

**ADES HOLDING COMPANY (A Mixed  
Joint Stock Company)  
AND ITS SUBSIDIARIES**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2023**



**Ernst & Young Professional Services (Professional LLC)**  
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**  
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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADES HOLDING COMPANY (A MIXED JOINT STOCK COMPANY)

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of ADES Holding Company (A Mixed Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2023 and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management 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") 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst and Young Professional Services

**Marwan S. AlAfaliq**  
Certified Public Accountant  
License No. (422)



Alkhobar: 24 Rabi Al-Thani 1445H  
8 November 2023

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month and nine-month period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
		<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Revenue from contracts with customers	5	<b>1,078,685,470</b>	590,487,332	<b>3,059,554,355</b>	1,669,709,781
Cost of sales	6	<b>(663,799,430)</b>	(390,455,449)	<b>(1,863,777,348)</b>	(1,059,379,411)
<b>GROSS PROFIT</b>		<b>414,886,040</b>	200,031,883	<b>1,195,777,007</b>	610,330,370
General and administrative expenses	7	<b>(89,456,424)</b>	(57,320,136)	<b>(279,635,563)</b>	(169,524,320)
End of service employment benefits		<b>(13,959,086)</b>	(3,489,095)	<b>(38,123,344)</b>	(17,804,179)
Other provisions		-	-	-	(13,755,542)
Provision for impairment of inventories		-	(20,932,322)	-	(20,932,322)
Provision for impairment of trade receivables		-	-	-	(236,564,520)
Finance costs	8	<b>(196,745,357)</b>	(86,684,201)	<b>(518,121,156)</b>	(175,004,541)
Finance income		-	14,149,309	-	14,193,730
Bargain purchase gain	4	-	-	-	244,945,552
Business acquisition cost	4	-	-	-	(1,184,576)
Loss on disposal of assets		<b>(1,093,478)</b>	-	<b>(1,093,478)</b>	-
Other taxes		<b>(320,976)</b>	(542,007)	<b>(875,520)</b>	(1,088,814)
Other expenses		<b>(2,802,679)</b>	(2,610,614)	<b>(10,197,454)</b>	(8,471,700)
<b>PROFIT FOR THE PERIOD BEFORE INCOME TAX</b>		<b>110,508,040</b>	42,602,817	<b>347,730,492</b>	225,139,138
Income tax expenses	9	<b>(23,155,521)</b>	(19,778,238)	<b>(64,658,237)</b>	(49,400,153)
<b>PROFIT FOR THE PERIOD AFTER INCOME TAX</b>		<b>87,352,519</b>	22,824,579	<b>283,072,255</b>	175,738,985
<b>Attributed to:</b>					
Equity holders of the Parent		<b>83,869,311</b>	21,961,766	<b>275,262,461</b>	171,178,615
Non-controlling interests		<b>3,483,208</b>	862,813	<b>7,809,794</b>	4,560,370
<b>PROFIT FOR THE PERIOD</b>		<b>87,352,519</b>	22,824,579	<b>283,072,255</b>	175,738,985
Earnings per share basic and diluted attributed to equity holders of the parent (In SAR per share)	20	<b>0.10</b>	-	<b>0.44</b>	-
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax)</i>					
Net gain on cash flow hedge		<b>53,445,407</b>	3,302,516	<b>93,665,917</b>	16,468,650
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>53,445,407</b>	3,302,516	<b>93,665,917</b>	16,468,650
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>140,797,926</b>	26,127,095	<b>376,738,172</b>	192,207,635
<b>Attributable to:</b>					
Equity holders of the Parent		<b>137,314,718</b>	25,264,282	<b>368,928,378</b>	187,647,265
Non-controlling interests		<b>3,483,208</b>	862,813	<b>7,809,794</b>	4,560,370
		<b>140,797,926</b>	26,127,095	<b>376,738,172</b>	192,207,635

The attached notes 1 to 24 from part of these unaudited interim condensed consolidated financial statements

