedures**" section of this Prospectus). Saudi Arabian nationals, non-Saudi Arabian nationals holding valid residence permits in the Kingdom, GCC nationals, and companies, banks and investment funds established in the Kingdom and GCC countries will be permitted to trade the shares after the shares are registered with the CMA and listed on the Exchange. Moreover, Qualified Foreign Investors and Foreign Strategic Investors shall be permitted to trade the Offer Shares in accordance with the FSI Rules. Furthermore, non-GCC nationals who are not residents of the Kingdom and non-GCC institutions registered outside the Kingdom shall be permitted to invest indirectly to acquire an economic interest in the shares by entering into Swap Agreements with capital market institutions authorized by the CMA ("**Capital Market Institutions**"). Under such Swap Agreements, the Capital Market Institutions shall be registered as the legal owner of such shares.

Subscription to the Offer Shares involves certain risks and uncertainties. Please refer to the "**Important Notice**" on page (i) and Section 2 ("**Risk Factors**") of this Prospectus for certain factors that should be carefully examined before deciding to subscribe to the Offer Shares.

**Financial Advisors, Bookrunners, Global Coordinators and Underwriters**

EFG Hermes | Goldman Sachs | J.P.Morgan | SNB Capital

**Lead Manager**

SNB Capital

**Receiving Agents**

SNB | alrajhi bank | Riyad Bank | anb

This Prospectus includes information provided as part of the application for registration and offer of securities, according to the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority in the Kingdom of Saudi Arabia (the "**CMA**") and the application for listing of securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and having made all reasonable inquiries, confirm that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Neither the CMA nor the Exchange shall assume any responsibility for the contents of this Prospectus, or make any representations as to its accuracy or completeness and they expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 03/12/1444H (corresponding to 21/06/2023G)

This Red Herring prospectus will be made available to Participating Parties participating in the Book-building process, and does not include the Offer Price. The final version of this Prospectus which will include the Offer Price shall be published after the completion of the Book-building process and the determination of the Offer Price.
This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

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## Important Notice

This Prospectus contains detailed information about the Company and the Offer Shares. When applying for subscription to the Offer Shares, institutional and individual investors shall be treated on the basis that their applications rely on the information contained in this Prospectus, copies of which can be obtained by visiting the websites of the Company (http://www.adesgroup.com/), the Capital Market Authority (www.cma.org.sa), the Saudi Exchange (Tadawul) (www.saudiexchange.sa), or the websites of the Financial Advisors (alahlicapital.com.sa), (https://www.goldmansachs.com/worldwide/saudi-arabia/), (http://www.efghermesksa.com/) and (http://www.jpmorgansaudiarabia.com/).

The Company has appointed EFG Hermes Saudi Arabia ("**Hermes**"), Goldman Sachs Saudi Arabia ("**Goldman Sachs**"), J.P. Morgan Saudi Arabia ("**J.P. Morgan**") and SNB Capital Company ("**SNB Capital**") as its financial advisors (collectively referred to as the "**Financial Advisors**"), global coordinators in relation to the Offering. The Company has also appointed SNB Capital Company as the lead manager (the "**Lead Manager**"). The Company has also appointed Hermes, Goldman Sachs, J.P. Morgan, SNB Capital, GIB Capital, HSBC Saudi Arabia, Al Rajhi Capital and Saudi Fransi Capital as Bookrunners and underwriters (the "**Underwriters**") in relation to the Offering of the Offer Shares described in this Prospectus (for further information, please refer to Section 13 ("**Underwriting**") of this Prospectus).

This Prospectus includes information that has been presented in accordance with the requirements of Rules on the Offer of Securities and Continuing Obligations ("OSCOs") issued by the CMA. The Directors, whose names appear on page (iv), collectively and severally assume full responsibility for the accuracy of the information contained in this Prospectus, and having made all reasonable inquiries, confirm that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries regarding the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relating to the market and sector in which the Company operates is derived from external sources, estimates by the Company's management and publicly available information, data and analyses from publications issued by data, information and news providers. Although neither the Company nor the Directors, Selling Shareholders, Financial Advisors or any of the Company's advisors whose names are shown on pages (vi) to (ix) of this Prospectus have any reason to believe that the information contained in this Prospectus about the market or the sector is materially inaccurate, such information has not been independently verified. Accordingly, there is no acknowledgment or representation that this information is correct or complete.

The information contained in this Prospectus, as of the issue date thereof, is subject to change, in particular the financial position of the Company and the value of the Offer Shares, which may adversely be affected by future developments such as inflation, interest rates, taxation or any economic, political or other factors over which the Company has no control (for further information, refer to Section 2 ("**Risk Factors**") of this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be or should be construed as or relied upon in any way as a promise, affirmation or representation as to future earnings, results or future events of the Company.

This Prospectus may not be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, or its advisors to participate in the subscription. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Before making any investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice regarding the subscription from a financial advisor licensed by the CMA to assess the suitability of the information contained in this Prospectus to their objectives, financial circumstances and investment needs. They must rely on their own review of the Company and the suitability of the investment opportunity and the information contained in this Prospectus to their own objectives, circumstances and financial needs, including the advantages and risks associated with investing in this subscription. Investment in the Offer Shares may be appropriate for some investors but not others. Therefore, prospective investors must not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity or on such investors' individual circumstances.

This subscription shall be limited to (A) Participating Parties: this tranche includes the categories that are entitled to participate in the Book Building Process, including investment funds, qualified foreign companies and institutions, GCC corporate investors and other foreign investors under Swap Agreements (for further details, refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus), and (b) Individual Subscribers: this tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe for her own benefit in the names of her minor children, provided that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who have a bank account with one of the Receiving Agents and an active stock portfolio with one of the Capital Market Institution affiliated with the Receiving Agent through which the subscription is being made. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription shall be considered void and only the first subscription shall be accepted.

This Prospectus shall not constitute an offer to sell or a request of an offer to purchase any of the Offer Shares by any person in any country where the law in force in such country does not permit such person to make such an offer or request. These Offer Shares shall be offered outside the United States through transactions outside United States territory in accordance with Regulation S.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares in any country other than the Kingdom of Saudi Arabia, with the exception of qualified foreign institutions and/or foreign investors through Swap Agreements. The Company and its Financial Advisors ask all recipients of this Prospectus to review all legal and regulatory restrictions relevant to the Offering and sale of the shares and to comply with all such restrictions. Each qualified Individual Investor and Participating Party should read the entire Prospectus and seek advice from lawyers, financial advisors and other professional advisors concerning the legal, tax, regulatory and economic considerations relating to their investment in the shares, and shall be responsible for the fees related to such advice received from lawyers, accountants and other advisors on all issues related to an investment in the Company's shares. No assurances can be made that profits will be achieved.

Neither the Financial Advisors nor the Bookrunners or any of their subsidiaries, board members, directors or employees shall have any responsibility with respect to the contents of this Prospectus. Accordingly, the Financial Advisors and Bookrunners and their subsidiaries, board members, managers and employees disclaim all forms of liability that they may have in relation to this Prospectus, to the maximum extent permitted under the applicable regulations.

The Financial Advisors and Bookrunners work exclusively for the Company and not for any other person in connection with the Offering. No other person (whether a recipient of this Prospectus or not) shall be considered one of their customers in connection with the Offering, nor shall any of them be liable to any person, other than the Company, for the provision of the protections granted to their customers or for the provision of advice in relation to the Offering or any transaction or arrangement referred to in this Prospectus.

Potential investors further acknowledge that: (1) they have not relied on the Financial Advisors or Bookrunners or any person related to any of them in relation to any verification of the accuracy of any information contained in this Prospectus or in connection with their investment decision, (2) they have unilaterally relied on the information contained in this Prospectus and (3) no person has been authorized to provide any information or undertaking concerning the Company or the Offer Shares (other than as included in this Prospectus), and that in the event such authorization is given or issued, any other such information or undertaking shall not be relied upon as approved by the Company, the Financial Advisors or the Bookrunners.

## Market and Sector Data

The information related to the sector in which the Company operates included in this Prospectus has been provided by the Market Consultant (Westwood Global Energy).

The information included in Section 3 of this Prospectus is based on the original market report prepared by the Market Consultant. This report has been created exclusively for the Company, and the information included therein is dated 1 February 2023G. The Market Consultant is an independent outside company and a leading provider of market information and business analysis for the global energy industry. The global oil and gas exploration industry is one of the Market Consultant's areas of expertise, and the relevant information in the market report was obtained from the Market Consultant's industry-leading databases covering the world's onshore and offshore drilling fleets. More information about the Market Consultant is available at www.westwoodenergy.com.

The Market Consultant has prepared the market report in a completely independent manner, and the information and analyses included therein reflects its views on the market as of the date it prepared the report. The Market Consultant has taken sufficient care in preparing this report to ensure the accuracy and completeness of the information contained therein. However, industry and market data is constantly developing and subject to change due to restrictions on the availability of public information, particularly information related to the Company's competitors and customers.

Neither the Market Consultant nor any of its subsidiaries, affiliates, partners, shareholders, directors, officers or relatives own any shares or any interest whatsoever in the Company. As of the date of this Prospectus, the Market Consultant has given its written approval to the use of its name and logo in the manner and form shown in this Prospectus.

The market report includes forward-looking statements and opinions made by the Market Consultant regarding the direction of the oil and gas industry and the onshore and offshore exploration industry. These opinions are derived from the databases and expertise of the Market Consultant. Key assumptions underlying forward-looking data include views on future oil and gas demand and commodity prices. In addition to proprietary data, the Market Consultant has also used a number of publicly available data points published by internationally recognized institutions such as OPEC, the International Monetary Fund and the World Bank.

## Financial Information

The consolidated special purpose financial statements of the Group, as at and for the financial years ended 31 December 2020G, 2021G and 2022G and the accompanying notes thereto have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and publications that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as the "IFRS endorsed in the Kingdom of Saudi Arabia"), in accordance with the Companies Law and the Group's Bylaws. These financial statements have been audited by the Group's Auditor, Ernst & Young Professional Services (Professional LLC) ("**EY**") as stated in their report, included elsewhere in the Prospectus.

The unaudited interim condensed consolidated financial statements of the Group as at and for the three-months period ended 31 March 2023G, and as at and for the six-months period ended 30 June 2023G, and the accompanying notes thereto have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA. These unaudited interim condensed consolidated financial statements of the Group have been reviewed by EY as stated in their review reports included elsewhere in the Prospectus.

These financial statements have been included in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus. The Company prepares its financial statements in Saudi Arabian Riyals.

The financial and statistical information included in this Prospectus has been rounded to the nearest whole number. Therefore, if the figures contained in the Prospectus are rounded, there may be a slight difference when compared to the numbers mentioned in the consolidated financial statements, and some of the amounts presented in this Prospectus may not match or be consistent with the financial information included in any other section of this Prospectus. In cases where the amounts in this Prospectus are converted from USD to SAR, the exchange rate used is SAR 3.75 for every USD 1 for convenience translation purpose. These SAR figures have not been subject to audit or review.

## Forecasts and Forward-looking Statements

The forecasts contained in this Prospectus have been prepared on the basis of assumptions based on Company information according to its market experience and on publicly available market information. Future operating conditions may differ from the assumptions used. Accordingly, no affirmation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that every professional care has been taken in preparing the statements contained in this Prospectus. Certain forecasts in this Prospectus constitute "**forward-looking statements**" and these statements can generally be identified by their use of words such as "intends," "estimates," "believes," "expects," "may," "will," "should," "expected," "would be," "believed" or the negative thereof, or other similar terms or comparable terminology. These statements reflect the current views of the Company and its Management with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from the expected results, performance or achievements that may be expressed or implied by such statements. Some of the risks and factors that could cause this are described in more detail in other sections of this Prospectus (please refer to Section 2 ("**Risk Factors**") of this Prospectus). Should any one or more of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, the Company's actual results may materially vary from those described, expected, estimated or planned in this Prospectus.

Subject to the requirements of the OSCOs, the Company shall submit a supplementary prospectus if, at any time after the date of publication of the Prospectus and prior to the completion of the Offering, the Company finds that: (a) there has been a significant change in any material information included in this Prospectus or any document required by the OSCOs, or (b) any significant additional matters that should have been included in this Prospectus have emerged. Except in the aforementioned cases, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks, uncertainties and assumptions, the forecast of future events and conditions set out in this Prospectus may not occur as anticipated by the Company or may not occur at all. Subscribers must consider all forward-looking statements in light of these explanations and should not place undue reliance on them.

## Certain Provisions

Certain figures and percentages included in this Prospectus have been rounded to the nearest whole number. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the arithmetic sum of the numbers that precede them.

# Company Directory

## Members of the Board of Directors:

**Table (1): Members of the Board of Directors**

| No. | Name | Position | Nationality | Age | Date of Appointment* | Direct Ownership Percentage | | Indirect Ownership Percentage | | Status |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Pre-Offering | Post-Offering | Pre-Offering | Post-Offering | |
| 1. | Ayman Mamdouh Mohamed Fathi Abbas | Chairman | Egypt | 48 years | 26 December 2022G | N/A | N/A | 6.99%[1] | 4.68% | Non-Independent / Non-Executive |
| 2. | Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq | Vice Chairman | Egypt | 54 years | 26 December 2022G | N/A | N/A | 5.89%[2] | 3.95% | Non-Independent / Executive |
| 3. | Meteb Mohamed Saad Al Shathri | Director | Saudi | 37 years | 9 March 2023G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 4. | Fadi Adel Mohamed Al Saeed | Director | Jordan | 42 years | 9 March 2023G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 5. | Hatem Ahmed Al Sayed Suleiman | Director | Egypt | 65 years | 26 December 2022G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 6. | Abdulrahman Khalid Abdullah Al Zamil | Director | Saudi | 37 years | 26 December 2022G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 7. | Vacant** | Director | - | - | - | - | - | - | - | Independent / Executive |
| 8. | Vacant** | Director | - | - | - | - | - | - | - | Independent / Executive |
| 9. | Vacant** | Director | - | - | - | - | - | - | - | Independent / Non-Executive |

* The dates listed in this table are the dates of appointment of each member of the Board of Directors for the current session. The Directors' CVs indicate the start date of their appointment to any other position within the Group companies prior to these positions or other current positions (for further information, please refer to Section 5 ("**Ownership Structure and Organizational Structure**") of this Prospectus).

** As of the date of this Prospectus, the Board has three vacant seats, to be filled by electing three independent Directors after Listing. For more details on the undertakings related to the election of Board Directors to the vacant Board seats, please refer to Section 5.8 ("**Corporate Governance**") and Section 15 ("**Post-Listing Undertakings**").

1 Ayman Mamdouh Mohamed Fathi Abbas indirectly owns 6.99% of the shares of the Company before the Offering, through his ownership of 20% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares.

2 Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq indirectly owns 5.89% of the shares of the Company before the Offering, through his ownership of 10% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares, and his ownership of 100% of Misk Holding Ltd., which owns 4.4% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares.

## Company's Address and Representatives

### Company Address

**ADES Holding**
Address: 7429 Prince Turki Street, Corniche District
Al Khobar 2203
Kingdom of Saudi Arabia
Tel: + 966138499904
Fax: + 9660133313331
Website: www.adesgroup.com
Email: project.cheetah@adesgroup.comproject.cheetah@adesgroup.com

### Company Representatives

**Ayman Mamdouh Fathi Abbas**
Chairman
7429 Prince Turki Street, Corniche District
Al Khobar 2203
Kingdom of Saudi Arabia
Tel: + 966138499904 / 100000
Fax: + 9660133313331
Website: www.adesgroup.com
Email: ayman.abbas@adesgroup.com

**Hussein Mohamed Abdul Salam Hassan Badawy**
Group CFO
7429 Prince Turki Street, Corniche District
Al Khobar 2203
Kingdom of Saudi Arabia
Tel: + 966138499901 / 100100
Fax: + 9660133313331
Website: www.adesgroup.com
Email: Hussein.Badawy@adesgroup.com

### Board Secretary

**Name: Morcos William Faltaous Ekladious**
Address: 7249 Prince Turki Street, Corniche District
Al Khobar 2203
Kingdom of Saudi Arabia
Tel: + 201200777721
Fax: + 9660133313331
Website: www.adesgroup.com
Email: morcos.william@adesgroup.com

### Stock Exchange

**Saudi Exchange Company**
King Fahd Road - Al Olaya 6897
Unit No.: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 92 000 1919
Fax: +966 11 218 9133
Website: www.saudiexchange.sa
Email: csc@tadawul.com.sa

### Share Registrar

**Securities Depository Center Company (Edaa)**
King Fahd Road - Al Olaya 6897
Unit No.: 11
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966920026000
Website: www.edaa.com.sa
Email: cc@edaa.com.sa

## Advisors

**Financial Advisors, Bookrunners, Global Coordinators and Underwriters**

**EFG Hermes KSA**
Third Floor, North Tower, Sky Towers, King Fahd Road
P.O. Box 300189, Riyadh 11372
Kingdom of Saudi Arabia
Tel: +966012938048
Fax: 966012938032
Website: www.efghermesksa.com
Email: EFG_ProjectCheetah@efg-hermes.com

**Goldman Sachs Saudi Arabia**
Floor 25, Kingdom Tower
P.O. Box 52969
Riyadh 11573
Kingdom of Saudi Arabia
Tel: +966112794800
Fax: +966112794807
Website: www.goldmansachs.com/worldwide/saudi-arabia/
Email: gs-ProjectCheetah@gs.com / gs-ProjectCheetah-Core@gs.com

**J.P. Morgan Saudi Arabia**
Floor 8, Al-Faisaliah Tower
King Fahd Road
P.O. Box 51907
Riyadh 11553
Kingdom of Saudi Arabia
Tel: +966 11 2993854
Fax: +966 11 2993840
Website: www.jpmorgansaudiarabia.com
Email: Cheetah_JPM_CORE@jpmorgan.com

**SNB Capital Company**
SNB Regional Building
King Saud Road
P.O. Box 22216
Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 (92) 0000232
Fax: +966 (11) 4060052
Website: www.alahlicapital.com
Email: snbc.cm@alahlicapital.com

**Lead Manager**

**SNB Capital Company**
SNB Regional Building
King Saud Road
P.O. Box 22216
Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966 (92) 0000232
Fax: +966 (11) 4060052
Website: www.alahlicapital.com
Email: snbc.cm@alahlicapital.com

| Institutional Bookrunners and Underwriters | |
|---|---|
| | **GIB Capital**<br>4th Floor, Low Rise Building B-1<br>Granada Business & Residential Park<br>Eastern Ring Road<br>P.O. Box 89589<br>Riyadh 11673<br>Kingdom of Saudi Arabia<br>Website: www.gibcapital.com<br>Email: cheetah.gibc@gibcapital.com |
| | **HSBC Saudi Arabia**<br>HSBC Building, 7267<br>Olaya Street (North)<br>Al Murooj<br>Riyadh 2255 - 12283<br>Kingdom of Saudi Arabia<br>Website: www.hsbc.saudi.com<br>Email: ADESIPO@hsbcsa.com |
| | **Al Rajhi Capital**<br>8092 King Fahad Road<br>Al Murooj<br>P.O. Box 5561<br>Riyadh 11432<br>Kingdom of Saudi Arabia<br>Website: www.alrajhi-capital.com<br>Email: projectcheetah@alrajhi-capital.sa |
| | **Saudi Fransi Capital**<br>8092 King Fahad Road,<br>4th Floor, Legend Tower<br>3735 – Riyadh 12313<br>Kingdom of Saudi Arabia<br>Website: www.sfc.sa<br>Email: project.cheetah@alfransi.com.sa |

| Legal Advisor to the Issuer | |
|---|---|
| | **Fahad Abuhimed, Majed Al Sheikh, Mansour Al Hagbani and Clifford Chance Law Firm**<br>Building 15<br>Economic Gate<br>King Khalid International Airport Road<br>P.O. Box 90239 Riyadh 11613<br>Kingdom of Saudi Arabia<br>Tel: +966114819700<br>Fax: +966 11 481 9701<br>Website: www.ashcliffordchance.com<br>Email: Project.Cheetah@ashlawksa.com |

**Legal Advisor for the Offering outside the KSA**

**Clifford Chance LLP**
ICD Brookfield Place, 32nd Floor
Dubai International Financial Centre
P.O. Box 9380 Dubai
United Arab Emirates
Tel: + 97145032600
Fax: + 97145032800
Website: www.cliffordchance.com
Email: CCProjectCheetah@CliffordChance.com

**Legal Advisor to the Financial Advisors, Lead Managers, Bookrunners and Underwriters**

**Law Firm of Waad Nasser Alkurini**
The Business Gate, Building No. 26, Zone C
Airport Road
P.O. Box 1080, Riyadh 11431
Kingdom of Saudi Arabia
Tel: +966 (11) 4167300
Fax: +966 (11) 4167399
Website: www.alkurinilaw.com
Email: ProjectCheetahWC@whitecase.com

**Legal Advisor to the Financial Advisors, Bookrunners and Underwriters for the Offering outside the KSA**

**White & Case LLP**
ICD Brookfield Place
Al Mustaqbal St.,
DIFC,
P.O. Box 9705
Dubai
United Arab Emirates
Tel: +971(4)3816200
Website: www.whitecase.com
Email: ProjectCheetahWC@whitecase.com

**Legal Advisor to the Company regarding the restructuring of the Group inside the KSA**

**Abdullah Medallah Law Firm, advising on private investments and projects**
Khobar Gate Tower, 22nd Floor, King Fahd Road, Al Bandariya District,
Al Khobar 34424, Kingdom of Saudi Arabia
Tel: +966138115518
Fax: +966112734730
Website: www.knlaw.com
Email: info@knlaw.com

| Legal Advisor to the Company regarding the restructuring of the Group for the Offering outside the KSA | |
|---|---|
| | **KN Legal LLP**<br>One Allen Center, 500 Dallas Street, 13th Floor, Office 1350<br>Houston, Texas 77002, United States<br>Tel: +966138115518<br>Fax: +966112734730<br>Website: www.knlaw.com<br>Email: info@knlaw.com |
| **The Company's Advisor** | |
| | **Lazard Saudi Arabia**<br>Al Nakheel Tower, 15th Floor, King Fahd Road<br>P.O. Box 88425, Riyadh 12381<br>Kingdom of Saudi Arabia<br>Tel: +966114342615<br>Fax: +966114347333<br>Email: www.lazard.com/about-lazard/locations/saudi-arabia |
| **Financial Due Diligence Advisor** | |
| | **PricewaterhouseCoopers Chartered Accountants**<br>Floors 21, 24 & 56, Kingdom Tower, King Fahd Road<br>P.O. Box 8282, Riyadh 11482<br>Kingdom of Saudi Arabia<br>Tel: +966112110400<br>Fax: +966112110401<br>Website: www.pwc.com<br>Email: mer_project_cheetah@pwc.com |
| **Market Consultant** | |
| | **Westwood Global Energy**<br>Mindspace, Metro Building, 1 Butterwick, Hammersmith<br>W6 8DL, United Kingdom<br>Tel: +44 (0) 20 3794 5380<br>Fax: N/A<br>Website: www.westwoodenergy.com<br>Email: consulting@westwoodenergy.com |
| **Auditor** | |
| | **Ernst & Young Professional Services (Professional LLC)**<br>Al Faisaliyah Tower, Floor 14<br>King Fahd Road<br>P.O. Box 2732, Riyadh, 11461, Kingdom of Saudi Arabia<br>Tel: +966112159898<br>Fax: +966112734730<br>Website: www.ey.com/en_us<br>Email: ey.ksa@sa.ey.com |

**Note:** As of the date of this Prospectus, the above-mentioned Advisors and Auditor have given and have not withdrawn their written consent to the reference to their names, addresses, logos and the publication of their statements or report (as the case may be) in this Prospectus, in the form included therein, and do not themselves, their employees (from the engagement team serving the Company), or any of their relatives have any shares or interest of any kind in the Company or any of its Subsidiaries, as of the date of this Prospectus which would impair their independence.

## Receiving Agents

| | |
|---|---|
| | **Saudi National Bank**<br>King Fahd Road, Al-Aqiq District, King Abdullah Financial District<br>P.O. Box 3208 Unit No.: 778<br>Kingdom of Saudi Arabia<br>Tel: +966(92)0001000<br>Fax: +966(11)4060052<br>Website: www.alahli.com<br>Email: contactus@alahli.com |
| | **Al Rajhi Bank**<br>King Fahd Road, Al-Morouj District, Al-Rajhi Bank Tower<br>Riyadh 11411<br>Kingdom of Saudi Arabia<br>Tel: +966(11)828 2515<br>Fax: +966(11)279 8190<br>Website: www.alrajhibank.com.sa<br>Email: contactcenter1@alrajhibank.com.sa |
| | **Riyad Bank**<br>Eastern Ring Road<br>P.O. Box 22622<br>Riyadh 11614<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 401 3030<br>Fax: +966 (11) 403 0016<br>Website: www.riyadbank.com<br>Email: customercare@riyadbank.com |
| | **Arab National Bank**<br>King Faisal Road - Murabba District - Unit No. 1<br>P.O. Box 56921 Riyadh 11564<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 4029000<br>Fax: +966 (11) 4039044<br>Website: www.anb.com.sa |

## OFFERING SUMMARY

This Offering summary is intended to provide a brief overview of the information included in this Prospectus. As such, it does not include all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision by prospective investors related to investing in the Offer Shares must be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the contents of the "**Important Notice**" section on page (i) and Section 2 ("**Risk Factors**") of this Prospectus prior to making any investment decision in relation to the Offer Shares.

<table>
<tr><td>The Company</td><td> ADES Holding Company (hereinafter referred to as the "Company" or the "Issuer") is a Saudi mixed closed joint stock company under Commercial Registration No. 2051245446 dated 04/06/1444H (corresponding to 28/12/2022G). Its establishment was licensed under Ministerial Resolution No. 1415 dated 25/05/1444H, and its headquarters is at 7429 Prince Turki Street, Corniche District, Al Khobar 2203, Kingdom of Saudi Arabia. The history of the Group dates back to 2002G, when its first subsidiary, ADES Egypt, was established. The Group operates through its branches and subsidiaries incorporated in various countries, including the following: (1) the Kingdom, (2) Kuwait, (3) the United Arab Emirates, (4) Egypt, (5) the Cayman Islands, (6) Bermuda, (7) Cyprus, and (8) Liberia. The Company directly and wholly owns one subsidiary, ADES International, which is a private limited holding company established in Dubai International Financial Center in 2016G. It directly and indirectly owns all the 22 Subsidiaries of the Group. (for further information on the incorporation of the Group and its Subsidiaries, please refer to Section 4.2 ("The Structure of the Group") and Section 12.4 ("Subsidiaries") of this Prospectus). </td></tr>
<tr><td>The Company's Activity</td><td> The Company's main activity is managing its Subsidiaries, investing the funds of its Subsidiaries, owning the properties and movables necessary to carry out its activity, providing loans, guarantees and financing to its Subsidiaries, owning industrial property rights of the Subsidiaries and leasing industrial property rights to its Subsidiaries or third parties. The Group's main activities are as follows: 1- Contracting services for excavation and maintenance of onshore and offshore wells.<br>2- Services related to oil extraction.<br>3- Excavation and onshore and offshore maintenance services.<br>4- Provision of contracted offshore and onshore excavation services.<br>5- Provision of maintenance and production services. For further details about the Group's activities and the nature of its business, please refer to Section 4 ("The Company") and Section 12 ("Legal Information") of this Prospectus. </td></tr>
<tr><td>Substantial Share-holders</td><td> The following table shows the names of the Substantial Shareholders and their ownership percentage at the Company before and after the Offering:
<table>
<tr><th rowspan="2">No.</th><th rowspan="2">Shareholder</th><th colspan="3">Pre-Offering</th><th colspan="3">Post-Offering</th></tr>
<tr><th>Number of Shares</th><th>Nominal Value (SAR)</th><th>Ownership Percentage</th><th>Number of Shares</th><th>Nominal Value (SAR)</th><th>Ownership Percentage</th></tr>
<tr><td>1.</td><td>ADES Investments Holding</td><td>467,657,690</td><td>467,657,690</td><td>54.5%</td><td>412,277,174</td><td>412,277,174</td><td>36.5%</td></tr>
<tr><td>2.</td><td>PIF</td><td>304,621,070</td><td>304,621,070</td><td>35.5%</td><td>268,547,522</td><td>268,547,522</td><td>23.8%</td></tr>
<tr><td>3.</td><td>Zamil Group Investment Limited</td><td>85,808,750</td><td>85,808,750</td><td>10%</td><td>75,647,188</td><td>75,647,188</td><td>6.7%</td></tr>
<tr><td>4.</td><td>Total</td><td>858,087,510</td><td>858,087,510</td><td>100%</td><td>756,471,884</td><td>756,471,884</td><td>67%</td></tr>
</table></td></tr>
<tr><td>The Company's Capital Before and After the Offering</td><td>Eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510).</td></tr>
<tr><td>The Company's Capital (After the Capital Increase)</td><td>One billion, one hundred and twenty-nine million, sixty-two thousand, five hundred and thirteen Saudi Arabian Riyals (SAR 1,129,062,513).</td></tr>
<tr><td>Total Number of the Company's Shares (as of the Date of the Prospectus)</td><td>Eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) shares.</td></tr>
</table>

| | |
|---|---|
| **Total Number of the Company's Shares (After the Capital Increase)** | One billion, one hundred and twenty-nine million, sixty-two thousand, five hundred and thirteen (1,129,062,513) shares. |
| **Nominal Value per Share** | SAR 1 per share. |
| **Offering** | Offering of three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) ordinary shares of the Company's total capital, as follows:<br>(1) sale of one hundred and one million, six hundred and fifteen thousand, six hundred and twenty-six (101,615,626) current shares (the "**Sale Shares**"),<br>(2) issuance of two hundred and thirty-seven million, one hundred and three thousand, one hundred and twenty-eight (237,103,128) new shares (the "**New Shares**") (referred to with the Sale Shares as the "**Offer Shares**" and each as an "**Offer Share**")<br>through public offering at an offer price of SAR ([•]) per share (the "**Offer Price**"), with a fully paid nominal value of SAR 1 per share. The Sale Shares represent nine percent (9%) and the New Shares represent twenty-one percent (21%) of the issued capital upon completion of the Offering, totalling thirty percent (30%) of the issued capital (after issuance of the New Shares and the Company's capital increase). |
| **Total Number of Offer Shares** | Three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) shares. |
| **Ratio of Offer Shares to the Total Issued Shares** | The Offer Shares represent 30% of the Company's shares after completion of the Offering, and 39.5% of the Company's shares before the Offering. |
| **Treasury Shares** | Thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) new shares to be issued by capitalizing thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five Saudi Arabian Riyals (SAR 33,871,875) (representing 3% of the issued capital after the increase) of retained earnings - in conjunction with the Offering - to the employees of the Company and its Subsidiaries according to the long-term incentives plan. These shall be maintained as treasury shares until they are transferred to the employees in accordance with the provisions of the long-term incentives plan. For further details, please refer to Section 5.9 ("**Employee Share Program**") of this Prospectus. |
| **Offer Price** | SAR [•] per share. |
| **Total Value of the Offering** | SAR [•]. |
| **Use of Offering Proceeds** | The Net Offering Proceeds of SAR ([•]) will be provisionally distributed after deducting the Offering expenses, which are estimated at approximately SAR 102,000,000 (excluding VAT), as follows: (1) [•] Saudi Arabian Riyals (SAR [•]) will be distributed to the Selling Shareholders pro rata based on their shareholding in the Sale Shares that will be sold during the Offering Period; and (2) [•] Saudi Arabian Riyals (SAR [•]) shall be distributed to the Company to reduce part of the Group's outstanding debt and finance the Group's growth strategy in addition to achieving the Company's general objectives. For further details, please refer to Section 8 ("**Use of Offering Proceeds**") of this Prospectus. In the event that there is a surplus in the Net Offering Proceeds, the Company will use the surplus to repay the remaining debts owed by the Company. In the event that there is a shortage in the Net Offering Proceeds, the Company intends to use its internal resources to cover the shortage. |
| **Number of Offer Shares to be Under-written** | Three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) ordinary shares. |
| **Total Value of the Offering to be Un-derwritten** | SAR [•]. |
| **Targeted Investors** | (A) Participating Parties: This tranche includes the parties entitled to participate in the Book Building Process, including investment funds, qualified foreign companies and institutions, investors from GCC companies, and other foreign investors under Swap Agreements (SWAP Agreements) (for further details, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus); and (B) Individual Subscribers: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, and any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. |

| Total Number of Offer Shares for Each Targeted Investor Category | |
|---|---|
| **Number of Offer Shares for Participating Parties** | Three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) shares, representing 100% of total Offer Shares. If there is sufficient demand from Individual Subscribers and the Participating Parties subscribe for all the Offer Shares allocated thereto, the Financial Advisors may, in coordination with the Company, reduce the number of shares allocated to Participating Parties to three hundred and four million, eight hundred and forty-six thousand, eight hundred and seventy-nine (304,846,879) shares, representing 90% of total Offer Shares. [•] ordinary shares, representing [•]% of the total number of Offer Shares, have been provisionally allocated to public funds. It should be noted that in the event that there is sufficient demand from Individual Subscribers to subscribe to the Offer Shares, the Bookrunner shall have the right to reduce the number of shares allocated for public funds to a minimum of [•] ordinary shares, representing [•]% of the total number of Offer Shares after completion of the subscription process for Individual Subscribers. |
| **Number of Offer Shares for Individual Subscribers** | Thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) shares maximum, representing 10% of the total Offer Shares. |
| **Subscription Method for Each Targeted Investor Category** | |
| **Subscription Method for Participating Parties** | Participating Parties, as defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus, may apply for subscription. The Bookrunner will provide Subscription Application Forms to Participating Parties during the Book Building Process. After initial allocation, the Bookrunner will provide Subscription Application Forms to Participating Parties, which they must complete in accordance with the instructions mentioned in Section 17 ("**Information on the Shares and Offering Terms and Conditions**") of this Prospectus. |
| **Subscription Method for Individual Subscribers** | Subscription Application Forms will be available during the Offering Period on the Receiving Agents' websites. Subscription Application Forms must be completed in accordance with the instructions mentioned in Section 17 ("**Information on the Shares and Offering Terms and Conditions**") of this Prospectus. Individual Subscribers who have participated in a previous subscription may subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents, via any other electronic channels provided by the Receiving Agents to their customers, or through any Receiving Agent branch that provides this service to its customers provided that (1) the investor has a bank account at a Receiving Agent that offers such services, (2) there have been no changes in the personal information or data of the Individual Subscriber since the Subscriber last participated in a recent offering.<br>In addition to the foregoing, all Individual Subscribers, whether they are Saudi or GCC nationals or others, must have an active stock portfolio at a Capital Market Institution affiliated with the Receiving Agent through which the subscription is being made.<br>All Individual Subscribers must comply with the above terms. Subscriptions in violation of the above-mentioned terms will be rendered void, including not having an active stock portfolio with one of the Capital Market Institutions affiliated with the Receiving Agent through which the subscription is being made. In such case, the subscription application will be rejected and the amounts paid in connection with the rejected application will be refunded. |
| **Minimum Number of Offer Shares that can be Subscribed to by Each Targeted Investor Category** | |
| **Minimum Number of Offer Shares that can be Subscribed to by Participating Parties** | One hundred thousand (100,000) shares. |
| **Minimum Number of Offer Shares that can be Subscribed to by Individual Subscribers** | Ten (10) shares. |
| **Value of the Minimum Number of Offer Shares that can be Subscribed to by Each Targeted Investor Category** | |
| **Value of the Minimum Number of Offer Shares that can be Subscribed to by Participating Parties** | SAR [•]. |
| **Value of the Minimum Number of Offer Shares that can be Subscribed to by Individual Subscribers** | SAR [•]. |

| Maximum Number of Offer Shares that can be Subscribed to by Each Targeted Investor Category | |
|---|---|
| **Maximum Number of Offer Shares that can be Subscribed to by Participating Parties** | Fifty-six million, four hundred and fifty-three thousand, one hundred and twenty-five (56,453,125) shares. |
| **Maximum Number of Offer Shares that can be Subscribed to by Individual Subscribers** | Two hundred and fifty thousand (250,000) shares. |
| **Value of the Maximum Number of Offer Shares that can be Subscribed to by Each Targeted Investor Category** | |
| **Value of the Maximum Number of Offer Shares that can be Subscribed to by Participating Parties** | SAR [•]. |
| **Value of the Maximum Number of Offer Shares that can be Subscribed to by Individual Subscribers** | SAR [•]. |
| **Allocation Method and Refund of Excess Subscription Monies for Each Targeted Investor Category** | |
| **Allocation of Shares to Participating Parties** | The initial allocation of the Offer Shares will be made as the Financial Advisors deem appropriate in coordination with the Company, using the discretionary share allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares, as deemed appropriate by the Company and the Financial Advisors. The number of Offer Shares to be initially allocated to Participating Parties will be three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) shares, representing one hundred percent (100%) of the total number of Offer Shares, with the final allocation made after the end of the subscription period for Individual Subscribers. In the event that Individual Subscribers subscribe to all the Offer Shares allocated thereto, the Financial Advisors shall have the right to reduce the number of Offer Shares allocated to Participating Parties to three hundred and four million, eight hundred and forty-six thousand, eight hundred and seventy-nine (304,846,879) shares, representing ninety percent (90%) of the total Offer Shares after completion of the Individual Subscribers subscription process. [•] ordinary shares, representing [•] % of the total number of Offer Shares, have been provisionally allocated to public funds. It should be noted that in the event that there is sufficient demand from Individual Subscribers to subscribe to the Offer Shares, the Bookrunner shall have the right to reduce the number of shares allocated for public funds to a minimum of [•] ordinary shares, representing [•]% of the total number of Offer Shares after completion of the subscription process for Individual Subscribers. |
| **Allocation of Offer Shares to Individual Subscribers** | Offer Shares are expected to be allocated no later than Wednesday 19/03/1445H (corresponding to 04/10/2023G). The minimum number of Offer Shares that can be allocated is ten (10) shares per Subscriber, while the maximum number is two hundred and fifty thousand (250,000) shares. The balance of Offer Shares, if any, shall be allocated pro-rata, based on the number of Offer Shares requested by each Individual Subscriber and the total number of Offer Shares requested for subscription. In the event that the number of Individual Subscribers exceeds three million, three hundred and eighty-seven thousand, one hundred and eighty-seven (3,387,187) subscribers, the Company will not guarantee the minimum allocation of ten (10) Offer Shares per Individual Subscriber. In such case, the allocation of Offer Shares to Individual Subscribers will be determined at the discretion of the Company and the Financial Advisors. |

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| **Refund of Excess Subscription Monies** | Excess subscription monies, if any, will be refunded to Subscribers without any deduction, charge or amount being withheld by the Lead Managers or Receiving Agents. Notice of final allocation will be made on no later than Wednesday 19/03/1445H (corresponding to 04/10/2023G) and excess subscription monies, if any, will be refunded on later than Tuesday 25/03/1445H (corresponding to 10/10/2023G) (please refer to Section 17 ("**Information on the Shares and Offering Terms and Conditions - Allocation of Shares and Refund of Excess Subscription Monies**") of this Prospectus). |
| **Offering Period** | The Offering Period will commence on Tuesday 11/03/1445H (corresponding to 26/09/2023G) and will continue for three days, including the closing day of subscription, ending at the end of 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G). |
| **Entitlement to Dividends** | Holders of Offer Shares will be entitled to their portion of any dividends declared by the Company as of the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus). |
| **Voting Rights** | The Company has one category of ordinary shares, which do not give any shareholders any preferential rights. Each share entitles its holder to one vote and each shareholder has the right to attend and vote at meetings of the General Assembly (please refer to Subsection 12.13 ("**Summary of the Company's Bylaws**") and Subsection 12.14 ("**Description of the Shares**") of Section 12 ("**Legal Information**") of this Prospectus). Any shareholder of the Company may, under a written proxy, appoint another natural person, whether a shareholder of the Company or not, provided that they are not a member of its Board, to attend a meeting of the General Assembly or Special Assembly and vote on its agenda items on their behalf. |
| **Lock-up Period/ Restrictions on the Shares** | The Substantial Shareholders are subject to a lock-up period of six (6) months, starting from the date of trading of the Company's shares on the Exchange commences. During this period, the Substantial Shareholders may not dispose of any of their shares. After the end of the Lock-up Period, the Substantial Shareholders may dispose of their shares without prior approval from the CMA.<br>It should be noted that ADES Investments Holding entered into a credit facilities agreement with Mauritius Commercial Bank Ltd in its capacity as lender and security agent, under which 54,856,746 shares, representing 6.39% of the total shares (amounting to 467,657,690 shares) owned by ADES Investments Holding in the Company prior to the Offering, were pledged in accordance with a pledge agreement concluded between ADES Investments Holding and Mauritius Commercial Bank Ltd. It should be noted that the credit facilities agreement related to the pledge agreement provides for the automatic cancellation of the facilities as soon as the Company is listed, and all due amounts shall become payable immediately. ADES Investments Holding shall use its share of the offering proceeds to repay the loan and all financial liabilities. Accordingly, the pledge over the pledged shares of ADES Investments Holding in the Company shall be lifted upon the Listing of the Company on the Exchange. |
| **Listing and Trading of the Shares** | Prior to the public offering, the Company's shares have not been listed in the KSA or elsewhere. The Company has submitted an application to the CMA for the registration and offering of the Offer Shares and an application to the Saudi Exchange (Tadawul) for the listing of the shares, and all official approvals required to conduct the Offering and Listing have been granted. Trading of shares is expected to commence on the Exchange after the final allocation of the shares (please refer to the "**Key Dates and Subscription Procedures**" section of this Prospectus). |
| **Risk Factors** | There are certain risks related to an investment in the Offer Shares. These risks can be categorized into: (a) risks related to the Company's activity and its operations; (b) risks related to the market; and (c) risks related to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") of this Prospectus and should be considered carefully prior to making an investment decision in relation to the Offer Shares. |
| **Offering Expenses** | The Offering expenses and costs are estimated at approximately (SAR 102,000,000), and will be distributed between the Selling Shareholders and the Company pro rata based on their shareholding in the Sale Shares that will be sold during the Offering Period; where the Selling Shareholders shall borne approximately SAR (30,600,000) and the Company shall borne an approximate amount of SAR (71,400,000). These fees include the fees of the Financial Advisors, Global Coordinators, Bookrunners, Lead Manager, Underwriters, Legal Advisors, Financial Due Diligence Advisor, Auditors, Receiving Agents and Market Consultant, in addition to marketing, printing, distribution and other expenses related to the Offering which will be deducted from the Offering Proceeds. It should be noted that the costs that were paid by the Company, which include fees paid to Saudi Tadawul and the Securities Depository Center (Edaa) and other expenses associated with the Listing amounted to approximately SAR (2,000,000), the Selling Shareholders will reimburse the Company an approximate amount of SAR (600,000) equivalent to their shareholding in the Sale Shares that will be sold during the Offering Period. |

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| **Underwriters** | **SNB Capital Company**<br>SNB Regional Building<br>King Saud Road<br>P.O. Box 22216<br>Riyadh 11495<br>Kingdom of Saudi Arabia<br>Tel: +966 (92) 0000232<br>Fax: +966 (11) 4060052<br>Website: www.alahlicapital.com<br>Email: snbc.cm@alahlicapital.com<br><br>**Goldman Sachs Saudi Arabia**<br>Floor 25, Kingdom Tower<br>P.O. Box 52969<br>Riyadh 11573<br>Kingdom of Saudi Arabia<br>Tel: +966112794800<br>Fax: +966112794807<br>Website: www.goldmansachs.com/worldwide/saudi-arabia/<br>Email: gs-ProjectCheetah@gs.com / gs-ProjectCheetah-Core@gs.com<br><br>**EFG Hermes KSA**<br>Third Floor, North Tower, Sky Towers, King Fahd Road<br>P.O. Box 300189, Riyadh 11372<br>Kingdom of Saudi Arabia<br>Tel: +966012938048<br>Fax: +966012938032<br>Website: www.efghermesksa.com<br>Email: EFG_ProjectCheetah@efg-hermes.com<br><br>**J.P. Morgan Saudi Arabia**<br>Floor 8, Al-Faisaliah Tower<br>King Fahd Road<br>P.O. Box 51907<br>Riyadh 11553<br>Kingdom of Saudi Arabia<br>Tel: +966 11 2993854<br>Fax: +966 11 2993840<br>Website: www.jpmorgansaudiarabia.com<br>Email: Cheetah_JPM_CORE@jpmorgan.com |

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|---|---|
| **Underwriters** | **GIB Capital**<br>4th Floor, Low Rise Building B-1<br>Granada Business & Residential Park<br>Eastern Ring Road<br>P.O. Box 89589<br>Riyadh 11673<br>Kingdom of Saudi Arabia<br><br>**HSBC Saudi Arabia**<br>HSBC Building, 7267<br>Olaya Street (North)<br>Al Murooj<br>Riyadh 2255 - 12283<br>Kingdom of Saudi Arabia<br><br>**Saudi Fransi Capital**<br>8092 King Fahad Road,<br>4th Floor, Legend Tower<br>3735 – Riyadh 12313<br>Kingdom of Saudi Arabia<br><br>**Al Rajhi Capital**<br>8092 King Fahad Road<br>Al Murooj<br>P.O. Box 5561<br>Riyadh 11432<br>Kingdom of Saudi Arabia |

**Note:** The "**Important Notice**" section on page (i) and Section 2 ("**Risk Factors**") of this Prospectus should be read thoroughly prior to making a decision to invest in the Company's shares offered in this Prospectus.

## KEY DATES AND SUBSCRIPTION PROCEDURES

**Table (2): Anticipated Subscription Timetable**

| Anticipated Subscription Timetable | |
|---|---|
| **Event** | **Dates** |
| Application registration period for Participating Parties and Book Building Process | A period of five days, commencing on Sunday 25/02/1445H (corresponding to 10/09/2023G) until 2:00pm KSA time of Thursday 29/02/1445H (corresponding to 14/09/2023G) |
| Subscription period for Individual Subscribers | A period of three days, commencing on Tuesday 11/03/1445H (corresponding to 26/09/2023G) until 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G) |
| Deadline for submission of Subscription Application Forms for Participating Parties based on the number of Offer Shares provisionally allocated to each Participating Party | Tuesday 11/03/1445H (corresponding to 26/09/2023G) |
| Deadline for payment of subscription monies for Participating Parties based on the number of Offer Shares provisionally allocated to each Participating Party | Wednesday 12/03/1445H (corresponding to 27/09/2023G) |
| Deadline for submission of Subscription Application Forms and payment of subscription monies (for Individual Subscribers) | Thursday 13/03/1445H (corresponding to 28/09/2023G) |
| Announcement of final allocation of Offer Shares | No later than Wednesday 19/03/1445H (corresponding to 04/10/2023G) |
| Refund of excess subscription monies (if any) | No later than Tuesday 25/03/1445H (corresponding to 10/10/2023G |
| Expected date of commencement of trading on the Exchange | Trading of the Company's shares on the Exchange is expected to commence after fulfilment of all relevant statutory requirements. Commencement of trading will be announced on the Saudi Exchange's website (www.saudiexchange.sa). |

Note: The timetable and dates mentioned above are estimates, and the actual dates will be announced in daily local newspapers in the Kingdom of Saudi Arabia published in Arabic and on the websites of the Saudi Exchange (www.saudiexchange.sa), the Financial Advisors (alahlicapital.com.sa), (https://www.goldmansachs.com/worldwide/saudi-arabia/), (http://www.efghermesksa.com/) and (http://www.jpmorgansaudiarabia.com/) and the Company (http://www.adesgroup.com/).

## How to Apply for the Offering

### Subscription is restricted to two tranches of investors:

**Tranche (A): Participating Parties:** This tranche includes the parties entitled to participate in the Book Building Process, including investment funds, qualified foreign companies and institutions, investors from GCC companies, and other foreign investors under Swap Agreements (SWAP Agreements) (for further details, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus). Participating Parties may obtain Application Forms from Bookrunners during the book building period and subscription forms from the Lead Managers after initial allocation. The Bookrunners shall - after obtaining the approval of the CMA - offer the Offer Shares to the Participating Parties during the book building period only. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Subscribers, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunners, which represents a legally binding agreement between the Selling Shareholders and the Participating Party submitting the application.

**Tranche (B): Individual Subscribers:** This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the KSA or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. Subscription Application Forms will be available during the Offering Period on the websites of the Receiving Agents offering this service. Subscribers can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents that provide these services to its customers, provided that the following requirements are satisfied:

1- The Subscriber has a bank account at a Receiving Agent that offers such service.
2- There have been no changes in the personal information or data of the Subscriber (the removal or addition of a family member) since the Subscriber last participated in a recent offering.
3- Individual Subscribers, whether Saudi or GCC nationals or others, must have an active stock portfolio at a Capital Market Institution affiliated with the Receiving Agent through which the subscription is being made.

Subscription Application Forms must be filled out in accordance with the instructions contained in Section 17 ("**Information on the Shares and Offering Terms and Conditions**") of this Prospectus. Each applicant must accept all the relevant items in the Subscription Application Form. The Company reserves the right to decline any Subscription Application, in part or in whole, in the event that any of the subscription terms and conditions are not met. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A Subscription Application cannot be amended or withdrawn once submitted. A Subscription Application, once submitted, is considered a binding agreement between the Company and the applicant in relation to the New Shares, and a binding agreement between the applicant and the Selling Shareholders in relation to the Sale Shares.

Excess subscription monies, if any, will be refunded to the principal Individual Subscriber at the Receiving Agent that initially deducted the subscription amount therefrom, without any commissions or amounts being withheld by the Lead Manager or the Receiving Agents. Subscription monies may not be refunded in cash or to third party accounts.

For further information about subscription by Individual Subscribers or Participating Parties, please refer to Section 17 ("**Information on the Shares and Offering Terms and Conditions**") of this Prospectus.

## SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus and does not contain all the information that may be important to investors. Accordingly, this summary must be treated as a brief introduction to the key information in this Prospectus. Persons who wish to subscribe to the Offer Shares are advised to read the entire Prospectus so that any decision to invest in the Offer Shares is based on the careful consideration of this Prospectus as a whole, in particular the financial statements and related notes thereto as well as the information set forth under Section 2 ("**Risk Factors**") and the "**Important Notice**" section of this Prospectus. Definitions and abbreviations herein shall have the meanings ascribed thereto in Section 1 ("**Definitions and Abbreviations**") and elsewhere in this Prospectus.

# THE COMPANY

## Overview

ADES Holding Company was established on 04/06/1444H (corresponding to 28/12/2022G) as a Saudi mixed closed joint stock company owned by ADES Investments Holding, PIF and Zamil Group Investment Limited under Commercial Registration No. 2051245446 dated 04/06/1444H (corresponding to 28/12/2022G) issued in Al Khobar, Kingdom of Saudi Arabia, pursuant to Ministerial Resolution No. 1415 dated 25/05/1444H. Its head office is located at 7429 Prince Turki Street, Corniche District, Al Khobar 2203, Saudi Arabia.

As of the date of this Prospectus, the Company's capital is eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) shares of equal value, with a nominal value of SAR 1 per share. All shares are ordinary shares, and include one million (1,000,000) cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (857,087,510) in kind shares. On 24/07/1444H (corresponding to 15/02/2023G), the Company's Extraordinary General Assembly agreed to increase the Company's capital from one million Saudi Arabian Riyals (SAR 1,000,000) to eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510) and to reduce the nominal value per share from ten Saudi Arabian Riyals (SAR 10) to one Saudi Arabian Riyal (SAR 1), with the shareholders retaining the same ownership percentages, by registering the book value of the net assets of ADES International (the previous holding company affiliated to the Group) as in-kind shares in the Company's capital, the ownership of which was transferred to the Company on 04/06/1444H (corresponding to 28/12/2022G). For further information, please refer to Section 4.15.1 ("**Evolution of the Company's Share Capital**").

Below is the ownership structure of the Company before and after the Offering:

**Table (3): Ownership structure of the Company before and after the Offering**

| Shareholder | Pre-Offering | | | Post-Offering | | |
|---|---|---|---|---|---|---|
| | No. of Shares | Par Value (SAR) | Ownership % | No. of Shares | Par Value (SAR) | Ownership % |
| ADES Investments Holding Ltd. | 467,657,690 | 467,657,690 | 54.5% | 412,277,174 | 412,277,174 | 36.5% |
| PIF | 304,621,070 | 304,621,070 | 35.5% | 268,547,522 | 268,547,522 | 23.8% |
| Zamil Investment | 85,808,750 | 85,808,750 | 10% | 75,647,188 | 75,647,188 | 6.7% |
| Treasury shares** | - | - | - | 33,871,875 | 33,871,875 | 3% |
| Public | - | - | - | 338,718,754 | 338,718,754 | 30% |
| **Total** | **858,087,510** | **858,087,510** | **100%** | **1,129,062,513** | **1,129,062,513** | **100%** |

Source: company

* The numbers outlined in this table have been rounded to the nearest whole number.

** The Company's extraordinary general assembly has approved the issuance of treasury shares to be utilized within the long-term incentives scheme framework for the employee's benefit (for more information on the long-term incentives scheme framework, please refer to Section 5.9 ("**Employee Shares Program**") of this prospectus).

## The Company's Activities:

The Company's main activity is managing its Subsidiaries, investing the funds of its Subsidiaries, owning the properties and movables necessary to carry out its activity, providing loans, guarantees and financing to its Subsidiaries, owning industrial property rights of the Subsidiaries and leasing industrial property rights to its Subsidiaries or third parties.

The Group's main activities are as follows:

1- Contracting services for excavation and maintenance of onshore and offshore wells.
2- Services related to oil extraction.
3- Excavation and onshore and offshore maintenance services.
4- Provision of contracted offshore and onshore excavation services.
5- Provision of maintenance and production services.

For further details about the Group's activities and the nature of its business, please refer to Section 4 ("**The Company**") and Section 12 ("**Legal Information**") of this Prospectus.

## The Group's mission and general strategy

### Group's Key Values

- **Integrity:** Ensuring that the Group's individual and corporate activities are bounded by honesty and ethical conduct.
- **Safety:** Personal and operational safety are the Group's greatest responsibilities, followed by the protection of the environment, company property and client property.
- **Customer Focus:** All of the Group's decisions are taken with the Group's clients in focus and aimed to add value for the clients.
- **Decisiveness:** Being alert to changes and moving quickly and decisively to meet the challenges that emerge from such changes.
- **Innovation:** Promoting an innovative culture and attitude by applying creative thinking to every segment of the Group's work.
- **Performance:** Providing a level of service that exceeds the expectations of the Group's clients while remaining environmentally conscious.

### Strategy

**Maintaining cost control through continued commitment to a lean cost structure**

The Group plans to continue leveraging its lean cost structure of controlled capital expenditures and low operating expenses. To optimise its operating cost saving measures, the Group intends to continue to rely on its in-house refurbishment and maintenance team to conduct many refurbishment and maintenance jobs, rather than hiring third-party service providers. This will enable the Group to lower upfront and ongoing maintenance costs and to reduce rig downtime. The Group also plans to continue relying primarily on talent and work force local to areas of operation. Sourcing crew members locally and paying them in local currencies has allowed the Group to maintain a competitive operating cost profile. The Group will continue to recruit local talent from multiple countries to ensure that it can continue to have a sufficient supply of skilled crew to help achieve its growth objectives. The Group's continued commitment to a lean cost structure allows it to compete aggressively and profitably even during difficult market conditions.

**Acquisitions of new rigs and organic growth by participating in tenders while maintaining the highest quality of the service**

The Group aims to generate strong returns from its acquired assets and intends to participate in accretive tenders and enter strategic agreements to generate cash flows and grow its backlog. Due to the increased demand for and scarcity of premium jack-up rigs on the market, the Group aims to leverage its large fleet of premium jack-up rigs to win tenders and further increase its market share in the markets in which it operates. To ensure the seamless integration of these newly acquired assets into its business, the Group is monitoring the progress of the rigs to ensure a streamlined integration and optimal utilization of these newly acquired rigs in order to further support its growth strategy and returns. At the same time, the Group aims to continue offering the highest quality of service to its clients.

**Optimise the Group's fleet based on changing market conditions**

The Group is considering expanding and optimising its fleet based on changing market conditions in the countries in which it operates, costs and the Group's competitive position within those markets. Historically, the Group's fleet initially predominantly comprised offshore rigs, then changed to predominantly onshore fleet following the acquisition of 31 onshore rigs in 2018G and 2019G. Later, the Group's fleet changed back to a predominantly offshore fleet with the recent acquisitions in 2021G and 2022G. The Group's offshore, onshore, and other services represent 64%, 35%, and 1%, respectively, of its revenue from contracts with customers for the year ended 31 December 2022G. The Group intends to continually assess the suite of services it offers to optimise the balance of its onshore and offshore services to meet customer demands, take advantage of market opportunities and increase utilisation rates, of and revenue, generated from its rigs.

**Pursue selective growth by acquiring assets with potential for strong returns on investment**

The Group is focused on growing its market share locally and internationally. In the medium to long term, the Group intends to continue exploring opportunities to acquire onshore and offshore assets in new and existing markets. The Group continues to seek pre-qualification status in certain markets where it has identified potential for asset acquisitions, so that when an opportunity at an attractive cost presents itself, the Group is well positioned to execute an acquisition quickly. In addition, pre-qualification status presents opportunities for the Group to relocate existing assets to new markets. The Group sees a wide range of growth opportunities in new markets within and outside the MENA region. The Group will continue to evaluate potential acquisitions using its disciplined and non-speculative approach, and to pursue opportunities that offer near-term production growth and cash flow, and do not lead to excessive risk.

**Maintain prudent approach to liquidity and growth funding**

The Group aims to adopt a prudent approach to debt and liquidity. The Group had a backlog to net debt ratio of 2.6x as at 31 December 2022G, and has a policy to maintain a backlog to net debt ratio of at least 2.0x and the Group target net leverage of 2.5x to 3.0x. The leverage ratio is calculated after deducting the Company's cash and cash equivalents based on adjusted EBITDA that takes into account EBITDA on newly secured contracts, and contracts related to newly acquired assets. This method is defined in the financing agreements of the Company disclosed in this Prospectus. Based on this adjusted EBITDA as defined in the financing agreements, the Company's leverage ratio, net of cash and cash equivalents, was equal to 3.5x to 4.0x as of December 2022G.

The Group continually monitors its debt profile and seeks to maintain a prudent level in order to provide sufficient headroom to allow for unforeseen volatility. The Group intends to continue strategically using diverse sources of funding, as demonstrated by its capital structure, and potentially undertaking equity financings as needed, alongside its cash flow from operations, to finance the growth of its business.

## Group's Strengths and Competitive Advantages

### Leading global drilling operator focused on the most attractive and resilient drilling markets with a growing global footprint

Since the inception of the Group's business, the Group has built an extensive track record of operational excellence, formed longstanding relationships with well-regarded clients and developed a deep understanding of market volatility. The Group grew from a small driller in Egypt with only one rig to one of the largest drilling operators in the MENA region with a fleet of 85 rigs and operations spanning over six countries as at the date of this Prospectus. Over the past decade, the Group was able to expand its footprint across key geographies, leveraging its ability to identify underserved, niche profitable markets and acquiring value-accretive, distressed assets and companies. In line with the Group's targeted expansion in the GCC countries, the Group's total backlog has increased from 41% which amounted to SAR 1.6 billion in 2017G, to 88%, amounting to SAR 4.9 billion in 2019G. The Group is one of the largest offshore drilling operators with 46 jack-up rigs globally and has become the partner of choice for key energy suppliers in its markets.

The Group is present in the most attractive drilling markets globally. The MENA region, in which the Group primarily operates, is a leading oil-producing region and is characterised by low extraction costs, non-harsh environments and a predominance of drilling intensive legacy fields, all of which support relatively higher production levels and utilisation rates throughout the oil price cycle compared to other regions and environments where the cost of production is higher. As such, the regions and environments where the cost of production is higher are more sensitive to swings in the oil price. For example, non-harsh drilling environments, such as onshore and shallow water, represented 93% of global hydrocarbon production in 2022G. The Group is focused on drilling in these non-harsh environments with 18% and 82% of the Group's backlog coming from onshore rigs and jack-up rigs in shallow water as at 31 December 2022G. Further, the markets in which the Group operates have also proven to be resilient. The number of offshore rigs in the GCC region has steadily increased over the past decade despite significant fluctuations in the oil and gas prices, while the number of offshore rigs has decreased in the Gulf of Mexico, West Africa, the North Sea and Southeast Asia over the same period. The GCC region is also increasingly critical for global energy security-of-supply. Major NOCs, particularly NOCs in the GCC region who are also some of the Group's most important clients, are embarking on some of the largest capital programs in their history to capture the additional market share. These NOCs boast a combination of a large resource base, access to a sizeable capital and broad authorities ranted by their shareholders to support their growth, which presents a significant opportunity for the Group to take advantage from this growth outlook in the GCC region. Additionally, the GCC region market is dominated by NOCs who tend to have longer term investment horizons and a greater commitment to investment in upstream services compared to other industry participants, as well as strict pre-qualifications and technical requirements given the systemically important nature of their operations, which leads to high barriers to entry. The markets in the GCC region also benefit from lower lifting costs than the global average, which positions NOCs operating there as baseload energy suppliers and insulate these markets from downturns.

The Group is also the national leader in offshore drilling in the Kingdom of Saudi Arabia which is the single largest oil and gas drilling market globally. The Group is the largest jack-up rig operator for Saudi Aramco, with 33 jack-up rigs contracted in the Kingdom of Saudi Arabia, all of which have been added since 2016G, translating to an approximately 36% market share as at 31 December 2022G. Additionally, the Group has 14 onshore rigs located in the Kingdom of Saudi Arabia, 11 of which are contracted with Saudi Aramco. Moreover, six out of eight Saudi Aramco's ultra-shallow water rigs are contracted with the Group. Saudi Aramco is the world's largest energy supplier, who is targeting to increase its Maximum Sustainable Capacity ("MSC") of crude production to 13mmbd by 2027G. To support this future growth, the Group is currently delivering one of the largest rig deployment programs ever awarded to a driller by Saudi Aramco as at the date of this Prospectus, after the Group won two large tenders in 2022G consisting of a total of 16 rigs, in addition to 3 contracted rigs that were transferred to the Group after the acquisition of Seadrill. As at May 2023G, 7 rigs have been deployed into operation and 12 are still under preparation and are scheduled for delivery in the fourth quarter of 2023G. As at the date of this Prospectus, the Group has an approximately U.S.$6 billion (equivalent to SAR 22.5 billion) contract backlog secured with Saudi Aramco, which represents approximately 83% of the Group's entire backlog.

The Group's position in the market is evidenced by achieving a higher average offshore jack-up rig Actual Utilization Rate in 2022G, reaching 98%, compared to an average of 82% in the MENA region. In addition, the Group maintains higher EBITDA margins compared to its peers, achieving an average EBITDA margin of 42.3% between 2020G and 2022G, while some of its peers achieved an average EBITDA margin of 23.6%. The Group believes that these factors, formed over the Group's 20 years' business history, make it a leading global drilling operator (for further information, please see Table 6.3 ("**EBITDA of the Group by Department for the Financial Years Ended 31 December 2020G, 2021G and 2022G**") of Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus.

## Operating in markets with high barriers to entry

The Group benefits from high barriers to entry in markets in which it operates, such as significant capital requirements to acquire new assets, a stringent pre-qualification process, local content requirements, constraints with the supply chain for rigs, long lead time to build new rigs, and stringent technical specifications for rigs.

As the Group operates one of the largest fleets of premium rigs (i.e., rigs delivered after 2005G) globally, namely 31 premium rigs, which represent an approximately 10% market share of premium jack-up rig supply, this gives the Group an advantage over its competitors. Additionally, due to a higher demand for jack-up rigs coupled with supply chain constraints on shipyards, there is a scarcity of jack-up rigs available on the market, according to Westwood. As at 31 December 2022G, there are 305 marketable premium jack-up rigs and 21 newbuilds at shipyards. However, 283 of those premium jack-up rigs are operational while four newbuilds are already contracted. As such, there are only 39 premium jack-up rigs readily available on the market, of which 22 are warm stacked and 17 are uncontracted rigs under construction at shipyards. With its existing large fleet of 46 jack-up rigs, the Group is the largest offshore driller in its markets and is well-positioned to benefit from the increased demand for, and scarcity of, jack-up rigs in the future.

Additionally, the Group is one of the leading drillers in terms of local content due to its ability to provide a substantial portion of services utilizing local workforce in each individual market, which became a key differentiating factor for contracts awarded by NOCs across the markets in which the Group operates. Moreover, the Group has long-standing client relationships and status as a prequalified service provider with the key industry operators that have challenging multi-year pre-qualification processes (such as Saudi Aramco). Many NOCs in the MENA region, including Saudi Aramco, KOC, North Oil Company and Qatar Energy Company, require pre-qualification status to tender for contracts and typically award multi-year contracts, which limits the ability of new entrants to compete for work during the contracted period. Achieving pre-qualification can be a multi-year process and requires, among other things, robust financial performance, appropriate assets which are scrutinised by physical audits and verified, and high performance in health, safety and environment. As at the date of this Prospectus, the Group has obtained pre-qualification status from more than 30 clients or potential clients in 14 different markets. Achieving pre-qualification in different regions provides the Group with optionality in diverse markets and protects it from downturns in any specific market. The Group's pre-qualification status also gave it a key advantage in the bidding process for some rig acquisitions in the past.

Further, to comply with technical specifications for rigs, all of the Group's operational drilling offshore fleet has IACS Certification or is pending re-certification. The Group, through its operating subsidiaries, is a member of the International Marine Contractors Association and the International Association of Drilling Contractors and it has an ISO-certified quality management system. As such, the Group believes its leading market position is further solidified by significant barriers to entry for competitors.

## Business model resilient by design and well-equipped to withstand market cycles and deliver sustainable performance

The Group's business model is primarily focused on resilient sub-segments of the drilling industry and is founded on a lean cost structure, which has allowed it to achieve a track record of profitable growth throughout cyclical market conditions in the oil and gas industry. The Group operates primarily in regions with low cost of production that are dominated by NOCs and is focused on the largest and most resilient drilling markets across the MENA region, namely the Kingdom of Saudi Arabia, Kuwait and Qatar, which are key for the global security of energy supply. For example, Saudi Aramco's production costs are as low as U.S.$3/bbl (equivalent to SAR 11.25/bbl), implying that they are the most profitable barrels in the world, and Kuwait has production costs estimated between U.S.$7/bbl and U.S.$8/bbl (equivalent to the range between SAR 26.25/bbl to 30/bbl).

The Group's lean cost structure is characterised by a high-skill, low-cost, local workforce and an in-house maintenance and technical team, and a lean organisational structure. The Group is also leveraging a shared service centre in Cairo to decrease overhead costs and is monitoring the number of support function employees per rig, aiming to keep the number of such employees below seven per rig. This lean cost structure enables the Group to save on operating costs by maximising the utilisation and efficiencies of acquired rigs. For the years ended 31 December 2022G, 31 December 2021G and 31 December 2020G, the Group's Operating Costs were 57%, 57% and 59% of its total revenue from contracts with customers, respectively. The Group has tapped into the established pool of regional operational and management oil and gas industry talent. Rig crews from the local jurisdiction are typically paid lower salaries than their expatriate counterparts, but offer a comparable level of experience and competence. The Group operates on a lean organisational structure with its senior management based in Al-Khobar. This, combined, results in lower overheads and staff costs.

The Group's highly capable in-house refurbishment and maintenance team manages most of the refurbishment and maintenance jobs without the need to appoint third-party service providers. This allows the Group to manage costs on a granular basis and avoid unnecessary costs involved in turn-key refurbishment and maintenance jobs. The in-house refurbishment and maintenance team also allows the Group to perform certain maintenance requirements on-site without moving the rigs to specific locations or shipyards to minimize rig downtime. The Group is also typically able to achieve operational costs savings on acquired rigs by reducing the amount of rented equipment, reducing the cost of labour and maintenance services and through reducing insurance expense by insuring the correct asset value.

The percentage of time during which the rigs were not in operation due to maintenance amounted to 0.8%, 0.8% and 1.2% of the rigs' total operating time for 2020G, 2021G and 2022G, respectively.

The Group has proven the ability to perform through cycles and maintained an Actual Utilization Rate of 89%, 94% and 98% in 2020G, 2021G and 2022G. The Group has also previously maintained Actual Utilization Rate of 96%, 94%, 99%, 78%, 85% and 97% between 2014G and 2019G. In addition, the Group has maintained a steady EBITDA margin since 2014G despite significant volatility in the prices of oil and gas. The Group's revenue from contracts with customers has increased from SAR 1,695 million (U.S.$452 million) in 2020G and SAR 1,514 million (U.S.$404 million) in 2021G to SAR 2,467 million (U.S.$658 million) in 2022G. Additionally, the Group is able to offer highly competitive day rates to its clients, calibrated to insulate the Group from downturns and ensure sustainability through cycles for the benefit of the Group and of its clients. As its client base is dominated by NOCs, the Group is focused on long-term contracts and is also able to maintain significant financial flexibility and liquidity access with approximately U.S.$430 million (equivalent to SAR 1,612,500,000) available under working capital existing facilities and revolving existing credit facilities.

### High quality client relationships and the partner of choice for the largest and most reliable energy suppliers globally

The Group offers a customer-centric nimble approach and agility in terms of providing tailored solutions and continuously and swiftly adapting to its clients' needs. The Group has cultivated a client base dominated by the largest global NOCs, who are focused on delivering long-term strategies and are less susceptible to short-term energy price cycles. The Group's key clients are Saudi Aramco in the Kingdom of Saudi Arabia, Kuwait Oil Company in Kuwait and North Oil Company in Qatar, which in aggregate represent more than 95% of the Group's total backlog as at 31 December 2022G. The Group's remaining backlog is attributable to other NOCs and their joint ventures with IOCs, such as Total Energies in Qatar, Oil and Natural Gas Corporation in India, GUPCO and GPC in Egypt, and ENAFOR in Algeria. This diverse and high-quality clientele has been built on continuously seeking feedback and fine-tuning the Group's services, enabling it to establish a strong reputation as a reliable oilfield services provider with a proven track record. Moreover, the Group put in place a project management framework structured around four key pillars, program management, shipyards, staffing, and procurement and logistics, to ensure seamless and efficient delivery of future deployments of rigs to its clients.

Most notably, the Group is becoming a critical service provider for Saudi Aramco and is focused on delivering Saudi Aramco's ambition. Namely, Saudi Aramco aims to increase its gas production by more than 50% by 2030G and further intends to expand its production capacity to 13 mm/bbl in the next five years with the majority of this expansion planned to take place in offshore shallow water where the Group focuses its operations, thereby making the Group well-positioned to support this increase in production. Further, the Group is well-positioned to take advantage of Saudi Aramco's growth plans because it has aligned its capabilities and asset base to Saudi Aramco's needs and requirements. For example, the Group has a fit-for-purpose fleet uniquely tailored to Saudi Aramco's operating environment and requirements and also benefits from a strong Saudization ratio and high IKTVA score. The Group's strong relationship with Saudi Aramco has already materialized, where the Group is currently delivering one of the largest rig deployment programs ever awarded to a driller by Saudi Aramco after winning two large tenders in 2022G consisting of a total of 16 rigs, in addition to 3 contracted rigs that were transferred to the Group after the acquisition of Seadrill, which the Group has already started to deliver at the end of 2022G and will continue to deliver until July 2023G.

As at May 2023G, seven drilling rigs have been deployed into operation and 12 drilling rigs are still under preparation and are scheduled for delivery in the fourth quarter of 2023G.

## Robust contracts and predictable cash flows underpinned by solid backlog

The Group's estimated total backlog as at 31 December 2022G was SAR 27.4 billion (equivalent to U.S.$7.3 billion) (of which 79% is based on firm commitments and 21% is based on optional extensions), as compared to SAR 6.7 billion (equivalent to U.S.$1.8 billion) as at 31 December 2021G and SAR 3.5 billion (equivalent to U.S.$0.9 billion) as at 31 December 2020G. As at 31 December 2022G, offshore contracts represented 82% of the backlog, while onshore contracts represented 18%. Further, 97% of the Group's backlog was contracted with highly-rated clients, such as Saudi Aramco, KOC, and North Oil Company, which further supports the likelihood of realizing the Group's backlog in the future.

In addition, the Group's client contracts typically have long tenors, with a weighted average residual contract life of 5.8 years. In particular, the Group's contracts in the Kingdom of Saudi Arabia and Kuwait have an average contract maturity of 6.1 years and 5.1 years, respectively. Additionally, the Group benefits from an attractive contractual framework. For example, some of the Group's contracts provide for the right to early termination of the contract by the customer at any time and without any reason, and in such case the Group is entitled to an early termination fee as set out under these contracts. The Group's strong client relationships and long-standing contracts have enabled it to generate predictable cash flows and strong backlog, with a 2.6x backlog to net debt ratio as at 31 December 2022G.

The market for jack-up rigs has tightened significantly due to high demand coupled with scarcity of rig supply, pushing contracted utilization rates above 80% globally, which has historically supported increasing day rates. Further, the markets in which the Group operates currently have a substantial tender pipeline with limited availability of rigs and operators able to qualify for these tenders. As at May 2023G, the short-term tenders available in the markets in which the Group operates consist of 127 rigs or approximately 500 drilling years. Drilling years are calculated by multiplying the number of rigs in the tenders by the average term of those tender contracts. As such, the Group is well-positioned with the right asset base and operational capabilities to take advantage of this market opportunity.

## Track record of disciplined value-enhancing acquisitions focused on delivering value-accretive growth

The Group has an established track record of executing value-enhancing acquisitions for low cost and good condition legacy assets as well as premium assets, and a successful track record of integrating these acquisitions. The Group takes a disciplined and non-speculative approach to acquiring assets and makes acquisitions primarily using a "buy to contract" method, in which it secures a contract before finalising the acquisition, or a "contract acquisition" method, in which it acquires an asset with an ongoing contract that can be novated to the Group. Historically, the Group acquired its assets at valuations significantly below the industry average and build cost, which underpin the Group's ability to bid competitively for contracts.

Since 2020G, the Group has acquired 26 premium jack-up rigs with an average cost of U.S.$62 million (equivalent to SAR 232.5 million) per rig, which is significantly below the industry average of U.S.$125 million (equivalent to SAR 468.81 million), as per Westwood report, translating into an approximately 50% discount, and showcasing exceptional capital stewardship from the Group. The Group also has a strong track record of procuring, commissioning and successfully integrating the rigs it acquires in a short period of time. The Group has proven to be extremely nimble in capturing market opportunities and pivoted quickly from acquiring legacy assets to acquiring premium assets since 2021G, when the prices of premium assets dropped and returns on these investments met the Group's relevant investment thresholds. In 2022G, the Group completed the acquisition of 24 rigs and entered into a final agreement for the acquisition of a further two rigs. The Group targets a minimum unlevered IRR of 18 to 22% and payback up to five to seven years, depending on the asset, contract framework and country of investment. In addition to its acquisitive growth, the Group has also grown organically due to its lean cost structure and strong client relationships.

### Robust HSE policies with exemplary track record

The Group strives to adhere to robust HSE standards and procedures when conducting its business. A strong HSE culture is core to the values of the Group's business. The Group, through its subsidiaries, is an active member of industry organisations such as International Marine Contractors Association ("**IMCA**") and International Association of Drilling Contractors ("**IADC**"), and all of the operational offshore rigs in its fleet are either IACS certified or pending recertification. Over the years, the Group has consistently maintained a strong position within Saudi Aramco's REI scoring with an average REI score of 88.6 as at 31 December 2022G for the preceding 36-month period, as well as a "high performance" or above rating for 16 out of a total of 21 rigs contracted with Saudi Aramco. The Group's longstanding commitment to HSE has enabled it to maintain a strong safety track record, with zero employee fatalities and a total recordable injury rate of 0.1 per 200,000 working hours, which is lower than the IADC worldwide standard rate of 0.67 as at 31 December 2022G. The Group is also in the process of developing new tools to improve safety records, such as the "Rig Eye", which is an on-site camera-based artificial intelligence system that aims to increase operational efficiency and prevent accidents on the rigs.

The Group is also committed to reducing the environmental footprint of its operations through technological and engineering innovations. The Group is considered to be among the first drillers to launch a project with the aim to reduce emissions from engines by 6% by 2030G and is currently testing new ways to reduce emissions to meet clients' targets. The Group aims to reach net zero emissions by 2050G.

### Highly capable management team supported by strategic shareholders

The Group's senior management team comprises significant industry experience and a deep understanding of the industry's dynamics and inefficiencies, as well as a strong relationship with all stakeholders in the industry. The management team comprises diverse, high-calibre professionals with a broad range of experience gained from global and local corporations, including Transocean, Shell, Chevron, Dow Chemical, BG Group, ENI, Egyptian Drilling Company, Orascom Group and Invensys, among others. Management's diverse professional backgrounds are a key strength as they facilitate the Group's ability to transfer best practices from different industries and introduce innovative solutions to address complex client needs.

The Group also has backing from long-term shareholders who provide unique market access and strategic know-how. The Abbas and Hussein founding families have owned a majority stake in the Company since inception and the PIF and Zamil Investment own a 35.5% and 10% stake in the Company, respectively, thereby being key strategic supporters of the Group's growth.

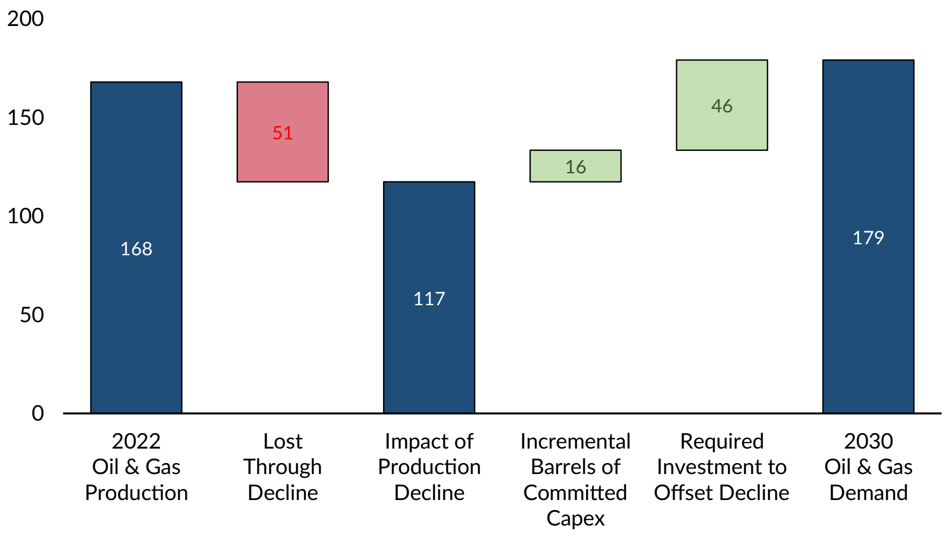
## Market Overview

Oil & gas will continue to play a critical role in global energy supply over the coming decade, driving increased demand for both onshore & offshore drilling services:

Driven primarily by growing populations and increasing energy intensity per capita across Asian economies such as China, India and Indonesia, global consumption of oil & gas is expected to increase from 168 mmboepd in 2022 to 179 mmboepd by 2030, an increase of 7%. Meeting this level of demand will require a significant amount of investment into drilling services, not only to deliver the incremental 11 mmboepd of demand but more importantly to replace the estimated 51 mmboepd of oil & gas production that will be lost to natural decline over this period. The impact of natural decline creates a constant requirement for drilling services just to maintain existing levels of production.

**Figure (1):** **Illustrative Impact of Natural Production Decline on 2030 Oil & Gas Demand Outlook**

Mmboepd



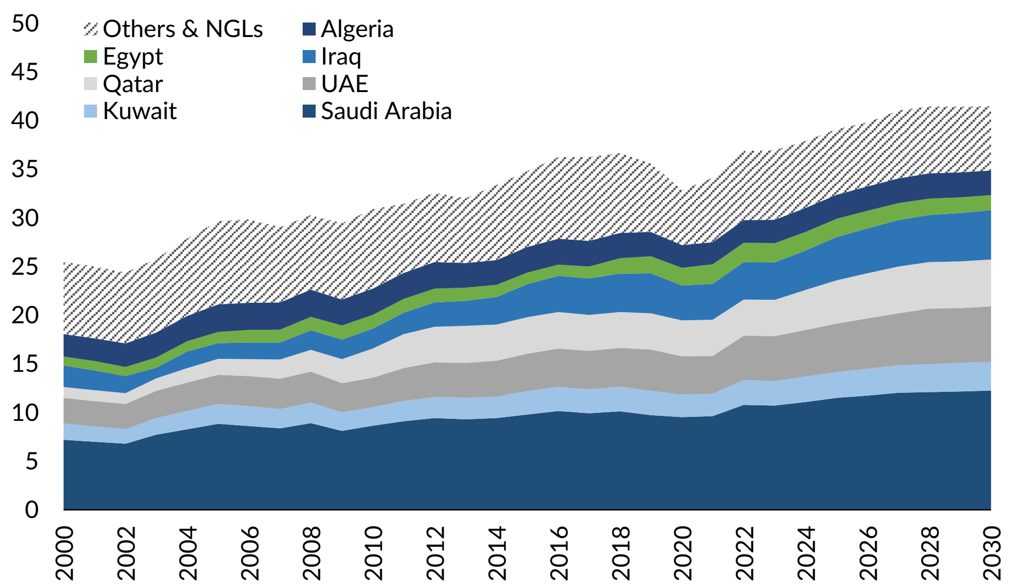

Source: Westwood Global Energy

**MENA oil & gas production is expected to increase by 12.4% over the 2022 to 2030 period:**

Driven by growing global demand for oil & gas, MENA oil & gas supply is expected to increase from 44.2 mmboepd to 49.8 mmboepd between 2022 and 2030. This will require significant new investment not only in new production capacity but also to offset the impact of natural decline at existing fields. Production growth will be focused on offshore developments driving incremental demand for jackup rigs. In particular, the GCC region will drive increased supply due to very low lifting costs per barrel and the commitment of national oil companies as Saudi Aramco to increase their production capacity. The GCC's share of global oil production is estimated to increase from 20% in 2022 to 22% by 2030. Saudi Arabia is the largest producer in MENA and enjoys the lowest lifting costs in the world and is expected to see oil & gas production increase from 12.9 mmboepd in 2022 to 14.7 mmboepd by 2030.

**Figure (2):** **MENA Oil & Gas Production Outlook to 2030**

Mmboepd




Source: Westwood Global Energy

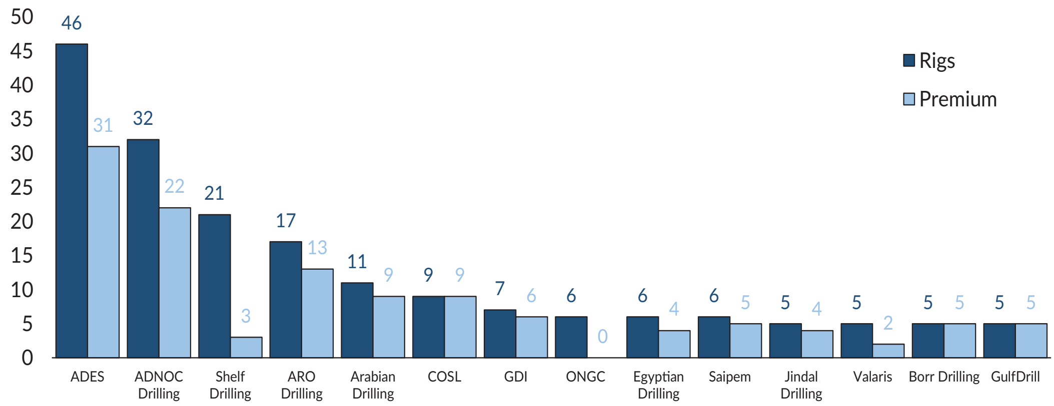
**The Group are the largest provider of shallow water jackup drilling rigs in the Kingdom of Saudi Arabia and the wider MENA marketplace:**

The Group operates 46 jackup rigs[3] of which 31 are considered premium rigs[4] which attract better utilization & day rates compared to the legacy fleet. This represents 20% of the total jackup and 22% of the premium jackup rig fleet respectively across the target geographies of the Middle East & North Africa (MENA) and India. The Company also has an estimated 27% market share across the target geographies based on outstanding backlog days, twice as much as the next largest contractor, Shelf Drilling. In Saudi Arabia the Group is the leader in the jackup rig market and currently has an estimated 40% market share based on outstanding backlog days and 30% based on current contracted rig counts.

The Group also operates a fleet of 36 land rigs across the MENA region with its largest country fleets in Saudi Arabia (14) and Kuwait (12). This equates to an estimated 7% and 9% market share respectively based identified rig fleets in these countries.

**Figure (3): Overview of Jackup Managers Across ADES Target Geographies.**

Number of Rigs




Source: Westwood Global Energy

**Saudi Aramco is the largest jackup customer in the world and offer high quality contracts:**

The Group's largest customer, Saudi Aramco is the world's largest integrated oil & gas company and holds 17% of remaining global oil reserves. Saudi Aramco is also estimated to have the lowest per barrel lifting costs as well as the smallest carbon footprint[5] per barrel of oil equivalent in the world. Saudi Aramco is also the world's largest contractor of jackup rigs, accounting for 15% of the global contracted fleet alone in 2022. Saudi Aramco also offers the longest contracts in the market at an average of 1,591 days, 88% longer than the global average and has a stringent qualification program and a strong preference for premium drilling rigs that offer greater drilling efficiency, which puts the Group at a significant commercial advantage over their peers and creates significant barriers for potential new entrants. In 2021, Saudi Aramco awarded the largest contract for jackup rigs in its history to the Group.

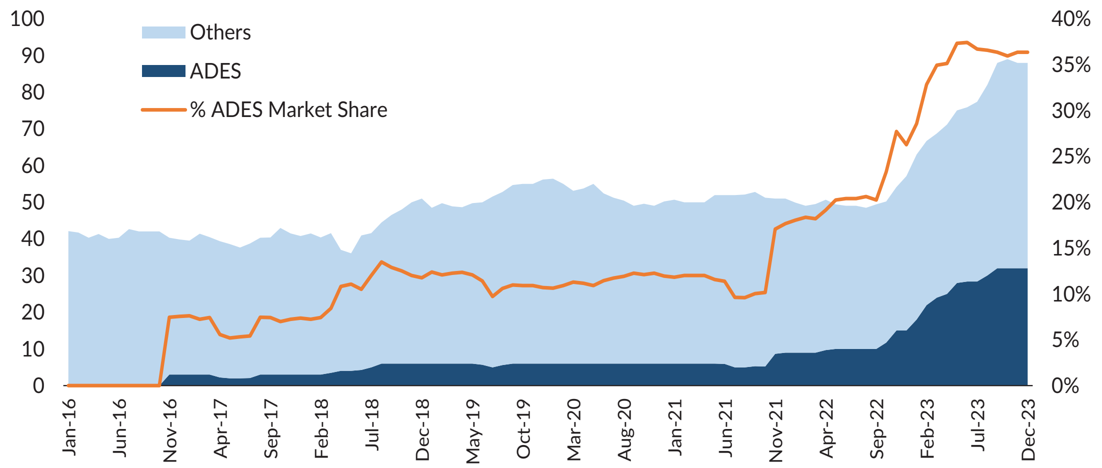
3 ADES also operates 1 MOPU and 2 Jackup Barges (the ADM 1,2 & 12) which are not considered drilling rigs for the purpose of this report.

4 Premium rigs are defined as delivered after 2005

5 Source: 2021 Saudi Aramco Sustainability report

**Figure (4): ADES Share of Saudi Aramco Contracted Jackups Based on Current Contract Visibility.**

(LHS) Number of contracted jackups (RHS) % of contracted jackups



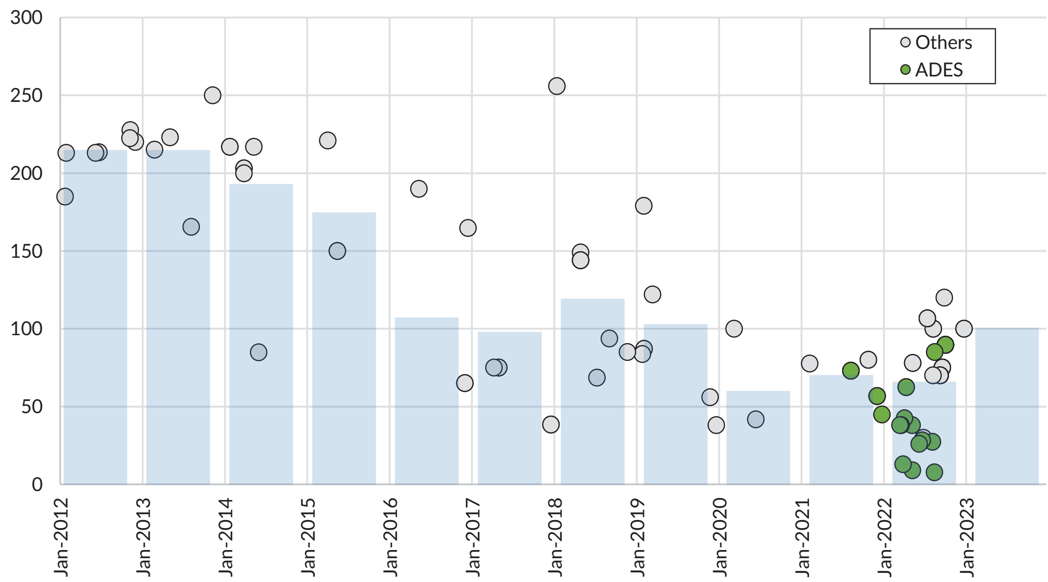

Source: Westwood Global Energy

**ADES have acquired a premium jackup fleet at a significant discount:**

The Group has been the single largest buyer of second hand premium jackups since 2020, accounting for 26 of the 52 transactions recorded over the 2020-2022 period. The Group paid an estimated average of $61.5 million per rig over this time (excluding rigs targeting the Indian market) which is a significant discount compared to the industry average of $79 million paid by other managers for premium jackups during this time and more than half the average $125 million paid since 2012. Lower acquisition costs put the Group in a favourable position allowing them to maintain profitability at reduced day rates relative to their peers.

**Figure (5): Review of Premium Jackup S&P and Average Annual Values**

$millions (2023 values are 1 January to 1 February 2023)




Source: Westwood Global Energy

**MENA rig demand is expected to increase over the next five years creating additional market opportunities for growth:**

Over the 2022 to 2027 period, the MENA market will require an incremental 56 jackups and 209 land rigs to satisfy future E&P ambitions to both increase existing production capacities and sustain output at existing fields. Key country growth markets will be Saudi Arabia, Kuwait, Qatar and the UAE. Day rates across these markets are also expected to return to seven-year highs as available supply becomes increasingly scarce. A trend towards more complex onshore drilling programmes targeting deep gas and heavy oil as well as a preference for newer, more efficient offshore rigs puts the Group's fleet in a strong position to benefit from this market growth.

**Limited available capacity in shipyards and high newbuild costs create significant barriers to entry and should keep bargaining power with suppliers:**

After a wave of recent S&P activity there are now only 17 jackups awaiting delivery in shipyards in Asia that do not currently have committed contracts in place. New jackups newbuild costs are estimated to be in the $280-350 million range which combined with the current high cost of capital and the difficulty of rig managers to access external debt to finance newbuilding programs makes these 17 jackups the only realistic candidates that could enter the market over the next several years which is significantly less than future requirements.

## Summary of financial information and key performance indicators

The selected financial information below should be read in conjunction with the Group's special-purpose consolidated financial statements for the financial years ended 31 December 2020G and 2021G and the accompanying notes thereto, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and publications that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA). These special-purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G have been audited by EY as stated in their report, included elsewhere in the Prospectus.

The financial information for the financial years ended 31 December 2020G, 2021G, and 2022G has been extracted from the Group's financial information presented in the Group's special-purpose consolidated financial statements and management information.

The tables below present summaries of the Group's special-purpose consolidated statement of comprehensive income, special-purpose consolidated statement of financial position and special-purpose consolidated statement of cash flows, in addition to selected key performance indicators for the financial years ended 31 December 2020G, 2021G and 2022G.

**Table (4): Special-Purpose Consolidated Statement of Comprehensive Income Data for the Financial Years Ended 31 December 2020G, 2021G, and 2022G**

| SAR '000 | Financial Year 2020G | Financial Year 2021G | Financial Year 2022G |
|---|---|---|---|
| Revenue from contracts with customers | 1,695,407 | 1,514,206 | 2,467,201 |
| Cost of sales | (1,058,791) | (974,883) | (1,575,806) |
| **Gross profit** | **636,616** | **539,322** | **891,395** |
| General and administrative expenses | (177,734) | (157,623) | (246,112) |
| End of service employment benefits | (20,056) | (17,486) | (17,602) |
| Provision for impairment of non-current assets | (19,125) | (113,831) | - |
| Provision for impairment of trade receivables | (9,595) | (215,916) | (236,565) |
| Provision for impairment of inventories | (2,574) | (17,344) | (26,217) |
| Share-based payments expense | (14,422) | (72) | - |
| Other provisions | (1,540) | (21,000) | (13,756) |
| Provision for other receivable | - | (5,140) | (1,688) |
| Finance costs | (244,570) | (305,162) | (302,993) |
| Finance income | 3,007 | 213 | 19,194 |
| Bargain purchase gain | - | 491,247 | 422,267 |

| SAR '000 | Financial Year 2020G | Financial Year 2021G | Financial Year 2022G |
|---|---|---|---|
| Business acquisition cost | - | (12,205) | (8,424) |
| Provision for impairment of investment and dividends receivables | (2,006) | (8,484) | - |
| Other taxes | (1,921) | (1,364) | (1,285) |
| Other expenses | (25,531) | (10,656) | (15,041) |
| Gain/(loss) on derivative financial instruments | (4,418) | 4,560 | 5,169 |
| **Profit for the year before income tax** | **116,131** | **149,060** | **468,344** |
| Income tax expense | (33,550) | (34,631) | (70,722) |
| **Profit for the year** | **82,581** | **114,429** | **397,622** |
| **Attributable to:** | | | |
| Equity holders of the parent | 73,581 | 107,811 | 390,448 |
| Non-controlling interests | 9,000 | 6,618 | 7,174 |
| **Profit for the year** | **82,581** | **114,429** | **397,622** |
| Earnings per share – Basic and diluted attributable to equity holders of the parent (In SAR per share) | - | - | 475 |
| **Other comprehensive income/(loss)** | | | |
| **Other comprehensive income items that may be reclassified to profit or loss in subsequent periods (net of any taxes)** | | | |
| Net gain/(loss) on cash flow hedge | (3,144) | 13,067 | 74,901 |
| **Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods (net of any taxes)** | | | |
| Remeasurement gain/(loss) on defined benefit plans | - | (13,921) | 8,010 |
| **Other comprehensive income/(loss) for the year, net of tax** | **(3,144)** | **(854)** | **82,911** |
| **Total comprehensive income for the year, net of tax** | **79,437** | **113,575** | **480,533** |
| **Attributable to:** | | | |
| Equity holders of the parent | 70,436 | 110,414 | 466,750 |
| Non-controlling interests | 9,000 | 3,161 | 13,783 |
| **Total comprehensive income for the year, net of tax** | **79,437** | **113,575** | **480,533** |

Source: The special-purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

**Table (5): Special-Purpose Consolidated Statement of Financial Position Data as at 31 December 2020G, 2021G, and 2022G**

| SAR '000 | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Property and equipment | 3,794,627 | 5,358,405 | 12,188,121 |
| Intangible assets | 1,255 | 1,035 | 553 |
| Right of use assets | 73,345 | 64,287 | 391,034 |
| Investment in an associate and a joint venture | 11,848 | 6,924 | 5,984 |
| Trade receivables | 215,268 | 105,651 | - |
| Derivative instruments | - | - | 26,438 |
| Prepayments and other receivables | 5,683 | 1,800 | 319,992 |
| Deferred tax | 3,162 | 3,111 | - |
| **Total non-current assets** | **4,105,187** | **5,541,213** | **12,932,121** |

| SAR '000 | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Inventories | 178,534 | 148,472 | 184,275 |
| Trade receivables | 262,136 | 262,140 | 234,735 |
| Contract assets | 123,720 | 172,170 | 255,624 |
| Derivative instruments | - | - | 49,664 |
| Prepayments and other receivables | 272,144 | 300,934 | 644,260 |
| Due from related parties | 13,510 | 34,282 | 9,838 |
| Bank balances and cash | 234,332 | 232,860 | 190,829 |
| **Total current assets** | **1,084,377** | **1,150,859** | **1,569,224** |
| **Total assets** | **5,189,564** | **6,692,072** | **14,501,346** |
| Share capital | - | - | 1,000 |
| Capital contribution | 740,816 | 857,088 | 857,088 |
| Legal reserve | 24,000 | 24,150 | 24,150 |
| Cash flow hedge reserve | (26,198) | (13,131) | 61,771 |
| Retained earnings | 928,174 | 1,025,443 | 1,278,073 |
| **Equity attributable to equity holders of the parent company** | **1,666,793** | **1,893,550** | **2,222,081** |
| Non-controlling interests | 35,322 | 29,529 | 36,350 |
| **Total equity** | **1,702,115** | **1,923,079** | **2,258,431** |
| Interest-bearing loans and borrowings | 1,144,893 | 3,637,737 | 9,575,406 |
| Bonds payable | 1,183,049 | - | - |
| Lease liabilities | 52,351 | 38,415 | 270,133 |
| Provisions | 62,214 | 83,146 | 117,984 |
| Derivative financial instruments | 23,308 | 5,751 | - |
| Deferred revenue | 65,292 | 26,727 | 70,174 |
| Deferred tax | - | - | 44,044 |
| Other payables | - | - | 4,680 |
| **Total non-current liabilities** | **2,531,107** | **3,791,777** | **10,082,421** |
| Trade and other payables | 576,264 | 515,807 | 1,160,989 |
| Income tax payable | 35,604 | 30,974 | 10,495 |
| Interest-bearing loans and borrowings | 321,363 | 401,180 | 972,080 |
| Provisions | 2,205 | 21,330 | 14,777 |
| Due to related parties | 214 | 546 | 2,154 |
| Derivatives financial instruments | 20,691 | 7,379 | - |
| **Total current liabilities** | **956,342** | **977,216** | **2,160,494** |
| **Total liabilities** | **3,487,449** | **4,768,993** | **12,242,915** |
| **Total equity and liabilities** | **5,189,564** | **6,692,072** | **14,501,346** |

Source: The special-purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

**Table (6): Summary of the Group's Consolidated Statement of Cash Flows as at 31 December 2020G, 2021G and 2022G**

| SAR '000 | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Net cash flows from operating activities | 620,447 | 316,790 | 1,146,248 |
| Net cash flows used in investing activities | (437,773) | (1,463,644) | (6,438,010) |
| Net cash flows from /(used in) from financing activities | (396,846) | 1,145,382 | 5,249,730 |
| Cash and cash equivalents as at 1 January | 448,504 | 234,332 | 232,860 |
| **Cash and cash equivalents as at 31 December** | **234,332** | **232,860** | **190,829** |

Source: The special-purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

**Table (7): Summary of the Group's Key Performance Indicators as at and for the Financial Years Ended 31 December 2020G, 2021G and 2022G**

| | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Gross profit margin* | 37.5% | 35.6% | **36.1%** |
| Net profit margin** | 4.9% | 7.6% | **16.1%** |
| Return on assets*** | 1.6% | 1.7% | **2.7%** |
| Return on equity**** | 4.9% | 6.0% | **17.6%** |
| Current assets to current liabilities***** | 1.1 | 1.2 | **0.7** |
| Liabilities to equity****** | 2.0 | 2.5 | **5.4** |
| Debt to equity******* | 0.9 | 2.1 | **4.7** |

Source: Management information.

* Gross profit margin = gross profit/revenue from contracts with customers

** Net profit margin = profit for the year/revenue from contracts with customers

*** Return on assets = profit for the year/total assets at the end of the year

**** Return on equity = profit for the year/total equity at the end of the year

***** Current assets to current liabilities = total current assets/total current liabilities

****** Liabilities to equity = total liabilities/ total equity at the end of the year

******* Debt to equity = Interest-bearing loans and borrowings (current and non-current)/total equity at the end of the year

## Summary of Risk factors

Before making a decision to subscribe to the Offer Shares, prospective subscribers are required to carefully review all the information contained in this Prospectus, in particular the risks described below, which are dealt with in detail in Section 2 ("**Risk Factors**") of this Prospectus.

**2.1 Risks Relating to the Group's Business and Operations**

2.1.1 Risks related to the level of business activity in the oil and gas industry.

2.1.2 Risks related to the realization of the Group's strategy

2.1.3 Risks related to the certification of the rigs and its pre-qualification

2.1.4 Risks related to operating hazards in the Group' business, including environmental damage

2.1.5 Risks related to concentration of revenue from the Group's relatively small number of clients and top ten rigs

2.1.6 Risks related to the Group's backlog

2.1.7 Risks related to rig upgrade and refurbishment projects, rig relocations and acquisitions of additional rigs, including delays and cost overruns

2.1.8 Risks related to the Group's customer contracts

2.1.9 Risks Related to Non-performance of Drilling Contracts by the Group

2.1.10 Risks related to public health issues and pandemics, including the COVID-19 pandemic

2.1.11 Risks related to the Group's reliance on debts in financing its rigs acquisitions

2.1.12 Risks related to competing with affiliates of respective NOCs for drilling contracts

2.1.13 Risks related to renewing or obtaining new and favourable drilling contracts

2.1.14 Risks related to the Group's standard specification rigs which are at a relative disadvantage to higher specification rigs

2.1.15 Risks Related to the inability to keep pace with significant technological developments

2.1.16 Risks related to failure to secure adequate insurance coverage

2.1.17 Risks related to applicable competition laws and regulations

2.1.18 Risks Related to Public and Investor Sentiment Towards Climate Change, Fossil Fuels and Other ESG Matters

2.1.19 Risks related to global transition to renewable or other alternative energy sources

2.1.20 Risks related to the Group's or its clients' ability to acquire or renew the required licenses and permits


ADES
ADES HOLDING
أديس القابضة

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# 1. Definitions and Abbreviations

Below are some of the definitions and abbreviations used in this Prospectus.

| | |
|---|---|
| **ADES Egypt or Advanced Energy System S.A.E** | Advanced Energy System (ADES) S.A.E. |
| **ADES International** | ADES International Holding Ltd. |
| **ADES Saudi** | ADES Saudi Limited Company. |
| **Admission** | Admission of the shares, including the Offer Shares, to trading on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules. |
| **Advantage Drilling Services Company** | Advantage Drilling Services is a Subsidiary of the Group in accordance with the definition given under the Glossary of Defined Terms used in CMA Regulations , in which the Group owns 49% interest with other shareholders who own 51%. This entity is accounted for as a joint venture in accordance with IFRS-KSA. |
| **Advisors** | The Company's advisors for the Offering, whose names appear on pages (vi) to (ix) of this Prospectus. |
| **Affiliate** | A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect. |
| **Aramco** | Saudi Arabian Oil Company (Saudi Aramco). |
| **ARO Drilling** | Saudi Aramco Rowan Offshore Drilling Company. |
| **Auditor** | Ernst & Young Professional Services (Professional LLC). |
| **CMA** | The Capital Market Authority in the Kingdom of Saudi Arabia. Any reference to the CMA's resolutions includes the resolutions of its Board. |
| **Backlog** | The total amount payable to the Group during the remainder of the current relevant contract in addition to any optional extension to the customer stipulated in the contract. The backlog and its calculation mechanism are addressed in Section 4.6.4 ("**Backlog**") of this Prospectus. |
| **Board of Directors** | The Board of Directors of the Company. |
| **Bookrunners** | EFG Hermes KSA, Goldman Sachs Saudi Arabia, J.P. Morgan Saudi Arabia, SNB Capital Company (SNB Capital), GIB Capital, HSBC Saudi Arabia, Al Rajhi Capital and Saudi Fransi Capital. |
| **Business Day** | Any day (excluding Fridays, Saturdays and public holidays) that the Receiving Agents operate in the Kingdom. |
| **Bylaws** | The Company's Bylaws as summarized in Section 12.13 ("**Summary of the Company's Bylaws**"). |
| **Capital Market Law (CML)** | The Capital Market Law issued under Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended. |
| **CEO of the Group** | The Chief Executive Officer of the Group. |
| **CFO** | The Chief Financial Officer of the Group. |
| **CGRs** | The Corporate Governance Regulations issued pursuant to CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), as amended pursuant to CMA Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), based on the Companies Law. |
| **Chairman** | The Chairman of the Company's Board of Directors. |
| **Clearing Center (Muqassa)** | The Securities Clearing Center licensed to conduct securities clearing transactions in the Kingdom in accordance with the provisions of the Capital Market Law and Central Counterparties Regulations. |
| **Cold Stacked** | A rig that idle and not deployable. |
| **Companies Law** | The Companies Law issued under Royal Decree No. M/132 dated 1/12/1443H (corresponding to 30/06/2022G), as amended. |
| **Competition Law** | The Competition Law issued under Royal Decree No. M/75 dated 29/06/1440H (corresponding to 06/03/2019G). |
| **Control** | Pursuant to the definition stated in the Glossary of Defined Terms used in CMA Regulations, "control" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (i) holding 30% or more of the voting rights in a company or (ii) having the right to appoint 30% or more of the members of the administrative body. The term "controlling party" shall be construed accordingly. |

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| **Depository Center (Edaa)** | A securities depository center licensed to engage in the activities of depositing, transferring, settling and registering ownership of securities traded on the Exchange in the Kingdom in accordance with the provisions of the Capital Market Law and the Securities Exchanges and Depository Centers Regulations. |
| **Directors** | The members of the Company's Board of Directors. |
| **ECDC Egypt** | ECDC Egypt is a Subsidiary of the Group in accordance with the definition given under the Glossary of Defined Terms used in CMA Regulations, in which the Group owns 48.75% interest with other shareholders who own 51.52% This entity is accounted for as a joint venture in accordance with IFRS-KSA. |
| **Egyptian pound (EGP)** | The official currency of the Arab Republic of Egypt. |
| **Extraordinary General Assembly** | The Extraordinary General Assembly of Shareholders convened in accordance with the Company's Bylaws. |
| **Financial Advisors** | EFG Hermes Saudi Arabia, Goldman Sachs Saudi Arabia, J.P. Morgan Saudi Arabia and SNB Capital Company (Al Ahli Capital). |
| **Derivatives** | A security that derives its value from the value of an underlying asset, such as shares. The term "derivative product" shall be interpreted accordingly. |
| **Financial Due Diligence Advisor** | PricewaterhouseCoopers Chartered Accountants. |
| **Financial year** | The Company's financial year. |
| **Foreign Investors** | Qualified Foreign Investors (QFIs) and Foreign Strategic Investors (FSIs). |
| **Foreign Strategic Investors (FSIs)** | A foreign legal entity aiming to acquire a direct percentage of a listed company's shares for a period of no less than two years, in order to contribute to enhancing the financial or operating performance of such listed company. |
| **G** | Gregorian calendar. |
| **GAFI** | The General Authority for Investment and Free Zones in Egypt. |
| **GDP** | Gross Domestic Product. |
| **General Assemblies** | The Extraordinary General Assembly or the Ordinary General Assembly of the Company. |
| **Glossary of Defined Terms used in CMA Regulations** | The Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority issued pursuant to CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA Board Resolution No. 2-26-2023 dated 05/09/1444H (corresponding to 27/03/2023G). |
| **GOSI** | The General Organization for Social Insurance in the Kingdom of Saudi Arabia. |
| **Government** | The Government of the Kingdom of Saudi Arabia. |
| **GPC** | The General Petroleum Company in Egypt. |
| **Group** | The Company and its Subsidiaries. |
| **Group Companies** | The Company or any of its Subsidiaries. |
| **Gulf Cooperation Council (GCC)** | The Cooperation Council for the Arab States of the Gulf. |
| **Gulf investor with a legal personality** | A legal entity with majority of its capital owned by citizens of GCC countries or their governments, which have the nationality of a GCC country in accordance with the definition set out in the Resolution of the Supreme Council of the Gulf Cooperation Council (GCC) issued in its fifteenth session and approved by Council of Ministers Resolution No. 16 dated 20/01/1418H, as well as corporate investment funds established in a GCC country whose units are publicly offered to investors in those countries in accordance with their respective applicable laws with a majority of their capital owned by citizens of GCC countries or their governments. |
| **GUPCO** | Gulf of Suez Petroleum Company. |
| **H** | Hijri calendar. |
| **IASB** | The International Accounting Standards Board. |
| **IFRS** | The International Financial Reporting Standards issued by IASB. |
| **IFRS-KSA** | The International Financial Reporting Standards that are endorsed in the Kingdom, and other standards and pronouncements issued by SOCPA. |
| **IKTVA** | The Aramco IKTVA Program. |

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|---|---|
| **Implementing Regulation of the Companies Law** | The Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by CMA Board Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G) pursuant to the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437HH (corresponding to 10/11/2015G) as amended pursuant to CMA Board Resolution No. 2-26-2023 dated 05/09/1444H (corresponding to 27/03/2023G), pursuant to the Companies Law issued by Royal Decree M/132 dated 01/12/1443H (corresponding to 30/06/2022G). |
| **Individual Subscribers** | This tranche comprises Saudi natural persons including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit in her name and/or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her Saudi minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and an active investment portfolio at a Capital Market Institution affiliated with the Receiving Agent through which the subscription is being made. The subscription will be considered invalid in the absence of an active share portfolio account with one of the financial market institutions affiliated to the Receiving Agent through which the subscription is intended. |
| **Instructions for Book Building Process** | The Instructions for Book Building Process and Allocation Method in Initial Public Offerings issued by the CMA Board under Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G) as amended pursuant to CMA Board Resolution No. 1-103-2022 dated 02/03/1441H (corresponding to 28/09/2022G). |
| **Internal Corporate Governance Manual** | The Company's Internal Corporate Governance Manual approved on 03/08/1444H (corresponding to 23/02/2023G). |
| **International Association of Classification Societies' Certificates** | Certificates issued by the American Bureau of Shipping ("ABS"), DNV and Bureau Veritas. |
| **International Coordinators** | The Financial Advisors, in their capacity as international coordinators for the Offering. |
| **Investment Funds Regulations** | The Investment Funds Regulations issued under CMA Board Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G) as amended by CMA Board Resolution No. 2-22-2021 dated 12/7/1442H (corresponding to 24/2/2021G). |
| **Jack-up Rig** | A platform that drills and maintains offshore wells and has legs that carry the floor and the structure of the drilling rig. |
| **Labor Law** | The Saudi Labor Law issued under Royal Decree No. M/51 dated 23/8/1426H (corresponding to 27/9/2005G), as amended. |
| **Legal Advisor** | Fahad Abu Haimed, Majed Al Sheikh, Mansour Al Haqbani Law Firm and Clifford Chance Law Firm. |
| **Listing** | The listing of securities on the Exchange in accordance with the Listing Rules. |
| **Listing Rules** | The Listing Rules issued by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended pursuant to CMA Board Resolution No. 1108-2022 dated 23/03/1444H (corresponding to 19/10/2022G). |
| **Lock-up Period** | The period during which the Substantial Shareholders may not dispose of their shares, which ends six (6) months after commencement of trading of the shares on the Exchange. |
| **Main Market** | The market in which shares that have been registered and offered under Part 4 of the Rules on the Offer of Securities and Continuing Obligations are traded and accepted for listing under Part 3 of the Listing Rules. |
| **Market Consultant, Westwood Global Energy or Westwood** | Westwood Global Energy. |
| **Market Maker** | A Capital Market Institution authorized to trade, who enters buy-and-sell orders for securities on an ongoing basis for the purpose of providing liquidity for such securities in accordance with the regulations, rules and procedures of the CMA and the Exchange. |
| **Exchange** | The Saudi Stock Exchange or Saudi Tadawul Company, as the context requires, including any committee, sub-committee, employee, officer, affiliate or agent who may, for the time being, be assigned to perform any of the functions of the Exchange. The term "on the Exchange" means any activity that takes place through the facilities provided by the Exchange. In addition, any reference to the Saudi Stock Exchange is a reference to the Exchange. |
| **Kingdom or KSA** | The Kingdom of Saudi Arabia. |
| **Exchange Rules** | A set of rules, regulations, procedures, and instructions proposed by the Board of Directors of the Exchange and approved by the CMA Board. |

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| **Material Subsidiaries** | The material subsidiaries of the Company, namely:<br>1- ADES Saudi<br>2- ADES International<br>3- ADES Egypt<br>4- United Precision Drilling Company (UPDC)<br>5- Kuwait Advanced Drilling Services (KADS)<br>6- Emerald Driller Company |
| **MEWA** | The Ministry of Environment, Water and Agriculture of the Kingdom of Saudi Arabia. |
| **MHRSD** | The Ministry of Human Resources and Social Development of the Kingdom of Saudi Arabia. |
| **Mobile offshore production unit (MOPU)** | A jack-up rig modified and equipped with special production facilities to work as a mobile production unit. |
| **MOC** | The Ministry of Commerce of the Kingdom of Saudi Arabia. |
| **MOE** | The Ministry of Energy of the Kingdom of Saudi Arabia. |
| **Net Offering Proceeds** | The Offering proceeds after deduction of all expenses related to the Offering. |
| **New Shares** | Two hundred and thirty-seven million, one hundred and three thousand, one hundred and twenty-eight (237,103,128) shares to be issued and offered for subscription to increase the Company's capital through the Offering. |
| **North Oil Company** | The Qatari North Oil Company. |
| **Offer Price** | SAR [•] per Offer Share. |
| **Offer Shares** | Comprise of the Sale Shares and the New Shares, which represent 30% of the Company's capital after the capital increase and issuance of the New Shares. |
| **Offering** | The initial public offering of the Company's shares under the terms set forth in this Prospectus. |
| **Offering Period for Individual Subscribers** | The period starting from Tuesday 11/03/1445H (corresponding to 26/09/2023G) and continuing for three days until the closing date of subscription, ending at 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G). |
| **Old Companies Law** | The Companies Law issued under Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended. |
| **OPEC** | The Organization of the Petroleum Exporting Countries. |
| **Operating Costs** | Cost of sales and general and administrative expenses, excluding the cost of depreciation. |
| **Ordinary General Assembly** | The Ordinary General Assembly of Shareholders convened in accordance with the Company's Bylaws. |
| **OSCOs** | The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), based on the Capital Market Law, and amended by CMA Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G). |
| **Participating Parties** | This tranche comprises the categories that are entitled to participate in the Book Building Process under the Book Building Instructions, namely:<br>1- Public and private funds that invest in securities listed on the Saudi Stock Exchange if the fund's terms and conditions permit this, while adhering to the provisions and restrictions stipulated in the Investment Funds Regulations and the Book Building Instructions.<br>2- Capital Market Institutions licensed to deal as a principal, while adhering to the provisions set out in the Prudential Rules when submitting a Participation Application Form.<br>3- Clients of a Capital Market Institution authorized by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book Building Instructions.<br>4- Any legal persons who may open an investment account in the KSA and an account with Edaa, including foreign legal persons who may invest in the market where the Issuer's shares will be listed, subject to the regulations for listed companies' investment in listed securities stipulated in CMA Circular No. 6/05158 dated 11/08/1435H (corresponding to 09/06/2014G) issued pursuant to CMA Board Resolution No. 9-28-2014 dated 20/07/1435H (corresponding to 19/05/2014G).<br>5- Government entities, any international authority recognized by the CMA or the Exchange or any other stock exchange recognized by the CMA or Edaa.<br>6- Government-owned companies, whether investing directly or through a portfolio manager.<br>7- GCC companies and GCC funds, if permissible according to the terms and conditions of such funds. |

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|---|---|
| **Bid Form** | The application form that Participating Parties use to apply for participation in the Book Building Process. |
| **PIF** | The Public Investment Fund of Saudi Arabia. |
| **Potential utilization days** | Includes all calendar days (including holidays and weekends) when a drilling rig is contracted and available in the operating area. This does not include the days when the drilling rig is being refurbished, initially prepared, or is inactive or idle. |
| **Pre-Qualification** | Qualification of the Group entitling it to participate in future tenders in the countries where it operates or intends to operate. |
| **Prospectus** | This prospectus which has been prepared by the Company in connection with the Offering in accordance with the Rules on the Offer of Securities and Continuing Obligations. |
| **Public** | Persons other than the following:<br>1- Affiliates of the Issuer;<br>2- Substantial Shareholders of the Issuer;<br>3- Directors and Senior Executives of the Issuer;<br>4- directors and senior executives of the Affiliates of the Issuer;<br>5- directors and senior executives of the Substantial Shareholders of the Issuer;<br>6- any relatives of the persons referred to in 1, 2, 3, 4 or 5 above;<br>7- any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above; or<br>8- persons acting in concert with a collective shareholding of 5% or more of the class of shares to be listed. |
| **Qualified Foreign Investors (QFIs)** | A foreign investor, in accordance with the provision of Part 3 of the Rules for Foreign Investment in Securities, qualified to invest in listed shares on the Main Market. |
| **Receiving Agents** | The Receiving Agents whose names are mentioned on page (x) of this Prospectus. |
| **Regulation S** | A set of rules pertaining to the US Securities Act in which the US authority concerned with securities and their trading clarifies its position on the securities offered outside the United States of America. |
| **Related Party or Parties** | The term “related party/parties” in this Prospectus and pursuant to the Glossary of Defined Terms used in CMA Regulations includes the following entities:<br>1- Subsidiaries of the Company, except for companies wholly owned by the Company;<br>2- Substantial Shareholders of the Company;<br>3- Directors and Senior Executives of the Company;<br>4- directors of the Affiliates of the Company;<br>5- directors and senior executives of Substantial Shareholders of the Company;<br>6- any relatives of the persons referred to in 1, 2, 3, or 5 above;<br>7- any other company or facility controlled by any person referred to in 1, 2, 3, 5 or 6 above.<br>For the purposes of paragraph 6 above, “relatives” shall mean fathers, mothers, husbands, wives and children. |
| **Relatives** | Husbands, wives and minor children.<br>For the purposes of the CGRs, such term includes the following:<br>• fathers, mothers, grandfathers, grandmothers and their ancestors;<br>• children, grandchildren and their descendants;<br>• siblings and maternal and paternal half-siblings; and<br>• husbands and wives. |
| **Rules for Foreign Investment in Securities** | The Rules for Foreign Investment in Securities issued pursuant to CMA Board Resolution No. 2-26-2023 dated 05/09/1444H (corresponding to 27/03/2023G) under the Capital Market Law. |
| **SABIC** | Saudi Basic Industries Corporation. |
| **Sale Shares** | One hundred and one million, six hundred and fifteen thousand, six hundred and twenty-six (101,615,626) shares of the Current Shares of the Company’s capital to be sold by the Selling Shareholders during the Offering. |
| **Saudi Arabian Riyal (SAR)** | The official currency of the Kingdom of Saudi Arabia. |
| **Saudi Central Bank** | The Central Bank of Saudi Arabia (formerly the “Saudi Arabian Monetary Authority“). |
| **Secretary** | The Secretary of the Board of Directors. |
| **US Securities Act** | The United States Securities Act of 1933, as amended. |

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| **Securities Central Counter-parties Regulations** | The Securities Central Counterparties Regulations issued by CMA Board Resolution No. 3-127-2019 dated 21/03/1441H (corresponding to 18/11/2019G). |
| **Securities Clearing** | All activities related to the securities being traded, from the moment a commitment is made in connection with a transaction until the moment it is settled. |
| **Selling Shareholders** | ADES Investments Holding, PIF and Zamil Group Investment Limited. |
| **Senior Executives** | The senior executives whose names appear in Section 5.3 ("**Senior Executives**"), who are members of the Company's Executive Management. |
| **Shares** | Any ordinary share in the Company's capital with a nominal value of 1 SAR. |
| **Single Stock Futures** | Futures contracts whose value is derived from the value of an underlying asset represented in a share listed on the Exchange or on another structured stock exchange. |
| **SOCPA** | The Saudi Organization for Chartered and Professional Accountants. |
| **Subscribers or Investors** | Individual Subscribers and Participating Parties. |
| **Subscription Application Form** | The subscription application form used by Investors to subscribe to the Offer Shares during the Offering Period. |
| **Subsidiaries** | The subsidiaries of the Company set forth under Section 12 ("**Legal Information**"). |
| **Substantial Shareholders** | Any person holding five percent (5%) or more of the Company's shares or voting rights. |
| **Sustainable Stock Ex-changes** | The United Nations Sustainable Stock Exchanges Initiative. |
| **Swap Agreements** | Non-GCC nationals who are not residents in the Kingdom and non-GCC institutions registered outside the Kingdom are permitted to acquire an economic interest in the shares by entering into swap agreements with Capital Market Institutions authorized by the CMA. Under such swap agreements, the Capital Market Institutions are registered as the legal owner of such shares. |
| **Tadawul system** | The automated system for trading Saudi stocks. |
| **Under water inspection (UWILD)** | Under water inspection (in lieu of dry-docking). |
| **Underwriters** | EFG Hermes KSA, Goldman Sachs Saudi Arabia, J.P. Morgan Saudi Arabia, SNB Capital Company (SNB Capital), GIB Capital, HSBC Saudi Arabia, Al Rajhi Capital and Saudi Fransi Capital. |
| **Underwriting Agreement** | The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriters in accordance with the terms described in Section 13 ("**Underwriting**"). |
| **United Precision Drilling Company or UPDC** | United Precision Drilling Company is a Subsidiary of the Group in accordance with the definition given under the Glossary of Defined Terms used in CMA Regulations, in which the Group owns 47.50% with other shareholders who other shareholders who own 52.50%. This entity is accounted for as a joint venture in accordance with IFRS-KSA. |
| **US Dollar or USD or $ or US$** | The official currency of the United States of America. |
| **Utilization days** | Includes all operating days, standby days, paid maintenance days and transition days for which fees are payable to the Group. |
| **Actual Utilisation Rate** | The Group's calculation of the utilization rate refers to its measure of the extent to which contracted assets available in the area of operation generate revenue from customer contracts. The Group calculates these rates for each rig by dividing the days of utilization by the potential days of utilization. Utilization rates depend mainly on the Group's ability to maintain related equipment in working condition and its ability to obtain replacement parts and other spare parts. Since the utilization rate calculation mechanism does not include inactive rigs or those that are being refurbished or equipped, the reported utilization rate does not reflect the overall utilization of the Group's fleet, but only those active and contracted rigs. |
| **Warm Stacked** | A rig that is idle but deployable. |
| **WDI** | Weatherford. |
| **ZATCA** | The Zakat, Tax and Customs Authority of the Kingdom of Saudi Arabia. |

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# 2. Risk Factors

Before deciding whether to invest in the Offer Shares, all prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risk factors described below. These risk factors may not include all the risks that the Group may encounter, and additional risks may exist that are not currently known by the Group, or that may be deemed immaterial but may nevertheless affect the Group's business, financial operations, results of operations and future prospects.

The Group's business, financial position, results of operations and future prospects could be adversely and materially affected if any of the following risks, which are identified as material, or if any other risks that the Directors have not identified or are currently considered not to be material, actually occur or become material. As a result of such risks or other factors that may affect the Group, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company and/or the Directors expect, or at all. When evaluating the risks described below, a prospective investor should also consider, amongst other information set out in this Prospectus, the information on the Group and the relevant agreements described in Section 4 ("**The Company**") and Section 12 ("**Legal Information**") of this Prospectus.

The Directors also confirm that, to the best of their knowledge and belief, there are no other material risks besides those mentioned in this Section, the non-disclosure of which would affect investors' decisions to invest in any Offer Shares as at the date of this Prospectus.

An investment in the Offer Shares is only appropriate for investors who are capable of assessing the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from this investment. Any prospective investor who has any doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice in connection with any investment in the Offer Shares.

The occurrence of any of the risk factors mentioned below, or the occurrence of any other risks which the Directors have not identified or those which they do not consider to be material as at the date of this Prospectus, may result in the reduction of the price of the Shares in the market and an investor could lose all or some of the value of his investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance or anticipated effect on the Group. The risks set out in this Section 2 ("**Risk Factors**") do not purport to be: (a) a complete or composite list of all risks which may affect the Group or in any case its operations, activities, assets or markets in which it operates; and/or (b) an explanation of all the risks involved in investing in the Offer Shares.

## 2.1 Risks Relating to the Group's Business and Operations

### 2.1.1 Risks Related to the Level of Business Activity in the Oil and Gas Industry

Demand for the Group's services depends on the level of business activity in oil and gas exploration as well as on the development and production activities in the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, India (during 2023), Algeria and Tunisia (where the Group's customer base currently operates). If the Group expands its operations beyond the markets in which it currently operates, namely in the rest of the Middle East and North Africa ("**MENA**") region or in other markets where it has a pre-qualification status, the demand for the Group's services will also be subject to the level of business activity in oil and gas exploration, and development and production activities in such other markets.

The oil and gas exploration, development and production industry has historically been characterised by volatile and significant changes in the level of exploration, development and production of crude oil and gas reserves, which in turn drives the prices of oil and gas. The demand for operating rigs may change as oil and gas prices rise or fall, in turn influencing the expenditures the Group's clients make and, in turn, the Group's revenue from client contracts. As such, the Group's clients' expenditure on exploration, appraisal and development of oil and gas fields depends, among other factors, on current and expected short-term and long-term oil and gas prices. Should overall levels of exploration, development and production activities of the Group's client base fall short of the Group's expectations, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Numerous factors may affect oil and gas prices and, in turn, the level of demand for the Group's services. These factors include:

- local and international political and economic conditions;
- demand for oil and gas global and regional supply and demand for energy particularly in the United States, Europe and Asia (in particular China and India);
- expectations regarding future supply and demand for oil products and gas, which can be determined by population growth and general economic and business conditions;
- trading activities by market participants and others either seeking to secure access to oil and gas or to hedge against commercial risks, or as part of investment activity;
- the ability of the Organization of Petroleum Exporting Countries (**OPEC**) to set and maintain production levels and pricing and the level of production by non-OPEC countries;
- the worldwide military or political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities (such as the war between Russia and Ukraine), terrorism, revolution or other crises in oil or gas producing areas of the MENA region and globally;
- the implementation or lifting of sanctions on oil-producing countries, including any further developments regarding sanctions on Russia in connection with the ongoing armed conflict in Ukraine and regarding sanctions on other countries such as Venezuela;
- laws and government regulations that limit, restrict or prohibit exploration and development of oil and gas in various jurisdictions;
- laws and regulations related to environmental matters affecting the oil and gas industries, including those addressing alternative energy sources, greenhouse gases, and the risks of global climate change;
- advances in exploration, development and production technology in the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, India, Algeria, Tunisia, the MENA region and globally;
- the cost of exploring for, developing, producing and delivering oil and gas;
- capital expenditures by major national and international oil companies, and the types of products to which these expenditures are allocated;
- the rate of discovery of new reserves and the rate of decline of existing oil and gas reserves in the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, India, Algeria, Tunisia, the MENA region and globally;
- the development and exploitation of alternative fuels;
- the impact of public health pandemics or epidemics (such as the novel strain of coronavirus causing Coronavirus Disease 2019 ("**COVID-19**")) on the general economic conditions and ability of the Group to deliver its services;
- tax laws, regulations and policies related to the oil and gas industries;
- available pipeline and other oil and gas transportation capacity, storage and oil refining capacity;
- the relative cost of offshore drilling versus onshore oil and gas production; and
- accidents, adverse weather conditions, natural disasters, oil spills and other similar incidents relating to the oil and gas industry in the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, India, Algeria, Tunisia, the MENA region and globally.

For example, during the initial stages of the COVID-19 pandemic, overall oil and gas prices have decreased significantly. However, recovering from the COVID-19 pandemic, oil and gas prices have again significantly increased in 2022G and were trending above USD100 (equivalent to SAR 375) per barrel for most of 2022G - the first time the global oil market has seen prices of USD 100 (equivalent to SAR 375) per barrel since 2014G. Oil and gas prices have been volatile in recent years due to a combination of the above factors as well as other factors and there can be no assurance that oil and gas prices will not decrease in the future.

Demand for the Group's services and, accordingly, day rates and utilisation rates, are particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital and operational spending by, oil and gas companies, including national oil companies ("**NOCs**"). Any prolonged reduction in oil and gas prices could result in an immediate decrease in levels of exploration, development and to production activity. Perceptions of longer-term lower oil and gas prices, whatever the cause, could similarly reduce or defer large capital expenditure projects given the long-term nature of many large-scale development projects in the oil and gas industry. There can be no assurance that a resulting reduction in exploration, development and production activity would not reduce the demand for contract drilling services and have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

In particular, the Group depends on oil and gas industry activities and production levels, which are directly affected by oil and gas prices. In addition, in lower oil and gas price environments where there is likely to be reduced demand for contract drilling and other services provided by the Group, clients are likely to seek lower day rates under the Group's and its competitors' contracts, or even seek suspension or termination of drilling contracts. In such periods of reduced demand, the Group may negotiate and apply a discount to the daily rate upon the renewal of an expired client contract in order to remain competitive in the market, which would have a material and adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

There can be no assurances as to the future level of demand for the Group's services or future conditions in the oil and natural gas and oilfield services industries. Lower oil and natural gas prices also could affect the Group's ability to retain skilled rig personnel and affect its ability to access capital to finance and grow its business. Additionally, since the Group's business depends on the level of activity in the oil and natural gas industry, any improvement in or new discoveries of alternative energy technologies that increase the use of alternative forms of energy and reduce the demand for oil and natural gas could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.2 Risks Related to the Realization of the Group's Strategy

The Group's strategy includes maintaining cost control through continued commitment to a lean cost structure, deploying the Group's newly acquired rigs and growing organically through participating in tenders, optimising the Group's fleet based on changing market conditions and acquiring further onshore and offshore assets. The Group typically acquires rigs under either a "buy to contract" model or a "contract acquisition model". Under the "buy to contract" model, the Group seeks to bid for and secure a drilling contract for a rig before or concurrently with finalising the acquisition. This approach does not guarantee that a rig will be contracted at the time of purchase and there is sometimes a gap between the time of acquisition and securing or start of a contract, whereby certain rigs may not generate revenue. Under the "contract acquisition" model, the Group aims to acquire rigs with ongoing contracts that are also acquired or are novated to the Group. This approach may entail certain incremental transition costs, particularly with regard to maintaining existing employees on operational rigs who may be more expensive than the Group's own workforce. The Group has also strategically purchased additional uncontracted rigs before successfully tendering for such contracts, which entails a greater financial risk (for more information on rigs acquisitions, please refer to Section 4.6 ("**Rigs Acquisition**") of this Prospectus). There can be no assurance that the projected costs to make these rigs operational are accurate, that the Group will be able to deploy all of its newly acquired rigs or fully integrate these recent acquisitions, or will achieve the contemplated economic benefits from these acquisitions, which could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

In addition, if the Group is unable to fund the capital expenditures necessary to realise the Group's strategy from existing cash resources and cash flows from operations, the Group may be required to either incur additional external financing, raise capital through the issuance of debt instrument (e.g., Sukuk or bonds) or share capital increase or scale back its strategy. The ability to access the capital markets may be limited by its financial condition at that time, by changes in laws and regulations or the interpretation thereof and by adverse market conditions resulting from, among other things, general economic, political and social conditions prevailing in the countries where the Group operates and elsewhere and contingencies and uncertainties that are beyond the Group's control. Any failure to obtain the funds for necessary future capital expenditures on acceptable terms or failure to obtain financing at all could prevent the Group from realising its strategy, which could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.3 Risks Related to the Certification of the Rigs and its Pre-Qualification

The Group has taken steps in furtherance of its strategy to expand into new jurisdictions including seeking pre-qualification status in certain jurisdictions that have oil and gas clients. Pre-qualification status enables the Group to be invited to future tenders in the countries in which it operates or intends to operate. As at the date of this Prospectus, the Group has not lost, and intends to maintain, the pre-qualification statuses that it holds, if the Group lost pre-qualification status in any jurisdiction, the Group may face obstacles to enter into new contracts in such jurisdictions. Similarly, the Group is required to maintain class certification to operate its offshore rigs. Certification of classification societies belonging to the International Association of Classification Societies, such as American Bureau of Shipping ("**ABS**"), DNV and Bureau Veritas ("**BV**"), ("**IACS Certification**") is usually valid for five years, subject to certain procedural requirements and annual inspections. In the event that any of the Group's offshore rigs is unable to renew its IACS Certification, which clients require to be in place, existing contracts may be suspended or terminated and the Group may face obstacles in the renegotiation of existing contracts or entry into new contracts or the Group may incur significant capital expenditures to achieve IACS re-certification. IACS Certification for some of the Group's offshore rigs is due to expire during 2023G (for more information, please refer to Section 4.5.3 ("**Offshore Fleet**") of this Prospectus). There can be no assurance that certification renewals will be successful and not subject to delays in their reissuance or additional costs. There is not an equivalent industry standard certification for onshore drilling. Instead, potential onshore drilling clients conduct their own assessments based on inspection of rigs, the Group's safety record, reputation and past performance and will only enter into contracts with the Group if the Group's onshore rigs fulfil such customers' standards.

There can be no assurance, however, that the Group will obtain pre-qualifications for which it has applied or will apply or that it will be able to retain the pre-qualifications that have already been obtained. In addition, notwithstanding such pre-qualification status, there can be no assurance the Group will secure rig contracts in new or existing markets or otherwise successfully enter new markets or that its operations in such markets will be profitable which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.4 Risks Related to Operating Hazards in the Group' Business, Including Environmental Damage

Oil and gas drilling is a business activity that involves a degree of hazardous risks, as the Group's operations are subject to the risks inherent in the drilling of oil and gas wells. These hazards include blowouts, reservoir damage, loss of production, loss of well control, punch-throughs, lost or stuck drill strings, equipment defects, craterings, fires, explosions, oil spills, release of toxic or hazardous substances or gases, power shortages or failures, and pollution. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or clients and suspension of operations. The Group's vessel fleet is also subject to hazards inherent in onshore and offshore operations, either while on site or during mobilisation, such as capsizing, sinking, grounding, collision, piracy, damage from severe weather and marine life infestations. The Group maintains insurance policies, deploys detailed Health, Safety & Environment ("**HSE**") management systems and runs continuous training and awareness programmes. However, there can be no assurance against non-compliance by personnel or against the possibility of accidents. The Group cannot ensure that it can maintain low recordable incident rates or that worker or third-party injuries or fatalities will not occur as a result of accidents or unforeseen events.

The Group's drilling contracts customarily specify automatic termination or termination at the option of the client due to safety issues or in the event of a total loss of the drilling rig and often include provisions addressing termination rights or reduction or cessation of day rates if operations are suspended or interrupted for extended periods due to a breakdown of major rig equipment, unsatisfactory performance, "force majeure" events beyond the control of either party or other specified conditions. For example, some of the Group's client contracts apply a repair rate in place of the day rate for ongoing general maintenance or if the relevant rig becomes non-operational due to need for maintenance or repair or due to weather. Beyond the prescribed period for such maintenance or repair, generally a few days per calendar month, the Group is entitled to neither the day rate nor the repair rate. Under the barge contract, there are no paid maintenance days and the Group receives no repair or day rate while the barge is undergoing maintenance or repair. Prolonged downtime for maintenance or the loss or suspension of a contract as a result of such an event would thus result in a reduction of the revenues the Group receives from contracts with customers. These prolonged maintenance times or the loss or suspension of certain contracts, together with any associated reputational damage, may, depending on the timing and scale of the damage, affect the Group's ability to renew existing contracts or obtain new contracts or resume work. Any circumstances which publicly damage the Group's reputation or business relationships may lead to a broader material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price than solely the monetary liability arising directly from the damaging events (for more information on the Group's material agreements, please refer to Section 12.6 ("**Material Agreements**") of this Prospectus).

Damage to the environment could also result from the Group's operations, particularly through the discharge of hydrocarbons, fuel, lubricants or other chemicals and substances used in drilling operations or extensive uncontrolled fires. The Group may also be subject to property damage, environmental indemnity and other claims by oil and gas companies. The Group's contracts generally include hold harmless clauses under which each party agrees not to hold the other party liable for losses incurred in their own operations, however there can be no assurance that the clients will comply with such clauses or that the Group will not otherwise be held liable. Furthermore, a court or a relevant arbitral tribunal may decide that certain indemnities in the Group's current or future drilling contracts are not awardable. Contractual indemnities for liquidated damages and penalties may be found to be against public policy and thus unenforceable in certain jurisdictions. Similarly, although the Group has insurance coverage, there can be no assurance that such policies will cover the full range of and entirety of any such damage incurred (for more information on the risks associated with the Group's insurance coverage, please refer to Section 2.1.16 ("**Risks related to failure to secure adequate insurance coverage**") of this Prospectus).

If any of the above risks materialises, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.5 Risks Related to Concentration of Revenue from the Group's Relatively Small Number of Clients and Top Ten Rigs

The Group engages in drilling and workover and maintenance services for third parties. The Group relies on forging and maintaining strong client relationships for the success of its business. As at 31 December 2022G, the Group had drilling contracts with 13 clients. However, Saudi Aramco and the Kuwait Oil Company are currently the Group's largest clients and respectively comprised 83% and 11% of the Group's backlog as at 31 December 2022G, 78.5% and 15% of the Group's backlog as at 31 December 2021G, and 55% and 38% of the Group's backlog as at 31 December 2020G. Consequently, should contracts with these clients prove less profitable for the Group than expected or should the Group fail to renew or secure new contracts with these clients, the Group's revenues from contracts with customers may decline significantly, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price (please refer to Section 4.6.1 ("**Key Clients**") and Section 4.6.2 ("**Major Contracts**") of this Prospectus.

In certain cases, such as with Saudi Aramco, Kuwait Oil Company, GPC and North Oil Company, a client may have engaged more than one of the Group's assets. Loss of, or underperformance under, a client contract may have a knock-on impact on contracts for the same client on other rigs and may thereby have a corresponding material adverse effect on the Group's other contracts, business, financial condition, results of operations or future prospects and therefore the Company's share price. In addition, concentration in the Group's contract portfolio increases its exposure to credit risk of individual counterparties. To date, the Group has not lost any significant clients and operates in diversified markets; however, there can be no assurance that such diversification will necessarily protect the Group from losses arising from the loss of an existing client in particular businesses.

Moreover, the total revenue generated by the Group's top ten rigs accounted for 40%, 50% and 50% of the Group's revenue from contracts with customers for the financial years ended 31 December 2022G, 2021G and 2020G, respectively. If drilling contracts for any such rigs are terminated, not renewed, or suspended, this would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. (for more information on the risks associated with the termination of the Group's contracts, please refer to Section 2.1.8 ("**Risks related to the Group's customer contracts**") of this Prospectus).

### 2.1.6 Risks Related to the Calculation of the Group's Backlog

As at 31 December 2022G, the Group's backlog was SAR 27.4 billion (USD 7.3 billion), compared to SAR 6.7 billion (USD 1.8 billion) as at 31 December 2021G and to SAR 3.5 billion (USD 0.9 billion) as at 31 December 2020G. Backlog is based on commitments specified in the signed drilling and services contracts, and is calculated based on the total amount payable to the Group for its services during the remaining period of the contract term, plus any optional client extension provided for in such contract, assuming the contracted rig will operate continuously for all calendar days both in the remaining period and in the optional extension term for the agreed operating day rate. The backlog for the term of the original contracts terms as at 31 December 2022G represented SAR 21.6 billion (equivalent to USD 5.8 billion), compared to SAR 5.8 billion (equivalent to USD 1.5 billion) as at 31 December 2021G, and SAR 2.8 billion (equivalent to USD 0.7 billion) as at 31 December 2020G. The value of the backlog calculated for the optional extension periods represented, as at 31 December 2022G, SAR 5.7 billion (USD 1.5 billion) which constitutes 21% of the Group's contracts backlog, compared to SAR 0.9 billion (equivalent to USD 0.2 billion) which constitutes 13% as at 31 December 2021G and SAR 0.7 billion (equivalent to USD 0.2 billion) which constitutes 19% as at 31 December 2020G. This calculation assumes that the client will exercise its option to extend its existing contract under the contracted terms. The calculation of backlog also includes lump sum rig mobilisation and demobilisation payments as applicable under the contract. The Group's method of calculation of backlog may differ from other drilling companies in the same industry, who may exclude certain revenue (such as mobilisation fees) and is based on facts known and assumptions deemed appropriate at the computation date. Other drilling companies may also not count optional extension periods on existing contracts in their backlog calculations. Counting such extension periods may cause the amount of backlog calculated by the Group to appear higher than that of the Group's industry peers. Given that the total backlog amount is calculated on the assumption that the optional extension on client contracts will be exercised, and includes the applicable amount payable under such extension, it should be noted that the exercise by clients of options to extend respective contracts or extend contracts without amending key terms is not certain and therefore that the total backlog amount owing to the Group calculated at any one time may not necessarily represent with certainty the actual revenue amount which the Group can expect to receive. Moreover, any decrease in the Rig Efficiency Index ("**REI**") score of the Group may decrease the likelihood of Saudi Aramco renewing or extended the Group's existing contracts, or awarding new contracts to the Group, therefore negatively impacting the backlog (for more information on the description of how the Group calculate backlog, please refer to Section 4.6.4 ("**Backlog**") of this Prospectus).

Revenues to be recorded in future periods could differ materially from the Group's current backlog as a result of various factors, many of which are beyond the Group's control, including, but not limited to:

- the early termination, repudiation, renegotiation or non-extension of existing contracts;
- breakdowns of equipment, possibly resulting in rig downtime or repair for which the Group may receive a reduced day rate or no day rate at all;
- pandemic influence on the Group's business, financial condition, results of operations, cash flows and prospects;
- war and sanctions affecting supply chains and demand for the Group's services;
- work stoppages, including labour strikes;
- shortages of material and skilled labour;
- surveys by government and maritime authorities;
- periodic classification surveys;
- severe weather, strong ocean currents or harsh operating conditions; and
- other force majeure events.

The Group's contract backlog may fail to be realised in whole or in part if the option to extend is not exercised or if clients cancel or renegotiate their contracts or any other of the Group's assumptions in calculating the backlog estimate do not materialise (for more information, please refer to Section 2.1.8 ("**Risks related to the Group's customer contracts**") of this Prospectus). The inability to realise a substantial amount of the Group's contract backlog would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.7 Risks Related to Rig Upgrade and Refurbishment Projects, Rig Relocations and Acquisitions of Additional Rigs, Including Delays and Cost Overruns as well as Impairment on Rigs

As part of creating value for the businesses, the Group's strategy includes purchasing drilling rigs and refurbishing, maintaining and repairing the rigs using mostly the Group's own workforce, namely its in-house refurbishment and maintenance team, in order to reduce costs. The Group typically acquires rigs under either a "buy to contract" model or a "contract acquisition model". Under the "buy to contract" model, the Group seeks to secure a drilling contract for a rig before or concurrently with finalising the acquisition. Under the "contract acquisition" model, the Group aims to acquire rigs with ongoing contracts that are also acquired or are novated to the Group. The Group has also strategically purchased additional uncontracted rigs before successfully tendering for such contracts (for more information on rigs acquisitions, please refer to Section 4.6 ("**Rigs Acquisition**") of this Prospectus).

In order to meet client requirements and maintain the drilling rigs in operational status, the Group refurbishes and maintains such acquired rigs to bring them up to international standards (including the IACS classification) or standards required by individual clients, such as standards required under the Group's contracts with Saudi Aramco in accordance with Schedule G of such contracts which stipulates the technical standards required when operating the rigs ("**Schedule G**"), (for more information on certification standards, please refer to Section 4.5.10 ("**Rig Efficiency Index**") of this Prospectus). As at the date of this Prospectus, 11 onshore rigs out of the Group's 36 onshore rigs that compose the Group's onshore fleet, are not currently operational or contracted. The aforementioned 11 onshore rigs are the Group's acquired rigs between 2018G and 2022G. Whereas all 49 of the Group's offshore rigs are either operational, in tendering process or pending contract execution and have IACS Certification, or are pending re-certification, including the 34 rigs out of which 29 were the product of the Group's acquisition between 2018G and 2022G, and four leased by the Group. The Group prefers to acquire assets with ongoing contracts and such rigs typically require minimal to no refurbishment. However, for contracts with Saudi Aramco, although the rigs have IACS Certification, there are substantial time and cost investments associated with refurbishing such rigs to be compliant with Schedule G standards. The Group has incurred maintenance and refurbishment capex investments in the Kingdom of Saudi Arabia totalling SAR 88.8 million (representing 20% of net cash flow from investing activities) in 2020G, SAR 206 million (representing 14% of net cash flow from investing activities) in 2021G and SAR 1,327 million (representing 21% of net cash flow from investing activities) in 2022G for refurbishing its rigs to comply with Saudi Aramco's standards, meet the IACS Certification requirements and purchase essential equipment for the rigs. The Group performs regular maintenance on a yearly basis, which typically takes place on-site. Additionally, the Group performs major refurbishment every five years. The Group has typically been able to cover some of the refurbishment costs through a one-time mobilization fee paid by Saudi Aramco once such a rig is deployed. However, there is no assurance that the Group will be able to cover such additional costs in the future, either due to increased competition on the market of any other reason, which could result in cost overruns for the Group.

In undertaking the refurbishment or upgrade of a rig, there can be no assurance that the Group will be able to complete such upgrade works on time or within budget. Changes in drilling technology or demand for new or upgraded equipment may require the Group to make significant capital expenditures in order to deploy all of the Group's newly acquired onshore rigs, keep the rigs operational and maintain the Group's competitiveness. There has been one incident occurred with KOC in 2019G in relation to four drilling rigs which triggered liquidated damages (deducted from the initial invoices until it is 100% recovered) caused by the delay in deployment. Any such delays or overruns in the future could reduce utilisation rates, result in the Group not achieving the expected returns on its investments and otherwise have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Rig upgrade, refurbishment, life extension and repair projects are subject to the typical project risks of delay or cost overruns inherent in any large construction project, including, but not limited to, the following:

- failure of third-party equipment to meet quality or performance standards;
- delays in equipment deliveries or disturbances in the supply chain;
- shortages of materials or skilled labour;
- increases in commodity prices (i.e., steel);
- raising costs of service and supply;
- political instability, civil unrest, military actions or war;
- damage to construction and work, including damage resulting from fire, explosion, flooding, weather conditions, terrorism, war or other armed hostilities;
- unforeseen design or engineering problems, including those relating to the commissioning of newly designed equipment;
- unanticipated actual or purported change orders;
- strikes, labour disputes or work stoppages;
- adverse weather conditions;
- financial or operating difficulties of equipment vendors or the shipyard while constructing, enhancing, upgrading, improving or repairing a rig or rigs;
- an inability to obtain the requisite approvals for the project; and
- disputes with shipyards and suppliers.

The Group's ability to mobilise its drilling rigs to more desirable locations may be impacted by a number of factors, including relevant jurisdiction regulations, customs practices, costs of moving a drilling rig, weather, political instability, civil unrest, military actions and the technical capability of the drilling rig to relocate and operate in various environments. Additionally, the assets being moved could be damaged or otherwise impaired due to unforeseen events or accidents, which could delay their start of operation and consequently result in loss of revenue for the Group from contracts with customers during such delays and incurring costs for repair. As the Group's rigs are mobilised from one geographic location to another, labour and other operating and maintenance costs can vary significantly. If the Group relocates a rig to another geographic location without a client contract, the Group will incur costs that will not be reimbursable by future clients, and even if the Group relocates a rig with a client contract, it may not be fully compensated during the mobilisation period. If the Group incurs significant unplanned costs or delays, the costs associated with relocating rigs and an inability to mobilise rigs in a timely manner could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

With regard to cases of acquiring drilling rigs with ongoing contracts through special purpose companies, the Group acquired Emerald Driller Company in May 2022G and 8 special purpose companies of Seadrill Group in October 2022G. When calculating and determining the fair value of assets and liabilities acquired on the date of acquisition for these companies, the Group determines the value based on the information available on the date of acquisition. However, the Group shall have the right to make adjustments to the valuation (i.e., assets and liabilities) within a period not exceeding one year from the date of acquisition in the event any additional information that affects the valuation is found. This shall be done in accordance with the applicable accounting standards. During 2023, the Group completed the additional clarifications and analysis with respect to the acquisition of Emerald Driller Company and did not make any adjustments to the acquisition date fair values of assets and liabilities acquired from Emerald Driller Company. In general, in the event that any adjustments are made to the valuation during the twelve-month period from the acquisition date, they shall be made retroactively as at the date of acquisition, which will affect the value of the equity of the acquired companies, whether it increases or decreases the value of the acquired companies. This may have a material negative impact on the Group's financial position or future prospects, and consequently on the Company's share price.

Additionally, the Group tests the carrying value of the rigs ("CGUs") for impairment on an annual basis. The assessment is done internally and is based on the discounted cash flow ("DCF") method of valuation using a 15-year projection period, which is longer than the average contracted period of maximum 10 years per rig. The extended period used for the projected period is based on the expectation that the rigs will operate and generate continuous cashflows over 15 years as long as the rigs are well maintained by the Group. This is why the DCF model of valuation also captures the yearly capex required to keep the rigs well-maintained and operational. Furthermore, the Group does not acquire rigs only to fulfil contracts currently on hand, but for those rigs to continue operations under new contracts in the future. In 2020G, impairment testing of rigs and related equipment conducted by the Group for each rig based on the DCF method revealed a total impairment charge amounting to SAR 19.1 million. In 2021G, the testing revealed a total impairment charge of SAR 98.8 million for rigs and related equipment. Additionally, the Group recorded an impairment of SAR 15 million for the ADES 1 rig, included in assets under construction , bringing the total impairment of rigs and related equipment to SAR 113.8 million in 2021G. In 2022G, the Group's DCF valuation model did not result in any impairment on the carrying value of the relevant rigs and equipment primarily due to the Group's backlog of SAR 27.4 billion with 75 active contracts. However, the impairment testing of rigs is not carried out by an independent third party. There can be no assurance that the Group's assessment of a rig's impairment is accurate and that such a rig will operate and generate cashflows during the 15-year projected period, as assumed in the DCF valuation method. Therefore, any additional unforeseen impairments on the Group's rigs could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.8 Risks Related to the Group's Customer Contracts

As at 31 December 2022G, the Group had a total of 73 ongoing contracts. Client contracts are entered into based on the standard templates adopted by each client, which cannot usually be substantially amended, and therefore could include preferential terms favouring the client which may be unfair to the Group and non-negotiable.

Most of the Group's drilling contracts grant the client rights to terminate the contracts earlier than their term by providing prior written notices (which range from 15 to 90 days' notice). The terms of most drilling contracts do not exceed five years. In the event of an optional termination at the discretion of the client, the Group would typically receive all amounts due for work completed at such time, as well as an agreed upon amount for work still in progress and the cost of hand-over, as is mutually agreeable between the client and the Group. However, some of the Group's contracts provide for the right to early termination of the contract by the customer at any time and without any reason, and in such case the Group is entitled to an early termination fee as set out under these contracts. Most of the Groups' drilling contracts grant clients the right to terminate the agreement for cause, such as non-performance of obligations or material breach that may be subject to a cure period or, in the case of defective works, the client's right to perform the work at the Group's expense or the right to enforce performance guarantees, which may adversely affect the Group's cash flow and revenues. Additionally, some of the Group's clients may seek to terminate their contracts due to non-compliance with HSE requirements or security protocols. Decreases in oil prices, the perceived risk of a further decline in oil prices, and the resulting downward pressure on utilisation may cause some clients to consider early termination of their contracts. Furthermore, the contracts permit the clients to terminate upon the occurrence of certain force majeure events that continue for specified periods of time. Most of these events are outside the control of the Group (for more information on the Group's material agreements, please refer to Section 12.6 ("**Material Agreements**") of this Prospectus). The Group does not hold any revenue insurance policies and, although the termination of a drilling contract by a client would likely result in an interruption of production and therefore a loss of revenue, there can be no recourse to an insurance claim in respect of immediate recovery of loss of revenue arising from termination of a contract.

As at the date of this Prospectus, the Group has had two of its contracts terminated by clients, both relating to the turnkey projects in Kuwait which were terminated before the commencement of the operation due to alleged force majeure on the account of the Group's client. Both contract terminations are currently the subject of informal negotiations. However, there can be no assurance that termination of a contract may not occur in future as a result of a decline in market conditions or otherwise. In addition, clients may become unable to fulfil their contractual obligations and in severe circumstances may cease trading, particularly in periods of low oil and gas prices or deteriorating economic or financial market conditions. Equally, while most of the Group's clients are, or are connected with, established NOCs and while these established NOCs operate in jurisdictions where oil and gas revenues represent a significant portion of government budgets, there can be no assurance that such clients are resistant to unfavourable economic and financial market conditions and therefore there can be no assurance that such clients will not consider and exercise any right they may have to terminate a contract with the Group.

In addition, most of the Group's clients are or are connected to large International Oil Companies ("**IOCs**") and NOCs, which is unavoidable in the markets in which the Group operates, and such clients often have significant bargaining leverage over the Group and may use this leverage to renegotiate contract day rates and terms and also include certain provisions that may be onerous on the Group Companies. Clients may also request to renegotiate the terms of existing contracts.

As at 31 December 2022G, the average collection period, calculated on the basis of the average opening and closing net trade receivables outstanding for the reference period divided by the revenue generated during such period and multiplied by the number of days during the same reference period, was 37 days, compared to 63 days and 65 days in 2021G and 2020G, respectively. Trade receivables amounted to SAR 262,136,359 (USD 69,903,029) as at 31 December 2020G and increased by 0.1% in 2021G, amounting to SAR 262,140,431 (USD 69,904,115) as at 31 December 2021G. Accounts receivable decreased to SAR 234,734,872 (USD 62,595,966) as at 31 December 2022G, compared to 2021G, and the Group's average period of receivables decreased by 42%, from 63 days to 37 days. Although the Group faced difficulties in the past in terms of collecting payments from a client in Egypt amounting to SAR 428.2 million (in connection with which the Group signed a settlement agreement with the customer to collect all due balances and structure the payment of financial dues in addition to forming a full provision for impairment of trade receivables against the full amount of receivables from such client), it does not currently face any major problems in collecting payments under the Group's contracts executed in the Kingdom, Kuwait, Qatar, Tunisia and Algeria, or with its other clients in Egypt. However, there can be no assurance that the Group will not encounter difficulties in collecting payments in the future. As at 31 December, 2020G, 2021G and 2022G, the non-current trade receivables amounted to SAR 215,267,580, SAR 105,650,651, and nil, respectively. The balance of the provision for impairment of trade receivables and contract assets amounted to SAR 470,206,043 as at 31 December 2022G, SAR 233,641,523 as at 31 December 2021G, and SAR 17,725,388 as at 31 December 2020G.

Early termination of contracts, contract renegotiations or discount of day rates, or a failure of a client to pay amounts to the Group when due, could have a negative impact on the Group's ability to generate anticipated revenue and could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.9 Risks Related to Non-performance of Drilling Contracts by the Group

In case of certain interruptions, delays, or suspensions of drilling operations due to breakdowns, repairs, inspection, modification, or insufficient staffing, the Group does not receive any payment from clients for any of the affected rigs past certain agreed thresholds. In addition, if the Group breaches its obligations under such contracts, it may be required to pay damages to clients (including specified delay fees), the clients may not renew such agreements or they can terminate such agreements. Poor performance on the Group's drilling contracts, resulting in a low REI score or a low rating of In-Kingdom Total Value Add ("**IKTVA**") for contracts with Saudi Aramco or otherwise resulting in long flat time, rig lost time or low HSE records, may be grounds for termination by the clients if not remedied in accordance with the terms of such contracts. If several drilling contracts are terminated, in particular the contracts with Saudi Aramco, the Group may experience significant delays, difficulties, and costs in finding replacement clients. Additionally, in case of termination of contracts with Saudi Aramco, there may not be sufficient alternative clients since a significant portion of the Group's revenue from contracts with customers is ultimately directly or indirectly linked to Saudi Aramco. Therefore, such non-performance could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.10 Risks Related to Public Health Issues and Pandemics, Including the Covid-19 Pandemic

The COVID-19 pandemic has created economic and financial disruptions globally and has led governmental authorities to take unprecedented measures to mitigate the spread of the disease, including travel bans, border closings, business closures, quarantines and lockdowns, and to take actions designed to stabilize markets and promote economic growth. Additionally, the COVID-19 pandemic had a significant impact on the oil and gas market in the MENA region, and globally, experiencing low demand for drilling services, excess rig supply and corresponding low day rates in addition to the limitations on the Group's supply chain, and other factors. This resulted in a decrease in the Group's revenue from contracts with customers by 10.7%, from SAR 1.7 billion in 2020G to SAR 1.5 billion in 2021G which was mainly driven by the following factors: (i) four onshore rigs that were contracted with KOC during 2019G and 2020G were not renewed during the second half of 2020G until 2021G as a result of the uncertainty in commodity markets during the COVID-19 pandemic (resulting in decrease in revenue by SAR 89.7 million); (ii) four onshore rigs were out of contract in Algeria (resulting in decrease in revenue by SAR 20.1 million) as the contract of those rigs expired between 2020G and 2021G and were not renewed due to economic conditions (mainly related to COVID-19 and the instability in Algerian Dinar), in addition to any geopolitical issues during the same period, which impacted the level of production; and (iii) temporary suspensions of five onshore rigs from Aramco in the Kingdom of Saudi Arabia for different durations (suspensions ranged from four months to 1.5 years), in addition to lower utilization from contracted offshore rigs. These rigs then resumed operation after the set suspension duration, except for one rig (resulting in decrease in revenue by SAR 16.5 million) which commenced operations in the first quarter of 2022G. However, the rigs' temporary suspension period in the Kingdom of Saudi Arabia was added back to the original contract tenor for those rigs, and all those rigs recommenced operations between the fourth quarter of 2021G and the first half of 2022G.

The outbreak of other variants or other infectious diseases in the Kingdom of Saudi Arabia, the MENA region or globally might have a materially negative impact on the relevant country's economy and business environment and may have broader impacts. It could also have a material impact on the supply chain and delivery infrastructure, including access to ports and key export points used by the Group. In addition, it could impact third-party vendors and other counterparties of the Group and their ability to comply with their obligations towards the Group. The aforementioned might affect the business operations of the Group and the demand for oil and gas and therefore have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

The future extent of the impact of the COVID-19 pandemic on the Group's business, operations, financial position, cash flows or future prospects will depend largely on future developments, including, amongst other things, the widespread distribution, acceptance and effectiveness of one of more vaccines and medicines.

### 2.1.11 Risks Related to the Group's Reliance on Debts in Financing its Rigs Acquisitions

A part of the Group's strategy of creating value includes purchasing drilling rigs and refurbishing, maintaining and repairing such rigs. To finance rigs acquisitions and any additional capital expenditure needed to bring the relevant acquired rigs into operational condition, the Group relies on debt financing. Such debt financing for rigs acquisitions is typically secured by the Group's assets, such as its rigs, shares in Subsidiaries, and the proceeds from contracts awarded to the Group. The shares in Kuwait Advanced Drilling Services and ADES International for Drilling are pledged in favour of the lenders under the Group's credit facilities agreements. Moreover, Kuwait Advanced Drilling Services, ADES International for Drilling and ADES Egypt have assigned pursuant to a syndicated facilities agreement insurances and customer contracts in favour of HSBC Corporate Trustee Company (UK) Limited. As of the date of this Prospectus, majority of the Group's drilling rigs are pledged to the Group's lenders pursuant to the Group's credit facilities agreements.

The Group's total debt arising from interest-bearing loans and borrowings and bonds payable, increased from an aggregate of SAR 2,649,304,986 as at 31 December 2020G to SAR 10,547,485,897 as at 31 December 2022G, mainly as a result of the acquisition of five rigs in 2021G and 24 rigs in 2022G. Finance costs increased by 24.8%, from SAR 244.6 million in the financial year 2020G to SAR 305.2 million in the financial year 2021G due to writing off the cost of unamortized loan transactions related to loans paid during the year, amounting to SAR 106.8 million, offset by a decrease in bond interest and amortization of bond fees (-SAR 55.5 million) after paying off the bond in the financial year 2021G. Finance costs decreased slightly by 0.7% from SAR 305.2 million in the financial year 2021G to SAR 303.0 million in the financial year 2022G due to the increase in interest-bearing loans and borrowings from SAR 4,039 million as at 31 December 2021G to SAR 10,547 million as at 2022G to finance the acquisition of new rigs, which led to an increase in loan interest (+SAR 162.5 million), offset by a decrease in the loss on derecognition of loan (writing off the non-amortized portion of the loan transaction cost) (-SAR 117.6 million) and financial charges related to bond interest and bond fees amortisation (-SAR 58.9 million).

The Group's debt-to-equity ratio (calculated by (interest-bearing loans and borrowings + bonds payable) ÷ total equity) increased from 0.9x as at 31 December 2020G to 4.7x as at 31 December 2022G mainly on the back of the acquisition of new rigs. The Group uses cash flows generated by its rigs to make repayments on its debt. Owing to the Group's backlog (including revenue generated from rig mobilization and demobilization of SAR 21.6 billion (U.S.$ 5.8 billion)) until 2032G and optional extensions of two years for the Group's drilling contracts of SAR 5.8 billion (U.S.$1.5 billion), the Group's interest-bearing loans and borrowings of SAR 10.5 billion as at 31 December 2022G represent a portion of the Group's foreseeable sustainable contract revenue. With this, the backlog-to-debt ratio stands at 2.6x as at 31 December 2022G. Furthermore, the Group's weighted average contract tenor is matching the effective maturity of the debt. The Group has also ensured that more than 50% of the outstanding debt is hedged against interest rate risk in 2022G, limiting the Group's exposure to any potential fluctuations in increasing global interest rates. The Group has also witnessed deteriorating operating cash flow levels in 2021G compared to 2020G, which decreased from SAR 620.4 million in 2020G to SAR 316.8 million in 2021G, and then increased to SAR 1,146.2 million in 2022G. It is worth highlighting that the mentioned calculation of the gearing ratio is different from the calculation based on the definitions under the financing agreements which take into consideration the full-year impact of the acquired rigs' net profits even if these rigs did not contribute fully to the Group's operations (i.e., the rigs started operations or have been acquired during the year). If cash flows generated by the Group's rigs decrease significantly for whatever reason, this could affect the Group's ability to make repayments on the debt incurred in financing its rigs acquisitions and could result in default under the financing agreements.

Additionally, the Group has historically been able to take out new loans to refinance existing financial indebtedness (for more information on the material financing and loan agreements of the Group, please refer to Section 12.7 ("**Credit Facilities and Loans**"). The total balance of the Group's interest-bearing loans and borrowings as of 31 December 2022G amounted to SAR 10.5 billion, and repayments will take place between 2023G and 2030G. However, there is no guarantee that the Group will be able to take out new loans under favourable conditions to refinance existing financial indebtedness in the future (for more information on covenants of financial agreements, please refer to Section 2.1.27 ("**Risks related to compliance with certain financial and other restrictive covenants**") of this Prospectus). In the event of default, the Group's lenders could enforce their security over the Group's assets which could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.12 Risks Related to Competing with Affiliates of Respective NOCs for Drilling Contracts

The Group's revenue is predominantly derived from drilling contracts that are awarded on a tender basis. The Group participates in tenders to win new contracts and to renew certain existing contracts (which may not have an option to be extended by the customer or to be renegotiated privately with the customer without entering into a tender process once more). However, the Group competes in tenders for drilling contracts with affiliates of NOCs in the Kingdom of Saudi Arabia, Kuwait and Qatar. For example, the Group competes with ARO Drilling in the Kingdom of Saudi Arabia, the Kuwait Oil Company itself in Kuwait and GDI in Qatar. In Egypt, Egyptian General Petroleum Corporation ("**EGPC**") is the NOC which has a joint venture, Egyptian Drilling Group ("**EDC**"), with another government joint venture entity, which competes with the Group for drilling contracts. The NOCs' status under local laws and regulations and their relationships with their respective affiliates could adversely affect the Group's competitiveness in tenders for drilling contracts and therefore adversely affect the Group's operations by limiting drilling opportunities or reducing revenues, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.13 Risks Related to Renewing or Obtaining New and Favourable Drilling Contracts

In 2022G, the Group renegotiated or entered into a number of drilling contracts, which generally have terms from one to 7 years (and are generally renewed as per the terms of such contracts). As at 31 December 2022G, the Group has 73 contracted rigs, nine idle rigs and three uncontracted rigs. There are 8 contracts scheduled to expire during 2023G. As at 31 December 2022G, three rigs out of the nine idle rigs had a net book value of SAR 92.4 million, the remaining six rigs have minimal to nil net book value as those rigs were acquired in an idle state with zero cost as part of a wider acquisition. These rigs require upgrade and refurbishment before they become operational and thus classified as "cold stack". While these rigs do not generate revenue when they are idle, warm stacked rigs continue to incur minimal stacking costs such as customs and associated other costs. The Group is in negotiations to extend some existing contracts, including 3 contracts in Egypt that are undergoing the renewal process. However, the Group may be unable to obtain drilling contracts for its existing and future rigs, and there may be a gap in the operation of the rigs between contracts during which the rigs would not generate revenue for the Group.

The Group's ability to renew expiring drilling contracts or obtain new drilling contracts is dependent upon the prevailing market conditions at the time and the Group's pricing, performance and reputation, among other factors. Additionally, clients may impose additional technical requirements when renewing contracts, which would increase the Group's capital expenditure to meet those requirements and/or reduce the likelihood of the Group winning a tender (for further details, please refer to Section 2.1.8 ("**Risks Related to the Group's Customer Contracts**") of this Prospectus). Since 2012G, the Group has maintained a high percentage of assets under contract, so if the Group is unable to obtain new drilling contracts following the expiration of current contracts or for newly acquired and refurbished rigs or rigs that are currently idle, or if new drilling contracts are entered into at day rates substantially below the existing day rates or on terms otherwise less favourable as compared to current contract terms, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

There can be no assurance that the Group will renew or secure drilling contracts with rates and terms that will provide a reasonable rate of return on the Group's investments in the rigs the Group acquires and refurbishes. Any failure to secure profitable drilling contracts in the future would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.14 Risks Related to the Group's Standard Specification Rigs which are at a Relative Disadvantage to Higher Specification Rigs

Standard specification rigs in the Group's legacy fleet (mainly rigs acquired before 2021G) lack certain capabilities and technology that can be found on higher specification rigs, including the capability to operate at water depth of more than 122 meters and with a hook load capacity of over 1,000 tons. Such capabilities may increase the operating parameters and efficiency of higher specification drilling rigs. Although high specification rigs currently tend to be deployed in harsh environments, in which the Group does not have its current operations, if the demand for offshore drilling rigs were to decrease for a prolonged period of time, it is possible that higher specification rigs would offer lower rates and would begin to compete with standard specification rigs for the same contracts. In that case, higher specification rigs would have an advantage over standard specification rigs in securing those contracts and the demand for and utilisation of standard specification rigs may decrease. Similarly, although the Group has historically enjoyed the advantage of lower investment cost units as compared to high specification jack-up rigs, there can be no assurance that the market will not turn to favour high specification rigs in the future or that clients will not demand investments in the Group's fleet in order to award contracts.

A decrease in demand for and utilisation of standard specification rigs could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. Many of the Group's competitors have fleets that include high specification rigs and may be more operationally efficient, whereas the Group's rigs are not suitable for operations in harsh environments and so do not compete with high specification rigs in such markets.

Additionally, lower specification rigs tend to be stacked earlier in the cycle of decreased rig demand than higher specification rigs and have been reactivated later in the cycle, which may adversely impact the Group's business, financial condition, results of operations, cash flows and prospects, though this is region-specific. This is partly due to price, partly due to conditions in the region, and partly due to existing relationships. The Group's rigs are further constrained by the water depths in which they are capable of operating, meaning they can only be reallocated to similar operating environments. Though the majority of rigs currently deployed in the Middle East are standard jack-up rigs, a trend towards high specification rigs could result in a decline in demand for standard specification rigs such as the Group's rigs, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.15 Risks Related to the Inability to Keep Pace with Significant Technological Developments

The market for the Group's services is affected by significant technological developments that have resulted in, and will likely continue to result in, substantial improvements in equipment functions and performance throughout the industry. As a result, the Group's future success and profitability will be dependent in part on its ability to:

- provide existing services, rigs and equipment;
- address the increasingly sophisticated needs of its clients; and
- anticipate major changes in technology and industry standards and respond to technological developments on a timely basis.

Changes in technology or improvements by competitors could make the Group's equipment less competitive. There can be no assurance that it will:

- have sufficient capital resources to improve existing rigs or build new, technologically advanced drilling rigs;
- avoid cost overruns inherent in large projects resulting from numerous factors, such as shortages or unscheduled delays in delivery of equipment or materials, inadequate levels of skilled labour, unanticipated increases in costs of equipment, materials and labour, design and engineering problems, and financial or other difficulties;
- successfully deploy idle, stacked, new or upgraded drilling rigs;
- effectively manage the increased size or future growth of its organisation and drilling fleet;
- maintain crews necessary to operate existing or additional drilling rigs; or
- successfully improve its financial condition, results of operations, business or prospects as a result of improving existing drilling rigs or building new drilling rigs.

New technologies may cause the Group's drilling methods and equipment to become less competitive and it may become necessary to incur higher levels of capital expenditures in order to keep pace with the disruptive trends in the drilling industry. Even if the Group is successful in developing new technologies for use in its business, there is no guarantee of future demand for such technologies. Clients may be reluctant or unwilling to adopt the Group's new technologies. The Group may also have difficulty negotiating satisfactory terms for its technology services or may be unable to secure prices sufficient to obtain expected returns on its investment in the research and development of new technologies.

If the Group is not successful in upgrading existing rigs and equipment to keep pace with technological development or building new technologically advanced rigs in a timely and cost-effective manner suitable to its client needs, demand for its services could decline and it could lose market share. Moreover, the technologies that the Group may implement in the future may not work as it expects and its business, financial condition, results of operations and reputation could be adversely affected as a result. Additionally, new technologies, services or standards could render some of its services, drilling rigs or equipment obsolete, which could reduce its competitiveness and have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.16 Risks Related to Failure to Secure Adequate Insurance Coverage

The Group maintains insurance against certain hazards including in relation to its assets, rig operations and employees. However, no assurance can be given that any of the Group's existing insurance policies will be sufficient to cover losses arising from certain events or will be renewed on equivalent, commercially reasonable terms or at all.

The Group's insurance policies and drilling contracts contain rights to indemnities intended to cover certain losses and risks. However, there can be no assurance that such insurance and/or indemnities will prove adequate to cover such losses or risks. The Group does not have insurance coverage or rights to indemnities for all possible risks. The Group maintains three main types of insurance coverage: (i) hull and machinery coverage for physical damage to the Group's property and equipment for the offshore and the onshore units (an "all-risk" insurance policy), (ii) protection and indemnity insurance (to cover liability towards others; injuries and loss of life of the Group's crew and damage to onboard cargo; damage to piers, docks and other fixed or floating objects; wreck removal costs; and collision liability), and (iii) contract liability insurance in respect of all contracts (for further details on the summaries of the Group's material insurance policies, please refer to Section 12.9 ("**Insurance**") of this Prospectus). The Group's insurance coverage, however, includes per incident aggregate policy limits that reflect the Group's responsibilities and liabilities under its contracts. As a result, the Group generally retains the risk for any losses in excess of these limits.

Additionally, the Group is required under its client contracts to maintain adequate insurance coverage. There is therefore a risk that the Group may have to obtain new insurance policies at a rate that it does not consider reasonable. Similarly, given the increasing volatility and complexity of the markets in which the Group operates, certain types of risks and losses are either uninsurable or uneconomical to insure, (for example, among others, risks or losses relating to war, terrorism, geopolitical climate, threats to cyber security, currency fluctuation, general economic crisis and inadequate succession planning). Furthermore, it may be difficult to identify appropriate insurance solutions to cover these risks, given the complexity of operations conducted by the Group.

The Group may become subject to additional risks in the future, which could result in material risk of losses. In the event that the Group incurs losses due to lost revenue or other eventualities in the future, which are not covered by its insurance policies, such losses will be incurred by the Group with no recourse to the insurers and, hence, would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.17 Risks Related to Applicable Competition Laws and Regulations

The Group is subject to a variety of antitrust, unfair competitive practices and similar laws and regulations in the jurisdictions where it operates. As part of the Group's ordinary course of business, it acquires many assets (comprising rigs) and companies (comprising special purpose vehicles that own rigs and operate in ongoing projects). In some of the markets in which the Group operates, it has market positions that may make future significant greenfield projects or acquisitions more difficult and may limit its ability to expand.

In Egypt, the Group is a market leader by number of offshore jack-up rigs and as such it is subject to antitrust and competition-related restrictions, and the Group could in the future become subject to such restrictions in other jurisdictions in which it operates. In addition, the Group may be subject to allegations of, or further regulatory investigations or proceedings into, unfair competitive practices or similar behaviour. Such allegations, investigations or proceedings may require the devotion of significant management effort, time and financial resources to defending the Group. In the event that such allegations are proven, there may be significant fines, damages awards and other expenses, and the Group's reputation may be harmed, which could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

In the Kingdom of Saudi Arabia, the Saudi Competition Law seeks to protect fair competition in the Saudi markets and to promote and establish market rules and free and transparent prices. Entities participating in an economic concentration are required to notify the General Authority for Competition ("**GAC**") for approval of such concentration prior to completing the relevant transaction. The law defines "economic concentration" widely to capture, amongst other things, any full or partial transfer of ownership over shares or assets that would result in a change of control. Given the size of the Group, any corporate transaction undertaken by the Company or any of its Subsidiaries may potentially trigger the need to file with the GAC for approval. This is the case even if such transaction occurs outside the Kingdom of Saudi Arabia and regardless of the size of the transaction. If it is found that a filing was required and the parties move forward with the proposed transaction without seeking the GAC's approval, the parties may be subject to the penalties imposed by GAC which include fines and the risk of including unwinding the whole transaction. This could materially and adversely impact the Group's expansion plans, including its acquisition of further rigs and assets necessary to grow its business.

The Group could be subject to fines and penalties if the Group is found to be in a dominant position in any other markets and exploiting this position to eliminate competition through: preventing competitors from accessing the market; sale below production cost; or restricting suppliers from dealing with other competitors. Local competition authorities are the regulators which investigate and assesses whether a company is in a dominant position in a relevant market and determine whether a company in a dominant position has abused such position. As at the date of this Prospectus, no such determinations have been made with regard to the Group. If any local competition authority were to investigate the Group and determine that the Group does hold a dominant market position in a relevant market and does engage in prohibited practices, it could impose significant fines and other penalties on the Group, including temporary or permanent closure of businesses. Moreover, defending against such proceedings may be lengthy and costly to the Group.

The occurrence of any of these risks would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.18 Risks Related to Public and Investor Sentiment Towards Climate Change, Fossil Fuels and Other ESG Matters

Changing public sentiment concerning fossil fuels, aimed at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other groups, has prompted efforts worldwide to promote the divestment of shares of non-renewable energy companies, as well as to pressure lenders and other financial services companies to limit or curtail activities with non-renewable energy companies.

Members of the investment community are also increasing their focus on environmental, social and governance ("**ESG**") practices and disclosures, including practices and disclosures related to greenhouse gases and climate change, in the energy industry in particular, and diversity and inclusion initiatives and governance standards among public companies more generally. As a result, the Group may face increasing pressure regarding its ESG disclosures and practices, regardless of the underlying disclosure requirements on the Exchange. Additionally, members of the investment community may screen the Company for ESG sustainability performance before investing in the Shares. Over the past few years there has also been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG investments. As a result, there has been a proliferation of ESG focused investment funds seeking ESG oriented investment products. The Group is active in the fossil fuel industry and therefore, regardless of its ESG practices and disclosures going forward, it is unlikely to meet the standards of ESG investing. As a result, the Company may lose investors or investors may allocate a portion of their capital away from the Company, its cost of capital may increase, which can have a negative effect on the Group's reputation, which would in turn have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.19 Risks Related to Global Transition to Renewable or Other Alternative Energy Sources

The transition to renewable and other alternative energy sources may impact global oil and gas demand. In addition, it may require the Group to adapt certain parts or its operations to potentially changing government requirements, client preferences and to a potentially changing client base.

In connection with the 27th UN Climate Change Conference of the Parties ("**COP27**"), the Kingdom of Saudi Arabia announced three climate projects including a carbon credit scheme. Additionally, the Kingdom of Saudi Arabia plans to improve the quality of life and protect future generations in the Kingdom of Saudi Arabia. This includes the Saudi Green Initiative, which will contribute to increasing reliance on clean energy, reducing carbon emissions, combating climate change and reaching carbon neutrality (net zero emissions) by 2060G. This will be achieved through several methods, including establishing a platform for trading and exchanging carbon credits and compensation in the MENA region, and generating electricity from renewable energy sources such as solar or wind energy sources. The Kingdom of Saudi Arabia's plans also include a strategy to reduce oil product consumption and encourage consumers to replace them with natural gas. In light of this, a number of laws, rules and regulations (that could impact the Group and its operations) may be issued under such initiatives and strategies the implementation of which may result in a material adverse effect on the Group's revenues from contracts with customers and prospects. This may also increase the Group's costs or liabilities, limit its ability to realize expansion plans or implement objectives, which would adversely and materially affect the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Energy transition may adversely affect the demand for the Group's services and this trend may be more rapid and pronounced than the Group anticipates. Furthermore, if investors or financial institutions shift funding away from companies in fossil fuel-related industries, the Group's access to capital or the market for the Shares would be negatively impacted, which could in turn have a material adverse impact on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.20 Risks Related to the Group's or its Clients' Ability to Acquire or Renew the Required Licenses and Permits

Crude oil and gas drilling and production services require numerous licenses, permits and approvals (such as, without limitation, customs clearance, military approvals, radio licences from telecommunications regulators, civil aviation licence, navigation warning from maritime safety authorities, D-RAT certificate) for the Group and its clients from governmental agencies in the areas in which the Group operates (for more information on the key licenses and permits of the Company and its Material Subsidiaries, please refer to Section 12.5 ("**Government Approvals, Licenses, and Certificates**") of this Prospectus).

If the Group or its clients are not able to obtain or renew necessary permits and approvals in a timely manner, the Group's operations will be adversely affected. Obtaining and renewing all necessary permits and approvals, as required in each jurisdiction in which the Group operates, may necessitate expenditures to comply with the requirements of such permits and approvals, future changes to such permits or approvals, or any adverse change in the interpretation of existing permits and approvals. In addition, such regulatory requirements and restrictions could also delay or curtail the Group's operations, require the Group to make additional expenditures to meet compliance requirements, and would have a significant impact on the Group's financial condition or results of operations and may create a risk of expensive delays or loss of value if a project is unable to function as planned. There can be no assurance that the renewals of existing licences and permits will be granted, or that, if granted, they will be on similar terms as the Group's current licences and permits. In addition, there may be administrative delays which might result in new licences and permits being issued after existing licences and permits have expired. Though temporary licences are available in such circumstances, there can be no assurance that such licences will be available in time. Failure to duly obtain, hold and renew these licences may result in a suspension of the Group's operations and may subject the Group to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance and would have a material adverse effect on the Group's ability to continue operations in the countries in which it operates and the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price (please refer to Section 2.2.4 ("**Risks related to new laws and government regulations, changes to existing laws and government regulations and uncertainty of legal systems**") of this Prospectus).

The Group is also subject to certain corporate registration requirements under the laws applicable in the jurisdictions where the Group Companies are registered. Each Group Company is required to ensure that its commercial registration and its other constitutional documents are updated from time to time to comply with the requirements of the competent regulators. Each Group Company is also required to adhere to the mandatory provisions that impose certain corporate governance requirements and other procedural requirements that need to be complied with on an annual basis, such as the preparation of reports, convening meetings to pass certain decisions and other requirements. The Group Companies may not comply with all such requirements from time to time. Currently, ADES Saudi has not complied with the requirements of the Saudi Companies Law regarding convening the annual general assembly meeting of shareholders except for 2022G. Non-compliance with such requirements could result in certain issues in processing applications with the regulatory authorities and controllers of such companies, which could result in a material adverse impact on the Group's corporate and administrative operations.

### 2.1.21 Risks Related to the Group's Drilling Contracts with NOCs

The Group currently owns and operates rigs that are contracted with NOCs or their joint ventures. In the years ending 2020G, 2021G and 2022G, most of the Group's revenue from contracts with customers came from NOCs (except from revenues from certain clients in Qatar and Tunisia), which included Saudi Aramco in the Kingdom of Saudi Arabia, the Kuwait Oil Company in Kuwait, Gupco and GPC in Egypt, National Oil Company and Total Energies in Qatar, ENI in Tunisia, and ENAFOR in Algeria as the main clients. Apart from pricing and mobilisation fees, the terms of these contracts are often non-negotiable and may expose the Group to greater commercial, political and operational risks than the Group might assume in other contracts, such as exposure to materially greater environmental liability and other claims for damages (including consequential damages) and personal injury related to the Group's operations, or the risk that the contract may be terminated by the client without cause on short-term notice, contractually or by governmental action, under certain conditions that may not provide the Group with an early termination payment. The Group can provide no assurance that its exposure to NOCs and their affiliates will not have a material adverse impact on its future operations or that the Group will not increase the number of rigs contracted to NOCs or their affiliates with commensurate additional contractual risks, which may have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

The occurrence of any of these risks would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.22 Risks Related to Joint Venture Partners and Shareholder Agreements Concluded by the GROUP

The Group relies on joint investment and project partnerships to carry out some of its current and future projects, such as UPDC, Advantage Drilling Services Company and Egyptian Chinese Drilling Company. The Group may not have the right to fully control such joint ventures or may not be able manage them in their entirety. As a result, the relevant projects may not be carried out with the competence and effectiveness that the Group desires, or they may not be carried out in an optimal manner to serve the Group's best interests. There is no guarantee that the partners will act in a manner that serves the interests of the Group.

