

ARABIAN DRILLING EARNINGS RELEASE

For the First Quarter of 2024 (“Q1’24”)

Arabian Drilling delivers strong operational performance with +25% Year-on-Year (“YoY”) EBITDA growth

- **Revenue up +24% YoY (i.e. Q1’24 vs. Q1’23) to SAR 967 million.**
- **EBITDA up +25% YoY to SAR 405 million, reflecting a 42% margin.**
- **Net Income up +3% YoY to SAR 146 million.**
- **Capital Expenditure up +15% YoY to SAR 306 million, reflecting investment in New Unconventional Projects awarded by Aramco.**
- **Cash and cash equivalents of SAR 1.3 billion.**
- **Backlog position of SAR 11.8 billion, including over SAR 800 million for 3 additional unconventional rigs.**

Al-Khobar, KSA – 13 May 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 Q1’24 demonstrating a strong operational and financial performance with YoY EBITDA growth of 25%.

FINANCIAL HIGHLIGHTS

REVENUE

Arabian Drilling closed Q1’24 with a consolidated quarterly revenue of SAR 967 million, representing a +24% increase YoY mainly due to the contribution of three offshore rigs added in Q3’23.

The Quarter-on-Quarter (“QoQ”, Q1’24 vs. Q4’23) revenue decreased slightly by -2% or SAR 20 million to SAR 967 million mainly due to higher rig move activity in Q4’23 and one operating day less in February, representing about SAR 10 million in revenue shortfall, amongst other things.

There was no change in rig activity in QoQ with all the Aramco offshore rigs fully operational during the quarter.

EBITDA

Q1’24 EBITDA of SAR 405 million was up +25% YoY, in line with the revenue growth. The EBITDA margin improved from 41.5% to 41.9%. Compared to the same quarter of last year, Q1’24 EBITDA was impacted by Unconventional Rigs startup costs of SAR 26 million.

Compared to Q4'23, EBITDA was -7% lower or SAR 30 million, mainly due to lower revenue of SAR 20 million and an additional SAR 10 million decrease linked to additional start-up costs for the Unconventional Rigs and a few one-off upside adjustments recognized during Q4'23.

Excluding the impact of the Unconventional startup, Q1'24 normalized EBITDA was SAR 431 million with a profitability level of 44.6%.

NET INCOME

Q1'24 Net Income was SAR 146 million, representing a YoY increase of +3%. The SAR 82 million YoY EBITDA increase was mostly offset by SAR 34 million of additional interest expenses and approximately SAR 40 million of depreciation, mainly due to the three offshore rigs and other well control equipment life enhancements. The higher YoY interest expenses result from the combined effect of increased interest rates, higher gross debt as well as SAR 18 million of interest costs that were capitalized in Q1'23.

Excluding the impact of Unconventional start-up cost, normalized Net Income was SAR 172 million, with a YoY growth of +22%.

Q1'24 Net Income was -20% lower QoQ, mainly due to lower EBITDA of SAR 30 million, as described above, with the additional impact of higher Zakat and income tax, primarily related to higher deferred tax liabilities.

CAPEX

Q1'24 Capex spending of SAR 306 million was up +15% YoY with SAR 193 million of the spending related to the initial 10 new Unconventional Rigs. QoQ capex was -43% lower, due to purchase and upgrade of spares and well control equipment completed in Q4'23. The total spent to date on the Unconventional Rigs program is nearing SAR 800 million, out of a total estimated spend in the range of SAR 2.2 to 2.3 billion for all 13 unconventional land rigs awarded to date.

CASH FLOWS AND WORKING CAPITAL

Net Cash Flows from Operating Activities of SAR 256 million in Q1'24 was down -42% QoQ mainly due to a swing in the Net Working Capital ('NWC') as the Company builds up inventories for the unconventional rigs start-up and settled some open Trade Payables positions in Q1'24.

NET DEBT AND CASH POSITION

The Company's Cash and Cash Equivalents position as of 31 March 2024 was SAR 1,258 million, approximately SAR 180 million lower than Q4'23. During Q1'24, the Company also repaid SAR 25 million on one of its two bank loans. Excess cash continues to be invested in short-term deposits to offset the costs of servicing the debt.

As of 31 March 2024, the Company's Net Debt position of SAR 1,850 million was SAR 1.1 billion higher than that of Q1'23. The +159% increase was mainly due to the change in cash of SAR (0.7) billion and a new bank loan of SAR 0.5 billion drawn in Q4'23.

Compared to Q4'23, Net Debt increased by approximately SAR 100 million, or +5%. The increase in Net Debt results from the combined effect of the cash position decrease of about SAR 180 million, partially offset by the repayment of debt and lease liability of SAR 41 million, as well as reduction in accrued interest of SAR 39 million following the Sukuk coupon payment made in Q1'24. The Leverage Ratio (Net Debt/ LTM-EBITDA) remained stable at 1.2x in Q1'24.