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	As at	
		30 September 2023 (Unaudited) SAR	31 December 2022 Restated* (Audited) SAR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, and equipment	14	15,224,947,459	12,066,091,416
Intangible assets		403,780	552,745
Right of use assets	15	502,237,971	391,033,813
Investment in an associate and a joint venture		5,023,587	5,983,705
Derivative instruments	22	89,963,436	26,438,203
Prepayments and other receivables	13	164,098,516	319,991,694
<b>Total non-current assets</b>		<b>15,986,674,749</b>	<b>12,810,091,576</b>
<b>Current assets</b>			
Inventories	11	266,497,491	184,274,773
Trade receivables	12(a)	374,635,314	234,734,872
Contract assets	12(b)	331,880,791	255,623,760
Derivative instruments	22	94,608,673	49,663,832
Prepayments and other receivables	13	919,869,071	766,289,624
Due from related parties	21	9,441,539	9,838,237
Bank balances and cash	10	766,060,913	190,828,971
<b>Total current assets</b>		<b>2,762,993,792</b>	<b>1,691,254,069</b>
<b>TOTAL ASSETS</b>		<b>18,749,668,541</b>	<b>14,501,345,645</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	858,087,510	1,000,000
Capital contribution	19	-	857,087,512
Cash flow hedge reserve		155,436,423	61,770,506
Retained earnings		1,586,613,946	1,302,222,702
<b>Equity attributed to equity holders of the Parent</b>		<b>2,600,137,879</b>	<b>2,222,080,720</b>
Non-controlling interests		37,332,337	36,349,824
<b>Total equity</b>		<b>2,637,470,216</b>	<b>2,258,430,544</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	18	11,599,312,525	9,575,406,029
Lease liability	15	375,495,201	270,132,952
Provisions		150,267,358	117,984,346
Deferred revenue	17	457,068,347	70,173,705
Deferred tax		54,013,474	44,043,640
Other payables		1,183,988	4,680,083
<b>Total non-current liabilities</b>		<b>12,637,340,893</b>	<b>10,082,420,755</b>
<b>Current liabilities</b>			
Trade and other payables	16	1,544,328,505	1,085,442,977
Deferred revenue	17	225,490,426	75,546,466
Income tax payable	9	38,092,868	10,494,524
Interest-bearing loans and borrowings	18	1,656,579,206	972,079,868
Provisions		10,285,805	14,776,740
Due to related parties	21	80,622	2,153,771
<b>Total current liabilities</b>		<b>3,474,857,432</b>	<b>2,160,494,346</b>
<b>Total liabilities</b>		<b>16,112,198,325</b>	<b>12,242,915,101</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,749,668,541</b>	<b>14,501,345,645</b>



Dr. Mohamed Farouk  
Vice Chairman & CEO



Hussein Badawy  
Chief Financial Officer

\*Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments. Refer to Note 4.

The attached notes 1 to 24 from part of these unaudited interim condensed consolidated financial statements

## ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

	<i>Attributed to the equity holders of the parent</i>					<i>Non- Controlling Interest SAR</i>	<i>Total Equity SAR</i>
	<i>Share capital SAR</i>	<i>Capital contribution SAR</i>	<i>Cash flow hedge reserve SAR</i>	<i>Retained Earnings SAR</i>	<i>Total SAR</i>		
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 nine-month period ended 30 September 2023	-	-	-	275,262,461	275,262,461	7,809,794	283,072,255
Other comprehensive income	-	-	93,665,917	-	93,665,917	-	93,665,917
<b>Total Comprehensive income</b>	-	-	93,665,917	275,262,461	368,928,378	7,809,794	376,738,172
Dividends (note 23)	-	-	-	-	-	(6,827,281)	(6,827,281)
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
<b>Balance as at 30 September 2023 (Un-audited)</b>	<b>858,087,510</b>	<b>-</b>	<b>155,436,423</b>	<b>1,586,613,946</b>	<b>2,600,137,879</b>	<b>37,332,337</b>	<b>2,637,470,216</b>

The attached notes 1 to 24 from part of these unaudited interim condensed consolidated financial statements

## ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

	<i>Share capital SAR</i>	<i>Attributed to the equity holders of the parent Capital contribution SAR</i>	<i>Cash-flow Hedge reserve SAR</i>	<i>Retained earnings SAR</i>	<i>Total SAR</i>	<i>Non-controlling interests SAR</i>	<i>Total equity SAR</i>
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 nine-month period ended 30 September 2022	-	-	-	171,178,615	171,178,615	4,560,370	175,738,985
Other comprehensive income	-	-	16,468,650	-	16,468,650	-	16,468,650
Total comprehensive income	-	-	16,468,650	171,178,615	187,647,265	4,560,370	192,207,635
Balance as at 30 September 2022 (Un-audited)	-	857,087,512	3,337,744	1,220,771,984	2,081,197,240	34,089,195	2,115,286,435

The attached notes 1 to 24 from part of these unaudited interim condensed consolidated financial statements

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS For the nine-months period ended 30 September 2023 (Unaudited) (All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

