ARABIAN DRILLING EARNINGS RELEASE

For the Year Ended 31 December 2023 (“FY’23”)

Arabian Drilling reports solid FY’23 performance with record high Revenue and EBITDA increase of 30%

- **FY’23 Revenue of Saudi Riyals (“SAR”) 3,477 million, the highest on record, up +29% Year on Year (“YoY”).**
- **FY’23 Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) up +30% to SAR 1,485 million, reflecting a 43% margin.**
- **FY’23 Net Income of SAR 605 million, +25% higher YoY compared to Adjusted Net Income of SAR 484 million.**
- **FY’23 Capital Expenditure (“Capex”) was SAR 1,884 million, up +8% YoY, reflecting the ongoing rig fleet expansion in the Land Segment.**
- **Cash and cash equivalent was over SAR 1.4 billion as of 31 December 2023, including an additional SAR 500 million bank loan drawn in Q4’23 to accelerate Capex plans commitments.**
- **H2’23 dividend of SAR 2.53 per share approved, bringing total FY’23 dividends to be SAR 5.06 per share, or SAR 450 million in aggregate value.**
- **Backlog position as of 31 December 2023 was SAR 11.9 billion with an average remaining contract terms of 2.6 years per rig.**

Al-Khobar, KSA – 18 March 2024: Arabian Drilling, or (the “Company”), (Tadawul symbol: 2381), one of the largest national onshore and offshore drilling contractor in Saudi Arabia, announced its financial results for Q4’23 and Full Year ended 31 December 2023 with an all-time high record revenue of SAR 987 million and SAR 3,477 million, respectively.

FINANCIAL HIGHLIGHTS

Arabian Drilling closed Q4’23 with a consolidated quarterly revenue of SAR 987 million, representing a +7% sequential increase mainly due to the full contribution of the three new jackups that started in Q3’23 (AD130/140/150), lower Non-Productive Time (‘NPT’) as well as higher rig move revenue recognized in December 2023.

For the 12-month period, Arabian Drilling achieved a consolidated revenue of SAR 3,477 million, representing a +29% increase YoY, driven by higher rig activity, with a +11% YoY increase and higher day rates specifically in the Offshore Segment.

EBITDA

Q4'23 EBITDA was SAR 435 million, with a margin of 44.1%, representing a +150 bps increase Quarter on Quarter ("QoQ"). The strong Q4 performance was due to higher revenues, as mentioned above, and was partially offset by start-up cost for the 10 new Unconventional rigs.

FY'23 EBITDA of SAR 1,485 million was +30% higher YoY, with a margin of 43% compared to 42% in the prior year ("FY'22"). The increased EBITDA margin is due to the accretive impact of the 5 additional jackups (AD110/120/130/140/150), partially offset by additional compensation costs and start up cost for the 10 new rigs.

NET INCOME

Q4'23 Net Income was SAR 183 million, representing a sequential increase of +31%, driven by strong EBITDA.

FY'23 Net Income of SAR 605 million is +25% higher than the Adjusted Net Income of SAR 484 million in FY'22, which was adjusted to account for a one-time tax effect of change in effective shareholding of SAR 73.8 million.

CAPEX

Q4'23 Capex spending of SAR 535 million was down -6% sequentially QoQ, with approximately half of the Q4'23 spending relating to the 10 new Unconventional Rigs. The Capex program associated with the 10 new Unconventional Rigs is estimated to be between SAR 1.7 to 1.8 billion, of which approximately one third was spent as of 31 December 2023 and the remainder set to be spent in H1'24.

FY'23 Capex was SAR 1,884 million (including SAR 37 million of capitalized interest), up +8% YoY. FY'23 Capex of SAR 1.9 billion is split between Growth Capex related to fleet expansion (3 Jackups and 10 land rigs) of approx. SAR 1.2 billion, Sustaining Capex for steady-state rigs of approx. SAR 400 million, and Capex related to Facilities, Spare Equipment and OFSAT of approx. SAR 300 million.

CASH FLOWS AND WORKING CAPITAL

Net Cash Flow from Operating Activities of SAR 441 million in Q4'23 was 4.5x higher QoQ, mainly due to an improvement in the Working Capital position, partially offset by mobilization revenues collected in Q3'23.

Net Working Capital improved slightly from 21% to 18% of the Last Twelve-Months ["LTM"] trailing Revenue in Q3'23 and Q4'23, respectively.