Furthermore, co-investments and joint ventures expose the Group to the usual risks associated with such arrangements, which include, but are not limited to, the risks of the Group's co-investors or partners violating regulations or failing to perform their obligations to the detriment of the Group. The Group's reputation may be adversely impacted if one of the partners violates local laws or the provisions of the shareholders' agreement. If the Group's partners fail to meet their funding commitments, the Group may be forced to make cash contributions. In the event that the Group breaches the terms of a shareholders' agreement, the Group may be obligated to purchase the shares of the remaining shareholders under the terms of the shareholders' agreement, which could result in the Group incurring significant costs.

In the event that any of these risks occur, it could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

On 1 November 2005G, the Group (through Precision Drilling (Cyprus)) entered into a shareholders' agreement in relation to UPDC with United Oil Projects Holding and Geotech Environmental Services Company. Under the agreement, disposals of shares to third parties are subject to the prior approval of the other shareholders. Additionally, on 14 November 2017G, the Group (through ADES Egypt and ADES International) entered into a subscription and shareholders' agreement in relation to Advantage Drilling Services Company with Vantage Driller II Co. ("Vantage"). Pursuant to the terms of this shareholders' agreement, the shareholders of Advantage Drilling Services Company shall be subject to certain share transfer restrictions. Pursuant to the terms of this shareholders' agreement, each of ADES Egypt and ADES International must obtain a pre-approval on the disposal of their shares except if the disposal is to an affiliate. In the event a majority of the voting shares of an entity that directly or indirectly controls Advanced Energy is sold or transferred to a third party (other than a related party of ADES Egypt), Vantage Driller II Co shall exercise its right to a call option on the shares of ADES Egypt and ADES International in Advantage Drilling Services Company. The shareholders' agreement related to United Precision Drilling Company states that the shareholders shall not compete with United Precision Drilling Company throughout the duration of the shareholders' agreement in terms of carrying out oil and gas well drilling, maintenance services and related services for Kuwait Oil Company, international oil companies and others within the land or sea territories of the State of Kuwait, including in the Saudi Arabian–Kuwaiti neutral zone where Kuwait Oil Company, or any other specified entity controlled by the State of Kuwait, has the authority to manage drilling operations and related services, or to bid for drilling contracts, except where the board of directors of United Precision Drilling Company so allows. In addition, the shareholders agreement related to Advantage Drilling Services Company provides for an obligation on the shareholders not to compete with Advantage Drilling Services Company independently in the activity of deep-water drilling within the territorial waters of the Arab Republic of Egypt during the agreement term. Such restrictions and obligations may adversely and materially affect the fulfilment of the Group's strategies, which may in turn affect the results of its operations, financial position or future prospects, and consequently the Company's share price.

### 2.1.23 Risks Related to the Group's Ability to Recruit and Retain Skilled Personnel

The Group requires skilled personnel to refurbish and maintain drilling rigs and to provide technical services and support for the Group's business. Competition for skilled and other labour has intensified due to the increased global demand for oil rigs and because additional, more technically advanced, rigs are added to the Group's worldwide fleet. Although most of the rigs that the Group acquired recently are operational and came with workforces to operate the rigs, these rigs will require more workers with specialised training and skills to operate. However, during periods of high utilisation, it is more difficult and costly to recruit and retain qualified employees. Additionally, recruiting and hiring crew members for Saudi Aramco contracts would typically require a certain level of Saudization (for more information on the risks associated with the Saudization, please refer to Section 2.2.8 ("**Risks related to compliance with Saudization requirements and labour law requirements**") and for more information on the Saudization requirements, please refer to Section 4.12.3 ("**Saudization**") of this Prospectus). Competition for such personnel could increase the Group's future operating expenses, or impact the Group's ability to fully staff and operate its fleet.

The MENA market for blue-collar employees is generally characterised by high turnover. As such, the Group will also incur additional training costs for prospective employees for skilled positions on any rigs that the Group acquires. The Group may also be required to maintain or increase existing levels of compensation to retain its skilled workforce, especially if the Group's competitors raise their wage rates. Any increase in the Group's employment costs or loss of skilled personnel could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. Likewise, an inability to obtain visas and work permits for employees on a timely basis could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Further, the Group's employees are not members of any union and the Group has suffered no strikes or work stoppages in the past. However, there can be no assurance that such activity may not happen in the future, and if the same were to occur, then this would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.24 Risks Related to Continuing Service of Certain of the Group's Senior Executives and Key Personnel

The Group's future growth and success depends in part upon the knowledge and continuing service of certain of the Group's Senior Executives and key personnel who possess experience, relationships and knowledge that are important to the operation of the Group's business, as well as profitability and future growth. Any failure to continue existing or generate new client relationships because of such persons leaving the Group could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. There can be no assurance that the Group will always be able to retain the services of its key managers or personnel or attract and retain replacements or additional qualified managers, as and when needed. The Group's inability to meet future recruitment requirements may also result in high costs. The occurrence of any of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.25 Risks Related to Management's Insufficient Experience in Managing a Publicly Listed Company

Some of the Company's Senior Executives may have limited experience in managing listed joint stock companies in the Kingdom of Saudi Arabia, interacting with investors and complying with the increasingly complex laws, regulations and other obligations pertaining to public companies. After the Offering, the Company will be subject to significant regulatory oversight and reporting obligations under CMA rules and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from the Company's Board and senior management and could divert their attention from the day-to-day management of the Company's business. In addition, failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. If any of these events materialise, they could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.26 Risks Related to Employee Misconduct and Errors

Some of the Group's employees interact with external third parties, such as clients, regulatory bodies, government entities and other third parties. Employee misconduct or errors could lead to the Group being in violation of applicable laws and regulations, which would result in regulatory sanctions being imposed on the Group by the competent regulatory authorities. Such sanctions would vary according to the misconduct or error and would cost the Group financial liability and serious damage to its reputation. Such misconduct or errors may be non-compliant with applicable laws or internal controls and procedures, including failure to duly document transactions in accordance with the Group's standardised documentation and processes (or failure to seek appropriate legal advice in relation to nonstandard documentation, as required by the Group's internal policies) or to obtain proper internal permission or authorisation. The Group may also face claims and litigation for the harm or other adverse effects caused by such errors (for more information, please refer to Section 2.1.31 ("**Risks related to legal disputes**") of this Prospectus). If employees commit any such misconduct or errors, it will have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.27 Risks Related to Compliance with Certain Financial and other Restrictive Covenants

The Group is, from time to time, subject to certain covenants pursuant to the credit facility agreements entered into by the Group and other restrictive covenants. Under these covenants, the Group's ability to borrow, make dividend payments or incur additional financial indebtedness may depend on the prior consent of the relevant lenders. The Group's ability to meet its financial covenants and conditions under the terms of the credit facilities agreements are, to an extent, affected by events beyond its control. If the Group is unable to comply with the restrictions and covenants in its existing or future debt and other agreements, a default under the terms of those agreements may result. Some of the facilities agreements entered into by the Group provide for a cross-default mechanism, whereby if the Group defaults in accordance with the terms and conditions of a particular facility agreement, other banks may, under the facilities agreements concluded with them, terminate their commitments to further lend to the Group or accelerate the loans and declare all amounts borrowed due and payable. If any of these events occur, the Group cannot guarantee that available assets would be sufficient to repay in full all of the affected indebtedness. The Group also cannot guarantee that it would be able to secure alternative financing. Even if the Group could obtain alternative financing, it cannot guarantee that such financing would be on terms that are favourable or acceptable to it. Some of the facilities agreements entered into by the Group stipulate that if the ownership of PIF in the Company post-Offering decreases to less than 20% (either directly or indirectly), this will be considered an early repayment event, whereby the concerned bank, according to the facility agreement, has the right to consider the existing facilities payable immediately on the date of the event. The facilities agreement concluded with Alinma Bank also stipulates that if the ownership of the current shareholders of the Company (pre-Offering) decreases to less than 51% post-Offering, this will be considered an early repayment event, whereby Alinma Bank shall have the right to consider the existing facilities payable directly on the date the event occurred.

It should also be noted that, as at 31 December 2022G, more than 95% of the Group's proceeds from its drilling contracts form part of the security package granted to lenders under its bank loans and credit facilities. In the event of default under any such loan or facility, there is a risk that the right to revenues from the contracts becomes subject to lender control and is not free for the Group to use at its discretion. Lenders may also be able to enforce against the mortgaged assets of the Group in the event of a default. In addition, some of the Group's credit facilities agreements stipulate restrictions related to dividend payments to the Company's shareholders, whereby the pre-Offering dividends should not exceed an amount equal to 50% of the Company's operating cash flows. Post-Offering, the dividends will be distributed to the Company's Shareholders in accordance with the dividend policy contained in this Prospectus. In both cases, provided that the dividend payment does not take place during a state of default or result in a default, and that the dividend payment does not occur until after the dates indicated and agreed upon in the agreement. For more information on the main obligations and covenants under the credit facilities agreements entered into by the Group, please refer to Section 12.7 ("**Credit Facilities and Loans**").

As at the date of this Prospectus, the Group is in compliance with all financial covenants applicable thereto. However, the Group cannot guarantee that it will be able to meet the conditions imposed by the financial covenants in accordance with the terms of the credit facility agreements. The occurrence of any of these risks would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.28 Risks Related to Fluctuating Interest Rates of the Group's Borrowings

Any advances under the existing facilities would bear interest at rates which vary depending on the London Interbank Offered Rate ("**LIBOR**"), the Secured Overnight Financing Rate ("**SOFR**") or the Saudi Arabian Interbank Offered Rate ("**SAIBOR**"). Increases in LIBOR, SOFR or SAIBOR increase the Group's interest expense, which could materially and adversely affect its business, prospects, financial condition and results of operations. Such increases in interest rates could also materially and adversely affect the Group's cash flows and ability to service debt in the longer term. In addition, the Group may procure additional indebtedness at floating rates in the future. The applicable interest rates could rise significantly in the future, thereby increasing the Group's interest expenses associated with its obligations, reducing cash flow available for capital expenditures which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.29 Risks Related to Incurring Capital and Operating Expenditures

The Group must incur capital and operating expenditures on its fleet. The Group has incurred capex for acquisitions of rigs (either by acquiring companies, operating rigs or acquiring new rigs as assets), amounting to SAR 8.0 million in 2020G, SAR 1,574 million in 2021G and SAR 6,660 million in 2022G. The significant increase in acquisition capex in 2022G was mainly due to need to cover the new contracts awarded to the Group by Saudi Aramco, which significantly increased the Group's backlog and consequently the need for additional rigs. However, there can be no assurance that the Group's backlog will materialize and that the acquired rigs will be utilized and generate revenue in proportion to their acquisition capex.

For the refurbishment of such rigs to satisfy the requirements of Schedule G for the contracts entered into with Saudi Aramco, the Group has incurred maintenance and refurbishment capex investments totalling SAR 88.8 million (representing 20% of net cash flow from investing activities) in 2020G, SAR 206 million (representing 14% of net cash flow from investing activities) in 2021G and SAR 1,327 million (representing 21% of net cash flow from investing activities) 2022G for refurbishing the rigs to comply with Saudi Aramco's standards, meet the IACS Certification requirements and purchase essential equipment for the rigs. In particular, as the Group's rigs have an average age of 25 years for offshore rigs and 21 years for onshore as at 31 December 2022G and are, consequently, lower in acquisition cost than newer rigs. However, the Group may be required to make more significant capital expenditures over time than competitors with newer rigs. In addition, ongoing maintenance could also impact the Group's technical utilisation and result in worse performance for the Group's clients. Changes in drilling technology, client requirements for new or upgraded equipment and competition within the industry may require the Group to make significant capital expenditure in order to maintain competitiveness. In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organisations, may require the Group to make additional unforeseen capital expenditures. As a result, the Group may be required to take its rigs out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. In unfavourable market conditions, such expenditures may not be justifiable or enable the Group to operate its older rigs profitably during the remainder of their economic lives.

In addition, the Group's operating and maintenance costs will not necessarily fluctuate in proportion to changes in its operating revenues. Costs for operating a rig are generally fixed or only semi-variable regardless of the day rate being earned. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare rigs for stacking, after which time the crew members are reassigned to active rigs or dismissed. In general, labour costs over time increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the barge or rig is performing and the age and condition of the equipment, and these expenses could increase for short or extended periods as a result of regulatory or client requirements that raise maintenance standards above historical levels. Maintenance of the Group's rigs may over time be more expensive than newly-built or newer rigs.

In 2022G, the Group had nine idle rigs and three uncontracted rigs. As at 31 December 2022G, three rigs out of the nine idle rigs had a net book value of SAR 92.4 million, the remaining six rigs have minimal to nil net book value as those rigs were acquired in an idle state with zero cost as part of a wider acquisition. These rigs require upgrade and refurbishment before they become operational and thus classified as "cold stack". While these rigs do not generate revenue when they are idle, warm stacked rigs continue to incur minimal stacking costs such as customs and associated other costs. The Group had three rigs that went out of contract in 2020G and 2021G without getting renewed. The out-of-contract rigs are located in Algeria (two rigs), and Egypt (one rig) which contributed to the revenue of SAR 122.2 million in 2020G, and SAR 22.9 million in 2021G. During idle periods, the Group may decide to "warm stack" a rig, which means the rig is kept within an operational state, in its current location and ready for immediate deployment by deploying a small lay-up crew to run the equipment securing the rig. The Group's operating expenses during a warm stacking will not be considerably less than those the Group would incur if the rig remained active. The Group may also decide to "cold stack" the rig, which means the rig is neither operational nor ready for deployment. A cold stack rig only requires a small crew for security and is stored in a harbour, shipyard or a designated offshore area. However, reductions in costs following the decision to cold stack a rig may not be immediate, as a portion of the crew may be required to prepare the rig for storage. Cold stacked rigs require some capital expenditures to return them to operation, making reactivation of such assets more financially demanding. In addition, current or future efforts to reduce costs might have a detrimental effect on the Group's relations with its employees, health and safety record or its compliance programmes. However, there can be no assurance that the Group will be able to secure renewal or new contracts for the existing non-operational rigs which could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Any failure to obtain the funds for necessary future operational expenses on acceptable terms, in time, or at all, in order to cover the outlined instances where capital expenditure and operational expenditure is not in proportion to operating revenues, or where unforeseen capital expenditures arise, could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.30 Risks Related to Significant Part or Equipment Shortages, Supplier Capacity Constraints, Supplier Production Disruptions, Supplier Quality and Sourcing Issues or Price Increases

The Group's reliance on third-party suppliers, manufacturers and service providers to secure equipment, parts, components and sub-systems used in its operations exposes the Group to volatility in the quality, prices and availability of such items. Certain critical parts and equipment that the Group uses in its operations are available only from a small number of suppliers, manufacturers or service providers. Critical equipment includes diesel generators and their spare parts; drilling equipment such as drill pipes, crane, and the 'blow-out preventer'.

The Group has a network of different suppliers with which it deals. However, there can be no assurance that the Group will not be exposed to delays in deliveries from such third-party suppliers, manufacturers or service providers, production constraints, price increases, quality issues, recalls on defective parts from the relevant authorities or other decreased availability of parts and equipment that could adversely affect the Group's ability to meet its commitments to clients, which could, in turn, have a material adverse effect on the Group's reputation, business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.31 Risks Related to Legal Disputes

Many aspects of the Group's business involve potential litigation risks. The operating hazards inherent in the Group's business increase its exposure to litigation. Potential matters for litigation include, among other things, intellectual property infringement disputes, contract disputes, personal injury, environmental, employment, tax and securities litigation, insurance, anti-money laundering, foreign asset controls and foreign corrupt practices, and litigation that arises in the ordinary course of business.

As at the date of this Prospectus, neither the Company nor its Subsidiaries are party to any litigations or claims that may, either by itself or in its entirety, have a material effect on the business or financial position of the Company or any of the Subsidiaries. However, there can be no assurance that the Group may not in the future become subject to material litigation, which may have an adverse effect on it in light of the costs associated with, amongst other things, defending the lawsuits, civil penalties or damage awards, harm to reputation and the diversion of the Group's management's resources. For example, the Group Companies (including the Company, ADES International and ADES Saudi) may also face claims in relation to unregistered trademarks or other intellectual property. In addition, as at 31 December 2022G, the Group had 5,275 employees, making it vulnerable to conflicts and potential labour complaints.

Although aspects of the Group's business may be protected by regulatory immunity and/or contractual arrangements providing for limited or no liability clauses, the Group could nevertheless be exposed to substantial liability under applicable laws and regulations and judicial or administrative decisions or judgments, as well as rules and regulations promulgated by relevant regulators. The Group could incur significant expenses defending claims, even those which are frivolous or vexatious and without merit. In addition, an adverse resolution of any lawsuit or claim against the Group may require it to pay substantial damages or impose restrictions on how the Group can conduct its business going forward.

If the Group is subject to any judicial or administrative action that results in any judgment or set of judgments against the Group, and such judgment or combined judgments entail substantial amounts of damages, this could have a material adverse effect on the Group's business, financial condition, results of operations or future prospects and therefore the Company's share price.

### 2.1.32 Risks Related to Cyber-Security of the Group's Information Technology Systems

The Group uses technologies, systems, and networks to conduct the majority of its operations, to collect payments from clients and to pay vendors and employees, which are managed by the Group's internal IT department. The risks associated with cyber incidents and attacks to the Group's information technology systems could include: disruptions of certain systems on the Group's rigs; other impairments of the Group's ability to conduct its operations; loss of intellectual property, proprietary information or client data; disruption of its clients' operations; and increased costs to prevent, respond to or mitigate cybersecurity events. If the Group was to experience a cyber-attack or incident, it could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.33 Risks Related to Fluctuations in Currency Exchange Rates

The Group's client contracts for drilling activities and services in the Kingdom of Saudi Arabia, Egypt, Qatar, India, Tunisia and Algeria are denominated in U.S. dollars and its client contracts in Kuwait are denominated in Kuwaiti dinar. In Egypt and Algeria, the Group collects a (predetermined) portion of its revenues in U.S. dollars and the remaining portion in the local currency in order to accommodate the preferences of its client contracts. Notwithstanding such terms, the Group may, solely in respect of its Egyptian clients and for collection purposes, agree to accept payment in local currency of amounts otherwise payable in U.S. dollars under a contract. The Group has commonly taken such approach in Egypt. However, changes in the currency of payment terms may expose the Group to greater currency exchange risk, particularly as most of the Group's debt and interest payments are payable in SAR, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

In addition, the proportion of the Group's costs payable in U.S. dollars may increase in connection with expansion in certain markets where a larger share of costs are payable in U.S. dollars. For example, in the Kingdom of Saudi Arabia, certain substantial costs relating to contracted rigs the Group acquired, including the cost of expatriate workers working on the rigs, are payable in U.S. dollars. With the multiple devaluations of the Egyptian pound particularly since March 2022G, the Group started a new initiative whereby employees' salaries under the sponsorship of the Egypt entity are split between a fixed and a variable cost. The variable part increases with the devaluation of the currency as to keep the purchasing power of the employees fixed.

Furthermore, payments made by clients pursuant to their contractual obligations may be affected by the devaluation and fluctuation of the Egyptian Pound or other currency changes. The amount payable in Egyptian Pounds by clients under their contracts with the Group has, in accordance with the EGPC rules, been based on the U.S. dollar to Egyptian Pound exchange rate of the National Bank of Egypt on the date of payment. The rate from Algerian Dinar to U.S. dollars for the portion payable in Algerian Dinar under the Group's Algerian contracts is the average buying/selling rate in Algiers published by the Banque Exterieure d'Algerie on the first working day of the month that the invoice is issued. Large currency fluctuations in the Kingdom of Saudi Arabia and Kuwait are less likely since the Saudi Riyal and Kuwaiti Dinar are pegged to the U.S. dollar and to a basket of currencies, respectively. The Group does not maintain currency hedges and does not enter into any foreign exchange hedging contracts.

The Group experienced a net foreign exchange loss of SAR 19,792,213 (USD 5,277,923) in 2022G, net foreign exchange loss of SAR 5,050,402 (USD 1,346,774) in 2021G and net foreign exchange gain of SAR 348,330 (USD 92,888) in 2020G, as a result of exchange rate differences. With fluctuations in foreign exchange in the future, particularly the Egyptian Pound/U.S. dollar exchange rate, where revenue generated in Egypt represented on average approximately 15% of the Group's revenue from contracts with customers over the audit period, the Group may continue to have foreign exchange losses, which could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.34 Risks Related to Corporate Governance

The Board approved an internal Corporate Governance Manual on 03/08/1444H (corresponding to 23/02/2023G). The manual includes rules and procedures related to corporate governance in accordance with the Corporate Governance Regulations issued by the CMA. The Company's success in the proper implementation of the corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and the proper execution of such rules and procedures by the Board, its committees and Senior Executives, especially with regards to the formation of the Board and its committees, independence requirements, rules related to conflicts of interest and Related Party transactions.

The Corporate Governance Regulations impose various mandatory requirements on the Company, including the adoption of certain corporate governance policies and procedures. Failure to comply with the governance rules, especially the mandatory rules in the Corporate Governance Regulations, could expose the Company to regulatory penalties and could adversely and materially affect the Group's business, financial position, results of operations or future prospects, and therefore the Company's share price.

The Board formed the Audit Committee, Nomination and Remuneration Committee and the Executive Committee on 03/08/1444H (corresponding to 23/02/2023G) (for further details on the Company's committees, please refer to Section 5.7 ("**Board Committees Responsibilities**") of this Prospectus. Failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interests of the Company and its shareholders may result in non-compliance with corporate governance, the ongoing disclosure requirements and the Board's ability to monitor the Company's business through these committees, which could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Such committees and the Company's internal governance system may not have sufficient experience in applying the corporate governance requirements imposed by the CMA. Any future inability of such committee members to carry out the tasks assigned to them and follow a work methodology that ensures the protection of the interests of the Company and its Shareholders, may affect the implementation of governance regulations and the efficiency of the Company's Board of Directors control over the management of its business through such committees. This may expose the Company to potential non-compliance with continuous disclosures after listing requirements on the one hand, and to operational, administrative and financial risks on the other hand.

Furthermore, the Board will not have a sufficient number of independent members in the period starting from Listing until the election of new Board members satisfying the independence criteria set by the CMA (for more information on the commitment by the Company in this respect, see Section 5.8.4 ("**Compliance with the CGRs**") and Section 15 ("**Post-listing Undertakings**") of this Prospectus). Accordingly, during that period, there will be an insufficient number of independent directors to exercise the roles assigned to the independent directors, so that the required level of independence is achieved to ensure that the interests of the minority shareholders of the Company, including the Public are protected. Moreover, failure by the Company to comply with the requirements of the Corporate Governance Regulations could subject the Company to fines by the CMA have a negative and material impact on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.35 Risks Related to Transactions and Contracts with Related Parties

In their ordinary course of business, the Group Companies enter into agreements with Related Parties, which include other Group Companies. The Group's management approves the terms and conditions of transactions that are concluded with Related Parties. The Group believes that all the Group's transactions and agreements with the Related Parties are concluded on commercial terms.

Transactions with Related Parties are identified and recorded in the consolidated financial statements of the Group in accordance with IFRS-KSA, and the regulations, instructions and principles in force in the Kingdom of Saudi Arabia. Based on the Group's special-purpose consolidated financial statements, no revenue was generated from the Related Party transactions entered into by the Group for the financial year ended 31 December 2020G, nor did the Group incur any costs towards Related Parties during such year. As for the financial years ended 31 December 2021G and 2022G, the Group's total revenues from transactions with Related Parties (Saudi Aramco and the Egyptian Chinese Drilling Company, a joint venture of the Group) were respectively SAR 909,131,040 (constituting 60% of the Group's total revenue from contracts with customers for 2021G) and SAR 1,577,295,904 (constituting 64% of the Group's total revenue from contracts with customers for 2022G). Other gains from Related Parties mainly related to gain on cash flow hedge amounted to SAR 0 for the financial year ended 31 December 2020G, SAR 13,066,632 for the financial year ended 31 December 2021G and SAR 40,854,624 for the financial year ended 31 December 2022G. There was no finance cost charged by Related Parties and Related Parties under joint control during the financial year ended 31 December 2020G. The finance costs on borrowings from Related Parties amounted to SAR 21,259,649 for the financial year ended 31 December 2021G and SAR 177,105,223 for the financial year ended 31 December 2022G.[6]

As at the date of this Prospectus, the Group's management approves the terms and conditions of transactions that are concluded with Related Parties, and the Group believes that all transactions with the Related Parties were entered into on commercial terms. However, there is no assurance that the terms and scope of future agreements will be similar to those that can be obtained if independent persons (i.e., non-Related Parties) are contracted. This is especially true when the Group's interests differ from the interests of the Related Parties who are party to those agreements. If the Group enters into contracts with any Related Parties on a non-arm's length basis and/or if such transactions result in the improper transfer of benefits to parties related to the Group, this may have an adverse effect on the Group's costs and revenues, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Pursuant to Articles (27) and (71) of the Companies Law, no Director may have a direct or indirect interest in the transactions and contracts executed for the benefit of the Company unless authorized by the Ordinary General Assembly. As at the date of this Prospectus, none of the Board members have any interests in the transactions and contracts executed for the benefit of the Company.

There are risks that the approval of the Board of Directors or General Assembly of the Company may not be obtained for future transactions that are subject to Articles (27) and (71) of the Companies Law. In such case, the Director who has an interest in the transaction must resign or take steps to ensure that they no longer have any interest (for example, by terminating the contract in question or ceding the rights arising from said interest). Although the Group has developed policies to address conflicts of interest and dealings with Related Parties, including specific disclosure procedures and obtaining the necessary approvals from internal committees, the Board of Directors and the Company's General Assembly (as appropriate), it cannot be assured that there is no conflict of interest with regard to the Group's agreements from time to time due to those parties' relationship with the Group. Termination of these contracts or the resignation of said Director may have a material adverse effect on the Group's operations and profitability, therefore affecting its business, results of operations, financial position or future prospects.

### 2.1.36 Risks Related to the Company's Reliance on the Performance of its Subsidiaries and Branches and their Ability to Distribute Dividends

The Company is a holding company and conducts all its business operations through its Subsidiaries and branches located in the Kingdom of Saudi Arabia, the United Arab Emirates, Egypt, Kuwait, Cayman Islands, Cyprus, Bermuda, Liberia, Qatar, Tunisia, Algeria, Libya, Indonesia and Congo. The Company's ability to generate income and pay dividends is dependent on the ability of the Subsidiaries to declare and pay dividends to the Company.

6 It should be noted that the transactions mentioned in the Group's special-purpose consolidated financial statements include transactions with Saudi governmental entities or companies controlled by the Government of the Kingdom of Saudi Arabia (as per accounting standards). However, such parties are not considered "related parties" for the purposes of the CMA's regulations.

As at the date of this Prospectus, the Group comprises a total of 23 Subsidiaries and 9 branches that are directly or indirectly owned by the Company a number of which are special purpose vehicles and corporate bodies incorporated for special projects or objectives (for further details on the Group's structure, please refer to Section 5 ("**Ownership Structure and Organizational Structure**") of the Prospectus). Consequently, the Company's cash flows and ability to meet its cash requirements, depend upon the profitability and cash flows from its Subsidiaries, including their ability to make dividend distributions, repay interest on loans extended to them from lending institutions. The actual payment of future dividends by the Group and the payment of dividends to the Company by the Subsidiaries, if any, and the amounts thereof, will depend on a number of factors, including but not limited to the amount of distributable profits and reserves, investment plans, earnings, level of profitability, regulatory requirements, including minimum capital requirements mandated by regulatory authorities, compliance with various financing agreements, and such other factors as the Board, or the relevant board of the Subsidiary, may deem relevant from time to time. As a result, the Company's ability to pay dividends in the future may be limited. If the Company does not pay dividends on the Shares, the Shareholders may not receive any return on their investment in the Shares unless they sell the Shares at a price higher than the price at the time of their purchase, which would have a material adverse effect on any investor's anticipated returns (for more information on the dividend policy of the Company, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus). The Company must continuously verify and ensure its Subsidiaries' compliance with all legal, financial and administrative requirements applicable to each Subsidiary.

Furthermore, if there are any issues of breach (including non-compliance with applicable laws, or any conditions of the relevant licenses and/or relevant drilling agreements), it could impact the revenues generated from the underlying Subsidiary which results in the Company not receiving any distributions, which would restrict the Company's cash flows and ability to meet its cash requirements. It should also be noted that breach by any of the Group's branches of regulatory or contractual obligations would result in any liabilities extending to the Group Company that has set up such branch, since branches do not typically enjoy limited liability. As at the date of this Prospectus, the Group has a total of nine branches in different jurisdictions including Qatar, Tunisia, Algeria, Libya, Indonesia, and Congo. However, only three of them are operating, in the Kingdom of Saudi Arabia, Algeria and Tunisia.

Any decline in the Subsidiaries' profitability that could affect their ability to pay dividends would in turn have a material and adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.1.37 Risks Related to the Existence of Non-Operating Profits Related to the Acquisition of Rigs

On 3 February 2021G, the Group acquired four rigs located in the Kingdom of Saudi Arabia, in addition to all spare parts, equipment and inventory from Noble Financial Company. Such transaction generated bargain purchase gains as the fair value of the acquired assets exceeded the total amount paid. Therefore, the Group recorded bargain purchase gains of SAR 491.2 million in the financial year 2021G. The transaction was accounted for using business combination accounting on the date of acquisition.

In addition to the above, the Group recorded bargain purchase gains of SAR 422.3 million in the financial year 2022G, representing gains on the acquisition of new rigs from (1) Emerald Driller Company in Qatar, with a bargain purchase gain of SAR 244.9 million (the transaction included 3 rigs), in addition to full acquisition of Emerald Driller Company, including drilling contracts along with all spare parts, equipment and inventory. The transaction was primarily financed through the current Musharakah (profit-sharing) loans, and (2) eight subsidiaries of Seadrill in the Kingdom of Saudi Arabia, with a bargain purchase gain of SAR 177.4 million (the transaction included 7 offshore drilling rigs and related equipment, drilling and other supplier contracts, certain personnel and inventories to be used in the drilling work).

These gains are not considered part of the Company's ordinary business, which may affect the future profitability of the Company, since the nature of these gains is non-operating/non-recurring. If this affects the future profitability of the Company, it will have a negative and material impact on the Group's business, results of operations, financial position and future prospects, and consequently on the Company's share price.

### 2.1.38 Risks Related to the Group's Ratio of Current Assets to Current Liabilities

The Group's ratio of current assets to current liabilities decreased from (1.13) as at 31 December 2020G to (0.73) as at 31 December 2022G. As at 31 December 2022G, the Group's current liabilities exceeded current assets by SAR 591,270,047, which is mainly on account of current liabilities recognized in relation to the rigs acquired in 2022G. Based on the Group's expected level of net cash flows as well as the available unutilised loan facilities, total Backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, the Group believes that it will generate enough cash inflows to meet its obligations as they fall due. However, if the Group will not be able to secure the required cash inflows to cover its current liabilities, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

## 2.2 Risks Related to the Market, Industry and Regulatory Environment

### 2.2.1 Risks Related to General Economic Conditions

General economic conditions may have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. Declines in consumer confidence and/or consumer spending, changes in unemployment, significant inflationary or deflationary changes or disruptive regulatory or geopolitical events, including the ongoing armed conflict in Ukraine, could contribute to increased volatility and diminished expectations for the economy, including the market for the Group's services, and lead to demand or cost pressures that could negatively and adversely impact the Group's business, results of operations, financial condition and prospects. The economies of the countries in which the Group operates may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions and protectionist trade policies or threats thereof. In particular, a global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could slow non-oil growth in the countries in which the Group operates. These conditions could affect all of the Group's business segments. Examples of such conditions could include:

- a general or prolonged decline in, or shocks to, regional or broader macro-economies;
- regulatory changes that could impact the markets in which the Group operates; and
- deflationary economic pressures, which could hinder the Group's ability to operate profitably in view of the challenges inherent in making corresponding deflationary adjustments to its cost structure.

Spending by the Group's client base can also be impacted by conditions in capital markets which may be impacted by the general economic conditions. Limitations on the availability of capital or higher costs of capital may cause companies to make additional reductions to their spending on exploration, development or production, even if oil and gas prices increase. Any such cuts in spending will limit drilling activities, as well as discretionary spending on rig services, which may result in a reduction in the demand for the Group's services, the rates the Group can charge and the utilisation of relevant assets.

The nature of these types of risks makes them unpredictable and difficult to plan for or otherwise mitigate, compounding their potential material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.2.2 Risks Related to Continued Political and Economic Instability, Social Disorder and Terrorism in the Middle East and North Africa Region

The Group's operations are subject to political and economic risks and uncertainties, including instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or gas producing areas, which may result in extended business interruptions, suspended operations and danger to the Group's employees, or result in claims by clients of a force majeure situation and payment disputes. Additionally, the Group may be subject to risks of terrorism, piracy, political instability, hostilities, expropriation, confiscation or deprivation of the Group's assets or military action impacting the Group's operations, assets or financial performance in many of the Group's areas of operations.

The MENA region, including countries in which the Group operates or plans to operate, has experienced various degrees of political and economic instability in recent times. Instability and unrest in the MENA region may significantly affect the economies in which the Group does business, including the financial markets and the real economy generally. Such impacts could occur through a decrease in foreign direct investment into the region, capital outflows or increased volatility in the global and regional oil and gas markets. It remains unclear what long-term impact any unrest may have on any of the countries in which the Group does business or will do business in the future. There can be no assurance that such growth or stability will continue, or that the Group's potential clients will not be affected by the political environment in or around the MENA region. The Group's business, financial condition, results of operations, cash flows and prospects may be materially adversely affected if and to the extent that regional volatility has an impact upon the MENA region, and specifically on the Group's business, and, in particular, the countries in which the Group operates, such as the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, Tunisia and Algeria.

Any unexpected changes in the political, social, economic or other relevant conditions in such countries, or in neighbouring countries, could also have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Furthermore, MENA region has experienced and continues to experience terrorist attacks and occasional civil disorder. There can be no assurance that extremists or terrorist groups in the region will not escalate or engage in violent activities in the MENA region, or expand their operations to include more targets, and that domestic order and stability will be successfully secured. Any continuation or escalation of such events may discourage or deter investment in the MENA region, which would lead to a deterioration of the macroeconomic climate, a further strain on net international reserves and, in turn, a worsening of the political and social environment. The effects of any such terrorist activities and security concerns could disrupt the Group's operations or negatively impact the market for the Group's services and would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price as well as investor confidence in investing in the MENA region.

### 2.2.3 Risks Related to the Contract Drilling Industry Being Highly Competitive and Cyclical, with Periods of Low Demand and Excess Rig Availability

The contract drilling industry is highly competitive, with numerous industry participants, none of which has a dominant market share globally. Both the offshore industry and onshore industry have shown resilience in the MENA region. The number of jack-up rigs deployed in the MENA region increased on an average annual basis from 94 in 2016G to 120 in 2022G, according to Westwood Global Energy. The number of onshore rigs actively drilling in the MENA region has increased from an annual average of 580 to 642 units over the same period, according to Westwood. Drilling contracts are traditionally awarded on a competitive bid basis. Factors affecting competition among contract drillers include pricing, rig availability, location and suitability, experience and skill of the workforce, efficiency, safety performance record, technical capability and condition of equipment, operating integrity, reputation, industry standing, client relations and government preference. Price competition is often the primary factor in determining which pre-qualified contractor is awarded a contract, which may limit revenues from the Group's existing and future contracts.

As at 31 December 2022G, there is an oversupply of more than 20% of jack-up drilling rigs globally, according to Westwood, and approximately 81% of rigs currently on order (21 units) as at 31 December 2022G have not yet been contracted for work. Any increase in the construction of new rigs may increase the negative impact of oversupply on the Group's day rates and utilisation rates and any refurbishment of cold-stacked rigs by competitors may intensify price competition. The recent increased demand for drilling rigs, partially driven by high oil prices, has resulted in increased utilisation and/or day rates. However, there is no guarantee that oil prices will not decrease in the future or that utilization and/or day rates will continue to increase. Potential lower utilisation and/or day rates, particularly in the MENA region, would adversely affect the Group's revenues from contracts with customers and profitability.

Furthermore, the Group may have limited bargaining power to renegotiate its contracts at times when the market is oversupplied. In such a market condition, the Group's ability to win or retain contracts depends on its ability to offer more favourable terms than its competitors, which may not always be the case. Any requirement for the Group to lower its day rates as a result of competition and oversupply, or otherwise, could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

There is sustained competition to provide the most cost-efficient services for oil and gas companies. The increased potential competition for drilling budgets in the Mediterranean Basin, Sub-Saharan Africa, Russia, China, Western Asian countries, the Middle East, the United States and elsewhere could result in lower levels of exploration and production in the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, India, Algeria and the MENA region generally. This is irrespective of the fact that production costs in these regions are generally lower than in the rest of the world.

Additionally, financial operating results in the onshore and offshore contract drilling industry historically have been cyclical and are primarily related to the demand for drilling rigs and the available supply of drilling rigs. Demand for rigs is directly related to the regional and worldwide levels of offshore exploration and development spending by oil and gas companies, which is beyond the Group's control. On a global level, the onshore and shallow water markets represent the largest proportion of global oil production. Based on Westwood data, in 2022G, onshore production represented approximately 73%. of global oil and gas production, while offshore shallow water production contributed an additional 20%. on a global basis. In 2021G and 2020G, onshore productions represented approximately 72% and 71%, while offshore shallow water productions represented 22% and 22% of global oil and gas production, respectively. However, exploration and development spending in both markets can fluctuate substantially from year-to-year and from region-to-region. The oil and gas market has experienced periods of high demand for drilling services, short rig supply and high day rates, followed by periods of low demand, excess rig supply and corresponding low day rates.

The Group does not receive revenues while its rigs are idle or stacked, however, the Group continues to incur costs in respect of such rigs, such as insurance costs, maintenance costs (which differ depending on whether the rig is cold or warm stacked), the rig's crew (which is generally reduced to security while the rig is idle or stacked) and berthing and associated items. The fluctuating demand in the oil production industry may affect demand for the Group's assets and services and any reduction in demand for the Group's drilling rigs that results in rigs becoming idle could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.2.4 Risks Related to New Laws and Government Regulations, Changes to Existing Laws and Government Regulations and Uncertainty of Legal Systems

The Group is heavily regulated and is subject to a range of laws and regulations that are applicable in the Kingdom of Saudi Arabia and all other jurisdictions in which it operates. The Group's operations are affected by laws and regulations relating to the oil and gas industry. The contract drilling industry is dependent on demand for services from the oil and gas industry. Accordingly, the Group would be directly affected by the adoption of new laws and regulations limiting or curtailing exploration and development drilling for oil and gas for economic, environmental, health, safety or other policy reasons. The Group may be required to make significant capital expenditures or incur substantial additional costs to comply with new laws and regulations or new client requirements. The Group may be subject to fines, penalties and/or closure of its facilities, including its rigs, if it does not comply with those laws and regulations or if it does not comply with the permitting, licensing or accreditation requirements, which may change from time to time.

As at the date of this Prospectus, the Group does not obtain any specific licenses from the Saudi Ministry of Energy in connection with its oil drilling activities in the Kingdom of Saudi Arabia. The Group currently engages in drilling activities based on its registration with Saudi Aramco only. In this respect, reference should be made to the Concession Agreement between the Government of Saudi Arabia and Saudi Aramco dated 24 December 2017G, as amended, pursuant to which Saudi Aramco is granted certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other hydrocarbons within certain areas of the Kingdom. Such rights may not be assigned pursuant to the Concession. However, pursuant to the Hydrocarbons Law, Saudi Aramco in its capacity as a licensed entity in hydrocarbons operations, including oil drilling, may assign such rights, subject to prior written approval from the Minister of Energy. Additionally, the Group may be required by the TGA in the future to locally register all its offshore rigs. As at the date of this Prospectus, none of the Group's offshore rigs are registered locally in the Kingdom of Saudi Arabia. If the Saudi Ministry of Energy or the TGA changes its position and imposes a requirement for oil drillers in the Kingdom of Saudi Arabia (including ADES Saudi) to obtain specific licenses or registrations to conduct such operations, there is no guarantee that ADES Saudi will satisfy all licensing or registration conditions (as the case may be) without incurring additional expenses which may be substantial, and the extent of impact in such a case is unknown. In such an event, failure to obtain the required licenses would result in ADES Saudi not being able to provide drilling services to Saudi Aramco, which will have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Moreover, enforcement of contractual rights through the courts in jurisdictions in which the Group operates or plans to operate may also face difficulties and delays. In many of these jurisdictions, government authorities may have more onerous requirements or a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or is influenced by political or commercial considerations. Such governmental action could include, amongst other things: (i) the withdrawal of permits; (ii) the expropriation of property without adequate compensation; or (iii) the forced recapitalisation, merger or sale of companies. Any such action taken in respect of the Group could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. Furthermore, the Group depends on the enforceability of its contracts, particularly with the Group's clients, and so could be adversely affected by any limitations on the enforceability of the Group's contracts in any of the applicable jurisdictions in which the Group operates or plans to operate. The foregoing may have an adverse effect on the Group's ability to protect certain contractual rights, or to defend itself against certain claims by others, including challenges by regulatory and governmental authorities in relation to the Group's compliance with applicable laws and regulations.

Any of these events or similar legislative or regulatory activity would adversely affect the Group's operations by limiting drilling opportunities or significantly increasing the Group's operating costs, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.2.5 Risks Related to Violation of Anti-Corruption Laws or Other Similar Laws and Regulations and the Imposition of Sanctions

The Group and/or any of its affiliated entities or respective officers, directors, employees and agents may take action determined to be in violation of anti-corruption laws, sanctions or similar laws. For instance, the Group may be required to comply with certain restrictions, such as those imposed by the U.S. Foreign Corrupt Practices Act and other similar laws, as well as sanctions imposed by various jurisdictions and institutions, including (but not limited to), the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the European Union, the United Nations, the Treasury (UK) and other UK authorities. Any violation of the applicable anti-corruption laws, sanctions or similar laws could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. Actual or alleged violations could damage the Group's reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of the Group's senior management. If any of the above risks materialise, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.2.6 Risks Related to Compliance with Environmental Regulations

The Group's operations are subject to the environmental risks inherent in drilling activities. Onshore and offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of concerns over the protection of the environment. The Group's operations are or may become subject to laws and regulations, including applicable international conventions, controlling the discharge of materials into the environment, pollution, contamination and hazardous waste disposal or otherwise relating to the protection of the environment. Specifically, the Group is subject to environmental laws and regulations in the Kingdom of Saudi Arabia, Kuwait, Egypt, Qatar, India, Tunisia and Algeria.

Environmental laws and regulations applicable to the Group's business activities, or which may become applicable, could impose significant liability on the Group for damages, clean-up costs, fines and penalties in the event of oil spills or similar discharges of pollutants or contaminants into the environment or improper disposal of hazardous waste generated in the course of operations. As at the date of this Prospectus, such laws and regulations have not had a material adverse effect on the Group's operating results, and the Group has not experienced an accident that has exposed it to material liability arising out of or relating to discharges of pollutants into the environment. However, there can be no assurance that such accidents will not occur in the future. Legislative, judicial and regulatory responses to a well incident could substantially increase the Group's and/or its clients' liabilities. In addition to potential increased liabilities, such legislative, judicial or regulatory action could impose increased financial, insurance or other requirements that may adversely impact the entire offshore drilling industry.

The Group has adopted safety standards to comply with applicable laws and regulations in the jurisdictions in which it operates. Safety requirements are also contractually agreed with its clients. If the Group and/or its clients fail to comply with the relevant standards, either or both may be liable for penalties and the business and/or reputation of the Group might be materially and adversely affected.

The legal frameworks in the MENA region for environmental protection are under continuous development and relevant governments may impose stricter environmental regulations or apply existing regulations more strictly, including regulations regarding discharges into air and water, the handling and disposal of solid and hazardous waste, land use and reclamation and remediation of contamination. Compliance with environmental laws, regulations and standards, where applicable, may require the Group to make significant capital expenditures, such as the installation of costly equipment or operational changes, and may affect the resale values or useful lives of the Group's jack-up barges and rigs. These costs could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price. Any failure to comply with applicable laws and regulations may result in reputational damage to the Group, administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations.

Failure to comply with these statutes and regulations may subject the Group to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance and would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.2.7 Risks Related to Zakat and Tax

The Group has projects that operate in jurisdictions where taxes that are payable can be high and include, amongst others, corporate income tax, value-added tax, custom duties, profit taxes, payroll-related taxes, withholding taxes, property taxes and other taxes. Furthermore, tax laws and regulations in some of these countries, including transfer pricing policies with respect to cross-border intragroup transactions, may be subject to the introduction of new tax laws and regulations, frequent change, varying interpretation and inconsistent enforcement. This is the case in the UAE, where a new federal corporate tax law was issued in December 2022G pursuant to which federal corporate tax will apply from 1 June 2023G onwards. The Group is still in the process of assessing its overall impact on the Group.

There are risks that taxes and penalties may be imposed on the Group, because of non-compliance with applicable rules and regulations, including incorrect tax assessments not in line with the tax rules and laws, or non-compliance with pricing rules for intragroup transactions, or by introduction of new taxes, inaccurate record-keeping, invoices not complying with VAT requirements, failure to make the required tax retentions, failure to make the required tax filings or for certain intra-Group related party transactions not being conducted on arm's length bases in line with transfer pricing requirements. The Group may not have made sufficient tax provisions to account for such potential liabilities.

The above risks may not be covered in the 'change in law' provisions of the Group's drilling agreements and therefore, cannot be passed through the day rates to the clients. Should these risks arise, the Group's revenues will be affected and this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

As at the date of this Prospectus, the Group Companies are subject to ongoing Zakat and VAT audits and assessments by the relevant tax authorities in their respective jurisdictions. For example, ADES Egypt's branch in Algeria which applies 19% VAT has recently faced a cancelation of its VAT exemptions that was granted in previous years. Such cancelation will apply from 2023G financial year onwards, and the Group is currently assessing the extent of impact of such cancelation on it, which may negatively affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price. In addition, ADES Egypt's branch in Algeria is currently subject to a tax audit for the financial year 2018G and is undergoing a review in relation to social security contributions. The tax authorities in Algeria may conduct an examination on ADES Egypt's branch for the financial years 2020G and 2021G, and when such examination occurs, it is possible that the competent tax authorities impose additional payments that are higher than the expected payments, which may have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

Furthermore, the Group has invested in the relevant Group Companies and its rig assets through certain offshore investment structures involving special purpose vehicles incorporated across multiple jurisdictions, including the Cayman Islands, Bermuda and Cyprus. There is a risk that a material adverse change in the regulatory or tax environment in any of these jurisdictions will impact any distributions to be received by the Company from the relevant Group Company which will impact the Company's revenues and could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price (for further details on the risks associated with the distribution of dividends, please refer to Section 2.1.36 ("**Risks related to the Company's reliance on the performance of its Subsidiaries and branches and their ability to distribute dividends**") of this Prospectus).

All Group Companies, except for those registered in Cyprus, have made the required tax (and Zakat) filings on a standalone basis from the date of their incorporation until the end of the financial year 2021G, and paid all tax dues for such periods. Filings for the financial year 2022G will be made by the end of the required filing period. In Cyprus, the relevant Group Companies are not subject to any tax payments, but have not submitted any tax returns, which are required by applicable law. Such late filings could be subject to certain penalties amounting to 100 Euros (equivalent to approx. SAR 400) per tax return.

The competent tax authorities did not complete the examination and assessment processes for the Group Companies (inside and outside the Kingdom) or issue the final Zakat or tax assessments, mainly for the years 2017G to 2021G. Upon completion of the examination and evaluation processes, such authorities may impose additional Zakat or tax payments. As for the Material Subsidiaries, ADES Saudi and Emerald Driller, did not obtain final assessments for the years 2017G to 2021G, and neither of them have made any provisions in this regard. ADES Egypt has not obtained final assessments for the years 2020G and 2021G, and has allocated an amount of SAR 11.3 million as of 31-Dec-2022 as provision for such purpose . UPDC has not obtained final assessments for the years 2018G to 2021G, and has not made any provision for such purpose. Please refer to Section 12.12 ("**Zakat and Tax Status of the Group**") of this Prospectus for a summary of the tax audit status of the Material Subsidiaries in previous years. The competent tax authorities may levy additional tax or Zakat payments (as the case may be) for years in which the relevant assessments were not completed, which may result in higher tax and Zakat payments than expected. Moreover, the Subsidiaries will bear any additional claims or assessments raised by the competent authority for such years in the event that they are not successful in objecting to them. The Group may not have allocated sufficient tax provisions to cover these potential liabilities, which could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

There are currently no ongoing material tax or Zakat disputes between the Group Companies and their respective tax authorities, except for a potential dispute between the Group's KSA branch (ADES GCC For Drilling Ltd) and ZATCA regarding a corporate income tax amount of SAR 3.4 million and a withholding tax amount of SAR 5.6 million claimed by ZATCA, which such branch has objected to. It should be noted that the Group made no provisions for this dispute based on its analysis of the issue and the risks associated with it along with its belief that the objection raised would succeed, in addition to the indemnity letter issued by the seller at the time of acquisition of Seadrill GCC indicating that the seller will bear the tax and Zakat liabilities resulting from the periods preceding October 2022G. However, the Group will bear such claims in the event that the objection does not succeed and the liability is not covered in the indemnity letter.

In the Kingdom of Saudi Arabia, the Company and its Saudi subsidiaries are subject to the laws and regulations of the Zakat, Tax and Customs Authority (ZATCA). The Company was incorporated in December 2022G. Therefore, it has not submitted its Zakat and tax returns to ZATCA as at the date of this Prospectus since its first financial year will end on 31 December 2023G. ADES Saudi has submitted its Zakat and tax returns up through the end of 2021G. Accordingly, ADES Saudi has received Zakat certificates for such years.

Furthermore, it should be noted that The ZATCA issued Circular No. 6768/16/1438 on 5 Rabi' al-Awwal 1438H (corresponding to 5 December 2016G) requiring Saudi companies listed on the Exchange to calculate income and Zakat on the basis of the nationality of shareholders and actual ownership of Saudi and GCC citizens and other nationals as described in the "Tadawulaty" at the end of the year. Prior to issuance of this Circular, companies listed on the Exchange were generally subject to payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association. The effect of listed shares in determining the base of Zakat was not taken into account. This Circular was to be applied in the financial year ended 31 December 2016G and subsequent years. However, the ZATCA issued its Letter No. 12097/16/1438H on 19 Rabi' al- Thani 1438H (corresponding to 17 January 2017G), postponing the application of the Circular for the financial year ended 31 December 2017G and the coming years. Until the ZATCA issues guidelines regarding the mechanics and the procedures for implementing the Circular, the implementation of such Circular in practice, including final requirements to be met, remains under consideration, in particular the rules subjecting all non-GCC residents who are shareholders in Saudi listed companies to income tax and applying withholding tax to dividend distributions to non-resident shareholders, regardless of their nationality. The Company has not assessed the financial impact of this Circular, nor did it take adequate steps to ensure compliance therewith. If the financial impact of this Circular, upon application, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.2.8 Risks Related to Compliance with Saudization Requirements and Labour Law Requirements

Compliance with Saudization requirements is required by law in the Kingdom of Saudi Arabia, whereby all companies operating in the Kingdom of Saudi Arabia, including the subsidiaries, must employ, train and maintain a certain percentage of Saudi employees. This percentage varies on the basis of a company's activities. In addition, the Group's contracts with Saudi Aramco provides for certain Saudization rates that the Group must comply with. As at the date of this Prospectus, the Saudization ratio of the Group was 74.5% for ADES Saudi and 71% for the Company. The Group has obtained the relevant certificates to this effect from the Ministry of Human Resources and Social Development (for more information on the Saudization requirements, please refer to Section 4.12.3 ("**Saudization**") of this Prospectus).

However, the Group's Saudi subsidiaries may not be able to continue to comply with Saudization and Nitaqat requirements. In the event that the Group Saudi Companies do not comply with Saudization and Nitaqat requirements, they will face penalties imposed by government entities, such as the suspension of work visa requests, suspension of requests for transfer of sponsorship for non-Saudi employees, and exclusion from government tenders and government loans. The Group Saudi Companies may not be able to recruit Saudi employees under favourable conditions, if at all, or maintain its current Saudi employees, which in turn would affect its ability to meet the required Saudization percentage. There may be a significant increase in costs of salaries in the event that the Group Saudi Companies hire a larger number of Saudi employees. The occurrence of any of the preceding would have an adverse effect on the Group's business, and as a result on the Group's business, financial conditions, results of operations or future prospects, and therefore the Company's share price.

Furthermore, each Saudi Group Companies are required to maintain employment policies and contracts which are consistent with the Saudi Labour Law and which are updated from time to time by the Ministry of Human Resources and Social Development in Kingdom of Saudi Arabia. The Group must ensure that its employment contracts for the Saudi Group Companies are consistent with the Labour Law and the provisions thereof. It should be noted that the Group has not updated its Saudi employment contracts or included the mandatory Labour Law provisions. Furthermore, the Company's HR Policy Manual may not be entirely consistent with MHRSD template issued under the Labour Law. Noncompliance may result in the imposition of penalties and the termination of the relevant employment contracts under the provisions of the Labour Law. This could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and therefore the Company's share price.

In addition, there can be no assurance that the Group will be able to provide the required workforce or recruit the required number of Saudi nationals and/or foreign workers that it requires for its business operations in Kingdom of Saudi Arabia without incurring additional costs which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

#### 2.2.9 Risks Related to Changes in Accounting Principles or Policies

The Group has prepared its special-purpose consolidated financial statements in accordance with IFRS-KSA. Since these accounting standards are issued or updated either by the International Accounting Standards Board (IASB) that are endorsed in the Kingdom of Saudi Arabia or by the board of directors of SOCPA, some of these publications or updates may adversely and materially affect the Group's business, financial position, results of operations and prospects and therefore the Company's share price.

#### 2.2.10 Risks Related to Emerging Markets, Such as the Countries in which the Group Operates or Plans to Operate

Investing in securities involving emerging market countries generally involves a higher degree of risk than investments in securities of issuers from more developed countries. These risks include, but are not limited to:

- rapid and significant changes in the political, social and economic environment;
- changes in government policy;
- arbitrary actions of governmental authorities adversely affecting business and trade;
- corruption;
- changes in the relations between countries;
- lack of consistent law enforcement;
- higher volatility in the financial markets;
- limited liquidity; and
- high rates of inflation, currency fluctuation and country default.

International investors' reactions to events occurring in one emerging country or region may sometimes demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, the countries in which the Group operates or plans to operate could be adversely affected by negative developments in other countries in the MENA region. Since the Group operates primarily in the MENA region, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.3 Risks Related to the Offer Shares

#### 2.3.1 Risks Related to Effective Control by the Current Shareholders after the Offering

Following completion of the Offering, the current Substantial Shareholders (ADES Investments Holding Ltd ("**ADES Investments Holding**"), the Public Investment Fund ("**PIF**") and Zamil Group Investment Limited ("**Zamil Investment**")) are expected to hold 67% of the issued Shares in aggregate. The Substantial Shareholders will therefore likely be able to influence all matters and decisions requiring the approval of the Company's General Assembly including the election and dismissal of the Directors, approval of contracts, important Group activities, distribution of dividends and amendments which might be made to the Company's share capital and Bylaws.

While the Group currently believes that such arrangements are to its overall financial benefit, the interests of such Shareholders may differ from those of the Company's other Shareholders, and the Shareholders may prevent the Company from making certain decisions or taking certain actions that would protect the interests of the Group's other Shareholders. This may also have the effect of delaying, deferring or preventing a change in control or distribution of dividends and discourage bids for the Shares, which may adversely affect the value of the Shares.

Such voting and control powers might be used in a manner which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

### 2.3.2 Risks Related to Liquidity and the Absence of a Prior Market for the Shares

There has been no previous public market for offering or trading the Shares, and there can be no assurance that an active and liquid market for the Shares will develop or be sustained after the Offering. If this were to occur, it may adversely affect the trading price of the Shares or result in the loss of all or a portion of the investment made by any investor in the Group, which would adversely and materially affect their anticipated returns.

Several factors such as the Group's financial results, general circumstances, the health of the general economy and the regulatory environment in which the Group operates may result in a significant variation in the liquidity of Share trading and the Share price.

### 2.3.3 Risks Related to Selling a Large Number of Shares Post-Offering

Sales of large numbers of the Shares on the market after the completion of the Offering, or the perception that those sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Substantial Shareholders will be subject to a six-month Lock-up Period starting from the commencement of trading of the Shares on the Exchange, during which they may not dispose of any Shares that they own. The sale of a substantial number of Shares by Shareholders following the expiry of the Lock-up Period could have an adverse effect on the market for the Shares and may result in a lower market price.

### 2.3.4 Risks Related to Issuance of New Shares

If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market or dilute then current shareholders' ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

The Company will also be subject to a six-month Lock-up Period upon successful completion of the Offering. Following expiry of the Lock-up Period, the Company may issue Shares or other securities from time to time as consideration for, or to finance, future acquisitions or investments or for other capital needs. The Company cannot predict the size of future issuances of the Shares or the effect, if any, that future sales or issuances of Shares would have on the market price of the Shares. If any such acquisition, investment or capital need is significant, the number of Shares or the number or aggregate principal amount, as the case may be, of other securities that the Company may issue may in turn be substantial and may result in dilution to the Company's shareholders.

### 2.3.5 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Group, the prospects for the Group's business, the industry in which it operates, the markets in which it competes and an assessment of the Group's management, operations and financial results. Following completion of the Offering, the Offer Price may not be equal to the price at which the Shares will be traded. Investors may not be able to resell the Offer Shares at or above the Offer Price, or investors may not be able to sell them at all.

The stock market in general experiences extreme price and volume fluctuations from time to time. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low. The price of Shares may be negatively affected by various factors, including the Group's performance and results of anticipated operations, departures of key personnel, changes in earnings estimates or forecasts, or the materialization of any of the other risks described in this Section, or, the general situation of the Saudi Arabian economy, changes in applicable laws and regulations, terrorist acts, escalation of hostilities, acts of war or periods of widespread civil unrest, natural disasters and other calamities and stock market price fluctuations. The realization of any of these risks or other factors would have a material adverse effect on any investor's anticipated returns, or result in the loss of all or a portion of their investment in the Company.

### 2.3.6 Risks Related to Foreign Exchange Rates when Investing in the Offer Shares

The Offer Shares are, and any dividends to be paid in respect of the Offer Shares will be, denominated in Saudi Riyals. Any investment in the Offer Shares by an investor whose principal currency is not the Saudi Riyal or the USD will expose that investor to foreign currency exchange rate risk. This may adversely impact the investor's value of its investment in the Offer Shares or any dividends.

### 2.3.7 Risks Related to a Delay in Closing the Offering Period and Listing the Offer Shares

A public offering of shares to be listed on the Exchange typically closes concurrently with the shares being admitted for trading on the Exchange, with both typically occurring more than two weeks after the announcement of the final offer price for the shares. During that time, the parties complete the retail offer (which in the Kingdom has not previously begun until after the final offer price is set) and complete the subscription process and allocation of the shares. The Saudi Exchange Company has implemented a number of new procedures to enable the Listing of the Offer Shares to take place within the timeframe described in the "Key Dates and Subscription Procedures" section of this Prospectus. However, there can be no assurance that Listing of the Offer Shares will commence as expected. As a result, closing of the offering and Listing of the Offer Shares for trading on the Exchange could be delayed. The Saudi Exchange Company will announce the commencement of trading of the Shares on the Exchange on its website (saudiexchange.com.sa).

### 2.3.8 Risks Related to Research Published about the Group

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about the Group and its business, the market price for the Shares may decline. The trading price and volume of the Shares will depend in part on the research that securities or industry analysts publish about the Group and its business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers the Group downgrades their recommendations on the Shares or publishes inaccurate or unfavourable research about the Group's business, the market price for the Shares could decline. In addition, if one or more research analysts cease coverage of the Group or fail to publish reports on it regularly, it could lose visibility in the financial markets, which, in turn, could cause the market price for the Shares to decline significantly.

### 2.3.9 Risks Relating to Unqualified Foreign Investors not being able to Directly Hold Shares

Under the applicable regulations, unqualified foreign investors (who are not strategic foreign investors) wishing to participate in the Offering must enter into swap arrangements with a Capital Market Institution pursuant to which they acquire an economic benefit in the Offer Shares. Unqualified foreign investors would be able to trade these interests through Capital Market Institutions who will hold the legal title to the Shares. Accordingly, unqualified foreign investors will not hold legal title in the Shares nor will they be able to vote the Shares in which they hold an economic benefit. These factors could have an adverse effect on investors' anticipated returns or may result in the loss of all or portion of their investment in the Company.

# 3. Overview of the Market and Sector

## 3.1 Market Section

This market report section has been derived from an original market report prepared by the Market Consultant (Westwood Global Energy). The original market report was created exclusively for the Group and the information contained herein is dated to the 1st February 2023. The Market Consultant is an independent third-party business and a leading provider of market intelligence and commercial analysis to the global energy industry. The global oil & gas drilling industry is a particular area of expertise for the Market Consultant and the relevant information in the market report is sourced to the Market Consultant's industry leading databases covering the global onshore and offshore drilling rig fleets. More information on the Market Consultant is available at www.westwoodenergy.com.

The Market Consultant has prepared the market report in a fully independent manner and the information and analysis contained herein reflect their views on the market as of the date of preparation. The Market Consultant has taken adequate care to ensure the accuracy and completeness of information. However, industry and market data is constantly evolving and subject to change due to limitations on the availability of public information, particularly information pertaining to the Group's competitors and customers.

The Market Consultant does not, nor does any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives own any Shares or any interest of any kind in the Group. As of the date of this Prospectus, the Market Consultant has given its written consent for the use of its name and logo to be used in the manner and format set out in this Prospectus.

The market report contains forward looking statements and views made by the Market Consultant with regards to the direction of the oil & gas industry as well as the onshore and offshore drilling industry. These views are informed by the Market Consultant's proprietary databases and expertise. Key assumptions underpinning forward looking statements include views on future oil & gas demand and commodity prices. In addition to proprietary data, the Market Consultant has also utilized a number of publicly available datapoints published by internationally recognised institutions such as OPEC, the IMF and the World Bank.

The information contained in the Market Report has been reviewed by the Group. Although, the Group believes the information to be reliable it has not conducted an independent verification and as such does not bear any liability for the accuracy of the Information.

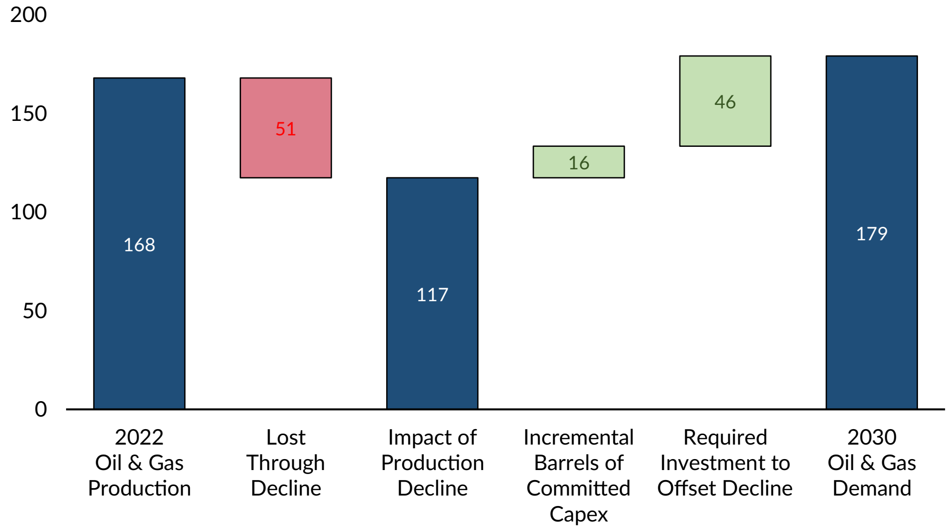
## 3.2 Executive Summary & Conclusions

Oil & gas will continue to play a critical role in global energy supply over the coming decade, driving increased demand for both onshore & offshore drilling services:

Driven primarily by growing populations and increasing energy intensity per capita across Asian economies such as China, India and Indonesia, global consumption of oil & gas is expected to increase from 168 mmboepd in 2022 to 179 mmboepd by 2030, an increase of 7%. Meeting this level of demand will require a significant amount of investment into drilling services, not only to deliver the incremental 11 mmboepd of demand but more importantly to replace the estimated 51 mmboepd of oil & gas production that will be lost to natural decline over this period. The impact of natural decline creates a constant requirement for drilling services just to maintain existing levels of production.

**Figure (3.1): Illustrative Impact of Natural Production Decline on 2030 Oil & Gas Demand Outlook**

Mmboepd



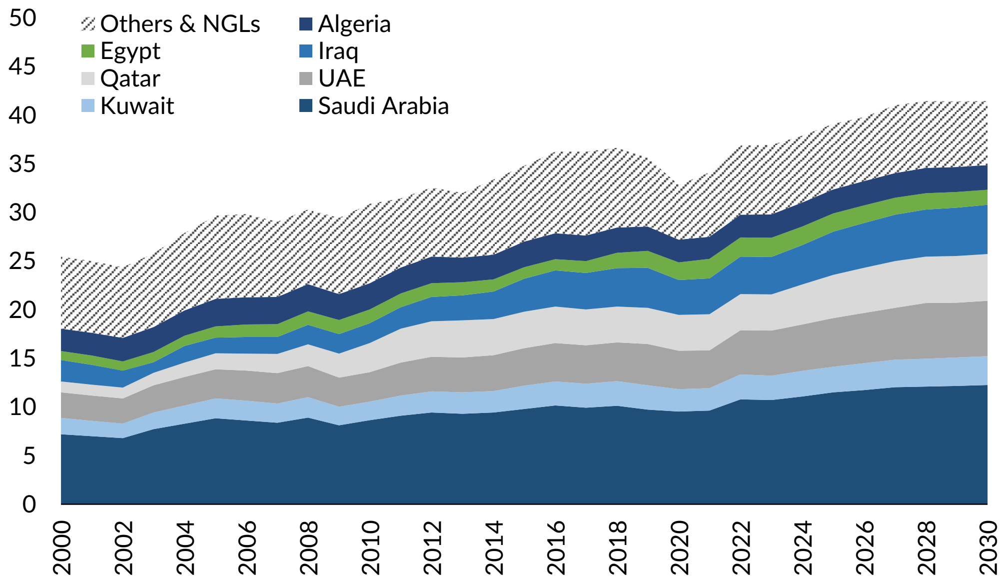

Source: Westwood Global Energy

**MENA Oil & Gas Production is Expected to Increase by 12.4% over the 2022 to 2030 Period:**

Driven by growing global demand for oil & gas, MENA oil & gas supply is expected to increase from 44.2 mmboepd to 49.8 mmboepd between 2022 and 2030. This will require significant new investment not only in new production capacity but also to offset the impact of natural decline at existing fields. Production growth will be focused on offshore developments driving incremental demand for jackup rigs. In particular, the GCC region will drive increased supply due to very low lifting costs per barrel and the commitment of national oil companies as Saudi Aramco to increase their production capacity. The GCC's share of global oil production is estimated to increase from 20% in 2022 to 22% by 2030. Saudi Arabia is the largest producer in MENA and enjoys the lowest lifting costs in the world and is expected to see oil & gas production increase from 12.9 mmboepd in 2022 to 14.7 mmboepd by 2030.

**Figure (3.2): MENA Oil & Gas Production Outlook to 2030**

Mmboepd




Source: Westwood Global Energy

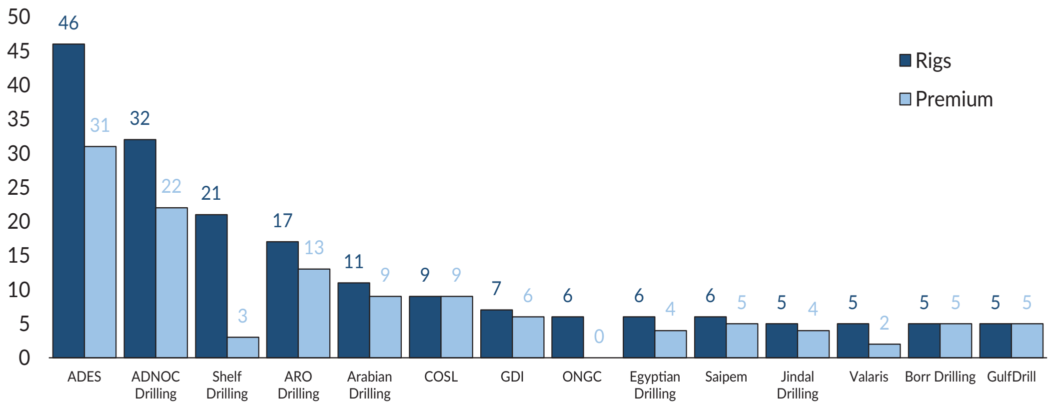
**The Group is the Largest Provider of Shallow Water Jackup Drilling Rigs in the Kingdom of Saudi Arabia and the Wider MENA Marketplace:**

The Group operates 46 jackup rigs as of August 2023G of which 31 are considered premium rigs which attract better utilization & day rates compared to the legacy fleet. This represents 20% of the total jackup and 22% of the premium jackup rig fleet respectively across the target geographies of the Middle East & North Africa (MENA) and India. The Group also has an estimated 27% market share across the target geographies based on outstanding backlog days, twice as much as the next largest contractor, Shelf Drilling. In Saudi Arabia the Group is the leader in the jackup rig market and currently has an estimated 40% market share based on outstanding backlog days and 30% based on current contracted rig counts.

The Group also operates a fleet of 36 land rigs across the MENA region with its largest country fleets in Saudi Arabia (14) and Kuwait (12). This equates to an estimated 7% and 9% market share respectively based identified rig fleets in these countries.

**Figure (3.3): Overview of Jackup Managers Across ADES Target Geographies.**

Number of Rigs




Source: Westwood Global Energy

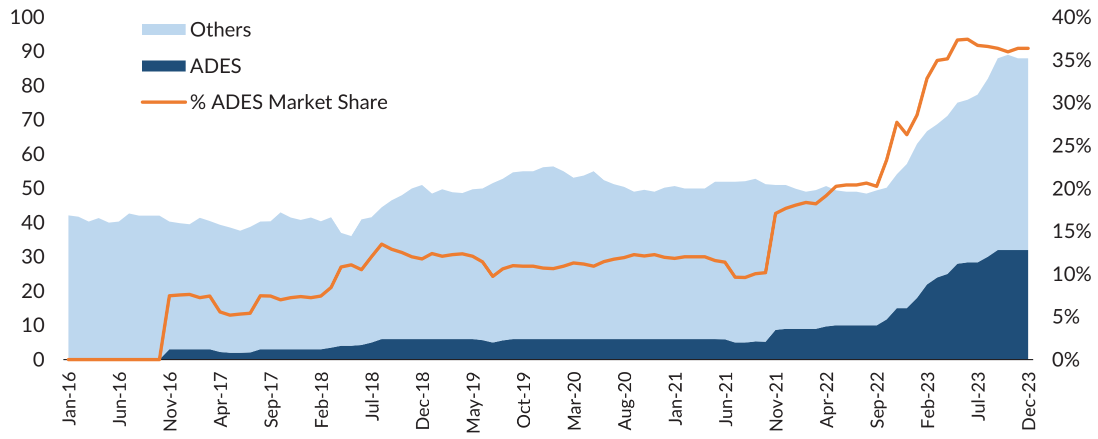
**Saudi Aramco is the Largest Jackup Customer in the World and Offer High Quality Contracts:**

The Group's largest customer, Saudi Aramco is the world's largest integrated oil & gas company and holds 17% of remaining global oil reserves. Saudi Aramco is also estimated to have the lowest per barrel lifting costs as well as the smallest carbon footprint[7] per barrel of oil equivalent in the world. Saudi Aramco is also the world's largest contractor of jackup rigs, accounting for 15% of the global contracted fleet alone in 2022. Saudi Aramco also offers the longest contracts in the market at an average of 1,591 days, 88% longer than the global average and has a stringent qualification program and a strong preference for premium drilling rigs that offer greater drilling efficiency, which puts the Group at a significant commercial advantage over their peers and creates significant barriers for potential new entrants. In 2021, Saudi Aramco awarded the Group with the largest contract for jackup rigs in its history.

7 Source: 2021 Saudi Aramco Sustainability report

**Figure (3.4): ADES Share of Saudi Aramco Contracted Jackups based on Current Contract Visibility.**

(LHS) Number of contracted jackups (RHS) % of contracted jackups



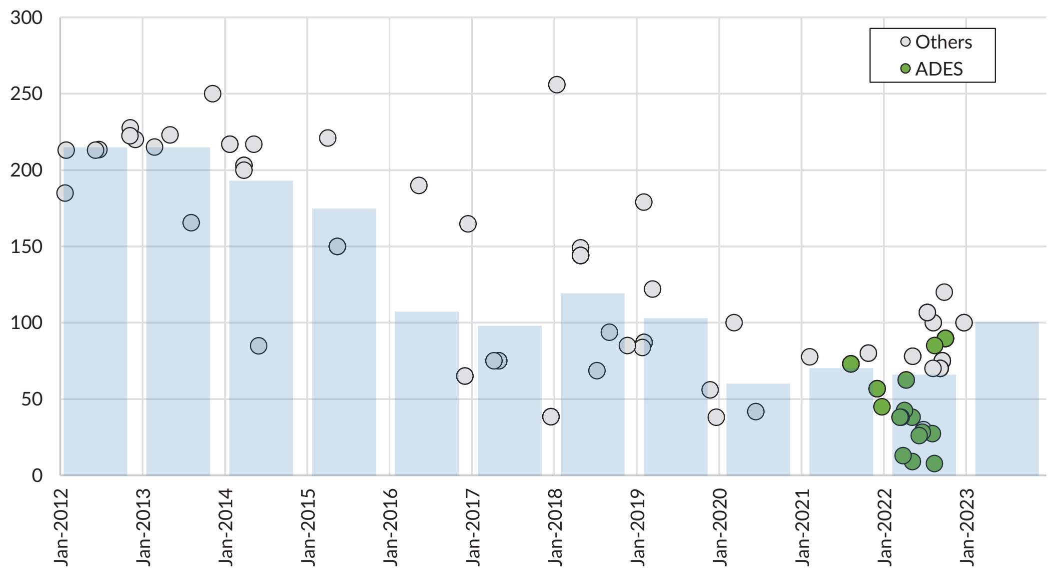

Source: Westwood Global Energy

**ADES have Acquired a Premium Jackup Fleet at a Significant Discount:**

The Group has been the single largest buyer of second hand premium jackups since 2020, accounting for 26 of the 52 transactions recorded over the 2020-2022 period. The Group paid an estimated average of $61.5 million per rig over this time (excluding rigs targeting the Indian market) which is a significant discount compared to the industry average of $79 million paid by other managers for premium jackups during this time and more than half the average $125 million paid since 2012. Lower acquisition costs put the Group in a favourable position allowing them to maintain profitability at reduced day rates relative to their peers.

**Figure (3.5): Review of Premium Jackup S&P and Average Annual Values**

$millions (2023 values are 1 January to 1 February 2023)




Source: Westwood Global Energy

**MENA rig demand is expected to increase over the next five years creating additional market opportunities for growth:**

Over the 2022 to 2027 period, the MENA market will require an incremental 56 jackups and 209 land rigs to satisfy future E&P ambitions to both increase existing production capacities and sustain output at existing fields. Key country growth markets will be Saudi Arabia, Kuwait, Qatar and the UAE. Day rates across these markets are also expected to return to seven-year highs as available supply becomes increasingly scarce. A trend towards more complex onshore drilling programmes targeting deep gas and heavy oil as well as a preference for newer, more efficient offshore rigs puts the Group's fleet in a strong position to benefit from this market growth.

**Limited available capacity in shipyards and high newbuild costs create significant barriers to entry and should keep bargaining power with suppliers:**

After a wave of recent S&P activity there are now only 17 jackups awaiting delivery in shipyards in Asia that do not currently have committed contracts in place. New jackups newbuild costs are estimated to be in the $280-350 million range which combined with the current high cost of capital and the difficulty of rig managers to access external debt to finance newbuilding programs makes these 17 jackups the only realistic candidates that could enter the market over the next several years which is significantly less than future requirements.

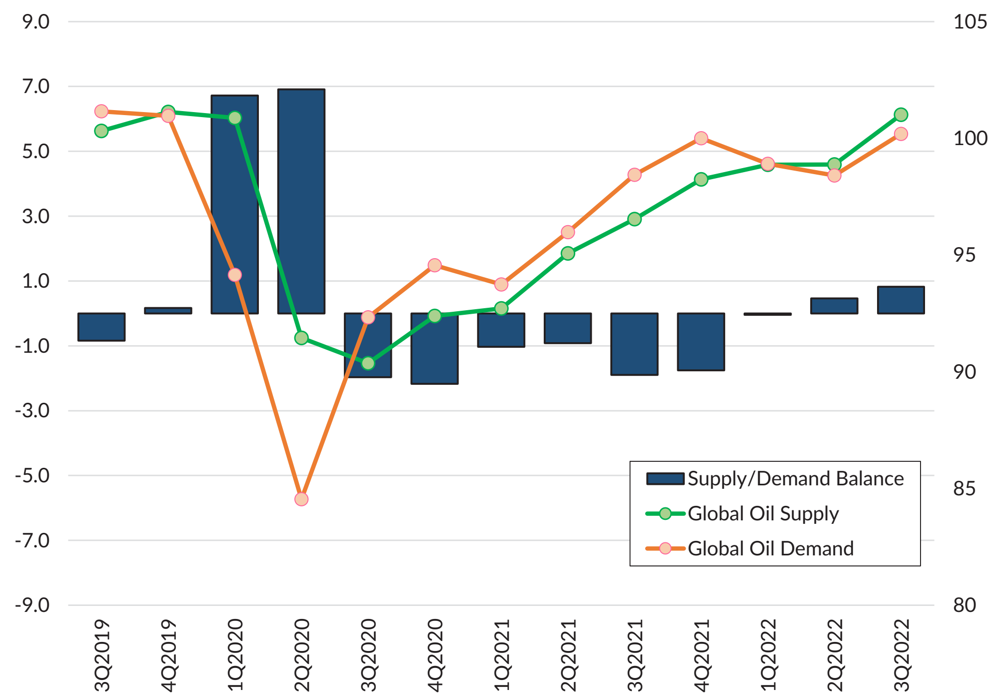
## 3.3 Oil & Gas Industry Overview

### 3.3.1 Oil & Gas Demand Review & Outlook

Oil & gas consumption is the fundamental activity driver of the drilling industry and the Group's services. Increased demand leads to the requirement for more production, in turn driving E&P investment into new projects as well as production drilling to sustain output at existing fields. Over the past several years, oil & gas demand has gone through a period of unprecedented disruption due to the COVID-19 pandemic. In the second quarter of 2020 oil demand fell to 78 million barrels a day, a 22% drop versus 2019 and the lowest recorded level for over two decades. The subsequent build-up of crude stockpiles led to a collapse in oil prices and a rapid drop in global E&P investment and drilling activity. Since then, a combination of economic recovery and voluntary & involuntary production cuts have stabilised the market and seen oil demand and supply return to pre-pandemic levels. Improving supply & demand fundamentals have also allowed oil prices and E&P investment activity to grow rapidly over the past 12 months, including demand for offshore drilling rigs, which have now surpassed pre-pandemic levels.

**Figure (3.6): Global Oil Supply & Demand Balance**

(LHS) Supply/Demand Balance mmbpd / (RHS) mmbpd




Source: Westwood Global Energy

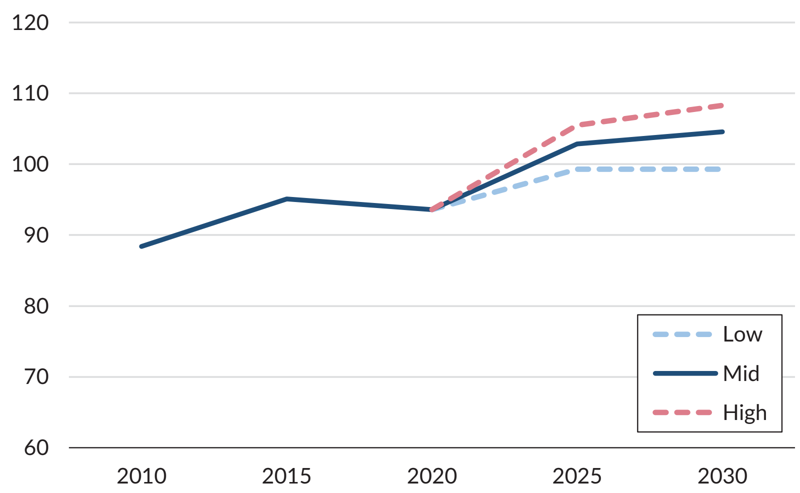
Westwood's current reference case outlook for oil demand expects consumption to continue to grow over the next five to eight years to reach 105 million barrels a day by 2030, versus just under 101 million barrels a day in 2022. This outlook is considered a mid-range view relative to others in the market and assumes incremental demand from China and India as well as other Asian consumers. Beyond 2030, there is a great level of uncertainty as it is expected that increasing investment into the energy transition such as renewable and electrical infrastructure will drive a structural change in the global energy mix, but the pace of this transition is highly contested.

Global natural gas consumption has seen a rapid uptake over the past decade, increasing by 22% between 2010 and 2022. This has largely been driven by the fuel's role as an efficient and relatively low emission (versus other hydrocarbons) source of power generation as well as the development of global Liquefied Natural Gas (LNG) infrastructure which allows for long distance trade between Middle Eastern producers and North Asian consumers. Long term, Westwood's reference case outlook sees natural gas consumption increasing from around 67 million barrels of oil equivalent a day to 75-78 million by 2030. Beyond 2030, demand is expected to continue to increase for at least the next five to ten years. Asia is once again expected to be the primary growth engine of natural gas demand over this period.

The downside case for long term oil demand assumes a plateau in consumption at around current levels of 100 million barrels per day to 2030 and then a more rapid deterioration of demand post 2030. Factors underpinning this downside case over the next few years include lower gasoline consumption across the OECD as well as lower levels of opportunistic Chinese crude imports due to prolonged high oil prices and consumer inflation caused by the Ukraine crisis. Longer term, the downside scenario expects a more accelerated structural shift in energy supply towards electrification and the use of renewable energy sources.

**Figure (3.7): Global Oil Demand Outlook**

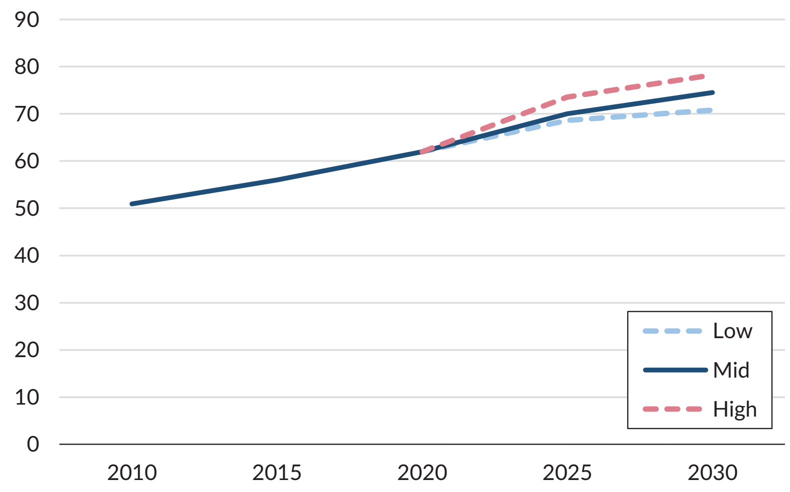
Mmbpd




Source: Westwood Global Energy

**Figure (3.8):** **Global Gas Demand Outlook**

Mmboepd




Source: Westwood Global Energy

## 3.3.2 Global Oil & Gas Production Trends

Oil production (including non-crude sources) was estimated at 99.6 mmboepd in 2022, an increase of 7% compared to 2020 when global oil supply fell by an unprecendented 7 mmboepd due to both voluntary and involuntary production cuts caused by the COVID-19 pandemic – including OPEC+ quotas that started at 9.6 mmbpd before tapering to 5.8 mmbpd by the end of the year. Looking forward we expect global oil production to reach 106 mmbpd by 2030 – an increase of 6% compared to 2022. These incremental barrels are expected to mostly come from the GCC area as well as deepwater Latin America producers such as Brazil, Guyana and Suriname. However, increasing supply to 106 mmbpd will also require intensive brownfield spending to replace the estimated 34 mmboepd of oil production lost through natural decline over the same timeframe.

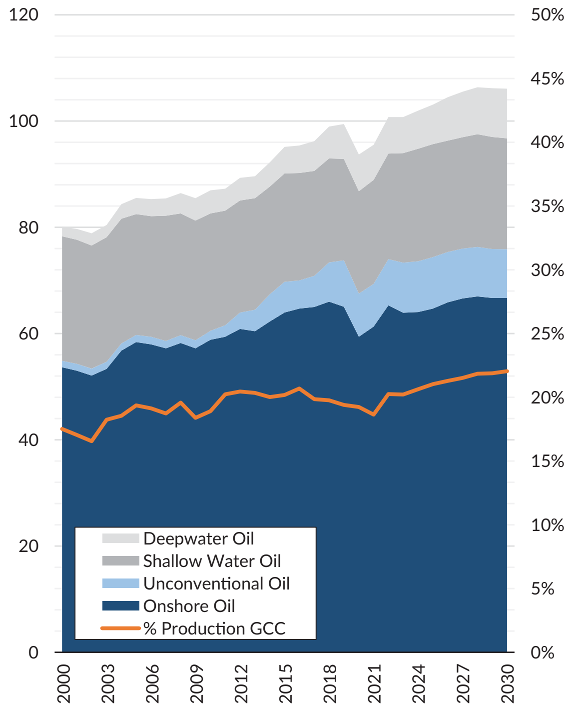
The Gulf Cooperation Council[8] (GCC) states play a critical role in the oil market and have historically provided around 20% of global production. The region provides a stable baseline of supply, thanks to low production costs and prolific reserves, that provide a level of insulation against more cyclical and opportunistic production sources such as US unconventionals. Despite losing some share in 2020 due to voluntary production cuts, increased investment in both onshore & offshore fields across Saudi Arabia, Kuwait, the UAE and Qatar will see the GCC grow its market share of global oil supply to 22% over the next eight years. The ability these GCC producers to increase their market share is primarily supported by below average lifting costs per barrel as well as the long-term commitment of national oil companies in the region to develop and export their hydrocarbon resources.

The past 20 years have a seen a rapid increase in natural gas production globally with supply increasing by 68% between 2000 and 2022. Current global marketed gas production is estimated at 67.2 mmboepd and is also expected to continue to grow rapidly over the next eight years to reach 78.2 mmboepd by 2030. The GCC region had been investing significantly into gas production capacity over the past decade in order to access the global Liquefield Natural Gas (LNG) export market. Currently, Qatar is the world's second largest exporter of LNG behind Australia and the UAE is expected to more than double its LNG export capacity over the next several years.

8 GCC states include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

**Figure (3.9): Global Oil Production by Source**

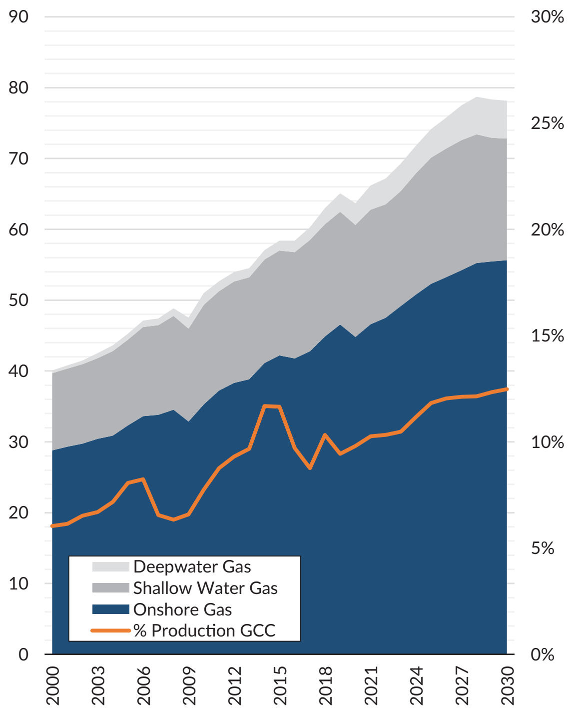
(LHS) mmboepd / (RHS) % of total production




Source: Westwood Global Energy

**Figure (3.10): Global Gas Production by Source**

(LHS) mmboepd / (RHS) % of total production



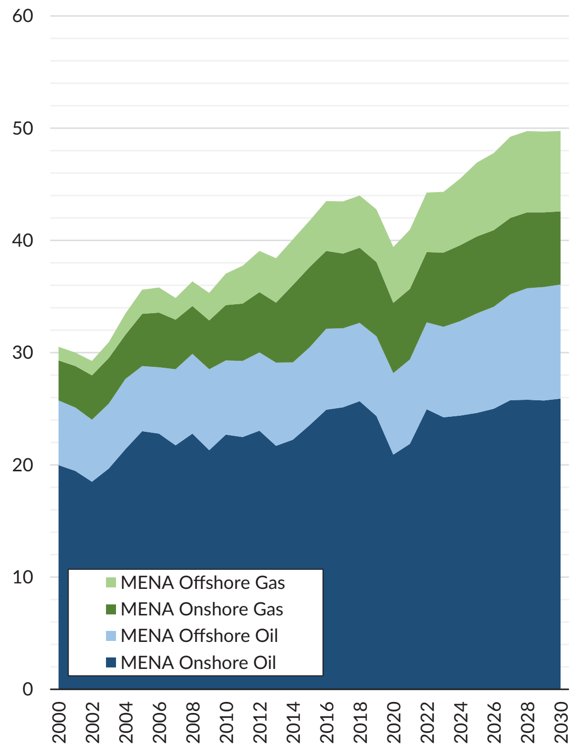

Source: Westwood Global Energy

### 3.3.3 MENA Oil & Gas Production Trends

Total oil & gas production across the Middle East and North Africa (MENA[9]) region was estimated at 44.3 mmboepd in 2022, with 74% of this coming from oil and the remainder from natural gas. Currently, 70% of production is onshore related but although onshore resources account for 76% of oil production, gas supply is signifcantly more diversified with 46% of output coming from offshore fields driven mainly by Qatar. Over the next eight years, MENA oil & gas production is expected to increase by 12.4% to reach 49.8 mmboepd. Growth is expected from all sources but the offshore sector will see a significantly higher growth rate with offshore oil and gas increasing by 31.1% and 34.9% respectively between 2022 and 2030. By 2030, offshore production will have increased to 17.3 mmboepd and will account for 35% of regional supply. In addition to the incremental 5.5 mmboepd of new production that will require development drilling, the MENA region will also need extensive volumes of drilling to replace the estimated 13.8 mmboepd of oil & gas production lost through natural decline.

**Figure (3.11): MENA Oil & Gas Outlook by Source**

Mmboepd

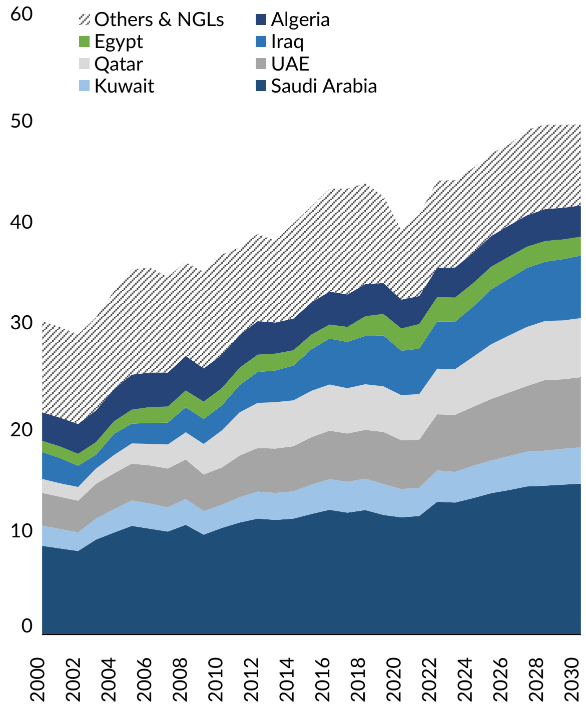



Source: Westwood Global Energy

9 For the purposes of this report, MENA states include Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates

**Figure (3.12): MENA Oil & Gas Outlook by Country**

Mmboepd




Source: Westwood Global Energy

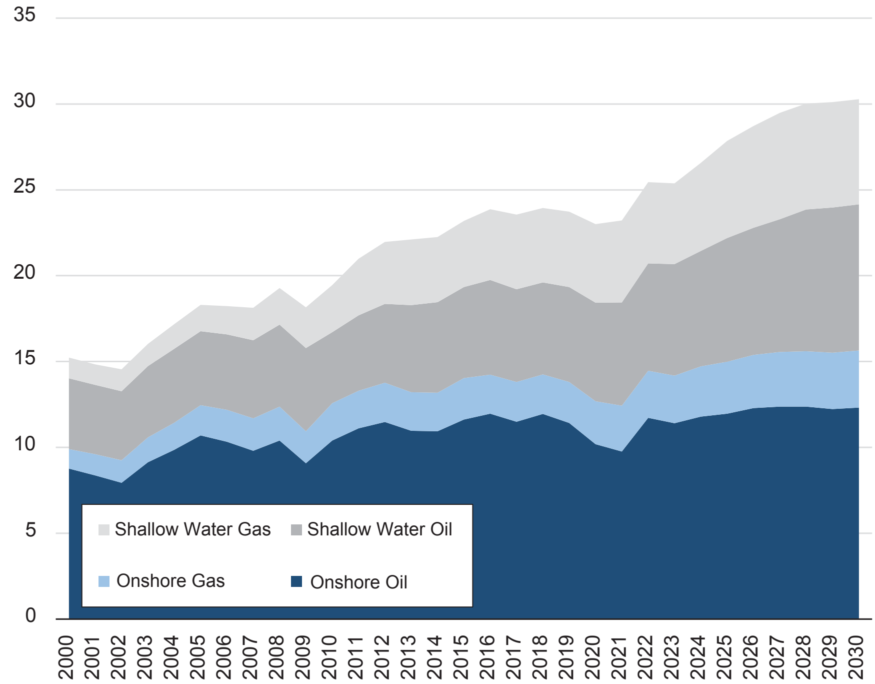
On a country level, MENA oil & gas production is dominated by Saudi Arabia which accounted for 29% of supply in 2022 (8% of total global oil & gas supply), followed by the UAE with 12% (3% global), Qatar with 10% (3% global), Iraq with 10% (3% global) and Kuwait with 7% (2% global). Over the 2023 to 2030 period, significant production growth is expected across all country markets with the exception of Egypt. The highest growth markets over the 2022 to 2030 period with regards to percentage change are expected to be Iraq (32.5%) and Qatar (29.3%). However, Saudi Arabia will account for 32% of incremental barrels over the forecast period with the majority of this associated with offshore oil developments.

### 3.3.4 Oil and Gas Trends

The predominant driver of oil production within the MENA region in the past, will continue to be so over the forecast. Overall production from the GCC region is expected to reach over 30 mmboe/d in 2030, up from 25 mmboe/d in 2023. Onshore oil production is expected to reach above 12 mmbbl/d by 2026 and remain at that level through to at least 2030. Offshore, meanwhile is expected to be maintained at above 3 mmbbl/d from 2025 onwards. Gas, which is expected to grow at a greater rate than oil, A larger proportion 43% of gas supply will come from offshore when compared to oil (20%).

**Figure (3.13): GCC Oil & Gas Production by Source**

Mmboepd (Oil excludes NGLs)



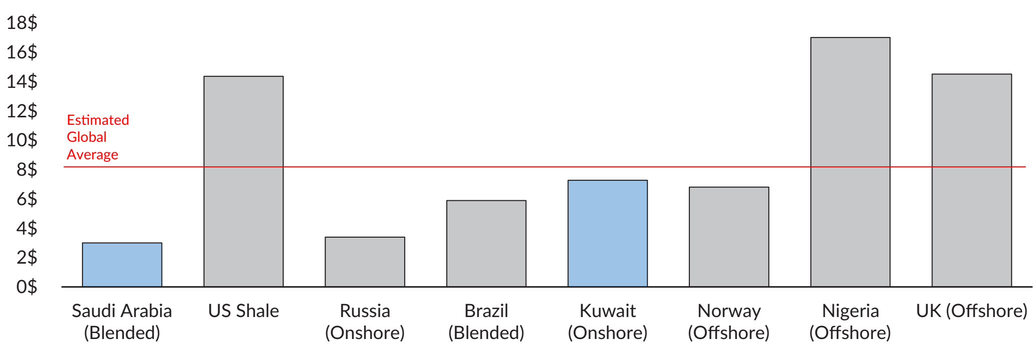

Source: Westwood Global Energy Analysis

## 3.3.5 MENA Oil & Gas Landscape

The Middle East and North Africa is a prolific oil & gas province accounting for an estimated 35% and 27% of global oil and gas production respectively. The region also holds some of the largest reserves in the world and accounts for an estimated 50% and 44% of remaining oil and gas resouces. The region (and in particular the GCC states) are also known to have some of the lowest production (also known as lifting) costs in the global oil market. Lower lifting costs provide a greater level of insulation against low oil prices creating a more stable long-term investment environment. Most notably, The Group's largest country market of Saudi Arabia is estimated to have a blended per barrel lifting cost ranging from $2.5 to $3.5 which is the lowest in the world. The Group's second largest country market of Kuwait has a estimated per barrel lifting cost in the $7 to $8 range for its onshore fields due to the maturity of the giant Burgan field driving the need for increased investment on primary and secondary recovery methods such as artificial lift. However, Kuwait lifting costs are still signifcantly lower than other major production areas such as US Shale and West Africa.

**Figure (3.14): $ per Barrel Lifting Costs for Major oil Producers Sorted Left to Right by Production Volumes.**

$/bbl (blue highlighted columns denote markets where the Group is active)




Source: Saudi Aramco & Westwood Global Energy Analysis

The below table benchmarks the major oil & gas producers across the MENA region as well as providing an estimated fiscal breakeven which is the estimated oil price required to balance a national budget. MENA oil & gas producers are also characterised by the prevalence of National Oil Companies (NOCs) who control upstream E&P activities. NOCs typically have a longer-term, strategic planning outlook as compared to publicly traded oil companies which also provides greater insulation against short-term oil price volatility.

**Table (3.1): Comparison of Major MENA O&G Producers**

| | Saudi Arabia | Kuwait | UAE | Qatar | Oman | Algeria | Egypt |
|---|---|---|---|---|---|---|---|
| 2021 GDP[10] $billion | $833.54 | $105.96 | $415.02 | $179.67 | $88.19 | $163.04 | $404.14 |
| 2021 Oil Rents[11] % GDP | 17.7% | 31.6% | 11.5% | 11.7% | 19.4% | 10.2% | 2.1% |
| OPEC Member? | Yes | Yes | Yes | No | No | Yes | No |
| NOC | Saudi Aramco | KOC | ADNOC | Qatar Energy | PDO | Sonatrach | Petrobel |
| Oil Reserves (bn boe) | 267.192 | 101.500 | 113.000 | 25.244 | 5.373 | 12.200 | 3.300 |
| Gas Reserves (bn boe) | 53.626 | 11.246 | 51.691 | 150.266 | 4.242 | 28.392 | 13.925 |
| Oil Production (kboepd) | 10,544 | 2,708 | 3,064 | 1,729 | 987 | 1,015 | 620 |
| Gas Production (kboepd) | 2,509 | 205 | 878 | 3,340 | 580 | 1,693 | 1,133 |
| Fiscal Breakeven (2023e)[12] | $67/bbl | $58/bbl | $66/bbl | $50/bbl | $75/bbl | $149/bbl | n/a |

Data is as of 2022 unless stipulated.

Source: OPEC, IMF, World Bank & Westwood Global Energy Analysis

### 3.3.6 Review of Major MENA Oil & Gas Producers

**Saudi Arabia**

The Kingdom of Saudi Arabia is currently the second largest producer and largest exporter of crude oil in the world. More importantly however, the country holds the largest remaining reserves of oil in the world with an estimated 17% of the global total. National Oil Company (NOC) Saudi Aramco has recently reaffirmed its commitment to increase its maximum sustainable capacity (MSC) to 13 mmbpd (up from the current 12 mmbpd). Much of this will come from offshore projects such as Zuluf (600 kbpd), Marjan (300 kbpd) and Berri (250 kbpd) which are already sanctioned and under construction with first oil expected around 2025. Current crude production is estimated at 10.8 mmbpd with this expected to fall to 10.5 mmbpd in 2023, in line with new OPEC+ quotas. Crude oil production is expected to reach just under 12 mmbpd by 2030. In the onshore segment , Saudi Aramco is planning to spend over $100 billion of lifecycle investment on the Jafurah unconventional gas field where it expects to unlock 2 billion standard cubic feet per day of gas production along with 630 kboepd of natural gas liquids.

**Kuwait**

A significant oil producer and member of OPEC, Kuwait currently produces around 2.7 mmbpd of crude oil with just over half of this coming from the giant onshore Burgan field. Kuwait Oil Company (KOC) has recently revised its 2030 maximum sustainable capacity target for crude oil to 3.5 mmbpd down from a previously ambitious four mmbpd. The country is suffering from significant natural decline from its legacy oil fields (estimated to be as high as 8%) and is currently aiming to boost sustainable capacity via a combination of brownfield drilling and the development of heavy oilfields in the Lower Fars area with 270 kbpd of additional production capacity from this area targeted by 2030. In addition to this, KOC is also developing substantial Jurassic gas reserves in the northern region of the country, these deep lying high pressure resources require very high specification drilling rigs.

10 Source: World Bank & OPEC

11 Source: World Bank - Oil Rents represent the regional value of oil production minus production costs.

12 Source: IMF – fiscal breakeven per barrel is the oil price required to balance national budgets.

**Qatar**

In addition to producing just under 2 mmbpd of liquids, Qatar is a world leader in gas production and currently the world's second largest exporter of liquefied natural gas (LNG) after Australia. QatarEnergy is currently executing a $82.5 bn capex plan for 2021-25 aimed at increasing LNG export capacity by 60% to 126 million mt/year by 2027, which should see it leapfrog both the US and Australia as the world's largest exporter. This investment is targeting the prolific offshore North Field that straddles the border between Qatar and Iran, covers an area of more than 9,000 square kilometers and holds an estimated 900 trillion cubic feet of natural gas which is equivalent to 14% of the world's proven reserves. In addition to QatarEnergy's gas development the North Oil Company (NOC), a JV between QatarEnergy and TotalEnergies, is also continuing to develop the offshore Al-Shaheen oilfield which currently produces around 300 thousand barrels of oil a day.

**United Arab Emirates**

National Oil Company, ADNOC recently approved a new five-year plan in November 2022 which will commit $150 billion over the 2023 to 2027 period to boost its maximum sustainable capacity for crude oil to five million barrels a day by 2027, versus 2030 previously. The redevelopment of offshore fields such as Upper and Lower Zakum, Umm Shaif and Belbazem will drive the planned increase in oil production capacity. In recent years ADNOC has also stated an intention to become a major LNG exporter and in January 2023 formed a new gas company, ADNOC Gas, that will oversee the expansion of ADNOC's LNG export capacity to 15.6 metric tonnes per annum over the next several years with the development of the Fujairah gas liquefication plant. ADNOC has also adopted a relatively unique strategy, amongst its GCC peers, of supply chain consolidation. In September 2021, ADNOC Drilling was listed on the Abu Dhabi Securities Exchange and currently operates 108 rigs both onshore and offshore.

### 3.3.7 Drivers of Demand - Oil Price Trends & Outlook

Typically, oil prices play a key role in overall levels of E&P activity with higher cashflows incentivising oil & gas companies to reinvest into new capacity and projects. This includes the demand for the Group's fleet of onshore and offshore drilling rigs. However, the Group's core GCC markets are significantly less impacted by oil prices due to very low lifting costs and the presence of NOCs who are committed to the long-term extraction of hydrocarbon resources to support global demand.

Oil prices are inherently volatile, and the past decade alone has seen a number of cycles induced by over-investment in new production capacity, COVID-19 related demand destruction and through to the current energy crisis which has been exacerbated by the Ukraine crisis of 2022. Over the past seven years the OPEC+ bloc has intervened via coordinated production cuts in an attempt to balance supply & demand and bring greater stability to the market.

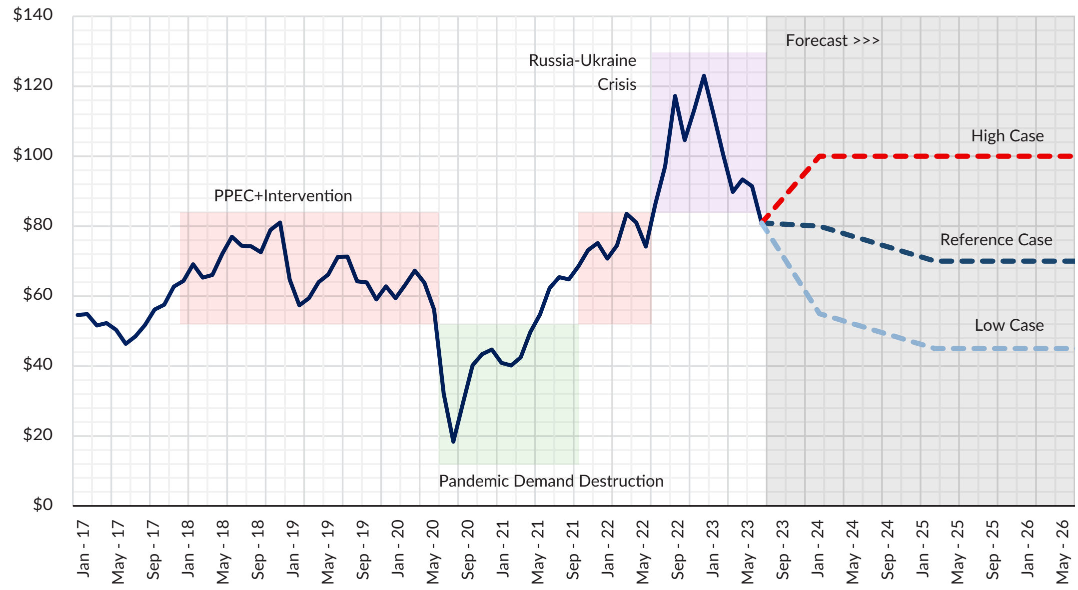
Oil prices have trended above $100/bbl for most of 2022 – the first time the global oil market has seen prolonged $100/bbl since 2014. However, much of this increase from the $80/bbl market seen in 4Q2021 can be pinned on the impact of the Russian invasion of the Ukraine. The short-term impact of this event has seen significant supply-side disruption to Russian oil & gas flows to the OECD due to imposed sanctions.

Going forward, there is much uncertainty around the future outlook for oil prices. Despite recent high prices, the physical market currently faces the prospect of oversupply as the short/mid-term demand outlook softens. This has been a key factor for the OPEC+ bloc announcing a new 2 mmbpd production cut for 2023. This level of intervention is comparable to what was in place in the pre-pandemic era when oil prices bounced between $60-80/bbl.

Westwood's reference case oil price outlook for 2023 is $75-80/bbl, followed by $70/bbl for the 2024 to 2027 period. We believe stable prices in this range remain highly conducive to investment into new oil & gas projects and new drilling campaigns, particularly in the GCC where lifting costs are amongst the lowest in the world. Our low case scenario assumes inflationary driven demand destruction in 2023 and see oil prices drop to $55/bbl in 2023 and then $45/bbl over 2024 to 2027.

**Figure (3.15): Oil Price Trends & Outlook**

$/bbl (Brent)



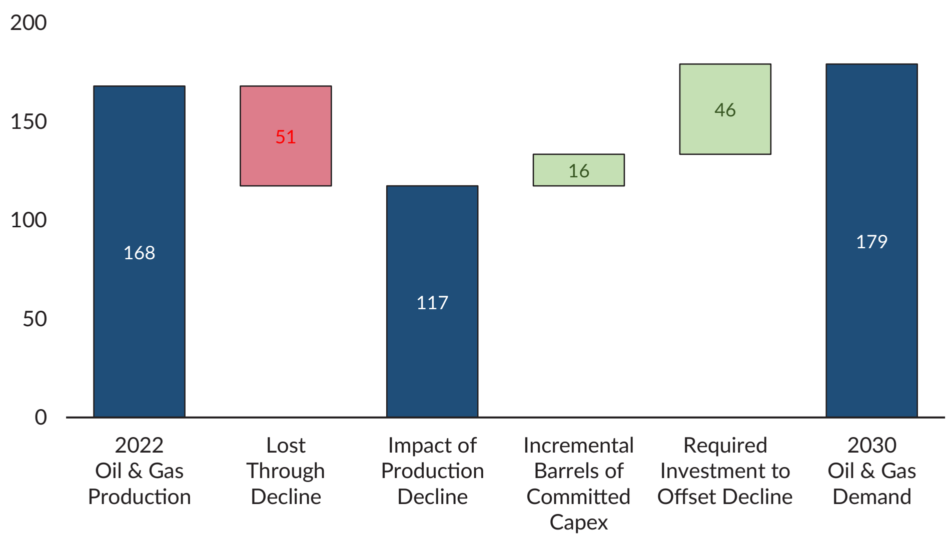

Source: EIA & Westwood Global Energy

## 3.3.8 Drivers of Demand – Production Decline

One of the biggest challenges facing the oil & gas industry is that of natural production decline. Over time, the productivity of oil & wells declines due to a wide range of factors such as lower downhole pressure, increased water cuts and well integrity issues. If left unattended, production from the typical conventional oil well will decline at an annual rate of anywhere between 4-8%, with this increasing as the well ages. The chart below indicates the scale of the challenge of raising current oil & gas production levels of 168 mmboepd to meet Westwood's reference case 2030 oil & gas demand outlook of 179 mmboepd. In addition to the estimated 16 mmboepd of supply covered by committed capital expenditure to date, the industry must also replace an additional 46 mmboepd of supply lost through natural decline.

**Figure (3.16): Illustrative Impact of Natural Decline on Global Oil & Gas Supply**

Mmbpd




Source: Westwood Global Energy

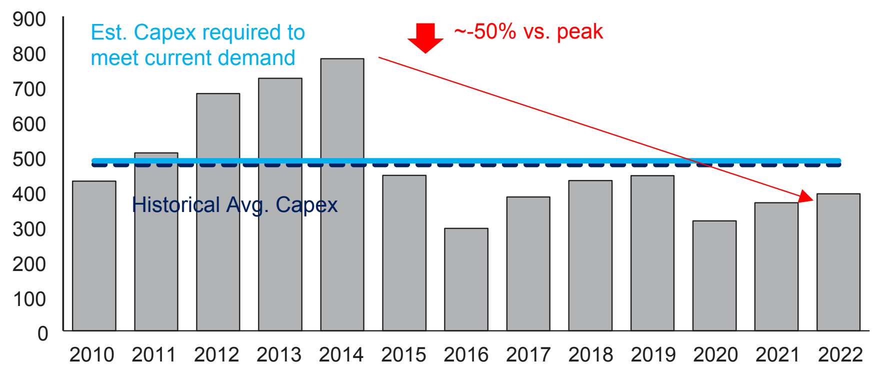
There are a number of ways in which E&P companies can counter the effect of production decline. Intervention and workover activities can be performed on existing wells to install artificial lift systems such as electrical submersible pumps or to identify & plug inefficient production zones via wireline and coiled tubing services. However, in onshore and shallow water markets one of the most effective ways of offsetting natural decline is to perform production drilling activities and complete more wells or sidetracks to boost production from existing reserves. In mature producing regions such as the GCC, production drilling related activities typically account for a significant proportion of overall rig demand and simply sustaining existing production levels creates a significant market opportunity for rig managers such as the Group.

### 3.3.9 Drivers of Demand - Global Upstream E&P Capex

Average upstream Capex has averaged $476 billion since 2010 with a peak of $788 billion in 2014. Upstream Capex has typically followed oil prices and fell to under $300 billion in 2016.

**Figure (3.17): Global Upstream E&P Capex**

$billions




Source: Westwood Global Energy

### 3.3.10 Drivers of Demand – Select Country Comparison

A survey of some of the largest crude producers highlights the competitiveness of the MENA region, especially key regional players in the GCC region.

**Table (3.2): Select countries Production and OFS Spend**

| Country | Crude Oil Production 2022 (000's barrels) | $m OFS 2022 | Oil Lifting Costs per BOE |
|---|---|---|---|
| Brazil | 3,000 | $6,755 | $5.9 |
| China | 4,090 | $33,382 | $16 |
| India | 608 | $3,610 | N/A |
| Iraq | 4,440 | $1,566 | $5.25 |
| Kuwait | 2,704 | $3,153 | $7.3 |
| Nigeria | 1,216 | $1,579 | $17 (offshore) |
| Norway | 1,704 | $2,281 | $6.8 (offshore) |
| Qatar | 616 | $4,107 | N/A |
| Russia | 9,778 | $14,921 | $3.4 |
| Saudi Arabia | 10,538 | $8,988 | $3 |
| UAE | 3064 | $4,016 | N/A |
| USA | 11,820 | $50,646 | $14.4 (shale) |

Source: Westwood Global Energy

**Table (3.3): Benchmarking of Regional Oilfield Service Markets**

| Market | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| USA | $50,646.54 | $55,328.01 | $57,076.21 | $58,849.43 |
| Iraq | $1,566.01 | $1,765.60 | $2,067.89 | $2,221.03 |
| Nigeria | $1,578.74 | $1,608.04 | $1,709.00 | $1,749.24 |
| MENA (excl. Iraq) | $28,865.99 | $32,173.40 | $35,419.11 | $38,036.97 |

Source: Westwood Global Energy

### 3.3.11 Drivers of Demand - MENA Oilfield Services Spending Outlook

Oilfield spending includes a wide range of products & services associated with the drilling, completion, and workover of oil & gas wells. This includes contract drilling services for onshore and offshore rigs such as those provided by the Group. Other key services include (but are not limited to) hydraulic fracturing, directional drilling, wireline and drilling fluids[13] which are provided by a large network of international and local suppliers and service companies.

**Table (3.4): Benchmarking of Regional Oilfield Service Markets**

| Market | Global | MENA | North America | Asia Pacific | Latin America | Western Europe |
|---|---|---|---|---|---|---|
| 2022 Size ($bn) | $266.2 | $30.4 | $86.7 | $77.3 | $18.2 | $8.6 |
| 2027 Size ($bn) | $319.2 | $43.4 | $100.1 | $90.6 | $26.4 | $8.1 |
| % Growth | 20% | 43% | 15% | 17% | 45% | -6% |

Source: Westwood Global Energy

The MENA oilfield services market was estimated at $30.4 billion in 2022, largely recovering from the impact of the COVID-19 pandemic that saw spending fall by 20% in 2020. This represents around 12% of the global total with North America, the largest regional market, accounting for around one third of annual spending. The MENA market is expected to grow to $43.4 billion by 2027, an increase of 43% compared to 2022, making it one of the fastest growing OFS markets in the world.

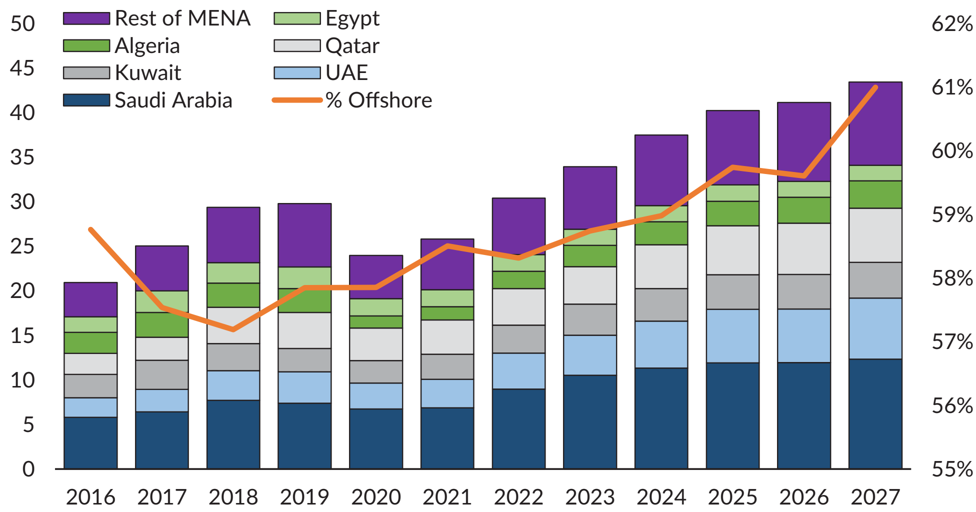
Saudi Arabia is the largest oilfield services market in the MENA region and accounted for 30% of regional spending in 2022. The market is characterised by long-term contracting and a high degree of technical sophistication with regards to the application of technology and service. Saudi Aramco is considered one of the most stringent customers in the world with which to achieve pre-qualification and is highly focused on rewarding localization efforts via its In Kingdom Total Value Add (IKTVA) scheme which gives preference to OFS providers with greater levels of local staff, fabrication, and registered assets. Highly ambitious production growth plans are expected to see annual OFS spending increase by 37% over the next five years to reach $12.3 billion by 2027.

Outside of Saudi Arabia, Kuwait is one of the largest country markets for OFS services in MENA and accounted for 10% of annual spending in 2022. In recent years, Kuwait activity has been highly focused on the maintenance of its giant legacy oil fields such as Burgan and Minagish. However, in order to comply with a 2030 target to increase MSC to 3.5 mmbpd, KOC is increasingly looking to new, unconventional and more complex resources such as the heavy oil Lower Fars and deep Jurassic gas and condensate fields in the north of the country, while also expected to ramp up offshore exploration and production activity. Over the next five years the Kuwait OFS market is expected to increase by 27% to reach $4.1 billion by 2027.

13 Oilfield Services exclude permanent wellsite equipment and EPCI services

**Figure (3.18): MENA Oilfield Services Spend Outlook**

$billions




Source: Westwood Global Energy

## 3.4 The Oil & Gas Drilling Rig Industry

### 3.4.1 Overview of the Oil & Gas Drilling Activities

Drilling rigs, such as those owned and operated by the Group, are a critical asset used across the lifecycle of oil & gas projects to discover, develop, and support the ongoing production of hydrocarbons. Below is a summary of the key lifecycle stages of an oil & gas development.

**Exploration & Appraisal (E&A)**

Potential hydrocarbon bearing formations in the geological subsurface are identified via the use of seismic acquisition which shoots and receives soundwaves in order to characterise and visualise geological properties. Once a potential play is identified exploration drilling is conducted via drilling rigs to ascertain the actual presence of hydrocarbon as well as providing a greater understanding of the reservoir. Appraisal drilling can then be carried out to determine the commercial viability and potential productivity of the formation. E&A drilling is relatively high risk from both a commercial and technical standpoint as the investment is more speculative with no guarantee of a return and the geology is often less understood compared to developing fields. Due to this, E&A drilling activity is often the most impacted by oil price volatility.

**Development**

Once an oil & gas field has been identified and the project plan has been sanctioned, development drilling campaigns can take place. Development drilling aims to create the wells required to produce hydrocarbons as well as injection wells used to pump water and chemicals into the formation to improve production rates and ultimate recovery rates.

Wells will often be drilled first by a dedicated rig and the “completed” via a spread of dedicated oilfield equipment such as hydraulic fracturing units, wireline, and coiled tubing skids. Development wells can be drilled vertically, but it is increasingly common for E&Ps to drilling long deviated or horizontal wells to provide greater contact with the formation and improve productivity, longer lateral wells require more powerful drilling rigs and are more cost intensive.

**Production (including intervention & workover)**

During the life of an oil & gas field, E&Ps will typically continue to drill wells to offset the impact of natural decline which see mature wells lose productivity due to reduced downhole pressure and/or increased flowrates. These new wells could be new development or injection wells, or they can also be sidetracks where a new well is drilled from an existing completion. Furthermore, E&Ps may choose to use drilling rigs to perform remedial workover operations such as installing artificial lift systems or changing out downhole components. Typically, rigs involved in workover operations are smaller and not suited for modern drilling operations. Production related drilling occurs frequently both onshore and in shallow waters where the Group is focused. In deeper waters the costs associated with production related drilling often make this economically unviable but for GCC producers with very low lifting costs, production drilling is a fundamental activity to support ongoing production and exports. Production related drilling is also often linked to ongoing operational expenditure, as opposed to new capital projects, making this activity more insulated against oil price downturns.

**Abandonment**

Once a field is deemed economically unviable its wells will be plugged and abandoned. This process will often require the use of drilling rigs – especially in offshore environments. Abandonment can be driven by the age of an oil & gas field, but oil prices also play significant role in determining the economic viability of a producing well.

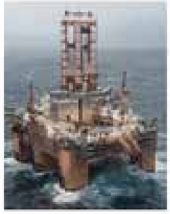
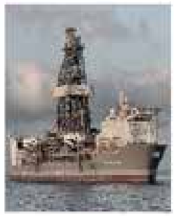
**Figure (3.19): Stages of the Oil & Gas Project Lifecycle that Require Drilling Services**


Source: Westwood Global Energy

## 3.4.2 Types of Drilling Rigs

A variety of different rigs are used to support the drilling & workover of exploration, appraisal, development and production wells for oil & gas. The type of rig used is typically decided based on the operating environment such as onshore, shallow water, harsh water and remote deepwater regions. Within these subsegments rigs can also be differentiated by a range of specifications such as rig age, horsepower rating, water depth rating, mud pumps and increasingly in some markets, environmental rating. Ultimately, one of the principal metrics considered by E&P clients is the uptime or efficiency of the rig which is driven not just by specifications but also by rig crews and supply chains. The table below outlines the principal types of rigs found in the current oil & gas industry along with some key operating parameters as well as the Group's current fleet size.

**Figure (3.20): Comparison of Rig Types**

| Rig Types | | | | | |
|---|---|---|---|---|---|
| **Onshore** | **Offshore** | | | | |
| | | | **Mobile Offshore Drilling Units (MODUs)** | | |
| **Land Rig** | **Platform Rig** | **Tender Rig** | **Jackup** | **Semisub** | **Drillship** |
|  |  |  |  |  |  |
| These rigs are used for drilling & workover operations on land and are typically differentiated by their horsepower rating with >1,500hp rigs considered premium. | Modular rigs installed on suitable offshore production platforms that provide drilling & workover services for shallow water wells. Prevalent in the North Sea and Gulf of Mexico. | Offshore rigs that require an existing production platform to provide drilling & workover. Prevalent in West Africa and Asia where larger platforms lack dedicated platform rigs. | Mobile rigs that are towed to a drilling location and then fixed in position via a jacking system. Jackups provide drilling in open water or drilling & workover through existing production platforms via cantilevers. | Floating rigs that are towed to location and either moored or dynamically positioned at the drilling site. Used in deeper water and harsher operating environment. | Floating & self-propelled rigs that sail to location and are dynamically positioned. Speed of deployment and endurance make these rigs highly valued for deepwater exploration drilling activity. |
| **Global Fleet Size - Active & Stacked (December 2022)** | | | | | |
| 8,740 | 283 | 26 | 493 | 95 | 97 |
| **Water Depth Range (ft)** | | | | | |
| N/A | N/A | N/A | 500 | 12,000 | 12,000 |
| **Average Day rates (December 2022)** | | | | | |
| $35,000 | $37,200 | $58,000 | $82,000 | $262,000 | $278,000 |
| **Global Utilization (December 2022)** | | | | | |
| 55% | 73% | 58% | 81% | 73% | 80% |
| **ADES Fleet Size (December 2022)** | | | | | |
| 36 | -- | -- | 46[14] | -- | -- |

Source: Westwood Global Energy

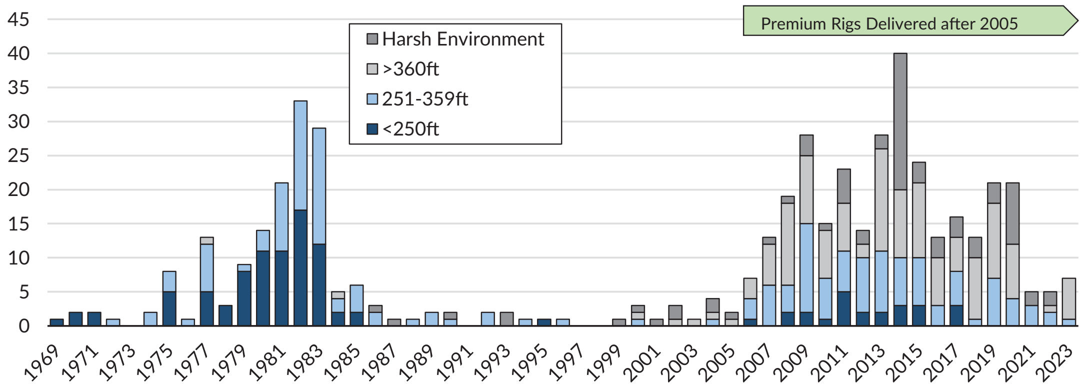
### 3.4.3 Jackup Rigs

Jackups are the prevalent rig type used for drilling & workover operations in shallow waters. Jackups are towed to position via dedicated anchor-handling vessels where they are then fixed in location via a hydraulic jacking system which lowers the rig's legs to the seafloor and allows the drilling platform to be jacked up to the required height. Jackups can drill in open open-water or can drill through existing oil & gas production platforms via a cantilever system.

Jackup rigs can be differentiated in several ways with some regions such as the North Sea requiring harsh-environment designs to protect against cold conditions and rough sea-states. For the purpose of this report "premium" jackups are considered those rigs delivered after 2005, typically these rigs will feature greater drilling depths, mud pump capacity and deck loads which allow for more efficient drilling operations. Of the 493 jackups currently in the market, 64% are premium with the majority of this fleet found in the Middle East (39%), Asia-Pacific (33%), Mexico (11%) and Europe (8%).

14 Excludes 1 MOPU and 2 jackup barge units

**Figure (3.21): Delivery Year and Composition of Current Jackup Fleet by Category**




Source: Westwood Global Energy

Rig construction in the oil & gas industry has historically been highly cyclical with periods of high oil prices incentivising investment and new orders. To date, the jackup market has seen two major cycles. The first, between 1975 and 1984 focused on shallow water rigs whereas the second, and much larger, cycle which occurred during 2005 and 2014 saw a combination of replacement of older assets as well as a focus on more capable rigs focused on deeper waters and harsh environments.

Currently, there are 313 premium jackups in the global market with an average age of 9 years. In addition to having a higher average water depth rating than older rigs, premium jackups also have a greater drilling depth which allows for more complex wells and typically have three mud pumps, compared to an average of two pumps for legacy rigs, which allows for more efficient drilling. Due to their greater drilling capability and efficiency, premium jackups also command a significant day rate premium of 30% compared to older legacy rigs. Although, harsh environment jackups typically earn a higher day rate as compared to jackups focused on benign conditions they are also considerably more expensive to build and maintain and have a considerably higher daily operating cost given the challenging conditions in which they work.

**Table (3.5): Review of Current Jackup Fleet by Category**

| Information as of December 2022 | Number of Rigs | Utilization % | Average Age (years) | Average Water Depth Rating (ft) | Average Drilling Depth Rating (ft) | Average Day rate (USD) | Number of Premium Rigs | To be Delivered Rigs[15] |
|---|---|---|---|---|---|---|---|---|
| <250ft Rated | 106 | 67% | 36 | 199 | 21,275 | $62,886 | 24 | -- |
| 251-359ft Rated | 174 | 78% | 24 | 321 | 27,268 | $62,736 | 95 | 1 |
| >360ft Rated | 137 | 91% | 10 | 392 | 30,550 | $87,049 | 131 | 13 |
| Harsh Environment | 76 | 89% | 11 | 404 | 33,020 | $105,084 | 63 | 3 |
| **Total / Average** | **493** | **81%** | **21** | **327** | **27,780** | **$80,615** | **313** | **17** |
| Premium | 313 | 90% | 9 | 360 | 30,785 | $86,486 | 313 | 17 |
| Legacy | 180 | 65% | 40 | 270 | 22,615 | $66,165 | -- | -- |

Source: Westwood Global Energy

### 3.4.4 Review of Offshore Rig Activity

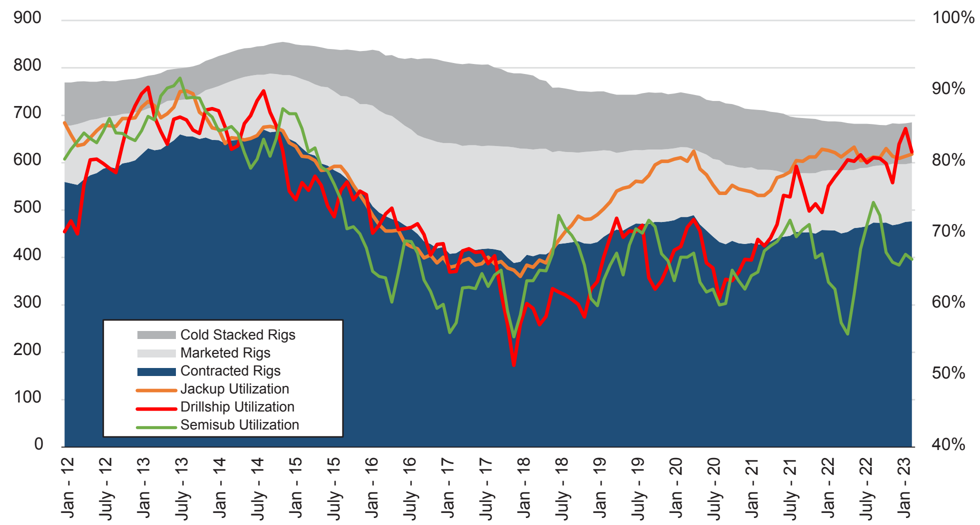
At a global level, the drilling rigs industry is highly cyclical with periods of high oil prices encouraging both E&Ps and rig managers to invest in new capacity. This has historically led to overbuilding and periods of sustained oversupply, causing depressed utilization and day rates. Over the past decade the drilling market has gone through a significant cycle with the 2012 to 2014 period enjoying high oil prices and average utilization of offshore rigs at around the 80% range. However, over-investment in oil production capacity (particularly the rise of US shale oil) saw oil prices plummet. This, as well as the delivery of new drilling capacity, saw utilization rates in 2015 drop to the 50-60% range.

15 Excludes undelivered rigs that have a contract in place.

Between 2015 and 2019, the offshore drilling market went through a period of rationalisation with rig managers stacking and eventually scrapping idle rigs to try and improve their utilization and balance sheets. Over this time, the supply of rigs in the offshore market fell by 12% due to scrapping, retirements and rigs moving into alternative markets. This rationalisation, along with slowly improving oil prices and activity levels saw utilization generally improve year-on-year until 2020 when the impact of the COVID-19 pandemic sent shockwaves through the oil & gas industry. Activity levels decreased during this time as E&Ps cancelled and deferred project plans due to lower oil prices caused by lower demand combined with the logistical challenges of moving rigs and crews across borders. Since 2021, global rig activity has begun to increase again with utilization levels for drillships and jackups at 80% as of the end of 2022 range and expected to climb further over the coming years.

**Figure (3.22): Global Offshore Rig Trends**

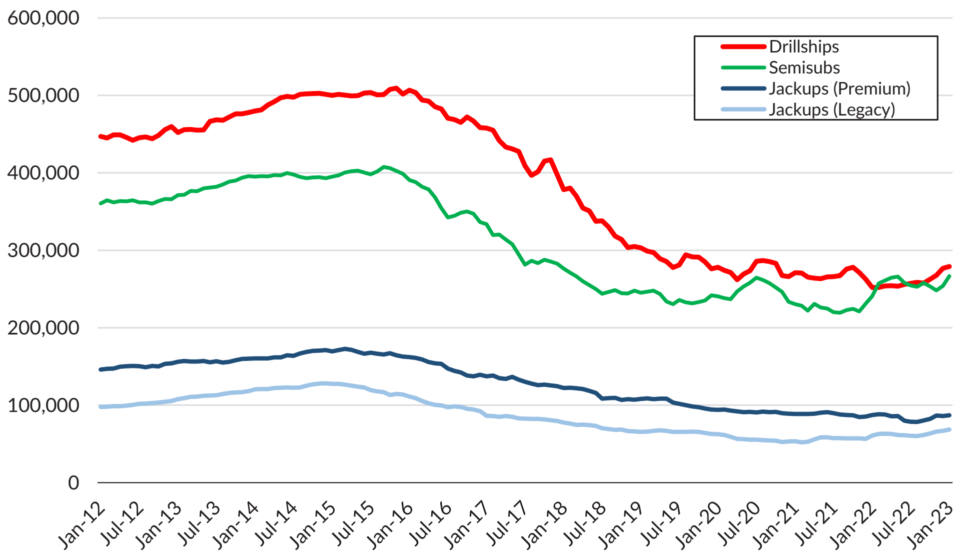
(LHS) Number of Rigs / (RHS) Utilization %




Source: Westwood Global Energy

**Figure (3.23): Global Offshore Rig Day rates**

$000/day



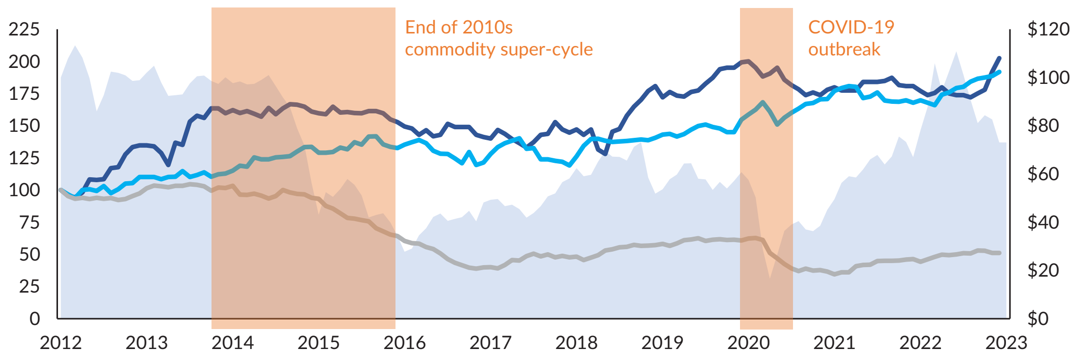

Source: Westwood Global Energy

### 3.4.5 Review of Review of Jackup Activity

Jackup rigs have broadly followed oil prices, with demand fluctuating in line with spikes in pricing. Given their typical markets (conventional, shallow water) they can be quickly utilised to ramp up production at existing fields via infill drilling. The low average costs of drilling using jackups has however kept demand relatively strong, even in times of plummeting prices (when compared to other offshore drilling units).

**Figure (3.24): Monthly Jackup Count Compared with Oil Price**

Indexed to January 2012




Source: Westwood Global Energy

### 3.4.6 Regional Rig Trends and Relationship with Oil Price Cycles

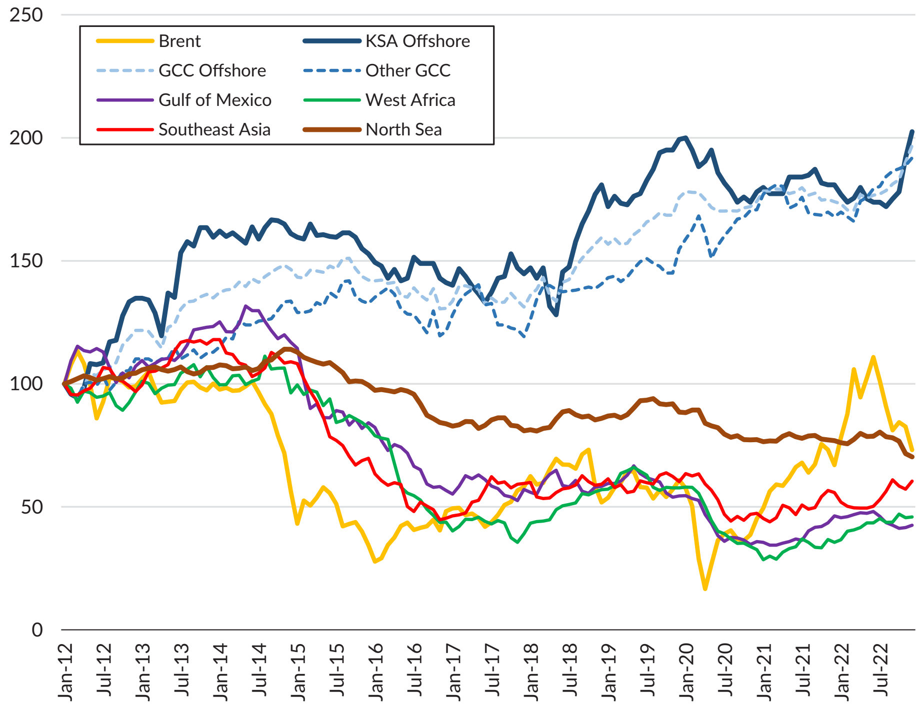
Oil prices are a major indicator of drilling activity. However, its impact varies significantly across regional markets. This variance is largely attributed to commercial factors such as lifting costs, fragmentation of E&P landscape, prominence of NOCs and duration of drilling contracts. In global terms, offshore and onshore rigs count have trended closely with oil price cycles.

The GCC market, especially Saudi Arabia, is typically regarded as the most resistant to oil price volatility. This is due largely to the prominence of NOCs such as Saudi Aramco, QatarEnergy, ADNOC and KOC that have long-term strategic plans for their production capacity as opposed to short-term reactions to share prices. These NOCs also offer longer term contracts and have some of the lowest lifting costs per barrel in the world which provides significant insulation for rig managers against the impact of short-term oil price volatility.

During the 2015 oil price crash, the GCC rig market remained relatively stable as other major drilling markets collapsed by 40-60% in terms of contracted rig counts. The region has however seen some impact from the 2020 pandemic-driven oil price crash, mainly due to self-imposed production quotas set by the OPEC+ bloc in an effort to balance global oil markets and overall drilling cost efficiency. Notably, much of the reduced rig counts impacted by OPEC+ quotas are related to onshore fields and those rigs involved in production drilling of existing fields which tend to be smaller units. Offshore contracted rig counts in the GCC increased during the pandemic years and are expected to reach record levels in 2023.

**Figure (3.25): Selected Regional Monthly Offshore Rig Counts versus Oil Price (INDEX)**

Indexed to January 2012



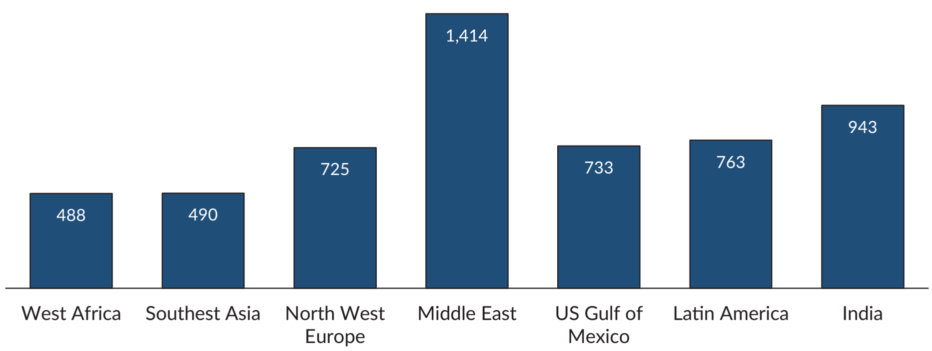

Source: Westwood Global Energy

## Regional & Customer Contract Trends

Key performance indicators for the jackup fleet vary greatly across geographies due to a combination of E&P customer composition, as well as the size and nature of the local offshore projects. NOCs will typically have a longer planning cycle as compared to publicly owned E&Ps and therefore can offer longer-term contracts. This is not only as a means to attract rigs into their market but also to secure the required capacity to develop their projects and to provide some protection against price inflation. Comparing major offshore oil & gas markets, the Middle East currently offers the longest firm period drilling contracts in the industry at 1,414 days, 67% longer than the global average. India is another market dominated by an NOC where the average contract length is significantly longer than the global average.

**Figure (3.26): Average Offshore Rig Contract Duration by Region**

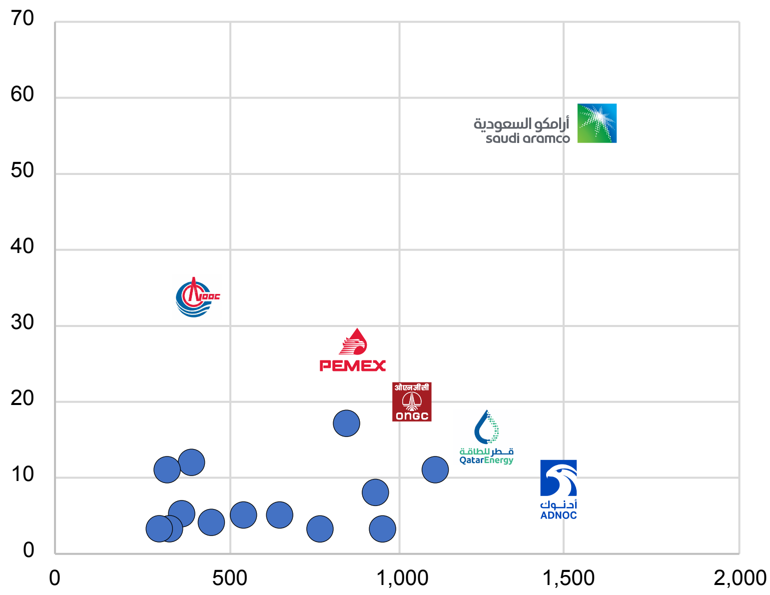
Average days per contract (based on current contracts)




Source: Westwood Global Energy

From a customer perspective, Saudi Aramco is largest contractor of jackup rigs accounting for 15% of the global contracted fleet alone in 2022. Saudi Aramco also offers the longest contracts in the market[16] at an average of 1,591 days, 88% longer than the global average. Other NOCs with average contract lengths in excess of the global average include ADNOC, QatarEnergy, ONGC and PEMEX.

**Figure (3.27): Benchmarking of E&P Customers & Typical Offshore Contract Durations[17]**




Source: Westwood Global Energy

## 3.4.7 Review of Jackup Orderbook

There are currently an estimated 21 jackup rigs in shipyards across the world awaiting delivery. Four of these rigs have already been acquired by managers and have secured contracts – including two rigs now owned by ARO Drilling that are expected to commence drilling operations for Saudi Aramco in 2023. The remaining 17 jackups still in shipyards without owners and awaiting delivery, have an average drilling depth capability of 33,250ft and were ordered during the 2013-14 period. Given the significant cost of ordering new premium jackups, estimated to be in the $280-350 million range, as well as the current difficulty of rig managers to access external debt to finance newbuilding programmes, these 17 premium jackups are the only realistic candidates that could enter the market over the next several years.

## 3.4.8 Review of Recent Jackup Sales & Purchase (S&P) Activity and Rig Values

Second-hand transactions are relatively common in the rig industry and can occur as single rig acquisitions or as part of the purchase of an entire fleet. Since 2012, there have been an estimated 100 transactions of premium jackups where the value of the rig has been fully or partially disclosed in the public domain. These transactions provide an important datapoint when considering the value of the existing jackup fleet. Typically, S&P values reflect the underlying market conditions at the time of the transaction but can also be impacted by the age of the rig and existing backlog.

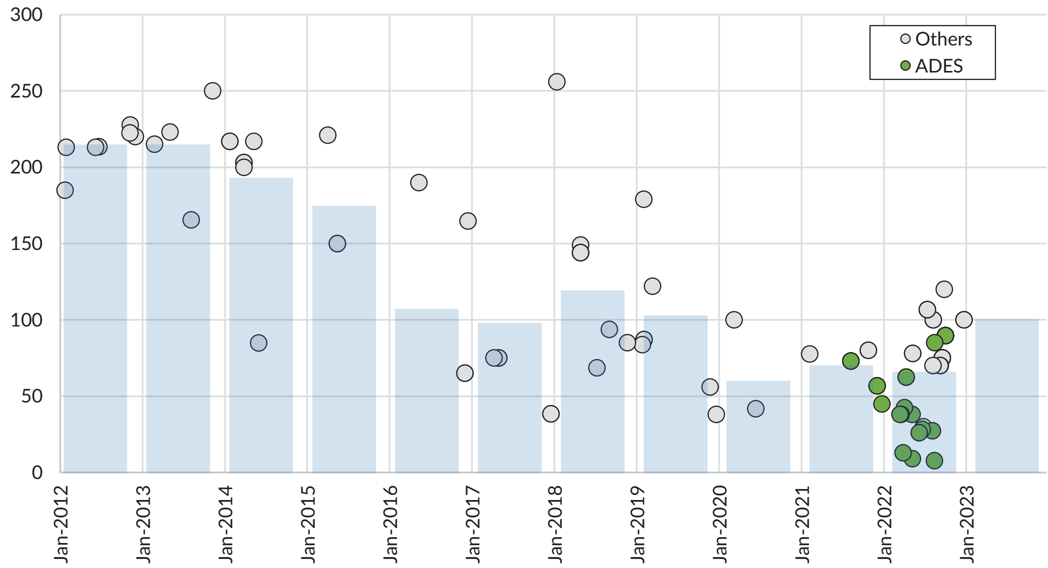
Since 2012, the average second-hand value of a premium jackup was estimated at $104 million. However, values have gone through a significant cycle with the average over 2012-15 estimated at $200 million before falling by 45% to an average of $110 million over the 2017-19 period. Since 2020, the number of S&P transactions has increased dramatically with the 2021-2023 period[18] seeing 53 acquisitions, which is more than the 48 recorded for the entire 2012-2020 period. This increased momentum has largely been due to the growth in requirements from NOCs in the GCC region such as Saudi Aramco and ADNOC. Furthermore, the average S&P value for premium jackup transactions since 2020 is estimated at $68 million but has been increasing significantly from $59 million in 2021 to $100 million in 2023 (as of the 1 February 2023). Given the limited number of rigs now available for sale as well as rapidly improving utilization and day rates, average S&P values are expected to continue to increase over the next several years.

16 Based on commercial rigs and E&Ps with more than two existing contracts
17 As of January 2023
18 2023 data includes 1st January to 1st February.

The Group has been the single largest buyer of second hand premium jackups since 2020 accounting for 26[19] of the 52 transactions recorded over the 2020-2022 period. The Group paid an estimated average of $61 million per rig (or $58 million including the two legacy rigs targeting the Indian market) which is a significant discount compared to the industry average of $79 million paid by other managers during the 2020-2022 period and more than half the $125 million average paid since 2012.

**Figure (3.28): Review of Premium Jackup S&P and Average Annual Values**

$millions (2023 values are 1 January to 1 February 2023)




Source: Westwood Global Energy

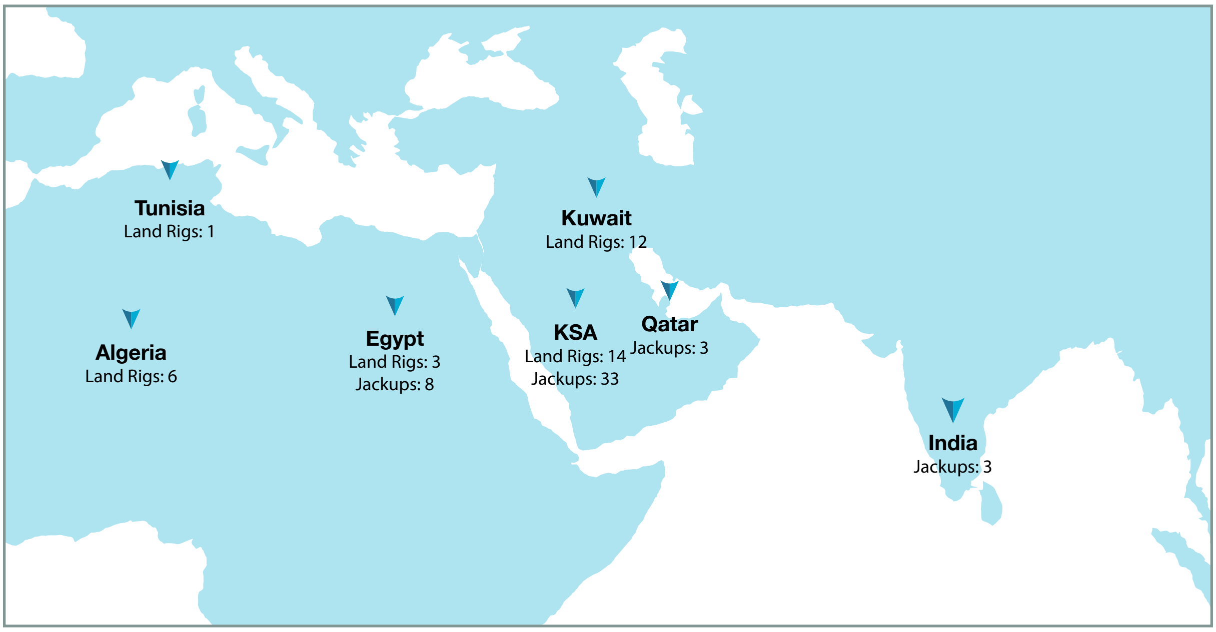
## 3.5 Review & Outlook for the Group's Drilling Markets

The Group operates a fleet of 46[20] jackup rigs and 38[21] onshore rigs. The vast majority of the Group's operations come from the Middle East & North Africa (MENA) region with the exception of two jackups that are currently located in India, which is considered to be a potential growth opportunity. On a country level, Saudi Arabia is the most significant market accounting for 65% of the jackup fleet and 39% of the land rig fleet. Other key country markets include; Egypt, which accounts for 22% of the jackup fleet and 8% of the land rig fleet; Kuwait which accounts for 33% of the land rig fleet and Qatar which accounts for 8% of the jackup fleet. From a backlog[22] perspective, Saudi Arabia accounts for 83% followed by Kuwait (11%), Qatar (4%) and Egypt (1%). Outside of these major contributors; India, Algeria and Tunisia all account for less than 1% of the Group's backlog. Furthermore, 82% of backlogs are associated with the offshore jackup fleet versus 18% for land rigs.

19 Excludes legacy jackup acquisitions targeting the Indian market.
20 Excludes 1 MOPU and 2 Jackup Barges
21 Includes two 3,000hp land rigs currently under construction for KOC in Kuwait
22 Backlog as of November 2022

**Figure (3.29): Locations of the Group's Rig Fleet (Target Markets)**

As of 1 February 2023 (locations refer to country of current contract)




Source: Westwood Global Energy

For the purposes of this report the following geographical regions are considered:

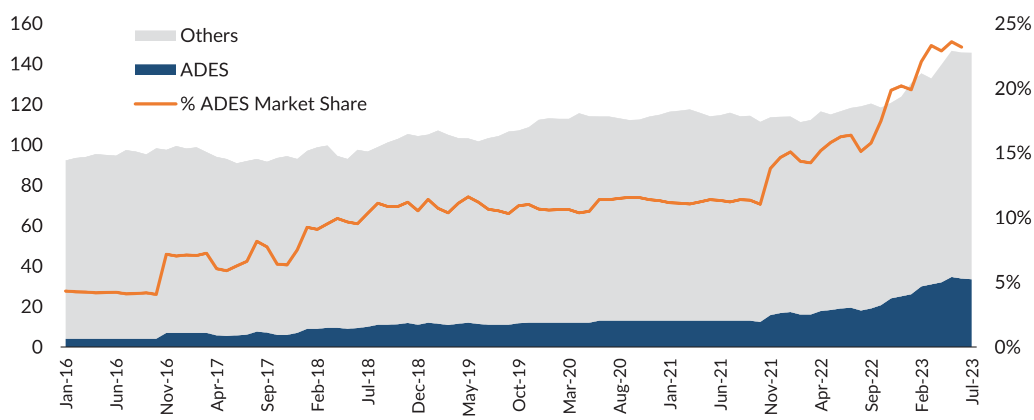
- **Middle East and North Africa (MENA):** includes Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Tunisia and the United Arab Emirates.
- **The Gulf Cooperation Council (GCC):** includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

### 3.5.1 Review of Recent Group Performance

Over the past seven years, the Group has increased its drilling fleet significantly from 14 rigs in 2016 to 85 rigs as of the end of August 2023. More recently, growth has focused on the Saudi Arabia jackup market after the Group was awarded a significant share of the recent 2021-22 mega-tender from Saudi Aramco. This rapid expansion has seen the Group increases its market share of contracted jackups across its current target markets from 5% in 2016 to an estimated 23% in 2023 (once existing contracts with Saudi Aramco have commenced).

**Figure (3.30): ADES Market Share of Contracted Jackups Across Target Markets**

(LHS) Number of jackups / (RHS) Market Share %



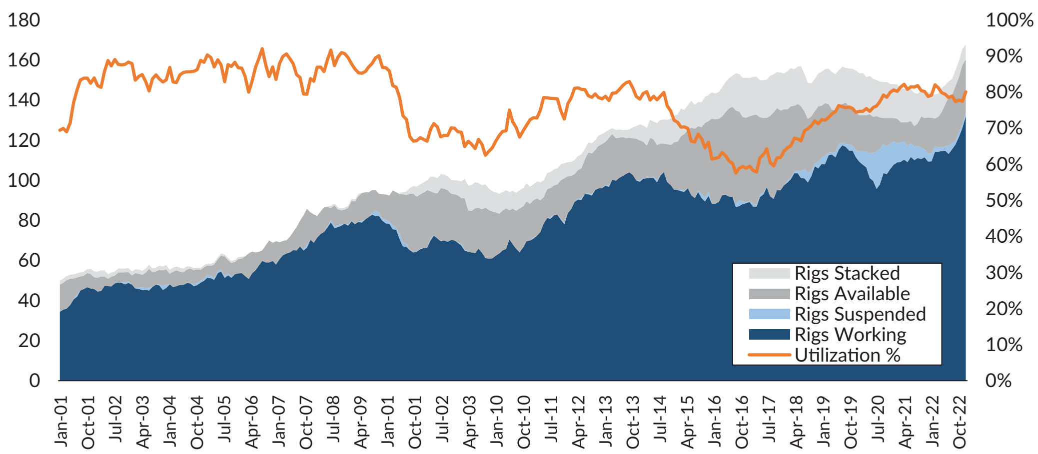

Source: Westwood Global Energy

### 3.5.2 Offshore Drilling – MENA Jackup Recent Trends and Supply & Demand Outlook

The contracted number of jackups across the MENA region averaged 120 rigs in 2022 and peaked at 128 in December. Contracted counts have increased steadily over the past several years from an average of 110 in 2019 as E&P customers have typically preferred to suspend rigs during the COVID-19 era as opposed to cancelling contracts. Utilization rates averaged 82% in 2022 and have also been recovering steadily since a nadir of 66% in 2017, the MENA (mainly due to the GCC) market was one of very few rig markets not to be severely impacted by the pandemic in 2020. The number of stacked rigs has also been shrinking rapidly from an average of 18 over the 2017-21 period to just 8 by the end of 2022, this is largely due to increased tendering activity driving reactivation.

**Figure (3.31): Review of MENA Jackup Activity**

(LHS) Number of jackups / (RHS) Utilization %

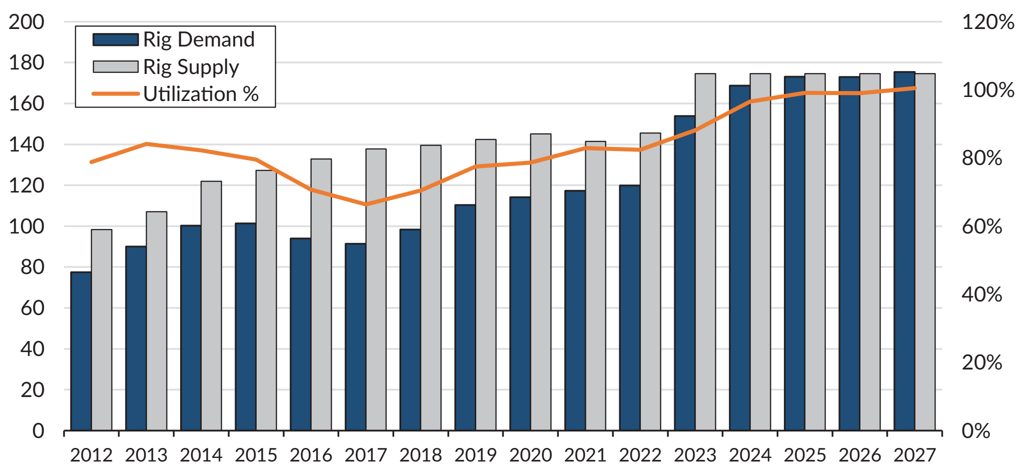



Source: Westwood Global Energy

Over the next five years, the number of contracted jackups across MENA is expected to increase by 46% to reach 176 rigs by 2027. Much of this growth is associated with awarded contracts with backlog alone expected to drive a 15% increase in contracted rigs in 2023. Jackup supply is expected to increase from 146 rigs in 2022 by 20% year-on-year to 175 in 2023 as E&Ps and rig managers scramble to ready suitable assets for upcoming campaigns. MENA utilization averaged 82% in 2022 and is expected to rise to 88% in 2023. Based on current visibility on supply, utilization will reach 97% in 2024 effectively requiring significant new numbers of rigs to satisfy demand. A declining pool of suitable available rigs could well limit drilling plans over the 2024-27 period. The Kingdom of Saudi Arabia is the largest country market in MENA with 42% of contracted rigs followed by the UAE (28%), Qatar (18%) and Egypt (10%).

**Figure (3.32): MENA Jackup Supply & Demand Outlook 2012-2027**

(LHS) Number of jackups / (RHS) Utilization %




Source: Westwood Global Energy

**Table (3.6): Dayrate forecasts (2019-2027) $000s**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| MENA – Onshore | 29,539 | 24,169 | 24,475 | 29,320 | 32,262 | 33,164 | 34,446 | 34,675 | 35,291 |
| MENA – Offshore | 72,336 | 68,180 | 66,763 | 77,468 | 86,352 | 105,506 | 111,702 | 114,596 | 114,596 |
| Egypt - Offshore | 55,679 | 42,535 | 35,832 | 43,930 | 54,000 | 60,000 | 70,000 | 70,000 | 70,000 |

Source: Westwood Global Energy

**Table (3.7): Utilization rates (2019-2027) %**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| MENA – Onshore | 55% | 45% | 45% | 54% | 60% | 62% | 64% | 64% | 66% |
| MENA – Offshore | 78% | 79% | 83% | 82% | 88% | 97% | 99% | 99% | 100% |
| Egypt - Offshore | 86% | 88% | 91% | 88% | 71% | 79% | 86% | 86% | 86% |

Source: Westwood Global Energy

### 3.5.3 Offshore Drilling - Commercial Positioning Across Target Geographies

The Group competes with a number of local and international drilling contractors across its target offshore markets of the GCC, Egypt & India. Across these target markets, the Group has the largest jackup fleet accounting for 21% of the 220 active rigs as well as 27% of the estimated total outstanding contracted backlog days. The Group's fleet of 46 jackups is 44% larger than the next largest competitor, ADNOC Drilling. Considering just premium rigs (jackups delivered after 2005), the Group's leading position is even greater and accounts for 22% of the total fleet and is 41% higher than the next largest premium jackup competitor, ADNOC Drilling.

**Table (3.8): Commercial Landscape & Benchmarking of Jackup Managers Across Target Geographies**

| Rig Manager | Global Jackup Fleet | Target Geographies | | | |
|---|---|---|---|---|---|
| | | # Jackups | Average Age | Market Share[23] | # Premium Jackups |
| **ADES** | **46** | **46** | **22** | **27%** | **31** |
| ADNOC Drilling | 32 | 32 | 18 | 10% | 22 |
| Shelf Drilling | 36 | 21 | 37 | 13% | 3 |
| ARO Drilling | 17 | 17 | 15 | 10% | 13 |
| Arabian Drilling | 11 | 11 | 13 | 6% | 9 |
| China Oilfield Services | 50 | 9 | 8 | 6% | 9 |
| Gulf Drilling International | 7 | 7 | 16 | 3% | 6 |
| ONGC | 6 | 6 | 38 | 1% | - |
| Egyptian Drilling | 6 | 6 | 22 | 1% | 4 |
| Saipem | 7 | 6 | 13 | 3% | 5 |
| Jindal Drilling | 5 | 5 | 19 | 8% | 4 |
| Valaris | 29 | 5 | 22 | 0% | 2 |
| Borr Drilling | 25 | 5 | 4 | 2% | 5 |
| GulfDrill | 7 | 5 | 7 | 1% | 5 |
| others | 209 | 39 | 27 | 9% | 20 |
| **Total (Average)** | **493** | **220** | **21** | **100%** | **138** |

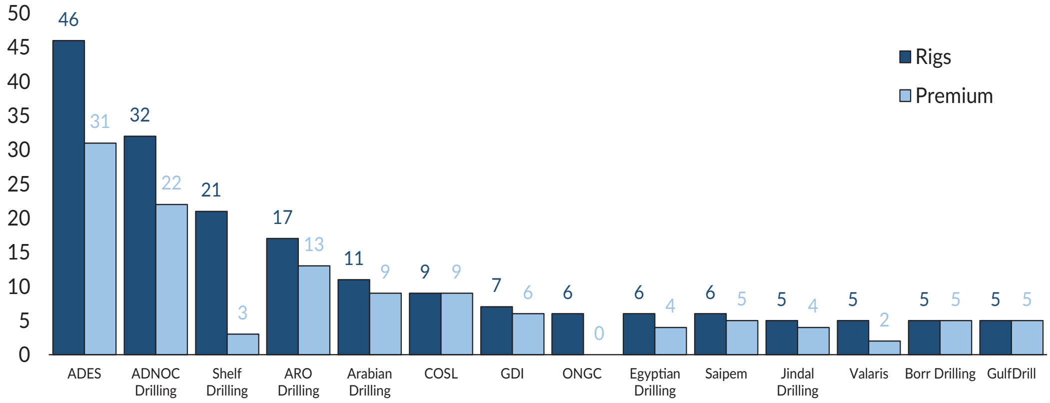
Includes rigs currently under construction and/or undergoing modification but earmarked for target geographies.

Source: Westwood Global Energy

23 Market share is based on each manager's share of outstanding backlog days.

**Figure (3.33): Number of Jackups by Manager Across Target Geographies**

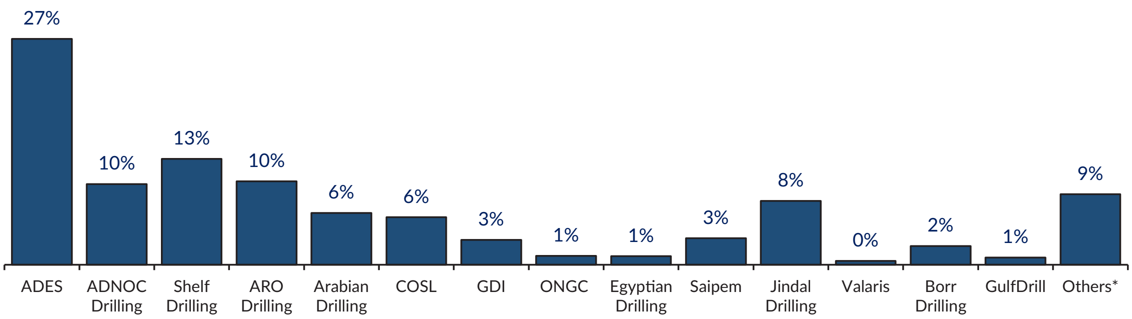
Number of Rigs (excludes managers with less than five rigs)




Source: Westwood Global Energy

**Figure (3.34): Market Share by Manager Across Target Geographies**

% Share of outstanding backlog (sorted by number of rigs under management)




Source: Westwood Global Energy

### 3.5.4 Offshore Drilling - Premium Jackup Fleet Contract Status

The demand for premium Jackup rigs is extremely high, with 249 of the 334 that are in the market globally already under contract. A further 34 are committed, but awaiting a contract start date, indicating that 85% of all premium units are committed to a work programme. In comparison to legacy rigs, a very small proportion of the premium jackup fleet (2%) are cold stacked – highlighting the strong current demand for the units.

**Table (3.9): Global Jackup Fleet Breakdown**

| | Premium | Legacy | Total |
|---|---|---|---|
| Committed - Under Contract | 249 | 105 | 354 |
| Committed - Awaiting Contract Start | 34 | 11 | 45 |
| Warm Stacked | 22 | 17 | 39 |
| Cold Stacked | 8 | 46 | 54 |
| Waiting Delivery - Contracted | 4 | 0 | 4 |
| Waiting Delivery - Not Contracted | 17 | 0 | 17 |
| **Total** | **334** | **179** | **513** |

Source: Westwood Global Energy

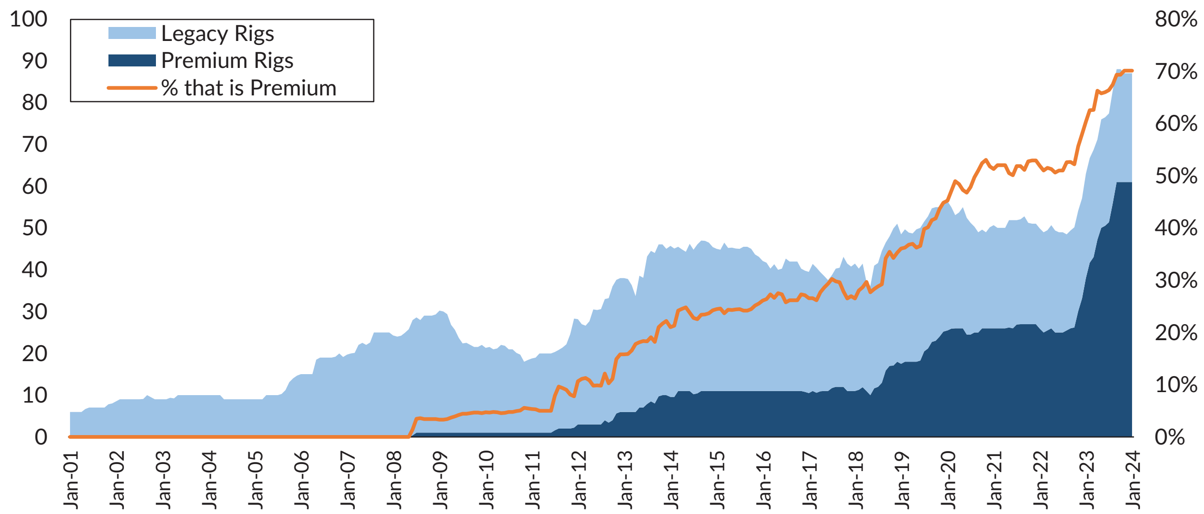
### 3.5.5 Offshore Drilling – Saudi Arabia Jackup Recent Trends and Supply & Demand Outlook

The Kingdom of Saudi Arabia is the largest jackup market in the world based on rigs currently under contract, accounting for 17% of the global total. Over the past several years contracted rigs counts have remained relatively stable and averaged 50 rigs over 2018-2022 with only a modest drop to 49 during the COVID-19 era (although a peak of 6-7 contracted rigs were suspended during the height of the pandemic). However, driven by Saudi Aramco's stated development plans the number of contracted rigs began to increase dramatically towards the end of 2022 to reach 57 by December. This number is expected to grow rapidly as new rigs awarded under recent "mega-tenders" begin to enter service with contracted counts forecast to reach 88 rigs by the end of 2023, based solely on visible backlog.

In addition to significantly increasing rig requirements, Saudi Aramco is also placing a far greater emphasis on securing "premium" rigs (defined as those rigs delivered after 2005). Over the 2016-2020 period, premium rigs accounted for 35% of Saudi Aramco's contracted fleet. However, as new tenders begin to prioritise these assets this proportion is expected to increase to 66% in 2023, based on awarded contracts. Although day rates for premium rigs in Saudi Arabia had decreased significantly over the 2014-2020 period, a relative scarcity of supply has seen average rates increase by 10% over the past two years and establish a 22% premium compared to non-premium rigs as of December 2022.

**Figure (3.35): Saudi Arabia Contracted Jackups by Type**

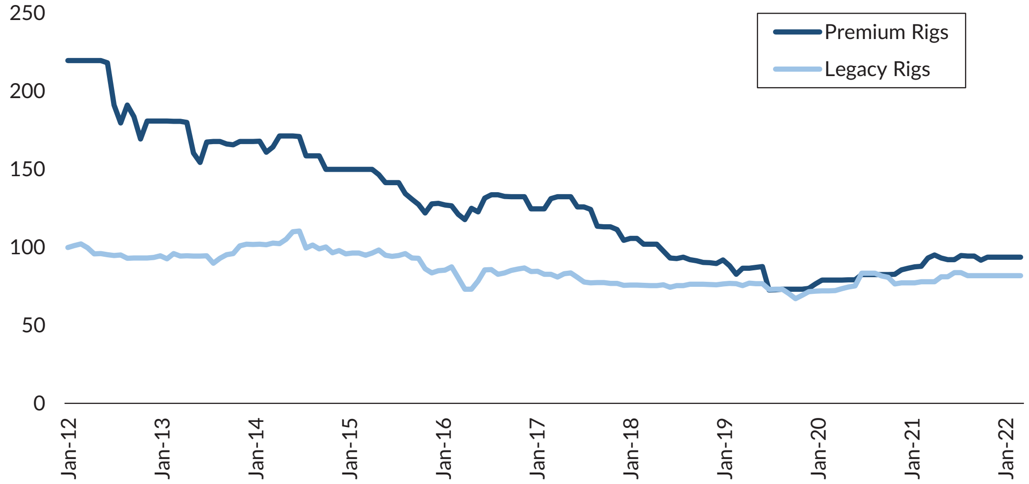
(LHS) Number of contracted jackups / (RHS) % that is premium.




Source: Westwood Global Energy

**Figure (3.36):** **KSA Average Jackup Rates**

$000/day

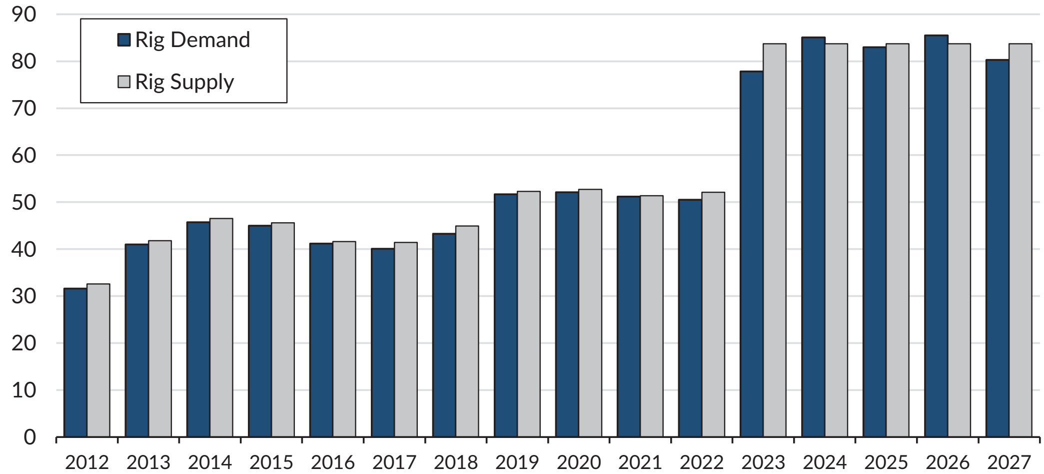



Source: Westwood Global Energy

Saudi Arabia is typically not considered a "spot"[24] market and as such utilization levels have historically averaged above 90%. Looking forward, we expect contracted counts to increase by 54% between 2022 and 2023. This step-change growth is associated is covered by awarded contracts with the Company accounting for an estimated 40% of this activity. Longer term demand is expected to increase by a further 5-8 rigs over 2024-27 with available supply potentially limiting growth but also likely to drive further day rate inflation.

**Figure (3.37):** **Saudi Arabia Jackup Supply & Demand 2012-2027**

Number of jackups




Source: Westwood Global Energy

24 Spot markets refer to areas where shorter contracts are prevalent and where idle rigs are positioned in between contracts.

**Table (3.10): Dayrate forecasts (2019-2027) $000s**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| KSA – Onshore | 31,395 | 29,341 | 33,790 | 35,481 | 37,843 | 38,718 | 41,932 | 42,106 | 42,624 |
| KSA – Offshore | 98,454 | 85,453 | 76,397 | 85,831 | 111,256 | 127,708 | 132,708 | 135,000 | 135,000 |

**Table (3.11): Utilization rates (2019-2027) %**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| KSA – Onshore | 75% | 58% | 67% | 86% | 90% | 93% | 100% | 101% | 102% |
| KSA – Offshore | 99% | 99% | 99% | 95% | 93% | 93% | 91% | 94% | 88% |

### 3.5.6 Offshore Drilling – Commercial Positioning in Saudi Arabia

In the Kingdom of Saudi Arabia, the Group enjoys an even greater leading position with 33 rigs currently under contract with Saudi Aramco which is 36% of the total country fleet and almost double the number of the next largest competitor, ARO Drilling with 17 jackups under contract. The Group also accounts for 40% of total estimated outstanding backlog days which is greater than the next two biggest competitors, ARO Drilling and Shelf Drilling combined. A key enabler for the Group's penetration into Saudi Aramco is the size of its growing "**premium**" rig fleet. Currently, the Group operates 27 premium rigs in the country which accounts for 82% of its own local fleet and 39% of the total Saudi Arabia premium fleet. The next largest premium managers are ARO Drilling and Arabian Drilling with 13 and eight rigs respectively.

**Table (3.12): Commercial Landscape & Benchmarking of Jackup Managers in the KSA**

| Rig Manager | # Jackups | Average Age | % Of Outstanding Backlog Days | # Premium Jack-ups |
|---|---|---|---|---|
| **ADES** | **33** | **16** | **40%** | **27** |
| ARO Drilling | 17 | 15 | 17% | 13 |
| Arabian Drilling | 9 | 10 | 8% | 8 |
| Shelf Drilling | 9 | 34 | 15% | 2 |
| China Oilfield Services | 7 | 9 | 8% | 7 |
| Saipem | 5 | 7 | 5% | 5 |
| Valaris | 3 | 27 | 0% | 1 |
| Borr | 3 | 5 | 3% | 3 |
| Egyptian Drilling | 3 | 23 | 1% | 2 |
| Others | 2 | 3 | 2% | 2 |
| **Total (Average)** | **91** | **16** | **100%** | **70** |

Includes rigs currently under construction and/or undergoing modification but earmarked for the KSA market.

Source: Westwood Global Energy

### 3.5.7 Offshore Drilling – Overview of Key Competitors in Saudi Arabia

**ARO Drilling**

A joint venture between Saudi Aramco and Rowan Offshore (now Valaris), ARO Drilling was founded in 2016 and is focused on providing a highly localised offshore drilling service to the Saudi Arabia offshore rig market. The company currently operates 17 jackups with an ambition to bring in a further 18 jackups by 2030 in order to support Saudi Aramco's future requirements. The average age of ARO's fleet is 15 years and they currently account for 17% of outstanding backlog days in Saudi Arabia – which is second behind ADES. Currently, only 30% of their fleet is considered premium, however, they are likely to increase this ratio over the next several years given their announced rig acquisition plans.

**Arabian Drilling**

Established in 1964, Arabian Drilling is one of the largest drilling contractors in Saudi Arabia with a fleet of 12 jackups and 38 land rigs making them one of the few contractors, alongside ADES, providing both onshore and offshore drilling services in the GCC market. The company's primary customer is Saudi Aramco but they are also present in the Neutral zone with a number of jackups on contract Khafji Joint Operations (KJO). Arabian Drilling's jackup fleet has an average age of 10 years and they currently account for 8% of outstanding backlog in Saudi Arabia. The company has a very high ratio of premium jackups including three recently acquired rigs that are undergoing modifications in the UAE and Singapore.

**Shelf Drilling**

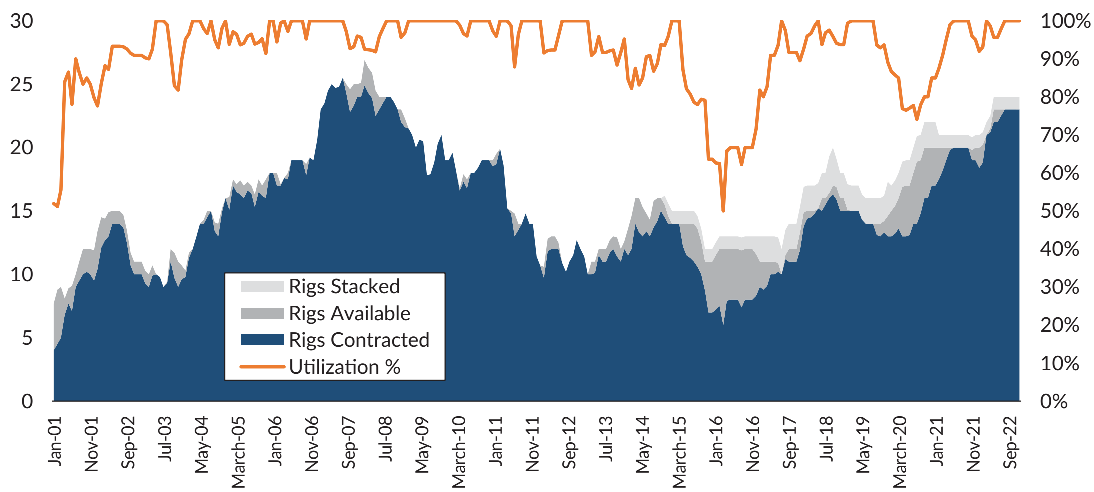
Shelf Drilling was founded in 2012 after the acquisition of 37 jackups from international rig manager Transocean. The company currently operates 36 jackups distributed globally with Saudi Arabia the largest single country market with nine committed rigs, followed by India with eight rigs as well as substantial operations in West Africa and southeast Asia. The Shelf fleet is substantially older compared to other managers in the Saudi Arabia market with an average age of 34 years, the company also operates just one premium jackup. Despite this, Shelf Drilling are the third largest manager in Saudi Arabia with regards to outstanding backlog.

**Offshore Drilling – Qatar Jackup Recent Trends and Supply & Demand Outlook**

The Qatar jackup market has historically shown significantly more volatility as compared to other GCC markets such as Saudi Arabia or the UAE. This is largely due to the prevalence of natural gas drilling related developments in Qatar which often do not require the same level of production support drilling as compared to oil. The Qatar contracted jackup count averaged 21 rigs in 2022 which was a significant increase relative to the 19 rigs contracted din 2021 and 14 rigs in 2020 but still less than the 24 jackups contracted back in 2007. Similar to Saudi Arabia, Qatar is not considered to be a spot market as such utilization averaged around 100% during the 2005 to 2012 period. However, since then, lower levels of activity saw utilization average 76% between 2015 and 2020 before recovering to an average of 91% over the past two years.

**Figure (3.38): Review of Qatar Jackup Activity**

(LHS) Number of jackups / (RHS) Utilization %

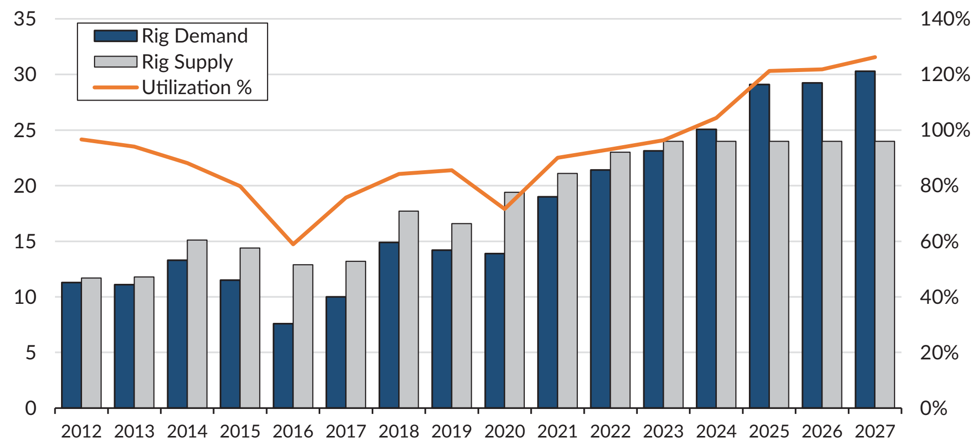



Source: Westwood Global Energy

Looking forward, the Qatar market is expected to see a significant increase in contracted rigs to support QatarEnergy's phased redevelopment of the giant North Field as well as North Oil Company's continued development of the Al-Shaheen oilfield. Contracted rig counts are expected to increase to 25 units by 2024 and reach 29 rigs by 2025.