		<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>Notes</i>	<i>(Unaudited)</i> <b>SAR</b>	<i>(Unaudited)</i> <b>SAR</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the period before income tax		<b>347,730,492</b>	225,139,138
Adjustments for:			
Depreciation of property and equipment	14	<b>453,868,413</b>	248,276,644
Amortizations of intangible assets	14	<b>148,964</b>	443,046
Depreciation of right of use assets	15	<b>87,739,032</b>	11,416,468
Loss on disposal of PPE		<b>1,093,478</b>	-
End of services benefits provision		<b>38,123,344</b>	17,804,179
Finance costs	8	<b>518,121,156</b>	175,004,541
Provision for impairment of inventories		-	20,932,322
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		<b>960,118</b>	(2,568,329)
Bargain purchase gain	4	-	(244,945,552)
Business Transaction cost	4	-	1,184,576
Finance income		-	(14,193,730)
Cashflows from operations before working capital changes		<b>1,447,784,997</b>	688,813,365
Working capital changes:			
Inventories		<b>(82,222,718)</b>	(24,719,488)
Accounts receivable		<b>(139,900,442)</b>	(61,690,109)
Contract assets		<b>(76,257,031)</b>	66,312,453
Due from related parties		<b>396,698</b>	(3,314,058)
Prepayments and other receivables		<b>(65,427,625)</b>	(19,060,787)
Trade and other payables		<b>424,419,402</b>	160,397,355
Due to related parties		<b>7,055,635</b>	27,737,445
<b>Cash flows from operations</b>		<b>1,515,848,916</b>	834,476,176
Income tax paid	9	<b>(41,894,213)</b>	(35,153,420)
Provisions paid		<b>(10,331,267)</b>	(28,547,914)
<b>Net cash flows from operating activities</b>		<b>1,463,623,436</b>	770,774,842
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(2,954,757,212)</b>	(2,562,649,483)
Proceeds from sale of PPE		<b>21,759</b>	-
Payment to acquire business		-	(2,357,009,576)
Purchase of intangible assets		-	(18,190)
Interest received		-	14,193,730
<b>Net cash flows used in investing activities</b>		<b>(2,954,735,453)</b>	(4,905,483,519)
<b>FINANCING ACTIVITIES</b>			
Repayment of loans and borrowings	18	<b>(642,951,734)</b>	(165,046,788)
Proceeds from loans and borrowings	18	<b>3,351,737,379</b>	5,351,493,436
Interest paid		<b>(539,635,855)</b>	(209,219,710)
Payment of lease liabilities	15	<b>(95,978,550)</b>	(13,879,491)
Dividend paid to non-controlling interests		<b>(6,827,281)</b>	-
Net cash flows from financing activities		<b>2,066,343,959</b>	4,963,347,447
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>575,231,942</b>	828,638,770
Cash and cash equivalents at 1 January	10	<b>190,828,971</b>	232,860,330
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	10	<b>766,060,913</b>	1,061,499,100

The attached notes 1 to 24 from part of these unaudited interim condensed consolidated financial statements

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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 closed joint stock Company limited. 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”.

<i>Shareholder</i>	<i>Pre offering</i>			<i>Pre offering</i>		
	<i>No. of shares</i>	<i>Ownership</i>	<i>Nominal value</i>	<i>No. of shares</i>	<i>Ownership</i>	<i>Nominal value</i>
ADES Investments Holding Ltd	467,657,690	55%	467,657,690	338,718,754	36.50%	338,718,754
The Public Investment Fund of the Kingdom of Saudi Arabia	304,621,070	36%	304,621,070	33,871,875	23.80%	33,871,875
Zamil Group Investment Co	85,808,750	10%	85,808,750	412,107,817	6.70%	412,107,817
Free Float	-	0%	-	268,716,878	30%	268,716,878
Treasury Shares	-	0%	-	75,647,188	3%	75,647,188
	<b>858,087,510</b>	<b>100%</b>	<b>858,087,510</b>	<b>1,129,062,513</b>	<b>100%</b>	<b>1,129,062,513</b>

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 (previous 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.

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).

On 12 March 2023, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 270,975,003 at par value (as a result the total share capital post increase will be SAR 1,129,062,513) that were issued on 10 October 2023. On 21 June 2023, the Capital Market Authority (“CMA”) approved the Company’s application for registering its share capital and offering of 338,718,754 ordinary shares of the Company’s total capital by way of sale of 101,615,626 existing shares (the “Sale Shares”) by existing shareholders (in proportion to their existing shareholding), and the issuance of 237,103,128 new shares (the “New Shares”) through a capital increase. The Sale Shares represent 9% and the New Shares represent 21% of the Company’s issued share capital upon completion of



# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

the Offering, totaling 30% of the issued share capital (after issuance of the New Shares and the Company's capital increase). Refer note 23 for more details.

The Interim Condensed Consolidated Financial Statements were authorised for issue on 24 Rabi Al-Thani 1445H (corresponding to 8 November 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 (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 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 subsidiaries:

Name	Principal activities	Country of incorporation	% Equity interest	
			30-Sep-2023	31-Dec-2022
Advanced Energy Systems (ADES) (S.A.E) <sup>1</sup>	Oil & gas drilling and production services	Egypt	100%	100%
ADES Saudi Limited Company <sup>1</sup>	Oil and gas drilling and production services	KSA	100%	100%
Precision Drilling Company <sup>2</sup>	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 <sup>3</sup>	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 <sup>4</sup>	Investment in Oil & Gas Projects	UAE	100%	100%
ADES International Holding Ltd	Holding Company	UAE	100%	100%
Emerald Driller Company <sup>5</sup>	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. <sup>6</sup>	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. <sup>7</sup>	Leasing of rigs	Bermuda	100%	100%
ADES GCC For Drilling Ltd. <sup>8</sup>	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.

1 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.

2 ADES-GESCO Training Academy change its name to AG training in 2022.

3 ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.

4 Emerald Driller Company has a Branch in Qatar which handles operations in the country.

5 ADES Advanced Drilling Services Ltd has a branch in Congo.

6 ADES Drilling Services Ltd. has a branch in Indonesia.

7 ADES GCC For Drilling Ltd has a branch in KSA.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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 Nine-month period ended 30 September 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.

#### *Going concern*

As at 30 September 2023, the current liabilities exceed current assets by SAR 711,863,640 (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. 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. On 21 June 2023 the Capital Market Authority ("CMA") approved the Company's application for the offering and issuance of 237,103,128 new shares and 101,615,626 existing shares representing 21% and 9% of the Company's authorized share capital respectively. On 18 October 2023, the company received net proceeds from IPO SAR 3,103,398,299.