KEY FINANCIAL METRICS

SAR Millions	Q1'24	Q1'23	Change	Q1'24	Q4'23	Change
Revenue	967	779	+24%	967	987	-2%
EBITDA	405	323	+25%	405	435	-7%
EBITDA (% of Revenue)	41.9%	41.5%	+40 bps	41.9%	44.1%	-220 bps
Operating Profit	214	173	24%	214	243	-12%
Net Income	146	141	+3%	146	183	-20%
EPS (SAR per share)	1.64	1.59	+3%	1.64	2.05	-20%
Capital Expenditure (1)	306	265	+15%	306	535	-43%
CF from Operating Activities	256	472	-46%	256	441	-42%
Active Rigs (2)	47	44	+7%	47	47	0%

Notes:

(1) Q1'23 Capex includes SAR 18 million of capitalized interest cost

(2) Active rigs at the end of the period include rigs operating and generating revenue.

RESULTS BY SEGMENTS

LAND Segment (*) (SAR Millions)	Q1'24	Q1'23	Change	Q1'24	Q4'23	Change
Revenue	514	480	+7%	514	539	-5%
Cost of Revenue (**)	(455)	(411)	+11%	(455)	(460)	-1%
Gross Profit	59	69	-14%	59	79	-25%

OFFSHORE Segment (SAR Millions)	Q1'24	Q1'23	Change	Q1'24	Q4'23	Change
Revenue	453	299	+52%	453	448	+1%
Cost of Revenue (**)	(243)	(161)	+51%	(243)	(254)	-4%
Gross Profit	210	138	+52%	210	194	+8%

Notes: (*) includes OFSAT results

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

OPERATIONAL HIGHLIGHTS

RIG ACTIVITY & UTILIZATION RATE

The rig activity level remained stable QoQ with 47 active rigs out of a total available fleet of 49 units representing a 96% utilization rate.

The Offshore Segment utilization rate was 100% with all twelve rigs fully operational. The three offshore rigs suspension linked to Aramco, and yet to be finalized, is expected to take effect towards the end of Q2'24.

The Land Segment utilization rate was unchanged compared to last quarter with 35 rigs operating out of the available fleet of 37 rigs with some rig movements offsetting each other during the quarter.

OPERATIONAL PERFORMANCE

The Aramco Rig Efficiency Index ("REI") remains consistently strong at 94% across our Aramco-contracted fleet, with more than 90% of the rigs scoring in the High or Superior category.

Our fully-owned rig move subsidiary, OFSAT, completed 43 rig moves during Q1'24 with an average net saving of 1.3 days per rig move compared to Aramco's Rig Move KPI, which is in line with the average performance of the last three quarters. This corresponds to extra 56 days of rig operating time. The Company continues to deliver a consistently safe rig move performance and high utilization rate for its rig moving equipment.

Non-Productive Time ("NPT") improved QoQ from 0.97% to 0.81%, with a 12-month rolling NPT of 1.22%, both NPT scorings being the lowest of the last four quarters.

BACKLOG

As of 31 March 2024, the Company's backlog stood at SAR 11.8 billion showing a slight decrease of about SAR 100 million compared to Q4'23. The quarterly backlog consumption rate was mostly offset by the addition of the latest three Unconventional Rigs award, as previously announced.

The average remaining contract tenure of 2.6 years per rig is unchanged. The ratio of the current Backlog to the LTM Revenue (Book-to-Bill ratio) was at 3.2x.

HEALTH, SAFETY & ENVIRONMENT

The 12-month rolling average Total Recordable Incident Frequency ("TRIF") showed an improvement from 0.94 in Q4'23 to 0.90 in Q1'24.

Aramco recognized Arabian Drilling with the Best HSE Rig Award, amongst all of its contracted offshore rigs, during the quarter. This award is a testimony to the Company's dedication and commitment to an incident-free workplace, everywhere and every day.

GUIDANCE

FY'24 Revenue guidance of SAR 3.6 billion to SAR 3.9 billion remains unchanged, reflecting YoY growth.

FY'24 CAPEX guidance of SAR 2.1 billion to SAR 2.4 billion also remains unchanged based on the current progress of the Unconventional Rigs Capex program.

COMMENTS

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

“Our teams delivered a strong operational performance on a number of fronts during the quarter. We received an award for the Best HSE Rig from Aramco, successfully re-deployed an idle land rig, and our teams yet again are doing an excellent job on the start-up activities for the Unconventional rigs. In that respect, I am very pleased to announce that we have just started drilling operations with the first of our Unconventional Rig, ahead of schedule, marking a significant milestone in this important program that will support Saudi Arabia’s energy transition and our long-term growth aspirations.

We’re making good progress to finalize the terms for the previously announced suspension of our three offshore rigs and are actively exploring opportunities to redeploy these rigs with other Clients.”

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

“We had a strong start to the year and posted solid revenue growth with consistent profitability levels, in line with our expectations. Our Q1’24 profitability continues to be unfavorably affected by the start-up cost of the Unconventional Rigs. We are focused on maintaining a sound capital structure to give us the platform to capture future growth opportunities with 2024 being the peak year in our current capex cycle.”

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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:

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