**Figure (3.39): Qatar Jackup Supply & Demand 2012-2027**

(LHS) Number of jackups / (RHS) Utilization %




Source: Westwood Global Energy

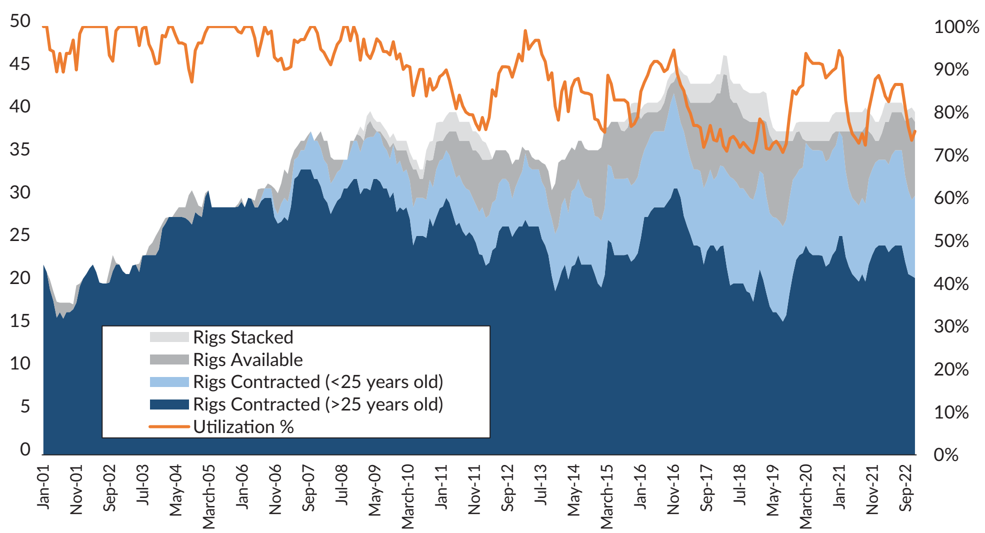
## 3.5.8 Offshore Drilling – India Recent Jackup Market Trends & Outlook

The India jackup contracted count averaged 31 rigs in 2022, a minor increase over the 29-rig average recorded over the 2019-2021 period. The market is characterised by significant seasonality caused by the monsoon season which sees rig counts drop by 10-20% in the winter months. 2022 utilization was estimated at 84%, an increase over 2021 but lower than the 89% recorded during 2020 with ONGC able to maintain a high level of activity despite the logistical challenges posed by the global COVID-19 pandemic.

The India market is also characterised by a relatively large number of older rigs. However, this trend has been reversing over the past decade with rigs aged over 25 years accounting for 82% of contracted activity in 2012 compared to 70% in 2022. Despite this, India remains a market opportunity for older jackups.

**Figure (3.40): Review of India Jackup Activity**

(LHS) Number of jackups / (RHS) Utilization %

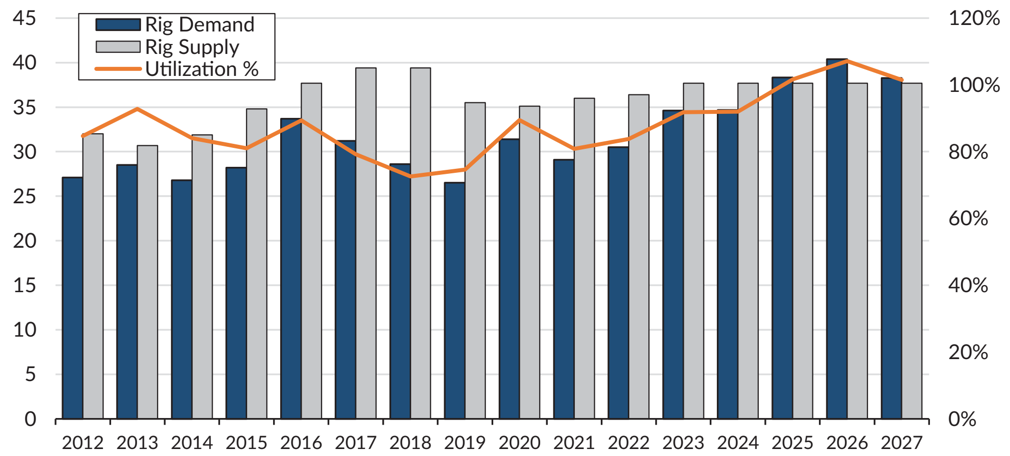



Source: Westwood Global Energy

Over the next five years the India market is expected to see rig demand increase from 31 jackups in 2022 to a potential peak of 40 rigs in 2026. This growth will be driven by ONGC's recent multi-rig tender to secure jackup capacity for exploration and brownfield development drilling of existing resources on the west coast. Based on existing supply, this demand outlook would see utilization increase to above 90% in 2023 and exceed 100% by 2025, suggesting that new rigs will need to be introduced into the region. However, with day rates in India typically 50% lower than the global average it is likely that a significant premium will need to be added in order to attract new capacity into the market.

**Figure (3.41): India Jackup Supply & Demand 2012-2027**

(LHS) Number of jackups / (RHS) Utilization %




Source: Westwood Global Energy

### 3.5.9 Offshore Drilling – Day Rate Trends

Day rates are an inherently volatile aspect of the drilling industry with peaks & troughs dictated by supply & demand dynamics as well as general market expectations, oil prices and E&P contracting behaviour. The past 20 years has seen numerous day rate cycles which have generally aligned to oil price trends. For the past five years, offshore rig day rates have been in a slump, with the majority of markets operating at a significant discount to 2014-2015 levels. However, the past 12 months have begun to see a correction with day rates across most country markets and rig types demonstrating significant growth due to increased E&P investment, increasing scarcity of available supply and limited newbuilding.

Across the Group's target offshore markets rates are also expected to see significant increases over the course of the next few years based on tightening supply & demand and supported by leading edge rates and current tendering processes. The Saudi Arabia premium segment has seen a 17% increase in average rates over the past 12 months (December 2021 to December 2022) and a combination of Saudi Aramco's further development plans and lack of suitable supply is expected to see rates move from an average of $93,200/day in 2022 to an average of $120,000/day for the 2023-2024 period with a potential max range of $130,000/day. Non-premium rigs in Saudi Arabia have seen growth of just 7% over the past 12 months but are expected to increase from an average $72,000/day in 2022 to $87,500/day over the next couple of years with a potential max range of $92,500/day.

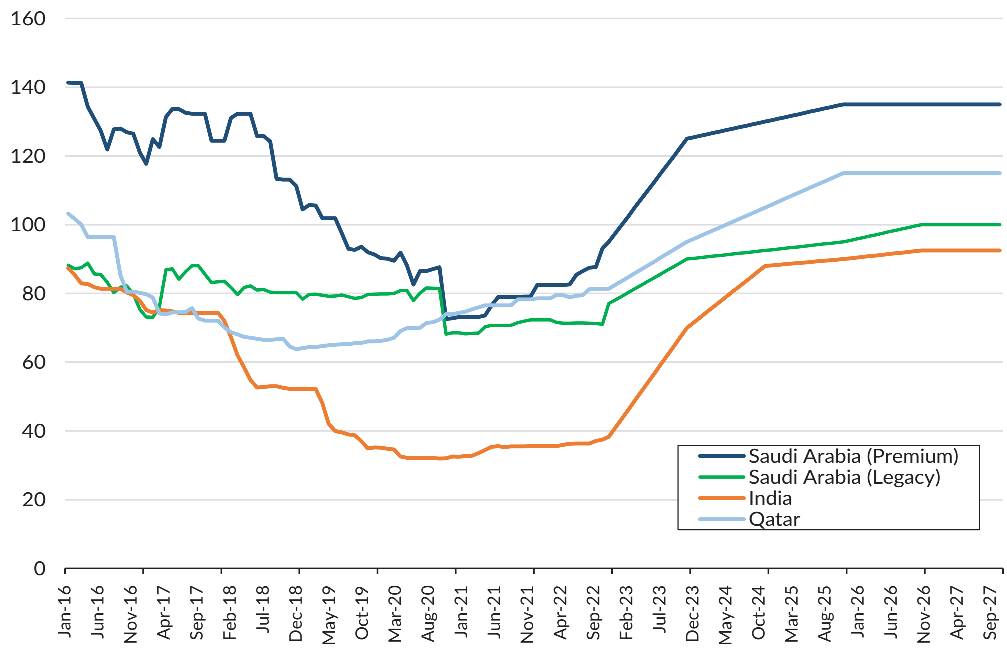
The Qatar market has seen a modest increase of just 4% over the past 12 months but an overall increase of 23% since December 2019. Looking forward, current tendering activity and leading-edge rates suggest day rates could average $95,000/day over the 2024-2025 period with a potential max range of $110,000/day.

The Indian market has typically been regarded as low cost with average day rates over the past five years of just $40,500/day, a 40-60% discount relative to other major markets. However, current leading-edge rates and tendering activity suggests that ONGC will potentially need to close the gap versus other regions in order to attract new rig capacity. Day rates over the 2023-24 period are expected to average $67,000/day with a max range of $90,000/day, the most significant increase across the Company's target market.

The average offshore dayrates observed during 2020-22 in the KSA and globally are c. $80k and c.$76.5k respectively.

**Figure (3.42):** **Offshore Jackup Day Rate Trends & Projections for Selected Markets**

$000/day



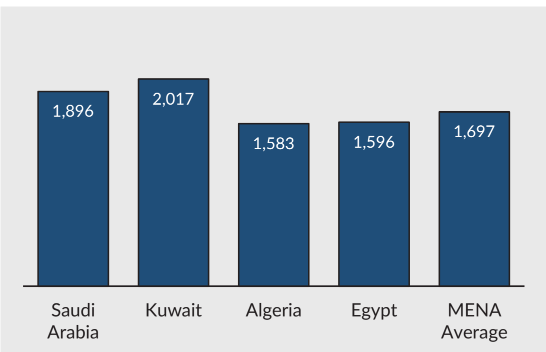

Source: Westwood Global Energy

## 3.5.10 Onshore Drilling – MENA Supply & Demand Outlook

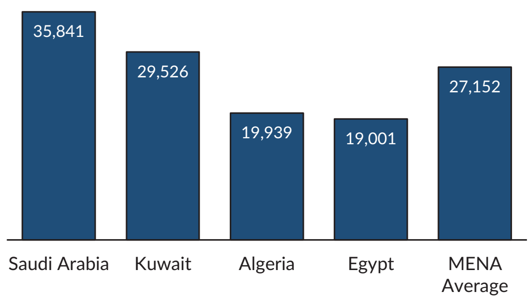
The MENA onshore drilling market can be split between the prolific and high growth GCC markets, such as Saudi Arabia and Kuwait, and the more fragmented and geopolitically challenged markets of North Africa such as Libya, Algeria and Egypt. Typically, GCC markets use higher HP rated rigs and local rig managers enjoy higher levels of utilization compared to North Africa. Pricing is also significantly higher in the GCC with Saudi Arabia considered a premium market with average day rates 32% higher than the MENA average. Conversely, Algeria and Egypt are lower cost markets where rates are estimated to be 25-30% lower. The Kuwait fleet has the highest average HP rating across MENA which has been driven by KOC's push towards deep, high pressure Jurassic gas resources and heavy oil reserves.

**Figure (3.43):** **Country-Level Benchmarking of Onshore Rig Fleet Across MENA**

Average Day Rate per contracted onshore rig (US$/day)




Average HP per onshore rig



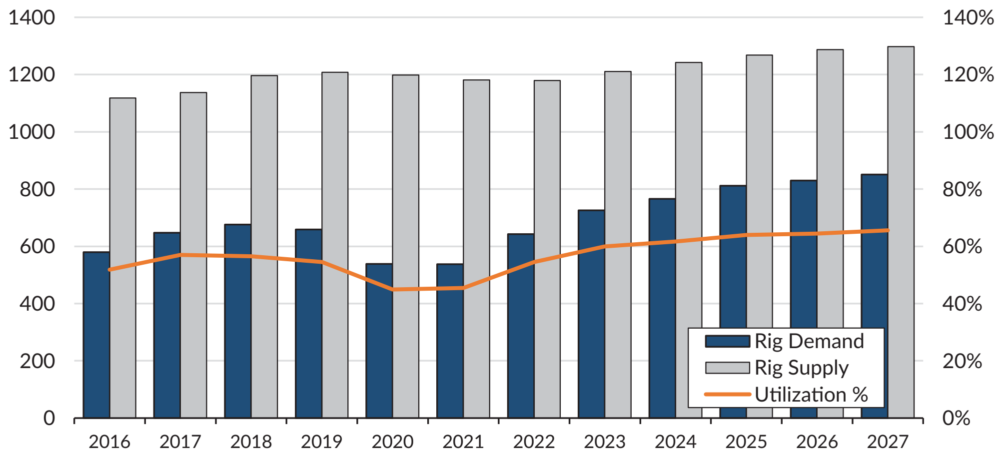

Source: Westwood Global Energy

Overall, MENA onshore rig demand in 2022 was estimated at 642 units having increased 21% year-on-year as the market recovers from the effects of the COVID-19 pandemic. With an estimated 1,179 rigs currently in the region this implies a 54% utilization. On a country level, Saudi Arabia is the single largest market accounting for an estimated 27% of demand in 2022. Other major country markets include Kuwait (14%), Algeria (9%), Egypt (8%) and Oman (15%).

Looking forward, MENA onshore rig demand is expected to increase by 32% over the next five years to reach 878 units by 2027. Although, growth is forecast across most country markets, the GCC states of Saudi Arabia, Kuwait, Iraq and the UAE will be the biggest drivers of growth with the first two accounting for 55% of incremental rig requirements between 2022 and 2027. Increasing demand is expected to drive utilization from 54% in 2022 to 66% by 2027 for the MENA region as a whole.

**Figure (3.44): MENA Onshore Rig Supply & Demand Outlook**

(LHS) Number of land drilling rigs / (RHS) Utilization %




Source: Westwood Global Energy

### 3.5.11 Onshore Drilling – MENA Commercial Landscape & Benchmarking

The MENA onshore drilling landscape is significantly more fragmented when compared to the offshore market with a total of 932 onshore rigs distributed amongst an estimated 70 rig managers. The below table benchmarks the rig fleets of the 20 largest onshore rig managers across MENA as well as their distribution on a country level. Onshore rigs are typically differentiated by their drawworks horsepower (HP) rating which reflects how deep below the surface they can drill. Higher HP rigs can drill longer distances and create more complex and productive wells.

The single largest onshore rig manager in MENA is Sonatrach, the NOC of Algeria via two subsidiaries ENTP and ENAFOR. Together this group operates an estimated 12% of the MENA onshore rig fleet, however these rigs are located almost exclusively in Algeria and are typically smaller than the regional average with regards to horsepower rating.

The Group is currently thought to be the tenth largest onshore rig manager in the MENA region with 4% of the fleet. The Group's rigs are mainly distributed across the high growth markets of Saudi Arabia and Kuwait with other rigs also working in Algeria, Egypt and Tunisia. The Group's fleet is also differentiated by having a significantly above average HP rating, the Group's average HP rating is estimated to be the second highest in the region behind US based Grey Wolf who operate a smaller fleet of rigs.

Other key managers include KCA Deutag who now operate 74 rigs in the region after the acquisition of Saipem's MENA onshore rig fleet in 2022, in addition to Saudi Arabia and Kuwait, KCA Deutag also operate a significant fleet in Oman. SANAD Drilling is a Joint Venture between US based Nabors and Saudi Aramco and operates exclusively in Saudi Arabia where they are currently engaged in a newbuild programme to bring an additional 50 locally built rigs into the market over the next ten years, with the first delivery made in 2022. Arabian Drilling (ADC) are another major competitor in the Saudi Arabian market and in addition to 38 onshore rigs also operate nine jackups for Saudi Aramco, ADC listed on the Saudi Stock Exchange (Tadawul) in November 2022.

**Table (3.13): Review and Benchmarking of MENA Onshore Rig Managers**

(Pink Shading indicates Rig Manager also active in the jackup rig market)

| Rig Manager | Total Fleet | Av. HP | MENA Distribution | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | KSA | Kuwait | Algeria | Egypt | Tunisia | Other MENA |
| Sonatrach | 111 | 1,600 | | | 110 | | | 1 |
| Sinopec | 77 | 1,662 | 24 | 44 | 9 | | | |
| KCA Deutag | 74 | 1,804 | 36 | 2 | 5 | | | 31 |
| ADNOC Drilling* | 67 | 1,520 | | | | | | 67 |
| SANAD | 45 | 1,787 | 45 | | | | | |
| IDC | 43 | 1,476 | | | | | | 43 |
| EDC* | 41 | 1,754 | 7 | | | 34 | | |
| ADC* | 38 | 1,979 | 38 | | | | | |
| KDC | 38 | 1,980 | | 37 | | | | 1 |
| ADES* | 36 | 2,006 | 14 | 12 | 6 | 3 | 1 | |
| ZP Arabia | 31 | 1,831 | 31 | | | | | |
| Abraj | 21 | 1,684 | | | | | | 21 |
| Weatherford | 19 | 1,703 | | | | 6 | | 13 |
| Nabors | 19 | 1,632 | | 3 | 10 | | | 6 |
| CNPC | 18 | 1,540 | | | | | 2 | 16 |
| SLB | 17 | 1,647 | | | 5 | | | 12 |
| Burgan Drilling | 15 | 1,900 | | 15 | | | | |
| SinoTharwa | 15 | 1,700 | | | 2 | 13 | | |
| Challenger | 13 | 1,315 | | | | | 1 | 12 |
| Grey Wolf | 12 | 2,583 | 4 | 6 | | | | 2 |
| others | 182 | 1,540 | | 16 | 13 | 21 | 9 | 123 |
| **Total (Average)** | **932** | **1,700** | **199** | **135** | **160** | **77** | **13** | **348** |

Source: Westwood Global Energy

### 3.5.12 Onshore Drilling – MENA >3,000hp Land Rig Fleet

Rigs with HP ratings above 3,000 are typically top of the line units, that offer the highest specification equipment across the board. Usually commanding the highest day rates, they are most often utilised when complex and extremely deep wells are required to be drilled. Given the high cost of construction for such rigs the fleet size is relatively small in the MENA region, though the increasing complexity of drilling activities, especially in the GCC region, should see demand for the units increase over the forecast. The Group is considered to have the largest existing fleet of >3,000 HP rigs within the region, hosting a fleet of 10 units.

**Table (3.14): Breakdown of MENA >3,000hp Land Rig Fleet**

| Rig Contractor | >3,000 | Total Rigs |
|---|---|---|
| ADES International Holding Ltd | 10 | 36 |
| Kerui | 7 | 7 |
| Grey Wolf Oilfield Services | 7 | 12 |
| Kuwait Drilling Company | 6 | 38 |
| KCA Deutag | 4 | 74 |
| Burgan Drilling Company | 3 | 15 |
| Saipem | 2 | 2 |
| Arabian Drilling Company (ADC) | 2 | 38 |
| Ensign Energy Services | 2 | 6 |
| 10 Others | 10 | 344 |
| **Total** | **53** | **572** |

Data as of January 2023, Saipem Kuwait fleet officially joined KCA Deutag in February 2023

Source: Westwood Global Energy

### 3.5.13 Onshore Drilling – Saudi Arabia Supply & Demand Outlook

Saudi Arabia is considered a premium rig market characterised by complex and high value wells. Onshore rig demand in 2022 was estimated at 171 units which resulted in a utilization of 86%. In recent years rig managers have had their rigs "suspended" largely due to Saudi Aramco's compliance with OPEC+ production quotas. Although these rigs have technically remained on contract, some managers have seen up to 40% of their capacity suspended in 2020. The analysis presented on this page reflects the demand for rigs and excludes suspended units.

Looking forward, the Saudi Arabia onshore rig market is expected to see significant growth with demand forecast to reach 251 rigs by 2027, an increase of 47% compared to 2022. Whereas offshore rig growth will largely be driven by the expansion of Saudi Aramco's maximum sustainable capacity (MSC) of oil production to 13 mmbpd, onshore rig growth will largely be driven by the development of the giant Jafurah unconventional gas field. Saudi Aramco has announced a total lifecycle investment of up to $100 billion for the Jafurah development and a huge number of deep, extended wells will be required to produce the anticipated two billion standard cubic feet per day of gas that is targeted by 2030.

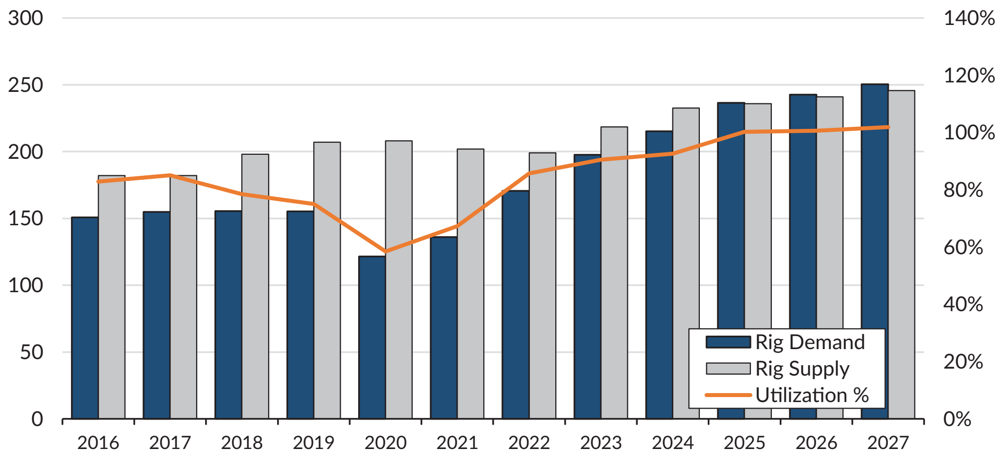
Growing demand for rigs is expected to place a significant strain on existing capacity and as such new rigs are expected to come online to support future drilling campaigns. One of the most significant newbuilding programmes is SANAD's (a joint venture between Saudi Aramco and Nabors) plan to build 50 high-end onshore rigs with five deliveries scheduled per year over the next ten years. These rigs will be built locally to support Saudi Aramco's IKTVA ambitions with the first rig delivered in 2022. Accounting for this newbuilding, we expect utilization to reach 93% by 2024 and average around 100% for the 2025 to 2027 period with demand bottlenecked by available supply.

Day rates in Saudi Arabia are amongst the highest in the MENA region and are currently averaging an estimated $35,840/day with a max range of $45,000/day for unconventional gas drilling contracts. Over the next five years we expect rates to grow by around 15-20% as Saudi Aramco looks to attract suitable tonnage from international markets or encourage newbuild programmes.

Arguably the two most important differentiators in the Saudi Arabia market are localization which is measured via an allocated IKTVA score and rig efficiency (also known as a REI score) which is allocated by Saudi Aramco on a rig-by-rig basis. High scores on both of these indices will typically allow a rig manager to access a greater market share and potentially exercise a rate premium over peers.

**Figure (3.45): Saudi Arabia Onshore Rig Supply & Demand Outlook**

(LHS) Number of land drilling rigs / (RHS) Utilization %




Source: Westwood Global Energy

### 3.5.14 Onshore Drilling – Kuwait Supply & Demand Outlook

The Kuwait land drilling market was estimated at 89 contracted rigs in 2022 resulting in a utilization rate of 66%. Contracted rig counts are expected to increase to 109 rigs in 2023 and 113 rigs in 2024 which would see utilization increase to 76% based on expected new rig deliveries into the region.

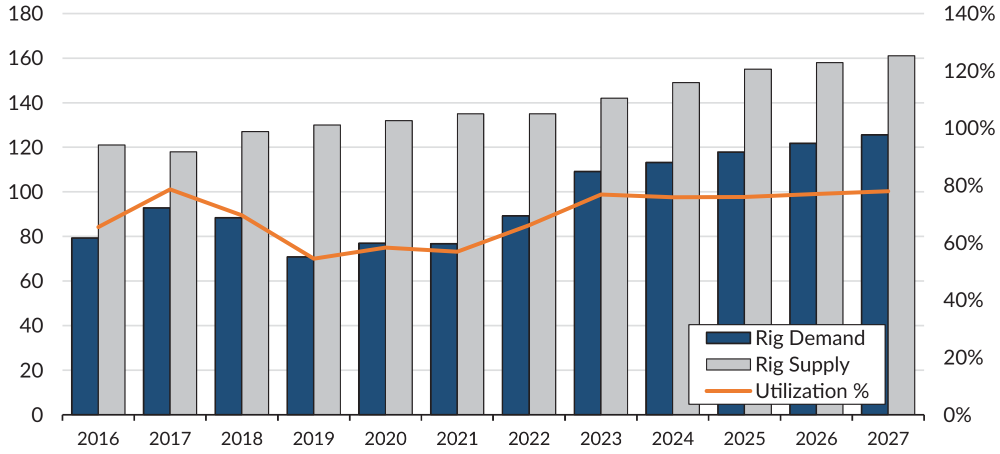
Future activity will be focused on the development of more complex reserves including deep, high-pressure/high-temperature gas and heavy oil in the Lower Fars region. These campaigns will require higher rated rigs in the 2,000 hp range to drill longer and deeper completions, utilization for rigs in this category is estimated to be closer to 80-90%.

There are currently 135 land rigs in the Kuwait market of which around 50% are rated greater than 1,500 hp. Sinopec is the largest rig manager in the region with 44 rigs and an average size rating of 1,615 hp. The Group is the fourth largest rig manager in Kuwait with 12 rigs and an average size rating of 2,270 hp, which positions them favourably to pick up additional high value contracts. However, contractors such as Grey Wolf and Kerui who operate seven and six rigs respectively in Kuwait have an average size rating of 3,000 hp which is amongst the most capable in the MENA region.

Kuwait Oil Company (KOC) recently awarded a major tender worth $4.6 billion for 63 rigs for periods of up to five years. The award is split between smaller rigs in the 750 to 1,500 hp category focused on conventional oil well drilling and workover operations as well as rigs in the 2,500 to 3,000 hp category focused on deep gas and heavy oil drilling. Given the limited number of local managers with higher capability rigs the Kuwait market has less local content regulations as compared to other GCC states and rigs are typically awarded on a lowest bid basis.

**Figure (3.46): Kuwait Onshore Rig Supply & Demand Outlook**

(LHS) Number of land drilling rigs / (RHS) Utilization %




Source: Westwood Global Energy

### 3.5.15 Onshore Drilling – Algeria Supply & Demand Outlook

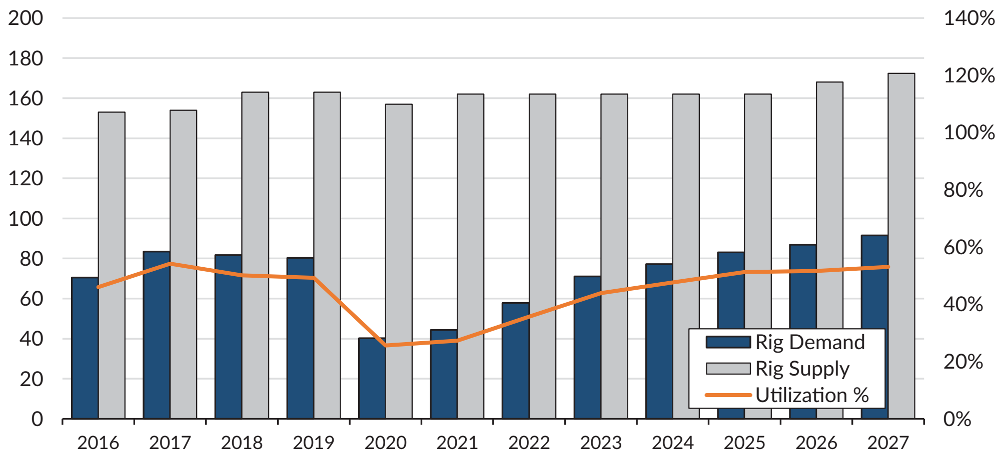
The Algerian land rig market continues to be highly impacted by the legacy of the global COVID-19 pandemic with overall utilization levels estimated at 45% in 2022. The landscape is dominated by subsidiaries of national oil company Sonatrach (ENTP and ENAFOR) who operate 110 rigs, over two thirds of the total in-country fleet. Other key rig managers in Algeria include Nabors (6% of the fleet), Sinopec (6%), the Group (4%) and KCA Deutag (4%). The average horsepower rating of the rig fleet in Algeria is 1,580 hp which is significantly lower compared to Saudi Arabia or Kuwait but typically in range with other MENA markets such as Egypt, Libya or Oman.

Sonatrach recently reaffirmed its commitment to a $40 billion five-year E&P investment plan of which more than 75% will be allocated to upstream activities to maintain levels of oil production and expand gas production capacity in order to position the country as a potential alternative to Russian gas for European consumers via established pipelines such as the Medgaz and Maghreb-Europe Gas Pipeline. Future development projects include the Hassi Mouina and Hassi Ba Hamou gas fields which are expected to be commissioned over the 2023 to 2024 period.

The country's ambition to increase its natural gas supply will drive demand for drilling services with land rig counts expected to increase from 58 contracted units in 2022 to 92 units by 2027 – an increase of 58% which will see utilization levels increase to 53%. Average day rates in Algeria are estimated at $20,000 a day which is considerably lower compared to Saudi Arabia or Kuwait. Looking forward, the prevalence of Sonatrach's inhouse fleet and relatively low utilization rate makes significant day rate growth unlikely in the near future.

**Figure (3.47): Algeria Onshore Rig Supply& Demand Outlook**

(LHS) Number of land drilling rigs / (RHS) Utilization %




Source: Westwood Global Energy

ADES
ADES HOLDING
أديس القابضة

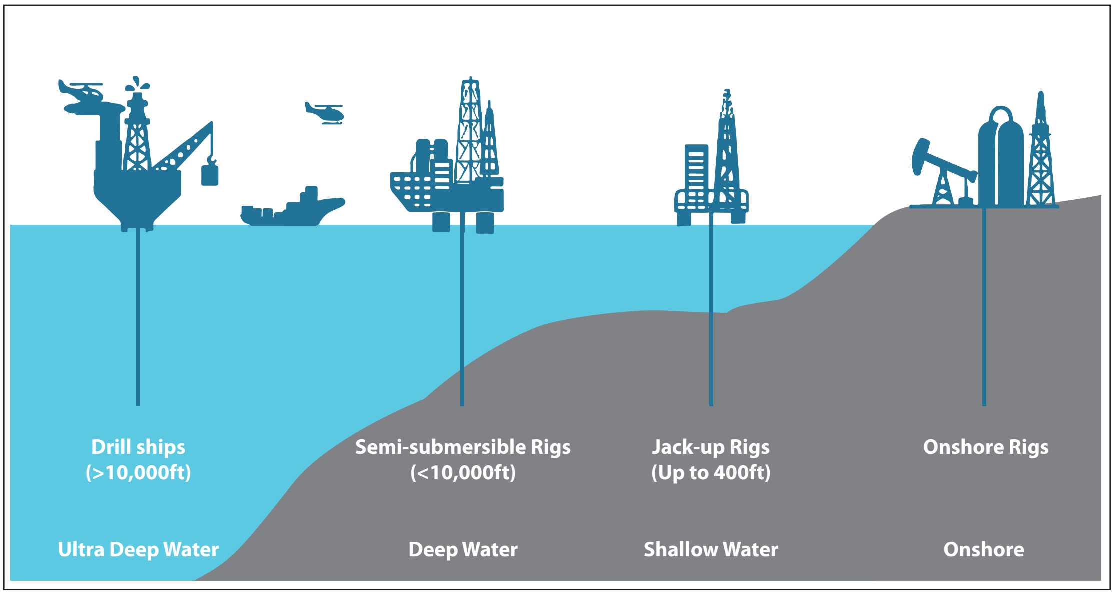
# 4. The Company

## 4.1 Overview of the Company and Nature of Business:

ADES Holding Company (the "**Company**"), is a mixed closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration number 2051245446 dated 4/6/1444H (corresponding to 28/12/2022G). As at the date of this Prospectus, the Company's share capital is SAR 858,087,510 consisting of 858,087,510 shares of equal value with a nominal value of one Saudi Arabian Riyal (SAR 1), all of which are ordinary shares, of which one million (1,000,000) shares are cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (857,087,510) are in kind shares. The Company's registered address is at 7429 Prince Turki Road, AlKurnaish District, Al Khobar, Kingdom of Saudi Arabia. The Company's main activity is managing its Subsidiaries, investing the funds of its Subsidiaries, owning the properties and movables necessary to carry out its activity, providing loans, guarantees and financing to its Subsidiaries, owning industrial property rights of the Subsidiaries and leasing industrial property rights to its Subsidiaries or third parties.

The Company and its subsidiaries (together referred to as "**Group**") is a leading oil and gas drilling and production services provider in the MENA region, that focuses on creating value for its clients by offering competitive rates for services through leveraging its low-cost business model. The Group is currently operating in six markets: the Kingdom of Saudi Arabia, Kuwait, Egypt, Algeria, Tunisia and Qatar, and will start operations in India in 2023G, where it already has contracts awarded. The Group is the national drilling leader in the Kingdom of Saudi Arabia and is one of the largest offshore jack-up drilling rig operators globally as at the date of this Prospectus, according to the industry report by Westwood. The Group's evolving portfolio of services primarily includes onshore and offshore contract drilling and workover services, which include maintenance, repair and enhancement of oil well production. From 2016G onwards, the Group significantly expanded its fleet through the acquisition of a number of rigs in several countries. As at the date of this Prospectus, the Group has an aggregate fleet of 85 rigs in six countries (including two rigs that will be operating in India), which includes a total of 36 onshore drilling rigs, 46 jack-up offshore drilling rigs (of which four are leased), two jack-up barges, and one mobile offshore production unit ("**MOPU**"). The Group's operations are supported by a total workforce of 5,275 employees as at 31 December 2022G.

**Figure (4.1): Illustration of the types of rigs**




Source: The Company

The Group's business model revolves around providing tailored solutions and fully-fledged services to its clients. The Group operates principally in onshore, ultra-shallow and shallow water non-harsh environments. The Group has established an exemplary track record of expansion in recent years and has a proven ability to take advantage of market volatility to acquire fit for purpose assets at attractive valuation and deploy them under existing contracts. The Group also benefits from leveraging a lean and low-cost operating model, relying on a skilled local workforce, local suppliers and in-house maintenance team, which makes relevant expenses competitive. The Group recently effected its planned strategic relocation of headquarters from Egypt to the Kingdom of Saudi Arabia where its main client (Saudi Aramco) and the majority of the Group's operations, shareholders and banks are located. The Group also benefited from incentives to relocate headquarters to Saudi Arabia offered by the Saudi government and also believes that it can additionally leverage on the skilled local workforce and suppliers of the Kingdom of Saudi Arabia. As a result of these factors, as well as the Group's agile decision-making process, market insight, and entrepreneurial DNA, the Group has developed over 20 years of operations to be able to maintain a high percentage of assets under contract, robust profitability and levels of financial returns, while offering competitive rates to its clients.

The Group has strong and diversified client relationships with both national oil companies ("**NOCs**") and international oil companies ("**IOCs**") throughout the MENA region. The Group's key clients are Saudi Aramco in the Kingdom of Saudi Arabia, Kuwait Oil Company in Kuwait and North Oil Company in Qatar, which in aggregate represent more than 95% of the Group's total backlog as at 31 December 2022G and 82% of revenue from contracts with customers for the year ended 2022G. Other clients include other NOCs and their joint ventures with IOCs, such as Total Energies in Qatar, Oil and Natural Gas Corporation in India, the Gulf of Suez Petroleum Company ("**GUPCO**") and the General Petroleum Company ("**GPC**") in Egypt and ENAFOR in Algeria. The Group focuses on contracts in the drilling, operations and maintenance segment of the oilfield cycle in operational and developing oil and gas fields. As a result of its strong client relationships, selective acquisitions of contracted assets (through either asset acquisition or SPV acquisition), and the operational excellence and ability to secure long-term contracts with clients, the Group has accumulated a strong backlog in recent years. The Group's estimated total backlog as at 31 December 2022G was SAR 27.4 billion (U.S.$7.3 billion) (of which 79% is based on firm commitments and 21% is based on optional extensions), as compared to SAR 6.7 billion (U.S.$1.8 billion) as at 31 December 2021G and SAR 3.5 billion (U.S.$0.9 billion) as at 31 December 2020G. In addition, the Group has maintained an average Actual Utilisation Rate of over 90% for the last five years and, for the year ended 31 December 2022G, its Actual Utilisation Rate was 98%.

The Group reported total revenue from contracts with customers of SAR 2,467,200,801 (equivalent to U.S.$657,920,214) for the year ended 31 December 2022G as compared to SAR 1,514,205,627 (equivalent to U.S.$403,788,168) for the year ended 31 December 2021G and SAR 1,695,407,138 (equivalent to U.S.$452,108,570) for the year ended 31 December 2020G.

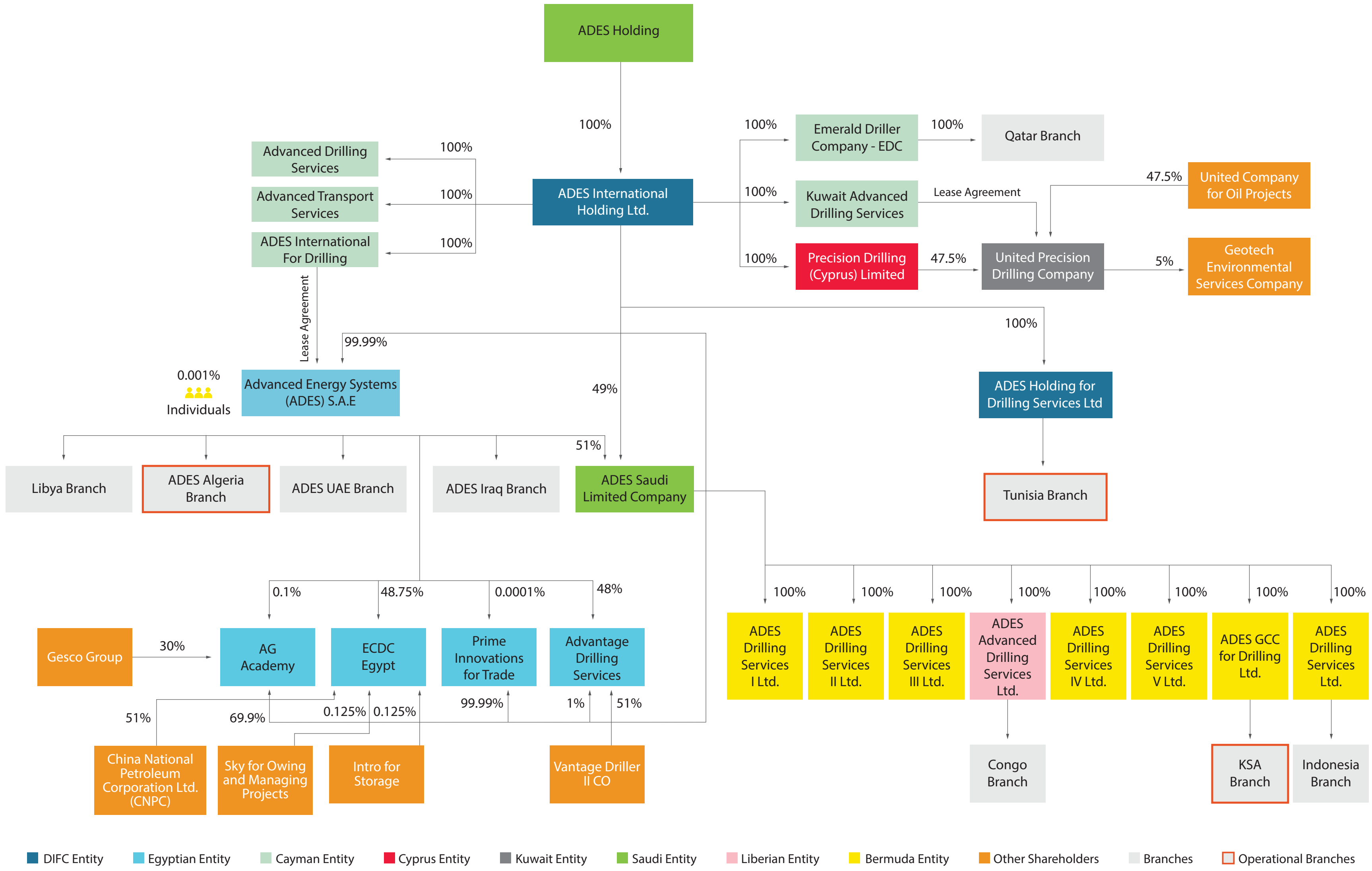
## 4.2 The Structure of the Group

The Group operates through its Subsidiaries and branches incorporated in different jurisdictions including: (i) KSA; (ii) Kuwait; (iii) UAE; (iv) Egypt; (v) Cayman Islands; (vi) Bermuda; (vii) Cyprus, and; (viii) Liberia. The Company wholly owns ADES International Holding Ltd, a limited private holding company established at Dubai International Financial Centre, which directly and indirectly own all of the Group's Subsidiaries (however, a few of these Subsidiaries are partly owned by non-Group shareholders).

ADES International was previously listed on the London Stock Exchange from 2017G until its de-listing on 21 May 2021G, following the acquisition of its entire share capital by Innovative Energy Holding Ltd, a DIFC company jointly owned by ADES Investments Holding Ltd. owning 54.5%, PIF owning 35.5% and Zamil Investment owning 10%.

ADES International was transferred to the Company, and the Company will continue to supervise, manage and support the operations of the Group through the Company's Board of Directors and Executive Management team in the KSA, in order for the Group's management to be closer to the key stakeholders, including the customers of the Group.

**Figure (4.2): Diagram Showing the Structure of the Company and its Subsidiaries as at the date of this Prospectus**




Source: The Company

The Company's Material Subsidiaries are:

- ADES Egypt, a joint stock company incorporated in the Alexandria Free Zone (Egypt) in 2002G under the Investment Incentives and Guarantees Law No 8 of 1997G replaced by Investment Law No. 72 in 2017G, and founded by the Abbas family, having its registered office at B5, Capital Business Park, Al Sheikh Zayed, Giza, Egypt. ADES Egypt carries out the activities of storing, selling and renting machinery, equipment, marine units, caravans, all types of pipes and their accessories, industrial security supplies necessary for oil and gas activities, drilling water wells, and providing technical services and consultations related to advanced energy activity, etc. ADES Egypt manages the Group's operations in Egypt and has operating branches in various countries, including Algeria, and also owns a number of the Group's drilling rigs;
- UPDC, a limited liability company incorporated in Kuwait, having its registered office at Fahahel, block number 011, plot number 007801, street number 54, 4th floor, Kuwait. UPDC engages in the activity of drilling and maintenance of oil wells, trading in petroleum equipment, materials, supplies, equipment, etc., and managing the Group's operations in Kuwait;
- ADES Saudi, a limited liability company incorporated in the Kingdom of Saudi Arabia, having its registered office at Floors 301, 801 and 901, Juffali Building, 9198 King Fahad Rd, Al Bandariyah 34423, Al Khobar, Kingdom of Saudi Arabia. ADES Saudi carries out the activities of oil well drilling, natural gas well drilling, the provision of services related to oil and natural gas extraction excluding surveying, preparation and processing of sites for drilling and levelling. In addition, it manages the Group's operations in the Kingdom of Saudi Arabia and owns a number of the Group's rigs;
- ADES International, a private holding company incorporated at the Dubai International Financial Center in the United Arab Emirates, having its registered office at Office 1301-A, Floor 13, North Tower, Emirates Financial Towers, Dubai International Financial Centre, Dubai, United Arab Emirates. ADES International is a holding company which owns all of the Group's Subsidiaries;
- Kuwait Advanced Drilling Services ("**KADS**"), an exempted limited liability company incorporated in the Cayman Islands, having its registered office at Maples Corporate Services Limited PO Box 309, Ugland House, Grand Cayman, Cayman Islands. The purposes for which the company was established are not restricted. KADS is a special purpose vehicle established for the purpose of owning a number of drilling rigs operating in Kuwait; and
- Emerald Driller Company ("**EDC**"), an exempted limited liability company incorporated in the Cayman Islands having its registered office at Maples Corporate Services Limited PO Box 309, Ugland House, Grand Cayman, Cayman Islands. The purposes for which the company was established are not restricted. Emerald Driller Company is a special purpose vehicle which owns a branch of ADES in Qatar that manages the Group's operations in Qatar.

Additionally, the Group has nine branches in different jurisdictions including Qatar, Tunisia, Algeria, Libya, Indonesia, and Congo. Currently, the Group has three operational branches; located in Algeria, Tunisia, and Kingdom of Saudi Arabia.

For further details on the Subsidiaries, please refer to Section 12.4 ("**Subsidiaries**") of this Prospectus.

The following table illustrates the key milestones in the Group's history since its formation until the date of this Prospectus:

**Table (4.1): Key Historical Changes and Events**

| Date | Milestones | Market presence |
|---|---|---|
| 2002G | • Establishment of ADES SAE in Egypt. | |
| 2012G | • Acquired the first offshore rig to operate in Gulf of Suez in Egypt. | Countries of operations: 1<br>Fleet size: 2 rigs<br>Backlog: U.S.$0.1Bn (equivalent to SAR 365m) |
| 2015G | • Became the market leader in Egypt offshore market (Gulf of Suez).<br>• Expanded out of Egypt and entered the Algerian onshore market.<br>• Secured first syndicated debt facility amounting to U.S.$170m (equivalent to 637.5m SAR) with the participation of seven banks lead by the European Bank for Reconstruction and Development ("EBRD"). | Countries of operations: 2<br>Fleet size: 4 rigs<br>Backlog: U.S.$0.2bn (equivalent to SAR 740m) |
| 2016G | • Entered the Saudi market by acquiring three contracted offshore rigs from Hercules.<br>• Established ADES International in DIFC to be holding company of the Group. | Countries of operations: 3<br>Fleet size: 13 rigs<br>Backlog: U.S.$0.5bn (equivalent to SAR 1.875bn) |

| Date | Milestones | Market presence |
|---|---|---|
| 2017G | • Listed ADES International (the previous holding company) on London Stock Exchange main market, raised U.S.$170m (equivalent to SAR 637.5m) by issuing new shares. | Countries of operations: 3<br>Fleet size: 14 rigs<br>Backlog: U.S.$0.4bn (equivalent to SAR 1.5bn) |
| 2018G | • Acquired 31 onshore rigs from WDI, allowing the Group to access the Kuwait and Saudi onshore markets.<br>• Acquired three additional offshore rigs in Saudi from Nabors.<br>• Secured second syndicated facility amounting to U.S.$450m with the participation of 11 banks lead by Bank of America Merrill Lynch and EBRD. | Countries of operations: 4<br>Fleet size: 41 rigs<br>Backlog: U.S.$1.2bn (equivalent to SAR 4.2bn) |
| 2019G | • Tapped into the bonds market by the first senior secured bonds issuance with total amount of U.S.$325m (equivalent to SAR 1,218,750,000). | Countries of operations: 4<br>Fleet size: 51 rigs<br>Backlog: U.S.$1.3bn (equivalent to SAR 4.875bn) |
| 2021G | • ADES International taken private by Innovative Energy Holding Ltd (which is owned by ADES Investments Holding, PIF and Zamil Investment) and delisted from LSE.<br>• Acquired four additional offshore rigs in Saudi from Noble.<br>• Entered the Tunisian market after the award of one onshore rig hiring contract.<br>• Moved its headquarters to Al Khobar.<br>• Secured the third syndicated debt facility amounting to U.S.$1.6bn (equivalent to SAR 6bn) with the participation of nine banks, which were mainly Saudi local banks. | Countries of operations: 5<br>Fleet size: 56<br>Backlog: U.S.$1.8bn (equivalent to SAR 6.75bn) |
| 2022G – up to the date of this Prospectus | • Entered the Qatari market after acquiring three contracted offshore rigs from Vantage.<br>• Awarded 16 new offshore contracts by Saudi Aramco in the Kingdom of Saudi Arabia and successfully secured the required rigs to fulfil the award with the help of Saudi banks.<br>• Closed acquisition of seven contracted offshore rigs in the Kingdom of Saudi Arabia from Seadrill, increasing ADES' fleet to 46 offshore units, which made ADES the largest offshore operator globally<br>• ADES Arabia Holding was established in the Kingdom of Saudi Arabia to be the holding company of the Group but it was not utilized and is currently under liquidation.<br>• Awarded three new offshore contracts from ONGC and successfully secured the required rigs to fulfil the award to start operation in its seventh market during 2023G.<br>• Established ADES Holding Company in the Kingdom of Saudi Arabia to be the new holding company of the Group.<br>• Reached total backlog of U.S.$7.3 billion (equivalent to SAR 27.375bn).<br>• Total Group headcount exceeding 5,000.<br>• An offshore drilling rig was acquired in order to fulfil the Group's obligations under the contract awarded to it in India. | Countries of operations: 7<br>Fleet size: 85 rigs<br>Backlog: U.S.$7.3bn (equivalent to SAR 27.375bn) |

Source: The Company

## 4.3 Group's Key Values

- **Integrity:** Ensuring that the Group's individual and corporate activities are bounded by honesty and ethical conduct.
- **Safety:** Personal and operational safety are the Group's greatest responsibilities, followed by the protection of the environment, company property and client property.
- **Customer Focus:** All of the Group's decisions are taken with the Group's clients in focus and aimed to add value for the clients.
- **Decisiveness:** Being alert to changes and moving quickly and decisively to meet the challenges that emerge from such changes.
- **Innovation:** Promoting an innovative culture and attitude by applying creative thinking to every segment of the Group's work.
- **Performance:** Providing a level of service that exceeds the expectations of the Group's clients while remaining environmentally conscious.

## 4.4 Strengths and strategy of the Group

### 4.4.1 Strengths

#### 4.4.1.1 Leading global drilling operator focused on the most attractive and resilient drilling markets with a growing global footprint

Since the inception of the Group's business, the Group has built an extensive track record of operational excellence, formed longstanding relationships with well-regarded clients and developed a deep understanding of market volatility. The Group grew from a small driller in Egypt with only one rig to one of the largest drilling operators in the MENA region with a fleet of 85 rigs and operations spanning over six countries as at the date of this Prospectus. Over the past decade, the Group was able to expand its footprint across key geographies, leveraging its ability to identify underserved, niche profitable markets and acquiring value-accretive, distressed assets and companies. In line with the Group's targeted expansion in the GCC countries, the Group's total Backlog increased from 41% which amounted to SAR 1.6 billion in 2017G, to 88%, amounting to SAR 4.9 billion in 2019G. The Group is one of the largest jack-up rig operators with 46 jack-up rigs globally and has become the partner of choice for key energy suppliers in its markets.

The Group is present in the most attractive drilling markets globally. The MENA region, in which the Group primarily operates, is considered a leading oil-producing region and is characterised by low extraction costs, non-harsh environments and a predominance of drilling intensive legacy fields, all of which support relatively higher production levels and utilisation rates throughout the oil price cycle compared to other regions and environments where the cost of production is higher. As such, the regions and environments where the cost of production is higher are more sensitive to swings in the oil price. For example, non-harsh drilling environments, such as onshore and shallow water, represented 93% of global hydrocarbon production in 2022G. The Group is focused on drilling in these non-harsh environments with 18% and 82% of the Group's backlog coming from onshore rigs and jack-up rigs in shallow water as at 31 December 2022G. Further, the markets in which the Group operates have also proven to be resilient. The number of offshore rigs in the GCC region has steadily increased over the past decade despite significant fluctuations in the oil and gas prices, while the number of offshore rigs has decreased in the Gulf of Mexico, West Africa, the North Sea and Southeast Asia over the same period. The GCC region is also increasingly critical for global energy security-of-supply. Major NOCs, particularly NOCs in the GCC region who are also some of the Group's most important clients, are embarking on some of the largest capital programs in their history to capture the additional market share. These NOCs boast a combination of a large resource base, access to a sizeable capital and broad authorities granted by their shareholders to support their growth, which presents a significant opportunity for the Group to take advantage of this growth outlook in the GCC region. Additionally, the GCC region market is dominated by NOCs who tend to have longer term investment horizons and a greater commitment to investment in upstream services compared to other industry participants, as well as strict pre-qualifications and technical requirements given the systemically important nature of their operations, which creates high barriers to entry. The markets in the GCC region also benefit from lower lifting costs than the global average, which positions NOCs operating there as baseload energy suppliers and insulate these markets from downturns.

The Group is also the national leader in offshore drilling in the Kingdom of Saudi Arabia which is the single largest oil and gas drilling market globally. The Group is the largest jack-up rig operator for Saudi Aramco, with 33 jack-up rigs contracted in the Kingdom of Saudi Arabia, all of which have been added since 2016G, translating to an approximately 36% market share as at 31 December 2022G. Additionally, the Group has 14 onshore rigs located in the Kingdom of Saudi Arabia, 11 of which are contracted with Saudi Aramco. Moreover, six out of eight Saudi Aramco's ultra-shallow water rigs are contracted with the Group. Saudi Aramco is the world's largest energy supplier, who is targeting to increase its Maximum Sustainable Capacity ("MSC") of crude production to 13mmbd by 2027G. To support this future growth, the Group is currently delivering one of the largest rig deployment programs ever awarded to a driller by Saudi Aramco as at the date of this Prospectus, after the Group won two large tenders in 2022G consisting of a total of 16 rigs, in addition to 3 contracted rigs that were transferred to the Group after the acquisition of Seadrill. As at May 2023G, 7 rigs have been deployed into operation and 12 rigs are still under preparation and are scheduled for delivery in the fourth quarter of 2023G. As at the date of this Prospectus, the Group has an approximately U.S.$6 billion (equivalent to SAR 22.5 billion) contract backlog secured with Saudi Aramco, which represents approximately 83% of the Group's entire backlog.

The Group's position in the market is evidenced by achieving a higher average offshore jack-up rig Actual Utilization Rate in 2022G reaching 98%, compared to an average of 82% in the MENA region. In addition, the Group maintains higher EBITDA margins compared to its peers. The Group's EBITDA margin averaged 42.3% between 2020G and 2022G, while some peers achieved an average EBITDA margin of 23.6%. The Group believes that these factors, formed over the Group's 20 years' business history, make it a leading global drilling operator (for further information, please see Table 6.3 ("**EBITDA of the Group by Department for the Financial Years Ended 31 December 2020G, 2021G and 2022G**") of Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus.

### 4.4.1.2 Operating in markets with high barriers to entry

The Group benefits from high barriers to entry in markets in which it operates, such as significant capital requirements to acquire new assets, a stringent pre-qualification process, local content requirements, constraints with the supply chain for rigs, long lead time to build new rigs, and stringent technical specifications for rigs.

As the Group operates one of the largest fleets of premium rigs (i.e., rigs delivered after 2005G) globally, namely 31 premium rigs, which represent an approximately 10% market share of premium jack-up rig supply, this gives the Group an advantage over its competitors. Additionally, due to a higher demand for jack-up rigs coupled with supply chain constraints on shipyards, there is a scarcity of jack-up rigs available on the market, according to Westwood. As at 31 December 2022G, there are 305 marketable premium jack-up rigs and 21 newbuilds at shipyards. However, 283 of those premium jack-up rigs are operational while four newbuilds are already contracted. As such, there are only 39 premium jack-up rigs readily available on the market, of which 22 are warm stacked and 17 are uncontracted rigs under construction at shipyards. With its existing large fleet of 47 jack-up rigs, the Group is the largest offshore driller in its markets and is well-positioned to benefit from the increased demand for, and scarcity of, jack-up rigs in the future.

Additionally, the Group is one of the leading drillers in terms of local content due to its ability to provide a substantial portion of services utilizing local workforce in each individual market, which became a key differentiating factor for contracts awarded by NOCs across the markets in which the Group operates. Moreover, the Group has long-standing client relationships and status as a prequalified service provider with the key industry operators that have challenging multi-year pre-qualification processes (such as Saudi Aramco). Many NOCs in the MENA region, including Saudi Aramco, KOC, North Oil Company and Qatar Energy Company, require pre-qualification status to tender for contracts and typically award multi-year contracts, which limits the ability of new entrants to compete for work during the contracted period. Achieving pre-qualification can be a multi-year process and requires, among other things, robust financial performance, appropriate assets which are scrutinised by physical audits and verified, and high performance in health, safety and environment. As at the date of this Prospectus, the Group has obtained pre-qualification status from more than 30 clients or potential clients in 14 different markets. Achieving pre-qualification in different regions provides the Group with optionality in diverse markets and protects it from downturns in any specific market. The Group's pre-qualification status also gave it a key advantage in the bidding process for some rig acquisitions in the past.

Further, to comply with technical specifications for rigs, all of the Group's operational drilling offshore fleet has IACS Certification or is pending re-certification. The Group, through its operating subsidiaries, is a member of the International Marine Contractors Association and the International Association of Drilling Contractors and it has an ISO-certified quality management system. As such, the Group believes its leading market position is further solidified by significant barriers to entry for competitors.

### 4.4.1.3 Business model resilient by design and well-equipped to withstand market cycles and deliver sustainable performance

The Group's business model is primarily focused on resilient sub-segments of the drilling industry and is founded on a lean cost structure, which has allowed it to achieve a track record of profitable growth throughout cyclical market conditions in the oil and gas industry. The Group operates primarily in regions with low cost of production that are dominated by NOCs and is focused on the largest and most resilient drilling markets across the MENA region, namely the Kingdom of Saudi Arabia, Kuwait and Qatar, which are key for the global security of energy supply. For example, Saudi Aramco's production costs are as low as U.S.$3/bbl (equivalent to SAR 11.25/bbl), implying that they are the most profitable barrels in the world, and Kuwait has production costs estimated between U.S.$7/bbl and U.S.$8/bbl (equivalent to the range between SAR 26.25/bbl to SAR 30/bbl).

The Group's lean cost structure is characterised by a high-skill, low-cost, local workforce and an in-house maintenance and technical team, and a lean organisational structure. The Group is also leveraging a shared service centre in Cairo to decrease overhead costs and is monitoring the number of support function employees per rig, aiming to keep the number of such employees below seven per rig. This lean cost structure enables the Group to save on operating costs by maximising the utilisation and efficiencies of acquired rigs. For the years ended 31 December 2022G, 31 December 2021G and 31 December 2020G, the Group's Operating Costs were 57%, 57% and 59% of its total revenue from contracts with customers, respectively. The Group has tapped into the established pool of regional operational and management oil and gas industry talent. Rig crews from the local jurisdiction are typically paid lower salaries than their expatriate counterparts, but offer a comparable level of experience and competence. The Group operates on a lean organisational structure with its senior management based in Al-Khobar. This, combined, results in lower overheads and staff costs.

The Group's highly capable in-house refurbishment and maintenance team manages most of the refurbishment and maintenance jobs without the need to appoint third-party service providers. This allows the Group to manage costs on a granular basis and avoid unnecessary costs involved in turn-key refurbishment and maintenance jobs. The in-house refurbishment and maintenance team also allows the Group to perform certain maintenance requirements on-site without moving the rigs to specific locations or shipyards to minimize rig downtime. The Group is also typically able to achieve operational cost savings on acquired rigs by reducing the amount of rented equipment, reducing the cost of labour and maintenance services and through reducing insurance expense by insuring the correct asset value. The percentage of time during which the rigs were not in operation due to maintenance amounted to 0.8%, 0.8% and 1.2% of the rigs' total operating time for 2020G, 2021G and 2022G, respectively.

The Group has proven the ability to perform through cycles and maintained an Actual Utilization Rate of 89%, 94% and 98% in 2020G, 2021G and 2022G. The Group has also previously maintained Actual Utilization Rates of 96%, 94%, 99%, 78%, 85% and 97% between 2014G and 2019G. In addition, the Group has maintained a steady EBITDA margin since 2014G despite significant volatility in the prices of oil and gas. The Group's revenue from contracts with customers has increased from SAR 1,695 million (U.S.$452 million) in 2020G and SAR 1,514 million (U.S.$404 million) in 2021G to SAR 2,467 million (U.S.$658 million) in 2022G. Additionally, the Group is able to offer highly competitive day rates to its clients, calibrated to insulate the Group from downturns and ensure sustainability through cycles for the benefit of the Group and of its clients. As its client base is dominated by NOCs, the Group is focused on long-term contracts and is also able to maintain significant financial flexibility and liquidity access with approximately U.S.$430 million (equivalent to SAR 1,612,500,000) available under working capital existing facilities and revolving existing credit facilities.

#### 4.4.1.4 High quality client relationships and the partner of choice for the largest and most reliable energy suppliers globally

The Group offers a customer-centric nimble approach and agility in terms of providing tailored solutions and continuously and swiftly adapting to its clients' needs. The Group has cultivated a client base dominated by the largest global NOCs, who are focused on delivering long-term strategies and are less susceptible to short-term energy price cycles. The Group's key clients are Saudi Aramco in the Kingdom of Saudi Arabia, Kuwait Oil Company in Kuwait and North Oil Company in Qatar, which in aggregate represent more than 95% of the Group's total backlog as at 31 December 2022G. The Group's remaining backlog is attributable to other NOCs and their joint ventures with IOCs, such as Total Energies in Qatar, Oil and Natural Gas Corporation in India, GUPCO and GPC in Egypt, and ENAFOR in Algeria. This diverse and high-quality clientele has been built on continuously seeking feedback and fine-tuning the Group's services, enabling it to establish a strong reputation as a reliable oilfield services provider with a proven track record. Moreover, the Group put in place a project management framework structured around four key pillars, program management, shipyards, staffing, and procurement and logistics, to ensure seamless and efficient delivery of future deployments of rigs to its clients. 17 drilling rigs owned by the Group are involved in all five major field development projects in the Kingdom of Saudi Arabia.

Most notably, the Group is becoming a critical service provider for Saudi Aramco and is focused on delivering Saudi Aramco's ambition. The number of drilling rigs contracted for the Group with Aramco was 15, 21 and 44 drilling rigs for 2018G, 2021G and 2022G, respectively. Namely, Saudi Aramco aims to increase its gas production by more than 50% by 2030G and further intends to expand its production capacity to 13 mm/bbl in the next five years with the majority of this expansion planned to take place in offshore shallow water where the Group focuses its operations, thereby making the Group well-positioned to support this increase in production. Further, the Group is well-positioned to take advantage of Saudi Aramco's growth plans because it has aligned its capabilities and asset base to Saudi Aramco's needs and requirements. For example, the Group has a fit-for-purpose fleet uniquely tailored to Saudi Aramco's operating environment and requirements and also benefits from a strong Saudization ratio and high IKTVA score. The Group's strong relationship with Saudi Aramco has already materialized, where the Group is currently delivering one of the largest rig deployment programs ever awarded to a driller by Saudi Aramco after winning two large tenders in 2022G consisting of a total of 16 rigs, in addition to 3 contracted rigs that were transferred to the Group after the acquisition of Seadrill, which the Group has already started to deliver at the end of 2022G and will continue to deliver until July 2023G. As at May 2023G, 7 rigs have been deployed into operation and 12 rigs are still under preparation and are scheduled for delivery in the fourth quarter of 2023G.

#### 4.4.1.5 Robust contracts and predictable cash flows underpinned by solid backlog

The Group's estimated total backlog as at 31 December 2022G was SAR 27.4 billion (equivalent to U.S.$7.3 billion) (of which 79% is based on firm commitments and 21% is based on optional extensions), as compared to SAR 6.7 billion (equivalent to U.S.$1.8 billion) as at 31 December 2021G and SAR 3.5 billion (equivalent to U.S.$0.9 billion) as at 31 December 2020G. As at 31 December 2022G, offshore contracts represented 82% of the backlog, while onshore contracts represented 12%. Further, 97% of the Group's backlog was contracted with highly-rated clients, such as Saudi Aramco, KOC, and North Oil Company, which further supports the likelihood of realizing the Group's backlog in the future.

In addition, the Group's client contracts typically have long tenors, with a weighted average residual contract life of 5.8 years. In particular, the Group's contracts in the Kingdom of Saudi Arabia and Kuwait have an average contract maturity of 6.1 years and 5.1 years, respectively. Additionally, the Group benefits from an attractive contractual framework. For example, some of the Group's contracts provide for the right to early termination of the contract by the customer at any time and without any reason, and in such case the Group is entitled to an early termination fee as set out under these contracts. The Group's strong client relationships and long-standing contracts have enabled it to generate predictable cash flows and strong backlog, with a 2.6x backlog to net debt ratio as at 31 December 2022G.

The market for jack-up rigs has tightened significantly due to high demand coupled with scarcity of rig supply, pushing contracted utilization rates above 80% globally, which has historically supported increasing day rates. Further, the markets in which the Group operates currently have a substantial tender pipeline with limited availability of rigs and operators able to qualify for these tenders. As at May 2023G, the short-term tenders available in the markets in which the Group operates consist of 127 rigs or approximately 500 years' worth of drilling. Drilling years are calculated by multiplying the number of rigs in the tenders by the average term of those tender contracts. As such, the Group is well-positioned with the right asset base and operational capabilities to take advantage of this market opportunity.

#### 4.4.1.6 Track record of disciplined value-enhancing acquisitions focused on delivering value-accretive growth

The Group has an established track record of executing value-enhancing acquisitions for low cost and good condition legacy assets as well as premium assets, and a successful track record of integrating these acquisitions. The Group takes a disciplined and non-speculative approach to acquiring assets and makes acquisitions primarily using a "buy to contract" method, in which it secures a contract before finalising the acquisition, or a "contract acquisition" method, in which it acquires an asset with an ongoing contract that can be novated to the Group. Historically, the Group acquired its assets at valuations significantly below the industry average and build cost, which underpin the Group's ability to bid competitively for contracts.

Since 2020G, the Group has acquired 26 premium jack-up rigs with an average cost of U.S.$62 million (equivalent to SAR 232.5 million) per rig, which is significantly below the industry average of U.S.$125 million (equivalent to SAR 468.81 million), as per Westwood report, translating into an approximately 50% discount, and showcasing exceptional capital stewardship from the Group. The Group also has a strong track record of procuring, commissioning and successfully integrating the rigs it acquires in a short period of time. The Group has proven to be extremely nimble in capturing market opportunities and pivoted quickly from acquiring legacy assets to acquiring premium assets since 2021G, when the prices of premium assets dropped and returns on these investments met the Group's relevant investment thresholds. In 2022G, the Group completed the acquisition of 24 rigs and entered into a final agreement for the acquisition of two additional rigs. The Group targets a minimum unlevered IRR of 18 to 22% and payback up to five to seven years, depending on the asset, contract framework and country of investment. In addition to its acquisitive growth, the Group has also grown organically due to its lean cost structure and strong client relationships.

#### 4.4.1.7 Robust HSE policies with exemplary track record

The Group strives to adhere to robust HSE standards and procedures when conducting its business. A strong HSE culture is core to the values of the Group's business. The Group, through its subsidiaries, is an active member of industry organisations such as International Marine Contractors Association ("**IMCA**") and International Association of Drilling Contractors ("**IADC**"), and all of the operational offshore rigs in its fleet are either IACS certified or pending recertification. Over the years, the Group has consistently maintained a strong position within Saudi Aramco's REI scoring with an average REI score of 88.6 as at 31 December 2022G for the preceding 36-month period, as well as a "high performance" or above rating for 16 out of a total of 21 rigs contracted with Saudi Aramco. The Group's longstanding commitment to HSE has enabled it to maintain a strong safety track record, with zero employee fatalities and a total recordable injury rate of 0.1 per 200,000 working hours, which is lower than the IADC worldwide standard rate of 0.67 as at 31 December 2022G. The Group is also in the process of developing new tools to improve safety records, such as the "Rig Eye", which is an on-site camera-based artificial intelligence system that aims to increase operational efficiency and prevent accidents on the rigs.

The Group is also committed to reducing the environmental footprint of its operations through technological and engineering innovations. The Group is considered to be among the first drillers to launch a project with the aim to reduce emissions from engines by 6% by 2030G and is currently testing new ways to reduce emissions to meet clients' targets. The Group aims to reach net zero emissions by 2050G.

#### 4.4.1.8 Highly capable management team supported by strategic shareholders

The Group's senior management team comprises significant industry experience and a deep understanding of the industry's dynamics and inefficiencies, as well as a strong relationship with all stakeholders in the industry. The management team comprises diverse, high-calibre professionals with a broad range of experience gained from global and local corporations, including Transocean, Shell, Chevron, Dow Chemical, BG Group, ENI, Egyptian Drilling Company, Orascom Group and Invensys, among others. Management's diverse professional backgrounds are a key strength as they facilitate the Group's ability to transfer best practices from different industries and introduce innovative solutions to address complex client needs.

The Group also has long-term backing from shareholders who provide unique market access and strategic know-how. The Abbas and Hussein founding families have owned a majority stake in the Company since inception and the PIF and Zamil Investment own a 35.5% and 10% stake in the Company, respectively, thereby being key strategic supporters of the Group's growth.

### 4.4.2 Strategy

#### 4.4.2.1 Maintaining cost control through continued commitment to a lean cost structure

The Group plans to continue leveraging its lean cost structure of controlled capital expenditures and low operating expenses. To optimise its operating cost saving measures, the Group intends to continue to rely on its in-house refurbishment and maintenance team to conduct many refurbishment and maintenance jobs, rather than hiring third-party service providers. This will enable the Group to lower upfront and ongoing maintenance costs and to reduce rig downtime. The Group also plans to continue relying primarily on talent and work force local to areas of operation. Sourcing crew members locally and paying them in local currencies has allowed the Group to maintain a competitive operating cost profile. The Group will continue to recruit local talent from multiple countries to ensure that it can continue to have a sufficient supply of skilled crew to help achieve its growth objectives. The Group's continued commitment to a lean cost structure allows it to compete aggressively and profitably even during difficult market conditions.

#### 4.4.2.2 Acquisitions of new rigs and organic growth by participating in tenders while maintaining the highest quality of the service

The Group aims to generate strong returns from its acquired assets and intends to participate in accretive tenders and enter strategic agreements to generate cash flows and grow its backlog. Due to the increased demand for and scarcity of premium jack-up rigs on the market, the Group aims to leverage its large fleet of premium jack-up rigs to win tenders and further increase its market share in the markets in which it operates. To ensure the seamless integration of these newly acquired assets into its business, the Group is monitoring the progress of the rigs to ensure a streamlined integration and optimal utilization of these newly acquired rigs in order to further support its growth strategy and returns. At the same time, the Group aims to continue offering the highest quality of service to its clients.

#### 4.4.2.3 Optimise the Group's fleet based on changing market conditions

The Group is considering expanding and optimising its fleet based on changing market conditions in the countries in which it operates, costs and the Group's competitive position within those markets. Historically, the Group's fleet initially predominantly comprised offshore rigs, then changed to predominantly onshore fleet following the acquisition of 31 onshore rigs in 2018G and 2019G. Later, the Group's fleet changed back to a predominantly offshore fleet with the recent acquisitions in 2021G and 2022G. The Group's offshore, onshore, and other services represent 64%, 35%, and 1%, respectively, of its revenue from contracts with customers for the year ended 31 December 2022G. The Group intends to continually assess the suite of services it offers to optimise the balance of its onshore and offshore services to meet customer demands, take advantage of market opportunities and increase utilisation rates, of and revenue, generated from its rigs.

#### 4.4.2.4 Pursue selective growth by acquiring assets with potential for strong returns on investment

The Group is focused on growing its market share locally and internationally. In the medium to long term, the Group intends to continue exploring opportunities to acquire onshore and offshore assets in new and existing markets. The Group continues to seek pre-qualification status in certain markets where it has identified potential for asset acquisitions, so that when an opportunity at an attractive cost presents itself, the Group is well positioned to execute an acquisition quickly. In addition, pre-qualification status presents opportunities for the Group to relocate existing assets to new markets. The Group sees a wide range of growth opportunities in new markets within and outside the MENA region. The Group will continue to evaluate potential acquisitions using its disciplined and non-speculative approach, and to pursue opportunities that offer near-term production growth and cash flow, and do not lead to excessive risk.

#### 4.4.2.5 Maintain prudent approach to liquidity and growth funding

The Group aims to adopt a prudent approach to debt and liquidity. The Group had a backlog to net debt ratio of 2.6x as at 31 December 2022G, and has a policy to maintain a backlog to net debt ratio of at least 2.0x and a target net leverage of 2.5x to 3.0x. The leverage ratio is calculated after deducting the Company's cash and cash equivalents based on adjusted EBITDA that takes into account EBITDA on newly secured contracts, and contracts related to newly acquired assets. This method is defined in the financing agreements of the Company disclosed in this Prospectus. Based on this adjusted EBITDA as defined in the financing agreements (a summary of the calculation method steps are shown below), the Company's leverage ratio, net of cash and cash equivalents, was equal to 3.5x - 4.0x as of December 2022G.

- Actual EBITDA for the relevant year
- ***Less:*** Any actual EBITDA attributable to any contracts in (c) below
- ***Plus:*** Any EBITDA from existing contracts (in addition to the annual share of the lump sum mobilization) signed up until the end of the year, but under which operations commenced after 1 January or operations are expected to commence within the following year, calculated as follows:

(a), (b), (c) and (d), where:

- (a) is 50% (being the EBITDA margin)
- (b) is the day rate applicable at the start of the contract, based on signed client contract
- (c) is 365 (being the number of calendar days)
- (d) is 90% (being the utilization rate the out of 365 days)

The Group continually monitors its debt portfolio and seeks to maintain a prudent level in order to provide sufficient headroom to allow for unforeseen volatility. The Group intends to continue strategically using diverse sources of funding, as demonstrated by its capital structure, and potentially obtaining equity financings as needed, alongside its cash flow from operations, to finance the growth of its business.

## 4.5 Principal Business Activities

### 4.5.1 The Group's assets outside and inside Saudi Arabia

As at the date of this Prospectus, the Group owns a number of assets located inside and outside the Kingdom of Saudi Arabia. These assets are the drilling rigs that the Group owns and operates inside and outside the Kingdom of Saudi Arabia.

The following table shows the Group's assets that are located inside and outside the Kingdom of Saudi Arabia including their location and value:

**Table (4.2): Details of the Group's assets located inside and outside the Kingdom of Saudi Arabia***

| No. | Name of Rig | Country (location) | Type of Rig | Owner of Rig | Flag | Status | Book Value (SAR)**** |
|---|---|---|---|---|---|---|---|
| **Rigs inside Saudi Arabia**** | | | | | | | |
| 1- | ADES 144 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 70,178,143 |
| 2- | ADES 158 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 70,918,743 |
| 3- | ADES 798 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 48,187,662 |
| 4- | ADES 157 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 41,470,169 |
| 5- | ADES 173 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 86,089,119 |
| 6- | ADES 174 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 63,117,152 |
| 7- | ADES 40 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 14,724,398 |
| 8- | ADES 799 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 69,449,977 |
| 9- | ADES 889 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Active | 50,396,195 |
| 10- | ADES 827 | KSA | Onshore | Kuwait Advanced Drilling Services | N/A | Stacked | 44,834,165 |
| 11- | Admarine 261 | KSA | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 167,182,914 |
| 12- | Admarine 262 | KSA | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 145,278,145 |
| 13- | Admarine 266 | KSA | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 120,366,935 |
| 14- | Admarine 655 | KSA | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 163,264,880 |
| 15- | Admarine 656 | KSA | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 202,155,172 |
| 16- | Admarine 657 | KSA | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 237,904,567 |
| 17- | ADES 13 | KSA | Onshore | Advanced Energy Systems (ADES) S.A.E. | N/A | Active | 84,136,414 |
| 18- | ADES 14 | KSA | Onshore | Advanced Energy Systems (ADES) S.A.E. | N/A | Active | 86,814,010 |
| 19- | Admarine 337 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 503,963,548 |
| 20- | Admarine 339 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 505,448,346 |

| No. | Name of Rig | Country (location) | Type of Rig | Owner of Rig | Flag | Status | Book Value (SAR)**** |
|---|---|---|---|---|---|---|---|
| 21- | Admarine 510 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 250,179,696 |
| 22- | Admarine 511 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 253,250,851 |
| 23- | Admarine 680 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 286,648,880 |
| 24- | Admarine 681 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 232,298,090 |
| 25- | Admarine 682 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 217,286,177 |
| 26- | Admarine 687 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 121,322,560 |
| 27- | Admarine 688 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 152,828,232 |
| 28- | Admarine 689 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 123,277,911 |
| 29- | Admarine 690 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 283,597,376 |
| 30- | Admarine 691 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 176,531,415 |
| 31- | Admarine 692 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 264,929,565 |
| 32- | Admarine 693 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 126,561,952 |
| 33- | Admarine 694 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 140,917,252 |
| 34- | Admarine 695 | KSA | Offshore | ADES Saudi Limited Company | Liberia | Active | 331,089,083 |
| 35- | Admarine 503 | KSA | Offshore | ADES Drilling Services III Ltd. | Liberia | Active | 469,994,641 |
| 36- | Admarine 504 | KSA | Offshore | ADES Drilling Services IV Ltd. | Liberia | Active | 459,705,524 |
| 37- | Admarine 505 | KSA | Offshore | ADES Drilling Services V Ltd. | Liberia | Active | 415,906,744 |
| 38- | Admarine 506 | KSA | Offshore | ADES Drilling Services Ltd. | Liberia | Active | 385,876,086 |
| 39- | Admarine 507 | KSA | Offshore | ADES Advanced Drilling Services Ltd. | Liberia | Active | 381,821,213 |
| 40- | Admarine 501 | KSA | Offshore | ADES Drilling Services I Ltd. | Liberia | Active | 444,521,484 |
| 41- | Admarine 502 | KSA | Offshore | ADES Drilling Services II Ltd. | Liberia | Active | 305,358,456 |
| 42- | ADES 146 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Stacked | 3 |
| 43- | ADES 800 | KSA | Onshore | Advanced Energy Systems A.D.E.S SAE | N/A | Stacked | 4,483 |
| | | | | **Rigs Outside Saudi Arabia*** | | | |
| 44- | ADES 3 | Algeria | Onshore | ADES International for Drilling | N/A | Active | 30,385,307 |
| 45- | ADES 2 | Algeria | Onshore | ADES International for Drilling | N/A | Active | 33,090,213 |

| No. | Name of Rig | Country (location) | Type of Rig | Owner of Rig | Flag | Status | Book Value (SAR)**** |
|---|---|---|---|---|---|---|---|
| 46- | ADES 1 | Egypt | Onshore | ADES International for Drilling | N/A | Active | 40,724,349 |
| 47- | ADES 155 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 174,418,510 |
| 48- | ADES 776 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 164,698,452 |
| 49- | ADES 870 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 151,527,162 |
| 50- | ADES 871 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 176,519,722 |
| 51- | ADES 180 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 139,444,190 |
| 52- | ADES 878 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 115,797,907 |
| 53- | ADES 808 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 36,839,007 |
| 54- | ADES 809 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 37,485,400 |
| 55- | ADES 102 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Stacked | 4 |
| 56- | ADES 160 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Stacked | 4 |
| 57- | ADES 171 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Stacked | 13,995 |
| 58- | ADES 172 | Kuwait | Onshore | Kuwait Advanced Drilling Services | N/A | Stacked | 4 |
| 59- | ADES 830 | Tunisia | Onshore | Kuwait Advanced Drilling Services | N/A | Active | 65,538,700 |
| 60- | Admarine I | Egypt | MOPU | Advanced Energy Systems A.D.E.S SAE | Panama | Stacked | 638,836 |
| 61- | Admarine II | Egypt | Jack-up barge | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 23,887,484 |
| 62- | Admarine III | Egypt | Offshore | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 104,948,608 |
| 63- | Admarine IV | Egypt | Offshore | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 64,361,299 |
| 64- | Admarine V | Egypt | Offshore | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 104,637,644 |
| 65- | Admarine VI | Egypt | Offshore | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 94,897,907 |
| 66- | Admarine VIII | Egypt | Offshore | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 153,819,457 |
| 67- | Admarine 88 | Egypt | Offshore | Advanced Energy Systems A.D.E.S SAE | Panama | Active | 72,545,587 |
| 68- | Admarine 12 | Egypt | Jack-up barge | Advanced Energy Systems A.D.E.S SAE | Togo | Active | 10,871,422 |
| 69- | Emerald Driller | Qatar | Offshore | Emerald Driller Company | Panama | Active | 221,796,670 |
| 70- | Sapphire Driller | Qatar | Offshore | Emerald Driller Company | Panama | Active | 367,441,531 |
| 71- | Aquamarine Driller | Qatar | Offshore | Emerald Driller Company | Panama | Active | 360,640,224 |

| No. | Name of Rig | Country (location) | Type of Rig | Owner of Rig | Flag | Status | Book Value (SAR)**** |
|---|---|---|---|---|---|---|---|
| 72- | Admarine X | India | Offshore | Advanced Energy Systems (ADES) S.A.E. | Panama | Active | 48,955,721 |
| 73- | Admarine IX | India | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 50,585,100 |
| 74- | Admarine 260 | Egypt | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | 106,616,362 |
| 75- | ADES 801 | Algeria | Onshore | ADES International for Drilling | N/A | Stacked | 26,897,947 |
| 76- | ADES 802 | Algeria | Onshore | ADES International for Drilling | N/A | Stacked | 24,595,104 |
| 77- | ADES 810 | Egypt | Onshore | ADES International for Drilling | N/A | Active | 44,392,469 |
| 78- | ADES 814 | Algeria | Onshore | ADES International for Drilling | N/A | Stacked | 22,960,812 |
| 79- | ADES 815 | Egypt | Onshore | ADES International for Drilling | N/A | Active | 49,952,297 |
| 80- | ADES 828 | Alegria | Onshore | ADES International for Drilling | N/A | Stacked | 26,134,450 |
| 81- | Admarine XI | India | Offshore | Advanced Energy Systems (ADES) S.A.E. | Liberia | Active | - |

Source: The Company

* This table includes only the rigs owned by the Group and therefore excludes the four rigs leased by the Group.

** As at 31 December 2022G. Excluding SAR 250 million of equipment purchased for drilling rigs in the Kingdom of Saudi Arabia

*** As at 31 December 2022G, exclusive of the book value of the Admarine 11 rig acquired in the first half of 2023G.

**** The amounts shown are exclusive of SAR 191 million representing the total amounts of warehouses and bases for all drilling rigs.

### 4.5.2 Offshore Services

The Group's offshore services include drilling and workover services and MOPU production services, as well as accommodation, catering and barge-based project services. Offshore drilling is a mechanical process where a well is drilled at sea through underlying bedrock to explore for and subsequently extract oil or natural gas. The barge-based project services include outsourcing various operating services for clients, such as maintenance and repair services. As with onshore drilling, offshore drilling typically involves exploration, development and production phases, and the Group is involved in the drilling phase.

### 4.5.3 Offshore Fleet

The Group is the largest offshore driller in the Kingdom of Saudi Arabia and has the largest offshore jack-up fleet globally as at the date of this Prospectus, according to the industry report by Westwood. It has 49 offshore units comprising 46 jack-up rigs, four of which are leased, two jack-up barges and one MOPU. As at the date of this Prospectus, all offshore units, amounting to 49 in total, are either operational, contracted, involved in a tender procedure or in contract finalization/execution phase.

Eight of the Group's offshore jack-up rigs, two jack-up barges, and one MOPU are operating under contract in the shallow water Gulf of Suez area of Egypt, 33 jack-up rigs are under contract in the Arabian Gulf area of the Kingdom of Saudi Arabia, three jack-up rigs are operating in Qatar and two jack-up rigs are planned to start operations in India in 2023G. All of the Group's offshore rigs operate in shallow water or non-harsh ultra-shallow water . While the average age of the offshore rigs is 25 years, proper maintenance and refurbishment help extend the useful life of its rigs. This includes two maintenance procedures that are required to maintain the relevant class certification: (i) the Special Periodic Survey ("**SPS**"), which involves routine inspections and mandatory maintenance and repairs on rig hull and machinery, requires a full shutdown of the rig equipment and is carried out in a special dry dock, and (ii) the Under Water Inspection in Lieu of Dry-docking ("**UWILD**"), which includes sub-surface inspection utilising divers and a top-side inspection and does not require the rigs to be dry docked.

The following table sets out the key specifications of the Group's offshore fleet as at the date of this Prospectus:

**Table (4.3): Key specifications of the Group's offshore fleet**

| # | Rig [1] | Type | Year of Manufacture (Re-Build) | Year Refurbished | Max. working water depth (ft) | Max. drilling depth (ft) | No. of crew members | IACS Certificate Expiry Date | Current contract expiration | Optional additional contract period[25] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1- | Admarine 12 | Jack-up barge | 1966G | 2020G | 150 | n/a[3] | 20 | Jun-25G | Dec-22G* | N/A |
| 2- | Admarine III | Jack-up rig | 1974G | 2018G | 250 | 20,000 | 91 | Sep-23G | Nov-23G | N/A |
| 3- | Admarine 88 | Jack-up rig | 1974G | 2019G | 350 | 25,000 | 83 | May-24G | Oct-26G | N/A |
| 4- | Admarine 656 | Jack-up rig | 1974G | 2020G | 250 | 20,000 | 85 | Sep-25G | 20-Apr-26G | N/A |
| 5- | Admarine IV | Jack-up rig | 1976G | 2019G | 307 | 20,000 | 105 | Sep-23G | May-24G | N/A |
| 6- | Admarine VI | Jack-up rig | 1976G | 2017G | 250 | 20,000 | 90 | Sep-24G | Mar-24G | N/A |
| 7- | Admarine 266 | Jack-up rig | 1978G | 2017G | 250 | 20,000 | 87 | Under recertification | 03-Apr-32G | N/A |
| 8- | Admarine 260 | Jack-up rig | 1979G | 2020G | 250 | 20,000 | 92 | Mar-25G | Sep-24G | N/A |
| 9- | Admarine 261 | Jack-up rig | 1979G | 2017G | 250 | 20,000 | 89 | May-24G | 30-Apr-31G | N/A |
| 10- | Admarine 655 | Jack-up rig | 1979G | 2018G | 160 | 15,000 | 87 | Sep-23G | 12-May-31G | N/A |
| 11- | Admarine 657 | Jack-up rig | 1980G | 2022G | 250 | 20,000 | 94 | Apr-27G | 18-Jun-24G | N/A |
| 12- | Admarine V | Jack-up rig | 1981G | 2019G | 250 | 20,000 | 83 | Mar-24G | Dec-24G | N/A |
| 13- | Admarine VIII | Jack-up rig | 1981G | 2022G | 300 | 25,000 | 91 | Aug-26G | Jun-25G | N/A |
| 14- | Admarine IX | Jack-up rig | 1981G | Under Refurbishment | 300 | 25,000 | Hiring in process | Jan-27G | Sep-26G | N/A |
| 15- | Admarine I[1] | MOPU | 1982G | 2021G | 150 | n/a[2] | Tendering phase | Jan-26G | N/A | N/A |
| 16- | Admarine 262 | Jack-up rig | 1982G | 2018G | 250 | 20,000 | 90 | Jun-23G | 08-Apr-25G | N/A |
| 17- | Admarine X | Jack-up rig | 1982G | Under Refurbishment | 345 | 25,000 | Hiring in process | Mar-28G | Oct-26G | N/A |
| 18- | Admarine II | Jack-up barge | 1983G | 2019G | 150 | n/a[3] | 36 | Sep-24G | Jan-25G | N/A |
| 19- | Admarine 691 | Jack-up rig | 2008G | Under Refurbishment | 375 | 30,000 | Hiring in process | Under recertification | 07-Apr-28G | Two years |
| 20- | Admarine 505 | Jack-up rig | 2008G | Under Refurbishment | 375 | 30,000 | Hiring in process | Under recertification | 19-Mar-27G | One year |

25 The drilling contracts concluded with Aramco provide Aramco with the unilateral right to extend such contracts for an additional period to the original term, under the same conditions and prices, by providing ADES Saudi with a written notice at least 30 days before the end of the original term.

| # | Rig [1] | Type | Year of Manufacture (Re-Build) | Year Refurbished | Max. working water depth (ft) | Max. drilling depth (ft) | No. of crew members | IACS Certificate Expiry Date | Current contract expiration | Optional additional contract period[25] |
|---|---|---|---|---|---|---|---|---|---|---|
| 21- | Admarine 507 | Jack-up rig | 2008G | Under Refurbishment | 400 | 30,000 | Hiring in process | 12-Feb-28G | 28-Apr-26G | One year |
| 22- | Admarine 504 | Jack-up rig | 2010G | 2020G | 400 | 30,000 | 86 | Aug-25G | 29-Nov-25G | N/A |
| 23- | Admarine 506 | Jack-up rig | 2010G | Under Refurbishment | 375 | 30,000 | Hiring in process | Under recertification | 02-Apr-26G | One year |
| 24- | Admarine 690 | Jack-up rig | 2012G | Under Refurbishment | 400 | 30,000 | Hiring in process | Jun-2028G | 10-Jul-28G | Two years |
| 25- | Admarine 692 | Jack-up rig | 2012G | Under Refurbishment | 400 | 30,000 | Hiring in process | Under recertification | 27-Jul-28G | Two years |
| 26- | Admarine 681 | Jack-up rig | 2013G | Under Refurbishment | 400 | 30,000 | Hiring in process | May-28G | 13-Feb-28G | Two years |
| 27- | Admarine 682 | Jack-up rig | 2013G | Under Refurbishment | 400 | 30,000 | Hiring in process | Nov-27G | 25-Apr-28G | Two years |
| 28- | Admarine 503 | Jack-up rig | 2013G | 2019G | 400 | 30,000 | 84 | Jul-23G | 30-Dec-25G | N/A |
| 29- | Admarine 501 | Jack-up rig | 2013G | 2023G | 400 | 30,000 | 78 | Jan-28G | 30-Jun-25G | N/A |
| 30- | Admarine 502 | Jack-up rig | 2013G | 2018G | 400 | 30,000 | 88 | Apr-28G | Mar-24G | N/A |
| 31- | Admarine 695 | Jack-up rig | 2014G | Under Refurbishment | 400 | 30,000 | Hiring in process | May-24G | 27-Jul-28G | Two years |
| 32- | Admarine 685 | Jack-up rig | 2015G | Under Refurbishment | 400 | 30,000 | Hiring in process | Under recertification | 07-Jan-28G | Two years |
| 33- | Admarine 686 | Jack-up rig | 2015G | Under Refurbishment | 400 | 30,000 | Hiring in process | Under recertification | 07-Feb-28 | Two years |
| 34- | Admarine 683 | Jack-up rig | 2017G | 2022G | 400 | 30,000 | 87 | Oct-27G | 21-Dec-27G | Two years |
| 35- | Admarine 684 | Jack-up rig | 2017G | 2022G | 400 | 30,000 | 84 | Oct-27G | 31-Dec-27G | Two years |
| 36- | Admarine 688 | Jack-up rig | 2006G | Under Refurbishment | 375 | 30,000 | Hiring in process | Feb-28G | 08-Jan-29G | Two years |
| 37- | Admarine 693 | Jack-up rig | 2006G | Under Refurbishment | 350 | 35,000 | Hiring in process | Sep-25G | 27-Apr-28G | Two years |
| 38- | Admarine 337 | Jack-up rig | 2007G | 2018G | 400 | 30,000 | 93 | Under recertification | 30-Apr-27G | N/A |
| 39- | Admarine 687 | Jack-up rig | 2007G | Under Refurbishment | 375 | 30,000 | Hiring in process | Under recertification | 17-Apr-28G | Two years |
| 40- | Admarine 689 | Jack-up rig | 2007G | Under Refurbishment | 350 | 35,000 | Hiring in process | Under recertification | 07-Apr-28G | Two years |
| 41- | Emerald Driller | Jack-up rig | 2008G | 2018G | 375 | 30,000 | 30 | Dec-23G | May-25G | N/A |
| 42- | Admarine 694 | Jack-up rig | 2008G | Under Refurbishment | 350 | 35,000 | Hiring in process | Under recertification | 27-Jul-28G | Two years |

| # | Rig [1] | Type | Year of Manufacture (Re-Build) | Year Refurbished | Max. working water depth (ft) | Max. drilling depth (ft) | No. of crew members | IACS Certificate Expiry Date | Current contract expiration | Optional additional contract period[25] |
|---|---|---|---|---|---|---|---|---|---|---|
| 43- | Sapphire Driller | Jack-up rig | 2009G | 2019G | 375 | 30,000 | 31 | Jun-24G | Feb-27G | N/A |
| 44- | Aquamarine Driller | Jack-up rig | 2009G | 2019G | 375 | 30,000 | 29 | Aug-24G | Mar-27G | N/A |
| 45- | Admarine 339 | Jack-up rig | 2009G | 2019G | 400 | 30,000 | 78 | Jun-24G | 18-Jun-23G* | N/A |
| 46- | Admarine 511 | Jack-up rig | 2014G/2019G | 2019G | 375 | 30,000 | 85 | Sep-24G | Nov-25G | N/A |
| 47- | Admarine 680 | Jack-up rig | 2015G | 2022G | 400 | 30,000 | 80 | Feb-25G | 28-Oct-27G | Two years |
| 48- | Admarine 510 | Jack-up rig | 2015G/2018G | 2019G | 375 | 30,000 | 87 | Feb-24G | Nov-25G | N/A |
| 49- | Admarine XI | Jack-up rig | 1982G | Under Refurbishment | 300 | 25,000 | Hiring in process | Under recertification | Oct-26G | N/A |

Source: The Company

Notes:

(1) Admarine I was a jack-up rig built in 1982G, which was converted to a MOPU by the Group between 2014G and 2016G.

(2) Admarine I is a production unit without drilling capacity which is equipped with production and process facilities and can serve as a storage unit.

(3) Admarine II and Admarine 12 are barges without drilling capacity which can used for a wide range of marine tasks, such as pipe laying, or can serve as offshore accommodation.

(4) Admarine IX and Admarine X are planned to be deployed in India in 2023G.

* The Group is currently working on renewing the contract.

The Group significantly expanded its offshore fleet in recent years. In June 2018G, the Group acquired Admarine 655, 656 and 657 for SAR 311 million (U.S.$83 million). These offshore drilling rigs are under contract with Saudi Aramco. With respect to Admarine 655, the Group had to first arrange for it to be re-certified by ABS prior to deploying it into operation. With respect to Admarine 656 and 657, these were operational at the time of the acquisition and began generating revenue immediately thereafter.

In November 2021G, the Group acquired four jack-up rigs in Kingdom of Saudi Arabia and novated their current drilling contracts to the Group. These additional rigs have been recertified and were operational at the time of the acquisition and began generating revenue immediately thereafter. The acquisition of Admarine 12 in December 2021G has added one offshore barge in Egypt.

In May 2022G, the Group acquired three contracted offshore rigs in Qatar with total investment cost of SAR 745 million (U.S.$190 million). In order to cover the awarded tender with Saudi Aramco, the Group also added 12 jack-up rigs in the Kingdom of Saudi Arabia during 2022G with total acquisition cost of SAR 1,856 million (U.S.$495 million). Additionally, the Group acquired two individual offshore rigs (Admarine IX and Admarine X) to start operations in India in 2023G, with total acquisition cost of SAR 59.25 million (U.S.$15.8 million). In October 2022G, the Group acquired seven additional jack-up rigs in the Kingdom of Saudi Arabia for SAR 2,555 million (U.S.$681 million), including SAR 200 million (U.S.$53 million) to cover the reactivation cost paid by the seller in relation to the three rigs which were under reactivation projects at the time of closing in addition to covering the working capital and other items adjustments, of which four rigs started operations immediately after acquisition closing, and three rigs are contracted with Saudi Aramco and currently under reactivation projects to start operations in the first half of 2023G. Additionally, the Group has signed an agreement for the acquisition of one offshore rig to fulfil its obligations under the recently awarded contract in India, and the acquisition was completed within the first half of 2023G.

### 4.5.4 Offshore Drilling and Workover

The Group currently conducts its offshore drilling and workover services in the Kingdom of Saudi Arabia and in Egypt through its fleet of "legacy" jack-up rigs and premium jack ups. The Group also conducts offshore drilling and workover services in Qatar and has been awarded contracts to start operation in India in 2023G. The offshore drilling and workover operations are currently focused on the production phase of the oil and gas life cycle and are entirely in shallow water with non-harsh environments.

### 4.5.5 MOPU Services

The Group owns Admarine I, a MOPU that is currently not under contract, but involved in a tender procedure. The MOPU is a modified jack-up rig that was converted to a mobile offshore platform and is equipped with production and process facilities, including a production separator, desalter, heater treater, water treatment unit, chemical injection package and gas generators, and which serves as a storage unit.

The MOPU highlights the Group's agility and ability to provide innovative solutions to its clients in challenging market conditions by facilitating early production in a shorter timeframe than would be possible with a fully-fledged production facility. This gives the Group's clients the opportunity to optimise capital expenditure spend by shifting to a more cost-efficient operational expenditure-based model and by focusing on increasing production quicker at a lower cost. This innovative model further strengthens ADES's position as a market leader in the offshore market in the Kingdom of Saudi Arabia and in the Gulf of Suez in Egypt.

### 4.5.6 Jack-up Barge and Project Services

As part of its offshore offerings, the Group also owns two offshore jack-up barges, Admarine II, which is currently leased to GPC in the Gulf of Suez area, and Admarine 12, which was operating under contract with Amal Petroleum Company ("**AMAPETCO**") in Egypt as at 31 December 2022G. Offshore jack-up barges are used for a wide range of marine tasks and can be equipped with heavy lifting cranes and a firefighting system and be used for pipe laying or can serve as offshore accommodation. The Group currently uses these jack-up barges to provide offshore support services to GPC and AMAPETCO, including barge services, materials, accommodation, equipment and construction support related to well intervention and other projects.

### 4.5.7 Onshore Services

The Group's onshore services primarily encompass drilling and workover services. Onshore drilling is a mechanical process where a well is drilled on the land through underlying bedrock to explore for and subsequently extract oil or natural gas. The onshore drilling process typically involves exploration, development and production phases, and the Group is involved in the drilling phase. Workover jobs comprise the maintenance, repair, and/or any enhancement of a well's production.

### 4.5.8 Onshore Fleet

The Group has an onshore fleet of 36 rigs, of which 11 are not under contract. The Group has grown its onshore fleet through acquisitions of both legacy and new-build rigs. New-build onshore rigs typically have a relatively lower investment cost compared to new-build offshore rigs.

The Group has recently been awarded six new contracts with Kuwait Oil Company in Kuwait for six onshore rigs, four of which are already owned by the Group and located in Kuwait and two will be newly built rigs. For these newly built rigs, the Group has already signed the acquisition agreement with the manufacturer and is expecting the rigs to be delivered and deployed during 2023G.

The following table sets out the key specifications of the Group's onshore rigs:

Table (4.4): Key specifications of the Group's onshore fleet

| # | Rig | Year Constructed(1) | Operating Area | Operational/ non- operational | Horsepower | Current contract expiration | Optional additional contract period[26] |
|---|---|---|---|---|---|---|---|
| 1- | ADES 801 | 2006G | Algeria | Non-operational | 2,000 | N/A | N/A |
| 2- | ADES 802 | 2007G | Algeria | Non-operational | 1,500 | N/A | N/A |
| 3- | ADES 814 | 2008G | Algeria | Non-operational | 1,500 | N/A | N/A |
| 4- | ADES 828 | 2008G | Algeria | Non-operational | 1,500 | N/A | N/A |
| 5- | ADES 2 | 2015G | Algeria | Operational | 1,000 | 15-Jan-24G | N/A |
| 6- | ADES 3 | 2016G | Algeria | Operational | 1,000 | 11-Sep-23G | N/A |
| 7- | ADES 1 | 2007G | Egypt | Operational | 1,500 | 31-Dec-24G | N/A |
| 8- | ADES 810 | 2008G | Egypt | Operational | 1,500 | 16-Jul-24G | N/A |
| 9- | ADES 815 | 2008G | Egypt | Operational | 1,500 | 15-Sep-24G | N/A |
| 10- | ADES 144 | 1973G | KSA | Operational | 3,000 | 30-Apr-27G | N/A |
| 11- | ADES 158 | 1980G | KSA | Operational | 3,000 | 30-Apr-27G | N/A |
| 12- | ADES 798 | 1981G (1997G) | KSA | Operational | 2,000 | 30-Mar-28 | N/A |
| 13- | ADES 157 | 1981G | KSA | Operational | 1,700 | 10-Aug-27G | N/A |
| 14- | ADES 173 | 1981G | KSA | Operational | 3,000 | 27-Jul-26G | N/A |
| 15- | ADES 174 | 1981G | KSA | Operational | 3,000 | 30-Apr-27G | N/A |
| 16- | ADES 146 | 1986G | KSA | Non-operational | 750 | N/A | N/A |
| 17- | ADES 40 | 1993G | KSA | Operational | 1,000 | 30-Apr-26G | N/A |
| 18- | ADES 799 | 2004G | KSA | Operational | 2,000 | 30-Mar-28G | N/A |
| 19- | ADES 800 | 2007G | KSA | Non-operational | 2,000 | N/A | N/A |
| 20- | ADES 827 | 2008G | KSA | Non-operational | 2,000 | N/A | N/A |
| 21- | ADES 889 | 2013G | KSA | Operational | 2,000 | 02-Feb-32G | N/A |
| 22- | ADES 13 | 2019G | KSA | Operational | 2,000 | 11/10/2024G | Two years |
| 23- | ADES 14 | 2019G | KSA | Operational | 2,000 | 29/11/2024G | Two years |
| 24- | ADES 102 | 1973G (2008G) | Kuwait | Non-operational | 1,500 | N/A | N/A |
| 25- | ADES 155 | 1980G (2012G) | Kuwait | Operational | 3,000 | 22-Jul-25G | N/A |
| 26- | ADES 776 | 1981G (2012G) | Kuwait | Operational | 3,000 | 05-Jan-25G | N/A |
| 27- | ADES 180 | 1981G (2014G) | Kuwait | Operational | 3,000 | 05-Feb-29G | N/A |
| 28- | ADES 171 | 1982G (2010G) | Kuwait | Non-operational | 750 | N/A | N/A |
| 29- | ADES 172 | 1982G | Kuwait | Non-operational | 750 | N/A | N/A |
| 30- | ADES 160 | 1990G | Kuwait | Non-operational | 1,250 | N/A | N/A |
| 31- | ADES 808 | 2008G | Kuwait | Operational | 2,500 | 30-Mar-29G | N/A |
| 32- | ADES 809 | 2009G | Kuwait | Operational | 2,500 | 30-Mar-29G | N/A |
| 33- | ADES 870 | 2012G | Kuwait | Operational | 3,000 | 10-Mar-25G | N/A |
| 34- | ADES 871 | 2012G | Kuwait | Operational | 3,000 | 16-Oct-25G | N/A |
| 35- | ADES 878 | 2013G (2016G) | Kuwait | Operational | 3,000 | 19-Feb-29G | N/A |
| 36- | ADES 830 | 2009G | Tunisia | Operational | 2,000 | 29-Jul-23G | N/A |

Source: The Company

Notes:

(1) If a rig was rebuilt, the year is included in brackets.

(2) Non-operational rigs are available to be redeployed for awarded contracts, subject to certain reactivation processes.

26 The drilling contracts concluded with Aramco provide Aramco with the unilateral right to extend such contracts for a period additional to the original term, under the same conditions and prices, by providing ADES Saudi with a written notice at least 30 days before the end of the original term.

### 4.5.9 Other Services

The Group also provides manpower, well platform installation, maintenance and repair services, and catering services to its clients, which represented 3.5% of its revenue from contracts with customers in 2022G. The Group provides catering and accommodation for a specified number of personnel on board its units under the terms of its client contracts and collects further revenue for providing these services to additional personnel. The Group also generates additional revenue by renting its equipment to clients.

### 4.5.10 Rig Efficiency Index

REI is one of Saudi Aramco's internal systems used to measure individual rig performance across all of its contracted and sub-contracted drilling contractors, and is used by Saudi Aramco to determine the likelihood of drilling contractors having their contracts renewed, extended or terminated.

REI is calculated based on four different parameters: HSE, non-productive time, drilling flat time and In-Kingdom Total Value Add ("**IKTVA**"), and covers the full spectrum of how the performance of any drilling contractor operating in the Kingdom would typically be measured. Drilling contractors scoring overall high REI marks will be treated preferentially by Saudi Aramco regarding contract award and extensions. As Saudi Aramco is the Group's largest customer, and since REI is a KPI recognised within the industry as an indicator of a contractor's operational efficiency, the Group has also adopted REI as its internal measure of performance.

A "REI Performance Report" is published by Saudi Aramco on a quarterly basis, providing individual REI scoring based on an average for the last 36 months. Based on the individual REI scoring, the REI Performance Report sets out individual rankings and categorisations of the rigs per the following performance levels: "Superior Performance", "High Performance", "Consistent Performance", "Average Performance" and "Below Average Performance". Furthermore, the level of REI score dictates a drilling contractor's eligibility to participate in Saudi Aramco tenders, as well as scope to negotiate contract extensions and/or renewal negotiations.

In light of the above, a high REI score is key to all contractors (including the Group) maintaining contracts and backlog with Saudi Aramco. The Group has maintained a consistently high REI score and has been able to benefit from longer term contract extensions and renewals with Saudi Aramco. The Group achieved an average Saudi Aramco REI score of 90 for the three years ended 31 March 2023G, achieving a "high performance"[27] or higher rating for 20 out of a total of 25 rigs contracted and in operation with Saudi Aramco as of 31 March 2023G.

### 4.5.11 Refurbishment and Maintenance

The Group's Asset Management team manages initial refurbishment and reactivation of rigs and their ongoing maintenance. As at 31 December 2022G, the team comprises 145 members and occasionally relies on third-party contractors to conduct some of the refurbishment and maintenance processes, particularly where significant steel and metal replacement work is required. The Group also has warehouses and yards used for storing parts for rigs. Such warehouses and yards are either leased or are right of use assets where the Group has the authority to utilise the leased item over the tenor of the contract and is granted the right to obtain the economic benefit from the usage of such asset owned by the lessor. The team works throughout all stages in the rig life cycle. During the asset acquisition phase, the team inspects and conducts detailed due diligence of each asset before acquisition. The required time and cost to refurbish and make a rig operational are determined by the experienced in-house team, using the support of third parties, where needed, for verification. The team also provides ongoing maintenance and work related to periodic class certification inspections for the Group's offshore fleet. The team's activities are divided into five main categories: mechanical, electrical, power generation, well control, and preventative maintenance.

Outsourcing is case specific. As the Group grows, it expects to grow its refurbishment and maintenance capacity and to be able to benefit from increased economies of scale and purchasing power with shipyards, vendors, equipment suppliers and service providers, for example through establishing master service contracts. Some maintenance activities, such as replacement of steel and essential equipment, cannot be performed other than by a shipyard. The other maintenance activities are taken over by the Group's in-house team, which continues to expand in size and expertise. All certification processes are done fully or jointly through a certificated third body.

27 The drilling rig receives a high performance rating if the rig efficiency index score is above 85/100.

## 4.6 Rigs Acquisition

From 2016G, the Group significantly expanded its fleet through the acquisition of: (i) three offshore jack-up rigs from Hercules Company ("**Hercules**") in the Kingdom of Saudi Arabia; (ii) three offshore jack-up rigs from Nabors Company ("**Nabors**") in the Kingdom of Saudi Arabia; (iii) 31 onshore rigs from Weatherford Company ("**Weatherford**") in the Kingdom of Saudi Arabia, Kuwait, Algeria and Iraq; (iv) four offshore jack-up rigs from Noble Company ("**Noble**") in the Kingdom of Saudi Arabia; (v) one offshore barge from PICO Petroleum Integrated Services Company in Egypt; (vi) three offshore jack-up rigs from Vantage in Qatar; (vii) 23 jack-up rigs (including seven jack-up rigs from Seadrill Company) in the Kingdom of Saudi Arabia; and (viii) two offshore rigs to start operation in India. A final agreement has been entered into for the acquisition of a further two rigs. The Group takes a disciplined and non-speculative approach to acquiring assets and assesses potential acquisitions using primarily a "buy to contract" model or a "contract acquisition" model.

Under the "buy to contract" model, the Group seeks to identify, bid for, and secure a drilling contract for a rig before or concurrently with finalising the acquisition. The Group used this approach when the Group acquired Admarine III, IV, V and VI and ADES 2, ADES 3, ADES 13 and ADES 14, as well as for the 12 rigs acquired to cover the tenders awarded to the Group in the Kingdom of Saudi Arabia and the two offshore rigs to be deployed in India in 2023G. There is sometimes a gap between the time of acquisition and securing or start of a contract, whereby certain rigs may not generate revenue during such period. However, the Group believes a focused buy to contract approach can help to reduce uncertainty and idle time around certain acquisitions.

Under the "contract acquisition" model, the Group aims to acquire rigs with ongoing contracts that are also acquired or are novated to the Group. This approach was used in the Hercules, Nabors, Weatherford and Noble acquisitions. Similarly, this approach was also used in the Seadrill and Vantage acquisitions, where the Group acquired the operating entities in the Kingdom of Saudi Arabia and in Qatar, thereby removing the need to separately novate their contracts. The contract acquisition model may entail certain incremental transition costs, particularly with regard to maintaining existing employees on operational rigs who may be more expensive than the Group's own workforce. However, this approach can also help reduce idle time and uncertainty around the deployment ability of the acquired rigs. The Group has also strategically purchased additional uncontracted rigs before successfully tendering for such contracts. The Group has historically acquired such uncontracted rigs opportunistically and based on market conditions, which enabled the Group to acquire good quality rigs for an attractive price. However, even such uncontracted rigs were contacted withing a few months after their acquisitions. Additionally, the Group acquired a few uncontracted rigs as part of their acquisition of rigs from WDI, however the Group believes that the valuation and price of that acquisition as a whole was justified based on the contracted rigs alone. The contract acquisition model entails greater financial risk; however, the Group's selective and strategic uncontracted acquisitions have positioned it to realise advantageous opportunities as they become available (for more information on risks related to rig acquisitions, please refer to Section 2.1.2 ("**Risks related to the realization of the Group's strategy**") of this Prospectus).

Concurrently with the Group's evaluation of potential acquisitions, the Group's finance team performs profitability and returns analysis on potential assets, primarily focusing on metrics such as IRR, payback period and debt coverage, and advises on financing. It prepares financial forecasts based on anticipated day rates and runs scenarios to determine the Group's debt capacity and is also involved in negotiating refinancing agreements. The Group's operations team works with the financing team to advise on crew, maintenance, inventory, and third-party supply requirements with respect to potential and existing rigs.

### 4.6.1 Key Clients

The Group maintains strong, longstanding relationships with many leading NOCs, IOCs and independent operators. The Group's key clients are Saudi Aramco, Kuwait Oil Company, GPC and North Oil Company. Saudi Aramco, Kuwait Oil Company and GPC represent 64%, 13% and 7% of the Group's revenue from contracts with customers for the year ended 31 December 2022G, respectively. Saudi Aramco, Kuwait Oil Company, and North Oil Company also represented 83%, 11% and 3% of the Group's backlog as at 31 December 2022G, respectively. The Group's other clients include Total Energies in Qatar, GUPCO in Egypt, and ENAFOR in Algeria (for more information, please refer to Section 2.1.5 ("**Risks related to concentration of revenue from the Group's relatively small number of clients and top ten rigs**") and Section 2.1.21 ("**Risks related to the Group's drilling contracts with NOCs**") of this Prospectus).

The following table provides an overview of the Group's main customers and their contribution to the Group's revenue from contracts with customers for the financial years ended December 31, 2020G, 2021G, and 2022G:

| Key Client | Relationship Start Date | Contribution to Group Revenue from Contracts with Customers (%) | | | Contribution to Group Revenue from Contracts with Customers (SAR) | | |
|---|---|---|---|---|---|---|---|
| | | Financial Year 2020G | Financial Year 2021G | Financial Year 2022G | Financial Year 2020G | Financial Year 2021G | Financial Year 2022G |
| Saudi Aramco | 2016G | 54% | 60% | 64% | 919,136,993 | 909,131,040 | 1,571,548,155 |
| Kuwait Oil Company | 2018G | 24% | 21% | 13% | 410,198,693 | 321,028,313 | 313,126,416 |
| GPC | 2012G | 5% | 7% | 7% | 80,953,883 | 101,150,992 | 168,749,502 |
| **Total** | **-** | **83%** | **88%** | **83%** | **1,410,289,569** | **1,331,310,345** | **2,053,424,073** |

### 4.6.2 Major Contracts

The Group provides drilling and other services to its clients on a "day rate" contract basis. Under such day rate contracts, the Group provides one of its rigs, jack-up barges or MOPUs along with rig crews and receives a fixed remuneration per day for drilling, workover or mobile production services. The Group currently has contracts for the use of its rigs with Saudi Aramco, the Kuwait Oil Company, North Oil Company, Total Energies, ONGC and several oil and gas companies wholly or partially owned by the EGPC.

The Group's contracts allow it to supply, operate and maintain offshore and onshore drilling rigs and related equipment necessary for its services. Contracts are generally awarded following a competitive bidding process. However, the Group has renewed existing contracts without a tender bidding process (for more information regarding the material contracts and agreements, please refer to Section 12.6 ("**Material Agreements**") of this Prospectus).

### 4.6.3 Contract Terms

Contract terms vary from client to client but typically include the following or similar terms:

- in the case of the Kingdom of Saudi Arabia, Kuwait and Qatar, contract terms vary from three- to ten-year terms and in the case of Egypt, Algeria and Tunisia from one- to three-year terms, with the possibility of a six-month or one-year extension at the client's option (and, in the case of EGPC affiliates, with EGPC's approval);
- daily rates are subject to: (i) drilling activities; (ii) standby time; (iii) paid maintenance days; and (iv) force majeure events. Furthermore, the Group receives a fee for the mobilisation and demobilisation of rigs and it either receives a fixed fee for onshore rigs or a specified day rate for movement of certain rigs once operations have begun;
- payments relating to Saudi Aramco contracts and contracts in Qatar are made in U.S. dollars, payments relating to contracts in Kuwait are made in Kuwaiti dinar and payments relating to the contracts in Egypt and Algeria are denominated in U.S. dollars and partially made in local currencies. However, on a case-by-case basis, the Group may change the currency of payment terms in a rig contract or allow customers to make payments in local currency to retain a contract or expedite payment on accounts;
- payment terms specified in client contracts typically range from 30–60 days;
- unconditional, irrevocable letters of guarantee to the client typically representing up to 5% of the value of each contract as a performance guarantee and various insurance undertakings. In the case of Kuwait, the irrevocable letters of guarantee represent 10% of the value of each contract until the rig commences operations, then it is decreased to 5%; and
- potential early termination for specific reasons, such as: (i) failure to adhere to certain delivery specifications; (ii) the loss or damage of rigs; (iii) force majeure events; (iv) breach of material obligations; (v) events of bankruptcy or liquidation; and (vi) in certain cases, at a client's discretion, irrespective of whether or not the Group is in default. In the event a client terminates for cause, the Group may have to forfeit its performance guarantee and repay the client for a portion of the fees received. None of the Group's offshore contracts have been terminated early as of the date of this Prospectus. For its onshore services, the Group has had only two of its contracts terminated by clients as of the date of this Prospectus, both relating to turn-key projects in Kuwait, which were terminated before the commencement of operations due to alleged force majeure on the account of the contractor where the Group was a subcontractor through its subsidiary in Kuwait (UPDC) (please refer to Section 2.1.8 ("**Risks related to the Group's customer contracts**") of this Prospectus).

As of the date of this Prospectus, the Group has 73 rigs under contract. Eight contracts are due to expire during 2023G and three contracts in Egypt are under renewal process (for more information on the contract status and expiration for each individual rig, please refer to Table 4.3 ("**Key specifications of the Group's offshore fleet**") and Table 4.4 ("**Key specifications of the Group's onshore fleet**") of this Prospectus).

### 4.6.4 Backlog

The Group estimates the value of backlog for each rig based on the total amount payable to the Group during the remaining term of an existing contract, plus any optional client extension provided for in such contract, assuming the contracted rig will operate (and thus receive an operating day rate) for all calendar days both in the remaining term and in the optional extension period (without applying any present value discount). This calculation assumes that the client will exercise its option to extend its existing contract at the current day rate and under the contracted terms regarding currency of payment. Backlog also includes lump sum mobilisation and demobilisation payments as applicable under the contract. Backlog includes amounts remaining on contracts novated to the Group from certain rigs' previous owners.

The table below sets out the composition of the Group's estimated backlog by region as at 31 December 2022G:

**Table (4.5): Composition of the Group's Estimated Backlog by Region as at 31 December 2022G**

| | 2023G | 2024G | 2025G | 2026G | 2027G | 2028G | 2029G | 2030G | 2031G | 2032G | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (USD '000,000) | | | | | | | | | | |
| KSA | 1,021 | 1,100 | 1,030 | 822 | 652 | 576 | 574 | 212 | 50 | 7 | **6,044** |
| Kuwait | 142 | 171 | 134 | 95 | 97 | 96 | 45 | – | – | – | **780** |
| Egypt | 57 | 24 | 13 | 11 | – | – | – | – | – | – | **105** |
| Qatar | 74 | 75 | 76 | 69 | 9 | – | – | – | – | – | **302** |
| Tunisia | 5 | – | – | – | – | – | – | – | – | – | **5** |
| India | 14 | 17 | 17 | 5 | – | – | – | – | – | – | **52** |
| Algeria | 13 | – | – | – | – | – | – | – | – | – | **13** |
| **Total** | **1,325** | **1,388** | **1,269** | **1,002** | **758** | **671** | **619** | **212** | **50** | **7** | **7,300** |

Source: The Company

As at 31 December 2022G, offshore services comprised about 82% of the Group's backlog, while onshore services represented 18%. As at 31 December 2022G, optional contract extensions comprised 21% of the Group's backlog. As at 31 December 2022G, payments in U.S. dollars and Kuwait dinar accounted for 88% and 11% of the Group's backlog, respectively. The remaining 2% is payable in Egyptian pounds and Algerian Dinar (please refer to Section 2.1.33 ("**Risks related to fluctuations in currency exchange rates**") of this Prospectus). The estimated currency breakdown may be subject to change as, among other factors, in Egypt and Algeria, the Group may choose to accept payments in local currencies instead of U.S. dollars.

The Group's backlog estimates are subject to a number of assumptions and should not be relied on as an indication of future revenues; however, it does provide an but reflect its estimate of possible revenues from existing contracts, should such assumptions prove true and absent any other unforeseen developments. For example, the Group's backlog estimates do not assume a full renewal of its already awarded contracts after expiration, but instead only assume that the option period of an awarded contract will be exercised after the expiration of the contract's firm period. Additionally, revenue generated may differ from the revenue assumed in the backlog calculation if rig maintenance and refurbishment projects take longer than anticipated, resulting in rigs being non-operational for longer than estimated. In addition, certain rig contracts of the Group provide for variable operating day rates or rates that may be subject to change. Accordingly, the actual revenue generated by a rig may differ from the revenue assumed for that rig in the Group's backlog calculation (please refer to Section 2.1.6 ("**Risks related to the Calculation of the Group's Backlog**") of this Prospectus).

### 4.6.5 Pre-Qualification

Obtaining pre-qualifications with NOCs and IOCs is core to the Group operations and strategy of regional expansion to other markets. With pre-qualification, the Group gets invited to future tenders, which it believes can enhance its ability to diversify revenue streams and reduce client concentration as well as create opportunities to grow organically, facilitate the integration of new acquisitions, and pursue the asset light model to expand into deep water opportunities and potentially high specification rigs. To facilitate its expansion, the Group has obtained a number of pre-qualifications and is seeking further pre-qualifications. As at the date of this Prospectus, the Group has obtained pre-qualification from more than 30 clients or potential clients in 14 different markets.

### 4.6.6 The Group's Suppliers

In selecting suppliers for spare parts and other equipment, such as engines, drilling pipes, blowout preventers and other drilling equipment, the Group follows a process based on detailed policies designed to mitigate the risks involved in the procurement process. In particular, the Group applies certain qualification criteria in its evaluation and selection of suppliers, and it maintains records of the evaluation and performance of such suppliers. Priority is given to suppliers that have the most efficient and effective approach to deliver outputs at a competitive cost. The Group will also consider the financial stability, quality, production capacity and experience when appointing a supplier. All suppliers must also pass the Group's KYC process. The Group adopts a comprehensive approach when choosing suppliers by mixing and matching critical components, such as engines and top drives from European suppliers, with other less critical components from reliable Chinese suppliers at a lower cost than from their European counterparts. This approach has enabled the Group to reduce the costs of refurbishment, repair and overhaul of its rigs. All purchased materials, equipment or services from suppliers are verified by specific teams within the Group to ensure that they meet specified purchase requirements (please refer to Section 2.1.30 ("**Risks related to significant part or equipment shortages, supplier capacity constraints, supplier production disruptions, supplier quality and sourcing issues or price increases**") of this Prospectus). As at the date of this Prospectus, the Group's top 5 suppliers are: National Oil Well Varco; Cameron; Grant Prideco, L.P; Egyptian Takaful; and Dry Docks World-Dubai LLC.

### 4.6.7 Industry Regulation

The majority of the Group's offshore drilling units, MOPU and jack-up barges are required to be certified by IACS classification societies, independent global providers of safety, risk, integrity and management services. IACS classification societies, such as ABS, DNV and BV, are considered an industry standard for offshore rig certifications. IACS or similar certification is typically required in order to obtain insurance on the offshore units. The Group's counterparties in offshore drilling contracts also generally require ABS or DNV-GL certification and insurance before awarding a contract, and ABS or DNV-GL certification is generally required to maintain flag registrations on the offshore units. IACS classification societies verify that offshore structures are in compliance with the rules and regulations that reflect the industry standard of strength, stability, machinery, safety equipment and pollution. IACS class and statutory certification are typically valid for five years, subject to annual inspections. Every five years, prior to the expiration of certification, comprehensive special periodical surveys and underwater inspections are conducted. IACS classification inspections are typically carried out during operations to confirm the rig is in good condition, though if steel or essential equipment replacement is necessary the survey process may require off-hire time and, depending on the condition of the rig, expenditure on renewal work. In the event that a rig requires off-site work that is not urgent or critical, IACS classification societies may permit temporary extensions on a case-by-case basis. Once the inspection is passed, the IACS classification certification is renewed. The Group also procures certificates of compliance as required for all major equipment, including drilling and well control. There is no equivalent industry standard certification for onshore rigs. Instead, counterparties assess the safety and condition of onshore rigs and will only contract with rig operators that they deem safe. Countries and clients also regulate drilling companies by offering pre-qualification status to companies that meet certain criteria, which enables them to be invited to future tenders (please refer to Section 4.6.5 ("**Pre-qualification**") of this Prospectus).

## 4.7 Overview of the Company's departments

The Group has a number of departments concerned with administrative affairs which support the Group's various activities and businesses. A brief description of the activities of the Group's departments is provided below. It should be noted that some of the business and activities of these departments are managed from the KSA. The Group seeks to transfer some of the other departments to the Company:

### 4.7.1 Operations

The Group's Operations department manages the core operational business and ensures that services are delivered as required and in compliance with the relevant standards.

### 4.7.2 Finance

The Group's Finance department establishes and maintains financial control consistent with the Group's governance requirements through effective finance and accounting policy, standards, and procedures.

### 4.7.3 Information Technology

The Group's Information Technology department provides efficient access to, and management of the Group's business information systems, applications, and facilities in order to facilitate effective business outcomes.

### 4.7.4 Commercial

The Group's Commercial department ensures and maximizes work opportunities for the Group's operations by appropriate management of opportunities through maintaining effective contracts.

### 4.7.5 Supply Chain

The Group's Supply Chain department procures and controls quality of products and services and provides the highest level of material supply and service to the fleet in order to support the Group in maintaining outstanding operational performance, customer satisfaction and cost effectiveness.

### 4.7.6 Asset Management

The Group's Asset Management department maintains technical integrity of operating equipment, provides the means to communicate information regarding equipment engineering standards and solutions, manufacturer's modifications, innovative ideas and new technology and implements and continually improves industry-leading maintenance standards for all company fleet.

### 4.7.7 QHSSE

The Group's QHSSE department continuously improves the safety performance of all aspects of Group's business through the observation, identification and reduction of at-risk behaviours and the elimination of incidents, thus aiming to provide an injury-free workplace for every employee and eliminate harms to the environment. Also, the QHSSE department employs and maintains a management system cognizant of international codes and standards.

### 4.7.8 People & Organization

The Group's People & Organization department provides for the recruitment and retention of properly qualified, certificated and medically fit employees in accordance with national and international requirements applicable to the Group. It maintains an effective workforce by providing quality internal and external training opportunities to ensure the continual succession of properly qualified, licensed and certificated personnel, and provides the means to promote employees by improving their job knowledge, skills and safety awareness.

### 4.7.9 Legal

The Group's legal department ensures smooth corporate governance and compliance with all applicable laws and regulations and supports the business development and expansion strategy, including the Group's continuous re-structuring. The legal department also negotiates and completes acquisitions, tenders and financing for the Group and reviews all operational contracts, in addition to settling and overseeing any legal disputes, providing legal ad-vice to the various departments, and obtaining, renewing and maintaining the necessary licenses for the Group com-panies in all the countries in which they operate.

## 4.8 Insurance and Contractual Indemnities

The Group is exposed to operating risks at its rigs and jack-up barges. The Group has insurance policies in place in respect of all of its rigs, including (where applicable):

- marine hull policies for offshore rigs covering loss, damage or expenses;
- protection and indemnity; and
- comprehensive general liability (contractual liability).

Coverage for damage to rigs, including total loss or constructive total loss of rigs, is based on an agreed amount for each rig, and has a range of per occurrence deductible amounts. The Group also maintains insurance for personal injuries, damage to or loss of equipment and other insurance coverage for various business risks. The Group does not maintain insurance for lost revenue. These insurance policies typically consist of 12-month policy periods and are held in each operating country of the Group. The renewal dates for the Group's insurance policies typically fall in January each year.

The Group's drilling contracts provide for varying levels of indemnification from its clients, including with respect to well control and subsurface risks. To the extent not covered under the indemnification provisions of the relevant drilling contract, the Group's insurance programme also provides coverage for liability for well control events and third-party claims relating to the Group's operations, including wrongful death and other personal injury claims by the Group's personnel as well as claims brought on behalf of individuals who are not employees of the Group. The Group's hull and machinery insurance provides liability coverage with respect to the offshore rigs. The Group also typically has protection and indemnity coverage. A general policy on the Group's onshore rigs covers all the equipment and other risks and is based on agreed value insurance, whereby each rig is insured with its value and the deductible amount changes based on the rig's value. With respect to the offshore rigs, the rights, title and interest of insurance policies relating to hull and machinery and certain policies covering protection and indemnity are assigned to the relevant security agent as a requirement under different borrowings.

The Group generally indemnifies its clients for legal consequences of spills of waste oil, fuels, lubricants, motor oils, pipe dope, paint, solvents, ballast, bilge, garbage, debris, sewage, hazardous waste and other liquids, when the discharge of which is caused by the Group's operations or staff and originates from the Group's rigs or equipment above the surface of the water and in some cases from the Group's subsea equipment. Such Group's liability is then typically mitigated by its insurance, subject to policy limits. In the event of any such spill from its rigs, the Group's client contracts generally provide that the client is responsible for any fines and penalties.

The above description of the Group's insurance programme and the indemnification provisions of the Group's drilling is general in nature; however, these drilling contracts are individually negotiated, and the degree of indemnification the Group receives from operators varies from contract to contract, based on market conditions, client requirements and the interpretation and enforcement of applicable law when the claim is adjudicated (please refer to Section 2.1.4 ("**Risks related to operating hazards in the group' business, including environmental damage**") of this Prospectus).

## 4.9 Information Technology

The Group has established an integrated data center at its main office to manage its information technology functions, and the Oracle ERP system has been successfully implemented. The Group's Oracle ERP system integrates business applications for finance, supply chain, human capital management, and maintenance, and it serves the Group's operating units and offices in a variety of locations, including Egypt, the Kingdom of Saudi Arabia, Kuwait, and Algeria.

The Group also has a wide area network that connects its main office systems to its rigs and other business units. For security and remote connectivity, the wide area network is outfitted with intrusion prevention systems and virtual private networking tools. In addition, automated software and database applications support the Group's industry-specific activities. In the last three years, the Group has had no information technology security breaches or failures.

## 4.10 Research and Development

As at the date of this Prospectus, the Group does not undertake research and development activities.

## 4.11 Environmental, Social and Governance (ESG)

The Group hopes to create an effective environmental, social, and governance (ESG) framework and the below outlines some of the Company's policies and initiatives which aim to achieve that.

### 4.11.1 Environmental Policy

The Group is committed to complying with all applicable international and local legislation and ensuring that its personnel and third-party personnel working in its facilities are complying with the Group's environmental policy. The Group has issued a comprehensive health, safety and environment management system to all of its employees, which was last reviewed and updated during 2022G.

The Group's operations are subject to laws and regulations relating to air quality and air emissions, effluent discharges to the marine environment, noise levels, solid waste management, hazardous waste management, operation management (health and safety, air quality and noise levels), construction management and other environmental management issues. Environmental laws and regulations specifically applicable to the Group's business activities could impose significant liability for damages, clean-up costs, fines and penalties in the event of oil spills or similar discharges of pollutants or contaminants into the environment or improper disposal of hazardous waste generated in the course of its operations, which may not be covered by contractual indemnification or insurance and could have a material adverse effect on the Group. To date, such liability, fines and penalties have not had a material adverse effect on the Group, and the Group has not experienced an accident that has exposed it to material liability arising out of or relating to discharges of pollutants into the environment.

#### 4.11.1.1 Kingdom of Saudi Arabia

The Group has issued a Saudi environmental management plan to all of its Saudi-based employees. The National Centre for Environmental Compliance, affiliated with the Saudi Ministry of Environment, Water, and Agriculture, is the regulatory authority responsible for ensuring compliance with the Saudi Environmental Law and its Regulations. Other regulatory authorities with competence in the marine environment sector include the Ministry of Transport, the Transport General Authority, and the International Maritime Organisation.

The Saudi Environmental Law addresses oil spill prevention, reporting and control, and imposes liability (with associated fines and penalties) for breaches of the applicable oil and gas regulatory framework. In addition, the Saudi Commercial Maritime Law includes provisions that aim to prevent maritime pollution and provides for measures to be taken in the event of oil spills in Saudi Arabian territorial waters. This framework imposes a variety of obligations on the Group, relating to the prevention of oil spills, disposal of waste and liability for resulting damages (please refer to Section 2.2.6 ("**Risks related to compliance with environmental regulations**") of this Prospectus).

#### 4.11.1.2 Kuwait

The Group's operations in Kuwait are subject to a wide range of environmental laws and regulations. These requirements govern, among other things, the storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions (including greenhouse gases), noise emissions, operation and closure of landfills, human health and safety, process safety and risk management and the clean-up of contaminated sites.

The principal regulators of the Group's operations are the Ministry of Oil, (namely, the Department of Drilling and Production), under Law No. 19 of 1973G concerning the Prevention of the Sources of the Petroleum Wealth Resources, and the Environment Public Authority. The Environment Public Authority, empowered pursuant to Law No. 42 of 2014G concerning environment protection and monitors compliance with the Environmental Protection Law (the "**EPL**"). Under the EPL, a wide number of activities which may have adverse impacts on the environment are regulated or prohibited, and these activities have been broadly categorised as follows: managing specific chemical substances; managing hazardous, medical and solid municipal waste and sludge; preventing pollution to land and agricultural environments; preventing pollution which may be harmful to air quality, such as greenhouse gases; and preventing pollution to water and coastal environments, including from vessels and land sources.

The EPL also establishes:

- the Environment Supreme Council, which is in charge of drafting environmental protection policies and various administrative tasks;
- the Environment Police, a specialised martial unit tasked with the enforcement of environmental laws and regulations; and
- the Environment Protection Fund, which will fund projects aimed to protect the environment, rehabilitate damaged sites and support environmental education and research.

The EPL is a framework legislation and does not aim to address every aspect relating to environmental protection. Instead, it delegates to the Environmental Public Authority the power to issue executive by-laws and subsequent standards to implement the objectives of the EPL.

The penalties for violating the EPL may include fines, compensation for any damage caused and, for more severe violations, imprisonment.

#### 4.11.1.3 Egypt

The Egyptian Environmental Affairs Agency monitors compliance with Egyptian environmental law and other authorities, including the International Convention for the Prevention of Pollution from ships. The International Convention on Oil Pollution Preparedness, Response and Cooperation, Marpol 73/78 and the Egyptian Environmental Law No 4 of 1994G and its Executive Regulations, as amended (the "**Environmental Law**") address oil spill prevention, reporting and control and significantly expand liability, fine and penalty exposure across many segments of the oil and gas industry. Such statutes and related regulations impose a variety of obligations on the Group relating to the prevention of oil spills and notification should one occur, and the disposal of waste. For example, the Environmental Law imposes a number of obligations regarding the prevention of oil spills and the disposal of hazardous wastes. Moreover, the Environmental Law requires companies to maintain certain registers including environmental and hazardous waste registers in order to record all information relating to the impact of the relevant activities on the environment and the hazardous wastes and disposal methods of such wastes. Failure to comply with these statutes and regulations may subject the Group to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance.

#### 4.11.1.4 Other

Contingency planning and emergency procedures have been developed for each rig. Emergency drills are undertaken, according to the relevant client's procedures (for further details, please refer to Section 2.2.6 ("**Risks related to compliance with environmental regulations**") and Section 2.2.4 ("**Risks related to new laws and government regulations, changes to existing laws and government regulations and uncertainty of legal systems**") of this Prospectus).

### 4.11.2 Health and Safety Matters

As described above, the Group is certified to various ISO standards. The Group believes that such certifications demonstrate its commitment to quality and safety. The Group aims to achieve an injury- and accident-free workplace with the involvement of its management, supervisors and employees. The Group's recordable injury frequency rate was 0.28, 0.19 and 0.1 for the years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G, respectively. During the same periods, these injury rates were lower than the IADC worldwide standard rates of 0.46, 0.58 and 0.67, respectively (please refer to Section 2.1.4 ("**Risks related to operating hazards in the Group' business, including environmental damage**") of this Prospectus). The Group believes that it has a good safety record in comparison to its peers and has a low total recordable incident rating. The Group has never had an employee fatality.

The Group has implemented a comprehensive health and safety policy to ensure that all worksites are in compliance with applicable laws and regulations, to promote a healthy and safe working environment and to prevent employee injuries. The Group has implemented the Incident and Injury Free programme ("**IIF**") to enhance its organisational safety culture and performance. The Group has also implemented the Safety Card Competition between rigs employees and office employees, which provides an award of U.S.$1,000 (equivalent to SAR 3,750) per month to incentivise all employees to actively participate in the observation of the behavioural programme, thus enabling the Group to share HSE awareness, campaigns and lessons learned, and announce the winners of the competitions as "SHIELD Winners" every month.

#### 4.11.2.1 Kingdom of Saudi Arabia

The Saudi Labour Law and its implementing regulations comprise the primary legislation regulating occupational health and safety in the Kingdom of Saudi Arabia. These require businesses operating in the Kingdom of Saudi Arabia to provide the necessary equipment and machinery for employees to perform their functions properly and to ensure the safety of the working environment generally, including an obligation on the Group to accept responsibility for the health and safety of the Group's employees. Additionally, the Saudi Social Insurance Law and its implementing regulations impose safety obligations on employers and provide for compensation mechanisms in the event of work-related injuries.

Since the Group provides services as a contractor to larger oil and gas clients, the environment and health and safety procedures implemented on each of the Group's rigs are subject to modification at the beginning of each contract. In the event that a client's procedures are more stringent than the Group's, bridging documents are developed to amend specific rig environment and health and safety plans to meet client requirements.

#### 4.11.2.2 Kuwait

The Group's operations in Kuwait are dedicated to the compliance with all applicable health and safety laws, rules and regulations, and are dedicated to continually improving its safety record through ensuring that all employees receive appropriate training, thereby enabling them to effectively contribute to the overall safety performance.

The Kuwaiti Labour Law is the principal legislation regulating occupational health and safety in Kuwait. The law and its related mandates provide general rules regarding employees' safety and requires employers to implement strict safety measures to protect its employees through the adoption of an effective occupational health and safety system. These include the provision of effective and, where applicable, specific training, and making available occupational health aids required for a specific industry.

Further, as a qualified contractor of Kuwait Oil Company, UPDC is under contractual obligations to maintain effective health and safety measures while performing services to the KOC, including those special conditions of safety that every contract with KOC incorporates by reference.

#### 4.11.2.3 Egypt

The Egyptian labour law is the main legislation regulating occupational health and safety in Egypt. This law and related decrees mandate that companies provide all necessary health and safety precautions, equipment and machinery, as well as ensure the safety of the working environment from several dangers. Egyptian labour law and related decrees require that the Group notify the Health and Safety Department at the Ministry of Manpower of the members of its health and safety committee, and that the Group provides the minutes from its monthly meetings and that these minutes are recorded in a register maintained by the Health and Safety Department. The Group is also subject to additional health and safety requirements regulated under other laws such as the Environmental Law which requires companies working in the oil and gas industry to comply with the controls and procedures derived from the principles of the international oil and gas industry made available by the competent regulatory authority. The Group's supervisors are responsible for the health and safety of all personnel that report to them.

### 4.11.3 Social

The Group is actively engaged in promoting gender diversity and female employment in the workforce of the Kingdom of Saudi Arabia and the number of the Group's female employees has increased by 25% between 2021G and 2022G. While a significant portion of the Group's workforce are employed to work in the field (i.e., on rigs) or in yards or bases, among office-based positions, as at 31 December 2022G, 1.6% of the office-based workforce are female employees.

The Group is also supporting the 'Eed Wahda' ('One Hand') initiative which is being coordinated with the Egyptian Ministry of Health and Population, the Egyptian Ministry of Petroleum Resources and managed by the Oil and Gas CSR subcommittee with the Misr El Kheir Foundation. The donations made by the Group included the purchase of vital equipment such as Personal Protective Equipment (PPE) for medical staff, including surgical gowns, goggles for eye protection, surgical masks, and other essential medical supplies. The Group has also donated an extensive range of medical machinery and supplies to the Ministry of Health to fulfil the needs of hospitals in Egypt.

Additionally, the Group continues to be a main sponsor for the Al-Nas Children's Charitable Hospital, which is considered the largest medical centre of excellence in the Arab region and Africa with a capacity of 600 beds. The Group contributes to the funding of this healthcare complex, which is expected to serve over 20,000 in-patients and 400,000 outpatients on an annual basis. The hospital's five buildings have been completely renovated, which has equipped the hospital with 557 hospital beds, 10 operating rooms, 140 intensive care units, 4 cardiac catheter units, and 48 outpatient clinics. This initiative aims to attract the best doctors, specialists, nursing teams and technicians, combined with the latest advances in modern medical equipment.

The Group has also supported and financed various projects organised by the Aljoud foundation, a charitable organisation specialising in providing healthcare and education services for the growing population of Egypt. The Group has supported the Aljoud foundation by financial donation and volunteer hours, assisting on a range of activities, including social services, medical services, food services and education services.

Further, the Group also supported VeryNile with the launch of the first project to empower Cairo fishermen. The Group's contributions have provided them with additional income and access to health and education services. The Group also supported with the development of 'Social Plastic' – a model that incentivises the recycling of plastic. In this case, plastics are exchanged for financial incentives and other services. VeryNile opened a collecting centre on the Island of Qursayah to facilitate the exchange of recyclables.

### 4.11.4 Governance and Quality Management Systems

The Group has well-established policies and procedures in place to operate its business effectively, which are updated regularly following industry best practices and to comply with regulations imposed by the relevant government authorities in the Kingdom of Saudi Arabia. Part of the Group's success in project execution and quality is based on its commitment to quality management systems, policies and procedures, and compliance with best quality standards and practices. The Group's comprehensive operational assessment programme is built around monitoring five key factors—safety review, employee turnover and retention, performance review, financial assessment, and the client relationship. The Group believes that regular monitoring and assessment can help it achieve and maintain operational excellence and client satisfaction.

The Group has implemented integrated management systems to ensure an efficient, systematic and organised framework to enable it to provide the highest standards of service. The Group's implemented integrated management systems are outlined in 18 manuals covering subjects ranging from corporate, quality, technical support, HSE, supply chain, human resources, commercial, finance, operations and marine. The Group's HSE management team comprises the Global QHSSE Director, Corporate HSSE Manager, Country QHSSE Managers, Offshore Divisions QHSSE Supervisors Lead, QHSSE Supervisors and Rig Safety officers.

ADES is certified in compliance to ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System). Current certificates are valid until September 2024G. Recertification and Transition to ISO 45001:2018 audits were conducted from 22 to 26 August 2021G and ADES was successfully recommended for Recertification and Transition by the Certification Body "DNV", and certificates issuance is in process. The Group has also implemented the requirements of the ISPS Marine Security Code with respect to certain of its offshore units (Admarine III, IV, VIII and 88).

The Group monitors and measures its quality management system throughout the performance of its contracts. The Group's audit regime includes environmental audits, monthly self-verification, external audits, annual audits, pre-ABS audits and audit follow-up. The rigs are subject to a number of surveys and inspections, including a monthly inspection by the rig team and a monthly rig visit by the rig manager who performs and documents a mini-audit. Internal Quality Health Safety Security and Environment audits are performed jointly by a team from Quality Management System, the Group's internal audit and HSE departments.

## 4.12 Employees, Employee Development Program and Other Programs

### 4.12.1 Employees

As at the date of this Prospectus, the Company had 7 employees (five of which are Saudi nationals). As at 31 December 2022G, the Group employed a total of 5,275 employees (around 1,622 of which were Saudi employees, representing 31%), 87% of which work on rigs and 13% of which work in offices. The Group had 3,674 employees as at 31 December 2021G and 3,248 employees as at 31 December 2020G. The number of Group employees will increase during 2023G as a result of the increase in the number of the Group's drilling rigs. The Company seeks to continue employing Saudi and non-Saudi individuals in the KSA (based on merit and competence) to achieve the Group's expansion plans and to meet the needs of its customers in the region, as the Company follows a trend to empower Saudis in the sector.

The Group entered into employment contracts with all of the Company's Senior Executives and other members of management. The contracts stipulate their salaries and other allowances, according to their qualifications and experience, and include a number of benefits, such as medical insurance for the employees and their families. They are renewable and subject to the applicable labour laws in each relevant jurisdiction (for further details on the senior executives contracts, please refer to Section 5.6.2 ("**Contracts entered into with Senior Executives**") of this Prospectus).

The Group has experienced no material labour disputes or strikes and believes employee relations to be good. As at the date of this Prospectus, the Group does not have any collective bargaining agreements with its employees or a trade union.

The table below sets out the number of Saudi and Non-Saudi employees that are employed by the Company across its main divisions as at 31 December 2020G, 2021G and 2022G.

**Table (4.6): Number of Saudi and Non-Saudi employees at the Company**

| Function/Division | 31 December 2020G | | | 31 December 2021G | | | 31 December 2022G | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-Saudi | Saudi | Total | Non-Saudi | Saudi | Total | Non-Saudi | Saudi | Total |
| Human Resources | N/A | N/A | N/A | N/A | N/A | N/A | 0 | 3 | 3 |
| Information Technology | N/A | N/A | N/A | N/A | N/A | N/A | 1 | 0 | 1 |
| HSE | N/A | N/A | N/A | N/A | N/A | N/A | 1 | 0 | 1 |
| Finance | N/A | N/A | N/A | N/A | N/A | N/A | 0 | 1 | 1 |
| **Total** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **2** | **4** | **6** |

Source: The Company

### 4.12.2 Employees of the Material Subsidiaries

#### 4.12.2.1 ADES Egypt

The table below sets out the number of employees that are employed by ADES Egypt across its main divisions.

**Table (4.7): Number of employees at ADES Egypt***

| Division/Function | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Fleet | 851 | 874 | 1,004 |
| Yard | 29 | 27 | 27 |
| Administration | 31 | 40 | 44 |
| Asset Management | 37 | 50 | 68 |
| Champions (employees with special needs) across office departments | 24 | 23 | 23 |
| Commercial | 20 | 16 | 16 |
| Competency | 0 | 2 | 2 |
| Development | 0 | 0 | 2 |
| Finance | 43 | 38 | 43 |

| Division/Function | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| HSE | 7 | 8 | 7 |
| Human Resources | 34 | 30 | 49 |
| Information Technology | 15 | 15 | 17 |
| Legal | 9 | 7 | 11 |
| Management | 8 | 16 | 14 |
| Operations | 23 | 11 | 14 |
| Public Relations | 0 | 3 | 3 |
| Quality | 4 | 3 | 3 |
| Strategy | 2 | 2 | 2 |
| Supply Chain | 30 | 29 | 43 |
| **Total** | **1,167** | **1,194** | **1,392** |

Source: The Company

* There are no Saudi employees.

### 4.12.2.2 UPDC

The table below sets out the number of employees that are employed by UPDC across its main divisions.

**Table (4.8): Number of employees at UPDC***

| Division/Function | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Fleet | 541 | 509 | 560 |
| Yard | 0 | 0 | 0 |
| Administration | 0 | 8 | 10 |
| Asset Management | 32 | 28 | 35 |
| Finance | 10 | 9 | 9 |
| HSE | 5 | 5 | 5 |
| Human Resources | 14 | 4 | 4 |
| Information Technology | 1 | 1 | 1 |
| Client Service | 40 | 39 | 36 |
| Management | 2 | 2 | 2 |
| Operations | 8 | 8 | 8 |
| Supply Chain | 8 | 7 | 7 |
| **Total** | **688** | **620** | **677** |

Source: The Company

* UPDC has had 6 Saudi employees over the past three years (5 in the Fleet Division and 1 in the Client Service Division).

### 4.12.2.3 ADES Saudi

The table below sets out the number of Saudi and Non-Saudi employees that are employed by ADES Saudi across its main divisions (including employees of the Group branch in Saudi Arabia (ADES GCC for Drilling Ltd)).

**Table (4.9): Number of Saudi and Non-Saudi employees at ADES Saudi**

| Division/Function | 31 December 2020G | | | | 31 December 2021G | | | | 31 December 2022G | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Saudi | Saudi | Total | Saudization Ratio | Non-Saudi | Saudi | Total | Saudization Ratio | Non-Saudi | Saudi | Total | Saudization Ratio |
| Fleet | 502 | 727 | 1,229 | 59% | 521 | 1,139 | 1,660 | 69% | 1,037 | 1,756 | 2,793 | 63% |
| Administration | 7 | 9 | 16 | 56% | 13 | 9 | 22 | 40% | 14 | 9 | 23 | 39% |
| Asset Management | 21 | 0 | 21 | 0% | 21 | 0 | 21 | 0% | 35 | 0 | 35 | 0% |
| Commercial | 1 | 0 | 1 | 0% | 1 | 0 | 1 | 0% | 1 | 0 | 1 | 0% |
| Competency | 0 | 0 | 0 | 0% | 1 | 0 | 1 | 0% | 1 | 0 | 1 | 0% |
| Finance | 10 | 0 | 10 | 0% | 10 | 4 | 14 | 28% | 14 | 9 | 23 | 39% |
| HSE | 5 | 0 | 5 | 0% | 6 | 2 | 8 | 25% | 23 | 1 | 24 | 4% |
| Human Resources | 5 | 9 | 14 | 64% | 3 | 17 | 20 | 85% | 8 | 29 | 37 | 78% |
| Information Technology | 2 | 0 | 2 | 0% | 2 | 0 | 2 | 0% | 2 | 1 | 3 | 33% |
| Management | 1 | 0 | 1 | 0% | 2 | 0 | 2 | 0% | 3 | 0 | 3 | 0% |
| Operations | 12 | 0 | 12 | 0% | 13 | 2 | 15 | 13% | 32 | 3 | 35 | 8% |
| Supply Chain | 18 | 4 | 22 | 18% | 14 | 4 | 18 | 22% | 32 | 14 | 46 | 30% |
| **Total** | **584** | **749** | **1,333** | **56%** | **607** | **1,177** | **1,784** | **66%** | **1,202** | **1,822** | **3,024** | **60%** |

Source: The Company

### 4.12.2.4 ADES International

ADES International Holding Limited is a holding company with no operations of its own and having only two board members and a few executive directors employed.

### 4.12.2.5 KADS

KADS is an exempt limited liability company with a sole purpose of owning a number of the rigs in operation in Kuwait. It has no operations of its own and does not have any employees.

### 4.12.2.6 EDC

The table below sets out the number of employees that are employed by EDC across its main divisions.

**Table (4.10): Number of employees at EDC***

| Division/Function | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| Fleet | 0 | 0 | 90 |
| Finance | 0 | 0 | 2 |
| HSE | 0 | 0 | 1 |
| Operations | 0 | 0 | 4 |
| **Total** | **0** | **0** | **97** |

Source: The Company

* There are no Saudi employees.

### 4.12.3 Saudization

The ("**Nitaqat**") Saudization Program was approved pursuant to the Minister of Human Resources and Social Development ("**MHRSD**") Resolution No. 4040 issued on 12/10/1432H (corresponding to 10 September 2011G), based on the Council of Ministers Resolution No. 50 issued on 21/05/1415H (corresponding to 27 October 1994G), which was applied as of 12/10/1432H (corresponding to 10 September 2011G). MHRSD established the Nitaqat program to provide establishments with incentives to hire Saudi nationals. The program assesses an establishment's performance based on specific ranges, which are platinum, green (which is further divided into three categories, low green, middle green and high green), yellow, and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are noncompliant) are deemed to be noncompliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or the complete inability to obtain or renew work visas for foreign employees.

As at the date of this Prospectus, the Company had a Saudization ratio of 71.43% and ADES Saudi had a Saudiza-tion ratio of 72.39%. The Company and ADES Saudi were categorized at the date hereof as being within the Platinum category of the Nitaqat Saudization program approved by the MHRSD. The Company always seeks to recruit its employees on the basis of merit and competence, while striving to attract the best Saudi talent and senior leader-ship positions, among others, and while adhering to the relevant rules and regulations.

The table below shows the number of employees of the Company and ADES Saudi (its only Saudi Material Subsidiary) and the achieved Saudization percentages as at the date of this Prospectus:

**Table (4.11): Number of Saudi and Non-Saudi employees of the Company and ADES Saudi**

| Company Name | Total Employees | Saudi Employees | Non-Saudi Employees | Percentage of Saudi Employees % | Category of Nitaqat (if any) |
|---|---|---|---|---|---|
| The Company | 7 | 5 | 2 | 71.43% | Platinum |
| ADES Saudi | 2,860 | 2,087 | 773 | 72.39% | Platinum |

Source: The Company

### 4.12.4 Training and Development

The Group is committed to providing continuing professional development for its employees. The Group's commitment to utilise in-house training has helped it maintain a low-cost strategy without jeopardising the quality and skill of its staff. The Group provides numerous mandatory training courses, covering, among other subjects, health, safety and environmental awareness, emergency management, medical, operational, lifting, drilling, marine, mechanical and electrical courses. For example, the Group has introduced the Skills-VX program in 2019G which has since been used to manage training transactions. Additionally, the Group has recently implemented an E-learning platform as part of its Skills-VX system. In the Kingdom of Saudi Arabia, the Group is utilizing local Saudi training providers, which further enhances the Group's IKTVA.

The Group's presence in all their markets also helps accessing talent in those markets. This is further leveraged by the Group operating a Graduate Training Programme aimed at developing its future leaders through comprehensive training and knowledge development programmes. The Group also operates a Summer Internship Programme that targets university students by engaging, introducing and exposing them to the Group's diverse working culture and life, thus equipping them with key sets of competency skills for when they join the business world.

The Group has also developed a comprehensive staff retention programme to retain valuable employees. Employees of the Group are provided with a handbook, which sets out the career progression and options of each position within the Group. Promotions are based on past performance and successfully passing certain related assessments. The Group acknowledges that its employees are key to the success of its business and therefore offers several development programmes to management and other key employees, which include specialised certification programmes and ongoing training. For example, the Group is contributing to excelling Saudi skills and capabilities in the Kingdom of Saudi Arabia through the Saudi Arabian Drilling Academy (Sada) and Saudi Petroleum Services Polytechnic programs. Moreover, additional new programs are being introduced, such as form Graduate Training Program and Summer Internship Program. Employees usually receive additional upgraded benefits according to their employment level, including medical coverage that is extended to the employee's family, life insurance, allowances (including for certain travel, transportation and mobile expenses) as well as an annual profit-sharing scheme, where applicable. The Group conducts annual performance reviews of all employees and, in most jurisdictions of operation, maintains a bonus scheme, distributed as applicable to rig crews, administrative staff and management based on employee performance metrics. The Group also works to motivate its employees through intra-company awards programmes, including numerous individual awards, and "rig of the month" and "rig of the year" awards.

## 4.13 Significant interruptions to the business

There has been no interruption to the business and activities of the Company or any of its subsidiaries that could have had or has had a significant effect on the financial position of the Group during the last 12 months.

## 4.14 Overview of any material changes in the nature of the Group's business

As at the date of this Prospectus, no material change in the nature of the business of the Group is contemplated that may, singularly or in the aggregate, have a material impact on the Group's business, financial condition, results of operations or future prospects. In addition, there is no intention to make any material change in the nature of the Group's business.

## 4.15 Ownership Structure of the Company and Shareholders

### 4.15.1 Evolution of Company's share capital

The share capital of the Company upon its incorporation was SAR 1,000,000, consisting of 100,000 ordinary shares of SAR 10 each, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share. On 24/07/1444H (corresponding to 15/02/2023G), the Extraordinary General Assembly of the Company approved to increase the capital from one million Saudi Arabian Riyals (SAR 1,000,000) to eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) ordinary shares of equal value with a nominal value of one Saudi Arabian Riyal (SAR 1) per share, while each shareholder retained its ownership percentage, by registering the book value of the net assets of ADES International (the previous holding company affiliated to the Group) as in-kind shares in the Company's capital, the ownership of which was transferred to the Company on 04/06/1444H (corresponding to 28/12/2022G).

### 4.15.2 Company ownership structure before and after the Offering

The following table sets out the direct ownership and capital structure of the Company before and after the Offering, as well as the New Shares post-Offering:

**Table (4.12): Company ownership structure before and after the Offering**

| Shareholder | Pre-Offering | | | Post-Offering | | |
|---|---|---|---|---|---|---|
| | No. of Shares | Par Value (SAR) | Ownership % | No. of Shares | Par Value (SAR) | Ownership %* |
| ADES Investments Holding Ltd. | 467,657,690 | 467,657,690 | 54.5% | 412,277,174 | 412,277,174 | 36.5% |
| PIF | 304,621,070 | 304,621,070 | 35.5% | 268,547,522 | 268,547,522 | 23.8% |
| Zamil Investment | 85,808,750 | 85,808,750 | 10% | 75,647,188 | 75,647,188 | 6.7% |
| Treasury shares** | - | - | - | 33,871,875 | 33,871,875 | 3% |
| Public | - | - | - | 338,718,754 | 338,718,754 | 30% |
| **Total** | **858,087,510** | **858,087,510** | **100%** | **1,129,062,513** | **1,129,062,513** | **100%** |

* The numbers outlined in this table have been rounded to the nearest whole number.

** The Company's extraordinary general assembly has approved the issuance of treasury shares to be utilized within the long-term incentives scheme framework for the employee's benefit (for more information on the long-term incentives scheme framework, please refer to Section 5.9 ("**Employee Share Program**") of this Prospectus).

The following table sets out the details of Shareholders who directly hold five per cent. or more of the Shares in the Company as at the date of this Prospectus, as well as the New Shares post-Offering:

**Table (4.13): Details of Shareholders Directly Holding Five Per Cent. or More of the Ordinary Shares in the Company as at the date of this Prospectus**

| Shareholder | No. of Shares | Ownership % | Par Value (SAR) |
|---|---|---|---|
| ADES Investments Holding | 467,657,690* | 54.5% | 467,657,690 |
| PIF | 304,621,070 | 35.5% | 304,621,070 |
| Zamil Investment | 85,808,750 | 10% | 85,808,750 |
| **Total** | **858,087,510** | **100%** | **858,087,510** |

* It should be noted that ADES Investments Holding entered into a credit facilities agreement with Mauritius Commercial Bank Ltd in its capacity as lender and security agent, under which 54,856,746 shares, representing 6.39% of the total shares (amounting to 467,657,690 shares) owned by ADES Investments Holding in the Company prior to the Offering, were pledged in accordance with a pledge agreement concluded between ADES Investments Holding and Mauritius Commercial Bank Ltd. It should be noted that the credit facilities agreement related to the pledge agreement provides for the automatic cancellation of the facilities as soon as the Company is listed, and all due amounts shall become payable immediately. ADES Investments Holding shall use its share of the offering proceeds to repay the loan and all financial liabilities. Accordingly, the pledge over the pledged shares of ADES Investments Holding in the Company shall be lifted upon the Listing of the Company on the Exchange.

### 4.15.3 ADES Investments Holding

ADES Investments Holding was incorporated on 28 July 2016G as Private Company under the Companies Law, DIFC Law No. 5 of 2018G and the Companies Regulations 2018G, with registered number 2226, located at Unit 517, Index Tower, Dubai International Financial Centre, Dubai, UAE. The authorized share capital is U.S.$1,000,000 and the paid-up capital is U.S.$50,000. ADES Investments Holding was established by the ultimate shareholders as the main group holding company.

The following table sets out the ownership structure of the ADES Investments Holding as at the date of this Prospectus.

**Table (4.14): Ownership Structure of ADES Investments Holding as at the date of this Prospectus**

| Shareholder | Shareholding (%) |
|---|---|
| **1. Intro Investments Holding Ltd.** | **64.1%** |
| 1.1 Mr. Mamdouh Mohamed Fathy Abbas | 25% |
| 1.2 Mr. Ayman Mamdouh Mohamed Fathy Abbas | 20% |
| 1.3 Ms. Magda Abdel Aziz Taha | 17% |
| 1.4 Mr. Mohamed Mamdouh Mohamed Fathy Abbas | 14% |
| 1.5 Ms. Nivin Mamdouh Mohamed Fathy Abbas | 14% |
| 1.6 Dr. Mohamed Farouk Mohamed Abdel Maguid | 10% |
| **2. Sky Investments Holding Ltd.** | **31.5%** |
| 2.1 Ms. Lamiaa Mohamed Roshdy Ahmed | 33% |
| 2.2 Mr. Ahmed Ayman Ahmed Fathy | 17% |
| 2.3 Ms. Alia Ayman Ahmed Fathy | 17% |
| 2.4 Mr. Ahmed Hussein Ashraf Ahmed | 17% |
| 2.5 Mr. Aly Hussein Ashraf Ahmed | 16% |
| **3. Misk Holding Ltd.** | **4.4%** |
| 3.1 Dr. Mohamed Farouk Mohamed Abdel Maguid | 100% |

### 4.15.4 PIF

The PIF was established by Royal Decree No. M/24 dated 25 Jumada al-Akhirah 1391H (corresponding to 17 August 1971G) and is a wholly owned fund by the Government of the Kingdom of Saudi Arabia, regulated by the Law of the Public Investment Fund issued pursuant to Royal Decree No. M/92 dated 12 Sha'ban 1440H (corresponding to 17 April 2019G). PIF was established to provide financing support for projects of strategic significance to the national economy, and its role has evolved to incorporate a number of different areas. In March 2015G, the Council of Ministers issued a decree to transfer oversight of PIF to the Council of Economic and Development Affairs (CEDA). As part of this process, a new PIF Board was appointed, chaired by His Royal Highness the Crown Prince Mohammad bin Salman Al-Saud. To help achieve the Kingdom's vision of a sustainable, diversified economy, the PIF Board has taken several steps to clearly define the Public Investment Fund's vision and strategic objectives in line with Saudi Vision 2030G.

The PIF is developing a portfolio of high quality domestic and international investments, diversified across sectors, geographies and asset classes. Working alongside global strategic partners and renowned investment managers, the PIF acts as the Kingdom's main investment arm to deliver a strategy focused on achieving attractive financial returns and long-term value for the Kingdom.

The PIF aims to be a global investment powerhouse and the world's most impactful investment fund, enabling the creation of new sectors and opportunities that will shape the future global economy, while driving the economic transformation of the Kingdom. The PIF's mission is to actively invest over the long term to maximise sustainable returns, be the investment partner of choice for global opportunities, and enable the economic development and diversification of the Saudi economy.

The following table sets out the ownership structure of PIF as at the date of this Prospectus.

**Table (4.15): Ownership Structure of PIF as at the date of this Prospectus**

| Shareholder | Shareholding (%) |
|---|---|
| Government of the Kingdom of Saudi Arabia | 100% |

### 4.15.5 Zamil Investment

Zamil Investment was established in 1988G and seeks to preserve and grow shareholder capital and generate excellent returns whilst creating positive economic impact in the areas of Public and Private Equity investment. Public Equity investments directly trade in listed equities and investments through the management of financial portfolios at the discretion of the bank or the financial institution and private equity investments are carried out either by investing through funds or directly investing in target companies. The company's investments span over a wide range of industries targeting established and growth-oriented businesses in the MENA region. Zamil Investment places immense value on ethics, and upholds the highest standards of integrity, professionalism and confidentiality.

The following table sets out the ownership structure of the Zamil Investment as at the date of this Prospectus.

**Table (4.16): Ownership Structure of Zamil Investment as at the date of this Prospectus**

| Shareholder | Shareholding (%) |
|---|---|
| **1. Zamil Group Holding Company** | **100%** |
| **1.1 Al Jadarah Investment Co.** | **99%** |
| 1.1.1 Zamil Abdullah AlZamil | 7.28% |
| 1.1.2 Khalid Abdullah AlZamil | 7.28% |
| 1.1.3 Adib Abdullah AlZamil | 7.13% |
| 1.1.4 Waleed Abdullah AlZamil | 7.13% |
| 1.1.5 Tawfiq Abdullah AlZamil | 7.13% |
| 1.1.6 Fahad Abdullah AlZamil | 7.13% |
| 1.1.7 Abdullrahman Abdullah AlZamil | 6.80% |
| 1.1.8 Ahmed Abdullah AlZamil | 6.80% |
| 1.1.9 Sulaiman Abdullah AlZamil | 6.80% |

| Shareholder | | | Shareholding (%) |
|---|---|---|---|
| | 1.1.10 | Fatimah Abdullah AlZamil | 3.64% |
| | 1.1.11 | Lulwah Abdullah AlZamil | 3.40% |
| | 1.1.12 | Hessah Abdullah AlZamil | 3.40% |
| | 1.1.13 | Badriah Abdullah AlZamil | 3.40% |
| | 1.1.14 | Abdullah Hamad AlZamil | 3.17% |
| | 1.1.15 | Abdullah Mohammed AlZamil | 2.48% |
| | 1.1.16 | Nawaf Mohammed AlZamil | 1.59% |
| | 1.1.17 | Abdulaziz Abdullah AlZamil and Sons Co. | 1.36% |
| | 1.1.18 | Yasser Hamad AlZamil | 1.15% |
| | 1.1.19 | Ghassan Hamad AlZamil | 1.15% |
| | 1.1.20 | Osama Abdulaziz AlZamil | 0.95% |
| | 1.1.21 | Sattam Abdulaziz AlZamil | 0.95% |
| | 1.1.22 | Ahmed Abdulaziz AlZamil | 0.95% |
| | 1.1.23 | Omar Abdulaziz AlZamil | 0.95% |
| | 1.1.24 | Amal Mohammed AlZamil | 0.79% |
| | 1.1.25 | Maha Mohammed AlZamil | 0.79% |
| | 1.1.26 | Nourah Mohammed AlZamil | 0.79% |
| | 1.1.27 | Abdullah Fahad AlHamdan | 0.76% |
| | 1.1.28 | Hessah Ibrahim AlBassam | 0.68% |
| | 1.1.29 | Anne Marie Becton | 0.66% |
| | 1.1.30 | Manahel Abdullah AlHamdan | 0.59% |
| | 1.1.31 | Reem Hamad AlZamil | 0.58% |
| | 1.1.32 | Haifa Hamad AlZamil | 0.58% |
| | 1.1.33 | Madhawi Abdulaziz AlZamil | 0.48% |
| | 1.1.34 | Roqaya Abdulaziz AlZamil | 0.48% |
| | 1.1.35 | Muneerah Fahad AlHamdan | 0.43% |
| **1.2** | **Eastern Industrial Investment Co.** | | **1%** |
| | 1.2.1 | Al Jadarah Investment Co. | 100% |


ADES
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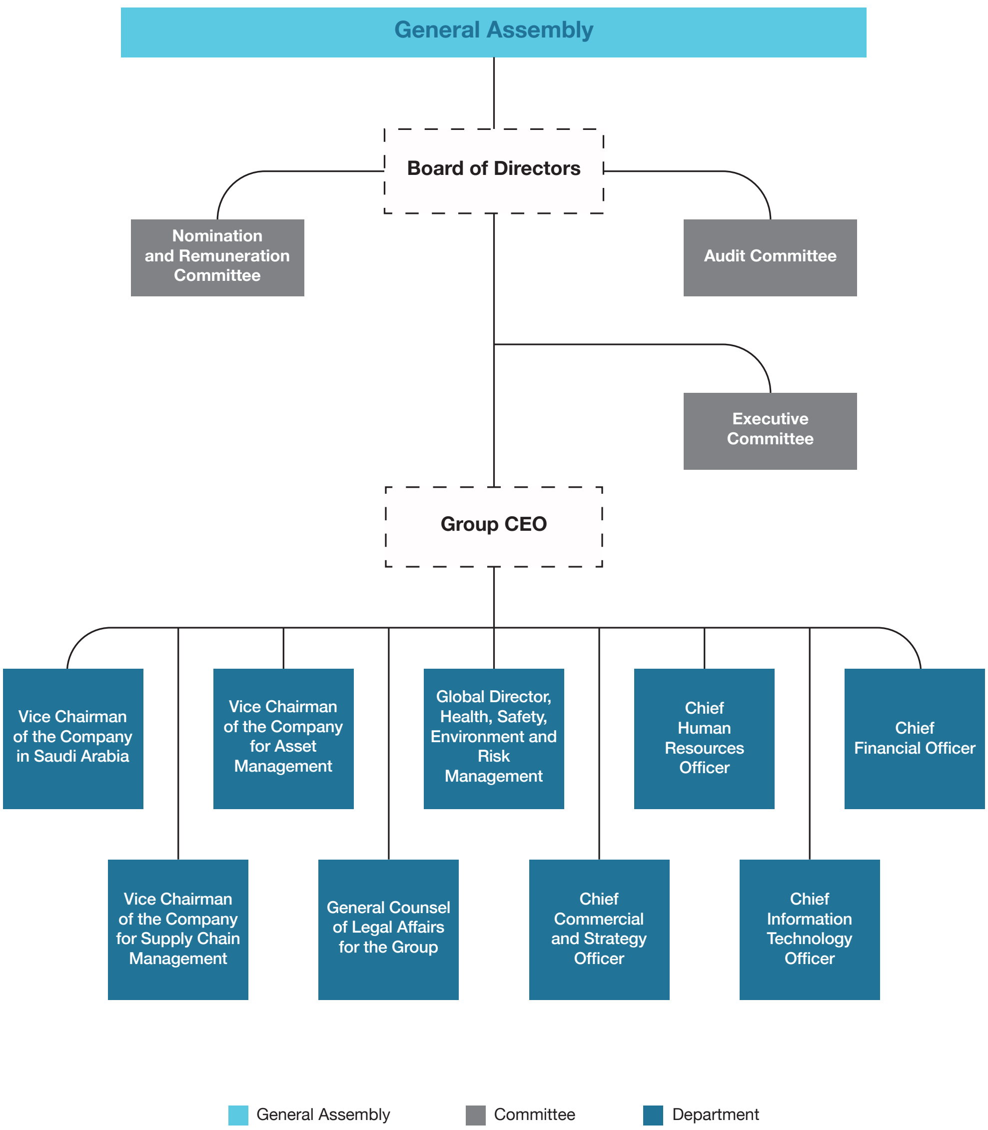
# 5. Ownership Structure and Organizational Structure

## 5.1 The Company's Organizational Structure and Governance

### 5.1.1 Organizational Structure

The Company's organizational structure comprises the Board of Directors ("**Board of Directors**" or the "**Board**"), Executive Management, and the Board committees; namely (1) the Audit Committee; (2) the Nomination and Remuneration Committee; and (3) the Executive Committee. Such committees assume the powers delegated thereto by the Board in accordance with the Company's internal Corporate Governance Manual. The Board is ultimately responsible for direction, general supervision and general control of the Company. The following chart sets out the organizational structure of the Company:

**Figure (5.1): The Company's Organizational Structure**




Source: The Company

### 5.1.2 The Company's Capital and Ownership Structure

As of the date of this Prospectus, the Company's capital is eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) shares of equal value, with a nominal value of SAR 1 per share. All shares are ordinary shares, and include one million (1,000,000) cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (858,087,510) in kind shares.

The following table also sets out the Company's direct and indirect ownership structure before and after the Offering:

**Table (5.1): Company's Ownership Structure Before and After the Offering**

| Shareholders | Pre-Offering | | | Post-Offering | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Nominal Value (SAR) | Shareholding Percentage | Number of Shares | Nominal Value (SAR) | Shareholding Percentage* |
| ADES Investments Holding Ltd. | 467,657,690 | 467,657,690 | 54.5% | 412,277,174 | 412,277,174 | 36.5% |
| PIF | 304,621,070 | 304,621,070 | 35.5% | 268,547,522 | 268,547,522 | 23.8% |
| Zamil Investment | 85,808,750 | 85,808,750 | 10% | 75,647,188 | 75,647,188 | 6.7% |
| Treasury shares** | - | - | - | 33,871,875 | 33,871,875 | 3% |
| The Public | - | - | - | 338,718,754 | 338,718,754 | 30% |
| **Total** | **858,087,510** | **858,087,510** | **100%** | **1,129,062,513** | **1,129,062,513** | **100%** |

Source: The Company

* The figures mentioned in this table have been rounded to the nearest whole number.

** The Company's Extraordinary General Assembly has approved the issuance of treasury shares to be used under the long-term incentive plan for the benefit of employees. For further details about this long-term incentive plan, please refer to Section 5.9 ("**Employee Share Program**") of this Prospectus.

## 5.2 Board of Directors and Board Secretary

### 5.2.1 Composition of the Board

The Company's Board of Directors is composed of nine (9) members (six of whom have been appointed) who have experience, competency and good repute, and who are elected by the Ordinary General Assembly. The Board includes six (6) non-executive members. According to the Company's Bylaws, tenure of the Board members, including the Chairman, is a maximum of four (4) years per term. The first Board term is five (5) Gregorian years, from 02/06/1444H (corresponding to 26/12/2022G) until 28/07/1449H (corresponding to 26/12/2027G), in accordance with the Companies Law in force on the date of the Board's formation. They may be re-elected for subsequent terms. The Board of Directors holds regular meetings as determined by the Board, provided that no less than four (4) meetings are held per year. The Companies Law, the CGRs, the Bylaws and the Company's Internal Corporate Governance Manual define the Board's duties and responsibilities. According to the Company's Bylaws, and subject to the powers granted to the General Assembly, the Board of Directors has the broadest powers to manage the Company in order to achieve its objectives (for further details about the responsibilities and powers of the Board, please refer to Section 5.2.3 ("**Responsibilities and Powers of the Board of Directors**") of this Prospectus). Currently, the Board of Directors does not include any independent directors, which is in violation of the CGRs. This will be rectified and the required number of independent directors will be elected by the Company's General Assembly after Listing (for further details, please refer to Section 5.8 ("**Corporate Governance**") and Section 15 ("**Post-Listing Undertakings**") of this Prospectus).

The Group has a highly qualified Board of Directors who are nominated and elected according to a governance framework followed by the Group, and based on several criteria including competence, leadership ability and appropriate experience that enables Directors to contribute to the Group's leadership to implement its strategy and achieve its vision. The Group also seeks to attract leadership competencies of Saudi nationality who have skills and experiences that are in line with the Group's standards. Based on the foregoing, the Group will seek to prioritize Saudis for the nomination of new Directors, if they have the necessary competencies and experience, to be elected by the General Assembly.

The following table sets out the names and details of the Directors and their ownership in the Company as of the date of this Prospectus:

**Table (5.2): Members of the Company's Board of Directors**

| | Name | Position | Nationality | Domicile | Age | Date of Appointment* | Direct Ownership Percentage | | Indirect Ownership Percentage | | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Pre-Offering | Post-Offering | Pre-Offering | Post-Offering | |
| 1- | Ayman Mamdouh Mohamed Fathi Abbas | Chairman | Egyptian | Egypt | 48 years | 26 December 2022G | N/A | N/A | 6.99%[28] | 4.68% | Non-Independent / Non-Executive |
| 2- | Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq | Vice Chairman | Egyptian | KSA | 54 years | 26 December 2022G | N/A | N/A | 5.89%[29] | 3.95% | Non-Independent / Executive |
| 3- | Meteb Mohamed Saad Al Shathri | Director | Saudi | KSA | 37 years | 9 March 2023G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 4- | Fadi Adel Mohamed Al Saeed | Director | Jordanian | KSA | 42 years | 9 March 2023G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 5- | Hatem Ahmed Al Sayed Suleiman | Director | Egyptian | Egypt | 65 years | 26 December 2022G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 6- | Abdulrahman Khalid Abdullah Al Zamil | Director | Saudi | KSA | 37 years | 26 December 2022G | N/A | N/A | N/A | N/A | Non-Independent / Non-Executive |
| 7- | Vacant** | Director | - | - | - | - | - | - | - | - | Independent / Non-Executive |
| 8- | Vacant** | Director | - | - | - | - | - | - | - | - | Independent / Non-Executive |
| 9- | Vacant** | Director | - | - | - | - | - | - | - | - | Independent / Non-Executive |

* The dates refer to the beginning of each Director's appointment to the Board until the end of the current Board term.

** As of the date of this Prospectus, the Board has three vacant seats, to be filled with three independent elected Directors after Listing. For more details on the undertakings related to the election of Board Directors to the vacant Board seats, please refer to Section 5.8 ("**Corporate Governance**") and Section 15 ("**Post-Listing Undertakings**").

Source: The Company

The current Board Secretary is Mr. Morcos William Faltaous Ekladious, who was appointed to this position for the current Board term pursuant to Board Resolution No. 4 dated 9 March 2023G. He does not own any shares in the Company.

28 Ayman Mamdouh Mohamed Fathi Abbas indirectly owns 6.99% of the shares of the Company before the Offering, through his ownership of 20% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares.

29 Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq indirectly owns 5.89% of the shares of the Company before the Offering, through his ownership of 10% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares, and his ownership of 100% of Misk Holding Ltd., which owns 4.4% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares.

### 5.2.2 Summary Biographies of the Directors and Secretary

An overview of the experience, qualifications and current and previous positions of each Director and the Board Secretary is provided below.