#### *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 September 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.

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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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 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.

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'.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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)*

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.

#### 2.2 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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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 September 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

	<i>Egypt SAR</i>	<i>Algeria SAR</i>	<i>Kingdom of Saudi Arabia SAR</i>	<i>Kuwait SAR</i>	<i>Tunisia SAR</i>	<i>Qatar SAR</i>	<i>Total Segments SAR</i>	<i>Corporate SAR</i>	<i>Adjustments and Eliminations*** SAR</i>	<i>Total SAR</i>
<b>For the period ended 30 September 2023</b>										
Revenue										
External customers	405,498,658	44,075,746	2,012,023,725	316,198,882	27,121,332	254,636,012	3,059,554,355	-	-	3,059,554,355
Inter-segment ***	210,985,232	-	-	5,118,750	-	-	216,103,982	-	(216,103,982)	-
<b>Total Revenue</b>	<b>616,483,890</b>	<b>44,075,746</b>	<b>2,012,023,725</b>	<b>321,317,632</b>	<b>27,121,332</b>	<b>254,636,012</b>	<b>3,275,658,337</b>	<b>-</b>	<b>(216,103,982)</b>	<b>3,059,554,355</b>
<b>Income/(expenses)</b>										
Cost of sales*	(170,167,859)	(32,530,172)	(824,378,823)	(150,514,274)	(18,819,108)	(134,241,366)	(1,330,651,602)	-	-	(1,330,651,602)
General and administrative expenses	(23,977,291)	(5,987,051)	(148,472,578)	(28,529,648)	(2,211,247)	(16,303,425)	(225,481,240)	(54,154,323)	-	(279,635,563)
Finance costs (net)	(42,814,369)	(599,502)	(418,078,897)	(29,348,525)	(1,852,153)	(16,702,788)	(509,396,234)	(8,724,922)	-	(518,121,156)
Depreciation and amortisation	(74,550,096)	(10,491,801)	(345,301,123)	(68,215,104)	(2,679,457)	(31,888,165)	(533,125,746)	-	-	(533,125,746)
Other expenses (net) **	(3,084,666)	(327,671)	(89,266,864)	(14,462,532)	(95,448)	(7,679,351)	(114,916,532)	(31,501)	-	(114,948,033)
<b>Segment Profit / (Loss)</b>	<b>90,904,377</b>	<b>(5,860,451)</b>	<b>186,525,440</b>	<b>25,128,799</b>	<b>1,463,919</b>	<b>478,209,18</b>	<b>345,983,001</b>	<b>(62,910,746)</b>	<b>-</b>	<b>283,072,255</b>
<b>Total Assets as at 30 September 2023 (i)</b>	<b>3,547,838,871</b>	<b>371,205,983</b>	<b>11,490,069,661</b>	<b>1,938,593,417</b>	<b>18,641,196</b>	<b>1,071,178,154</b>	<b>18,437,527,282</b>	<b>312,141,259</b>	<b>-</b>	<b>18,749,668,541</b>
<b>Total Liabilities as at 30 September 2023 (ii)</b>	<b>2,481,667,680</b>	<b>322,107,375</b>	<b>10,908,521,212</b>	<b>1,299,918,058</b>	<b>4,615,474</b>	<b>1,056,587,979</b>	<b>16,073,417,778</b>	<b>38,780,547</b>	<b>-</b>	<b>16,112,198,325</b>
<b>Other Segment information</b>										
Capital expenditure as at 30 September 2023 (i)	380,890,907	17,057,796	2,785,635,325	423,172,072	181,602	6,901,991	3,613,839,693	-	-	3,613,839,693
<b>Total</b>	<b>380,890,907</b>	<b>17,057,796</b>	<b>2,785,635,325</b>	<b>423,172,072</b>	<b>181,602</b>	<b>6,901,991</b>	<b>3,613,839,693</b>	<b>-</b>	<b>-</b>	<b>3,613,839,693</b>

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 3 SEGMENT INFORMATION (continued)