NET DEBT AND CASH POSITION

The Company's Cash and Cash Equivalents position as of 31 December 2023 was SAR 1,435 million, of which SAR 969 million was invested in various short-term deposits with maximum 3-month maturity. During Q4'23, the Company drew another SAR 500 million bank facility to complete the ongoing Capex growth plan.

Therefore, the Company's debt principal as of 31 December 2023 is SAR 3 billion, comprising of the SAR 2 billion Sukuk plus two different bank loans of SAR 500 million each. Repayment for one of the two loans started in Q1'24 while the one recently drawn has a one-year grace period.

Net Debt position as of 31 December 2023 was SAR 1,754 million representing an +26% sequential increase over Q3'23, as a result of the new bank loan. Accordingly, the Leverage Ratio (Net Debt/ LTM-EBITDA) also increased as expected from 1.0x in Q3'23 to 1.2x in Q4'23.

KEY FINANCIAL METRICS

SAR Millions	Q4'23	Q3'23	*Change*	FY'23	FY'22	*Change*
Revenue	**987**	**920**	*+7%*	**3,477**	**2,704**	*+29%*
EBITDA	**435**	**392**	*+11%*	**1,485**	**1,144**	*+30%*
EBITDA (% of Revenue)	**44.1%**	**42.6%**	*+150bps*	**42.7%**	**42.3%**	*+40bps*
Operating Profit	**243**	**206**	*+18%*	**801**	**619**	*+29%*
Net Income	**183**	**140**	*+31%*	**605**	**558**	*+8%*
EPS (SAR per share) **(1)**	**2.05**	**1.57**	*+31%*	**6.79**	**6.85**	*-1%*
Adjusted Net Income **(2)**	**183**	**140**	*+31%*	**605**	**484**	*+25%*
Capital Expenditure **(3)**	**535**	**568**	*-6%*	**1,884**	**1,749**	*+8%*
CF from Operating Activities	**441**	**98**	*+350%*	**1,360**	**1,242**	*+9%*
Active Rigs **(3)**	**47**	**47**	*0%*	**47**	**44**	*+7%*

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

RESULTS BY SEGMENTS

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

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

Notes:
(*): includes OFSAT results
(**): includes Depreciation , excludes G&A, Interest and Tax

OPERATIONAL HIGHLIGHTS

RIG ACTIVITY & UTILIZATION RATE

At the end of 2023, Arabian Drilling reported the same level of rig activity with 47 active rigs. However, the total available fleet has now reduced from 50 to 49 rigs, after retiring one of the three unutilized land rigs from the fleet (AD28). Therefore, the utilization rate has increased from 94% to 96% on the basis of a lower total available fleet.

The Offshore Segment utilization rate was 100%, with all twelve rigs fully operational. The Land Segment utilization was 95% with 35 operating rigs out of 37 available rigs, including the retirement of the land rig mentioned above. One of the 2 land rigs that was idle as of 31 December 2023 (AD29) has started a new contract in Q1'24 with one of our Customer (Al Khafji Joint Operations).

OPERATIONAL PERFORMANCE

Aramco's Rig Efficiency Index ("REI") based on a 36-month rolling average was 93.5%, with 81% of the rigs assigned to Aramco scoring in the High & Superior performance categories. Overall, the REI for FY'23 remained very strong at an average of 94.1%.

During Q4'23, the Company completed 47 land rig moves, with an average net saving of 1.6 days per rig move, compared to an average net saving of 0.7 day per rig move in the previous Quarter. For FY'23, the Company completed a total of 175 rig moves and saved 182 days compared to Aramco's target. This averages 1 day saved per rig move is equivalent to 6-months of additional day rate revenue.

Q4'23 Non-Productive Time ("NPT") improved QoQ from 1.74% to 0.97%. Overall, the 12-month rolling NPT as of 31 December 2023 settled at 1.28%, confirming the improved trend observed since Q1'23.

BACKLOG & DAYRATES

As of 31 December 2023, the Company's Backlog stood at SAR 11.9 billion with an average remaining contract tenure of 2.6 years per rig for the active rigs. Q4'23 Backlog was approx. SAR 800 million lower than Q3'23, corresponding to approx. SAR 900 million of day rate revenue recognized during the quarter, less approx. SAR 100 million of additional firm contract Backlog signed in the Quarter. During Q4'23, the Company signed a one-year extension till November 2024 for the AD20 multi-purpose vessel ("MPVS") as well as a one-year new contract for land rig (AD29) which was idle in 2023 and started in Q1'24.

The ratio of the current Backlog to the LTM Revenue (Book-to-Bill ratio) was 3.4x at the end of the year. The average day rate reached mid to high USD 30Ks for the Land Segment and around USD 100Ks for the Offshore Segment.