**Table (5.3): Summary Biography of Ayman Mamdouh Mohamed Fathi Abbas – Chairman of the Board of Directors**

| | |
|---|---|
| **Name** | Ayman Mamdouh Mohamed Fathi Abbas |
| **Age** | 48 years |
| **Nationality** | Egyptian |
| **Current Position** | Chairman – Non-independent and Non-executive |
| **Academic Qualifications** | University degree in Business Administration, The American University in Cairo, Egypt, 1996G. |
| **Other Current Positions** | • Chairman of the Board of Directors, ADES Drilling Services Ltd., a limited liability company in the Cayman Islands operating in the drilling field, from 2019G to present.<br>• Director, ADES International for Drilling, a limited liability company in the Cayman Islands operating in the leasing drilling rigs and equipment field, from 2018G to present.<br>• Director, Advanced Transport Services, a limited liability company in the Cayman Islands operating in the services field, from 2018G to present.<br>• Director, Kuwait Advanced Drilling Services, a limited liability company in the Cayman Islands operating in the leasing drilling rigs and equipment field, from 2018G to present.<br>• Director General, Schneider Electric Engineering Services, an Egyptian closed joint stock company operating in the electric power management field, from 2018G to present.<br>• Director, Prime Innovations for Trade SAE, an Egyptian closed joint stock company operating in the trading field, from 2018G to present.<br>• Executive Chairman, ADES International Holding Ltd., a UAE private holding company operating as a holding company, from 2016G to present.<br>• Director, Intro Solar Energy Company, a UAE private company operating in the energy field, from 2016G to present.<br>• Director, Intro Energy Company, an Egyptian closed joint stock company operating in the energy field, from 2016G to present.<br>• Director, Intro Sustainable Resources Holding, a UAE private holding company operating in the energy field, from 2020G to present.<br>• Director, M2 Facilities Management, an Egyptian closed joint stock company operating in the real estate development and hospitality services field, from 2016G to present.<br>• Director, Advansys Engineering Services & Consultancy, an Egyptian closed joint stock company operating in the engineering services field, from 2015G to present.<br>• Director, Hills Integrated Construction Services, an Egyptian closed joint stock company operating in the construction and contracting field, from 2015G to present.<br>• Chairman, Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) SAE, an Egyptian joint stock company listed on the EGX, operating in the medical supplies field, from 2011G to present.<br>• Chairman, ADES Egypt, an Egyptian closed joint stock company operating in the petroleum services field, from 2010G to present.<br>• Chairman, Advansys for Integrated Projects, an Egyptian closed joint stock company operating in the construction and contracting services field , from 2010G to present.<br>• Director General and Chairman, Fagr Agricultural and Development Project Company, an Egyptian closed joint stock company operating in the agricultural reclamation field, from 2007G to present.<br>• Director General, Intro Group, a group of companies operating in the investment field, from 2006G to present.<br>• Director, Advansys Engineering Services & Consultancy, an Egyptian closed joint stock company operating in the engineering consultancy and information technology field, from 2015G to present.<br>• Director, Advansys Technology, an Egyptian closed joint stock company, operating in the information technology field, from 2000G to present.<br>• Director, Intro for Trading and Contracting Co., an Egyptian closed joint stock company operating in the petroleum services field, from 1999G to present.<br>• Director, ADES Investments Holding, a UAE private company operating in the investment field, from 2016G to present. |
| **Previous Positions** | • Partner, Compass Capital for Financial Investments SAE, an Egyptian closed joint stock company operating in the financial services field, from 2013G to 2017G.<br>• Partner, Compass Capital for Financial Investments SAE, an Egyptian closed joint stock company operating in the financial services field, from 2010G to 2012G. |

Source: The Company

**Table (5.4): Summary Biography of Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq – Vice Chairman**

| | |
|---|---|
| **Name** | Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq |
| **Age** | 54 years |
| **Nationality** | Egyptian |
| **Current Position** | Vice Chairman – Non-independent and Executive |
| **Academic Qualifications** | • PhD in Systems and Control Engineering, Case Western Reserve University, Ohio, USA, 1997G.<br>• Master's degree in Electrical Engineering and Control, Cairo University, Egypt, 1993G.<br>• Bachelor's degree in Electrical Engineering, Cairo University, Egypt, 1991G. |
| **Other Current Positions** | • Director, ADES Drilling Services I Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES Drilling Services II Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES Drilling Services III Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES Drilling Services IV Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES Drilling Services V Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES Drilling Services Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES GCC for Drilling Ltd., a company limited by shares in Bermuda, operating in the oil and gas drilling services field, from 2022G to present.<br>• Director, ADES Advanced Drilling Services Ltd., a company limited by shares in Liberia, operating in the oil and gas drilling services field, from 2022G to present.<br>• Partner, Misk Holding Ltd., a UAE private company operating in the holding companies business field, from 2021G to present.<br>• Director, Advanced Drilling Services, a limited liability company in the Cayman Islands, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, ADES International for Drilling, a limited liability company in the Cayman Islands, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, Advanced Drilling Services, a limited liability company in the Cayman Islands, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, Advanced Transport Services Co., a limited liability company in the Cayman Islands, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, Kuwait Advanced Drilling Services, a limited liability company in the Cayman Islands, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, United Precision Drilling Company, a limited liability company in Kuwait, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, Precision Drilling Company, a limited liability company in Cyprus, operating in the oil and gas drilling services field, from 2018G to present.<br>• Director, Prime Innovations for Trade, an Egyptian closed joint stock company operating in the trade field, from 2018G to present.<br>• Director, Schneider Electric Engineering Services, an Egyptian closed joint stock company operating in the energy and technology field, from 2017G to present.<br>• Director, Intro Investments Holding Ltd., a UAE private company operating in the holding companies business field, from 2016G to present.<br>• Director, ADES International, a UAE private holding company operating in the holding companies field business, from 2016G to present.<br>• Manager, ADES Investments Holding, a UAE private company operating in the holding companies business field, from 2016G to present.<br>• Director, Compass Capital for Financial Investments, an Egyptian closed joint stock company operating in the financial services field, from 2016G to present.<br>• Director, Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) SAE, an Egyptian joint stock company listed on the EGX, operating in the medical supplies field, from 2016G to present.<br>• Director, Egyptian Chinese Drilling Company, an Egyptian closed joint stock company operating in the drilling services field, from 2012G to present.<br>• CEO, ADES Group, a closed joint stock company operating in the drilling field , from 2012G to present. |
| **Previous Positions** | • Senior Vice President, Infosys Operation Management, from 1998G to 2012G. |

Source: The Company

**Table (5.5): Summary Biography of Meteb Mohamed Saad Al Shathri – Director**

| | |
|---|---|
| **Name** | Meteb Mohamed Saad Al Shathri |
| **Age** | 37 years |
| **Nationality** | Saudi |
| **Current Position** | Director – Non-independent and Non-executive |
| **Academic Qualifications** | • Master's degree in Business Administration, Harvard University, USA, 2015G.<br>• Bachelor's degree in Industrial Engineering, Northwest University, USA, 2008G. |
| **Other Current Positions** | • Non-executive Chairman, Depa PLC, a UAE listed company operating in the construction field, from 2022G to present.<br>• Non-executive Vice Chairman, Saudi Jordanian Investment Co., a Saudi closed joint stock company operating in the investment field, from 2022G to present.<br>• Non-executive Vice Chairman, Saudi Bahrain Investment Company, a Saudi closed joint stock company operating in the investment field, from 2022G to present.<br>• Non-executive Vice Chairman, Saudi Sudanese Investment Company, a Saudi closed joint stock company operating in the investment field, from 2022G to present.<br>• Non-executive Vice Chairman, Saudi Iraqi Investment Company, a Saudi closed joint stock company operating in the investment field, from 2022G to present.<br>• Non-executive Director, Capital Bank, a joint stock company listed in Jordan operating in the banking field, from 2022G to present.<br>• Non-executive Director, Saudi Egyptian Investment Company, a Saudi closed joint stock company operating in the investment field, from 2021G to present.<br>• Non-executive Director, Saudi Co. for Touristic Investment, a Saudi closed joint stock company operating in the investment field, from 2021G to present.<br>• Non-executive Vice Chairman, Qassim Cement Company, a Saudi listed joint stock company operating in the basic materials field, from 2020G to present.<br>• Non-executive Director, Saudi Ceramic Company, a Saudi listed joint stock company operating in the basic materials field, from 2019G to present.<br>• Lead Director, PIF, a Saudi government fund operating in the investment field, from 2018G to present. |
| **Previous Positions** | • Manager, Raidah Investment Company, a joint stock company operating in the food and beverages field, from 2015G to 2017G.<br>• Advisor, Saudi Aramco, a Saudi listed joint stock company operating in the basic materials field, from 2008G to 2015G. |

Source: The Company

**Table (5.6): Summary Biography of Fadi Adel Mohamed Al Saeed – Director**

| | |
|---|---|
| **Name** | Fadi Adel Mohamed Al Saeed |
| **Age** | 42 years |
| **Nationality** | Jordanian |
| **Current Position** | Director – Non-independent and Non-executive |
| **Academic Qualifications** | • Master's degree in Business Administration, Cass Business School, United Kingdom, 2013G.<br>• Chartered Financial Analyst (CFA), 2010G.<br>• Bachelor's degree in Economy, University of Jordan, Jordan, 1989G. |
| **Other Current Positions** | • Non-executive Director, B.TECH Company, an Egyptian closed joint stock company operating in the retail finance field, from 2022G to present.<br>• Non-executive Director, Depa PLC, a UAE listed company operating in the construction field, from 2022G to present.<br>• Non-executive Director, Saudi Jordanian Investment Fund Co., a Jordanian closed joint stock company operating in the investment field , from 2021G to present.<br>• Lead Director, PIF, a Saudi government fund operating in the investment field, from 2020G to present. |
| **Previous Positions** | • Executive Director and Head of Middle East and North Africa Investments, Lazard Asset Management, a UAE listed company operating in the investment field, from 2014G to 2020G.<br>• Director and Head of the Middle East Investments Department, ING Investment Management, a UAE listed company operating in the investment field, from 2008G to 2014G. |

Source: The Company

**Table (5.7): Summary Biography of Hatem Ahmed Al Sayed Suleiman – Director**

| | |
|---|---|
| **Name** | Hatem Ahmed Al Sayed Suleiman |
| **Age** | 65 years |
| **Nationality** | Egyptian |
| **Current Position** | Director – Non-independent and Non-executive |
| **Academic Qualifications** | Bachelor's degree in Electrical Engineering, Helwan University, Egypt, 1980G. |
| **Other Current Positions** | • Director, OEC, a company located in Brazil, America and Africa operating in the engineering, procurement and construction field, from 2022G to present.<br>• Director, ABIS Services, a company located in Australia operating in the artificial intelligence field, from 2020G to present.<br>• Director, NGK Re Limited, a UAE company operating in the reinsurance field, from 2022G to present.<br>• Director, Intro Group, a group of companies operating in the investment field, from 2020G to present.<br>• Director, Ocyan, a Brazilian company operating in the offshore drilling field, from 2019G to present. |
| **Previous Positions** | • Director, Eckstein, an American listed company operating in the energy field, from 2019G to 2022G.<br>• Director, ADES International, a UAE private holding company operating as a holding company, from 2019G to 2022G.<br>• CEO Advisor, Schlumberger Ltd., operating in the oil field, from 2017G to 2018G.<br>• CEO, Schlumberger Middle East, Asia & Pacific, a company operating in the oil services field, from 2016G to 2017G.<br>• CEO, Schlumberger Latin America, a company operating in the oil services field, from 2010G to 2016G.<br>• Global CEO, Schlumberger Testing Services, a company operating in the oil services field, from 2008G to 2010G. |

Source: The Company

**Table (5.8): Summary biography of Abdulrahman Khaled Abdullah Al Zamil –Director**

| | |
|---|---|
| **Name** | Abdulrahman Khalid Abdullah Al Zamil |
| **Age** | 37 years |
| **Nationality** | Saudi |
| **Current Position** | Director – Non-independent and Non-executive |
| **Academic Qualifications** | • Master's degree in Executive Management, London Business School, United Kingdom, 2017G.<br>• Bachelor's degree in Financial Management, King Fahd University of Petroleum and Minerals, Saudi Arabia, 2008G. |
| **Other Current Positions** | • Non-executive Director, Innovative Energy Holding Company, a UAE closed joint stock company operating in the holding companies field, from 2021G to present.<br>• Non-executive Director, Malam Investments Limited, a Saudi limited liability company operating in the investment field, from 2020G to present.<br>• Non-executive Director, Dhahran International Exhibitions Company, a Saudi closed joint stock company operating in the organizing and managing exhibitions and conferences field, from 2020G to present.<br>• Non-executive Vice President, Gulf Stabilizers Industries (GSI), a Saudi closed joint stock company operating in the raw materials field, from 2019G to present.<br>• Non-executive Director, Yamama Red Bricks and Clay Products, a Saudi limited liability company operating in the raw materials field, from 2019G to present.<br>• Executive Director and Chairman of the Company, Zamil Investment, a Saudi limited liability company operating in the investment field, from 2018G to present.<br>• Chairman of the Executive Committee, Non-Executive, Zamil Food Industries Ltd., a Saudi limited liability company operating in the food field, from 2018G to present.<br>• Executive Chairman, Zamil Food Industries Ltd., a Saudi limited liability company operating in the food field, from 2018G to present. |

| | |
|---|---|
| **Previous Positions** | • Non-executive Director, National Energy Company (Taqa), a Saudi limited liability company operating in the energy field, from 2018G to 2021G.<br>• Treasury and Project Finance Director, Zamil Group Holding Company, a Saudi closed joint stock company operating in the management of subsidiaries of the Holding Company field, from 2014G to 2018G.<br>• Financial Analyst – Financial Management, Zamil Group Holding Company, a Saudi closed joint stock company operating in the investment field, from 2009G to 2013G.<br>• Financial Analyst, HSBC Middle East, a UAE limited liability company operating in the banking field, from 2008G to 2009G. |

Source: The Company

**Table (5.9): Summary Biography of Morcos William Faltaous Ekladious – Secretary of the Board of Directors**

| | |
|---|---|
| **Name** | Morcos William Faltaous Ekladious |
| **Age** | 40 years |
| **Nationality** | Egyptian |
| **Current Position** | Board Secretary |
| **Academic Qualifications** | • Master's degree in international business transactions and logistics, Arab Academy for Science and Technology, Egypt, 2008G.<br>• Bachelor's degree in law, Faculty of Law, Alexandria University, Egypt, 2004G. |
| **Other Current Positions** | • Director, AG for Training (AG Academy), an Egyptian joint stock company operating in the training and human resources development field, from 2019G to present.<br>• General Counsel for Group Legal Affairs, ADES Group, a closed joint stock company operating in the drilling field, from 2015G to present.<br>• Director, United Precision Drilling Company, a limited liability company in Kuwait operating in the energy field, from 2018G to present. |
| **Previous Positions** | • Legal Advisor in the International Companies Division and Director of Muriya Tourism Development Company, a joint venture between Orascom Development Company and Oman Tourism Development Company (Omran), operating in the tourism field, from August 2010G to December 2012G.<br>• Senior Legal Advisor, Mobinil Egypt, an Egyptian company operating in the telecommunications field, from 2010G to 2010G.<br>• Head of Legal Affairs, Orascom Investment Holding, a joint stock company listed in Egypt operating in the investment field, from 2008G to 2010G. |

Source: The Company

### 5.2.3 Responsibilities and Powers of the Board of Directors

Subject to the powers assigned to the General Assembly, the Directors shall have the widest powers to manage the Company in order to achieve its objectives and supervise its affairs. The Directors may, in order to carry out their duties, exercise all powers and undertake all acts and actions the Company is entitled to carry out under the Bylaws, except for those acts or actions that are excluded by a special provision and that fall within the competence of the General Assembly under the Companies Law or the Company's Bylaws.

1- Below is a description of the responsibilities and powers of the Board in accordance with the Company's Bylaws: The Directors may, jointly or severally, inter alia, have the power to represent the Company and sign in its name and on its behalf before third parties, government, public and private entities and bodies, institutions, notaries public, dispute resolution committees of all kinds, civil rights departments, police departments, chambers of commerce and industry, private entities, companies and institutions of all kinds, individuals, companies, all government and private financing funds and institutions and Saudi and non-Saudi banks and financial institutions.

2- The Directors shall, jointly or severally, approve the Company's business plan, annual balance sheet and annual operational work plan.

3- The Directors shall, jointly or severally, prepare and form the committees emanating from the Board of Directors and prepare and approve all matters related to the Company's governance and internal regulations and policies related to the Company's business and development, including, inter alia, the internal financial, administrative and technical regulations of the Company, in addition to the regulations for employees, with the exception of the committees, policies and regulations that require the approval of the General Assembly.

4- The Directors shall, jointly or severally, have the power to establish subsidiaries, purchase, rent and lease land and property, purchase, sell, mortgage, and release the mortgage of assets and movables, in the name of and on behalf of the Company, transfer deeds and contracts related thereto and receive and pay the price in accordance with the interests of the Company.

5- The Directors shall, jointly or severally, have the power to appoint and dismiss employees and personnel, determine their wages, request and obtain visas and residence and work permits, recruit employees and personnel and transfer their services, issue financial and administrative regulations and all regulations necessary for the business of the Company.

6- The Directors, jointly or severally, shall have the power to sign all types of contracts and documents, including, inter alia, contracts for the incorporation of companies in which the Company participates, along with all their amendments, appendixes and amendment resolutions, and to sign agreements and contracts. They shall also have the power to sell, purchase and mortgage property, transfer and accept transfers, receive, deliver, rent, lease, receive amounts, pay, open bank accounts within the KSA and abroad, open and settle documentary credits, withdraw from and deposit in the Company's accounts with banks within the KSA and abroad, issue bank guarantees of all kinds and sign all papers, documents, checks and all banking transactions. The Directors shall, jointly or severally, have the power to enter into commitments, loans or financial facilities of any duration.

7- The Directors shall, jointly or severally, have the power to issue legal powers of attorney and may, jointly or severally, in cases determined by Board, discharge the Company's debtors.

8- The Directors have, jointly or severally, the right, within the limits of their competence, to authorize one or more members of the Board or third parties to carry out specific works or activities. However, the Directors are not entitled to donate any of the Company's funds except within the limits prescribed by the laws and regulations in force in the KSA.

In addition to the above, the Board shall have all the responsibilities and powers set out in Chapters 2 and 3 of the CGRs.

### 5.2.4 Responsibilities and Duties of the Chairman and Vice Chairman of the Board

Pursuant to the Company's Bylaws, the Chairman or the Vice Chairman of the Board of Directors shall be competent with regard to representing the Company in its relations with third parties, before the judiciary, government and private entities, any third parties, the notary public, courts, the Committee for the Settlement of Securities Disputes, dispute resolution committees of all kinds, arbitration panels, civil rights departments, police stations, chambers of commerce and industry, private bodies and companies and institutions of all kinds, issuing legal powers of attorney, appointing attorneys and lawyers and dismissing them, claiming and filing lawsuits, pleading and defending, hearing lawsuits and responding to them, acknowledging, denying, conciliating, assigning, acquitting, filing lawsuits and actions, litigating, defending, appearing in hearings and responding to them, accepting and denying judgments, making settlements and assignments, managing affairs, requesting oaths, submitting and rejecting corresponding requests, summoning witnesses, challenging and responding to them and amending their testimonies, challenging accusations of fraud, requesting a travel ban and lifting of such ban, requesting the application of Article 230 of the Civil Procedures Law, requesting execution, accepting and appealing judicial judgments, completing the procedures required to attend hearings, receiving checks and judgments with respect to all cases before all courts of all kinds, signing all types of contracts and documents, including, inter alia, the articles of association of companies in which the Company participates, along with all their amendments and appendixes, signing agreements, deeds and transfers before notaries and official entities, and loan agreements with government financing funds and institutions, banks, authorized persons, brokerage companies, financial institutions, guarantees, sureties and mortgages and release of the same, collecting the Company's dues and paying its obligations, selling, purchasing, transferring and accepting transfers, receiving, delivering, renting, leasing, receiving amounts, paying, entering into tenders, appointing employees, contracting with them, determining their salaries and dismissing them, requesting visas, recruiting employees and personnel from abroad, issuing residence and work permits and transferring and assigning sponsorships. They shall carry out all other tasks entrusted to them by the Board and the Bylaws, and may delegate some or all of their powers to other Directors or third parties to carry out a task or tasks specified by a written resolution or power of attorney.

Moreover, the Chairman or the Vice Chairman of the Board of Directors shall lead the Board and effectively supervise the work flow and performance of competencies. In particular, the duties and competencies of the Chairman shall include the following:

1- The Chairman shall preside over Board meetings and manage, control and direct such meetings. The Vice Chairman shall act in place of the Chairman.

2- General Assemblies shall be presided over by the Chairman, or the Vice Chairman in the absence of the Chairman, or any Director designated by the Board in the absence of both the Chairman and Vice Chairman.

3- The Chairman of the Board shall invite the Board to meet at the written request of any Director to discuss one or more topics.

4- The Chairman of the Board may propose the issuance of a General Assembly resolution to be presented to the shareholders without convening a meeting, unless any of the shareholders submits a written request to hold a General Assembly meeting to deliberate the matter. However, for the issuance of General Assembly resolutions related to the election and dismissal of the Company's Directors, the appointment and dismissal of the Company's auditor, if any, and the review and discussion of the financial statements for the previous financial year, the General Assembly must be convened in accordance with the relevant provisions.

### 5.2.5 Responsibilities and Duties of the Board Secretary

The Board of Directors shall appoint a Secretary to the Board and shall determine their competencies and remuneration. The Secretary shall be responsible for all administrative work of the Board, its meetings and the committees emanating therefrom. According to the Corporate Governance Manual, the Board Secretary shall have the following competencies:

- Recording and preparing minutes for Board meetings, including the discussions and deliberations that took place in the meetings, mentioning the location, date and start and end time of the meeting and recording the Board's resolutions and voting results, maintaining the minutes in a special and organized register, recording the names of the Directors present and the reservations and instructions expressed by them, if any, and having such minutes signed by the Board Chairman after being approved by the Directors present.
- Notifying the Directors of the dates of Board meetings with sufficient advance notice.
- Organizing a record of disclosures of the Directors and the Executive Management.
- Providing the Directors with the Board's agenda, working papers, relevant documents and information and any additional documents or information required by any Director in relation to the topics included in the meeting agenda.
- Verifying that the Directors adhere to the procedures approved by the Board.
- Coordinating between the Directors.
- Providing assistance and advice to the Directors.
- Presenting draft minutes to the Directors and providing their views thereon prior to signature thereof.
- Ensuring that the Directors have full and prompt access to a copy of the minutes of Board meetings and the information and documents related to the Company.
- Saving the reports submitted to and prepared by the Board.

## 5.3 Senior Executives

### 5.3.1 Overview of the Group Management

The Executive Management consists of qualified and experienced members who have the necessary knowledge and experience to manage the Group's business, in line with the objectives and directives of the Board of Directors.

The following table shows the names and details of the Group's Senior Executives and their ownership in the Company as of the date of this Prospectus.

**Table (5.10): Details of Senior Executives**

| | Name | Position | Nationality | Age | Appointment Date | Number of Shares Owned Pre-Offering | Number of Shares Owned Post-Offering |
|---|---|---|---|---|---|---|---|
| 1- | Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq | Group CEO | Egyptian | 54 years | 01 January 2012G | 5.89%[30] | 3.95% |
| 2- | Hussein Mohammed Abdul Salam Hassan Badawy | CFO | Egyptian | 36 years | 01 February 2016G | N/A | N/A |
| 3- | Wissam Hamed Morsi Ibrahim Al Adani | CTO | Egyptian | 49 years | 06 June 2022G | N/A | N/A |
| 4- | Manoj Ganesh Bermash | CHRO | Egyptian | 50 years | 01 January 2023G | N/A | N/A |
| 5- | Ahmed Mohamed Abdel Hadi Othman | Chief Commercial and Strategy Officer | Egyptian | 46 years | 01 May 2022G | N/A | N/A |
| 6- | Mahdy Hammal | Global Director of Safety, Health, Environment and Risk Management | Egyptian | 47 years | 27 March 2022G | N/A | N/A |

30 Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq indirectly owns 5.89% of the shares of the Company before the Offering, through his ownership of 10% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares, and his ownership of 100% of Misk Holding Ltd., which owns 4.4% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares.

| | Name | Position | Nationality | Age | Appointment Date | Number of Shares Owned Pre-Offering | Number of Shares Owned Post-Offering |
|---|---|---|---|---|---|---|---|
| 7- | Morcos William Faltaous Ekladious | General Counsel of Legal Affairs for the Group | Egyptian | 40 years | 01 July 2015G | N/A | N/A |
| 8- | Mohammed Saad Khalil Al Sira | Vice Chairman of the Company for Asset Management | Egyptian | 47 years | 01 September 2015G | N/A | N/A |
| 9- | Ammar Abbas | Vice Chairman of the Company for Supply Chain Management | American | 48 years | 10 August 2023G | N/A | N/A |
| 10- | Montaser Mohamed Samy Abdulrahman Naguib | Vice Chairman of the Company in Saudi Arabia | Egyptian | 49 years | 01 January 2022G | N/A | N/A |

Source: The Company

### 5.3.2 Summary Biography of the Senior Executives

**Table (5.11): Summary Biography of Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq – Group CEO**

Please refer to Section 5.2.2 ("**Summary Biographies of the Directors and Secretary**") for further details regarding Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq's experience, qualifications and current and previous positions.

**Table (5.12): Summary Biography of Hussein Mohammed Abdul Salam Hassan Badawy – Group CFO**

| | |
|---|---|
| **Name** | Hussein Mohammed Abdul Salam Hassan Badawy |
| **Age** | 36 years |
| **Nationality** | Egyptian |
| **Current Position** | CFO |
| **Academic Qualifications** | Bachelor's degree in International Business Administration, Sadat Academy for Administrative Sciences, Egypt, in cooperation with the University of New Brunswick, Canada, in 2008G. |
| **Other Current Positions** | • Director, Emerald Driller Company, a limited liability company in the Cayman Islands operating in the drilling field, from 2022G to present.<br>• Director, ADES Egypt, an Egyptian joint stock company operating in the petroleum services field, from 2021G to present.<br>• Director, Compass Capital Financial Investments, an Egyptian joint stock company operating in the financial services field, from 2020G to present.<br>• Chairman of the Audit Committee, Compass Capital Financial Investments, an Egyptian joint stock company operating in the financial services field, from 2018G to present.<br>• Member of the Risk Committee, Compass Capital Financial Investments, an Egyptian joint stock company operating in the financial services field, from 2018G to present.<br>• CFO, ADES Group, a closed joint stock company operating in the energy field, from 2016G to present. |
| **Previous Positions** | Senior Relationship Manager at the Corporate and Investment Banking Group, Arab International Bank, a company established in accordance with an international agreement between the governments of the Arab Republic of Egypt, the Libyan Arab Republic, the Sultanate of Oman, the State of Qatar and the United Arab Emirates, operating in the banking field, from 2009G to 2016G. |

Source: The Company

**Table (5.13): Summary Biography of Wissam Hamed Morsi Ibrahim Al Adani – CTO**

| | |
|---|---|
| **Name** | Wissam Hamed Morsi Ibrahim Al Adani |
| **Age** | 49 years |
| **Nationality** | Egyptian |
| **Current Position** | CTO |
| **Academic Qualifications** | • Master's degree in Financial and Operational Management, American University in Cairo, Egypt, 2003G.<br>• Bachelor's degree in Electronics and Communications Engineering, Ain Shams University, Egypt, 1995G. |
| **Other Current Positions** | N/A |
| **Previous Positions** | • CTO, United Nations, a government entity operating in the human rights field, from January 2021G to December 2021G.<br>• CTO, GB Auto Company, a listed company operating in the automation field, from 2014G to 2021G.<br>• CTO, Americana International Restaurants PLC, a company listed in the UAE and Saudi Arabia operating in the consumer services field, from 2010G to 2014G.<br>• Director, Americana International Restaurants PLC, a company listed in the UAE and Saudi Arabia operating in the consumer services field, from 2010G to 2014G.<br>• CTO, Lafarge Company, a listed company operating in the building materials field, from 2007G to 2010G.<br>• Director, Cairo Feed Company, an Egyptian closed joint stock company operating in the manufacturing field, from 2008G to 2009G.<br>• CTO, Americana International Restaurants PLC, a company listed in the UAE and Saudi Arabia and operating in the consumer services field, from 2001G to 2007G.<br>• CTO, GSK PLC, a listed company operating in the pharmaceutical field, from 1995G to 2001G. |

Source: The Company

**Table (5.14): Summary Biography of Manoj Ganesh Barmash – CHRO**

| | |
|---|---|
| **Name** | Manoj Ganesh Bermash |
| **Age** | 50 years |
| **Nationality** | Indian |
| **Current Position** | CHRO |
| **Academic Qualifications** | • Certificate of the Executive Master's Program in Public Administration, MIT Sloan University, USA, 2016G.<br>• Certificate of the Graduate Program in Public Administration, Indian Institutes of Management, India, 2006G.<br>• Graduate Diploma in Personnel Management, National Institute of Personnel Management, India, 1996G.<br>• Bachelor's degree in Physics, University of Calicut, India, 1994G. |
| **Other Current Positions** | N/A |

| | |
|---|---|
| **Previous Positions** | • Head of Services and Pilot Projects in Human Resources, Weatherford International, an American listed joint stock company, UAE, operating in the oil services field, from 2022G to 2022G.<br>• Head of HR Department, Al Nahda Services Company, an Omani listed joint stock company operating in the integrated facilities management field, from 2018G to 2021G.<br>• Head of HR Department, Weatherford Drilling International, a UAE-based subsidiary of Weatherford Drilling International, listed on the New York Stock Exchange and operating in the drilling contracting field, from 2013G to 2013G.<br>• Vice Head of HR Department, Weatherford Drilling International, a UAE-based subsidiary of Weatherford Drilling International, listed on the New York Stock Exchange and operating in the drilling contracting field, from 2013G to 2013G.<br>• Head of HR Department, Training and Talent Acquisition, Weatherford Oil Tool Middle East Limited, a limited liability company in the UAE and a subsidiary of Weatherford Drilling International, listed on the New York Stock Exchange, and operating in the oil services field, from 2012G to 2013G.<br>• Head of HR Operations Outside the Region, Reliance Industries Limited, a joint stock company listed in India operating in the oil exploration and production field, from 2011G to 2012G.<br>• Head of HR in the Region, Weatherford GmbH, an Algerian-based company operating in the oil services field, from 2010G to 2011G.<br>• Regional Director of HR, Weatherford Oil Tool Middle East Limited, a limited liability company, India, operating in the oil services field, from 2005G to 2010G.<br>• Head of HR, Vallabhdas Kanji Limited, a limited liability company, India, operating in the food field, from 2000G to 2005G.<br>• Assistant Head of HR, Thejo Engineering Limited, a joint stock company listed in India operating in the engineering services field, from 1996G to 2000G. |

Source: The Company

**Table (5.15): Summary Biography of Ahmed Mohamed Abdel Hadi Othman – Chief Commercial and Strategy Officer**

| | |
|---|---|
| **Name** | Ahmed Mohamed Abdel Hadi Othman |
| **Age** | 46 years |
| **Nationality** | Egyptian |
| **Current Position** | Chief Commercial and Strategy Officer |
| **Academic Qualifications** | Bachelor's degree in Civil Engineering, Cairo University, Egypt, 2001G. |
| **Other Current Positions** | N/A |
| **Previous Positions** | • Regional Marketing Manager, Shelf Drilling Co., a joint stock company listed in the UAE operating in the drilling field, from April 2012G to December 2012G.<br>• Regional Marketing Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from April 2012G to November 2012G.<br>• HR Special Projects Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from 2011G to 2012G.<br>• Projects Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from 2010G to 2011G.<br>• Safety Development Program Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from 2009G to 2010G.<br>• Drilling Platform Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from January 2009G to September 2009G.<br>• Regional Contracts Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from 2004G to 2008G<br>• Rig builder, Global Santa Fe, a listed joint stock company in the USA operating in energy the field, from 2001G to 2008G. |

Source: The Company

**Table (5.16): Summary Biography of Mahdy Hammal – Global Director of Safety, Health, Environment and Risk Management**

| | |
|---|---|
| **Name** | Mahdy Hammal |
| **Age** | 47 years |
| **Nationality** | Algerian |
| **Current Position** | Global Director of Safety, Health, Environment and Risk Management |
| **Academic Qualifications** | • Master's degree in Geophysics Engineering, University of Science and Technology – Houari Boumediene, Algeria, 2000G.<br>• Bachelor's degree in Earth Sciences, University of Science and Technology – Houari Boumediene, Algeria, 1997G. |
| **Other Current Positions** | N/A |
| **Previous Positions** | • Director of Quality, Health, Safety, Security and Environment Department, Saudi Aramco Rowan Offshore Drilling Company, a Saudi mixed limited liability company operating in the drilling and energy field, from 2019G to 2021G.<br>• Senior Geophysicist, Schlumberger Ltd. (SLB), a private company listed in the USA operating in the oil services field, from 2002G to 2009G.<br>• Director of Quality, Health, Safety, Security and Environment Department, Schlumberger Ltd. (SLB), a private company listed in the USA operating in the oil services field, from 2002G to 2009G.<br>• Supply Chain Operations Manager, Schlumberger Ltd. (SLB), a private company listed in the USA operating in the oil services field, from 2002G to 2009G. |

Source: The Company

**Table (5.17): Summary Biography of Morcos William Faltaous Ekladious – Chief Legal Officer of the Group**

See Section 5.2.2 ("**Summary Biographies of the Directors and Secretary**") for further details regarding Morcos William Faltaous Ekladious' experience, qualifications and current and previous positions.

**Table (5.18): Summary Biography of Mohammed Saad Khalil Al Sira – Vice Chairman for Asset Management**

| | |
|---|---|
| **Name** | Mohammed Saad Khalil Al Sira |
| **Age** | 47 years |
| **Nationality** | Egyptian |
| **Current Position** | Vice Chairman of the Company for Asset Management |
| **Academic Qualifications** | Bachelor's degree in Mechanical Power Engineering, Faculty of Engineering, Benha University, Benha, Egypt, 1998G. |
| **Other Current Positions** | • Deputy Director of Asset Management, Advanced Energy Services Co., an Egyptian Company operating in the field of energy, from 2015G to present. |
| **Previous Positions** | • Asset Manager, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from 2012G to 2015G.<br>• Mechanical Supervisor, Transocean Ltd., a joint stock company listed in the USA operating in the energy field, from 2000G to 2012G. |

Source: The Company

**Table (5.19): Summary Biography of Ammar Abbas – Vice Chairman of the Company for Supply Chain Management**

| | |
|---|---|
| **Name** | Ammar Abbas |
| **Age** | 48 years |
| **Nationality** | American |
| **Current Position** | Vice Chairman of the Company for Supply Chain Management |
| **Academic Qualifications** | Bachelor's degree in Economics, Accounting and Business Administration, University of Aleppo, Syria, 1997G. |
| **Other Current Positions** | N/A |
| **Previous Positions** | • Director of Supply Chain Management, National Energy Services Reunited Corp., a company listed on the NASDAC stock exchange in the USA, operating in the oil sector, from 2020G to 2023G.<br>• Vice Chairman of Supply Chain Management for North America, Schlumberger Technology Corp., a joint stock company in the USA operating in the oil sector, from 2017G to 2022G.<br>• Director of Product Planning and Transformation, Schlumberger Technology Corp., a joint stock company in the USA operating in the oil sector, from 2014G to 2017G.<br>• Director of Logistics Services for Europe and Africa, Service Technology Schlumberger, a simple joint stock company in France operating in the oil sector, from 2009G to 2014G.<br>• Director of Supply Chain Services for the Kingdom of Saudi Arabia, Kuwait, Bahrain and Pakistan, Schlumberger Middle East SA, a Saudi limited company operating in the oil sector, from 2005G to 2009G.<br>• Director of Supply Chain Services for Oman, Schlumberger Ltd. (SLB), an Omani public limited company operating in the oil sector, from 2004G to 2005G.<br>• Supervisor of Supply Chain Management, Sedco Forex, Schlumberger Ltd. (SLB), a UAE public limited company operating in the oil sector, from 1998G to 2004G. |

Source: The Company

**Table (5.20): Summary Biography of Montaser Mohamed Samy Abdulrahman Naguib – Vice Chairman of the Company in Saudi Arabia**

| | |
|---|---|
| **Name** | Montaser Mohamed Samy Abdulrahman Naguib |
| **Age** | 49 years |
| **Nationality** | Egyptian |
| **Current Position** | Vice Chairman of the Company in Saudi Arabia |
| **Academic Qualifications** | Bachelor's degree in Mechanical Engineering, American University in Egypt, 1996G. |
| **Other Current Positions** | N/A |
| **Previous Positions** | • Vice President for Global Integrated Production Services, Schlumberger Ltd. (SLB), a private company listed in the USA operating in the oil services field, from 2016G to 2020G.<br>• Vice President for Well Services - Middle East and Asia, Schlumberger Ltd. (SLB), a private company listed in the USA operating in the oil services field, from 2013G to 2016G |

Source: The Company

### 5.3.3 Declarations of the Directors, Senior Executives and Board Secretary

The Directors, Senior Executives and Board Secretary declare the following:

1- None of them have ever been declared bankrupt or subject to bankruptcy proceedings.

2- No insolvency has been declared during the previous five years for a company in which any of the Directors, proposed directors, Senior Executives or Board Secretary were appointed to an administrative or supervisory position.

3- Except as disclosed in Section 5.5.2 ("**Interests of the Directors, Senior Executives and the Board Secretary in the Shares or Debt Instruments of the Company and its Subsidiaries**"), none of the Directors, proposed directors, Senior Executives, Secretary or any of their relatives have any direct or indirect interest in the shares or debt instruments of the Company and its Subsidiaries or any interest in any other matter that could affect the business of the Company.

## 5.4 Remuneration and Compensation of the Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors and all benefits they receive shall be set pursuant to the resolution on the appointment of the Directors or the internal Corporate Governance Manual approved by the Company's General Assembly. This is in accordance with the official resolutions and instructions issued by the competent authorities in this regard and within the framework of the provisions stipulated in the Companies Law, the Implementing Regulations of the Companies Law and the CGRs. The Board's report to the General Assembly must include a comprehensive statement of all remuneration, expense allowances and other benefits received by the Directors during the financial year. It shall also include a statement of the amounts received by the Directors as employees or managers or amounts they received for technical, administrative or advisory works. In addition, the report shall include a statement of the number of Board meetings and the number of meetings attended by each Director from the date of the last General Assembly meeting.

Directors' remuneration shall be a specific amount or an allowance for attendance of meetings, in-kind benefits, or a specific percentage of the net profits. It is permissible to combine two or more of these benefits as determined by the remuneration policy approved by the General Assembly. No remuneration has been paid to the Directors as of the date of this Prospectus (except as disbursed to them in their capacities as Group executives, as set forth below).

The table below shows the total remuneration paid by the Company and its Affiliates to the Directors and the top five Senior Executives. Such remuneration includes salaries, benefits and allowances for the financial years ended 31 December 2020G, 2021G and 2022G.

**Table (5.21): Board Remuneration and Top Five Senior Executives Including the CEO and CFO**

| | Financial Year Ended 31 December 2020G | Financial Year Ended 31 December 2021G | Financial Year Ended 31 December 2022G |
|---|---|---|---|
| Directors* | Nil | Nil | Nil |
| Senior Executives* | **19,336,330 | 6,923,925 | 11,054,166 |

Source: The Company

* Including amounts received in connection with their positions in the Company. It also includes the Chairman in his capacity as an executive during the mentioned periods.

** Including an amount of SAR 11,044,299 that was granted to a Senior Executive by way of shares equivalent to such amount in one of the Group companies in 2020G, noting that the concerned person disposed of the shares before the date of this Prospectus.

None of the Directors receive any in-kind benefits. Senior Executives receive medical and life insurance according to the Group's policies, and certain Senior Executives receive a transportation, accommodation and car allowance.

It should be noted that the Directors, Senior Executives and Board Secretary do not have the right to vote on any matters relating to the remuneration granted to them, nor do they have any authority to borrow from the Company or to vote on a contract or arrangement in which they have an interest.

## 5.5 Conflicts of Interest

The Company's Bylaws and internal regulations and policies do not provide any powers that enable any Director to vote on a contract, business or an offer in which they have a direct or indirect interest. This is in accordance with Article 71 and Article 27 of the Companies Law, which also provides that Directors may not have a direct or indirect interest in the business and contracts made for the Company's account except with an authorization from the Ordinary General Assembly, the shareholders, or their delegates. In addition, Article 27 of the Companies Law prohibits Directors from participating in any business that would compete with the Company, or to compete with the Company in any branches of the Company's activity, except with authorization from the General Assembly, the shareholders, or their delegates.

Pursuant to Article 71 of the Companies Law, Directors must disclose and notify the Board of Directors of their personal interests in business and contracts made for the Company's account, or if they have an interest in competing with the Company. Such notification shall be recorded in the minutes of the meeting of the Board upon convening. The Board of Directors shall notify the Ordinary General Assembly of the business and/or contracts in which a Director has a direct or indirect interest and such notification shall be accompanied by a special report from the Company's Auditor prepared according to the auditing standards recognized in the KSA.

A Director who has a direct or indirect interest in the business and contracts made for the Company's account may not participate in the deliberations or vote on the resolutions issued in respect of such contracts and business.

The Company has developed and implemented a clear written policy to address conflicts of interest and dealings with Related Parties which accounts for the size of the Company, the nature of its business and its internal organization, in order to ensure that there is a clear mechanism for identifying conflicts of interest and competing interest cases and cases in which the approval of the General Assembly must be sought. Such policy sets out strict procedures that aim to comply with the general rules under the Companies Law, the CGRs, the Regulatory Controls Relating to Listed Joint Stock Companies and other relevant requirements. The Board of Directors approved the policy on conflicts of interest and dealings with Related Parties on 03/08/1444H (corresponding to 23 February 2023G), and the approval of the General Assembly was obtained during its meeting held on 17/10/1444H (corresponding to 07/05/2023G).

### 5.5.1 Interests of the Directors and Senior Executives in Contracts and Agreements entered into by the Company and Subsidiaries

As of the date of this Prospectus, neither the Directors nor the Senior Executives have any interest, whether direct or indirect, in the contracts and agreements entered into by the Company or its Subsidiaries.

### 5.5.2 Interests of the Directors, Senior Executives and the Board Secretary in the Shares or Debt Instruments of the Company and its Subsidiaries

The table below shows the direct and indirect interests of each of the Directors, Senior Executives and Board Secretary in the shares of the Company or its Subsidiaries.

**Table (5.22): Interests of the Directors and Senior Executives in the Company's Shares**

| Name (Title) | Shareholding Percentage | Description |
|---|---|---|
| Ayman Mamdouh Mohamed Fathi Abbas (Chairman) | 6.99% (indirectly) | Ayman Mamdouh Mohamed Fathi Abbas indirectly owns 6.99% of the shares of the Company before the Offering, through his ownership of 20% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares. |
| Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq (Vice Chairman and Group CEO) | 5.89% (indirectly) | Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq indirectly owns 5.89% of the shares of the Company before the Offering, through his ownership of 10% of Intro Investments Holding Ltd., which owns 64.1% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares, and his ownership of 100% of Misk Holding Ltd., which owns 4.4% of the shares of ADES Investments Holding, which in turn owns shares representing 54.5% of the Company's shares. |

**Table (5.23): Interests of the Directors and Senior Executives in the Shares of the Company's Subsidiaries**

| Name (Title) | Subsidiary | Shareholding Percentage | Description |
|---|---|---|---|
| Ayman Mamdouh Mohamed Fathi Abbas (Chairman) | ADES Egypt | Two shares equivalent to 0.0000006250% of the capital | Directors have ownership in the Subsidiary solely for the purpose of meeting the requirements of the laws in force in Egypt. |
| | Prime Innovations for Trade SAE | One share equivalent to 0.001% of the capital | Directors have ownership in the Subsidiary solely for the purpose of meeting the requirements of the laws in force in Egypt. |
| Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq (Vice Chairman and Group CEO) | ADES Egypt | One share equivalent to 0.0000003125% of the capital | Directors have ownership in the Subsidiary solely for the purpose of meeting the requirements of the laws in force in Egypt. |

Except as disclosed above in this section, none of the Directors, Senior Executives or the Board Secretary have any direct or indirect interest in the shares or debt instruments of the Company or its Subsidiaries or in any other matter that may affect the Company's business. It is worth noting that relatives of the Directors have no direct or indirect interest in the shares or debt instruments of the Company or its Subsidiaries or in any other matter that may affect the Company's business. For the purposes of this Section 5.5.2 ("**Interests of the Directors, Senior Executives and the Board Secretary in the Shares or Debt Instruments of the Company and its Subsidiaries**"), the definition of a relative includes a Director's husband, wife and minor children.

### 5.5.3 Business of Directors Competing with the Company

As at the date of this Prospectus, none of the Directors engage in any business competing with or similar to the Company's business.

Based on the above, the Board of Directors declares and confirms that each Director shall:

1- Comply with Articles 27 and 71 of the Companies Law and Chapter 6 of the CGRs.
2- Refrain from voting on resolutions of the Board of Directors or the General Assembly related to business, contracts and transactions concluded with Related Parties that are carried out for the Company's account if they have a direct or indirect interest in such business or contracts or have a direct or indirect competitive interest in them.
3- Not participate in any business that would compete with the Company or compete with the Company in one of the branches of the activity it undertakes except with authorization from the Ordinary General Assembly pursuant to the provisions of Article 27 of the Companies Law.
4- Ensure that all future business and contracts, including those in which a Director has an interest, are concluded in accordance with the provisions of the CGRs and the regulatory controls and procedures issued in implementation of the Companies Law and that they do not include preferential terms for a Director and are entered into on an arm's length basis similar to all ordinary transactions and contracts with other third-parties.

## 5.6 Contracts entered into with Directors and Senior Executives

### 5.6.1 Contracts entered into with Directors

As at the date of this Prospectus, no contracts have been entered into with the Directors except for employment contracts concluded with certain members holding executive positions in the Group.[31]

### 5.6.2 Contracts entered into with Senior Executives

The Group has entered into employment contracts with all members of the executive management, whether directly with the Company or through its wholly owned Subsidiaries (ADES Egypt and ADES International). These contracts stipulate their salaries and remuneration according to their qualifications and experiences and include a number of benefits such as a monthly transportation allowance and/or housing allowance. These contracts are renewable. As at the date of this Prospectus, most of the Senior Executives have entered into contracts with the Subsidiaries, since the Company operates as a holding company and the Group operates through the Subsidiaries in numerous countries, thus the Senior Executives operate at the Group level. The Company has also entered into a service agreement with each of these Subsidiaries governing the service relationship provided by each of the Group's Senior Executives, including the transfer of employees between Group companies, if necessary. The Company confirms the following:

a- The employment contracts of each Senior Executive expressly state the possibility of transferring the employee to any of the Group companies (including the Company) to fulfil their duties.
b- Each employee is duly registered in the country in which the relevant subsidiary operates, including with social security.
c- Employees are residents of the country in which they are registered, do not work in other countries for extended periods and do not perform any work that may lead to being considered an employee of another company or in another country, subject to the labour regulations in force.

31 It should be noted that the Chairman has concluded an employment contract with one of the Company's Subsidiaries (ADES International) as Executive Chairman of the Board. The Company is currently working on reviewing this contract and amending its conditions in accordance with the Authority's regulations.

The table below provides a brief overview of the employment contracts with Senior Executives:

**Table (5.24): Summary of the Employment Contracts of the CEO, CFO and Senior Executives**

| Name | Title | Contracting Entity | Domicile | Contract Date** | Contract Term |
|---|---|---|---|---|---|
| Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq | CEO of the Group | ADES Saudi* | KSA | 30 September 2021G | Indefinite |
| Hussein Mohammed Abdul Salam Hassan Badawy | CFO | ADES Saudi* | KSA | 30 September 2021G | Indefinite |
| Wissam Hamed Morsi Ibrahim Al Adani | CTO | The Company | KSA | 06 June 2022G | One year, automatically renewed |
| Manoj Ganesh Bermash | CHRO | ADES International | UAE | 01 January 2023G | One year, automatically renewed |
| Ahmed Mohamed Abdel Hadi Othman | Chief Commercial and Strategy Officer | ADES International | UAE | 01 May 2022G | One year, automatically renewed |
| Mahdy Hammal | Global Director of Safety, Health, Environment and Risk Management | The Company | KSA | 27 March 2022G | One year, automatically renewed |
| Morcos William Faltaous Ekladious | General Counsel of Legal Affairs for the Group | ADES Egypt | Egypt | 01 July 2015G | Indefinite |
| Mohammed Saad Khalil Al Sira | Vice Chairman of the Company for Asset Management | ADES Saudi* | KSA | 22 December 2022G | Indefinite |
| Ammar Abbas | Vice Chairman of the Company for Supply Chain Management | The Company | KSA | 10 August 2023G | One year, automatically renewed |
| Montaser Mohamed Samy Abdulrahman Naguib | Vice Chairman of the Company in Saudi Arabia | ADES Saudi* | KSA | 19 January 2022G | One year, automatically renewed |

* The Company is currently working on transferring the employment contracts of Senior Executives from ADES Saudi to the Company.

** Shows the date the employment contract was entered into with the aforementioned entity. Please refer to Table 5.10 (“**Details of Senior Executives**”) of this Prospectus for the date of appointment to the position.

Source: The Company

## 5.7 Board Committees and Responsibilities

The Company’s Board has a number of committees that contribute to the effective performance of the Company’s functions in addition to meeting the relevant regulatory requirements. These committees have been formed by the Board of Directors and consist of the Executive Committee, the Nomination and Remuneration Committee and the Audit Committee.

### 5.7.1 Audit Committee

In accordance with the CGRs, the Audit Committee was formed pursuant to Board Resolution No. 4 dated 17/08/1444H (corresponding to 09/03/2023G). The Audit Committee’s charter has been drafted and was approved by the Board of Directors on 03/08/1444H (corresponding to 23/02/2023G) and by the Extraordinary General Assembly on 17/10/1444H (corresponding to 07/05/2023G).

The current Audit Committee consists of three non-executive and non-Board members appointed by the Company’s Board of Directors. According to the Audit Committee’s charter, the term of membership on the Committee is four (4) years, which may be extended subject to the approval of the Board of Directors. The Audit Committee monitors the Company’s business and verifies the integrity and soundness of its reports, financial statements and internal control systems. The tasks of the Audit Committee include the following:

### 5.7.2 Preparation of Financial Reports

The Committee is responsible for monitoring and ensuring the integrity and correctness of the Company's financial statements and reviewing any financial information contained in other documents. As part of its regular duties, the Committee reviews the following issues:

1- Examining the initial and annual financial statements of the Company before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
2- Providing a technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy.
3- Studying any important or unfamiliar issues contained in the financial reports.
4- Accurately investigating any issues raised by the Company's CFO or any person assuming his/her duties or the Company's compliance officer or Auditor.
5- Verifying accounting estimates with respect to significant matters contained in the financial reports.
6- Studying the accounting policies adopted by the Company and expressing an opinion and providing recommendations to the Board in this regard.

### 5.7.3 Internal Audit

The Committee undertakes tasks related to internal audit, which include the following:

1- Examining and reviewing the Company's internal and financial control and risk management systems.
2- Analysing the internal audit reports and following up the implementation of the corrective measures with respect to the remarks made in such reports.
3- Monitoring and supervising the performance and activities of the Company's internal auditor and Internal Audit Department to verify the availability of the necessary resources and their effectiveness in performing the duties and tasks assigned thereto.
4- Providing recommendations to the Board on the appointment of the director of the Internal Audit Unit or Department or the internal auditor, and suggesting their remuneration.

### 5.7.4 Auditor

The Committee undertakes tasks related to the Auditor, which include the following:

1- Providing recommendations to the Board on the nomination and dismissal of auditors, determining their remuneration and assessing their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2- Verifying the independence, objectivity and fairness of the Auditor and the effectiveness of auditing activities, taking into account the relevant rules and standards.
3- Reviewing the Auditor's action plan and activities, verifying that no technical, administrative or advisory work was submitted outside the scope of the audit works and providing its opinions in this regard.
4- Answering the inquiries of the Company's Auditor.
5- Studying the auditor's report and notes on the financial statements and following up on steps taken in this regard.

### 5.7.5 Ensuring Compliance

The Committee undertakes tasks related to ensuring compliance, which include the following:

1- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
2- Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
3- Reviewing proposed Related Party contracts and transactions and providing its recommendations to the Board in connection therewith.
4- Reporting any matters it deems necessary to take action on to the Board, and making recommendations for the actions to be taken.

As of the date of this Prospectus, the Audit Committee consists of the following members:

**Table (5.25): Members of the Audit Committee**

| Name | Position |
|---|---|
| Mohamed Walid Sherif | Chairman – Member from outside the Board |
| Ahmed Kurdi | Member from outside the Board |
| Omar Tariq Mohamed Ali Saleh | Member from outside the Board |

Source: The Company

### 5.7.6 Summary Biographies of the Audit Committee Members

An overview of the experience, qualifications and current and previous positions of each member of the Audit Committee is provided below:

**Table (5.26): Summary Biography of Mohamed Walid Sherif – Chairman of the Audit Committee**

| | |
|---|---|
| **Name** | Mohamed Walid Sherif |
| **Age** | 50 |
| **Nationality** | Tunisian |
| **Current Position** | Chairman of the Audit Committee |
| **Date of Appointment** | 09/03/2023G |
| **Academic Qualifications** | • Bachelor's degree in Accounting and Investment from the University of Tunis III, Tunisia, 1993G.<br>• Master's degree in Business Administration, George Washington University, United Kingdom, 1998G. |
| **Other Current Positions** | • Co-founder and Member of the Investment Committee - BluePeak Private Capital GB - a private debt fund operating in the asset management sector in Tunisia, the United Kingdom and Kenya, from 2021G to present.<br>• Founder and General Manager, BluePeak Private Capital GP, a limited partnership company located in Tunisia operating in the asset management field, from 2019G to present. |
| **Previous Positions** | • Director, Carbon Holdings, a private company in Egypt operating in the petrochemical and industrial processing field, from 2017G to 2019G.<br>• Director, iSON Xperiences, a private company in Egypt operating in the management and business field, from 2019G to 2022G.<br>• General Manager and Head of Private Debt Funds, Gulf Capital, a private UAE company operating in the alternative investment management field, from 2011G to 2018G.<br>• Senior Manager and Fund Head, Watani Investment Company, a subsidiary of the National Bank of Kuwait, operating in the investment field, from 2007G to 2011G.<br>• Senior Investment Manager, International Finance Corporation in the USA, a global institution operating in the financial and economic development field, from 1998G to 2007G. |

Source: The Company

**Table (5.27): Summary Biography of Ahmed Kurdi – Member of the Audit Committee**

| | |
|---|---|
| **Name** | Ahmed Khalil Abdul Fattah Kurdi |
| **Age** | 33 |
| **Nationality** | Saudi |
| **Current Position** | Member of the Audit Committee |
| **Date of Appointment** | 09/03/2023G |
| **Academic Qualifications** | • Executive Leadership Program Certificate from the University of California, Berkeley, USA, 2022G.<br>• Certified Financial Analyst Certificate from the Institute for Financial Analysts, 2014G.<br>• Master's degree in Financial Analysis and Fund Management from the University of Exeter, United Kingdom, 2012G.<br>• Bachelor's degree in Accounting and Finance from the University of Aberdeen, United Kingdom, 2011G. |
| **Other Current Positions** | • Head of Equity Research, Securities Investments Department - Middle East and North Africa, PIF, 2021G to present.<br>• Director, Alexandria Container and Cargo Handling Company, an Egyptian joint stock company listed on the EGX, operating in the container field, from 2022G to present.<br>• Director, Abu Qir Fertilizer and Chemical Industries, an Egyptian joint stock company listed on the EGX , operating in the agro-nutrients field, from 2022G to present.<br>• Chairman of the Board of Directors, CFA Society, a non-profit association in the Kingdom of Saudi Arabia, from 2020G to present. |
| **Previous Positions** | • Vice President, Senior Investment Manager, GIB Capital, a subsidiary of Gulf International Bank in the Kingdom of Saudi Arabia operating in the investment field, from 2016G to 2019G.<br>• Equity Research Analyst, HSBC Saudi Arabia, a closed Saudi joint stock company operating in the investment field, from 2012G to 2016G. |

Source: The Company

**Table (5.28): Summary Biography of Omar Tariq Mohamed Ali Saleh – Member of the Audit Committee**

| | |
|---|---|
| **Name** | Omar Tariq Mohamed Ali Saleh |
| **Age** | 40 |
| **Nationality** | Egyptian |
| **Current Position** | Member of the Audit Committee |
| **Date of Appointment** | 09/03/2023G |
| **Academic Qualifications** | • Master's degree in Business Administration, Stanford University, USA, 2014G.<br>• Bachelor's degree in Chemical Engineering, Cairo University, Egypt, 2005G. |
| **Other Current Positions** | CEO of Khazna, a limited liability company in the Arab Republic of Egypt operating in the financial services sector, from 2019G to present. |
| **Previous Positions** | • Regional Director of World Remit, a closed joint stock company in the United Kingdom operating in the financial services field, from 2018G to 2019G.<br>• Assistant of CEO of Strategic Affairs for ADES companies, operating in the petroleum services field, from 2016G to 2018G. |

Source: The Company

## 5.7.7 Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed pursuant to the Board Resolution dated 17/08/1444H (corresponding to 09/03/2023G). The Nomination and Renumeration Committee's charter has been drafted and was approved by the Extraordinary General Assembly on 17/10/1444H (corresponding to 07/05/2023G).

The current Nomination and Remuneration Committee consists of three non-executive Directors and members from outside the Board appointed by the Company's Board of Directors. According to the Nomination and Remuneration Committee's charter, the term of membership on the Committee is four (4) years, subject to extension, the majority of the Committee members must be non-executive and one Committee member must be independent. The responsibilities of the Nomination and Remuneration Committee can be summarized, inter alia, as follows:

1- Proposing clear policies and criteria for membership on the Board of Directors and the Executive Management.
2- Providing recommendations to the Board of Directors for the nomination or re-nomination of its members in accordance with the approved policies and standards, bearing in mind that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
3- Preparing a description of the skills and qualifications required for membership on the Board of Directors and for Executive Management positions.
4- Determining the time that Directors must allocate for Board activities.
5- Undertaking an annual review of the skills and experience required of members of the Board and Executive Management.
6- Ensuring the independence of the independent Directors annually and ensuring that there is no conflict of interest if a Director acts as a director of another company.
7- Providing job descriptions for executive, non-executive and independent members and Executive Management.
8- Determining the strengths and weaknesses of the Board and recommending corrective solutions that serve the interests of the Company.
9- Reviewing the structure, size and composition of the Company's Board (including skills, knowledge, experience and diversity) regularly (at least annually), and presenting appropriate recommendations to the Board (which in turn shall submit recommendations to the General Assembly).
10- Developing the procedures to be followed in the event of a Board or Senior Executive position vacancy.
11- Presenting recommendations to the boards of directors of each Group company in relation to the following:
    a- Drafting of succession plans for executive and non-executive members.
    b- Membership on any Board committee, as applicable, in consultation with the chairmen of such committees.
    c- Any matters related to the continuation of any Board member in their position at any time, including the suspension or termination of the executive member as an employee of the Group, subject to the provisions of related laws and the employment contract.
12- Preparing a clear policy for the remuneration of the members of the Board of Directors and the committees emanating from the Board and the Executive Management, and submission of the same to the Board of Directors for consideration in preparation for approval by the General Assembly, taking into account the adoption of standards related to performance and disclosure, and ensuring implementation thereof.
13- Clarifying the relationship between the bonuses granted and the applicable remuneration policy, and indicating any material deviation from this policy.
14- Periodically reviewing the remuneration policy and evaluating its effectiveness in achieving the desired objectives.
15- Recommending to the Board of Directors the remuneration of the members of the Board of Directors, its committees and the Senior Executives in accordance with the approved policy.

As of the date of this Prospectus, the Nomination and Remuneration Committee is composed of the following members:

**Table (5.29): Members of the Nomination and Remuneration Committee**

| Name | Position |
|---|---|
| Abdulrahman Khalid Abdullah Al Zamil | Chairman – Non-executive member |
| Mohamed Walid Sherif | Member from outside the Board |
| Fadi Adel Mohamed Al Saeed | Non-executive member |

Source: The Company

### 5.7.8 Summary Biographies of the Nomination and Remuneration Committee Members

An overview of the experience, qualifications, and current and previous positions of the members of the Nomination and Remuneration Committee is provided below:

**Table (5.30): Summary Biography of Abdulrahman Khalid Abdullah Al Zamil – Chairman of the Nomination and Remuneration Committee**

Please refer to Section 5.2.2 ("**Summary Biographies of the Directors and Secretary**") for further details on the experience, qualifications, and current and previous positions of Abdulrahman Khalid Abdullah Al Zamil.

**Table (5.31): Summary Biography of Mohamed Walid Sherif – Member of the Nomination and Remuneration Committee**

Please refer to Section 5.7.6 ("**Summary Biographies of the Audit Committee Members**") for further details on the experience, qualifications, and current and previous positions of Mohamed Walid Sherif.

**Table (5.32): Summary Biography of Fadi Adel Mohamed Al Saeed – Member of the Nomination and Remuneration Committee**

Please refer to Section 5.2.2 ("**Summary Biographies of the Directors and Secretary**") for further details on the experience, qualifications, and current and previous positions of Fadi Adel Mohamed Al Saeed.

### 5.7.9 Executive Committee

The Executive Committee was formed pursuant to Board resolution No. 4 dated 17/08/1444H (corresponding to 09/03/2023G). The Executive Committee's charter has been drafted and was approved by the Board of Directors on 03/08/1444H (corresponding to 23/02/2023G).

The current Executive Committee is composed of five members from the Board and from outside the Board who were appointed by the Company's Board of Directors. The term of membership on the Committee is four (4) years, which may be extended. The Committee is competent to perform several duties related to the Company, which generally include:

1- Assisting the CEO in the day-to-day business of the Company.
2- Recommending business development objectives and strategies to the Group, taking into consideration the interests of shareholders, customers, employees and other stakeholders.
3- Monitoring the implementation of the Group's business strategy.
4- Developing and reviewing business objectives and budgets to ensure they are within the agreed Group strategy.
5- Monitoring the Group's expenditure against the approved budget.
6- Ensuring the delegation of appropriate levels of authority to the Group's Executive Management.
7- Reviewing the Group's organizational structure and making recommendations to the Board with regard to changes, as appropriate.
8- Identifying and implementing new business opportunities beyond the current principal activities of the Group, including geographic diversification.
9- Reviewing and submitting recommendations to the Board to allocate resources and ensuring that the Group has sufficient resources.

As of the date of this Prospectus, the Executive Committee is composed of the following members:

**Table (5.33): Members of the Executive Committee**

| Name | Position |
|---|---|
| Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq | Chairman – Executive member |
| Hatem Ahmed Al Sayed Suleiman | Non-executive member |
| Hussein Mohammed Abdul Salam Hassan Badawy | Executive member |
| Sadhak Bindal | Member from outside the Board |
| Abdulrahman Khalid Abdullah Al Zamil | Non-executive member |

Source: The Company

### 5.7.10 Summary Biographies of the Executive Committee Members

The experience, qualifications, and current and previous positions of the members of the Executive Committee are provided below:

**Table (5.34): Summary Biography of Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq – Chairman of the Executive Committee**

Please refer to Section 5.2.2 (“**Summary Biographies of the Directors and Secretary**”) for further details on the experience, qualifications and current and previous positions of Mohamed Farouk Mohamed Abdul Majeed Abdul Khaleq.

**Table (5.35): Summary Biography of Hatem Ahmed Sayed Suleiman – Member of the Executive Committee**

Please refer to Section 5.2.2 (“**Summary Biographies of the Directors and Secretary**”) for further details on the experience, qualifications and current and previous positions of Hatem Ahmed Sayed Suleiman.

**Table (5.36): Summary Biography of Hussein Mohammed Abdul Salam Hassan Badawy - Member of the Executive Committee**

Please refer to Section 5.3.2 (“**Summary Biography of the Senior Executives**”) for further details on the experience, qualifications and current and previous positions of Hussein Mohammed Abdul Salam Hassan Badawy.

**Table (5.37): Summary Biography of Sadhak Bindal – Member of the Executive Committee**

| | |
|---|---|
| **Name** | Sadhak Bindal |
| **Age** | 36 years |
| **Nationality** | Indian |
| **Current Position** | Member of the Executive Committee |
| **Date of Appointment** | 09/03/2023G |
| **Academic Qualifications** | • Bachelor’s degree in Technology, Indian Institute of Technology Kanpur, India, 2008G.<br>• Master’s of Business Administration, Indian Institute of Management (IIM – Kolkata), India, 2014G. |
| **Other Current Positions** | • Director, Cleopatra Hospitals Group, an Egyptian joint stock company listed on the EGX, operating in the health sector, from 2022G to present.<br>• Director, Depa, a public company listed in the UAE operating in the field of contracting, from 2022G to present.<br>• Manager, PIF, a Saudi government fund operating in the field of investment, from 2020G to present. |
| **Previous Positions** | • Portfolio Manager, Meras Investment Company, a private company operating in the investment field in the UAE, from 2017G to 2019G.<br>• Investment Expert, Tata Capital Growth Fund, an investment fund operating in the investment field in India and Singapore, from 2014G to 2017G.<br>• Expert, J.P. Morgan, a limited liability company operating in the investment and finance field in the USA, from 2008G to 2012G. |

Source: The Company

**Table (5.38): Summary Biography of Abdulrahman Khalid Abdullah Al Zamil – Member of the Executive Committee**

Please refer to Section 5.2.2 (“**Summary Biographies of the Directors and Secretary**”) for further details regarding the experience, qualifications and current and previous positions of Abdulrahman Khalid Abdullah Al Zamil.

## 5.8 Corporate Governance

### 5.8.1 Overview

The principal sources for the Company's governance are the CGRs issued by the CMA, certain provisions of the Companies Law and the best practices in corporate governance in the KSA.

The framework of the CGRs regulates the various relationships between the Board of Directors, Executive Directors, shareholders and other stakeholders by establishing rules and procedures to facilitate decision-making processes with the aim of protecting the rights of shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency in the Company's conduct in the context of the Exchange and business environment.

The CGRs also require developing clear methods and procedures for disclosure and transparency, which ensure that the Board of Directors serves the best interests of shareholders and provides a clear and fair image of the Company's financial position and results of operations.

The Company's policy aims to adopt high standards of corporate governance and to apply the CGRs to the Company as of the date of its Listing, noting that the Company currently applies most of the provisions of the CGRs and will be in full compliance with the CGRs as of the date of Listing. The Company believes that its commitment to compliance with the CGRs and other relevant laws and regulations is an important factor in its continued success. The Company will continue to update the internal corporate governance regulations when needed to reflect best practices. The provisions of the CGRs are mandatory, except for those referred to as guiding provisions.

### 5.8.2 Key Corporate Governance Requirements

The CGRs outline the key governance requirements to which the Company adheres and will adhere. These requirements cover, but are not limited to, the following broad areas:

- General rights of shareholders (Articles 4 to 9).
- Rights relating to meetings of the General Assembly (Articles 10 to 15).
- The Board of Directors: its composition, responsibilities and competencies, working procedures and training (Articles 16 to 39).
- Cases of conflicts of interest (Articles 40 to 46).
- The Company committees (Articles 47 to 69).
- Internal controls, external auditors, Company reports and policies, etc. (Articles 70 to 94).

### 5.8.3 The Company's Internal Corporate Governance Manual and Regulations

**On 03/08/1444H (corresponding to 23/02/2023G),** the Board of Directors approved the Company's Internal Corporate Governance Manual.

The Company's Internal Corporate Governance Manual contains provisions relating to the following:

- Shareholders' rights.
- The Board of Directors, including its formation, membership rules, Board meetings, work procedures, competencies, powers and remuneration.
- The Company's committees, including their composition, membership rules, committee meetings, work procedures, competencies, powers and remuneration.
- Control, internal audit and the auditor.
- Organization of the relationship with stakeholders.
- Professional and ethical standards.
- Disclosure and transparency policies.
- The retention of documents.

The Company's Board of Directors also approved, among other policies, the Remuneration Policy, policies, standards and procedures for membership of the Board of Directors and the Conflict of Interest Policy that includes the criteria for the competition of Board members. The General Assembly of the Company approved such policies on 17/10/1444H (corresponding to 07/05/2023G).

### 5.8.4 Compliance with the CGRs

The Company's Board of Directors is composed of nine (9) members (six of whom have been appointed as at the date of this Prospectus) by the Ordinary General Assembly. The Companies Law, the CGRs and the Company's Bylaws and Governance Rules define the duties and responsibilities of the Board of Directors. The term of the Board members' membership shall be a maximum of four (4) years per term. Furthermore, majority of the members of the Company's Board of Directors are non-executive Directors.

As at the date of this Prospectus, the Board of Directors does not include any independent Directors, which does not comply with the requirements of Paragraph 3 of Article 16 of the CGRs, which requires that not less than two members or one-third of the members of the Board, whichever is greater, be independent members. Given that the current Board of Directors (which consists of nine (9) members, six of whom have been appointed), and pursuant to the requirements and criteria set forth in the CGRs, the Company will be obliged to have at least three (3) independent members on the Board of Directors. The Board does not contain this number of independent Directors. Accordingly, the Company is keen to comply with the independence requirements, taking into account the stability of the composition of the Board during the Offering and Listing phase. Thus, the Company undertakes the following:

1- The Board structure will be maintained as is – consisting of six members only – until the Company is listed on the Saudi Stock Exchange in order to ensure the Board's stability during this important period, as the current Board members are familiar with the Company's business.

2- The Company shall commence the required procedures within a period not exceeding sixty (60) days after the Listing of the Company to elect three independent members to the Board who meet the independence requirements to fill the vacant seats on the Board, by opening nominations and then convening the General Assembly in accordance with the statutory standards and procedures followed in this regard, including that the election take place by cumulative voting. None of the shareholders shall have any special rights to appoint or nominate, but will nonetheless have the rights guaranteed by law to all shareholders in this regard.

3- Following the election of the independent members, the Board will appoint an independent member to the Audit Committee and an independent member as the Chairman of the Nomination and Remuneration Committee to meet the requirements set out in the CGRs.

For further details about the Company's undertakings regarding the new Board appointment procedures, please refer to Section 15 ("**Post-Listing Undertakings**") of this Prospectus.

Based on the foregoing, the cumulative voting method will allow each shareholder, including Subscribers to the Offer Shares, to participate in the election of new members, whereby each shareholder shall have the right to use all their voting rights for one candidate or to divide their voting rights among their selected candidates without any double votes. This method increases the chances of minority shareholders appointing their representatives to the Board of Directors by exercising the cumulative voting rights available to them in favour of one candidate.

Except as mentioned above with regard to the independence of the Directors, the Company currently adheres to the mandatory governance requirements that apply to joint stock companies in the KSA, except for the provisions that are mandatory only in relation to listed companies and therefore do not apply to the Company currently due to it not yet being listed on the Saudi Stock Exchange. However, the Company will apply and comply with such provisions as of the date of Listing the Company's shares on the Exchange. These requirements include the following provisions set forth in the CGRs:

- Article 8(a) with respect to announcing information regarding the nominees for Board membership on Tadawul's website when calling for the General Assembly.
- Article 8(b) with respect to the limitation of voting in the General Assembly to the Board nominees whose information has been announced in accordance with Article 8(a).
- Article 13(d) with respect to the publication of the invitation to the General Assembly on the websites of Tadawul and the Company.
- Article 13(e) with respect to amending the agenda of the General Assembly during the period between the publication of the announcement referred to in Article 13(d) and the date of convening the General Assembly meeting.
- Article 14(c) with respect to making available the information related to the items of the General Assembly to shareholders through the websites of Tadawul and the Company, and accessing information related to the items of the General Assembly agenda, particularly the reports of the Board and the auditor, the financial statements and the Audit Committee's report.
- Article 15(d) with respect to providing the CMA with a copy of the General Assembly meeting minutes.

- Article 15(e) with respect to announcing to the public and notifying the CMA and Tadawul of the results of the General Assembly meeting immediately following its conclusion.
- Article 16(3) regarding the number of independent directors.
- Article 17(d) with respect to notifying the CMA of the names of the Board members and descriptions of their membership, as well as any changes that may affect their membership within five working days from the date of such changes.
- Article 21(1)(a) with respect to setting the Company's comprehensive strategy, key business plans and policies and risk management mechanisms.
- Article 22 with respect to adopting and developing internal policies related to the business and development of the Company, including definition of the tasks, competencies and responsibilities entrusted to the various organizational levels and the powers delegated to Executive Management and a table showing those powers, the method of implementation and the duration of delegation. The Board of Directors may request Executive Management to submit periodic reports on its exercise of the delegated powers.
- Article 24(4) with respect to the appointment of the manager of the Internal Audit Unit or Department or the Internal Auditor.
- Article 48(b) with respect to the formation of the Remuneration and Nomination Committees, taking into consideration that their members be independent Directors, and the permissibility of appointing non-executive Directors or persons other than Board members, either shareholders or others, provided that the chairmen of the two committees referred to in this paragraph are independent members.
- Article 51(b) with respect to the Audit Committee must have at least one independent Director among its members.
- Article 65 with respect to publication of the nomination announcement on the websites of the Company and Tadawul to invite persons wishing to be nominated to Board membership, provided that the nomination period remains open for at least one month from the date of the announcement.
- Article 70 regarding approving an internal control system for the Company.

## 5.9 Employee Share Program

On 17/10/1444H (corresponding to 07/05/2023G), the extraordinary General Assembly of the Company approved the long-term employee incentive plan (the "**Incentive Plan**") with the aim of providing incentives to the Group's distinguished employees to attract and retain them in order to achieve the Group's objectives. The incentive plan consists of thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) shares issued by the Company as treasury shares pursuant to the aforementioned Extraordinary General Assembly resolution. The Extraordinary General Assembly authorized the Board of Directors to implement the incentive plan subject to the relevant regulations.

In conjunction with the completion of the Offering, the Company will issue thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) new shares, representing 3% of the Company's capital after the increase. The increase in the total nominal value of thirty-three million, eight hundred seventy-one thousand, eight hundred seventy-five Saudi Arabian Riyals (SAR 33,871,875) has been met by capitalizing thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five Saudi Arabian Riyals (SAR 33,871,875) from the Company's retained earnings account.

Except as noted above, the Company does not have any employee share programs in place prior to the application for registration and offering of securities subject to this Prospectus. No employee at the Company owns shares in the Company as of the date of this Prospectus and there are no other arrangements in place involving the employees in the Company's capital.

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# 6. Management's Discussion and Analysis of Financial Position and Results of Operations

## 6.1 Introduction

The Management's Discussion and Analysis of the Group's Financial Position section of this Prospectus provides an analytical presentation of the Group's operating performance and its financial position as at and for the financial years ended 31 December 2020G, 2021G and 2022G. This section and the accompanying notes have been prepared on the basis of the special purpose consolidated financial statements of the Group ("special purpose consolidated financial statements") for the financial years ended 31 December 2020G, 2021G and 2022G, which were audited by Ernst & Young Professional Services (Professional LLC) ("EY") in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, as stated in their report included elsewhere in the Prospectus.

The Group has applied the International Financial Reporting Standards ("IFRS") and its interpretations as issued by International Accounting Standard Boards ("IASB") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (together referred to as "IFRS as endorsed in KSA") in preparing its special purpose consolidated financial statements for the financial years ended 31 December 2020G, 2021G and 2022G.

Neither EY nor any of its subsidiaries, employees (who form part of the team responsible for providing services to the Group) or their relatives own any shares or interest of any kind in the Group that would affect their independence as on the date of the audit report on the special purpose consolidated financial statements of the Group. EY has provided its written consent to refer in this Prospectus to its role as the independent auditor for the Group's special purpose consolidated financial statements for the financial years ended 31 December 2020G, 2021G and 2022G, and they have not withdrawn that approval as of the date of issuance of this Prospectus.

The above-mentioned special purpose consolidated financial statements also form an integral part of this Prospectus, and this section must be read along with these financial statements and the accompanying notes. These financial statements have been included in the section ("Financial Statements and the Auditor's Report thereon") of this Prospectus. All amounts in this section have been rounded to the nearest thousand Saudi Riyal unless otherwise indicated. The "CAGR" refers to the compound annual growth rate over the period. Numbers and percentages have been rounded to the nearest decimal place. Therefore, the total of these numbers may differ from what is shown in the tables. Accordingly, all ratios, indicators, annual expenditures and compound annual growth rates are based on rounded numbers.

The financial information of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, presented in this Prospectus, is derived from the special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

This section may include statements of a forward-looking nature related to the future capabilities of the Group, based on management's plans and expectations regarding the Group's growth, results of operations and financial position, as well as the risks and uncertainties associated with it. The Group's actual results may differ materially from anticipated as a result of numerous factors, risks and future events, including those discussed in this section of the Prospectus or elsewhere thereof, particularly in the section 2 ("**Risk Factors**") of this Prospectus.

## 6.2 Directors' declarations on the financial statements

1- The Board of Directors acknowledge that the financial information contained in this section has been extracted without material change and is presented in accordance with the special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, which were prepared by the Group in accordance with IFRS as endorsed in KSA. In addition, there were no material changes to the accounting policies during the financial years ended 31 December 2020G, 2021G and 2022G.

2- The Board of Directors also declare that the Group, individually or jointly with its subsidiaries, has sufficient working capital for 12 months from the date of this Prospectus.

3- The Board of Directors declare that there has been no material changes in the financial or commercial position of the Group in the three financial years immediately preceding the date of submitting the application for registration and offering the securities subject of this Prospectus was submitted, and the period covered in the Auditors' Report until the approval of this Prospectus, except for what is mentioned in this section or any other section in this Prospectus, especially the factors mentioned in section ("**Risk Factors**") of this Prospectus.

4- The Board of Directors declare that all material facts related to the Group and its financial performance have been disclosed in this Prospectus, and that there are no information, documents, or other facts that, not including them, would make any statement misleading.

5- The Board of Directors declare that the Group does not have any property, including contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which significantly affects the evaluation of the financial position, except for what has been disclosed in section 6 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this Prospectus.

6- The Board of Directors declare that the Group did not provide any commissions, discounts, brokerages or other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date of application for registration admission and offering of the securities subject to this Prospectus was submitted.

7- The Board of Directors declare that the Group does not have any loans or any other liabilities including overdraft balance and declare that there are no guarantee liability (either covered by personal guarantee or non-personal guarantee), liabilities under acceptances, credits or any hire purchase commitments except what has been disclosed in section 12-7 ("**Credit Facilities and Loans**"), section 2 ("**Risk Factors**"), section 12 ("**Legal Information**") and section 6 ("**Management Discussion and Analysis of Financial Position and Operating Results**") of this Prospectus.

8- The Board of Directors declare that the Group does not have any mortgages, rights, or any encumbrances or costs on its properties - individually or jointly with its subsidiaries - as of the date of this Prospectus, except for what was disclosed in section 12 ("**Legal Information**") and in other sections of this Prospectus.

9- The Board of Directors acknowledge that the Group does not have any potential obligations, guarantees, or any significant fixed assets to be purchased or leased other than what was disclosed in the section ("Using the Offering Proceeds") of this Prospectus.

10- The Board of Directors declare that the Group is not aware of any information related to governmental, economic, financial, monetary, or political policies, or any other factors that may affect or have a material impact (directly or indirectly) on its operations.

11- The Board of Directors declare that the Group is not aware of any seasonal factors or economic cycles related to the activities that may have an impact on the Group's business or its financial position.

12- The Board of Directors declare that the Group's capital is not subject to any option.

13- The Board of Directors declare that the Group has no intention of making any fundamental change in its activities.

14- The Board of Directors acknowledge that the Group has provided comprehensive details in this section of any potential liabilities and has accounted for and recorded a provision for the liabilities included in the management's discussion and analysis of financial position and results of operations. For more information, please refer to section 5 "**Capital Liabilities and Contingent Liabilities**" of this Prospectus.

15- The Board of Directors acknowledge that the Group has provided comprehensive details in this section on all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.

16- The Board of Directors declare that neither the members of the Board of Directors nor any of their relatives have any shares or interest of any kind in the issuer or any of its subsidiaries, if any.

## 6.3 Group overview

ADES Holding Company (the "Company" or the "Parent Company") is a newly formed company under Saudi laws that was incorporated on 28 December 2022G as a mixed joint stock Company limited by shares. The Company's shares are owned 54.5% by ADES Investments Holding LTD, 35.5% by The Public Investment Fund of the Kingdom of Saudi Arabia and 10% by Zamil Group Investment Co (together, the "Shareholders"). ADES Investments Holding LTD is the ultimate controlling party (the "ultimate controlling party") of the Company.

These are the first set of the special purpose consolidated financial statements of the Company and its subsidiaries (together, the "Group") following the reorganisation of the Group (the "reorganisation") for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia. On 28 December 2022G, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000,000. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 857,087,510 to the Shareholders (as a result the total share capital post increase is SAR 858,087,510). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation.

At the time of the reorganisation, ADES International Holding Ltd (the intermediate holding company of the Group) owned all the Group entities and its investments in joint ventures and associates (together the "Existing Group Entities") directly or indirectly through its subsidiaries.

As the Company is not a business and the reorganisation did not result in any change of economic substance, it was not considered as a business combination as defined by IFRS 3 Business Combinations. Accordingly, the special purpose consolidated financial statements of the Group were prepared to reflect that the reorganisation is in substance a continuation of the Existing Group Entities as if the Company has always owned the Existing Group Entities.

All the external loans and borrowing of ADES Arabia Holding Company were also novated to the Company according to the novation agreement signed between the Company, ADES Arabia Holding and the lenders. The external loans and borrowing of ADES Arabia Holding Company are recognized by the Company as of the effective date of the novation agreement (refer to special purpose consolidated financial statements).

Immediately before the reorganisation, the Shareholders transferred the issued and outstanding shares of Emerald Driller Company (an unrelated entity acquired by ADES Arabia Holding Company) from ADES Arabia Holding Company to ADES International Holding Ltd which was accounted for as business combination under common control using Book Value Method (also referred to as "pooling of interest") as explained in the special purpose consolidated financial statements of the Group Note 2 – significant accounting policies".

The special purpose consolidated financial statements of the Group were authorised for issue on 12 March 2023G by the Board of Directors.

The Group is a leading oil and gas drilling and production services provider in the Middle East and Africa. The Group services primarily include offshore and onshore contract drilling and production services. The Group currently operates in Egypt, Algeria, Kuwait, Tunisia, Qatar, India and the Kingdom of Saudi Arabia. The Group's offshore services include drilling and workover services and Mobile Offshore Production Unit (MOPU) production services, as well as accommodation, catering, and other barge-based support services. The Group's onshore services primarily encompass drilling and work over services. The Group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

The special purpose consolidated financial statements of the Group include the activities of the following main subsidiaries:

| Name | Principal activities | Country of incorporation | Equity interest % | | |
|---|---|---|---|---|---|
| | | | 2022 | 2021 | 2020 |
| Advanced Energy Systems (ADES) (S.A.E) [1] | Oil & gas drilling and production services | Egypt | 100% | 100% | 100% |
| ADES Saudi Limited Company [1] | Oil & gas drilling and production services | KSA | 100% | 100% | 100% |
| Precision Drilling Company [2] | Holding company | Cyprus | 100% | 100% | 100% |
| Kuwait Advanced Drilling Services | Leasing of rigs | Cayman | 100% | 100% | 100% |
| Prime Innovations for Trade S.A.E | Trading | Egypt | 100% | 100% | 100% |
| ADES International for Drilling | Leasing of rigs | Cayman | 100% | 100% | 100% |
| AG Training [3] | Training | Egypt | 70% | 70% | 70% |
| Advanced Transport Services | Leasing of transportation equipment | Cayman | 100% | 100% | 100% |
| Advanced Drilling Services | Trading | Cayman | 100% | 100% | 100% |
| ADES Holding Drilling Services Ltd. [4] | Investment in Oil & Gas Projects | UAE | 100% | 100% | 100% |
| ADES International Holding Ltd. | Holding company | UAE | 100% | 100% | NA |
| Emerald Driller Company [5] | Production services oil and gas drilling and production services | Cayman | 100% | NA | NA |
| ADES Drilling Services I Ltd. | Leasing of rigs | Bermuda | 100% | NA | NA |
| ADES Drilling Services II Ltd. | Leasing of rigs | Bermuda | 100% | NA | NA |
| ADES Drilling Services III Ltd. | Leasing of rigs | Bermuda | 100% | NA | NA |

| Name | Principal activities | Country of incorporation | Equity interest % | | |
|---|---|---|---|---|---|
| | | | 2022 | 2021 | 2020 |
| ADES Advanced Drilling Services Ltd. [6] | Leasing of rigs | Liberia | 100% | NA | NA |
| ADES Drilling Services IV Ltd. | Leasing of rigs | Bermuda | 100% | NA | NA |
| ADES Drilling Services V Ltd. | Leasing of rigs | Bermuda | 100% | NA | NA |
| ADES Drilling Services Ltd. [7] | Leasing of rigs | Bermuda | 100% | NA | NA |
| ADES GCC for Drilling Ltd. [8] | Oil and gas drilling and production services<br>Operating and Leasing of rigs | Bermuda | 100% | NA | NA |

1 Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. In 2020G ADES S.A.E converted its branch in KSA to a limited liability company - ADES Saudi Limited Company. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill. Refer to the special purpose consolidated financial statements note 5 for details.

2 Precision Drilling Company holds a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.

3 ADES-GESCO Training Academy changed its name to AG training in 2022G.

4 ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021G.

5 Emerald Driller Company has a Branch in Qatar which handles operations in the country.

6 ADES Advanced Drilling Services Ltd has a branch in Congo.

7 ADES Drilling Services Ltd. has a branch in Indonesia.

8 ADES GCC For Drilling Ltd has a branch in KSA.

The Company holds investment in Egyptian Chinese Drilling Company (ECDC) (Joint Venture) and Advantage for Drilling Services Company (Associate) which are accounted for using the equity method of accounting in the special purpose consolidated financial statements of the Group.

## 6.4 Significant accounting policies

### 6.4.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The special purpose consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA").

The special purpose consolidated financial statements of the Group are prepared under the historical cost convention using the accruals basis of accounting, except for derivative financial instruments carried at fair value which includes interest rate swap contracts held for trading and those designated as hedging instruments.

The special purpose consolidated financial statements of the Group are presented in Saudi Arabian Riyal ("SAR"), which is the functional currency of the Company and the presentation currency for the Group.

In February 2023G, the Shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. Accordingly, the special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G have been prepared solely for inclusion in the initial public offering application of the Company to be filed with the CMA of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, in the Kingdom of Saudi Arabia.

### Going concern

As on 31 December 2022G, the current liabilities exceed current assets by SAR 591,270,047 which is mainly on account of current liabilities recognized in relation to the rigs acquired in 2022G. Management has prepared projections for a period of twelve months from the date of signing the special purpose consolidated financial statements of the Group, which sets out the expected level of net cash flows that the Group is expected to generate, together with the related working capital needs and financial obligations of the Group. On the strength of this forecast as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, total order backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, Management believes the Group will generate enough cash inflows to meet its obligations as they fall due for a period of not less than 12 months from the date of signing of the special purpose consolidated financial statements of the Group.

## Basis of consolidation

The Group's special purpose consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022G, 2021G and 2020G. 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:

a- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).

b- Exposure, or rights, to variable returns from its involvement with the investee, and

c- 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:

a- The contractual arrangement with the other vote holders of the investee

b- Rights arising from other contractual arrangements

c- The Group's voting rights and potential voting rights

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 of during the year are included in the special purpose 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 (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the special purpose consolidated financial statements of a member in the Group to bring its accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The special purpose consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI 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

## Business combinations and acquisition of non-controlling interests

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the "Business acquisition cost" line-item in the statement of other comprehensive income

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a 'bargain purchase gain'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

### Group reorganisation and business combinations under common control

In the absence of guidance in IFRS for the Group reorganisation and business combinations under common control, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires to use judgement in developing and applying an accounting policy that provides reliable and more relevant information. As such Group reorganisation has no economic substance and is outside the scope of IFRS 3 Business Combinations.

Business combination under common control is accounted for using the pooling of interests method as follows:

- assets and liabilities of Existing Group Entities are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method;
- no goodwill is recognised as a result of the reorganisation, except to the extent that existing goodwill was previously recognised in one of the combining entities. Any difference between the consideration transferred and the equity of the entity acquired as at the date of the combination is reflected within equity; and
- the income statement reflects the results of the Existing Group Entities

The Group adopted an accounting policy to report the comparative information as if the Group always owned the businesses acquired under common control from the date when such businesses were part of the Group. This approach is applied consistently for all such transactions.

### Interest in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in the joint venture and associate are both accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investee since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment separately.

The special purpose consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture and associate. Any change in the other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, directly in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate unrelated to the Group.

The aggregate of the Group's share of profit or loss of a joint venture and associate is shown on the face of the special purpose consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture or associate.

The financial statements of the joint venture and associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the special purpose consolidated statement of comprehensive income.

Upon loss of joint control over a joint venture or significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence, and the fair value of the retained investment and proceeds from disposal is recognised in the special purpose consolidated statement of comprehensive income.

### 6.4.2 Changes in the accounting policies and disclosures

#### a- New and amended standards and interpretations became effective during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The application of these new standards, interpretation and amendment did not have a material impact on the annual special purpose consolidated financial statements of the Group. These new standards, interpretations and amendments are listed below:

- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, plant and equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

#### b- Standards, amendments, and interpretations in issue but not effective

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

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023, with comparative figures required);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from annual periods beginning on or after 1 January 2023 and must be applied retrospectively);
- Definition of Accounting Estimates - Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period);

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Management anticipates that the adoption of standards issued but not yet effective will have no material impact on the special purpose consolidated financial statements of the Group.

## 6.4.3 Summary of significant accounting policies

### Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised 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.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period

  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Revenue recognition

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a- The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.

b- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Based on the assessment of the customer contracts, the Group has identified one performance obligation for each of its contracts and therefore revenue is recognised over time. Some of the customer contracts may include mobilization and demobilisation activities for which revenue, along with the related cost are amortised over the period of contract life from the date of the completion of mobilization activities.

## Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

## Interest income

Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Contract balances

### Contract assets

A contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for earned consideration that is conditional.

### Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before the payment of the consideration is due). Refer to the accounting policies of financial assets in section financial instruments – initial recognition and subsequent measurement.

### Contract liabilities

A contract liability (includes deferred revenue) is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Bank balances and cash

Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the special purpose consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## Taxes

### Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the special purpose consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.
- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**Sales tax**

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## Foreign currencies

The Group's special purpose consolidated financial statements are presented in SAR, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to special purpose consolidated statement of comprehensive income reflects the amount that arises from using this method.

## Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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 settlement or translation of monetary items are recognised in the special purpose consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the special purpose consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

## Group companies

On consolidation, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

## Inventories

Inventories are initially measured at cost and subsequently at lower of cost using weighted average method or net realisable value.

## Property and equipment

Assets under construction, property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the special purpose consolidated statement of comprehensive income as incurred.

For all the years presented in the special purpose consolidated financial statements, depreciation on property and equipment except for leasehold land which has indefinite useful life, is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | Years |
|---|---|
| Rigs | 27 |
| Mobile Offshore Production Unit (MOPU) | 5 |
| Assets overhaul | 5 |
| Furniture and fixtures | 10 |
| Drilling pipes | 5 |
| Tools | 5-10 |
| Office premises | 20 |
| Computers and equipment | 5 |
| Motor vehicles | 5 |

Rigs include overhaul, environment and safety costs that are capitalised and depreciated over 5 years (2021 and 2020: 5 years). No depreciation is charged on assets under construction. The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any change in estimated useful life is applied prospectively effective from the beginning of year. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the special purpose consolidated statement of comprehensive income as the expense is incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable.

Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the special purpose consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While value in use is the present value of estimated future cash flows expected to arise from the continuing use of property and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition is included in the special purpose consolidated statement of comprehensive income.

## Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalized, and expenditure is reflected in the special purpose consolidated statement of comprehensive income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Intangible assets are amortized using the straight-line method over their estimated useful lives over 5 years (2021G and 2020G: 5 years).

## Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost include trade and other receivables, contract assets, due from related parties and cash and bank balances. The Group does not have financial assets at fair value through OCI or through profit or loss, except for the derivative financial instruments.

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's special purpose consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related party balances, loans and borrowings including bank overdrafts, derivative financial instruments and other financial liabilities.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

### 1- Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### 2- Interest-bearing loans and borrowings

This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate "EIR" method. Gains and losses are recognised in the special purpose consolidated statement of comprehensive income, when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the special purpose consolidated statement of comprehensive income. This category generally applies to loans and borrowings.

### 3- Other financial liabilities at amortised cost

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the special purpose consolidated statement of comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the special purpose consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Derivative financial instrument**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group uses derivative financial instruments, such as interest rate swap, to hedge its interest rate risks. These interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### Hedge accounting

For the purpose of hedge accounting, as part of the Group risk management policies, Interest Rate Swap contracts (IRS), whether plain vanilla, collars, or IRS with cap-spreads, may be used to either change the floating-interest rate of a debt instrument into fixed rate or vice versa (whether that debt instrument is measured at amortized cost or fair value). When entering into derivatives in order to hedge risk of changes in fair value or cash flows, management ensure that the hedging relationship meets all of the 3-fold criteria in paragraph 6.4.1(c) of IFRS 9 for hedge effectiveness requirements. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements

- There is an ‘economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

### Derivative instrument held for trading

The Group classifies interest rate swaps as derivative held for trading that do not meet criteria for hedge accounting, which is fair valued at initial recognition and subsequently. Any change in fair value is recorded in the statement of comprehensive income as fair value gain (loss) on derivative financial instrument.

## Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in Note 3 (significant accounting estimates, judgements, and assumptions) and Note 15 (property and equipment).

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 assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not 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 the special purpose consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the special purpose consolidated statement of comprehensive income.

The Group identified individual rigs along with related assets as CGU for the purposes of impairment assessment of non-financial assets.

## Leases

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

## Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. For all the years presented, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | Years |
|---|---|
| Rigs | Up to 5 |
| Yards and warehouse | 4 |
| Office premises | 5 |
| Motor vehicles | 3 |
| Other equipment | 5 |
| Furniture and fixture | 10 |
| Building | 20 |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

## Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SAR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the special purpose consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the special purpose consolidated statement of comprehensive income net of any reimbursement. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

## Contingencies

Contingent liabilities are not recognised in the special purpose consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the special purpose consolidated financial statements but disclosed when an inflow of economic benefits is probable.

## Legal reserve

As required by Egyptian Companies' Law and Advanced Energy Systems (ADES) (S.A.E)'s Articles of Association, 5% of the net profit for the year is transferred to legal reserve until the reserve reaches 20% of the capital. Further, as required by Saudi Companies' Law, ADES Saudi Limited Company's and ADES Holding Company Articles of Association, 10% of the net profit for the year is transferred to legal reserve until the legal reserve equals 30% of the capital. Advanced Energy System (ADES) (S.A.E.) has resolved to discontinue further transfers as the reserve totals 20% of issued share capital. As of 31 December 2022G, the balance of legal reserve amounted to SAR 24,150,000 (2021G: SAR 24,150,000, 2020G: SAR 24,000,000).

## Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the statement of changes in equity.

## Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For assets traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the special purpose consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

## Cash dividend and non-cash distribution to equity holders of the Parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the special purpose consolidated statement of comprehensive income.

## Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

## 6.5 Significant accounting estimates, judgments and assumptions

### Judgements

The preparation of the Group's special purpose consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions in relation to the accounting for the businesses acquired, trade receivables, customer credit periods and doubtful debts provisions, useful lives and impairment of property and equipment, income taxes and various other policy matters. These judgements have the most significant effects on the amounts recognised in the special purpose consolidated financial statements.

### Consolidation of an entity in which the Group holds less than a majority of voting right (de facto control)

The Group considers that it controls United Precision Drilling Company W.L.L ("UPDC") even though it owns less than 50% of the voting rights. This is mainly because (a) the Group has a substantive right to direct conclusion of revenue contracts, capital expenditures and operational management; (b) the Group has a significantly higher exposure to variability of returns than its voting rights; (c) the Group is the owner of all drilling rigs and equipment and charters the drilling rigs to UPDC on exclusive basis.

### The lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

### Judgement in determining whether assets and entities acquired qualify as a business combination

During 2022G and 2021G, the Group acquired rigs and related assets and liabilities (refer to the special purpose consolidated financial statements note 5 for details). The Group performed an extensive analysis of the terms of the agreements entered into to give effect to the above transactions and applied the requirements of IFRS 3. Management's evaluation resulted in these transactions qualifying as a business combinations.

### Key sources of estimation uncertainty

**Fair valuation of the acquired assets as part of business combinations**

For fair valuation of the identified assets acquired (refer to the special purpose consolidated financial statements note 5) which include rigs, tools and inventories, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the assets. Key assumptions and estimates used to determine the fair value of the rigs and inventories include the following forecasted information:

- Day rates and rig utilisation
- Earnings before interest, tax and depreciation (EBITDA) margin
- Capital expenses
- Remaining useful life
- Discount factor based on weighted average cost of capital

### Impairment of trade receivables and contract assets

The Group recognises an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs with respect to trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Gross trade receivables and contract assets were SAR 960,564,675 as of 31 December 2022G (2021G: SAR 773,603,048 and 2020G: SAR 618,849,815) and the provision for impairment in trade receivables and contract assets was SAR 470,206,043 as on 31 December 2022G (2021G: SAR 233,641,523 and 2020G: SAR 17,725,388). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the special purpose consolidated statement of comprehensive income.

### Taxes

The Group is exposed to income taxes in certain jurisdictions. Significant judgement is required to determine the total tax liability. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The tax liability is established, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which the Group-entities operate.

The amount of such liability is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. At the reporting date, the current income tax payable was SAR 10,494,524 as on 31 December 2022G (2021G: SAR 30,973,826 and 2020G: SAR 35,604,150).

### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets for each CGU at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Management identified each rig along with the related assets as a CGU as generally each rig is contracted to the customer based on a separate customer contract.

Management uses the value in use calculation for impairment testing at each CGU level which is based on a discounted cash flow (DCF) model. The forecasted cash flows are estimated based on the historical performance and current contracted rates. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 15.

### Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

### Write-down of inventories to net realisable value (NVR)

Inventories are carried at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. At the reporting date, gross inventories were SAR 213,154,690 as on 31 December 2022G (2021G: SAR 168,575,464 and 2020G: SAR 182,058,555). At the reporting date, the cumulative provision for slow moving items stands at SAR 28,879,917 as on 31 December 2022G (2021G: SAR 20,103,315 and 2020G: SAR 3,524,276). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss in the special purpose consolidated statement of comprehensive income.

### Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

## 6.6 Segmental information & Business combinations

### a- Segmental information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified six geographical segments in 2022G (2021G: five geographical segments and 2020G: four geographical segments). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

### b- Business combinations

As part of the Group's strategy to expand its fleet and operations, the Group has acquired new businesses which are accounted for as business combinations. These transactions resulted in bargain as the Group utilised its synergies and liquidity position due to its strong presence in the region and relationship with the key customers to negotiate favourable deals with the sellers.

### 1- Acquisition of Emerald Driller Company in 2022

On 27 May 2022G, ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control) acquired 100% voting share of Emerald Driller Company (the "EDC") registered in Cayman Island and operating in Qatar. EDC owns 3 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees, inventories to be used in the drilling business.

The transaction was accounted for using business combination accounting at the date of acquisition. However, after the acquisition was completed, EDC was transferred to ADES International Holding Ltd (a subsidiary of the Company) during the year ended 31 December 2022G which was accounted for using pooling of interests method as a transaction under common control. Accordingly, the purchase consideration below was paid by ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control) and disclosed as a non-cash transaction for the Group.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the one of largest jack-up operator and available liquidity position. These have given added synergies to the Group to negotiate a favorable deal with a seller.

The provisional fair values of the identifiable assets and liabilities as at the acquisition were:

| | Provisional* Fair values recognised on acquisition (SAR '000) |
|---|---|
| Property and equipment | 907,165 |
| Inventories | 19,970 |
| Trade receivables | 6,805 |
| Contract assets | 69,550 |
| Other receivables | 147,945 |
| **Total assets** | **1,151,436** |
| Provisions | 1,790 |
| Deferred mobilization revenue | 51,877 |
| Income tax payable | 1,349 |
| Trade and other payables | 106,360 |
| **Total liabilities** | **161,376** |
| Total identifiable net assets at fair values | 990,059 |
| Gain from bargain purchase | (244,946) |

| | Provisional* Fair values recognised on acquisition (SAR '000) |
|---|---|
| **Purchase consideration (non-cash)**** | **745,114** |
| **Analysis of cash flow on acquisition (included in cash flows from investing activities)** | |
| Transaction cost paid for acquisition | (1,185) |
| Net cash out flows on acquisition | (1,185) |

* As of the December 2022 the above fair value of acquired assets and liabilities were reported on provisional basis. However as of the date of this prospectus, management have completed the additional clarifications and analysis and finalised the acquisition date fair values of the assets and liabilities acquired. As such, fair value of the assets and liabilities acquired is considered final.

** Paid by ADES Arabia Holding before being transferred to the Group

From the date of acquisition to 31 December 2022G, the acquired assets contributed SAR 201,117 thousand of revenue of the continuing operations of the Group and reported profit of SAR 27,744 thousand. The Company has incurred transaction cost amounting to SAR 1,185 thousand . If the combination had taken place at the beginning of the year the acquired business would have contributed SAR 254,815 thousand of revenue of operations and would have reported profit of SAR 52,188 thousand.

### 2- Acquisition of Seadrill in 2022G

On 18 October 2022G, the Group acquired 100% voting shares of Seadrill GCC Operations Ltd. and its 7 subsidiaries from Seadrill that own 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business. These entities are registered in Bermuda and operate in the KSA. The acquisition has been accounted for using the acquisition method.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the largest jack-up operator in the Kingdom of Saudi Arabia, liquidity position, strong relationship with shareholders and a key customer. These have given added synergies to the Group to negotiate a favourable deal with a seller.

Identifiable net assets acquired

The provisional fair values of the identifiable assets and liabilities as at the acquisition were:

| | Provisional* Fair values recognised on acquisition (SAR '000) |
|---|---|
| Property and equipment | 2,729,641 |
| Inventories | 4,770 |
| Trade receivables | 34,718 |
| Contract assets | 25,744 |
| Deferred tax assets | 5,691 |
| Other receivables | 56,269 |
| Cash and cash equivalent | 29,306 |
| **Total assets** | **2,886,138** |
| Provisions for taxes | 5,967 |
| Employees' end of services benefits provision | 34,949 |
| Trade and other payables | 113,051 |
| **Total liabilities** | **153,967** |
| Total identifiable net assets at fair values | 2,732,171 |
| Gain from bargain purchase | (177,322) |

| | Provisional* Fair values recognised on acquisition (SAR '000) |
|---|---|
| **Purchase consideration** | **2,554,849** |
| **Analysis of cash flow on acquisition (included in cash flows from investing activities)** | |
| Transaction cost paid for acquisition | (7,240) |
| Cash paid | (2,554,849) |
| Cash and cash equivalent acquired | 29,306 |
| **Net cash out flows on acquisition** | **(2,532,783)** |

* Additional clarifications and analysis is required to determine the acquisition date fair value of the assets and liabilities acquired. Thus, the assets and liabilities may be subsequently adjusted, with a corresponding adjustment to gain from bargain purchase prior to 18 October 2023G (within one year from the transaction date).

From the date of acquisition to 31 December 2022G, the acquired assets contributed SAR 98,204 thousand of revenue of the continuing operations of the Group and reported the profit of SAR 37,051 thousand. The Company has incurred transaction cost amounting to SAR 7,240 thousand.

If the combination had taken place at the beginning of the year the acquired business would have contributed SAR 484,382,624 of revenue of continuing operations and would have reported profit SAR 182,752,523.

### 3- Acquisition of rigs from Noble in 2021G

On 3 November 2021G, the Group acquired four jack-up drilling rigs, located in the Kingdom of Saudi Arabia, in their entirety, including drilling contracts with Saudi Aramco along with all spare parts, equipment and inventory, from Noble Finance Company. The Group acquired these rigs to expand its operations in the Kingdom of Saudi Arabia. The acquisition has been accounted for using the acquisition method.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid.

### Identifiable net assets acquired

The fair values of the identifiable net assets of these rigs as at the date of acquisition were:

| | Fair values recognised on acquisition (SAR '000) |
|---|---|
| Property and equipment | 1,563,226 |
| Inventories | 24,577 |
| Total identifiable net assets at fair values | 1,587,804 |
| Gain from bargain purchase | (491,247) |
| **Purchase consideration** | **1,096,556** |
| **Analysis of cash flow on acquisition (included in cash flows from investing activities)** | |
| Cash paid | (1,096,556) |
| Transaction cost paid for acquisition | (12,205) |
| **Net cash out flows on acquisition** | **(1,108,761)** |

From the date of acquisition to 31 December 2021G, the acquired assets contributed SAR 64,544 thousand of revenue of the continuing operations of the Group. It is impracticable to disclose the revenue and profit, or loss of the rigs acquired for the year ended 31 December 2021G as if the combination had taken place at the beginning of the year, as the acquired assets and entities did not represent a reporting entity and the historical information is not available. The Group acquired the business comprised of the rigs and the related items, rather than the entire entity from Noble. The amount of profit contributed by these assets from the date of acquisition is also not disclosed, as these rigs do not represent a separate reporting entity and it impracticable to prepare the profit and loss for the rigs. The Company has incurred transaction cost amounting to SAR 12,205 thousand which is charged in in the special purpose consolidated statement of comprehensive income under the line item business acquisition cost.

## 6.7 The Main Factors Affecting the Group's Operations

The following is a discussion of the main factors that have affected or are expected to affect the Group's financial position and results of operations. These factors are based on information currently available to the Group and may not represent all factors that may have an impact on the Group's business.

### 6.7.1 Level of business activity in the oil and gas sector

The Group's service demand is based on the level of activity in the oil and gas exploration industry as well as the development and production activities in the Kingdom, Kuwait, Egypt, Qatar, India (during 2022G), Algeria and Tunisia in which the Group's customer base is currently operating. Should the Group expand its operations in the markets in which it currently operates, specifically to the rest of the MENA region or in other markets in which the Group is pre-qualified, the demand for the Group's upstream, development and production services in those other markets will also be affected.

The upstream sector is characterized by significant fluctuations and changes in the level of exploration, development and production of crude oil and gas reserves, which leads to fluctuating oil and gas prices. Rig demand may be affected by higher or lower oil and gas prices, which in turn will affect expenses incurred by the Group's customers, and thus the Group's revenue from customer contracts. Therefore, the expenses incurred by the Group's clients in the exploration, evaluation and development of oil and gas fields depend, among other factors, on current and projected oil and gas prices in the short and long term. If the overall levels of upstream activities of the Group's clients are lower than the Group anticipated, this could have a material negative impact on the Group's business, operating results, financial position, and future outlook.

Demand for the Group's services is particularly affected by the level of exploration, development and production activity, capital and operating expenditures by oil and gas companies including national oil companies, and accordingly daily prices and utilization rates are also affected. Any prolonged drop in oil and gas prices can cause exploration and development as well as production activity to decline somewhat. Similarly, expectations of lower oil and gas prices in the long term, whatever the reason, could reduce or postpone large capital expenditures given the long-term nature of many mega developments in the oil and gas sector. There is no guarantee that the resulting reduction in exploration, development and production activities will not reduce demand for contract drilling services and will not have a material negative impact on the Group's business, operating results, financial position, or outlook.

The Group relies in particular on oil and gas sector activity and production levels, which in turn are directly affected by oil and gas prices. In addition, customers are likely to seek lower daily rates under contracts for the Group and its competitors, or even request the suspension or termination of drilling contracts in countries with reduced oil and gas prices and potentially lower demand for drilling and other services provided by the Group. In such periods of low demand, the Group may negotiate and apply a discount on the daily rate when renewing an expired contract with a customer, in order to maintain its competitiveness in the market, which will materially negatively affect the Group's business, operating results, financial position and future prospects.

### 6.7.2 Changes in existing regulations and government regulations

The Group is strictly regulated and subject to the rules and regulations issued by the Kingdom as well as all other countries in which it operates. The Group's operations are governed by the rules and regulations of the oil and gas sector. The contract drilling sector is based on the demand for oil and gas sector services. Accordingly, the Group will be directly affected by the adoption of new rules and regulations that restrict or limit drilling for oil and gas exploration and development for economic, environmental, health, or other safety or policy reasons. The Group may have to incur significant capital expenditures or incur substantial additional costs to comply with new laws and regulations or the requirements of new customers. The Group may be subject to fines, penalties and/or closure of its facilities, including its drilling rigs, if it does not comply with those rules and regulations or does not comply with permit, license or accreditation requirements that may change from time to time. Any of these events may adversely affect the Group's operations, operating results, financial position and future outlook.

### 6.7.3 Currency exchange rate fluctuations

The Group concludes contracts for drilling activities and services with its clients in the Kingdom, Egypt, Qatar, Tunisia, Algeria and India quoted in US dollars, while the contracts of its clients in Kuwait are priced in Kuwaiti Dinars. In Egypt and Algeria, the Group collects from its revenues a predetermined portion in U.S. dollars and the remainder in local currency in order to take into account the preferences of its clients in their contracts. Notwithstanding these conditions, the Group may, when contracting with its Egyptian customers alone, and for the purpose of collection, agree to accept their payments in local currency for amounts payable in US dollars under the terms of the contract. This approach was commonly followed by the Group in Egypt. However, currency changes when stipulating payment terms may expose the Group to greater currency exchange risk, particularly as most debt and interest repayments to the Group are payable in Saudi Riyals, which may have a material negative impact on the Group's business, operating results, financial position and future outlook.

In addition, as the Group expands into certain markets, the proportion of costs payable in US dollars may increase as the majority of those costs are paid in US dollars. For example, in Saudi Arabia, certain substantial costs are paid in US dollars for contracted drilling rigs acquired by the Group, including the costs of migrant workers working on drilling rigs.

### 6.7.4 Achieving the Group's strategy

The Group's strategy includes the ability to control costs through continued commitment to a seamless cost structure, the use of newly acquired drilling rigs, growth through tender participation, optimization of the Group's fleet based on changing market conditions as well as the acquisition of more onshore and offshore rigs. The Group often acquires drilling rigs under either a "buy-to-contract" or "acquire-to-hold" model. In the "Purchase to Contract" model, the Group seeks to identify and bid for a drilling rig contract prior to or in conjunction with the completion of the procurement. This approach does not guarantee the contracting of a drilling rig at the time of purchase, as a gap may sometimes arise between the time of purchase and the time the contract is concluded or commenced, as a result of which some drilling rigs may not generate any revenue. As for the "Acquire Existing Contracts" model, the Group aims to acquire drilling rigs operating under existing contracts that are also acquired or renewed for the benefit of the Group. This approach may entail additional transition costs, particularly in terms of maintaining existing staff in operating rigs, who may have a higher cost of maintaining them compared to the Group's staff. The Group has also purchased additional uncontracted drilling rigs to achieve strategic objectives prior to winning tenders for those contracts, which carries greater financial risk. The accuracy of the expected costs of operating these rigs cannot be determined, and there is no guarantee that the Group will be able to exploit all newly acquired rigs or fully integrate the recent acquisitions, or that they will achieve the expected economic benefits from these acquisitions, all of which will have a material negative impact on the Group's business, operating results, financial position and future prospects.

### 6.7.5 Group Customer Contracts Terms & Conditions

Most of the Group's drilling contracts give the client the rights to terminate the contract with prior written notice (notice period ranges from 15 to 90 days). In the event of voluntary termination, the Group generally receives all amounts due for work completed at that time, plus an agreed amount for work in progress and the cost of delivery under the contract. It should be noted that some of the Group's contracts provide for the right to early termination of the contract by the customer at any time and without any reason, and in such case the Group is entitled to an early termination fee as set out under these contracts. Most of the Group's drilling contracts give customers the right to terminate the agreement for a valid reason, such as non-performance of obligations, material breach that may be subject to a remediation period or, in the case of defective works, the right of the customer to perform the work at the Group's expense or the right to impose performance guarantees, which will adversely affect the Group's cash flow and revenue. In addition, some of the Group's customers may seek to terminate their contracts due to non-compliance with HSE requirements or security protocols. The decline in oil prices and the perceived risk of further decline in oil prices, coupled with the resulting downward pressure on use, may prompt some clients to terminate their contracts early. Drilling contracts also give customers the right to terminate them in the event of force majeure situations that last for specified periods. Most of these cases are beyond the Group's control.

Early termination of contracts, negotiation of contracts, reduction of daily prices or failure of the client to pay the Group at maturity shall have a negative impact on the Group's ability to achieve expected revenues and have a material negative impact on the Group's business, operating results, financial position and future prospects.

### 6.7.6 Revenue is focused on a relatively small number of the Group's customers

The Group engages in outsourced excavation and maintenance services and relies on building and maintaining strong customer relationships for the success of its business. As of December 31, 2022G, the Group had 13 drilling contracts. Saudi Aramco and Kuwait Oil Company are the Group's two largest customers, accounting respectively for 83% and 11% of the Group's contract value in 31 December 2022G, 78.5% and 15% of the Group's contract value in 31 December 2021G, and 55% and 38% of the Group's contract value in 31 December 2020G. Therefore, if a profit is made less than what the Group expected on contracts with these clients or if the Group fails to renew existing contracts or obtain new contracts with these clients, the Group's revenues may be significantly reduced and will have a material negative impact on the Group's business, operating results, financial position and future prospects.

### 6.7.7 Operational expenses and operating efficiency

The Group's O&M costs do not necessarily fluctuate in proportion to changes in operating income. Rig operating costs are usually fixed or semi-variable regardless of the daily rate earned. During times of reduced activity, cost reductions may not be immediate as some crew members need to prepare rigs for stacking. Crew members are then reassigned to operational rigs or dismissed. In general, labor costs increase over time mainly due to high salary levels and inflation. Equipment maintenance expenses fluctuate depending on the type of activity performed by the barge or drilling rig and the age and condition of the equipment, and these expenses can increase for short or extended periods as a result of regulatory or customer requirements that raise maintenance standards above previous levels. Maintaining the Group's drilling rigs over time may be more expensive than newly constructed drilling rigs or newer drilling rigs.

Any failure to obtain funds to cover future operating expenses necessary on acceptable terms on time or at all, in order to cover specific cases where operating expenses are not commensurate with operating income, could result in a material negative impact on the Group's business, operating results, financial position and future prospects.

### 6.7.8 Rig Modernization and Renovation Projects, Rig Relocation and Acquisition of Additional Rigs

During the rig refurbishment or modernization process, there is no guarantee that the Group can complete the modernization work on time and within budget. Changes in drilling techniques or demand for new or modernized equipment may require significant capital expenditure in order to operate and maintain the operation of all onshore drilling rigs recently acquired by the Group and to maintain the Group's competitiveness. Although the Group has generally not experienced negative delays or substantial cost increases in its modernization and refurbishment projects to date, any such delays or cost increases in the future could reduce utilization rates, resulting in the Group not achieving the expected returns on its investments and having a material negative impact on the Group's business, operating results, financial position or future outlook.

### 6.7.9 The Group's reliance on financing for drilling rig acquisitions

Part of the Group's strategy to create added value for its business includes the purchase, refurbishment, maintenance and repair of drilling rigs. The Group relies on debt financing to finance the acquisition of drilling rigs. Debt financing for the acquisition of drilling rigs is often secured by pledging the Group's assets, such as drilling rigs and the Group's shares in subsidiaries, and transferring proceeds from contracts awarded to it.

In the past, the Group has been able to obtain new loans to refinance financial indebtedness. However, there is no guarantee that the Group will be able to obtain new loans on good terms to refinance financial indebtedness in the future. Please see Section 2.1.27 ("**Risks Relating to Compliance with Certain Financial and Other Restrictive Covenants**") for more information on undertakings in financial agreements. In the event of default, the Group's creditors can enforce the collateral on the Group's assets which may have a material adverse impact on the Group's business, operating results, financial position or future prospects.

### 6.7.10 Fluctuations in interest rates for group loans

Any payments made under the existing facilities will be interest rates at variable rates based on the London Interbank Offered Rate ("LIBOR"), the Secured Overnight Financing Rate ("SOFR"), or the Saudi Interbank Offered Rate ("SIBOR"). Any increase in the LIBOR index, the SOFR index or the SIBOR index leads to an increase in interest expenses incurred by the Group, which may have a material negative impact on its business, results of operations, financial condition or future prospects. Such interest rate increases could also have a material negative impact on the Group's cash flows and its ability to repay debt in the long term. In addition, the Group may incur additional indebtedness at variable interest rates in the future. The applied interest rates may increase significantly in the future, and thus the interest expenses that the Group bears and imposes on its obligations will increase, as well as the available cash flow for capital expenditures will decrease, and this will have a material negative impact on the Group's business, results of operations, financial condition or future expectations, and thus on the price of Company shares.

## 6.8 Results of operations of ADES Holding Company and its subsidiaries (the "Group")

### 6.8.1 Special purpose consolidated statement of comprehensive income data

**Table (6.1): Special purpose consolidated statement of comprehensive income data for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue from contracts with customers | 1,695,407 | 1,514,206 | 2,467,201 | (10.7%) | 62.9% | 20.6% |
| Cost of sales | (1,058,791) | (974,883) | (1,575,806) | (7.9%) | 61.6% | 22.0% |
| **Gross profit** | **636,616** | **539,322** | **891,395** | **(15.3%)** | **65.3%** | **18.3%** |
| General and administrative expenses | (177,734) | (157,623) | (246,112) | (11.30%) | 56.1% | 17.7% |
| End of service employment benefits | (20,056) | (17,486) | (17,602) | (12.80%) | 0.7% | (6.3%) |
| Provision for impairment of non-current assets | (19,125) | (113,831) | - | 495.2% | NA | NA |
| Provision for impairment of trade receivables | (9,595) | (215,916) | (236,565) | 2150.3% | 9.6% | 396.5% |
| Provision for impairment of inventories | (2,574) | (17,344) | (26,217) | 573.8% | 51.2% | 219.1% |
| Share-based payments expense | (14,422) | (72) | - | (99.5%) | NA | NA |
| Other provisions | (1,540) | (21,000) | (13,756) | 1263.6% | (34.5%) | 198.9% |
| Provision for other receivable | - | (5,140) | (1,688) | NA | (67.2%) | NA |
| Finance costs | (244,570) | (305,162) | (302,993) | 24.80% | (0.7%) | 11.3% |
| Finance income | 3,007 | 213 | 19,194 | (92.90%) | 8911.3% | 152.6% |
| Bargain purchase gain | - | 491,247 | 422,267 | NA | (14.0%) | NA |
| Business acquisition cost | - | (12,205) | (8,424) | NA | (31.0%) | NA |
| Provision for impairment of investment and dividends receivable | (2,006) | (8,484) | - | 322.9% | NA | NA |
| Other taxes | (1,921) | (1,364) | (1,285) | (29.0%) | (5.8%) | (18.2%) |
| Other expenses | (25,531) | (10,656) | (15,041) | (58.3%) | 41.2% | (23.2%) |
| Gain / (loss) on derivative financial instrument | (4,418) | 4,560 | 5,169 | NA | 13.4% | NA |
| **Profit for the year before income tax** | **116,131** | **149,060** | **468,344** | **28.40%** | **214.2%** | **100.8%** |
| Income tax expense | (33,550) | (34,631) | (70,722) | 3.2% | 104.2% | 45.2% |
| **Profit for the year** | **82,581** | **114,429** | **397,622** | **38.60%** | **247.5%** | **119.4%** |
| **Attributable to:** | | | | | | |
| Equity holders of the parent | 73,581 | 107,811 | 390,448 | 46.50% | 262.2% | 130.4% |
| Non-controlling interests | 9,000 | 6,618 | 7,174 | (26.5%) | 8.4% | (10.7%) |
| **Profit for the year** | **82,581** | **114,429** | **397,622** | **38.60%** | **247.5%** | **119.4%** |
| Earnings per share<br>Basic and diluted attributable to<br>equity holders of the parent (In SAR per share) | - | - | 475 | NA | NA | NA |
| Other comprehensive income/(loss) | | | | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax) | | | | | | |
| Net gain / (loss) on cash flow hedge | (3,144) | 13,067 | 74,901 | NA | 473.2% | NA |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax) | | | | | | |
| Remeasurement gain/(loss) on defined benefit plans | - | (13,921) | 8,010 | NA | NA | NA |
| **Other comprehensive income/ (loss) for the year, net of tax** | **(3,144)** | **(854)** | **82,911** | **(72.80%)** | **NA** | **NA** |
| **Total comprehensive income for the year, net of tax** | **79,437** | **113,575** | **480,533** | **43.00%** | **323.1%** | **146.0%** |
| **Attributable to:** | | | | | | |
| Equity holders of the parent | 70,436 | 110,414 | 466,750 | 56.80% | 322.7% | 157.4% |
| Non-controlling interests | 9,000 | 3,161 | 13,783 | (64.90%) | 336.0% | 23.8% |
| **Total comprehensive income for the year, net of tax** | **79,437** | **113,575** | **480,533** | **43.00%** | **323.1%** | **146.0%** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

**Table (6.2): Key performance indicators for the financial years ended 31 December 2020G, 2021G and 2022G**

| Key performance indicators | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| **As a % of revenue - except for EBITDA and Operating income (SAR in 000s)** | | | | | | |
| Gross profit margin* | 37.5% | 35.6% | 36.1% | (1.9) | 0.5 | (1.4) |
| Operating income** (in SAR 000) | 458,882 | 381,699 | 645,283 | (16.8%) | 69.1% | 18.6% |
| Operating income margin*** | 27.1% | 25.2% | 26.2% | (1.9) | 0.9 | (0.9) |
| EBITDA (in SAR 00) | 694,262 | 657,345 | 1,048,640 | (5.3%) | 59.5% | 22.9% |
| EBITDA**** | 40.9% | 43.4% | 42.5% | 2.5 | (0.9) | 1.6 |
| Net income***** | 4.9% | 7.6% | 16.1% | 2.7 | 8.5 | 11.2 |
| **Offshore rigs** | | | | | | |
| No. of rigs | 15 | 20 | 49 | 33.3% | 145.0% | 80.7% |
| No. of operating rigs****** | 15 | 19 | 29 | 26.7% | 52.6% | 39.0% |
| Utilisation | 77.7% | 83.5% | 43.9% | 5.7 | (39.6) | (33.9) |
| Effective utilisation******* | 82.9% | 91.0% | 97.6% | 8.1 | 6.5 | 14.6 |
| Average daily revenue per rig (SAR in 000s)******** | 180 | 146 | 215 | (18.7%) | 46.6% | 9.1% |
| **Onshore rigs** | | | | | | |
| No. of rigs | 36 | 36 | 36 | - | - | - |
| No. of operating rigs****** | 23 | 17 | 19 | (26.1%) | 11.8% | (14.0%) |
| Utilisation | 40.8% | 36.5% | 44.4% | (4.3) | 8.0 | 3.6 |
| Effective utilisation****** | 93.2% | 97.2% | 99.0% | 4.0 | 1.8 | 5.8 |
| Average daily revenue per rig (SAR in 000s)******* | 155 | 155 | 150 | 0.1% | (3.5%) | (1.7%) |
| **Total rigs** | | | | | | |
| No. of rigs | 51 | 56 | 85 | 9.8% | 48.2% | 27.6% |
| No. of operating rigs***** | 38 | 36 | 48 | (5.3%) | 33.3% | 12.4% |
| Utilisation********* | 51.7% | 50.8% | 44.1% | (0.9) | (6.7) | (7.6) |

| Key performance indicators | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Effective utilisation****** | 88.4% | 94.0% | 98.2% | 5.6 | 4.2 | 9.8 |
| Average daily revenue per rig (SAR in 000s)******* | 166 | 151 | 186 | (9.2%) | 23.6% | 5.9% |

Source: Management information.

* Gross profit margin= Gross profit/revenue from contracts with customers

** Operating income is a metric defined and calculated by management as Gross profit less General and administrative expenses. Please refer to Table 3 for further clarification of Operating income by management.

*** Operating income margin= Operating income/revenue from contracts with customers

**** EBITDA is divided by the revenue from contracts with customers to calculate EBITDA as a percentage of revenue. Please refer to Table 3 for further clarification of EBITDA by management.

***** Net profit as a percentage of revenue = Profit for the year / revenue from contracts with customers.

****** The number of operating drilling rigs does not include non-operational, non-contracted rigs, owned rigs that have not yet commenced operations and leased rigs.

******* Effective utilisation is calculated based on the number of operating days for the rigs excluding idle, non-contracted rigs.

******** Average daily revenue per rig was calculated by dividing the rig revenue (excluding revenue related to Catering services, Project income and Other) by the number of days the rig was used.

********* Utilisation is calculated based on the number of operating days for the rigs including idle, non-contracted rigs

## Revenue from contracts with customers

The Group is primarily engaged in drilling operations and other services related to oil and gas through offshore and onshore drilling contracts. Units operations revenue stream was the main contributor to the Group's revenue, representing an average of 95% of the Group's total revenue in the historical period between 2020G and 2022G.

Revenue from contracts with customers decreased by 10.7% from SAR 1,695.4 million in 2020G to SAR 1,514.2 million in 2021G due to the decrease in units operations during the period of the Covid-19 pandemic, which led to: (1) contract expiry of onshore drilling rigs in Kuwait (-SAR 89.7 million) without renewal (2) the decrease in the average daily rate of Admarine 1 drilling rig in Egypt (-SAR 77.1 million) due to the amendment of the contract in 2021G. The decrease was partially offset by the revenue generated from the 4 rigs acquired from Noble Company ("Noble") in November 2021G (+SAR 63.6 million). Although one of the Group's customers requested to suspend 5 drilling rigs contract's during the 2020G-2021G period, it's worth noting that the rigs' temporary suspension period was added back to the original contract tenor for those rigs once their operations was resumed.

Revenue from contracts with customers increased by 62.9%, from SAR 1,514.2 million in 2021G to SAR 2,467.2 million in 2022G. This was mainly due to the increase in revenue from units operations by SAR 918.4 million, driven by the overall increase in the Group's offshore and onshore operating segment as a result of (1) the increase in the number of active offshore drilling rigs from 19 in 2021G to 29 in 2022G through the acquisition or lease of new drilling rigs, in addition to the full annual impact of the operations of the 4 drilling rigs acquired from Noble in 2021G, (2) the increase in the number of active onshore drilling rigs from 17 to 19 during the same period, and the increase in the percentage of effective use of onshore drilling rigs, (3) entering Qatar market through the acquisition of Emerald Driller Company (3 rigs), and (4) acquisition of Seadrill (7 rigs). In addition, the catering services revenue increased by SAR 19.8 million, in line with the general increase in the Group's operations during the same period.

## Cost of sales

Cost of sales decreased by 7.9% from SAR 1,058.8 million in 2020G to SAR 974.9 million in 2021G, mainly due to the decrease in employee costs (-SAR 59.9 million) as a result of the decrease in the average number of staffs in rigs (-368 employees) driven by the cessation/suspension of drilling operations during the COVID-19 pandemic, in addition to the termination of contracts for 7 drilling rigs (4 in Kuwait and 3 in Algeria) and the suspension of the operations of 5 onshore drilling rigs contracted with Saudi Aramco for varying periods during the same period. The direct cost of project related to the rapid production unit also decreased (-SAR 19.1 million), as most of the cost of this project was incurred in 2020G, and there were no new projects in 2021G.

Cost of sales increased by 61.6% from SAR 974.9 million in 2021G to SAR 1,575.8 million in 2022G. This was mainly due to the increase in employee costs (+SAR 192.7 million) as a result of the increase in the average number of employees (+409 employees) in line with the acquisition of new drilling rigs during the same period and the commencement of operations of 10 drilling rigs. This was coupled with the increase in depreciation and amortization (+SAR 126.2 million) and maintenance cost (+SAR 117.1 million) driven by (1) addition of 8 new rigs as part of the Group's property plant and equipment, and (2) the addition of 3 new leased rigs under ROU.

## Gross profit and gross margin

Gross profit decreased by 15.3%, from SAR 636.6 million in 2020G to SAR 539.3 million in 2021G in line with the general decline in the Group's business, as revenue from units operations decreased by SAR 152.3 million during the same period. Accordingly, the Group gross margin decreased by 1.9 percentage points from 37.5% in 2020G to 35.6% in 2021G as a result of higher depreciation and amortization due to an increase in the number of drilling rigs in the Kingdom of Saudi Arabia (4 offshore drilling rigs acquired from Noble in 2021G).

Gross profit increased by 65.3% from SAR 539.3 million in 2021G to SAR 891.4 million in 2022G in line with the general increase in the Group's business, as revenue from units operations increased by SAR 918.4 million during the same period. Gross profit margin increased by 0.5 percentage points from 35.6% in 2021G to 36.1% in 2022G. This was due to 1) the increase in the gross profit margin in Egypt (+3.8 percentage points) as a result of the increase in the average daily rate of drilling rigs contracted in Egypt, 2) the full year impact of the acquisition of 4 drilling rigs in Saudi Arabia, which were characterized by high profitability, the full year impact , 3) the full year impact from the operations of Nobel's rigs that were acquired in the last quarter of 2021G (4 rigs).

## General and administrative expenses

General and administrative expenses decreased by 11.3% from SAR 177.7 million in 2020G to SAR 157.6 million in 2021G due to the decrease in employee costs (-SAR 16.0 million) as a result of the decrease in average number of employees, in addition, there was decrease in business trip expenses (-SAR 2.8 million), as the Group, during the period of the Covid-19 pandemic, launched central initiatives which aims to have a central team in the main office while reducing the number of employees in offices / branches around the Middle East and Africa.

General and administrative expenses increased by 56.1% from SAR 157.6 million in 2021G to SAR 246.1 million in 2022G due to the increase in a) employee costs (+SAR 40.0 million) driven by the increase in the average number of employees (+205 employees) due to the high employment rate in Egypt, in addition to the increase in benefits (housing allowance, travel allowance, and vacation allowance) across all location. b) Other expenses (+SAR 28.4 million), due to (1) a delay fine (SAR 9.3 million) mainly related to the delay in the payment / settlement of value-added tax in the Kingdom of Saudi Arabia during the years 2021G-2022G, (2) Other miscellaneous expenses (SAR 7.0 million) in relation to sponsorship fees paid since the Group operates through a sponsor and the Group continued to contract with the latter, (3) Customs settlement (SAR 3.8 million) related to materials and spare parts shipped to the Kingdom of Saudi Arabia, and (4) Visa fees (SAR 1.9 million) in line with the increase in the number of employees.

## End of service employment benefits

End of service employment benefits decreased by 12.8% from SAR 20.1 million in 2020G to SAR 17.5 million in 2021G due to the Group laying off a large number of employees during the second half of the year 2020G until the end of 2021G as a result of the decrease in the number of drilling rigs operating during the same period, accordingly, the decrease in the end of service employment benefits due to the decrease in the number of employees.

End of service employment benefits increased by 0.7% from SAR 17.5 million in 2021G to SAR 17.6 million in 2022G due to the overall increase in the number of employees in both cost centers (rig staffs, employees' in the head office and other offices / branches across the Middle East and Africa).

## Provision for impairment of non-current assets

Provision for impairment of non-current assets increased by 495.2%, from SAR 19.1 million in 2020G to SAR 113.8 million in 2021G due to the impact of the emerging Corona virus (Covid-19), and the low usage of some of the drilling rigs of the Group during the year ended 31 December 2021G. As a result, the management conducted impairment testing for all drilling rigs by calculating the value in use based on the discounted cash flow model and recorded a total impairment charge of SAR 113.8 million in relation to the net book value of assets. This was mainly due to the delay in start of operations for some of the Group's units in Algeria and Tunisia. Furthermore, management has identified certain assets (such as tools and equipment) that were not planned to be used in future operations, and accordingly have recorded an impairment of these assets in Egypt.

The Group did not record any provision for impairment of non-current assets in 2022G based on the Group's assessment of impairment of non-current assets, which did not result in any reduction in value.

## Provision for impairment of trade receivable

Provision for impairment of trade receivable increased by 2,150.3% from SAR 9.6 million in 2020G to SAR 215.9 million in 2021G, this was mainly due to the impairment of trade receivables from the largest debtor of the Group; a client in Egypt that is partially owned by the Egyptian government. The provision for impairment of trade receivables amounting to SAR 191.1 million was included in respect of the receivables from this debtor.

It is worth noting that in 2020G, the Group signed an amended settlement agreement with that client to settle all due balances and the management believed that the client was able to fulfill his obligations. The balance of trade receivables from this client has been classified between current and non-current in accordance with the terms of the agreement and the management's expectations regarding the timing of collection. The non-current portion of the trade receivables before the provision for impairment has been recorded at present value.

Provision for impairment of trade receivables continued to increase by 9.6%, from SAR 215.9 million in 2021G to SAR 236.6 million in 2022G, this was due to recording of provision for impairment on the remaining trade receivables balance of the client in Egypt.

## Provision for impairment of inventories

Provision for impairment of inventories increased by 5733.8% from SAR 2.6 million in 2020G to SAR 17.3 million in 2021G mainly due to the decrease in the value of inventory in Egypt as a result of the decrease in the total utilisation of rigs during the financial year 2020G, which led to an increase in the slow moving inventory based on the Group's internal valuation assessment done by the technical team.

Provision for impairment of inventories continued to increase by 51.2%, from SAR 17.3 million in 2021G to SAR 26.2 million in 2022G, based on the internal valuation assessment of the inventory which resulted in an increase in the slow-moving inventory in Admarine 261, Admarine 262, and Admarine 266.

## Share-based payments expense

Share-based payment expenses decreased by 99.5% from SAR 14.4 million in 2020G to SAR 72 thousand in 2021G whereby it represents vesting of the remaining shares options of the announced long-term incentive plan program.

## Other provisions

Other provisions mainly represent provisions for employee and withholding taxes borne by the Group. It also amounted to SAR 1.5 million, SAR 21.0 million, and SAR 13.8 million in 2020G, 2021G, and 2022G, respectively. It is worth noting that the amounts were variable due to the differences arising from the tax assessment.

## Provision for other receivables

Provision for other receivables of SAR 5.1 million in 2021G relates to insurance deposits as a security to perform contract's obligations (mainly the Egyptian General Petroleum Corporation and Al Fanar Company). Provision for other receivables decreased to SAR 1.7 million in 2022G as a result of the decrease in the provision for impairment of other receivables related to the balance due from Weatherford Drilling International.

## Finance costs

Finance costs increased by 24.8%, from SAR 244.6 million in 2020G to SAR 305.2 million in 2021G due to increase in Loss on derecognition of loan during the year amounting to SAR 117.6 million. This was offset by decrease in interest on bonds and amortisation of bond fees (-SAR 55.5 million) after paying off the bond in 2021G.

Finance costs decreased slightly by 0.7% from SAR 305.2 million in 2021G to SAR 303.0 million in 2022G due to the increase in loans and borrowings from SAR 4,039 million as on 31 December 2021G to SAR 10,547 million as on 31 December 2022G to finance the acquisition of new rigs, which led to an increase in interest expense on loans (+SAR 162.5 million), offset by a decrease in the Loss on derecognition of loan (-SAR 117.6 million), and decrease related to bond interest and bond fee transaction that incurred in 2021G (-SAR 58.9 million).

## Finance income

Finance income represents profits from term deposits on a short-term investment with a local bank in the UAE and Egypt. Term deposits have original maturities of less than 90 days and achieve an average interest rate of 2.5% in 2022G, 0.35% in 2021G and 2.6% in 2020G.

Financing income decreased by 92.9% from SAR 3.0 million in 2020G to SAR 213 thousand in 2021G, as a result of the decrease in the balance of term deposits.

Financing income increased by 8,914.0% from SAR 213 thousand in 2021G to SAR 19.2 million in 2022G due to the increase in term deposits in 2022G which reached SAR 2.5 billion during the same year, however, the term deposits were matured/ closed before the end of the year.

## Bargain purchase gain

As part of the Group's strategy to expand its operations, the Group acquired four drilling rigs, located in the Kingdom of Saudi Arabia, in full, including drilling contracts with Saudi Aramco along with all spare parts, equipment and inventory from Noble on November 3, 2021G. This purchase transaction resulted in bargain purchase gain as the fair value of the identifiable net assets acquired exceeded the total purchase consideration, and accordingly, the Group recorded a bargain purchase gain of SAR 491.2 million in 2021G. The acquisition is accounted for using the acquisition accounting method.

Bargain purchase gain amounted to SAR 422.3 million in 2022G, and represents the gain from acquisition of new drilling rigs from (1) the Emerald Drilling Company based in Qatar, amounting to SAR 244.9 million (3 drilling rigs), and (2) Seadrill in Saudi Arabia, amounting to SAR 177.3 million (7 drilling rigs). The acquisitions represent an acquisition of the whole entities including drilling contracts along with all spare parts, equipment and inventory. The transactions were funded primarily through existing syndicated loans.

## Business acquisition cost

Business acquisition cost amounting to SAR 12.2 million in 2021G represent the costs of several services fees incurred by the Group in connection with the purchase of the four drilling rigs mentioned earlier.

Business acquisition cost amounted to SAR 8.4 million in 2022G and relate to consulting fees and other services incurred during the acquisition of drilling rigs.

## Provision for impairment of investment and dividends receivable

The Group has an investment in Egyptian Chinese Drilling Company of 48.75% and an investment in Advantage Drilling Services S.A.E of 49% as on 31 December 2022G.

Provision for impairment of investment and dividends receivable of SAR 2.0 million in 2020G represents a decrease in the value of the Group's investment in Egyptian Chinese Drilling Company. The provision for impairment of investment and dividends receivable of SAR 8.5 million in 2021G represents an additional decrease in the investment value of Egyptian Chinese Drilling Company.

The Group did not record an allowance for a decrease in the value of investment and dividends receivable in 2022G, as the total amount of investment in Egyptian Chinese Drilling Company was provisioned for in 2021G.

## Other taxes

Other taxes relate to the collection tax paid in Algeria which is equivalent to 2%.

Other taxes decreased by 29.0% from SAR 1.9 million in 2020G to SAR 1.4 million in 2021G and continued to decrease by 5.8% to reach SAR 1.3 million in 2022G.

## Other expenses

Other expenses mainly include charitable donations and other expenses.

Other expenses decreased by 58.3% from SAR 25.5 million in 2020G to SAR 10.7 million in 2021G. This was mainly due to the termination fees paid to consultants in 2020G of SAR 16.9 million which related to assisting the Group in the integration of Weatherford Drilling International ("WDI") and Nabors Drilling International Limited. Other expenses increased by 41.1%, from SAR 10.7 million in 2021G to SAR 15.0 million in 2022G due to the increase in the Group's charitable donations by an amount of SAR 7.2 million, mainly due to donations to a hospital for treatment of cancer in Egypt (Alnas Hospital), in addition to donations to the Al-Joud Foundation (a charitable organization) and other charitable activities.

### Gain / (loss) on derivative financial instruments

The Group has entered into an interest rate swap contract to manage its exposure to fluctuations in interest rates. The counterparty is generally a bank/financial institution. These financial exposures are managed in accordance with the Group's risk management policies and procedures.

The Group enters into interest rate swaps agreements, mainly to manage exposure on its variable rate loans and borrowings. The Group uses interest rate swap contracts to hedge exposure to variable interest rate fluctuations on interest payments for borrowings denominated in functional currency or currency pegged to functional currency of the Company.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap matches the terms of the variable rate loans and borrowings (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

During the year ended 31 December 2022G, the Group entered into three Interest Rate Swap (IRS) agreements with Banqe Saudi Fransi (BSF), Gulf International Bank (GIB), and Saudi National Bank (SNB) in relation to Loan 1 Syndication Facility A SAR portion (SAR 3,198,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate. Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022G, the Group entered into Interest Rate Swap (IRS) agreement with Banqe Saudi Fransi in relation to Loan 1 Syndication Facility A USD portion (USD 197,000,000 – equals to SAR 738,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month LAIBOR rate. Such cash outflows variability results from changes which may occur on the 6-month LAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022G, the Group entered into three Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) in relation to Al- Rajhi Bank facility (SAR 937,500,000), Saudi National Bank (SNB), (SAR 870,331,250) and Banqe Saudi Fransi (BSF) (SAR 1,078,680,000) the objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 3-month SAIBOR rate. Such cash outflows variability results from changes which may occur on the 3-month SAIBOR market rate (i.e. the designated benchmark interest rate).

The ineffectiveness recognised in the special purpose consolidated statement of comprehensive income is SAR 5,168,505 in 2022G (2021G and 2020G: nil).

### Income tax expense

The effective tax rate was 15% in 2022G, 23% in 2021G, and 29% in 2020G.

The Group operates in areas subject to tax at rates different from the applicable legal tax rate of 12.125% in 2022G (zero in 2020G and 2021G), and a zakat tax rate of 2.5% in 2022G (zero in 2020G and 2021G) and it includes other regions Algeria, Kuwait, Tunisia and Qatar where applicable tax rates were 26%, 15%, 15% and 10%, respectively.

Egyptian companies are normally subject to corporate income tax at a statutory rate of 22.5%, however the ADES Egypt has been registered in a free zone in Alexandria under Investment Law No. 8 of 1997 which allows exemption from corporate income tax.

Income tax expenses increased by 3.2% from SAR 33.6 million in 2020G to SAR 34.6 million in 2021G. This was due to the increase in deferred tax fees / (credit) by SAR 922 thousand.

Income tax expenses continued to increase by 104.2%, from SAR 34.6 million in 2021G to SAR 70.7 million in 2022G, due to the increase in the Group's profits during the same period.

### Profit for the year

Profit for the year increased by 38.6% from SAR 82.6 million in 2020G to SAR 114.4 million in 2021G mainly driven by bargain purchase gain of SAR 491.2 million, this was partially offset by (i) decrease in gross profit by SAR 97.3 million, (ii) increase in provision for impairment of trade receivable by SAR 206.3 million.

Profit for the year continued to increase by 247.5% from SAR 114.4 million in 2021G to SAR 397.6 million in 2022G mainly due to the increase in gross profit by SAR 352.1 million, this was partially offset by (i) increase in general and administrative expenses by SAR 88.5 million during the same period.

### Net gain / (loss) on cash flow hedge

The cash flow hedge reserve represents the accumulated amount of gains and losses on hedging instruments that were effective in cash flow hedge relationships. The cumulative deferred gain or loss on the hedging instrument is recognized in the statement of profit or loss when the hedged transaction affects profit or loss, or is included directly in the initial cost or other carrying amount of the non-financial item being hedged (as a principal adjustment, where applicable).

The Group incurred a net loss from cash flow hedges of SAR 3.1 million in 2020G. While the Group reported a net gain from cash flow hedges of SAR 13.1 million in 2021G.

The Group continued to report a net gain from cash flow hedges of SAR 74.9 million in 2022G.

**Table (6.3): Group EBITDA by Management for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue from contract with customers | 1,695,407 | 1,514,206 | 2,467,201 | (10.7%) | 62.9% | 20.6% |
| Cost of sales | (1,058,791) | (974,883) | (1,575,806) | (7.9%) | 61.6% | 22.0% |
| **Gross profit** | **636,616** | **539,322** | **891,395** | **(15.3%)** | **65.3%** | **18.3%** |
| General and administrative expenses | (177,734) | (157,623) | (246,112) | (11.3%) | 56.1% | 17.7% |
| **Operating income** | **458,882** | **381,699** | **645,283** | **(16.8%)** | **69.1%** | **18.6%** |
| Depreciation and amortization - cost of sales | 229,836 | 268,208 | 394,430 | 16.7% | 47.1% | 31.0% |
| Depreciation and amortization - General and administrative expenses | 5,544 | 7,437 | 8,928 | 34.2% | 20.0% | 26.9% |
| **EBITDA** | **694,262** | **657,345** | **1,048,640** | **(5.3%)** | **59.5%** | **22.9%** |
| **As a % of revenue** | | | | | | |
| EBITDA margin | 40.9% | 43.4% | 42.5% | 2.5 | (0.9) | 1.6 |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

The Group complements its application of IFRS financial measures with non-IFRS financial measures, including EBITDA and operating income by management. These non-IFRS financial measures do not have a uniform definition and other companies may calculate them differently. Accordingly, non-IFRS financial measures of the Group may not be comparable with measures of a similar title provided by other companies and should not be relied upon to preclude IFRS-compliant financial measures. The Group believes that historical non-IFRS financial procedures are useful as an additional tool to help management and investors make informed decisions about the Group's operating performance.

### 6.8.1.1 Revenue from customer contracts by type of revenue stream

**Table (6.4): Revenue from customer contracts by type of revenue stream for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Units operations | 1,597,975 | 1,445,628 | 2,364,063 | (9.5%) | 63.5% | 21.6% |
| Catering services | 26,387 | 24,255 | 44,062 | (8.1%) | 81.7% | 29.2% |
| Projects income | 44,172 | 18,938 | 16,875 | (57.1%) | (10.9%) | (38.2%) |
| Others | 26,874 | 25,386 | 42,200 | (5.5%) | 66.2% | 25.3% |
| **Total** | **1,695,407** | **1,514,206** | **2,467,201** | **(10.7%)** | **62.9%** | **20.6%** |
| **As a % of revenue** | | | | | | |
| Units operations | 94.3% | 95.5% | 95.8% | 1.2 | 0.3 | 1.5 |
| Catering services | 1.6% | 1.6% | 1.8% | 0.0 | 0.2 | 0.2 |
| Project income | 2.6% | 1.3% | 0.7% | (1.3) | (0.6) | (1.9) |
| Others | 1.6% | 1.7% | 1.7% | 0.1 | 0.0 | 0.1 |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

## Units operations

Units operations is the main contributor to the Group's revenue, representing an average of 95% of the Group's total revenue for the historical period between 2020G and 2022G. Units operations revenue mainly include (1) revenue from offshore and onshore drilling related to oil and gas in several regions in the Middle East and Africa, and drilling revenue represent 84%, on average, of the total revenue from units operations for the historical period between 2020G and 2022G, (2) revenue from transportation of (mainly) onshore drilling rigs from one location to various specified locations within the same area as instructed by the customer, (3) standby Revenue: It is generated when the drilling rig is on site and ready to drill, but the customer has not yet decided to start drilling as the standby pricing is usually set as a percentage of the average daily rate (4) rigs maintenance and preparation revenue.

The Group's units operations revenue decreased by 9.5% from SAR 1,598.0 million in 2020G to SAR 1,445.6 million in 2021G due to:

a- The expiration of the onshore drilling rigs in Kuwait (-SAR 89.7 million) without renewal; And

b- The decrease in the average daily rate of Admarin 1 in Egypt (-SAR 77.1 million) due to the amendment of the contract agreement in 2021G.

The decrease was partially offset by the acquisition of 4 rigs from Noble in November 2021 (+SAR 63.6 million). It is worth noting that 5 rigs were suspended over the FY20-21 period, the impact over the period was offset following their resumption of operations (four drilling rigs in the last quarter of 2021G and one drilling rig in the last quarter of 2022G).

The Group's units operations revenue increased by 63.5%, from SAR 1,445.6 million in 2021G to SAR 2,364.1 million in 2022G due to:

a- The increase in the number of active offshore rigs from 19 to 29 through the acquisition or lease of new rigs, as well as the full annual impact of Noble's acquired rigs (4 rigs);

b- The increase in the number of active onshore drilling rigs from 17 to 19 during the same period, and the increase in the effective utilisation rate of onshore drilling rigs;

c- Entering Qatar market through the acquisition of Emerald Driller Company (3 rigs); and

d- The acquisition of Seadrill in KSA (7 rigs).

### Catering services

Relates to catering services to customer representatives on drilling rigs, including food and other items. It is worth noting that this service is provided by the Group to its clients based on pre-agreed unit prices. It is worth noting that the catering services revenue is directly linked to units operations revenue, as the increase / decrease in the number of operating drilling rigs contracted with the provision of catering services was automatically affected by the increase / decrease in catering services revenue.

Catering services revenue decreased by 8.1% from SAR 26.4 million in 2020G to SAR 24.3 million in 2021G due to the termination of four rigs contacts of two clients in Algeria; First Calgary Petroleum Limited and Azienda General Italiana Petroleum, in addition to the termination of four rigs contacts in Kuwait and the temporary suspension of five drilling rigs in Saudi Arabia, which reduced catering revenue.

Catering services revenue increased by 81.7% from SAR 24.3 million in 2021G to SAR 44.1 million in 2022G due to the increase in the number of operating drilling rigs contracted with catering services, in addition to the increase in the effective use of drilling rigs in the Kingdom of Saudi Arabia (+SAR 15.7 million). In addition, the new drilling rigs in Qatar also contributed to the total increase (+SAR 2.2 million).

### Projects income

The projects income is mainly related to servicing the extraction and production of residual oil and gas through the use of additional equipment based on customer demand. In addition to services related to outsourcing various operating projects to clients such as maintenance and repair services.

Projects income decreased by 57.1% from SAR 44.2 million in 2020G to SAR 18.9 million in 2021G due to the completion of most projects in 2020G and there were no new projects.

Projects income continued to decline by 10.9% to reach SAR 16.9 million in 2022G mainly due to the completion of some of the existing projects in 2021G and there were no new projects.

### Others

Others mainly relates to the site preparation service for exploration in the onshore operating segment, from the construction of bases and roads to the cleaning of the exploration site before starting excavation work, and it mainly belongs to the Group's client in Kuwait.

Others decreased by 5.5% from SAR 26.9 million in 2020G to SAR 25.4 million in 2021G as a result of the decrease in site preparation revenue due to the termination of the contract for four drilling rigs in Kuwait.

Others increased by 66.3% to reach SAR 42.2 million in 2022G due to the recharging of expenses incurred by the Group on behalf of customers in Qatar (i.e Total and NOC). In addition, revenue generated from the ADES 810 and ADES 815 drilling rigs that were transferred from Algeria to Egypt and leased to ECDC ("**Egyptian Chinese Drilling Company**") during 2022 was recognized under others . Accordingly, this was recognized under other income (rental income).

### 6.8.1.2 Revenue from customer contracts by region and operating segment

**Table (6.5): Revenue from customer contracts by region and operating segment for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| KSA | 919,137 | 909,131 | 1,571,548 | (1.1%) | 72.9% | 30.8% |
| Egypt | 316,615 | 251,164 | 341,611 | (20.7%) | 36.0% | 3.9% |
| Kuwait | 410,199 | 321,028 | 313,126 | (21.7%) | (2.5%) | (12.6%) |
| Qatar | - | - | 201,117 | NA | NA | NA |
| Algeria | 49,457 | 28,779 | 25,585 | (41.8%) | (11.1%) | (28.1%) |
| Tunisia | - | 4,104 | 14,213 | NA | 246.3% | NA |
| **Total** | **1,695,407** | **1,514,206** | **2,467,201** | **(10.7%)** | **62.9%** | **20.6%** |
| **As a % of revenue from customer contracts** | | | | | | |
| KSA | 54.2% | 60.0% | 63.7% | 5.8 | 3.7 | 9.5 |
| Egypt | 18.7% | 16.6% | 13.8% | (2.1) | (2.8) | (4.9) |
| Kuwait | 24.2% | 21.2% | 12.7% | (3.0) | (8.5) | (11.5) |
| Qatar | NA | NA | 8.2% | NA | NA | NA |
| Algeria | 2.9% | 1.9% | 1.0% | (1.0) | (0.9) | (1.9) |
| Tunisia | NA | 0.3% | 0.6% | NA | 0.3 | NA |
| **Revenue from customer contracts by operating segment** | | | | | | |
| Onshore | 869,391 | 775,389 | 864,968 | (10.8%) | 11.6% | (0.3%) |
| Offshore | 826,016 | 738,817 | 1,602,233 | (10.6%) | 116.9% | 39.3% |
| **As a % of revenue from customer contracts** | | | | | | |
| Onshore | 51.3% | 51.2% | 35.1% | (0.1) | (16.1) | (16.2) |
| Offshore | 48.7% | 48.8% | 64.9% | 0.1 | 16.1 | 16.2 |

Source: Management information

## KSA

Revenue in the Kingdom of Saudi Arabia decreased by 1.1% from SAR 919.1 million in 2020G to SAR 909.1 million in 2021G mainly due to the decrease in units operations revenue as a result of the decrease in utilising Admarine 261 (-SAR 37.4 million) and Admarine 657 (-SAR 19.6 million) due to the suspension of work to undergo improvements in rig characteristics. This was offset by an increase (+SAR 64.5 million) as a result of the acquisition of 4 drilling rigs from Noble in November 2021. It is worth noting that during the Covid-19 pandemic, 5 of Aramco drilling rigs were suspended, and that the suspension of Aramco's drilling rigs happened to all companies operating in the sector, and it did not have a significant impact in 2021G as the rigs were suspended in the second half of 2020G and the first half of 2021G.

Revenue in the Kingdom of Saudi Arabia increased by 72.9% from SAR 909.1 million in 2021G to SAR 1,571.5 million in 2022G mainly due to the increase in units operations revenue driven by the addition of 23 drilling rigs (of which 7 were from Seadrill) among them 6 of them have started operating in the fourth quarter of 2022G (+SAR 95.5 million), in addition to the full annual impact of the drilling rigs acquired from Noble (4 drilling rigs) in 2022G (+SAR 431.7 million). In addition to the increase in the average utilisation of rigs resulting from the resumption of drilling operations of rigs that were suspended by Aramco in 2021G, as there is increase due to full year impact of the drilling rigs suspended in 2021.

## Egypt

Revenue in Egypt decreased by 20.7% from SAR 316.6 million in 2020G to SAR 251.2 million in 2021G mainly due to the decrease in units operations revenue from the offshore drilling rig (Admarine 1) due to the decrease in the average daily rate from SAR 266 thousand in 2020G to SAR 55 thousand in 2021G in line with the contract agreement to start operating at a reduced rate from January 2021G onwards.

Revenue in Egypt increased by 36.0% from SAR 251.2 million in 2021G to SAR 341.6 million in 2022G mainly due to the increase in rigs operations revenue from (1) Admarine 5 after contracting with GBC at a higher rate (previously with Osoko), and (2) Admarine 6 after amending the contract at a higher rate in 2022G. In addition the drilling rigs (ADES 810 and ADES 815) were transferred from Algeria to Egypt and leased to ECDC ("Egyptian Chinese Drilling Company") in 2022 which contributed to the increase in revenue.

## Kuwait

Revenue in Kuwait decreased by 21.7% from SAR 410.2 million in 2020G to SAR 321.0 million in 2021G mainly due to the decrease in rigs operations revenue, and this was due to the expiration of 4 onshore rigs contracts with Kuwait Oil Company, which were not renewed. Revenue in Kuwait also decreased by 2.5% (-SAR 7.9 million) in 2022G, mainly due to a decrease in revenue from rigs operations.

## Qatar

The Group started its business in Qatar in May 2022G, through 3 offshore drilling rigs with two main clients: Total Qatar and the North Oil Company. Revenue in Qatar amounted to SAR 201.1 million in 2022G.

## Algeria

Revenue in Algeria decreased by 41.8% from SAR 49.5 million in 2020G to SAR 28.8 million in 2021G mainly due to the decrease in rigs operations revenue due to the expiration of 2 drilling rigs contracts and they were not renewed. Revenues in Algeria also decreased by 11.1% (-SAR3.2 million) in 2022G mainly due to a decrease in rigs operations revenue.

## Tunisia

The Group started its business in Tunisia during the fourth quarter of 2021G, through one onshore drilling rig with the Tunisian Company for Petroleum Activities - ETAP, in partnership with Eni Tunisia BV an oil & natural gas company. Revenue in Tunisia amounted to SAR 4.1 million in 2021G.

Revenue in Tunisia increased by 246.3% from SAR 4.1 million in 2021G to SAR 14.2 million in 2022G mainly due to higher operating revenue and due to the full annual impact of the rig business.

## Revenue by operating segment

### Onshore

Onshore revenue decreased by 10.8% from SAR 869.4 million in 2020G to SAR 775.4 million in 2021G, mainly due to the expiry of 4 onshore drilling rigs contract with Kuwait Oil Company that were not renewed (-SAR 89.7 million).

Onshore revenue increased by 11.6% from SAR 775.4 million in 2021G to SAR 865.0 million in 2022G mainly due to the increase in onshore rigs revenue in the Kingdom of Saudi Arabia during the same period as a result of the increase in the average utilisation of the rigs resulting from the resumption of drilling operations for the drilling rigs that were suspended by Aramco in 2021G.

### Offshore

Offshore revenue decreased by 10.6% from SAR 826.0 million in 2020G to SAR 739.0 million in 2021G mainly due to the decrease in offshore rigs revenue in the Kingdom of Saudi Arabia during the same period as a result of the decrease in the average utilisation of drilling rigs.

Offshore revenue increased by 116.9% from SAR 739.0 million in 2021G to SAR 1,602.2 million in 2022G mainly due to the increase in offshore rigs revenue in the Kingdom of Saudi Arabia as a result of 1) the addition of 23 drilling rigs (of which 7 were from Seadrill), 6 started operating in the fourth quarter of 2022G 2) the full year impact for the operations of Noble rigs, that were acquired in the last quarter of 2021G (4 rigs), 3) the entry to the market in Qatar through the acquisition of Emerald Driller Company (3 operational offshore rigs).

### 6.8.1.3 Cost of sales by main components

**Table (6.6): Cost of sales by main components for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Staff costs | 377,862 | 317,920 | 510,614 | (15.9%) | 60.6% | 16.2% |
| Depreciation | 229,836 | 268,208 | 394,429 | 16.7% | 47.1% | 31.0% |
| Maintenance costs | 130,794 | 125,771 | 242,893 | (3.8%) | 93.1% | 36.3% |
| Catering costs | 61,534 | 55,922 | 94,209 | (9.1%) | 68.5% | 23.7% |
| Move costs | 51,546 | 45,852 | 58,791 | (11.0%) | 28.2% | 6.8% |
| Rental equipment | 29,405 | 19,886 | 47,382 | (32.4%) | 138.3% | 26.9% |
| Insurance | 20,649 | 22,065 | 41,400 | 6.9% | 87.6% | 41.6% |
| Crew change costs | 18,793 | 20,737 | 30,866 | 10.3% | 48.8% | 28.2% |
| Project direct costs | 32,649 | 13,526 | 8,698 | (58.6%) | (35.7%) | (48.4%) |
| Other costs | 105,722 | 84,997 | 146,523 | (19.6%) | 72.4% | 17.7% |
| **Total** | **1,058,791** | **974,883** | **1,575,806** | **(7.9%)** | **61.6%** | **22.0%** |
| **As a % of revenue** | | | | | | |
| Staff costs | 22.3% | 21.0% | 20.7% | (1.3) | (0.3) | (1.6) |
| Depreciation | 13.6% | 17.7% | 16.0% | 4.2 | (1.7) | 2.4 |
| Maintenance costs | 7.7% | 8.3% | 9.8% | 0.6 | 1.5 | 2.1 |
| Catering costs | 3.6% | 3.7% | 3.8% | 0.1 | 0.1 | 0.2 |
| Move costs | 3.0% | 3.0% | 2.4% | (0.0) | (0.6) | (0.6) |
| Rental equipment | 1.7% | 1.3% | 1.9% | (0.4) | 0.6 | 0.2 |
| Insurance | 1.2% | 1.5% | 1.7% | 0.3 | 0.2 | 0.5 |
| Crew change costs | 1.1% | 1.4% | 1.3% | 0.3 | (0.1) | 0.2 |
| Project direct costs | 1.9% | 0.9% | 0.4% | (1.0) | (0.5) | (1.5) |
| Other costs | 6.2% | 5.6% | 5.9% | (0.6) | 0.3 | (0.3) |
| **Total** | **62.5%** | **64.4%** | **63.9%** | **1.9** | **(0.5)** | **1.4** |
| **Key performance indicator** | | | | | | |
| Avg, number of employees | 3,307 | 2,939 | 3,348 | (11.1%) | 13.9% | 1.2% |
| Avg. monthly cost per employee (SAR) | 9,287 | 8,656 | 11,500 | (6.8%) | 32.9% | 23.8% |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

#### Staff costs

Staff costs mainly comprised of basic salaries, housing allowance, medical insurance, other allowance, travel allowance, and other staff costs. It mainly relates to the crew of offshore and onshore drilling rigs. Staff costs constitute an average of 34% of the Group's total cost of sales over the historical period between 2020G and 2022G.

Staff costs decreased by 15.9% from SAR 377.9 million in 2020G to SAR 317.9 million in 2021G mainly driven by the decrease in average number of employees (-368 employee) as a result of the suspension of drilling operations during the COVID-19 pandemic, in addition to the expiration of contracts of 7 drilling rigs (4 in Kuwait and 3 in Algeria) and the suspension of 5 Saudi Aramco onshore drilling rigs for varying periods during the same period. A number of employees also remained on unpaid leave, which led to a decrease in salaries and overtime allowances in the second half of 2020G and for a full year in 2021G.

Staff costs increased by 60.6% from SAR 317.9 million in 2021G to SAR 510.6 million in 2022G due to the increase in average number of employees (+471 employee) in line with the Group's acquisition of new rigs during the same period. In addition to the increase in the average utilisation of drilling rigs after the temporary suspension caused by the Covid-19 pandemic during 2020G and 2021G.

### Depreciation

Depreciation mainly relates to offshore rigs and onshore rigs, and it increased by 16.7% from SAR 229.8 million in 2020G to SAR 268.2 million in 2021G due to the increase in the number of drilling rigs in Kingdom of Saudi Arabia (4 offshore drilling rigs acquired from Noble in 2021G)

Depreciation continued to increase by 47.1% to reach SAR 394.4 million in 2022G due to i) addition of 8 new rigs as part of the Group's property plant and equipment, and (ii) the addition of 3 new leased rigs under Right of Use.

### Maintenance costs

Maintenance costs include planned and unplanned maintenance of drilling rigs.

Maintenance costs decreased by 3.8% from SAR 130.8 million in 2020G to SAR 125.8 million in 2021G mainly driven by the expiry of the contract of some drilling rigs and temporary suspension of some other drilling rigs.

Maintenance costs increased by 93.1% from SAR 125.8 million in 2021G to SAR 242.9 million in 2021G in line with the growth of offshore and onshore drilling rig operation during the same period, in addition to the new acquisitions of drilling rigs.

### Catering costs

Catering costs relate to the costs of catering to the rig crew, contract customer representatives and other Group crew.

Catering cost decreased by 9.1% from SAR 61.5 million in 2020G to SAR 55.9 million in 2021G mainly driven by an overall decrease in the number of the Group's rig crew as a result of the decrease in the rigs operation during the same period due to the termination/ suspension of several rigs as mentioned above.

Catering cost increased by 68.5% from SAR 55.9 million in 2021G to SAR 94.2 million in 2022G in line with the growth of offshore and onshore drilling rig operation during the same period, in addition to new acquisitions of drilling rigs

### Move costs

It mainly relates to the cost incurred to move drilling rigs from one site to another and the fuel consumed in their operation and movement.

Move costs decreased by 11.0% from SAR 51.5 million in 2020G to SAR 45.9 million in 2021G mainly driven by the decrease in the number of utilised drilling rigs during the same period and consequently a decrease in move operations and their fuel costs.

Move costs increased by 28.2% from SAR 45.9 million in 2021G to SAR 58.8 million in 2022G mainly driven by the increase in the number of utilised drilling rigs during the same period.

### Rental equipment

Rental equipment related to the rental of cranes, heavy transportation machines, trucks, light vehicles etc

Rental equipment cost decreased by 32.4% from SAR 29.4 million in 2020G to SAR 19.9 million in 2021G due to the expiry of some drilling rigs contracts and the Group purchased of some equipment instead of leasing it.

Rental equipment cost increased by 138.3% from SAR 19.9 million in 2021G to SAR 47.4 million in 2022G in line with the growth of the offshore and onshore drilling rig operation during the same period as well as the acquisition of new rigs.

It is worth noting that rental equipment were mainly carried out in Egypt and Saudi Arabia, where the Group rents cranes, equipment, diesel engines, trucks, diesel tankers and ships. It should also be noted that the above leases were treated as short term leases under the International Financial Reporting Standard (IFRS) 16 Leases.

### Insurance

Insurance cost mainly relate to protection and indemnification insurance related to offshore and onshore drilling rigs which includes insurance over structure and machinery and insurance against all risks.

Insurance cost increased by 6.9% from SAR 20.6 million in 2020G to SAR 22.1 million in 2021G mainly driven by an increase in property and equipment balance from SAR 3.8 billion as on 31 December 2020G to SAR 5.4 billion as on 31 December 2021G, consequently the increase in insurance cost.

Insurance cost increased by 87.6% from SAR 22.1 million in 2021G to SAR 41.4 million in 2022G mainly driven by the increase in property and equipment balance to SAR 12.2 billion as on 31 December 2022G which resulted to an increase in the insurance cost

Insurance costs decreased as a percentage of property and equipment balance from 0.5% in 2020G to 0.4% and 0.3% in 2021G and 2022G, respectively.

### Crew change costs

Related to accommodation, lodging, permits /visas, airfare.

Crew change costs increased by 10.3% from SAR 18.8 million in 2020G to SAR 20.7 million in 2021G mainly driven by an increase in the number of employees during the same period.

Crew change costs increased by 48.8% from SAR 20.7 million in 2021G to SAR 30.9 million in 2022G mainly driven by an increase in the number of employees during the same period.

### Project direct costs

Project direct costs mainly include the cost of preparing the site for bases and yards for offshore and onshore rigs, the cost of renting bases and yards, the cost of preparing the site, and others.

Project direct costs decreased by 58.6% from SAR 32.6 million in 2020G to SAR 13.5 million in 2021G due to the decrease in project direct costs related to the rapid production unit (-SAR 19.1 million), as most of the cost of this project was incurred in the year 2020G, and there were no new projects in the year 2021G.

Project direct costs decreased by 35.7% from SAR 13.5 million in 2021G to SAR 8.7 million in 2022G as there were no new projects during the period.

### Other costs

Other costs mainly include costs of regular control operations, training, and business trips.

Other costs decreased by 19.6% from SAR 105.7 million in 2020G to SAR 85.0 million in 2021G mainly due to the decrease in the costs of training and business trips due to the continued spread of the Covid-19 and the limitation of movement and trips.

Other costs increased by 72.4% from SAR 85.0 million in 2021G to SAR 146.5 million in 2022G mainly due to the increase in the costs of regular control operations, and this was due to the issuance of the American Bureau of Shipping certificate for the new drilling rigs of the Group. In addition to the increase in the costs of training and business trips, in line with the growth of the Group's business during the same period, in addition to the Group's efforts to acquire new drilling rigs.

### 6.8.1.4 Gross profit and profit margin by region and operating segment

**Table (6.7): Gross profits and profit margin by region and operating segment for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| KSA | 370,383 | 381,268 | 611,519 | 2.9% | 60.4% | 28.5% |
| Egypt | 85,020 | 38,066 | 111,509 | (55.2%) | 192.9% | 14.5% |
| Kuwait | 171,612 | 123,625 | 113,998 | (28.0%) | (7.8%) | (18.5%) |
| Qatar | - | - | 59,421 | NA | NA | NA |
| Algeria | 9,601 | (4,711) | (646) | (149.1%) | (86.3%) | NA |
| Tunisia | - | 1,074 | (4,406) | NA | (510.3%) | NA |
| **Total** | **636,616** | **539,322** | **891,395** | **(15.3%)** | **65.3%** | **18.3%** |
| **Gross profit margin** | | | | | | |
| KSA | 40.3% | 41.9% | 38.9% | 1.6 | (3.0) | (1.4) |
| Egypt | 26.9% | 15.2% | 32.6% | (11.7) | 17.5 | 5.8 |
| Kuwait | 41.8% | 38.5% | 36.4% | (3.3) | (2.1) | (5.4) |
| Qatar | NA | NA | 29.5% | NA | NA | NA |
| Algeria | 19.4% | (16.4%) | (2.5%) | (35.8) | 13.8 | (21.9) |
| Tunisia | NA | 26.2% | (31.0%) | NA | (57.2) | NA |
| **Gross profit by operating segment** | | | | | | |
| Onshore | 306,256 | 274,660 | 253,471 | (10.3%) | (7.7%) | (9.0%) |
| Offshore | 330,361 | 264,662 | 637,924 | (19.9%) | 141.0% | 39.0% |
| **Gross margin by operating segment** | | | | | | |
| Onshore | 48.1% | 50.9% | 28.4% | 2.8 | (22.5) | (19.7) |
| Offshore | 51.9% | 49.1% | 71.6% | (2.8) | 22.5 | 19.7 |
| **Gross profit by operating segment (excl. depreciation)** | | | | | | |
| Onshore | 397,624 | 381,789 | 394,593 | -4.0% | 3.4% | -0.4% |
| Offshore | 468,828 | 425,755 | 891,231 | -9.2% | 109.3% | 37.9% |
| **Gross margin by operating segment (excl. depreciation)** | | | | | | |
| Onshore | 45.7% | 49.2% | 45.6% | 3.5 | -3.6 | -0.1 |
| Offshore | 56.8% | 57.6% | 55.6% | 0.87 | -2.0 | -1.1 |

Source: Management information.

#### KSA

Gross profit in the Kingdom of Saudi Arabia increased by 2.9% from SAR 370.4 million in 2020G to SAR 381.3 million in the 2021G, mainly driven by the following drilling rigs (1) ADES 157 (+SAR 12.1 million), as it was among the rigs that resumed its operation in 2020G, (2) ADES 889 (+SAR 19.2 million) due to the high utilisation after the Covid-19 pandemic, and (3) as a result of the acquisition of 4 drilling rigs from Noble in November 2021G (SAR 32.5 million), offset by the decrease in gross profit of ADM 261 (-SAR20.9 million), and ADM 262 (-SAR19.9 million) since both rigs were under refurbishment. This was accompanied by an improvement in the gross profit margin by 1.6 percentage points, from 40.3% in 2020G to 41.9% in 2021G.

Gross profit increased by 60.4% from SAR 381.3 million in 2021G to SAR 611.5 million in 2022G, driven by the increase in the profitability of the drilling rigs acquired in 2021G (SAR 252.1 million) and in 2022G (SAR 52.3 million). This was offset by a decrease in the profitability from (1) ADES 40 (SAR 5.5 million), and ADES 798 (SAR 9.5 million) due to the improvement of the characteristics of these platforms, which led to an increase in their depreciation rate, (2) ADES 656 (SAR 29.7 million), and ADES 657 (SAR 9.3 million) due to its maintenance and reduced utilisation. This was accompanied by a decrease in the gross profit margin by 3.0 percentage points from 41.9% in 2021G to 38.9% in 2022G, as a result of the increase in the cost of sales in the onshore and offshore segment by a greater percentage than the increase in revenue, mainly due to the increase in the crew cost due to the adjustment and increase in salaries in 2022G, in addition to the impact of acquisitions and newly acquired businesses in the Kingdom of Saudi Arabia.

### Egypt

Gross profit in Egypt decreased by 55.2% from SAR 85.0 million in 2020G to SAR 38.1 million in 2021G in line with the decline in revenue from the offshore segment in Egypt by 16.7% (-SAR 44.8 million).

Gross profit margin in Egypt decreased by 11.7 percentage points from 26.9% in 2020G to 15.2% in 2021G mainly due to the increase in the cost of sales, more the gross margin decreased due to the decrease in the utilisation of drilling rigs and the decrease in the effective daily rate of the offshore rig Admarine 1 (-SAR 77.1 million), as the rig started operating at a low daily rate starting from January 2021G according to the client agreement.

Gross profit in Egypt increased by 192.9%, from SAR 38.1 million in 2021G to SAR 111.5 million 2022G in line with the increase in operating revenue in the offshore segment in Egypt by 40.3% (+SAR 90.0 million).

Gross profit margin in Egypt increased by 17.5 percentage points from 15.2% in 2021G to 32.6% in 2022G as a result of the increase in operating revenue in the offshore segment at a rate greater than the cost of sales, mainly due to the increase in the average daily rate of drilling rigs.

### Kuwait

Gross profit in Kuwait decreased by 28.0%, from SAR 171.6 million in 2020G to SAR 123.6 million in 2021G in line with the decrease in operating revenue by 22.9% (+SAR 89.5 million).

Gross profit margin in Kuwait decreased by 3.3 percentage points from 41.8% in 2020G to 38.5% in 2021G mainly due to the decrease in the number of utilised drilling rigs and the increase in the cost of sales by a greater percentage than the increase in revenue, mainly due to higher staff costs and higher rig depreciation costs due to improvement in their characteristics.

Gross profit continued to decline by 7.8%, from SAR 123.6 million in 2021G to SAR 114.0 million in 2022G in line with the continuous decrease in operating revenue by 1.0% (-SAR 3.1 million).

Gross profit margin in Kuwait decreased by 2.1 percentage points from 38.5% in 2021G to 36.4% in 2022G as a result of the increase in cost of sales, while revenue decreased, mainly due to the increase in the number of move days, which leads to incurring the same level of costs, while the move rate remains constant (it is worth noting that the greater the number of move days, the more negatively this affects the level of profitability, and vice versa).

### Qatar

The Group achieved gross profit in Qatar of SAR 59.4 million in 2022G, and a gross margin of 29.5% during the same period.

### Algeria

Gross profit in Algeria decreased by 149.1% from SAR 9.6 million in 2020G to a gross loss of SAR 4.7 million in 2021G mainly due to the decrease in operating revenue as a result of the termination of drilling rig contract in Algeria, while crew expenses were incurred until the reassurance of the customer to not renew the contract. Gross margin in Algeria decreased by 35.8 percentage points, from 19.4% in 2020G to -16.4% in 2021G.

Gross loss in Algeria decreased by 86.3% from SAR 4.7 million in 2021G to SAR 646 thousand in 2022G mainly due to the decrease in operating revenue as a result of the decrease in the average daily rate of the drilling rig. Gross profit margin improved by 13.8 percentage points from -16.4% in 2021G to -2.5% in 2022G.

## Tunisia

The Group achieved gross profit in Tunisia of SAR 1.1 million in 2021G, and a gross margin of 26.2% during the same period.

As for 2022G, the Group achieved gross loss in Tunisia of SAR 4.4 million and a gross loss margin of 31.0% during the same period, this was mainly due to a decrease in operating revenue as a result of suspending the work of the drilling rig during the first quarter of 2022G based on the customer's request to solve some technical problems in the drilling rig, while most of the costs were incurred during the suspension period.

## Gross profit and gross margin by operating segment

### Onshore

Onshore gross profit decreased by 10.3% from SAR 306.3 million in 2020G to SAR 274.7 million in 2021G, mainly due to the termination of the contract for 4 onshore drilling rigs with Kuwait Oil Company that was not renewed (+SAR 89.7 million).

Onshore gross margin increased by 2.8 points, from 48.1% in 2020G to 50.9% in 2021G mainly due to the increase in the gross margin in the Kingdom of Saudi Arabia as a result of the increase in operating revenue in the onshore operating segment in Saudi Arabia, while the cost of sales in the onshore operating segment in Saudi Arabia decreased during the same period as a result of the decrease in crew costs in 2021G.

Onshore gross profit decreased by 7.7% from SAR 274.7 million in 2021G to SAR 253.5 million in 2022G mainly due to the drilling rigs in Saudi Arabia (ADES 656 and ADES 657) undergoing maintenance and improvement in characteristics which led to a decrease in its utilisation during the same period.

Onshore gross margin decreased by 22.5 points from 50.9% in 2021G to 28.4% in 2022G mainly due to the increase in cost of crew due to the adjustment and increase in salaries in the year 2022G.

### Offshore

Offshore gross profit decreased by 19.9% from SAR 330.4 million in 2020G to SAR 264.7 million in 2021G mainly due to the decrease in offshore gross profit in the Kingdom of Saudi Arabia (-SAR 16.2 million) in line with lower operating revenue in the same segment.

Offshore gross margin decreased by 2.8 points from 51.9% in 2020G to 49.1% in 2021G, mainly due to the high depreciation rate on some drilling rigs in the Kingdom of Saudi Arabia due to the improvement in their characteristics.

Offshore gross profit increased by 141.0% from SAR 264.7 million in 2021G to SAR 638.0 million in 2022G mainly due to the increase in total profits in the Kingdom of Saudi Arabia as a result of the increase in offshore gross profit (+SAR 242.2 million) in conjunction with the increase in revenue from the segment's operations during the same period.

Offshore gross margin increased by 22.5 points from 49.1% in 2021G to 71.6% in 2022G mainly due to the increase in offshore operating revenue in Egypt by 40.3% (+SAR 90.0 million).

### 6.8.1.5 General and administrative expenses

**Table (6.8): General and administrative expenses for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Staff costs | 117,123 | 101,100 | 141,082 | (13.7%) | 39.5% | 9.8% |
| Business travel expenses | 9,344 | 6,581 | 14,656 | (29.6%) | 122.7% | 25.2% |
| Professional fees | 11,790 | 10,806 | 13,259 | (8.3%) | 22.7% | 6.0% |
| Depreciation and amortisation | 5,544 | 7,437 | 8,928 | 34.1% | 20.0% | 26.9% |
| Communications Expenses | 3,979 | 5,146 | 8,025 | 29.3% | 55.9% | 42.0% |
| Free zone expenses | 7,514 | 7,103 | 7,558 | (5.5%) | 6.4% | 0.3% |
| Bank Services Charges | 1,054 | 1,487 | 3,909 | 41.1% | 162.9% | 92.6% |
| Rental expenses | 2,597 | 1,514 | 3,818 | (41.7%) | 152.2% | 21.3% |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Other expenses | 18,790 | 16,446 | 44,877 | (12.5%) | 172.9% | 54.5% |
| **Total** | **177,734** | **157,623** | **246,112** | **(11.3%)** | **56.1%** | **17.7%** |
| **As a % of revenue from customer contracts** | | | | | | |
| Staff costs | 6.9% | 6.7% | 5.7% | (0.2) | (1.0) | (1.2) |
| Business travel expenses | 0.6% | 0.4% | 0.6% | (0.1) | 0.2 | 0.1 |
| Professional fees | 0.7% | 0.7% | 0.5% | 0.0 | (0.2) | (0.2) |
| Depreciation and amortisation | 0.3% | 0.5% | 0.4% | 0.2 | (0.1) | 0.1 |
| Communications Expenses | 0.2% | 0.3% | 0.3% | 0.1 | (0.0) | 0.1 |
| Free zone expenses | 0.4% | 0.5% | 0.3% | 0.0 | (0.2) | (0.2) |
| Bank Services Charges | 0.1% | 0.1% | 0.2% | 0.0 | 0.1 | 0.1 |
| Rental expenses | 0.2% | 0.1% | 0.2% | (0.1) | 0.1 | 0.0 |
| Other expenses | 1.1% | 1.1% | 1.8% | (0.0) | 0.7 | 0.7 |
| Total | 10.5% | 10.4% | 10.0% | (0.1) | (0.4) | (0.5) |
| **Key performance indicator** | | | | | | |
| Avg, number of employees | 412 | 372 | 577 | (9.7%) | 66.0% | 49.9% |
| Avg. monthly cost per employee (SAR) | 23,666 | 22,623 | 20,373 | (4.4%) | (9.9%) | (13.9%) |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

## Staff costs

Staff costs include basic salaries, housing and transportation allowances, overtime allowances and other employee benefits such as bonuses and medical insurance. It mainly relates to the administrative staff around the Group's offices and branches in the Middle East and Africa. Staff costs constitute an average of 63% of the total general and administrative expenses for the historical period between 2020G and 2022G.

Staff costs decreased by 13.7% from SAR 117.1 million in 2020G to SAR 101.1 million in 2021G due to the decrease in the average number of employees (-40 employee), Whereas, during the period of the Covid-19 pandemic, the Group launched central initiatives in order for the Group to have a central team in the main office while reducing the number of employees in offices / branches around the Middle East and Africa.

Staff costs increased by 39.5% from SAR 101.1 million in 2021G to SAR 141.1 million in 2022G mainly due to the increase in the average number of employees (+205 employee), and accordingly the basic salaries increased (+SAR 28.7 million) in addition to the increase in benefits (housing allowance, travel allowance, and vacation allowance) during the same period. It is worth noting that the average monthly salary for each employee decreased from SAR 22.6 thousand in 2021G to SAR 20.4 thousand in 2022G as a result of the employment of a large number of employees in Egypt (+107 employee) with salaries that were relatively lower than employees in other regions.

## Business travel expenses

Business travel expenses relate to airfare, accommodation and travel agency fees. In addition to marketing expenses.

Business travel expenses decreased by 29.0% from SAR 9.3 million in 2020G to SAR 6.6 million in 2021G as the Group limited travel during the period of the Covid-19 pandemic. In addition, the Group started in the fourth quarter of the year 2020G, with a new policy of granting only economy airline tickets instead of business class flights to all its employees, including senior management. In addition, daily wages in business trips and digital transformation were reduced as much as possible, as travel has been restricted to high priority matters only.

Business travel expenses increased by 122.7% from SAR 6.6 million in 2021G to SAR 14.7 million in 2022G, mainly due to the recovery of business trips and marketing expenses after the pandemic.

## Professional fees

Related to consulting fees, audit fees, legal and professional fees.

Professional fees decreased slightly by 8.3% from SAR 11.8 million in 2020G to SAR 10.8 million in 2021G due to the payment of professional fees to the consultants participating in the Group's acquisition of the business of Weatherfold Drilling International during the year 2020G.

Professional fees increased by 22.7% from SAR 10.8 million in 2021G to SAR 13.3 million in 2022G, mainly due to advisors' fees and consulting expenses due to the recent acquisitions and restructuring of the Group.

## Depreciation and amortisation

It mainly relates to the depreciation of furniture, fixtures, computer equipment and right-of-use assets of the Group's offices/branches. It increased by 34.2% from SAR 5.5 million in 2020G to SAR 7.4 million in 2021G, and it continued to rise to reach SAR 9.0 million in 2022G due to additions in furniture, equipment, computers and information technology equipment.

## Communications expenses

Communications expenses increased by 29.3% from SAR 4.0 million in 2020G to SAR 5.1 million in 2021G, then increased by 55.9% to reach SAR 8.0 million in 2022G, due to the increase in internet expenses and mobile phone bills and upgrade the communications infrastructure in the head office and local offices.

## Free zone expenses

Free zone expenses related to expenses paid to the General Authority for Investment and Free Zones (GAFI) in Egypt. The fee represents 1% of the Group's revenue and is paid annually.

Free zone expenses decreased by 5.5%, from SAR 7.5 million in 2020G to SAR 7.1 million in 2021G. The free zone expenses increased to SAR 7.6 million in 2022G.

## Bank services charges

It mainly relates to bank charges, Murabaha brokerage fees, bank transfer fees, etc.

Banking services charges increased from SAR 1.1 million in 2020G to SAR 4.0 million in 2022G, which is in line with the increase in operations and the increase in the use of bank fees.

## Rental expenses

Relates to office rent expenses and house rent expenses.

Rental expenses decreased from SAR 2.6 million in 2020G to SAR 1.5 million in 2021G due to the decrease in rental expenses for accommodation in 2021G as part of the administration's efforts to reduce direct costs.

Rental expenses increased from SAR 1.5 million in 2021G to SAR 3.8 million in 2022G due to the increase in office rent expenses and accommodation expenses due to acquisitions in the Kingdom of Saudi Arabia and Qatar in 2022G compared to 2021G. As for the increase in the Kingdom of Saudi Arabia, this was related to the expansion of business as another floor was rented in the same building in addition to two offices for Seadrill and Yards. As for the increase in Qatar, the increase is in connection with the increase in the rent of the office, the yard, the warehouse and the small office in the yard. And the accommodation expenses related to the cost of renting 4 hotel rooms for the rig managers, HSE manager, and financial supervisor.

## Other expenses

Other expenses mainly include fines, customs settlements, and other miscellaneous expenses.

Other expenses decreased slightly by 12.5% from SAR 18.8 million in 2020G to SAR 16.4 million in 2021G, mainly due to the decrease in customs expenses by SAR 339 thousand and visa costs by SAR 402 thousand.

Other expenses increased by 172.9% from SAR 16.4 million in 2021G to SAR 44.9 million in 2022G due to the increase in 1) a delay fine (+SAR 9.3 million) mainly related to the delay in the payment / settlement of VAT In the Kingdom of Saudi Arabia during the years 2020G and 2021G, 2) Other miscellaneous expenses (+SAR 7.0 million) relating to fees paid to an agent as the Company operates through an agent and the Group has continued its contract with that agent during the period, 3) Customs settlement (+SAR 3.8 million) related to materials and spare parts shipped to the Kingdom of Saudi Arabia, in addition to 4) visa fees (+SAR 1.9 million) in line with the increase in the number of employees.

### 6.8.1.6 Finance costs

**Table (6.9): Finance costs for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Loan interest expenses | 79,006 | 82,692 | 245,191 | 4.7% | 196.5% | 76.2% |
| Loss on derecognition of loan | - | 117,582 | - | NA | (100.0%) | NA |
| Bond interest and bond fees amortisation | 114,404 | 58,943 | - | (48.5%) | (100.0%) | (100.0%) |
| Amortisation of loan transaction costs | 18,191 | 24,169 | 15,498 | 32.9% | (35.9%) | (7.7%) |
| Interest Rate Swap related finance charges | 16,424 | 16,642 | 4,363 | 1.3% | (73.8%) | (48.5%) |
| Interest on overdraft facilities | 4,118 | 4,374 | 10,069 | 6.2% | 130.2% | 56.4% |
| Interest on lease liabilities | 3,203 | 3,941 | 6,455 | 23.0% | 63.8% | 42.0% |
| Unwinding of discounting on a long-term receivable | (2,986) | (18,012) | (12,002) | 503.2% | (33.4%) | 100.5% |
| Guarantee related finance charges | 12,564 | 9,626 | 11,949 | (23.4%) | 24.1% | (2.5%) |
| Other finance charges/(income), net | (354) | 5,205 | 21,469 | NA | 312.5% | NA |
| **Total** | **244,570** | **305,162** | **302,993** | **24.8%** | **(0.7%)** | **11.3%** |
| **As a % of revenue from customer contracts** | | | | **ppt.** | **ppt.** | **ppt.** |
| Loan interest expenses | 4.7% | 5.5% | 9.9% | 0.8 | 4.5 | (5.3) |
| Loss on derecognition of loan | NA | 7.8% | NA | NA | NA | NA |
| Bond interest and bond fees amortisation | 6.7% | 3.9% | NA | (2. 8) | (3.9) | NA |
| Amortisation of loan transaction costs | 1.1% | 1.6% | 0.6% | 0.5 | (1.0) | (0.6) |
| Interest Rate Swap related finance charges | 1.0% | 1.1% | 0.2% | 0.1 | (0.9) | (0.2) |
| Interest on overdraft facilities | 0.2% | 0.3% | 0.4% | 0.0 | 0.1 | 0.1 |
| Interest on lease liabilities | 0.2% | 0.3% | 0.3% | 0.1 | 0.0 | 0.1 |
| Unwinding of discounting on a long-term receivable | (0.2%) | (1.2%) | (0.5%) | (1.0) | 0.7 | 0.5 |
| Guarantee related finance charges | 0.7% | 0.6% | 0.5% | (0.1) | (0.2) | (0.3) |
| Other finance charges/(income), net | (0.0%) | 0.3% | 0.9% | NA | 0.5 | NA |
| **Total** | **14.4%** | **20.2%** | **12.3%** | **5.7** | **(7.9)** | **(2.2)** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

### Loan interest expenses

It relates to the interests of long-term loans granted to the Group by several local and international banks.

Loan interest expenses increased by 4.7% from SAR 79.0 million in 2020G to SAR 82.7 million in 2021G as a result of the increase in the interest bearing loan and borrowings balance from SAR 1,466 million as on 31 December 2020G to SAR 4,039 million as on 31 December 2021G.

Loan interest expenses increased by 196.5% from SAR 82.7 million in 2021G to SAR 245.2 million in 2022G as a result of the increase in interest bearing loans and borrowings to SAR 10,547 million as on 31 December 2022G.

### Loss on derecognition of loan

Pertained to the write-off of an unamortized portion of transaction cost related to the loans repaid during the year and one-time fees paid for loan closure in 2021G, and amounted to SAR 117.6 million in 2021G.

### Bond interest and bond fees amortisation

It relates to an interest rate of 8.625% on bonds amounting to SAR 1.2 billion issued in 2019G. Interest is paid semi-annually in April and October.

Amortization of bond interest and bond expenses decreased by 48.5% from SAR 114.4 million in 2020G to SAR 58.9 million in 2021G, as the bond was paid in full during the year 2021G.

The Group did not have outstanding bonds and therefore did not record any bond interest and bond fees amortisation in the year 2022G.

### Amortisation of loan transaction costs

Amortization of loan transaction costs increased by 32.9% from SAR 18.2 million in 2020G to SAR 24.2 million in 2021G due to the increase in debts and facilities during the second half of the year 2021G compared to the year 2020G.

Amortization of loan transaction costs decreased by 35.9% from SAR 24.2 million in 2021G to SAR 15.5 million in 2022G due to the restructuring of loans in 2021G, which in turn had a higher impact during the same year. In additions to adding new loans during 2022, and these loans extend from 7 to 8 years, and this was considered higher than the average period of previous loans, which contributed to the decrease in the cost of annual loan transactions.