#### Segment

	<i>Egypt SAR</i>	<i>Algeria SAR</i>	<i>Saudi Arabia SAR</i>	<i>Kingdom of Kuwait SAR</i>	<i>Tunisia SAR</i>	<i>Qatar SAR</i>	<i>Total Segment SAR</i>	<i>Total Corporate SAR</i>	<i>Adjustments and Eliminations*** SAR</i>	<i>Total SAR</i>
<b>For the period ended 30 September 2022</b>										
Revenue										
External customers	228,949,008	16,695,899	1,063,208,446	236,664,787	13,916,939	110,274,702	1,669,709,781	-	-	1,669,709,781
Inter-segment ***	216,331,561	-	-	4,218,750	-	-	220,550,311	-	(220,550,311)	-
Total Revenue	<u>445,280,569</u>	<u>16,695,899</u>	<u>1,063,208,446</u>	<u>240,883,537</u>	<u>13,916,939</u>	<u>110,274,702</u>	<u>1,890,260,092</u>	<u>-</u>	<u>(220,550,311)</u>	<u>1,669,709,781</u>
<b>Income/(expenses)</b>										
Cost of sales*	(114,628,335)	(12,023,387)	(492,437,934)	(107,494,374)	(14,429,619)	(64,198,393)	(805,212,042)	-	-	(805,212,042)
General and administrative expenses	(21,736,133)	(2,875,337)	(93,929,763)	(25,173,565)	(1,691,297)	(7,997,207)	(153,403,302)	(16,121,018)	-	(169,524,320)
Finance costs (net)	(7,395,241)	75,515	(86,198,507)	(11,874,827)	(45,687)	(2,538,014)	(107,976,761)	(52,834,050)	-	(160,810,811)
Depreciation and amortisation	(44,690,738)	(7,135,961)	(146,460,528)	(41,258,170)	(2,186,940)	(12,435,032)	(254,167,369)	-	-	(254,167,369)
Other expenses (net) **	(14,385,580)	(430,926)	(56,166,594)	(10,825,724)	(101,579)	(3,812,052)	(85,722,455)	(5,982,509)	-	(91,704,964)
Bargain purchase gain	-	-	-	-	-	-	-	244,945,552	-	244,945,552
Provision for impairment of trade receivables	(236,564,520)	-	-	-	-	-	(236,564,520)	-	-	(236,564,520)
Provision for impairment of inventories	(2,969,365)	(1,110,656)	(15,054,393)	(1,797,908)	-	-	(20,932,322)	-	-	(20,932,322)
Segment Profit / (Loss)	<u>(231,383,861)</u>	<u>(5,694,197)</u>	<u>188,015,120</u>	<u>40,038,127</u>	<u>(4,538,183)</u>	<u>19,294,004</u>	<u>5,731,010</u>	<u>170,007,975</u>	<u>-</u>	<u>175,738,985</u>
Total Assets as at 30 September 2022 (i)	<u>2,854,687,403</u>	<u>312,709,852</u>	<u>7,256,036,633</u>	<u>1,368,962,528</u>	<u>9,177,842</u>	<u>1,189,395,118</u>	<u>12,990,969,376</u>	<u>146,905,052</u>	<u>-</u>	<u>13,137,874,428</u>
Total Liabilities as at 30 September 2022 (ii)	<u>1,880,605,000</u>	<u>158,932,185</u>	<u>6,827,288,170</u>	<u>676,539,835</u>	<u>6,797,283</u>	<u>652,011,960</u>	<u>10,202,174,433</u>	<u>820,413,560</u>	<u>-</u>	<u>11,022,587,993</u>
<b>Other Segment information</b>										
Capital expenditure at 30 September 2022 (i)	<u>137,543,918</u>	<u>2,993,107</u>	<u>2,045,044,050</u>	<u>48,485,213</u>	<u>10,446,554</u>	<u>977,144,614</u>	<u>3,221,657,456</u>	<u>-</u>	<u>-</u>	<u>3,221,657,456</u>
Total	<u>137,543,918</u>	<u>2,993,107</u>	<u>2,045,044,050</u>	<u>48,485,213</u>	<u>10,446,554</u>	<u>977,144,614</u>	<u>3,221,657,456</u>	<u>-</u>	<u>-</u>	<u>3,221,657,456</u>

\* 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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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:

	<i>Fair values recognized on acquisition recorded in 2022 SAR</i>
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
<b>Total assets</b>	<b>1,151,435,724</b>
Provisions	1,789,924
Deferred mobilization revenue	51,877,486
Income tax payable	1,348,927
Trade and other payables	106,359,941
<b>Total liabilities</b>	<b>161,376,278</b>
Total identifiable net assets at fair values	990,059,446
Gain from bargain purchase	(244,945,552)
<b>Purchase consideration (non-cash transaction) *</b>	<b>745,113,894</b>
<b>Transaction cost paid for acquisition *</b>	<b>(1,184,576)</b>

\* 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.



# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-months period ended 30 September 2023 (Unaudited)

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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:

	<i>Fair values of identified assets and liabilities at acquisition date</i> SAR	<i>IFRS 3 Business Combination measurement period adjustments</i> SAR	<i>Restated amounts as at acquisition date</i> SAR
Property and equipment	2,729,641,219	(122,029,770)	<b>2,607,611,449</b>
Inventories	4,769,561	-	<b>4,769,561</b>
Trade receivables	34,717,659	-	<b>34,717,659</b>
Contract assets	25,743,874	-	<b>25,743,874</b>
Deferred tax assets	5,690,745	-	<b>5,690,745</b>
Other receivables	56,268,589	-	<b>56,268,589</b>
Cash and cash equivalent	29,305,952	-	<b>29,305,952</b>
<b>Total assets</b>	<b>2,886,137,599</b>	<b>(122,029,770)</b>	<b>2,764,107,829</b>
Provisions for taxes	5,966,584	-	<b>5,966,584</b>
Employees' end of services benefits provision	34,949,324	-	<b>34,949,324</b>
Trade and other payables	113,050,936	-	<b>113,050,936</b>
<b>Total liabilities</b>	<b>153,966,844</b>	<b>-</b>	<b>153,966,844</b>
Total identifiable net assets at fair values	2,732,170,755	-	<b>2,610,140,985</b>
Gain from bargain purchase	(177,321,855)	-	<b>(177,321,855)</b>
<b>Purchase consideration</b>	<b>2,554,848,900</b>	<b>-</b>	<b>2,432,819,130</b>
Analysis of cash flow on acquisition (included in cash flows from investing activities)			
Transaction cost paid for acquisition	(7,239,650)	-	<b>(7,239,650)</b>
Cash paid	(2,554,848,900)	-	<b>(2,554,848,900)</b>
Purchase consideration receivable	-	122,029,770	<b>122,029,770</b>
Cash and cash equivalent acquired	29,305,952	-	<b>29,305,952</b>
<b>Net cash out flows on acquisition</b>	<b>(2,532,782,598)</b>	<b>-</b>	<b>(2,532,782,598)</b>

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 4 BUSINESS COMBINATIONS (continued)

#### 2) Acquisition of Seadrill in 2022 (continued)

Management have completed 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.