HEALTH, SAFETY & ENVIRONMENT

As of 31 December 2023, the 12-month rolling average of the Total Recordable Incident Frequency ("TRIF") was 0.94 vs. 0.91 in the last Quarter. The Company's average 2023 TRIF of about 3.1x is lower than the 2023 industry average of 2.96, according to the quarterly reports from the International Association of Drilling Contractors ("IADC"). Arabian Drilling continues to put the prevention of injuries across all its work locations at the heart of day-to-day operations.

GUIDANCE

FY'24 Revenue is expected to be in the range of SAR 3.6 billion to SAR 3.9 billion, showing continuous growth.

FY'24 CAPEX is expected to be in the range of SAR 2.1 billion to SAR 2.4 billion, depending on the progress of the Unconventional Rigs Capex program.

The Company's Board approved a dividend of SAR 2.53 per share for H2'23 to be paid in April 2024 and bringing the total dividends for FY'23 to SAR 450 million. Future dividends will be reviewed based on the Company's ongoing capex program and cash management requirements to support investments for sustainable long-term growth.

COMMENTS

Ghassan Mirdad, Chief Executive Officer of Arabian Drilling, commented:

"We delivered significant wins in 2023 including the completion of the offshore fleet expansion and the strategic positioning in Unconventional Gas, with 13 unconventional rig contracts awarded to Arabian Drilling to date. We look forward to playing our part in growing this exciting and sustainable sector for the Kingdom. As we start taking delivery of the rigs, our focus is on the safe commissioning, deployment and start-up of the 10 rigs by Q3'24.

Our strong footprint in the onshore segment, with the addition of the 13 rigs in the Unconventional gives us a good balanced and resilient business model across offshore and land segments. To date, there has been no changes in our offshore fleet activity in light of the recent updates in the Saudi market.

We are proud to announce that Arabian Drilling was selected to drill in the emerging geothermal sector. This, together with our presence in Unconventional Gas will continue to entrench Arabian Drilling as an important contributor to the development of sustainable energy sources for Saudi Arabia.

In line with our stated GCC ambitions, we have also completed the pre-qualification process in Kuwait which opens the door to participate in tenders with high spec land rigs.

As we move into 2024, we will continue to maintain high standards in our HSE integrity and Operations service delivery to retain our position as the drilling contractor of choice".

Hubert Lafeuille, Chief Financial Officer of Arabian Drilling, commented:

"*We delivered a strong financial performance with revenue at the top of our guidance range. The deployment of our three jackups in the summer of 2023, combined with an improved service delivery performance in Q4'23, has accelerated our ability to generate profit and cash. We also delivered for our shareholders with SAR 450 million returned through dividends for FY'23.*

Arabian Drilling is in a high intensity capex cycle to deliver on the 13 new rigs dedicated to Unconventional Gas with up to SAR 1.7 billion of additional investment deployed to complete this program in 2024. We have the required funding already secured at competitive rates to achieve this and will continue to naturally hedge the cost of our debt by investing our excess cash in short-term deposits. Overall, we are focused on financial discipline and will maintain a cautious approach to capital management.

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ABOUT ARABIAN DRILLING

Arabian Drilling is an award winning onshore and offshore gas and oil rig drilling company in Saudi Arabia with an extensive track record of operational excellence and a history of innovation that has brought tremendous safety and efficiency gains to the drilling process.

Established in 1964, Arabian Drilling is the leader in the drilling sector in Saudi Arabia, with founders and majority shareholders the Industrialization & Energy Services Company (TAQA), a Saudi Joint Stock company and SLB (previously known as Services Pétroliers Schlumberger S.A.), a global leader in oilfield services.

Arabian Drilling serves clients including Aramco, Al-Khafji Joint Operations (KJO), SLB, as well as Baker Hughes, and has a large fleet of onshore and offshore rigs operated by a highly skilled, qualified, and professional staff, that are built to withstand the harsh weather conditions found in the Middle East region.

Arabian Drilling has adapted to meet the needs of a changing industry and world, integrating sustainable practices throughout the business and contributing to sustainable global energy demand. Arabian Drilling's sustainability Roadmap is aligned with the United Nations Sustainable Development Goals (UN SDGs) and Saudi Arabia's Vision 2030, with initiatives and business practices that empower employees, local suppliers, and the communities and economies in which the company operates and serves, while responsibly managing the impacts of the growing business on the planet.

To find out more, please visit:	https://www.arabdrill.com/
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