### Interest rate Swap related finance charges

Interest rate swap related finance charges increased slightly by 1.3%, from SAR 16.4 million in 2020G to SAR 16.6 million in 2021G. Then it decreased by 73.8% to reach SAR 4.4 million in 2022G and relates to the difference between the hedged interest rate SOFR / SAIBOR and the market prices for the amounts paid.

### Interest on overdraft facilities

Interest on the overdraft facilities related to the overdraft facilities to meet the working capital needs of the Group. The interest on overdraft facilities increased slightly by 6.2%, from SAR 4.1 million in 2020G to SAR 4.4 million in 2021G. The interest on overdraft facilities increased by 130.2% to reach SAR 10.1 million in 2022G, due to the increase in overdraft facilities from SAR 125.1 million as on 31 December 2021G to SAR 166.9 million as on 31 December 2022G.

It is worth noting that overdraft facilities were mainly granted by the Egyptian Gulf Bank, the Industrial Bank of Egypt, Al Ahli Bank of Kuwait, Export Development Bank of Egypt, Emirates National Bank in Dubai, and Abu Dhabi Commercial Bank - Egypt. These facilities were revolving loans and overdrafts with no maturity date at an interest rate of 2.9% + 6 months LIBOR and 4.0% + 6 months LIBOR.

### Interest on lease liabilities

The interest on the lease liability relates to the Group's lease contracts. The interest on lease obligations increased by 23.1% from SAR 3.2 million in 2020G to SAR 4.0 million in 2021G, then increased to reach SAR 6.5 million in 2022G, in line with the increase in the right of use assets.

### Unwinding of discounting on a long-term receivable

It represents unwinding impact of discounting of the long-term trade receivables from a customer in Egypt.

According to the agreement signed with the customer in Egypt, portion of the trade receivable from the customer became long term and recorded at the discounted value in the special purpose consolidated statement of financial position. Unwinding of discounting on a long term trade receivables recorded in the special purpose consolidated statement of comprehensive income amounted to SAR 3.0 million in 2020G, SAR 18.0 million in 2021G, and SAR 12.0 million in 2022G.

### Guarantee related finance charges

The guarantee related finance charges represent the bank's fees when issuing or renewing the letter of guarantee. Moreover, the Group issues the letter of guarantee to the majority of clients, and it is issued while entering into a new tender. The financing fees associated with the guarantee decreased by 23.4% from SAR 12.6 million in 2020G to SAR 9.6 million in 2021G, due to the decrease in the Group's business during the period due to the pandemic.

The guarantee related finance charges increased by 24.1%, from SAR 9.6 million in 2021G to SAR 11.9 million in 2022G due to the increase in the Group's business and its participation in tenders during the same period.

### Other finance charges/(income), net

Other finance charges/(income) relates to gains/losses realized due to the currency exchange rate.

Other finance charges, net, were SAR 354 thousand in 2020G as compared to other finance income of SAR 5.2 million in 2021G. This change was due to the difference in the exchange rate of the US dollar / Saudi riyal with regard to the first payment "Vantage", coupled with the difference in the currency exchange rate between the cash obtained in Egypt and the rate fixed in the accounts due to fluctuations in the currency rate in Egypt.

Other finance charges, net, continued to increase by 312.5%, from SAR 5.2 million in 2021G to SAR 21.5 million in 2022G due to the difference in the currency exchange rate between the cash obtained in Egypt and the rate fixed in the accounts due to fluctuations in the currency rate in Egypt.

## 6.8.2 Special purpose consolidated statement of financial position data

**Table (6.10): Special purpose consolidated statement of financial position data as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property and equipment | 3,794,627 | 5,358,405 | 12,188,121 |
| Intangible assets | 1,255 | 1,035 | 553 |
| Right of use assets | 73,345 | 64,287 | 391,034 |
| Investment in an associate and a joint venture | 11,848 | 6,924 | 5,984 |
| Trade receivables | 215,268 | 105,651 | - |
| Derivative instruments | - | - | 26,438 |
| Prepayments and other receivables | 5,683 | 1,800 | 319,992 |
| Deferred tax | 3,162 | 3,111 | - |
| **Total non-current assets** | **4,105,187** | **5,541,213** | **12,932,121** |
| Inventories | 178,534 | 148,472 | 184,275 |
| Trade receivables | 262,136 | 262,140 | 234,735 |
| Contract assets | 123,720 | 172,170 | 255,624 |
| Derivative instruments | - | - | 49,664 |
| Prepayments and other receivables | 272,144 | 300,934 | 644,260 |
| Due from related parties | 13,510 | 34,282 | 9,838 |
| Bank balances and cash | 234,332 | 232,860 | 190,829 |
| **Total current assets** | **1,084,377** | **1,150,859** | **1,569,224** |
| **Total assets** | **5,189,564** | **6,692,072** | **14,501,346** |
| Share capital | - | - | 1,000 |
| Capital contribution | 740,816 | 857,088 | 857,088 |
| Legal reserve | 24,000 | 24,150 | 24,150 |
| Cash flow hedge reserve | (26,198) | (13,131) | 61,771 |

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Retained earnings | 928,174 | 1,025,443 | 1,278,073 |
| **Equity attributable to equity holders of the Parent** | **1,666,793** | **1,893,550** | **2,222,081** |
| Non-controlling interests | 35,322 | 29,529 | 36,350 |
| **Total equity** | **1,702,115** | **1,923,079** | **2,258,431** |
| Interest-bearing loans and borrowings | 1,144,893 | 3,637,737 | 9,575,406 |
| Bonds payable | 1,183,049 | - | - |
| Lease liabilities | 52,351 | 38,415 | 270,133 |
| Provisions | 62,214 | 83,146 | 117,984 |
| Derivative financial instruments | 23,308 | 5,751 | - |
| Deferred revenue | 65,292 | 26,727 | 70,174 |
| Deferred tax | - | - | 44,044 |
| Other payables | - | - | 4,680 |
| **Total non-current liabilities** | **2,531,107** | **3,791,777** | **10,082,421** |
| Trade and other payables | 576,264 | 515,807 | 1,160,989 |
| Income tax payable | 35,604 | 30,974 | 10,495 |
| Interest-bearing loans and borrowings | 321,363 | 401,180 | 972,080 |
| Provisions | 2,205 | 21,330 | 14,777 |
| Due to related parties | 214 | 546 | 2,154 |
| Derivative financial instruments | 20,691 | 7,379 | - |
| **Total current liabilities** | **956,342** | **977,216** | **2,160,494** |
| **Total liabilities** | **3,487,449** | **4,768,993** | **12,242,915** |
| **Total equity and liabilities** | **5,189,564** | **6,692,072** | **14,501,346** |

Source:The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

| Key performance indicators | | | |
|---|---|---|---|
| Days inventory outstanding* | 144 | 154 | 91 |
| Days receivable outstanding** | 103 | 102 | 45 |
| Days payable outstanding*** | 258 | 273 | 273 |
| Return on assets**** | 1.6% | 1.7% | 2.7% |
| Return on equity***** | 4.9% | 6.0% | 17.6% |
| Cash conversion cycle****** | (11) | (17) | (137) |

Source: Management information.

* Days Inventory Outstanding = Average Inventory (beginning period inventory plus ending period inventory, then divide that by 2) / Cost of Goods Sold x 365 days

** Days Receivables Outstanding = Average Trade Receivables (beginning period trade receivables plus ending period trade receivables, then divide that by 2) / Total Credit Sales x 365 days

*** Days Payables Outstanding = Average Accounts Payable (beginning period accounts payable plus ending period accounts payable, then divide that by 2) / Total Credit Sales x 365 days

**** Return on assets = profit for the year / total assets at the end of the year

***** Return on equity = profit for the year / total equity at the end of the year

****** Cash conversion cycle = days inventory outstanding + days receivables outstanding - days payables outstanding

## Non-current assets

Non-current assets increased from SAR 4,105.2 million as on 31 December 2020G to SAR 5,541.2 million as on 31 December 2021G mainly driven by an increase in net book value of property and equipment from SAR 3,794.6 million to SAR 5,358.4 million during the same period, predominantly driven by an increase in rigs (+SAR 1,640.9 million) due to the acquisition of 4 offshore rigs. This was partially offset by a decrease in trade receivables from SAR 215.3 million as on 31 December 2020G to SAR 105.7 million as on 31 December 2021G driven by an increase in provision for impairment in trade receivables. The Group signed a revised settlement agreement with a client in Egypt during 2020G, to settle all outstanding balances. It is worth mentioning that the Group classified the balance of trade receivables from this client between current and non-current according to the terms of the settlement agreement.

Non-current assets increased from SAR 5,541.2 million as on 31 December 2021G to SAR 12,932.1 million as on 31 December 2022G mainly driven by an increase in property and equipment from SAR 5,358.4 million to SAR 12,188.1 million during the same period mainly driven by an increase assets under construction (+SAR 3,811.0 million) in relation to costs incurred on 16 newly acquired rigs during the financial year 2022G in addition to an increase in right of use assets from SAR 64.3 million to SAR 391.0 million. This was partially offset by a decrease in trade receivables (-SAR 105.7 million) as a result of the receivable balance pertaining to a customer in Egypt being fully provided during the year 2022G.

## Current assets

Current assets increased from SAR 1,084.4 million as on 31 December 2020G to SAR 1,150.9 million as on 31 December 2021G mainly driven by an increase in contract assets from SAR 123.7 million to SAR 172.2 million during the same period as a result of the acquisition of 4 rigs from Noble This was coupled with an increase in prepayments and other receivables from SAR 272.1 million as on 31 December 2020G to SAR 300.9 million as on 31 December 2021G mainly driven by an increase in invoice retention (+SAR 25.0 million). This was offset by a decrease in inventories from SAR 178.5 million to SAR 148.5 million during the same period mainly driven by a decrease in inventory in Algeria (-SAR 25.2 million) due to capital spare parts being reclassified to property and equipment as well as an increase in inventory provision recorded in Egypt as a result of the lower overall rig utilisation witnessed during the financial year 2021G.

Current assets increased from SAR 1,150.9 million as on 31 December 2021G to SAR 1,569.2 million as on 31 December 2022G, mainly driven by an increase in prepayments and other receivables from SAR 300.9 million to SAR 644.3 million during the same period due to the increase in advances to contractors and suppliers (+SAR 452.2 million) driven by the acquisition of new drilling rigs during the financial year 2022G as well as capital expenditure required for these rigs. This was coupled with an increase in contract assets from SAR 172.2 million as on 31 December 2021G to SAR 255.6 million as on 31 December 2022G, which was partially offset by a decrease in bank balances and cash from SAR 232.9 million to SAR 190.8 million during the same period.

## Equity

Equity increased from SAR 1,702.1 million as on 31 December 2020G to SAR 1,923.1 million as on 31 December 2021G, mainly driven by an increase in retained earnings from SAR 928.2 million to SAR 1,025.4 million during the same period.

Equity increased from SAR 1,923.1 million as on 31 December 2021G to SAR 2,258.4 million as on 31 December 2022G, mainly driven by an increase in retained earnings from SAR 1,025.4 million to SAR 1,278.1 million during the same period, in addition to an increase in cash flow hedge reserve from -SAR 13.1 million as on 31 December 2021G to SAR 61.8 million as on 31 December 2022G, and an increase in share capital from nil as on 31 December 2021G to SAR 1.0 million as on 31 December 2022G as the Group was incorporated on 28 December 2022G and therefore share capital is not presented for the prior years.

## Non-current liabilities

Non-current liabilities increased from SAR 2,531.1 million as on 31 December 2020G to SAR 3,791.8 million as on 31 December 2021G mainly driven by an increase in interest-bearing loans and borrowings from SAR 1,145 million as on 31 December 2020G to SAR 3,638 million as on 31 December 2021G, which was partially offset by a decrease in bonds payable (-SAR 1,183.0 million) during the same period.

Non-current liabilities increased from SAR 3,791.8 million as on 31 December 2021G to SAR 10,082.4 million as on 31 December 2022G mainly driven by an increase in interest-bearing loans and borrowings from SAR 3,637.7 million to SAR 9,575.4 million during the same period.

## Current liabilities

Current liabilities increased from SAR 956.3 million as on 31 December 2020G to SAR 977.2 million as on 31 December 2021G, mainly driven by an increase in interest-bearing loans and borrowings from SAR 321.4 million to SAR 401.2 million during the same period.

Current liabilities increased from SAR 977.2 million as on 31 December 2021G to SAR 2,160.5 million as on 31 December 2022G, mainly driven by an increase in trade and other payables from SAR 515.8 million to SAR 1,161.0 million during the same period mainly due to an increase in trade payables (+SAR 480.2 million) In line with the overall increase in operations and the number of rigs during the financial year 2022G in addition to an increase in interest-bearing loans and borrowings from SAR 401.2 million to SAR 972.1 million during the same period.

### 6.8.2.1 Non-current assets

**Table (6.11): Non-current assets as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property and equipment | 3,794,627 | 5,358,405 | 12,188,121 |
| Intangible assets | 1,255 | 1,035 | 553 |
| Right of use assets | 73,345 | 64,287 | 391,034 |
| Investment in an associate and a joint venture | 11,848 | 6,924 | 5,984 |
| Trade receivables* | 215,268 | 105,651 | - |
| Derivative instruments** | - | - | 26,438 |
| Prepayments and other receivables | 5,683 | 1,800 | 319,992 |
| Deferred tax | 3,162 | 3,111 | - |
| **Total non-current assets** | **4,105,187** | **5,541,213** | **12,932,121** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* They will be discussed in the trade receivables account as part of current assets

** Will be discussed in the derivative instruments account as part of non-current liabilities

### 6.8.2.2 Property and equipment

**Table (6.12): Net book value of property and equipment as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Rigs | 3,271,873 | 4,912,780 | 7,870,714 |
| Assets under construction | 307,910 | 112,539 | 3,923,534 |
| Tools | 170,182 | 214,642 | 274,691 |
| Leasehold land | - | 58,478 | 58,478 |
| Drilling pipes | 36,522 | 50,690 | 50,334 |
| Furniture and fixtures | 3,674 | 3,591 | 3,566 |
| IT- Equipment | 2,580 | 3,439 | 5,000 |
| Leasehold improvements | 1,178 | 1,446 | 979 |
| Motor vehicles | 708 | 798 | 825 |
| **Total** | **3,794,627** | **5,358,405** | **12,188,121** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Property and equipment included rigs, assets under construction, tools, leasehold land, drilling pipes, furniture and fixture, IT-equipment, leasehold improvements, and motor vehicles.

Property and equipment increased from SAR 3,794.6 million as on 31 December 2020G to SAR 5,358.4 million as on 31 December 2021G, mainly driven by an increase in rigs from SAR 3,271.9 million as on 31 December 2020G to SAR 4,912.8 million as on 31 December 2021G, in addition, to the increase in leasehold land from nil to SAR 58.5 million during the same period which pertained to new land acquired during the financial year 2021G by the Group for the construction of a new head office in Kuwait.

Property and equipment increased from SAR 5,358.4 million as on 31 December 2021G to SAR 12,188.1 million as on 31 December 2022G mainly driven by (1) an increase in assets under construction (+SAR 3,811.0 million) in relation to costs incurred on 16 newly acquired rigs during the financial year 2022G and 2 leased rigs pending refurbishment, upgrade and maintenance works, (2) an increase in rigs (+SAR 2,957.9 million) due to the acquisition of 8 new offshore rigs as the Group began operations in Qatar (+3 rigs) as well as expanded its operations in KSA (+5 rigs).

### Rigs

Rigs constituted 64.6% of the total property and equipment as on 31 December 2022G in relation to 28 offshore rigs and 31 onshore rigs (the 31 onshore rigs include rigs with new contracts under preparation (6 rigs/ net book value: SAR 311.9million) as on 31 December 2022G.

Rigs increased from SAR 3,271.9 million as on 31 December 2020G to SAR 4,912.8 million as on 31 December 2021G, mainly due to the acquisition of 4 rigs (+SAR 1,554.0 million) in the Kingdom of Saudi Arabia, which includes the acquisition of drilling contracts with Saudi Aramco, spare parts, equipment and inventories, as the Group purchased these rigs from Noble to expand its operations in the Kingdom of Saudi Arabia. This was coupled with transfers, which amounted to SAR 274.1 million, and other additions, which amounted to SAR 101.7 million. This was partially offset by impairment recorded on the net book value of rigs which amounted to SAR 75.8 million as a result of lower overall rig activity during COVID-19, mainly driven by delays in the commencement of operations of some of the Group's rigs in Algeria and Egypt. Management conducts impairment test for each rig based on the discounted cash flow model.

Rigs continued to increase from SAR 4,912.8 million as on 31 December 2021G to SAR 7,870.7 million as on 31 December 2022G, mainly driven by the addition of 8 new offshore rigs (+SAR 2.9 billion) as the Group began operations in Qatar (+3 rigs) as well as expanded its operations in KSA (+5 rigs). This was partially offset by the depreciation expense recorded (-SAR 317.0 million).

### Assets under construction

Assets under construction pertained to costs incurred for ongoing upgrades, refurbishments, and modifications on property and equipment for these to become operational. Assets under construction will be transferred primarily to 'rigs' or 'tools' under property and equipment upon completion.

Assets under construction mainly include costs incurred in the purchase and construction of certain rigs, related to ongoing certifications as well as periodic or emergency repairs.

Assets under construction decreased from SAR 307.9 million as on 31 December 2020G to SAR 112.5 million as on 31 December 2021G, as the Group completed rig-related works as well as recorded the transfer of rigs from assets under construction to rigs under property and equipment during the period.

Assets under construction increased from SAR 112.5 million as on 31 December 2021G to SAR 3,923.5 million as on 31 December 2022G, mainly driven by costs incurred with respect to 16 owned rigs and two leased rigs which were acquired during this period (+SAR 3,811,0 million) but have yet to become operational pending refurbishment, upgrades and maintenance works to be carried out.

### Tools

Tools increased from SAR 170.2 million as on 31 December 2020G to SAR 214.6 million as on 31 December 2021G, mainly driven by the transfer of tools which amounted SAR 33.8 million from inventory to property and equipment as these were classified as capital spare parts during the Group's year-end inventory assessment. This was coupled with additions made to tools as part of the Group's acquisition of the Noble business (+SAR 9.3 million), as well as other miscellaneous additions.

Tools increased from SAR 214.6 million as on 31 December 2021G to SAR 274.7 million as on 31 December 2022G, mainly driven by an increase in new rigs (+SAR 31.6 million) and additions to the main base camp located in the Kingdom (+SAR 18.7 million). This was coupled with additions made to heavy equipment, light equipment and capital spare parts, which amounted to SAR 41.1 million. This was partially offset by the depreciation expense recorded (-SAR 31.4 million).

### Leasehold land

Leasehold land pertained to new land acquired during the financial year 2021G by the Group for the construction of a new head office in Kuwait.

The net book value balance of the leased land amounted to SAR 58.5 million as on 31 December 2021G and as on 31 December 2022G.

### Drilling pipes

Drilling pipes increased from SAR 36.5 million as on 31 December 2020G to SAR 50.7 million as on 2021G as a result of transfers from assets under construction (+SAR 32.0 million) coupled with additions (+SAR 12.6 million) pertaining to the purchase of drilling pipes. This was partially offset by the depreciation expense recorded (-SAR 17.5 million) coupled with an impairment expense recorded (-SAR 13.0 million) after the Group performed a technical assessment of the rigs' equipment in Egypt.

Drilling pipes decreased from SAR 50.7 million as on 31 December 2021G to SAR 50.3 million as on 31 December 2022G mainly driven by the depreciation expense (-SAR 18.9 million) which were partially offset by the transfer of accumulated depreciation to rigs (+SAR 15.3 million) coupled with additions (+SAR 2.6 million) and transfers (+SAR 0.6 million) during the period.

### IT- Equipment

IT- Equipment increased from SAR 2.6 million as on 31 December 2020G to SAR 3.4 million as on 31 December 2021G, mainly driven by purchase a new IT system which amounted to SAR 1.6 million.

IT- Equipment increased from SAR 3.4 million as on 31 December 2021G to SAR 5.0 million as on 31 December 2022G, mainly driven by additions of IT equipment and servers.

### Furniture and fixture

Furniture and fixture mainly pertained to furniture and fixtures related to the Group's offices and branches.

Furniture and fixtures remained relatively stabled at SAR 3.6 million as on 31 December 2020G, 31 December 2021G and 31 December 2022G, as additions during the same period were offset by the depreciation expense recorded.

### Leasehold improvements

Leasehold improvements increased from SAR 1.2 million as on 31 December 2020G to SAR 1.4 million as on 31 December 2021G, driven by improvements works conducted on the Group's new head office in the Kingdom of Saudi Arabia.

Leasehold improvements decreased from SAR 1.4 million as on 31 December 2021G to SAR 979 thousand as on 31 December 2022G mainly due to the depreciation expense recorded during the same period.

### Motor vehicles

Motor vehicles mainly includes motor vehicles used at the head office in Egypt.

Motor vehicles increased slightly from SAR 708 thousand as on 31 December 2020G to SAR 798 thousand as on 31 December 2021G and continued to increase to SAR 825 thousand as on 31 December, 2022G, mainly driven by the addition of cars used for operational purposes.

### 6.8.2.3 Right of use assets

**Table (6.13): The net book value of the right-of-use assets as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Rigs | - | - | 315,786 |
| Other equipment | 19,755 | 13,259 | 30,981 |
| Building | 27,491 | 26,075 | 24,659 |
| Yards and warehouse | 6,920 | 8,093 | 9,438 |
| Furniture and fixtures | 9,276 | 8,325 | 7,373 |
| Office premises | 2,664 | 5,015 | 2,184 |
| Motor vehicles | 7,239 | 3,521 | 613 |
| **Total** | **73,345** | **64,287** | **391,034** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Right of use assets included rigs, other equipment, building, yards and warehouse, furniture and fixtures, office premises, and motor vehicles

Right of use assets decreased from SAR 73.3 million as on 31 December 2020G to SAR 64.3 million as on 31 December 2021G, mainly driven by a decrease in other equipment (-SAR 6.5 million) and motor vehicles (-SAR 3.7 million) driven by the recorded depreciation expense during the period coupled with the termination of equipment leases as some rigs in Kuwait were no longer operational.

Right of use assets increased from SAR 64.3 million as on 31 December 2021G to SAR 391.0 million as on 31 December 2022G, as a result of the Group leasing 3 offshore rigs, which amounted to SAR 315.8 million in line with the Group's fleet expansion plans.

#### Rigs

The Group leased 3 offshore rigs in the Kingdom of Saudi Arabia and Egypt, and recorded a right-of-use asset of SAR 315.8 million as on 31 December 2022G, in line with the Group's fleet expansion plans.

Rigs recorded under right-of-use assets related to the lease of 3 rigs: ADM683 (SAR 144.0 million), ADM684 (SAR 144.0 million), and Topaz (SAR 27.8 million). The Group also recorded two additional rigs (ADM685 and ADM686) with a net book value of nil as the lease contract only begins in March 2023G, with the corresponding contract with Aramco starting on May 2023G. However, the Group has incurred, as on 31 December 2022G, SAR 248.4 million in modification and refurbishment costs on these rigs, which were recorded as part of assets under construction (leasehold improvements). The Group has opted to start the leasing of rigs during the financial year 2022G due to:

- i- Management's asset model strategy whereby they are aiming to find the right mix between leased and purchased rigs;
- ii- lease contracts are back-to-back with customer contracts lowering the Group's exposure to unutilized rigs; and
- iii- all leased rigs have a purchase option, with lease payments being considered toward the purchase price.

#### Other equipment

Other equipment related to long-term rental equipment contracts to serve on rigs and yards (e.g., forklift, crane, etc.) and decreased from SAR 19.8 million as on 31 December 2020G to SAR 13.3 million as on 31 December 2021G driven by the depreciation expense recorded coupled with the termination of lease contracts for equipment as some rigs in Kuwait were no longer operational.

Other equipment increased from SAR 13.3 million as on 31 December 2021G to SAR 31.0 million as on 31 December 2022G driven by SAR 31.2 million in additions made pertaining to the rental of heavy equipment (cranes and forklifts) for onshore rigs in Kuwait. This was partially offset by terminated equipment contracts in Kuwait (-SAR 7.5million) as a result of a change in subcontractor coupled with the depreciation expense recorded (-SAR 6.5 million) during the financial year 2022G.

## Building

Building pertained to the Group's head office in Egypt.

Building declined from SAR 27.5 million as on 31 December 2020G to SAR 26.1 million as on 31 December 2021G driven by the depreciation expense recorded (-SAR 1.4 million) as no additions were made during the period.

Building decreased from SAR 26.1 million as on 31 December 2021G to SAR 24.7 million as on 31 December 2022G mainly driven to the depreciation expense recorded (-SAR 1.4 million) as no additions were made during the period.

## Yards and warehouse

Yards and warehouse mainly related to 8 yards and warehouses located 3 in Egypt, 4 in KSA, and 1 in Algeria.

Yards and warehouses increased from SAR 6.9 million as on 31 December 2020G to SAR 8.1 million as on 31 December 2021G driven by addition (+SAR 4.4 million) in relation to the extension of 4 contracts in Egypt and 1 contract in KSA. This was partially offset by the termination of one contract in KSA which was replaced with another contract at a lower rate.

Yards and warehouses increased from SAR 8.1 million as on 31 December 2021G to SAR 9.4 million as on 31 December 2022G driven by additions made (+SAR 5.0 million) in relation to contract extensions in Algeria (+SAR 3.2 million) and in KSA (+SAR 1.8 million). This was partially offset with the depreciation expenses recorded (-SAR 3.7 million) during the financial year 2022G.

## Furniture and fixtures

Furniture and fixtures mainly pertained to furniture and fixtures within the Group's head office in Egypt. Furniture and fixtures declined from SAR 9.3 million as on 31 December 2020G to SAR 8.3 million as on 31 December 2021G mainly driven by the depreciation expense recorded (-SAR 951 thousand) as no additions were made during the period.

Furniture and fixtures decreased from SAR 8.3 million as on 31 December 2021G to SAR 7.4 million as on 31 December 2022G mainly driven by the depreciation expense recorded (-SAR 951 thousand) as no additions were made during the period.

## Office premises

Office premises mainly related to four lease contracts in Egypt, Dubai, and the Kingdom of Saudi Arabia. Office premises increased from SAR 2.7 million as on 31 December 2020G to SAR 5.0 million as on 31 December 2021G on the back of the additions made (+SAR 2.6 million) in relation to a new office in KSA coupled with the extension of the Dubai office lease contract during same period. This was partially offset by the depreciation expense (-SAR 770 thousand) recorded during the period.

Office premises declined from SAR 5.0 million as on 31 December 2021G to SAR 2.2 million as on 31 December 2022G driven by the termination of the lease contract (-SAR 2.2 million) coupled with the depreciation expense recorded during financial year 2022G (-SAR 1.6 million).

## Motor vehicles

Motor vehicles mainly pertained to rental cars used for operational purposes and included 8 cars in Egypt and two cars for each drilling rig in Kuwait.

Motor vehicles declined from SAR 7.2 million as on 31 December 2020G to SAR 3.5 million as on 31 December 2021G driven by the depreciation expense recorded during the financial year 2021G (-SAR 3.3 million).

Motor vehicles decreased from SAR 3.5 million as on 31 December 2021G to SAR 613 thousand as on 31 December 2022G driven by the depreciation expense recorded during the financial year 2022G (-SAR 3.2 million) coupled with adjustments amounting to -SAR 1.1 million.

### 6.8.2.4 Intangible assets

**Table (6.14): The net book value of intangible assets as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Cost as on 31 December | 3,445 | 3,806 | 3,824 |
| Accumulated amortisation as on 31 December | 2,190 | 2,771 | 3,271 |
| **Net carrying amount as on 31 December** | **1,255** | **1,035** | **553** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

As on 31 December 2022G, intangible assets mainly included Oracle ERP which amounted to SAR 2.4 million and other intangible assets which amounted to SAR 1.4 million that are amortized using the straight-line method over their estimated use life (5 years).

Intangible assets decreased from SAR 1.3 million as on 31 December 2020G to SAR 1.0 million as on 31 December 2021G due to amortization of the period (-SAR 581 thousand), which was partially offset by minor transfers and additions during the same period amounting to SAR 361 thousand.

Intangible assets continued to decrease from SAR 1.0 million as on 31 December 2021G to SAR 553 thousand as on 31 December 2022G due to the amortization of the period (-SAR 501 thousand), which was partially offset by minimal additions made during the period amounting to SAR 18 thousand.

### 6.8.2.5 Investing in an associate and a joint venture

**Table (6.15): The net book value of investment in an associate and a joint venture as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| ADVantage Drilling Services S.A.E | 7,039 | 6,924 | 5,984 |
| ECDC investment | 6,815 | 6,815 | 6,815 |
| Investment impairment provision for ECDC | (2,006) | (6,815) | (6,815) |
| **Total** | **11,848** | **6,924** | **5,984** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

#### ADVantage Drilling Services S.A.E

The Group holds a 49% equity interest in ADVantage Drilling Services for SAR 6.0 million as on 31 December 2022G (SAR 6.9 million as on 31 December 2021G and SAR 7.0 million as on 31 December 2020G). ADVantage Drilling Services is a joint stock company engaged in deep offshore drilling activities, oil or natural gas production wells at depths exceeding 350 meters, exploration and maintenance of oil and gas wells and all related services, as well as owning, operating, managing and leasing onshore and offshore equipment.

ADVantage Drilling Services was established on January 15 2019G as a free zone company in accordance with the provisions of Investment Law No. 72 of 2017G in Egypt.

Investment in ADVantage Drilling Services decreased from SAR 7.0 million as on 31 December 2020G to SAR 6.9 million as on 31 December 2021G.

Investment in ADVantage Drilling Services further decreased from SAR 6.9 million as on 31 December 2021G to SAR 6.0 million as on 31 December 2022G due to the Group recording its share of loss for the year which amounted to SAR 940 thousand.

## ECDC investment

The Group owns a 48.75% equity stake in the Egyptian Chinese Drilling Company for SAR 6.8 million as on 31 December 2020G, 31 December 2021G and 31 December 2022G. The Group acquired the investment on 20 March 2015G from AMAK Drilling and Oil Services Company (a related party) at nominal value. The Egyptian Chinese Drilling Company is a joint stock company engaged in the storage and rental of machinery and all necessary equipment in the oil sector. As on 31 December 2017G, the Group treated this investment as available for sale due to the lack of representation on the Board. On 5 July 2018G, the shareholders entered into a shareholders agreement under which the Group acquired joint control of the Egyptian Chinese Drilling Company. According to the shareholders' agreement, the investment became an investment in a joint venture and came into effect on 5 July 2018G.

As on 31 December 2020G, the Group recorded a provision for impairment in total investment value of SAR 2 million due to the outstanding non-profitable nature of this joint venture. The Group recorded additional provision of SAR 4.8 million during the year ended 31 December 2021G. Consequently, the impairment provision in the Egyptian Chinese Drilling Company (ECDC) amounted to SAR 2.0 million as on 31 December 2020G and SAR 6.8 million as on 31 December 2021G and 2022G.

The Group also recorded a dividend of SAR 4.6 million from the Egyptian Chinese Drilling Company for the year ended 31 December 2015G, which remained unsettled as on 31 December 2022G. The Group recorded a full provision for the total balance of dividends receivable during the financial year 2021G.

### 6.8.2.6 Current assets

**Table (6.16): Current assets as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Inventories | 178,534 | 148,472 | 184,275 |
| Trade receivables* | 262,136 | 262,140 | 234,735 |
| Contract assets | 123,720 | 172,170 | 255,624 |
| Derivative instruments | - | - | 49,664 |
| Prepayments and other receivables | 272,144 | 300,934 | 644,260 |
| Due from related parties | 13,510 | 34,282 | 9,838 |
| Bank balances and cash | 234,332 | 232,860 | 190,829 |
| **Total current assets** | **1,084,377** | **1,150,859** | **1,569,224** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* Includes discussion of the non-current portion of the trade receivables account classified in non-current assets

### 6.8.2.7 Inventories

**Table (6.17): Net inventories as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Offshore rigs | 77,294 | 50,522 | 110,435 |
| Onshore rigs | 39,043 | 36,430 | 30,200 |
| Warehouse and yards | 62,197 | 61,520 | 43,640 |
| **Total** | **178,534** | **148,472** | **184,275** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Inventories were mainly in relation to spare parts for well control, mud, and power systems in addition to equipment-related spare parts in relation to offshore rigs, onshore rigs and warehouses and affiliated spaces. Inventories were primarily stored within (i) offshore rigs (SAR 110.4 million as on 31 December 2022G), (ii) warehouse and yards (SAR 43.6 million), and (iii) onshore rigs (SAR 30.2 million as on 31 December 2022G). It is important to note that most inventories are transferrable and can be moved between onshore/offshore rigs, warehouses, and yards.

Inventories decreased from SAR 178.5 million as on 31 December 2020G to SAR 148.5 million as on 31 December 2021G, mainly driven by (i) a decline in inventory in Algeria (-SAR 25.2 million) due to c. SAR 22.5 million of inventory having been reclassed to property and equipment as these were considered as capital spare parts, (ii) an increase in inventory provision (+SAR 16.6 million) stemming from increased inventory impairment recorded, which rose from SAR 3.5 million as on 31 December 2020G to SAR 20.1 million as on 31 December 2021G. This came as a result of the lower overall rig utilisation witnessed in Egypt during financial year 2021G, due to COVID-19. This led to an increase in inventory being considered as slow-moving and, consequently, being provisioned for based on the Group's internal inventory assessment. This decline was partially offset by an increase in inventory in KSA (+SAR 18.2 million) due to the procurement of spare parts in relation to the 4 new Noble rigs coupled with the acquisition of inventory along with the rigs from Noble.

Inventory increased to SAR 184.3 million as on 31 December 2022G on the back of (1) an increase in inventory in KSA (+SAR 30.3 million) due to the acquisition of spare parts required to be maintained for the newly acquired rigs in financial year 2022G (Seadrill rigs and Aramco contracts), and (2) an increase in inventory in Qatar (+SAR 20.5 million) as a result of the commencement of operations. This increase was partially offset by a decline in inventory in Egypt (-SAR 9.6 million) on account of additional impairment provision and utilisation of inventories during the period, in addition to a decrease in inventory in Algeria (-SAR 3.5 million).

**Table (6.18): Movement in the provision for impairment of inventory as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| As on 1 January | 950 | 3,524 | 20,103 |
| Charge for the year | 2,574 | 17,344 | 26,217 |
| Used during the year | - | (765) | (17,440) |
| **As on 31 December** | **3,524** | **20,103** | **28,880** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

It is worth noting that inventory is recognized at cost, and impairment is tested internally at the end of each annual reporting period by technical staff. In the event of a decrease in book value of inventory, the resulting loss is recognized on the income statement. The provision for slow-moving inventory is also monitored after taking into account multiple factors including inventory purpose, historical use and anticipated future use.

At the start of the provision exercise, the Group excludes fast-moving items i.e., items consumed within the last 30 days, with the remaining inventory balance being segregated between (i) inventory that has been consumed in the last 24 months, (ii) inventory that has been moved from one rig to another but yet to be consumed, and (iii) inventory subject to investigation. Inventory subject to investigation is then further split between contractually/operationally critical inventory (c.80% of the remaining inventory) and non-critical inventory (c.20%). Those operationally critical inventories are then tested for impairment on a case-by-case basis. The inventory assessment is performed/signed off by the asset manager, inventory control supervisor, operations manager, maintenance manager, supply chain manager, and country general manager.

Provision for slow-moving inventory increased from SAR 3.5 million as on 31 December 2020G to SAR 20.1 million as on 31 December 2021G driven by the charge recorded during the year of SAR 17.3 million on inventory recorded in Egypt, whereby inventory provision in Egypt increased from SAR 1.9 million as on 31 December 2020G to SAR 17.0 million as on 31 December 2021G.

Provision for slow-moving increased from SAR 20.1 million as on 31 December 2021G to SAR 28.9 million as on 31 December 2022G driven by the charge recorded during the year of SAR 26.2 million based on management's assessment of inventory during the period. This was partially offset the use the slow-moving inventory provision during the year of SAR 17.4 million during the financial year 2022G.

### 6.8.2.8 Trade receivables (non-current and current)

**Table (6.19): Trade receivables (non-current and current) as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Trade receivables | 495,129 | 601,433 | 704,941 |
| Provision for impairment in trade receivables | (17,725) | (233,642) | (470,206) |
| **Trade receivables, net** | **477,404** | **367,791** | **234,735** |
| Current | 262,136 | 262,140 | 234,735 |
| Non-current | 215,268 | 105,651 | - |
| Provision as a % of trade receivables | 3.6% | 38.8% | 66.7% |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Trade receivables (gross) amounted to SAR 704.9 million as on 31 December 2022G and were primarily comprised of receivable balances from a customer in Egypt which accounted for c. 61% as on 31 December 2022G (c. 68% as on 31 December 2021G, c. 70% as on 31 December 2020G) in addition to trade receivables from other customers.

Trade receivables increased from SAR 495.1 million as on 31 December 2020G to SAR 601.4 million as on 31 December 2021G, mainly due to an increase in trade receivables from a customer in Egypt (+SAR 66.6 million), from Aramco (+SAR 32.9 million) mainly on the back of the acquisition of the 4 Noble rigs, KOC (+SAR 19.0 million), and GPC (+SAR 14.0 million). This comes despite the overall decline in revenue due to the timing of receivable settlement at year-end. This was partially offset by settlements of receivables from customers most notably PetroGulf (-SAR 15.2 million) and GUPCO (-SAR 6.8 million).

Trade receivables continued to increase to SAR 704.9 million as on 31 December 2022G, driven by (1) the increase in trade receivables from Aramco (+SAR 48.3 million) and the General Petroleum Company (+SAR 15.8 million) in line with the increase in revenue during the same period, (2) an increase in trade receivables from two customers in Qatar: Total Energies (+SAR 17.9 million) and the North Oil Company (+SAR 17.5 million), as the Group began operations in Qatar during the financial year 2022G, (3) an increase trade receivables from a customer in Egypt (+SAR 17.2 million) due to billing of contract assets. This was offset by a decrease in the receivables balance of Kuwait Oil Company (-SAR 15.6 million) as a result of settlements made during the period.

As on 31 December 2022G, the large customer balance before the provision pertained to one customer, a partially government-owned entity . This customer was facing some challenges which impacted their ability to meet the settlement obligations towards the Group. As such, the Group signed in 2021G a revised settlement agreement with this customer to settle all outstanding balances and management believe that this customer will be able to meet its obligations. Given the subsequent delays in settlement even following the settlement agreement, the Group has decided to book a provision for impairment of trade receivables amounting to SAR 428.2 million against the full amount of receivables in relation to this customer Any subsequent collection will be recognised as a reversal of provision.

**Table (6.20): Movement in the provision for impairment of trade receivables as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| As on 1 January | 8,130 | 17,725 | 233,642 |
| Charge for the year | 9,595 | 215,916 | 236,565 |
| **As on 31 December** | **17,725** | **233,642** | **470,206** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Provision for impairment of trade receivables increased from SAR 17.7 million as on 31 December 2020G to SAR 233.6 million as on 31 December 2021G driven by the charge of the year which amounted to SAR 215.9 million driven by (1) the impairment of trade receivables of a customer in Egypt (SAR 191.1 million) representing 45% of the Group's total trade receivable balance as on 31 December 2021G, and (2) management's decision to apply a more conservative approach when computing the provision for trade receivables, by providing for all receivable balances having aged over 30 days from their due date as well as a portion of trade receivable balance that are not due.

Provision for impairment of trade receivables continued to increase from SAR 233.6 million as on 31 December 2021G to SAR 470.2 million as on 31 December 2022G due to the charge of the year recorded which amounted to SAR 236.6 million in relation to provisions for the remaining trade receivable balance from a customer in Egypt that was not provided for (+SAR 237.1 million).

**Table (6.21): Analysis of the aging of trade receivables (aging of trade receivables) as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Neither due nor impaired | 401,288 | 359,217 | 198,637 |
| Less than 30 days | 16,503 | 8,574 | 24,663 |
| 30 – 60 days | 5,616 | - | 4,086 |
| 61 – 90 days | 7,765 | - | 3,850 |
| More than 90 days | 46,232 | - | 3,498 |
| **Trade receivables** | **477,404** | **367,791** | **234,735** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Trade receivables do not carry interest and have credit terms generally ranging from 30 to 60 days (except for one customer in Egypt that is recorded as non-current however the trade receivable balance pertaining to this customer was fully provided for as on 31 December 2022G) after which trade receivables are considered as past due. Once the receivable balance surpasses these terms it is reclassed to a further bracket based on the number of days these were past due. The Group then recognizes an allowance for expected credit losses (ECL) which are computed as per IFRS9 with additional provisions being computed based on specific identification. This is a normal practice due to the contracts with customers and market standards.

### 6.8.2.9 Contract assets

Contract assets represent receivables from customers that have not been invoiced, and mainly pertained to Aramco as it represented 76% of the total contract assets of the Group and other customers represented the remaining 24% as on 31 December 2022G. Contract assets are generally billed within a month. Upon invoicing, contract assets are reclassified to trade receivables.

Contract assets increased from SAR 123.7 million as on 31 December 2020G to SAR 172.2 million as on 31 December 2021G as a result of the acquisition of 4 rigs from Noble which recorded contract assets.

Contract assets increased from SAR 172.2 million as on 31 December 2021G to SAR 255.6 million as on 31 December 2022G as a result of an increase in Aramco contract assets (+SAR 176.6 million) driven by the overall increase in operations within KSA during financial year 2022G.

### 6.8.2.10 Amounts due from related parties

**Table (6.22): Amounts due from related parties as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Innovative Energy Holding Ltd. | - | 5,020 | 5,020 |
| AMAK for Drilling & Petroleum Services Co. | 10,356 | 17,615 | 1,637 |
| Intro for Trading & Contracting Co. | 1,086 | 1,213 | 1,401 |
| Other | 2,067 | 10,434 | 1,780 |
| **Total** | **13,510** | **34,282** | **9,838** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

**Amounts due from related parties mainly includes the following:**

- **Innovative Energy Holding:** in relation to the initial capital contribution made by the Group in Innovative Energy Holding Ltd. The latter was incorporated in Mar-21 as the sole owner of ADES International Holding upon its delisting from the Main Market of the London Stock Exchange.
- **AMAK for Drilling & Petroleum Services Co.:** in relation to recharges for drilling equipment that were missing upon the Group's purchase of ADES 1. These purchases mainly consisted of drilling pipes and other drilling equipment.
- **Intro for Trading & Contracting Co.:** related to consulting fees, management fees and utility fees incurred by the Group on behalf of Intro for Trading & Contracting Co.
- **Other:** Other amounts due from related parties mainly include receivables from ADES Arabia Holding and ADES Investments Holding Ltd.

Due from related parties increased from SAR 13.5 million as on 31 December 2020G to SAR 34.3 million as on 31 December 2021G mainly driven by an increase in due from ADES Arabia Holding (+SAR 8.9 million) in relation to its initial share capital as it was established on 21 September 2021G. This was coupled with an increase in due from AMAK Drilling and Petroleum Services Company (+SAR 7.3 million) due to reharges pertaining to missing equipment upon the Group's purchase of ADES 1.

Due from related parties decreased from SAR 34.3 million as on 31 December 2021G to SAR 9.8 million as on 31 December 2022G, mainly driven by a decrease in due from AMAK Drilling and Petroleum Services (-SAR 16.0 million) and due from ADES Arabia Holding (-SAR 8.9 million) as a result of settlements made for both accounts during the period.

**Table (6.23): Other significant balances**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Bank balances and cash with other related parties | - | 23,972 | 32,100 |
| Interest-bearing loans and borrowings from related party under common control | - | 2,732,083 | - |
| Interest-bearing loans and borrowings from other related parties | - | 1,701,890 | 5,524,826 |
| Trade receivables and contact assets from other related parties | - | 178,103 | 288,658 |
| Other receivables from other related parties | - | 129,082 | 208,450 |
| Trade receivables and contract assets from Joint venture | - | - | 3,740 |
| Derivative financial instrument with other related parties | - | (13,131) | 40,848 |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

### 6.8.2.11 Prepayments and other receivables

**Table (6.24): Prepayments and other receivables as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Advances to contractors and suppliers | 17,322 | 18,640 | 470,873 |
| Invoice retention | 191,367 | 216,395 | 325,938 |
| Other receivables | 27,966 | 27,711 | 70,485 |
| Prepaid mobilization revenue | - | 1,800 | 54,121 |
| Insurance with customers | 21,876 | 23,736 | 28,760 |
| Margin letter of guarantees | 15,621 | 19,591 | 20,903 |
| Dividends receivable | 4,594 | 4,594 | 4,594 |
| **Total** | **278,746** | **312,468** | **975,673** |

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Provision for impairment in dividends receivables | (919) | (4,594) | (4,594) |
| Provision for other receivables | - | (5,140) | (6,828) |
| **Total, net** | **277,827** | **302,734** | **964,252** |
| **Current** | **272,144** | **300,934** | **644,260** |
| **Non-current** | **5,683** | **1,800** | **319,992** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Prepayments and other receivables include mainly invoice retention, other receivables, insurance with customers, margin letter of guarantees, advances to contractors and suppliers, and dividends receivable. Advances to contractors and suppliers accounted for c. 50% of total prepayments and other receivables as on 31 December 2022G, followed by invoice retention which accounted for c. 35% of total prepayments and other receivables as on 31 December 2022G.

Prepayments and other receivables increased from SAR 277.8 million as on 31 December 2020G to SAR 302.7 million as on 31 December 2021G mainly driven by an increase in invoice retention (+SAR 25.0 million).

Prepayments and other receivables increased from SAR 302.7 million as on 31 December 2021G to SAR 964.3 million as on 31 December 2022G mainly driven by an increase in advances to contractors and suppliers (+SAR 452.2 million) coupled with an increase in invoice retention (+SAR 109.5 million) and other receivables (+SAR 42.8 million).

### Advances to contractors and suppliers

Advances to contractors and suppliers increased from SAR 17.3 million as on 31 December 2020G to SAR 18.6 million as on 31 December 2021G driven by the acquisition of 4 new rigs from Nobel during the financial year 2021G.

Advances to contractors and suppliers increased from SAR 18.6 million as on 31 December 2022G to SAR 470.9 million as on 31 December 2022G mainly on the back of the newly awarded tenders from Aramco which requires 16 rigs in addition to down payments to acquire 2 rigs in Kuwait (+SAR 139.9 million).

### Invoice retention

Invoice retention primarily pertained to amounts retained by customers on the sale invoices as per the terms within the customer contracts. As on 31 December 2022G, invoice retention was comprised of balances from (1) Aramco (10% of total contract value) which are payable within 1 year and (2) KOC (5% of total contract value) which are payable upon the completion of the Group's tax inspection in Kuwait.

It is important to note that the Group was unable to finalize its financial year 2018G and 2019G Kuwait tax inspection during 2020G, given that the tax authorities had suspended inspections due to COVID-19. Management has stated that they are currently working on resuming the tax inspection process for the financial year 2018G-2021G period. As such, as on 31 December 2022G, a portion of invoice retention in relation of KOC had aged for over 365 days.

Invoice retention increased from SAR 191.4 million as on 31 December 2020G to SAR 216.4 million as on 31 December 2021G mainly due to an increase in invoice retentions from Aramco (+SAR 21.7 million) on the back of the acquisition of Noble 4 rigs during the financial year 2021G which had recorded invoice retentions from Aramco.

Invoice retention increased from SAR 216.4 million as on 31 December 2021G to SAR 325.9 million as on 31 December 2022G, mainly due to an increase in invoice retention recorded under Aramco (+SAR 79.4 million) due to the higher revenue generated in KSA coupled with an increase in invoice retention recorded under KOC (+SAR 30.2 million) given that invoice retention recorded in relation to new contracts during financial year 2022G were not offset by collections made as the Group has yet to complete their tax inspection.

## Other receivables

Other receivables amounted SAR 70.5 million as on 31 December 2022G and mainly comprised (1) insurance with others – rental (c. 38%) in relation to deposits paid on two leased rigs (ADM683 and ADM684) which are expected to be recovered at the end of the lease contract, (2) prepaid other (c. 20%) mainly in relation to prepaid LG commission which are amortized over the LG period, and prepaid fuel deposits, (3) miscellaneous receivables (c. 18%), mainly in relation to non-recurring recharges, and (4) rig-related insurance (c. 7%).

Other receivables remained relatively stable as on 31 December 2020G and 31 December 2021G as a result of (1) recording of working capital settlement (+SAR 5.6 million) in relation to the WDI acquisition given that the latter's working capital at acquisition was lower than the target working capital within the SPA, and (2) an increase in customer deduction (+SAR 3.4 million) in relation to expenses incurred for operations conducted in Egypt which were recharged to customers. This was partially offset by a decline in (1) the non-current portion of LG cash margins (-SAR 5.7 million), which were reclassed under margin letters of guarantees as on 31 December 2021G, and (2) prepayments in relation to FPU projects (-SAR 3.4 million) as projects were concluded towards the end of the financial year 2021G.

Other receivables increased to SAR 70.5 million as on 31 December 2022G as a result of (i) an increase in insurance with others – rental (+SAR 26.2 million) due to the lease of two rigs (i.e. ADM683 and ADM684) during the financial year 2022G, (ii) an increase in prepaid others (+SAR 8.0 million) on the back of the increase in letters of guarantee during the financial year 2022G, (iii) an increase in prepayments in relation to FPU project with GPC (+SAR 4.9 million), and (iv) prepaid insurance (+SAR 4.8 million) mainly due to newly acquired rigs. This was partially offset by a decline in customer deduction (-SAR 3.4 million) which was reclassed to a customer in Egypt's gross trade receivable balance and was fully provided for.

## Prepaid mobilization revenue

Prepaid mobilization revenue increased from nil as on 31 December 2020G to SAR 1.8 million as on 31 December 2021G due to prepaid mobilization cost that the Group has incurred to move ADES830 from KSA to Tunisia to start operations during the financial year 2021G.

Prepaid mobilization revenue increased from SAR 1.8 million as on 31 December 2021G to SAR 54.1 million as on 31 December 2022G on the back of the mobilization of 4 rigs (Topaz, Sapphire Driller, Aquamarine Driller, and ADM657).

## Insurance with customers

Pertained to insurance provided to customers as a guarantee for the fulfilment of the contractual obligations by the Group. Insurance awarded to customers based in Kuwait was c. 10% of the total contract value, while that of customers within other countries ranged between 1%-5% of the total contract value. Insurance with customers is typically covered by letters of guarantee in favour of the Group's customers. It is worth mentioning that the insurance amounts mainly relate to customers in Egypt.

Insurance with customers increased from SAR 21.9 million as on 31 December 2020G to SAR 23.7 million as on 31 December 2020G and then to SAR 28.8 million as on 31 December 2022G driven by insurance receivable from ONGC on the back of the newly awarded contract for ADM10 in India.

## Margin letter of guarantees

Primarily comprised cash margins in relation to letters of guarantees issued by Alinma bank, EGB and other banks for customer contract tenders.

Margin letter of guarantees increased from SAR 15.6 million as on 31 December 2020G to SAR 19.6 million as on 31 December 2021G in line with the increase in letters of guarantee during the period.

Margin letter of guarantees increased from SAR 19.6 million as on 31 December 2021G to SAR 20.9 million as on 31 December 2022G in line with the increase in letters of guarantee during the period.

## Dividends receivable

Comprised ECDC dividends receivable. Dividend's receivables remained stable across the review period at SAR 4.6 million as these were yet to be paid by ECDC. As on 31 December 2021G, Management have opted to fully provide for this balance as it has been long outstanding. The balance has yet to be settled as on 31 December 2022G.

### 6.8.2.12 Balances with banks and cash on hand

**Table (6.25): Balances with banks and cash on hand as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Bank balances | 146,549 | 185,757 | 190,490 |
| Cash on hand | 75 | 101 | 339 |
| Time deposits | 87,708 | 47,002 | - |
| **Total** | **234,332** | **232,860** | **190,829** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

**Balances with banks and cash on hand include:**

- **Bank balances:** The Group has balances in local and international banks in various currencies including US Dollar, Saudi Riyal, Kuwaiti Dinar, and Egyptian Pound.
- **Time deposits:** Short-term investment with a local bank in the UAE and Egypt as on 31 December 2020G and 31 December 2021G. Time deposits have original maturities of less than 90 days and achieve an average interest rate of 0.35% per annum during the financial year 2021G and 2.6% during the financial year 2020G and 2022G. The income recorded in the special purpose consolidated statement of comprehensive income during the financial year 2022G amounted to SAR 19.2 million, during the financial year 2020G was SAR 3.0 million and during the financial year 2021G was SAR 212 thousand.
- **Cash on hand:** Represents minor amounts held in some of the Group's branches.

Balances with banks and cash on hand decreased from SAR 234.3 million as on 31 December 2020G to SAR 232.9 million as on 31 December 2021G mainly driven by a decrease in time deposits (-SAR 40.7 million). This was partially offset by an increase in bank balances (+SAR 39.2 million) during the same period.

Balances with banks and cash on hand decreased from SAR 232.9 million as on 31 December 2021G to SAR 190.8 million as on 31 December 2022G mainly driven by a decrease in time deposits (-SAR 47.0 million). This was partially offset by a slight increase in bank balances (+SAR 4.7 million) during the same period.

### 6.8.2.13 Equity

**Table (6.26): Equity as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Share capital | - | - | 1,000 |
| Capital contribution | 740,816 | 857,088 | 857,088 |
| Legal reserve | 24,000 | 24,150 | 24,150 |
| Cash flow hedge reserve | (26,198) | (13,131) | 61,771 |
| Retained earnings | 928,174 | 1,025,443 | 1,278,073 |
| **Equity attributable to equity holders of the parent** | **1,666,793** | **1,893,550** | **2,222,081** |
| Non-controlling interests | 35,322 | 29,529 | 36,350 |
| **Total equity** | **1,702,115** | **1,923,079** | **2,258,431** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Total equity increased from SAR 1,702.1 million as on 31 December 2020G to SAR 2,258.4 million as on 31 December 2022G due to (1) an increase in retained earnings during the period (+SAR 349.9 million), (2) an increase in capital contribution (+SAR 116.3 million), and (3) an increase in cash flow hedge reserve (+SAR 88.0 million) due to gains recorded from hedging instruments during the financial year 2022G.

## Share capital

On 28 December 2022G, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000,000. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 857,087,510 at par to the Shareholders (as a result the total share capital post increase will be SAR 858,087,510). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation.

It is worth mentioning that as on 31 December 2022G, the authorised share capital of ADES Holding was SAR 1,000,000 comprising of 100,000 shares. ADES Holding was incorporated on 28 December 2022G and therefore share capital is not presented for the prior years.

## Capital contribution

The Board of Directors of the Company approved to issue additional shares of SAR 857,087,510 to the Shareholders in 2023G which is recorded as capital contribution as on 31 December 2022G. The difference between the capital of the Company at the date of the Group reorganisation and that of the previous holding company amounting to SAR 139,218,886 has been recorded against the retained earnings in the special purpose consolidated statement of changes in equity.

On 29 November 2019G ADES International Holding Ltd (the intermediate holding company of the Group) announced that pursuant to Shareholders' authority granted at the Company's extraordinary general meeting on 30 October 2019G, 23 June 2021G and 22 June 2021G, it intends to commence purchases of ordinary shares in the capital of the Company. During 2020, ADES International Holding Ltd purchased its own shares amounting to SAR 80,580,248. In April 2021G, ADES International Holding Ltd sold entire treasury shares of 2,544,382 that were purchased at cost of SAR 96,706,215 for total price of SAR 119,267,906. The net difference between cash received and cost of treasury shares less any transaction costs was SAR 22,561,691 which is reflected in the capital contribution account within the special purpose consolidated statement of changes in equity.

## Legal reserve

As required by Egyptian Companies' Law and Advanced Energy Systems (ADES) (S.A.E)'s Articles of Association, 5% of the net profit for the year is transferred to legal reserve until the reserve reaches 20% of the capital. Further, as required by Saudi Companies' Law, ADES Saudi Limited Company's, including its subsidiary's branch in KSA, and ADES Holding Company Articles of Association, 10% of the net profit for the year is transferred to legal reserve until the legal reserve equals 30% of the capital. Advanced Energy System (ADES) (S.A.E.) has resolved to discontinue further transfers as the reserve totals 20% of issued share capital. As on 31 December 2022G, the balance of legal reserve amounted to SAR 24,150,000 (2021: SAR 24,150,000, 2020: SAR 24,000,000).

## Cash flow hedge reserve

Cash flow hedging reserve represents the accumulated profits and losses recorded on hedging instruments which display an effective cash flow hedge relationship. Profits or losses on hedge instruments are recognized in the income statement when the hedging transaction affects profits or losses.

Cash flow hedging reserve amounted to -SAR 26.2 million as on 31 December 2020G, -SAR 13.1 million as on 31 December 2022G. and SAR 61.8 million as on 31 December 2022G.

## Retained earnings

Retained earnings increased from SAR 928.2 million as on 31 December 2020G to SAR 1,025.4 million as on 31 December 2021G and then to SAR 1,278.1 million as on 31 December 2022G as a result of profits recorded during the financial year 2021G and 2022G.

## Non-controlling interests

Non-controlling interests represent a share of the net profit recorded by United Precision Drilling Company W.L.L attributable to other shareholders of United Precision Drilling Company W.L.L. Non-controlling interests decreased from SAR 35.3 million as on 31 December 2020G to SAR 29.5 million as on 31 December 2021G and then increased to SAR 36.4 million as on 31 December 2022G.

### 6.8.2.14 Non-current liabilities

**Table (6.27): Non-current liabilities as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Interest-bearing loans and borrowings* | 1,144,893 | 3,637,737 | 9,575,406 |
| Bonds payable | 1,183,049 | - | - |
| Lease liabilities | 52,351 | 38,415 | 270,133 |
| Provisions* | 62,214 | 83,146 | 117,984 |
| Derivative financial instruments* | 23,308 | 5,751 | - |
| Deferred revenue | 65,292 | 26,727 | 70,174 |
| Deferred tax | - | - | 44,044 |
| Other payables | - | - | 4,680 |
| **Total non-current liabilities** | **2,531,107** | **3,791,777** | **10,082,421** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* Includes discussion of the current portion of the account classified in current liabilities

### 6.8.2.15 Interest-bearing loans and borrowings (non-current and current)

**Table (6.28): Interest-bearing loans and borrowings as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Balance as on 1 January | 1,522,677 | 1,466,256 | 4,038,917 |
| Borrowings novated from a related party * | - | - | 885,318 |
| Borrowings from a related party ** | - | 2,732,083 | - |
| Borrowings drawn during the year | 252,665 | 4,220,925 | 6,566,737 |
| Borrowings repaid during the year | (320,013) | (4,326,353) | (899,410) |
| Unamortised arrangement fees | 10,927 | (53,994) | (44,077) |
| **Balance as on 31 December** | **1,466,256** | **4,038,917** | **10,547,486** |
| **Current** | **321,363** | **401,179** | **972,080** |
| **Non-Current** | **1,144,893** | **3,637,737** | **9,575,406** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* According to the Amendment and Novation Deed dated 29 December 2022G signed by the Company, ADES Arabia Holding and the Lenders of the Loan 1 Syndication Facility A, the parties agreed the loans payable balance owed by ADES Arabia Holding under the Loan 1 Syndication Facility A shall be novated to the ADES Holding effective 29 December 2022G.

** As on 31 December 2021G, ADES Arabia Holding (the parent company) utilised SAR 2.73 billion under the Loan 1 Syndication Facility A and transferred the same amount as a loan to the Group with the same terms and conditions of the syndication loan agreement. As this was payable to ADES Arabia as on 31 December 2021G, it was recorded as a related party loan as on 31 December 2021G. Following the novation agreement as discussed above, the loan from a related party was re-classified to loans and borrowings as on 31 December 2022G. The borrowings from a related party balances as on 31 December 2021G are included in Loan 1 Syndication Facility in the table below as the terms and conditions were the same.

Interest-bearing loans and borrowings amounted SAR 10,547.4 million as on 31 December 2022G and related to (1) 6 commercial loans (SAR 10,380.6 million) used for financing the acquisition of rigs and equipment, and (2) credit facilities, revolving credit facilities, and overdrafts with no maturity (SAR 166.9 million) used for working capital needs.

Interest-bearing loans and borrowings increased from SAR 1,466.3 million as on 31 December 2020G to SAR 4,039.9 million as on 31 December 2021G mainly driven by the reclassification of the loan from a related party whereby loans from related party balances were included, as on 31 December 2021G, as part of the syndicated loan facility 1 Tranche A.

Interest-bearing loans and borrowings increased from SAR 4,039.9 million as on 31 December 2021G to SAR 10,547.4 million as on 31 December 2022G mainly driven the acquisition of new loans (+SAR 6,566.7 million) to support the Group's expansion plans, including (1) the acquisition of drilling rigs in the financial year 2022G and (2) maintenance and refurbishment of existing rigs for continued operation and contracting.

**Table (6.29): Interest bearing loans and borrowings as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Loan 1 - Syndication facility A | - | 3,819,678 | 3,597,103 |
| Loan 5 - Al Inma Bank | 882,014 | - | 1,885,281 |
| Loan 3 - Saudi National Bank | - | - | 1,493,013 |
| Loan 2 - Banque Saudi Francis | - | - | 1,297,776 |
| Loan 1 - Syndication facility C | - | - | 1,150,257 |
| Loan 4 - Al Rajhi | - | - | 932,443 |
| Credit facility | 30,614 | 188,883 | 166,894 |
| Loan 6 - Mashreq loan | - | 30,356 | 24,719 |
| Loan 8 - Syndication | 277,398 | - | - |
| Loan 7 - Saudi National Bank* | 276,231 | - | - |
| **Total** | **1,466,256** | **4,038,917** | **10,547,486** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* The Bank's name changed from National Commercial Bank ("NCB") to Saudi National Bank ("SNB") as a result of the merger

## Loan 1 - Syndication facility A and C

In November 2021, ADES Arabia Holding Company (an entity under common control) and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of SAR 1,162.5 million and SAR 4,837.5 million divided over eight banks which include Goldman Sachs Bank USA, Riyad Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking and Investment Corporation and Arab National Bank. And that during 2022G additional lender acceded to the agreement "The Saudi British Bank - SABB " to be the ninth lender. As on 31 December 2021G, ADES Arabia Holding (the parent company) utilized SAR 2,734 million and transferred the loan amount to the Group with the same terms and conditions of the syndication loan agreement.

Facility A and Facility C both are under the same syndication is secured against pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim and that the syndicated facility includes a separate facility to finance capital expenditure which is facility C amounting to SAR 1,500.0 million and increased to SAR 1,998.75 million after SABB accession during 2022G.

Facility C is repayable in half-yearly instalments effective from June 2023G to December 2029G. During 2022G the Group utilized SAR 1,150 million.

## Loan 5 - Al Inma Ijara

In July 2022G, ADES Saudi Limited Company jointly signed an agreement loan in the amount of SAR 2,692.5 million (USD 718 million) with Al Inmaa Ijara Banking. The loan is repayable in 15 Semi-annual instalments effective from Sep 2023G to Sep 2030G. During 2022G, the company utilized SAR 2,500 million (equals to USD 666.7 million) and used the proceeds for the acquisition and refurbishment of rigs and equipment. During the period the Group prepaid SAR 600 million. The Loan Al Inmaa Facility is secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims. In addition to separate line amounted SAR 150 million for the purpose of covering short term working capital needs.

## Loan 3 - Saudi National Bank

As on 31 December 2022G, the Group had utilized SAR 1.5 billion of the SAR 1.5 billion loan from Saudi National Bank to finance the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the necessary upgrading of the rigs upon acquisition. The loan shall be settled through 29 quarterly instalments with the first instalment commencing on 30 April 2023G (with the last instalment being on 31 October 2028G).

## Loan 2 - Banque Saudi Francis

As on 31 December 2022G, the Group had utilized SAR 1.3 billion of the SAR 1.4 billion loan from Banque Saudi Fransi to finance the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the necessary upgrading of the rigs upon acquisition. The loan shall be settled by 27 quarterly instalments with the first instalment commencing on 31 March 2023G. Instalment amount for the first 26 instalments is SAR 35.2 million (before deducting arrangement fees) with the 27th instalment occurring on 30 September 2029G and amounting to SAR 390.4 million (before deducting arrangement fees).

## Loan 4 - Al Rajhi

As on 31 December 2022G, the Group had utilized SAR 932.4 million (net of SAR 5.1 million of prepaid fees) of the SAR 937.5 million loan from Al Rajhi bank to finance the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the necessary upgrading of the rigs upon acquisition. The loan shall be settled in 29 quarterly instalments with the first instalment commencing on 31 July 2023G and the last instalment occurring on 31 July 2030G.

## Credit facility

As on 31 December 2022G, comprised of facilities granted by Egyptian Gulf Bank, Industrial Bank of Egypt, Al Ahli Bank of Kuwait, Export Development Bank of Egypt, Emirates National Bank of Dubai S.A.E, Abu Dhabi Commercial Bank – Egypt, and Société Arabe Internationale De Banque (SAIB). These credit facilities are revolving loans and overdrafts with no maturity and used to finance working capital needs.

## Loan 6 - Mashreq loan

During financial year 2021G, the Group obtained loan facility of SAR 33.0 million from Mashreq Bank PSC to facilitate the purchase of usufruct land and the construction of an administrative building in Kuwait. The loan is repayable in 18 quarterly equal instalments effective from March 2022G with the final instalment in June 2026G. The facility is secured by a first-degree mortgage over the usufruct land and building under capital work in progress.

## Loan 8 - Syndication

On April 2019G, the Group has signed a syndication loan agreement with a total amount of SAR 375 million divided over four banks which include the European Bank for Reconstruction and Development, Arab Petroleum Investments Corporation (APICORP), Mashreq Bank PSC and The Mauritius Commercial Bank Ltd. The loan is divided into two tranches, the purpose and the use of each facility is described as follows:

**a) Tranche A**

For refinancing existing financial indebtedness in full (excluding the payment of the fees, costs and expenses incurred under or in connection with the transaction documents). Tranche A was utilised during 2019 to partially settle existing loan at the time of utilisation.

**b) Tranche B**

Tranche B was utilised during 2019 to partially settle existing loans at the time of utilisation.

Tranche A Facility is a medium-term loan over 3.5 years to be paid semi-annually in un-equal instalments starting from September 2019G and the last instalment being on 22 March 2023G. This loan was fully repaid and closed during the year ended 31 December 2021G.

## Loan 7 – Saudi National Bank

On May 2019G, the Group signed a Long-Term Loan Facility agreement with Saudi National Bank ("SNB") for a total limit of SAR 300 million. As on 31 December 2020G, the Group has fully utilized the facility.

On December 2019G, the Group has amended the facility with SNB to be Sharia compliant (Islamic Facility) without any change in the original agreed terms. This loan was fully repaid and closed during the year ended 31 December 2021G.

**Table (6.30): Detail of interest-bearing loans and borrowings as on 31 December 2020G, 2021G and 2022G**

| Loan | Issuing bank | Initiation date | Purpose | Loan grant amount | Interest Rate | Payment terms | Financial covenant | Collateral |
|---|---|---|---|---|---|---|---|---|
| **Loan1-syndication facility A** | Goldman Sachs Bank USA,<br>Riyad Bank,<br>Arab Petroleum Investments Corporation (APICORP)<br>Banque Saudi Fransi,<br>Gulf International Bank B.S.C.,<br>The Saudi National Bank,<br>Al Rajhi Banking and Investment Corporation and Arab National Bank,<br>The Saudi British Bank – SABB | Nov-21 | Refinancing of previous loans | SAR1,162.5m (USD310)<br>SAR1,290m (USD4,837.5m)<br>In addition USD 150m- revolving credit facility | 1.5% + 6-month SIBOR For SAR portion<br>2% + 6-month LIBOR for USD portion | Repayable in half-yearly instalments effective from Jun-22 to Dec-29. The first 13 instalments range between 3.5% and 5.5% of the principal amount, and the 14th instalment amounts to 31.5% of the principal amount. | 1-Corporate DSCR not to exceed 1:20:1<br>2-Net Leverage will not exceed: 4.5:1 ending on or before 31 December 2023, 4.00:1 after 31 December 2023 and before 31 December 2024 and 3.75:1 after 31 December 2024<br>3-Leverage will not exceed 5.0:1 ending on or before 31 December 2023, 4.50:1 after 31 December 2023 and on or before 31 December 2024 and 4.25:1 after 31 December 2024<br>4-Tangible Net worth > or equal to USD 450m<br>5-Current ratio >or equal to 1:2:1<br>6-Gearing ratio will not exceed 4.0:1 ending on or before 31 December 2023, 3.75:1 after 31 December 2023 and on or before 31 December 2024 and 3.50:1 after 31 December 2024<br>7-Aggregate capex not exceed an amount which is 10 per cent than the amount set out in the Capex Plan. | Secured by pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim |

| Loan | Issuing bank | Initiation date | Purpose | Loan grant amount | Interest Rate | Payment terms | Financial covenant | Collateral |
|---|---|---|---|---|---|---|---|---|
| **Loan1-syndication facility C** | Goldman Sachs Bank USA,<br>Riyad Bank,<br>Arab Petroleum Investments Corporation (APICORP)<br>Banque Saudi Fransi,<br>Gulf International Bank B.S.C.,<br>The Saudi National Bank,<br>Al Rajhi Banking and Investment Corporation and Arab National Bank,<br>The Saudi British Bank – SABB | Nov-21 | To finance CAPEX | USD533m | 1.5% + 6-month SIBOR For SAR portion<br>2% + 6-month LIBOR for USD portion | Half-yearly installments effective from June 2023 to December 202 | 1-Corporate DSCR not to exceed 1:20:1<br>2-Net Leverage will not exceed: 4.5:1 ending on or before 31 December 2023, 4.00:1 after 31 December 2023 and before 31 December 2024 and 3.75:1 after 31 December 2024<br>3-Leverage will not exceed 5.0:1 ending on or before 31 December 2023, 4.50:1 after 31 December 2023 and on or before 31 December 2024 and 4.25:1 after 31 December 2024<br>4-Tangible Net worth > or equal to USD 450m<br>5-Current ratio >or equal to 1:2:1<br>6-Gearing ratio will not exceed 4.0:1 ending on or before 31 December 2023, 3.75:1 after 31 December 2023 and on or before 31 December 2024 and 3.50:1 after 31 December 2024<br>7-Aggregate capex not exceed an amount which is 10 per cent than the amount set out in the Capex Plan. | Secured by pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim |
| **Loan 2-BSF** | BSF | Mar-22 | To finance the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the upgrading of the rigs upon initial acquisition | SAR1.4bn (USD380m)<br>The facility includes additional bonding limit to be utilized for the issuance of LG with total amount of SAR 187.5m , additional overdraft limit with SAR 30m and additional multipurpose limit to cover WC needs including issuance for letter of guarantees and short term loans with total amount of SAR 150m | 1.5R1.5% + 3 months SAIBOR | Loan shall be settled by 27 quarterly instalments with the first instalment commencing on 31-Mar-23. Instalment amount for the first 26 instalments is SAR38.4m (including the amortization of arrangement fees) with the 27th instalment occurring on 30-Sep-29 and amounting to SAR426.5m (including the amortization of arrangement fees). | Applicable to ADES Arabia Holding Company:<br>1-Min. current ratio 1.20x<br>2-Min. DSCR ratio of 1.20x<br>3-Max. gearing ratio of 4.0 for the year 2023, 3.75 for the year 2024, and 3.50 afterward.<br>4-Existing shareholders to hold at least 51% ownership<br>5-Pre – IPO , PIF to retain at least 30% of it's share in the Company<br>6-Post – IPO , PIF to retain at least 15% of it's share in the Company<br>Applicable to ADES Saudi Company Limited:<br>1. Maintain a Loan-to-Value ratio of (80:20) prior to the loan utilization | Secured against pledge over certain rigs, assignment of proceeds over rigs related clients' contracts, pledge over related collection accounts, and assignments of related insurance claims |

| Loan | Issuing bank | Initiation date | Purpose | Loan grant amount | Interest Rate | Payment terms | Financial covenant | Collateral |
|---|---|---|---|---|---|---|---|---|
| **Loan 3-SNB** | SNB | Apr-22 | To finance the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the upgrading of the rigs upon initial acquisition | SAR 1.5bn (USD400M) | 1.5% + 3 months SAIBOR | Loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030 (with the last instalment occurring on 31-Oct-28) . Instalments range between 2.25% and 4.5% of the principal amount. The remaining 37% of the principal amount is settled on 30-Apr-30 | 1- Corporate DSCR not to exceed 1:20:1<br>2- Net Leverage will not exceed: 4.5:1 ending on or before 31 December 2023, 4.00:1 after 31 December 2023 and before 31 December 2024 and 3.75:1 after 31 Decemer 2024<br>3- Leverage will not exceed 5.0:1 ending on or before 31 December 2023, 4.50:1 after 31 December 2023 and on or before 31 December 2024 and 4.25:1 after 31 December 2024<br>4- Tangible Net worth > or equal to USD 450m<br>5- Current ratio >or equal to 1:2:1<br>6- Gearing ratio will not exceed 3.50:1 ending on or before 31 December 2023, 3.25:1 after 31 December 2023 and on or before 31 December 2024 and 3.00:1 after 31 December 2024<br>7- Aggregate capex not exceed an amount which is 10 per cent than the amount set out in the Capex Plan. | Secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of related insurance claims |

| Loan | Issuing bank | Initiation date | Purpose | Loan grant amount | Interest Rate | Payment terms | Financial covenant | Collateral |
|---|---|---|---|---|---|---|---|---|
| **Loan 4-Al Rajhi loan** | Al Raji bank | Jun-22 | To finance the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the upgrading of the rigs upon initial acquisition | SAR937.5m (USD250m) | 1.5% + 3 months SAIBOR | Loan shall be settled in 29 quarterly instalments with the first instalment commencing on 31-Jul-23 with the last instalment occurring on 31-Jul-30. Each of the first 28 instalments amount to 2.4% of the principal amount with the last instalment representing 32.8% of the principal amount | 1- Corporate DSCR not to exceed 1:20:1<br>2- Net Leverage will not exceed: 4.5:1 ending on or before 23rd December 2022, 4.00:1 after 31 December 2023 and before 31 December 2024 and 3.75:1 after 31 December 2024<br>3- Leverage will not exceed 5.0:1 ending on or before 31 December 2023, 4.50:1 after 31 December 2023 and on or before 31 December 2024 and 4.25:1 after 31 December 2024<br>4- Tangible Net worth > or equal to USD 450m<br>5- Current ratio >or equal to 1:2:1<br>6- Gearing ratio will not exceed 3.50:1 ending on or before 31 December 2023, 3.25:1 after 31 December 2023 and on or before 31 December 2024 and 3.00:1 after 31 December 2024<br>7- Aggregate capex not exceed an amount which is 10 per cent than the amount set out in the Capex Plan. | Secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of certain insurance claims |
| **Loan 5 - Al Inma Ijara loan** | Al Inmaa Ijara Banking. | Jul-22 | To finance the acquisition of 7 Seadrill rigs, any additional capital expenditure needed to bring the relevant purchased rig into operational condition, and refurbishment of the relevant acquired rigs | SAR 2,692.5bn (USD 718m) Further sseparate line amounted SAR 150.0m for the purpose of covering short-term working capital needs | 1.75% + 6 months SAIBOR. | Loan is repayable in 15 Semi-annual instalments effective from Sep 2023 to Sep 2030<br>Each of the first 14 instalments amount to 6.6% of the principal amount, and the 15th instalment amounts to 7.6% (Sep-30) | 1- Net Leverage will not exceed: 4.5:1 ending on or before 23rd November 2022, 4.00:1 after 31 December 2023 and before 31 December 2024 and 3.75:1 after 31 December 2024<br>2- Gearing will not exceed 4.00:1<br>3- Net Margin shall not fall below 10 per cent | Secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims |

| Loan | Issuing bank | Initiation date | Purpose | Loan grant amount | Interest Rate | Payment terms | Financial covenant | Collateral |
|---|---|---|---|---|---|---|---|---|
| **Loan 6- Mashreq Loan** | Mashreq Bank | Jan-21 | To facilitate the purchase of usufruct land and construction of administrative building | 2.7 Million KWD (8.1 Million USD) | 2.75% + CBK discount rate | Loan is repayable in 18 quarterly equal instalments effective from June 2022 | 1- Debt service coverage ratio shall not fall below 1.2:1<br>2- LTV shall not exceed 80%<br>3- Current ratio not to fall below 1:1<br>4- Gearing ratio not to exceed 1.5:1<br>5- Dividends may be paid but only to the extent that it does not cause an event of default<br>6- Not to assume any additional indebtedness, the term of which is greater than one year, including any extensions without notifying the Lender | Secured against a first-degree mortgage over the usufruct land and building under construction in Kuwait. |
| **Loan 8 Syndication** | the European Bank for Reconstruction and Development, Arab Petroleum Investments Corporation (APICORP) , Mashreq Bank PSC and The Mauritius Commercial Bank Ltd. | Apr-19 | -For refinancing existing financial indebtedness in full<br>- to partially settle existing loans at the time of utilization | 375.3 million SAR (100 million USD) | | Facility is a medium-term loan over 3.5 years to be paid semi-annually in un-equal instalments starting from September 2019 and the last instalment will be on 22 March 2023. This loan was fully repaid and closed during the year ended 31 December 2021. | | |
| **Loan 9 Ijara loan** | Alinma Bank | May-18 | to finance the acquisition of the new rigs and related capital expenditure | 525 million SAR (140 million USD) | | All loans are medium-term loans over 7 years which includes 2 year grace period and was payable semi-annually in equal instalments starting from 10 June 2020 and the last instalment will be on 10 June 2025. | | |

| Loan | Issuing bank | Initiation date | Purpose | Loan grant amount | Interest Rate | Payment terms | Financial covenant | Collateral |
|---|---|---|---|---|---|---|---|---|
| **Loan 9 Ijara loan** | Alinma Bank | Apr-19 | to increase the facility to finance the acquisition of the new rigs and related capital expenditure | 1.065 million SAR (284 million USD) | | All loans are medium-term loans over 7 years which includes 2 year grace period and was payable semi-annually in equal instalments starting from 10 June 2020 and the last instalment will be on 10 June 2025. | | |
| **Credit facilities** | 1- indutrial development bank<br>2- Al Ahli Bank of Kuwait<br>3- The Export Development Bank of Egypt<br>4- Emirates NBD<br>5- Abu Dhabi Commercial Bank ADCB<br>6- SAIBANK<br>7- Suez Canal Bank<br>8- ADES arabia holding company<br>9- Saudi national bank SNB | | These credit facilities are revolving loans and overdrafts that do not have a maturity date and are used to meet working capital needs. | 1- 18.75 million SAR<br>2- 45 million SAR<br>3- 45 million SAR<br>4- 93.75 million SAR<br>5- 12.18 million SAR<br>6- 75 million SAR<br>7- 45 million SAR<br>8- 562.5 million SAR<br>9- 30 million SAR | | | | |

### 6.8.2.16 Bonds payable

**Table (6.31): Bonds payable as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Bond payable | 1,218,750 | - | - |
| Bond fees | (35,701) | - | - |
| **Total** | **1,183,049** | **-** | **-** |

Source: Management information.

On 16 April 2019G, the Group issued USD 325 million (SAR 1,218.75 million) senior secured notes at 8.625% interest due on 24 April 2024G. Interest is payable semi-annually on the 24th of April and 24th of October of each year. The Group paid a gross amount of SAR 49,785,998 as transaction costs for the issuance of the bonds.

The Group did not record any interest expense during the 12 month ending in 31 December 2022G (2021G – SAR 58.9 million and 2020G – SAR 114.5 millon)

During the year ending on December 31, 2021G, the Group fully repaid its bonds, which were issued in April 2019G amounting to USD 325 million (SAR 1,219 million) and which were expected to mature on 24 April 2024G.

### 6.8.2.17 Lease liabilities

**Table (6.32): Lease liabilities as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| As on 1 January | 82,913 | 68,269 | 56,862 |
| Additions | 19,884 | 4,501 | 363,015 |
| Lease modification-Terminations | (16,428) | - | (10,686) |
| Lease modification-Other adjustments | - | 2,312 | (843) |
| Accretion of interest | 3,203 | 3,941 | 6,455 |
| Payments | (21,303) | (22,162) | (38,116) |
| **As on 31 December** | **68,269** | **56,862** | **376,688** |
| **Current** | **15,918** | **18,447** | **106,555** |
| **Non-Current** | **52,351** | **38,415** | **270,133** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Lease liabilities decreased from SAR 68.3 million as on 31 December 2020G to SAR 56.9 million as on 31 December 2021G mainly driven lease payments made during the period coupled by expiry of leases of other equipment for drilling rigs in Kuwait driven by termination of drilling contracts for these rigs during the period

Lease liabilities increased from SAR 56.9 million as on 31 December 2021G to SAR 376.7 million as on 31 December 2022G in line with the increase in the right to use assets during the same period.

### 6.8.2.18 Provisions

**Table (6.33): Movement of provisions as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| **Provision for end of service employment benefits movement** | | | |
| Defined benefit obligation on 1 January 2021 | 61,409 | 62,214 | 83,146 |
| Acquired through business combinations | - | - | 36,739 |
| Net benefit expense | 20,056 | 17,486 | 17,602 |
| Remeasurement gain/(loss) on defined benefit plans | - | 13,921 | (6,015) |
| Benefits paid | (19,251) | (10,475) | (13,488) |
| **Total** | **62,214** | **83,146** | **117,984** |
| **Other provisions** | | | |
| As on 1 January | 4,125 | 2,205 | 21,330 |
| Charged during the year | 1,540 | 21,000 | 13,756 |
| Acquired during the year | - | - | 5,967 |
| Paid during the year | (3,460) | (1,875) | (26,276) |
| **As on 31 December** | **2,205** | **21,330** | **14,777** |
| **Total** | **64,419** | **104,476** | **132,761** |
| **Current** | **2,205** | **21,330** | **14,777** |
| **Non-Current** | **62,214** | **83,146** | **117,984** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

Provisions include (1) the end of service employment benefits (equivalent to 89% of the total as on 31 December 2022G) relating to liabilities to be paid to employees upon the termination of their service with the Group, and (2) other provisions (equivalent to 11%) relating to provisions for employee payroll taxes and withholding taxes.

Provisions increased from SAR 64.4 million as on 31 December 2020G to SAR 104.5 million as on 31 December 2021G as a result of the increase in end of service employment benefits from SAR 62.2 million as on 31 December 2020G to SAR 83.1 million as on 31 December 2021G mainly driven by a decrease in benefits paid during the year compared to the previous year (SAR 19.3 million) as on 31 December 2020G compared to (SAR 10.5 million) as on 31 December 2021G in addition to the charge recorded during the year (+SAR 17.5 million).

Provisions increased from SAR 104.5 million as on 31 December 2021G to SAR 132.8 million as on 2022G as a result of the increase of end of service employment benefits from SAR 83.1 million as on 31 December 2021G to SAR 118.0 million as on 31 December 2022G due to (1) the acquisition of Seadrill and thus the recording of end of service employment benefits for employees (+SAR 36.7 million), and (2) the charge recorded during the year (+SAR 17.6 million).

### 6.8.2.19 Derivative financial instruments (non-current and current)

**Table (6.34): Derivative financial instruments as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Derivative financial instruments: Interest rate swap | (43,999) | (13,131) | 76,102 |
| **Total** | **(43,999)** | **(13,131)** | **76,102** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. These interest rate swaps are initially recorded at book value on the date the derivative contract is acquired and subsequently remeasured at fair value. Derivatives are listed as financial assets when fair value is positive and as financial liabilities when fair value is negative.

#### Derivative financial instruments: Interest rate swap

Derivative financial instruments are used to hedge against interest rate risk given the floating nature of loans acquired by the Group. Derivative financial instruments designated as hedging instruments are recorded at fair value.

The Group recorded a negative balance for their derivatives as on 31 December 2020G and 31 December 2021G given that the expected cash outflows from these derivatives outweighed the expected cash inflows to be received across the derivatives tenure. This came as a result of the decline in SAIBOR rate and LIBOR rates during the financial years 2020G and 2021G period.

With an increase in interest-bearing loans and borrowings during the financial year 2022G to support the Group's expansion plans, the Group has introduced interest rate swap derivatives to hedge variable interest rates on the following existing loans (fully hedged to maturity):

- Syndicated Loan 2 Facility A (notional amount SAR 3,597.1 million)
- Banque Saudi Fransi Loan (notional amount SAR 1,297.8 million)
- Al Rajhi Loan (notional amount SAR 932.4 million)
- Saudi National Bank Loan (notional amount SAR 870.3 million)

Derivative financial instruments (SAR 76.1 million) as on 31 December 2022G related to contracts taken out by the Group with financial institutions in which the Group either receives or pays a floating interest rate, respectively, in return for paying or receiving a fixed interest rate. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

With these interest rate swaps; the Group's net cash outflow in relation to the interest rate swap is as follows:

- If the floating rate is below cap rate 1, the Group's net outflow is the bank's running premium
- If the floating rate is between cap rate 1 and cap rate 2, the Group's net inflow is: Floating Rate - Cap rate 1 - bank's running premium
- If the floating rate is above cap rate 2, the Group's net inflow is: Cap rate 2 - Cap rate 1 - bank's running premium

However, it is important to note that the above payoffs only relate to the derivative instruments and does not include the loan interest payment (i.e., the Floating rate).

The Group has not undertaken any hedge on the Al Inma Ijara loan (SAR 1.9 billion as on 31 December 2022G), and syndication loan 2 facility C (SAR 1.2 billion as on 31 December 2022G) given the high premiums displayed within the market coupled with Management's strategy to maintain a c.60%-70% hedged position on loans. For more details, refer to the derivative financial instrument summary in the appendices.

### 6.8.2.20 Deferred revenue

Deferred revenue relates primarily to the non-current portion of deferred revenue and is expected to be amortized over the contract period.

Deferred revenue decreased from SAR 65.3 million as on 31 December 2020G to SAR 26.7 million as on 31 December 2021G as part of this balance was allocated to the current portion of deferred revenue, which is recorded as part of other payables under trade and other payables.

Deferred revenue increased from SAR 26.7 million as on 31 December 2021G to SAR 70.2 million as on 31 December 2022G as the Group's was awarded with 3 new contracts including deferred mobilization revenue as well as the acquisition of one drilling rig in Qatar that recorded deferred mobilization revenue.

### 6.8.2.21 Current liabilities

**Table (6.35): Current liabilities as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Trade and other payables | 576,264 | 515,807 | 1,160,989 |
| Income tax payable* | 35,604 | 30,974 | 10,495 |
| Interest-bearing loans and borrowings** | 321,363 | 401,180 | 972,080 |
| Provisions | 2,205 | 21,330 | 14,777 |
| Due to related parties | 214 | 546 | 2,154 |
| Derivative financial instruments | 20,691 | 7,379 | - |
| **Total current liabilities** | **956,342** | **977,216** | **2,160,494** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* The Group operates in jurisdictions which are subject to tax rates different than the effective statutory corporate tax rate of 12.125% (202G1: 0%, 2020G: 0%) and Zakat tax rate of 2.5% (2021G: 0%, 2020G: 0%). The other jurisdictions include Algeria, Kuwait, Tunisia and Qatar where applicable tax rates are 26%, 15%, 15% and 10% respectively. The effective tax rate is 15% (2021G: 23%, 2020G: 29%)

** The current portion of this account was discussed as part of non-current liabilities

### 6.8.2.22 Trade and other payables

**Table (6.36): Trade and other payables as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Trade payables | 318,624 | 262,438 | 742,611 |
| Notes payable | 17,781 | 7,607 | 3,171 |
| Accrued expenses | 150,472 | 146,200 | 182,874 |
| Accrued interests | 35,646 | 11,345 | 45,294 |
| Lease liability* | 15,918 | 18,447 | 106,555 |
| Other payables | 37,822 | 69,770 | 80,484 |
| **Total** | **576,264** | **515,807** | **1,160,989** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

* The current portion of this account was discussed as part of non-current liabilities "Lease liabilities"

Trade and other payables decreased from SAR 576.3 million as on 31 December 2020G to SAR 515.8 million as on 31 December 2021G, mainly driven by a decrease in trade payables (-SAR 56.2 million) and accrued interests (-SAR 24.3 million) offset by an increase in other payables (+SAR 31.9 million).

Trade and other payables increased from SAR 515.8 million as on 31 December 2021G to SAR 1,161.0 million as on 31 December 2022G, mainly driven by an increase in trade payables (+SAR 480.2 million), lease liability (+SAR 88.1 million), and accrued interests (+SAR 33.9 million)

## Trade payables

Trade payables were mainly in relation to payables for services, electrical supplies, oil/fuel, rental equipment, and the procurement of capital spare parts, and inventory, amongst others. All services awarded or inventory procured from suppliers that have yet to be invoiced to the Group are recorded under expense AP accrual and inventory AP accrual, respectively. The Group was generally awarded credit terms ranging from 60 to 90 days, with the latter predominantly relying on local suppliers, having represented c. 94% of total outstanding trade payables as on 31 December 2022G.

Trade payables decreased from SAR 318.6 million as on 31 December 2020G to SAR 262.4 million as on 31 December 2021G driven by the decline in payables to (i) Lanzhou LS Petroleum (-SAR 20.8 million) as a result of payments made for equipment purchased in relation to two rigs (ADES13 and ADES14) as these rigs were awarded a contract with Aramco during the financial year 2019G in addition to no subsequent purchases of equipment being made during the financial year 2021G, (ii) Maridive Offshore Projects (-SAR 6.9 million ), (iii) Cameron (-SAR 6.5 million), and (iv) others (-SAR 32.4 million ) which comprised balances from various suppliers and whereby payments made resulted in a decline in the overall outstanding payable balance. The decline was partially offset by an increase in payables to Rawabi Oil and Gas (+SAR 6.4 million), from which the Group procures electrical supplies, and Zahid Tractor (+SAR 4.0 million), from which the Group procures oil and fuel, due to timing differences for the settlement of these payable balances.

Trade payables increased from SAR 262.4 million as on 31 December 2021G to SAR 742.6 million as on 31 December 2022G as a result of an increase in (1) expenses AP accruals (+SAR 196.0 million) payable to Hydril USA Distribution (+SAR 27.9 million), Cameron (+SAR 18.0 million ), Boskalis Offshore Heavy Marine Transport (+SAR 12.2 million), and National Oilwell Varco (+SAR 10.4 million) in line with the Group's fleet expansion during financial year 2022G, and (2) trade payables from National Oilwell Varco (+SAR 34.8 million) for the procurement of spare parts, P2021 Rig Co. (+SAR 13.3 million) in relation to the lease of TOPAZ,. Fels Assets Co. (+SAR 8.5 million), and Lamprell energy (+SAR 8.3 million).

## Notes payable

Notes payable amounted to SAR 3.2 million as on 31 December 2022G and represented cheques outstanding but not yet due.

Notes payables decreased from SAR 17.8 million as on 31 December 2020G to SAR 3.2 million as on 31 December 2022G on the back of cheques maturing and being deposited by the suppliers.

## Accrued expenses

Mainly pertained to (1) other accruals (c. 56% of total accrued expenses as on 31 December 2022G) mainly in relation to various opex-related accruals as well accruals recorded under Vantage and Seadrill, which were transferred to the Group following the acquisition, and (2) various accrued expenses such as accrued professional fees, accrued rent, and accrued salaries, amongst others.

Accrued expenses decreased from SAR 150.5 million as on 31 December 2020G to SAR 146.2 million as on 31 December 2021G driven by a decrease in accrued project cost (-SAR 27.0 million) pertaining to accruals for FPU projects with the decrease being due to the conclusion of projects during financial year 2021G with all related accruals being invoiced by suppliers (i.e. recorded under trade payable) and accrued VAT (-SAR 9.5 million) as a result of VAT settlements. This was partially offset by an increase in (1) other accruals (+SAR 22.3 million) driven by an increase in capex accruals in Kuwait (+SAR 21.2 million) in relation to service works performed on rigs which were later invoiced by suppliers during the financial year 2022G, and (2) accrued salaries (+SAR 4.3 million) as salaries relating to December 2021G were paid in January 2022G

Accrued expenses increased from SAR 146.2 million as on 31 December 2021G to SAR 182.9 million as on 31 December 2022G mainly driven by an increase in (1) other accruals (+SAR 44.0 million) mainly in relation to opex-related accruals recorded under Vantage and Seadrill, which were transferred to the Group following the acquisition, (2) accrued professional fees (+SAR 17.7 million ) as a result of the transitional service agreement with Vantage (+SAR 14.5 million) and Seadrill (+SAR 3.2 million) during the financial year 2022G, and (3) accrued VAT (+SAR 9.4 million) driven by delays in settlement by the Group. This was partially offset by a decline in accrued salaries (-SAR 33.3 million) as a consequence of the majority of employee salaries for December 2022G being paid that month while for Dec-21G these were paid the following month (i.e., January 2022G).

### Accrued interests

Accrued interests decreased from SAR 35.6 million as on 31 December 2020G to SAR 11.3 million as on 31 December 2021G as a result of the decline in the average cost of funding during 2021G due to the full repayment and delisting of the senior secured notes, which had an interest rate of 8.625%.

Accrued interests increased from SAR 11.3 million as on 31 December 2021G to SAR 45.3 million as on 31 December 2022G in line with the overall increase in interest-bearing loans and borrowings (including loan from related party) from SAR 4.0 billion as on 31 December 2021G to SAR 10.5 billion as on 31 December 2022G

### Other payables

Mainly pertained to (1) deferred mobilization revenue (c. 64% of total other payables as on 31 December 2022G) in relation to the current portion of unearned deferred mobilization revenue, which is expected to be amortized over the coming year, and (2) deferred construction revenue (c. 30%) in relation to advances paid by Aramco for works conducted outside the initial scope of work.

Other payables increased from SAR 37.8 million as on 31 December 2020G to SAR 69.8 million as on 31 December 2021G as a result of an increase in (1) deferred mobilization revenue (+SAR 20.3 million ) as contracts with deferred mobilization revenue (4 contracts with KOC) only began as of November 2022G, (2) deferred construction revenue (+SAR 18.8 million ) due to advances paid by Aramco for works requested on ADM657 in order for the latter to operate in ultra-shallow water depths, and (3) customer advances (+SAR 9.6 million ) pertaining to down payment received from GPC in relation to the new GG2 project. This was partially offset by a decline in payroll tax (-SAR 16.5 million) which pertained to taxes applied on salaries for Egypt employees, and whereby the decrease was in relation to the timing differences upon settlement.

Other payables increased to SAR 80.5 million as on 31 December 2022G mainly due to an increase in (1) deferred mobilization revenue (+SAR 13.3 million) due to Group being awarded 3 new contracts having mobilization revenue (2 contracts in Qatar, and 1 contract in Egypt) in addition to the acquisition of a rig in Qatar which had already recorded deferred mobilization revenue, and (2) deferred construction revenue (+SAR 5.6 million) driven by further works conducted on ADM657. This was partially offset by a decline in advances from customers to nil as on 31 December 2022G as the Group had utilized advances from GPC to acquire materials for the GG2 project.

## 6.8.2.23 Amounts due to related parties

**Table (6.37): Amounts due to related parties as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Egyptian Chinese Drilling Co. | 214 | 214 | 2,073 |
| Intro Investment Holding Ltd. | - | 332 | 81 |
| **Total** | **214** | **546** | **2,154** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

### Egyptian Chinese Drilling Co.

Egyptian Chinese Drilling Company PJSC is a joint venture between Advanced Energy Systems Company and a Chinese company. During 2022G, the Group signed an agreement with the Egyptian Chinese Drilling Company to lease two drilling rigs in Egypt. Due to Egyptian Chinese Drilling Co. increased from SAR 214 thousands as on 31 December 2020G to SAR 2.1 million as on 31 December 2022G, mainly driven by payables in relation to the refurbishment costs incurred by ECDC on two leased rigs from the Group, which were recharged to the latter, as per the lease agreement between both parties.

### Intro Investment Holding Ltd.

Intro Investment Holding Ltd. Is a closed joint stock company. The outstanding due to balance represents non-financing costs incurred such as consulting fees, administrative fees and facilities which were recharged to the Group.

**Table (6.38): Other significant balances as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Interest-bearing loans and borrowings from related party under common control | - | 2,732,083 | - |
| Interest-bearing loans and borrowings from other related party | - | 1,701,890 | 5,524,826 |
| **Total** | **-** | **4,433,973** | **5,524,826** |

Source: The special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G, Management information.

## 6.8.3 Special purpose consolidated statement of cash flows data

**Table (6.39): Special purpose consolidated statement of cash flows data for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Profit for the year before income tax | 116,131 | 149,060 | 468,344 |
| Depreciation of property and equipment | 215,916 | 259,588 | 369,609 |
| Amortisation of intangible assets | 531 | 581 | 501 |
| Depreciation of right of use assets | 18,933 | 15,476 | 33,246 |
| Impairment of non-current assets | 19,125 | 113,831 | - |
| Loss on sale of asset | 1,357 | - | - |
| Provision for impairment of trade receivables and contract assets | 9,595 | 215,916 | 236,565 |
| Provision for impairment of inventories | 2,574 | 17,344 | 26,217 |
| Provision for impairment of investment and dividends receivable | 2,006 | 8,484 | - |
| Other receivable provision | - | 5,140 | 1,688 |
| End of service employment benefits | 20,056 | 17,486 | 17,602 |
| Share-based payments expense | 14,422 | 72 | - |
| Other provisions | 1,540 | 21,000 | 13,756 |
| Finance costs | 244,570 | 305,162 | 302,993 |
| Finance income | (3,007) | (213) | (19,194) |
| Bargain purchase gain | - | (491,247) | (422,267) |
| Acquisition transaction cost | - | 12,205 | 8,424 |
| Share of results of investment in a joint venture and associate | 1,673 | 115 | 940 |
| (Gain) loss on derivative financial instruments | 4,418 | (4,560) | (5,169) |
| Other income | - | - | (767) |
| (increase)/decrease in inventories | (15,906) | 3,545 | (37,115) |
| Increase in trade receivables | (4,255) | (88,339) | (55,994) |
| (increase)/decrease in contract assets | 32,059 | (48,450) | 11,841 |
| (increase)/decrease in due from related parties | 4,269 | (20,773) | 24,444 |
| (increase)/decrease in prepayments and other receivables | 1,165 | (35,553) | (66,914) |
| increase/(decrease) in trade and other payables | (7,785) | (87,852) | 321,530 |
| increase/(decrease) in due to related parties | (4) | 332 | 2,607 |
| **Cash flows from operations** | **679,384** | **368,350** | **1,232,885** |
| Income tax paid | (36,227) | (39,210) | (46,873) |
| Provisions paid | (22,711) | (12,350) | (39,764) |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| **Net cash flows from operating activities** | **620,447** | **316,790** | **1,146,248** |
| Purchase of intangible assets | (87) | (98) | (18) |
| Payment to acquire businesses (net) | - | (1,108,761) | (2,533,967) |
| Purchase of property and equipment | (441,111) | (354,997) | (3,923,218) |
| Proceeds from sale of property and equipment | 418 | - | - |
| Interest received | 3,007 | 213 | 19,194 |
| **Net cash flows used in investing activities** | **(437,773)** | **(1,463,644)** | **(6,438,010)** |
| Proceeds from loans and borrowings | 252,665 | 4,336,489 | 6,566,737 |
| Repayment of loans and borrowings | (320,013) | (1,774,567) | (899,410) |
| Repayment of bonds | - | (1,254,451) | - |
| Sale / (purchase) of treasury shares (net) | (80,580) | 116,271 | - |
| Interest paid | (218,735) | (247,244) | (372,518) |
| Payment of lease liabilities | (21,303) | (22,162) | (38,116) |
| Dividend payments | (8,880) | (8,954) | (6,962) |
| **Net cash flows from/ (used in) financing activities** | **(396,846)** | **1,145,382** | **5,249,730** |
| **Net decrease in cash and cash equivalents** | **(214,172)** | **(1,472)** | **(42,031)** |
| Cash and cash equivalents as on 1 January | 448,504 | 234,332 | 232,860 |
| **Cash and cash equivalents at 31 December** | **234,332** | **232,860** | **190,829** |

Source: The special purpose consolidated financial statements for the financial years of the Group ended 31 December 2020G, 2021G and 2022G, Management information.

## Cash flows from operations activities

Cash flows from operations decreased from SAR 620.4 million during the year ended 31 December 2020G to SAR 316.8 million during the year ended 31 December 2021G, mainly driven by the negative cash impact of working capital stemming from (1) delayed collection of receivables from a customer in Egypt (+SAR 66.6 million increase in gross receivable balance), given the difficulties faced by this customer in settling its balances, and (2) settlements made to the trade payable balance during the financial year 2021G (-SAR 87.9 million). This was partially offset by the increase in EBITDA recorded (+SAR 136.0 million) between financial year 2020G-2021G.

Cash flows from operations increased from SAR 316.8 million during the year ended 31 December 2021G to SAR 1,146.2 million during the year ended 31 December 2022G, due to the positive impact of changes in working capital in line with the increase in trade payables during the period.

## Cash flow used in investing activities

Cash flow used in investing activities increased from SAR 437.8 million during the year ended 31 December 2020G to SAR 1,463.6 million during the year ended 31 December 2021G mainly driven by the acquisition of new rigs during the period (+SAR 1,108.8 million)

Cash flow used in investing activities increased from SAR 1,463.6 million during the year ended 31 December 2021G to SAR 6,438.0 million during the year ended 31 December 2022G mainly driven by the increase in purchase of property and equipment from SAR 355.0 million during the financial year 2021G to SAR 3,923.2 million during the year ended 21 december 2022G .

## Cash flows from financing activities

Cash flows from financing activities increased from -SAR 396.8 million during the year ended 31 December 2020G to SAR 1,145.4 million during the year ended 31 December 2021G, mainly driven by proceeds from loans and borrowings (+SAR 4,336.5 million) used to support the Group's expansion plans in line with (1) the purchase of rigs during the financial year 2021G, and (2) the renovation and maintenance of existing rigs. This was partially offset by the repayment of loans and borrowings (-SAR 1,774.6 million), in addition to the repayment of bonds (-SAR 1,254.5 million) during the financial year 2021G.

Cash flows from financing activities increased from SAR 1,145.4 million during the year ended 31 December 2021G to SAR 5,249.7 million during the year ended 31 December 2022G, mainly driven by proceeds from loans and borrowings (+SAR 6,566.7 million) in the financial year 2022G. This was partially offset by a decrease in repayment of loans and borrowings (-SAR 899.4 million) in the financial year 2022G in addition an increase in an interest paid to (-SAR 372.5 million) in the financial year 2022G.

### 6.8.4 Subsequent events

- Subsequent to the yearend, the Group entered into two sale and purchase agreements for purchase of two rigs from Maple Maritime S.A. and Deep Drilling 1 PTE Ltd. for the price of SAR 168,750,000 and SAR 45,930,000 respectively.
- Pursuant to resolution passed in extra-ordinary general meeting 15 February 2023G, the shareholders approved the conversion of legal status of the Company from a mixed closed joint stock company to public joint stock company by way of increasing the authorised share capital and issuing the share capital through initial public offering. The legal formalities are expected to be completed in 2023G upon successful completion of initial public offering.
- In 2023G, the Group utilized additional SAR 90 million from Al Rajhi facility.

## 6.9 Results of operations of material subsidiaries, which include ADES International Holdings Limited ("ADES International"), Advanced Energy Systems (SAE) ("ADES Egypt"), ADES Saudi Limited Company ("ADES Saudi"), United Precision Drilling Company W.L.L ("UPDC"), Kuwait Advanced Draping Services ("KADS")

The financial information of the material subsidiaries for the financial years ended on 31 December 2020G, 2021G, and 2022G were based on the audited financial statements for the financial years ended on 31 December 2021G and 31 December 2022G for each of the material subsidiaries. The financial information was in US dollars for ADES International Holdings Limited ("ADES International") and Advanced Energy Systems (S.A.E) ("ADES Egypt") or Kuwaiti Dinars for United Precision Drilling Company W.L.L. ("UPDC") and Kuwait Advanced Drilling Services ("KADS") and converted into Saudi Riyals for the purpose of this section at the approved exchange rate in Saudi Arabia and Kuwait.

### 6.9.1 ADES International Holdings Limited ("ADES International")

The financial information of ADES International for the years ended 31 December 2020G, 31 December 2021G and 31 December 2022G were derived from the audited consolidated financial statements of ADES International for the years ended 31 December 2021G and 2022G which were prepared in accordance with International Financial Reporting Standards. These financial statements are not included in the Prospectus.

#### 6.9.1.1 About ADES International

ADES International was incorporated and registered in the Dubai International Financial Center on 22 May 2016G with registered number 2175 under the Companies Law - DIFC Law No. 2 of 2009G (and any regulations thereof) as a private company limited by shares. ADES Holding Company is the ultimate controlling shareholder of ADES International.

ADES International is one of the leading oil and gas drilling and production facilities in the Middle East and Africa. ADES International's services mainly include offshore and onshore drilling and production services. ADES International currently operates in Saudi Arabia, Kuwait, Egypt, Qatar, Algeria and Tunisia. ADES International's offshore services include drilling and well maintenance services, mobile offshore production unit production services, as well as accommodation, catering and other shipboard support services. ADES International's onshore services mainly include drilling and maintenance services. ADES International also provides project services (using external service providers to run various clients' projects, such as maintenance and repair services).

### 6.9.1.2 Summary of the consolidated income statement data

**Table (6.40): Consolidated income statement data for the years ended on 31 December 2020G, 2021G, and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue from contract with customers | 1,695,407 | 1,514,206 | 2,467,201 | (10.7%) | 62.9% | 20.6% |
| Cost of revenue | (1,058,791) | (974,883) | (1,575,806) | (7.9%) | 61.6% | 22.0% |
| **Gross profit** | **636,616** | **539,322** | **891,395** | **(15.3%)** | **65.3%** | **18.3%** |
| General and administrative expenses | (177,734) | (157,623) | (246,112) | (11.3%) | 56.1% | 17.7% |
| End of service employment benefits | (20,056) | (17,486) | (17,602) | (12.8%) | 0.7% | (6.3%) |
| Provision for impairment of non-current assets | (19,125) | (113,831) | - | 495.2% | NA | NA |
| Provision for impairment of trade receivables | (9,595) | (215,916) | (236,565) | 2150.3% | 9.6% | 396.5% |
| Provision for impairment of inventory | (2,574) | (17,344) | (26,217) | 573.8% | 51.2% | 219.1% |
| Provision for impairment of investment and dividends receivable | (2,006) | (8,484) | - | 322.9% | NA | NA |
| Provision for other receivable | - | (5,140) | (1,688) | NA | (67.2%) | NA |
| Other provisions | (1,540) | (21,000) | (13,756) | 1263.6% | (34.5%) | 198.9% |
| Share-based payments expense | (14,422) | (72) | - | (99.5%) | (100.0%) | (100.0%) |
| Bargain purchase gain | - | 491,247 | 422,267 | NA | (14.0%) | NA |
| Business acquisition cost | - | (12,205) | (8,424) | NA | (31.0%) | NA |
| Other expenses | (25,531) | (10,656) | (15,041) | (58.3%) | 41.1% | (23.2%) |
| Gain / (loss) on derivative financial instrument held for trade | (4,418) | 4,560 | - | NA | NA | NA |
| Finance costs | (244,570) | (294,423) | (313,732) | 20.4% | 6.6% | 13.3% |
| Finance income | 3,007 | 213 | 19,194 | (92.9%) | 8914.0% | 152.6% |
| Other taxes | (1,921) | (1,364) | (1,285) | (29.0%) | (5.8%) | (18.2%) |
| **Profit for the year before income tax** | **116,131** | **159,799** | **452,437** | **37.6%** | **183.1%** | **97.4%** |
| Income tax expense | (33,550) | (34,631) | (70,722) | 3.2% | 104.2% | 45.2% |
| **Profit for the year** | **82,581** | **125,168** | **381,714** | **51.6%** | **205.0%** | **115.0%** |
| **Attributable to:** | | | | | | |
| Equity holders of the Parent | 73,581 | 118,550 | 374,541 | 61.1% | 215.9% | 125.6% |
| Non-controlling interests | 9,000 | 6,618 | 7,174 | (26.5%) | 8.4% | (10.7%) |
| **Total** | **82,581** | **125,168** | **381,714** | **51.6%** | **205.0%** | **115.0%** |
| Earnings per share - basic and diluted attributable to equity holders of the Parent (000 SAR per share) | 1,73 | 2,74 | 8,55 | 58.7% | 212.3% | 122.6% |
| **Other comprehensive income** | | | | | | |
| **Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax)** | | | | | | |
| **Net gain/(loss) on cash flow hedge** | **(3,144)** | **13,067** | **19,321** | **NA** | **NA** | **NA** |
| **Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax)** | | | | | | |
| Remeasurement (loss)/gain on defined benefit plans | | - | (5,911) | NA | NA | NA |
| Other comprehensive income/ (loss) for the year, net of tax | (3,144) | 13,067 | 13,410 | NA | 2.6% | NA |
| Total comprehensive income for the year, net of tax | 79,437 | 138,234 | 395,124 | 74.0% | 185.8% | 123.0% |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| **Attributable to:** | | | | | | |
| Equity holders of the Parent | 70,436 | 131,617 | 384,797 | 86.9% | 192.4% | 133.7% |
| Non-controlling interests | 9,000 | 6,618 | 10,326 | (26.5%) | 56.0% | 7.1% |
| **Total** | **79,437** | **138,234** | **395,124** | **74.0%** | **185.8%** | **123.0%** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2021G and 2022G of ADES International Holdings Limited as disclosed in USD and converted to SAR for the convenience purpose using the exchange rate of 1 USD = SAR 3.75 for the financial information for each of 2020G, 2021G and 2022G.

## Revenue from contracts with customers

ADES international is primarily engaged in drilling operations and other services related to oil and gas through offshore and onshore drilling contracts. Rigs operations revenue stream was the main contributor to ADES International's consolidated revenue, representing an average of 95% of the ADES International's total revenue in the historical period between 2020G and 2022G.

Revenue from contracts with customers decreased by 10.7% from SAR 1,695.4 million in 2020G to SAR 1,514.2 million in 2021G due to the decrease in rigs operations during the period of the Covid-19 pandemic, which led to: (1) expiry of onshore drilling platforms in Kuwait (-SAR 89.7 million) without renewal, (2) the decrease in the average daily rate of Admarine 1 drilling rig in Egypt (-SAR 77.1 million) due to the amendment of the contract agreement in 2021G. The decrease was partially offset by the acquisition of 4 rigs from Noble in November 2021G (+SAR 63.6 million). Although 5 drilling rigs were suspended during the 2020G-2021G period, the impact of the suspension was compensated during the period after the drilling rigs resumed their operations (four drilling rigs in the last quarter of 2021G and one drilling rig in the last quarter of 2022G).

Revenue from customers contracts increased by 62.9%, from SAR 1,514.2 million in 2021G to SAR 2,467.2 million in 2022G. This was mainly due to the increase in revenue from rigs operations by SAR 918.4 million, driven by the overall increase in the ADES International's offshore and onshore operating segment as a result of (1) the increase in the number of active offshore drilling rigs from 19 to 29 through the acquisition or lease of new drilling rigs, in addition to the full annual impact of the acquired Noble drilling rig operation (4 rigs), (2) the increase in the number of active onshore drilling rigs from 17 to 19 during the same period, and the increase in the percentage of effective use of onshore drilling rigs, (3) entering Qatar market through the acquisition of EDC (3 rigs). In addition to an increase in catering services revenue by SAR 19.8 million, which is in line with the general increase in ADES International's operations during the same period.

## Cost of revenue

Cost of revenue decreased by 7.9% from SAR 1,058.8 million in 2020G to SAR 974.9 million in 2021G, mainly due to the decrease in employee costs (-SAR 59.9 million) as a result of the decrease in the average number of staff in rigs (-368 employee) driven by the suspension of drilling operations during the COVID-19 pandemic, in addition to the termination of contracts for 7 drilling rigs (4 in Kuwait and 3 in Algeria) and the suspension of 5 onshore drilling rigs contracted with Saudi Aramco during the 2020G-2021G period. The direct cost of project related to the rapid production unit also decreased (-SAR 19.1 million), as most of the cost of this project was incurred in 2020G, and there were no new projects in 2021G.

Cost of revenue increased by 61.6% from SAR 974.9 million in 2021G to SAR 1,575.8 million in 2022G. This was due to the increase in employee costs (+SAR 192.7 million) as a result of the increase in the average number of employees (+409 employees) in line with the acquisition of new drilling rigs during the same period and the commencement of operations of 10 drilling rigs. In addition to the increase in the average utilisation of drilling rigs after the temporary halt caused during the Covid-19 pandemic during the years 2020G and 2021G, this also contributed to an increase in the cost of depreciation and amortization (+SAR 126.2 million) and maintenance costs (+SAR 117.1 million).

## Gross profit and gross margin

Gross profit decreased by 15.3%, from SAR 636.6 million in 2020G to SAR 539.3 million in 2021G in line with the general decline in ADES International's business, as revenue from rigs operations decreased by SAR 152.3 million during the same period. Accordingly, ADES International gross margin decreased by 1.9 percentage points from 37.5% in 2020G to 35.6% in 2021G as a result of higher depreciation and amortization due to an increase in the number of drilling rigs in the Kingdom of Saudi Arabia (4 offshore drilling rigs acquired from Noble in 2021G).

Gross profit increased by 65.3% from SAR 539.3 million in 2021G to SAR 891.4 million in 2022G in line with the general increase in ADES International's business, as revenue from rigs operations increased by SAR 918.4 million during the same period. Gross margin increased by 0.5 percentage points from 35.6% in 2021G to 36.1% in 2022G. This was due to 1) the increase in the profit margin in Egypt (+3.8 points) as a result of the increase in the average daily rate of drilling rigs in Egypt, 2) The acquisition of 4 drilling rigs in Saudi Arabia, which were characterized by high profitability.

### General and administrative expenses

General and administrative expenses decreased by 11.3% from SAR 177.7 million in 2020G to SAR 157.6 million in 2021G due to the decrease in employee cost (-SAR 16.0 million) as a result of the decrease in average number of employees, in addition to the decrease in business trip expenses (-SAR 2.8 million), as ADES International, during the period of the Covid-19 pandemic, launched central initiatives which aims to have a central team in the main office while reducing the number of employees in offices / branches around the Middle East and Africa.

General and administrative expenses increased by 56.1% from SAR 157.6 million in 2021G to SAR 246.1 million in 2022G due to the increase in a) employee costs (+SAR 40.0 million) driven by the increase in the average number of employees (+205 employee) due to the high employment rate in Egypt, in addition to the increase in benefits (housing allowance, travel allowance, and vacation allowance). b) Other expenses (+SAR 28.4 million), due to (1) a delay fine (SAR 9.3 million) mainly related to the delay in the payment / settlement of value-added tax in the Kingdom of Saudi Arabia during the years 2021G-2022G, (2) Other miscellaneous expenses (SAR 7.0 million) in relation to agent fees paid to the agent since ADES International operates through an agent and ADES International continued to contract with the agent (3) Customs settlement (SAR 3.8 million) related to materials and spare parts shipped to the Kingdom of Saudi Arabia, (4) visa fees (SAR 1.9 million) in line with the increase in the number of employees.

### End of service employment benefits

End of service employment benefits decreased by 12.8% from SAR 20.1 million in 2020G to SAR 17.5 million in 2021G due to ADES International laying off a large number of employees during the second half of the year 2020G until the end of 2021G as a result of the decrease in the number of drilling rigs operating during the same period, accordingly, the decrease in the end of service employment benefits due to the decrease in the number of employees.

End of service employment benefits increased by 0.7% from SAR 17.5 million in 2021G to SAR 17.6 million in 2022G due to the overall increase in the number of employees in both cost centers (rig staff, head office employees and offices / branches around the east Middle and Africa).

### Provision for impairment of non-current assets

Provision for impairment of non-current assets increased by 495.2%, from SAR 19.1 million in 2020G to SAR 113.8 million in 2021G due to the impact of the emerging Corona virus (Covid-19), and the low usage of some of the drilling rigs of ADES International during the year ended 31 December 2021G. As a result, the management conducted impairment testing for all drilling rigs by calculating the value in use based on the discounted cash flow model and recorded a total impairment charge of SAR 113.8 million in relation to the net book value of assets. This was mainly due to the delay in starting operations of ADES 1 drilling rig in Egypt. Further, management has identified certain assets (such as tools and equipment) that were not planned to be used in future operations, and accordingly recorded an allowance for impairment of these assets in Egypt.

ADES International did not record any provision for impairment of non-current assets in 2022G based on ADES International's valuation of the rigs, which did not result in any reduction in value, especially since ADES International acquired new offshore drilling rigs during the year.

### Provision for impairment of trade receivables

Provision for impairment of trade receivables increased by 2150.3% from SAR 9.6 million in 2020G to SAR 215.9 million in 2021G, this was mainly due to the decrease in the value of trade receivables from the largest debtor of ADES International; client in Egypt, an entity partially owned by the Egyptian government. Accordingly, the provision for impairment of trade receivables amounting to SAR 191.1 million was included against receivables due from a client in Egypt.

It is worth noting that in 2020G, ADES International signed an amended settlement agreement with that client to settle all due balances and the management believes that the client will be able to fulfill his obligations. The balance of trade receivables from this client has been classified between current and non-current in accordance with the terms of the agreement and the management's expectations regarding the timing of collection. The non-current portion of the trade receivables has been recorded at present value.

Provision for impairment of trade receivables continued to increase by 9.6%, from SAR 215.9 million in 2021G to SAR 236.6 million in 2022G, this was due to incurring impairment of trade receivables for the remaining balance from theclient in Egypt.

## Provision for impairment of inventories

Provision for impairment of inventories increased by 565.4% from SAR 2.6 million in 2020G to SAR 17.3 million in 2021G mainly due to the decrease in the value of inventory in Egypt as a result of the decrease in the total utilisation of rigs during the financial year 2020G, which led to an increase in the inventory which is considered slow and therefore provision for based on ADES International's internal valuation.

Provision for impairment of inventories continued to increase by 51.2%, from SAR 17.3 million in 2021G to SAR 26.2 million in 2022G, based on the evaluation of the inventory in Admarine 261, Admarine 262, and Admarine 266.

## Share-based payments expense

Share-based payment expenses decreased by 99.5% from SAR 14.4 million in 2020G to SAR 72 thousand in 2021G whereby it represents the remaining shares of the announced long-term incentive plan program. In FY22, share-based payment expenses decreased to zero as the plan was fully settled.

## Other provisions

Other provisions mainly represent provisions for employee and withholding taxes borne by ADES International. It also amounted to SAR 1.5 million, SAR 21.0 million, and SAR 13.8 million in 2020G, 2021G, and 2022G, respectively. It is worth noting that the amounts were variable due to the differences arising from the tax examination.

## Provision for other receivable

Provision for other receivables of SAR 5.1 million in 2021G relates to insurance deposits as a security to perform contract's obligations (mainly the Egyptian General Petroleum Corporation and Al Fanar Company). Provision for other receivables decreased to SAR 1.7 million in 2022G as a result of the decrease in the provision for impairment of other receivables related to the balance due from Weatherford Drilling International.

## Finance costs

Financing costs increased by 20.4%, from SAR 244.6 million in 2020G to SAR 294.4 million in 2021G due to increase in writing off the un-amortized loan transaction costs related to loans paid during the year amounting to SAR 106.8 million. This was offset by decrease in interest on bonds and amortization of bond fees (-SAR 55.5 million) after paying off the bond in 2021G.

Finance costs increased by 6.6% from SAR 294.4 million in 2021G to SAR 313.7 million in 2022G due to the increase in loans and borrowings from SAR 1,341 million as on 31 December 2021G to SAR 6,893 million as on 31 December 2022G to finance the acquisition of new rigs, which led to an increase in interest expense on loans (+SAR 162.5 million), offset by a decrease in writing off the non-amortized loan transaction cost (-SAR 117.6 million), financial charges related to interest rate swaps and amortization of loan transaction costs (-SAR 58.9 million).

## Finance income

Finance income represents profits from term deposits on a short-term investment with a local bank in the UAE and Egypt. Term deposits have original maturities of less than 90 days and achieve an average interest rate of 0.35% in 2021G and 2.6% in 2020G.

Financing income decreased by 92.9% from SAR 3.0 million in 2020G to SAR 213 thousand in 2021G, as a result of the decrease in the balance of term deposits.

Financing income increased by 8914.1% from SAR 213 thousand in 2021G to SAR 19.2 million in 2022G due to the increase in term deposits in 2022G which reached SAR 2.5 billion during the same year, however, the term deposits were matured/ closed before the end of the year.

## Bargain purchase gain

As part of ADES International's strategy to expand its operations, ADES International acquired four drilling rigs, located in the Kingdom of Saudi Arabia, in full, including drilling contracts with Saudi Aramco along with all spare parts, equipment and inventory from Noble Financial on November 3, 2021G. This purchase transaction resulted in purchase gains as the fair value of the acquired assets exceeded the total amount paid, and accordingly, ADES International recorded a bargain purchase gain of SAR 491.2 million in 2021G. The acquisition is accounted for using the acquisition accounting method.

Bargain purchase gain amounted to SAR 422.3 million in 2022G, and the gains represent the acquisition of new drilling rigs from (1) the Emerald Drilling Company based in Qatar, with a deal gain of SAR 244.9 million (the deal includes 3 drilling rigs), as the acquisition included a whole entity including drilling contracts along with all spare parts, equipment and inventory. The transaction was funded primarily through existing syndicated loans, and (2) Seadrill in Saudi Arabia with a transaction proceeds of SAR 181.9 million (the deal includes 7 drilling rigs).

### Business acquisition cost

Business acquisition costs amounting to SAR 12.2 million in 2021G represent the costs of several services fees incurred by ADES International in connection with the purchase of the four drilling rigs mentioned earlier.

Business acquisition costs amounted to SAR 8.4 million in 2022G and relate to consulting fees and other services incurred during the acquisition of drilling rigs.

### Provision for impairment of investment and dividends receivable

ADES International has an investment in the Egyptian Chinese Drilling Company of 48.75% and an investment in Advantage Drilling Services S.A. Eh. E of 49% as on 31 December 2022G.

Provision for impairment of investment and dividends receivable of SAR 2.0 million in 2020G represents a decrease in the value of ADES International's investment in the Egyptian Chinese Drilling Company. The provision for impairment of investment and dividends receivable of SAR 8.5 million in 2021G represents an additional decrease in the investment value of the Egyptian Chinese Drilling Company.

ADES International did not record an allowance for a decrease in the value of investment and dividends receivable in 2022G, as the total amount of investment in the Egyptian Chinese Drilling Company was provisioned for in 2021G.

### Other taxes

Other taxes relate to the collection tax paid in Algeria which is equivalent to 2%.

Other taxes decreased by 29.0% from SAR 1.9 million in 2020G to SAR 1.4 million in 2021G and continued to decrease by 5.8% to reach SAR 1.3 million in 2022G.

### Other expenses

Other expenses mainly include charitable donations and other expenses.

Other expenses decreased by 58.3% from SAR 25.5 million in 2020G to SAR 10.7 million in 2021G. This was due to the payment of termination fees for consultants related to ADES International's acquisition of Weatherford Drilling International ("WDI") and Nabors Drilling International Limited.

Other expenses increased by 41.1%, from SAR 10.7 million in 2021G to SAR 15.0 million in 2022G due to the increase in ADES International's charitable donations by an amount of SAR 7.2 million, mainly due to donations to a hospital for treatment of cancer in Egypt (Alnas Hospital), in addition to donations to the Al-Joud Foundation (a charitable organization) and other charitable activities.

### Gain / (loss) on derivative financial instrument

ADES International has entered into an interest rate swap contract to manage its exposure to fluctuations in interest rates. The counterparty is generally a bank/financial institution. These financial exposures are managed in accordance with ADES International's risk management policies and procedures.

ADES International enters into interest rate swaps agreements, mainly to manage exposure on its variable rate loans and borrowings. ADES International uses interest rate swap contracts to hedge exposure to variable interest rate fluctuations on interest payments for borrowings denominated in functional currency or currency pegged to functional currency of the Company.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap matches the terms of the variable rate loans and borrowings (i.e., notional amount, maturity, payment and reset dates). ADES International has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

To test the hedge effectiveness, ADES International uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

ADES International achieved a loss from cash flow hedges of SAR 4.4 million in 2020G as a result of the change in the fair value of derivatives held for trading. While ADES International achieved a profit from cash flow hedges of SAR 4.6 million in 2021G, as ADES International stopped the hedging relationship due to the payment of the hedge item. During the year ended 31 December 2021G, the net profit resulting from the suspension of fixing the derivative financial instrument held for trading was recorded.

As on 31 December 2022G and 2021G, the fair value of derivative instruments designed as cash flow hedges includes the mark on the market value of the interest rate swap contract of notional amount SAR 241,193,182 and notional amount SAR 337,670,455 respectively, which ADES International entered into with the National Commercial Bank in 2019 in connection with the syndicated facility A for Loan 1. The term of the interest rate swap contract of the National Commercial Bank extends from August 1, 2019, until it expires on June 10, 2025. The objective of the cash flow hedge was to protect against the volatility of the cash outflows related to the variable interest payments on the hedged portion of the credit facility using the 6-month SAIBOR.

### Income tax expense

The effective tax rate was 15% in 2022G, 23% in 2021G, and 29% in 2020G.

ADES International operates in areas subject to tax at rates different from the applicable legal tax rate of 12.125% in 2022G (zero in 2020G and 2021G), and a zakat tax rate of 2.5% in 2022G (zero in 2020G and 2021G) and it includes other regions Algeria, Kuwait, Tunisia and Qatar where applicable tax rates were 26%, 15%, 15% and 10%, respectively.

Egyptian companies are normally subject to corporate income tax at a statutory rate of 22.5%, however the company has been registered in a free zone in Alexandria under Investment Law No. 8 of 1997 which allows exemption from corporate income tax.

Income tax expenses increased by 3.2% from SAR 33.6 million in 2020G to SAR 34.6 million in 2021G. This was due to the increase in deferred tax fees / (credit) by SAR 922 thousand.

Income tax expenses continued to increase by 104.2%, from SAR 34.6 million in 2021G to SAR 70.7 million in 2022G, due to the increase in ADES International's profits during the same period.

### Profit for the year

Profit for the year increased by 51.6% from SAR 82.6 million in 2020G to SAR 125.2 million in 2021G mainly due to the bargain purchase gains of SAR 491.2 million, in addition to the decrease in other expenses by SAR 14.9 million.

Profit for the year continued to increase by 205.0% from SAR 125.2 million in 2021G to SAR 381.7 million in 2022G mainly due to a transaction purchase gain of SAR 422.3 million.

### Net gain / (loss) on cash flow hedges

The cash flow hedge reserve represents the accumulated amount of gains and losses on hedging instruments that were effective in cash flow hedge relationships. The cumulative deferred gain or loss on the hedging instrument is recognized in the statement of profit or loss when the hedged transaction affects profit or loss, or is included directly in the initial cost or other carrying amount of the non-financial item being hedged (as a principal adjustment, where applicable).

ADES International achieved a net loss from cash flow hedges of SAR 3.1 million in 2020G. While ADES International achieved a net profit from cash flow hedges of SAR 13.1 million in 2021G.

ADES International continued to achieve a net profit from cash flow hedges of SAR 13.4 million in 2022G.

### 6.9.1.3 Summary of the consolidated statement of financial position data

**Table (6.41): Consolidated statement of financial position data as on 31 December 2020G, 2021G, and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property and equipment | 3,794,627 | 5,358,405 | 12,188,121 |
| Right of use assets | 73,345 | 64,287 | 391,034 |
| Intangible assets | 1,255 | 1,035 | 553 |
| Investment in an associate and a joint venture | 11,848 | 6,924 | 5,984 |
| Trade receivables | 215,268 | 105,651 | - |
| Derivative financial instrument | - | - | 2,738 |
| Prepayments and other receivables | - | - | 319,992 |
| Other assets | 5,683 | - | - |
| **Total non-currents assets** | **4,102,025** | **5,536,302** | **12,908,421** |
| Inventories | 178,534 | 148,472 | 184,275 |
| Trade receivables | 262,136 | 262,140 | 234,735 |
| Contract assets | 123,720 | 172,170 | 255,624 |
| Derivative financial instrument | - | - | 3,452 |
| Prepayments and other receivables | 275,307 | 305,845 | 642,645 |
| Due from related parties | 13,510 | 34,282 | 9,838 |
| Bank balances and cash | 234,332 | 232,860 | 189,829 |
| **Total current assets** | **1,087,539** | **1,155,770** | **1,520,397** |
| **Total assets** | **5,189,564** | **6,692,072** | **14,428,819** |
| Share capital | 164,227 | 164,227 | 164,227 |
| Share premium | 670,299 | 670,299 | 1,415,413 |
| Merger reserve | (24,453) | (24,453) | (24,453) |
| Legal reserve | 24,000 | 24,150 | 24,150 |
| Share-based payments reserve | 56,952 | 57,024 | 57,024 |
| Additional paid in capital - treasury shares | - | 22,562 | 22,562 |
| Cash flow hedge reserve | (26,198) | (13,131) | 6,190 |
| Treasury shares | (93,710) | - | - |
| Retained earnings | 895,676 | 1,014,076 | 1,379,553 |
| **Equity attributable to equity holders of the parent** | **1,666,793** | **1,914,753** | **3,044,664** |
| Non-controlling interests | 35,322 | 32,986 | 36,350 |
| **Total equity** | **1,702,115** | **1,947,739** | **3,081,014** |
| Loans and borrowings | 1,144,893 | 1,127,933 | 6,197,382 |
| Loan from a related party | - | 2,499,066 | 2,322,113 |
| Bonds payable | 1,183,049 | - | - |
| Lease liabilities | 52,351 | 38,415 | 270,133 |
| Provisions | 62,214 | 69,226 | 117,984 |
| Derivative financial instruments | 23,308 | 5,751 | - |

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Deferred revenue | 65,292 | 26,727 | 70,174 |
| Deferred tax | - | - | 34,881 |
| Other payable | - | - | 4,680 |
| **Total non-current liabilities** | **2,531,107** | **3,767,117** | **9,017,346** |
| Trade and other payables | 611,868 | 459,129 | 1,084,814 |
| Loans and borrowings | 321,363 | 213,078 | 695,340 |
| Loan from a related party | - | 188,102 | 185,106 |
| Provisions | 2,205 | 21,330 | 14,777 |
| Due to related parties | 214 | 546 | 264,380 |
| Derivative financial instruments | 20,691 | 7,379 | - |
| Income tax payables | - | 30,974 | 10,495 |
| Deferred revenue | - | 56,678 | 75,546 |
| **Total current liabilities** | **956,342** | **977,216** | **2,330,458** |
| **Total liabilities** | **3,487,449** | **4,744,333** | **11,347,804** |
| **Total equity and liabilities** | **5,189,564** | **6,692,072** | **14,428,819** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2021G and 2022G of ADES International Holdings Limited as disclosed in USD and converted to SAR for the convenience purpose using the exchange rate of 1 USD = SAR 3.75 for the financial information for each of 2020G, 2021G and 2022G.

## Non-current assets

Non-current assets increased from SAR 4,102.0 million as on 31 December 2020G to SAR 5,536.3 million as on 31 December 2021G mainly driven by an increase in property and equipment from SAR 3,794.6 million to SAR 5,358.4 million during the same period, predominantly driven by an increase in rigs (+SAR 1,640.9 million) due to the acquisition of 5 offshore rigs. This was partially offset by a decreased in trade receivables from SAR 215.3 million as on 31 December 2020G to SAR 105.7 million as on 31 December 2021G. ADES International signed a revised settlement agreement with a client in Egypt during 2020G, to settle all outstanding balances. It is worth mentioning that ADES International classified the balance of trade receivables from this client between current and non-current according to the terms of the settlement agreement.

Non-current assets increased from SAR 5,536.3 million as on 31 December 2021G to SAR 12,908.4 million as on 31 December 2022G mainly driven by an increase in property and equipment from SAR5,358.4 million to SAR 12,188.1 million during the same period mainly driven by an increase assets under construction (+SAR 3,811.0 million) in relation to costs incurred on 16 newly acquired rigs during the financial year 2022G in addition to an increase in right of use assets from SAR 64.3 million to SAR 391.0 million. This was partially offset by a decrease in trade receivables (-SAR 105.7 million) as a result of classifying the entire trade receivable balance pertaining to a client in Egypt to current assets.

## Current assets

Current assets increased from SAR 1,087.5 million as on 31 December 2020G to SAR 1,155.8 million as on 31 December 2021G mainly driven by an increase in contract assets from SAR 123.7 million to SAR 172.2 million during the same period as a result of the acquisition of 4 rigs from Noble which recorded contract assets. This was coupled with an increase in prepayments and other receivables from SAR 275.3 million as on 31 December 2020G to SAR 305.8 million as on 31 December 2021G mainly driven by an increase in invoice retention (+SAR 25.0 million). This was offset by a decrease in inventories from SAR 178.5 million to SAR 148.5 million during the same period mainly driven by a decrease in inventory in Algeria (-SAR 25.2 million) due to capital spare parts being reclassed to property and equipment as well as an increase in inventory provision recorded in Egypt as a result of the lower overall rig utilisation witnessed during the financial year 2021G.

Current assets increased from SAR 1,155.8 million as on 31 December 2021G to SAR 1,520.4 million as on 31 December 2022G, mainly driven by an increase in prepayments and other receivables from SAR 305.8 million to SAR 642.6 million during the same period due to the increase in advances to contractors and suppliers (+SAR 452.2 million) driven by the acquisition of new drilling rigs during the financial year 2022G as well as capital expenditure required for these rigs. This was coupled with an increase in contract assets from SAR 172.2 million as on 31 December 2021G to SAR 255.6 million as on 31 December 2022G, which was partially offset by a decrease in bank balances and cash from SAR 232.9 million to SAR 189.8 million during the same period.

### Equity

Equity increased from SAR 1,702.1 million as on 31 December 2020G to SAR 1,947.7 million as on 31 December 2021G, mainly driven by an increase in retained earnings from SAR 895.7 million to SAR 1,014.0 million during the same period.

Equity increased from SAR 1,947.7 million as on 31 December 2021G to SAR 3,081.0 million as on 31 December 2022G, mainly driven by an increase in retained earnings from SAR 1,014 million to SAR 1,380 million during the same period, in addition, an increase in share capital from SAR 670 million as on 31 December 2021G to SAR 1,415 million as on 31 December 2022G in relation to the contribution of ADES holding which represents cash, inventory, and non-current assets.

### Non-current liabilities

Non-current liabilities increased from SAR 2,531.1 million as on 31 December 2020G to SAR 3,767.1 million as on 31 December 2021G mainly driven by an increase in due to related parties from nil as on 31 December 2020G to SAR 2,499.0 million as on 31 December 2021G, which was partially offset by a decrease in bonds payable (-SAR 1,183.0 million) during the same period.

Non-current liabilities increased from SAR 3,767.1 million as on 31 December 2021G to SAR 9,017.3 million as on 31 December 2022G mainly driven by an increase in interest-bearing loans and borrowings from SAR 1,128.9 million to SAR 6,197.3 million during the same period.

### Current liabilities

Current liabilities increased from SAR 956.3 million as on 31 December 2020G to SAR 977.2 million as on 31 December 2021G, mainly driven by an increase in due to related parties from nil to SAR 188.1 million during the same period, this was offset by a decrease in interest-bearing loans and borrowings from SAR 321.4 million as on 31 December 2020G to SAR 213.1 million as on 31 December 2021G.

Current liabilities increased from SAR 977.2 million as on 31 December 2021G to SAR 2,230 million as on 31 December 2022G, mainly driven by an increase in trade and other payables from SAR 459.1 million to SAR 1,085 million during the same period mainly due to an increase in trade payables (+SAR 480.2 million) In line with the overall increase in operations and the number of rigs during the financial year 2022G in addition to an increase in interest-bearing loans and borrowings from SAR 213.1 million to SAR 695.3 million during the same period.

### 6.9.1.4 Summary of the consolidated statement of cash flows data

**Table (6.42): Consolidated statement of cash flows data for the financial years ended 31 December 2020G, 2021G, and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Profit for the year before income tax | 116,131 | 159,799 | 452,437 |
| Depreciation of property and equipment | 215,916 | 259,588 | 369,609 |
| Amortisation of intangible assets | 531 | 581 | 501 |
| Amortisation of right of use assets | 18,933 | 15,476 | 33,246 |
| Impairment of non-current assets | 19,125 | 113,831 | - |
| Loss on sale of asset | 1,357 | - | - |
| Provision for impairment of trade receivables and contract assets | 9,595 | 215,916 | 236,565 |
| Provision for impairment of inventory | 2,574 | 17,344 | 26,217 |
| Provision for impairment of investment and dividends receivable | 2,006 | 8,484 | - |
| Other receivable provision | - | 5,140 | 1,688 |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| End of service employment benefits | 20,056 | 17,486 | 17,602 |
| Share-based payments expense | 14,422 | 72 | - |
| Other provisions | 1,540 | 21,000 | 13,756 |
| Finance costs | 244,570 | 294,423 | 313,732 |
| Finance income | (3,007) | (213) | (19,194) |
| Impact of right of use asset and lease liabilities modifications | ` | - | (767) |
| Bargain purchase gain | - | (491,247) | (422,267) |
| Share of results of investment in a joint venture and associate | 1,673 | 115 | 940 |
| (Gain) loss on derivative financial instrument held for trade | 4,418 | (4,560) | - |
| **Cash from operations before working capital changes** | **669,841** | **633,235** | **1,024,063** |
| Inventories | (15,906) | 3,545 | (37,115) |
| Trade receivables | (4,255) | (88,339) | (55,994) |
| Contract assets | 32,059 | (48,450) | 11,841 |
| Due from related parties | 4,269 | (20,773) | 24,444 |
| Prepayments and other receivables | 1,165 | (35,553) | (66,117) |
| Trade and other payables | (7,785) | (87,852) | 324,641 |
| Due to related parties | (4) | 332 | 263,834 |
| **Cash flows from operations** | **679,384** | **356,145** | **1,489,596** |
| Income tax paid | (36,227) | (39,210) | (46,873) |
| Provisions paid | (22,711) | (12,350) | (39,764) |
| **Net cash flows from operating activities** | **620,447** | **304,585** | **1,402,958** |
| Purchase of intangible assets | (87) | (98) | (18) |
| Payment to acquire business | - | (1,096,557) | (2,525,543) |
| Purchase of property and equipment | (441,111) | (354,997) | (3,923,218) |
| Proceeds from sale of property and equipment | 418 | - | - |
| Interest received | 3,007 | 213 | 19,194 |
| **Net cash flows from investing activities** | **(437,773)** | **(1,451,439)** | **(6,429,585)** |
| Proceeds from loans and borrowings | 252,665 | 4,336,489 | 6,304,511 |
| Repayment of loans and borrowings | (320,013) | (1,774,567) | (902,122) |
| Repayment of bonds | - | (1,254,451) | - |
| Sale / (purchase) of treasury shares (net) | (80,580) | 116,271 | - |
| Interest paid | (218,735) | (247,244) | (372,917) |
| Payment of lease liabilities | (21,303) | (22,162) | (38,913) |
| Dividend payments | (8,880) | (8,954) | (6,962) |
| **Net cash flows from financing activities** | **(396,846)** | **1,145,382** | **4,983,596** |
| Net decrease in cash and cash equivalents | (214,172) | (1,472) | (43,031) |
| **Cash & cash equivalents at the beginning of the year** | **448,504** | **234,332** | **232,860** |
| **Cash & cash equivalents at the end of the year** | **234,332** | **232,860** | **189,829** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2021G and 2022G of ADES International Holdings Limited as disclosed in USD and converted to SAR for the convenience purpose using the exchange rate of 1 USD = SAR 3.75 for the financial information for each of 2020G, 2021G and 2022G.

### Cash flows from operations activities

Cash flows from operations decreased from SAR 620.4 million during the financial year ended 31 December 2020G to SAR 304.6 million during the financial year ended 31 December 2021G, mainly driven by the negative cash impact of working capital stemming from (1) delayed collection of receivables from a customer in Egypt, given the difficulties faced by this customer in settling its balances, and (2) settlements made to the trade payable balance during the financial year 2021G. This was partially offset by the increase in EBITDA recorded (+SAR 136.0 million) between financial year 2020G-2021G.

Cash flows from operations increased from SAR 304.6 million during the financial year ended 31 December 2021G to SAR 1,403.0 million during the financial year ended 31 December 2022G, due to the positive impact of changes in working capital in line with the increase in trade payables during the period.

### Cash flows used in investing activities

Cash flows used in investing activities increased from SAR 437.8 million during the financial year ended 31 December 2020G to SAR 1,451.4 million during the financial year ended 31 December 2021G mainly driven by the acquisition of new rigs during the period.

Cash flow used in investing activities increased from SAR 1,451.4 million during the financial year ended 31 December 2021G to SAR 6,429.5 million during the financial year ended 31 December 2022G mainly driven by the increase to purchase in property and equipment from SAR 355.0 million during the financial year 31 December 2021G to SAR 3,923.2 million during the financial year ended 31 December 2020G.

### Cash flows from financing activities

Cash flows from financing activities increased from SAR (396.8) million as on 31 December 2020G to SAR 1,145.4 million as on 2021G, mainly driven by proceeds from loans and borrowings (+SAR 4,336.5 million) used to support ADES International's expansion plans for (1) the purchase of 24 rigs during the financial year 2022G and (2) upgrade and refurbishment of current rigs. This was partially offset by repayment of loans and borrowings (-SAR 1,254.5 million) in the financial in 2021G.

Cash flows from financing activities increased from SAR 1,145.4 million as on 31 December 2021G to SAR 4,983.6 million as on 31 December 2022G, mainly driven by proceeds from loans and borrowings (+SAR 6,304 million) in the financial year 2022G. This was partially offset by a decrease in repayment of loans and borrowings (-SAR 902.1 million) in the financial in 2022G.

## 6.9.2 Advanced Energy Systems (S.A.E) ("ADES Egypt")

The financial information of ADES Egypt for the years ending 31 December 2020G, 31 December 2021G and 31 December 2022G were derived from the audited consolidated financial statements of ADES Egypt for the years ended 31 December 2021G and 2022G which were prepared in accordance with International Financial Reporting Standards. These financial statements are not included in the Prospectus.

### 6.9.2.1 About ADES Egypt

Advanced Energy Systems Company - Egypt has established as an Egyptian joint stock company in accordance with the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997G and its executive regulations pursuant to the decision of the Board of Directors of the Alexandria Free Zone No. 6 August 2001G on November 7, 2001G approving the establishment of the ADES Energy Systems Company - Free Zone project (company Egyptian contribution) to the Alexandria free zones system. ADES Egypt's shares are not publicly traded.

The main activities carried out by ADES Egypt are storing, selling, renting, and renting machines, equipment, supplies, marine units, caravans, all types of pipes and their accessories, and industrial security supplies necessary for oil and gas activities, drilling water wells, providing services, and consulting.

ADES Egypt is a wholly owned subsidiary of ADES International Holding Company, established and registered in the Dubai International Financial Center on May 22, 2016G with registered number 2175 under the Companies Law - Dubai International Financial Center Law No. 2 of 2009G (and any regulations related thereto) as a private company limited by shares and owns ADES Egypt branch in Algeria.

ADES Egypt's consolidated financial statements include the following main subsidiaries' activities:

| Name | Main activities | Country of incorporation | Equity share | |
|---|---|---|---|---|
| | | | 2021G | 2020G |
| ADES Saudi Arabia Limited | Oil and gas exploration and production services | KSA | 51% | 51% |

Please refer to the management discussion and analysis of the financial position and results of operations of ADES Saudi Arabia for more details.

### 6.9.2.2 Consolidated income statement

**Table (6.43): Summary of the consolidated income statement for the years ended on 31 December 2020G, 2021G, and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue | 1,285,208 | 1,189,074 | 1,938,744 | (7.5%) | 63.0% | 22.8% |
| Cost of sales | (834,203) | (781,092) | (1,214,657) | (6.4%) | 55.5% | 20.7% |
| **Gross profit** | **451,005** | **407,982** | **724,087** | **(9.5%)** | **77.5%** | **26.7%** |
| General and administrative expenses | (128,705) | (110,421) | (186,499) | (14.2%) | 68.9% | 20.4% |
| Impairment of accounts receivable | (9,006) | (215,916) | (236,565) | 2297.5% | 9.6% | 412.5% |
| Impairment of property, plant and equipment | (19,125) | (38,842) | - | 103.1% | (100.0%) | (100.0%) |
| Impairment of inventory | (2,574) | (17,249) | (22,846) | 570.0% | 32.5% | 197.9% |
| Impairment of prepayments and other receivable | - | (8,815) | - | NA | (100.0%) | NA |
| Impairment of investments in associates and joint ventures | (2,006) | (4,809) | - | 139.7% | (100.0%) | (100.0%) |
| Tax provision | (1,540) | (21,000) | (13,756) | 1263.6% | (34.5%) | 198.9% |
| End of service provision for employees | (11,678) | (10,966) | (11,048) | (6.1%) | 0.8% | (2.7%) |
| Finance cost | (76,654) | (78,996) | (218,007) | 3.1% | 176.0% | 68.6% |
| Finance income | 3,007 | 213 | 19,194 | (92.9%) | 8914.0% | 152.6% |
| Other expenses | (9,635) | (13,681) | (27,733) | 42.0% | 102.7% | 69.7% |
| Capital loss | (1,357) | - | - | (100.0%) | NA | (100.0%) |
| Bargain purchase gain | - | - | 177,322 | NA | NA | NA |
| The company's share in the losses of the joint ventures | (1,669) | (113) | (921) | (93.2%) | 714.4% | (25.7%) |
| Acquisition cost | - | - | (7,240) | NA | NA | NA |
| Net profit before tax | 190,063 | (112,612) | 195,988 | (159.2%) | (274.0%) | 1.5% |
| Income tax expense | (22,728) | (25,257) | (42,401) | 11.1% | 67.9% | 36.6% |
| **Net profit / (Loss) for the year** | **167,335** | **(137,869)** | **153,587** | **(182.4%)** | **(211.4%)** | **(4.2%)** |
| **Net profit attributable to:** | | | | | | |
| Equity holders of the parent | 132,473 | (180,825) | 3,396 | (236.5%) | (101.9%) | (84.0%) |
| Non-controlling interests | 34,862 | 42,956 | 150,191 | 23.2% | 249.6% | 107.6% |
| **Total** | **167,335** | **(137,869)** | **153,587** | **(182.4%)** | **(211.4%)** | **(4.2%)** |
| **Other comprehensive income/(loss)** | | | | | | |
| **Items that will or may be reclassified to profit or loss:** | | | | | | |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Cash flow hedge profit/ (loss) | (26,197) | 13,067 | 19,320 | (515.6%) | (47.9%) | NA |
| **Items that will not be reclassified to profit or loss:** | | | | | | |
| Remeasurements gain /(loss) of defined benefit pension plan | - | - | (13,911) | NA | NA | NA |
| Deferred tax related to items that will not be reclassified | - | - | 1,995 | NA | NA | NA |
| **Total other comprehensive income** | **(26,197)** | **13,067** | **7,404** | **(515.6%)** | **(43.3%)** | **NA** |
| **Other comprehensive income attributable to:** | **141,138** | **(124,802)** | **160,991** | **(234.1%)** | **(229.0%)** | **31.5%** |
| Equity holders of the Parent | 106,276 | (167,758) | 16,139 | (257.9%) | (109.6%) | (61.0%) |
| Non-controlling interests | 34,862 | 42,956 | 144,852 | 32.2% | 237.2% | 103.8% |
| **Total** | **141,138** | **(124,802)** | **160,991** | **(188.4%)** | **(229.0%)** | **6.8%** |
| **As a % of revenue** | | | | | | |
| Gross margin | 35,1% | 34,3% | 37,3% | (0.8) | 3.0 | 2.3 |
| Net income | 13.0% | (11.6%) | 7.9% | (24.6) | 19.5 | (5.1) |
| Operating income | 25.1% | 25.0% | 27.7% | (0.1) | 2.7 | 2.7 |

Source: Audited consolidated financial statements for the financial years ended 31 December 2021G and 2022G of Advances Energy Systems Company as disclosed in USD and converted to SAR for the convenience purpose using the exchange rate of 1 USD = SAR 3.75 for the financial information for each of 2020G, 2021G and 2022G.

## Revenue

ADES Egypt operates in Egypt, Algeria, and Saudi Arabia mainly through offshore and onshore rigs for oil and gas drilling operations. Drilling operations are the main contributor to ADES Egypt's revenues representing on average c.95% of the total revenues of ADES Egypt for the years 2020G, 2021G, and 2022G.

Revenues decreased by 7.5% from SAR 1,285.2 million in 2020G to 1,189.1 million in 2021G mainly as a result of decrease in the revenue from drilling operations from SAR 1,208 Million in the 2020G to SAR 1,141 million in year 2021G due to (1) the decrease in revenues from drilling operations in Egypt following the decrease in the revenue of the offshore drilling rig ADM 1 (-SAR 77.1 million) due to the decrease in the average daily average rate from SAR 266 Saudi riyals in 2020G to SAR 55 thousand in 2021G as per the contract agreement to start operating at a lower rate from January 2021G onwards, (2) decrease in rigs operations revenue in Algeria (-SAR 13.5 million) as a result of the termination of the contract for two rigs, (3) lower revenue in KSA due to lower utilization of ADM 261 (-SAR 36.0 million) and ADM 657 (-SAR 18.9 million), both rigs were under refurbishment, offset by the acquisition of 4 new offshore rigs (+SAR63.4 million) from Noble with their respective contracts starting November 2021G.

It is worth noting as well that Aramco suspended 5 rigs during COVID-19 (as per Management this practice was witnessed across all contractors), however, there was no impact from the suspension as the suspension period was during the second half of 2020G and the first half of 2021G.

Revenues increased by 36.0% from SAR 1,189.1 million in 2021G to SAR 1,938.7 million in 2022G due to the increase in revenue from rigs operations by SAR 739.1 million driven by the increase in (1) revenues from rigs in KSA through the acquisition of 23 rigs (7 from Seadrill) of which 6 have started operations in the fourth quarter of 2022G, in addition to the impact of the full year operations of the rigs acquired from Noble which is located in KSA and the increase in the average utilization of the rigs resulting from the resumption of the operations from rigs that were suspended by Aramco in 2021G (2) revenues from rigs operations in Egypt increased as a result of the increase in the average daily average rate in addition to the transfer of two rigs from Algeria to Egypt that were leased to ECDC, which contributed to addition to revenues of SAR 5.8 million.

## Cost of sales

Cost of sales mainly consists of employee costs, maintenance cost, and depreciation costs during the years 2020G, 2021G, and 2022G.

Cost of sales decreased by 6.4% from SAR 834.2 million in 2020G to SAR 781.1 million in 2021G mainly due to the decrease in employee costs (-SAR 33.1 million) as a result of the decrease in the average number of employees (- 195 employees) as a result of the decrease in rigs operations during COVID-19 pandemic and the suspension of 5 Saudi Aramco rigs. In addition, project costs also decreased (-SAR 19.1 million), as most of the project cost was incurred in 2020G, and there were no new projects in 2021G.

Cost of sales increased by 55.5% from SAR 781.1 million in 2021G to SAR 1,214.7 million in 2022G due to the increase in employee costs (+SAR 148.5 million) as a result of the increase in the average number of employees (+301 employees). In addition to the increase in the average utilization of rigs post COVID-19, this also contributed to an increase in amortization and depreciation costs (+SAR 80.9 million) and maintenance costs (+SAR 87.8 million).

## Gross profit and gross margin

Gross profits decreased by 9.5% from SAR 451.0 million in 2020G to SAR 408.0 million in 2021G due to the decrease in units operations in the offshore sector in Egypt and the impact of COVID-19.

Gross margin in Egypt decreased by 0.8 percentage points from 35.1% in 2020G to 34.3% in 2021G as a result of the higher cost of sales, while revenue decreased mainly due to lower average utilization of rigs and the lower average daily rate of ADM I in Egypt as per the agreement to operate at a lower rate from 2021G onwards.

Gross profits increased by 77.5% from SAR 408.0 million in 2021G to SAR 724.1 in 2022G driven by the increase in the profitability of the offshore rigs in Egypt.

Gross margin in Egypt increased by 3 percentage points from 34.3% in 2021G to 37.3% in 2022G as a result of the increase in sales at a higher rate than the cost of sales, mainly due to the increase in the average daily average rate of the onshore rigs in Egypt and the acquisition of the new rigs in Saudi Arabia in 2021G and 2022G.

## General and administrative expenses

Mainly comprised of employees' salaries which constitute c.65% of total general and administrative expenses, decreased by 14.2% from SAR128.7m in 2020G to SAR 110.4 million in 2021G mainly due to a decrease in salaries (-SAR 16.6 million) resulting from the decrease in employees (-29 employees) as ADES Egypt decided to keep the central team in the main office while reducing the number of employees in other offices/branches around the Middle East and Africa during COVID-19.

General and administrative expenses increased by 68.9% from SAR 110.4 million in 2021 to SAR 186.5 million in 2022 mainly due to the increase in staff costs (SAR 37.2 million) due to the increase in the number of employees (+172 employees) and increase in the fixed salaries and incentives (housing allowance , travelling allowance, vacation allowance in the same period) , in addition to a penalty (SAR 9.3 million) mainly related to delay in Vat payment/settlement in KSA during 2020G-2021G.

## Impairment of account receivables

Impairment of account receivables increased by 2,297.5% from SAR 9.0 million in 2020G to SAR 215.9 million in 2021G mainly due to the impairment of a governmental client in Egypt which amounted to SAR 188.1 million which is delayed more than one year.

Impairment of account receivables increased by 9.6% from SAR 215.9 million in 2021G to SAR 236.6 million in 2022G due to the impairment of the remaining balance with a governmental client in Egypt.

## Impairment of property, plant, and equipment

Impairment of property, plant, and equipment increased by 103,1% from SAR 19.1 million in 2020G to SAR 38.8 million in 2021G following the impairment test for the low-utilized rigs during COVID-19 and decrease in the operation of some rigs related to ADES Egypt in the year ended 31 December 2021G. The management performed impairment test for all rigs by calculating the value in use based on the deducted cash flow model. Due to mainly the delay in launching operations related to ADES Egypt's rigs in Algeria. Further, Management identified certain assets (i.e., tools, equipment) that are not planned to be used in future operations and therefore recorded impairment provisions for these assets in Egypt

The company did not record any impairment of property, machinery, and equipment in 2022G based on ADES Egypt's impairment assessment test, which did not result in any need to reduce the value of these assets, especially since ADES Egypt acquired new rigs during the year.

## Impairment of inventory

Impairment of inventory increased by 0.570% from SAR 2.6 million in 2020G to SAR 17.3 million in 2021G mainly due to the impairment of the inventory in Egypt as the result of the decrease in average use of the rigs during the year 2020G which resulted to increase in the inventory in slow-moving inventory based on ADES Egypt's internal inventory assessment.

Impairment of inventory value continued to increase by 32.5% from SAR 17.2 million in 2021G to SAR 22.8 million in 2022G based on the inventory evaluation and the acquisition of new rigs during the year which included additional inventory.

## Impairment of prepayments and other receivables

The impairment of SAR 8.8 million in 2021G related to provision for dividends distributed from the Chinese Egyptian Drilling Company with an amount of SAR 3.7 million and the provision for guarantees related to customers with an amount of SAR 5.1 million.

The company did not record any impairment of other debit balances in 2022G, as there is no exposure to provisions based on expected credit losses as of December 2022G.

## Impairment of investments in associate and joint ventures

The impairment of investments in associate companies and joint ventures amounting to SAR 2.0 million in 2020G in relation to ADES Egypt's investment in the Egyptian Chinese Drilling Company. The provision for impairment of investment in associates and joint ventures, amounting to SAR 4.8 million in 2021G, also represents an additional decrease in the value of an investment in the Egyptian Chinese Drilling Company.

The company did not record the impairment of investments in sister companies and joint ventures in 2022G as the total amount of investment in the Egyptian Chinese Drilling Company was allocated in 2021G.

## Tax provision

Mainly represents employee tax allocations and withholding taxes borne by ADES Egypt from the entities in Saudi Arabia and Egypt. Tax provision amounted to SAR 1.5 million, SAR 21.0 million, and SAR 13.8 million in 2020G, 2021G, and 2022G, respectively. It is worth noting that the amounts are variable due to the differences arising from the tax examination.

## End-of-service provision for employees

End-of-service provision for employees decreased by 6.1% from SAR 11.7 million in 2020G to SAR 11.0 million in 2021G mainly due to the lay-off of a large number of employees in ADES Egypt's various branches in the Middle East as a result of COVID-19.

End-of-service provision for employees slightly increased by 0.8%, from SAR 11.0 million in 2021G to SAR11.1 million in 2022G due to the increase in the number of employees in the two cost centers(The drilling rig crew and the employees of the main center and offices / the branches all over the middle east and Africa).

## Finance cost

Finance costs increased by 3.1% from SAR 76.7 million in 2020G to SAR 79.0 million in 2021G, mainly due to the increase in interest on loans and facilities related to the purchase of drilling rigs and the new loan taken from related parties.

Financing costs continued to increase by 176.0% from SAR 79.0 million in 2021G to SAR 218.0 million in 2022G. This is due to the increase in loans to finance the acquisition of new offshore drilling platforms.

## Finance income

Finance income in relation to term deposits in short-term investments with several local banks in Egypt and the UAE. Term deposits have original maturities of less than 90 days with an average interest rate of 0.35% in 2021G and 2.6% in 2020G.

Finance income decreased by 92.9% from SAR 3.0 million in 2020G to SAR 213 thousand in 2021G as a result of withdraw balance of time deposits.

Finance revenue increased by 8,914.0% from SAR 213 thousand in 2021G to SAR 19.2 million in 2022 due to the increase in term deposits in 2022G, as the balance at the beginning of the year reached SAR 2.5 billion, and time deposits were withdrawn at the end of year 2022G.

## Other expenses

Other expenses mainly include charitable donations and other expenses.

Other expenses increased by 42.0% from SAR 9.6 million in 2020G to SAR 13.7 million in 2021G, mainly due to the increase in non-refundable withholding tax expenses and the cost of acquisition-related transactions (consulting expenses).

Other expenses increased by 102.7% from SAR 13.7 million in 2021G to SAR 27.7 million in 2022G mainly due to donations to a hospital for the treatment of cancer in Egypt (People's Hospital), in addition to donations to the Al-Joud Foundation (a charitable organization) and other charitable activities.

## Bargain purchase gain

Bargain gain resulting from the acquisition amounted to SAR 177.3 million in 2022G related to the acquisition of 7 rigs from Seadrill in Saudi Arabia

## The company's share in the profits / (losses) of joint ventures

Represents share in profit/loss resulting from investment in Egyptian Chinese Drilling Company (48.75%) and Advantage Drilling Services SAE (48%). The company's share in joint venture losses decreased by 93.2% from (SAR 1.7) million in 2020G to (SAR 113) thousand Saudi riyals in 2021G.

The company's share in joint venture losses increased by 25.7% from (SAR 113) thousand in 2021G to (SAR 921) thousand in 2022G.

## Capital loss

Related to the loss from the sale of assets, and amounted to SAR 1.4 million in 2020G, due to the sale of assets and equipment related to the old head office.

## Acquisition transaction costs

Acquisition transaction costs amounted to SAR 7.2 million in 2022G, following the acquisition of Seadrill year 2022G. On October 18, 2022, ADES Egypt acquired 100% of the voting shares of Seadrill and its 7 subsidiaries which owns 7 offshore rigs and related equipment, drilling contracts, other vendor contracts, and some of the personnel and inventory for use in the drilling business. These entities are registered in Bermuda and operate in Saudi Arabia. The acquisition was accounted for using the acquisition method.

This transaction resulted in gains from the purchase transaction because the fair value of the acquired assets and liabilities exceeded the total fair value of the consideration paid. ADES Egypt also took advantage of its synergies and the strong liquidity position it has in Saudi Arabia and its relationship with a major customer to reach a better deal with the seller.

## Income Taxes

ADES Egypt operates in jurisdictions that are subject to income tax at higher rates than the statutory corporate tax rate of 12.125% as on 31 December 2022, which is applicable to profits in Algeria, Kuwait, Tunisia and Qatar where the applicable tax rate is 25%, 15%, 15% and 10% respectively.

Egyptian companies are normally subject to corporate income tax at a statutory rate of 22.5%, however, ADES Egypt was registered in a free zone in Alexandria under Investment Law No. 8 of 1997 which allows exemption from corporate income tax.

Income taxes increased by 11.1% from SAR 22.7 million in 2020G to SAR 25.3 million in 2021G due to the increase in the current income tax (+SAR 1.7 million) to cover the base Zakat starting from the year 2021G.

Income taxes continued to increase by 67.9%, from 25.3 million in 2021G to 42.4 million in 2022G mainly due to the increase deferred income tax (SAR 44.7 million) is applicable to decrease in the current income tax , which reached to (SAR 2.5 million) in 2022G to the temporary difference between the depreciation according to ADES Egypt records and the depreciation subject to tax on property, plant, and equipment in Saudi Arabia as a result of the newly acquired rigs.

## Net profit

Net profit decreased by 182.4% from SAR 167.3 million in 2020G to a loss of SAR 137.9 million in 2021G. This is mainly due to the increase in the provision for impairment of receivables (+SAR 207.0 million) the increase in the tax provision (+SAR 19.5 million), and the increase in inventory provision (+SAR 14.7 million).

Net profit increased by 211.4% from loss of SAR 137.9 million in 2021G to profit of SAR 153.6 million in 2022G mainly due to the bargain gain of SAR 177.3 million.

### 6.9.2.3 Summary of the consolidated statement of financial position

**Table (6.44): Summary of the consolidated statement of financial position as on 31 December, 2020G, 2021G, and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property, plant and equipment | 2,467,526 | 3,957,071 | 9,737,260 |
| Right of use assets | 41,038 | 39,160 | 349,185 |
| Intangible assets | 1,255 | 1,035 | 553 |
| Derivative financial instrument | - | - | 2,738 |
| Trade receivable | 215,268 | 106,006 | - |
| Investments in associates and joint ventures | 11,704 | 6,782 | 5,862 |
| Deferred tax assets | 3,162 | 3,162 | - |
| Other non-current assets | 5,683 | - | - |
| Debtors and other receivable | - | - | 297,349 |
| **Total non-currents assets** | **2,745,636** | **4,113,217** | **10,392,946** |
| Inventory | 155,592 | 129,625 | 149,426 |
| Trade receivable | 234,282 | 212,320 | 159,536 |
| Contract assets | 122,948 | 163,215 | 245,990 |
| Due from related parties | 210,642 | 241,664 | 278,756 |
| Prepayments and other receivables | 174,330 | 194,704 | 335,645 |
| Derivative financial instrument | - | - | 3,452 |
| Cash and cash equivalents | 201,115 | 152,439 | 131,041 |
| **Total current assets** | **1,098,909** | **1,093,968** | **1,303,846** |
| **Total assets** | **3,844,545** | **5,207,184** | **11,696,792** |
| Paid up capital | 120,000 | 120,000 | 120,000 |
| Paid under capital increase | 793,218 | 803,018 | 787,929 |
| Legal reserve | 24,000 | 24,150 | 24,150 |
| Cash flow hedge reserve | (26,198) | (13,131) | 5,689 |
| Defined benefits pension reserve | | | (6,078) |

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Retained earnings | 881,924 | 1,014,247 | 558,427 |
| Net profit /(loss) for the year | 132,473 | (180,825) | 3,396 |
| **Equity attributable to equity holders of the parent** | **1,925,418** | **1,767,459** | **1,493,514** |
| Paid up capital | 120,000 | 120,000 | 120,000 |
| Non-controlling interests | 35,107 | 78,063 | 222,916 |
| **Total equity** | **1,960,525** | **1,845,522** | **1,716,430** |
| Loans and borrowings | 917,587 | 2,086,725 | 7,090,515 |
| Lease liability – non-current portion | 33,563 | 31,360 | 234,174 |
| Defined benefits pension obligation | 19,859 | 26,309 | 74,042 |
| Derivative financial instrument | 13,878 | 5,751 | - |
| Deferred tax liabilities | - | - | 33,898 |
| Deferred revenue | - | - | 4,588 |
| **Total non-current liabilities** | **984,886** | **2,150,145** | **7,437,216** |
| Tax provision | 2,205 | 21,330 | 14,777 |
| Bank facilities | 30,614 | 125,054 | 166,894 |
| Loans and borrowings | 240,658 | 152,567 | 592,324 |
| Due to related parties | 156,540 | 523,478 | 805,931 |
| Accounts and notes payable | 278,545 | 236,251 | 636,856 |
| Other payable | 178,252 | 145,456 | 326,364 |
| Derivative financial instrument | 12,320 | 7,379 | - |
| **Total current liabilities** | **899,133** | **1,211,517** | **2,543,146** |
| **Total liabilities** | **1,884,020** | **3,361,662** | **9,980,362** |
| **Total equity and liabilities** | **3,844,545** | **5,207,184** | **11,696,792** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2021G and 2022G of Advances Energy Systems Company as disclosed in USD and converted to SAR for the convenience purpose using the exchange rate of 1 USD = SAR 3.75 for the financial information for each of 2020G, 2021G and 2022G.

## Non-current assets

Non-current assets increased from SAR 2,746.6 million as on 31 December 2020G to SAR 4,113.2 million as on 31 December 2021G, mainly due to the increase in property, plant and equipment (+SAR 1,489.5 million) mainly resulting from the additions of 5 offshore rigs with a value of SAR 1,642.3 million as on 31 December 2021G. The additions are mainly attributable to ADES Egypt's acquisition of 4 offshore rigs from Noble Company located in the Saudi Arabia during the same period. This was offset by the decrease in trade receivables (-SAR 109.3 million), as ADES Egypt signed an amended settlement agreement with a customer in Egypt during the year 2020G, to settle all outstanding balances. It is worth noting that ADES Egypt classified the balance of trade receivables from this customer from current to non-current in accordance with the terms of the settlement agreement.

Non-current assets increased from SAR 4,113 million as on 31 December 2021G to SAR 10,393 million as on 31 December 2022G mainly due to the increase in property, plant and equipment (+SAR 5,780.2 million) driven by additions of rigs (+SAR 2,238.0 million) related to the addition of 5 new rigs operating abroad, of which 4 are related to the purchase of Seadrill, and additions to assets under construction (+SAR 3,753.9 million) related to costs incurred on 16 rigs newly purchased during the year 2022G and 2 rigs leased recorded as part of the Company's fixed asset register pending renewal, system upgrades and maintenance. In addition to the increase in right-of-use assets (+SAR 310.0 million), it mainly consists of lease contracts of 3 rigs SAR 316.0 million) that were leased during the year 2022G, and the head office (+SAR 24.0 million).

## Current assets

Current assets slightly decreased from SAR 1,098.9 million as on 31 December 2020G to SAR 1,094.0 million as on 31 December 2021G mainly due to a decrease in customer receivables following the impairment of one client in Egypt. This was offset by an increase in debtors and other debit balances (+SAR 20.4 million), and assets arising from contracts (+SAR 40.3 million).

Current assets increased from SAR 1,094.0 million as on 31 December 2021G to SAR 1,303.8 million as on 31 December 2022G mainly due to the increase in accounts receivable and other debit balances (+SAR 140.9 million) mainly driven by (1) the increase in payments provided to suppliers as a result of the purchase of new rigs during the year 2022G, (2) the increase in amounts withheld related to Aramco due to the increase in revenue , in addition to the increase in assets arising from contracts (+SAR 82.8 million) driven by the overall increase in operations.

## Shareholders' equity

Equity decreased from SAR 1,960.5 million as on 31 December 2020G to SAR 1,845.2 million as on 31 December 2021G, mainly due to net losses for the year (SR 180.8 million).

Equity decreased from SAR 1,845.2 million as on 31 December 2021G to SAR 1,716.4 million as on 31 December 2022G, mainly due to a dividend distribution of SAR 275.0 million, offset by the increase in profits for the year during the period.

## Non-current liabilities

Non-current liabilities increased from SAR 984.9 million as on 31 December 2020G to SAR 2,150.1 million as on 31 December 2021G mainly due to the increase in long-term loans (+SAR 1,169 million) to finance additions to property, plant and equipment resulting from the acquisition rigs from Noble located in Saudi Arabia.

Non-current liabilities increased from SAR 2,150.1 million as on 31 December 2021G to SAR 7,437.2 million as on 31 December 2022G, mainly due to an increase in long-term loans (+SAR 5,003.8 million) to finance the acquisition of new rigs and equipment, in addition to this led to an increase in lease liabilities (+SAR 203.0 million) and an increase in the provision for end-of-service benefits (+SAR 47.7 million).

## Current liabilities

Current liabilities increased from SAR 899.1 million as on 31 December 2020G to SAR 1,211.5 million as on 31 December 2021G mainly due to the increase in due to related parties (+SAR 367.0 million) in addition to the increase in credit facilities (+SAR 94.4 million).

Current liabilities increased from SAR 1,211.5 million as on 31 December 2021G to SAR 2,543.1 million as on 31 December 2022G mainly due to the increase in the current part of long-term loans (+SAR 439.8 million) and the increase in the suppliers account and notes payable (+SAR 400.6 million) and the increase in due to related parties (+SAR 282.5 million).

### 6.9.2.4 Summary of the consolidated statement of cash flows

**Table (6.45): Summary of the consolidated statement of cash flows for the financial years ended 31 December, 2020G, 2021G, and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Net Profits / (losses) for the year before tax | 190,063 | (112,612) | 195,988 |
| Depreciation and amortization | 180,859 | 214,676 | 296,279 |
| Impairment of property, plant and equipment | 19,125 | 38,842 | - |
| Tax provision | 1,540 | 21,000 | 13,756 |
| Finance income | (3,007) | (213) | (19,194) |
| Finance expenses | 76,654 | 78,996 | 218,007 |
| End of services provision | 11,678 | 10,966 | 11,048 |
| Impairment on inventory | 2,574 | 17,249 | 22,846 |
| The company's share in the profits/(loss) of the associates and joint ventures | 1,669 | 113 | 921 |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Impairment on trade receivables | 9,006 | 215,916 | 236,565 |
| Impairment of prepayments and other receivable | - | 8,815 | - |
| Capital (gain)/losses | 1,357 | - | - |
| Impairment on investments in associates and joint ventures | 2,006 | 4,809 | - |
| Acquisition transaction cost | - | - | 7,240 |
| Gain on a bargain purchase | - | - | (177,322) |
| **Operating profit before changes in working capital** | **493,525** | **498,556** | **806,134** |
| Inventory | (10,791) | (455) | (37,713) |
| Trade receivable | (36,886) | (66,728) | (37,066) |
| Contract asset | 28,219 | (40,267) | (57,031) |
| Due from related parties | (22,104) | (31,022) | (37,092) |
| Prepayments and other receivable | (18,180) | (23,507) | (136,459) |
| Trade and other payables | 9,842 | (51,471) | 380,413 |
| Due to related parties | (66,688) | (186,226) | (11,103) |
| **Net cash flows generated from operating activities before tax** | **376,937** | **98,880** | **870,083** |
| Income taxes paid | (30,825) | (32,995) | (21,986) |
| Used from provisions | (8,914) | (6,391) | (38,452) |
| **Cash flows generated from operating activities** | **337,198** | **59,493** | **809,644** |
| Purchase of property, plant and equipment and intangible assets | (247,142) | (1,192,685) | (3,595,475) |
| Payments to acquire business | - | - | (2,532,783) |
| Proceeds from sale of property, plant and equipment | 418 | - | - |
| Proceeds from bank interests | 3,007 | 213 | 19,194 |
| **Net cash flows used in investing activities** | **(243,717)** | **(1,192,473)** | **(6,109,064)** |
| Proceeds from interest-bearing loans and borrowings | 240,000 | 2,379,991 | 6,241,811 |
| Proceeds / (payments) from subordinated loan | (227,590) | 9,799 | - |
| Received from banks facilities | 12,665 | 94,441 | 41,840 |
| Paid for lease liability | (6,163) | (8,787) | (23,821) |
| Interests paid for loans and banks facilities | (62,977) | (81,294) | (222,366) |
| Repayment of interest-bearing loans and borrowings | (227,950) | (1,309,848) | (759,443) |
| **Net cash flows (used in)/ generated from financing activities** | **(272,016)** | **1,084,303** | **5,278,021** |
| **Net decrease in cash and cash equivalents** | **(178,534)** | **(48,676)** | **(21,398)** |
| Cash and cash equivalents at the beginning of the year | 379,650 | 201,115 | 152,439 |
| **Cash and cash equivalents at the end of the year** | **201,115** | **152,439** | **131,041** |

Source: Audited consolidated financial statements for the financial years ended 31 December 2021G and 2022G of Advances Energy Systems Company as disclosed in USD and converted to SAR for the convenience purpose using the exchange rate of 1 USD = SAR 3.75 for the financial information for each of 2020G, 2021G and 2022G.

### Net cash flows from operating activities

Net cash flows from operating activities decreased from SAR 337.2 million in 2020G to SAR 59.5 million in 2021G, mainly driven by the negative cash effect of working capital (-SAR 399.7 million), mainly resulting from the negative impact from due from related parties, assets arising from contracts, suppliers' receivables, notes payable and other credit balances.

Net cash flows from operating activities increased from SAR 59.5 million in 2021G to SAR 809.6 million in 2022G mainly due to the increase in changes in working capital obligations, mainly resulting from the increase in suppliers' receivables, notes payable, and balances other creditors (+SAR 380.4 million).

### Net cash flows used in investing activities

Net cash flows used in investing activities increased from SAR 243.8 million in 2020G to SAR 1,192.5 million in 2021G mainly due to payments for the purchase of property, machinery, and equipment of SAR 1,193 million in 2021G.

Net cash flows used in investing activities increased from SAR 1,192.5 million in 2021G to SAR 6,109.1 million in 2022G due to the acquisition of rigs amounting to SAR 2,532.8 million.

### Net cash flows (used in) / generated from financing activities

Net cash flows from financing activities increased from (SAR 272.0) million in 2020G to SAR 1,084.3 million in 2021G mainly due to the proceeds from medium-term loans amounting to SAR 2,380 million in 2021G, offset by paid medium-term loans and credit facilities amounting to SAR 1,310 million.

Net cash flows from financing activities increased from SAR 1,084.3 million in 2021G to SAR 5,278.0 million in 2022G due to proceeds from medium-term loans of SAR 6,109.1 million offset by the payment of medium-term loans and credit facilities by an amount of SAR 759.4 million.

## 6.9.3 ADES Saudi Limited Company ("ADES Saudi")

The financial information of ADES Saudi for the years ending 31 December 2020G, 31 December 2021G and 31 December 2022G were derived from the audited consolidated financial statements of ADES Saudi for the years ended 31 December 2021G and 2022G which were prepared in accordance with International Financial Reporting Standards. These financial statements are not included in the Prospectus.

### 6.9.3.1 About ADES Saudi

ADES Saudi Limited Company (previously a branch of Advanced Energy Services Company) - is a limited liability company operating under Commercial Registration No. 2051062895 issued on 22 Dhu al-Qi'dah 1437 corresponding to 25 August 2016G in Al-Khobar, Kingdom of Saudi Arabia. ADES Saudi is engaged in the drilling and maintenance of onshore and offshore oil and gas wells. ADES Saudi registered office is located in Al-Khobar – Kingdom of Saudi Arabia.

ADES Saudi entered into an agreement on 1 September 2022G to acquire ownership of 100% of the entities mentioned below that own and operate seven drilling rigs for a total of SAR 2,355 million (628 million US dollars representing the base currency of the contract) (the value is subject to a cost before project completion and other modifications). The deal closed on 18 October 2022G. ADES Saudi has consolidated the businesses and results of the newly acquired subsidiaries as of 18 October 2022G, as a result of the business acquisition and control gained through the sale agreement.

With the successful completion of this acquisition, ADES Saudi Arabia Limited has consolidated its position as the largest operator in the Kingdom.

Profits from the purchase transaction amounting to SAR 177.3 million were recognized in the financial year 2022G as a separate item in the consolidated income statement. The purchase transaction value arose due to the higher fair value of the acquired drilling rigs compared to the contracted price.

| Subsidiaries | Country of incorporation | 2022G | 2021G |
|---|---|---|---|
| ADES Drilling Services I Ltd. | Bermuda | 100% | - |
| ADES Drilling Services II Ltd. | Bermuda | 100% | - |
| ADES Drilling Services III Ltd. | Bermuda | 100% | - |
| ADES Advanced Drilling Services Ltd | Liberia | 100% | - |
| ADES drilling Services IV Ltd. | Bermuda | 100% | - |
| ADES Drilling Services V Ltd. | Bermuda | 100% | - |
| ADES Drilling Services Ltd. | Indonesia | 100% | - |
| ADES GCC For Drilling Ltd. | Bermuda | 100% | - |

### 6.9.3.2 Consolidated income statement

**Table (6.46): Summary of the consolidated income statement for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue | 919,137 | 909,131 | 1,571,548 | (1.1%) | 72.9% | 30.8% |
| Cost of sales | (748,925) | (726,875) | (1,134,679) | (2.9%) | 56.1% | 23.1% |
| **Gross profit** | **170,212** | **182,256** | **436,869** | **7.1%** | **139.7%** | **60.2%** |
| Administrative expenses | (80,526) | (57,948) | (139,057) | (28.0%) | 140.0% | 31.4% |
| Bargain Purchase Gain | - | - | 177,322 | NA | NA | NA |
| **Operating income** | **89,686** | **124,308** | **475,134** | **38.6%** | **282.2%** | **130.2%** |
| Finance cost | (374) | (10,480) | (143,468) | 2702.7% | 1268.9% | 1858.7% |
| Finance income | - | - | 19,149 | NA | NA | NA |
| Other Expenses | - | (2,375) | (10,780) | NA | 353.8% | NA |
| **Profit before zakat and income tax** | **89,312** | **111,453** | **340,036** | **24.8%** | **205.1%** | **95.1%** |
| Zakat and income tax | (19,686) | (21,283) | (34,195) | 8.1% | 60.7% | 31.8% |
| **Net income** | **69,625** | **90,170** | **305,841** | **29.5%** | **239.2%** | **109.6%** |
| **Other comprehensive income** | | | | | | |
| **Items that will not be reclassified to profit or loss in subsequent years** | | | | | | |
| Actuarial (loss) / gain on re-measurement of services indemnities | 1,924 | (1,819) | (6,575) | (194.5%) | 261.5% | NA |
| Deferred tax | (385) | 213 | 932 | (155.3%) | 337.6% | NA |
| **Items that may be reclassified to profit or loss in subsequent years** | | | | | | |
| Fair value gain arising on hedging instruments during the year | - | - | 1,021 | NA | NA | NA |
| **Total comprehensive income** | **71,165** | **88,564** | **301,218** | **24.4%** | **240.1%** | **105.7%** |
| **As a % of revenue** | | | | | | |
| Gross margin | 18.5% | 20.0% | 27.8% | 1.5 | 7.8 | 9.3 |
| Net income | 7.6% | 9.9% | 19.5% | 2.3 | 9.5 | 11.9 |
| Operating income | 9.8% | 13.7% | 30.2% | 3.9 | 16.6 | 20.5 |

Source: Audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G of ADES Saudi Arabia Limited Company and management information

## Revenues

ADES Saudi achieved a revenue of SAR 1,571.5 million in 2022G mainly comprised of revenue from drilling services (c.87% from total revenue over the period under review 2020G, 2021G, and 2022G), move service, catering service, and mobilization revenue.

Revenue decreased by 1.1% from SAR 919.1 million in 2020G to SAR 909.1 million in 2021G largely driven by the decrease in rigs operations revenue, primarily due to lower utilization of ADM 261 (-SAR 37.4 million) and ADM 657 (-SAR 19.6 million), both rigs were under refurbishment, this was offset by the acquisition of 4 new offshore rigs (+SAR 63.6 million) from Noble with their respective contracts during November 2021G. It is worth noting that Aramco suspended 5 rigs during COVID-19 period and that this suspension of Aramco's drilling rigs was witnessed across all companies operating in this sector, however, it did not have a significant impact in 2021G, as the rigs were suspended in the second half of 2020G and the first half of 2021G.

In 2022G, revenue increased by 72.9% from SAR 909.1 million in 2021G to SAR 1,571.5 million in 2022G largely driven by the increase in rigs operations due to (1) the full-year impact of rigs that were acquired from Noble, which are located in the Kingdom of Saudi Arabia (+SAR 431.7 million), (2) the acquisition of 23 new offshore rigs in KSA (7 rigs from Seadrill) of which 6 rigs have started operations in Q4 2022G (+SAR 116.5 million).

## Cost of sales

Primarily comprised of rig-related cost (c.42% over the historical period under review 2020G, 2021G, and 2022G), employee cost (c.32%), direct material consumed (c.10%), and catering cost (c.6%), amongst others.

Cost of sales decreased from SAR 748.9 million in 2020G to SAR 726.9 million in 2021G, mainly due to the decrease in staff cost (-SAR 29.4 million) following the decrease in the number of employees during COVID-19.

Cost of sales increased by 56.1% from SAR 726.9 million in 2021G to SAR 1.1 billion in 2022G due to (1) the increase in the cost of employees (+SAR 154.8 million) in line with the increase in the number of employees, (2) the related cost in drilling rigs (+SAR 49.2 million), (iii) direct project costs (+SAR 85.1 million) and depreciation (+SAR 69.7 million), mainly due to the increase in the number of rigs in operation during the year (+6 rigs).