	<i>As previously reported 31 December 2022 SAR</i>	<i>IFRS 3 Business combination measurement period adjustments SAR</i>	<i>Restated amounts 31 December 2022 SAR</i>
<i>Interim condensed consolidated statement of financial position:</i>			
<i>Non-current assets:</i>			
Property and equipment	12,188,121,186	(122,029,770)	12,066,091,416
<i>Current assets:</i>			
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 01 January 2021.

On 4 July 2023, the Group has collected SAR 54,529,770 (equivalent to USD 14,541,272) out of total claimed amount of SAR 122,029,770 (equivalent to USD 32,541,272) from Seadrill.

### 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	<i>Three-month period ended 30 September 2023 (Unaudited) SAR</i>		<i>Nine-month period ended 30 September 2023 (Unaudited) SAR</i>	
	<i>30 September 2022 (Unaudited) SAR</i>	<i>30 September 2022 (Unaudited) SAR</i>	<i>30 September 2022 (Unaudited) SAR</i>	<i>30 September 2022 (Unaudited) SAR</i>
Units operations	1,034,035,035	554,435,154	2,907,094,336	1,606,404,496
Catering services	24,260,423	11,196,379	66,328,192	29,393,977
Projects income	3,965,625	9,281,250	25,996,875	9,281,250
Others	16,424,387	15,574,549	60,134,952	24,630,058
	<u>1,078,685,470</u>	<u>590,487,332</u>	<u>3,059,554,355</u>	<u>1,669,709,781</u>

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.

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### 6 COSTS OF SALES

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Staff costs	<b>202,183,082</b>	126,745,955	<b>581,862,499</b>	361,482,945
Depreciation and amortization (Note 14)	<b>198,557,786</b>	92,984,385	<b>533,125,746</b>	254,167,374
Maintenance cost	<b>87,660,771</b>	58,114,407	<b>248,129,021</b>	159,195,094
Catering costs	<b>38,565,332</b>	22,817,040	<b>103,397,277</b>	63,451,192
Move costs	<b>25,262,591</b>	14,240,584	<b>64,406,848</b>	38,426,458
Project direct cost	<b>2,599,931</b>	6,488,490	<b>17,043,994</b>	6,488,490
Rental expense (Note 15)	<b>18,099,627</b>	11,658,022	<b>51,671,633</b>	30,298,279
Crew change costs	<b>15,192,429</b>	7,515,531	<b>39,961,997</b>	21,881,403
Insurance	<b>9,155,354</b>	10,677,068	<b>32,047,783</b>	27,002,652
Other cost	<b>66,522,527</b>	39,213,967	<b>192,130,550</b>	96,985,524
	<b>663,799,430</b>	390,455,449	<b>1,863,777,348</b>	1,059,379,411

### 7 GENERAL AND ADMINISTRATIVE EXPENSE

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Staff costs	<b>61,328,980</b>	35,551,224	<b>188,106,093</b>	100,982,437
Depreciation and amortisation (Note14)	<b>2,116,558</b>	1,875,706	<b>8,630,663</b>	5,968,784
Professional Fees	<b>7,225,797</b>	3,062,535	<b>20,508,841</b>	8,660,933
Business Travel Expenses	<b>5,855,635</b>	4,063,801	<b>15,167,079</b>	11,506,195
Free Zone Expenses	<b>2,210,017</b>	1,541,451	<b>8,292,263</b>	5,345,159
Rental expenses (Note 15)	<b>1,292,627</b>	925,521	<b>2,526,801</b>	1,966,449
Communications Expenses	<b>1,688,194</b>	1,930,547	<b>6,595,128</b>	5,553,219
Bank Services Charges	<b>573,868</b>	1,005,117	<b>5,163,631</b>	2,044,606
Other Expenses	<b>7,164,748</b>	7,364,234	<b>24,645,064</b>	27,496,538
	<b>89,456,424</b>	57,320,136	<b>279,635,563</b>	169,524,320

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 8 FINANCE COSTS

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
<b>Interest cost:</b>				
Interest on overdraft facilities	11,408,984	3,343,191	21,011,612	7,241,569
Loan interest expenses	166,591,264	73,285,967	437,002,999	150,749,530
Interest on lease liabilities	6,527,631	460,002	17,631,408	2,232,918
Amortisation of loan transaction costs	7,584,091	4,129,439	20,840,543	11,866,756
Unwinding of discounting on a long-term receivable	209,400	430,681	1,771,700	(12,381,882)
<b>Other finance cost:</b>				
Guarantee related finance charges	3,871,840	2,324,314	11,938,738	8,093,640
Other finance charges, net	552,147	2,710,607	7,924,156	7,202,010
	<b>196,745,357</b>	<b>86,684,201</b>	<b>518,121,156</b>	<b>175,004,541</b>

\*Loan interest expenses includes impact of net (receipts) / payment according to interest rate swap agreements for the amount of SAR (50,218,199) for the period ended 30 September 2023 (30 September 2022: SAR 4,953,065).

