

ARABIAN DRILLING EARNINGS RELEASE

For the Second Quarter of 2024 (“Q2’24”)

Arabian Drilling delivers +20% Year-on-Year (“YoY”) EBITDA growth and accelerates Unconventional Land Rigs start-up

- **H1’24 Revenue of SAR 1,906 million up +21% YoY (i.e. H1’24 vs. H1’23).**
- **H1’24 EBITDA of SAR 791 million up +20% YoY, with margin of 41.5% within range.**
- **H1’24 Capex of SAR 919 million up +18% YoY, with accelerated spending in Q2’24, reflecting ongoing deliveries and start-up of the Unconventional Land Rigs.**
- **Interim Dividend of SAR 1.35 per Share for H1’24**

Al-Khobar, KSA – 05 August 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 Q2’24, highlighting a 20% YoY EBITDA growth and the acceleration of the delivery and start-up of the Unconventional Land Rigs with five out of ten of the new fleet already active.

FINANCIAL HIGHLIGHTS

REVENUE

Arabian Drilling delivered consolidated revenue of SAR 1,906 million for H1’24, marking a +21% increase compared to SAR 1,570 million in H1’23, mainly driven by the contribution of three offshore rigs added in Q3’23.

The slight Quarter-on-Quarter (“QoQ”) revenue decline of -3% from SAR 967 million in Q1’24 to SAR 939 million was mainly due to a SAR 33 million revenue shortfall following the previously announced Offshore Rig suspensions. This was partially offset by the earlier than planned startup of four Unconventional Land Rigs during Q2’24, contributing SAR 14 million in revenue.

EBITDA

H1’24 EBITDA reached SAR 791 million, up +20% YoY, in line with the revenue growth. The EBITDA margin saw a slight decrease of 40 basis points, from 41.9% to 41.5%. For the 6 months ended 30 June 2024, EBITDA was affected by approx. 29 million of Unconventional Land Rigs startup. Excluding the startup cost, normalized H1’24 EBITDA would have been at approx. 43%.

Q2'24 EBITDA was -5% lower QoQ (SAR 19 million) mainly due to the impact of the suspension of two Offshore rigs as previously announced. However, this was partially offset by the EBITDA contribution and mobilization cost deferral of the Unconventional Land Rig startups.

NET INCOME

H1'24 Adjusted Net Income of SAR 271 million was -4% lower compared to H1'23. The contribution from the additional Offshore rigs that started in Q3'23 was offset primarily by the startup cost from the Unconventional Land Rigs, depreciation for the new Offshore rigs as well as interest charges for new loans, higher rates, and interest expenses that were capitalized in H1'23.

H1'24 Adjusted Net Income excludes a non-cash impairment charge of SAR 105 million to amend the book carrying value of one land and one offshore rig that was recognized in Q2'24.

Q2'24 Adjusted Net Income was SAR 125 million, which is SAR 21 million lower than Q1'24. This decrease is due to additional depreciation costs of SAR 14 million, mainly coming from both the Unconventional Land Rig start-up and other sustaining Capex, as well as reduced financial income on short term deposits of SAR 7 million QoQ due to lower excess cash availability as the accelerated capex cycle approaches its peak.

CAPEX

Q2'24 Capex spending amounted to SAR 613 million or double the amount in the previous Quarter as the accelerated spending in Q2'24 on the Unconventional Land Rigs coincided with the physical delivery of the rigs and the purchase of additional rig moving equipment to support the expanded fleet size.

To date, the total spent on the Unconventional Land Rigs program is approx. SAR 1.2 billion, with the total estimated spending projected to be in the range of SAR 2.1 to 2.3 billion by end of H1'25.

CASH FLOWS AND WORKING CAPITAL

For H1'24, the Net Cash Flow generated from Operating Activities was SAR 570 million compared to SAR 821 million for the same period last year. This decrease was mainly due to an unfavorable YoY NWC variance of approx. SAR 430 million. As of 30 June 2023, NWC was exceptionally low and represented only 5% of the last 12-month trailing revenue, compared to 21% as of 30 June 2024.