## Gross profit and gross margin

Gross profit increased by 7.1% from SAR 170.2 million in 2020G to SAR 182.3 million in 2021G, mainly due to the rigs operations (1) ADES 157 (+SAR 12.1 million) since the rig is back from suspension, (2) ADES889 (+SAR 19.2 million) due to high use after the Covid-19 pandemic, and (3) the acquisition of 4 Noble rigs in November 2021G (+SAR 32.5 million). In parallel, gross margin increased by 1.6 percentage points from 18.5% in 2020G to 20.0% in the 2021G.

Gross profit increased by 139.7% from SAR 182.3 million in 2021G to SAR 436.9 million in 2022G, mainly due to the full-year impact of the four rigs acquired from Noble, and the profitability of the newly acquired drilling rigs from Seadrill in 2022G. In addition to the resumption of operations of the 5 onshore after the temporary suspension from Aramco. Accordingly, the profit margin increased from 20.0% to 27.8% during the same period

## Administrative expenses

Administrative expenses include personnel costs, vehicle expenses, communications, marketing, government expenses, training expenses, and other general and administrative expenses.

Administrative expenses decreased by 28.0% from SAR 80.5 million in 2020G to SAR 57.9 million in 2021G. This is due to the decrease in employee costs (-SAR 16.7 million) driven by the decrease in the number of employees, in addition to the decrease in withholding tax (-SAR 1.8 million), and reduced marketing expenses (-SAR 1.3 million) during the COVID-19 period.

Administrative expenses increased by 140.0% from SAR 57.9 million in 2021G to SAR 139.1 million in 2022G. This is due to (1) the increase in the cost of employees (+SAR 32.3 million), (2) transaction acquisition cost (+SAR 7.2 million) related to consulting fees and other expenses incurred during the new rigs acquisition, (3) penalty (+SAR 9.1 million) mainly related to the delay in the payment/ settlement of VAT in Saudi Arabia during 2020G and 2021G, (4) Increase in other costs (+SAR 10.9 million) due to agent fees (+SAR 6.9 million), and increase in customs settlement (+SAR 3.5 million) related to materials and spare parts shipped to Saudi Arabia.

## Bargain gain

ADES Saudi achieved a gain of SAR 177.3 million due to the acquisition of Seadrill with a purchase price of SAR 2,554 million compared to a fair value of SAR 2,732 million.

The fair value of the property, plant, and equipment acquired was derived using Level 3 valuation techniques (DCF method) which were based on an estimated average cost of capital of 8.3%.

## Finance costs

Finance costs related to interest on bank loans and lease commitments.

Financing costs increased by 2702.7% from SAR 374 thousand in 2020G to SAR 10.5 million in 2021G due to interest of the long-term syndicated loan used to finance the acquisition of the new rigs (+SAR 10.4 million).

Financing costs increased by 1268.9% from SAR 10.5 million in 2021G to SAR 143.5 million in 2022G due to the full-year interest of the syndicated loan obtained in 2021G and the interest cost on the new loans (4 new loans) that were obtained in 2022G to finance the acquisition of the new rigs.

## Finance income

Finance income amounted to SAR 19.1 million in 2022G in relation to interest income on short-term deposits.

## Other expenses

Other expenses mainly include gains/losses on the sale of scrap and currency exchange differences.

Other expenses increased from nil in 2020G to SAR 2.4 million in 2021G driven by currency exchange losses (+SAR 2.4 million).

Other expenses increased from SAR 2.3 million in 2021G to SAR 10.8 million in 2022G driven by losses in foreign currency exchange (+SAR 10.5 million) in relation to foreign currency translation from Saudi Riyals to US dollars for the loan acquired.

## Zakat and income tax

ADES Saudi Arabia submitted its tax returns to the Zakat Authority by the year ending 31 December 2022G. and obtained the required official certificates and receipts. The assessments from inception until 2021G are under review by the Zakat, Tax, and Customs Authority.

Zakat and income tax increased by 8.1% from SAR 19.7 million in 2020G to SAR 21.3 million in 2021G due to the increase in deferred taxes and the reduce of corporate tax.

Zakat and income tax increased by 60.7% from SAR 21.3 million in 2021G to SAR 34.2 million in 2022G majorly due to the increase in deferred taxes and the reduce of corporate tax.

## Net profit for the year

Net profit increased by 29.5% from SAR 69.6 million in 2020G to SAR 90.2 million in 2021G, mainly due to a decrease in general and administrative expenses by 28.0% (from SAR 80.5 million to SAR 57.9 million) during the same period driven by lower staff costs.

Net profit increased by 239.2% from SAR 90.2 million in 2021G to SAR 305.8 million in 2022G, mainly due to the increase in revenues by (+SAR 662.4 million), in addition to profits from a purchase transaction (+SAR 177.3 million).

### 6.9.3.3 Summary of the consolidated statement of financial position

**Table (6.47): Summary of the consolidated statement of financial position as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property, plant and equipment | 9,245 | 1,566,511 | 7,391,198 |
| Deferred tax assets | 3,162 | - | - |
| Deferred mobilization | - | - | 1,724 |
| Long term deposits | - | - | 25,706 |
| **Total non-currents assets** | **12,408** | **1,566,511** | **7,418,628** |
| Cash and cash equivalents | 83,674 | 75,800 | 74,069 |
| Trade receivable and other assets | 200,588 | 397,015 | 799,254 |
| Inventories, net | 79,014 | 97,948 | 113,405 |
| Derivative financial instrument, net | - | - | 1,021 |
| **Total current assets** | **363,276** | **570,762** | **987,749** |
| **Total assets** | **375,684** | **2,137,273** | **8,406,376** |
| Share capital | 500 | 500 | 500 |
| Statutory reserve | 150 | 150 | 150 |
| Retained earnings | 125,601 | 215,771 | 521,612 |
| Actuarial re-measurement reserve | (4,757) | (6,364) | (12,007) |
| Cash flow hedge reserve | - | - | 1,021 |
| **Total equity** | **121,494** | **210,057** | **511,276** |
| Borrowings- non- current portion | - | 1,103,955 | 6,180,902 |
| Employees’ end of service indemnities | 21,691 | 30,749 | 73,865 |
| Deferred tax liability | - | 15,325 | 34,829 |
| Lease liabilities non-current portion | 4,656 | 5,557 | 232,018 |
| **Total non-current liabilities** | **26,348** | **1,155,585** | **6,521,615** |
| Borrowings - current portion | - | 85,057 | 563,582 |
| Lease liabilities current portion | 2,844 | 3,525 | 55,747 |
| Trade payables | 103,477 | 98,403 | 275,835 |
| Accrued expenses and other liabilities | 73,492 | 90,201 | 377,638 |
| Due to related parties | 33,975 | 491,675 | 94,717 |
| Provision for zakat and income tax | 14,054 | 2,769 | 5,967 |
| **Total current liabilities** | **227,842** | **771,631** | **1,373,486** |
| **Total liabilities** | **254,189** | **1,927,216** | **7,895,101** |
| **Total equity and liabilities** | **375,684** | **2,137,273** | **8,406,376** |

Source: Audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G of ADES Saudi Arabia Limited Company

### Non-current assets

Non-current assets increased from SAR 12.4 million as on 31 December 2020G to SAR 1,566.5 million as on 31 December 2021G mainly due to the increase in property, plant, and equipment (+SAR 1,557.3 million) from SAR 9.2 million as on 31 December 2020G to SAR 1,566.5 million as on 31 December 2021G as a result of the acquisition of 4 offshore drilling rigs by ADES international following that by the Saudi company from Noble Company in Saudi Arabia, at a value of SAR 1,554.2 million during the same period, which was partially offset by the depreciation recorded for the period of SAR 10.2 million.

Non-current assets increased from SAR 1,566.5 million as on 31 December 2021G to SAR 7,418.6 million as on 31 December 2022G driven by the increase in property, plant and equipment from SAR 1,566.5 million as on 31 December 2021G to SAR 7,391.2 million as on 31 December, 2022G mainly due to:

1- Capital work-in-progress (+SAR 2,858.1 million) in relation to costs incurred on rigs (such as refurbishment costs, system upgrades, and maintenance) that were newly purchased during 2022G. ADES Saudi's acquired 12 rigs during 2022G with a purchase price that includes the purchase price of rigs, onshore drilling equipment, and the drilling equipment on the rig.
2- Additions resulted from the acquisition of Seadrill Rig holding Group Limited by ADES Saudi Arabia, which includes (a) additions to assets under construction (+SAR 1.045.8 million), (b) additions to rigs (SAR 1,683.6 million) related to 7 offshore rigs.
3- An increase in the right-of-use assets (+SAR 284.3 million), which are recorded under property, plant, and equipment, due to the lease of two rigs for a period of 5 years during 2022G, in line with ADES Saudi's strategy to expand in Saudi Arabia.

### Current assets

Current assets increased from SAR 363.3 million as on 31 December, 2020G to SAR 570.8 million as on 31 December, 2021G, mainly due to the increase in trade receivables and other assets (+SAR 196.4 million) from 200.6 million as on 31 December, 2020G to SAR 397.0 million as on 31 December, 2021G, mainly driven.

1- Increase in contract assets (+SAR 76.9 million), retentions receivable (+SAR14.2 million), and trade receivables (+SAR 32.9 million) mainly related to Aramco.
2- Increase in due from related parties (+SAR 60.9 million) because of an increase in the balance of Advanced Energy Systems (ADES) (SAE) by an amount of SAR 56.4 million.
3- Increase in inventory (+SAR 18.9 million) due to the purchase of new rig spare parts during the same period.

Current assets increased from SAR 570.8 million as on 31 December 2021G to SAR 987.7 million as on 31 December 2022G mainly due to the increase in trade receivables and other assets (+SAR 402.2 million) from 397.0 million as on 31 December 2021G to SAR 799.3 million as on 31 December 2022G driven by:

1- Increase in advance payments to suppliers (+SAR 242.9 million) in line with ADES Saudi Arabia's purchase of new rigs during the year on the back of the recently awarded tender from Aramco requiring 16 rigs.
2- Increase in debit retentions (+SAR 93.9 million) due to the increase in revenues generated from Aramco.
3- Increase in trade receivables (+SAR 48.3 million) and contract assets (+SAR 47.6 million) driven by the increase in operations with Aramco.
4- Increase in inventory (+SAR 15.5 million) driven by the acquisition of spare parts required for maintenance of the newly purchased rigs in the fiscal year 2022G.

This was offset by a decrease in the balance of liabilities from related parties (-SAR 55.8 million) as a result of the settlement of the balance to Advanced Energy Systems (ADES) (SAE) of SAR 56.4 million during the same period.

### Shareholders' equity

Shareholders' equity increased from SAR 121.5 million on 31 December 2020G to SAR 210.1 million on 31 December 2021G mainly due to the increase in retained earnings from SAR 125.6 million on 31 December 2020G to SAR 215.8 million as on 31 December 2021G, paid by the profits of ADES Saudi Arabia achieved during the same period (+SAR 90.2 million).

Shareholders' equity increased from SAR 210.1 million as on 31 December 2021G to SAR 511.3 million as on 31 December 2022G driven by the profits of ADES Saudi Arabia achieved during the same period (+SAR 305.8 million).

## Non-current liabilities

Non-current liabilities increased from SAR 26.3 million as on 31 December 2020G to SAR 1,155.6 million as on 31 December 2021G mainly due to the new syndication loan in 2021G which led to an increase in the balance of Saudi ADES loans from nil as on 31 December 2020G to SAR 1,104.0 million as on 31 December, 2021G, as ADES Saudi obtained a long-term syndicated loan to purchase non-current assets. The loan is secured by mortgaging collection and mortgage accounts on existing drilling rigs owned by ADES Saudi Arabia. The loan is payable in semi-annual installments, with the last installment due in December 2029G. According to the letter of facilitation, ADES Saudi Arabia is required to maintain certain financial covenants. ADES Saudi Arabia complied with all commitments as on 31 December, 2022G. There was no violation of any commitments in the historical period 2020G, 2021G, and 2022G.

Non-current liabilities increased from SAR 1,155.6 million as on 31 December 2021G to SAR 6,521.6 million as on 31 December 2022G mainly due to the increase in loans from SAR 1,104.0 million as on 31 December, 2021G to SAR 6,180.9 million as on 31 December 2022G.

## Current liabilities

Current liabilities increased from SAR 227.8 million as on 31 December 2020G to SAR 771.6 million as on 31 December 2021G mainly due to the increase in liabilities to related parties (+SAR 457.7 million) from SAR 34.0 million as on 31 December 2020G to SAR 491.7 million as on 31 December 2021G related to financing the acquisition of Noble rigs in addition to their equipment and inventory.

Current liabilities increased from SAR 771.6 million as on 31 December 2021G to SAR 1,373.5 million as on 31 December 2022G mainly due to the increase in the current portion of syndicated loans (+SAR 478.5 million) from SAR 85.1 million as on 31 December 2021G, to SAR 563.6 million relating to four new loans for the purchase of rigs. In addition to the increase in accrued expenses and other liabilities (+SAR 287.4 million) from SAR 90.2 million as on 31 December 2021G to SAR 377.6 million as on 31 December 2022G driven by accrued expenses for the purchase of materials and services (+SAR 283.8 million). This was offset by a decrease in the balance of liabilities to related parties (-SAR 397.0 million) from SAR 491.7 million as on 31 December 2021G to SAR 94.7 million as on 31 December 2022G and related to the settlement of amounts due.

### 6.9.3.4 Summary of the consolidated cash flows statement

**Table (6.48): Summary of the consolidated cash flows statement for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Profit before income tax | 89,311 | 111,453 | 340,036 |
| Depreciation of property, plant and equipment | 3,144 | 12,534 | 82,718 |
| Finance charges | 374 | 10,480 | 143,468 |
| Employees' end of service indemnities | 11,346 | 9,314 | 13,650 |
| Allowance for slow moving and obsolete inventories | 659 | 209 | 18,637 |
| Bargain purchase | - | - | (177,322) |
| Write off of right of use asset | - | - | (46) |
| **Operating profit before changes in working capital** | **104,835** | **143,990** | **421,141** |
| Trade receivables and other assets | 36,417 | (125,364) | (332,109) |
| Inventories | (10,215) | (19,143) | (29,325) |
| Trade payables | (7,784) | (5,073) | 177,432 |
| Accrued expenses and other current liabilities | 3,423 | 16,709 | 155,978 |
| Due to / due from related parties | (101,985) | (94,482) | (341,122) |
| **Net cash generated from operations** | **24,691** | **(83,363)** | **51,996** |
| Employee benefits paid | (3,448) | (2,076) | (4,855) |
| Finance charges paid | - | (6,974) | (101,402) |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Income tax paid | (16,089) | (23,996) | (10,719) |
| **Net cash generated from operating activities** | **5,154** | **(116,409)** | **(64,981)** |
| Additions to property, plant and equipment | - | (1,072,825) | (2,882,671) |
| Acquisition of subsidiaries | - | - | (2,525,416) |
| **Net cash used in investing activity** | **-** | **(1,072,825)** | **(5,408,087)** |
| Proceeds from borrowings, net | - | 1,185,600 | 5,515,509 |
| Lease liabilities | (3,032) | (4,241) | (11,772) |
| Long term deposit | - | - | (32,400) |
| **Net cash generated from / (used in) financing activities** | **(3,032)** | **1,181,359** | **5,471,337** |
| **Net change in cash and cash equivalents** | **2,121** | **(7,875)** | **(1,731)** |
| Cash and cash equivalent at the beginning of the year | 81,553 | 83,674 | 75,800 |
| **Cash and cash equivalents at the end of the year** | **83,674** | **75,800** | **74,069** |

Source: Audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G of ADES Saudi Arabia Limited Company and management information

## Net cash flow from operating activities

Net cash flow from operating activities decreased from SAR 5.2 million for the financial year ended 31 December, 2020G to (SAR 116.4) million for the financial year ended 31 December, 2021G. Mainly driven by the negative cash impact of the working capital as a result of the increase in trade receivables and other assets (-SAR 125.4 million) and the increase in inventory (-SAR 19.1 million), and the decrease was compensated in net cash flows from operating activities partly through the increase in earnings before zakat and income tax over the same period.

Net cash flow used in operating activities decreased from -SAR 116.4 million in the year 2021G to -SAR 65.0 million in 2022G, mainly driven by the increase in profit before income tax (+SAR 228.6 million) during that period coupled with the positive cash impact stemming from the increase in accrued expense and other liabilities as well as trade payables (+SAR 333.4 million) in light of ADES KSA's fleet expansion. This was partially offset by the negative cash impact stemming from (i) the partial settlement of the due to related party balance (-SAR 341.1 million), and (ii) the increase in trade and other assets (+SAR 332.1 million) as a result of the growth in operations in KSA coupled with the acquisition of Seadrill. This was coupled with the negative impact of non-cash transactions stemming from bargain gain (-SAR 177.3 million) as a result of the Seadrill acquisition.

## Net cash flow used in investing activities

Net cash flow used in investing activities increased from nil in 2020G to SAR 1,072.8 million in 2021G mainly due to the increase in additions to property, facilities, and equipment in the year 2020G to SAR 1,072.8 million due to the acquisition of Noble, which were acquired by ADES international and then acquired by the Saudi company.

Net cash flow used in investing activities increased from SAR 1,072.8 million in 2021G to SAR 5,408.1 million in 2022G due to the increase in additions to property, facilities, and equipment from SAR 1,072.8 million during the financial year ended 31 December 2021G to SAR 2,882.7 million during the financial year ended 31 December 2022G in addition to the acquisition of subsidiaries as it increased from nil in 2021G to SAR 2,525.4 million in 2022G mainly due to the additions of new rigs and Seadrill.

## Net cash flow (used in) / generated from financing activities

Net cash flow generated from financing activities increased from (SAR 3.0) million in the year 2020G to SAR 1,181.4 million in the year 2021G due to the syndicated loan during the same period.

Net cash flow generated from financing activities increased from SAR 1,181.4 million in 2021G to SAR 5,471.3 million in 2022G mainly due to the increase in net loan proceeds from SAR 1,185.6 million in the year 2021G to SAR 5,515.5 in the year 2022G.

## 6.9.4 United Precision Drilling Company W.L.L ("UPDC")

The financial information of UPDC for the years ended 31 December 2020G, 31 December 2021G and 31 December 2022G were derived from the audited financial statements of UPDC for the years ended 31 December 2021G and 2022G which were prepared in accordance with International Financial Reporting Standards. These financial statements are not included in the Prospectus.

### 6.9.4.1 About UPDC

United Precision Drilling Company W.L.L is a limited liability company established in Kuwait on January 3, 2006G under Commercial Registration No. 111743 dated February 1, 2006G. The company operates in the field of drilling and maintenance of oil and non-oil wells. The company is a subsidiary of Precision Drilling Limited (Cyprus), a company incorporated in the Republic of Cyprus, and a subsidiary of ADES International Holdings Limited. ADES International Holdings Limited was incorporated and registered in the Dubai International Financial Center on May 22, 2016G. It is worth noting that Precision Drilling Company retains a stake of 47.5% in United Precision Drilling Company.

### 6.9.4.2 Summary of statement of comprehensive income data

**Table (6.49): Statement of comprehensive income data for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue | 398,838 | 307,627 | 303,354 | (22.9%) | (1.4%) | (12.8%) |
| Cost of revenue | (363,376) | (274,521) | (269,598) | (24.5%) | (1.8%) | (13.9%) |
| **Gross profit** | **35,462** | **33,106** | **33,755** | **(6.6%)** | **2.0%** | **(2.4%)** |
| General and administrative expenses | (22,122) | (19,066) | (18,474) | (13.8%) | (3.1%) | (8.6%) |
| Other income | 4,795 | 2,624 | 1,010 | (45.3%) | (61.5%) | (54.1%) |
| Foreign exchange (loss) gain | 675 | (1,404) | (1,025) | (308.1%) | (27.0%) | NA |
| Finance costs | (1,632) | (2,045) | (2,270) | 25.3% | 11.0% | 17.9% |
| **Profit for the year** | **17,177** | **13,214** | **12,998** | **(23.1%)** | **(1.6%)** | **(13.0%)** |
| **As a % of revenue** | | | | | | |
| Gross margin | 8.9% | 10.8% | 11.1% | 1.9 | 0.4 | 2.2 |
| Net income | 4.3% | 4.3% | 4.3% | - | - | - |

Source: Audited financial statements for the financial years ended 31 December 2021G and 2022G of United Precision Drilling Company as disclosed in Kuwaiti Dinars (KD) and converted to SAR for the convenience purpose using the exchange rates of 1 KD = SAR 12.2077 for the 2022G financial information, 1 KD = SAR 12.3501 for the 2021G financial information and 1 KD = SAR 12.2798 for the 2020G financial information, and management information

#### Revenue

United Precision Drilling Company's revenue primarily represents revenue from providing drilling services to clients in Kuwait through onshore drilling rigs leased from Kuwait Advanced Drilling Services Company.

Revenue decreased by 22.9% from SAR 398.8 million in 2020G to SAR 307.6 million in 2021G due to the decrease in rigs operations revenue following the expiry of 4 contracts in Kuwait without being renewed during COVID-19.

Subsequently, revenue decreased by 1.4% to SAR 303.4 million in 2022G due to out of contract rigs.

#### Cost of revenue

Primarily comprised of lease rental costs related to rigs and vehicles, employee cost, direct material consumed, and depreciation amongst others.

Cost of revenue decreased by 24.5% from SAR 363.4 million in 2020G to SAR 274.5 million in 2021G due to a decrease in the lease rental cost (-SAR 33.2 million) due to the contract termination of four rigs with the Kuwait Oil Company, and additional decrease in the employee cost (-SAR 21.8 million) following the employee layoff during COVID-19.

Cost of revenue slightly decreased by 1.8% from SAR 274.5 million in 2021G to SAR 269.6 million in 2022G mainly driven by a decrease in transportation costs (-SAR 8.4 million) and the cost of renting drilling rigs and equipment (-SAR 3.9 million) on the back of the decrease in the rental of drilling rigs from Kuwait Advanced Drilling Services Company during the period. This was offset by an increase in maintenance costs (+SAR 9.7 million) due to the scheduled maintenance of the drilling rigs in Kuwait.

### Gross profit and gross margin

Gross profit decreased by 6.6% from SAR 35.5 million in 2020G to SAR 33.1 million in 2021G in line with the decrease in revenue by 22.9% during the same period. However, the gross margin increased by 1.9 ppt from 8.9% in 2020G to 10.8% in 2021G as a result of the decrease of the cost of revenue at a higher rate than the decrease in revenue.

Gross profit increased by 2.0% from SAR 33.1 million in 2021G to SAR 33.8 million in 2022G due to the decrease in the cost of sale as a result of the decrease in the cost of equipment rental and employee cost at a higher rate than the decrease in revenue. In parallel, the gross margin increased by 0.4 ppt, from 10.8% in 2021G to 11.1% in 2022G in line with the increase in gross profit.

### Other income

Other income represents interest income, and interest on short-term deposits amongst others.

Other income declined by 45.3% from SAR 4.8 million in 2020G to SAR 2.6 million in 2021 due to (1) the decrease in government grants related to a one-time government grant of SAR 2.6 million in 2020 pertained to a grant received from the Kuwait government to support staff cost during COVID-19 and (2) a decline in gain from lease modification of SAR 1.0 million related to rigs lease agreement with KADS.

Other income decreased by 61.5% from SAR 2.6 million in 2021G to SAR 1.0 million in 2022G mainly as a result of the decrease in liabilities no longer payable (-SAR 2.2 million), partially offset by the increase in gain on lease modification (+SAR 1.1 million).

### General and administrative expenses

Primarily comprised of employee cost and allowance, and depreciation amongst others.

General and administrative expenses decreased by 13.8% from SAR 22.1 million in 2020G to SAR 19.1 million in 2021G due to the decrease in employee cost as a result of the suspension of annual salary increments and bonuses in line with the decrease in the number operating rigs for the same period.

General and administrative expenses slightly decreased by 3.1%, from SAR 19.1 million in 2021G to SAR 18.5 million in 2022G, and this is due to the decrease in employee cost as a result of lower number of operating rigs.

### Foreign exchange (loss) gain

Pertained to loss or gain arising from a change in the fair value of financial instruments. Foreign exchange losses increased by 308.1% from a profit of SAR 675 thousand in 2020G to a loss of SAR (1.4) million in 2021G, due to fluctuation in the foreign exchange rate.

Foreign exchange loss decreased by 27.0% from a loss of SAR (1.4) million in 2021G to a loss of SAR (1.0) million in 2022G.

### Finance costs

Finance costs related to interest on term loan from Mashreq Bank, interest on letters of guarantee, and lease liabilities.

Finance costs increased by 25.3% from SAR 1.6 million in 2020G to SAR 2.0 million in 2021G due to interest cost on a new loan facility from Mashreq Bank PSC to facilitate the purchase of usufruct land and construction of the administrative building.

Finance costs slightly increased by 11.0% from SAR 2.0 million in 2021G to SAR 2.3 million in 2022G majorly due to the increase in interest in relation to ROU during the year.

### Profit of the year

Profit for the year decreased by 23.1% from SAR 17.2 million in 2020G to SAR 13.2 million in 2021G, and further decreased to SAR 13.0 million in 2022G, mainly due to the decrease in revenues and the increase in the financing cost during the same period.

### 6.9.4.3 Summary of the statement of financial position data

**Table (6.50): Statement of financial position data as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property | - | 58,344 | 64,708 |
| Right of use assets | 24,289 | 15,445 | 31,739 |
| **Total non-currents assets** | **24,289** | **73,789** | **96,446** |
| Inventories | 22,872 | 18,675 | 12,521 |
| Account receivables and prepayments | 117,309 | 144,410 | 163,808 |
| Amount due from related parties | 121,016 | 37,075 | 6,672 |
| Bank balances* | 22,846 | 28,092 | 24,336 |
| **Total current assets** | **284,044** | **228,250** | **207,338** |
| **Total assets** | **308,333** | **302,039** | **303,784** |
| Capital | 24,560 | 24,700 | 24,415 |
| Statutory reserve | 12,703 | 12,776 | 12,629 |
| Voluntary reserve | 12,703 | 12,776 | 12,629 |
| Retained earning | 17,258 | 13,295 | 13,078 |
| **Total equity** | **67,224** | **63,547** | **62,751** |
| Employees' end of service benefits | 43,849 | 44,659 | 51,694 |
| Term loan | - | 25,154 | 18,203 |
| Account payables and accruals | 60,328 | 40,560 | 30,201 |
| **Total non-current liabilities** | **104,177** | **110,373** | **100,098** |
| Term loan | - | 5,022 | 6,619 |
| Account payables and accruals | 120,985 | 107,347 | 115,138 |
| Amount due to related parties | 15,947 | 15,749 | 19,178 |
| **Total current liabilities** | **136,932** | **128,119** | **140,935** |
| **Total liabilities** | **241,109** | **238,492** | **241,033** |
| **Total equity and liabilities** | **308,333** | **302,039** | **303,784** |

Source: Audited financial statements for the financial years ended 31 December 2021G and 2022G of United Precision Drilling Company as disclosed in Kuwaiti Dinars (KD) and converted to SAR for the convenience purpose using the exchange rates of 1 KD = SAR 12.2077 for the 2022G financial information, 1 KD = SAR 12.3501 for the 2021G financial information and 1 KD = SAR 12.2798 for the 2020G financial information, and management information

* Balances with banks in the 2021G include a short-term deposit of SAR 2.4 million (200 thousand Kuwaiti dinars).

## Non-current assets

Non-current assets pertained to property and right-of-use assets which constitute 67% of total non-current assets and projects under construction which constitute 33% of total non-current assets as on 31 December 2022G.

Non-current assets increased from SAR 24.3 million as on 31 December 2020G to SAR 73.8 million as on 31 December 2021G, driven by the increase in the property (+SAR 58.3 million) and mainly related to land leased from the Public Authority for Industry in the State of Kuwait, in addition to Capital work in progress (+SAR 113 thousand), offset by a decrease in right-of-use assets (-SAR 8.8 million) driven by the modification of some term lease contracts and the termination of the rental amount and some lease contracts during the same period.

It is worth noting that the management considers the land lease agreement to be renewable indefinitely, at nominal rates similar to the land rent, and without a premium payable to renew the lease. Hence, as usual in Kuwait, the lease has been accounted for as freehold land.

Non-current assets increased from SAR 73.8 million as on 31 December 2021G to SAR 96.4 million as on 31 December 2022G, driven by (1) the increase in right-of-use assets (+SAR 16.3 million) as a result of additions (+SAR 32.2 million) related to other equipment such as forklifts and cranes, offset by lease contract amendments (-SAR 7.1 million) and depreciation for the period (-SAR 8.6 million). (2) Increase in the property (+SAR 6.4 million) due to additions related to other equipment such as forklifts and cranes.

### Current assets

Current assets include inventory, accounts receivable and advance payments, amounts due from related parties in addition to balances with banks. Debtors and advance payments constitute approximately 79% of the total current assets in circulation as on 31 December 2022G.

Current assets decreased from SAR 284.0 million as on 31 December 2020G to SAR 228.3 million as on 31 December 2021G, driven by the decrease in amounts due from related parties (from SAR 121.0 million as on 31 December 2020G to SAR 37.1 million as on 31 December 2021G due to the settlements that took place during the year 2021G from ADES International Holding Ltd. This was offset by an increase in debtors and advance payments (from SAR 117.3 million as on 31 December 2020G to SAR 144.4 million as on 31 December 2021G) as a result of the increase in the accounts receivable (+SAR 18.8 million) during the same period and related to the increase in accounts receivable and withholdings receivable during the period.

Current assets continued to decrease from SAR 228.3 million as on 31 December 2021G to SAR 207.3 million as on 31 December 2022G due to the decrease in due from related parties from SAR 37.1 million as on 31 December 2021G to SAR 6.7 million as on 31 December 2022G. In addition to a decrease in inventory from SAR 18.7 million as on 31 December 2021G to SAR 12.5 million as on 31 December 2022G as a result of the increase in the provision for slow-moving inventory (+SAR 3.1 million). This was offset by an increase in receivables and advance payments from SAR 144.4 million as on 31 December 2021G to SAR 163.7 million as on 31 December 2022G as a result of the increase in advance payments to suppliers (+SAR 26.7 million) related to the construction of the new head office in Kuwait due to this Primarily to the renewal cost which will be charged to Kuwait Advanced Drilling Services.

### Shareholders' Equity

Shareholders' equity includes share capital, statutory reserve, voluntary reserve, and retained earnings.

Shareholders' equity decreased from SAR 67.2 million as on 31 December 2020G to SAR 63.5 million as on 31 December 2021G due to the decrease in retained earnings (-SAR 4.0 million) from SAR 17.3 million as on 31 December 2020G to SAR 13.3 million as on 31 December 2021G following the dividend distribution of SAR 17.2 million during the year.

Shareholders' equity continued to decrease slightly from SAR 63.5 million as on 31 December 2021G to SAR 62.8 million as on 31 December 2022G due to the decrease in retained earnings following the dividend distribution of SAR 13.1 million during the year.

### Non-current liabilities

Non-current liabilities include employees' end-of-service benefits, term loans in addition to accounts payable, and accruals.

Non-current liabilities increased from SAR 104.2 million as on 31 December 2020G to SAR 110.4 million as on 31 December 2021G, mainly driven by the increase in a fixed-term loan (+SAR 25.2 million) which represents a loan from the Mashreq Bank branch in Kuwait to facilitate the purchase of Land and construction of an administrative building. This was offset by a decrease in payables and accrued expenses from SAR 60.3 million as on 31 December 2020G to SAR 40.6 million as on 31 December 2021G due to the decrease in payables and deferred revenues as a result of payments to the supplier and revenue recognitions.

Non-current liabilities decreased from SAR 104.2 million as on 31 December 2021G to SAR 110.4 million as on 31 December 2022G, mainly driven by a decrease in payables and accruals from SAR 60.3 million as on 31 December 2021G to SAR 40.6 million as on 31 December 2022G as a result of converting deferred revenues from long-term to short-term. In addition to a decrease in a fixed-term loan from SAR 25.2 million as on 31 December 2021G to SAR 18.2 million as on 31 December 2022G.

### Current liabilities

Current liabilities include term loans, accounts payable, and accruals in addition to amounts due to related parties.

Current liabilities decreased from SAR 136.9 million as on 31 December 2020G to SAR 128.1 million as on 31 December 2021G mainly driven by a decrease in payables and accruals (-SAR 13.6 million) from SAR 121.0 million as on 31 December 2020G to SAR 107.3 million as on 31 December 2021G due to the decrease in accounts payable and deferred revenue mainly due to revenue recognized during the period.

Current liabilities increased from SAR 128.1 million as on 31 December 2021G to SAR 140.9 million as on 31 December 2022G due to the increase in payables and accruals (+SAR 7.8 million) from SAR 107.3 million as on 31 December 2021G to SAR 115.1 million as on 31 December 2022G following the increase in some credit balances that are transferred to Kuwait for advanced drilling services, in addition to the increase in amounts due to related parties (+SAR 3.4 million) from SAR 15.7 million as on 31 December 2021G to SAR 19.2 million as on 31 December 2022G which relates to financing from ADES International Holdings Limited.

### 6.9.4.4 Summary of cash flows statement data

**Table (6.51): Cash flows statement data for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Profit for the year | 17,177 | 13,214 | 12,998 |
| **Non-cash adjustments to reconcile profit for the year to net cash flows:** | | | |
| Depreciation on right of use assets | 12,107 | 8,193 | 8,628 |
| Provision for slow moving inventories | - | 95 | 3,385 |
| Provision for employees end of service benefits | 8,728 | 6,500 | 8,719 |
| Finance costs | 1,632 | 2,045 | 2,270 |
| Liabilities no longer payable written back | (1,232) | (2,235) | - |
| Government grant | (2,638) | - | - |
| Gain (loss) on modification of lease | (924) | 101 | (976) |
| Profit from short-term deposit | - | - | (34) |
| Interest income | - | (490) | - |
| **Operating profit before working capital changes** | **34,849** | **27,423** | **34,989** |
| Inventories | (5,149) | 4,233 | 2,553 |
| Account receivables and prepayments | 27,534 | (26,429) | (21,064) |
| Amount due from related parties | (3,480) | 84,635 | 29,975 |
| Account payables and accruals | 6,935 | (23,601) | (16,285) |
| Amount due to related parties | (55,026) | (8,495) | (2,594) |
| **Net cash flows from operations** | **5,662** | **57,766** | **27,575** |
| Government grant received | 2,638 | - | - |
| Employees' end of service benefits paid | (12,575) | (5,941) | (1,170) |
| **Net cash flow from (used in) operating activities** | **(4,275)** | **51,825** | **26,405** |
| Purchase of property | - | (58,344) | (7,036) |
| Short-term deposit | - | (2,470) | - |
| Profit received from short-term deposit | - | - | 34 |
| **Net cash flow used in investing activity** | **-** | **(60,814)** | **(7,003)** |
| (Repayment of) proceeds from term loan | - | 30,176 | (5,006) |
| Dividend paid | (8,754) | (9,070) | (6,857) |
| Payment of lease liabilities | (12,124) | (8,563) | (9,371) |
| Finance cost paid | - | (911) | (1,600) |
| **Net cash flows from (used in) financing activities** | **(20,878)** | **11,634** | **(22,834)** |
| **Net (decrease) increase in cash and cash equivalents** | **(25,153)** | **2,644** | **(3,432)** |
| Cash and cash equivalents at 1 January | 48,000 | 22,977 | 25,326 |
| **Cash and cash equivalents at 31 December*** | **22,846** | **25,622** | **21,894** |

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| **Non-cash transactions** | | | |
| Addition of right of use assets | 6,965 | 512 | 32,224 |
| Addition of lease liabilities | (6,965) | (512) | (32,224) |
| Adjustment to right of use assets due to lease modification | 8,863 | 1,303 | (7,125) |
| Adjustment to lease liability due to lease modification | 9,787 | 1,202 | (8,101) |
| Dividend transferred to related party | 7,920 | 8,206 | 6,204 |

Source: Audited financial statements for the financial years ended 31 December 2021G and 2022G of United Precision Drilling Company as disclosed in Kuwaiti Dinars (KD) and converted to SAR for the convenience purpose using the exchange rates of 1 KD = SAR 12.2077 for the 2022G financial information, 1 KD = SAR 12.3501 for the 2021G financial information and 1 KD = SAR 12.2798 for the 2020G financial information, and management information

* Cash and cash equivalents at 31 December does not include restricted bank balance (SAR 2.4 million as on 31 December 2021G and 31 December 2022G)

### Net cash flows from /used in operating activities

Net cash flows used in operating activities were SAR 4.3 million in 2020G compared to net cash flows from operating activities of SAR 51.8 million in 2021G due to the impact of movement in amounts due from related parties from (SAR 3.5) million in 2020G to 84.6 million in 2021G, this was partially offset by impact of movement in accounts receivables and expenses paid in advance from SAR 27.5 million in 2020G to (SAR 26.4) million in 2021G.

Net cash flows generated from operating activities decreased from SAR 51.8 million in 2021G to SAR 26.4 million in 2022G due to the movement in the amount due from related parties from SAR 84.6 million in 2021G to SAR 30.0 million in 2022G. This was partially offset by movement in creditors and accrued expenses from SAR 23.6 million in 2021G to SAR 16.3 million in 2022G.

### Net cash flows used in investing activities

Net cash flows used in investing activities amounted to SAR 60.8 million and SAR 7.0 million in 2021G and 2022G respectively due to the purchase of property related to the drilling rig renovation project that is being transferred to Kuwait for advanced drilling services.

### Net cash flows used in/from financing activities

Net cash flows used in financing activities were SAR 20.9 million in 2020G compared to net cash flows from financing activities of SAR 11.6 million in 2021G due to the increase in proceeds from a term loan (+SAR 30.2 million). This was offset by rental obligations amounting to SAR 8.6 million in 2021G.

Net cash flows from financing activities were 11.6 million in 2021G compared to net cash used in financing activities of SAR 22.8 million in 2022G due to the decrease in the proceeds from the term loan from SAR 30.2 million in 2021G to SAR 5.0 million in 2022G, in addition to the increase in paid rent obligations from SAR 8.6 million in 2021G to SAR 9.4 million in 2022G. This was offset by a decrease in the dividends paid to partners from SAR 9.1 million in 2021G to SAR 6.9 million in 2022G.

## 6.9.5 Kuwait Advanced Drilling Services (“KADS”)

The financial information of KADS for the years ending 31 December 2020G, 31 December 2021G and 31 December 2022G were derived from the audited financial statements of KADS for the years ended 31 December 2021G and 2022G which were prepared in accordance with International Financial Reporting Standards. These financial statements are not included in the Prospectus.

### 6.9.5.1 About KADS

Kuwait Advanced Drilling Services (“KADS”) is an exempt company registered in the Cayman Islands with limited liability. The company was established on March 26, 2018G under company number 334776. A subsidiary of ADES International Holding Limited, incorporated in the Dubai International Financial Centre. The main business activities is the rental of drilling rigs and equipment.

### 6.9.5.2 Summary of income statement

**Table (6.52): Summary of income statement for the financial years ended 31 December 2020G, 2021G and 2022G**

| SR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G | Variance 2020G-2021G | Variance 2021G-2022G | CAGR 2020G-2022G |
|---|---|---|---|---|---|---|
| Revenue | 144,276 | 112,048 | 110,450 | (22.3%) | (1.4%) | (12.5%) |
| Cost of revenue | (36,416) | (42,642) | (53,538) | 17.1% | (25.6%) | 21.3% |
| **Gross Profit** | **107,859** | **69,406** | **56,912** | **(35.7%)** | **(18.0%)** | **(27.4%)** |
| General and administrative expenses | (42) | (49) | (162) | (18.2%) | 229.6% | 97.4% |
| Impairment of property, plant and equipment | - | (7,493) | - | NA | (100.0%) | NA |
| Net operating profit | 107,818 | 61,864 | 56,750 | (42.6%) | (8.3%) | (27.5%) |
| Other expense | - | (4,720) | - | NA | (100.0%) | NA |
| Foreign currency exchange gain/(loss) | - | (0.5) | 0.9 | NA | (286.4%) | NA |
| Finance cost | (3,099) | - | - | (100.0%) | NA | (100.0%) |
| Net profit for the year before tax | 104,719 | 57,144 | 56,750 | (45.4%) | (0.7%) | (26.4%) |
| Income tax | (6,492) | (4,859) | (4,829) | (25.2%) | (0.6%) | (13.8%) |
| **Net income** | **98,226** | **52,285** | **51,921** | **(46.8%)** | **(0.7%)** | **(27.3%)** |
| **As a % of revenue** | | | | | | |
| Gross margin | 74.8% | 61.9% | 51.5% | (12.8) | (10.4) | (23.2) |
| Net income | 68.1% | 46.7% | 47.0% | (21.4) | 0.3 | (21.1) |
| Operating income | 74.7% | 61.9% | 51.4% | (12.8) | (10.5) | (23.3) |

Source: Audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G of Kuwait Advanced Drilling Services Company and management information

The financial information represented in the Kuwait Advanced Drilling Services Company financial statement are presented in USD, However the information presented in the table above has been converted to SAR using a 3.75 exchange rate.

The Company's revenues primarily represent revenues from leasing onshore drilling rigs to the United Precision Drilling Company. KADS is a Kuwaiti facility that is involved in drilling equipment operations in Kuwait It is worth mentioning that Precision Drilling Company; It is a holding company incorporated in Cyprus that maintains a share of 47. 5% in United Precision Drilling Company.

#### Revenue

Revenue decreased by 22.3% from SAR 144.3 million in 2020G to SAR 112.0 million in 2021G mainly due the expiration of United Precision Drilling Company contract with Kuwait Oil Company without getting renewed for 4 onshore drilling rigs during COVID-19. Therefore decreasing the leasing of onshore drilling rigs during the same period. It is worth noting that the number of rigs leased to the United Precision Drilling Company decreased from 8 onshore drilling rigs in the 2020G to 4 onshore drilling rigs in the 2021G.

Revenues slightly decreased by 1.4%, from SAR 112.0 million in 2021G to SAR 110.5 million in 2022G. This is due to the non-contracting of new drilling rigs during the period.

#### Cost of revenue

Cost of revenue consisted of cost of depreciation of the drilling rigs Mainly during the historical period.

Cost of revenue increased by 17.1% from SAR 36.4 million in 2020G to SAR 42.6 million in 2021G, and further increased by 25.6% to SAR 53.5 million in 2022G, due to rigs upgrades which led to higher depreciation.

## Gross profit and profit margin

Gross profit decreased by 35.7% from SAR 107.9 million in 2021G to SAR 69.4 million in 2021G in line with the decrease in revenues by 22.3%, in addition to the increase in the cost of revenues by 17.1% during the same period.

Also Gross margin decreased from 12.8 percentage points from 10.4% in fiscal year 2020G to 61.9% in fiscal year 2021G mainly due to the increase in depreciation expense of the drilling rigs while decrease the number of contracted rigs.

Gross profit decreased by 18.1% from SAR 69.4 million in the 2021G to SAR 56.9 million in the 2022G mainly due to the increase in depreciation expense of the drilling rigs While the average daily price of an effective drilling rig decreased slightly.

Gross margin decreased from 74.8% in 2020G to 61.9% in 2021G, and further decreased to 51.5% in 2022G following the decrease in the number of contracted rigs and the increase in depreciation expenses.

## General and administrative expenses

General and administrative expenses are mainly related to professional fees, legal fees, consulting fees and bank charges.

General and administrative expenses slightly increased by 18.2% from SAR 42 thousand in 2020G to SAR 49 thousand in 2021G, this is due to the increase in 1) consulting fees (+SAR 21 thousand) related to financial audit expenses, 2) increase in legal fees (+SAR 10 thousand), 3) offset by a decrease in professional fees (-SAR 30 thousand) during the same period.

General and administrative expenses increased further to SAR 162 thousand in 2022G mainly due to tax examination and translation of financial statements for a period of 3 years, offset by a decrease in consultation fees by (-SAR 29 thousand) during the same period.

## Other expenses

Other expenses amounted to SAR 4.7 million in 2021G and relate to various expenses related to the clearance of some POs transferred from the previous asset-owning entity under WDI to KADS.

## Profits / (losses) of foreign currency exchange differences

Profit / (loss) of foreign currency exchange differences change in value of foreign currncey foreign exchange losses increased from nothing in fiscal year 2020G to a loss of SAR (491) thousand in fiscal year 2021G.

Profits / (losses) of foreign currency exchange differences increased from a loss of SAR 491 thousand in 2021G to a profit of SAR 915 thousand in 2022G, due to changes in the foreign exchange rate.

## Finance costs

Finance costs relates to the interest cost on long-term payments initially recorded in 2019G decreased by 100% from SAR 3.1 million in 2020G to nil in 2021G and 2022G due to the payment of long-term dues and the absence of any change in the interest deduction balance during the same period.

## Income tax

KADS is subject to Income Tax Law No. 2 of 2008 and Circular No. 1 of 2014 in Kuwait. KADS has not been inspected under income tax till this date yet.

KADS is subject to Income Tax Law No. 2 of 2008 and Circular No. 1 of 2014 in Kuwait. The income tax decreased from 6.5 million in 2020G to SAR 4.9 million in 2021G, and further decreased to SAR 4.8 million in 2022G, in parallel with the decrease in operating profit over the period under review.

## Net profit for the year after income taxes

Net profit decreased by 46.8% from SAR 98.2 million in 2020G to SAR 52.3 million in 2021G due to (1) the increase in the cost of revenue (+SAR 6.2 million), (2) recording a provision for impairment of non-current assets (+SAR 7.5 million), (3) recording other expenses (+SAR 4.7 million), (4) offset by a decrease in the financing cost (-SAR 3.1 million SAR).

Net profit slightly decreased by 0.7% from SAR 52.3 million in 2021G to SAR 51.9 million in 2022G, due to the increase in the cost of revenues.

### 6.9.5.3 Summary of the statement of financial position

**Table (6.53): Summary of the statement of financial position as on 31 December 2020G, 2021G and 2022G**

| SAR in 000s | As on 31 December 2020G | As on 31 December 2021G | As on 31 December 2022G |
|---|---|---|---|
| Property, plant and equipment | 1,087,877 | 1,078,901 | 1,100,908 |
| **Total non-current assets** | **1,087,877** | **1,078,901** | **1,100,908** |
| Other receivables - advance payments | - | - | 139,950 |
| Cash and cash equivalents | 73 | 9,488 | 2 |
| **Total current assets** | **73** | **9,488** | **139,952** |
| **Total assets** | **1,087,950** | **1,088,389** | **1,240,860** |
| Share capital | 38 | 38 | 38 |
| Subordinated loan | 500,490 | 500,490 | 500,490 |
| Retained earnings | 86,957 | 185,184 | 237,468 |
| Net profit for the year | 98,226 | 52,285 | 51,921 |
| **Total equity** | **685,711** | **737,995** | **789,917** |
| Due to related parties | 375,752 | 320,391 | 437,691 |
| Accruals and other payables | 26,487 | 30,002 | 13,252 |
| **Total current liabilities** | **402,239** | **350,394** | **450,944** |
| **Total liabilities** | **402,239** | **350,394** | **450,944** |
| **Total equity and liabilities** | **1,087,950** | **1,088,389** | **1,240,860** |

Source: Audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G of Kuwait Advanced Drilling Services Company and management information

The financial information represented in the Kuwait Advanced Drilling Services Company financial statement are presented in USD, However the information presented in the table above has been converted to SAR using a 3.75 exchange rate.

#### Non-current assets

Non-current assets mainly include property, plant and equipment, and rigs which represent approximately c.89% of the total book value of property, plant, and equipment as on 31 December 2022G.

Non-current assets decreased from SAR 1,087.9 million as on 31 December 2020G to SAR 1,078.9 million as on 31 December 2021G due to the depreciation of the period for property, plant and equipment of SAR 42.6 million and recording a provision for impairment for rigs with an amount of SAR 7.5 million. It is worth noting that the decrease in fixed assets under construction (-SAR 151.5 million) is due to the transfer of assets worth SAR 174.3 million related to the capitalization of the ADES 830 drilling rig, which began operations in 2021G, in addition to other renovation projects for operating rigs in Kuwait. Accordingly, the transfer increased from non-current assets under construction to rigs with a value of SAR 161.3 million, and to machinery and equipment assets of SAR 13.0 million.

Non-current assets increased from SAR 1,078.9 million as on 31 December 2021G to SAR 1,100.9 million as on 31 December 2022G, mainly due to additions to fixed assets under construction (+SAR 49.7 million) related to the four rigs under renovation and expected date to start operating in the middle of the fiscal year 2023G, this was offset by depreciation for the period of property, machinery, and equipment of SAR 53.5 million.

## Current assets

Current assets mainly include receivables - advance payments in addition to cash and cash equivalents. Other receivables constitute approximately 100% of the total current assets as on 31 December 2022G.

Current assets increased from SAR 73 thousand as on 31 December 2020G to SAR 9.5 million as on 31 December 2021G due to the increase in cash and cash equivalents from SAR 73 thousand to SAR 9.5 million during the same period as a result of the decrease in cash used in investing activities during the same period.

Current assets increased from SAR 9.5 million as on 31 December 2021G to SAR 140.0 million as on 31 December 2022G, due to recording an amount of SAR 140.0 million as trade payables in relation to the acquisition of two new rigs that were classified as a current asset under the sale and purchase agreement. This was offset by a decrease in cash and cash equivalents to SAR 2 thousand as on 31 December 2022G, as a result of the increase in cash used in investment activities during the same period.

## Shareholder Equity

Equity includes issued and paid-up capital, subsidized loan, retained earnings in addition to annual profits. The subsidized loan constitutes approximately 68% of the equity for the historical period. The support loan is granted by ADES International Holding Company, as it is the company to support the operations of advanced drilling services in Kuwait. This amount has no maturity date until it is repaid and does not bear interest.

Equity increased from SAR 685.7 million as on December 31, 2020G to SAR 738.0 million as on December 31, 2021G, due to increase retained earnings (+SAR 98.2 million), while this was offset by a decline in year profits (-SAR 45.3 million).

Equity increased from SAR 738.0 million as on December 31, 2021G to SAR 789.9 million as on December 31, 2022G, mainly due to increase retained earnings (+SAR 52.3 million).

## Current liabilities

Current liabilities include amounts due to related parties as well as receivables and other credits. Amounts due to related parties constitute approximately 94% of the total current liabilities for the historical period.

Current liabilities decreased from SAR 402.2 million as on 31 December 2020G to SAR 350.4 million as on 31 December 2021G, mainly due to a decrease in the amounts due to related parties (-SAR 55.4 million) as a result of the decrease in the balance of the United Precision Drilling Company (-SAR 76.4 million) from SAR 169.9 million to SAR 93.5 million during the same period following the termination of the contract of the United Precision Drilling Company with the Kuwait Oil Company in relation to 4 onshore drilling rigs. This was offset by an increase in the balance of accrued expenses and miscellaneous payables (+SAR 3.5 million), mainly due to the increase in the income tax payable from SAR 11.2 million to SAR 15.0 million during the period.

Current liabilities increased in from SAR 350.4 million as on 31 December 2021G to SAR 450.9 million as on 31 December 2022G mainly due to the increase in the amount due to related parties (+SAR 117.3 million) as a result of the balance with ADES Holding Company with a value of SAR 183.4 million established with financing subsidiary to acquire assets, this was offset by a decrease in 1) the balance of the United Precision Drilling Company (-SAR 60.2 million) and 2) the balance of Advanced Energy Systems Egypt (-SAR 17.8 million) as a result of the payment of some related party balances 3) Accrued expenses and miscellaneous creditors (-SAR 16.8 million) as a result of a decrease in the suppliers' balance (-SAR 10.3 million) due to the payment of due balances, in addition to a decrease in the income tax due (-SAR 6.4 million).

### 6.9.5.4 Summary of cash flows statement

**Table (6.54): Summary of cash flows statement for the financial years ended 31 December 2020G, 2021G and 2022G**

| SAR in 000s | Financial year 2020G | Financial year 2021G | Financial year 2022G |
|---|---|---|---|
| Profit before income tax | 104,719 | 57,144 | 56,750 |
| **Adjustments to reconcile net profit with cash flows from operating activities:** | | | |
| Depreciation of machinery and equipment | 36,416 | 42,646 | 53,548 |
| Impairment of machinery and equipment for the year | - | 7,493 | - |
| **Operating profit before changes in working capital** | **141,135** | **107,283** | **110,299** |
| **:Changes in** | | | |
| Other receivables | - | - | (139,950) |
| Payables and other creditors | (65,235) | (220) | (10,313) |
| Tax paid during the year | (863) | (1,124) | (11,266) |
| Due to related parties | 75,724 | (55,361) | 117,300 |
| **Net cash generated from operating activities** | **150,762** | **50,578** | **66,069** |
| Additions to property, plant and equipment | (121,628) | (41,162) | (75,555) |
| **Net cash used in investing activity** | **(121,628)** | **(41,162)** | **(75,555)** |
| Subordinated loan | (45,938) | - | - |
| **Net cash used in financing activity** | **(45,938)** | **-** | **-** |
| **Net change in cash and cash equivalents** | **(16,804)** | **9,415** | **(9,486)** |
| Cash and cash equivalent at the beginning of the year | 16,877 | 73 | 9,488 |
| **Cash and cash equivalents at the end of the year** | **73** | **9,488** | **2** |

Source: Audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G of Kuwait Advanced Drilling Services Company and management information

The financial information represented in the Kuwait Advanced Drilling Services Company financial statement are presented in USD, However the information presented in the table above has been converted to SAR using a 3.75 exchange rate.

## Net cash flow from operating activities

Net cash flow from operating activities decreased from SAR 150.8 million in 2020G to SAR 50.6 million in 2021G mainly driven by decreasing outstanding amounts to related parties from SAR 75.7 million in fiscal year 2020G to (-SAR 55.4 million) in 2021G as a result of settlements made during the period, in addition to the payment of income tax of SAR 1.1 million and (2) the decline in net profit of the year before taxes from SAR 104.7 million in 2020G to SAR 57.1 million in 2021G.

Net cash flow from operating activities increased from SAR 50.6 million in 2021G to SAR 66.1 million in 2022G, mainly due to increase in outstanding amount to related parties from SAR (55.4) million in fiscal year 2021G to SAR 117.3 million in 2022G due to ADES Arabia Holding Company balance (+SAR 183.4 million) which was partially offset by advances payments made (-SAR 140.0 million) during the period.

## Net cash flow used in investing activities

Net cash flow used in investing activities decreased from SAR 121.6 million in 2020G to SAR 41.2 million in 2021G due to lower investments in property, plant, and equipment.

Net cash flow used in investing activities increased from SAR 41.2 million in 2021G to SAR 75.6 million in 2022G due to higher fixed assets investments.

## Net cash flows used in financing activities

Net cash flow used in financing activities amounted to -SAR 45.9 million in 2020G, due to cash outflow in relation to the subordinated loan


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# 7. Dividend Distribution Policy

Pursuant to Article 107 of the Companies Law, each shareholder shall enjoy all the rights associated with shares, in particular the right to a portion of the net dividends to be distributed. The Board of Directors recommends the distribution of any dividends prior to their approval by the shareholders at the General Assembly meeting. However, there are no guarantees of actual dividend distribution, nor is there any guarantee as to the amounts to be paid in any given year. Any resolution to distribute dividends depends on a number of factors, including the Company's past and expected profits, cash flows, financing and capital requirements, any restrictions contained in the financing agreements to which the Company is a party, market data, general economic factors, Zakat and tax, as well as other legal and regulatory considerations. For further details, please refer to Section 2.1.36 ("**Risks related to the Company's reliance on the performance of its Subsidiaries and branches and their ability to distribute dividends**") of this Prospectus.

The Company's dividends shall be distributed after deduction of all expenses as follows:

1- The Ordinary General Assembly may decide to form reserves to the extent that it achieves the interests of the Company or ensures the distribution of fixed profits as much as possible to the shareholders. This Assembly may also deduct amounts from the net profits to achieve social purposes for the Company's employees.

2- The General Assembly shall determine the percentage of the net profits to be distributed to shareholders after deducting the reserves, if any.

3- The Company has the right to distribute quarterly or half-yearly profits after fulfilling the requirements of the related entities.

The first entitlement of the Offer Shares to the dividends announced by the Company shall be from the date of this Prospectus and for subsequent financial years. The Directors declare that there are no declared or accrued profits since the establishment of the Company on 28 December 2022G until the date of this Prospectus.

Shareholders shall be entitled to their share of the dividends, whether in cash or shares granted in accordance with the General Assembly's resolution issued in this regard, which shall indicate the maturity date and the distribution date. Shareholders registered in the shareholders' registers at the end of the day on the specified maturity date shall be entitled to dividends. For the purpose of organizing and completing the dividend distribution process, the Company may seek the assistance of an external party represented by one of the commercial banks with which the Company deals. The use of an external party does not relieve the Company of its legal liability to shareholders in relation to the distribution of dividends.

# 8. Use of Offering Proceeds

Total proceeds from the Offering are provisionally estimated at SAR ([•]) of which approximately SAR (102,000,000) (excluding VAT) will be provisionally used to settle all the Offering expenses, which include the fees of the Joint Financial Advisors, the Global Coordinators, Bookrunners, the Lead Manager, the Underwriters, the legal advisors, the Financial Due Diligence Advisor, the Auditors, the Receiving Banks, the Market Consultant and other advisors, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering expenses will be apportioned to the Selling Shareholders and the Company. For further information, please see Section 14 ("**Offering Expenses**") of this Prospectus.

## 8.1 Use of Proceeds

The Net Proceeds from the Offering of approximately SAR ([•]) will be provisionally distributed as follows: (i) ([•]) Saudi Arabian Riyals [•] will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage of ownership in the Sale Shares being sold in the Offering; and (ii) ([•]) Saudi Arabian Riyals [•] will be distributed to the Company. The Company intends to use its share of the Net Proceeds for the following activities:

1- Reduce part of the Group's indebtedness and fund the Group's growth strategy.

2- General corporate purposes.

The following table summarizes the expected use of the Group's share of the Net Proceeds from the Offering:

**Table (8.1): Expected Use of the Group's Share of Net Proceeds from the Offering**

| Item | Expected Use of the Company's Share of Net Proceeds from the Offering |
|---|---|
| Reduce the Group's indebtedness and fund the Group's growth strategy | 80% - 90% |
| General corporate purposes | 10% - 20% |

In the event that there is a surplus in the Net Offering Proceeds, the Company will use the surplus to repay the remaining debts owed by the Company. In the event that there is a shortage in the Net Offering Proceeds, the Company intends to use its internal resources to cover the shortage.

### 8.1.1 Reduce the Group's Indebtedness and Fund the Group's Growth Strategy

The Group has entered into, as part of its strategy, multiple contracts with its clients in Saudi Arabia, Kuwait, and India. In order to fulfil these contracts, the Group acquired a number of assets which were largely financed through credit financing. Additionally, the Group also expanded inorganically through multiple acquisitions of contracted assets in Saudi Arabia and Qatar which were mainly financed through credit financing as well.

Accordingly, the Group intends on utilizing the majority of its share of the Net Proceeds from the Offering to replace the existing debt resulting from such acquisitions to repay a portion of its borrowings, allowing the Group to reach its capital targets without compromising its growth ambitions. Further, as the Group continues to implement its growth strategy during the twelve to eighteen-month period following the offering, the Group may allocate a part of the Net Proceeds from the Offering towards financing the required capital expenditure that will be incurred to fulfil the prerequisites of the Group's awarded tenders.

### 8.1.2 General Corporate Purposes

The remaining 10-20% will be used by the management of the Group for its general purposes, primarily for strategic initiatives, business development activities, working capital requirements, development of IT hardware and systems, maintenance and development of inventory and asset management systems. The Group expects to finance these requirements using a mix of its own cash flow from operating activities and its share of the Net Proceeds from the Offering as required.

## 8.2 Time Plan for Expected Use of Net Offering Proceeds

The Group intends to deploy and use its share of Net Proceeds from the Offering for the purpose of covering some or all of the above uses within twelve months as of the date of this Prospectus. The expected use plans for the Group's share in the Net Proceeds reflect the Group's business plan and market conditions as of the date of this Prospectus. Accordingly, the expected use of the Group's share in the Net Proceeds of the Offering is subject to change in accordance with any economic, social or political developments, in addition to any possible changes in the Group's business plan.

# 9. Capitalization and Indebtedness

Prior to the Offering, the current Shareholders owned the entirety of the Company's shares, and upon the completion of the Offering, they will collectively own 67% of the Company's shares.

The table below sets out the details of the Company's capitalization as shown in the special purpose consolidated financial statements of the Group for the years ended 31 December 2020G, 2021G, and 2022G.

The following table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus.

**Table (9.1): The Company's capitalization and indebtedness**

| Thousands of Saudi Riyals | 31 December 2020G | 31 December 2021G | 31 December 2022G |
|---|---|---|---|
| **Loans** | | | |
| Total interest-bearing loans and borrowings | 1,466,256 | 4,038,917 | 10,547,486 |
| Bonds payable | 1,183,049 | - | - |
| **Total loans** | **2,649,305** | **4,038,917** | **10,547,486** |
| **Equity** | | | |
| Share capital | - | - | 1,000 |
| Capital contribution | 740,816 | 857,088 | 857,088 |
| Legal reserve | 24,000 | 24,150 | 24,150 |
| Cashflow hedge reserve | (26,198) | (13,131) | 61,770 |
| Retained earning | 928,174 | 1,025,443 | 1,278,073 |
| **Equity attributable to equity holders of the parent Company** | **1,666,793** | **1,893,550** | **2,222,081** |
| Total capitalization (total loans + total equity attributable to equity holders of the parent company) | 4,316,098 | 5,932,467 | 12,778,731 |
| Total loans/ Total capitalization | 61.4% | 68.1% | 82.5% |

Source: The audited special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G, and 2022G.

The Directors declare that:

a- The Company's shares are not subject to any option rights.

b- The Company does not have any debt instruments[32] as of the date of this Prospectus.

c- The Company's balances and cashflow are sufficient to meet its anticipated cash needs for working capital and capital expenditures for at least twelve (12) months following the date of this Prospectus.

32 Bonds and Sukuk

# 10. Statements by Experts

All advisors and auditors whose names are listed from page (vi) till (ix) of this Prospectus have given their written consent to the reference to their names and logos and to the publication of their statements or reports (as applicable) in the form and wording they appear in this Prospectus in this Prospectus, and none of them has withdrawn their consent as of the date of this Prospectus. None of the advisors or their employees within the team providing services to the Group or their relatives own any shares in the Company or its Subsidiaries or have any interest whatsoever in the Company or its Subsidiaries as of the date of this Prospectus which may affect their independence.

# 11. Declarations

The Directors declare that:

1- There has been no interruption in the business of the Company or any of its Subsidiaries which may have or has had a significant effect on the Company's financial position during the last 12 months.

2- No commissions, discounts, brokerage fees or other non-cash compensation have been granted within the three years immediately preceding the date of filing the application for registration and offer of securities that are subject to this Prospectus, in connection with the issuance or offer of any securities by the Company or any of its Subsidiaries.

3- Except as described in Section 4 ("**The Company**") of this Prospectus, there has been no material adverse change in the financial or trading position of the Company or any of its Subsidiaries in the three financial years preceding the filing of the application for registration and offer of securities subject to this Prospectus and the period covered in the Auditor's report, up to the date of the approval of this Prospectus.

4- Except as described in Section 5 ("**Ownership Structure and Organizational Structure**") of this Prospectus, none of the Directors or any of their relatives have any shareholding or interest of any kind in the Company or any of its Subsidiaries.

5- The Company, individually or jointly with its Subsidiaries, has working capital sufficient for a period of at least 12 months immediately following the date of publication of this Prospectus.

6- None of the Directors, proposed directors, Senior Executives or Board Secretary have ever been declared bankrupt or subject to bankruptcy proceedings.

7- No insolvency has been declared during the previous five years for a company in which any of the Directors, proposed directors, Senior Executives, or Board Secretary were appointed to an administrative or supervisory position.

8- None of the Directors, Senior Executives, Board Secretary or any of their relatives or affiliates have any interest in any current contracts or arrangements, whether written or oral, or contracts or arrangements contemplated or expected to be concluded with the Company or its Subsidiaries as of the date of this Prospectus.

9- Except as disclosed in Section 5.5 ("**Conflicts of Interest**"), there are no conflicts of interest related to the Directors with respect to contracts or transactions concluded with the Company.

10- Except as stated in Section 4 ("**The Company**") of this Prospectus, there is no intention to materially change the nature of the activity of the Company or its Subsidiaries.

11- The Directors will not participate in voting on resolutions related to business and contracts in which they have a direct or indirect interest.

12- Except as stated in Section 5.9 ("**Employee Share Program**") of this Prospectus, the Company has no employee share programs that would allow employees to hold shares in the Company's capital, and no other similar arrangements exist as at the date of this Prospectus.

13- The Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect its financial position.

14- Except as disclosed in Section 2 ("**Risk Factors**") and Section 6.6 ("**The Main Factors Affecting the Group's Operations**"), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have a material impact (directly or indirectly) on its business and the business of its Subsidiaries.

15- Except as disclosed in Section 2 ("**Risk Factors**"), the Company is not aware of any seasonal factors or economic cycles related to the business that may have an impact on the Company's business, its Subsidiaries or its financial position.

16- The statistical information included in Section 3 ("**Overview of the Market and Sector**") was obtained from external sources and represents the latest information available from the relevant source.

17- Except as disclosed in Section 2 ("**Risk Factors**"), the insurance policies of the Company and its Subsidiaries sufficiently cover the Company's performance of its business. The Company and its Subsidiaries periodically renew their insurance policies and contracts to ensure continued insurance coverage.

18- This Prospectus contains all the information required to be included pursuant to the OSCOs, and there are no other facts that could affect the application for the registration and offer of securities which have not been included in this Prospectus.

19- All contracts and agreements that the Company believes to be significant or material or which may affect investors' decisions to invest in the Offer Shares have been disclosed. There are no other material agreements that have not been disclosed.

20- All terms and conditions that may affect investors' decisions to invest in the Offer Shares have been disclosed.

21- All terms and conditions that may affect the decisions of Subscribers to the Company's shares have been disclosed.

22- They have developed procedures, controls and systems to enable the Company to meet the requirements of the relevant laws, regulations and instructions, including the Companies Law, the Capital Market Law and its Implementing Regulations, the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

23- All of the Company's non-Saudi employees are under its sponsorship.

24- As of the date of this Prospectus, the individuals whose names are listed in Section 4.15 ("**Ownership Structure of the Company and Shareholders**") are the direct and indirect legal and beneficial owners of the Company's shares.

25- All increases in the Company's capital do not contravene the laws and regulations applicable in the KSA.

26- Other than as disclosed in Section 2 ("**Risk Factors**"), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares.

27- Except as disclosed in Section 2.1.20 ("**Risks related to the Group's or its clients' ability to acquire or renew the required licenses and permits**") and Section 12.5 ("**Government Approvals, Licenses and Certifications**"), the Company and its Subsidiaries have obtained all essential licenses and approvals to carry out their activities.

28- Except as disclosed in Section 12.7 ("**Credit Facilities and Loans**"), the Company and its Subsidiaries have not issued any debt instruments or received any term loans, nor does it have any outstanding loans or debts.

29- Except as disclosed in Section 12.7 ("**Credit Facilities and Loans**"), the Board of Directors declares there are no mortgages, rights and encumbrances on the property of the Company or its Subsidiaries as of the date of this Prospectus.

30- Except as stated in the "**Offering Summary**" section and Section 12.7 ("**Credit Facilities and Loans**"), none of the Company's shares or the shares or stocks of its Subsidiaries are subject to any mortgages or option rights.

31- Neither the Company nor its Subsidiaries have had a policy on the research and development, nor does the Company manufacture any products.

32- The Company is capable of preparing the necessary reports in a timely manner according to the Implementing Regulations issued by the CMA.

33- All necessary approvals for offering and listing the Company's shares on the Exchange have been obtained.

34- As at the date of this Prospectus, there are no material transactions or agreements with Related Parties that have a material impact on the Company's business, other than those set out in Section 12.6.4 ("**Material Agreements with Related Parties**"), and the Company confirms that it shall comply with all laws and regulations that govern transactions with Related Parties and shall obtain all required approvals with respect to any agreements and transactions entered into after the date of this Prospectus.

35- Third party information and data included in this Prospectus, including the information derived from the market study report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is materially inaccurate.

36- The Company has prepared appropriate internal control systems, including a written policy to regulate conflicts of interest and address any possible conflicts, which include misuse of the Company's assets and abuse resulting from transactions with Related Parties. In addition, the Company has verified the integrity of financial and operational systems and the application of appropriate risk management controls as required by Chapter 5 of the CGRs. The Directors also review the Company's internal control procedures on an annual basis.

37- The accounting and internal control systems and information technology systems are adequate and appropriate.

38- As at the date of this Prospectus, none of the Directors have participated in any activity similar to or competitive with that of the Company or its Subsidiaries. The Directors undertake to comply with this regulatory requirement in the future, in accordance with Articles 27 and 71 of the Companies Law and Chapter 6 of Part 3 of the CGRs.

39- The Directors are not permitted to have any direct or indirect interest in the Company's transactions and contracts except with authorization from the General Assembly.

40- The Directors shall notify the Board of Directors of any direct or indirect personal interest they have in the transactions and contracts entered into by the Company, and this will be recorded in the Board of Directors' meeting minutes.

41- All transactions with Related Parties disclosed in Section 12.6.4 ("**Material Agreements with Related Parties**"), including the determination of financial consideration, have been entered into in a legal manner and on an arm's length basis similar to agreements with third parties.

42- All transactions with Related Parties shall be entered into on a commercial basis, and all business and contracts with Related Parties shall be approved by the Board of Directors and, if required by law, the Company's General Assembly. Directors may not vote, whether at the level of the Board of Directors or the General Assembly on any resolution related to the business and contracts of the Company in which they hold a direct or indirect interest, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the CGRs.

43- The Directors and CEO do not have the right to vote on resolutions relating to their compensation and remuneration.

44- The Directors and the CEO do not have the right to vote on contracts or proposals in which they have an interest.

45- Neither the Directors nor any Senior Executive may obtain a loan from the Company or its Subsidiaries, and the Company shall not guarantee any loan entered into by any of the Directors.

46- The Company is in compliance with all terms and conditions under the agreements entered into with the entities that have granted loans, facilities and financing.

47- As at the date of this Prospectus, there is no breach of the contractual terms and conditions under agreements with the entities that have granted loans, facilities and financing, and the Company is bound by all such terms and conditions.

48- All documents required pursuant to the CML and the OSCOs have been submitted or will be submitted to the CMA.

49- The issue does not constitute a breach of the relevant laws and regulations in The Kingdom of Saudi Arabia.

50- The issuance does not constitute a breach of any contract or agreement to which the Issuer is a party.

51- All material legal information concerning the Issuer has been disclosed in the Prospectus.

52- Except as disclosed under Section 12.11 ("**Claims and Lawsuits**") of this Prospectus, the Issuer and its Subsidiaries are not subject to any existing disputes, claims, lawsuits or investigation proceedings that may individually or collectively have a material effect on the business of the Issuer or its Subsidiaries or their financial position.

53- The Directors are not subject to any claims or legal proceedings that may individually or collectively have a material effect on the business of the Issuer or its Subsidiaries or their financial position.

The Directors undertake to:

54- Record all resolutions and deliberations in the form of written meeting minutes signed by the Board Chairman and Secretary.

55- Disclose the details of any Related Party transactions in accordance with the requirements of the Companies Law and the CGRs.

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# 12. Legal Information

## 12.1 Declarations Related to Legal Information

The Directors declare that:

- The issuance does not constitute a breach of the relevant laws and regulations in the Kingdom of Saudi Arabia.
- The issuance does not constitute a breach of any contract or agreement to which the Issuer is a party.
- All material legal information concerning the Issuer has been disclosed in the Prospectus.
- The Issuer and its Subsidiaries are not subject to any claims or legal proceedings that could individually or collectively have a material effect on the business of the Issuer or its Subsidiaries or their financial position.
- The Directors are not subject to any claims or legal proceedings that could individually or collectively have a material effect on the business of the Issuer or its Subsidiaries or their financial position.

## 12.2 The Company

ADES Holding Company is a Saudi mixed closed joint stock company registered under Commercial Registration No. 2051245446 dated 04/06/1444H (corresponding to 28/12/2022G), whose establishment was licensed under Ministerial Resolution No. 1415 dated 25/05/1444H (corresponding to 19/12/2022G), and its head office according to its Commercial Registration is located at 7429 Prince Turki Street, Corniche District, Al Khobar 2203, Kingdom of Saudi Arabia.

As of the date of this Prospectus, the Company's capital is eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) shares of equal value, with a nominal value of SAR 1 per share. All shares are ordinary shares, of which one million (1,000,000) shares are cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (857,087,510) shares are in kind shares. The Company's main activities are to manage its Subsidiaries, invest the funds of its Subsidiaries, own property and movables necessary to carry out its activity, provide loans, guarantees and financing to its Subsidiaries, own and lease the industrial property rights of its Subsidiaries.

## 12.3 Shareholding Structure

The Company's shares are owned by ADES Investments Holding, PIF and Zamil Investment. The following table shows the shareholder structure of the Company before and after the Offering:

**Table (12.1): The Company's Ownership Structure Before and After the Offering**

| Shareholders | Pre-Offering | | | Post-Offering | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Nominal Value (SAR) | Shareholding Percentage | Number of Shares | Nominal Value (SAR) | Shareholding Percentage* |
| ADES Investments Holding Ltd. | 467,657,690 | 467,657,690 | 54.5% | 412,277,174 | 412,277,174 | 36.5% |
| PIF | 304,621,070 | 304,621,070 | 35.5% | 268,547,522 | 268,547,522 | 23.8% |
| Zamil Investment | 85,808,750 | 85,808,750 | 10% | 75,647,188 | 75,647,188 | 6.7% |
| Treasury Shares** | - | - | - | 33,871,875 | 33,871,875 | 3% |
| The Public | - | - | - | 338,718,754 | 338,718,754 | 30% |
| **Total** | **858,087,510** | **858,087,510** | **100%** | **1,129,062,513** | **1,129,062,513** | **100%** |

Source: The Company

* The figures mentioned in this table have been rounded to the nearest whole number.

** The Company's Extraordinary General Assembly has approved the issuance of treasury shares to be used under the long-term incentive plan for the benefit of employees. For further details on this long-term incentive plan, please refer to Section 5.9 ("**Employee Share Program**") of this Prospectus.

## 12.4 Subsidiaries

The Company directly and indirectly owns twenty-three (23) Subsidiaries. The Company directly and wholly owns one Subsidiary, ADES International. ADES International directly and indirectly owns all other Subsidiaries under the Group, which include five Material Subsidiaries and seventeen (17) non-material Subsidiaries in the Kingdom of Saudi Arabia, the United Arab Emirates, the Arab Republic of Egypt, the State of Kuwait, the Cayman Islands, the Republic of Cyprus, Bermuda and the Republic of Liberia.

A subsidiary is considered material if its assets, annual revenues or annual net income constitute the equivalent of 5% of the assets, revenues and net income of the Group as at and for the year ended 31 December 2022G, or if the Company deems it important to disclose it to investors as it may influence the decision to invest in the Company's shares. The Material Subsidiaries of the Group are:

1- ADES International, a private holding company incorporated in Dubai International Financial Centre (DIFC) in the United Arab Emirates, having its head office at Office 1301-A, Floor 13, North Tower, Emirates Financial Towers, Dubai International Financial Centre, Dubai, United Arab Emirates. Its authorized capital is USD 1,500,000,000 and the initial capital is USD 43,793,882 divided into 43,793,882 ordinary shares each with a value of USD 1. ADES International is engaged in the business of holding companies and administrative offices, as well as any other legal activities that the company's directors consider secondary to the company as a holding company and/or administrative office. ADES International was previously listed on the London Stock Exchange (LSE) from 2017G until its de-listing on 21 May 2021G, following the acquisition of its entire capital by Innovative Energy Holding Limited. ADES International is a holding company which owns all of the Group's Subsidiaries.

2- ADES Saudi, a limited liability company incorporated in the Kingdom of Saudi Arabia, having its head office at Floors 301, 801 and 901, Juffali Building, King Fahd, Al Bandariyah 34423, Al Khobar, Kingdom of Saudi Arabia. The capital of ADES Saudi is SAR 500,000, divided into 500 shares, with a nominal value of SAR 1,000 per share. The company carries out activities are oil well drilling, natural gas well drilling, provision of services related to oil and natural gas extraction excluding surveying, preparation and preparation of sites for drilling and levelling. In addition, it manages the Group's operations in the Kingdom of Saudi Arabia and owns a number of the Group's rigs.

3- ADES Egypt, a joint stock company established in the Alexandria Free Zone in the Arab Republic of Egypt on 02/02/2002G under the previous Investment Law No. 8 of 1997G, which was replaced by Investment Law No. 72 of 2017G. It is headquartered at B5, Capital Business Park, Sheikh Zayed, Giza, Egypt. Its authorized capital is USD 200,000,000 and its issued capital is USD 32,000,000, divided into 320,000,000 shares with a value of USD 0.1 per share. ADES Egypt carries out the activities of storing, selling and renting machinery, equipment, marine units, caravans, all types of pipes and their accessories, industrial security supplies required for oil and gas activities, drilling water wells and providing technical services and consultations related to advanced energy activity, etc. ADES Egypt manages the Group's operations in Egypt and has operating branches in various countries, including Algeria, and also owns a number of the Group's drilling rigs.

4- United Precision Drilling Company (UPDC), a limited liability company incorporated in Kuwait, with its registered headquarters in Fahahel, Block No. 011, Plot No. 007801, Street 54, 4th Floor, Kuwait. Its capital is KWD 2,000,000, divided into 2,000 shares, each with a value of KWD 1,000. The company engages in the activity of drilling and maintenance of oil wells and trading in petroleum equipment, materials, supplies and devices, among others. UPDC manages the Group's operations in Kuwait.

5- Kuwait Advanced Drilling Services (KADS), an exempt limited liability company incorporated in the Cayman Islands, with its registered office at Maples Corporate Services Limited, P.O. Box. 309, Ugland House, Granny Cayman, Cayman Islands. The company's authorized and issued capital is USD 10,000, divided into 10,000 shares with a nominal value of USD 1 per share. The purposes for which the company was established are not restricted. KADS is a special purpose vehicle established for the purpose of owning a number of drilling rigs operating in Kuwait.

6- Emerald Driller Company, an exempt limited liability company incorporated in the Cayman Islands, with its registered headquarters at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Granny Cayman, Cayman Islands. The authorized capital of Emerald Driller Company is USD 50,000, divided into 50,000 shares with a nominal value of USD 1 per share. Only one ordinary voting share has been issued, which represents all issued shares in this company. The purposes for which the company was established are not restricted. Emerald Driller Company is a special purpose vehicle which owns a branch of ADES in Qatar that manages the Groups operations in Qatar.

The following table shows all the Subsidiaries of the Group as at the date of this Prospectus, in which the Company indirectly owns through ADES International:

**Table (12.2): Ownership Structure of Subsidiaries:**

| No. | Subsidiary Name | State of Incorporation | Year of Incorporation | Company's Indirect Ownership Percentage |
|---|---|---|---|---|
| 1- | ADES Saudi | Kingdom of Saudi Arabia | 2016G | 99.99% |
| 2- | ADES Holding for Drilling Services Ltd. | United Arab Emirates | 2020G | 100% |
| 3- | ADES Egypt | Arab Republic of Egypt | 2002G | 99.99% |
| 4- | Advantage Drilling Services LLC | Arab Republic of Egypt | 2019G | 49% |
| 5- | ECDC Egypt | Arab Republic of Egypt | 1998G | 48% |
| 6- | Prime Innovations for Trade SAE | Arab Republic of Egypt | 2018G | 99.99% |
| 7- | AG Academy | Arab Republic of Egypt | 2019G | 70% |
| 8- | KADS | Cayman Islands | 2018G | 100% |
| 9- | Emerald Driller Company (EDC) | Cayman Islands | 2008G | 100% |
| 10- | ADES International for Drilling | Cayman Islands | 2018G | 100% |
| 11- | Advanced Drilling Services | Cayman Islands | 2018G | 100% |
| 12- | Advanced Transport Services | Cayman Islands | 2018G | 100% |
| 13- | United Precision Drilling Company (UPDC) | State of Kuwait | 2019G | 47.5% |
| 14- | ADES Drilling Services Ltd. | Bermuda | 2008G | 99.99% |
| 15- | ADES Drilling Services I Ltd. | Bermuda | 2010G | 99.99% |
| 16- | ADES Drilling Services II Ltd. | Bermuda | 2010G | 99.99% |
| 17- | ADES Drilling Services III Ltd. | Bermuda | 2011G | 99.99% |
| 18- | ADES Drilling Services IV Ltd. | Bermuda | 2012G | 99.99% |
| 19- | ADES Drilling Services V Ltd. | Bermuda | 2010G | 99.99% |
| 20- | ADES GCC for Drilling Limited | Bermuda | 2006G | 99.99% |
| 21- | Precision Drilling (Cyprus) Limited | Republic of Cyprus | 2002G | 100% |
| 22- | ADES Advanced Drilling Services Ltd. | Republic of Liberia | 2006G | 100% |

Source: The Company

For further details on the Subsidiaries and their ownership, please refer to Section 4.2 ("**The Structure of the Group**") of this Prospectus

As of the date of this Prospectus, the Group has a total of nine (9) branches in a number of countries including Qatar, the Republic of Tunisia, Algeria, Libya, Indonesia and Congo. As part of its strategy, the Group establishes branches in countries where tender requirements and project implementation can be met through a corporate branch instead of establishing a company. The Group currently has three operating branches: a branch in Algeria (a branch of ADES Egypt), a branch in Tunisia (a branch of ADES Holding for Drilling Services Ltd.) and a branch in the Kingdom of Saudi Arabia (a branch of ADES GCC for Drilling Limited).

## 12.5 Government Approvals, Licenses and Certifications

The Company and its Subsidiaries have obtained several regulatory and operational licenses and certificates from the competent authorities, whereby the licenses and certificates that require a renewal or update are periodically renewed in a timely manner. The Directors declare that the Company and its Subsidiaries have obtained all necessary licenses and approvals to conduct their business.

The following provides details of the commercial registration certificates of the Company and its Material Subsidiaries along with a summary of key licenses and approvals:

**Table (12.3): Commercial Registration Certificates for the Company and its Subsidiaries**

| No. | Company | Location | Type of Legal Entity | License Number | Issuance Date | Expiration Date |
|---|---|---|---|---|---|---|
| 1- | ADES Holding Company | Al Khobar, Kingdom of Saudi Arabia | Closed mixed joint stock company | 2051245446 | 04/06/1444H (corresponding to 28/12/2022G) | 04/06/1445H (corresponding to 17/12/2023G) |
| 2- | ADES Saudi | Al Khobar, Kingdom of Saudi Arabia | Limited liability company | 2051062895 | 22/11/1437H (corresponding to 25/08/2016G) | 22/06/1445H (corresponding to 04/01/2024G) |
| 3- | ADES International | Dubai International Financial Centre, United Arab Emirates | Private company | 2175 | 22/05/2023G (corresponding to 04/11/1444H) | 21/05/2024G (corresponding to 13/11/1445H) |
| 4- | United Precision Drilling Company (UPDC) | Kuwait | Limited liability company | 72/2006 | 05/03/2019G (corresponding to 28/6/1440H) | 20/02/2027G (corresponding to 13/09/1448H) |
| 5- | ADES Egypt | Arab Republic of Egypt | Joint stock company | 159052 | 02/01/2002G (corresponding to 18/10/1442H) | 01/01/2027G (corresponding to 23/07/1448H) |
| 6- | KADS | Cayman Islands | Exempt limited liability company | 334776 | 26/03/2018G (corresponding to 9/07/1439H) | - |
| 7- | Emerald Driller Company | Cayman Islands | Exempt limited liability company | 212100 | 09/06/2018G (corresponding to 25/09/1439H) | - |

Source: The Company

**Table (12.4): Details of the Company's Licenses and Approvals**

| License Type | Purpose | License Number | Issuance Date | Expiration Date | Issuing Authority |
|---|---|---|---|---|---|
| Services Investment License | License to undertake activities | 122114405178894 | 11/05/1444H (corresponding to 05/12/2022G) | 10/05/1445H (corresponding to 23/11/2023G) | Ministry of Investment |
| Zakat Certificate | Registration with the Zakat, Tax and Customs Authority | 104230002057445 | 24/07/1444H (corresponding to 15/02/2023G) | 09/12/1445H (corresponding to 15/06/2024G) | Zakat, Tax and Customs Authority |
| Saudization Certificate | Company's compliance with Saudization requirements | 744382 – 76714665 | 19/10/1444H (corresponding to 09/05/2023G) | 09/04/1445H (corresponding to 24/10/2023G) | Ministry of Human Resources and Social Development |
| Membership Certificate | Company's membership in the Chamber of Commerce and Industry in the Eastern Province | 368688 | 24/06/1444H (corresponding to 17/01/2023G) | 04/06/1445H (corresponding to 17/12/2023G) | Chamber of Commerce and Industry in the Eastern Province |
| General Organization for Social Insurance Certificate | Company's compliance with GOSI requirements | 56188728 | 08/01/1445H (corresponding to 26/07/2023G) | 08/02/1445H (corresponding to 24/08/2023G) | General Organization for Social Insurance |
| Muqeem Certificate | Company's compliance with Muqeem requirements | 1279104 | - | - | Ministry of Interior |
| Certificate of Commitment to the Wages Protection System | Company's compliance with the Wages Protection System | 20152305000741 | 19/10/1444H (corresponding to 09/05/2023G) | 19/12/1444H (corresponding to 07/07/2023G) | Ministry of Human Resources and Social Development |

Source: The Company

**Table (12.5): Details of Key Licenses and Approvals of the Material Subsidiaries**

| License Type | Purpose | License Number | Issuance Date | Expiration Date | Issuing Authority |
|---|---|---|---|---|---|
| **ADES Saudi** | | | | | |
| Services Investment License | License to undertake activities | 12602370768954 | 04/07/1437H (corresponding to 11/04/2016G) | 22/06/1445H (corresponding to 04/01/2024G) | Ministry of Investment |
| Vendor / Service Provider Registration Certificate | Registration as a vendor / service provider for Saudi Aramco | 10058967 | N/A | N/A | Saudi Aramco |
| Zakat Certificate | Company's compliance with Zakat requirements | 1110201841 | 05/10/1444H (corresponding to 25/04/2023G) | 21/10/1445H (corresponding to 30/04/2024G) | Zakat, Tax and Customs Authority |
| VAT Registration Certificate | Company's compliance with VAT registration requirements | 310054689100003 | 22/01/1443H (corresponding to 30/08/2021G) | N/A | Zakat, Tax and Customs Authority |
| Saudization Certificate | Company's compliance with Saudization requirements | 116802 – 22248718 | 27/05/1444H (corresponding to 19/12/2022G) | 09/04/1445H (corresponding to 24/10/2023G) | Ministry of Human Resources and Social Development |
| General Organization for Social Insurance Certificate | Company's compliance with GOSI requirements | 54346015 | 19/10/1444H (corresponding to 09/05/2023G) | 18/11/1444H (corresponding to 07/06/2023G) | General Organization for Social Insurance |
| Membership Certificate | Company's membership in the Chamber of Commerce and Industry in the Eastern Province | 207227 | 01/06/1442H (corresponding to 14/01/2021G) | 22/06/1445H (corresponding to 04/01/2024G) | Chamber of Commerce and Industry in the Eastern Province |
| Certificate of Commitment to the Wages Protection System | Company's compliance with the Wages Protection System | 20152305000743 | 19/10/1444H (corresponding to 09/05/2023G) | 19/12/1444H (corresponding to 07/07/2023G) | Ministry of Human Resources and Social Development |
| **ADES International** | | | | | |
| The Company does not have any operating licenses as it is a holding company | | | | | |
| **ADES Egypt** | | | | | |
| Operational License | Operational license to carry out the Company's activities | A license issued pursuant to Alexandria Public Free Zone Chairman Resolution No. 21 dated 20/02/2023G | 20/02/2023G (corresponding to 02/08/1444H) | The term of the operational license was extended pursuant to the Chairman of the Board of Directors Decree No. 21 dated 20 February 2023G for a period of three years ending on 01/01/2026G, renewable upon the approval of the Chairman of the Alexandria Public Free Zone. | Alexandria Public Free Zone |

| License Type | Purpose | License Number | Issuance Date | Expiration Date | Issuing Authority |
|---|---|---|---|---|---|
| License to operate a wireless station on board a ship – Admarine 88 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 647 – 2023 Temporary | 17/06/2023G (corresponding to 28/11/1444H) | 16/09/2023G (corresponding to 01/03/1445H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 6 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 556 – 2023 Temporary | 24/06/2023G (corresponding to 06/12/1444H) | 23/09/2023G (corresponding to 08/03/1445H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 8 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 629 – 2023 Temporary | 17/07/2023G (corresponding to 29/12/1444H) | 30/09/2023G (corresponding to 15/03/1445H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 1 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 637 – 2023 Temporary | 17/03/2023G (corresponding to 25/08/1444H) | 16/06/2023G (corresponding to 27/11/1444H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 260 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 940 – 2023 Temporary | 11/06/2023G (corresponding to 22/11/1444H) | 15/08/2023G (corresponding to 28/01/1445H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 4 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 482 – 2023 Temporary | 25/06/2023G (corresponding to 07/12/1444H) | 24/09/2023G (corresponding to 09/03/1445H) | National Telecom Regulatory Authority (NTRA) |

| License Type | Purpose | License Number | Issuance Date | Expiration Date | Issuing Authority |
|---|---|---|---|---|---|
| License to operate a wireless station on board a ship – Admarine 5 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 515 – 2023 Temporary | 16/06/2023G (corresponding to 27/11/1444H) | 15/09/2023G (corresponding to 30/02/1445H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 3 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 481 – 2023 Temporary | 23/02/2023G (corresponding to 03/08/1444H) | 22/05/2023G (corresponding to 02/11/1444H) | National Telecom Regulatory Authority (NTRA) |
| License to operate a wireless station on board a ship – Admarine 2 | License issued in accordance with the provisions of Law No. 10 of 2003G and the International Telecommunication Convention for the purpose of installing and using wireless devices on frequencies allocated internationally for maritime communications | 550 – 2023 Temporary | 25/05/2023G (corresponding to 05/11/1444H) | 24/08/2023G (corresponding to 08/02/1445H) | National Telecom Regulatory Authority (NTRA) |
| **United Precision Drilling Company (UPDC)** | | | | | |
| Commercial registration certificates are issued upon the approval of the Kuwaiti Ministry of Oil. Accordingly, the Company's Commercial Registration Certificate No. 72/2006 authorizes the Company to carry out its activities in the State of Kuwait. | | | | | |
| **KADS** | | | | | |
| The Company does not hold any registered licenses in the Cayman Islands | | | | | |
| **Emerald Driller Company** | | | | | |
| The Company does not hold any registered licenses in the Cayman Islands | | | | | |

Source: The Company

With respect to the Group's drilling rig licenses, and according to the provisions of the Commercial Maritime Law, the Group is required to obtain a navigation license for a foreign vessel/unit to operate in the territorial waters of the Kingdom of Saudi Arabia from the Transport General Authority for such rigs. As of the date of this Prospectus, the Group operates (33) offshore rigs in the territorial waters of the Kingdom of Saudi Arabia that are owned by the Group or chartered from other parties. The Group has obtained a navigation license for foreign vessels/units to operate in the territorial waters of the Kingdom of Saudi Arabia for (21) offshore rigs currently in operation. The Group's remaining (13) offshore rigs are in the process of being reactivated, and the Company will obtain these licenses once the drilling rigs arrive to the Kingdom of Saudi Arabia and commence operations.

The following table shows the details of the navigational licenses required to operate in the territorial waters of the Kingdom of Saudi Arabia that the Group has obtained as of the date of this Prospectus:

**Table (12.6): Details of Offshore Rig Licenses Obtained by the Group to Operate in Saudi Territorial Waters**

| No. | Rig Name | License Number | Owner | Maritime Organi-zation No. | Issuance Date | Expiration Date |
|---|---|---|---|---|---|---|
| 1- | Admarine 261 | 21101121289 | ADES Egypt | 8751382 | 09/05/2023G (corresponding to 19/10/1444H) | 03/10/2023G (corresponding to 18/03/1445H) |
| 2- | Admarine 262* | 21033120718 | ADES Egypt | 8751459 | 19/01/2023G (corresponding to 26/06/1444H) | 15/06/2023G (corresponding to 26/11/1444H) |
| 3- | Admarine 337* | 22030331617 | ADES Saudi | 8768608 | 19/02/2023G (corresponding to 28/07/1444H) | 20/06/2023G (corresponding to 02/12/1444H) |
| 4- | Admarine 339 | 22030331614 | ADES Saudi | 9521057 | 25/05/2023G (corresponding to 05/11/1444H) | 29/10/2023G (corresponding to 14/04/1445H) |
| 5- | Admarine 510 | 22030331616 | ADES Saudi | 9756212 | 20/06/2023G (corresponding to 02/12/1444H) | 11/12/2023G (corresponding to 27/05/1445H) |
| 6- | Admarine 511 | 22030331607 | ADES Saudi | 9756133 | 03/08/2023G (corresponding to 16/01/1445H) | 31/12/2023G (corresponding to 18/06/1445H) |
| 7- | Admarine 655 | 21033020705 | ADES Egypt | 8754176 | 06/06/2023G (corresponding to 17/11/1444H) | 11/11/2023G (corresponding to 27/04/1445H) |
| 8- | Admarine 656 | NPAG207731 | ADES Egypt | 8752178 | 20/06/2023G (corresponding to 02/12/1444H) | 09/12/2023G (corresponding to 25/05/1445H) |
| 9- | Admarine 683 (chartered) | NPAG209488 | Fels Asset Co 5 Pte Ltd. | 9733492 | 06/06/2023G (corresponding to 17/11/1444H) | 11/11/2023G (corresponding to 27/04/1445H) |
| 10- | Admarine 684 (chartered) | NPAG209500 | Fels Asset Co 6 Pte Ltd. | 9733507 | 29/05/2023G (corresponding to 09/11/1444H) | 04/11/2023G (corresponding to 20/04/1445H) |
| 11- | Admarine 657 | 22052931823 | ADES Egypt | 8752116 | 22/06/2023G (corresponding to 04/12/1444H) | 31/12/2023G (corresponding to 18/06/1445H) |
| 12- | Admarine 680 | NPAG204827 | ADES Saudi Limited Company | 9697545 | 29/05/2023G (corresponding to 09/11/1444H) | 04/11/2023G (corresponding to 20/04/1445H) |
| 13- | Admarine 502 | 21031120559 | ADES Drilling Services II Ltd. | 8771265 | 31/03/2023G (corresponding to 09/09/1444H) | 01/08/2023G (corresponding to 14/01/1445H) |
| 14- | Admarine 503 | 21031120560 | ADES Drilling Services III Ltd. | 9633707 | 06/01/2023G (corresponding to 13/06/1444H) | 20/12/2023G (corresponding to 07/06/1445H) |
| 15- | Admarine 501 | 210310505 | ADES Drilling Services I Ltd. | 8771253 | 31/05/2023G (corresponding to 11/11/1444H) | 15/11/2023G (corresponding to 01/05/1445H) |
| 16- | Admarine 504 | 21031120561 | ADES Drilling Services IV Ltd. | 9522348 | 11/06/2023G (corresponding to 22/11/1444H) | 24/11/2023G (corresponding to 10/05/1445H) |

| No. | Rig Name | License Number | Owner | Maritime Organization No. | Issuance Date | Expiration Date |
|---|---|---|---|---|---|---|
| 17- | Admarine 688 | NPAG240769 | ADES Saudi | 9362578 | 16/06/2023G (corresponding to 27/11/1444H) | 30/12/2023G (corresponding to 17/06/1445H) |
| 18- | Admarine 507 | NPAG240701 | ADES Saudi | 8769212 | 03/08/2023G (corresponding to 16/01/1445H) | 31/12/2023G (corresponding to 18/06/1445H) |
| 19- | Admarine 681 | NPAG239381 | ADES Saudi | 9632893 | 06/06/2023G (corresponding to 17/11/1444H) | 07/11/2023G (corresponding to 27/04/1445H) |
| 20- | Admarine 261 | 21101121289 | ADES Egypt | 8751382 | 09/05/2023G (corresponding to 19/10/1444H) | 03/10/2023G (corresponding to 18/03/1445H) |
| 21- | Admarine 682 | NPAG253214 | ADES Saudi | 8771277 | 25/04/2023G (corresponding to 05/10/1444H) | 01/10/2023G (corresponding to 16/03/1445H) |

Source: The Company

* The drilling rig is currently being reactivated in the UAE and its license will be renewed prior to commencing operations in the Kingdom of Saudi Arabia.

## 12.6 Material Agreements

In the ordinary course of its business, the Group enters into a number of contractual arrangements relating to its business, including contracts and agreements with its customers and agreements with third parties. These agreements include drilling contracts entered into by the Group with its customers in connection with drilling works and contracts and agreements entered into by the Group with third parties for the purpose of leasing rigs or with its suppliers for maintenance and services related to drilling rigs.

This section summarizes the agreements that the Company considers material or significant agreements or that may affect the decision to invest in the Offer Shares. The Company has included a summary of the key provisions of these agreements in this section.

### 12.6.1 Drilling Contracts

The Material Subsidiaries, in the normal course of their business and for the purposes of their operational activities, enter into a number of drilling contracts, according to which the relevant Material Subsidiary conducts onshore or offshore drilling activities to extract oil for the benefit of its customers.

For the purposes of disclosure in the Prospectus, the Group has disclosed drilling contracts with customers from whom the Group's income represents 5% or more of the Group's income for the period ended 31 December 2022G. The Group's core drilling contracts are represented in the drilling contracts concluded with Saudi Aramco in the Kingdom of Saudi Arabia, Kuwait Oil Company in the State of Kuwait, General Petroleum Company in the Arab Republic of Egypt and North Oil Company in the State of Qatar.

#### 12.6.1.1 Drilling Contracts with Saudi Aramco

The Group entered into 44 onshore and offshore drilling contracts with Aramco. Moreover, ADES Saudi entered into 37 onshore and offshore drilling contracts while the branch of ADES GCC for Drilling Limited entered into 7 onshore and offshore drilling contracts (each as a "**Contractor**"). Pursuant to these contracts, the Contractor carries out onshore and offshore drilling works for oil and/or gas for the benefit of Saudi Aramco in the locations it specifies, according to the day rates indicated in the contracts.

The Group's total revenue from drilling contracts entered into with Saudi Aramco for the financial year ended 31 December 2022G amounted to SAR 1,571,548,155.

The term of drilling contracts with Saudi Aramco ranges between three (3) to five (5) years, starting from the commencement of the works indicated in the contracts and continuing until the end of their term, unless one of the parties terminates the contract earlier. It should be noted that the drilling contracts stipulate that all terms and conditions of the contract remain in force until the completion or termination of any work that is in progress on the expiration or termination date of the contract.

The drilling contracts provide for specific responsibilities on the part of the Contractor, which include, for example, the provision of crew members in the numbers and with the specifications set out in the contracts, the provision of a medical nurse at the work site and the provision of the drilling rig and other tools and equipment under the conditions and specifications described in the contract, as well as the commitment to maintain the drilling rig and any other equipment.

Under the contract, the Contractor must comply with the standards and specifications set by Saudi Aramco, including environmental standards and the disposal of harmful substances. The Contractor shall also, according to the contracts, procure the insurance coverage specified under the contracts, including, for example, vehicle and marine insurance.

The Contractor is not entitled to assign the contract in whole or in part to third parties without obtaining the prior written consent of Saudi Aramco. However, the Contractor has the right to subcontract with third parties for the latter to perform part of the works under the contract, upon obtaining Saudi Aramco's prior written consent.

Drilling contracts are governed by the laws of the Kingdom of Saudi Arabia, and disputes arising from these contracts are initially settled amicably between Saudi Aramco and the Contractor in the manner described under the contract. In the event that disputes are not settled amicably, then they are settled by arbitration in accordance with the Saudi Arbitration Law.

The following table summarizes the details of the drilling contracts entered into with Saudi Aramco. It should be noted that certain contracts were initially entered into with third parties and later were assigned by these parties to ADES Saudi and branch of ADES GCC for Drilling Limited with the approval of Saudi Aramco.

**Table (12.7): Summary of Drilling Contracts with Aramco**

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| **Offshore Rigs** | | | | | | | | |
| 1- | Admarine 261 | Kingdom of Saudi Arabia – offshore drilling | 17/03/2008G | 02/11/2016G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/04/2031G | - | N/A |
| 2- | Admarine 262 | Kingdom of Saudi Arabia – offshore drilling | 01/07/2008G | 02/11/2016G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 08/04/2025G | - | N/A |
| 3- | Admarine 266 | Kingdom of Saudi Arabia – offshore drilling | 20/03/2012G | 02/11/2016G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 03/04/2032G | - | N/A |

33 The contracts provide Aramco with the unilateral right to extend such contracts for a period additional to the original term, under the same conditions and prices, by providing ADES Saudi with a written notice at least 30 days before the end of the original term.

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 4- | Admarine 337 | Kingdom of Saudi Arabia – offshore drilling | 03/07/2010G | 03/11/2021G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/04/2027G | - | N/A |
| 5- | Admarine 339 | Kingdom of Saudi Arabia – offshore drilling | 01/08/2010G | 03/11/2021G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 18/08/2023G | - | N/A |
| 6- | Admarine 501 | Kingdom of Saudi Arabia – offshore drilling | 25/10/2012G | N/A | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/06/2025G | - | N/A |
| 7- | Admarine 502 | Kingdom of Saudi Arabia – offshore drilling | 11/03/2013G | N/A | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | March 2024G | - | N/A |
| 8- | Admarine 503 | Kingdom of Saudi Arabia – offshore drilling | 11/03/2013G | N/A | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/12/2025G | - | N/A |

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 9- | Admarine 504 | Kingdom of Saudi Arabia – offshore drilling | 03/04/2012G | N/A | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 29/11/2025G | - | N/A |
| 10- | Admarine 505 | Kingdom of Saudi Arabia – offshore drilling | 27/04/2022G | N/A | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. | 19/03/2026G | One year | Applicable |
| 11- | Admarine 506 | Kingdom of Saudi Arabia – offshore drilling | 27/04/2022G | N/A | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. | 02/04/2026G | One year | Applicable |
| 12- | Admarine 507 | Kingdom of Saudi Arabia – offshore drilling | 27/04/2022G | N/A | The contract was executed for a period of three years starting from the commencement of the works specified under the contract. | 28/04/2026G | One year | Applicable |
| 13- | Admarine 510 | Kingdom of Saudi Arabia – offshore drilling | 18/09/2018G | 03/11/2021G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed twice. | Three years following the effective date, which is calculated from the date the parties signed the amendment, corresponding to 21/11/2022G | - | N/A |
| 14- | Admarine 511 | Kingdom of Saudi Arabia – offshore drilling | 14/02/2019G | 03/11/2021G | The contract was executed for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed once. | Three years following the effective date, which is calculated from the date the parties signed the amendment, corresponding to 21/11/2022G | - | N/A |

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 15- | Admarine 655 | Kingdom of Saudi Arabia – offshore drilling | 01/08/2011G | 12/06/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed twice. | 12/05/2031G | - | N/A |
| 16- | Admarine 656 | Kingdom of Saudi Arabia – offshore drilling | 12/04/2011G | 12/06/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/04/2026G | - | N/A |
| 17- | Admarine 657 | Kingdom of Saudi Arabia – offshore drilling | 01/03/2016G | 12/06/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. | 18/06/2024G | - | Applicable |
| 18- | Admarine 680 | Kingdom of Saudi Arabia – offshore drilling | 19/04/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 28/10/2027G | Two years | Applicable |
| 19- | Admarine 681 | Kingdom of Saudi Arabia – offshore drilling | 19/04/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 13/03/2028G | Two years | Applicable |
| 20- | Admarine 682 | Kingdom of Saudi Arabia – offshore drilling | 19/04/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 25/04/2028G | Two years | Applicable |
| 21- | Admarine 683 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 21/12/2027G | Two years | Applicable |

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 22- | Admarine 684 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 31/12/2027G | Two years | Applicable |
| 23- | Admarine 685 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 07/01/2028G | Two years | Applicable |
| 24- | Admarine 686 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 07/02/2028G | Two years | Applicable |
| 25- | Admarine 687 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 17/04/2028G | Two years | Applicable |
| 26- | Admarine 688 | Kingdom of Saudi Arabia – offshore drilling | 19/04/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 08/01/2028G | Two years | Applicable |
| 27- | Admarine 689 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 07/04/2028G | Two years | Applicable |
| 28- | Admarine 690 | Kingdom of Saudi Arabia – offshore drilling | 12/05/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 07/10/2028G | Two years | Applicable |
| 29- | Admarine 691 | Kingdom of Saudi Arabia – offshore drilling | 19/04/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 07/04/2028G | Two years | Applicable |

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 30- | Admarine 692 | Kingdom of Saudi Arabia – offshore drilling | 06/11/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 27/07/2028G | Two years | Applicable |
| 31- | Admarine 693 | Kingdom of Saudi Arabia – offshore drilling | 06/11/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 27/07/2028G | Two years | Applicable |
| 32- | Admarine 694 | Kingdom of Saudi Arabia – offshore drilling | 06/11/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 27/07/2028G | Two years | Applicable |
| 33- | Admarine 695 | Kingdom of Saudi Arabia – offshore drilling | 06/11/2022G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 27/07/2028G | Two years | Applicable |
| **Onshore Rigs** | | | | | | | | |
| 34- | ADES 13 | Kingdom of Saudi Arabia – onshore drilling | 17/02/2019G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 11/10/2024G | Two years | Applicable |
| 35- | ADES 14 | Kingdom of Saudi Arabia – onshore drilling | 17/02/2019G | N/A | The contract was entered into for a period of five years starting from the commencement of the works specified under the contract. | 29/11/2024G | Two years | Applicable |
| 36- | ADES 40 | Kingdom of Saudi Arabia – onshore drilling | 09/08/2011G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/04/2026G | - | N/A |

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 37- | ADES 144 | Kingdom of Saudi Arabia – onshore drilling | 26/02/2019G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed twice. | 30/04/2027G | - | N/A |
| 38- | ADES 157 | Kingdom of Saudi Arabia – onshore drilling | 26/02/2019G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed once. | 10/08/2027G | - | N/A |
| 39- | ADES 158 | Kingdom of Saudi Arabia – onshore drilling | 26/02/2019G | 30/11/2018G | The contract was executed for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed twice. | 30/04/2027G | - | N/A |
| 40- | ADES 173 | Kingdom of Saudi Arabia – onshore drilling | 24/02/2019G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed once. | 27/07/2023G | - | N/A |
| 41- | ADES 174 | Kingdom of Saudi Arabia – onshore drilling | 26/02/2019G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed twice. | 30/04/2027G | - | N/A |
| 42- | ADES 798 | Kingdom of Saudi Arabia – onshore drilling | 17/02/2019G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed once. | 17/08/2023G | - | N/A |

| No. | Rig | Drilling Site | Contract Date | Date Contract was Assigned to the Group | Contract Term and Renewal | Contract Expiration Date (After Renewal, if Any) | Optional additional period[33] | Early termination fees |
|---|---|---|---|---|---|---|---|---|
| 43- | ADES 799 | Kingdom of Saudi Arabia – onshore drilling | 27/11/2005G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 30/03/2028G | - | N/A |
| 44- | ADES 889 | Kingdom of Saudi Arabia – onshore drilling | 04/12/2012G | 30/11/2018G | The contract was entered into for a period of three years starting from the commencement of the works specified under the contract. The contract has been renewed several times. | 02/02/2032G | - | N/A |

### 12.6.1.2 Drilling Rig Contracts with Kuwait Oil Company

United Precision Drilling Company (UPDC) entered into (10) onshore drilling contracts with Kuwait Oil Company. According to these contracts, UPDC carries out onshore drilling works for oil and gas for the benefit of Kuwait Oil Company in the locations specified by it, according to the day rates indicated in the contracts. It should be noted that all drilling contracts entered into between UPDC and Kuwait Oil Company are based on Kuwait Oil Company's standard drilling contract template.

The Group's total revenue from drilling contracts entered into with Kuwait Oil Company for the financial year ended 31 December 2022G amounted to SAR 313,126,416.

The term of the contracts is five (5) years starting from the commencement of the drilling works. In certain contracts, this term does not include the period of preparing and operating the drilling rig stipulated under the contract, which varies from one rig to another. According to the provisions of the contracts, Kuwait Oil Company has the right, at its sole discretion, to extend the contract for a period of one year under the same terms and prices stipulated in the contract by giving UPDC a written notice (30) to (60) days prior to the expiration of the original contract term. In this case, UPDC shall be bound by this extension, and in the event of non-compliance, UPDC will be considered in breach of the contract.

Pursuant to the contract, UPDC shall comply with the standards and specifications set by Kuwait Oil Company, including environmental standards and the disposal of harmful substances. UPDC shall also, according to the contracts, procure the insurance coverage specified under the contracts, including, for example, vehicle insurance, general liability insurance and employer insurance.

The drilling contracts provide for cash compensations agreed upon in advance between the parties to which UPDC shall be bound in cases specified in the contract. UPDC shall, according to the provisions of the drilling contracts, provide a guarantee bond valid throughout the contract period from a licensed bank in the State of Kuwait at the value specified under the contract, as a guarantee that UPDC will implement its obligations stipulated under the contract.

Kuwait Oil Company has the right to terminate the contract for any reason after the lapse of three years from the drilling start date by providing (90) days prior written notice. In this case, Kuwait Oil Company shall pay all amounts due to UPDC in addition to compensation for each day of the remaining period in the contract.

UPDC has the right to assign the contract or subcontract upon obtaining the prior written approval of Kuwait Oil Company.

Drilling contracts are governed by the laws of the State of Kuwait. Any dispute arising between the two parties shall be referred to the competent courts in the State of Kuwait.

The following table summarizes the details of the drilling contracts entered into with Kuwait Oil Company.

**Table (12.8): Summary of Drilling Contracts with Kuwait Oil Company**

| No. | Rig | Drilling Site | Contract Date | Contract Term | Contract End Date |
|---|---|---|---|---|---|
| 1- | ADES 155 | Kuwait – onshore drilling | 10/06/2018G | Five years commencing from the completion of the rig preparation period specified under the contract. | 22 July 2025G |
| 2- | ADES 776 | Kuwait – onshore drilling | 10/06/2018G | Five years commencing from the completion of the rig preparation period specified under the contract. | 05 January 2025G |
| 3- | ADES 870 | Kuwait – onshore drilling | 10/06/2018G | Five years commencing from the completion of the rig preparation period specified under the contract. | 10 March 2025G |
| 4- | ADES 871 | Kuwait – onshore drilling | 10/06/2018G | Five years commencing from the completion of the rig preparation period specified in the contract. | 16 October 2025G |
| 5- | ADES 180 | Kuwait – onshore drilling | 17/11/2022G | Five years commencing from the drilling start date. | 05 February 2029G |
| 6- | ADES 878 | Kuwait – onshore drilling | 17/11/2022G | Five years commencing from the drilling start date. | 19 February 2029G |
| 7- | ADES 808 | Kuwait – onshore drilling | 16/11/2022G | Five years commencing from the drilling start date. | March 2029G |
| 8- | ADES 809 | Kuwait – onshore drilling | 16/11/2022G | Five years commencing from the drilling start date. | March 2029G |
| 9- | ADES 880 | Kuwait – onshore drilling | 17/11/2022G | Five years commencing from the drilling start date. | Subject to the rig construction completion and delivery date – expected handover date is 16 November 2023G. |
| 10- | ADES 879 | Kuwait – onshore drilling | 22/11/2022G | Five years commencing from the drilling start date. | Depends on rig construction completion and delivery date – expected handover date is 16 November 2023G. |

Source: The Company

### 12.6.1.3 Contracts with General Petroleum Corporation (GPC)

#### 12.6.1.3.1 Offshore Drilling Rig Lease Contracts

ADES Egypt entered into two drilling contracts with GPC. According to the first contract, ADES Egypt leases the Admarine 3 offshore drilling rig to cover drilling activities as follows: (a) drilling seven offshore wells, (b) repairing two wells, and (c) connecting five wells to the GPC fields area in the Gulf of Suez, according to the prices indicated in the contract. According to the second contract, ADES Egypt carries out leasing works and services for the Admarine 6 offshore rig to drill seven offshore wells in the Gulf of Suez region. The term of the original contracts was two years, and the contracts were renewed with the agreement of the two parties, whereby the first contract shall end on 22/11/2023G and the second contract shall end on 05/12/2024G.

The Group's total revenue from drilling contracts entered into with GPC for the financial year ended 31 December 2022G amounted to SAR 151,874,502.

The contracts stipulate ADES Egypt's commitment to the safety of the environment and the removal of waste and the effects of pollution that result from it or because of its workers.

The contracts grant GPC the right to amend the contract and assign works and services that are up to 25% more or less than the total value of the contract, with the same specifications, conditions and prices agreed upon, without ADES Egypt having the right to claim any financial compensation, provided that the implementation of the amendment that increases or decreases the works is during the validity period of the contract and after obtaining the approval of the competent authority.

The contracts also provide for a delay fine to be imposed on ADES Egypt if it fails to carry out some or all of the works or delays the implementation thereof at the rate of 1% for each week or part thereof, with a maximum of 10% of the total value of the contract and without GPC being required to submit any notice or warning. GPC has the right to deduct these fines from any amounts due to ADES Egypt.

According to the provisions of the contracts, GPC has the right to terminate the contract at any time it deems necessary and without any reason by notifying ADES Egypt in writing (15) days in advance, and ADES Egypt has no recourse against GPC for any compensation.

ADES Egypt may not assign contracts or amounts due to third parties. Drilling contracts are governed by the laws of the Arab Republic of Egypt. Any dispute arising between the two parties shall be referred to the competent courts in the Arab Republic of Egypt.

#### 12.6.1.3.2 Early Production Facilities Contract with General Petroleum Company (GPC)

ADES Egypt entered into an early facilities production contract with GPC on 27/09/2020G in relation to establishing the Production Deck Floor and Top Side Facility and renting jack-up drilling units for oil fields in the Eastern Desert region. These units include the Admarine 2 rig, as well as the Admarine 3 and Admarine 6 rigs. The term of the contract for early facilities production amounts to a total of eight months. The lease term for the rigs is 24 months commencing from connecting the first well or the completion of placing the first well into production, whichever is earlier, renewable for another period under the same conditions and specifications with 90-days prior notice and the approval of both parties. In the event that ADES Egypt does not approve, it shall extend the contract for an additional period of six months under the same conditions and rates specified under the contract.

ADES Egypt shall carry out the works described under the contract, supply technical manpower and provide maintenance and spare parts for drilling rigs. According to the provisions of the contract, ADES Egypt guarantees all construction works for a period of 24 months from the date of initial receipt, and guarantees the upper side facility for a period of 18 months from the date of initial receipt.

The contract's provisions provide for the right of ADES Egypt to assign the works required under the contract to subcontractors. The contract also provides for a delay fine to be imposed on ADES Egypt in the event of a delay in executing all or part of the works at a rate of 1% for each week or part thereof, with a maximum of 10% of the total value of construction works, if GPC deems that the delayed part directly or indirectly prevents the use of the work completed. Without being required to submit any notice or warning, GPC has the right to deduct these fines from any amounts due to ADES Egypt. GPC shall have the right to deduct this fine from any amounts due to ADES Egypt, whether pursuant to this contract or any other contract entered between the parties, or any amounts due to ADES Egypt by any other company in which the EGPC or one of its companies is a shareholder. Such deduction shall be made without General Petroleum Corporation being required to provide any notice or warning.

Any dispute arising between the two parties in connection with the execution of this contract shall be referred to the Dispute Settlement Committee of the EGPC. In the event that the dispute is not settled by this committee, it will be referred to the New Cairo Court.

### 12.6.1.4 Drilling contracts with North Oil Company

Emerald Driller Company entered into two offshore drilling contracts with North Oil Company in Qatar for the Sapphire Driller offshore rig and the Emerald Driller offshore rig. Pursuant to these contracts, Emerald Driller Company shall perform offshore oil and gas drilling for the benefit of North Oil Company in the locations specified by it, in accordance with the day rates indicated under the contracts. The term of the contracts commences from the actual operation of the drilling rig and continues until the completion of the works described under the contract.

The Group's total revenue from drilling contracts entered into with North Oil Company for the financial year ended 31 December 2022G amounted to SAR 130,835,467.

Under the contracts, Emerald Driller Company must comply with the laws in force in the State of Qatar and the standards and specifications stipulated under the contracts, including environmental standards. Emerald Driller Company shall also, pursuant to the contracts, procure the insurance coverage specified under the contracts, including, for example, vehicle insurance, general liability insurance and employer insurance.

The contracts also stipulate the right of the parties to terminate the contract in the events described under the contracts. According to the provisions of the contracts, North Oil Company has the right to terminate the contract after the date of the actual commencement of work, by submitting a written notice to Emerald Driller Company seven days in advance, in which case North Oil Company shall pay the amounts due to Emerald Driller Company incurred in the operation and modification of the rig in addition to the early termination fees set out under the contract.

Pursuant to the provisions of the drilling contracts, Emerald Driller Company shall provide a bank guarantee and a guarantee from the parent company valid throughout the contract term, from a bank acceptable to North Oil Company, for the amount specified under the contract, as a guarantee of Emerald Driller Company's implementation of its obligations stipulated under the contract.

Emerald Driller Company has the right to assign or subcontract the contract upon obtaining the prior written consent of North Oil Company.

Drilling contracts are subject to the laws of the State of Qatar, and disputes arising from these contracts shall initially be settled amicably between North Oil Company and Emerald Driller Company in the manner described under the contract. In the event that disputes are not settled amicably, they shall be settled in accordance with the International Chamber of Commerce Rules of Arbitration.

## 12.6.2 Summary of Bareboat Charter Agreements

ADES Saudi (as charterer) entered into four charter agreements with a number of lessors for the purpose of leasing offshore rigs to fulfil some of the obligations of ADES Saudi under the drilling contracts concluded between ADES Saudi and Saudi Aramco. It should be noted that all these charter agreements are entered into on the basis of a standard charter agreement template used by the lessors. These charter agreements are considered material contracts as they relate to Saudi\s Aramco's drilling contracts.

The lease term for each rig start from the commencement of drilling operations in accordance with the relevant drilling contract and continues for a period of five years. ADES Saudi shall operate the chartered rigs only in the Kingdom of Saudi Arabia, in light of the drilling contracts executed with Saudi Aramco. Pursuant to these contracts, ADES Saudi shall also maintain the rigs according to specific standards and repair them at its own expense.

ADES Saudi may terminate the charter agreement in the event that the drilling contract concluded with Saudi Aramco is terminated, provided that it pays the termination fee (based on the remaining period of the charter agreement). The charterer may also assign the contract to another party after obtaining the lessor's prior consent. The lessor has the right to terminate the contract if ADES Saudi breaches its obligations or fails to pay the rate of hire according to the agreed schedule. The lessor also has the right to impose a delay fine for each day the charterer delays payment. ADES Saudi shall have a priority right to purchase the chartered rigs from the lessor in the event that the lessor wishes to sell the rigs to any third party during the charter period.

The charter agreements are governed by the laws of England. Any dispute arising out of or in connection with the agreements shall be settled in accordance with the Arbitration Rules of the Singapore International Arbitration Centre. The table below provides the details of the executed rig charter agreements.

Table (12.9): Details of the Rig Lease Contracts Concluded Between ADES Saudi and Fels Asset Group Pte Ltd.

| No. | Lessor | Chartered Rig | Agreement Execution Date | Drilling Commencement Date | Relevant Drilling Contract Between ADES Saudi and Saudi Aramco |
|---|---|---|---|---|---|
| 1- | Fels Asset Co Pte Ltd. | CANTARELL IV, to be renamed ADM 686 after handover to the charterer | 08/06/2022G (corresponding to 09/11/1443H) | 11/06/2023G (expected) | Drilling Contract No. 6600050748 |
| 2- | Fels Asset Co 2 Pte Ltd. | CANTARELL III, to be renamed ADM 685 after handover to the charterer | 08/06/2022G (corresponding to 09/11/1443H) | 05/06/2023G (expected) | Drilling Contract No. 6600050747 |
| 3- | Fels Asset Co 5 Pte Ltd. | ADM 684 | 06/05/2022G (corresponding to 05/10/1443H) | 01/01/2023G | Drilling Contract No. 66000050745 |
| 4- | Fels Asset Co 6 Pte Ltd. | ADM 683 | 06/05/2022G (corresponding to 05/10/1443H) | 22/12/2022G | Drilling Contract No. 66000050746 |

Source: The Company

## 12.6.3 Agreements with the Group's Principal Suppliers

The Group enters into a number of agreements with its suppliers for rig purposes. The agreements set out below represent the agreements entered into with the Group's top five suppliers as of 31 December 2022G.

### 12.6.3.1 Agreements with Arab Shipbuilding and Repair Yard Company

ADES Saudi (as customer) concluded four service agreements with Arab Shipbuilding and Repair Yard Company (as supplier) for the provision of certain drilling rig services outlined below, which are determined based on purchase orders issued by the customer from time to time. These agreements are as follows:

1- An agreement in connection with the Admarine 680 rig, executed on 21/04/2022G (corresponding to 20/09/1443H).
2- An agreement in connection with the Admarine 681 rig, executed on 16/08/2022G (corresponding to 18/01/1444H).
3- An agreement in connection with the Admarine 682 rig, executed on 16/08/2022G (corresponding to 18/01/1444H).
4- An agreement in connection with the Admarine 690 rig, executed on 01/11/2022G (corresponding to 07/04/1444H).

These agreements are entered into for unlimited term, they commence from the execution date and continue until terminated by either party. The agreements provide for certain events that entitle the parties to terminate the agreement, including the customer's right to terminate the agreement for any reason, by providing at least 30 days' prior written notice to the supplier. The supplier also has the right to terminate the agreement in the event of a 60-day delay in payment of the amounts due from the customer to the supplier, within 30 days from the date of the notice provided by the supplier to the customer.

These agreements include certain events in which either party is required to compensate the other party, such as in cases of bodily injury and damage to property arising from the agreement. ADES Saudi may assign the agreement to any customer, subsidiary, or successor thereof without the supplier's consent. However, in the event of assignment to a third party, the supplier's consent is mandatory. However, the supplier may not assign or subcontract the agreement without the prior consent of the customer.

These agreements are governed by the laws of England and Wales, and any dispute arising from, or in connection with, the agreements, shall be settled in accordance with the DIFC-LCIA arbitration rules.

#### 12.6.3.2 Agreements with Drydocks World Dubai LLC

ADES Saudi (as customer) entered into three ship building yard service agreements with Drydocks World Dubai LLC (as contractor) for the restoration and set up of the drilling rigs set out below, as well as other rig preparation related works. These agreements are as follows:

1- An agreement in connection with the Admarine 688 rig, which commences on 10/06/2022G (corresponding to 11/11/1443H) and expires 135 days after the rig arrives at the ship building yard (the completion date).
2- An agreement in connection with the Admarine 693 rig, which commences on 28/01/2023G (corresponding to 06/07/1444H) and expires 120 days after the rig arrives at the ship building yard (the completion date).
3- An agreement in connection with the Admarine 694 rig, which commences on 28/01/2023G (corresponding to 06/07/1444H) and expires 120 days after the rig arrives at the ship building yard (the completion date).

These agreements include certain events in which either party is required to compensate the other party, such as in cases of bodily injury and damage to property arising from the agreement. If the works set forth in the respective agreement are not completed by the completion date due to the contractor's failure, the contractor shall be responsible for compensating ADES Saudi with the percentage specified in the agreement for each day beyond the completion date.

The customer may terminate the agreement, or part thereof, under a written notice to the contractor of at least five days. The customer shall pay the amounts due arising from the works completed by the contractor pursuant to the terms and conditions set out in these agreements.

These agreements are governed by the laws of England and Wales, and any dispute arising from, or in connection with, the agreements, shall be settled in accordance with the LCIA arbitration rules.

#### 12.6.3.3 Service Agreements with Cameron International Corporation

ADES Egypt (as customer) entered into a service agreement with Cameron International Corporation (as supplier) on 27/04/2020G for the provision of spare parts and other professional field services based on purchase orders issued by the customer from time to time, and for the prices set out in the agreement.

These agreements are entered into for unlimited term, they commence from the aforesaid agreement execution date until terminated by either party. The agreement includes certain events that entitle its parties to terminate the agreement. These include the customer's right to terminate the agreement for any reason, by providing at least 30 days' prior written notice to the supplier. The supplier also has the right to terminate the agreement in the event of a material breach of the provisions of the agreement by the customer, within 30 days from the date of the notice provided by the supplier to the customer.

The agreement includes certain events in which either party is required to compensate the other party, such as cases of bodily injury and damage to property arising from the agreement. ADES Saudi may assign the agreement to any customer, subsidiary, or successor thereof without the supplier's consent. However, in case of assignment to a third party, the supplier's consent is mandatory. However, the supplier may not assign or subcontract the agreement without the prior consent of the customer.

The agreement is governed by the laws of England and Wales, and any dispute arising from, or in connection with, the agreements, shall be settled in accordance with the LCIA arbitration rules.

#### 12.6.3.4 Service Agreement with National Oilwell Varco Middle East FZE

ADES Egypt (as customer) concluded a framework service agreement with National Oilwell Varco Middle East FZE (as supplier) for the provision of original equipment, offshore equipment and construction equipment based on purchase orders issued by the customer from time to time for the prices set out under the agreement. The agreement commences on 28/04/2022G and expires on 31 December 2033G. The supplier has the right to terminate the agreement unilaterally and with immediate effect if the customer breaches the provisions of the agreement.

Save for the products that will be supplied from National Oilwell Varco's branch in northern or southern United States, the agreement shall be governed by the laws of England and Wales, and any dispute arising from, or in connection with, the agreements shall be settled in accordance with the LCIA arbitration rules. The products supplied from northern or southern United States shall be subject to the laws of the state of Texas, and any dispute arising in relation to these products shall be settled before a state or federal court in Harris County, Texas.

### 12.6.4 Material Agreements with Related Parties

The Company, as a guarantor, entered into a credit facilities agreement, in respect of ADES Saudi, which is wholly owned indirectly by the Company, with the Saudi National Bank, of which PIF, one of the Company's Substantial Shareholders, owns 37.238% of the share capital as at the date of this Prospectus. The Company, as a borrower, entered into a joint facility agreement with a number of banks, including the Saudi National Bank. Please refer to Table 12.11 ("**Summary of the Facilities Coordination Agreement with Saudi National Bank**") and Table 12.16 ("**Summary of a Joint Facilities Agreement with a Number of Banks**") of Section 12.7 ("**Credit Facilities and Loans**"). The Directors declare that all contracts and agreements concluded with Related Parties do not contain any preferential terms and that they have been concluded in a lawful and legal manner and on an appropriate and fair commercial basis.

The Directors declare their compliance with Articles 27 and 71 of the New Companies Law and the instructions set out in Article 44 of the CGRs issued by the CMA in relation to contracts and agreements entered into with Related Parties in which any Director has an interest.

## 12.7 Credit Facilities and Loans

### 12.7.1 Summary of Material Facilities and Loan Agreements

Following is a summary of the material facility and loan agreements entered into by the Group:

**Table (12.10): Summary of the Facilities Coordination Agreement with Al Rajhi Bank**

| Facility Coordination Agreement ("Facilities Coordination Agreement") between ADES Saudi (as Borrower) and ADES Holding Company (as Parent Company and Guarantor), together "Obligors", and Al Rajhi Bank (as Original Murabaha Participant, Investment Agent and Security Agent). | |
|---|---|
| **Agreement Date** | 16/06/2022G |
| **Borrower** | ADES Saudi (as Borrower) and ADES Holding Company (as Guarantor), both Obligors. |
| **Facility Type/ Purpose/ Amount** | The Facilities Coordination Agreement and Master Murabaha Agreement (in addition to other agreements listed below) have been entered into, whereby Al Rajhi Bank provides Murabaha facilities (as Seller) for the following purposes:<br>1- Acquisition of drilling rigs (or re-financing drilling rig acquisition costs).<br>2- Acquisition of the equipment (whether chartered or owned) required to develop the drilling rigs following the initial acquisition.<br>3- Acquisition of (or re-financing the acquisition costs of) all the shares of the drilling rigs' owner. |
| **Term** | The Facilities Coordination Agreement will expire eight years from the agreement date. |
| **Facility Value** | According to the Investment Agency Agreement, the total facility amount is SAR 937,500,000. The total facility amount was increased to SAR 1,500,000,000 on 21/11/2022G. The full amount of the facilities has been utilized. |
| **Key Obligations** | • The Facilities Coordination Agreement stipulates that if PIF's equity in ADES Holding Company declines to less than 20% (whether directly or indirectly) following the public offering of ADES Holding Company, this will be deemed an early repayment event and Al Rajhi Bank will be entitled to consider the outstanding facilities immediately payable on the date such event occurs.<br>• According to the Facilities Coordination Agreement, dividend distributions by ADES Holding Company before the Offering should not exceed 50% of the operating cash flows. Dividend distributions after the Offering to the shareholders of the Company shall be in accordance with the dividend policy set out in this Prospectus. In both cases, provided the distribution does not occur during a case of breach or result in a breach, and that the distribution occurs only after the date indicated and agreed upon in the Agreement, namely 31/07/2023G.<br>• The Facilities Coordination Agreement also contains a cross breach default event whereby the Obligors are deemed to be in default in relation to Al Rajhi Bank financing in the event that either Obligor defaults on payment of an amount equal to more than USD 20,000,000 (or its equivalent in any other currency). Accordingly Al Rajhi Bank shall have the right, upon notice to ADES Holding Company, to cancel the total obligations and/or all deferred payments and other amounts due shall become due and payable promptly and/or to exercise its rights in respect of guarantees through the Security Agent. |
| **Related Documents** | a- Investment Agency Agreement dated 16/06/2022G with Al Rajhi Bank.<br>b- Master Murabaha Agreement dated 16/06/2022G with Al Rajhi Bank.<br>c- Accounts Pledge Agency Agreement dated 22/07/2022G with Al Rajhi Bank.<br>d- Offshore Jack-up Rig Pledge Agreement dated 08/12/2022G with Al Rajhi Bank. |

| | |
|---|---|
| **Guarantees** | • Promissory notes.<br>• Assignment of insurance policy proceeds.<br>• Mortgage of assets (agreed drilling rigs).<br>• Mortgage of drilling rigs.<br>• Pledge of bank accounts.<br>• A number of acknowledgments of assignment of contract proceeds for contracts entered into by ADES Saudi and Saudi Aramco in favour of Al Rajhi Bank.<br>• A number of payment instructions issued by ADES Saudi related to contracts entered into with Saudi Aramco in favour of Al Rajhi Bank. |

**Table (12.11): Summary of the Facilities Coordination Agreement with Saudi National Bank**

| **Facilities Coordination Agreement (“Facilities Coordination Agreement with Saudi National Bank”) between ADES Saudi (as Borrower or Buyer), ADES Holding Company (as Parent Company and Guarantor), and ADES International, together “Obligors”, and Saudi National Bank (as Original Murabaha Participant, Investment Agent and Security Agent).** | |
|---|---|
| **Agreement Date** | 20/04/2022G |
| **Borrower** | ADES Saudi (as Borrower), ADES Holding Company and ADES International (as Guarantors), both Obligors. |
| **Facility Type/ Purpose/ Amount** | The Facilities Coordination Agreement was entered into to enable ADES Saudi to procure Murabaha facilities provided by Saudi National Bank (as the Investment Agent), for a total amount equalling the value of the agreed Murabaha sharing, for the following purposes:<br>1- Acquisition of rigs (or re-financing rig acquisition costs).<br>2- Acquisition of the equipment (whether chartered or owned) required to develop the drilling rigs following the initial acquisition.<br>3- Acquisition of (or re-financing the acquisition costs of) all the shares of the rigs’ owner. |
| **Term** | The Facilities Coordination Agreement expires on the facilities expiration date, which is eight years after the agreement date. |
| **Facility Value** | Total facility amount is SAR 1,500,000,000. The full amount of the facilities has been utilized. |
| **Key Obligations** | • The Facilities Coordination Agreement states that if PIF’s equity in ADES Holding Company declines to less than 20% (whether directly or indirectly) following the public Offering of ADES Holding Company, this will be deemed an early repayment event, and Saudi National Bank will be entitled to consider the outstanding facilities immediately payable on the date such event occurs.<br>• According to the Facilities Coordination Agreement, dividend distributions by ADES Holding Company before the Offering should not exceed 50% of the operating cash flows. Dividend distributions after the Offering to the shareholders of the Company shall be in accordance with the dividend policy set out in this Prospectus. In both cases, provided the distribution does not occur during a case of breach or result in a breach, and that the distribution occurs only after the date indicated and agreed upon in the Agreement, namely 30/04/2023G.<br>• The Facilities Coordination Agreement also contains a cross breach default event whereby the Obligors are deemed to be in default in relation to Saudi National Bank financing in the event that any of the Obligors defaults on payment of an amount equal to more than USD 20,000,000 (or its equivalent in any other currency). Accordingly, NCB shall have the right, upon notice to ADES Holding Company, to cancel the total obligations and/or all deferred payments and other amounts due shall become due and payable immediately and/or to exercise its rights related to guarantees through the Security Agent. |
| **Related Documents** | a- Investment Agency Agreement with Saudi National Bank dated 16/06/2022G.<br>b- Master Murabaha Agreement with Saudi National Bank dated 20/04/2022G.<br>c- The Guarantee Agreement between Saudi National Bank (as Original Guarantee Agent), ADES Saudi (as Assignor) and Egyptian Takaful Insurance Company (as Insurer) dated 10/01/2023G.<br>d- Agreement for assignment of insurance policy proceeds and customer contracts dated 10/01/2023G between ADES Saudi and Saudi National Bank.<br>e- Offshore fleet mortgage dated 26/07/2022G between ADES Saudi and Saudi National Bank.<br>f- Offshore fleet mortgage dated 10/01/2023G between ADES Saudi and Saudi National Bank.<br>g- Guarantee agreement amendment document between Saudi National Bank (as Principal Guarantee Agent), ADES Saudi (as Assignor) and Egyptian Takaful Insurance Company (as Insurer), dated 10/01/2023G, primarily issued to remove the provisions related to customer contracts. |
| **Guarantees** | • Promissory notes.<br>• Mortgage of a number of insurance policies.<br>• Real estate mortgage.<br>• Pledge of bank accounts.<br>• A number of acknowledgments of assignment of contract proceeds for contracts entered into by ADES Saudi and Saudi Aramco in favour of Saudi National Bank.<br>• A number of payment instructions issued by ADES Saudi Limited related to contracts entered into with Saudi Aramco in favour of Saudi National Bank. |

**Table (12.12): Summary of the Loan Agreement with Mashreq Bank**

| Loan Agreement between Mashreq Bank (as Lender) and UPDC (as Borrower) ("Loan Agreement with Mashreq Bank") | |
|---|---|
| **Agreement Date** | 19/08/2021G |
| **Borrower** | UPDC |
| **Facility Type/ Purpose/ Amount** | The Loan Agreement was concluded between UPDC and Mashreq Bank to finance capex, represented in procuring the right to use a plot of land and building an office building for the Company in Kuwait.<br>The total loan amount is KWD 2,720,000 which will be disbursed in two tranches as follows:<br>a- Tranche (A): KWD 2,440,000 to finance the value of the right to use a plot of land.<br>b- Tranche (B): KWD 280,000 to finance the construction of the office building in Kuwait. This finance amount will be regularly disbursed directly to the contractors under actual invoices. |
| **Term** | The Loan Agreement will expire on the facility expiration date, which will expire five years from the agreement date. |
| **Loan Amount** | The total loan amount is KWD 2,720,000, which will be disbursed as short-term loan payments, each of which has a minimum value of KWD 10,000. An amount of KWD 2,440,000 has been utilized. |
| **Key Obligations** | The finance documents contain standard representations, warranties and undertakings that have been tailored for the relevant commercial requirements and appear to be customary for transactions of the type contemplated.<br>The finance documents also include a cross breach default event whereby the Borrower is deemed to be in default in relation to Mashreq Bank financing in the event that the Borrower defaults on an amount equal to more than KD 2,720.00, whereby Mashreq Bank shall have the right, upon notice to the Borrower and 30 days following the default event, to cancel all outstanding obligations and the option that all deferred payments, interest, and other amounts become due immediately or upon demand and/or the right to enforce all the rights and guarantees of the Lender contained in the finance documents. |
| **Guarantees** | • A guarantee provided by ADES International in favour of Mashreq Bank to cover all facilities granted to UPDC.<br>• Pledge of an account of KWD 200,000 or its equivalent in US dollars.<br>• Mortgage on the land intended to be used and the office building.<br>• An undertaking from the Borrower to transfer operating profits of USD 2,000,000, or its equivalent in Kuwaiti dinars.<br>• Pledge of a fixed deposit in the name of UPDC for the amount of KWD 200,000, or its equivalent in US dollars in favour of Mashreq Bank. |

**Table (12.13): Summary of the Commercial Terms Agreement with Alinma Bank**

| Commercial Terms Agreement between Alinma Bank (as "Arranger" and "Financier Bank"), ADES Saudi and ADES Holding Company (as "Obligors"). | |
|---|---|
| **Agreement Date** | 03/07/2022G. |
| **Borrower** | ADES Saudi and ADES Holding Company |
| **Facility Type/ Purpose/ Amount** | • The Ijarah facilities are for the acquisition of drilling rigs (or for contribution to the relevant portion of the acquisition cost), in addition to (1) any additional key capex required to operate the drilling rigs and the cost of relevant transactions; and (2) renovation of the acquired drilling rigs.<br>• The Murabaha facilities are intended to finance short-term working capital requirements. |
| **Key Provisions** | • The Facility Coordination Agreement states that if the equity of the current owners (prior to the Offering of the Company) at ADES Holding Company declines to less than 51% following the Offering of ADES Holding Company, this will be deemed an early repayment event, and Alinma Bank will be entitled to consider the outstanding facilities immediately payable on the date such event occurs.<br>• The Commercial Terms Agreement also contains a cross breach default event whereby the Obligors are deemed to be in default in relation to Alinma Bank financing in the event that any of the Obligors fails to pay an amount equal to more than USD 30,000,000 (or its equivalent in any of the other currencies) to both ADES companies. Accordingly, Alinma Bank shall have the right, upon notice to the Obligor, to cancel the total obligations and/or all deferred payments and other amounts due shall become due and payable immediately and/or to exercise its rights related to guarantees through the Security Agent. |
| **Term** | The agreement expires eight years after the date of the first Ijarah facility transaction. |
| **Facility Value** | 1- For the Ijarah facility, SAR 2,692,000,000.<br>2- For the Murabaha facility, SAR 150,000,000.<br>An amount of SAR 1.9 billion has been utilized. |
| **Related Documents** | a- Master Ijara Agreement dated 03/07/2022G between ADES Holding Company, ADES Saudi and Alinma Bank.<br>b- Master Ijara Service Agency Agreement dated 03/07/2022G between ADES Holding Company, ADES Saudi and Alinma Bank.<br>c- Master Musharakah Agreement dated 03/07/2022G between ADES Holding Company, ADES Saudi and Alinma Bank.<br>d- Murabaha Facility Agreement to finance working capital dated 03/07/2022G between ADES Holding Company, ADES Saudi and Alinma Bank. |

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|---|---|
| **Guarantees** | • Promissory notes.<br>• Pledge of bank accounts.<br>• Assignment of customer contract proceeds and customer payment undertakings.<br>• Assignment of insurance policy proceeds. |

**Table (12.14): Summary of the Facility Coordination Agreement with Arab National Bank**

| **Facility Coordination Agreement between ADES Holding Company (as "Borrower") and Arab National Bank (as "Issuing Bank").** | |
|---|---|
| **Agreement Date** | 20/09/2022G |
| **Borrower** | ADES Holding Company |
| **Facility Type/ Purpose/ Amount** | The Issuing Bank shall make available various facilities of up to SAR 412,500,000 to the Borrower, which include:<br>1- A multi-currency letter of guarantee facility that is made available by the Bank to be used towards the general working capital of the Company and for the Group's general objectives.<br>2- Letters of guarantee.<br>3- Sub-facilities.<br>4- Overdraft facilities that are made available by the Bank to be used towards the general objectives of the Company and its Subsidiaries. |
| **Key Provisions** | • The Facility Coordination Agreement states that if PIF's ownership in ADES Holding Company falls below 20% (whether directly or indirectly) following the Offering of ADES Holding Company, this shall be considered an early repayment event, and Arab Bank shall have the right to consider the existing facilities as immediately payable on the date such event occurs.<br>• The Facility Coordination Agreement also contains a cross breach default event whereby the Borrower is deemed to be in default in relation to Arab National Bank financing in each of the cases of cross breach in the event that the Borrower defaults on an amount equal to more than USD 20,000,000 (or its equivalent in any other currency). Accordingly, ANB shall have the right, upon notice to the Borrower, to cancel the total obligations and/or additional obligations, and all deferred payments and other amounts due shall become due and payable immediately. |
| **Term** | The period of the Agreement shall end upon the expiration of the facilities, which extend to eight years from the date of the Agreement. |
| **Facility Value** | • Facility No. 1: SAR 412,500,000.<br>• Facility No. 2: a maximum of SAR 75,000,000.<br>• Sub-facilities 3: a maximum of SAR 75,000,000.<br>• Overdraft Facilities 4: up to SAR 150,000,000.<br>The full amount of Facility No. 1 above has been utilized. |
| **Related Documents** | a- Letter of Guarantee Facility Agreement executed on 20/09/2022G between ADES Holding Company and Arab National Bank.<br>b- Overdraft Facility Agreement executed on 20/09/2022G between ADES Holding Company, ADES Saudi and Arab National Bank. |
| **Guarantees** | Promissory notes. |

**Table (12.15): Summary of the Facility Agreement Letter concluded with Banque Saudi Fransi**

| **Facility/Financing Agreement Letter between Banque Saudi Fransi and ADES Saudi** | |
|---|---|
| **Agreement Date** | 06/08/1443H (corresponding to 09/03/2022G). |
| **Borrower** | ADES Saudi |
| **Facility Type/ Purpose/ Amount** | Pursuant to the Facility/Financing Agreement Letter, Banque Saudi Fransi has agreed to grant ADES Saudi various financial facilities, which include:<br>1- General facilities: (1) Multiple bond facilities; for the issuance of bid bonds, advance payment letter of guarantee, performance bond, retention amounts security.<br>2- Specific facilities: (2) Murabaha facility; for the financing of 6 new offshore rig contracts with Saudi Aramco; for the purpose of acquiring such rigs operated in the Kingdom of Saudi Arabia.<br>3- Specific facilities: (3) A multi-purpose facility; for the purchase and sale of foreign currency and/or replacement of interest rate. |
| **Key Provisions** | • The finance documents contain standard representations, warranties and undertakings that have been tailored for the relevant commercial requirements and appear to be customary for transactions of the type contemplated.<br>• The Framework Murabaha Agreement states that if ADES Saudi fails to pay any of its debts to third parties when due, Banque Saudi Fransi shall then have the right to issue a notice to the Company cancelling the obligations arising from the Framework Murabaha Agreement, which includes cancellation of the facilities. The Company shall also bear all the resulting damage incurred by Banque Saudi Fransi. |
| **Term** | The Main Agreement is a framework agreement that ends only with the agreement of the two parties to terminate such agreement. The Facility/Financing Agreement Letter expires by repayment of the financing provided under it on 30/09/2029G. |

| | |
|---|---|
| **Facility Value** | • Facility No. 1: up to SAR 187,500,000.00.<br>• Facility No. 2: up to SAR 1,425,000,000,00.<br>• Facility No. 3: with a total limit of SAR 50,000,000.00.<br>The full amount of the facilities has been utilized. |
| **Related Documents** | a- Letter of Undertakings dated 06/08/1443H (corresponding to 09/03/2022G) between ADES Saudi and Banque Saudi Fransi.<br>b- Letter of the Main Facilities/Financing Agreement concluded on 06/08/1443H (corresponding to 09/03/2022G) between ADES Saudi and Banque Saudi Fransi.<br>c- Framework Murabaha Agreement concluded on 06/08/1443H (corresponding to 09/03/2022G) between ADES Saudi and Banque Saudi Fransi.<br>d- Annex to Facility Agreement Letter (FLA) No. HM/ECAD/899205/142501.<br>e- A number of acknowledgements of assignment of contract proceeds for contracts entered into by ADES Saudi Limited and Saudi Aramco for the benefit of Banque Saudi Fransi.<br>f- A number of payment instructions issued by ADES Saudi related to contracts concluded with Saudi Aramco, in favour of Banque Saudi Fransi. |
| **Guarantees** | • Sight order bond of SAR 1,662,500,000.00.<br>• Commercial Guarantee of SAR 1,662,500,000.00.<br>• Mortgage of six rigs.<br>• Pledge of the proceeds of six rigs. |

**Table (12.16): Summary of a Joint Facilities Agreement with a Number of Banks**

| **Amendment and Restatement Agreement to the Joint Facilities Agreements between ADES Saudi (as "Bor-rower") and ADES Holding Company (as "Parent Company" and "Borrower", together "Borrowers"), and Subsidiaries of ADES Holding Company (together as "Debtors"), Banque Saudi Fransi (as "Conventional and Murabaha Facility Agent"), Wilmington Trust (UK) London (as "Global Agent"), HSBC Corporate Trustee Company (UK) Limited (as "Primary Security Agent"), Goldman Sachs Global Bank, Riyad Bank, Apicorp, Banque Saudi Fransi, Gulf International Bank, Saudi National Bank, Al Rajhi Bank, Arab Bank and Saudi British Bank (SABB) (as "Fi-nancing Parties") (the "Joint Facilities Agreement")** | |
|---|---|
| **Agreement Date** | 03/08/2023G |
| **Borrower** | ADES Saudi and ADES Holding Company. |
| **Facility Type/ Purpose/ Amount** | Initially, repayment of a number of debts then existing and payment of fees, costs and expenses incurred by the Debtors in connection with the Joint Facilities Agreement, and sub-sequently, for the general purposes of the Company. |
| **Term** | The Agreement indicates the expiration dates of the facilities, which extend up to eight years from the date of the Agreement. |
| **Facility Value** | 1- A facility with an aggregate value of USD 460,000,000.<br>2- A facility with an aggregate value of SAR 5,337,500,000.<br>As of 30 June 2023G, the outstanding facilities under the Joint Facilities Agreement amounted to SAR 5,842,507,143. |
| **Key Obligations** | • The Facility Coordination Agreement states that if PIF's ownership in ADES Holding Company falls below 20% (whether directly or indirectly) following the public Offering of ADES Holding Company, this shall be considered an early repayment event, and the Global Agent (on behalf of the creditors) shall have the right to consider the existing facilities as immediately payable on the date such event occurs.<br>• According to the Facilities Coordination Agreement, dividend distributions by ADES Holding Company before the Offering should not exceed 50% of the operating cash flows. Dividend distributions after the Offering to the shareholders of the Company shall be in accordance with the dividend policy set out in this Prospectus. In both cases, provided the distribution does not occur during a case of breach or result in a breach, and that the distribution occurs only after the date indicated and agreed upon in the Agreement, namely 30/06/2022G.<br>• The Facility Coordination Agreement also contains a cross breach default event, pursuant to which the Debtors shall be deemed in default with respect to existing financing in the event that any of the Debtors fails to pay an amount exceeding USD 20,000,000 (or its equivalent in any other currency). The Global Agent shall have the right, upon notice to ADES Holding Company, to cancel the total obligations, and/or have all or part of the deferred payments, loans, and other receivables due and payable immediately and/or to exercise its rights relating to the guarantees through the Security Agent. |

| | |
|---|---|
| **Related Documents** | a- Creditors Agreement dated 23/11/2021G between ADES Saudi, ADES Holding Company, HSBC Corporate Trustee Company (UK) Limited, as Primary Mortgage Agent, Wilmington Trust (London) Limited, as Primary Global Agent, Banque Saudi Fransi, as Primary Conventional Facility Agent and Primary Islamic Facility Agent and other parties.<br>b- Conventional Facility Agreement dated 23/11/2021G, as amended on 03/08/2023G, between ADES Saudi, ADES Holding Company and Banque Saudi Fransi, as Facility Agent, among other parties.<br>c- The Master Murabaha Agreement dated 23/11/2021G, as amended on 03/08/2023G, between ADES Saudi, ADES Holding Company and Banque Saudi Fransi, as Investment Agent.<br>d- Investment Agency Agreement dated 23/11/2021G, as amended on 03/08/2023G, between ADES Saudi, ADES Holding Company and Wilmington Trust (London) Limited, as Global Agent, among other parties.<br>e- Share Mortgage Agreement of ADES International Drilling Company dated 02/12/2021G, between ADES International Holding Limited and HSBC Corporate Trustee Company (UK) Limited.<br>f- Share Mortgage Agreement of KADS, dated 02/12/2021G, between ADES International Holding Company Limited and HSBC Corporate Trustee Company (UK) Limited.<br>g- Maritime Fleet Mortgage Agreement dated 23/10/2022G, between Emerald Driller Company and HSBC Corporate Trustee Company (UK) Limited.<br>h- Share Mortgage Agreement of Precision Drilling (Cyprus) Limited, dated 02/12/2021G, between ADES International and HSBC Corporate Trustee Company (UK) Limited.<br>i- Collection and Insurance Accounts Mortgage Contract concluded between ADES Egypt and HSBC Bank Egypt S.A.E.<br>j- Proceeds Transfer Contract concluded between ADES Egypt and HSBC Bank Egypt S.A.E.<br>k- Customer Contracts and Insurance Policies Transfer Contract dated 02/12/2021G, between KADS, ADES Saudi (in addition to other Subsidiaries) and HSBC Corporate Trustee Company (UK) Limited.<br>l- Bank Accounts Mortgage Agreement dated 02/12/2021G, between ADES Saudi and HSBC Saudi Arabia.<br>m- Rig Mortgage Agreement dated 02/12/2021G between ADES Egypt and HSBC Saudi Arabia.<br>n- Liberian Fleet Mortgage Contract dated 03/12/2021G, between ADES Egypt and HSBC Corporate Trustee Company (UK) Limited.<br>o- Liberian Fleet Mortgage Contract dated 03/12/2021G, between ADES Saudi and HSBC Corporate Trustee Company (UK) Limited.<br>p- Maritime Fleet Mortgage Agreement dated 05/12/2021G, between ADES Egypt and HSBC Corporate Trustee Company (UK) Limited.<br>q- Customer Contracts and Insurance Policies Transfer Contract dated 10/10/2022G, between Emerald Driller Company and HSBC Corporate Trustee Company (UK) Limited.<br>r- Bank Accounts Mortgage Agreement dated 10/10/2022G, between Emerald Driller Company and HSBC Corporate Trustee Company (UK) Limited.<br>s- Maritime Fleet Mortgage Agreement dated 23/10/2022G, between Emerald Driller Company and HSBC Corporate Trustee Company (UK) Limited. |
| **Guarantees** | • Promissory notes.<br>• Transfers of a number of the proceeds of customer contracts and a number of insurance policies.<br>• Several rig mortgages.<br>• Several bank account mortgages.<br>• Payment instructions issued by any of the borrowers to Aramco and Aramco's obligations to pay any of the borrowers. |

### 12.7.2 Summary of the Group's Debt Maturities

Below is a summary of the Group's debt maturities.

**Table (12.17): Summary of the Group's Debt Maturities***

| Year | 2023G | 2024G | 2025G | 2026G | 2027G | 2028G | 2029G | 2030G |
|---|---|---|---|---|---|---|---|---|
| **Amount (SAR million)** | 812 | 1,044 | 1,044 | 1,239 | 1,235 | 1,235 | 2,698 | 1,162 |
| **As a percentage of the principal loan amounts** | 8% | 10% | 10% | 12% | 12% | 12% | 26% | 11% |

Source: Company information and the audited financial statements.

* The debts comprise all commercial loans of the Group taking into account the balance as of December 2022G only. The table shows the due dates and payments for the principal amounts of the loans only.

## 12.8 Real Estate

As of the date of this Prospectus, the Company does not own any real estate. The Company owns 80 onshore and offshore rigs (for further details on these assets, please refer to Section 4.5.1 ("**The Group's assets outside and inside Saudi Arabia**").

### 12.8.1 Leases

The Group has entered into three leases for the purpose of leasing its offices within the Kingdom of Saudi Arabia and abroad. The following table shows a summary of the provisions of the leases which are valid as of the date of this Prospectus, which constitute all material office leases entered into by the Group:

**Table (12.18): Summary of Leases Entered into by the Group**

| No. | Tenant | Lessor | Location | Purpose | Lease Value | Lease Term | Assignment/Subletting Right |
|---|---|---|---|---|---|---|---|
| 1- | ADES Egypt | Prime Innovations for Trade SAE | Crazy Water Axis in Sheikh Zayed City, Giza Governorate | Head office of ADES Egypt | The total lease value for the entire lease period is EGP 1,740,600. | Nine years commencing from 01/05/2020G ending on 30/04/2029G | The tenant shall in no way lease the leased property without the prior written approval of the lessor. |
| 2- | ADES International | Emirates REIT (CEIC) PLC | Unit 517, 5th Floor, Plot No. 46, DIFC, Dubai, UAE | Head office of ADES International Holding Ltd. | The total lease value for the contract period is AED 488,925. | Two years commencing from 01/08/2021G ending on 31/07/2023G | N/A |
| 3- | ADES Saudi[34] | Fluor Arabia Limited | King Abdulaziz Street, 6371 34423 | Head office of ADES Saudi | The total lease value for the contract period is SAR 10,979,625 | Three years commencing from 01/01/2023G ending on 31/12/2025G. | The tenant shall be entitled to lease part of the leased property without obtaining the lessor's approval. |

Source: The Company

## 12.9 Insurance

The Company and its Subsidiaries hold insurance policies covering the various types of risks to which they may be exposed. The Company has also obtained all necessary insurance coverage under the Group's drilling contracts with its customers.

The following table shows the key details of the material insurance policies held by the Company and its Subsidiaries:

**Table (12.19): Summary of Insurance Policies of the Company and its Material Subsidiaries**

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| **Health Insurance Policies** | | | | | |
| 1- | N/A | Health Insurance | Bupa Arabia for Cooperative Insurance Company (as Insurer) and the Company (as Insured) | SAR 1,000,000 | 01/03/2023G until 28/02/2024G |
| 2- | 44067900 | Health Insurance | Bupa Arabia for Cooperative Insurance Company (as Insurer) and ADES Saudi (as Insured) | SAR 1,000,000 | 01/01/2023G until 31/12/2023G |
| **Insurance Policies Issued for Rigs in the Kingdom of Saudi Arabia** | | | | | |
| 1- | P/OG/MOD/01/2021/183/R2 | Marine Drilling Unit Insurance (ADMARINE 337) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 111,900,000.00 (equivalent to approximately SAR 419,927,801) | 01/01/2023G until 31/12/2023G |
| 2- | P/OG/MOD/01/2021/184/R2 | Marine Drilling Unit Insurance (ADMARINE 339) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 114,900,000 (equivalent to approximately SAR 430,875,000) | 01/01/2023G until 31/12/2023G |

34 The contract was registered on the Ejar platform.

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| 3- | P/OG/MOD/01/2021/185/R2 | Marine Drilling Unit Insurance (ADMARINE 510) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 104,000,000 (equivalent to SAR 390,239,824) | 01/01/2023G until 31/12/2023G |
| 4- | P/OG/MOD/01/2021/186/R2 | Marine Drilling Unit Insurance (ADMARINE 511) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 104,000,000 (equivalent to SAR 390,239,824) | 01/01/2023G until 31/12/2023G |
| 5- | P/OG/MOD/01/2021/197/R1 | Marine Drilling Unit Insurance (ADMARINE 680) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 95,800,000 (equivalent to approximately SAR 359,517,952) | 01/01/2023G until 31/12/2023G |
| 6- | P/OG/MOD/01/2021/200/R1 | Marine Drilling Unit Insurance (ADMARINE 681) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 93,100,000 (equivalent to approximately SAR 349,385,400) | 01/01/2023G until 31/12/2023G |
| 7- | P/OG/MOD/01/2021/201/R1 | Marine Drilling Unit Insurance (ADMARINE 682) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 93,100,000 (equivalent to approximately SAR 349,385,400) | 01/01/2023G until 31/12/2023G |
| 8- | P/OG/MOD/01/2022/228/R1 | Marine Drilling Unit Insurance (ADMARINE 683) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 140,000,000 (equivalent to SAR 525,391,580) | 01/01/2023G until 31/12/2023G |
| 9- | P/OG/MOD/01/2022/229/R1 | Marine Drilling Unit Insurance (ADMARINE 684) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 140,000,000 (equivalent to SAR 525,391,580) | 01/01/2023G until 31/12/2023G |
| 10- | P/OG/MOD/01/2022/230/R1 | Marine Drilling Unit Insurance (ADMARINE 685) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 140,000,000 (equivalent to SAR 525,391,580) | 01/01/2023G until 31/12/2023G |
| 11- | P/OG/MOD/01/2022/231/R1 | Marine Drilling Unit Insurance (ADMARINE 686) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 140,000,000 (equivalent to SAR 525,391,580) | 01/01/2023G until 31/12/2023G |
| 12- | P/OG/MOD/01/2022/209/R1 | Marine Drilling Unit Insurance (ADMARINE 687) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 81,300,000 (equivalent to approximately SAR 305,113,940) | 01/01/2023G until 31/12/2023G |
| 13- | P/OG/MOD/01/2021/195/R1 | Marine Drilling Unit Insurance (ADMARINE 688) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 79,700,000 (equivalent to approximately SAR 299,109,238) | 01/01/2023G until 31/12/2023G |
| 14- | P/OG/MOD/01/2021/208/R1 | Marine Drilling Unit Insurance (ADMARINE 689) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 90,500,000 (equivalent to approximately SAR 339,640,617) | 01/01/2023G until 31/12/2023G |
| 15- | P/OG/MOD/01/2021/204/R1 | Marine Drilling Unit Insurance (ADMARINE 690) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 102,300,000 (equivalent to approximately SAR 383,925,250) | 01/01/2023G until 31/12/2023G |
| 16- | P/OG/MOD/01/2022/226/R1 | Marine Drilling Unit Insurance (ADMARINE 691) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 102,300,000 (equivalent to approximately SAR 383,925,250) | 01/01/2023G until 31/12/2023G |
| 17- | P/OG/MOD/01/2021/205/R1 | Marine Drilling Unit Insurance (ADMARINE 692) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 102,300,000 (equivalent to approximately SAR 383,925,250) | 01/01/2023G until 31/12/2023G |
| 18- | P/OG/MOD/01/2022/220/R1 | Marine Drilling Unit Insurance (ADMARINE 693) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 90,500,000 (equivalent to approximately SAR 339,640,617) | 01/01/2023G until 31/12/2023G |
| 19- | P/OG/MOD/01/2022/221/R1 | Marine Drilling Unit Insurance (ADMARINE 694) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 95,400,000 (equivalent to SAR 358,029,999) | 01/01/2023G until 31/12/2023G |
| 20- | P/OG/MOD/01/2022/250/R1 | Marine Drilling Unit Insurance (ADMARINE 695) | Egyptian Takaful Insurance Company (as Insurer) and ADES Saudi (as Insured) | USD 102,300,000 (equivalent to approximately SAR 383,925,250) | 01/01/2023G until 31/12/2023G |
| 21- | P/OG/MOD/01/2020/144/R3 | Marine Drilling Unit Insurance (ADMARINE 261) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 47,500,000 (equivalent to SAR 178,252,775) | 01/01/2023G until 31/12/2023G |

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| 22- | P/OG/MOD/01/2020/145/R3 | Marine Drilling Unit Insurance (ADMARINE 262) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 40,411,778 (equivalent to approximately SAR 151,652,875) | 01/01/2023G until 31/12/2023G |
| 23- | P/OG/MOD/01/2020/146/R3 | Marine Drilling Unit Insurance (ADMARINE 266) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 49,200,000 (equivalent to SAR 184,632,348) | 01/01/2023G until 31/12/2023G |
| 24- | P/OG/MOD/01/2020/143/R3 | Marine Drilling Unit Insurance (ADMARINE 655) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 45,600,000 (equivalent to SAR 171,122,664) | 01/01/2023G until 31/12/2023G |
| 25- | P/OG/MOD/01/2020/148/R3 | Marine Drilling Unit Insurance (ADMARINE 656) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 33,804,369 (equivalent to approximately SAR 126,857,317) | 01/01/2023G until 31/12/2023G |
| 26- | P/OG/MOD/01/2020/149/R3 | Marine Drilling Unit Insurance (ADMARINE 657) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 38,764,935 (equivalent to approximately SAR 145,472,783) | 01/01/2023G until 31/12/2023G |
| 27- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 144) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 17,000,000 (equivalent to SAR 63,798,297) | 01/01/2023G until 31/12/2023G |
| 28- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 146) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 300,000 (equivalent to approximately SAR 1,125,864) | 01/01/2023G until 31/12/2023G |
| 29- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 157) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 10,544,586 (equivalent to approximately SAR 39,572,576) | 01/01/2023G until 31/12/2023G |
| 30- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 158) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 17,000,000 (equivalent to SAR 63,798,297) | 01/01/2023G until 31/12/2023G |
| 31- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 173) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 17,300,000 (equivalent to approximately SAR 64,918,872) | 01/01/2023G until 31/12/2023G |
| 32- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 174) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 17,000,000 (equivalent to SAR 63,798,297) | 01/01/2023G until 31/12/2023G |
| 33- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 798) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 10,700.00 (equivalent to approximately SAR 40,152,135) | 01/01/2023G until 31/12/2023G |
| 34- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 799) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 12,725,717 (equivalent to approximately SAR 47,753,711) | 01/01/2023G until 31/12/2023G |
| 35- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 800) | Egyptian Takaful Insurance Company (as Insurer) and Advanced Petroleum Services Company (as Insured) | USD 300,000 (equivalent to approximately SAR 1,125,864) | 01/01/2023G until 31/12/2023G |
| 36- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 889) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 20,100,000 (equivalent to approximately SAR 75,426,677) | 01/01/2023G until 31/12/2023G |
| 37- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 13) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 23,391,727 (equivalent to approximately SAR 87,779,116) | 01/01/2023G until 31/12/2023G |

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| 38- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 14) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 24,121,684 (equivalent to approximately SAR 90,518,331) | 01/01/2023G until 31/12/2023G |
| 39- | P/OG/RIG/01/2020/166/R3 | Rig Power Contractors Insurance (ADES 40) | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 6,500,000 (equivalent to approximately SAR 24,391,711) | 01/01/2023G until 31/12/2023G |
| 40- | P/OG/MOD/01/2022/236/R1 | Marine Drilling Unit Insurance (ADMARINE 501) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services II Ltd. (as Insured) | USD 107,600,000 (equivalent to approximately SAR 403,778,468) | 01/01/2023G until 31/12/2023G |
| 41- | P/OG/MOD/01/2022/237/R1 | Marine Drilling Unit Insurance (ADMARINE 502) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services II Ltd. (as Insured) | USD 108,400,000 (equivalent to approximately SAR 406,780,539) | 01/01/2023G until 31/12/2023G |
| 42- | P/OG/MOD/01/2022/238/R1 | Marine Drilling Unit Insurance (ADMARINE 503) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services III Ltd. (as Insured) | USD 110,100,000 (equivalent to approximately SAR 413,159,938) | 01/01/2023G until 31/12/2023G |
| 43- | P/OG/MOD/01/2022/239/R1 | Marine Drilling Unit Insurance (ADMARINE 504) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services IV Ltd. (as Insured) | USD 101,000,000 (equivalent to SAR 379,008,156) | 01/01/2023G until 31/12/2023G |
| 44- | P/OG/MOD/01/2022/240/R1 | Marine Drilling Unit Insurance (ADMARINE 505) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services V Ltd. (as Insured) | USD 113,900,000 (equivalent to approximately SAR 427,416,128) | 01/01/2023G until 31/12/2023G |
| 45- | P/OG/MOD/01/2022/241/R1 | Marine Drilling Unit Insurance (ADMARINE 506) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services Ltd. (as Insured) | USD 111,100,000 (equivalent to approximately SAR 416,937,968) | 01/01/2023G until 31/12/2023G |
| 46- | P/OG/MOD/01/2022/242/R1 | Marine Drilling Unit Insurance (ADMARINE 507) | Egyptian Takaful Insurance Company (as Insurer) and ADES Drilling Services Ltd. (as Insured) | USD 110,800,000 (equivalent to approximately SAR 415,812,123) | 01/01/2023G until 31/12/2023G |
| 47- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 827) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 11,934,199 (equivalent to approximately SAR 44,758,998) | 01/01/2023G until 31/12/2023G |
| **Insurance Policies Issued for Rigs in the People's Democratic Republic of Algeria** | | | | | |
| 48- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 2) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 10,340,715 (equivalent to approximately SAR 38,786,812) | 01/01/2023G until 31/12/2023G |
| 49- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 3) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 9,960,361 (equivalent to approximately SAR 37,360,148) | 01/01/2023G until 31/12/2023G |
| 50- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 801) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 13,524,834 (equivalent to approximately SAR 50,730,069) | 01/01/2023G until 31/12/2023G |
| 51- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 802) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 5,700,000 (equivalent to approximately SAR 21,380,033) | 01/01/2023G until 31/12/2023G |
| 52- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 814) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 6,779,000 (equivalent to approximately SAR 25,427,235) | 01/01/2023G until 31/12/2023G |

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| 53- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 828) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 13,874,755 (equivalent to approximately SAR 52,042,582) | 01/01/2023G until 31/12/2023G |
| **Insurance Policies Issued for Rigs in the State of Kuwait** | | | | | |
| 54- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 102) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 2,000,000 (equivalent to SAR 7,501,766) | 01/01/2023G until 31/12/2023G |
| 55- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 155) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 47,852,674 (equivalent to approximately SAR 179,486,096) | 01/01/2023G until 31/12/2023G |
| 56- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 160) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 300,000 (equivalent to approximately SAR 1,125,241) | 01/01/2023G until 31/12/2023G |
| 57- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 171) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 1,100,000 (equivalent to approximately SAR 4,125,886) | 01/01/2023G until 31/12/2023G |
| 58- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 172) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 300,000 (equivalent to approximately SAR 1,125,241) | 01/01/2023G until 31/12/2023G |
| 59- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 180) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 29,711,133 (equivalent to approximately SAR 111,440,695) | 01/01/2023G until 31/12/2023G |
| 60- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 776) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 45,963,137 (equivalent to approximately SAR 172,398,810) | 01/01/2023G until 31/12/2023G |
| 61- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 808) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 18,200,000 (equivalent to approximately SAR 68,264,669) | 01/01/2023G until 31/12/2023G |
| 62- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 809) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 18,200,000 (equivalent to approximately SAR 68,264,669) | 01/01/2023G until 31/12/2023G |
| 63- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 870) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 41,197,980 (equivalent to approximately SAR 154,525,630) | 01/01/2023G until 31/12/2023G |
| 64- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 871) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 48,764,130 (equivalent to approximately SAR 182,888,991) | 01/01/2023G until 31/12/2023G |
| 65- | P/OG/RIG/01/2020/171/R3 | Rig Power Contractors Insurance (ADES 878) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 26,200,000 (equivalent to approximately SAR 98,262,628) | 01/01/2023G until 31/12/2023G |
| **Insurance Policies Issued for Rigs in the Republic of Tunisia** | | | | | |
| 66- | P/OG/RIG/01/2020/171/R3 | Onshore Rig Power Contractors Insurance (ADES 830) | Egyptian Takaful Insurance Company (as Insurer) and KADS (as Insured) | USD 27,120,825 (equivalent to approximately SAR 101,727,041) | 01/01/2023G until 31/12/2023G |

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| **Insurance Policies Issued for Rigs in the State of Qatar** | | | | | |
| 67- | P/OG/MOD/01/2021/212/R1 | Offshore Drilling Unit (Emerald Driller) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES International Holding Ltd. (as Insured) and Emerald Driller Company (as Joint Insured) | USD 84,700,000 (equivalent to approximately SAR 317,665,825) | 01/01/2023G until 31/12/2023G |
| 68- | P/OG/MOD/01/2021/214/R1 | Offshore Drilling Unit (Sapphire Driller) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES International Holding Ltd. (as Insured) and Emerald Driller Company (as Joint Insured) | USD 85,300,000 (equivalent to approximately SAR 319,916,114) | 01/01/2023G until 31/12/2023G |
| 69- | P/OG/MOD/01/2021/213/R1 | Offshore Drilling Unit (Aquamarine Driller) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES International Holding Ltd. (as Insured) and Emerald Driller Company (as Joint Insured) | USD 85,600,000 (equivalent to approximately SAR 321,041,259) | 01/01/2023G until 31/12/2023G |
| **Insurance Policies Issued for Rigs in the Arab Republic of Egypt** | | | | | |
| 70- | P/OG/MOD/01/2021/218/R1 | Offshore Drilling Unit (ADMARINE 9) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 43,100,000 (equivalent to approximately SAR 161,747,576) | 01/01/2023G until 31/12/2023G |
| 71- | P/OG/MOD/01/2022/224/R1 | Offshore Drilling Unit (ADMARINE 10) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 30,000,000 (equivalent to SAR 112,585,320) | 01/01/2023G until 31/12/2023G |
| 72- | P/OG/MOD/01/2021/191/R2 | Offshore Drilling Unit (ADMARINE 12) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 30,000,000 (equivalent to SAR 112,585,320) | 01/01/2023G until 31/12/2023G |
| 73- | P/OG/MOD/01/2020/142/R3 | Offshore Drilling Unit (ADMARINE 88) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 23,998,515 (equivalent to approximately SAR 90,062,683) | 01/01/2023G until 31/12/2023G |
| 74- | P/OG/MOD/01/2020/143/R3 | Offshore Drilling Unit (ADMARINE 260) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 32,858,866 (equivalent to approximately SAR 123,314,198) | 01/01/2023G until 31/12/2023G |
| 75- | P/OG/MOD/01/2020/142/R3 | Marine Drilling Unit (ADMARINE 1) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 50,000,000 (equivalent to SAR 187,642,200) | 01/01/2023G until 31/12/2023G |
| 76- | P/OG/MOD/01/2020/136/R3 | Marine Drilling Unit (ADMARINE 2) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 8,054,401 (equivalent to approximately SAR 30,226,910) | 01/01/2023G until 31/12/2023G |
| 77- | P/OG/MOD/01/2020/137/R3 | Insurance policy for a portable offshore drilling unit under the name ADMARINE 3 | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 20,101,765 (equivalent to approximately SAR 75,438,788) | 01/01/2023G until 31/12/2023G |
| 78- | P/OG/MOD/01/2020/138/R3 | Offshore Drilling Unit (ADMARINE 4) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 22,300,000 (equivalent to approximately SAR 83,688,421) | 01/01/2023G until 31/12/2023G |
| 79- | P/OG/MOD/01/2020/139/R3 | Offshore Drilling Unit (ADMARINE 5) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | Full insurance value: USD 40,337,847 (equivalent to approximately SAR 151,381,647) | 01/01/2023G until 31/12/2023G |
| 80- | P/OG/MOD/01/2020/140/R3 | Offshore Drilling Unit (ADMARINE 6) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 28,281,286 (equivalent to approximately SAR 106,135,254) | 01/01/2023G until 31/12/2023G |
| 81- | P/OG/MOD/01/2020/141/R3 | Offshore Drilling Unit (ADMARINE 8) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 34,900,955 (equivalent to approximately SAR 130,977,839) | 01/01/2023G until 31/12/2023G |

| No. | Policy No. | Type of Coverage | Insurer and Insured | Maximum Insurance Coverage (SAR) | Coverage Validity Period and Expiration Date |
|---|---|---|---|---|---|
| 82- | P/OG/RIG/01/2020/174/R3 | Onshore Rig Power Contractors Insurance (ADES 810) | Egyptian Takaful Insurance Company (as Insurer) and the following companies (as Insured): ECDC Egypt and ADES Egypt | USD 6,684,096 (equivalent to approximately SAR 25,065,360) | 01/01/2023G until 31/12/2023G |
| **Insurance Policies Issued for Rigs in the Republic of India** | | | | | |
| 83- | P/OG/RIG/01/2020/174/R3 | Onshore Rig Power Contractors Insurance (ADES 815) | Egyptian Takaful Insurance Company (as Insurer) and the following companies (as Insured): ECDC Egypt and ADES Egypt | USD 5,900,000 (equivalent to approximately SAR 22,125,000) | 01/01/2023G until 31/12/2023G |
| 84- | P/OG/RIG/01/2020/170/R1 | Onshore Rig Power Contractors Insurance (ADES 1) | Egyptian Takaful Insurance Company (as Insurer) and ADES International for Drilling (as Insured) | USD 10,340,715 (equivalent to approximately SAR 38,777,681) | 01/01/2023G until 31/12/2023G |
| 85- | P/OG/MOD/01/2022/252 | Offshore Drilling Unit (Admarine 11) Insurance | Egyptian Takaful Insurance Company (as Insurer) and ADES Egypt (as Insured) | USD 40,000,000 (equivalent to approximately SAR 150,000,000) | 17/04/2023G until 31/12/2023G |

Source: The Company

## 12.10 Intellectual Property and Intangible Assets Owned by the Group

The Group generally relies on its intangible assets, including brands that reflect its brand identity and technical systems on which its operations rely substantially. Below is a description of the trademarks owned and e-systems used by the Group.

### 12.10.1 Trademarks

The Group's success depends substantially on its ability to maintain and enhance the strength and value of its trademarks, which in turn depends on several factors, including the Group's reputation. Trademarks are also used in the Company's marketing efforts, which contribute to increasing the sales and earnings of the Group.

The Group has registered two of its Material Subsidiaries' trademarks with the competent authorities outside the KSA. The Company has also registered its trademark with the Saudi Authority for Intellectual Property in the KSA and obtained a trademark registration certificate from the Saudi Authority for Intellectual Property. The Company shall re-license its ADES Saudi trademark. Below are the main details of all trademarks registered or under registration for the Company and the Material Subsidiaries outside the KSA:

**Table (12.20): Details of Trademarks of the Company and Saudi ADES that the Company has Applied to Register with the Saudi Authority for Intellectual Property in the KSA**

| Trademark Logo | Trademark Owner | Trademark Registration Certificate No. | Trademark Category | Protection Expiration Date |
|---|---|---|---|---|
| ADES ADES HOLDING أديس القابضة | The Company | 1444028097 | 36 | 03/08/1454H (corresponding to 07/11/2032G) |

Source: The Company

**Table (12.21): Other Countries in which the Company and its Subsidiaries have Registered their Trademarks**

| Trademark Logo | Trademark Owner | Trademark Registration Certificate No. | Trademark Category | Country of Registration | Protection Expiration Date |
|---|---|---|---|---|---|
| أديس ADES ADVANCED ENERGY SYSTEMS ادفانسد انيرجي سيستمز | ADES Egypt | 332703 | Category 35 – Sale of petroleum equipment.<br>Category 37 – Petroleum, oil and gas well drilling services. | Arab Republic of Egypt | 23/03/2026G |
| ADES INTERNATIONAL HOLDING LTD. | ADES International | 314326 | Category 36 Insurance services finance, monetary affairs, real estate affairs | United Arab Emirates | 23/07/2029G |

## 12.10.2 Domain names owned by the Group

The Group has reserved and registered a website and internet domain in its name. The Group will activate the website prior to the approval of the CMA and the publication of the Prospectus. The details of the website are included in the following table.

**Table (12.22): Details of Key Internet Domains**

| No. | Internet Domain Name | Company that Owns the Domain |
|---|---|---|
| 1- | www.adesgroup.com | The Group |

Source: The Company

## 12.10.3 Key IT Systems used by the Group

The Group has established an integrated data center at its head office to manage its information technology functions, and the Oracle ERP system has been successfully implemented. The Group's Oracle ERP system integrates business applications for finance, supply chain, human capital management and maintenance, and serves the Group's operating units and offices in numerous locations, including Egypt, the Kingdom of Saudi Arabia, Kuwait and Algeria.

The Group also has a wide area network that connects its head office systems to its rigs and other business units. For security and remote connectivity, the wide network was equipped with intrusion prevention systems and virtual private networking tools. In addition, automated software and database applications support the Group's industrial activities. In the past three years, the Group has not had any breaches or failures in IT security.

The Group has obtained the rights to use a number of systems and programs of other leading companies. The following table shows the details of the key systems and applications used by the Group.

**Table (12.23): Details of Systems and Applications**

| No. | Name of Application or System | Nature of Application or System | Purpose of Application or System | Company that Owns or Uses the Application or System | Expiration Date (if any) |
|---|---|---|---|---|---|
| 1- | Oracle | Enterprise Resource Planning (ERP) | Used by the Group to manage day-to-day business activities, such as accounting and procurement, and serves as integrated management of business processes and applications. | The Group | Annually renewed |
| 2- | Alcan | Internet service | Integration of internet services between rigs and the head office, in order to be able to access applications through satellite connections. | ADES Egypt | Four years, automatically renewed |
| 3- | Fortinet | Firewall | Securing the Group networks across various operating locations, including rigs. | The Group | 21/12/2023G |
| 4- | Kaspersky | Antivirus protection | Comprehensive protection against various types of information security threats. | The Group | 20/03/2025G |
| 5- | WE | Internet service | Provision of internet service and payment (Internet service WE + fibre rent) | The Group | Annually, automatically renewed |

Source: The Company

With the exception of the above, the Group has no other intangible assets of a material nature.

## 12.11 Claims and Lawsuits

The Directors declare that there are no ongoing or threatened lawsuits, claims, complaints or investigation proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company or its Subsidiaries. Note that, as of the date of this Prospectus, the Company and its Subsidiaries are parties to a number of non-material lawsuits filed in the ordinary course of their operations.

## 12.12 Zakat and Tax Status of the Group

The Company and its Subsidiaries in the Kingdom of Saudi Arabia are subject to ZATCA laws. As of the date of this Prospectus, the Company has not filed any Zakat or tax returns since its establishment in December 2022G. ADES Saudi, the only Saudi Subsidiary in the Group, has filed its Zakat and tax returns independently, from the date of its establishment until the end of the financial year 2021G, and has obtained Zakat certificates from ZATCA for all years until 2021G.

All other companies of the Group, except for the companies registered in Cyprus, have independently filed the Zakat and tax returns required of them, from the date of the establishment of each company until the end of 2021G, in accordance with the applicable regulations, and have paid all tax dues for such periods. Returns for the financial year 2022G shall be filed before the end of the relevant filing period.

Group companies registered in Cyprus are not subject to any tax payments in Cyprus. However, they have not filed any tax returns, which must be filed in accordance with the applicable law. For further information on the related risks, please refer to Section 2.2.7 ("**Risks Related to Zakat and Tax**") of this Prospectus.

The table below shows the provisions for Zakat, tax and deferred payable taxes for the Company and its consolidated Subsidiaries as at 31 December 2020G, 2021G and 2022G.

**Table (12.24): Zakat, Income Tax Payable and Deferred Tax Payable for the Company and its Consolidated Subsidiaries as at 31 December 2020G, 2021G and 2022G**

| The Company and its Consolidated Subsidiaries | 2020G (SAR) | 2021G (SAR) | 2022G (SAR) |
|---|---|---|---|
| Zakat and tax provisions | 2,205,221 | 21,330,315 | 14,776,740 |
| Income tax payable | 35,604,150 | 30,973,826 | 10,494,524 |
| Total deferred tax payable | 0 | 51,323 | 56,819,946 |
| **Total** | **37,809,371** | **52,355,464** | **82,091,210** |

Source: The audited special purpose consolidated financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.

The following table shows the years in which the valuation and payment of the final Zakat and tax assessments were not completed for the Material Subsidiaries only (within the Kingdom of Saudi Arabia and abroad), as well as the disputed amounts and their respective provisions, as at 31 December 2022G, noting that with respect to the remaining years not mentioned in the table, the valuation and payment of the final Zakat and tax assessments were completed therein.

**Table (12.25): Years in which the Valuation and Payment of the Final Zakat and Tax Assessments for the Material Subsidiaries, the Disputed Amounts and their Respective Allocations were not Completed as at 31 December 2022G**

| | Company Name | Years Valuation and Payment were not Completed | Total Disputed Amount (SAR) | Disputed Zakat Amount (SAR) | Disputed Tax Amount (SAR) | Provision Amount (SAR) |
|---|---|---|---|---|---|---|
| 1- | ADES Saudi | 2017G, 2018G, 2019G, 2020G and 2021G | - | - | - | - |
| 2- | ADES International | N/A | - | - | - | - |
| 3- | ADES Egypt | 2020G and 2021G | - | - | - | 11.3 million |
| 4- | Emerald Driller Company | 2017G, 2018G, 2019G, 2020G and 2021G | - | - | - | - |
| 5- | Advanced Drilling Services | N/A | - | - | - | - |
| 6- | UPDC | 2018G, 2019G, 2020G and 2021G | - | - | - | - |

Source: The Company

For further information on the related risks, please refer to Section 2.2.7 ("**Zakat and Tax-related Risks**") of this Prospectus.