### 9 INCOME TAX

#### Interim Condensed Consolidated Statement of Comprehensive Income:

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Current income tax expense	27,936,561	19,778,238	69,492,557	49,400,153
Deferred tax (credit) / charge	(4,781,040)	-	(4,834,320)	-
	<b>23,155,521</b>	<b>19,778,238</b>	<b>64,658,237</b>	<b>49,400,153</b>

#### Income tax payable in the Interim Condensed Consolidated Statement of Financial position:

	<i>30 September 2023</i>	<i>31 December 2022</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SAR</i>	<i>SAR</i>
<b>Current liabilities:</b>		
Balance at 1 January	10,494,524	30,973,826
Charge for the period / year	69,492,557	25,045,254
Paid during the period / year	(41,894,213)	(46,873,483)
Acquired during period / year	-	1,348,927
Ending balance	<b>38,092,868</b>	<b>10,494,524</b>

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 10 BANK BALANCES AND CASH

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Cash on hand	222,808	338,910
Bank balances	<b>765,838,105</b>	190,490,061
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<b><u>766,060,913</u></b>	<b><u>190,828,971</u></b>

Bank balances and cash comprise of balances in the following currencies:

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Saudi Riyal (SAR)	35,185,755	10,159,503
United States Dollar (USD)	607,126,222	140,389,923
Kuwaiti Dinar (KWD)	90,470,353	24,253,940
Egyptian Pound (EGP)	31,837,750	15,894,036
Algerian Dinar (DZD)	788,251	2,848
Qatari Riyal (QAR)	171,261	79,434
Tunisian Dinar (TND)	231,486	2,001
Euro (EUR)	18,172	41,843
United Arab Emirates Dirham (AED)	6,893	5,443
Great British Pound (GBP)	2	-
Indian rupee (INR)	224,768	-
	<b><u>766,060,913</u></b>	<b><u>190,828,971</u></b>

### 11 INVENTORIES

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Offshore rigs	172,165,055	110,435,175
Onshore rigs	39,943,594	30,199,600
Warehouse and yards	54,388,842	43,639,998
	<b><u>266,497,491</u></b>	<b><u>184,274,773</u></b>

As at 30 September 2023, the inventories are stated net of provision for impairment of inventories of SAR 28,879,917 (31 December 2022: SAR 28,879,917).

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
As at 1 January	28,879,917	20,103,315
Charge for the period / year	-	26,216,730
Utilized during the period / year	-	(17,440,128)
Ending balance	<b><u>28,879,917</u></b>	<b><u>28,879,917</u></b>

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 12 (a) TRADE RECEIVABLES

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Trade receivables	844,841,357	704,940,915
Provision for impairment for financial assets	(470,206,043)	(470,206,043)
	<u>374,635,314</u>	<u>234,734,872</u>

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:

	<i>Neither past due nor impaired</i> SAR	<i>Past due but not impaired</i>				<i>Total</i> SAR
		<i>&lt;30 days</i> SAR	<i>30 – 60 days</i> SAR	<i>61 – 90 days</i> SAR	<i>&gt;90 days</i> SAR	
<b>30 September 2023</b>	<b>239,839,278</b>	<b>56,892,529</b>	<b>38,481,220</b>	<b>18,841,465</b>	<b>20,580,822</b>	<b>374,635,314</b>
<b>31 December 2022</b>	<b>198,637,145</b>	<b>24,663,111</b>	<b>4,086,271</b>	<b>3,849,908</b>	<b>3,498,437</b>	<b>234,734,872</b>

### 12 (b) CONTRACT ASSETS

#### Contract assets

As at 30 September 2023, the Group has contract assets of SAR 331,880,791 (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:

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
As at 1 January	470,206,043	233,641,523
Charge for the period / year	-	236,564,520
Ending balance	<u>470,206,043</u>	<u>470,206,043</u>

As at 30 September 2023, the large portion of trade receivable balance before provision for impairment is from one of the customers 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) million against the total amount of outstanding from the said customer.

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### 13 PREPAYMENTS AND OTHER RECEIVABLES

	<i>30 September 2023</i>	<i>31 December 2022</i>
	<i>(Unaudited)</i>	<i>Restated**</i>
	<i>SAR</i>	<i>(Audited)</i>
		<i>SAR</i>
Invoice retention*	<b>323,466,487</b>	325,937,757
Margin Letter of Guarantees	<b>16,098,178</b>	20,902,613
Advances to contractors and suppliers	<b>441,258,568</b>	470,873,348
Insurance with customers	<b>25,901,723</b>	28,759,768
Dividends receivable	<b>4,593,750</b>	4,593,750
Provision for impairment in dividends receivables	<b>(4,593,750)</b>	(4,593,750)
Other receivables	<b>231,216,603</b>	192,514,460
Provision for other receivables	<b>(6,827,633)</b>	(6,827,633)
Prepaid mobilization revenue	<b>52,853,661</b>	54,121,005
	<b>1,083,967,587</b>	1,086,281,318
Current	<b>919,869,071</b>	766,289,624
Non-current	<b>164,098,516</b>	319,991,694
Ending balance	<b>1,083,967,587</b>	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.