Net Cash Flow generated from Operating Activities in Q2'24 was SAR 314 million, up +23% QoQ, mainly due to a favorable swing in the Net Working Capital ('NWC') and other items of approx. SAR 70 million. Excluding QoQ variances on NWC and other items, cash generated from operations in Q2'24 was close to SAR 400 million and in line with that of last Quarter.

NET DEBT AND CASH POSITION

As of 30 June 2024, the Company's Cash and Cash Equivalents position was SAR 687 million or -45% lower than in Q1'24. This decrease is consistent with the high Capex spending incurred during the Quarter, as mentioned above. In addition, a dividend payment of SAR 225 million for the period related to H2'23 was made in April, and the Company also repaid SAR 50 million on one of its two bank loans. As of 30 June 2024, the excess cash invested in Short Term Deposits amounted to SAR 375 million.

As of 30 June 2024, the Company's Net Debt position was SAR 2,419 million, an increase of +31% QoQ, mainly driven by the reduced cash position mentioned above, while the Gross Debt position remained unchanged at SAR 3.1 billion as the loan repayment of 50 million was offset by the accrued portion of the interest.

Consequently, the leverage ratio (Net Debt / EBITDA) has increased from 1.2x in Q1'24 to 1.5x in Q2'24, as previously expected.

The Company is likely to draw an additional available secured facility of up to SAR 500 million before year-end to complete the Unconventional Capex investments.

KEY FINANCIAL METRICS

SAR Millions	Q2'24	Q1'24	Change	H1'24	H1'23	Change
Revenue	939	967	-3%	1,906	1,570	+21%
EBITDA	386	405	-5%	791	658	+20%
EBITDA (% of Revenue)	41.1%	41.9%	-80 bps	41.5%	41.9%	-40 bps
Adjusted Operating Profit (1)	180	214	-16%	394	352	+12%
Adjusted Net Income (1)	125	146	-14%	271	282	-4%
Net Income	20	146	-86%	166	282	-41%
Adjusted EPS (SAR)	1.41	1.64	-14%	3.05	3.17	-4%
Capital Expenditure (2)	613	306	+100%	919	782	+18%
CF from Operating Activities	314	256	+23%	570	821	-30%
Active Rigs (3)	48	47	+2%	48	44	+9%

Notes:

- (1) Excludes a non-cash asset impairment charge of SAR 105 million recognized in Q2'24
- (2) H1'23 Capex includes SAR 37.6 million of capitalized interest cost
- (3) Active rigs at the end of the period include rigs operating and generating revenue.

RESULTS BY SEGMENTS

LAND Segment (1) (SAR Millions)	Q2'24	Q1'24	Change	H1'24	H1'23	Change
Revenue	520	514	+1%	1,034	969	+7%
Cost of Revenue (2)	(527)	(455)	+16%	(982)	(803)	+22%
Gross Profit	(7)	59	-112%	52	165	-69%
Adjusted Gross Profit (3)	48	59	-19%	107	165	-35%

OFFSHORE Segment (SAR Millions)	Q2'24	Q1'24	Change	H1'24	H1'23	Change
Revenue	419	453	-7%	872	601	+45%
Cost of Revenue (2)	(283)	(243)	+17%	(526)	(330)	+59
Gross Profit	136	210	-35%	346	271	+28%
Adjusted Gross Profit (3)	186	210	-11%	396	271	+45%

Notes:

(1) includes OFSAT results

(2) includes depreciation, excludes G&A, interest and tax

(3) excludes impact of non-cash asset impairment

OPERATIONAL HIGHLIGHTS

RIG ACTIVITY & UTILIZATION RATE

The active rig count increased from 47 to 48 rigs QoQ. Overall, the utilization rate decreased from 96% to 91% QoQ, representing 48 active rigs over an available fleet of 53 units.

The addition of the four Unconventional Land Rigs was offset by the previously announced suspensions of two offshore rigs which became effective at the end of May and the completion of one rig's contract at the end of June, as expected.

The three offshore rigs are now located in a shipyard facility in Saudi Arabia. Two of these rigs are currently undergoing mandatory planned recertification activities and are all being actively marketed in and outside of Saudi Arabia.

Consequently, utilization rate in the Offshore Segment decreased from 100% in Q1'24 to 75% in Q2'24. In contrast, the utilization rate in the Land Segment increased from 94.6% to 95.1% QoQ following the contract start of the four Unconventional Land Rigs.