There are currently no ongoing disputes related to taxation or Zakat between the Group Companies and the competent tax authorities, except for a potential dispute between the Group's branch in the Kingdom of Saudi Arabia (ADES GCC) and ZATCA regarding corporate income tax of SAR 3.4 million for the year 2015G and withholding tax of SAR 5.6 million claimed by ZATCA for the period from 2015G to 2017G, which was objected by this branch. It should be noted that the Group has not made any provisions to cover this dispute based on its analysis of the issue and the risks associated therewith, as it believes that this objection could succeed and based on the compensation letter issued by the seller on the date of the Group's acquisition of ADES GCC and its subsidiary, which states that the seller shall bear the tax and Zakat liabilities for the periods prior to October 2022G. The Group shall bear such claims in the event that this objection is unsuccessful and is not covered in the compensation letter.

## 12.13 Summary of the Company's Bylaws

### Company Name:

Ades Holding Company, a closed mixed joint stock company.

### Objects of the Company:

1- Managing subsidiaries of holding companies.
2- Investing funds of subsidiaries of holding companies.
3- Owning property and movables required for holding companies.
4- Providing loans, guarantees and financing to subsidiaries of holding companies.
5- Owning the industrial property rights of the subsidiaries of holding companies.
6- Leasing industrial property rights to subsidiaries of holding companies.

### Company Headquarters:

The Company's headquarters is located in al Khobar, Kingdom of Saudi Arabia. The Company may establish branches, offices or agencies inside or outside the Kingdom pursuant to a resolution of the Board of Directors. The Company's headquarters may only be transferred pursuant to a resolution of the Board of Directors and with the approval of the relevant authorities.

### Term of the Company:

The Company's term shall be indefinite.

### Capital:

Eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) nominal shares of equal value, with a nominal value of one Saudi Arabian Riyal (SAR 1) per share, all of which are ordinary cash shares, including one million (1,000,000) cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (857,087,510) in-kind shares.

### Sale of Unpaid Shares

1- Shareholders undertake to pay the value of the shares on the dates set for such payment. If a Shareholder fails to pay on the due date, the Board of Directors may, after notifying the shareholder via registered mail sent to the address indicated in the shareholders' register, or by modern technological means, sell the shares at public auction or on the capital market, as the case may be, in accordance with the controls set by the competent authority.
2- The Company shall collect the amounts due thereto from the proceeds of the sale and shall refund the remaining amount to the shareholder. If the proceeds of the sale fall short of the amounts due, the Company may claim the entire assets of the defaulting shareholder for the unpaid balance.
3- Notwithstanding Paragraph 2 of this Article, a defaulting shareholder may, up to the date of sale, pay the amount owed thereby plus all expenses incurred by the Company in this regard.
4- The Company shall cancel the share certificate for shares sold in accordance with the provisions of this article and shall issue the purchaser a new share certificate bearing the serial numbers of the cancelled shares, making a notation of the occurrence of such sale and indicating the name of the new owner in the shareholders' register.

## Issuance of Shares:

The shares shall be nominal and may not be issued for less than their nominal value. The Company may issue shares for higher than their nominal value, provided that the premium is added in a separate item within shareholders' equity and may not be distributed as dividends to shareholders. A share is indivisible against the Company. If a share is owned by several persons, they shall elect one of them to act on their behalf in exercising the rights related to such share. These persons shall be jointly responsible for the obligations arising from ownership of the share.

## Share Trading:

Shares may be traded upon being registered in the shareholders' register. The transfer of ownership of a share shall not be deemed valid against the Company or third parties except after registration.

## Capital Increase:

1- The Extraordinary General Assembly may decide to increase the Company's issued capital within the limits of the authorized capital, provided that the issued capital has been paid in full.

2- The Extraordinary General Assembly may decide to increase the issued capital of the Company (or the authorized capital, if any), provided that the issued capital has been paid in full, unless the unpaid portion of the capital pertains to shares issued in exchange for the conversion of debt instruments or financing instruments into shares and the prescribed period for conversion into shares has not yet expired.

## Capital Decrease:

1- The Company's capital may be reduced under a resolution of the Extraordinary General Assembly if it exceeds the Company's needs or if the Company incurs losses. In the latter case alone, the capital may be reduced below the limit stipulated in Article 59 of the Companies Law. The reduction resolution may only be issued after a statement prepared by the Board is presented to the shareholders and the Extraordinary General Assembly reviews the auditor's report on the justifications for the reduction, the Company's obligations and the impact of the decrease on these obligations. A report from the Company's Auditor shall be attached to such statement.

2- If the capital reduction is a result of the capital being in excess of the Company's need, the creditors shall be invited to express their objections to the reduction within 45 days from the date the reduction resolution is published in a daily newspaper. If a creditors objects to such reduction, the Company shall pay them their debt if already due or shall provide them with sufficient guarantee to satisfy their debt if it is due in the future.

3- In the event of a capital reduction, shareholders that own shares of the same type and class shall be treated on an equal footing.

## Bonds and Sukuk:

1- The Company may - pursuant to a resolution of the Extraordinary General Assembly - and in accordance with the Capital Market Law and other applicable laws and regulations, issue any type of negotiable debt instruments, whether in the Saudi currency or another currency, inside or outside the Kingdom of Saudi Arabia, including bonds and Sukuk. The Extraordinary General Assembly may authorize the Board of Directors to issue these debt instruments, including, inter alia, bonds and Sukuk, whether such instruments are issued at the same time or through a series of issues or through one or more programs established by the Board of Directors from time to time. This shall be done at the times and amounts and in accordance with the conditions approved by the Board of Directors, which has the right to take all necessary procedures in this regard.

2- The company may also issue debt instruments or convertible debt instruments, in a manner that does not contradict the provisions of Islamic Sharia, pursuant to an extraordinary general assembly resolution determining the maximum number of shares that may be issued in exchange for these instruments or sukuk, whether those instruments or sukuk are issued at the same time, through a series of issues or through one or more programs for issuance of debt or sukuk instruments. The Board of Directors shall, without the need for further approval from the Extraordinary General Assembly, issue new shares against these instruments or sukuk whose holders request their conversion, immediately upon the expiry of the conversion request period set for holders of such instruments or sukuk. The Board of Directors shall take the necessary measures to amend the Company's Bylaws with respect to the number of shares issued and the capital. The Board shall announce the completion of procedures taken for each capital increase in the manner specified in the Company's Bylaws for announcement of resolutions of the Extraordinary General Assembly.

## Board of Directors

**Management of the Company:**

1- The Company is managed by a Board of Directors consisting of nine members elected by the Ordinary General Assembly of shareholders.
2- The membership term of the Company's Board of Directors shall be no more than four years.

**Expiry of Board Membership:**

Membership of the Board shall expire upon the expiry of its term or if a member becomes unfit for membership in accordance with any laws or instructions in force in the Kingdom. The Ordinary General Assembly may (based on a recommendation from the Board of Directors) terminate the membership of any member who fails to attend three (3) consecutive meetings or five (5) separate meetings during their membership term without a legitimate excuse accepted by the Board of Directors.

The Ordinary General Assembly may also, at any time, dismiss some or all of the Directors, and in this case the Ordinary General Assembly shall elect a new Board of Directors or a replacement for the dismissed Director (as the case may be) in accordance with the provisions of the Companies Law.

**Expiry of the Board, Retirement of Directors or Board Vacancy:**

1- Before the expiry of its term, the Board of Directors shall call the Ordinary General Assembly to convene to elect a Board of Directors for a new session. If an election cannot be held and the term of the current Board has expired, its members shall continue to perform their duties until a new Board of Directors is elected for a new term, provided that the term of the Directors whose term has expired does not exceed the period specified in the Implementing Regulations of the Companies Law.
2- If the Chairman and Directors retire, they must call the Ordinary General Assembly to convene in order to elect a new Board of Directors. Resignation shall not be valid until the new Board is elected, provided that the continued term of the retiring Board does not exceed the term specified in the Implementing Regulations of the Companies Law.
3- A Director may retire from membership of the Board under a written notice addressed to the Chairman. If the Chairman resigns, the notice must be directed to the remaining Directors and the Board Secretary. Resignation shall be effective - in both cases - from the date specified in the notice.
4- If the position of a Director becomes vacant due to death or retirement and such vacancy does not result in the inability to meet the required quorum for holding Board meetings, the Board may (temporarily) appoint someone with sufficient experience to the vacant position, provided that they notify the commercial register of the same, as well as the CMA if the Company is listed on the financial market, within fifteen (15) days from the date of appointment. The appointment shall be presented to the Ordinary General Assembly at its first meeting, and the appointed Director shall complete the term of their predecessor.
5- If the Board is not able to meet the conditions necessary to properly convene the Board of Directors due to it being unable to meet the required quorum set out in the Companies Law or the Company's Bylaws, the remaining members shall call the Ordinary General Assembly to convene within 60 days to elect the necessary number of members.

**Powers of the Board of Directors:**

1- Subject to the powers assigned to the General Assembly, the Directors shall have the widest powers to manage the Company in order to achieve its objectives and supervise its affairs. The Directors may, in order to carry out their duties, exercise all powers and carry out all acts and actions the Company is entitled to carry out under the Bylaws, the Articles of Association or otherwise, except for those acts or actions that are excluded by a special provision and that fall under the competence of the General Assembly.
2- The Board of Directors must obtain the approval of the General Assembly when selling assets whose value exceeds fifty percent (50%) of the value of its total assets, whether the sale is made through a single transaction or several transactions. In this case, the transaction that leads to exceeding fifty percent (50%) of the value of the assets is deemed the transaction that requires the approval of the General Assembly. This percentage is calculated from the date of the first transaction that took place during the previous twelve months.

3- The Directors may, jointly or severally, inter alia, have the power to represent the Company and sign in its name and on its behalf before third parties, government, public and private entities, bodies, institutions, notaries public, dispute resolution committees of all kinds, civil rights departments, police departments, chambers of commerce and industry, private entities, companies and institutions of all kinds, individuals, companies, all government and private financing funds and institutions and Saudi and non-Saudi banks and financial institutions.

4- The Directors shall, jointly or severally, approve the Company's business plan, annual balance sheet and annual operational work plan.

5- The Directors shall, jointly or severally, prepare and form the committees originating from the Board of Directors and prepare and approve all matters related to the Company's governance and internal regulations and policies related to the Company's business and development, including, inter alia, the internal financial, administrative and technical regulations of the Company, in addition to employee regulations, with the exception of the committees, policies and regulations that require the approval of the General Assembly.

6- The Directors shall, jointly or severally, have the power to establish subsidiaries, purchase, rent and lease land and property, purchase, sell, mortgage and release the mortgage of assets and movables in the name and on behalf of the Company, transfer deeds and contracts related thereto, and receive and pay the price in accordance with the interests of the Company.

7- The Directors shall, jointly or severally, have the power to appoint and dismiss employees and personnel, determine their wages, request and obtain visas, residence and work permits, recruit employees and personnel and transfer their services and issue financial and administrative regulations and all regulations necessary for the business of the Company.

8- The Directors, jointly or severally, shall have the power to sign all types of contracts and documents, including, inter alia, contracts for the incorporation of companies in which the Company participates, with all their amendments, appendices and amendment resolutions, and to sign agreements and contracts. They shall also have the power to sell, purchase and pledge property, transfer and accept transfers, receive, deliver, rent, lease, receive amounts, pay, open bank accounts within the KSA and abroad, open and settle documentary credits, withdraw from and deposit into the Company's accounts with banks within the KSA and abroad, issue bank guarantees of all types, and sign all papers, documents, checks and all banking transactions. The Directors shall, jointly or severally, have the power to enter into commitments, loans or financial facilities of any duration.

9- The Directors shall, jointly or severally, have the power to issue legal powers of attorney and they may, jointly or severally, in cases determined by Board, discharge the Company's debtors.

10- The Directors, jointly or severally, have the right - within the limits of their competence - to delegate one or more of the members of the Board or a third party to undertake specific works or actions. However, the Directors are not entitled to donate any of the Company's funds except within the limits prescribed by the laws and regulations in force in the KSA.

**Remuneration of Board Members:**

1- Remuneration of the Chairman and Directors and the committees originating from the Board of Directors shall be in accordance with the remuneration policy approved by the General Assembly.

2- The report of the Board of Directors to the General Assembly must include a comprehensive statement of all remuneration, expense allowances and other benefits the received by the Directors during the financial year and a statement of any amounts the Directors received in their capacity as employees or administrators or in exchange for technical, administrative or advisory works. Such report must also include a statement of the number of Board meetings and the number of meetings attended by each member from the date of the last General Assembly meeting.

The Company's Bylaws do not provide for granting a Board member or the CEO the right to vote on resolutions related to their remuneration.

**Powers of the Chairman, Vice Chairman and Secretary:**

1- The Board of Directors shall appoint a Chairman and Vice Chairman from among its members. The Board of Directors shall also appoint a Secretary from among its members or others.

2- The Chairman or Vice Chairman may call for and chair meetings of the Board of Directors and General Assembly meetings.

3- The Chairman or the Vice Chairman may represent the Company in its relations with third parties, before the judiciary, government and private agencies, any third parties, notaries public, courts, the Committee for the Resolution of Securities Disputes, dispute settlement committees of all kinds, arbitration and civil rights bodies, police departments, chambers of commerce and industry, private bodies and companies and institutions of all kinds, as well as issue powers of attorney, appoint and dismiss attorneys and lawyers, handle claims, file lawsuits, handle pleadings and defence, hear and respond to claims, acknowledge, deny, reconcile, waive and acquit, proceed with claims and lawsuits, handle litigation and defence, attend and respond to hearings, accept and deny judgments, make settlements and assignments, handle matters, request an oath, submit and reject summons requests, summon, challenge and respond to witnesses, amend witness testimonies, contest accusations of fraud, request imposition and lifting of a travel ban, request the application of Article 230 of the Law of Civil Procedure, demand enforcement of judicial rulings and accept and appeal the same, complete the necessary procedures to attend sessions, receive checks and judgments regarding all claims before all courts of all kinds, sign all types of contracts and documents, including, inter alia, articles of association of companies in which the Company is a party to, along with all their amendments and annexes, sign agreements, Sukuk and title transfer deeds before notaries public and official bodies, and loan agreements with government financing funds and institutions, banks, licensed persons, brokerage companies and financial firms, as well as bonds, guarantees and mortgages, release the same, collect the Company's dues, settle its obligations, sell, buy, release, accept, receive, deliver, rent, lease, collect, pay, enter into tenders, appoint employees and enter into contracts with them, determine their salaries, dismiss them, request visas, recruit employees and laborers from abroad, obtain residence and work permits and transfer and release sponsorships. They shall carry out all other duties entrusted to them by the Board of Directors and the Company's Bylaws and may delegate some or all of their powers to other members of the Board or third parties to undertake specific works or actions under a written decision or by proxy.

4- The Secretary shall document and record the deliberations and resolutions of the Board. The Secretary's remuneration shall be determined by a recommendation from the Nomination Committee and approved by a resolution of the Board of Directors. The term of the Chairman, Vice Chairman and Secretary shall be three years, and the initial term shall be four years. They may be re-elected and the Board of Directors may at any time dismiss them or any one of them without prejudice to the right of the dismissed party to compensation if the dismissal occurred for an illegitimate reason or at an inappropriate time. The term of the Chairman, Vice Chairman and Board Secretary shall not exceed the term of membership of each of them on the Board. The Board of Directors may relieve the Chairman, Vice Chairman, CEO, Secretary or any one of them from such positions, and this shall not result in relieving them from their membership on the Board of Directors.

5- The Board of Directors shall also appoint a CEO to manage the Company and conduct and control its business and daily affairs in accordance with the directives and resolutions of the Board of Directors. The CEO shall have the powers and authorities determined by the Board of Directors.

The Company's Bylaws do not provide any authority for Board members or Senior Executives to borrow from the Company, in accordance with the provisions of Article 72 of the Companies Law.

**Board Meetings:**

The Board of Directors shall meet periodically, at least four times a year, at the invitation of the Chairman. The Chairman shall invite the Board to convene at the request of two of its members. The invitation shall be sent to each member in writing, either by personal delivery, registered mail, fax or email. The Board of Directors shall determine the location of its meetings, which may be held using modern technology.

**Quorum for Board Meetings:**

Board meetings shall not be valid unless at least five members are present in accordance with the following controls:

1- Attendance must be in person or on behalf of the majority of the members of the Board, provided that the Chairman is among them.

2- Each member may delegate any of the members to represent them, provided that the delegated member does not have more than one delegation.

3- The Chairman shall preside over Board meetings and shall manage, control and direct such meetings. The Vice Chairman shall act in place of the Chairman.

4- Board resolutions are issued by a majority of the votes of the members present or represented in the meeting. In the event of a tie, the Chairman shall have the casting vote.

5- Board resolutions shall be effective from their issue date, unless they provide for their entry into force at another time or when certain conditions are met.

6- The Board of Directors may issue resolutions on urgent matters by presenting them to all members without meeting, unless one of the members requests - in writing - a Board meeting to deliberate on them. Such resolutions shall be issued with the approval of a majority of the votes of its members, and these resolutions shall be presented to the Board in its first subsequent meeting in order to be recorded in the minutes of that meeting.

The Company's Bylaws do not contain any article that grants a Board member or the CEO the right to vote on contracts and businesses in which they have an interest. This is in accordance with Article 71 of the Companies Law, which prevents members of the Board of Directors from voting on resolutions issued in this regard at Board meetings or at General Assemblies of shareholders.

**Board Deliberations:**

1- The deliberations and resolutions of the Board of Directors shall be recorded in minutes signed by the Chairman of the Board, or, in his absence, the Vice Chairman, the Directors present and the Secretary.

2- These minutes shall be recorded in a special register signed by the Chairman, or, in his absence, the Vice Chairman and the Secretary.

3- The Board may meet through video conference or calls, and modern technology may be used to sign, record deliberations and resolutions, write down minutes and document such at the next meeting.

## Shareholders Assemblies

**Attendance of Assemblies:**

Each shareholder has the right to attend General Assemblies, and they may delegate another person, other than members of the Board, to attend General Assemblies on their behalf.

**Powers of the Ordinary General Assembly:**

With the exception of the matters falling within the competence of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent in all matters related to the Company. The Ordinary General Assembly shall meet at least once a year, during the six (6) months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called as needed.

**Powers of the Extraordinary General Assembly**

The Extraordinary General Assembly shall be competent to amend the Bylaws, except for the provisions whose amendment is prohibited in accordance with the Companies Law. It may issue resolutions regarding matters within the competency of the Ordinary General Assembly under the same conditions and manner prescribed for the Ordinary Assembly.

**Convening of Assemblies**

Shareholders' General Assemblies shall be convened at the invitation of the Board of Directors. The Board of Directors shall invite the Ordinary General Assembly to convene within 30 days from the date of the request of the Auditor or one or more shareholders representing at least ten percent (10%) of the Company's shares that carry voting rights. The Auditor may call the Assembly to convene if the Board does not call for an assembly within thirty days from the date of the Auditor's request. The invitation for General Assembly meetings shall be made at least twenty-one (21) days prior to the date set for the meeting. Shareholders shall be notified by registered mail sent to their addresses contained in the shareholders' register. Alternatively, the invitation may be announced through modern technological means. A copy of the invitation and the agenda shall be sent to the commercial register and to the CMA on the date on which the invitation is announced.

**Quorum of Ordinary General Assembly Meetings:**

Meetings of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least one quarter of the Company's shares that have voting rights. If the required quorum for an Ordinary General Assembly meeting is not met, an invitation shall be sent for a second meeting to be held under the same conditions stipulated in Article 91 of the Companies Law within 30 days following the date specified for the previous meeting. However, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting states the possibility of such meeting being held. In all cases, the second meeting shall be valid regardless of the number of shares that have voting rights represented therein.

**Quorum of Extraordinary General Assembly Meetings:**

Meetings of the Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least half of the capital. If the required quorum for an Extraordinary General Assembly meeting is not met, an invitation shall be sent for a second meeting to be held under the same conditions set out in Article 91 of the Companies Law. However, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting states the possibility of such meeting being held. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Company's shares that have voting rights. If the required quorum for the second meeting is not met, an invitation shall be sent for a third meeting. The third meeting shall be held under the same conditions stipulated in Article 91 of the Companies Law. The third meeting shall be deemed dully convened regardless of the number of shares with voting rights represented therein.

**Voting in Assemblies:**

Each shareholder has a vote for each share in General Assemblies. Cumulative voting shall be used in electing the Board of Directors, whereby voting rights may not be used more than once per share.

**Assembly Resolutions:**

Resolutions of the Ordinary General Assembly shall be passed by an absolute majority of the shares represented in the meeting. Resolutions of the Extraordinary General Assembly shall be issued by a two-thirds majority of the voting rights represented in the meeting, unless the resolution is related to an increase or reduction of the capital, extension of the Company's term, dissolution of the Company before the expiry of the term specified in its Bylaws, merger with another company, or demerger into two or more companies, in which case the resolution shall only be valid if issued by a majority of three quarters of the shares represented at the meeting.

**Deliberations in Assemblies:**

Each shareholder or their representative shall have the right to discuss the topics listed on the General Assembly agenda and ask the members of the Board and the Auditor questions regarding the same. The Board of Directors or the Auditor shall answer shareholders' questions insofar as it does not cause harm to the Company. If a shareholder believes that the answer to their question is unsatisfactory, they shall resort to the General Assembly, and its decision in this regard shall be enforceable.

**Presiding over of Assembly Meetings and Preparation of Minutes:**

General Assemblies of shareholders shall be presided over by the Chairman or, in his absence, his deputy, or, in the absence of them both, whomever the Board of Directors selects from among its members. If this is not possible, the General Assembly meeting shall be presided over by whoever is elected by the shareholders from among Board members or others through voting.

Minutes shall be kept for every Assembly, stating the number of shareholders present or represented therein, the number of votes attached to such shares, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the deliberations that took place in the meeting. Minutes shall be recorded on a regular basis after each meeting in a register signed by the Chairman of the Assembly and its Secretary and the vote collectors.

## Audit Committee

**Committee Formation:**

Pursuant to a resolution of the Board of Directors, an audit committee shall be formed consisting of three members who are non-executive directors, whether shareholders or others. Such resolution shall specify the tasks of the concerned committee, its work controls and the remuneration of its members.

**Quorum of Committee Meetings:**

Meetings of the Audit Committee shall be duly convened only if attended by a majority of its members. Audit Committee resolutions shall be adopted by a majority of the votes of the members present. In the event of a tie, the Chairman shall have the casting vote.

**Powers of the Committee:**

The Audit Committee shall be competent to monitor the Company's business, and shall have the right to access the Company's records and documents and request clarifications from the Board or Senior Executives. The Audit Committee may request the Board to call the Company's General Assembly to convene if its work is hindered by the Board or if the Company suffers material losses or damages.

**Committee Reports:**

The Audit Committee shall review the Company's financial statements and the reports and notes submitted by the Auditor and shall provide its opinions on the same, if any. In addition, it shall prepare a report setting out its opinion as to the adequacy and efficiency of the Company's internal control systems along with other matters falling within its competency. The Board of Directors shall make sufficient copies of this report available at the Company's headquarters at least 21 days prior to the date of the General Assembly meeting, and such report shall be read during the meeting.

**Appointment of the Auditor:**

The Company shall have one or more auditors authorized to work in the KSA, appointed annually by the Ordinary General Assembly, which shall determine their remuneration and the term and scope of their work. The Assembly may dismiss the auditors and they may be reappointed, provided that their appointment period does not exceed the period in accordance with the provisions prescribed by law.

**Powers of the Auditor:**

The Auditor has the right at any time to review the Company's books, accounting records and supporting documents, and it also has the right to request the data and clarifications it deems necessary to obtain in order to verify the Company's assets and liabilities and other matters that fall within the scope of its work. The Board of Directors shall enable the Auditor to perform its duties and tasks. If the Auditor encounters difficulties in this regard, it shall document this in a report to be submitted to the Board of Directors. If the Board does not facilitate the work of the Auditor, the Auditor must request the Board of Directors to call for a meeting of the Ordinary General Assembly to consider such matter. The Auditor may call for a General Assembly meeting if the Board of Directors fails to do so within thirty (30) days from the date of the Auditor's request.

## The Company's Accounts and Dividend Distribution

**Financial Year:**

The Company's financial year starts from the first of January and ends at the end of December of each year, with the first financial year beginning from the date of its registration in the Commercial Register until 31 December of 2023G.

**Financial Documents:**

1- At the end of each financial year of the Company, the Board of Directors shall prepare the Company's financial statements and a report on its activities and financial position for the past financial year. This report shall include the proposed method for dividend distribution. The Board shall place these documents at the disposal of the Auditor, if any, at least forty-five (45) days prior to the date set for the General Assembly meeting.

2- The Company's Board Chairman, CEO and CFO, if any, shall sign the documents referred to in Paragraph 1 of this Article, and copies thereof shall be deposited at the Company's head office at the disposal of the shareholders.

The Chairman shall present the Company's signed financial statements, the report of the Board of Directors and the Auditor's report, if any, to the shareholders, unless they have been published by any modern technological means, at least twenty-one (21) days prior to the date set for the annual Ordinary General Assembly meeting. The Chairman shall also deposit these documents as set out in the Implementing Regulations of the Companies Law.

**Dividend Distribution:**

1- The Ordinary General Assembly may - when determining the share of the shares in the net profits - decide to form reserves, to the extent that such serves the interest of the Company or guarantees the distribution of fixed profits as much as possible to the shareholders. Such Assembly may also deduct amounts from the net profits to achieve social purposes for the Company's employees.
2- The Company may distribute interim profits to shareholders on a semi-annual or quarterly basis in accordance with the controls issued by the competent authority and pursuant to a resolution of the Board of Directors, after the Board obtains authorization from the Ordinary General Assembly, to be renewed annually.
3- The General Assembly shall determine the percentage of the net profits to be distributed to shareholders after deducting the reserves, if any.

**Entitlement to Dividends:**

Shareholders are entitled to receive their share in the profits in accordance with the General Assembly resolution issued in this regard. Such resolution shall indicate the maturity date and the distribution date. Shareholders registered in the shareholders' register at the end of the day on the specified maturity date shall be entitled to dividends. The Board shall implement the General Assembly's resolution regarding the distribution of profits to shareholders.

### Disputes

**Liability Claims:**

Each shareholder has the right to file a liability claim against the Company's Board members if a mistake made thereby caused them personal damage. A shareholder may not file such claim unless the Company's right to file it still exists. Shareholders must inform the Company of their intention to file the claim.

**Expiration of the Company:**

Once the Company expires, it shall enter a liquidation stage, retaining the legal entity to the extent necessary for liquidation. A voluntary liquidation resolution shall be issued by the Extraordinary General Assembly, which must include the appointment of the liquidator, their powers, fees, restrictions imposed on their powers and the period required for liquidation. The voluntary liquidation period shall not exceed five years and may only be extended beyond that by a judicial order. The authority of the Board of Directors shall end with the dissolution of the Company. Nevertheless, they shall continue to manage the Company and shall be considered, in relation to others, liquidators until a liquidator is appointed. The General Assembly shall remain in place during the liquidation period, with its role is limited to exercising those competencies that do not conflict with the powers of the liquidator.

## 12.14 Description of the Shares

### Capital

As of the date of this Prospectus, the Company's capital was set at eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten Saudi Arabian Riyals (SAR 858,087,510), divided into eight hundred and fifty-eight million, eighty-seven thousand, five hundred and ten (858,087,510) shares, all of equal value with a nominal value of one Saudi Arabian Riyal (SAR 1) per share. All shares are ordinary shares, including one million (1,000,000) cash shares and eight hundred and fifty-seven million, eighty-seven thousand, five hundred and ten (857,087,510) in-kind shares.

### Shares

The shares are ordinary and may not be issued in an amount less than their nominal value. However, shares may be issued at a premium, and in this case the premium shall be added as a separate item under shareholders' equity and may not be distributed to the shareholders as profits. Shares are indivisible vis-à-vis the Company. If a share is jointly owned by several persons, such persons must elect one of them to represent them in exercising the rights attached to such share. Such persons shall be jointly liable for the obligations arising from ownership of the share.

## Redemption Rights or Share Repurchases

Pursuant to Article 114 of the Companies Law, a joint stock company may purchase or pledge its shares, subject to the rules set by the competent authority. The shares purchased by the Company may not have corresponding votes in shareholders' assemblies.

## Rights of Shareholders Holding Ordinary Shares

Pursuant to Article 107 of the Companies Law, each shareholder acquires all rights attached to the Company's shares, including the right to receive a portion of the declared dividends, obtain a share of the Company's assets upon liquidation, attend General Assembly meetings, participate in deliberations and voting on resolutions, dispose of their shares, request access to the Company's books and documents, monitor Board actions, file a liability suit against Directors, and challenge the validity of resolutions of General Assembly meetings, in accordance with the conditions and restrictions set out in the Companies Law and the Company's Bylaws.

Every shareholder has the right to discuss the matters listed in the agenda of the General Assembly and to ask the Directors and the Auditor questions about such matters. The Board or the Auditor shall answer the shareholders' questions to the extent that such answer does not harm the Company's interests. If a shareholder feels that the answer to their question is unsatisfactory, they may appeal to the General Assembly, whose decision shall be final in this respect.

## Rights to Dividends

Shareholders shall be entitled to their share of the profits in accordance with the resolution of the General Assembly issued in this regard. The resolution shall specify the record date and the distribution date. Shareholders registered in the shareholder registers at the end of the record date shall be entitled to dividends. The Board must implement the General Assembly's resolution regarding the distribution of profits to shareholders.

## Dividend Distribution

The Company's annual net profits will be distributed – net of all general expenses and other costs - as follows:

1- The General Assembly shall determine the percentage of the net profits to be distributed to shareholders after deducting the reserves, if any.

2- The General Assembly may decide to form reserves, to the extent that such serves the Company's interests or ensures distribution of fixed profits as much as possible to shareholders. The General Assembly may further set aside amounts from the Company's net profits to set up social organizations for the benefit of the Company's employees or to assist any such existing organizations.

3- The Board may recommend the distribution of interim dividends to shareholders on a biannual or quarterly basis in accordance with the rules issued by the competent authority, under a resolution issued by the Board after obtaining authorization from the Ordinary General Assembly, which is renewed annually.

## Rights to Asset Surplus upon Liquidation or Dissolution

Pursuant to the provisions of Article 175 of the Companies Law, each share entails equal rights in the net profits and asset surplus upon liquidation, unless otherwise provided in the Company's Bylaws.

## General Assemblies

A duly-constituted General Assembly represents all shareholders, and it must be convened in the city where the Company's headquarters is located. With the exception of the matters falling within the competency of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent in all matters related to the Company. The Ordinary General Assembly shall meet at least once annually during the six (6) months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called as needed. The Extraordinary General Assembly shall have the authority to amend the Bylaws, except for provisions whose amendment is prohibited in accordance with the Companies Law. The Extraordinary General Assembly may issue resolutions regarding matters within the competency of the Ordinary General Assembly under the same conditions and manner prescribed for the Ordinary General Assembly. Each shareholder, regardless of the number of their shares, is entitled to attend Ordinary General Assembly and Extraordinary General Assembly meetings. Shareholders may authorize individuals who are not members of the Board or the Company's employees to attend the General Assembly under a written proxy.

Shareholders' General or Special Assembly meetings shall convene at the invitation of the Board. The Board shall call for an Ordinary General Assembly meeting if requested by the Company's Auditor, the Audit Committee or shareholders representing at least ten percent (10%) of the Company's shares that carry voting rights. The Auditor may call for the Assembly to convene if the Board of Directors fails to do so within 30 days of the Auditor's request. The invitation shall be published at least 21 days before the date scheduled for the Assembly meeting. In this case, invitations may be sent to all shareholders via registered mail at the addresses listed in the shareholders' register, or announced via modern means of technology, and a copy of the invitation and the agenda shall be sent to the Ministry of Commerce and the CMA on the invitation announcement date.

Ordinary General Assembly meetings shall not be valid unless attended by shareholders representing at least 25% of the Company's shares that carry voting rights. If such quorum is not met during the first meeting, a second meeting shall be held in the same manner prescribed in Article 91 of the Companies Law within 30 days following the date scheduled for the previous meeting. However, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting states the possibility such meeting being held. In all cases, the quorum for the second meeting shall be deemed valid regardless of the number of shareholders represented therein.

Extraordinary General Assembly meetings shall not be valid unless attended by shareholders representing at least 50% of the Company's shares that carry voting rights. If such quorum is not met during the first meeting, a notice shall be sent for a second meeting in the same manner prescribed in Article 91 of the Companies Law. However, the second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting states the possibility of holding this second meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least 25% of the shares entitled to vote. If the quorum for the second meeting is also not met, a notice shall be sent for a third meeting in the same manner prescribed in Article 91 of the Companies Law, and the third meeting shall be deemed valid regardless of the number of shareholders represented therein.

General Assemblies of shareholders shall be presided over by the Chairman, or, in his absence, the Vice Chairman. Minutes shall be kept for every assembly, stating the names of shareholders present or represented therein, the number of shares held by each, the number of votes attached to such shares, the resolutions adopted, the number of consenting and dissenting votes and a comprehensive summary of the deliberations that took place in the meeting. Minutes shall be recorded on a regular basis after each meeting in a special register signed by the Chairman of the Assembly and its Secretary and vote collector.

### Voting Rights

Each shareholder shall have one vote for each share they represent in General Assembly meetings. Cumulative voting must be used in Board elections. Resolutions of the Ordinary General Assembly shall be passed by a majority of the voting rights represented in the meeting. Resolutions of the Extraordinary General Assembly shall be passed by a majority of two-thirds of the voting rights represented in the meeting, unless the resolution relates to the increase or reduction of the Company's capital, extension of the Company's term, dissolution of the Company before the end of the term specified in its Bylaws or merger of the Company with another company. In such cases, the resolution shall not be valid unless passed by a majority of three-quarters of the voting rights represented in the meeting.

### Amendment of Shareholder Rights

Shareholders' rights related to receiving a portion of the dividends set for distribution, obtaining a share of the Company's assets upon liquidation, attending General Assembly meetings, participating in deliberations and voting on resolutions, disposing of their shares, requesting access to the Company's books and documents, monitoring Board actions, filing a liability suit against Directors, and challenging the validity of resolutions of General Assembly meetings (subject to the conditions and restrictions set out in the Companies Law and the Company's Bylaws) are derived from the Companies Law and therefore cannot be changed. The Company's Bylaws must be amended in order to change the voting mechanism and quorum of the General Assembly. However, the Company's Bylaws may only be amended by a resolution of the Extraordinary General Assembly.

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# 13. Underwriting

The Company, the Selling Shareholders and the Underwriters have entered into an Underwriting Agreement to underwrite the Offering dated [•]H (corresponding to [•]G) (hereinafter referred to as the "**Underwriting Agreement**") whereby the Underwriters have agreed to cover all the Offer Shares amounting to three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) shares, subject to certain terms and conditions set out in the Underwriting Agreement. The names and addresses of the Underwriters' are set out below:

## 13.1 Underwriters

| Underwriters |
|---|
| **SNB Capital** |
| SNB Regional Building<br>King Saud Road<br>P.O. Box 22216<br>Riyadh 11495<br>Kingdom of Saudi Arabia<br>Tel: +966 (92) 0000232<br>Fax: +966 (11) 4060052<br>Website: www.alahlicapital.com<br>Email: snbc.cm@alahlicapital.com |
| **EFG Hermes KSA** |
| Third Floor, North Tower, Sky Towers, King Fahd Road<br>P.O. Box 300189, Riyadh 11372<br>Kingdom of Saudi Arabia<br>Tel: +966012938048<br>Fax: +966012938032<br>Website: www.efghermesksa.com<br>Email: EFG_ProjectCheetah@efg-hermes.com |
| **Goldman Sachs Saudi Arabia** |
| Floor 25, Kingdom Tower<br>P.O. Box 52969<br>Riyadh 11573<br>Kingdom of Saudi Arabia<br>Tel: +966112794800<br>Fax: +966112794807<br>Website: www.goldmansachs.com/worldwide/saudi-arabia/<br>Email: gs-ProjectCheetah@gs.com |
| **J.P. Morgan Saudi Arabia** |
| Floor 8, Al-Faisaliah Tower<br>King Fahd Road<br>P.O. Box 51907<br>Riyadh 11553<br>Kingdom of Saudi Arabia<br>Tel: +966 11 2993854<br>Fax: +966 11 2993840<br>Website: www.jpmorgansaudiarabia.com<br>Email: Cheetah_JPM_CORE@jpmorgan.com |

| Underwriters | |
|---|---|
| **GIB Capital** | |
| 4th Floor, Low Rise Building B-1<br>Granada Business & Residential Park<br>Eastern Ring Road<br>P.O. Box 89589<br>Riyadh 11673<br>Kingdom of Saudi Arabia | GIB جي آي بي كابيتال CAPITAL |
| **HSBC Saudi Arabia** | |
| HSBC Building, 7267<br>Olaya Street (North)<br>Al Murooj<br>Riyadh 2255-12283<br>Kingdom of Saudi Arabia | HSBC |
| **Saudi Fransi Capital** | |
| 8092 King Fahad Road,<br>4th Floor, Legend Tower<br>3735 – Riyadh 12313<br>Kingdom of Saudi Arabia | السعودي الفرنسي كابيتال Saudi Fransi Capital |
| **Al Rajhi Capital** | |
| 8092 King Fahad Road<br>Al Murooj<br>P.O. Box 5561<br>Riyadh 11432<br>Kingdom of Saudi Arabia | الراجحي المالية alrajhi capital |

The key terms contained in the Underwriting Agreement are as follows:

## 13.2 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement:

a- The Selling Shareholders undertake to the Underwriters to perform the following actions on the first business day following the allocation of the Offer Shares upon closing of the Offering:

1- Sell and allocate the Offer Shares to the Individual Subscribers or Participating Parties whose subscription applications have been accepted by the Receiving Agents.

2- Sell and allocate the Offer Shares which were not purchased by Individual Subscribers or Participating Parties to the Underwriters.

b- The Underwriters undertake to the Company and the Selling Shareholders to purchase any Offer Shares that are not subscribed for by Individual Subscribers or Participating Parties, as follows:

**Table (13.1): Shares to be Underwritten**

| Underwriter | Number of Offer Shares to be Underwritten | Percentage of Offer Shares to be Underwritten |
|---|---|---|
| SNB Capital | 104,088,274 | 30.73% |
| Goldman Sachs Saudi Arabia | 63,509,766 | 18.75% |
| J.P. Morgan Saudi Arabia | 63,509,766 | 18.75% |
| EFG Hermes KSA | 22,931,260 | 6.77% |
| GIB Capital | 21,169,922 | 6.25% |
| HSBC Saudi Arabia | 21,169,922 | 6.25% |
| Saudi Fransi Capital | 21,169,922 | 6.25% |
| Al Rajhi Capital | 21,169,922 | 6.25% |
| **Total** | **338,718,754** | **100.0%** |

- The Company shall be subject to several restrictions and obligations immediately after Listing, according to the standard practice in such agreements.
- The Company and the Selling Shareholders undertake to comply with all the provisions of the Underwriting Agreement.

## 13.3 Underwriting Costs

The Company and the Selling Shareholders shall pay the underwriting fees to the Underwriters based on the total value of the Offering. The Company and the Selling Shareholders further agree to pay the Offering expenses and costs.

## 14. Offering Expenses

The Offering expenses and costs are estimated at approximately (SAR 102,000,000), and will be distributed between the Selling Shareholders and the Company pro rata based on their shareholding in the Sale Shares that will be sold during the Offering Period; where the Selling Shareholders shall borne approximately SAR (30,600,000) and the Company shall borne an approximate amount of SAR (71,400,000). These fees include the fees of the Financial Advisors, Global Coordinators, Bookrunners, Lead Manager, Underwriters, Legal Advisors, Financial Due Diligence Advisor, Auditors, Receiving Agents and Market Consultant, in addition to marketing, printing, distribution and other expenses related to the Offering which will be deducted from the Offering Proceeds. It should be noted that the costs that were paid by the Company, which include fees paid to Saudi Tadawul and the Securities Depository Center (Edaa) and other expenses associated with the Listing amounted to approximately SAR (2,000,000), the Selling Shareholders will reimburse the Company an approximate amount of SAR (600,000) equivalent to their shareholding in the Sale Shares that will be sold during the Offering Period.

# 15. Post-Listing Undertakings

After Listing, the Company undertakes to:

1- Fill out Form 8 related to compliance with the CGRs and provide the relevant justifications if it fails to meet any of the requirements set out in the CGRs.
2- Notify the CMA of the date of the first General Assembly after Listing to allow its representative to attend.
3- Comply with all mandatory provisions set out in the CGRs immediately after Listing.
4- Amendment of the legal form of the Company in its Bylaws to a listed joint stock company.
5- Comply with the provisions of the OSCOs and the Listing Rules in relation to the Company's continuing obligations immediately after Listing.
6- Submit business and contracts in which any Director has a direct or indirect interest to the General Assembly for authorization in accordance with the Companies Law, the CGRs and the Implementing Regulations of the Companies Law, provided that the interested Director refrains from participating in voting on the resolution issued in this regard.
7- Initiate the necessary procedures to elect the independent members to the Company's Board for the current term and appoint the independent members of the Board Committees, in order to comply with the requirements set forth in the CGRs, by taking the following steps:

| No. | Event | Details | Timing |
|---|---|---|---|
| 1. | Listing of the Company's shares | - | Listing date |
| 2. | Announcement of the opening of nomination | Pursuant to a resolution by the Board of Directors, the Company shall publish an announcement declaring the opening of nomination for three seats on the Board of Directors on the Company's website, the website of the Saudi Exchange (Tadawul), and by any other means specified by the CMA. | The announcement shall be published within a period not exceeding sixty days as at the date of Listing, and the nomination period shall last for one month as of the date of the announcement. |
| 3. | Acceptance of applications for nomination | The Company shall receive all nomination applications from any qualified person. | During the nomination period |
| 4. | Review of nomination applications and candidates' CVs | The Nomination and Remuneration Committee shall review the applications submitted in accordance with the provisions of the Companies Law and the regulations of the CMA, in addition to the criteria specified in the policy for selecting members of the Board of Directors approved by the Company. It shall submit its recommendations to the Board of Directors to be submitted to the General Assembly. | During the nomination period until the announcement date for the General Assembly meeting |
| 5. | Call for a General Assembly meeting | An Ordinary General Assembly shall be called to vote on the election of three new independent members to fill the vacant seats using cumulative voting to complete the current session, provided that each of them fulfils the independence criteria in accordance with the requirements of the CGRs. | Within a period not exceeding fifteen business days as of the date on which the nomination period ends. |
| 6. | General Assembly meeting | The General Assembly meeting shall be held 21 days after the date of the call, in accordance with the procedures in force in connection with holding General Assembly meetings for listed companies, including the procedures related to electronic voting. | 21 days from the date of the call for the General Assembly meeting |
| 7. | A meeting of the Board of Directors shall be held to appoint an independent member to the Audit Committee and the Nomination and Remuneration Committee | The Board of Directors shall appoint an independent member to each of the Audit Committee and the Nomination and Remuneration Committee (provided that the appointed member of the Nomination and Remuneration Committee is appointed as its chairman) in fulfilment of the requirements of the CGRs. This shall be done at its first meeting after the date of the General Assembly meeting to elect the independent members. | The first meeting of the Board of Directors after the election of the independent members |

8- Accordingly, upon Listing, the Directors undertake to:
   a- Record all resolutions and deliberations in the form of written meeting minutes signed by the Board Chairman and Secretary.
   b- Disclose the details of any Related Party transactions in which they have a direct or indirect interest in accordance with the requirements set out in the Companies Law and the CGRs.

# 16. Waivers

The Company has applied to CMA for waiver from the requirements of sub-paragraphs b and c of Paragraph 6 of Article 41 of the OSCOs, which stipulate that an application for the registration and offer of securities may not be submitted if the issuer undergoes material restructuring until at least one financial year has elapsed from the date of completion of the relevant change. The CMA approved the aforementioned application on 21/06/2023G.

# 17. Information on the Shares and Offering Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of the Shares in accordance with the OSCOs, and an application to list the shares on the Exchange in accordance with the Listing Rules.

All subscribers should carefully read the subscription terms and conditions before filling out the Subscription Application Form. Signing the Subscription Application Form and submitting it to the Receiving Agent and the Bookrunner (as the case may be) is deemed a declaration of acceptance and approval of the subscription terms and instructions.

## 17.1 Subscription to the Offer Shares

The Offering involves (1) the sale of one hundred and one million, six hundred and fifteen thousand, six hundred and twenty-six (101,615,626) Sale Shares; and (2) the issuance of two hundred and thirty-seven million, one hundred and three thousand, one hundred and twenty-eight (237,103,128) new shares (the "**New Shares**") at an offer price of SAR ([•]) per share, with a fully paid nominal value of SAR 1 per share. The Sale Shares represent nine percent (9%) and the New Shares represent twenty-one percent (21%) of the issued capital upon completion of the Offering, totalling thirty percent (30%) of the issued capital (after the increase). Note that the Offering to Individual Subscribers and the subsequent Listing of shares depends on the success of the book-building by Participating Parties and all the Offer Shares being covered, and the Offering shall be cancelled if it is not covered during the book-building period. The CMA may suspend this Offering after approving the Prospectus and prior to the registration and acceptance of the shares to be listed on the Exchange in the event that there is a material change that would have a material and adverse effect on the Company's operations.

### Subscription is limited to the following two tranches:

**Tranche (A): Participating Parties:** This tranche includes the parties entitled to participate in the Book Building Process in accordance with Instructions on Book Building and Allocation of Shares in Initial Public Offerings (IPOs), including investment funds, qualified foreign companies and institutions, investors from Gulf companies and other foreign investors under Swap Agreements. The number of Offer Shares to be initially allocated to the Participating Parties is three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) ordinary shares, representing 100% of the Offer Shares. Final allocation shall take place after the end of the individual subscription period, noting that in the event of sufficient demand from Individual Subscribers, the Financial Advisors have the right, in consultation with the Company, to reduce the number of Offer Shares allocated to Participating Parties to three hundred and four million, eight hundred and forty-six thousand, eight hundred and seventy-nine (304,846,879) shares, representing 90% of the total Offer Shares. The shares offered to the Participating Parties will be allocated using the discretionary allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares as deemed appropriate by the Company and the Financial Advisors. [•] ordinary shares, representing [•]% of the total number of Offer Shares, have been provisionally allocated to public funds. It should be noted that in the event that there is sufficient demand from Individual Subscribers to subscribe to the Offer Shares, the Bookrunner shall have the right to reduce the number of shares allocated for public funds to a minimum of [•] ordinary shares, representing [•]% of the total number of Offer Shares after completion of the subscription process for Individual Subscribers.

**Tranche (B): Individual Subscribers:** This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account with one of the Receiving Agents and an active stock portfolio with one of the Capital Market Institutions affiliated with the Receiving Agent through which the subscription is being made. The subscription will be considered invalid in the absence of an active share portfolio account with one of the Capital Market Institutions affiliated to the Receiving Agent through which the subscription is intended. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription shall be deemed void and only the first subscription shall be accepted. A maximum of thirty-three million, eight hundred and seventy-one thousand, eight hundred and seventy-five (33,871,875) Offer Shares, representing ten percent (10%) of the total Offer Shares will be allocated to Individual Subscribers, provided that the Participating Parties subscribe for all the Offer Shares allocated thereto. If Individual Subscribers do not subscribe for all the Offer Shares allocated thereto, the Financial Advisors may reduce the number of shares allocated to them in proportion to the number of shares to which they subscribed.

## 17.2 Offering Period

Three days period starting on Tuesday 11/03/1445H (corresponding to 26/09/2023G), and ending at 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G).

## 17.3 Book Building for Participating Parties

a- The price range will be determined during the book building and will be made available to all Participating Parties by the Issuer's Financial Advisors, in consultation with the Company and the Selling Shareholders. The number and percentage of Offer Shares to be allocated to the Participating Parties will be determined in consultation with the Company and the Selling Shareholders using the discretionary allocation mechanism.

b- Participating Parties registered in the Kingdom may obtain Bid Forms from the Bookrunner during the book-building period. Participating Parties not registered in the Kingdom may submit requests to participate in bidding via phone or email through the Bookrunners, without needing to complete or sign a Bid Form. Participating Parties may change or cancel their Application Forms at any time during the Book Building Period, provided that such change is made by submitting an amended or supplementary Application Form, where applicable. This should take place before the end of the book building period. The number of Offer Shares subscribed for by each Participating Party must not be less than one hundred thousand (100,000) shares or more than fifty-six million, four hundred and fifty-three thousand, one hundred and twenty-five (56,453,125) shares. Public investment funds shall not exceed the maximum amount specified for each participating fund determined in accordance with the Book Building Instructions. The Bookrunners shall notify the Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. It is possible that shares will not be allocated to some Participating Parties as deemed appropriate by the Company and the Bookrunners. Subscriptions by Participating Parties must commence during the Offering Period, which also includes Individual Subscribers, in accordance with the terms and conditions detailed in the Subscription Application Forms.

c- All Participating Parties must submit genuine and allocable applications. They must not submit false or exaggerated subscription applications with the aim of obtaining a larger allocation. They must also have the ability to cover the application through the availability of cash coverage or the necessary arrangements to cover the value of the application, from the submission of the Bid Form until the final allocation.

d- Following completion of the Book Building Process for Participating Parties, the Bookrunners shall announce the percentage of coverage by Participating Parties.

e- The Financial Advisors and the Company shall determine the Offer Price based on the forces of supply and demand, provided that the price does not exceed the price set out in the Underwriting Agreement and is in accordance with the tick size applied by the Saudi Exchange (Tadawul).

## 17.4 Subscription by Individual Subscribers

Each Individual Subscriber must subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) ordinary shares. No change or withdrawal of the Subscription Application shall be permitted after submission thereof.

Subscription Application Forms shall be available during this period on the websites of the Receiving Agents which provide such service. Subscription Application Forms must be completed in accordance with the instructions mentioned below. Individual Subscribers who have previously participated in an IPO can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents that provide all or some of these services to their customers, provided that:

a- The Individual Subscriber has a bank account at a Receiving Agent which offers such services.

b- No changes have been made to the Subscriber's personal information since their subscription in a recent offering.

c- The Individual Subscriber must have an investment portfolio account with a brokerage firm affiliated with one of the Receiving Agent.

In addition to the foregoing, all Individual Subscribers, whether they are Saudi or GCC nationals or others, must have an active stock portfolio at a Capital Market Institution affiliated with the Receiving Agent through which the subscription is being made.

All Individual Subscribers must comply with the above terms. Subscriptions in violation of the above-mentioned terms will be rendered void, including not having an active stock portfolio with one of the Capital Market Institutions affiliated with the Receiving Agent through which the subscription is being made. In such case, the subscription application will be rejected and the amounts paid in connection with the rejected application will be refunded

The Individual Subscriber's signature of the Subscription Application Form and its submission to the Receiving Agents constitutes a binding agreement between the Individual Subscriber and the Company with respect to the subscription to the New Shares and a binding agreement between the Individual Subscriber and the Selling Shareholders with respect to the Sale Shares.

Individual Subscribers may obtain a copy of this Prospectus from the websites of the Company ([•]),the CMA (www.cma.org.sa), or the Financial Advisors.

The Receiving Agents whose details are mentioned below shall begin receiving subscription applications via the internet, mobile banking or ATMs of the Receiving Agents, in accordance with the services they provide to their clients:

| | |
|---|---|
| SNB | **Saudi National Bank**<br>King Fahd Road, Al-Aqiq District, King Abdullah Financial District<br>P.O. Box 3208 Unit No.: 778<br>Kingdom of Saudi Arabia<br>Tel: +966(92)0001000<br>Fax: +966(11)4060052<br>Website: www.alahli.com<br>Email: contactus@alahli.com |
| مصرف الراجحي alrajhi bank | **Al Rajhi Bank**<br>King Fahd Road, Al-Morouj District, Al-Rajhi Bank Tower<br>Riyadh 11411<br>Kingdom of Saudi Arabia<br>Tel: +966(11)828 2515<br>Fax: +966(11)279 8190<br>Website: www.alrajhibank.com.sa<br>Email: contactcenter1@alrajhibank.com.sa |
| بنك الرياض Riyad Bank | **Riyad Bank**<br>Eastern Ring Road<br>P.O. Box 22622<br>Riyadh 11614<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 401 3030<br>Fax: +966 (11) 403 0016<br>Website: www.riyadbank.com<br>Email: customercare@riyadbank.com |
| anb | **Arab National Bank**<br>King Faisal Road - Murabba District - Unit No. 1<br>P.O. Box 56921 Riyadh 11564<br>Kingdom of Saudi Arabia<br>Tel: +966 (11) 4029000<br>Fax: +966 (11) 4039044<br>Website: www.anb.com.sa |

## 17.5 Offering Period and Conditions for Individual Subscribers

Receiving Agents that provide this service shall begin receiving Individual Subscription Application Forms through the internet, telephone banking, ATM or other electronic channels provided by the Receiving Agents to their customers from Tuesday 11/03/1445H (corresponding to 26/09/2023G) until 2:00pm KSA time of Thursday 13/03/1445H (corresponding to 28/09/2023G). Once the Subscription Application Form is signed and submitted, the Receiving Agent shall stamp it and provide the individual subscriber with a copy thereof. If the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form shall be considered void and the individual investor may not claim any compensation for any damage resulting from such. Subscribers shall be required to specify the number of Offer Shares applied for in the Subscription Application Form, where the total subscription amount shall be the number of Offer Shares applied for multiplied by the Offer Price of [•] Saudi Arabian Riyals (SAR [•]) per share.

Subscriptions for less than ten (10) shares or fractional shares shall not be accepted and any subscription for shares in excess of such number shall be made in multiples thereof. The maximum number of shares that can be applied for by each Individual Subscriber is two hundred and fifty thousand (250,000) Offer Shares.

Subscription Application Forms shall be submitted during the Offering Period and accompanied, where applicable, with the following documents:

- Original and copy of the ID card or resident ID (for Individual Subscribers, including citizens of GCC countries and foreign residents).
- Original and copy of the family register (when subscribing on behalf of family members).
- Original and copy of a power of attorney (when subscribing on behalf of others).
- Original and copy of a certificate of guardianship (when subscribing on behalf of orphans).
- Original and copy of the divorce certificate (when subscribing for the children of a divorced Saudi woman).
- Original and copy of the death certificate (when subscribing for the children of a widowed Saudi woman).
- Original and copy of the birth certificate (when subscribing for the children of a divorced or widowed Saudi woman).

Powers of attorney are only allowed for family members (parents and children only). In the event that an application is submitted on behalf of an Individual Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber shall be stated and an original and copy of a valid power of attorney shall be attached. The power of attorney must be issued by a notary public for Individual Subscribers who reside in the Kingdom of Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for Individual Subscribers residing outside the Kingdom of Saudi Arabia. The relevant official at the Receiving Agent shall compare the copies with the original and return the original to the Subscriber.

It shall suffice to fill out one Subscription Application Form for the main Individual Subscriber and family members appearing on his/her family identification card if the family members are applying for the same number of Offer Shares as the main Individual Subscriber. In such case:

1- All Offer Shares allocated to the main Individual Subscriber and dependent Subscribers shall be registered in the main Individual Subscriber's name.
2- The main Individual Subscriber shall receive any refund of unallocated amounts which they paid themselves or on behalf dependent Subscribers.
3- The main Individual Subscriber shall receive all dividends distributed for the Offer Shares allocated to themselves and dependent Subscribers (in the event the Shares are not sold or transferred).

A separate subscription application shall be used if:

1- The subscriber wishes to register the Offer Shares to be allocated in a name other than the name of the main Individual Subscriber.
2- The amount of shares the main Subscriber intends to apply for differs from that of the dependent Subscribers.
3- If a wife intends to subscribe in her name and for the allocated shares to be registered to her account (she must complete a separate Subscription Application for herself as a main Subscriber), any application made by her husband on her behalf shall be cancelled and the wife's separate subscription application shall be processed by the Receiving Agent.

A divorced Saudi woman or widow who has minor children from a marriage to a non-Saudi husband may subscribe on behalf of those children, provided that she submits proof of her motherhood. Subscription by a person in the name of his divorcee shall be deemed invalid and such person shall be subject to statutory penalties. If a main Subscriber subscribes for himself and his family members registered in the family register, and a family member subsequently submits a separate subscription application, such family member's application shall be cancelled.

During the Offering Period, only a valid residence permit (Iqama) shall be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates shall not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as main Subscribers. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18) years. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in such country.

Each Individual Subscriber shall agree to subscribe for and purchase the shares specified in their Subscription Application Form for an amount equal to the number of shares applied for multiplied by the subscription price of [•] Saudi Arabian Riyals (SAR [•]) per share. Each Subscriber shall be deemed to have acquired the number of shares allocated to them upon:

1- Delivery by the Individual Subscriber of the Subscription Application Form to any Receiving Agent.
2- Payment in full to the Receiving Agent of the total value of the shares subscribed for.
3- Issuance of the final allocation and official Listing of the shares for trading on the Exchange.

The total value of the Offer Shares subscribed for shall be paid in full at the Receiving Agents through deduction from the Individual Subscriber's account held with the Receiving Agent where the Subscription Application Form is submitted.

If a submitted Subscription Application Form is not in compliance with the subscription terms and conditions, the Company shall have the right to reject such application in full or in part. The applicant shall accept any number of shares allocated thereto unless the allocated shares exceed the number of shares applied for by the applicant.

## 17.6 Allocation of Shares and Refund of Excess Subscription Monies

The Lead Manager shall open and manage an escrow account for the purpose of depositing and holding the subscription amounts collected from the Participating Parties and the Receiving Agents on behalf of Individual Subscribers. Such subscription amounts shall be transferred to the Selling Shareholders only when the Listing becomes effective, after deduction of certain fees and expenses. Details of this escrow account shall be specified in the Subscription Application Forms. Moreover, each Receiving Party shall deposit the amounts collected from Individual Subscribers in the said escrow account.

The Lead Manager or the Receiving Agents (as the case may be) shall notify subscribers of the final number of Offer Shares to be allocated to each of them, together with the amounts to be refunded. The subscription surplus (if any) shall be refunded to the subscribers without any commissions or deductions and shall be deposited in the subscriber's account specified in the Subscription Application Form. The subscription amount shall not be refunded in cash or to the accounts of third parties.

The announcement of final allocation shall be made o no later than Wednesday 19/03/1445H (corresponding to 04/10/2023G) and the refund of excess subscription monies, if any, shall be made no later than Tuesday 25/03/1445H (corresponding to 10/10/2023G). Individual Subscribers should communicate with the Lead Manager or the Receiving Agent who provided the Subscription Application Form (as the case may be) for further details.

Transfer of ownership of the Offer Shares shall only be deemed valid after payment of the value by the subscriber as of the date of registration in the shareholders' register and the commencement of trading of shares in accordance with the relevant regulations and instructions. If the Company's shares are not traded or their listing is cancelled prior to that for any reason, the subscription amounts shall be refunded to the subscriber and the Offer Shares shall remain the property of the Selling Shareholder.

## 17.7 Allocation of Shares to Participating Parties

The initial allocation of the Offer Shares will be made as the Financial Advisors deem appropriate in coordination with the Company, using the discretionary share allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares, as deemed appropriate by the Company and the Financial Advisors. The final allocation of the Offer Shares to Participating Parties shall, upon the completion of the allocation of the Offer Shares to Individual Subscribers, be determined by the Financial Advisors, in consultation with the Company. The Offer Shares initially allocated to Participating Parties shall be three hundred and thirty-eight million, seven hundred and eighteen thousand, seven hundred and fifty-four (338,718,754) shares, representing 100% of the Offer Shares. If there is sufficient demand by Individual Subscribers, the Financial Advisors shall have the right to reduce the Offer Shares allocated to Participating Parties to three hundred and four million, eight hundred and forty-six thousand, eight hundred and seventy-nine (304,846,879) shares, representing 90% of the total number of the Offer Shares after completion of the subscription process for Individual Subscribers. A provisional allocation of 25% of the total number of Offer Shares will be targeted at public funds in the event that there is sufficient demand from public funds, depending on the total applications received from Participating Parties and according to market conditions, taking into account the balance between local and foreign allocation in order to achieve the strategic orientation of attracting foreign investment to the KSA.

## 17.8 Allocation of Offer Shares to Individual Subscribers

Each Individual Subscriber subscribing to the Offer Shares must subscribe for a minimum of ten (10) and a maximum of two hundred and fifty thousand (250,000) ordinary shares. The minimum allocation per Individual Subscriber is ten (10) ordinary shares. The remaining Offer Shares, if any, shall be allocated on a pro-rata basis, based on the ratio of the number of shares requested by each Individual Subscriber to the total number of shares applied for. In the event that the number of Individual Subscribers exceeds three million, three hundred and eighty-seven thousand, one hundred and eighty-seven (3,387,187) Subscribers, the Company shall not guarantee the minimum allocation of ten (10) shares per Individual Subscriber. In this case, the allocation shall be determined at the discretion of the Company and the Financial Advisors.

Circumstances where Listing may be suspended or cancelled:

## 17.9 Listing Suspension and Cancellation

a- The CMA may suspend trading of listed securities or cancel their listing at any time it deems fit. This could take place in any of the following circumstances:

   1- If it deems such necessary to protect investors or maintain an orderly market.

   2- If the Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its Implementing Regulations or the Market Rules.

   3- If the Issuer fails to pay any fees due to the CMA or the Exchange or any penalties due to the CMA in a timely manner.

   4- If the CMA deems that the Issuer, its business, the level of its operations or its assets are no longer suitable to warrant the continued listing of its securities on the Exchange.

   5- When a reverse acquisition is declared that does not contain sufficient information regarding the proposed transaction. In the event that the Issuer has given sufficient information regarding the target and the CMA is convinced, after the Issuer's announcement, that sufficient public information will be available on the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.

   6- When information about the proposed reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly.

   7- When a request to initiate financial reorganization of the Company is registered with the court in accordance with the Bankruptcy Law if its accumulated losses reach 50% or more of its capital.

   8- When an application to initiate a liquidation proceeding or administrative liquidation of the Company is registered with the court in accordance with the Bankruptcy Law.

   9- When a court issues a final ruling to terminate a financial reorganization proceeding and commence a liquidation proceeding or administrative liquidation of the Company in accordance with the Bankruptcy Law.

   10- When a court issues a final ruling to commence a liquidation proceeding or administrative liquidation of the Company before the court in accordance with the Bankruptcy Law.

b- A suspension of trading imposed under Paragraph A above may be lifted based on the following:

   1- Adequately addressing the conditions that led to the suspension and lack of a need to continue the suspension to protect investors.

   2- Lifting of the suspension is likely to have no impact on the normal activity of the Exchange.

   3- The Issuer's compliance with any other conditions that the CMA may require.

   4- Upon issuance of a final judgment initiating financial reorganization of the Company under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with Subparagraph 7 of Paragraph A above.

   5- Upon issuance of a final court judgment dismissing the initiation of a liquidation proceeding or an administrative liquidation proceeding in accordance with the Bankruptcy Law, unless it is suspended from its activities by the relevant competent authority, if the suspension is made in accordance with Subparagraph 8 of Paragraph A above.

c- The Exchange shall suspend the trading of the Issuer's securities in any of the following cases:

1- If the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the OSCOs, until the disclosure thereof.

2- If the Auditor's report on the financial statements of the Issuer contains an adverse opinion or a disclaimer of opinion, until the adverse opinion or disclaimer is removed.

3- If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after Listing by the time limit set by the Exchange for the Issuer to rectify its conditions, unless the CMA agrees otherwise.

4- If the Issuer's Extraordinary General Assembly issues a resolution to reduce its capital, for the two trading days following the issue date of the resolution.

d- The Exchange shall lift the suspension referred to in Paragraph C (1) and (2) above after the lapse of one trading session following resolution of the matter that gave rise to the suspension. In the event that the over-the-counter trade of the Issuer's shares is allowed, the Exchange shall lift the suspension within a period of no more than five trading sessions after the resolution of the matter that gave rise to the suspension.

e- The Exchange may at any time propose that the CMA suspend trading of any listed security or cancel its listing where, in its opinion, any of the circumstances of Paragraph A above is likely to occur.

f- An issuer whose securities have been suspended from trading shall continue to comply with the Law, its Implementing Regulations and the Exchange Rules.

g- In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the Issuer's listing.

h- Upon the Issuer's completion of a reverse acquisition, the listing of the Issuer's shares shall be cancelled. If the Issuer wishes to re-list its shares, it must submit a new application for listing in accordance with the Listing Rules and the requirements of the OSCOs.

i- The above paragraphs shall not prejudice the suspension of trading and cancellation of listing resulting from the Company's losses pursuant to the relevant Implementing Regulations and the Exchange Rules.

### 17.10 Optional Cancellation of Listing

a- An Issuer whose securities have been listed on the Exchange may not cancel the listing of its securities without the prior approval of the CMA. To obtain CMA approval, the Issuer must submit a cancellation application to the CMA, along with a simultaneous notice to the Exchange. The application shall include the following information:

1- The specific reasons for the cancellation request.

2- A copy of the disclosure described below.

3- A copy of the relevant documentation and a copy of each related document sent to the shareholders if the cancellation is to take place as a result of an acquisition or other action taken by the Issuer.

4- The names and contact information of the financial advisors and legal advisor appointed according to the OSCOs.

b- The CMA may, at its own discretion, approve or reject the cancellation request.

c- The Issuer shall obtain the approval of the Extraordinary General Assembly for the cancellation of the listing after obtaining the CMA's approval.

d- Where cancellation is made at the Issuer's request, the Issuer shall disclose the same to the public as soon as possible. The disclosure shall include the reason for the cancellation, the nature of the event resulting in the cancellation and how it affects the Issuer's activities.

### 17.11 Temporary Trading Suspension

a- An Issuer may request a temporary suspension of the trading of its securities from the Exchange upon the occurrence of an event during trading hours which requires immediate disclosure under the Capital Market Law, its Implementing Regulations or the Exchange Rules, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend trading of the securities of that Issuer as soon as it receives the request.

b- When trading is temporarily suspended at the Issuer's request, the Issuer shall disclose to the public, as soon as possible, the reason for the suspension, the anticipated period thereof, the nature of the event resulting in the suspension and how it affects the Issuer's activities.

c- The CMA may impose a temporary trading suspension without a request from the Issuer when the CMA has information or there are circumstances that affect the Issuer's activities which the CMA deems likely to interrupt the operation of the Exchange or jeopardize the protection of investors. An Issuer whose securities are subject to temporary suspension of trading must continue to adhere to the Capital Market Law, its Implementing Regulations and the Market Rules.

d- The Exchange may propose that the CMA exercise its authority under Paragraph C above if it finds there is information or circumstances that may affect the Issuer's activities and are likely to affect the operation of the Exchange or the protection of investors.

e- The temporary suspension of trading shall be lifted at the end of the period specified in the disclosure referred to in Paragraph B above, unless the CMA or the Exchange deems otherwise.

## 17.12 Miscellaneous Provisions

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs, provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto are delegated by any of the parties referred to in this Prospectus without the prior written consent of the other party.

These instructions, conditions and the receipt of any Subscription Application Forms or related contracts are governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

Substantial Shareholders are subject to a Lock-up Period of six (6) months starting from the date trading of the Company's shares on the Exchange commences. During this period, the Substantial Shareholders may not dispose of any of their shares. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their shares.

Although the CMA has approved this Prospectus, it may suspend the Offering if the Company, at any time after the approval of this Offering by the CMA and before registration and admission to listing of the shares on the Exchange, becomes aware of the following: (1) there has been a significant change in material matters contained in the Prospectus; or (2) additional significant matters have become known which would have been required to be included in the Prospectus. In such cases, the Company shall submit a supplementary prospectus to the CMA in accordance with the requirements of the OSCOs and the Listing Rules. The supplementary prospectus must be published and an announcement made about the applicable subscription dates.

This Prospectus has been issued in Arabic and English. Only the Arabic Prospectus is approved by the CMA. In the event of any discrepancy between the Arabic and English texts, the Arabic text shall prevail. It is expressly prohibited to distribute this Prospectus or sell the Offer Shares in any state other than the KSA, with the exception of investors who are GCC citizens, qualified foreign institutions, strategic foreign investors and other foreign investors through Swap Agreements, provided that the regulations and instructions regulating the same are observed.

## 17.13 Resolutions and Approvals for the Offering of the Shares

The resolutions and approvals for the Offering of the Company's shares are as follows:

- The resolution of the Company's Board of Directors issued on 20/08/1444H (corresponding to 12 March 2023G).
- The resolution of the Extraordinary General Assembly issued on 17/10/1444H (corresponding to 07/05/2023G).
- The CMA's approval of the offering and registration of the shares issued on 03/12/1444H (corresponding to 21/06/2023G).
- The approval issued by the Saudi Exchange to list the shares dated 29/11/1444H (corresponding to 18/06/2023G).

## 17.14 Lock-up Period and Restrictions on the Shares

The Substantial Shareholders are subject to a lock-up of six (6) months starting from the date trading of the Offer Shares on the Exchange commences. During this period, the Substantial Shareholders may not dispose of any of their shares. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their shares.

It should be noted that ADES Investments Holding entered into a credit facilities agreement with Mauritius Commercial Bank Ltd in its capacity as lender and security agent, under which 54,856,746 shares, representing 6.39% of the total shares (amounting to 467,657,690 shares) owned by ADES Investments Holding in the Company prior to the Offering, , were pledged in accordance with a mortgage pledge agreement concluded between ADES Investments Holding and Mauritius Commercial Bank Ltd. It should be noted that the credit facilities agreement related to the mortgage pledge agreement provides for the automatic cancellation of the facilities as soon as the Company is listed, and all due amounts shall become payable immediately. ADES Investments Holding shall use its share of the offering proceeds to repay the loan and all financial liabilities. Accordingly, the pledge over the pledged shares of ADES Investments Holding in the Company shall be lifted upon the Listing of the once the Company is listed on the Exchange.

### 17.15 Subscription Declarations and Undertakings

By completing the Subscription Application Form, each Subscriber:

- agrees to subscribe for the number of the Company's shares specified in the Subscription Application Form;
- declares that they have read this Prospectus and understood all of its contents;
- accepts the Company's Bylaws and all Offering instructions and terms mentioned in the Prospectus;
- declares that neither themselves nor any of their family members included in the Subscription Application Form have previously subscribed for shares and that the Company has the right to reject all duplicate applications;
- accepts the number of shares allocated thereto (up to the maximum amount subscribed for) according to the Subscription Application Form;
- undertakes not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Receiving Agent; and
- undertakes to maintain their right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by omission of material information that should have been part of the Prospectus and could affect their decision to purchase the shares.

### 17.16 Share Register and Dealing Arrangements

The Exchange maintains a register of shareholders that contains their names, nationalities, residence addresses, occupations, the shares they own and the amounts paid for such shares.

### 17.17 Overview of the Market and Trading Process

In 1990G, full electronic trading of shares in the KSA was introduced. The Tadawul system was established in 2001G as the successor to the Electronic Securities Information System. Share trading occurs through a fully integrated trading system covering the entire trading process, from the execution of the trade transaction through settlement thereof via the Depository and Settlement System (DSS) operated by Edaa. Trading occurs each business day between 10:00 am and 3:00 pm (Sunday through Thursday of each week), during which time orders are executed. Outside such hours, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. These times may be changed by the Saudi Exchange Company during the holy month of Ramadan.

Transactions take place through the automatic matching of orders. Each order is accepted and its priority determined according to the price. In general, market orders (orders placed with the best price) are executed first, followed by limit orders. If several orders are generated at the same price, they are executed according to the time of entry. The Tadawul system distributes a comprehensive range of information through various channels, most notably the Tadawul website, which provides real-time market data to information-providing agencies such as Reuters. Transactions are settled based on the time period (T+2), meaning that the transfer of ownership of shares takes place within two working days after executing the transaction. Listed companies are required disclose all material decisions and information to investors via Tadawul. Tadawul is responsible for monitoring the market as the operator of the mechanism through which the market operates in order to ensure fair and smooth trading in shares.

## 17.18 Securities Depository Center (Edaa)

The Securities Depository Center Company (Edaa) was established in 2016G pursuant to the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H. It is a closed joint stock company wholly owned by the Saudi Tadawul Group Company (Tadawul) with a capital of SAR 400,000,000, divided into 40,000,000 shares with a nominal value ten Saudi Arabian Riyals (SAR 10) per share. This was after the CMA Board approved the request of the Tadawul Board to convert the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H. The activities of the Depository Center are business related to depositing, registering, transferring, settling and clearing securities, and recording any ownership limitations on deposited securities. The Depository Center also deposits and manages the records of securities issuers, organizes the general assemblies of issuers, including remote voting services for such assemblies, submits reports, notices and information, in addition to providing any other service related to its activities that the Depository Center deems should be provided in accordance with the Capital Market Law and its Implementing Regulations.

## 17.19 Trading of the Company's Shares

It is expected that trading of the Company's shares will commence after the final allocation of those shares and Tadawul's announcement of the start date for trading of the Company's shares. The dates and times included in this Prospectus are provisional and may be changed or extended with the approval of the CMA.

Saudi natural persons, non-Saudi natural persons residing in the KSA and holding legal residence permits and citizens of GCC States, as well as Saudi and Gulf companies, banks and investment funds, will be permitted to trade in the shares after they have been traded on the Exchange. Moreover, Qualified Foreign Investors and approved customers will be permitted to trade in the Company's Shares in accordance with the Rules for Foreign Investment in Securities. Moreover, non-Saudi nationals who are not residents of the KSA and non-Saudi institutions incorporated outside the KSA will be permitted to invest indirectly to obtain an economic interest in the shares by entering into Swap Agreements with persons authorized by the CMA, and by purchasing shares listed on the Exchange and trading in them for the benefit of non-Gulf foreign investors. Under the Swap Agreements, the authorized persons are the legal owners of the shares.

Furthermore, the Offer Shares may only be traded after the allocated Offer Shares have been credited to Subscribers' accounts with Edaa and the Company has been registered and its shares listed on the Exchange. Trading the Company's shares prior to the start of official trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in connection with pre-trading activities.

# 18. Documents Available for Inspection

The following documents will be available for inspection at the Company's headquarters in the city of Al Khobar, between 9:00 am and 3:00 pm from 11/02/1445H (corresponding to 27/08/2023G) until the last day of retail subscription on 13/03/1445H (corresponding to 28/09/2023G), provided that the inspection period is not less than 20 days before the end of the Offering Period:

- A copy of the CMA's approval of the Offering.
- The Saudi Stock Exchange Company (Tadawul)'s approval of the Listing.
- The Company's Extraordinary General Assembly's approval of the Company's capital increase and Offering issued on 17/10/1444H (corresponding to 07/05/2023G).
- The Company's Board of Directors' resolution approving the registration of the Company's shares and offering thereof for public subscription issued on 20/08/1444H (corresponding to 12/03/2023G).
- The Company's Bylaws and the amendments thereto.
- The Company's commercial registration certificate.
- A document explaining the mechanism used in determining the price range for the Book Building Process or a valuation report.
- The special purpose consolidated audited financial statements of the Group for the financial years ended 31 December 2020G, 2021G and 2022G.
- The Underwriting Agreement.
- The market report prepared by the Market Advisor.
- All reports, letters and other documents, estimates of value and statements prepared by any expert or any part thereof that is included or referred to in this Prospectus.
- Letters of approval from:
  - EFG Hermes KSA on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Financial Advisor, Bookrunner, International Coordinator and Underwriter.
  - Goldman Sachs Saudi Arabia on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Financial Advisor, Bookrunner, International Coordinator and Underwriter.
  - J.P. Morgan Saudi Arabia on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Financial Advisor, Bookrunner, International Coordinator and Underwriter.
  - SNB Capital on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Financial Advisor, Bookrunner, International Coordinator, Underwriter and Lead Manager.
  - HSBC Saudi Arabia on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Bookrunner and Underwriter.
  - Al Rajhi Capital on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Bookrunner and Underwriter.
  - Saudi Fransi Capital on the inclusion of its name, logo and statement in this Prospectus in relation to its role as the Company's Bookrunner and Underwriter.
  - PricewaterhouseCoopers Chartered Accountants on the inclusion of its name, logo and statement within this Prospectus in connection with its role as the Company's Financial Due Diligence Advisor.
  - Fahad Abuhimed, Majed AlSheikh, Mansoor AlHagbani and Clifford Chance Law Firm on the inclusion of its name, logo and statement in this Prospectus in connection with its role as local Legal Advisor to the Company.
  - Clifford Chance LLP on the inclusion of its name, logo and statement in this Prospectus in connection with its role as the Company's Legal Advisor outside the KSA.

- Law Firm of Waad Nasser Alkurini on the inclusion of its name, logo and statement in this Prospectus in connection with its role as legal advisor to the Financial Advisors, Bookrunners, Underwriters and Lead Manager inside the KSA.
- White & Case LLP on the inclusion of its name, logo and statement in this Prospectus in connection with its role as legal advisor to the Financial Advisors, Bookrunners, Underwriters and Lead Manager for the Offering outside the KSA.
- Lazard Saudi Arabia on the inclusion of its name, logo and statement in this Prospectus in connection with its role as the Company's Advisor.
- Abdullah Medallah Law Firm on the inclusion of its name, logo and statement in this Prospectus in connection with its role as legal advisor to the Company in relation to the restructuring of the Group inside the KSA.
- KN Legal LLP on the inclusion of its name, logo and statement in this Prospectus in connection with its role as legal advisor to the Company in relation to the restructuring of the Group for the Offering outside the KSA.
- EY on the inclusion of its name, logo and report in this Prospectus in connection with its role as the Company's Auditor.
- Westwood Global Energy on the inclusion of its name, logo and statement in this Prospectus in connection with its role as the Company's Market Consultant.

* A document summarizing the forecasts and forward-looking statements in relation to the expected future financial performance of the Company.


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# 19. Financial Statements and Auditor's Report

This section contains (a) the special purpose consolidated financial statements for the Group as at and for the financial years ended 31 December 2020G, 2021G and 2022G, and the accompanying notes thereto prepared in accordance with IFRS-KSA; and (b) the unaudited interim condensed consolidated financial statements of the Group as at and for the three-months period ended 31 March 2023G, and as at and for the six-months period ended 30 June 2023G, and the accompanying notes thereto each prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA. The special purpose consolidated financial statements for the Group as at and for the financial years ended 31 December 2020G, 2021G and 2022G have been audited by EY, as stated in their report included elsewhere in the Prospectus, and the unaudited interim condensed consolidated financial statements of the Group as at and for the three-months period ended 31 March 2023G and as at and for the six-months period ended 30 June 2023G have been reviewed by EY, as stated in their review reports included elsewhere in the Prospectus.

# ADES Holding Company and its Subsidiaries (A Mixed Closed Joint Stock Company)

## SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

**31 DECEMBER 2022, 2021, and 2020**

EY
Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

## INDEPENDENT AUDITOR'S REPORT
## TO THE SHAREHOLDERS OF ADES HOLDING COMPANY
## (A CLOSED MIXED JOINT STOCK COMPANY)



### Opinion

We have audited the special purpose consolidated financial statements of ADES Holding Company (A Closed Mixed Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 2021 and 2020, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose consolidated financial statements present fairly, in all material respects, the special purpose consolidated financial position of the Group as at 31 December 2022, 2021 and 2020 and its special purpose consolidated financial performance and its special purpose consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### 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 Special Purpose Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw attention to Note 2.1 to the accompanying special purpose consolidated financial statements which describes the basis of accounting and that the accompanying special purpose consolidated financial statements for the years ended 31 December 2022, 2021, and 2020 have been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia and should not be used for any other purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and the Board of Directors for the Special Purpose Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants, and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADES HOLDING COMPANY
(A CLOSED MIXED JOINT STOCK COMPANY) (continued)



**Responsibilities of Management and the Board of Directors for the Special Purpose Consolidated Financial Statements (continued)**

In preparing the special purpose 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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.

- 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.

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**INDEPENDENT AUDITOR'S REPORT** 
**TO THE SHAREHOLDERS OF ADES HOLDING COMPANY**
**(A CLOSED MIXED JOINT STOCK COMPANY)**

**Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements (continued)**

- 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 special purpose 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 special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee/ the Board of Directors 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.

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)

K20
EY
CR 2051058792
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 21 Sha'ban 1444H
13 March 2023

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)

## SPECIAL PURPOSE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022, 2021, and 2020
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Notes* | ***2022 SAR*** | ***2021 SAR*** | ***2020 SAR*** |
|---|---|---|---|---|
| Revenue from contracts with customers | 6,26 | **2,467,200,801** | **1,514,205,630** | **1,695,407,138** |
| Cost of sales | 7 | **(1,575,805,738)** | **(974,883,191)** | **(1,058,790,649)** |
| **GROSS PROFIT** | | **891,395,063** | **539,322,439** | **636,616,489** |
| General and administrative expenses | 8 | **(246,111,932)** | **(157,622,720)** | **(177,734,164)** |
| End of service employment benefits | 21 | **(17,602,070)** | **(17,485,793)** | **(20,056,343)** |
| Provision for impairment of non-current assets | 15 | **-** | **(113,831,404)** | **(19,125,233)** |
| Provision for impairment of trade receivables | 13 | **(236,564,520)** | **(215,916,135)** | **(9,594,934)** |
| Provision for impairment of inventories | 12 | **(26,216,730)** | **(17,344,459)** | **(2,574,293)** |
| Share-based payments expense | 23 | **-** | **(71,944)** | **(14,422,013)** |
| Other provisions | 21 | **(13,755,542)** | **(21,000,093)** | **(1,540,009)** |
| Provision for other receivable | 14 | **(1,687,500)** | **(5,140,133)** | **-** |
| Finance costs | 9,26 | **(302,992,606)** | **(305,161,965)** | **(244,570,136)** |
| Finance income | 11 | **19,193,726** | **212,933** | **3,007,290** |
| Bargain purchase gain | 5 | **422,267,407** | **491,247,285** | **-** |
| Business acquisition cost | 5 | **(8,424,226)** | **(12,204,690)** | **-** |
| Provision for impairment of investment and dividends receivable | | **-** | **(8,483,618)** | **(2,006,250)** |
| Other taxes | | **(1,284,618)** | **(1,363,994)** | **(1,920,596)** |
| Other expenses | | **(15,040,598)** | **(10,656,191)** | **(25,531,249)** |
| Gain / (loss) on derivative financial instruments | 30 | **5,168,505** | **4,560,368** | **(4,417,693)** |
| **PROFIT FOR THE YEAR BEFORE INCOME TAX** | | **468,344,359** | **149,059,886** | **116,130,866** |
| Income tax expense | 10 | **(70,722,417)** | **(34,631,296)** | **(33,550,188)** |
| **PROFIT FOR THE YEAR** | | **397,621,942** | **114,428,590** | **82,580,678** |
| Attributable to: | | | | |
| Equity holders of the parent | | **390,448,249** | **107,810,728** | **73,580,576** |
| Non-controlling interests | | **7,173,693** | **6,617,862** | **9,000,102** |
| | | **397,621,942** | **114,428,590** | **82,580,678** |
| Earnings per share | | | | |
| Basic and diluted attributable to | | | | |
| equity holders of the parent (In SAR per share) | 25 | **474,998** | **-** | **-** |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | | |
| *Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax)* | | | | |
| Net gain / (loss) on cash flow hedge | 30 | **74,901,412** | **13,066,632** | **(3,144,131)** |
| *Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax)* | | | | |
| Remeasurement gain/(loss) on defined benefit plans | 21 | **8,009,514** | **(13,920,527)** | **-** |
| **OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NEXT OF TAX** | | **82,910,926** | **(853,895)** | **(3,144,131)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **480,532,868** | **113,574,695** | **79,436,547** |
| Attributable to: | | | | |
| Equity holders of the parent | | **466,749,628** | **110,413,601** | **70,436,445** |
| Non-controlling interests | | **13,783,240** | **3,161,094** | **9,000,102** |
| | | **480,532,868** | **113,574,695** | **79,436,547** |

The attached notes 1 to 32 form part of these financial statements.

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)

## SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022, 2021 and 2020

(All amounts in Saudi Arabia Riyal (SAR), unless otherwise stated)

| | *Notes* | ***2022 SAR*** | *2021 SAR* | *2020 SAR* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property and equipment | 15 | **12,188,121,186** | 5,358,404,795 | 3,794,626,973 |
| Intangible assets | 17 | **552,745** | 1,035,315 | 1,255,016 |
| Right of use assets | 16 | **391,033,813** | 64,287,075 | 73,344,825 |
| Investment in an associate and a joint venture | | **5,983,705** | 6,923,673 | 11,847,720 |
| Trade receivables | 13 | **-** | 105,650,651 | 215,267,580 |
| Derivative instruments | 30 | **26,438,203** | - | - |
| Prepayments and other receivables | 14 | **319,991,694** | 1,800,375 | 5,682,772 |
| Deferred tax | | **-** | 3,110,892 | 3,162,215 |
| **Total non-current assets** | | **12,932,121,346** | 5,541,212,776 | 4,105,187,101 |
| **Current assets** | | | | |
| Inventories | 12 | **184,274,773** | 148,472,149 | 178,534,279 |
| Trade receivables | 13,26 | **234,734,872** | 262,140,428 | 262,136,359 |
| Contract assets | 13,26 | **255,623,760** | 172,170,446 | 123,720,488 |
| Derivative instruments | 30 | **49,663,832** | - | - |
| Prepayments and other receivables | 14,26 | **644,259,854** | 300,933,532 | 272,144,354 |
| Due from related parties | 26 | **9,838,237** | 34,282,309 | 13,509,700 |
| Bank balances and cash | 11,26 | **190,828,971** | 232,860,330 | 234,332,055 |
| **Total current assets** | | **1,569,224,299** | 1,150,859,194 | 1,084,377,235 |
| **TOTAL ASSETS** | | **14,501,345,645** | 6,692,071,970 | 5,189,564,336 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 22 | **1,000,000** | - | - |
| Capital contribution | 22 | **857,087,512** | 857,087,512 | 740,816,074 |
| Legal reserve | 24 | **24,150,000** | 24,150,000 | 24,000,000 |
| Cash flow hedge reserve | 30 | **61,770,506** | (13,130,906) | (26,197,538) |
| Retained earnings | | **1,278,072,702** | 1,025,443,369 | 928,174,455 |
| **Equity attributable to equity holders of the Parent** | | **2,222,080,720** | 1,893,549,975 | 1,666,792,991 |
| Non–controlling interests | | **36,349,824** | 29,528,825 | 35,322,214 |
| **Total equity** | | **2,258,430,544** | 1,923,078,800 | 1,702,115,205 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Interest-bearing loans and borrowings | 19,26 | **9,575,406,029** | 3,637,737,355 | 1,144,892,610 |
| Bonds payable | 20 | **-** | - | 1,183,049,085 |
| Lease liabilities | 16 | **270,132,952** | 38,414,776 | 52,351,147 |
| Provisions | 21 | **117,984,346** | 83,146,037 | 62,214,289 |
| Derivative financial instruments | 30 | **-** | 5,751,473 | 23,308,016 |
| Deferred revenue | | **70,173,705** | 26,727,154 | 65,291,914 |
| Deferred Tax | 10 | **44,043,640** | - | - |
| Other Payables | | **4,680,083** | - | - |
| **Total non-current liabilities** | | **10,082,420,755** | 3,791,776,795 | 2,531,107,061 |
| **Current liabilities** | | | | |
| Trade and other payables | 18 | **1,160,989,443** | 515,806,894 | 576,263,799 |
| Income tax payable | 10 | **10,494,524** | 30,973,826 | 35,604,150 |
| Interest-bearing loans and borrowings | 19,26 | **972,079,868** | 401,179,565 | 321,363,291 |
| Provisions | 21 | **14,776,740** | 21,330,315 | 2,205,221 |
| Due to related parties | 26 | **2,153,771** | 546,341 | 214,470 |
| Derivative financial instruments | 30 | **-** | 7,379,434 | 20,691,139 |
| **Total current liabilities** | | **2,160,494,346** | 977,216,375 | 956,342,070 |
| **Total liabilities** | | **12,242,915,101** | 4,768,993,170 | 3,487,449,131 |
| **TOTAL EQUITY AND LIABILITIES** | | **14,501,345,645** | 6,692,071,970 | 5,189,564,336 |

Dr. Mohamed Farouk
Vice Chairman

Hussein Badawy
Chief Financial Officer

The attached notes 1 to 32 form part of these special purpose consolidated financial statements.

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Attributable to the equity holders of the parent* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Share capital SAR*** | ***Capital contribution SAR*** | ***Legal reserve SAR*** | ***Cash-flow hedge reserve SAR*** | ***Retained earnings SAR*** | ***Total SAR*** | ***Non-controlling interests SAR*** | ***Total equity SAR*** |
| As 1 January 2022 | - | **857,087,512** | **24,150,000** | **(13,130,906)** | **1,025,443,369** | **1,893,549,975** | **29,528,825** | **1,923,078,800** |
| Profit for the year | - | - | - | - | **390,448,249** | **390,448,249** | **7,173,693** | **397,621,942** |
| Other Comprehensive income: | | | | | | | | |
| Net gain / (loss) on cash flow hedge | - | - | - | **74,901,412** | - | **74,901,412** | - | **74,901,412** |
| Remeasurement gain/(loss) on defined benefit plans | - | - | - | - | **1,399,967** | **1,399,967** | **6,609,547** | **8,009,514** |
| Total comprehensive income | - | - | - | **74,901,412** | **391,848,216** | **466,749,628** | **13,783,240** | **480,532,868** |
| Reorganisation reserve (Note 22) | - | - | - | - | **(139,218,883)** | **(139,218,883)** | - | **(139,218,883)** |
| Dividends (Note 31) | - | - | - | - | - | - | **(6,962,241)** | **(6,962,241)** |
| Issuance of share capital (Note 22) | **1,000,000** | - | - | - | - | **1,000,000** | - | **1,000,000** |
| **At 31 December 2022** | **1,000,000** | **857,087,512** | **24,150,000** | **61,770,506** | **1,278,072,702** | **2,222,080,720** | **36,349,824** | **2,258,430,544** |

The attached notes 1 to 32 form part of these special purpose consolidated financial statements.

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Attributable to the equity holders of the parent* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Share capital SAR*** | ***Capital contribution SAR*** | ***Legal reserve SAR*** | ***Cash-flow hedge reserve SAR*** | ***Retained earnings SAR*** | ***Total SAR*** | ***Non-controlling interests SAR*** | ***Total equity SAR*** |
| As 1 January 2021 | - | **740,816,074** | **24,000,000** | **(26,197,538)** | **928,174,455** | **1,666,792,991** | **35,322,214** | **1,702,115,205** |
| Profit for the year | - | - | - | - | **107,810,728** | **107,810,728** | **6,617,862** | **114,428,590** |
| Other Comprehensive income: | | | | | | | | |
| Net gain / (loss) on cash flow hedge | - | - | - | **13,066,632** | - | **13,066,632** | - | **13,066,632** |
| Remeasurement gain/(loss) on defined benefit plans | - | - | - | - | **(10,463,758)** | **(10,463,758)** | **(3,456,769)** | **(13,920,527)** |
| Total comprehensive income | - | - | - | **13,066,632** | **97,346,970** | **110,413,602** | **3,161,093** | **113,574,695** |
| Dividends (Note 31) | - | - | - | - | - | - | **(8,954,482)** | **(8,954,482)** |
| Treasury shares (Note 22) | - | **116,271,438** | - | - | - | **116,271,438** | - | **116,271,438** |
| Legal reserve (Note 24) | - | - | **150,000** | - | **(150,000)** | - | - | - |
| Shared based payment (Note 23) | - | - | - | - | **71,944** | **71,944** | - | **71,944** |
| At 31 December 2021 | - | **857,087,512** | **24,150,000** | **(13,130,906)** | **1,025,443,369** | **1,893,549,975** | **29,528,825** | **1,923,078,800** |

The attached notes 1 to 32 form part of these special purpose consolidated financial statements.

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Attributable to the equity holders of the parent* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Share capital SAR*** | ***Capital contribution SAR*** | ***Legal reserve SAR*** | ***Cash-flow hedge reserve SAR*** | ***Retained earnings SAR*** | ***Total SAR*** | ***Non-controlling interests SAR*** | ***Total equity SAR*** |
| As 1 January 2020 | - | **821,396,322** | **24,000,000** | **(23,053,407)** | **840,171,866** | **1,662,514,781** | **35,202,018** | **1,697,716,799** |
| Profit for the year | - | - | - | - | **73,580,576** | **73,580,576** | **9,000,102** | **82,580,678** |
| Other Comprehensive income: | | | | | | | | |
| Net gain / (loss) on cash flow hedge | - | - | - | **(3,144,131)** | - | **(3,144,131)** | - | **(3,144,131)** |
| Remeasurement gain/(loss) on defined benefit plans | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | **(3,144,131)** | **73,580,576** | **70,436,445** | **9,000,102** | **79,436,547** |
| Dividends (Note 31) | - | - | - | - | - | - | **(8,879,906)** | **(8,879,906)** |
| Treasury shares (Note 22) | - | **(80,580,248)** | - | - | - | **(80,580,248)** | - | **(80,580,248)** |
| Shared based payment (Note 23) | - | - | - | - | **14,422,013** | **14,422,013** | - | **14,422,013** |
| At 31 December 2020 | - | **740,816,074** | **24,000,000** | **(26,197,538)** | **928,174,455** | **1,666,792,991** | **35,322,214** | **1,702,115,205** |

The attached notes 1 to 32 form part of these special purpose consolidated financial statements.

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)

## SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022, 2021 and 2020
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Notes* | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Profit for the year before income tax | | **468,344,359** | **149,059,886** | **116,130,866** |
| Adjustments to: | | | | |
| Depreciation of property and equipment | 15 | **369,608,804** | **259,587,581** | **215,916,251** |
| Amortisation of intangible assets | 17 | **500,761** | **581,014** | **530,933** |
| Depreciation of right of use assets | 16 | **33,246,474** | **15,476,415** | **18,932,618** |
| Impairment of non-current assets | 15 | **-** | **113,831,404** | **19,125,233** |
| Loss on sale of asset | | **-** | **-** | **1,357,118** |
| Provision for impairment of trade receivables and contract assets | 13 | **236,564,520** | **215,916,135** | **9,594,934** |
| Provision for impairment of inventories | 12 | **26,216,730** | **17,344,459** | **2,574,293** |
| Provision for impairment of investment and dividends receivable | | **-** | **8,483,618** | **2,006,250** |
| Other receivable provision | 14 | **1,687,500** | **5,140,133** | **-** |
| End of service employment benefits | 21 | **17,602,070** | **17,485,793** | **20,056,343** |
| Share-based payments expense | 23 | **-** | **71,944** | **14,422,013** |
| Other provisions | 21 | **13,755,542** | **21,000,093** | **1,540,009** |
| Finance costs | 9 | **302,992,606** | **305,161,965** | **244,570,136** |
| Finance income | 11 | **(19,193,726)** | **(212,933)** | **(3,007,290)** |
| Bargain purchase gain | 5 | **(422,267,407)** | **(491,247,285)** | **-** |
| Acquisition transaction cost | 5 | **8,424,226** | **12,204,690** | **-** |
| Share of results of investment in a joint venture and associate | | **939,971** | **115,367** | **1,673,190** |
| (Gain) loss on derivative financial instruments | 30 | **(5,168,505)** | **(4,560,368)** | **4,417,693** |
| Other income | | **(766,769)** | **-** | **-** |
| **Working capital changes:** | | | | |
| (Increase)/decrease in inventories | | **(37,115,071)** | **3,544,759** | **(15,906,000)** |
| Increase in trade receivables | | **(55,994,499)** | **(88,338,758)** | **(4,254,836)** |
| (Increase)/decrease in contract assets | | **11,840,981** | **(48,449,959)** | **32,059,425** |
| (Increase)/decrease in due from related parties | | **24,444,068** | **(20,772,608)** | **4,268,741** |
| (Increase)/decrease in prepayments and other receivables | | **(66,914,266)** | **(35,553,315)** | **1,165,080** |
| Increase/(decrease) in trade and other payables | | **321,529,639** | **(87,852,021)** | **(7,785,005)** |
| Increase/(decrease) in due to related parties | | **2,607,431** | **331,871** | **(3,870)** |
| **Cash flows from operations** | | **1,232,885,439** | **368,349,932** | **679,384,125** |
| Income tax paid | 10 | **(46,873,483)** | **(39,210,397)** | **(36,226,984)** |
| Provisions paid | 21 | **(39,764,104)** | **(12,349,571)** | **(22,710,536)** |
| **Net cash flows from operating activities** | | **1,146,247,852** | **316,790,012** | **620,446,605** |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of intangible assets | 17 | **(18,191)** | **(98,441)** | **(87,188)** |
| Payment to acquire businesses (net) | 5 | **(2,533,967,174)** | **(1,108,760,940)** | **-** |
| Purchase of property and equipment | | **(3,923,217,971)** | **(354,997,191)** | **(441,110,865)** |
| Proceeds from sale of property and equipment | | **-** | **-** | **417,668** |
| Interest received | 11 | **19,193,726** | **212,933** | **3,007,290** |
| **Net cash flows used in investing activities** | | **(6,438,009,610)** | **(1,463,643,639)** | **(437,773,095)** |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from loans and borrowings | 19 | **6,566,736,991** | **4,336,488,851** | **252,664,598** |
| Repayment of loans and borrowings | 19 | **(899,409,599)** | **(1,774,567,039)** | **(320,012,831)** |
| Repayment of bonds | 20 | **-** | **(1,254,450,915)** | **-** |
| Sale / (purchase) of treasury shares (net) | 22 | **-** | **116,271,438** | **(80,580,248)** |
| Interest paid | | **(372,518,470)** | **(247,244,441)** | **(218,734,583)** |
| Payment of lease liabilities | 16 | **(38,116,282)** | **(22,161,510)** | **(21,302,831)** |
| Dividend payments | 31 | **(6,962,241)** | **(8,954,482)** | **(8,879,906)** |
| **Net cash flows from/(used in) financing activities** | | **5,249,730,399** | **1,145,381,902** | **(396,845,801)** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(42,031,359)** | **(1,471,725)** | **(214,172,291)** |
| Cash and cash equivalents at 1 January | 11 | **232,860,330** | **234,332,055** | **448,504,346** |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 11 | **190,828,971** | **232,860,330** | **234,332,055** |

Refer Note 26 (C) and Note 5(1) for significant non-cash transactions.

The attached notes 1 to 32 form part of these special purpose consolidated financial statements.

## 1 BACKGROUND

**Corporate information**

ADES Holding Company (the "Company" or the "Parent Company") is a newly formed company under Saudi laws that was incorporated on 28 December 2022 as a mixed joint stock Company limited by shares. The Company's shares are owned 54.5% by ADES Investments Holding Ltd, 35.5% by The Public Investment Fund of the Kingdom of Saudi Arabia and 10% by Zamil Group Investment Co (together, the "Shareholders"). ADES Investment Holding Ltd. is the ultimate controlling party (the "ultimate controlling party") of the Company.

These are the first set of the special purpose consolidated financial statements of the Company and its subsidiaries (together, the "Group") following the reorganisation of the Group (the "reorganisation") for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia.

On 28 December 2022, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000,000. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 857,087,510 at par to the Shareholders (as a result the total share capital post increase will be SAR 858,087,510). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation.

At the time or the reorganisation, ADES International Holding Ltd (the intermediate holding company of the Group) owned all the Group entities and its investments in joint ventures and associates (together the "Existing Group Entities") directly or indirectly through its subsidiaries.

As the Company is not a business and the reorganisation did not result in any change of economic substance, it is not considered as a business combination as defined by IFRS 3 Business Combinations. Accordingly, the special purpose consolidated financial statements of the Group are prepared to reflect that the reorganisation is in substance a continuation of the Existing Group Entities as if the Company has always owned the existing group entities.

All the external loans and borrowing of ADES Arabia Holding Company were also novated to the Company according to the novation agreement signed between the Company, ADES Arabia Holding and the lenders. The external loans and borrowing of ADES Arabia Holding Company are recognized by the Company as of the effective date of the novation agreement (refer to Note 19 and 26 (c)).

Immediately before the reorganisation, the Shareholders transferred the issued and outstanding shares of Emerald Driller Company (an unrelated entity acquired by ADES Arabia Holding Company) from ADES Arabia Holding Company to ADES International Holding Ltd which was accounted for as business combination under common control using Book Value Method (also referred to as "pooling of interest") as explained in Note 2 – significant accounting policies. Refer to Note 5 for details of this acquisition.

The special purpose consolidated financial statements were authorised for issue on 12 March 2023 by the Board of Directors.

The Group is a leading oil and gas drilling and production services provider in the Middle East and Africa. The Group services primarily include offshore and onshore contract drilling and production services. The Group currently operates in Egypt, Algeria, Kuwait, Tunisia, Qatar, India and the Kingdom of Saudi Arabia. The Group's offshore services include drilling and workover services and Mobile Offshore Production Unit (MOPU) production services, as well as accommodation, catering, and other barge-based support services. The Group's onshore services primarily encompass drilling and work over services. The Group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

## 1 BACKGROUND (continued)

**Corporate information (continued)**
The special purpose consolidated financial statements of the Group include activities of the following main subsidiaries:

| *Name* | *Principal activities* | *Country of incorporation* | *% Equity interest 2022* | *2021* | *2020* |
|---|---|---|---|---|---|
| Advanced Energy Systems (ADES) (S.A.E) [1] | Oil & gas drilling and production services | Egypt | **100%** | **100%** | **100%** |
| ADES Saudi Limited Company[1] | Oil and gas drilling and production services | KSA | **100%** | **100%** | **100%** |
| Precision Drilling Company[2] | Holding company | Cyprus | **100%** | **100%** | **100%** |
| Kuwait Advanced Drilling Services | Leasing of rigs | Cayman | **100%** | **100%** | **100%** |
| Prime innovations for Trade S.A. E | Trading | Egypt | **100%** | **100%** | **100%** |
| ADES International for Drilling | Leasing of rigs | Cayman | **100%** | **100%** | **100%** |
| AG training[3] | Training | Egypt | **70%** | **70%** | **70%** |
| Advanced Transport Services | Leasing of transportation equipment | Cayman | **100%** | **100%** | **100%** |
| Advanced Drilling Services | Trading | Cayman | **100%** | **100%** | **100%** |
| ADES Holding for Drilling Services Ltd[4] | Investment in Oil & Gas Projects | UAE | **100%** | **100%** | **100%** |
| ADES International Holding | | UAE | **100%** | **100%** | **N/A** |
| Ltd | Holding Company | Cayman | **100%** | **N/A** | **N/A** |
| Emerald Driller Company[5] | Production services oil and gas drilling and production services | | | | |
| ADES Drilling Services I Ltd. | Leasing of rigs | Bermuda | **100%** **100%** | **N/A** | **N/A** |
| ADES Drilling Services II Ltd. | Leasing of rigs | Bermuda | **100%** | **N/A** | **N/A** |
| ADES Drilling Services III Ltd. | Leasing of rigs | Bermuda | **100%** | **N/A** | **N/A** |
| ADES Advanced Drilling Services Ltd.[6] | Leasing of rigs | Liberia | **100%** | **N/A** | **N/A** |
| ADES Drilling Services IV Ltd. | Leasing of rigs | Bermuda | **100%** | **N/A** | **N/A** |
| ADES Drilling Services V Ltd. | Leasing of rigs | Bermuda | **100%** | **N/A** | **N/A** |
| ADES Drilling Services Ltd. [7] | Leasing of rigs | Bermuda | **100%** | **N/A** | **N/A** |
| ADES GCC For Drilling Ltd. [8] | Oil and gas drilling and production services Operating and Leasing of rigs | Bermuda | **100%** | **N/A** | **N/A** |

The Company holds investment in Egyptian Chinese Drilling Company (ECDC) (Joint Venture) and Advantage for Drilling Services Company (Associate) which are accounted for using the equity method of accounting in these special purpose consolidated financial statements.

[1] Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. In 2020 ADES S.A.E converted its branch in KSA to a limited liability company - ADES Saudi Limited Company. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill. Refer to Note 5 for details.
[2] Precision Drilling Company holds a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.
[3] ADES-GESCO Training Academy change its name to AG training in 2022.
[4] ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.
[5] Emerald Driller Company has a Branch in Qatar which handles operations in the country.
[6] ADES Advanced Drilling Services Ltd has a branch in Congo.
[7] ADES Drilling Services Ltd. has a branch in Indonesia.
[8] ADES GCC For Drilling Ltd has a branch in KSA.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

These special purpose consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA").

The special purpose consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting, except for derivative financial instruments carried at fair value which includes interest rate swap contracts held for trading and those designated as hedging instruments.

The special purpose consolidated financial statements are presented in Saudi Arabian Riyal ("SAR"), which is the functional currency of the Company and the presentation currency for the Group.

In February 2023, the Shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. Accordingly, these special purpose consolidated financial statements as of and for the year ended 31 December 2022 have been prepared solely for inclusion in the initial public offering application of the Company to be filed with the CMA of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, in the Kingdom of Saudi Arabia.

***Going concern***
As at 31 December 2022, the current liabilities exceed current assets by SAR 591,270,047 which is mainly on account of current liabilities recognized in relation to the rigs acquired in 2022. Management has prepared projections for a period of twelve months from the date of approval of these special purpose consolidated financial statements, which sets out the expected level of net cash flows that the Group is expected to generate, together with the related working capital needs and financial obligations of the Group. On the strength of this forecast as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, total order backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, Management believes the Group will generate enough cash inflows to meet its obligations as they fall due for a period of not less than 12 months from the date of approval of these special purpose consolidated financial statements.

***Basis of consolidation***
The Group's special purpose consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022, 2021 and 2020. 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:

(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
(b) Exposure, or rights, to variable returns from its involvement with the investee, and
(c) 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:

(a) The contractual arrangement with the other vote holders of the investee
(b) Rights arising from other contractual arrangements
(c) The Group's voting rights and potential voting rights

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 of during the year are included in the special purpose consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

***Basis of consolidation (continued)***
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the special purpose consolidated financial statements of a member in the Group to bring its accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The special purpose consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI 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;

***Business combinations and acquisition of non-controlling interests***
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the "Business acquisition cost" line-item in the statement of other comprehensive income

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a 'bargain purchase gain'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

***Business combinations and acquisition of non-controlling interests (continued)***

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**Group reorganisation and business combinations under common control**

In the absence of guidance in IFRS for the group reorganisation and business combinations under common control, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires to use judgement in developing and applying an accounting policy that provides reliable and more relevant information. As such group reorganisation has no economic substance and is outside the scope of IFRS 3 Business Combinations.

Business combination under common control is accounted for using the pooling of interests method as follows:

- assets and liabilities of Existing Group Entities are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method;
- no goodwill is recognised as a result of the reorganisation, except to the extent that existing goodwill was previously recognised in one of the combining entities. Any difference between the consideration transferred and the equity of the entity acquired as at the date of the combination is reflected within equity; and
- the income statement reflects the results of the Existing Group Entities.

The Group adopted an accounting policy to report the comparative information as if the Group always owned the businesses acquired under common control from the date when such businesses were part of the Group. This approach is applied consistently for all such transactions.

***Interest in joint ventures and associates***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in the joint venture and associate are both accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investee since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment separately.

The special purpose consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture and associate. Any change in the other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, directly in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate unrelated to the Group.

The aggregate of the Group's share of profit or loss of a joint venture and associate is shown on the face of the special purpose consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture or associate.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

**Group reorganisation and business combinations under common control (continued)**

***Interest in joint ventures and associates (continued)***
The financial statements of the joint venture and associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the special purpose consolidated statement of comprehensive income.

Upon loss of joint control over a joint venture or significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence, and the fair value of the retained investment and proceeds from disposal is recognised in the special purpose consolidated statement of comprehensive income.

### 2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

**(a) New and amended standards and interpretations became effective during the year**
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The application of these new standards, interpretation and amendment did not have a material impact on the annual special purpose consolidated financial statements of the Group. These new standards, interpretations and amendments are listed below:
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, plant and equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

**b) Standards, amendments, and interpretations in issue but not effective**
The relevant standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The management intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023, with comparative figures required);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from annual periods beginning on or after 1 January 2023 and must be applied retrospectively);
- Definition of Accounting Estimates - Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period);
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Management anticipates that the adoption of standards issued but not yet effective will have no material impact on the special purpose consolidated financial statements of the Group.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised 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.

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Revenue recognition**
The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:
a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue recognition (continued)**
When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Based on the assessment of the customer contracts, the Group has identified one performance obligation for each of its contracts and therefore revenue is recognised over time. Some of the customer contracts may include mobilization and demobilisation activities for which revenue, along with the related cost are amortised over the period of contract life from the date of the completion of mobilization activities.

*Dividends*
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

*Interest income*
Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Contract balances**
*Contract assets*
A contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for earned consideration that is conditional.

*Trade receivables*
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before the payment of the consideration is due). Refer to the accounting policies of financial assets in section financial instruments – initial recognition and subsequent measurement.

*Contract liabilities*
A contract liability (includes deferred revenue) is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Bank balances and cash**
Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the special purpose consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxes**

*Income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the special purpose consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

*Sales tax*

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign currencies**
The Group's special purpose consolidated financial statements are presented in SAR, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to special purpose consolidated statement of comprehensive income reflects the amount that arises from using this method.

*Transactions and balances*
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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 settlement or translation of monetary items are recognised in the special purpose consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the special purpose consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

**Group companies**
On consolidation, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**Inventories**
Inventories are initially measured at cost and subsequently at lower of cost using weighted average method or net realisable value.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and equipment**

Assets under construction, property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the special purpose consolidated statement of comprehensive income as incurred.

For all the years presented in the special purpose consolidated financial statements, depreciation on property and equipment except for leasehold land which has indefinite useful life, is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | Years |
|---|---|
| Rigs | 27 |
| Mobile Offshore Production Unit (MOPU) | 5 |
| Assets overhaul | 5 |
| Furniture and fixtures | 10 |
| Drilling pipes | 5 |
| Tools | 5-10 |
| Office premises | 20 |
| Computers and equipment | 5 |
| Motor vehicles | 5 |

Rigs include overhaul, environment and safety costs that are capitalised and depreciated over 5 years (2021 and 2020: 5 years). No depreciation is charged on assets under construction. The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any change in estimated useful life is applied prospectively effective from the beginning of year. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the special purpose consolidated statement of comprehensive income as the expense is incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable.

Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the special purpose consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While value in use is the present value of estimated future cash flows expected to arise from the continuing use of property and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition is included in the special purpose consolidated statement of comprehensive income.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets**
Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalized, and expenditure is reflected in the special purpose consolidated statement of comprehensive income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Intangible assets are amortized using the straight-line method over their estimated useful lives over 5 years (2021 and 2020: 5 years).

**Financial instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial assets***
*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost include trade and other receivables, contract assets, due from related parties and cash and bank balances. The Group does not have financial assets at fair value through OCI or through profit or loss, except for the derivative financial instruments.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

*Subsequent measurement (continued)*

*Financial assets at amortised cost (debt instruments)*
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Derecognition of financial assets*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's special purpose consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

*Impairment of financial assets (continued)*
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***Financial liabilities***

*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related party balances, loans and borrowings including bank overdrafts, derivative financial instruments and other financial liabilities.

*Subsequent measurement*
The measurement of financial liabilities depends on their classification, as described below:

*(i) Trade and other payables*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*(ii) Interest-bearing loans and borrowings*
This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate "EIR" method. Gains and losses are recognised in the special purpose consolidated statement of comprehensive income ,when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the special purpose consolidated statement of comprehensive income. This category generally applies to loans and borrowings.

*(iii) Other financial liabilities at amortised cost*
Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial liabilities (continued)***

*Derecognition of financial liabilities*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the special purpose consolidated statement of comprehensive income.

*Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the special purpose consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Derivative financial instrument**
A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group uses derivative financial instruments, such as interest rate swap, to hedge its interest rate risks. These interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

*Hedge accounting*
For the purpose of hedge accounting, as part of the Group risk management policies, Interest Rate Swap contracts (IRS), whether plain vanilla, collars, or IRS with cap-spreads, may be used to either change the floating-interest rate of a debt instrument into fixed rate or vice versa (whether that debt instrument is measured at amortized cost or fair value). When entering into derivatives in order to hedge risk of changes in fair value or cash flows, management ensure that the hedging relationship meets all of the 3-fold criteria in paragraph 6.4.1(c) of IFRS 9 for hedge effectiveness requirements. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Derivative financial instrument (continued)**

*Cash flow hedges*
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

*Derivative instrument held for trading*
The Group classifies interest rate swaps as derivative held for trading that do not meet criteria for hedge accounting, which is fair valued at initial recognition and subsequently. Any change in fair value is recorded in the statement of comprehensive income as fair value gain (loss) on derivative financial instrument.

**Impairment of non-financial assets**
Further disclosures relating to impairment of non-financial assets are also provided in Note 3 (significant accounting estimates, judgements, and assumptions) and Note 15 (property and equipment).

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 assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not 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 the special purpose consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the special purpose consolidated statement of comprehensive income.

The Group identified individual rigs along with related assets as CGU for the purposes of impairment assessment of non-financial assets.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Group as a lessee*
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. For all the years presented, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | Years |
|---|---|
| Rigs | Up to 5 |
| Yards and warehouse | 4 |
| Office premises | 5 |
| Motor vehicles | 3 |
| Other equipment | 5 |
| Furniture and fixture | 10 |
| Building | 20 |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

**Lease liabilities**
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Short-term leases and leases of low-value assets**
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SAR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Group as a lessor**
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the special purpose consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Provisions**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the special purpose consolidated statement of comprehensive income net of any reimbursement. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

**Contingencies**
Contingent liabilities are not recognised in the special purpose consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the special purpose consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**Legal reserve**
As required by Egyptian Companies' Law and Advanced Energy Systems (ADES) (S.A.E)'s Articles of Association, 5% of the net profit for the year is transferred to legal reserve until the reserve reaches 20% of the capital. Further, as required by Saudi Companies' Law, ADES Saudi Limited Company's and ADES Holding Company Articles of Association, 10% of the net profit for the year is transferred to legal reserve until the legal reserve equals 30% of the capital. Advanced Energy System (ADES) (S.A.E.) has resolved to discontinue further transfers as the reserve totals 20% of issued share capital. As of 31 December 2022, the balance of legal reserve amounted to SAR 24,150,000 (2021: SAR 24,150,000, 2020: SAR 24,000,000).

**Treasury shares**
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the statement of changes in equity.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For assets traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the special purpose consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

**Cash dividend and non-cash distribution to equity holders of the Parent**

The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the special purpose consolidated statement of comprehensive income.

**Defined benefit plans (pension benefits)**

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

## 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

**Judgements**

The preparation of the Group's special purpose consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions in relation to the accounting for the businesses acquired, trade receivables, customer credit periods and doubtful debts provisions, useful lives and impairment of property and equipment, income taxes and various other policy matters. These judgements have the most significant effects on the amounts recognised in the special purpose consolidated financial statements.

*Consolidation of an entity in which the Group holds less than a majority of voting right (de facto control)*

The Group considers that it controls United Precision Drilling Company W.L.L ("UPDC") even though it owns less than 50% of the voting rights. This is mainly because (a) the Group has a substantive right to direct conclusion of revenue contracts, capital expenditures and operational management; (b) the Group has a significantly higher exposure to variability of returns than its voting rights; (c) the Group is the owner of all drilling rigs and equipment and charters the drilling rigs to UPDC on exclusive basis.

*The lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

*Judgement in determining whether assets and entities acquired qualify as a business combination*

During 2022 and 2021, the Group acquired rigs and related assets and liabilities (refer to note 5 for details). The Group performed an extensive analysis of the terms of the agreements entered into to give effect to the above transactions and applied the requirements of IFRS 3. Management's evaluation resulted in these transactions qualifying as a business combinations.

**Key sources of estimation uncertainty**

*Fair valuation of the acquired assets as part of business combinations*

For fair valuation of the identified assets acquired (refer to note 5) which include rigs, tools and inventories, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the assets. Key assumptions and estimates used to determine the fair value of the rigs and inventories include the following forecasted information:

- Day rates and rig utilisation
- Earnings before interest, tax and depreciation (EBITDA) margin
- Capital expenses
- Remaining useful life
- Discount factor based on weighted average cost of capital

## 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

**Key sources of estimation uncertainty (continued)**

*Impairment of trade receivables and contract assets*
The Group recognises an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs with respect to trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. At the special purpose consolidated statement of financial position date, gross trade receivables and contract assets were SAR 960,564,675 (2021: SAR 773,603,048 and 2020: SAR 618,849,815) and the provision for impairment in trade receivables and contract assets was SAR 470,206,043 (2021: SAR 233,641,523 and 2020: SAR 17,725,388). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the special purpose consolidated statement of comprehensive income.

*Taxes*
The Group is exposed to income taxes in certain jurisdictions. Significant judgement is required to determine the total tax liability. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The tax liability is established, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which the Group-entities operate.

The amount of such liability is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. At the reporting date, the current income tax payable was SAR 10,494,524 (2021: SAR 30,973,826 and 2020: SAR 35,604,150).

*Impairment of non-financial assets*
The Group assesses whether there are any indicators of impairment for all non-financial assets for each CGU at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Management identified each rig along with the related assets as a CGU as generally each rig is contracted to the customer based on a separate customer contract.

Management uses the value in use calculation for impairment testing at each CGU level which is based on a discounted cash flow (DCF) model. The forecasted cash flows are estimated based on the historical performance and current contracted rates. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 15.

*Useful lives of property and equipment*
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Write-down of inventories to net realisable value (NVR)*
Inventories are carried at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. At the reporting date, gross inventories were SAR 213,154,690 (2021: SAR 168,575,464 and 2020: SAR 182,058,555). At the reporting date, the cumulative provision for slow moving items stands at SAR 28,879,917 (2021: SAR 20,103,315 and 2020: SAR 3,524,276). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss in the special purpose consolidated statement of comprehensive income.

*Defined benefit plans (pension benefits)*
The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)
NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended and at 31 December 2022, 2021 and 2020
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

## 4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified six geographical segments (2021: five geographical segments and 2020: four geographical segments). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

| *Segment* | *Egypt SAR* | *Algeria SAR* | *Kingdom of Saudi Arabia SAR* | *Kuwait SAR* | *Tunisia SAR* | *Qatar SAR* | *Total Segment Total Segment SAR* | *Corporate SAR* | *Adjustments and eliminations*** SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| ***For the period ended 31 Dec 2022*** | | | | | | | | | | |
| **Revenue** | | | | | | | | | | |
| External customers | 341,610,747 | 25,585,373 | 1,571,548,155 | 313,126,416 | 14,213,257 | 201,116,853 | 2,467,200,801 | - | - | 2,467,200,801 |
| Inter-segment | 296,042,490 | - | - | 6,843,750 | - | - | 302,886,240 | - | (302,886,240) | - |
| Total Revenue | 637,653,237 | 25,585,373 | 1,571,548,155 | 319,970,166 | 14,213,257 | 201,116,853 | 2,770,087,041 | - | (302,886,240) | 2,467,200,801 |
| **Income/(expenses)** | | | | | | | | | | |
| Cost of sales* | (160,486,343) | (16,535,075) | (735,187,040) | (141,793,134) | (15,527,511) | (111,848,130) | (1,181,377,233) | - | - | (1,181,377,233) |
| General and administrative expenses | (28,713,130) | (4,952,001) | (141,805,504) | (32,965,091) | (2,099,044) | (13,684,711) | (224,219,481) | (21,892,451) | - | (246,111,932) |
| Finance costs (net) | (29,745,772) | (893,409) | (214,036,012) | (23,148,294) | (471,405) | (11,206,907) | (279,501,799) | (4,297,081) | - | (283,798,880) |
| Depreciation and amortization (cost of sales portion) | (69,615,448) | (9,696,784) | (224,842,028) | (57,335,111) | (3,091,904) | (29,847,230) | (394,428,505) | - | - | (394,428,505) |
| Other expense (net)** | (21,402,226) | (1,695,340) | (100,282,906) | (16,616,010) | (94,020) | (6,785,518) | (146,876,020) | (2,689,176) | - | (149,565,196) |
| Bargain purchase gain | - | - | 177,321,855 | - | - | - | 177,321,855 | 244,945,552 | - | 422,267,407 |
| Provision for impairment of trade receivable | (236,564,520) | - | - | - | - | - | (236,564,520) | - | - | (236,564,520) |
| Segment Profit / (Loss) | (204,916,692) | (8,187,236) | 332,716,520 | 41,268,776 | (7,070,627) | 27,744,357 | 181,555,098 | 216,066,844 | - | 397,621,942 |
| Total Assets as at 31 Dec 2022 (i) | 2,964,616,256 | 341,280,447 | 8,382,811,907 | 1,559,297,813 | 6,085,805 | 1,103,194,444 | 14,357,286,672 | 144,058,973 | - | 14,501,345,645 |
| Total Liabilities as at 31 Dec 2022 | 2,194,579,771 | 264,071,699 | 7,783,783,528 | 989,043,570 | 3,566,833 | 964,609,936 | 12,199,655,337 | 43,259,765 | - | 12,242,915,102 |
| **31 Dec 2022** | | | | | | | | | | |
| **Other Segment information** | | | | | | | | | | |
| Capital expenditure (i) | 197,355,223 | 10,299,044 | 5,908,575,082 | 93,620,425 | 9,714,544 | 979,821,312 | 7,199,385,630 | - | - | 7,199,385,630 |
| Intangible assets expenditure | 18,191 | - | - | - | - | - | 18,191 | - | - | 18,191 |
| **Total** | 197,373,414 | 10,299,044 | 5,908,575,082 | 93,620,425 | 9,714,544 | 979,821,312 | 7,199,403,821 | - | - | 7,199,403,821 |

## 4 SEGMENT INFORMATION (continued)

| | *Egypt SAR* | *Algeria SAR* | *Kingdom of Saudi Arabia SAR* | *Kuwait SAR* | *Tunisia SAR* | *Total Segment SAR* | *Corporate SAR* | *Adjustments and Eliminations*** SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|
| ***For the year ended 31 December 2021*** | | | | | | | | | |
| Revenue | | | | | | | | | |
| External customers | 251,163,915 | 28,778,591 | 909,131,040 | 321,028,313 | 4,103,771 | 1,514,205,630 | - | - | 1,514,205,630 |
| Inter-segment | 298,152,098 | - | - | 1,143,750 | - | 299,295,848 | - | (299,295,848) | - |
| Total Revenue | 549,316,013 | 28,778,591 | 909,131,040 | 322,172,063 | 4,103,771 | 1,813,501,478 | - | (299,295,848) | 1,514,205,630 |
| **Income/(expenses)** | | | | | | | | | |
| Cost of sales* | (124,129,908) | (20,725,271) | (410,515,609) | (148,682,119) | (2,622,409) | (706,675,316) | - | - | (706,675,316) |
| General and administrative expenses | (20,788,394) | (2,625,248) | (73,517,678) | (38,085,754) | (607,841) | (135,624,915) | (21,997,805) | - | (157,622,720) |
| Finance costs (net) | (16,426,143) | (2,768,670) | (120,080,374) | (45,462,525) | (528,788) | (185,266,500) | (119,682,534) | - | (304,949,034) |
| Depreciation and amortisation (cost of sales portion) | (88,967,550) | (12,764,381) | (117,347,738) | (48,720,855) | (407,351) | (268,207,875) | - | - | (268,207,875) |
| Other expenses (net) ** | (53,214,082) | (2,787,855) | (50,083,530) | (15,359,794) | (24,615) | (121,469,876) | (2,351,966) | - | (123,821,842) |
| Bargain purchase gain | - | - | - | - | - | - | 491,247,285 | - | 491,247,285 |
| Provision for impairment of | | | | | | | | | |
| - non-current assets | (53,838,829) | (52,500,000) | - | - | (7,492,575) | (113,831,404) | - | - | (113, 831,404) |
| - trade receivables | (215,916,135) | - | - | - | - | (215,916,135) | - | - | (215,916,135) |
| Segment Profit / (Loss) | (322,117,126) | (65,392,834) | 137,586,111 | 24,717,266 | (7,579,808) | (232,786,391) | 347,214,981 | - | 114,428,590 |
| Total Assets as at 31 December 2021 (i) | 2,916,482,768 | 231,313,466 | 2,066,975,674 | 1,353,486,211 | 10,587,341 | 6,578,845,460 | 113,226,510 | - | 6,692,071,970 |
| Total Liabilities as at 31 December 2021 | 2,122,886,365 | 233,462,878 | 1,387,183,802 | 927,504,881 | 7,649,974 | 4,678,687,900 | 90,305,270 | - | 4,768,993,170 |
| **Other Segment information** | | | | | | | | | |
| Capital expenditure (i) | 38,148,188 | 27,439,871 | 1,774,136,948 | 76,667,918 | 21,066,758 | 1,937,459,683 | - | - | 1,937,459,683 |
| Intangible assets expenditure | 98,441 | - | - | - | - | 98,441 | - | - | 98,441 |
| Total | 38,246,629 | 27,439,871 | 1,774,136,948 | 76,667,918 | 21,066,758 | 1,937,558,124 | - | - | 1,937,558,124 |

**4 SEGMENT INFORMATION (continued)**

| | *Egypt SAR* | *Algeria SAR* | *Kingdom of Saudi Arabia SAR* | *Kuwait SAR* | *Total Segment SAR* | *Corporate SAR* | *Adjustments and Eliminations*** SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|
| ***For the year ended 31 December 2020*** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External customers | 316,614,536 | 49,456,916 | 919,136,993 | 410,198,693 | 1,695,407,138 | - | - | 1,695,407,138 |
| Inter-segment | 289,143,225 | - | - | - | 289,143,225 | - | (289,143,225) | - |
| Total Revenue | 605,757,761 | 49,456,916 | 919,136,993 | 410,198,693 | 1,984,550,363 | - | (289,143,225) | 1,695,407,138 |
| **Income/(expenses)** | | | | | | | | |
| Cost of sales* | (147,948,480) | (30,657,135) | (459,959,186) | (190,389,641) | (828,954,442) | - | - | (828,954,442) |
| General and administrative expenses | (25,719,413) | (6,661,725) | (86,698,635) | (35,708,719) | (154,788,492) | (22,945,673) | - | (177,734,165) |
| Finance costs (net) | (34,490,546) | (4,345,275) | (112,588,744) | (62,059,343) | (213,483,908) | (28,078,939) | - | (241,562,847) |
| Depreciation and amortisation (cost of sales portion) | (83,645,788) | (9,198,559) | (88,795,039) | (48,196,819) | (229,836,205) | - | - | (229,836,205) |
| Other expenses (net) ** | (10,316,706) | (2,819,111) | (37,749,623) | (19,127,576) | (70,013,016) | (36,005,618) | - | (106,018,634) |
| Provision for impairment of | | | | | | | | |
| - non-current assets | (19,125,233) | - | - | - | (19,125,233) | - | - | (19,125,233) |
| - trade receivables | (9,594,934) | - | - | - | (9,594,934) | - | - | (9,594,934) |
| Segment Profit / (Loss) | (14,226,564) | (4,224,889) | 133,345,766 | 54,716,595 | 169,610,908 | (87,030,230) | - | 82,580,678 |
| Total Assets as at 31 December 2020 (i) | 3,147,767,454 | 324,141,323 | 374,169,724 | 1,277,593,403 | 5,123,671,904 | 65,892,432 | - | 5,189,564,336 |
| Total Liabilities as at 31 December 2020 | 1,424,406,658 | 29,614,481 | 218,110,913 | 251,381,393 | 1,923,513,445 | 1,563,935,686 | - | 3,487,449,131 |
| **Other Segment information** | | | | | | | | |
| Capital expenditure (i) | 120,006,150 | 1,932,341 | 92,860,125 | 114,979,819 | 329,778,435 | - | | 329,778,435 |
| Intangible assets expenditure | 87,188 | - | - | - | 87,188 | - | - | 87,188 |
| **Total** | 120,093,338 | 1,932,341 | 92,860,125 | 114,979,819 | 329,865,623 | - | - | 329,865,623 |

* Excluding depreciation and amortisation.
** Other expenses includes end of service employment benefits, provision for impairment of inventory, share-based payments expense, other provisions, provision on other receivable, business acquisition cost, provision for impairment of investment and dividends receivable, other taxes, other expenses, gain / (loss) on derivative financial instrument held for trade and income tax expense.
*** Inter-segment revenues and other adjustments are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.
(i) Management presents the assets in the segment which holds such assets, while the capital expenditure is presented in the segment where such assets are utilised.

## 5 BUSINESS COMBINATIONS

As part of the Group's strategy to expand its fleet and operations, the Group has acquired new businesses which are accounted for as business combinations. These transactions resulted in bargain as the Group utilised its synergies and liquidity position due to its strong presence in the region and relationship with the key customers to negotiate favourable deals with the sellers.

***1) Acquisition of Emerald Driller Company in 2022***

On 27 May 2022, ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control, refer to Note 1) acquired 100% voting share of Emerald Driller Company (the "EDC") registered in Cayman Island and operating in Qatar. EDC owns 3 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees, inventories to be used in the drilling business.

The transaction was accounted for using business combination accounting at the date of acquisition. However, as explained in Note 1, after the acquisition was completed, EDC was transferred to ADES International Holding Ltd (a subsidiary of the Company) during the year ended 31 December 2022 which was accounted for using pooling of interests method as a transaction under common control. Accordingly, the purchase consideration below was paid by ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control, refer to Note 1) and disclosed as a non-cash transaction for the Group.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the one of largest jack-up operator and available liquidity position. These have given added synergies to the Group to negotiate a favourable deal with a seller.

***Identifiable net assets acquired***
The provisional fair values of the identifiable assets and liabilities as at the acquisition were:

| | ***Provisional* Fair values recognised on acquisition SAR*** |
|---|---|
| Property and equipment | **907,165,050** |
| Inventories | **19,970,220** |
| Trade receivables | **6,805,277** |
| Contract assets | **69,550,420** |
| Other receivables | **147,944,757** |
| **Total assets** | **1,151,435,724** |
| Provisions | **1,789,924** |
| Deferred mobilization revenue | **51,877,486** |
| Income tax payable | **1,348,927** |
| Trade and other payables | **106,359,941** |
| **Total liabilities** | **161,376,278** |
| Total identifiable net assets at fair values | **990,059,446** |
| Gain from bargain purchase | **(244,945,552)** |
| **Purchase consideration (non-cash transaction)*** | **745,113,894** |
| Analysis of cash flow on acquisition (included in cash flows from investing activities) | |
| Transaction cost paid for acquisition | (1,184,576) |
| **Net cash out flows on acquisition** | **(1,184,576)** |

* Paid by ADES Arabia Holding before it was transferred to the Group.

**5 BUSINESS COMBINATIONS (continued)**

***1) Acquisition of Emerald Driller Company in 2022 (continued)***

* Additional clarifications and analysis is required to determine the acquisition date fair value of the assets and liabilities acquired. Thus, the assets and liabilities may be subsequently adjusted, with a corresponding adjustment to gain from bargain purchase prior to 27 May 2023 (within one year from the transaction date).

From the date of acquisition to 27 May 2022, the acquired assets contributed SAR 201,116,853 of revenue of the continuing operations of the Group and reported the profit of SAR 27,744,358. The Company has incurred transaction cost amounting to SAR 1,184,576.

If the combination had taken place at the beginning of the year the acquired business would have contributed SAR 254,814,963 of revenue of operations and would have reported profit of SAR 52,187,730.

***2) Acquisition of Seadrill in 2022***

On 18 October 2022, the Group acquired 100% voting shares of Seadrill GCC Operations Ltd. and its 7 subsidiaries from Seadrill that own 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business. These entities are registered in Bermuda and operate in the KSA. The acquisition has been accounted for using the acquisition method.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the largest jack-up operator in the Kingdom of Saudi Arabia, liquidity position, strong relationship with shareholders and a key customer. These have given added synergies to the Group to negotiate a favourable deal with a seller.

***Identifiable net assets acquired***
The provisional fair values of the identifiable assets and liabilities as at the acquisition were:

| | ***Provisional* Fair values recognised on acquisition SAR*** |
|---|---|
| Property and equipment | **2,729,641,219** |
| Inventories | **4,769,561** |
| Trade receivables | **34,717,659** |
| Contract assets | **25,743,874** |
| Deferred tax assets | **5,690,745** |
| Other receivables | **56,268,589** |
| Cash and cash equivalent | **29,305,952** |
| **Total assets** | **2,886,137,599** |
| Provisions for taxes | **5,966,584** |
| Employees' end of services benefits provision | **34,949,324** |
| Trade and other payables | **113,050,936** |
| **Total liabilities** | **153,966,844** |
| Total identifiable net assets at fair values | **2,732,170,755** |
| Gain from bargain purchase | **(177,321,855)** |
| **Purchase consideration** | **2,554,848,900** |
| Analysis of cash flow on acquisition (included in cash flows from investing activities) | |
| Transaction cost paid for acquisition | (7,239,650) |
| Cash paid | (2,554,848,900) |
| Cash and cash equivalent acquired | 29,305,952 |
| **Net cash out flows on acquisition** | **(2,532,782,598)** |

**5 BUSINESS COMBINATIONS (continued)**

***2) Acquisition of Seadrill in 2022 (continued)***

* Additional clarifications and analysis is required to determine the acquisition date fair value of the assets and liabilities acquired. Thus, the assets and liabilities may be subsequently adjusted, with a corresponding adjustment to gain from bargain purchase prior to 18 October 2023 (within one year from the transaction date).

From the date of acquisition to 18 October 2022, the acquired assets contributed SAR 98,203,601 of revenue of the continuing operations of the Group and reported the profit of SAR 37,051,196. The Company has incurred transaction cost amounting to SAR 7,239,650.

If the combination had taken place at the beginning of the year the acquired business would have contributed SAR 484,382,624 of revenue of continuing operations and would have reported profit SAR 182,752,523.

***3) Acquisition of rigs from Noble in 2021***

On 3 November 2021, the Group acquired four jack-up drilling rigs, located in the Kingdom of Saudi Arabia, in their entirety, including drilling contracts with Saudi Aramco along with all spare parts, equipment and inventory, from Noble Finance Company. The Group acquired these rigs to expand its operations in the Kingdom of Saudi Arabia. The acquisition has been accounted for using the acquisition method.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid.

***Identifiable net assets acquired***
The fair values of the identifiable net assets of these rigs as at the date of acquisition were:

| | ***Fair values recognised on acquisition SAR*** |
|---|---|
| Property and equipment | **1,563,226,447** |
| Inventories | **24,577,088** |
| Total identifiable net assets at fair values | **1,587,803,535** |
| Gain from bargain purchase | **(491,247,285)** |
| **Purchase consideration** | **1,096,556,250** |
| Analysis of cash flow on acquisition (included in cash flows from investing activities) | |
| Cash paid | (1,096,556,250) |
| Transaction cost paid for acquisition | (12,204,690) |
| **Net cash out flows on acquisition** | **(1,108,760,940)** |

From the date of acquisition to 31 December 2021, the acquired assets contributed SAR 64,544,329 of revenue of the continuing operations of the Group. It is impracticable to disclose the revenue and profit, or loss of the rigs acquired for the year ended 31 December 2021 as if the combination had taken place at the beginning of the year, as the acquired assets and entities did not represent a reporting entity and the historical information is not available. The Group acquired the business comprised of the rigs and the related items, rather than the entire entity from Noble. The amount of profit contributed by these assets from the date of acquisition is also not disclosed, as these rigs do not represent a separate reporting entity and it impracticable to prepare the profit and loss for the rigs. The Company has incurred transaction cost amounting to SAR 12,204,690 that which is charged in other expenses account included in the special purpose consolidated statement of comprehensive income.

## 6 REVENUES FROM CONTRACTS WITH CUSTOMERS

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Units operations | **2,364,063,031** | **1,445,627,743** | **1,597,974,503** |
| Catering services | **44,062,410** | **24,254,767** | **26,386,612** |
| Projects income | **16,875,000** | **18,937,500** | **44,172,000** |
| Others | **42,200,360** | **25,385,620** | **26,874,023** |
| | **2,467,200,801** | **1,514,205,630** | **1,695,407,138** |

Refer Note 4 segment disclosure. The primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

Projects income represents services relating to outsourcing various operating projects for clients such as, early production facilities, manpower, maintenance, and repair services.

## 7 COSTS OF SALES

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Staff costs | **510,614,494** | **317,919,544** | **377,861,670** |
| Depreciation (Note 15) | **394,428,505** | **268,207,875** | **229,836,206** |
| Maintenance costs | **242,893,420** | **125,771,186** | **130,793,970** |
| Other costs | **146,522,951** | **84,996,528** | **105,722,441** |
| Catering costs | **94,209,402** | **55,922,138** | **61,533,953** |
| Move costs | **58,790,707** | **45,851,807** | **51,545,760** |
| Rental equipment (Note 16) | **47,382,234** | **19,885,797** | **29,404,939** |
| Insurance | **41,400,079** | **22,065,284** | **20,649,315** |
| Crew change costs | **30,866,306** | **20,737,279** | **18,793,316** |
| Project direct costs | **8,697,640** | **13,525,753** | **32,649,079** |
| | **1,575,805,738** | **974,883,191** | **1,058,790,649** |

## 8 GENERAL AND ADMINISTRATIVE EXPENSE

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Staff costs | **141,082,257** | **101,100,409** | **117,123,420** |
| Other expenses | **44,876,842** | **16,446,287** | **18,789,842** |
| Business travel expenses | **14,656,470** | **6,580,883** | **9,343,541** |
| Professional fees | **13,259,051** | **10,806,469** | **11,789,500** |
| Depreciation and amortisation (Note 15) | **8,927,534** | **7,437,135** | **5,543,596** |
| Communications Expenses | **8,024,904** | **5,146,372** | **3,979,264** |
| Free zone expenses | **7,558,269** | **7,103,404** | **7,514,134** |
| Bank Services Charges | **3,908,808** | **1,487,490** | **1,054,149** |
| Rental expenses (Note 16) | **3,817,797** | **1,514,271** | **2,596,718** |
| | **246,111,932** | **157,622,720** | **177,734,164** |

ADES Holding Company and its Subsidiaries
(A Mixed Closed Joint Stock Company)
NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended and at 31 December 2022, 2021 and 2020
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

## 9 FINANCE COSTS

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| *Interest cost:* | | | |
| Loan interest expenses | **245,191,436** | **82,691,618** | **79,006,046** |
| Loss on derecognition of loan* | **-** | **117,582,327** | **-** |
| Bond interest and bond fees amortisation | **-** | **58,943,198** | **114,404,111** |
| Amortisation of loan transaction costs | **15,498,379** | **24,168,946** | **18,190,943** |
| Interest Rate Swap related finance charges | **4,362,725** | **16,641,575** | **16,424,468** |
| Interest on overdraft facilities | **10,069,475** | **4,374,422** | **4,118,160** |
| Interest on lease liabilities | **6,455,410** | **3,941,128** | **3,202,706** |
| Unwinding of discounting on a long-term receivable | **(12,002,208)** | **(18,012,201)** | **(2,986,148)** |
| *Other finance cost:* | | | |
| Guarantee related finance charges | **11,948,847** | **9,625,888** | **12,563,779** |
| Other finance charges/(income), net | **21,468,542** | **5,205,064** | **(353,929)** |
| | **302,992,606** | **305,161,965** | **244,570,136** |

*This includes write off of unamortized portion of transaction cost related to the loans repaid and one-time fees paid for the loan closure in 2021(refer to Note 19).

## 10 INCOME TAX

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| **Special purpose consolidated statement of comprehensive income:** | | | |
| Current income tax expense* | **25,045,254** | **34,579,973** | **34,421,366** |
| Deferred tax charge /(credit) | **45,677,163** | **51,323** | **(871,178)** |
| | **70,722,417** | **34,631,296** | **33,550,188** |

**Special purpose consolidated statement of financial position:**

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| **Current liabilities:** | | | |
| Balance at 1 January | **30,973,826** | **35,604,150** | **37,409,768** |
| Charge for the year | **25,045,254** | **34,579,973** | **34,421,366** |
| Paid during the year | **(46,873,483)** | **(39,210,397)** | **(36,226,984)** |
| Acquired during period | **1,348,927** | **-** | **-** |
| Other | **-** | **100** | **-** |
| Balance at 31 December | **10,494,524** | **30,973,826** | **35,604,150** |

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Profit before income tax | **468,344,359** | **149,059,886** | **116,130,866** |
| Tax calculated at domestic tax rates applicable to profits. in the primary jurisdiction of 12.125% (2021:0%, 2020:0%)* | **56,786,754** | **-** | **-** |
| Effect of different tax rates in countries in which the Group operates | **91,239,901** | **129,536,003** | **35,610,765** |
| Non-deductible expenses | **5,750,190** | **5,091,454** | **7,727,849** |
| Prior year adjustment | | **-** | **501,300** |
| Non-taxable income | **(107,033,829)** | **(105,273,679)** | **(23,768,854)** |
| Withholding taxes | **23,979,401** | **5,277,518** | **13,479,128** |
| **Income tax expense recognized in the special purpose consolidated statement of comprehensive income** | **70,722,417** | **34,631,296** | **33,550,188** |

* Refer to note 1, for the year ended 31 December 2021 and 2020, the erstwhile holding company was ADES International Holding Ltd which is based in the United Arab Emirates where the tax rate was zero.

**10 INCOME TAX (continued)**

The effective tax rate is 15% (2021: 23%, 2020: 29%).

The Group operates in jurisdictions which are subject to tax rates different than the effective statutory corporate tax rate of 12.125% (2021: 0%%, 2020: 0%%) and Zakat tax rate of 2.5% (2021: 0%, 2020: 0%). The other jurisdictions include Algeria, Kuwait, Tunisia and Qatar where applicable tax rates are 26%, 15%, 15% and 10% respectively.

Egyptian corporations are normally subject to corporate income tax at a statutory rate of 22.5% however the Company has been registered in a Free Zone in Alexandria under the Investment Law No 8 of 1997 which allows exemption from corporate income tax.

Deferred tax relates to the following:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| *Deferred tax assets:* | | | |
| Provision for employee terminal benefits | **1,848,585** | **-** | **-** |
| Provision, reserve and others | **2,126,085** | **-** | **871,178** |
| | **3,974,670** | **-** | **871,178** |
| *Deferred tax liabilities*: | | | |
| Property and equipment | **(54,442,347)** | **-** | **-** |
| Derivative financial instruments – cash flow hedges | **(9,163,024)** | **-** | **-** |
| Others | **6,785,425** | **(51,323)** | **-** |
| | **(56,819,946)** | **(51,323)** | **-** |

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| **Reconciliation of deferred tax assets/(liabilities), net:** | | | |
| Balance at 1 January | **3,110,892** | **3,162,215** | **2,291,037** |
| Movement for the year | **(52,845,276)** | **(51,323)** | **871,178** |
| Acquired deferred tax – note 5 | **5,690,744** | **-** | **-** |
| Balance at 31 December | **(44,043,640)** | **3,110,892** | **3,162,215** |
| **Deferred tax (expense) /benefit for the year is charged to:** | | | |
| Profit and loss | **(45,677,163)** | **(51,323)** | **871,178** |
| Other comprehensive income | **(7,168,113)** | **-** | **-** |
| | **(52,845,276)** | **(51,323)** | **871,178** |

## 11 BANK BALANCES AND CASH

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Cash on hand | **338,910** | **100,897** | **75,202** |
| Bank balances | **190,490,061** | **185,757,233** | **146,548,530** |
| Time deposits* | **-** | **47,002,200** | **87,708,323** |
| Cash and cash equivalents for the purpose of statement of cash flows | **190,828,971** | **232,860,330** | **234,332,055** |

Bank balances and cash comprise of balances in the following currencies:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| United States Dollar (USD) | **140,389,923** | **94,061,539** | **98,046,926** |
| Saudi Riyal (SAR) | **10,159,503** | **47,653,803** | **672,124** |
| Egyptian Pound (EGP) | **15,894,036** | **14,962,421** | **24,105,296** |
| United Arab Emirates Dirham (AED) | **5,443** | **7,081** | **-** |
| Great British Pound (GBP) | **-** | **279** | **450** |
| Euro (EUR) | **41,843** | **42,789** | **2,835** |
| Algerian Dinar (DZD) | **2,848** | **1,001,690** | **962,276** |
| Kuwaiti Dinar (KWD) | **24,253,940** | **28,111,506** | **22,833,825** |
| Tunisian Dinar (TND) | **2,001** | **17,021** | **-** |
| Qatari Riyal (QAR) | **79,434** | **-** | **-** |
| Time deposits (USD)* | **-** | **47,002,201** | **63,807,750** |
| Time deposits (EGP)* | **-** | **-** | **23,900,573** |
| | **190,828,971** | **232,860,330** | **234,332,055** |

*Time deposits represent short-term investment with a local bank in the United Arab Emirates and Egypt. Time deposits have original maturities of less than 90 days and earns average interest of 2.5% per annum in 2022 (2021: 0.35% and 2020: 2.6%). The finance income reported in the special purpose consolidated statement of comprehensive income for the year 2022 amounted to SAR 19,193,726 (2021: SAR 212,933), (2020: SAR 3,007,290).

## 12 INVENTORIES

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Offshore rigs | **110,435,175** | **50,522,257** | **77,293,796** |
| Onshore rigs | **30,199,600** | **36,429,653** | **39,043,215** |
| Warehouse and yards | **43,639,998** | **61,520,239** | **62,197,268** |
| | **184,274,773** | **148,472,149** | **178,534,279** |

As at 31 December 2022, the inventories are stated net of provision for impairment of inventory of SAR 28,879,917 (2021: SAR 20,103,315, 2020: SAR 3,524,276).

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| As at 1 January | **20,103,315** | **3,524,276** | **949,983** |
| Charge for the year | **26,216,730** | **17,344,459** | **2,574,293** |
| Used during the year | **(17,440,128)** | **(765,420)** | **-** |
| As at 31 December | **28,879,917** | **20,103,315** | **3,524,276** |

## 13 TRADE RECEIVABLES AND CONTRACT ASSETS

***Trade receivables***

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Trade receivables | **704,940,915** | **601,432,602** | **495,129,327** |
| Provision for impairment in trade receivables | **(470,206,043)** | **(233,641,523)** | **(17,725,388)** |
| | **234,734,872** | **367,791,079** | **477,403,939** |
| Current | **234,734,872** | **262,140,428** | **262,136,359** |
| Non-current | **-** | **105,650,651** | **215,267,580** |
| Balance as at 31 December | **234,734,872** | **367,791,079** | **477,403,939** |

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms, except for one customer balance which is fully impaired, after which trade receivables are considered to be past due. Unimpaired trade receivables are expected to be fully recoverable on the past experience. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

As at 31 December, the aging analysis of un-impaired trade receivables is as follows:

| | *Neither past due nor impaired SAR* | ***Past due but not impaired*** *<30 days SAR* | *30 - 60 days SAR* | *61 - 90 days SAR* | *>90 days SAR* | *Total SAR* |
|---|---|---|---|---|---|---|
| **2022** | **198,637,145** | **24,663,111** | **4,086,271** | **3,849,908** | **3,498,437** | **234,734,872** |
| **2021** | **359,217,361** | **8,573,718** | **-** | **-** | **-** | **367,791,079** |
| **2020** | **401,288,228** | **16,502,933** | **5,615,618** | **7,765,414** | **46,231,746** | **477,403,939** |

As at 31 December 2022, the largest portion of trade receivable balance before provision for impairment is from one customer of the Group, which is a partially government owned entity. In 2021 the Group signed a revised settlement agreement with the customer to settle all due balances and management still believes that the customer will be able to fulfil its obligations. However, The Group has formed a full provision for impairment in trade receivables amounting SAR 428,180,398 million against the entire amount of receivable from this customer.

***Contract assets***
As at 31 December 2022, the Group has contract assets of SAR 255,623,760 (2021: SAR 172,170,446 and 2020: SAR 123,720,488).

The movement in the provision for impairment of trade receivables and contract assets is as follows:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| As at 1 January | **233,641,523** | **17,725,388** | **8,130,454** |
| Charge for the year | **236,564,520** | **215,916,135** | **9,594,934** |
| As at 31 December | **470,206,043** | **233,641,523** | **17,725,388** |

## 14 PREPAYMENTS AND OTHER RECEIVABLES

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Invoice retention* | **325,937,757** | **216,395,168** | **191,366,659** |
| Margin Letter of Guarantees | **20,902,613** | **19,591,448** | **15,621,206** |
| Advances to contractors and suppliers | **470,873,348** | **18,639,660** | **17,322,064** |
| Insurance with customers | **28,759,768** | **23,736,266** | **21,876,214** |
| Dividends receivable | **4,593,750** | **4,593,750** | **4,593,750** |
| Provision for impairment in dividends receivables | **(4,593,750)** | **(4,593,750)** | **(918,750)** |
| Other receivables | **70,484,690** | **27,711,121** | **27,965,983** |
| Prepaid mobilization revenue | **54,121,005** | **1,800,377** | **-** |
| Provision for other receivables | **(6,827,633)** | **(5,140,133)** | **-** |
| | **964,251,548** | **302,733,907** | **277,827,126** |
| Maturing within 12 months | **644,259,854** | **300,933,532** | **272,144,354** |
| Maturing after 12 months | **319,991,694** | **1,800,375** | **5,682,772** |
| Balance as at 31 December | **964,251,548** | **302,733,907** | **277,827,126** |

*This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.

## 15 PROPERTY AND EQUIPMENT

| *31 December 2022* | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools* SAR* | *Assets under construction SAR* | *IT - Equipment SAR* | *Motor vehicles SAR* | *Leasehold improvements SAR* | *Leasehold Land SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| As of 1 January 2022 | 5,862,027,685 | 6,071,018 | 112,501,226 | 314,278,745 | 130,408,978 | 7,096,328 | 1,974,349 | 2,599,986 | 58,478,471 | 6,495,436,786 |
| Acquisitions through business combinations | 2,559,436,464 | - | - | 31,573,116 | 1,045,796,689 | - | - | - | - | 3,636,806,269 |
| Additions | 157,372,785 | 453,196 | 608,615 | 52,417,336 | 3,348,808,676 | 2,657,753 | 261,000 | - | - | 3,562,579,361 |
| Transfers | 588,535,331 | - | 2,624,221 | 7,451,274 | (598,610,826) | - | - | - | - | - |
| Retirement & Disposable | (65,656) | - | - | - | | - | - | - | - | (65,656) |
| **As of 31 December 2022** | **9,167,306,609** | **6,524,214** | **115,734,062** | **405,720,471** | **3,926,403,517** | **9,754,081** | **2,235,349** | **2,599,986** | **58,478,471** | **13,694,756,760** |
| Accumulated depreciation and impairment: | | | | | | | | | | |
| As of 1 January 2022 | (949,247,471) | (2,479,823) | (61,811,322) | (99,636,707) | (17,869,842) | (3,656,955) | (1,176,360) | (1,153,511) | - | (1,137,031,991) |
| Transfers | (30,323,158) | 48,922 | 15,279,899 | (5,663) | 15,000,000 | - | - | - | - | - |
| Retirement & Disposable | 5,221 | - | - | - | - | - | - | - | - | 5,221 |
| Depreciation | (317,026,728) | (527,162) | (18,869,016) | (31,387,577) | - | (1,097,207) | (233,647) | (467,467) | - | (369,608,804) |
| **As of 31 December 2022** | **(1,296,592,136)** | **(2,958,063)** | **(65,400,439)** | **(131,029,947)** | **(2,869,842)** | **(4,754,162)** | **(1,410,007)** | **(1,620,978)** | **-** | **(1,506,635,574)** |
| **Net book value:** | | | | | | | | | | |
| **At 31 December 2022** | **7,870,714,473** | **3,566,151** | **50,333,623** | **274,690,524** | **3,923,533,675** | **4,999,919** | **825,342** | **979,008** | **58,478,471** | **12,188,121,186** |

* Tools additions during the year ended 31 December 2022 include SAR 2,618,933 (31 December 2021: SAR 33,750,000, 2020: SAR 2,872,500) as transfer from inventory.

## 15 PROPERTY AND EQUIPMENT (continued)

| *31 December 2021* | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools* SAR* | *Assets under construction SAR* | *IT - Equipment SAR* | *Motor vehicles SAR* | *Leasehold improvements SAR* | *Leasehold Land SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| As of 1 January 2021 | 3,932,305,627 | 5,478,893 | 67,871,595 | 232,724,880 | 310,780,291 | 5,397,881 | 1,711,849 | 1,968,963 | - | 4,558,239,979 |
| Acquisitions through business combinations | 1,553,972,164 | - | - | 9,254,284 | - | - | - | - | - | 1,563,226,448 |
| Additions | 101,671,804 | 592,125 | 12,602,550 | 72,058,688 | 126,929,003 | 1,638,094 | 262,500 | - | 58,478,471 | 374,233,235 |
| Transfers | 274,078,090 | - | 32,027,081 | 240,893 | (307,300,316) | 60,353 | - | 631,023 | - | (262,876) |
| **As of 31 December 2021** | **5,862,027,685** | **6,071,018** | **112,501,226** | **314,278,745** | **130,408,978** | **7,096,328** | **1,974,349** | **2,599,986** | **58,478,471** | **6,495,436,786** |
| Accumulated depreciation and impairment: | | | | | | | | | | |
| As of 1 January, 2021 | (660,432,502) | (1,805,318) | (31,349,164) | (62,543,377) | (2,869,842) | (2,817,776) | (1,003,815) | (791,212) | - | (763,613,006) |
| Impairment | (75,804,574) | (48,934) | (12,989,288) | (9,988,608) | (15,000,000) | | | | - | (113,831,404) |
| Depreciation | (213,010,395) | (625,571) | (17,472,870) | (27,104,722) | - | (839,179) | (172,545) | (362,299) | - | (259,587,581) |
| **As of 31 December 2021** | **(949,247,471)** | **(2,479,823)** | **(61,811,322)** | **(99,636,707)** | **(17,869,842)** | **(3,656,955)** | **(1,176,360)** | **(1,153,511)** | **-** | **(1,137,031,991)** |
| **Net book value:** | | | | | | | | | | |
| **At 31 December 2021** | **4,912,780,214** | **3,591,195** | **50,689,904** | **214,642,038** | **112,539,136** | **3,439,373** | **797,989** | **1,446,475** | **58,478,471** | **5,358,404,795** |

## 15 PROPERTY AND EQUIPMENT (continued)

| *31 December 2020* | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools SAR* | *Assets under construction SAR* | *IT-Equipment SAR* | *Motor vehicles SAR* | *Leasehold improvements SAR* | *Leasehold Land SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| As of 1 January 2020 | 3,700,450,808 | 5,674,418 | 58,861,939 | 160,217,321 | 299,679,108 | 3,587,175 | 936,619 | 2,578,016 | - | 4,231,985,404 |
| Additions | 69,874,236 | 1,039,395 | 9,589,144 | 30,989,996 | 215,867,859 | 1,642,575 | 775,230 | - | - | 329,778,435 |
| Retirement and disposal | - | (1,938,949) | (579,488) | - | - | - | - | (609,053) | - | (3,127,490) |
| Reclassification | (34,615,305) | - | - | 34,615,305 | - | - | - | - | - | - |
| Transfers | 196,595,888 | 704,029 | - | 6,902,258 | (204,766,676) | 168,131 | - | - | - | (396,370) |
| **As of 31 December 2020** | **3,932,305,627** | **5,478,893** | **67,871,595** | **232,724,880** | **310,780,291** | **5,397,881** | **1,711,849** | **1,968,963** | **-** | **4,558,239,979** |
| Accumulated depreciation and impairment: | | | | | | | | | | |
| As of 1 January 2020 | (459,650,190) | (2,231,993) | (18,864,795) | (42,592,931) | (2,869,842) | (2,148,858) | (828,394) | (737,223) | - | (529,924,226) |
| Retirement and disposal | - | 946,586 | 57,949 | - | - | - | - | 348,169 | - | 1,352,704 |
| Impairment | (19,125,233) | - | - | - | - | - | - | - | - | (19,125,233) |
| Depreciation | (181,657,079) | (519,911) | (12,542,318) | (19,950,446) | - | (668,918) | (175,421) | (402,158) | - | (215,916,251) |
| **As of 31 December 2020** | **(660,432,502)** | **(1,805,318)** | **(31,349,164)** | **(62,543,377)** | **(2,869,842)** | **(2,817,776)** | **(1,003,815)** | **(791,212)** | **-** | **(763,613,006)** |
| **Net book value:** | | | | | | | | | | |
| **At 31 December 2020** | **3,271,873,125** | **3,673,575** | **36,522,431** | **170,181,503** | **307,910,449** | **2,580,105** | **708,034** | **1,177,751** | **-** | **3,794,626,973** |

**15 PROPERTY AND EQUIPMENT (continued)**

***Impairment assessment and key assumptions used in value in use calculations.***
Considering the impact of COVID19 and under-utilisation of some of the Group's rigs, management performed an impairment test for each rig using value in use calculations based on a DCF model and recorded an aggregate impairment charge of SAR 113,831,404 in relation to the net carrying value of the assets for the year ended 31 December 2021 (2020: SAR 19,125,233). There were no such impairment charges as at 31 December 2022. The impairment charge as at 31 December 2021 is mainly result of the delay in start of operations for some of the Group's rigs in Algeria and Tunisia. Further, management identified certain assets (e.g. tools, equipment) that are not planned to be used in the future operations and therefore recorded impairment provision for these assets in Egypt during 2021.

Management concluded that recoverable values are higher than the net carrying values of all individual assets after considering the impairment charge recorded.

The calculation of value in use is most sensitive to the following assumptions:

- Day rates, EBITDA margins and utilisation days of rigs
- Discount rates
- Remaining useful lives of rigs and estimated future capital expenditures

*Day rates, gross margins and utilisation days* – Day rates, gross margins and utilisation days of rigs are estimated based on historical results and the current customer contracts. These are increased over the budget period due to efficiency improvements.

*Discount rates* – Management applied the following discount rates:
- Algeria: 16.7% (2021: 16.7% , 2020: 16.7%);
- KSA: 8.6% (2021: 8.5%, 2020: 9.5%);
- Kuwait: 8.53% (2021: 5.7%:  2020: 9.5%);
- Tunisia: 13.5% (2021- 9.5%; 2020 – Nil);
- Egypt: 10.8% (2021 - 10.8% , 2020: 13.5%).

*Remaining useful lives of rigs and estimated future capital expenditures*– Management estimated remaining useful life to be 15 years for the rigs and related equipment for the purposes of estimating cash flows and estimated the capital expenditures which are required to maintain and operate the assets for the same period.

**Allocation of depreciation charge:**
Depreciation charge is allocated as follows:

| | ***2022 SAR*** | ***2021 SAR*** | ***2020 SAR*** |
|---|---|---|---|
| Cost of sales (Note 7) | **394,428,505** | **268,207,875** | **229,836,206** |
| General and administrative expenses (Note 8) | **8,927,534** | **7,437,135** | **5,543,596** |
| Total depreciation and amortization charge* | **403,356,039** | **275,645,010** | **235,379,802** |

*Total depreciation and amortization charge for the year includes depreciation of property and equipment of SAR 369,608,804 (2021: SAR 259,587,581, 2020: SAR 215,916,251), amortization of intangible assets and right of use assets of SAR 500,761 (2021: SAR 581,014, 2020: SAR 530,933) and SAR 33,246,474 (2021: SAR 15,476,415, 2020: SAR 18,932,618), respectively.

**Assets under construction and transfers:**
Assets under construction represent the amounts that are incurred for the purpose of upgrading and refurbishing property and equipment until it is ready to be used in the operation and amount paid for new rigs purchased during the period that are not ready for use. Assets under construction will mainly be transferred to 'Rigs' or 'Tools' of the property and equipment after completion. During the year ended 31 December 2022, the Group completed capital projects for the amount of SAR 598,610,826 (2021: SAR 307,300,316, 2020: SAR 204,766,676) and transferred to the relevant asset categories.

The Group has purchased 14 new rigs at a cost of SAR 1,924 million, incurred additional refurbishment cost of SAR 885 million on those rigs and balance SAR 540 million relating to the existing rigs which are under refurbishment The acquired rigs will be ready for use and start operating in 2023.

*Most of the rigs are pledged to the lenders (banks) against loans and borrowings (Note 19).

## 16 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the period:

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office premises SAR* | *Motor vehicles SAR* | *Other equipment SAR* | *Furniture and fixture SAR* | *Building SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of 1 January 2022 | **-** | **14,287,662** | **7,837,077** | **9,465,013** | **31,098,750** | **9,513,821** | **28,318,235** | **100,520,558** |
| Additions/modifications | **331,766,135** | **5,042,996** | **877,088** | **794,432** | **31,227,799** | **-** | **-** | **369,708,450** |
| Termination | **-** | **(29,039)** | **(2,150,411)** | **(1,609,734)** | **(18,265,486)** | **-** | **-** | **(22,054,670)** |
| Other adjustments | **-** | **-** | **-** | **472,880** | **497,413** | **-** | **-** | **970,293** |
| As of 31 December 2022 | **331,766,135** | **19,301,619** | **6,563,754** | **9,122,591** | **44,558,476** | **9,513,821** | **28,318,235** | **449,144,631** |
| Accumulated depreciation: | | | | | | | | |
| As of 1 January 2022 | **-** | **(6,194,415)** | **(2,822,393)** | **(5,944,287)** | **(17,839,597)** | **(1,189,227)** | **(2,243,564)** | **(36,233,483)** |
| Depreciation | **(15,980,515)** | **(3,668,885)** | **(1,557,418)** | **(3,189,614)** | **(6,482,752)** | **(951,382)** | **(1,415,908)** | **(33,246,474)** |
| Termination | **-** | **-** | **-** | **624,161** | **10,744,978** | **-** | **-** | **11,369,139** |
| As of 31 December 2022 | **(15,980,515)** | **(9,863,300)** | **(4,379,811)** | **(8,509,740)** | **(13,577,371)** | **(2,140,609)** | **(3,659,472)** | **(58,110,818)** |
| Net book value: | | | | | | | | |
| As of 31 December 2022 | **315,785,620** | **9,438,319** | **2,183,943** | **612,851** | **30,981,105** | **7,373,212** | **24,658,763** | **391,033,813** |

## 16 LEASES (continued)

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the period: (continued)

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office premises SAR* | *Motor vehicles SAR* | *Other equipment SAR* | *Furniture and fixture SAR* | *Building SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As at 1 January 2021 | - | 13,990,474 | 4,716,664 | 9,739,350 | 33,978,274 | 9,513,821 | 28,318,235 | 100,256,818 |
| Additions/modifications | - | 4,447,478 | 2,627,220 | 513,358 | - | - | - | 7,588,056 |
| Terminated contracts | - | (4,150,290) | - | (650,981) | (1,540,789) | - | - | (6,342,060) |
| Other adjustments | - | - | 493,193 | (136,714) | (1,338,735) | - | - | (982,256) |
| As of 31 December 2021 | - | 14,287,662 | 7,837,077 | 9,465,013 | 31,098,750 | 9,513,821 | 28,318,235 | 100,520,558 |
| Accumulated depreciation: | | | | | | | | |
| As at 1 January 2021 | - | (7,070,235) | (2,052,263) | (2,500,639) | (14,223,357) | (237,844) | (827,655) | (26,911,993) |
| Depreciation | - | (2,577,323) | (769,980) | (3,339,379) | (6,422,441) | (951,383) | (1,415,909) | (15,476,415) |
| Termination | - | 3,479,974 | - | (153,398) | 1,046,877 | - | - | 4,373,453 |
| Other adjustments | - | (26,831) | (150) | 49,129 | 1,759,324 | - | - | 1,781,472 |
| As of 31 December 2021 | - | (6,194,415) | (2,822,393) | (5,944,287) | (17,839,597) | (1,189,227) | (2,243,564) | (36,233,483) |
| Net book value: | | | | | | | | |
| As of 31 December 2021 | - | 8,093,247 | 5,014,684 | 3,520,726 | 13,259,153 | 8,324,594 | 26,074,671 | 64,287,075 |

## 16 LEASES (continued)

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the period: (continued)

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office premises SAR* | *Motor vehicles SAR* | *Other equipment SAR* | *Furniture and fixture SAR* | *Building SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of 1 January 2020 | **-** | **18,109,226** | **4,145,903** | **7,183,215** | **46,245,878** | **5,089,920** | **27,115,801** | **107,889,943** |
| Additions/modifications | **-** | **219,364** | **570,761** | **7,862,940** | **2,864,295** | **4,423,901** | **1,202,434** | **17,143,695** |
| Terminated contracts | **-** | **(4,338,116)** | **-** | **(5,306,805)** | **(15,131,899)** | **-** | **-** | **(24,776,820)** |
| As of 31 December 2020 | **-** | **13,990,474** | **4,716,664** | **9,739,350** | **33,978,274** | **9,513,821** | **28,318,235** | **100,256,818** |
| Accumulated depreciation: | | | | | | | | |
| As of 1 January 2020 | **-** | **(4,592,527)** | **(961,095)** | **(2,543,149)** | **(11,959,583)** | **-** | **-** | **(20,056,354)** |
| Depreciation | **-** | **(3,752,209)** | **(1,014,225)** | **(3,361,811)** | **(9,738,874)** | **(237,844)** | **(827,655)** | **(18,932,618)** |
| Termination | **-** | **1,725,109** | **-** | **3,400,838** | **7,475,100** | **-** | **-** | **12,601,047** |
| Other adjustments | **-** | **(450,608)** | **(76,943)** | **3,483** | **-** | **-** | **-** | **(524,068)** |
| As of 31 December 2020 | **-** | **(7,070,235)** | **(2,052,263)** | **(2,500,639)** | **(14,223,357)** | **(237,844)** | **(827,655)** | **(26,911,993)** |
| Net book value: | | | | | | | | |
| As of 31 December 2020 | **-** | **6,920,239** | **2,664,401** | **7,238,711** | **19,754,917** | **9,275,977** | **27,490,580** | **73,344,825** |

**16 LEASES (Continued)**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| As at 1 January | **56,862,114** | **68,268,873** | **82,912,733** |
| Additions | **363,014,531** | **4,501,479** | **19,884,476** |
| Lease modification-Terminations | **(10,685,533)** | **-** | **(16,428,211)** |
| Lease modification-Other adjustments | **(842,504)** | **2,312,144** | **-** |
| Accretion of interest | **6,455,410** | **3,941,128** | **3,202,706** |
| Payments | **(38,116,282)** | **(22,161,510)** | **(21,302,831)** |
| **As at 31 December** | **376,687,736** | **56,862,114** | **68,268,873** |
| Current (Note 18) | **106,554,784** | **18,447,338** | **15,917,726** |
| Non-Current | **270,132,952** | **38,414,776** | **52,351,147** |

The following are the amounts recognised in the special purpose consolidated statement of comprehensive income:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Depreciation expense of right-of-use assets | **33,246,474** | **15,476,415** | **18,932,618** |
| Interest expense on lease liabilities | **6,455,410** | **3,941,128** | **3,202,706** |
| Expense relating to short-term leases (Included in Cost of sales) (Note 7) | **47,382,234** | **19,885,797** | **29,404,939** |
| Expense relating to short-term lease (included in General and administrative expenses) (Note 8) | **3,817,797** | **1,514,271** | **2,596,718** |
| **Total amount recognised in the special purpose consolidated statement of comprehensive income** | **90,901,915** | **40,817,611** | **54,136,981** |

**17 INTANGIBLE ASSETS**

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| **Cost:** | | | |
| As at 1 January | **3,805,984** | **3,444,668** | **2,961,109** |
| Additions | **18,191** | **98,441** | **87,188** |
| Transfer from property & equipment (Note 15) | **-** | **262,875** | **396,371** |
| **As at 31 December** | **3,824,175** | **3,805,984** | **3,444,668** |
| **Accumulated amortisation:** | | | |
| As at 1 January | **2,770,669** | **2,189,655** | **1,658,719** |
| Amortisation charge for the year | **500,761** | **581,014** | **530,933** |
| **As at 31 December** | **3,271,430** | **2,770,669** | **2,189,652** |
| Net carrying amount: | | | |
| **As at 31 December** | **552,745** | **1,035,315** | **1,255,016** |

Intangible assets represent computer software and the related licenses.

## 18 TRADE AND OTHER PAYABLES

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Trade payables | **742,611,229** | 262,437,984 | 318,624,210 |
| Notes payable | **3,171,221** | 7,606,644 | 17,781,488 |
| Accrued expenses | **182,873,995** | 146,200,033 | 150,471,844 |
| Accrued interests | **45,294,112** | 11,344,713 | 35,646,255 |
| Lease liability (Note 16) | **106,554,784** | 18,447,338 | 15,917,726 |
| Other payables | **80,484,102** | 69,770,182 | 37,822,276 |
| | **1,160,989,443** | 515,806,894 | 576,263,799 |

## 19 INTEREST BEARING LOANS AND BORROWINGS

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Balance as at 1 January | **4,038,916,920** | 1,466,255,903 | 1,522,677,474 |
| Borrowings novated from a related party * | **885,318,335** | - | - |
| Borrowings from a related party ** | **-** | 2,732,082,907 | - |
| Borrowings drawn during the year | **6,566,736,991** | 4,220,925,176 | 252,664,598 |
| Borrowings repaid during the year | **(899,409,599)** | (4,326,353,411) | (320,012,831) |
| Unamortised arrangement fees | **(44,076,750)** | (53,993,655) | 10,926,660 |
| Balance as at 31 December | **10,547,485,897** | 4,038,916,920 | 1,466,255,901 |
| **Current:** | **972,079,868** | 401,179,565 | 321,363,291 |
| Interest-bearing loan and borrowing | **972,079,868** | 213,077,862 | 321,363,291 |
| Loan from a related party | **-** | 188,101,703 | - |
| **Non-current:** | **9,575,406,029** | 3,637,737,355 | 1,144,892,610 |
| Interest-bearing loan and borrowing | **9,575,406,029** | 1,138,671,845 | 1,144,892,610 |
| Loan from a related party | **-** | 2,499,065,510 | - |
| Balance as at 31 December | **10,547,485,897** | 4,038,916,920 | 1,466,255,901 |

* According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding and the Lenders of the Loan 1 Syndication Facility A, the parties agreed the loans payable balance owed by ADES Arabia Holding under the Loan 1 Syndication Facility A shall be novated to the Company effective 29 December 2022.

** As at 31 December 2021, ADES Arabia Holding (the parent company) utilised SAR 2.73 billion (USD 729 million) under the Loan 1 Syndication Facility A and transferred the same amount as a loan to the Group with the same terms and conditions of the syndication loan agreement. As this was payable to ADES Arabia as at 31 December 2021, it was recorded as a related party loan as at 31 December 2021. Following the novation agreement as discussed above, the loan from a related party was re-classified to loans and borrowings as at 31 December 2022. The borrowings from a related party balances as at 31 December 2021 are included in Loan 1 Syndication Facility in the table below as the terms and conditions were the same.

**19 INTEREST BEARING LOANS AND BORROWINGS (continued)**

| *Type* | *Latest maturity* | *December 2022 SAR* | *December 2021 SAR* | *December 2020 SAR* |
|---|---|---|---|---|
| **Current loans and borrowings** | | | | |
| **Loan 1 Syndication Facility A** | | | | |
| Facility A | 7 Years | **264,264,751** | **207,265,193** | **-** |
| **Loan 1 Syndication Facility C** | | | | |
| Facility C | 7 Years | **92,020,588** | **-** | **-** |
| **Loan 2 BSF** | | | | |
| BSF $380 million | 7 Years | **139,390,861** | **-** | **-** |
| **Loan 3 SNB** | | | | |
| BSF $400 million | 7 Years | **133,663,209** | **-** | **-** |
| **Loan 4 AL Rajhi** | | | | |
| AL Rajhi $250 million | 8 Years | **44,110,821** | **-** | **-** |
| **Loan 5 Al Inmaa Ijara** | | | | |
| Al Inmaa Ijara Loan SAR 2.5 billion | 7 Years | **123,496,026** | **-** | **-** |
| **Loan 6 Al Mashreq** | | | | |
| Mashreq Loan KD 2.7 million | 5 Years | **8,239,550** | **5,031,600** | **-** |
| **Loan 7 NCB Loan** | | | | |
| NCB Loan SAR 300 million | | **-** | **-** | **45,939,638** |
| **Loan 8 Syndication** | | | | |
| Tranche A | | **-** | **-** | **50,091,668** |
| **Loan 9 Ijara loan** | | | | |
| Tranche A | | **-** | **-** | **46,086,514** |
| Tranche B | | **-** | **-** | **46,086,518** |
| Tranche C | | **-** | **-** | **54,545,456** |
| Tranche D | | **-** | **-** | **48,000,000** |
| Credit Facility 1 – IDBE | | **-** | **18,748,807** | **17,955,210** |
| Credit Facility 2 – ABK | | **38,299,274** | **32,703,056** | **-** |
| Credit Facility 3 – EBE | | **71,194** | **30** | **(180)** |
| Credit Facility 4 – ENBD | | **51,742,330** | **17,419,530** | **9,447,814** |
| Credit Facility 5 – ADCB | | **1,473,743** | **-** | **249,064** |
| Credit Facility 6 – SAIB | | **69,254,256** | **56,182,841** | **-** |
| Credit Facility 7 – SCB | | **6,053,265** | **-** | **-** |
| Credit Facility 8 – RCF | | **-** | **63,828,508** | **-** |
| Credit Facility 9 – NCB | | **-** | **-** | **2,961,589** |
| **Total current loans and borrowings** | | **972,079,868** | **401,179,565** | **321,363,291** |

**19 INTEREST BEARING LOANS AND BORROWINGS (continued)**

| *Type* | *Latest maturity* | *December 2022 SAR* | *December 2021 SAR* | *December 2020 SAR* |
|---|---|---|---|---|
| **Non-current loans and borrowings** | | | | |
| **Loan 1 Syndication Facility A** | | | | |
| Facility A | 7 Years | **3,332,838,147** | **3,612,412,642** | **-** |
| **Loan 1 Syndication Facility C** | | | | |
| Facility C | 7 Years | **1,058,236,756** | **-** | **-** |
| **Loan 2 BSF** | | | | |
| BSF $380 million | 7 Years | **1,158,384,975** | **-** | **-** |
| **Loan 3 SNB** | | | | |
| BSF $400 million | 8 Years | **1,359,349,368** | **-** | **-** |
| **Loan 4 AL Rajhi** | | | | |
| AL Rajhi $250 million | 8 Years | **888,332,419** | **-** | **-** |
| **Loan 5 Al Inmaa Ijara** | | | | |
| Al Inmaa Ijara Loan SAR 2.5 billion | 7 Years | **1,761,785,265** | **-** | **-** |
| **Loan 6 Al Mashreq** | | | | |
| Mashreq Loan KD 2.7 million | 5 Years | **16,479,099** | **25,324,713** | **-** |
| **Loan 7 NCB Loan** | | | | |
| NCB Loan SAR 300 million | | **-** | **-** | **230,291,265** |
| **Loan 8 Syndication** | | | | |
| Tranche A | | **-** | **-** | **114,806,059** |
| Tranche B | | **-** | **-** | **112,500,000** |
| **Loan 9 Ijara loan** | | | | |
| Tranche A | | | | |
| Tranche B | | **-** | **-** | **164,193,098** |
| Tranche C | | **-** | **-** | **164,193,098** |
| Tranche D | | **-** | **-** | **190,909,090** |
| | | **-** | **-** | **168,000,000** |
| **Total non-current loans and borrowings** | | **9,575,406,029** | **3,637,737,355** | **1,144,892,610** |
| **Total loans and borrowings** | | **10,547,485,897** | **4,038,916,920** | **1,466,255,901** |

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 1.5%-2% p.a. (2021: 2.5%-2.75%, 2020: 3%-5%)

The Group has secured loans and borrowings as follows:

- Loan 1 Syndication Facility A

In November 2021, ADES Arabia Holding Company (an entity under common control, refer to note 1) and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of USD 310 million (SAR 1,162,500,000) and USD 1,290 million (SAR 4,837,500,000) divided over eight banks which include Goldman Sachs Bank USA, Riyad Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking and Investment Corporation and Arab National Bank. And that during 2022 additional lender acceded to the agreement "The Saudi British Bank - SABB " to be the ninth lender.

As at 31 December 2021, ADES Arabia Holding (the parent company) utilized USD 729million (SAR 2,734 million) and transferred the loan amount to the Group with the same terms and conditions of the syndication loan agreement.

* According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding, and the Lenders of the Loan 1 Syndication Facility A and Facility C, the parties agreed the loans payable balance under the Loan 1 Syndication.

**19 INTEREST BEARING LOANS AND BORROWINGS (continued)**

The Group has secured loans and borrowings as follows: (continued)

Facility A and facility C were novated to the Company effective 29 December 2022. Accordingly, the loan from a related party (note 26) was re-classified to loans and borrowings in 2022.

The Loan 1 Syndication: Facility A and Facility C both are under the same syndication is secured against pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim and that the syndicated facility includes a separate facility to finance CAPEX which is facility C amounting to USD 400 million (equals to SAR 1,500 million) and increased to USD 533 million (equals to SAR 1,998.75 million) after SABB accession during 2022. In addition to Facility B which is a revolving credit facility with total amount of USD150 million (equals to SAR 562.5 million) Facility A is repayable in half-yearly instalments effective from June 2022 to December 2029.

Facility C is repayable in half-yearly instalments effective from June 2023 to December 2029. During 2022 the Group utilized USD 306.7 million (equals to SAR 1,150 million).

- Loan 2 BSF

In March 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 1,425,000,000 (USD 380 million) with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. During 2022 the Group utilized SAR 1,304 million (USD 347.8 million ) and used the proceeds for acquisition and refurbishment of rigs and acquisition of equipment. The Loan 2 BSF is secured against pledge over certain rigs, assignment of proceeds over rigs related clients' contracts, pledge over related collection accounts, and assignments of related insurance claims. The facility includes additional bonding limit to be utilized for the issuance of Letter of guarantees with total amount of SAR 187.5 million, additional overdraft limit with SAR 30 million and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short term loans with total amount of SAR 150 million.

- Loan 3 SNB

In April 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 1,500 million (USD 400 million) with the Saudi National Bank. The loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030. During 2022 the Group utilized SAR 1,500 million (USD 400 million) and used the proceeds for the acquisition and refurbishment of rigs and equipment. Loan 3 SNB is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of related insurance claims.

- Loan 4 AL Rajhi

In June 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 937.5 million (USD 250 million) with Al Rajhi Banking & Investment Corporation. The loan is repayable in 29 Quarterly instalments effective from Jul 2023 to Jul 2030. During 2022, the Group utilized SAR 937.5 million (USD 250 million) and used the proceeds for the acquisition and refurbishment of rigs and equipment. The Loan 4 AL Rajhi is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of certain insurance claims. Late 2022 ADES Saudi Limited Company and the bank agreed to increase the total loan amount to reach SAR 1,500 million (USD 400 million).

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed an agreement loan in the amount of SAR 2,692.5 million (USD 718 million) with Al Inmaa Ijara Banking. The loan is repayable in 15 Semi-annual instalments effective from Sep 2023 to Sep 2030. During 2022 the company utilized SAR 2,500 million (equals to USD 666.7 million) and used the proceeds for the acquisition and refurbishment of rigs and equipment. During the period the Group prepaid SAR 600,000,000, the Loan Al Inmaa Facility is secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims. In addition to separate line amounted SAR 150,000,000 for the purpose of covering short term working capital needs.

**19 INTEREST BEARING LOANS AND BORROWINGS (continued)**

The Group has secured loans and borrowings as follows: (continued)

- Loan 6 Mashreq Loan

During 2021, the Group obtained a loan facility of KWD 2.7 million (equals to SAR 33 million) from Mashreq Bank PSC to facilitate the purchase of usufruct land and construction of the administrative building. This loan is repayable in 18 quarterly equal instalments effective from June 2022. The loan is denominated in Kuwaiti Dinar. The facility is secured by a first-degree mortgage over the usufruct land and building under capital work in progress.

- Loan 7 NCB Loan

On May 2019, the group signed a Long-Term Loan Facility agreement with National Commercial Bank ("NCB") for a total limit of SAR 300 million (equals to USD 80 million). As of 31 December 2020, the Group has fully utilized the facility.

On December 2019, the group has amended the facility with National Commercial Bank ("NCB") to be Sharia compliant (Islamic Facility) without any change in the original agreed terms. This loan was fully repaid and closed during the year ended 31 December 2021.

- Loan 8 Syndication

On April 2019, the Group has signed a syndication loan agreement with a total amount of USD 100 million (equals to SAR 375 million) divided over four banks which include the European Bank for Reconstruction and Development, Arab Petroleum Investments Corporation (APICORP), Mashreq Bank PSC and The Mauritius Commercial Bank Ltd. The loan is divided into two tranches, the purpose and the use of each facility is described as follows:

a) Tranche A

For refinancing existing financial indebtedness in full (excluding the payment of the fees, costs and expenses incurred under or in connection with the transaction documents). Tranche A was utilised during 2019 to partially settle existing loan at the time of utilisation.

b) Tranche B

Tranche B was utilised during 2019 to partially settle existing loans at the time of utilization.

Tranche A Facility is a medium-term loan over 3.5 years to be paid semi-annually in un-equal instalments starting from September 2019 and the last instalment will be on 22 March 2023. This loan was fully repaid and closed during the year ended 31 December 2021.

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- Loan 9 Ijara loan

In May 2018, the Group has signed “Musharakah” agreement and “Ijara” agreement with Alinma Bank to finance the acquisition of the new rigs and related capital expenditure with the amount of the equivalent to USD 140Million (equals to SAR 525 Million).

In April 2019 , the Group has signed “Musharakah” agreement and “Ijara” agreement with Alinma Bank to increase the facility to the equivalent to USD 284Million (equals to SAR 1,065Million)

All loans are medium-term loans over 7 years which includes 2 year grace period and was payable semi-annually in equal instalments starting from 10 June 2020 and the last instalment will be on 10 June 2025.