Post period-end, discussions were initiated regarding the suspension of one additional leased offshore rig. The Company continues to monitor operational adjustments from Aramco that may result in further changes to their Offshore and Land fleet requirements.

OPERATIONAL PERFORMANCE

Our fully-owned rig move subsidiary, OFSAT, completed 38 rig moves during Q2'24 with an average net saving of 1.1 days per rig move compared to Aramco's Rig Move KPI. These savings translate to an additional 43 days of rig operating time. OFSAT continues to play a key role in running efficient and safe rigs moves.

Non-Productive Time ("NPT") increased QoQ from 0.81% to 1.61%, with a 12-month rolling NPT of 1.29%. Q2'24 NPT was adversely impacted by a few service quality events which are being addressed with the Client and may result in future uptime recovery.

BACKLOG

As of 30 June 2024, the Company's backlog stood at SAR 11.0 billion or approx. SAR 800 million lower compared to last Quarter. The decrease is a result of a quarterly backlog consumption rate of approx. SAR 900 million, partially offset by a backlog addition of SAR 100 million, mainly due to a one-year extension on an Offshore rig contract.

The ratio of the current Backlog to the LTM Revenue (Book-to-Bill ratio) was at 2.9x and the average remaining contract tenure was 2.46 years per rig.

HEALTH, SAFETY & ENVIRONMENT

The Year-to-Date Total Recordable Incident Frequency ("TRIF") increased slightly to 0.94 in Q2'24, compared to 0.90 in Q1'24. During the quarter, seven of the Company's active rigs have achieved significant milestones having reached a cumulative sixty-three years without any Lost Time Injury ("LTI") events, representing an average of nine years with no LTI per rig. These remarkable achievements demonstrate the Company's strong adherence to its HSE values and commitment to maintaining high safety standards.

GUIDANCE

FY'24 Revenue guidance remains unchanged with a range of SAR 3.6 billion to 3.9 billion reflecting a +4% to +12% YoY increase. This revenue guidance assumes the impact of the three stacked offshore rig and one possible further suspension in H2'24.

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

DIVIDEND

Pursuant to the resolution passed during the last Ordinary General Assembly, the Company's Board approved an interim dividend of SAR 1.35 per share for the period related to H1'24. The dividend eligibility date is 05 August 2024 with distribution date of 22 August 2024.

All dividend payments are contingent on various factors, including the Company's anticipated earnings and cash flows, available financing and capital requirements, and prevailing market and general economic conditions, in line with the Company's dividend distribution policy.

COMMENTS

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

"We have made significant progress during the first half of the year on the new Unconventional Land Rigs program with 5 rigs already deployed and generating revenues. The remaining five rigs from the first award are set to come online by the end of September and the additional three from the second award set to start in Q4, well ahead of the contractual start date of Q1'25. We expect further organic development in gas drilling which provides an exciting avenue for future growth.

On the Offshore front, we are actively looking for new contracts for our stacked rigs which are kept ready for rapid redeployment. We continue to seek opportunities and partnership to place our offshore rigs in other markets. This could potentially take some time but we have been tactical in derisking our offshore exposure by keeping a portion of the offshore fleet on lease.

Additionally, we are continuously exploring acquisition opportunities and developing non-core services to diversify our portfolio and strengthen our market position."

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

"We have maintained a resilient financial position as we reach the peak of our Unconventional Land Rigs capex program with material investments accelerating to deploy and support our expanded fleet. Although the offshore suspensions will impact our short-term profitability, they do not affect our ability to grow in the long-term and maintain a resilient balance sheet.

Our revenue guidance remains unchanged within the previously announced range, supported by the Unconventional Land Rigs coming online and helping to offset the shortfall from our Offshore operations.

We are committed to maintain a prudent capital management approach to drive our current investment cycle, together with financial discipline in our day-to-day operations, to provide the flexibility to pursue new opportunities."

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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 being the Industrialization & Energy Services Company (TAQA), a Saudi Joint Stock company and SLB (previously known as Schlumberger), 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/>

For Investor Relation queries please contact:

ir@arabdrill.com

For Media queries please contact:

media@arabdrill.com

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