This loan was fully repaid and closed during the year ended 31 December 2021.

**19 INTEREST BEARING LOANS AND BORROWINGS (continued)**

The Group has secured loans and borrowings as follows: (continued)

**Bank credit facilities**
Credit Facility 1 is granted by Industrial Development Bank of Egypt (IDBE) with an overdraft facility limit amounting to USD 5Million (equals to SAR 18.75 million) (2021: USD 5 million - equals to SAR 18.75 million; 2020: USD 5 million - equals to SAR 18.75 million) available for overdrafts &/or Letters of Guarantee, which is secured by promissory note & is renewable.

Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12 million (equals to SAR 45 million) (2021: USD 12 million - equals to SAR 45 million; 2020: USD 7 million - equals to SAR 26.25 million) which is secured by promissory note & is renewable.

Credit Facility 3 is granted by the Export Development Bank of Egypt (EBE) with a non-secured facility limit amounting to USD 12 million (equals to SAR 45 million) (2021: USD 12 million - equals to SAR 45 million; 2020: USD 12 million - equals to SAR 45 million) available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 4 is granted by Emirates National Bank of Dubai S.A.E with a total amount of USD 25 million (equals to SAR 93.75 million) (2021: USD 25 million – equals to 93.75 million ; 2020: USD 25 million – equals to 93.75 million) available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 5 is granted by Abu Dhabi Commercial Bank – Egypt with a total amount of EGP 80 million – equals to SAR 12.18 million (2021: EGP 80 million – equals to SAR 4.18 million; 2020: EGP 80 million – equals to SAR 4.19 million) available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 6 is granted by SOCIETE ARABE INTERNATIONALE DE BANQUE – Egypt with a total amount of USD 20 million - equals to SAR 75 million (2021: USD 20 million – equals to SAR 75 million; 2020: USD Nil – equals to SAR Nil) available for overdrafts which is secured by promissory note & is renewable.

Credit Facility 7 is granted by Suez Canal Bank (SCB) with an overdraft facility limit amounting to USD 12 million – equals to SAR 45 million (2021: USD Nil; 2020: USD Nil) available for overdrafts &/or Letters of Guarantee available for overdraft. which is secured by promissory note & is renewable.

Credit Facility 8 RCF is a part of the signed syndication agreement in November 2021 by ADES Arabia Holding (an entity under common control, refer to note 1) and ADES Saudi Limited which includes separate facility "Facility B" as Revolving Credit Facility with total amount of SAR 562.5 million (USD 150 million). RCF facility valid till 31-Dec-2029 with a requirement to clean down the balance once in each calendar year.

In 2020, Credit Facility 9 was granted by National Commercial Bank in KSA (NCB) with a total amount of SAR 30 million as a part from the NCB loan agreement to cover working capital requirements and for overdraft &/or Letters of Guarantees.

**20 BONDS PAYABLE**

On 16 April 2019, the Group issued USD 325 million (SAR: 1,218.75 million) senior secured notes at 8.625% interest due on 24 April 2024. Interest is payable semi-annually on 24 April and 24 October each year. The Group paid a gross amount of SAR 49,785,998 as transaction costs for the issuance of the bonds.

The Group recognised interest expense of SAR Nil for the twelve months period ended 31 December 2022 (2021: SAR 58.9 million and 2020: SAR 114.5 million).

During the year ended 31 December 2021, the Group fully repaid and delisted its bonds that were issued in April 2019 amounting to SAR 1,218.75 million with due date 24 April 2024.

## 21 PROVISIONS

***i) Other Provisions:***

| 2022: | *As at 1 January SAR* | *Charging during year SAR* | *Acquired during year SAR* | *Paid during the year SAR* | *As at 31 December SAR* |
|---|---|---|---|---|---|
| Other provision | **21,330,315** | **13,755,542** | **5,966,582** | **(26,275,699)** | **14,776,740** |
| | **21,330,315** | **13,755,542** | **5,966,582** | **(26,275,701)** | **14,776,740** |
| 2021: | | | | | |
| Other provision | **2,205,221** | **21,000,093** | **-** | **(1,874,999)** | **21,330,315** |
| | **2,205,221** | **21,000,094** | **-** | **(1,875,000)** | **21,330,315** |
| 2020: | | | | | |
| Other provision | **4,125,000** | **1,540,009** | **-** | **(3,459,788)** | **2,205,221** |
| | **4,125,000** | **1,540,009** | **-** | **(3,459,788)** | **2,205,221** |

Other provisions mainly represent provision made for employee's taxes and withholding taxes which are borne by the Group. The total balance is presented as current in the special purpose consolidated financial statement of financial position.

***ii) Employees end of service benefit***

Provision is made for the full amount of end of service benefits due to non-Kuwait and non-KSA national employees in accordance with the Kuwait and KSA Labour Laws. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| **Present value of defined benefit obligation** | **117,984,346** | **83,146,038** | **62,214,289** |
| **Charged on the special purpose consolidated statement of comprehensive income is as follows:** | | | |
| Current service cost | **18,633,549** | **15,915,629** | **20,056,343** |
| Interest cost on benefit obligation | **1,784,380** | **1,570,164** | **-** |
| Released during year | **(2,815,859)** | **-** | **-** |
| **Net benefit expense** | **17,602,070** | **17,485,793** | **20,056,343** |

Movement in employees' end of service indemnities during the year is as follows:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Defined benefit obligation at 1 January | **83,146,037** | **62,214,289** | **61,408,694** |
| Acquired as part of Business combinations | **36,739,248** | **-** | **-** |
| Net benefit expense | **17,602,070** | **17,485,793** | **20,056,343** |
| Remeasurement gain/(loss) on defined benefit plans | **(6,014,605)** | **13,920,527** | **-** |
| Benefits paid | **(13,488,404)** | **(10,474,572)** | **(19,250,748)** |
| | **117,984,346** | **83,146,037** | **62,214,289** |

**21 PROVISIONS (continued)**

***ii) Employees end of service benefit (continued)***

| | *2022* | *2021* | *2020* |
|---|---|---|---|
| **Principal actuarial assumptions** | | | |
| **1- KSA** | | | |
| Weighted average duration of defined benefit obligation | **6.46 years** | **7.77 years** | **8.31 years** |
| Discount factor used | **4.70%** | **2.40%** | **2%** |
| Salary increases rate | **4.70%** | **2.40%** | **2%** |
| Mortality rate | **WHO SA19** | **WHO SA19** | **WHO SA16** |
| Rates of employee's turnover | 12.02% | **21.79%** | **21.9%** |
| **2- Kuwait** | | | |
| Weighted average duration of defined benefit obligation | **11.13 years** | **15.19 years** | **15.19 years** |
| Discount factor used | **3.88%** | **1.94%** | **1.94%** |
| Salary increases rate | **4.00%** | **4.00%** | **4.00%** |
| Morality rate | **A67-70 Ult** | **A67-70 Ult** | **A67-70 Ult** |
| Rates of employee's turnover | **2.00%** | **2.00%** | **5.00 %** |

**22 SHARE CAPITAL AND CAPITAL CONTRIBUTION**

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Authorised shares* | **1,000,000** | - | - |
| Issued shares | **100,000** | - | - |
| Shares par value | **10** | - | - |
| Issued and paid-up capital | **1,000,000** | - | - |
| Contribution for capital increase | **857,087,512** | **857,087,512** | **740,816,074** |

*As at 31 December 2022, the authorised share capital of the Company was SAR 1,000,000 comprising of 100,000 shares. As discussed in note 1, the Company was incorporated on 28 December 2022 and therefore share capital is not presented for the prior years.

The shareholding structure of the Company as at 31 December 2022:

| *Shareholders* | *Shareholding %* | *No. of shares* | *Value SAR* |
|---|---|---|---|
| ADES Investment Holding LTD | **54.5** | **54,500** | **545,000** |
| Public Investment Fund | **35.5** | **35,500** | **355,000** |
| Zamil Investments | **10** | **10,000** | **100,000** |
| | **100** | **100,000** | **1,000,000** |

Contribution for capital increase and reorganisation reserve:
As explained in Note 1, the Board of Directors of the Company approved to issue additional shares of SAR 857,087,510 to the Shareholders in 2023 which is recorded as capital contribution as at 31 December 2022. The difference between the capital of the Company at the date of the Group reorganisation and that of the previous holding company amounting to SAR 139,218,883 has been recorded against the retained earnings in the statement of changes in equity.

## 22 SHARE CAPITAL AND CAPITAL CONTRIBUTION (continued)

**Treasury shares:**
On 29 November 2019 ADES International Holding Ltd (the intermediate holding company of the Group as discussed in note 1) announced that pursuant to Shareholders' authority granted at the Company's EGM on 30 October 2019, 23 June 2021 and 22 June 2021, it intends to commence purchases of ordinary shares in the capital of the Company. During 2020, ADES International Holding Ltd purchased its own shares amounting to SAR 80,580,248. In April 2021, ADES International Holding Ltd sold entire treasury shares of 2,544,382 that were purchased at cost of SAR 96,706,215 for total price of SAR 119,267,906. The net difference between cash received and cost of treasury shares less any transaction costs was SAR 22,561,691 which is reflected in the capital contribution account within the statement of changes in equity.

## 23 EQUITY SETTLED SHARE-BASED PAYMENTS

Pursuant to the rules of the Long Term Incentive Plan ("LTIP") adopted by ADES Investments Holding Ltd., the awards over a total number of 1,136,451 ordinary shares of US$1.00 each in the capital of ADES International Holding Ltd have been granted to certain employees of ADES International Holding Ltd by ADES Investments Holding Ltd (the majority shareholder). The LTIP is equity settled and effective from 1 January 2019. According to the LTIP rules, the shares will be vested over a period of three years and not subject to performance conditions. These shares are currently held by ADES Investments Holding Ltd and the awards will not be satisfied by the new issue of any shares in the Company. Awards will normally lapse and cease to vest on termination of employment.

The fair value at grant date was determined based on the market price of the shares of the Company at grant date.

For the period ended 31 December 2022, the Group has recognized SAR Nil (2021: SAR 71,944, 2020: SAR 14,422,013) of share-based payment expense in the special purpose consolidated statement of comprehensive income, with a corresponding increase in equity. As of 31 December 2022, the outstanding number of shares was Nil (2021: Nil, 2020: SAR 5,359). There were no forfeited nor expired shares during the year (2021: Nil, 2020: Nil)

## 24 RESERVES

**Legal reserve**
As required by Egyptian Companies' Law and Advanced Energy Systems (ADES) (S.A.E)'s Articles of Association, 5% of the net profit for the year is transferred to legal reserve until the reserve reaches 20% of the capital. Further, as required by Saudi Companies' Law, ADES Saudi Limited Company's, including its subsidiary's branch in KSA, and ADES Holding Company Articles of Association, 10% of the net profit for the year is transferred to legal reserve until the legal reserve equals 30% of the capital. Advanced Energy System (ADES) (S.A.E.) has resolved to discontinue further transfers as the reserve totals 20% of issued share capital. As of 31 December 2022, the balance of legal reserve amounted to SAR 24,150,000 (2021: SAR 24,150,000, 2020: SAR 24,000,000).

## 25 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to the ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year after adjusting the number of ordinary shares by the treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 December 2022, there were no potential dilutive shares and hence the basic and diluted EPS is same (2021:Nil, 2020: Nil).

## 25 EARNINGS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share is as follows:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS | **390,448,249** | **107,810,728** | **73,580,576** |
| Weighted average number of ordinary shares – basic and diluted ** | **822** | **-*** | **- *** |
| Earnings per share – basic and diluted (in SAR per share) | **474,998** | **-** | **-** |

*The earning per share for 2021 and 2020 is not calculated considering shares only issued in 2022 by the Company.
** The weighted average number of shares takes into account the weighted average effect of period from the date of incorporation of the Company and the special purpose consolidated statement of financial position date.

## 26 RELATED PARTIES TRANSACTIONS AND BALANCES

The immediate controlling party is ADES Investment Holding Ltd. Note 1 provides information about the Group structure. Related parties represent directors and key management personnel of the Company, the Shareholders and entities controlled, jointly controlled or significantly influenced by such parties.

The Public Investment Fund of the Kingdom of Saudi Arabia is one of the Shareholders which is ultimately controlled by the Government of the Kingdom of Saudi Arabia ("KSA Government"). The entities controlled by the KSA Government are included in other related parties category below. The entities under common control represent the entities controlled by ADES Investment Holding Ltd or its shareholders.

The terms and conditions of the transactions entered into with the related parties are approved by the group's management.

(a) Following are the significant related party transactions recorded in the special purpose consolidated statement of comprehensive income:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Revenue from other related parties | **1,571,548,155** | **909,131,040** | **-** |
| Revenue from the joint venture | **5,747,749** | **-** | **-** |
| Finance cost from a related party under common control | **110,598,949** | **7,847,438** | **-** |
| Finance cost from other related parties | **66,506,274** | **13,412,211** | **-** |
| Net gain / (loss) on cash flow hedge | **40,854,624** | **13,066,632** | **-** |

## 26 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

b) The balances with related parties are other than the entities controlled by the KSA Government are reported as due to and from related parties on the face of statement of financial position. The balances with the entities controlled by the KSA Government and loans from related parties are disclosed in the notes.

*i) Due to and from balances with the related parties:*

| | ***2022*** | | ***2021*** | | ***2020*** | |
|---|---|---|---|---|---|---|
| | ***Due from SAR*** | ***Due to SAR*** | ***Due from SAR*** | ***Due to SAR*** | ***Due from SAR*** | ***Due to SAR*** |
| *Ultimate Shareholders* | | | | | | |
| - Sky Investment Holding Ltd. | **225,000** | **-** | **225,000** | **-** | **225,000** | **-** |
| - Intro Investment Holding Ltd. | **-** | **80,618** | **-** | **331,871** | **339,386** | **-** |
| *Shareholder* | | | | | | |
| - ADES Investment Holding Ltd | **788,353** | **-** | **999,049** | **-** | **1,091,490** | **-** |
| *Joint venture* | | | | | | |
| - Egyptian Chinese Drilling Co. (S.A.E.) | **-** | **2,073,153** | **-** | **214,470** | **-** | **214,470** |
| *Entities under common control* | | | | | | |
| - AMAK for Drilling & Petroleum Services Co. | **1,636,843** | **-** | **17,614,718** | **-** | **10,356,150** | **-** |
| - Innovative Energy Holding Ltd | **5,020,469** | **-** | **5,020,470** | **-** | **-** | **-** |
| - ADES Arabia Holding Company | **-** | **-** | **8,913,758** | **-** | **-** | **-** |
| *Other related parties* | | | | | | |
| - TBS Holding | **-** | **-** | **-** | **-** | **70,635** | **-** |
| - Misr El-Mahrousa | **54,422** | **-** | **38,768** | **-** | **47,684** | **-** |
| - Advantage Drilling Services | **558,269** | **-** | **103,163** | **-** | **63,499** | **-** |
| - Advansys Project | **-** | **-** | **-** | **-** | **-** | **-** |
| - Advansys Holding | **-** | **-** | **-** | **-** | **19,870** | **-** |
| - ADVANSYS FOR ENG.SERV. & CONS | **-** | **-** | **-** | **-** | **-** | **-** |
| - Intro for Trading & Contracting Co. | **1,400,500** | **-** | **1,213,003** | **-** | **1,086,278** | **-** |
| - Dough and more Food Industries | **154,381** | **-** | **154,380** | **-** | **209,708** | **-** |
| | **9,838,237** | **2,153,771** | **34,282,309** | **546,341** | **13,509,700** | **214,470** |

**26 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

*ii) Other significant balances are as follows:*

| | ***2022 SAR*** | ***2021 SAR*** | ***2020 SAR*** |
|---|---|---|---|
| Bank balances and cash with other related parties | **32,100,025** | **23,971,870** | **-** |
| Interest-bearing loans and borrowings from related party under common control | **-** | **2,732,082,907** | **-** |
| Interest-bearing loans and borrowings from other related parties | **5,524,826,394** | **1,701,890,322** | **-** |
| Trade receivables and contact assets from other related parties | **288,657,505** | **178,103,363** | **-** |
| Other receivables from other related parties | **208,450,218** | **129,082,127** | **-** |
| Trade receivables and contract assets from h Joint venture | **3,739,710** | **-** | **-** |
| Derivative financial instrument with other related parties | **40,847,600** | **(13,130,907)** | **-** |

c) *Other related party transactions:*

During the year ended 31 December 2022, pursuant to the agreement dated 29 December 2022 signed by the Company and ADES Arabia Holding Company (entity under common control), the following financial assets and liabilities have been novated to the Company. These are non-cash transactions:

- Amount of receivable from ADES International Holdings Ltd (a subsidiary) as part of reorganisation amounting SAR 745,113,894;
- Transfer of outstanding loans payable to the bank amounting SAR 885,318,338;
- Transfer of outstanding trade payables amounting SAR 629,269;
- Transfer of outstanding trade receivables amounting SAR 1,614,825.

During the year ended 31 December 2021, the loans and borrowings of the Group were directly refinanced by the Parent Company, ADES Arabia Limited for non-cash transaction of USD 697,738,462 (SAR: 2,616,519,233) (2020: Nil)

**Compensation of key management personnel**
The remuneration of key management personnel during the year was as follows:

| | ***2022 SAR*** | ***2021 SAR*** | ***2020 SAR*** |
|---|---|---|---|
| Total benefits* | **8,418,283** | **5,700,000** | **17,869,275** |

* Total benefits include annual salary, other allowances and share based payments vested during the year.

**Terms and conditions of transactions with related parties**
Refer to Loan Syndication Facility in note 19 for the terms and conditions of the interest-bearing loans with related parties. Other outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Group has not recorded any provision for expected credit losses relating to receivables and amounts owed by related parties (2021: SAR Nil, 2020: SAR Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

**Overview**

The Group's principal financial liabilities comprise trade and other payables, due to related parties, loans and borrowings and derivative instruments. The main purpose of these financial liabilities is to finance the Group's operations and to provide support to its operations. The Group's principal financial assets include cash in hand and at banks, including highly liquid investments with maturity less than 90 days, derivative instruments, trade receivables and contract assets, due from related parties and other receivables.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors of the Company oversees the management of these risks. The Board of Directors of the Company are supported by senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The Group's senior management provides assurance to the Board of Directors of the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk,
b) Market risk:
   i. Interest rate risk
   ii. Foreign currency risk
c) Liquidity risk.

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. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas**.**

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables, contract assets, other receivables, due from related parties and derivative instruments) and from its financing activities, including letter of guarantees with banks foreign exchange transactions and other financial instruments. As at 31 December 2022, the top three debtors of the Group represent 73% (2021: 84%,2020: 82%) of trade receivable.

***Trade receivables and contract assets***

Customer credit risk is managed by the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on a credit rating policy and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its wide number of customers operates in highly independent markets. In addition, instalment dues are monitored on an ongoing basis.

***Other financial assets and bank balances***

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's senior management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's exposure to credit risk for the components of the special purpose consolidated statement of financial position is the carrying amounts of these assets. The Group limits its exposure to credit risk by only placing balances with international banks and reputable local banks. Management does not expect any counterparty in failing to meet its obligations.

***Due from related parties***

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Market risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings.

**Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

*Interest rate sensitivity*
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit is affected through the impact on floating rate borrowings (net of impact of time deposits), as follows:

| | *Increase / decrease in basis points* | *Effect on profit before income tax increase/ (decrease) SAR* |
|---|---|---|
| **31 December 2022** | | |
| **SAR** | **+100** | **(16,638,702)** |
| **SAR** | **-100** | **16,638,702** |
| **31 December 2021** | | |
| **SAR** | **+100** | **(4,624,763)** |
| **SAR** | **-100** | **4,624,763** |
| **31 December 2020** | | |
| **SAR** | **+100** | **(4,912,935)** |
| **SAR** | **-100** | **4,912,935** |

**Foreign currency risk**
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency which is Saudi Riyal ("SAR") or United States Dollar ("USD") to which functional currency is currently pegged. The Group is exposed to Egyptian Pound (EGP) in which the Group has substantial transactions.

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Foreign currency risk (continued)**

The following tables demonstrate the sensitivity to a reasonably possible change in SAR exchange rates, with all other variables held constant. The impact on the Group's profit is due to changes in the value of monetary assets and liabilities. The Group's exposure to EGP currency is considered as significant currency risk and foreign currency changes for all other currencies is not material.

| | *Change in SAR rate* | *Effect on profit before income tax increase/ (decrease) SAR* |
|---|---|---|
| **31 December 2022** | | |
| **EGP** | **+10%** | **5,067,551** |
| **EGP** | **-10%** | **(5,067,551)** |
| **31 December 2021** | | |
| **EGP** | **+10%** | **5,971,203** |
| **EGP** | **-10%** | **(5,971,203)** |
| **31 December 2020** | | |
| **EGP** | **+10%** | **8,264,419** |
| **EGP** | **-10%** | **(8,264,419)** |

**Liquidity risk**

The cash flows, funding requirements and liquidity of the Group are monitored by Group management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banks overdraft and bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

***Financial liabilities***

| | *Less than 3 months SAR* | *3 to 12 months SAR* | *1 to 5 years SAR* | *Over 5 years SAR* | *Total SAR* |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| Loans and borrowings | **358,474,054** | **1,266,809,016** | **7,996,774,461** | **4,098,705,008** | **13,720,762,539** |
| Trade and other payables* | **352,795,116** | **626,093,079** | **-** | **-** | **978,888,195** |
| Due to related parties | **710,744** | **1,443,027** | **-** | **-** | **2,153,771** |
| Lease liability | **33,083,120** | **92,139,350** | **299,609,163** | **-** | **424,831,633** |
| **Total undiscounted financial liabilities** | **745,063,034** | **1,986,484,472** | **8,296,383,624** | **4,098,705,008** | **15,126,636,138** |

**27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity risk (continued)**

***Financial liabilities***

| | *Less than 3 months SAR* | *3 to 12 months SAR* | *1 to 5 years SAR* | *Over 5 years SAR* | *Total SAR* |
|---|---|---|---|---|---|
| As at 31 December 2021 | | | | | |
| Loans and borrowings | **135,608,115** | **120,873,518** | **569,449,189** | **767,583,829** | **1,593,514,651** |
| Loan from a related party | **22,462,316** | **258,273,353** | **1,219,203,660** | **1,735,651,346** | **3,235,590,675** |
| Trade and other payables* | **183,411,469** | **306,993,529** | **-** | **-** | **490,404,998** |
| Due to related parties | **-** | **546,341** | **-** | **-** | **546,341** |
| Lease liability | **9,845,415** | **13,347,323** | **48,296,603** | **-** | **71,489,341** |
| Derivative financial instruments | **3,841,144** | **3,538,290** | **5,751,473** | **-** | **13,130,907** |
| Total undiscounted financial liabilities | **355,168,459** | **703,572,354** | **1,842,700,925** | **2,503,235,175** | **5,404,676,913** |

***Financial liabilities***

| | *Less than 3 months SAR* | *3 to 12 months SAR* | *1 to 5 years SAR* | *Over 5 years SAR* | *Total SAR* |
|---|---|---|---|---|---|
| As at 31 December 2020 | | | | | |
| Loans and borrowings | **114,033,045** | **380,682,559** | **2,672,381,370** | **46,593,750** | **3,213,690,724** |
| Trade and other payables* | **216,455,610** | **361,897,785** | **-** | **-** | **578,353,395** |
| Due to related parties | **-** | **214,470** | **-** | **-** | **214,470** |
| Lease liability | **9,315,698** | **12,629,190** | **58,498,519** | **-** | **80,443,407** |
| Derivative financial instruments | **10,770,150** | **9,920,989** | **23,308,016** | **-** | **43,999,155** |
| Total undiscounted financial liabilities | **350,574,503** | **765,344,993** | **2,754,187,905** | **46,593,750** | **3,916,701,151** |

*Excluding finance lease liability and deferred mobilization revenue.

**Capital management**
Capital includes share capital, share premium, reserves, treasury shares and retained earnings.

The primary objective of the Group's capital management is to ensure that it will be able to continue as a going concern while maintaining a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group's strategy remains unchanged since inception. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 30% and 85%.

## 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Capital management (continued)**

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Loans and borrowings (Note 19) | **10,547,485,897** | **4,038,916,920** | **1,466,255,901** |
| Bond payable (Note 20) | **-** | **-** | **1,183,049,085** |
| Bank balances and cash (Note 11) | **(190,828,971)** | **(232,860,330)** | **(234,332,055)** |
| Net debt | **10,356,656,926** | **3,806,056,590** | **2,414,972,931** |
| Total equity | **2,258,430,544** | **1,923,078,800** | **1,702,115,205** |
| Total capital | **12,615,087,470** | **5,729,135,390** | **4,117,088,138** |
| Gearing ratio | **82%** | **66%** | **59%** |

**Excessive risk concentration**
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a industry.

The Group's 2 customers (2021: 2 customers, 2020: 2 customers) generate more than 10% revenue each from contracts with customers and contribute to 76 % (2021: 81% and 2020: 78%) of the Group's revenue.

## 28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include bank balances and cash, trade receivables and contract assets, due from related parties and other receivables and derivative financial instruments. Financial liabilities of the Group include trade payables, due to related parties, loans and borrowings, other payables and derivative financial instruments. The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

## 29 CONTINGENT LIABILITIES AND COMMITMENTS

*Contingent liabilities*

| | *31 December 2022 SAR* | *31 December 2021 SAR* | *31 December 2020 SAR* |
|---|---|---|---|
| Letter of guarantees | **876,304,212** | **432,212,711** | **399,041,520** |

*Capital commitment.*
The Group has a capital commitment for SAR 412 million for the year ended 31 December 2022 (31 December 2021: SAR 10.125 million, 2020: SAR Nil)

Contingent liabilities represent letters of guarantee issued in favour of Saudi Customs, Egyptian General Petroleum Corporation, Suze Abu Zenima Petroleum Company (Petro Zenima), Kuwait Oil Company, The Gulf of Suez Petroleum Company and others. The cover margin on such guarantees amounted to SAR 20,902,611 (31 December 2021: SAR 19,591,448, 31 December 2020: SAR 21,303,979).

**29 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

*Capital commitment. (continued)*
Following are the facilities of the Group:

- The Group signed a Syndicated Credit facility agreement arranged by Mashreq Bank PSC Dubai on May 2019 and subsequent amendments for the facility amounting to SAR 262,500,000 (USD 70M) for the issuance of Letters of Credit and Letters of Guarantees. The financial institutions participating in the facility are Mashreq Bank PSC Dubai, Ahli Bank of Kuwait and Warba Bank K.S.C.P. As of 31 December 2022, the Group utilized letter of guarantees and letter of credits for total amount of SAR 241,231,788 (2021: SAR 266,144,411, 2020: SAR 233,417,374).
- The Group entered into a bilateral Unfunded Trade Finance Facility Agreement with Arab Petroleum Investments Corporation (APICORP) in July 2019 for total facility amounting to SAR 112,500,000 for the issuance of Letters of Credit and Letters of Guarantees. As of 31 December 2022, the Group utilized letter of guarantees for a total amount of SAR 83,746,550 (2021: SAR 14,528,415, 2020: SAR 10,778,415).
- The Group entered into bilateral agreement with Arab National Bank of KSA "ANB" bank dated Oct 2022 amounting to SAR 412,500,000, available to cover working capital needs including issuance of letters of guarantees as of 31 December 2022 the Group utilized letter of guarantees for a total amount of SAR 399,944,599 (2021: SAR Nil, 2020: SAR Nil).
- The Group entered into a bilateral agreement with Al Ahli Bank of Kuwait Egypt ''ABK'' a facility dated on May 2019 amounted of USD 12,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2022, the Group utilized Letters of Credit for a total amount of SAR 6,377,663 (31 December 2021: SAR 9,068,059, 31 December 2020: SAR Nil).
- The Group entered into a bilateral agreement with Suez Canal Bank ''SCB'' amounted dated on October 2018 of USD 18,000,000 for the purpose of Working capital, Letter of guarantees as of 31 December 2022, , the Group utilized letter of guarantees for a total amount of SAR 50,193,267 (2021: SAR 39,487,451, 2020: SAR 41,912,809).
- The Group entered into bilateral agreement with EG Bank "EGB with Letter of guaranteed facility dated February 2021 amounted of USD 10,000,000 as of 31 December 2022, which was the same agreements as 2021, the Group utilized letter of guarantees for a total amount of SAR 956,250 (2021: SAR 1,875,000, 2020: 19,058,719).
- The Group entered into a bilateral agreement with Alinma Bank dated April 2019 in SAR equivalent to SAR 37,500,000 available to cover working capital needs including issuance of letters of guarantees. As of 31 December 2022, the Group utilized letter of guarantees for a total amount of SAR 24,363,713 (2021: SAR 37,296,356, 2020: SAR 37,296,356).
- The Group entered into a bilateral agreement with National Commercial Bank in KSA (SNB) dated May 2019 in SAR equivalent to SAR 10,999,999 available to issuance of letters of guarantees. As of 31 December 2022, the Group utilized letter of guarantees for a total amount of SAR 9,518,799 (2021: SAR 10,093,800, 2020: SAR 9,518,805).
- The Group entered into bilateral agreement with Export Development Bank of Egypt "EBE" bank dated July 2018 amounted of USD 12,000,000 for the purpose of Working capital, Letter of guarantees as of 31 December 2022, the Group utilized letter of guarantees for a total amount of SAR 41,139,127 (2021: SAR 39,246,844, 2020: SAR 44,980,800).
- The Group entered into a bilateral agreement with Emirates National Bank of Dubai S.A.E ''ENBD'' dated July 2021 amounted of USD 20,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2022, the Group utilized letter of credit for a total amount of SAR 11,219,363 (2021: SAR 14,359,361, 2020: SAR 2,078,243).
- The Group has letter of guarantees of SAR 375,000 (2021: SAR 3,757,425, 2020: SAR Nil) as at 31 December 2022 with Arab International bank.
- The Group entered into a bilateral agreement with ADC Bank of Egypt "ADCB" dated August 2021 amounted of USD 4,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2022, the Group utilized letter of guarantees for a total amount of SAR 7,238,094 (2021: SAR Nil, 2020: SAR Nil).

## 30 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has entered into an interest rate swap contract to manage its exposure to fluctuations in interest rates. The counterparty is generally a bank/financial institution. These financial exposures are managed in accordance with the Group's risk management policies and procedures.

The Group enters into interest rate swaps agreements, mainly to manage exposure on its variable rate loans and borrowings. The Group uses interest rate swap contracts to hedge exposure to variable interest rate fluctuations on interest payments for borrowings denominated in functional currency or currency pegged to functional currency of the Company.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap matches the terms of the variable rate loans and borrowings (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

The fair values of derivative financial instruments are as follows:

| | *2022 SAR* | *2021 SAR* | *2020 SAR* |
|---|---|---|---|
| Derivative financial instruments designated as hedging instruments – cash flow hedges | | | |
| Interest rate swaps - Assets | **76,102,035** | - | - |
| | | | |
| Current | **49,663,832** | - | - |
| Non-current | **26,438,203** | - | - |
| | | | |
| Derivative financial instruments designated as hedging instruments – cash flow hedges Interest rate swaps - Liabilities | - | **(13,130,907)** | **(26,197,538)** |
| | | | |
| Current | - | **(7,379,434)** | **(12,319,710)** |
| Non-current | - | **(5,751,473)** | **(13,877,828)** |
| | | | |
| Derivative financial instruments – held for trading | | | |
| Interest rate swaps | - | - | **(17,801,617)** |
| | | | |
| Current | - | - | **(8,371,429)** |
| Non-current | - | - | **(9,430,188)** |

**30 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

**Derivative financial instruments designated as hedging instruments – cash flow hedges**

During the year ended 31 December 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Banqe Saudi Fransi (BSF), Gulf International Bank (GIB), and Saudi National Bank (SNB) in relation to Loan 1 Syndication Facility A SAR portion (SAR 3,198,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022, the Group entered into Interest Rate Swap (IRS) agreement with Banqe Saudi Fransi in relation to Loan 1 Syndication Facility A USD portion (USD 197,000,000 – equals to SAR 738,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month LAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month LAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) in relation to Al- Rajhi Bank facility (SAR 937,500,000), Saudi National Bank (SNB), (SAR 870,331,250) and Banqe Saudi Fransi (BSF) (SAR 1,078,680,000) the objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 3-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 3-month SAIBOR market rate (i.e. the designated benchmark interest rate).

As at 31 December 2022 and 2021, the fair value of derivatives designated as cash flow hedge includes the mark to market value of the interest rate swap for notional amount of SAR 241,193,182 and SAR 337,670,455, respectively, that was entered into by the Group with National Commercial Bank (NCB) in 2019 in relation to Loan 1 Syndication Facility A. The tenor of the NCB interest rate swap contract extends from 1 August 2019 until it terminates on 10 June 2025. The objective was to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate (as shown in the following table).

The ineffectiveness recognised in the special purpose consolidated statement of comprehensive income is SAR 5,168,505 (2021 and 2020: Nil).

| Borrowing (hedged item) | Type | Notional amount | Hedged interest rate | Effective date | Maturity date |
|---|---|---|---|---|---|
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 680,340,909 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 385,909,091 | Floating (6m-SAIBOR) | 01-Dec-21 | 30-Jun-25 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 738,750,000 (USD 197,000,000) | Floating (6m-LIBOR) | 01-Jun-22 | 31-Dec-29 |
| Al- Rajhi Bank facility – fully hedged | Bank facility | SAR 937,500,000 | Floating (3m-SAIBOR) | 30-Jun-22 | 01-Jul-30 |
| Saudi National Bank – SNB partially hedged | Bank facility | SAR 870,331,250 | Floating (3m-SAIBOR) | 28-Apr-22 | 30-Apr-30 |
| Bank Saudi Fransi – BSF partially hedged | Bank facility | SAR 1,078,680,000 | Floating (3m-SAIBOR) | 13-Apr-22 | 30-Apr-30 |

## 30 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

**Derivative financial instruments designated as held for trading**

During the year ended 31 December 2021, net gain on derecognition of the derivative financial instrument held for trade amounting to USD 1,216,098 – equals to SAR 4,560,368 (2020: change in fair value of derivative held for trading USD 1,178,052 – equals to SAR 4,417,695) has been recorded as expense in the consolidated statement of comprehensive income. No derivative instruments were held for trading as at 31 December 2022 and 2021.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | *Total SAR '000'* | *Level 1 SAR '000'* | *Level 2 SAR '000'* | *Level 3 SAR '000'* |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| *Derivative financial instrument:* | | | | |
| Interest rate swap | **76,102,035** | - | **76,102,035** | - |
| **31 December 2021** | | | | |
| *Derivative financial instrument:* | | | | |
| Interest rate swap | **(13,130,906)** | - | **(13,130,906)** | - |
| **31 December 2020** | | | | |
| *Derivative financial instrument:* | | | | |
| Interest rate swap | **(43,999,155)** | - | **(43,999,155)** | - |

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements (31 December 2021, 31 December 2020: Nil).

## 31 DIVIDEND DISTRIBUTIONS

In the current period, dividends of SAR 6,962,241 (2021: SAR 8,954,482, 2020: SAR 8,879,906) have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders in respect of 2021 profits.

## 32 SUBSEQUENT EVENTS

- The Group entered into two sale and purchase agreements for purchase of two rigs from Maple Maritime S.A. and Deep Drilling 1 PTE Ltd. for the price of SAR 168,750,000 and SAR 45,930,000 respectively. The deliveries of these 2 rigs is expected in 2023.
- Pursuant to resolution passed in extra-ordinary general meeting 15 February 2023, the shareholders approved the conversion of legal status of the Company from a mixed closed joint stock company to public joint stock company by way of increasing the authorised shares by 857,087,510 and issuing these shares through initial public offering. The legal formalities are expected to be completed in 2023 being subject to successful completion of initial public offering.
- In 2023, the Group utilized additional SAR 90 million from Al Rajhi facility.

# ADES HOLDING COMPANY AND ITS SUBSIDIARIES
# (A Mixed Closed Joint Stock Company)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

EY
Building a better working world

**Ernst & Young Professional Services (Professional LLC)**
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

## INDEPENDENT AUDITORS' REVIEW REPORT ON THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADES HOLDING COMPANY (A CLOSED MIXED JOINT STOCK COMPANY)

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of ADES Holding Company (A Closed Mixed Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2023 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated 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 interim condensed consolidated 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Ernst and Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)

K21
EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR. 2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Alkhobar: 28 Muharram 1445H
15 August 2023

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three-months period ended 31 March 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | ***For the three-months period ended*** | |
|---|---|---|---|
| | | ***31 March 2023 (Un-audited) SAR*** | *31 March 2022 (Un-audited) SAR* |
| Revenue from contracts with customers | 5 | **954,856,887** | 503,160,686 |
| Cost of sales | 6 | **(583,303,404)** | (321,203,408) |
| **GROSS PROFIT** | | **371,553,483** | 181,957,278 |
| General and administrative expenses | 7 | **(99,565,829)** | (56,685,938) |
| End of service employment benefits | | **(9,952,794)** | (5,222,891) |
| Finance costs | 8 | **(150,897,673)** | (44,147,651) |
| Finance income | | **-** | 44,861 |
| Other taxes | | **(155,574)** | (305,325) |
| Other expenses | | **(5,170,640)** | (2,856,559) |
| **PROFIT FOR THE PERIOD BEFORE INCOME TAX** | | **105,810,973** | 72,783,775 |
| Income tax expenses | 9 | **(16,400,669)** | (22,799,081) |
| **PROFIT FOR THE PERIOD** | | **89,410,304** | 49,984,694 |
| Attributable to: | | | |
| Equity holders of the Parent | | **87,562,785** | 48,453,859 |
| Non-controlling interests | | **1,847,519** | 1,530,835 |
| | | **89,410,304** | 49,984,694 |
| Earnings per share basic and diluted attributable to equity holders of the parent (In SAR per share) | 20 | **0.54** | - |
| **OTHER COMPREHENSIVE (LOSS)/ INCOME** | | | |
| *Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods (net of any tax)* | | | |
| Net (loss)/gain on cash flow hedge | | **(6,288,048)** | 6,645,368 |
| **OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD, NET OF TAX** | | **(6,288,048)** | 6,645,368 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **83,122,256** | 56,630,062 |
| **Attributable to:** | | | |
| Equity holders of the Parent | | **81,274,737** | 55,099,227 |
| Non-controlling interests | | **1,847,519** | 1,530,835 |
| | | **83,122,256** | 56,630,062 |

The attached notes 1 to 23 from part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Notes* | ***31 March 2023 (Un-audited) SAR*** | *31 December 2022 Restated* (Audited) SAR* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 14 | **12,894,156,250** | 12,066,091,416 |
| Intangible assets | | **503,090** | 552,745 |
| Right of use assets | 15 | **392,633,090** | 391,033,813 |
| Investment in an associate and a joint venture | | **4,284,549** | 5,983,705 |
| Derivative instruments | 22 | **15,812,702** | 26,438,203 |
| Prepayments and other receivables | 13 | **464,089,561** | 319,991,694 |
| **Total non-current assets** | | **13,771,479,242** | 12,810,091,576 |
| **Current assets** | | | |
| Inventories | 11 | **210,075,221** | 184,274,773 |
| Trade receivables | 12 (a) | **513,913,822** | 234,734,872 |
| Contract assets | 12 (b) | **315,450,258** | 255,623,760 |
| Derivative instruments | 22 | **52,257,965** | 49,663,832 |
| Prepayments and other receivables | 13 | **708,926,262** | 766,289,624 |
| Due from related parties | 21 | **9,481,300** | 9,838,237 |
| Bank balances and cash | 10 | **380,134,325** | 190,828,971 |
| **Total current assets** | | **2,190,239,153** | 1,691,254,069 |
| **TOTAL ASSETS** | | **15,961,718,395** | 14,501,345,645 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 19 | **858,087,510** | 1,000,000 |
| Capital contribution | 19 | - | 857,087,512 |
| Cash flow hedge reserve | 22 | **55,482,458** | 61,770,506 |
| Retained earnings | | **1,398,914,270** | 1,302,222,702 |
| **Equity attributable to equity holders of the parent** | | **2,312,484,238** | 2,222,080,720 |
| Non–controlling interests | | **38,197,343** | 36,349,824 |
| **Total equity** | | **2,350,681,581** | 2,258,430,544 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 18 | **10,263,739,872** | 9,575,406,029 |
| Lease liability | 15 | **280,595,234** | 270,132,952 |
| Provisions | | **126,617,828** | 117,984,346 |
| Deferred revenue | 17 | **242,840,959** | 70,173,705 |
| Deferred tax | | **47,623,093** | 44,043,640 |
| Other payables | | **2,901,225** | 4,680,083 |
| **Total non-current liabilities** | | **10,964,318,211** | 10,082,420,755 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **1,281,670,012** | 1,085,442,977 |
| Deferred revenue | 17 | **117,068,506** | 75,546,466 |
| Income tax payable | 9 | **16,895,602** | 10,494,524 |
| Interest-bearing loans and borrowings | 18 | **1,218,681,994** | 972,079,868 |
| Provisions | | **10,285,805** | 14,776,740 |
| Due to related parties | 21 | **2,116,684** | 2,153,771 |
| **Total current liabilities** | | **2,646,718,603** | 2,160,494,346 |
| **Total liabilities** | | **13,611,036,814** | 12,242,915,101 |
| **TOTAL EQUITY AND LIABILITIES** | | **15,961,718,395** | 14,501,345,645 |

*Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4

Dr. Mohamed Farouk
Vice Chairman

Hussein Badawy
Chief Financial Officer

The attached notes 1 to 23 from part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three-months period ended 31 March 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Attributable to the equity holders of the parent* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Share capital SAR* | *Capital contribution SAR* | *Cash-flow hedge reserve SAR* | *Retained earnings SAR* | *Total SAR* | *Non-controlling interests SAR* | *Total equity SAR* |
| Balance as at 1 January 2023 | 1,000,000 | 857,087,512 | 61,770,506 | 1,302,222,702 | 2,222,080,720 | 36,349,824 | 2,258,430,544 |
| Profit for the period | - | - | - | 87,562,785 | 87,562,785 | 1,847,519 | 89,410,304 |
| Other comprehensive loss | - | - | (6,288,048) | - | (6,288,048) | - | (6,288,048) |
| Total Comprehensive income | - | - | (6,288,048) | 87,562,785 | 81,274,737 | 1,847,519 | 83,122,256 |
| Share capital issuance (Note 19) | 857,087,510 | (857,087,510) | - | - | - | - | - |
| Transaction with the shareholders (Note 19) | - | (2) | - | 9,128,783 | 9,128,781 | - | 9,128,781 |
| **Balance as at 31 March 2023 (Un-audited)** | **858,087,510** | **-** | **55,482,458** | **1,398,914,270** | **2,312,484,238** | **38,197,343** | **2,350,681,581** |

The attached notes 1 to 23 from part of these unaudited interim condensed consolidated financial statements

# ADES HOLDING COMPANY AND ITS SUBSIDIARIES
## (A Mixed Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three-months period ended 31 March 2022 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Attributed to the equity holders of the parent* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Share capital SAR* | *Capital contribution SAR* | *Cash-flow hedge reserve SAR* | *Retained earnings SAR* | *Total SAR* | *Non-controlling interests SAR* | *Total equity SAR* |
| Balance as at 1 January 2022 | - | 857,087,512 | (13,130,906) | 1,049,593,369 | 1,893,549,975 | 29,528,825 | 1,923,078,800 |
| Profit for the period | - | - | - | 48,453,859 | 48,453,859 | 1,530,835 | 49,984,694 |
| Other comprehensive income | - | - | 6,645,368 | - | 6,645,368 | - | 6,645,368 |
| Total Comprehensive income | - | - | 6,645,368 | 48,453,859 | 55,099,227 | 1,530,835 | 56,630,062 |
| Balance as at 31 March 2022 (Un-audited) | - | 857,087,512 | (6,485,538) | 1,098,047,228 | 1,948,649,202 | 31,059,660 | 1,979,708,862 |

The attached notes 1 to 23 from part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three-months period ended 31 March 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | *31 March 2023 (Un-audited) SAR* | *31 March 2022 (Un-audited) SAR* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period before income tax | | **105,810,973** | 72,783,775 |
| Adjustments to reconcile profit for the period before income tax to net cash flows: | | | |
| Depreciation of property and equipment | 14 | **133,070,210** | 76,088,453 |
| Amortisation of intangible assets | | **49,655** | 159,015 |
| Depreciation of right of use assets | 15 | **28,592,796** | 3,959,765 |
| End of services benefits provision | | **9,952,794** | 5,222,891 |
| Finance costs | 8 | **150,897,673** | 44,147,651 |
| Share of results of investment in a joint venture and associate | | **1,699,155** | (1,895,663) |
| Finance income | | **-** | (44,861) |
| | | **430,073,256** | 200,421,026 |
| Working capital changes: | | | |
| Inventories | | **(25,800,448)** | (3,836,606) |
| Accounts receivable | | **(279,178,950)** | (32,662,249) |
| Contract assets | | **(59,826,498)** | (1,784,667) |
| Due from related parties | | **356,941** | (67,394,917) |
| Prepayments and other receivables | | **261,207,890** | (47,834,392) |
| Trade and other payables | | **82,242,815** | 23,216,681 |
| Due to related parties | | **(37,087)** | - |
| **Cash flows from operations** | | **409,037,919** | 70,124,876 |
| Income tax paid | 9 | **(4,676,813)** | (22,829,670) |
| Provisions paid | | **(5,810,247)** | (15,032,636) |
| **Net cash flows from operating activities** | | **398,550,859** | 32,262,570 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(1,034,933,352)** | (100,661,336) |
| Interest received | | **-** | 44,861 |
| Net cash flows used in investing activities | | **(1,034,933,352)** | (100,616,475) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans and borrowings | 18 | **1,007,091,541** | 539,898,986 |
| Repayment of loans and borrowings | 18 | **(76,615,218)** | (89,048,861) |
| Interest paid | | **(72,561,460)** | (10,136,790) |
| Payment of lease liabilities | 15 | **(32,227,016)** | (4,045,035) |
| Net cash flows from financing activities | | **825,687,847** | 436,668,300 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **189,305,354** | 368,314,395 |
| Cash and cash equivalents as at 1 January | 10 | **190,828,971** | 232,860,330 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 10 | **380,134,325** | 601,174,725 |

The attached notes 1 to 23 from part of these unaudited interim condensed consolidated financial statements

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## 1 BACKGROUND

**Corporate information**

ADES Holding Company (the "Company" or the "Parent Company") is a newly formed company under Saudi laws that was incorporated on 28 December 2022 as a mixed joint stock company limited by shares. Its head office is located at 7429 Prince Turki Street, Corniche District, Al Khobar 2203, Kingdom of Saudi Arabia ("Saudi Arabia" or the "Kingdom"). The Company's shares are owned 54.5% by ADES Investments Holding Ltd, 35.5% by The Public Investment Fund of the Kingdom of Saudi Arabia and 10% by Zamil Group Investment Co (together, the "Shareholders"). ADES Investments Holding Ltd. is the ultimate controlling party (the "ultimate controlling party") of the Company. The Company and its subsidiaries together here-in are referred as the "Group".

On 28 December 2022, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000,000. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, during the period ended 31 March 2023, the Company issued additional shares for the amount of SAR 857,087,510 at par to the Shareholders (as a result the total share capital post increase SAR 858,087,510). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation. On 12 March 2023, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 270,975,000 at par value (as a result the total share capital post increase will be SAR 1,129,062,510).

At the time of the reorganisation, ADES International Holding Ltd (the intermediate holding company of the Group) owned all the Group entities and its investments in joint ventures and associates (together the "Existing Group Entities") directly or indirectly through its subsidiaries.

As the Company is not a business and the reorganisation did not result in any change of economic substance, it is not considered as a business combination as defined by IFRS 3 Business Combinations. Accordingly, the Interim Condensed Consolidated Financial Statements of the Group are prepared to reflect that the reorganisation is in substance a continuation of the Existing Group Entities as if the Company has always owned the existing group entities.

All the external loans and borrowing of ADES Arabia Holding Company were also novated to the Company according to the novation agreement signed between the Company, ADES Arabia Holding and the lenders. The external loans and borrowing of ADES Arabia Holding Company are recognized by the Company as of the effective date of the novation agreement (refer to Note 18).

The Interim Condensed Consolidated Financial Statements were authorised for issue on ….. May 2023 by the Board of Directors.

The Group is a leading oil and gas drilling and production services provider in the Middle East and Africa. The Group services primarily include offshore and onshore contract drilling and production services. The Group currently operates in Egypt, Algeria, Kuwait, Tunisia, Qatar, India and the Kingdom of Saudi Arabia. The Group's offshore services include drilling and workover services and Mobile Offshore Production Unit (MOPU) production services, as well as accommodation, catering, and other barge-based support services. The Group's onshore services primarily encompass drilling and work over services. The Group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
As at and for the three-months period ended 31 March 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

## 1 BACKGROUND (continued)

**Corporate information (continued)**

The Interim Condensed Consolidated Financial Statements of the Group include activities of the following main subsidiaries:

| *Name* | *Principal activities* | *Country of incorporation* | *% Equity interest* **31-Mar-2023 (Unaudited)** | *31-Dec-2022 (Unaudited)* |
|---|---|---|---|---|
| Advanced Energy Systems (ADES) (S.A.E) [1] | Oil & gas drilling and production services | Egypt | **100%** | 100% |
| ADES Saudi Limited Company[1] | Oil and gas drilling and production services | KSA | **100%** | 100% |
| Precision Drilling Company[2] | Holding company | Cyprus | **100%** | 100% |
| Kuwait Advanced Drilling Services | Leasing of rigs | Cayman Islands | **100%** | 100% |
| Prime innovations for Trade S.A. E | Trading | Egypt | **100%** | 100% |
| ADES International for Drilling | Leasing of rigs | Cayman Islands | **100%** | 100% |
| AG training[3] | Training | Egypt | **70%** | 70% |
| Advanced Transport Services | Leasing of transportation equipment | Cayman Islands | **100%** | 100% |
| Advanced Drilling Services | Trading | Cayman Islands | **100%** | 100% |
| ADES Holding for Drilling Services Ltd[4] | Investment in Oil & Gas Projects | UAE | **100%** | 100% |
| ADES International Holding Ltd | Holding Company | UAE | **100%** | 100% |
| Emerald Driller Company[5] | Production services oil and gas drilling and production services | Cayman Islands | **100%** | 100% |
| ADES Drilling Services I Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services II Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services III Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Advanced Drilling Services Ltd.[6] | Leasing of rigs | Liberia | **100%** | 100% |
| ADES Drilling Services IV Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services V Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services Ltd. [7] | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES GCC For Drilling Ltd. [8] | Oil and gas drilling and production services Operating and Leasing of rigs | Bermuda | **100%** | 100% |

The Company holds investment in Egyptian Chinese Drilling Company (ECDC) (Joint Venture) and Advantage for Drilling Services Company (Associate) which are accounted for using the equity method of accounting in these Interim Condensed Consolidated Financial Statements.

[1] Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. In 2020 ADES S.A.E converted its branch in KSA to a limited liability company - ADES Saudi Limited Company. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill. Refer to Note 5 for details.

[2] Precision Drilling Company holds a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.

[3] ADES-GESCO Training Academy change its name to AG training in 2022.

[4] ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.

[5] Emerald Driller Company has a Branch in Qatar which handles operations in the country.

[6] ADES Advanced Drilling Services Ltd has a branch in Congo.

[7] ADES Drilling Services Ltd. has a branch in Indonesia.

[8] ADES GCC For Drilling Ltd has a branch in KSA.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The Interim Condensed Consolidated Financial Statements of the Group for the three-months period ended March 31, 2023 have been prepared in accordance with International Accounting Standard 34 '*Interim Financial Reporting'* as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The Interim Condensed Consolidated Financial Statements have been prepared under the historical cost basis, except for derivative financial instruments carried at fair value which includes interest rate swap contracts held for trading and those designated as hedging instruments.

The Interim Condensed Consolidated Financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the Group's Special Purpose Consolidated Financial Statements for the year ended 31 December 2022, 2021 and 2020.

The Interim Condensed Consolidated Financial Statements are presented in Saudi Arabian Riyal ("SAR"), which is the functional currency of the Parent and the presentation currency for the Group.

In February 2023, the Shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. Accordingly, these Interim Condensed Consolidated Financial Statements have been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, in the Kingdom of Saudi Arabia.

***Going concern***
As at 31 March 2023, the current liabilities exceed current assets by SAR 456,479,450 (31 December 2022: SAR 469,240,277) which is mainly on account of payables for the capital expenditures incurred in relation to the rigs acquired in 2022 as well as the existing rigs and deferred revenue in relation to the mobilization payments received in advance from the customer. Management has prepared projections for a period of twelve months from the date of signing these Interim Condensed Consolidated Financial Statements, which sets out the expected level of net cash flows that the Group is expected to generate, together with the related working capital needs and financial obligations of the Group. On the strength of these projections as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, total order backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, Management believes the Group will generate enough cash inflows to meet its obligations as they fall due for a period of not less than 12 months from the date of signing of these Interim Condensed Consolidated Financial Statements.

***Basis of consolidation***
The Group's Interim Condensed Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 March 2023. 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:

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

***Basis of consolidation (continued)***
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:

(a) The contractual arrangement with the other vote holders of the investee
(b) Rights arising from other contractual arrangements
(c) The Group's voting rights and potential voting rights

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 of during the year are included in the Interim Condensed 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 (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Interim Condensed Consolidated Financial Statements of a member in the Group to bring its accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI 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;

***Business combinations and acquisition of non-controlling interests***
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the "Business acquisition cost" line-item in the statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

***Business combinations and acquisition of non-controlling interests (continued)***
Contingent consideration, resulting from business combinations, is measured at fair value at the acquisition date. Contingent consideration classified as equity is not premeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a 'bargain purchase gain'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**Group reorganisation and business combinations under common control**
In the absence of guidance in IFRS for the group reorganisation and business combinations under common control, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires to use judgement in developing and applying an accounting policy that provides reliable and more relevant information. As such group reorganisation has no economic substance and is outside the scope of IFRS 3 Business Combinations.

Business combination under common control is accounted for using the pooling of interests method as follows:

- assets and liabilities of Existing Group Entities are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method;
- No goodwill is recognised as a result of the reorganisation, except to the extent that existing goodwill was previously recognised in one of the combining entities. Any difference between the consideration transferred and the equity of the entity acquired as at the date of the combination is reflected within equity; and
- The Interim Consolidated Statement of Comprehensive Income reflects the results of the Existing Group Entities.

The Group adopted an accounting policy to report the comparative information as if the Group always owned the businesses acquired under common control from the date when such businesses were part of the Group. This approach is applied consistently for all such transactions.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 NEW STANDARDS AND INTERPRETATIONS**

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the ADES Holding Company's special purpose consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2023, which did not have an impact on the Interim Condensed Consolidated Financial Statements of the Group:

- Insurance Contracts – Amendments to IFRS 17;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12.

## 3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified six geographical segments (31 March 2022: Five geographical segments). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

| *Segment* | *Egypt SAR* | *Algeria SAR* | *Kingdom of Saudi Arabia SAR* | *Kuwait SAR* | *Tunisia SAR* | *Qatar SAR* | *Total Segments SAR* | *Corporate SAR* | *Adjustments and Eliminations*** SAR* | *Total SAR (Unaudited)* |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the period ended 31 March 2023** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External customers | **144,162,856** | **8,625,044** | **625,317,755** | **85,608,846** | **8,560,507** | **82,581,879** | **954,856,887** | **-** | **-** | **954,856,887** |
| Inter-segment *** | **77,370,731** | **-** | **-** | **1,687,500** | **-** | **-** | **79,058,231** | **-** | **(79,058,231)** | **-** |
| Total Revenue | **221,533,587** | **8,625,044** | **625,317,755** | **87,296,346** | **8,560,507** | **82,581,879** | **1,033,915,118** | **-** | **(79,058,231)** | **954,856,887** |
| **Income/(expenses)** | | | | | | | | | | |
| Cost of sales* | **(63,419,757)** | **(6,434,094)** | **(263,646,672)** | **(42,377,608)** | **(6,376,415)** | **(42,654,569)** | **(424,909,115)** | **-** | **-** | **(424,909,115)** |
| General and administrative expenses | **(8,861,270)** | **(2,179,539)** | **(55,471,167)** | **(9,448,071)** | **(764,865)** | **(6,207,650)** | **(82,932,562)** | **(16,633,267)** | **-** | **(99,565,829)** |
| Finance costs (net) | **(16,126,130)** | **(765,054)** | **(118,689,392)** | **(8,597,097)** | **(603,023)** | **(5,277,408)** | **(150,058,104)** | **(839,569)** | **-** | **(150,897,673)** |
| Depreciation and amortisation | **(24,170,673)** | **(2,572,008)** | **(101,045,960)** | **(19,128,272)** | **(900,221)** | **(10,577,155)** | **(158,394,289)** | **-** | **-** | **(158,394,289)** |
| Other expenses (net) ** | **(2,223,690)** | **(53,603)** | **(19,632,604)** | **(4,509,909)** | **(33,207)** | **(2,820,788)** | **(29,273,801)** | **(2,405,876)** | **-** | **(31,679,677)** |
| Segment Profit / (Loss) | **29,361,336** | **(3,379,254)** | **66,831,960** | **1,547,889** | **(117,224)** | **15,044,309** | **109,289,016** | **(19,878,712)** | **-** | **89,410,304** |
| Total Assets as at 31 March 2023 (i) | **3,086,855,244** | **349,536,111** | **9,573,340,353** | **1,701,822,317** | **14,027,227** | **1,086,958,962** | **15,812,540,214** | **149,178,181** | **-** | **15,961,718,395** |
| Total Liabilities as at 31 March 2023 (ii) | **2,290,439,222** | **270,193,536** | **8,866,446,599** | **1,113,352,188** | **8,214,166** | **951,985,724** | **13,500,631,435** | **110,405,379** | **-** | **13,611,036,814** |
| **31 March 2023 Other Segment information** | | | | | | | | | | |
| Capital expenditure (i) | **75,978,202** | **9,425,222** | **808,002,531** | **67,567,632** | **71,588** | **89,863** | **961,135,038** | **-** | **-** | **961,135,038** |
| **Total** | **75,978,202** | **9,425,222** | **808,002,531** | **67,567,632** | **71,588** | **89,863** | **961,135,038** | **-** | **-** | **961,135,038** |

**3 SEGMENT INFORMATION (continued)**

*Segment*

| | *Egypt SAR* | *Algeria SAR* | *Kingdom of Saudi Arabia SAR* | *Kuwait SAR* | *Tunisia SAR* | *Qatar SAR* | *Total Segments SAR* | *Corporate SAR* | *Adjustments and Eliminations*** SAR* | *Total SAR (Unaudited)* |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the period ended 31 March 2022** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External customers | 71,957,763 | 6,817,260 | 344,372,698 | 78,152,376 | 1,860,589 | - | 503,160,686 | - | - | 503,160,686 |
| Inter-segment *** | 69,387,074 | - | - | 1,687,500 | - | - | 71,074,574 | - | (71,074,574) | - |
| Total Revenue | 141,344,837 | 6,817,260 | 344,372,698 | 79,839,876 | 1,860,589 | - | 574,235,260 | - | (71,074,574) | 503,160,686 |
| **Income/(expenses)** | | | | | | | | | | |
| Cost of sales* | (36,359,292) | (4,703,951) | (160,794,562) | (36,607,457) | (4,602,650) | - | (243,067,912) | - | - | (243,067,912) |
| General and administrative expenses | (8,101,339) | (1,012,426) | (31,342,825) | (8,564,112) | (454,131) | - | (49,474,833) | (7,211,105) | - | (56,685,938) |
| Finance costs (net) | (6,582,423) | (153,220) | (30,175,389) | (6,457,321) | (141,599) | - | (43,509,952) | (592,838) | - | (44,102,790) |
| Depreciation and amortisation | (14,051,135) | (3,051,642) | (46,661,796) | (13,657,138) | (713,785) | - | (78,135,496 ) | - | - | (78,135,496) |
| Other expenses (net) ** | 794,397 | (214,312) | (29,043,995) | (2,359,356) | (23,000) | - | (30,846,266) | (337,590) | - | (31,183,856) |
| Segment Profit / (loss) | 7,657,971 | (2,318,291) | 46,354,131 | 10,506,992 | (4,074,576) | - | 58,126,227 | (8,141,533) | - | 49,984,694 |
| Total Assets as at 31 March 2022 (i) | 2,873,091,666 | 302,460,950 | 2,532,794,961 | 1,337,092,301 | 9,682,864 | - | 7,055,122,742 | 165,634,682 | - | 7,220,757,424 |
| Total Liabilities as at 31 March 2022 (ii) | 2,123,948,610 | 233,485,777 | 1,924,390,419 | 892,478,096 | 11,729,720 | - | 5,186,032,622 | 55,015,940 | - | 5,241,048,562 |
| **31 March 2022 Other Segment information** | | | | | | | | | | |
| Capital expenditure (i) | 13,949,145 | 180,117 | 35,581,961 | 3,932,146 | 1,558,053 | - | 55,201,422 | - | - | 55,201,422 |
| **Total** | 13,949,145 | 180,117 | 35,581,961 | 3,932,146 | 1,558,053 | - | 55,201,422 | - | - | 55,201,422 |

* Excluding depreciation and amortisation recorded under cost of sales.
** Other expenses includes end of service employment benefits, other taxes, other expenses, and income tax expense.
*** Inter-segment revenues and other adjustments are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.
(i) Management presents the assets in the segment which holds such assets, while the capital expenditure is presented in the segment where such assets are utilised.
(ii) Management presents the accrued interest on loans under corporate segment in line with reporting to CEO.

## 4 BUSINESS COMBINATIONS

As part of the Group's strategy to expand its fleet and operations, during 2022 the Group has acquired new businesses which are accounted for as business combinations. These transactions resulted in bargain as the Group utilised its synergies and liquidity position due to its strong presence in the region and relationship with the key customers to negotiate favourable deals with the sellers.

***1) Acquisition of Emerald Driller Company in 2022***

On 27 May 2022, ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control, refer to Note 1) acquired 100% voting share of Emerald Driller Company (the "EDC") registered in Cayman Island and operating in Qatar. EDC owns 3 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees, and inventories to be used in the drilling business.

The transaction was accounted for using business combination accounting at the date of acquisition. The acquisition of EDC resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the one of largest jack-up operator and available liquidity position. These have given added synergies to the Group to negotiate a favourable deal with a seller.

As explained in Note 1, after the acquisition was completed, EDC was transferred to ADES International Holding Ltd (a subsidiary of the Group) during the year ended 31 December 2022 which was accounted for using pooling of interests method as a transaction under common control. Accordingly, the purchase consideration below was paid by ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control, refer to Note 1) and disclosed as a non-cash transaction for the Group.

***Identifiable net assets acquired*****

The acquisition date fair values of identified assets and liabilities along with gain from bargain purchase and net cash outflows recorded as at 31 December 2022 are disclosed below:

| | ***Fair values recognised on acquisition recorded in 2022 SAR*** |
|---|---|
| Property and equipment | **907,165,050** |
| Inventories | **19,970,220** |
| Trade receivables | **6,805,277** |
| Contract assets | **69,550,420** |
| Other receivables | **147,944,757** |
| **Total assets** | **1,151,435,724** |
| Provisions | **1,789,924** |
| Deferred mobilization revenue | **51,877,486** |
| Income tax payable | **1,348,927** |
| Trade and other payables | **106,359,941** |
| **Total liabilities** | **161,376,278** |
| Total identifiable net assets at fair values | **990,059,446** |
| Gain from bargain purchase | **(244,945,552)** |
| **Purchase consideration (non-cash transaction) *** | **745,113,894** |
| **Transaction cost paid for acquisition** | **(1,184,576)** |

* Paid by ADES Arabia Holding before it was transferred to the Group.

**4 BUSINESS COMBINATIONS (continued)**

***1) Acquisition of Emerald Driller Company in 2022 (continued)***

** Management have completed the additional clarifications and analysis and finalised the acquisition date fair values of the assets and liabilities acquired. As such, fair value of the assets and liabilities acquired is final.

***2) Acquisition of Seadrill in 2022***

On 18 October 2022 (”acquisition date”), the Group acquired 100% voting shares of Seadrill GCC Operations Ltd. and its 7 subsidiaries from Seadrill that own 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business. These entities are registered in Bermuda and operate in the KSA. The acquisition has been accounted for using the acquisition method.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the largest jack-up operator in the Kingdom of Saudi Arabia, liquidity position, strong relationship with shareholders and a key customer. These have given added synergies to the Group to negotiate a favourable deal with a seller.

***Identifiable net assets acquired***
The acquisition date fair values of identified assets and liabilities along with gain from bargain purchase and net cash outflows recorded are disclosed below:

| | *Fair values of identified assets and liabilities at acquisition date SAR* | *IFRS 3 Business Combination measurement period adjustments SAR* | ***Restated amounts as at acquisition date SAR*** |
|---|---|---|---|
| Property and equipment | 2,729,641,219 | (122,029,770) | **2,607,611,449** |
| Inventories | 4,769,561 | - | **4,769,561** |
| Trade receivables | 34,717,659 | - | **34,717,659** |
| Contract assets | 25,743,874 | - | **25,743,874** |
| Deferred tax assets | 5,690,745 | - | **5,690,745** |
| Other receivables | 56,268,589 | 122,029,770 | **178,298,359** |
| Cash and cash equivalent | 29,305,952 | - | **29,305,952** |
| **Total assets** | 2,886,137,599 | - | **2,886,137,599** |
| Provisions for taxes | 5,966,584 | - | **5,966,584** |
| Employees' end of services benefits provision | 34,949,324 | - | **34,949,324** |
| Trade and other payables | 113,050,936 | - | **113,050,936** |
| **Total liabilities** | 153,966,844 | - | **153,966,844** |
| Total identifiable net assets at fair values | 2,732,170,755 | - | **2,732,170,755** |
| Gain from bargain purchase | (177,321,855) | - | **(177,321,855)** |
| **Purchase consideration** | 2,554,848,900 | - | **2,554,848,900** |
| Analysis of cash flow on acquisition (included in cash flows from investing activities) | | | |
| Transaction cost paid for acquisition | (7,239,650) | - | **(7,239,650)** |
| Cash paid | (2,554,848,900) | - | **(2,554,848,900)** |
| Purchase consideration receivable | - | 122,029,770 | **122,029,770** |
| Cash and cash equivalent acquired | 29,305,952 | - | **29,305,952** |
| **Net cash out flows on acquisition** | (2,532,782,598) | - | **(2,532,782,598)** |

## 4 BUSINESS COMBINATIONS (continued)

### *2) Acquisition of Seadrill in 2022 (Continued)*

Management have performed the additional clarifications and analysis and updated the acquisition date fair values of the assets and liabilities acquired. As a result, management identified that the Seadrill should reimburse SAR 122 million (equivalent USD 32.5 million) to the Group as a purchase price adjustment based on the contractual terms with Seadrill. Accordingly, management reduced the purchase consideration amount by SAR 122 million (equivalent USD 32.5 million) in the purchase price allocation as disclosed above, and recorded a corresponding receivable balance from Seadrill for the same amount by restating the statement of financial position as at 31 December 2022. Management also reduced the fair value of property and equipment as at the acquisition due to the estimated additional capital costs in relation to the acquired rigs that had downward effect on the fair value.

The 2022 comparative information was restated to reflect the adjustments to the previously recorded provisional balances.

| | *As previously reported 31 December 2022 SAR* | *IFRS 3 Business combination measurement period adjustments SAR* | *Restated amounts 31 December 2022 SAR* |
|---|---|---|---|
| ***Interim condensed consolidated statement of financial position:*** | | | |
| ***Non-current assets:*** | | | |
| Property and equipment | 12,188,121,186 | (122,029,770) | 12,066,091,416 |
| ***Current assets:*** | | | |
| Prepayments and other receivables | 644,259,854 | 122,029,770 | 766,289,624 |

Management estimated that impact on depreciation charge of the adjustment from the acquisition date to 31 December 2022 was not material. Consolidated statement of financial position is not presented as these adjustments have no impact on the financial position as at 1 January 2022.

Subsequent to the period ended 31 March 2023, the Group has collected SAR 43,421,798 (equivalent to USD 11,579,146) out of total claimed amount of SAR 101,749,920 (equivalent to USD 11,579,146) from Seadrill.

## 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Units operations | **893,535,543** | 490,439,359 |
| Catering services | **20,530,562** | 7,805,813 |
| Projects income | **18,946,875** | - |
| Others | **21,843,907** | 4,915,514 |
| | **954,856,887** | 503,160,686 |

Refer Note 3 for segment disclosure. The primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

Projects income represents services relating to outsourcing various operating projects for clients such as, early production facilities, manpower, maintenance, and repair services.

## 6 COSTS OF SALES

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Staff costs | **180,624,394** | 111,395,850 |
| Depreciation and amortization (note 14) | **158,394,289** | 78,135,495 |
| Maintenance costs | **81,167,674** | 44,692,883 |
| Catering costs | **30,337,039** | 18,979,365 |
| Move costs | **21,081,222** | 12,198,551 |
| Project direct costs | **12,421,894** | - |
| Rental equipment (Note 15) | **17,548,150** | 9,790,204 |
| Crew change costs | **12,387,045** | 7,419,476 |
| Insurance | **9,927,828** | 8,478,979 |
| Other cost | **59,413,869** | 30,112,605 |
| | **583,303,404** | 321,203,408 |

## 7 GENERAL AND ADMINISTRATIVE EXPENSE

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Staff costs | **61,387,254** | 32,904,184 |
| Depreciation and amortisation (Note 14) | **3,318,372** | 2,071,736 |
| Professional fees | **9,546,660** | 3,339,746 |
| Business travel expenses | **5,678,984** | 7,588,174 |
| Free Zone expenses | **3,505,051** | 2,035,170 |
| Rental expenses (Note 15) | **804,722** | 438,645 |
| Communications expenses | **2,392,564** | 2,217,926 |
| Bank services charges | **1,752,310** | 421,601 |
| Other expenses | **11,179,912** | 5,668,756 |
| | **99,565,829** | 56,685,938 |

## 8 FINANCE COSTS

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| **Interest cost:** | | |
| Interest on overdraft facilities | **4,221,314** | 2,606,771 |
| Loan interest expenses* | **126,640,320** | 33,015,608 |
| Interest on lease liabilities | **5,138,763** | 912,312 |
| Amortisation of loan transaction costs | **5,975,785** | 2,653,447 |
| Unwinding of discounting on a long-term receivable | **1,247,696** | 61,132 |
| **Other finance cost:** | | |
| Guarantee related finance charges | **4,005,144** | 3,070,624 |
| Other finance charges, net | **3,668,651** | 1,827,757 |
| | **150,897,673** | 44,147,651 |

*Loan interest expenses includes impact of net receipt according to interest rate swap agreements for the amount of SAR (16,880,907) (31 March 2022: Nil).

## 9 INCOME TAX

Income tax expenses movement in the Interim Condensed Consolidated Statement of Comprehensive Income:

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Current income tax expense | **11,077,891** | 6,559,188 |
| Deferred tax charge | **5,322,778** | 16,239,893 |
| | **16,400,669** | 22,799,081 |

Movement in income tax payable in the Interim Condensed Consolidated Statement of Financial position:

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| **Current liabilities:** | | |
| Balance at 1 January | **10,494,524** | 30,973,826 |
| Charge for the period/year | **11,077,891** | 25,045,254 |
| Paid during the period/year | **(4,676,813)** | (46,873,483) |
| Acquired during period/year | **-** | 1,348,927 |
| Ending balance | **16,895,602** | 10,494,524 |

## 10 BANK BALANCES AND CASH

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Cash on hand | **254,355** | 338,910 |
| Bank balances | **379,879,970** | 190,490,061 |
| Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows | **380,134,325** | 190,828,971 |

Bank balances and cash comprise of balances in the following currencies:

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Saudi Riyal (SAR) | **159,757,937** | 10,159,503 |
| United States Dollar (USD) | **118,675,444** | 140,389,923 |
| Kuwaiti Dinar (KWD) | **88,905,904** | 24,253,940 |
| Egyptian Pound (EGP) | **10,623,990** | 15,894,036 |
| Algerian Dinar (DZD) | **1,519,196** | 2,848 |
| Qatari Riyal (QAR) | **598,463** | 79,434 |
| Tunisian Dinar (TND) | **30,652** | 2,001 |
| Euro (EUR) | **15,849** | 41,843 |
| United Arab Emirates Dirham (AED) | **6,882** | 5,443 |
| Great British Pound (GBP) | **8** | - |
| | **380,134,325** | 190,828,971 |

## 11 INVENTORIES

| | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Offshore rigs | **123,697,057** | 110,435,175 |
| Onshore rigs | **34,661,320** | 30,199,600 |
| Warehouse and yards | **51,716,844** | 43,639,998 |
| | **210,075,221** | 184,274,773 |

As at 31 March 2023, the inventories are stated net of provision for impairment of inventory of SAR 28,879,917 (31 December 2022: SAR 28,879,917).

| | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|
| As at 1 January | **28,879,917** | 20,103,315 |
| Charge for the period/year | **-** | 26,216,730 |
| Utilised during the period/year | **-** | (17,440,128) |
| Ending balance | **28,879,917** | 28,879,917 |

## 12 (a) TRADE RECEIVABLES

| | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Trade receivables | **984,119,865** | 704,940,915 |
| Provision for impairment in trade receivables | **(470,206,043)** | (470,206,043) |
| | **513,913,822** | 234,734,872 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms, except for one customer balance which is fully impaired, after which trade receivables are considered to be past due. Unimpaired trade receivables are expected to be fully recoverable on the past experience. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The aging analysis of un-impaired trade receivables is as follows:

| | | *Past due but not impaired* | | | | |
|---|---|---|---|---|---|---|
| | *Neither past due nor impaired SAR* | *<30 days SAR* | *30 - 60 days SAR* | *61 - 90 days SAR* | *>90 days SAR* | *Total SAR* |
| **31 March 2023** | **426,894,591** | **43,185,880** | **18,072,035** | **10,158,225** | **15,603,091** | **513,913,822** |
| 31 December 2022 | 198,637,145 | 24,663,111 | 4,086,271 | 3,849,908 | 3,498,437 | 234,734,872 |

**12 (b) CONTRACT ASSETS**

***Contract assets***
As at 31 March 2023, the Group has contract assets of SAR 315,450,258 (31 December 2022: SAR 255,623,760).

The movement in the provision for impairment of trade receivables and contract assets is as follows:

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| As at 1 January | **470,206,043** | 233,641,523 |
| Charge for the year | **-** | 236,564,520 |
| Closing balance | **470,206,043** | 470,206,043 |

As at 31 March 2023, the large portion of trade receivable balance before provision for impairment is from one customer of the Group, which is a partially government owned entity. In 2021 the Group signed a revised settlement agreement with the customer to settle all due balances and management still believes that the customer will be able to fulfil its obligations. However, The Group has formed a full provision for impairment in trade receivables amounting SAR 428,180,398 (31 December 2022: SAR 428,180,398) against the entire amount of receivable from this customer.

**13 PREPAYMENTS AND OTHER RECEIVABLES**

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 Restated** SAR (Audited)* |
|---|---|---|
| Invoice retention* | **232,979,343** | 325,937,757 |
| Margin Letter of Guarantees | **21,077,670** | 20,902,613 |
| Advances to contractors and suppliers | **624,885,134** | 470,873,348 |
| Insurance with customers | **28,759,769** | 28,759,768 |
| Dividends receivable | **4,593,750** | 4,593,750 |
| Provision for impairment in dividends receivables | **(4,593,750)** | (4,593,750) |
| Other receivables | **225,736,283** | 192,514,460 |
| Prepaid mobilization revenue | **46,405,257** | 54,121,005 |
| Provision for other receivables | **(6,827,633)** | (6,827,633) |
| | **1,173,015,823** | 1,086,281,318 |
| Current | **708,926,262** | 766,289,624 |
| Non-current | **464,089,561** | 319,991,694 |
| Ending balance | **1,173,015,823** | 1,086,281,318 |

*This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.

** Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.

## 14 PROPERTY AND EQUIPMENT

| *31 March 2023* | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools SAR* | *Assets under construction SAR* | *IT equipment SAR* | *Motor vehicles SAR* | *Leasehold improvement SAR* | *Leasehold land SAR* | *Total SAR (Unaudited)* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | | |
| As of 1 January 2023 (Restated) | 9,112,776,839 | 6,524,214 | 115,734,062 | 405,720,471 | 3,858,903,517 | 9,754,081 | 2,235,349 | 2,599,986 | 58,478,471 | 13,572,726,990 |
| Additions* | 37,851,948 | - | 7,479,180 | 11,327,621 | 902,515,835 | 163,575 | - | 1,796,885 | - | 961,135,044 |
| Transfers | 312,743,955 | - | - | 403,419 | (524,619,053) | - | - | 211,471,679 | - | - |
| As at 31 March 2023 | **9,463,372,742** | **6,524,214** | **123,213,242** | **417,451,511** | **4,236,800,299** | **9,917,656** | **2,235,349** | **215,868,550** | **58,478,471** | **14,533,862,034** |
| **Accumulated depreciation:** | | | | | | | | | | |
| As of 1 January 2023 | (1,296,592,136) | (2,958,063) | (65,400,439) | (131,029,947) | (2,869,842) | (4,754,162) | (1,410,007) | (1,620,978) | - | (1,506,635,574) |
| Depreciation | (108,877,493) | (158,244) | (4,113,709) | (9,634,404) | - | (313,951) | (64,937) | (9,907,472) | - | (133,070,210) |
| As at 31 March 2023 | **(1,405,469,629)** | **(3,116,307)** | **(69,514,148)** | **(140,664,351)** | **(2,869,842)** | **(5,068,113)** | **(1,474,944)** | **(11,528,450)** | **-** | **(1,639,705,784)** |
| Net book value: | | | | | | | | | | |
| **As at 31 March 2023** | **8,057,903,113** | **3,407,907** | **53,699,094** | **276,787,160** | **4,233,930,457** | **4,849,543** | **760,405** | **204,340,100** | **58,478,471** | **12,894,156,250** |

## 14 PROPERTY AND EQUIPMENT (continued)

| *31 December 2022 (restated*)* | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools SAR* | *Assets under construction SAR* | *IT equipment SAR* | *Motor vehicles SAR* | *Leasehold improvement SAR* | *Leasehold land SAR* | *Total SAR (Audited)* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | | |
| As of 1 January 2022 | 5,862,027,685 | 6,071,018 | 112,501,226 | 314,278,745 | 130,408,978 | 7,096,328 | 1,974,349 | 2,599,986 | 58,478,471 | 6,495,436,786 |
| Acquisitions through business combinations(restated*) | 2,504,906,694 | - | - | 31,573,116 | 978,296,689 | - | - | - | - | 3,514,776,499 |
| Additions | 157,372,785 | 453,196 | 608,615 | 52,417,336 | 3,348,808,676 | 2,657,753 | 261,000 | - | - | 3,562,579,361 |
| Transfers | 588,535,331 | - | 2,624,221 | 7,451,274 | (598,610,826) | - | - | - | - | - |
| Retirement & Disposable | (65,656) | - | - | - | - | - | - | - | - | (65,656) |
| As at 31 December 2022 (restated*) | 9,112,776,839 | 6,524,214 | 115,734,062 | 405,720,471 | 3,858,903,517 | 9,754,081 | 2,235,349 | 2,599,986 | 58,478,471 | 13,572,726,990 |
| **Accumulated depreciation:** | | | | | | | | | | |
| As of 1 January 2022 | (949,247,471) | (2,479,823) | (61,811,322) | (99,636,707) | (17,869,842) | (3,656,955) | (1,176,360) | (1,153,511) | - | (1,137,031,991) |
| Transfers | (30,323,158) | 48,922 | 15,279,899 | (5,663) | 15,000,000 | - | - | - | - | - |
| Retirement & Disposable | 5,221 | - | - | - | - | - | - | - | - | 5,221 |
| Depreciation | (317,026,728) | (527,162) | (18,869,016) | (31,387,577) | - | (1,097,207) | (233,647) | (467,467) | - | (369,608,804) |
| As at 31 December 2022 | (1,296,592,136) | (2,958,063) | (65,400,439) | (131,029,947) | (2,869,842) | (4,754,162) | (1,410,007) | (1,620,978) | - | (1,506,635,574) |
| **Net book value:** | | | | | | | | | | |
| As at 31 December 2022 (restated*) | 7,816,184,703 | 3,566,151 | 50,333,623 | 274,690,524 | 3,856,033,675 | 4,999,919 | 825,342 | 979,008 | 58,478,471 | 12,066,091,416 |

*Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.

## 14 PROPERTY AND EQUIPMENT (continued)

**Allocation of depreciation charge:**
Depreciation and amortization charge is allocated as follows:

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Cost of sales (Note 6) | **158,394,289** | 78,135,495 |
| General and administrative expenses (Note 7) | **3,318,372** | 2,071,736 |
| Total depreciation and amortization charge* | **161,712,661** | 80,207,231 |

*Total depreciation and amortization charge for the period includes depreciation of property and equipment of SAR 133,070,210 (31 Mar 2022: SAR 76,088,453), amortization of intangible assets and depreciation of right of use assets of SAR 49,655 (31 Mar 2022: SAR 159,015) and SAR 28,592,796 (31 Mar 2022: SAR 3,959,765), respectively.

**Assets under construction and transfers:**
Assets under construction represents the amounts that are incurred for the purpose of upgrading and refurbishing property and equipment until it is ready to be used in the operation and amount paid for new rigs purchased during the period that are not ready for use. Assets under construction will mainly be transferred to 'Rigs', 'Tools' or 'Leasehold improvements' of the property and equipment after completion. During the three month period ended 31 March 2023, the Group completed capital projects for the amount of SAR 524,619,053 (31 December 2022: SAR 598,610,826) and transferred to the relevant asset categories.

During the three month period ended 31 March 2023, the Group capitalized borrowing costs of SAR 47,507,942 that are related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use. The rate used to determine the amount of borrowing costs eligible for capitalisation was 6.96% (31 March 2022: Nil; 31 December 2022: 5.39%) which is the effective interest rate of the related borrowings.

As at 31 March 2023 and 31 December 2022, the most of the rigs and related drilling equipment are pledged to the lenders (banks) against interest-bearing loans and borrowings (Note 18).

## 15 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office Premises SAR* | *Motor vehicles SAR* | *Other Equipment SAR* | *Furniture and Fixature SAR* | *Building SAR* | *Total SAR (Unaudited)* |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| As of 1 January 2023 | 331,766,135 | 19,301,619 | 6,563,754 | 9,122,591 | 44,558,476 | 9,513,821 | 28,318,235 | 449,144,631 |
| Additions* | - | 148,334 | 13,980,478 | 2,386,226 | 13,677,035 | - | - | 30,192,073 |
| As at 31 March 2023 | **331,766,135** | **19,449,953** | **20,544,232** | **11,508,817** | **58,235,511** | **9,513,821** | **28,318,235** | **479,336,704** |
| **Accumulated depreciation:** | | | | | | | | |
| As of 1 January 2023 | (15,980,515) | (9,863,300) | (4,379,811) | (8,509,740) | (13,577,371) | (2,140,609) | (3,659,472) | (58,110,818) |
| Depreciation | (21,734,563) | (1,112,135) | (800,749) | (781,806) | (3,571,719) | (237,846) | (353,978) | (28,592,796) |
| As at 31 March 2023 | (37,715,078) | **(10,975,435)** | **(5,180,560)** | **(9,291,546)** | **(17,149,090)** | **(2,378,455)** | **(4,013,450)** | **(86,703,614)** |
| **Net Book Value** | | | | | | | | |
| **As at 31 March 2023** | **294,051,057** | **8,474,518** | **15,363,672** | **2,217,271** | **41,086,421** | **7,135,366** | **24,304,785** | **392,633,090** |

**15 LEASES (continued)**

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year: (continued)

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office Premises SAR* | *Motor vehicles SAR* | *Other Equipment SAR* | *Furniture and Fixature SAR* | *Building SAR* | *Total SAR (Audited)* |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of 1 January 2022 | - | 14,287,662 | 7,837,077 | 9,465,013 | 31,098,750 | 9,513,821 | 28,318,235 | 100,520,558 |
| Additions/modifications | 331,766,135 | 5,042,996 | 877,088 | 794,432 | 31,227,799 | - | - | 369,708,450 |
| Termination | - | (29,039) | (2,150,411) | (1,609,734) | (18,265,486) | - | - | (22,054,670) |
| Other adjustments | - | - | - | 472,880 | 497,413 | - | - | 970,293 |
| As at of 31 December 2022 | 331,766,135 | 19,301,619 | 6,563,754 | 9,122,591 | 44,558,476 | 9,513,821 | 28,318,235 | 449,144,631 |
| Accumulated depreciation: | | | | | | | | |
| As of 1 January 2022 | - | (6,194,415) | (2,822,393) | (5,944,287) | (17,839,597) | (1,189,227) | (2,243,564) | (36,233,483) |
| Depreciation | (15,980,515) | (3,668,885) | (1,557,418) | (3,189,614) | (6,482,752) | (951,382) | (1,415,908) | (33,246,474) |
| Termination | - | - | - | 624,161 | 10,744,978 | - | - | 11,369,139 |
| As at 31 December 2022 | (15,980,515) | (9,863,300) | (4,379,811) | (8,509,740) | (13,577,371) | (2,140,609) | (3,659,472) | (58,110,818) |
| Net book value: | | | | | | | | |
| As at 31 December 2022 | 315,785,620 | 9,438,319 | 2,183,943 | 612,851 | 30,981,105 | 7,373,212 | 24,658,763 | 391,033,813 |

## 15 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| As of 1 January | **376,687,736** | 56,862,112 |
| Additions | **30,192,073** | 363,014,531 |
| Lease modification-Terminations | **-** | (10,685,531) |
| Lease modification-Other adjustments | **-** | (842,504) |
| Accretion of interest | **5,138,763** | 6,455,410 |
| Payments | **(32,227,016)** | (38,116,282) |
| Ending balance | **379,791,556** | 376,687,736 |
| Current (Note 16) | **99,196,322** | 106,554,784 |
| Non-Current | **280,595,234** | 270,132,952 |

The following are the amounts recognised in the Interim Condensed Consolidated Statement of Comprehensive Income:

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Depreciation expense of right-of-use assets | **28,592,796** | 3,959,765 |
| Interest expense on lease liabilities | **5,138,763** | 912,312 |
| Expense relating to short-term leases (Included in Cost of sales) (Note 6) | **17,548,150** | 9,790,204 |
| Expense relating to short-term lease (included in General and administrative expenses) (Note 7) | **804,722** | 438,645 |
| **Total amount recognized in the Interim Condensed Consolidated Statement of Comprehensive Income** | **52,084,431** | 15,100,926 |

## 16 TRADE AND OTHER PAYABLES

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Trade payables | **772,030,541** | 742,611,229 |
| Notes payable | **7,017,497** | 3,171,221 |
| Accrued expenses | **230,818,312** | 182,873,995 |
| Accrued interests | **166,902,002** | 45,294,112 |
| Lease liability (Note 15) | **99,196,322** | 106,554,784 |
| Other payables | **5,705,338** | 4,937,636 |
| | **1,281,670,012** | 1,085,442,977 |

## 17 DEFERRED REVENUE

| | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|
| As at 1 January | **145,720,171** | 66,147,486 |
| Additions | **248,736,377** | 136,270,910 |
| Amortized | **(34,547,083)** | (56,698,225) |
| **Ending balance** | **359,909,465** | 145,720,171 |
| Current*** | **117,068,506** | 75,546,466 |
| Non-Current | **242,840,959** | 70,173,705 |

Deferred revenue mainly represents the amounts collected from the customers for mobilization of the rigs which are recognized over time.

*** Current portion of deferred revenue was included in trade and other payables in the 2022 special purpose consolidated financial statements of the Group. It is reported as a separate line item in the interim condensed consolidated statement of financial position as at 31 March 2022. Comparative information has been restated to conform with the current period presentation.

## 18 INTEREST BEARING LOANS AND BORROWINGS

| | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Balance as at 1 January | **10,547,485,897** | 4,038,916,920 |
| Borrowings novated from a related party * | **-** | 885,318,335 |
| Borrowings drawn during the period/ year | **1,007,091,541** | 6,566,736,991 |
| Borrowings repaid during the period/ year | **(76,615,218)** | (899,409,599) |
| Transaction costs (paid)/amortised, net | **4,459,646** | (44,076,750) |
| Ending balance | **11,482,421,866** | 10,547,485,897 |
| Current: | | |
| Interest-bearing loan and borrowing | **1,218,681,994** | 972,079,868 |
| Non-current: | | |
| Interest-bearing loan and borrowing | **10,263,739,872** | 9,575,406,029 |
| Ending balance | **11,482,421,866** | 10,547,485,897 |

* According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding and the Lenders of the Loan 1 Syndication Facility A and C, the parties agreed the loans payable balance owed by ADES Arabia Holding under the Loan 1 Syndication Facility A and C shall be novated to the Company effective 29 December 2022.

**18 INTEREST BEARING LOANS AND BORROWINGS (continued)**

| *Type* | *Latest maturity* | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|---|
| **Current loans and borrowings** | | | |
| **Loan 1 Syndication Facility A** | | | |
| Facility A | 7 Years | **264,348,864** | 264,264,751 |
| **Loan 1 Syndication Facility C** | | | |
| Facility C | 7 Years | **116,032,466** | 92,020,588 |
| **Loan 2 BSF** | | | |
| BSF $380M | 7 Years | **152,332,249** | 139,390,861 |
| **Loan 3 SNB** | | | |
| BSF $400M | 7 Years | **167,468,414** | 133,663,209 |
| **Loan 4 AL Rajhi** | | | |
| AL Rajhi $250M | 7 Years | **107,134,356** | 44,110,821 |
| **Loan 5 Al Inmaa Ijara** | | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | **250,170,959** | 123,496,026 |
| **Loan 6 Al Mashreq** | | | |
| Mashreq Loan KD 2.7 M | 4 Years | **7,097,608** | 8,239,550 |
| Credit Facility 2 – ABK | | **38,347,472** | 38,299,274 |
| Credit Facility 3 – EBE | | **194** | 71,194 |
| Credit Facility 4 – ENBD | | **60,187,239** | 51,742,330 |
| Credit Facility 5 – ADCB | | **1,125,000** | 1,473,743 |
| Credit Facility 6 – SAIB | | **49,474,299** | 69,254,256 |
| Credit Facility 7 – SCB | | **4,962,874** | 6,053,265 |
| **Total current loans and borrowings** | | **1,218,681,994** | 972,079,868 |

| *Type* | *Latest maturity* | *31 March 2023 SAR (Unaudited)* | *31 December 2022 SAR (Audited)* |
|---|---|---|---|
| **Non-current loans and borrowings** | | | |
| **Loan 1 Syndication Facility A** | | | |
| Facility A | 7 Years | **3,335,583,895** | 3,332,838,147 |
| **Loan 1 Syndication Facility C** | | | |
| Facility C | 7 Years | **1,334,373,359** | 1,058,236,756 |
| **Loan 2 BSF** | | | |
| BSF $380M | 7 Years | **1,228,048,142** | 1,158,384,975 |
| **Loan 3 SNB** | | | |
| BSF $400M | 7 Years | **1,325,859,482** | 1,359,349,368 |
| **Loan 4 AL Rajhi** | | | |
| AL Rajhi $250M | 7 Years | **1,388,021,738** | 888,332,419 |
| **Loan 5 Al Inmaa Ijara** | | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | **1,635,883,638** | 1,761,785,265 |
| **Loan 6 Al Mashreq** | | | |
| Mashreq Loan KD 2.7 M | 4 Years | **15,969,618** | 16,479,099 |
| **Total non-current loans and borrowings** | | **10,263,739,872** | 9,575,406,029 |
| **Total loans and borrowings** | | **11,482,421,866** | 10,547,485,897 |

**18 INTEREST BEARING LOANS AND BORROWINGS (continued)**

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 1.5%-2% p.a (31 December 2022:1.5%-2% p.a.)

The Group has secured loans and borrowings as follows:

- Loan 1 Syndication Facility A and C

In November 2021, ADES Arabia Holding Company (an entity under common control, refer to note 1) and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of USD 310M (SAR 1,162,500,000) and USD 1,290M (SAR 4,837,500,000) divided over eight banks which include Goldman Sachs Bank USA, Riyad Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking and Investment Corporation and Arab National Bank. During 2022, additional lender ("The Saudi British Bank - SABB ") acceded to the agreement as the ninth lender.

According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding, and the Lenders of the Loan 1 Syndication Facility A and Facility C, the loans payable balances under the Loan 1 Syndication Facility A and facility C were novated to the Company effective 29 December 2022. Accordingly, the loan from a related party was re-classified to loans and borrowings in 2022.

Facility A and Facility C are under the same syndication which are secured against pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim. The syndicated facility includes facility to finance CAPEX which is Facility C amounting to USD 400M (equals to SAR 1,500M) that increased to USD 533M (equals to SAR 1,998.75M) after SABB accession during 2022.

Facility A is repayable in half-yearly instalments effective from June 2022 to December 2029. Facility C is repayable in half-yearly instalments effective from June 2023 to December 2029. As at 31 March 2023, the Group utilized USD 959.9M (equals to SAR 3,599M) and USD 386.7M (equals to SAR 1,450M) of Facility A and C, respectively.

- Loan 2 BSF

In March 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 380M (equals to SAR 1,425M) with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. As at 31 March 2023, the Company utilized USD 368.1M (equals to SAR 1,380.3M) and the proceeds were used for acquisition and refurbishment of rigs and acquisition of equipment. The Loan 2 BSF is secured against pledge over certain rigs, assignment of proceeds over rigs related clients' contracts, pledge over related collection accounts, and assignments of related insurance claims. The facility includes additional limit to be utilized for the issuance of Letter of guarantees amounting to SAR 187.5M, additional overdraft limit with SAR 30M and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short-term loans with total amount of SAR 150M.

- Loan 3 SNB

In April 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 400 M (equals to SAR 1,500M) with the Saudi National Bank. The loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030. As of 31 March 2023, the Group utilized USD 398.2M (equals to SAR 1,493.33M) and the proceeds were used for the acquisition and refurbishment of the rigs and equipment. Loan 3 SNB is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of related insurance claims.

**18 INTEREST BEARING LOANS AND BORROWINGS (continued)**

The Group has secured loans and borrowings as follows: (continued)

- Loan 4 AL Rajhi

In June 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 937.5M (USD 250 M) with Al Rajhi Banking & Investment Corporation. The loan is repayable in 29 Quarterly instalments effective from Jul 2023 to Jul 2030. During the year ended 31 December 2022, ADES Saudi Limited Company and the bank agreed to increase the total loan amount to USD 400M (equals to SAR 1,500M). As at 31 March 2023, the Group utilized SAR 1,495.1M (equals to USD 398.7M) and the proceeds were used for the acquisition and refurbishment of rigs and equipment. The Loan 4 AL Rajhi is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of certain insurance claims.

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed a loan agreement in the amount of USD 718 M (equals to SAR 2,692.5M) with Al Inmaa Ijara Banking. The loan is repayable in 15 Semi-annual instalments effective from Sep 2023 to Sep 2030. As of 31 March 2023, the Group utilized USD 502.9M (equals to SAR 1,886M) and used the proceeds for the acquisition and refurbishment of the rigs and equipment. During the year ended 31 December 2022, the Group repaid SAR 600,000,000. The Loan Al Inmaa Facility is secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims. The Al Inma facility includes a separate line amounting to SAR 150,000,000 for the purpose of covering short-term working capital needs.

- Loan 6 Mashreq Loan

During 2021, the Group obtained a loan facility of KWD 2.7 million (equals to SAR 33M) from Mashreq Bank PSC to facilitate the purchase of usufruct land and construction of the administrative building. This loan is repayable in 18 quarterly equal instalments effective from June 2022. The loan is denominated in Kuwaiti Dinar. The facility is secured by a first-degree mortgage over the usufruct land and building under capital work in progress.

**Bank credit facilities**

Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12M (equals to SAR 45M) (as of 31 December 2022: USD 12M - equals to SAR 45M) which is secured by promissory note & is renewable.

Credit Facility 3 is granted by the Export Development Bank of Egypt (EBE) with a non-secured facility limit amounting to USD 12M (equals to SAR 45M) (as of 31 December 2022: USD 12M- equals to SAR 45M) available for overdrafts &/or Letters of Guarantee which is secured by promissory note and is renewable.

Credit Facility 4 is granted by Emirates National Bank of Dubai S.A.E with a total amount of USD 20M equals to SAR75M ( as of 31 December 2022: USD 25M – equals to 93.75M) available for overdrafts &/or Letters of Guarantee which is secured by promissory note and is renewable.

Credit Facility 5 is granted by Abu Dhabi Commercial Bank – Egypt with a total amount of USD 4M equals to SAR 15M (as of 31 December 2022: EGP 80M – equals to SAR 12.18M) available for overdrafts &/or Letters of Guarantee which is secured by promissory note and is renewable.

Credit Facility 6 is granted by SOCIETE ARABE INTERNATIONALE DE BANQUE – Egypt with a total amount of USD 20M equals to SAR 75M (as of 31 December 2022: USD 20M – equals to SAR 75M) available for overdrafts which is secured by promissory note & is renewable.

Credit Facility 7 is granted by Suez Canal Bank (SCB) with an overdraft facility limit amounting to USD 18M equals to SAR 67.5M (as of 31 December2022: USD 12M – equals to SAR 45M) available for overdrafts and/or Letters of Guarantee, which is renewable and secured by promissory note.

Amount in million represented by "M" in the above note.

## 19 SHARE CAPITAL AND CAPITAL CONTRIBUTION

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Authorised shares* | **858,087,510** | 1,000,000 |
| Issued shares ** | **858,087,510** | 100,000 |
| Shares par value | **1** | 10 |
| Issued and paid-up capital | **858,087,510** | 1,000,000 |

*As at 31 December 2022, the authorised share capital of the Group was SAR 1,000,000 comprising of 100,000 shares. As at 31 March 2023, the authorised share capital of the Group was SAR 858,087,510 comprising of 858,087,510 shares.

**As explained in Note 1, the Company issued additional shares of SAR 857,087,510 to the Shareholders during the period ended 31 March 2023 which was recorded as capital contribution as at 31 December 2022 and has been transferred to share capital upon issuance of the shares. On 15 February 2023, the Shareholders approved to devaluate par value of share to be 1 SAR.

The shareholding structure of the Company as at 31 December 2022:

| *Shareholders* | ***Shareholding %*** | ***No. of shares*** | ***Value SAR*** |
|---|---|---|---|
| ADES Investment Holding LTD | 54.5 | 54,500 | 545,000 |
| Public Investment Fund | 35.5 | 35,500 | 355,000 |
| Zamil Investments | 10 | 10,000 | 100,000 |
| | **100** | **100,000** | **1,000,000** |

The shareholding structure of the Company as at 31 March 2023:

| *Shareholders* | ***Shareholding %*** | ***No. of shares*** | ***Value SAR*** |
|---|---|---|---|
| ADES Investment Holding LTD | 54.5 | 467,657,690 | 467,657,690 |
| Public Investment Fund | 35.5 | 304,621,070 | 304,621,070 |
| Zamil Investments | 10 | 85,808,750 | 85,808,750 |
| | **100** | **858,087,510** | **858,087,510** |

During the three-month period ended 31 March 2023, the Company received SAR 9,128,781 from an entity under common control which is reported in retained earnings in the interim consolidated statements of changes in equity as the Company has no obligation to return it and the other party waived the balance.

## 20 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the period attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period after adjusting the number of ordinary shares by the treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 March 2023, there were no potential dilutive shares and hence the basic and diluted EPS is same (31 March 2022: SAR Nil).

The information necessary to calculate basic and diluted earnings per share is as follows:

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Profit for the period attributable to the ordinary equity holders of the Parent for basic and diluted EPS | **87,562,785** | 48,453,859 |
| Weighted average number of ordinary shares – basic and diluted ** | **162,164,307** | -* |
| Earnings per share – basic and diluted (in SAR per share) | **0.54** ** | -* |

*The earning per share for 31 March 2022 is not calculated considering that the shares were only issued in December 2022 by the Company.

** The weighted average number of shares takes into account the weighted average effect of period from the date of incorporation of the Company, the date of issuance additional shares and the interim condensed consolidated statement of financial position date.

## 21 RELATED PARTIES TRANSACTIONS AND BALANCES

The terms and conditions of the transactions entered into with the related parties are approved by the Group's management.

(a) Following are the significant related party transactions recorded in the Interim Condensed Consolidated Statement of Comprehensive Income:

| | ***31 March 2023 SAR (Unaudited)*** | *31 March 2022 SAR (Unaudited)* |
|---|---|---|
| Revenue from other related parties | **625,317,755** | 344,372,698 |
| Revenue from the joint venture | **3,271,985** | - |
| Finance cost from other related parties | **(69,045,648)** | (12,850,582) |
| Net (loss) / gain on cash flow hedge | **(5,667,836)** | 6,645,366 |

**21 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

b) The balances with related parties other than the entities controlled by the KSA Government are reported as due to and from related parties on the face of interim condensed consolidated statement of financial position. The balances with the entities controlled by the KSA Government and loans from the related parties are disclosed in the notes 21 (ii).

*i) Due to and from balances with the related parties:*

| | ***31 March 2023*** | | *31 December 2022* | |
|---|---|---|---|---|
| | ***Due from SAR (Unaudited)*** | ***Due to SAR (Unaudited)*** | *Due from SAR (Audited)* | *Due to SAR (Audited)* |
| Ultimate Controlling Parties | | | | |
| -Sky Investment Holding Ltd. | **225,000** | **-** | 225,000 | - |
| -Intro Investment Holding Ltd. | **-** | **80,626** | - | 80,618 |
| Shareholder | | | | |
| -ADES Investment Holding Ltd | **415,571** | **-** | 788,353 | - |
| Joint venture | | | | |
| -Egyptian Chinese Drilling Co. (S.A.E.) | **-** | **2,036,058** | - | 2,073,153 |
| Entities under common control | | | | |
| -AMAK for Drilling & Petroleum Services Co. | **1,704,033** | **-** | 1,636,843 | - |
| -Innovative Energy Holding Ltd | **5,020,469** | **-** | 5,020,469 | - |
| Other related parties | | | | |
| -Misr El-Mahrousa | **54,422** | **-** | 54,422 | - |
| -Advantage Drilling Services | **506,924** | **-** | 558,269 | - |
| -Intro for Trading & Contracting Co. | **1,400,500** | **-** | 1,400,500 | - |
| -Dough and more Food Industries | **154,381** | **-** | 154,381 | - |
| | **9,481,300** | **2,116,684** | 9,838,237 | 2,153,771 |

ii) Other significant balances are as follows:

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Bank balances and cash with other related parties | **132,598,972** | 32,100,025 |
| Interest-bearing loans and borrowings from other related parties | **5,653,890,240** | 5,524,826,394 |
| Trade receivables and contact assets from other related parties | **582,482,511** | 288,657,505 |
| Other receivables from other related parties | **118,078,702** | 208,450,218 |
| Trade receivables and contract assets from joint venture | **3,271,985** | 3,739,710 |
| Derivative financial instrument with other related parties | **35,186,789** | 40,847,600 |

## 22 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

The fair values of derivative financial instruments are as follows:

| | ***31 March 2023 SAR (Unaudited)*** | *31 December 2022 SAR (Audited)* |
|---|---|---|
| Interest rate swaps – Assets | **68,070,667** | 76,102,035 |
| Current | **52,257,965** | 49,663,832 |
| Non-current | **15,812,702** | 26,438,203 |

**Derivative financial instruments designated as hedging instruments – cash flow hedges**
During the year ended 31 December 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Banqe Saudi Fransi (BSF), Gulf International Bank (GIB), and Saudi National Bank (SNB) in relation to Loan 1 Syndication Facility A SAR portion (SAR 3,198,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022, the Group entered into Interest Rate Swap (IRS) agreement with Banqe Saudi Fransi in relation to Loan 1 Syndication Facility A USD portion (USD 197,000,000 – equals to SAR 738,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month LAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month LAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) in relation to Al- Rajhi Bank facility (SAR 937,500,000), Saudi National Bank (SNB), (SAR 870,331,250) and Banqe Saudi Fransi (BSF) (SAR 1,078,680,000) the objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 3-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 3-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the period ended 31 March 2023, the Group discontinued Interest Rate Swap (IRS) agreement with Saudi National Bank (SNB) in relation to SAR portion of Loan 1 Syndication Facility A.

| ***Borrowing (hedged item)*** | ***Type*** | ***Notional amount*** | ***Hedged interest rate*** | ***Effective date*** | ***Maturity date*** |
|---|---|---|---|---|---|
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 738,750,000 (USD 197,000,000) | Floating (6m-LIBOR) | 01-Jun-22 | 31-Dec-29 |
| Al- Rajhi Bank facility – fully hedged | Bank facility | SAR 937,500,000 | Floating (3m-SAIBOR) | 30-Jun-22 | 01-Jul-30 |
| Saudi National Bank – SNB partially hedged | Bank facility | SAR 870,331,250 | Floating (3m-SAIBOR) | 28-Apr-22 | 30-Apr-30 |
| Bank Saudi Fransi – BSF partially hedged | Bank facility | SAR 1,078,680,000 | Floating (3m-SAIBOR) | 13-Apr-22 | 30-Apr-30 |

## 22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

**Derivative financial instruments designated as hedging instruments – cash flow hedges (continued)**
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | ***Total SAR '000' (Unaudited)*** | ***Level 1 SAR '000' (Unaudited)*** | ***Level 2 SAR '000' (Unaudited)*** | ***Level 3 SAR '000' (Unaudited)*** |
|---|---|---|---|---|
| **31 March 2023** | | | | |
| Derivative financial instrument: | | | | |
| Interest rate swap | **68,070,667** | **-** | **68,070,667** | **-** |

| | *Total SAR '000' (Audited)* | *Level 1 SAR '000' (Audited)* | *Level 2 SAR '000' (Audited)* | *Level 3 SAR '000' (Audited)* |
|---|---|---|---|---|
| 31 December 2022 | | | | |
| Derivative financial instrument: | | | | |
| Interest rate swap | 76,102,035 | - | 76,102,035 | - |

During the period ended 31 March 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. (31 December 2022: Nil).

## 23 SUBSEQUENT EVENTS

Subsequent to the period ended 31 March 2023, the Group utilized the following additional funds from its available facilities:

- SAR 550 million from the Syndicated facility (tranche C);
- SAR 457 million from the Syndication facility (tranche B);
- SAR 527 million from Al Inma facility.

# ADES HOLDING COMPANY AND ITS SUBSIDIARIES
# (A Mixed Closed Joint Stock Company)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

Building a better working world

**Ernst & Young Professional Services (Professional LLC)**
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

# INDEPENDENT AUDITOR'S REVIEW REPORT ON THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADES HOLDING COMPANY (A CLOSED MIXED JOINT STOCK COMPANY)

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of ADES Holding Company (A Closed Mixed Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2023 and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated 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 interim condensed consolidated 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Ernst and Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)

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EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR. 2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Alkhobar: 28 Muharram 1445H
15 August 2023

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | *Three-month period ended* **30 June 2023 (Unaudited) SAR** | *Three-month period ended* *30 June 2022 (Unaudited) SAR* | *Six-month period ended* **30 June 2023 (Unaudited) SAR** | *Six-month period ended* *30 June 2022 (Unaudited) SAR* |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 5 | **1,026,011,998** | 576,061,763 | **1,980,868,885** | 1,079,222,449 |
| Cost of sales | 6 | **(616,674,514)** | (347,720,554) | **(1,199,977,918)** | (668,923,962) |
| **GROSS PROFIT** | | **409,337,484** | 228,341,209 | **780,890,967** | 410,298,487 |
| General and administrative expenses | 7 | **(90,613,310)** | (55,518,246) | **(190,179,139)** | (112,204,184) |
| End of service employment benefits | | **(14,211,465)** | (9,092,193) | **(24,164,259)** | (14,315,084) |
| Other provisions | | **-** | (13,755,542) | **-** | (13,755,542) |
| Provision for impairment of trade receivables | | **-** | (236,564,520) | **-** | (236,564,520) |
| Finance costs | 8 | **(170,478,126)** | (44,172,689) | **(321,375,799)** | (88,320,340) |
| Finance income | | **-** | (440) | **-** | 44,421 |
| Bargain purchase gain | 4 | **-** | 244,945,552 | **-** | 244,945,552 |
| Business acquisition cost | 4 | **-** | (1,184,576) | **-** | (1,184,576) |
| Other taxes | | **(398,970)** | (241,482) | **(554,544)** | (546,807) |
| Other expenses | | **(2,224,135)** | (3,004,527) | **(7,394,775)** | (5,861,086) |
| **PROFIT FOR THE PERIOD BEFORE INCOME TAX** | | **131,411,478** | 109,752,546 | **237,222,451** | 182,536,321 |
| Income tax expenses | 9 | **(25,102,047)** | (6,822,834) | **(41,502,716)** | (29,621,915) |
| **PROFIT FOR THE PERIOD AFTER INCOME TAX** | | **106,309,431** | 102,929,712 | **195,719,735** | 152,914,406 |
| **Attributed to:** | | | | | |
| Equity holders of the parent | | **103,830,364** | 100,762,990 | **191,393,149** | 149,216,849 |
| Non-controlling interests | | **2,479,067** | 2,166,722 | **4,326,586** | 3,697,557 |
| **PROFIT FOR THE PERIOD** | | **106,309,431** | 102,929,712 | **195,719,735** | 152,914,406 |
| Earnings per share basic and diluted attributed to equity holders of the parent (In SAR per share) | 20 | **0.12** | - | **0.37** | - |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax) | | | | | |
| Net gain on cash flow hedge | | **46,508,557** | 6,520,766 | **40,220,509** | 13,166,134 |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **46,508,557** | 6,520,766 | **40,220,509** | 13,166,134 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **152,817,988** | 109,450,478 | **235,940,244** | 166,080,540 |
| Attributed to: | | | | | |
| Equity holders of the parent | | **150,338,921** | 107,283,756 | **231,613,658** | 162,382,983 |
| Non-controlling interests | | **2,479,067** | 2,166,722 | **4,326,586** | 3,697,557 |
| | | **152,817,988** | 109,450,478 | **235,940,244** | 166,080,540 |

The attached notes 1 to 22 from part of these unaudited interim condensed consolidated financial statements

# ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | *30 June 2023 (Unaudited) SAR* | *31 December 2022 Restated* (Audited) SAR* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 14 | **14,216,754,488** | 12,066,091,416 |
| Intangible assets | | **453,435** | 552,745 |
| Right of use assets | 15 | **356,274,779** | 391,033,813 |
| Investment in an associate and a joint venture | | **4,950,074** | 5,983,705 |
| Derivative instruments | 22 | **53,220,392** | 26,438,203 |
| Prepayments and other receivables | 13 | **152,158,613** | 319,991,694 |
| **Total non-current assets** | | **14,783,811,781** | 12,810,091,576 |
| **Current assets** | | | |
| Inventories | 11 | **228,663,266** | 184,274,773 |
| Trade receivables | 12(a) | **567,069,375** | 234,734,872 |
| Contract assets | 12(b) | **281,549,873** | 255,623,760 |
| Derivative instruments | 22 | **67,048,431** | 49,663,832 |
| Prepayments and other receivables | 13 | **956,602,138** | 766,289,624 |
| Due from related parties | 21 | **10,524,581** | 9,838,237 |
| Bank balances and cash | 10 | **652,379,048** | 190,828,971 |
| Total current assets | | **2,763,836,712** | 1,691,254,069 |
| **TOTAL ASSETS** | | **17,547,648,493** | 14,501,345,645 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 19 | **858,087,510** | 1,000,000 |
| Capital contribution | 19 | - | 857,087,512 |
| Cash flow hedge reserve | | **101,991,015** | 61,770,506 |
| Retained earnings | | **1,502,744,634** | 1,302,222,702 |
| **Equity attributed to equity holders of the Parent** | | **2,462,823,159** | 2,222,080,720 |
| Non–controlling interests | | **40,676,410** | 36,349,824 |
| **Total equity** | | **2,503,499,569** | 2,258,430,544 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 18 | **11,196,700,795** | 9,575,406,029 |
| Lease liability | 15 | **262,394,115** | 270,132,952 |
| Provisions | | **138,106,654** | 117,984,346 |
| Deferred revenue | 17 | **388,304,831** | 70,173,705 |
| Deferred tax | | **47,936,634** | 44,043,640 |
| Other payables | | **1,622,351** | 4,680,083 |
| **Total non-current liabilities** | | **12,035,065,380** | 10,082,420,755 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **1,299,137,853** | 1,085,442,977 |
| Deferred revenue | 17 | **178,643,318** | 75,546,466 |
| Income tax payable | 9 | **25,257,169** | 10,494,524 |
| Interest-bearing loans and borrowings | 18 | **1,495,678,783** | 972,079,868 |
| Provisions | | **10,285,799** | 14,776,740 |
| Due to related parties | 21 | **80,622** | 2,153,771 |
| **Total current liabilities** | | **3,009,083,544** | 2,160,494,346 |
| **Total liabilities** | | **15,044,148,924** | 12,242,915,101 |
| **TOTAL EQUITY AND LIABILITIES** | | **17,547,648,493** | 14,501,345,645 |

*Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.

Dr. Mohamed Farouk
Vice Chairman

Hussein Badawy
Chief Financial Officer

The attached notes 1 to 22 from part of these unaudited interim condensed consolidated financial statements

3

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Attributed to the equity holders of the parent* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Share capital SAR* | *Capital contribution SAR* | *Cash flow hedge reserve SAR* | *Retained Earnings SAR* | *Total SAR* | *Non-Controlling Interest SAR* | *Total Equity SAR* |
| Balance as at 1 January 2023 | 1,000,000 | 857,087,512 | 61,770,506 | 1,302,222,702 | 2,222,080,720 | 36,349,824 | 2,258,430,544 |
| Profit for the six-month period ended 30 June 2023 | - | - | - | 191,393,149 | 191,393,149 | 4,326,586 | 195,719,735 |
| Other comprehensive income | - | - | 40,220,509 | - | 40,220,509 | - | 40,220,509 |
| **Total Comprehensive income** | **-** | **-** | **40,220,509** | **191,393,149** | **231,613,658** | **4,326,586** | **235,940,244** |
| Share capital issuance (Note 19) | 857,087,510 | (857,087,510) | - | - | - | - | - |
| Transaction with the shareholders (Note 19) | - | (2) | - | 9,128,783 | 9,128,781 | - | 9,128,781 |
| **Balance as at 30 June 2023 (Un-audited)** | **858,087,510** | **-** | **101,991,015** | **1,502,744,634** | **2,462,823,159** | **40,676,410** | **2,503,499,569** |

The attached notes 1 to 22 from part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | ***Attributed to the equity holders of the parent*** | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Share capital SAR* | *Capital contribution SAR* | *Cash-flow hedge reserve SAR* | *Retained earnings SAR* | *Total SAR* | *Non-controlling interests SAR* | *Total equity SAR* |
| Balance as at 1 January 2022 | - | 857,087,512 | (13,130,906) | 1,049,593,369 | 1,893,549,975 | 29,528,825 | 1,923,078,800 |
| Profit for the six-month period ended 30 June 2022 | - | - | - | 149,216,849 | 149,216,849 | 3,697,557 | 152,914,406 |
| Other comprehensive income | - | - | 13,166,134 | - | 13,166,134 | - | 13,166,134 |
| Total comprehensive income | - | - | 13,166,134 | 149,216,849 | 162,382,983 | 3,697,557 | 166,080,540 |
| Balance as at 30 June 2022 (Un-audited) | - | 857,087,512 | 35,228 | 1,198,810,218 | 2,055,932,958 | 33,226,382 | 2,089,159,340 |

The attached notes 1 to 22 from part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | *Notes* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period before income tax | | **237,222,451** | 182,536,321 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 14 | **282,655,534** | 157,203,271 |
| Amortisation of intangible assets | | **99,310** | 317,605 |
| Depreciation of right of use assets | 15 | **58,327,221** | 7,755,185 |
| End of services benefits provision | | **24,164,259** | 14,315,084 |
| Finance costs | 8 | **321,375,799** | 88,320,340 |
| Provision for impairment of trade receivables and contract assets | | **-** | 236,564,520 |
| Other provisions | | **-** | 13,755,542 |
| Share of results of investment in a joint venture and associate | | **1,033,631** | (2,568,329) |
| Bargain purchase gain | 4 | **-** | (244,945,552) |
| Business Transaction cost | 4 | **-** | 1,184,576 |
| Finance income | | **-** | (44,421) |
| Cashflows from operations before working capital changes | | **924,878,205** | 454,394,142 |
| Working capital changes: | | | |
| Inventories | | **(44,388,493)** | (8,372,189) |
| Accounts receivable | | **(332,334,503)** | (76,776,128) |
| Contract assets | | **(25,926,113)** | 17,803,209 |
| Due from related parties | | **(686,344)** | 6,516,490 |
| Prepayments and other receivables | | **(33,616,120)** | (114,868,330) |
| Trade and other payables | | **459,477,049** | 230,540 |
| Due to related parties | | **(2,073,149)** | (41,172,115) |
| **Cash flows from operations** | | **945,330,532** | 237,755,619 |
| Income tax paid | 9 | **(26,793,351)** | (26,561,051) |
| Provisions paid | | **(8,532,886)** | (21,204,669) |
| **Net cash flows from operating activities** | | **910,004,295** | 189,989,899 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(2,141,742,045)** | (1,689,395,559) |
| Payment to acquire business | 4 | **-** | (1,184,576) |
| Interest received | | **-** | 44,421 |
| **Net cash flows used in investing activities** | | **(2,141,742,045)** | (1,690,535,714) |
| **FINANCING ACTIVITIES** | | | |
| Repayment of loans and borrowings | 18 | **(403,699,173)** | (223,618,681) |
| Proceeds from loans and borrowings | 18 | **2,542,801,152** | 2,321,545,919 |
| Interest paid | | **(382,189,177)** | (129,278,177) |
| Payment of lease liabilities | 15 | **(63,624,975)** | (7,615,157) |
| Net cash flows from financing activities | | **1,693,287,827** | 1,961,033,904 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **461,550,077** | 460,488,089 |
| Cash and cash equivalents at 1 January | 10 | **190,828,971** | 232,860,330 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 10 | **652,379,048** | 693,348,419 |

The attached notes 1 to 22 from part of these unaudited interim condensed consolidated financial statements

## 1 BACKGROUND

**Corporate information**

ADES Holding Company (the "Company" or the "Parent Company") is a newly formed company under Saudi laws that was incorporated on 28 December 2022 as a mixed joint stock Company limited by shares. The Company's shares are owned 54.5% by ADES Investments Holding Ltd, 35.5% by The Public Investment Fund of the Kingdom of Saudi Arabia and 10% by Zamil Group Investment Co (together, the "Shareholders"). ADES Investment Holding Ltd. is the ultimate controlling party (the "ultimate controlling party") of the Company. The Company and its subsidiaries together here-in are referred as the "Group".

On 28 December 2022, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000,000. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, during the period ended 30 June 2023, the Company issued additional shares for the amount of SAR 857,087,510 at par to the Shareholders (as a result the total share capital post increase SAR 858,087,510). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation. On 12 March 2023, the Board of Directors of the company proposed to issue additional shares for the amount of SAR 270,975,000 at par value (as a result the total share capital post increase will be SAR 1,129,062,510)

At the time or the reorganisation, ADES International Holding Ltd (the intermediate holding company of the Group) owned all the Group entities and its investments in joint ventures and associates (together the "Existing Group Entities") directly or indirectly through its subsidiaries.

As the Company is not a business and the reorganisation did not result in any change of economic substance, it is not considered as a business combination as defined by IFRS 3 Business Combinations. Accordingly, the Interim Condensed Consolidated Financial Statements of the Group are prepared to reflect that the reorganisation is in substance a continuation of the Existing Group Entities as if the Company has always owned the existing group entities.

All the external loans and borrowing of ADES Arabia Holding Company were also novated to the Company according to the novation agreement signed between the Company, ADES Arabia Holding and the lenders. The external loans and borrowing of ADES Arabia Holding Company are recognized by the Company as of the effective date of the novation agreement (refer to Note 18 ).

The Interim Condensed Consolidated Financial Statements were authorised for issue on ….. July 2023 by the Board of Directors.

The Group is a leading oil and gas drilling and production services provider in the Middle East and Africa. The Group services primarily include offshore and onshore contract drilling and production services. The Group currently operates in Egypt, Algeria, Kuwait, Tunisia, Qatar, India and the Kingdom of Saudi Arabia. The Group's offshore services include drilling and workover services and Mobile Offshore Production Unit (MOPU) production services, as well as accommodation, catering, and other barge-based support services. The Group's onshore services primarily encompass drilling and work over services. The Group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
As at and for the Six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

**1 BACKGROUND (continued)**

**Corporate information (continued)**
The Interim Condensed Consolidated Financial Statements of the Group include activities of the following main subsidiaries:

| *Name* | *Principal activities* | *Country of incorporation* | *% Equity interest* **30-Jun-2023** | 31-Dec-2022 |
|---|---|---|---|---|
| Advanced Energy Systems (ADES) (S.A.E) [1] | Oil & gas drilling and production services | Egypt | **100%** | 100% |
| ADES Saudi Limited Company[1] | Oil and gas drilling and production services | KSA | **100%** | 100% |
| Precision Drilling Company[2] | Holding company | Cyprus | **100%** | 100% |
| Kuwait Advanced Drilling Services | Leasing of rigs | Cayman | **100%** | 100% |
| Prime innovations for Trade S.A. E | Trading | Egypt | **100%** | 100% |
| ADES International for Drilling | Leasing of rigs | Cayman | **100%** | 100% |
| AG training[3] | Training | Egypt | **70%** | 70% |
| Advanced Transport Services | Leasing of transportation equipment | Cayman | **100%** | 100% |
| Advanced Drilling Services | Trading | Cayman | **100%** | 100% |
| ADES Holding for Drilling Services Ltd[4] | Investment in Oil & Gas Projects | UAE | **100%** | 100% |
| ADES International Holding Ltd | Holding Company | UAE | **100%** | 100% |
| Emerald Driller Company[5] | Production services oil and gas drilling and production services | Cayman | **100%** | 100% |
| ADES Drilling Services I Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services II Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services III Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Advanced Drilling Services Ltd.[6] | Leasing of rigs | Liberia | **100%** | 100% |
| ADES Drilling Services IV Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services V Ltd. | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES Drilling Services Ltd. [7] | Leasing of rigs | Bermuda | **100%** | 100% |
| ADES GCC For Drilling Ltd. [8] | Oil and gas drilling and production services Operating and Leasing of rigs | Bermuda | **100%** | 100% |

The Company holds investment in Egyptian Chinese Drilling Company (ECDC) (Joint Venture) and Advantage for Drilling Services Company (Associate) which are accounted for using the equity method of accounting in these Interim Condensed Consolidated Financial Statements.

[1] Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. In 2020 ADES S.A.E converted its branch in KSA to a limited liability company - ADES Saudi Limited Company. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill. Refer to Note 5 for details.
[2] Precision Drilling Company holds a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.
[3] ADES-GESCO Training Academy change its name to AG training in 2022.
[4] ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.
[5] Emerald Driller Company has a Branch in Qatar which handles operations in the country.
[6] ADES Advanced Drilling Services Ltd has a branch in Congo.
[7] ADES Drilling Services Ltd. has a branch in Indonesia.
[8] ADES GCC For Drilling Ltd has a branch in KSA.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

The Interim Condensed Consolidated Financial Statements of the Group for the six-month period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

The Interim Condensed Consolidated Financial Statements have been prepared under the historical cost basis, except for derivative financial instruments carried at fair value which includes interest rate swap contracts held for trading and those designated as hedging instruments.

The Interim Condensed Consolidated Financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's Special Purpose Consolidated Financial Statements as at 31 December 2022, 2021 and 2020.

The Unaudited Interim Condensed Consolidated Financial Statements are presented in Saudi Arabian Riyal ("SAR"), which is the functional currency of the Parent and the presentation currency for the Group.

In February 2023, the Shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. These Interim Condensed Consolidated Financial statements have been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia.

***Going concern***
As at 30 June 2023, the current liabilities exceed current assets by SAR 245,246,832 (31 December 2022: SAR 469,240,277) which is mainly on account of payables for the capital expenditures incurred in relation to the rigs acquired in 2022 as well as the existing rigs and deferred revenue in relation to the mobilization payments received in advance from the customer. Management has prepared projections for a period of twelve months from the date of signing these Interim Condensed Consolidated Financial Statements, which sets out the expected level of net cash flows that the Group is expected to generate, together with the related working capital needs and financial obligations of the Group. On the strength of this forecast as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, total order backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, Management believes the Group will generate enough cash inflows to meet its obligations as they fall due for a period of not less than 12 months from the date of signing of these Interim Condensed Consolidated Financial Statements.

***Basis of consolidation***
The Group's Interim Condensed Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 June 2023. 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:

(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
(b) Exposure, or rights, to variable returns from its involvement with the investee, and
(c) 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:

(a) The contractual arrangement with the other vote holders of the investee
(b) Rights arising from other contractual arrangements.
(c) The Group's voting rights and potential voting rights.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

***Basis of consolidation (continued)***
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 of during the year are included in the Interim Condensed 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 (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Interim Condensed Consolidated Financial Statements of a member in the Group to bring its accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI 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;

***Business combinations and acquisition of non-controlling interests***
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the "Business acquisition cost" line-item in the statement of other comprehensive income

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Contingent consideration, resulting from business combinations, is measured at fair value at the acquisition date. Contingent consideration classified as equity is not premeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

***Business combinations and acquisition of non-controlling interests (continued)***
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a 'bargain purchase gain'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**Group reorganisation and business combinations under common control**
In the absence of guidance in IFRS for the group reorganisation and business combinations under common control, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires to use judgement in developing and applying an accounting policy that provides reliable and more relevant information. As such group reorganisation has no economic substance and is outside the scope of IFRS 3 Business Combinations.

Business combination under common control is accounted for using the pooling of interests method as follows:

- assets and liabilities of Existing Group Entities are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method;
- No goodwill is recognised as a result of the reorganisation, except to the extent that existing goodwill was previously recognised in one of the combining entities. Any difference between the consideration transferred and the equity of the entity acquired as at the date of the combination is reflected within equity; and
- The Interim Consolidated Statement of Comprehensive Income reflects the results of the Existing Group Entities.

The Group adopted an accounting policy to report the comparative information as if the Group always owned the businesses acquired under common control from the date when such businesses were part of the Group. This approach is applied consistently for all such transactions.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 NEW STANDARDS AND INTERPRETATIONS**

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the ADES Holding Company's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2023, which did not have an impact on the Interim Condensed Consolidated Financial Statements of the Group:

- Insurance Contracts – Amendments to IFRS 17;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12.

## 3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified six geographical segments (30 June 2022: Six geographical segments). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

***Segment***

| | *Egypt SAR* | *Algeria SAR* | *Kingdom of Saudi Arabia SAR* | *Kuwait SAR* | *Tunisia SAR* | *Qatar SAR* | *Total Segments SAR* | *Corporate SAR* | *Adjustments and Eliminations*** SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the period ended 30 June 2023** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External customers | 288,036,175 | 25,321,173 | 1,285,021,062 | 198,501,505 | 16,724,745 | 167,264,225 | 1,980,868,885 | - | - | 1,980,868,885 |
| Inter-segment *** | 147,031,476 | - | - | 3,393,750 | - | - | 150,425,226 | - | (150,425,226) | - |
| Total Revenue | 435,067,651 | 25,321,173 | 1,285,021,062 | 201,895,255 | 16,724,745 | 167,264,225 | 2,131,294,111 | - | (150,425,226) | 1,980,868,885 |
| **Income/(expenses)** | | | | | | | | | | |
| Cost of sales* | (117,439,145) | (19,531,739) | (532,981,259) | (95,078,256) | (12,978,547) | (87,401,012) | (865,409,958) | - | - | (865,409,958) |
| General and administrative expenses | (16,441,488) | (4,305,676) | (96,309,531) | (18,563,254) | (1,574,429) | (11,367,399) | (148,561,777) | (37,544,447) | - | (186,106,224) |
| Finance costs (net) | (30,949,263) | (1,962,949) | (250,952,898) | (19,055,419) | (1,182,681) | (11,150,652) | (315,253,862) | (6,121,937) | - | (321,375,799) |
| Depreciation and amortisation | (50,631,045) | (5,760,713) | (212,910,393) | (42,245,141) | (1,786,765) | (21,233,903) | (334,567,960) | - | - | (334,567,960) |
| Other expenses (net) ** | (2,778,696) | (287,723) | (58,420,429) | (8,868,658) | (60,915) | (5,561,498) | (75,977,919) | (1,711,290) | - | (77,689,209) |
| Segment Profit / (Loss) | 69,796,538 | (6,527,627) | 133,446,552 | 14,690,777 | (858,592) | 30,549,761 | 241,097,409 | (45,377,674) | - | 195,719,735 |
| Total Assets as at 30 June 2023 (i) | 3,325,225,216 | 354,089,843 | 10,778,081,048 | 1,851,319,421 | 17,126,065 | 1,078,447,969 | 17,404,289,562 | 143,358,931 | - | 17,547,648,493 |
| Total Liabilities as at 30 June 2023 (ii) | 2,362,230,731 | 287,640,152 | 10,191,363,419 | 1,205,524,925 | 7,089,343 | 982,800,354 | 15,036,648,924 | 7,500,000 | - | 15,044,148,924 |
| **30 June 2023** | | | | | | | | | | |
| **Other Segment information** | | | | | | | | | | |
| Capital expenditure (i) | 268,388,372 | 12,202,258 | 1,780,416,738 | 370,027,911 | 161,809 | 2,121,518 | 2,433,318,606 | - | - | 2,433,318,606 |
| **Total** | 268,388,372 | 12,202,258 | 1,780,416,738 | 370,027,911 | 161,809 | 2,121,518 | 2,433,318,606 | - | - | 2,433,318,606 |

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
As at and for the Six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

## 3 SEGMENT INFORMATION (continued)

*Segment*

| | *Egypt SAR* | *Algeria SAR* | *Saudi Arabia SAR* | *Kingdom of Kuwait SAR* | *Tunisia SAR* | *Qatar SAR* | *Segments SAR* | *Total Corporate SAR* | *Adjustments and Eliminations*** SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the period ended 30 June 2022** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External customers | 159,794,411 | 13,711,379 | 708,576,248 | 154,896,266 | 13,620,618 | 28,623,527 | 1,079,222,449 | - | - | 1,079,222,449 |
| Inter-segment *** | 144,174,340 | - | - | 3,393,750 | - | - | 147,568,090 | - | (147,568,090) | - |
| Total Revenue | 303,968,751 | 13,711,379 | 708,576,248 | 158,290,016 | 13,620,618 | 28,623,527 | 1,226,790,539 | - | (147,568,090) | 1,079,222,449 |
| **Income/(expenses)** | | | | | | | | | | |
| Cost of sales* | (74,610,009) | (9,439,119) | (325,259,122) | (70,273,138) | (12,148,824) | (16,010,766) | (507,740,978) | - | - | (507,740,978) |
| General and administrative expenses | (14,881,317) | (1,941,468) | (65,065,353) | (16,793,337) | (1,369,451) | (1,810,174) | (101,861,100) | (10,343,084) | - | (112,204,184) |
| Finance costs (net) | (3,215,534) | 216,863 | (45,306,330) | (7,925,106) | (159,953) | (651,820) | (57,041,880) | (31,234,039) | - | (88,275,919) |
| Depreciation and amortisation | (28,591,880) | (5,388,490) | (94,640,534) | (27,618,944) | (1,404,758) | (3,538,378) | (161,182,984) | - | - | (161,182,984) |
| Other expenses (net) ** | (13,821,150) | (347,239) | (35,122,047) | (9,037,243) | (126,294) | (993,207) | (59,447,180) | (5,837,830) | - | (65,285,010) |
| Bargain purchase gain | - | - | - | - | - | - | - | 244,945,552 | - | 244,945,552 |
| Provision for impairment of trade receivables | (236,564,520) | - | - | - | - | - | (236,564,520) | - | - | (236,564,520) |
| Segment Profit / (Loss) | (211,889,999) | (3,188,074) | 143,182,862 | 23,248,498 | (1,588,662) | 5,619,182 | (44,616,193) | 197,530,599 | - | 152,914,406 |
| Total Assets as at 30 June 2022 (i) | 2,720,868,011 | 306,878,423 | 4,149,172,237 | 1,341,358,319 | 15,322,795 | 1,183,461,505 | 9,717,061,290 | 66,768,406 | - | 9,783,829,696 |
| Total Liabilities as at 30 June 2022 (ii) | 1,864,369,180 | 158,843,628 | 3,612,425,869 | 666,900,994 | 11,844,251 | 661,294,308 | 6,975,678,230 | 718,992,126 | - | 7,694,670,356 |
| 30 June 2022 | | | | | | | | | | |
| Other Segment information | | | | | | | | | | |
| Capital expenditure (i) | 268,388,372 | 12,202,258 | 1,780,416,738 | 370,027,911 | 161,809 | 2,121,518 | 2,433,318,606 | - | - | 2,433,318,606 |
| Total | 268,388,372 | 12,202,258 | 1,780,416,738 | 370,027,911 | 161,809 | 2,121,518 | 2,433,318,606 | - | - | 2,433,318,606 |

* Excluding depreciation and amortisation.
** Other expenses includes end of service employment benefits, other taxes, other expenses, other provisions, business acquisition cost and income tax expense.
*** Inter-segment revenues and other adjustments are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.
(i) Management presents the assets in the segment which holds such assets, while the capital expenditure is presented in the segment where such assets are utilised.
(ii) Management presents the accrued interest on loans under corporate segment in line with reporting to CEO.

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## 4 BUSINESS COMBINATIONS

As part of the Group's strategy to expand its fleet and operations, during 2022 the Group has acquired new businesses which are accounted for as business combinations. These transactions resulted in bargain as the Group utilised its synergies and liquidity position due to its strong presence in the region and relationship with the key customers to negotiate favourable deals with the sellers.

### *1) Acquisition of Emerald Driller Company in 2022*

On 27 May 2022, ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control, refer to Note 1) acquired 100% voting share of Emerald Driller Company (the "EDC") registered in Cayman Island and operating in Qatar. EDC owns 3 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees, and inventories to be used in the drilling business.

The transaction was accounted for using business combination accounting at the date of acquisition. The acquisition of EDC resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the one of largest jack-up operator and available liquidity position. These have given added synergies to the Group to negotiate a favourable deal with a seller.

As explained in Note 1, after the acquisition was completed, EDC was transferred to ADES International Holding Ltd (a subsidiary of the Group) during the year ended 31 December 2022 which was accounted for using pooling of interests method as a transaction under common control. Accordingly, the purchase consideration below was paid by ADES Arabia Holding Company (the previous holding company before the reorganisation and currently entity under common control, refer to Note 1) and disclosed as a non-cash transaction for the Group.

***Identifiable net assets acquired*****

The acquisition date fair values of identified assets and liabilities along with gain from bargain purchase and net cash outflows recorded as at 31 December 2022 are disclosed below:

| | ***Fair values recognised on acquisition recorded in 2022 SAR*** |
|---|---|
| Property and equipment | **907,165,050** |
| Inventories | **19,970,220** |
| Trade receivables | **6,805,277** |
| Contract assets | **69,550,420** |
| Other receivables | **147,944,757** |
| **Total assets** | **1,151,435,724** |
| Provisions | **1,789,924** |
| Deferred mobilization revenue | **51,877,486** |
| Income tax payable | **1,348,927** |
| Trade and other payables | **106,359,941** |
| **Total liabilities** | **161,376,278** |
| Total identifiable net assets at fair values | **990,059,446** |
| Gain from bargain purchase | **(244,945,552)** |
| **Purchase consideration (non-cash transaction) *** | **745,113,894** |
| **Transaction cost paid for acquisition (non-cash transaction) *** | **(1,184,576)** |

* Paid by ADES Arabia Holding before it was transferred to the Group.

** Management have completed the additional clarifications and analysis and finalised the acquisition date fair values of the assets and liabilities acquired. As such, fair value of the assets and liabilities acquired is final.

**4 BUSINESS COMBINATIONS (continued)**

***2) Acquisition of Seadrill in 2022***

On 18 October 2022 ("acquisition date"), the Group acquired 100% voting shares of Seadrill GCC Operations Ltd. and its 7 subsidiaries from Seadrill that own 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business. These entities are registered in Bermuda and operate in the KSA. The acquisition has been accounted for using the acquisition method.

This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as the largest jack-up operator in the Kingdom of Saudi Arabia, liquidity position, strong relationship with shareholders and a key customer. These have given added synergies to the Group to negotiate a favourable deal with a seller.

***Identifiable net assets acquired***
The acquisition date fair values of identified assets and liabilities along with gain from bargain purchase and net cash outflows recorded are disclosed below:

| | *Fair values of identified assets and liabilities at acquisition date SAR* | *IFRS 3 Business Combination measurement period adjustments SAR* | ***Restated amounts as at acquisition date SAR*** |
|---|---|---|---|
| Property and equipment | 2,729,641,219 | (122,029,770) | **2,607,611,449** |
| Inventories | 4,769,561 | - | **4,769,561** |
| Trade receivables | 34,717,659 | - | **34,717,659** |
| Contract assets | 25,743,874 | - | **25,743,874** |
| Deferred tax assets | 5,690,745 | - | **5,690,745** |
| Other receivables | 56,268,589 | - | **56,268,589** |
| Cash and cash equivalent | 29,305,952 | - | **29,305,952** |
| **Total assets** | 2,886,137,599 | (122,029,770) | **2,764,107,829** |
| Provisions for taxes | 5,966,584 | - | **5,966,584** |
| Employees' end of services benefits provision | 34,949,324 | - | **34,949,324** |
| Trade and other payables | 113,050,936 | - | **113,050,936** |
| **Total liabilities** | 153,966,844 | - | **153,966,844** |
| Total identifiable net assets at fair values | 2,732,170,755 | - | **2,610,140,985** |
| Gain from bargain purchase | (177,321,855) | - | **(177,321,855)** |
| **Purchase consideration** | 2,554,848,900 | - | **2,432,819,130** |
| Analysis of cash flow on acquisition (included in cash flows from investing activities) | | | |
| Transaction cost paid for acquisition | (7,239,650) | - | **(7,239,650)** |
| Cash paid | (2,554,848,900) | - | **(2,554,848,900)** |
| Purchase consideration receivable | - | 122,029,770 | **122,029,770** |
| Cash and cash equivalent acquired | 29,305,952 | - | **29,305,952** |
| **Net cash out flows on acquisition** | (2,532,782,598) | - | **(2,532,782,598)** |

## 4 BUSINESS COMBINATIONS (continued)

### *2) Acquisition of Seadrill in 2022 (continued)*

Management have performed the additional clarifications and analysis and updated the acquisition date fair values of the assets and liabilities acquired. As a result, management identified that the Seadrill should reimburse SAR 122 million (equivalent USD 32.5 million) to the Group as a purchase price adjustment based on the contractual terms with Seadrill. Accordingly, management reduced the purchase consideration amount by SAR 122 million (equivalent USD 32.5 million) in the purchase price allocation as disclosed above, and recorded a corresponding receivable balance from Seadrill for the same amount by restating the statement of financial position as at 31 December 2022. Management also reduced the fair value of property and equipment as at the acquisition due to the estimated additional capital costs in relation to the acquired rigs that had downward effect on the fair value.

The 2022 comparative information was restated to reflect the adjustments to the previously recorded provisional balances.

| | *As previously reported 31 December 2022 SAR* | *IFRS 3 Business combination measurement period adjustments SAR* | *Restated amounts 31 December 2022 SAR* |
|---|---|---|---|
| ***Interim condensed consolidated statement of financial position:*** | | | |
| ***Non-current assets:*** | | | |
| Property and equipment | 12,188,121,186 | (122,029,770) | 12,066,091,416 |
| ***Current assets:*** | | | |
| Prepayments and other receivables | 644,259,854 | 122,029,770 | 766,289,624 |

Management estimated that impact on depreciation charge of the said adjustment from the acquisition date to 31 December 2022 was not material. A third-year consolidated statement of financial position is not presented as these adjustments have no impact on the financial position as at 31 December 2021.

Subsequent to the period ended 31 March 2023, on 4 July 2023, the Group has collected SAR 43,421,798 (equivalent to USD 11,579,146) out of total claimed amount of SAR 101,749,920 (equivalent to USD 11,579,146) from Seadrill.

## 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Units operations | **979,523,758** | 561,529,983 | **1,873,059,301** | 1,051,969,342 |
| Catering services | **21,537,207** | 10,391,785 | **42,067,769** | 18,197,598 |
| Projects income | **3,084,375** | - | **22,031,250** | - |
| Others | **21,866,658** | 4,139,995 | **43,710,565** | 9,055,509 |
| | **1,026,011,998** | 576,061,763 | **1,980,868,885** | 1,079,222,449 |

Refer Note 3 segment disclosure. The primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

Projects income represents services relating to outsourcing various operating projects for clients such as early production facilities, manpower, maintenance, and repair services.

## 6 COSTS OF SALES

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Staff costs | **199,055,023** | 123,341,140 | **379,679,417** | 234,736,990 |
| Depreciation and amortization (Note 14) | **176,173,669** | 83,047,489 | **334,567,960** | 161,182,984 |
| Maintenance cost | **79,300,576** | 56,387,804 | **160,468,250** | 101,080,687 |
| Catering costs | **34,494,906** | 21,654,787 | **64,831,945** | 40,634,152 |
| Move costs | **18,063,035** | 11,987,323 | **39,144,257** | 24,185,874 |
| Project direct cost | **2,022,169** | - | **14,444,063** | - |
| Rental expense (Note 15) | **16,023,855** | 8,850,053 | **33,572,006** | 18,640,257 |
| Crew change costs | **12,382,523** | 6,946,396 | **24,769,568** | 14,365,872 |
| Insurance | **12,964,601** | 7,846,604 | **22,892,429** | 16,325,584 |
| Other cost | **66,194,157** | 27,658,958 | **125,608,023** | 57,771,562 |
| | **616,674,514** | 347,720,554 | **1,199,977,918** | 668,923,962 |

## 7 GENERAL AND ADMINISTRATIVE EXPENSE

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Staff costs | **65,389,859** | 32,527,029 | **126,777,113** | 65,431,213 |
| Depreciation and amortisation (Note14) | **3,195,733** | 2,021,342 | **6,514,105** | 4,093,078 |
| Professional Fees | **5,236,384** | 2,258,652 | **14,783,044** | 5,598,398 |
| Business Travel Expenses | **3,632,460** | 2,760,471 | **9,311,444** | 10,348,644 |
| Free Zone Expenses | **2,577,195** | 1,768,538 | **6,082,246** | 3,803,708 |
| Rental expenses (Note 15) | **429,452** | 602,283 | **1,234,174** | 1,040,928 |
| Communications Expenses | **2,514,370** | 1,404,744 | **4,906,934** | 3,622,672 |
| Bank Services Charges | **2,837,453** | 617,891 | **4,589,763** | 1,039,489 |
| Other Expenses | **4,800,404** | 11,557,296 | **15,980,316** | 17,226,054 |
| | **90,613,310** | 55,518,246 | **190,179,139** | 112,204,184 |

## 8 FINANCE COSTS

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| **Interest cost:** | | | | |
| Interest on overdraft facilities | **5,381,314** | 1,291,607 | **9,602,628** | 3,898,378 |
| Loan interest expenses | **143,771,416** | 44,447,953 | **270,411,735** | 77,463,562 |
| Interest on lease liabilities | **5,965,015** | 860,605 | **11,103,777** | 1,772,916 |
| Amortisation of loan transaction costs | **7,280,667** | 5,083,870 | **13,256,452** | 7,737,317 |
| Unwinding of discounting on a long-term receivable | **314,602** | (12,873,695) | **1,562,300** | (12,812,563) |
| **Other finance cost:** | | | | |
| Guarantee related finance charges | **4,061,754** | 2,698,703 | **8,066,898** | 5,769,326 |
| Other finance charges, net | **3,703,358** | 2,663,646 | **7,372,009** | 4,491,404 |
| | **170,478,126** | 44,172,689 | **321,375,799** | 88,320,340 |

*Loan interest expenses includes impact of net (receipts) / payment according to interest rate swap agreements for the amount of SAR (31,228,584) (30 June 2022: SAR 5,391,062).

## 9 INCOME TAX

**Interim Condensed Consolidated Statement of Comprehensive Income:**

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Current income tax expense | **30,478,105** | 6,822,834 | **41,555,996** | 29,621,915 |
| Deferred tax (credit) / charge | **(5,376,058)** | - | **(53,280)** | - |
| | **25,102,047** | 6,822,834 | **41,502,716** | 29,621,915 |

**Income tax payable in the Interim Condensed Consolidated Statement of Financial position:**

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| **Current liabilities:** | | |
| Balance at 1 January | **10,494,524** | 30,973,826 |
| Charge for the period / year | **41,555,996** | 25,045,254 |
| Paid during the period / year | **(26,793,351)** | (46,873,483) |
| Acquired during period / year | **-** | 1,348,927 |
| Ending balance | **25,257,169** | 10,494,524 |

## 10 BANK BALANCES AND CASH

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Cash on hand | **1,057,251** | 338,910 |
| Bank balances | **651,321,797** | 190,490,061 |
| Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows | **652,379,048** | 190,828,971 |

Bank balances and cash comprise of balances in the following currencies:

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Saudi Riyal (SAR) | **427,037,140** | 10,159,503 |
| United States Dollar (USD) | **160,858,953** | 140,389,923 |
| Kuwaiti Dinar (KWD) | **46,388,867** | 24,253,940 |
| Egyptian Pound (EGP) | **17,520,413** | 15,894,036 |
| Algerian Dinar (DZD) | **329,981** | 2,848 |
| Qatari Riyal (QAR) | **52,513** | 79,434 |
| Tunisian Dinar (TND) | **49,727** | 2,001 |
| Euro (EUR) | **15,797** | 41,843 |
| United Arab Emirates Dirham (AED) | **6,899** | 5,443 |
| Great British Pound (GBP) | **11,858** | - |
| Indian rupee (INR) | **106,900** | - |
| | **652,379,048** | 190,828,971 |

## 11 INVENTORIES

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Offshore rigs | **138,254,460** | 110,435,175 |
| Onshore rigs | **38,692,691** | 30,199,600 |
| Warehouse and yards | **51,716,115** | 43,639,998 |
| | **228,663,266** | 184,274,773 |

As at 31 March 2023, the inventories are stated net of provision for impairment of inventory of SAR 28,879,917 (31 December 2022: SAR 28,879,917).

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| As at 1 January | **28,879,917** | 20,103,315 |
| Charge for the year | **-** | 26,216,730 |
| Utilised during the year | **-** | (17,440,128) |
| Ending balance | **28,879,917** | 28,879,917 |

## 12 (a) TRADE RECEIVABLES

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Trade receivables | **1,037,275,418** | 704,940,915 |
| Provision for impairment for financial assets | **(470,206,043)** | (470,206,043) |
| | **567,069,375** | 234,734,872 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms, except for one customer balance which is fully impaired, after which trade receivables are considered to be past due. Unimpaired trade receivables are expected to be fully recoverable on the past experience. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The aging analysis of un-impaired trade receivables is as follows:

| | | *Past due but not impaired* | | | | |
|---|---|---|---|---|---|---|
| | *Neither past due nor impaired SAR* | *<30 days SAR* | *30 - 60 days SAR* | *61 - 90 days SAR* | *>90 days SAR* | *Total SAR* |
| **30 June 2023** | **320,277,673** | **196,233,049** | **22,626,264** | **9,064,603** | **18,867,786** | **567,069,375** |
| 31 December 2022 | 198,637,145 | 24,663,111 | 4,086,271 | 3,849,908 | 3,498,437 | 234,734,872 |

## 12 (b) CONTRACT ASSETS

**Contract assets**
As at 30 June 2023, the Group has contract assets of SAR 281,549,873 (31 December 2022: SAR 255,623,760).

The movement in the provision for impairment of trade receivables, contract assets and other financial assets is as follows:

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| As at 1 January | **470,206,043** | 233,641,523 |
| Charge for the year | **-** | 236,564,520 |
| Ending balance | **470,206,043** | 470,206,043 |

As at 30 June 2023, the large portion of trade receivable balance before provision for impairment is from one customer of the Group, which is a partially government owned entity. In 2021 the Group signed a revised settlement agreement with the customer to settle all due balances and management still believes that the customer will be able to fulfil its obligations. However, The Group has formed a full provision for impairment in trade receivables amounting SAR 428,180,398 (Dec 2022 SAR 428,180,398) million against the total amount of outstanding from this customer.

**13 PREPAYMENTS AND OTHER RECEIVABLES**

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Invoice retention* | **283,037,942** | 325,937,757 |
| Margin Letter of Guarantees | **21,206,596** | 20,902,613 |
| Advances to contractors and suppliers | **449,645,516** | 470,873,348 |
| Insurance with customers | **25,871,327** | 28,759,768 |
| Provision for impairment in dividends receivables | **(6,827,633)** | (6,827,633) |
| Other receivables | **288,186,001** | 192,514,454 |
| Prepaid mobilization revenue | **47,641,002** | 54,121,005 |
| | **1,108,760,751** | 1,086,281,312 |
| Current | **956,602,138** | 766,289,618 |
| Non-current | **152,158,613** | 319,991,694 |
| Ending balance | **1,108,760,751** | 1,086,281,312 |

*This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.

## 14 PROPERTY AND EQUIPMENT

| 30 June 2023 | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools SAR* | *Assets under construction SAR* | *IT Equipment SAR* | *Motor vehicles SAR* | *Leasehold improvement SAR* | *Land SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | | |
| As of 1 January 2023 | 9,112,776,839 | 6,524,214 | 115,734,062 | 405,720,471 | 3,879,212,901 | 9,754,081 | 2,235,349 | 2,599,986 | 58,478,471 | 13,593,036,374 |
| Additions | 190,335,801 | 5,813 | 20,218,861 | 29,388,236 | 2,150,760,883 | 458,890 | - | 42,150,122 | - | 2,433,318,606 |
| Transfers | 1,548,799,456 | - | - | 3,013,700 | (1,762,616,121) | - | - | 210,802,964 | - | - |
| As of 30 June 2023 | **10,851,912,096** | **6,530,027** | **135,952,923** | **438,122,407** | **4,247,048,279** | **10,212,971** | **2,235,349** | **255,553,072** | **58,478,471** | **16,006,045,596** |
| Accumulated depreciation and impairment: | | | | | | | | | | |
| As of 1 January 2023 | (1,296,592,136) | (2,958,063) | (65,400,439) | (131,029,947) | (2,869,842) | (4,754,162) | (1,410,007) | (1,620,978) | - | (1,506,635,574) |
| Depreciation | (230,063,434) | (303,567) | (8,597,398) | (19,743,330) | - | (633,129) | (129,873) | (23,184,803) | - | (282,655,534) |
| As of 30 June 2023 | **(1,526,655,570)** | **(3,261,630)** | **(73,997,837)** | **(150,773,277)** | **(2,869,842)** | **(5,387,291)** | **(1,539,880)** | **(24,805,781)** | **-** | **(1,789,291,108)** |
| Net book value: | | | | | | | | | | |
| **As of 30 June 2023 (Unaudited)** | **9,325,256,526** | **3,268,397** | **61,955,086** | **287,349,130** | **4,244,178,437** | **4,825,680** | **695,469** | **230,747,291** | **58,478,471** | **14,216,754,488** |

## 14 PROPERTY AND EQUIPMENT (continued)

| *31 December 2022 (restated*)* | *Rigs SAR* | *Furniture and fixtures SAR* | *Drilling pipes SAR* | *Tools SAR* | *Assets under construction SAR* | *IT equipment SAR* | *Motor vehicles SAR* | *Leasehold improvement SAR* | *Leasehold land SAR* | *Total SAR (Audited)* |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | |
| As of 1 January 2022 | 5,862,027,685 | 6,071,018 | 112,501,226 | 314,278,745 | 130,408,978 | 7,096,328 | 1,974,349 | 2,599,986 | 58,478,471 | 6,495,436,786 |
| Acquisitions through business combinations (restated*) | 2,504,906,694 | - | - | 31,573,116 | 978,296,689 | - | - | - | - | 3,514,776,499 |
| Additions | 157,372,785 | 453,196 | 608,615 | 52,417,336 | 3,348,808,676 | 2,657,753 | 261,000 | - | - | 3,562,579,361 |
| Transfers | 588,535,331 | - | 2,624,221 | 7,451,274 | (598,610,826) | - | - | - | - | - |
| Retirement & Disposable | (65,656) | - | - | - | - | - | - | - | - | (65,656) |
| As at 31 December 2022 (restated*) | 9,112,776,839 | 6,524,214 | 115,734,062 | 405,720,471 | 3,858,903,517 | 9,754,081 | 2,235,349 | 2,599,986 | 58,478,471 | 13,572,726,990 |
| Accumulated depreciation: | | | | | | | | | | |
| As of 1 January 2022 | (949,247,471) | (2,479,823) | (61,811,322) | (99,636,707) | (17,869,842) | (3,656,955) | (1,176,360) | (1,153,511) | - | (1,137,031,991) |
| Transfers | (30,323,158) | 48,922 | 15,279,899 | (5,663) | 15,000,000 | - | - | - | - | - |
| Retirement & Disposable | 5,221 | - | - | - | - | - | - | - | - | 5,221 |
| Depreciation | (317,026,728) | (527,162) | (18,869,016) | (31,387,577) | - | (1,097,207) | (233,647) | (467,467) | - | (369,608,804) |
| As at 31 December 2022 | (1,296,592,136) | (2,958,063) | (65,400,439) | (131,029,947) | (2,869,842) | (4,754,162) | (1,410,007) | (1,620,978) | - | (1,506,635,574) |
| Net book value: | | | | | | | | | | |
| As at 31 December 2022 (restated*) | 7,816,184,703 | 3,566,151 | 50,333,623 | 274,690,524 | 3,856,033,675 | 4,999,919 | 825,342 | 979,008 | 58,478,471 | 12,066,091,416 |

*Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.

**14 PROPERTY AND EQUIPMENT (continued)**

**Allocation of depreciation and amortization charge:**
Depreciation charge is allocated as follows:

| | ***Six-month period ended*** | |
|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Cost of sales (Note 7) | **334,567,960** | 161,182,984 |
| General and administrative expenses (Note 8) | **6,514,105** | 4,093,078 |
| Total depreciation and amortization charge* | **341,082,065** | 165,276,062 |

*Total depreciation and amortization charge for the six-month period includes depreciation of property and equipment of SAR 282,655,534 (30 Jun 2022: SAR 157,203,271), amortization of intangible assets and right of use assets of SAR 99,310 (30 Jun 2022: SAR 317,606) and SAR 58,327,221 (30 Jun 2022: SAR 7,755,185), respectively.

**Assets under construction and transfers:**
Assets under construction represents the amounts that are incurred for the purpose of upgrading and refurbishing property and equipment until it is ready to be used in the operation and amount paid for new rigs purchased during the period that are not ready for use. Assets under construction will mainly be transferred to 'Rigs', 'Tools' or 'Leasehold improvements' of the property and equipment after completion. During the six-month period ended 30 June 2023, the Group completed capital projects for the amount of SAR 1,762,616,121 (For the year ended 31 December 2022: SAR 598,610,826) and transferred to the relevant asset categories.

During the period ended 30 June 2023, the Group capitalized borrowing costs of SAR 95,219,717 that are related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use. The rate used to determine the amount of borrowing costs eligible for capitalisation was 6.96% (31 June 2022: Nil; 31 December 2022: 5.39%) which is the effective interest rate of the related borrowings.

Most of the rigs are pledged to the lenders (banks) against interest-bearing loans and borrowings (Note 18).

## 15 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office Premises SAR* | *Motor vehicles SAR* | *Other Equipment SAR* | *Furniture and Fixature SAR* | *Building SAR* | *Total SAR* |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of 1 January 2023 | 331,766,135 | 19,301,619 | 6,563,754 | 9,122,591 | 44,558,476 | 9,513,821 | 28,318,235 | 449,144,631 |
| Additions | - | 822,748 | 15,564,426 | 3,859,071 | 17,316,929 | - | - | 37,563,174 |
| Terminated * | (36,267,384) | - | - | - | - | - | - | (36,267,384) |
| Other adjustments | (61,401) | - | - | - | - | - | - | (61,401) |
| As of 30 June 2023 | **295,437,350** | **20,124,367** | **22,128,180** | **12,981,662** | **61,875,405** | **9,513,821** | **28,318,235** | **450,379,020** |
| Accumulated depreciation: | | | | | | | | |
| As of 1 January 2023 | (15,980,515) | (9,863,300) | (4,379,811) | (8,509,740) | (13,577,371) | (2,140,609) | (3,659,472) | (58,110,818) |
| Depreciation | (43,767,076) | (2,270,421) | (1,743,923) | (1,579,821) | (7,784,042) | (475,691) | (706,247) | (58,327,221) |
| Terminated* | 22,348,132 | - | - | - | - | - | - | 22,348,132 |
| Other adjustments | 140,606 | (14,334) | - | - | - | - | - | 126,272 |
| As of 30 June 2023 | **(37,399,459)** | **(12,148,055)** | **(6,123,734)** | **(10,089,561)** | **(21,361,413)** | **(2,616,300)** | **(4,365,719)** | **(94,104,241)** |
| **Net Book Value** | | | | | | | | |
| **At 30 June 2023 (Unaudited)** | **258,037,891** | **7,976,312** | **16,004,446** | **2,892,101** | **40,513,992** | **6,897,521** | **23,952,516** | **356,274,779** |

*Lease terminated during the period has no impact on cashflow of the Group. Accordingly, this is considered as non-cash transaction in the interim condensed consolidated statement of cash flows.

**15 LEASES (continued)**

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year: (continued)

| | *Rigs SAR* | *Yards and warehouse SAR* | *Office Premises SAR* | *Motor vehicles SAR* | *Other Equipment SAR* | *Furniture and Fixature SAR* | *Building SAR* | *Total SAR (Audited)* |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of 1 January 2022 | - | 14,287,662 | 7,837,077 | 9,465,013 | 31,098,750 | 9,513,821 | 28,318,235 | 100,520,558 |
| Additions/modifications | 331,766,135 | 5,042,996 | 877,088 | 794,432 | 31,227,799 | - | - | 369,708,450 |
| Termination | - | (29,039) | (2,150,411) | (1,609,734) | (18,265,486) | - | - | (22,054,670) |
| Other adjustments | - | - | - | 472,880 | 497,413 | - | - | 970,293 |
| As at of 31 December 2022 | 331,766,135 | 19,301,619 | 6,563,754 | 9,122,591 | 44,558,476 | 9,513,821 | 28,318,235 | 449,144,631 |
| Accumulated depreciation: | | | | | | | | |
| As of 1 January 2022 | - | (6,194,415) | (2,822,393) | (5,944,287) | (17,839,597) | (1,189,227) | (2,243,564) | (36,233,483) |
| Depreciation | (15,980,515) | (3,668,885) | (1,557,418) | (3,189,614) | (6,482,752) | (951,382) | (1,415,908) | (33,246,474) |
| Termination | - | - | - | 624,161 | 10,744,978 | - | - | 11,369,139 |
| As at 31 December 2022 | (15,980,515) | (9,863,300) | (4,379,811) | (8,509,740) | (13,577,371) | (2,140,609) | (3,659,472) | (58,110,818) |
| Net book value: | | | | | | | | |
| As at 31 December 2022 (Audited) | 315,785,620 | 9,438,319 | 2,183,943 | 612,851 | 30,981,105 | 7,373,212 | 24,658,763 | 391,033,813 |

## 15 LEASES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| As at 1 January | **376,687,736** | 56,862,112 |
| Additions | **37,563,174** | 363,014,531 |
| Lease modification-Terminations | **(14,059,858)** | (10,685,531) |
| Lease modification-Other adjustments | **(77,479)** | (842,504) |
| Accretion of interest | **11,103,777** | 6,455,410 |
| Payments | **(63,624,975)** | (38,116,282) |
| **Ending balance** | **347,592,375** | 376,687,736 |
| Current (Note 16) | **85,198,260** | 106,554,784 |
| Non-Current | **262,394,115** | 270,132,952 |

The following are the amounts recognised in the Interim Condensed Consolidated Statement of Comprehensive Income:

| | ***Six-month period ended*** | |
|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Depreciation expense of right-of-use assets | **58,327,221** | 7,755,185 |
| Interest expense on lease liabilities | **11,046,623** | 1,772,917 |
| Expense relating to short-term leases (Included in Cost of sales) (Note 6) | **33,572,006** | 18,640,257 |
| Expense relating to short-term lease (included in General and administrative expenses) (Note 7) | **1,234,174** | 1,040,928 |
| **Total amount recognized in the Interim Condensed Consolidated Statement of Comprehensive Income** | **104,180,024** | 29,209,287 |

## 16 TRADE AND OTHER PAYABLES

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Trade payables | **888,549,877** | 742,611,229 |
| Notes payable | **1,550,048** | 3,171,221 |
| Accrued expenses | **197,621,174** | 182,873,995 |
| Accrued interests | **64,260,360** | 45,294,112 |
| Lease liability (Note 15) | **85,198,260** | 106,554,784 |
| Other payables | **61,958,134** | 4,937,636 |
| | **1,299,137,853** | 1,085,442,977 |

## 17 DEFERRED REVENUE

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| As at 1 January | **145,720,171** | 66,147,486 |
| Additions | **495,100,149** | 136,270,910 |
| Amortized | **(73,872,171)** | (56,698,225) |
| **Ending balance** | **566,948,149** | 145,720,171 |
| Current *** | **178,643,318** | 75,546,466 |
| Non-Current | **388,304,831** | 70,173,705 |

Deferred revenue mainly represents the amounts collected from the customers for mobilization of the rigs which are recognized over time.

*** Current portion of deferred revenue was included in trade and other payables in the 2022 special purpose consolidated financial statements of the Group. It is reported as a separate line item in the interim condensed consolidated statement of financial position as at 31 March 2022. Comparative information has been restated to conform with the current period presentation.

## 18 INTEREST BEARING LOANS AND BORROWINGS

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Balance as at 1 January | **10,547,485,897** | 4,038,916,920 |
| Borrowings novated from a related party * | **-** | 885,318,335 |
| Borrowings drawn during the period/ year | **2,542,801,152** | 6,566,736,991 |
| Borrowings repaid during the period/ year | **(403,699,173)** | (899,409,599) |
| Transaction costs (paid)/amortized, net | **5,791,702** | (44,076,750) |
| Ending balance | **12,692,379,578** | 10,547,485,897 |
| Current: | | |
| Interest-bearing loan and borrowing | **1,495,678,783** | 972,079,868 |
| Non-current: | | |
| Interest-bearing loan and borrowing | **11,196,700,795** | 9,575,406,029 |
| Ending balance | **12,692,379,578** | 10,547,485,897 |

* According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding and the Lenders of the Loan 1 Syndication Facility A, the parties agreed the loans payable balance owed by ADES Arabia Holding under the Loan 1 Syndication Facility A and C shall be novated to the Company effective 29 December 2022.

## 18 INTEREST BEARING LOANS AND BORROWINGS (continued)

| *Type* | *Latest maturity* | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|---|
| **Current loans and borrowings** | | | |
| **Loan 1 Syndication Facility A** | | | |
| Facility A | 8 Years | **284,151,918** | 264,264,751 |
| **Loan 1 Syndication Facility C** | | | |
| Facility C | 7 Years | **170,000,000** | 92,020,588 |
| **Loan 2 BSF** | | | |
| BSF $380M | 7 Years | **152,362,137** | 139,390,861 |
| **Loan 3 SNB** | | | |
| BSF $400M | 8 Years | **167,489,493** | 133,663,209 |
| **Loan 4 AL Rajhi** | | | |
| AL Rajhi $250M | 8 Years | **142,695,767** | 44,110,821 |
| **Loan 5 Al Inmaa Ijara** | | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | **300,523,957** | 123,496,026 |
| **Loan 6 Al Mashreq** | | | |
| Mashreq Loan KD 2.7 M | 4 Years | **8,237,965** | 8,239,550 |
| Credit Facility 2 – ABK | | **40,486,932** | 38,299,274 |
| Credit Facility 3 – EBE | | **-** | 71,194 |
| Credit Facility 4 – ENBD | | **61,858,459** | 51,742,330 |
| Credit Facility 5 – ADCB | | **4,875,000** | 1,473,743 |
| Credit Facility 6 – SAIB | | **8,780,914** | 69,254,256 |
| Credit Facility 7 – SCB | | **761,556** | 6,053,265 |
| Credit Facility 8 – EGB | | **3,455,585** | - |
| Credit Facility 9 – Alinmaa | | **149,999,100** | - |
| **Total current loans and borrowings** | | **1,495,678,783** | 972,079,868 |

| *Type* | *Latest maturity* | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|---|
| **Non-current loans and borrowings** | | | |
| **Loan 1 Syndication Facility A** | | | |
| Facility A | 8 Years | **3,180,829,641** | 3,332,838,147 |
| **Loan 1 Syndication Facility B** | | | |
| Facility B | 8 Years | **457,525,584** | - |
| **Loan 1 Syndication Facility C** | | | |
| Facility C | 7 Years | **1,750,000,000** | 1,058,236,756 |
| **Loan 2 BSF** | | | |
| BSF $380M | 7 Years | **1,189,942,723** | 1,158,384,975 |
| **Loan 3 SNB** | | | |
| BSF $400M | 8 Years | **1,292,402,285** | 1,359,349,368 |
| **Loan 4 AL Rajhi** | | | |
| AL Rajhi $250M | 8 Years | **1,349,481,670** | 888,332,419 |
| **Loan 5 Al Inmaa Ijara** | | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | **1,963,338,147** | 1,761,785,265 |
| **Loan 6 Al Mashreq** | | | |
| Mashreq Loan KD 2.7 M | 5 Years | **13,180,745** | 16,479,099 |
| **Total non-current loans and borrowings** | | **11,196,700,795** | 9,575,406,029 |
| **Total loans and borrowings** | | **12,692,379,578** | 10,547,485,897 |

**18 INTEREST BEARING LOANS AND BORROWINGS (continued)**

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 1.5%-2% p.a (31 December 2022:1.5%-2% p.a.)

The Group has secured loans and borrowings as follows:

- Loan 1 Syndication Facility A, B and C

In November 2021, ADES Arabia Holding Company (an entity under common control, refer to note 1) and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of USD 310M (SAR 1,162,500,000) and USD 1,290M (SAR 4,837,500,000) divided over eight banks which include Goldman Sachs Bank USA, Riyad Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking and Investment Corporation and Arab National Bank. During 2022, additional lender ("The Saudi British Bank - SABB ") acceded to the agreement as the ninth lender.

According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding, and the Lenders of the Loan 1 Syndication Facility A and Facility C, the loans payable balances under the Loan 1 Syndication Facility A and facility C were novated to the Company effective 29 December 2022. Accordingly, the loan from a related party was re-classified to loans and borrowings in 2022.

Facility A and Facility C are under the same syndication which are secured against pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim. The syndicated facility includes facility to finance CAPEX which is Facility C amounting to USD 400M (equals to SAR 1,500M) that increased to USD 533M (equals to SAR 1,998.75M) after SABB accession during 2022.

Facility A is repayable in half-yearly instalments effective from June 2022 to December 2029. Facility C is repayable in half-yearly instalments effective from June 2023 to December 2029. As at 30 June 2023, the Group utilized USD 959.9M (equals to SAR 3,599M) and USD 386.7M (equals to SAR 1,450M) of Facility A and C, respectively.

Facility B is a revolving credit facility with total amount of USD150 million (equals to SAR 562.5 million). Credit Facility 8 RCF is a part of the signed syndication agreement in November 2021 by ADES Arabia Holding (an entity under common control, refer to note 1) and ADES Saudi Limited which includes separate facility "Facility B" as Revolving Credit Facility with total amount of SAR 562.5 million (USD 150 million). RCF facility valid till 31 December 2029 with a requirement to clean down the balance once in each calendar year. The balances under Facility B as at 30 June 2023 are not payable until 31 December 2024 and therefore is recorded as non-current liability.

During the six-month period ended 30 June 2023, one of the existing lenders under the syndicated facility increased their participation with additional USD 150M (equals to SAR 562.5M) under Facility B which has increased Facility B total commitments to USD 300M (equals to SAR 1,125M)

- Loan 2 BSF

In March 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 380M (equals to SAR 1,425M) with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. As at 30 June 2023, the Company utilized USD 380 M (equals to SAR 1,425 M) and the proceeds were used for acquisition and refurbishment of rigs and acquisition of equipment. The Loan 2 BSF is secured against pledge over certain rigs, assignment of proceeds over rigs related clients' contracts, pledge over related collection accounts, and assignments of related insurance claims. The facility includes additional limit to be utilized for the issuance of Letter of guarantees amounting to SAR 187.5M, additional overdraft limit with SAR 30M and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short-term loans with total amount of SAR 150M.

- Loan 3 SNB

In April 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 400 M (equals to SAR 1,500M) with the Saudi National Bank. The loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030. As of 30 June 2023, the Group utilized USD 400M (equals to SAR 1,500M) and the proceeds were used for the acquisition and refurbishment of the rigs and equipment. Loan 3 SNB is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of related insurance claims.

**18 INTEREST BEARING LOANS AND BORROWINGS (continued)**

The Group has secured loans and borrowings as follows: (continued)

- Loan 4 AL Rajhi

In June 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 937.5M (USD 250 M) with Al Rajhi Banking & Investment Corporation. The loan is repayable in 29 Quarterly instalments effective from Jul 2023 to Jul 2030. During 2022, ADES Saudi Limited Company and the bank agreed to increase the total loan amount to reach SAR 1,500M (USD 400M). During 2023, the Group utilized SAR 1,500M (USD 400 million).and used the proceeds for the acquisition and refurbishment of rigs and equipment. The Loan 4 AL Rajhi is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of certain insurance claims.

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed a loan agreement in the amount of SAR 2,692.5M (USD 718 M) with Al Inmaa Ijara Banking. The loan is repayable in 15 Semi-annual instalments effective from Sep 2023 to Sep 2030. During 2022 the company utilized SAR 2,500M (equals to USD 666.7 M) and used the proceeds for the acquisition and refurbishment of rigs and equipment. During the period, the Group prepaid SAR 600,000,000, the Loan Al Inmaa Facility is secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims. The Al Inma facility includes a separate line amounting to SAR 150,000,000 for the purpose of covering short-term working capital needs. As at 30 June 2023, the Group has utilized SAR 2,277 (equals to USD 607.2 million and SAR 150M million (equal to USD 40 million) from the working capital line.

- Loan 6 Mashreq Loan

During 2021, the Group obtained a loan facility of KWD 2.7 million (equals to SAR 33M) from Mashreq Bank PSC to facilitate the purchase of usufruct land and construction of the administrative building. This loan is repayable in 18 quarterly equal instalments effective from June 2022. The loan is denominated in Kuwaiti Dinar. The facility is secured by a first-degree mortgage over the usufruct land and building under capital work in progress.

**Bank credit facilities**
Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12M (equals to SAR 45M) (30 June 2023: USD 12M - equals to SAR 45M) which is secured by promissory note & is renewable.

Credit Facility 3 is granted by the Export Development Bank of Egypt (EBE) with a non-secured facility limit amounting to USD 12M (equals to SAR 45M) (30 June 2023: USD 12M- equals to SAR 45M) available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 4 is granted by Emirates National Bank of Dubai S.A.E with a total amount of USD 25M (equals to SAR 93.75M) (30 June 2023: USD 20M – equals to 75M) available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 5 is granted by Abu Dhabi Commercial Bank – Egypt with a total amount of EGP 80 million – equals to SAR 12.18M (30 June 2023: USD 4M – equals to SAR 15M) available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 6 is granted by SOCIETE ARABE INTERNATIONALE DE BANQUE – Egypt with a total amount of USD 20M - equals to SAR 75M (30 June 2023: USD 20M – equals to SAR 75M) available for overdrafts which is secured by promissory note & is renewable.

Credit Facility 7 is granted by Suez Canal Bank (SCB) with an overdraft facility limit amounting to USD 12M – equals to SAR 45M (30 June 2023: USD 18M – equals to SAR 67.5M) available for overdrafts &/or Letters of Guarantee available for overdraft. Which is secured by promissory note & is renewable.

The bank overdrafts do not form part of the cash and cash equivalents as these are not integral part of the Group's liquidity management.

## 19 SHARE CAPITAL AND CAPITAL CONTRIBUTION

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Authorized shares* | **858,087,510** | 1,000,000 |
| Issued shares** | **858,087,510** | 100,000 |
| Shares par value | **1** | 10 |
| Issued and paid-up capital | **858,087,510** | 1,000,000 |

*As at 31 December 2022, the authorised share capital of the Group was SAR 1,000,000 comprising of 100,000 shares. As at 30 June 2023, the authorised share capital of the Group was SAR 858,087,510 comprising of 858,087,510 shares

** As explained in Note 1, the Company issued additional shares of SAR 857,087,510 to the Shareholders during the period ended 30 Jun 2023 which was recorded as capital contribution as at 31 December 2022 and has been transferred to share capital upon issuance of the shares.

The shareholding structure of the Group as at 31 December 2022:

| *Shareholders* | ***Shareholding %*** | ***No. of shares*** | ***Value SAR*** |
|---|---|---|---|
| ADES Investment Holding LTD | 54.5 | 54,500 | 545,000 |
| Public Investment Fund | 35.5 | 35,500 | 355,000 |
| Zamil Investments | 10 | 10,000 | 100,000 |
| | **100** | **100,000** | **1,000,000** |

The shareholding structure of the Group as at 30 June 2023:

| *Shareholders* | ***Shareholding %*** | ***No. of shares*** | ***Value SAR*** |
|---|---|---|---|
| ADES Investment Holding LTD | 54.5 | 467,657,690 | 467,657,690 |
| Public Investment Fund | 35.5 | 304,621,070 | 304,621,070 |
| Zamil Investments | 10 | 85,808,750 | 85,808,750 |
| | **100** | **858,087,510** | **858,087,510** |

During the three-month period ended 31 March 2023, the Company received SAR 9,128,781 from an entity under common control which is reported in retained earnings in the interim consolidated statements of changes in equity as the Company has no obligation to return it and the other party waived the balance.

## 20 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to the ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year after adjusting the number of ordinary shares by the treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 30 June 2023 and 31 December 2022, there were no potential dilutive shares and hence the basic and diluted EPS is same.

The information necessary to calculate basic and diluted earnings per share is as follows:

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS | **103,830,364** | 100,762,990 | **191,393,149** | 149,216,849 |
| Weighted average number of ordinary shares – basic and diluted ** | **858,087,510** | - * | **515,852,506** | - * |
| Earnings per share – basic and diluted (in SAR per share) | **0.12** | - * | **0.37** | - * |

*The earning per share for 30 June 2022 is not calculated considering that the shares were only issued in December 2022 by the Company.

** The weighted average number of shares takes into account the weighted average effect of period from the date of incorporation of the Company, the date of issuance additional shares and the Interim condensed consolidated statement of financial position date.

## 21 RELATED PARTIES TRANSACTIONS AND BALANCES

The terms and conditions of the transactions entered into with the related parties are approved by the Group's management.

(a) Following are the significant related party transactions recorded in the Interim Consolidated Statement of Comprehensive Income:

| | ***Three-month period ended*** | | ***Six-month period ended*** | |
|---|---|---|---|---|
| | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* | ***30 June 2023 (Unaudited) SAR*** | *30 June 2022 (Unaudited) SAR* |
| Revenue from other related parties | **659,703,306** | 364,203,548 | **1,285,021,062** | 708,576,248 |
| Revenue from the joint venture | **3,777,329** | - | **7,049,314** | 361,034 |
| Finance cost from other related parties | **(73,570,171)** | (19,605,353) | **(142,615,819)** | (32,455,935) |
| Net gain / (loss) on cash flow hedge | **37,279,064** | 6,520,766 | **31,611,228** | 13,166,134 |

ADES HOLDING COMPANY AND ITS SUBSIDIARIES
(A Mixed Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six-months period ended 30 June 2023 (Unaudited)
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

**21 RELATED PARTIES TRANSACTIONS AND BALANCES ( continued)**

(b) The balances with related parties other than the entities controlled by the KSA Government are reported as due to and from related parties on the face of interim condensed consolidated statement of financial position. The balances with the entities controlled by the KSA Government are disclosed in the note (ii) below.

*i) Due to and from balances with the related parties:*

| | ***30 June 2023*** | | *31 December 2022* | |
|---|---|---|---|---|
| | ***Due from (Unaudited) SAR*** | ***Due to (Unaudited) SAR*** | *Due from (Audited) SAR* | *Due to (Audited) SAR* |
| Ultimate Shareholders | | | | |
| - Sky Investment Holding Ltd. | **225,000** | **-** | 225,000 | - |
| - Intro Investment Holding Ltd. | **-** | **80,622** | - | 80,618 |
| Shareholder | | | | |
| -ADES Investment Holding Ltd | **1,651,458** | **-** | 788,353 | - |
| Joint venture | | | | |
| - Egyptian Chinese Drilling Co. (S.A.E.) | **-** | **-** | - | 2,073,153 |
| Entities under common control | | | | |
| - AMAK for Drilling & Petroleum Services Co. | **1,720,230** | **-** | 1,636,843 | - |
| - Innovative Energy Holding Ltd | **5,020,469** | **-** | 5,020,469 | - |
| Other related parties | | | | |
| - TBS Holding | **-** | **-** | - | - |
| - Misr El-Mahrousa | **-** | **-** | 54,422 | - |
| - Advantage Drilling Services | **506,924** | **-** | 558,269 | - |
| - Intro for Trading & Contracting Co. | **1,400,500** | **-** | 1,400,500 | - |
| - Dough and more Food Industries | **-** | **-** | 154,381 | - |
| | **10,524,581** | **80,622** | 9,838,237 | 2,153,771 |

ii) Other significant balances are as follows:

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Bank balances and cash with other related parties | **427,692,560** | 32,100,025 |
| Interest-bearing loans and borrowings from other related parties | **6,416,810,196** | 5,524,826,394 |
| Trade receivables and contact assets from other related parties | **503,898,393** | 288,657,505 |
| Other receivables from other related parties | **160,207,150** | 208,450,218 |
| Trade receivables and contract assets from joint venture | **6,785,749** | 3,739,710 |
| Derivative financial instrument with other related parties | **72,458,828** | 40,847,600 |

## 22 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

The fair values of derivative financial instruments are as follows:

| | ***30 June 2023 (Unaudited) SAR*** | *31 December 2022 (Audited) SAR* |
|---|---|---|
| Interest rate swaps – Assets | **120,268,823** | 76,102,035 |
| Current | **67,048,431** | 49,663,832 |
| Non-current | **53,220,392** | 26,438,203 |

**Derivative financial instruments designated as hedging instruments – cash flow hedges**
During the year ended 31 December 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Banqe Saudi Fransi (BSF), Gulf International Bank (GIB), and Saudi National Bank (SNB) in relation to Loan 1 Syndication Facility A SAR portion (SAR 3,198,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022, the Group entered into Interest Rate Swap (IRS) agreement with Banqe Saudi Fransi in relation to Loan 1 Syndication Facility A USD portion (USD 197,000,000 – equals to SAR 738,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month LAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month LAIBOR market rate (i.e. the designated benchmark interest rate).

During the year ended 31 December 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) in relation to Al- Rajhi Bank facility (SAR 937,500,000), Saudi National Bank (SNB), (SAR 870,331,250) and Banqe Saudi Fransi (BSF) (SAR 1,078,680,000) the objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 3-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 3-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the period ended 30 June 2023, the Group discontinued Interest Rate Swap (IRS) agreement with Saudi National Bank (SNB) in relation to SAR portion of Loan 1 Syndication Facility A.

| **Borrowing (hedged item)** | **Type** | **Notional amount** | **Hedged interest rate** | **Effective date** | **Maturity date** |
|---|---|---|---|---|---|
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250,000 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 738,750,000 (USD 197,000,000) | Floating (6m-LIBOR) | 01-Jun-22 | 31-Dec-29 |
| Al- Rajhi Bank facility – fully hedged | Bank facility | SAR 937,500,000 | Floating (3m-SAIBOR) | 30-Jun-22 | 01-Jul-30 |
| Saudi National Bank – SNB partially hedged | Bank facility | SAR 870,331,250 | Floating (3m-SAIBOR) | 28-Apr-22 | 30-Apr-30 |
| Bank Saudi Fransi – BSF partially hedged | Bank facility | SAR 1,078,680,000 | Floating (3m-SAIBOR) | 13-Apr-22 | 30-Apr-30 |

**22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | ***Total SAR '000'*** | ***Level 1 SAR '000'*** | ***Level 2 SAR '000'*** | ***Level 3 SAR '000'*** |
|---|---|---|---|---|
| **30 June 2023** | | | | |
| Derivative financial instrument: | | | | |
| Interest rate swap | **120,268,823** | - | 120,268,823 | - |

| | *Total SAR '000'* | *Level 1 SAR '000'* | *Level 2 SAR '000'* | *Level 3 SAR '000'* |
|---|---|---|---|---|
| 31 December 2022 | | | | |
| Derivative financial instrument: | | | | |
| Interest rate swap | 76,102,035 | - | 76,102,035 | - |

During the period ended 30 June 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. (31 December 2022: Nil).

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## ADES Holding Company

Kingdom of Saudi Arabia
Tel: +966 13 849 9904

adesgroup.com