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### 14 PROPERTY AND EQUIPMENT

30 September 2023	<i>Rigs</i> SAR	<i>Furniture and fixtures</i> SAR	<i>Drilling pipes</i> SAR	<i>Tools</i> SAR	<i>Assets under construction</i> SAR	<i>IT Equipment</i> SAR	<i>Motor vehicles</i> SAR	<i>Leasehold improvement</i> SAR	<i>Land</i> SAR	<i>Total</i> SAR
<b>Cost:</b>										
As of 1 January 2023	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	396,868,736	1,372,170	20,835,130	49,694,427	3,085,686,149	1,700,599	-	57,682,482	-	3,613,839,693
Transfers	2,673,235,610	-	-	5,936,410	(3,042,991,707)	-	-	363,819,687	-	-
Retirement & disposal	-	(330,519)	-	-	-	-	-	(2,246,022)	-	(2,576,541)
As of 30 September 2023	<b>12,182,881,185</b>	<b>7,565,865</b>	<b>136,569,192</b>	<b>461,351,308</b>	<b>3,901,597,959</b>	<b>11,454,680</b>	<b>2,235,349</b>	<b>421,856,133</b>	<b>58,478,471</b>	<b>17,183,990,142</b>
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	(369,784,619)	(473,094)	(13,776,821)	(30,615,402)	-	(1,011,511)	(194,810)	(38,012,156)	-	(453,868,413)
Retirement & disposal	-	178,399	-	-	-	-	-	1,282,905	-	1,461,304
As of 30 September 2023	<b>(1,666,376,755)</b>	<b>(3,252,758)</b>	<b>(79,177,260)</b>	<b>(161,645,349)</b>	<b>(2,869,842)</b>	<b>(5,765,673)</b>	<b>(1,604,817)</b>	<b>(38,350,229)</b>	<b>-</b>	<b>(1,959,042,683)</b>
Net book value: As of 30 September 2023 (Unaudited)	<b>10,516,504,430</b>	<b>4,313,107</b>	<b>57,391,932</b>	<b>299,705,959</b>	<b>3,898,728,117</b>	<b>5,689,007</b>	<b>630,532</b>	<b>383,505,904</b>	<b>58,478,471</b>	<b>15,224,947,459</b>



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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 14 PROPERTY AND EQUIPMENT (continued)

	<i>Rigs</i> SAR	<i>Furniture and fixtures</i> SAR	<i>Drilling pipes</i> SAR	<i>Tools</i> SAR	<i>Assets under construction</i> SAR	<i>IT equipment</i> SAR	<i>Motor vehicles</i> SAR	<i>Leasehold improvement</i> SAR	<i>Leasehold land</i> SAR	<i>Total</i> SAR <i>(Audited)</i>
<i>31 December 2022 (restated*)</i>										
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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 14 PROPERTY AND EQUIPMENT (continued)

#### Allocation of depreciation and amortization charge:

Depreciation charge is allocated as follows:

	<i>Nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR</i>	<i>SAR</i>
Cost of sales (Note 6)	<b>533,125,746</b>	254,167,374
General and administrative expenses (Note 7)	<b>8,630,663</b>	5,968,784
Total depreciation and amortization charge*	<b>541,756,409</b>	260,136,158

\*Total depreciation and amortization charge for the Nine-month period includes depreciation of property and equipment of SAR 453,868,413 (30 September 2022: SAR 248,276,644), amortization of intangible assets and right of use assets of SAR 148,964 (30 September 2022: SAR 443,046) and SAR 87,739,032 (30 September 2022: SAR 11,416,463), 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 Nine-month period ended 30 September 2023, the Group completed capital projects for the amount of SAR 3,042,991,707 (For the year ended 31 December 2022: SAR 598,610,826) and transferred to the relevant asset categories.

During the period ended 30 September 2023, the Group capitalized borrowing costs of SAR 141,908,266 (30 September 2022: SAR 25,432,449) 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 7.44% (30 September 2022: 4.51%; 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).

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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### 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:

	<i>Rigs</i> SAR	<i>Yards and warehouse</i> SAR	<i>Office Premises</i> SAR	<i>Motor vehicles</i> SAR	<i>Other Equipment</i> SAR	<i>Furniture and Fixture</i> SAR	<i>Building</i> SAR	<i>Total</i> SAR
<b>Cost:</b>								
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	156,504,330	822,748	17,023,805	6,923,922	32,539,113	-	-	213,813,918
Terminated *	(39,510,739)	-	(2,627,221)	-	-	-	-	(42,137,960)
Other adjustments	(61,401)	-	-	-	-	-	-	(61,401)
<b>As of 30 September 2023</b>	<b>448,698,325</b>	<b>20,124,367</b>	<b>20,960,338</b>	<b>16,046,513</b>	<b>77,097,589</b>	<b>9,513,821</b>	<b>28,318,235</b>	<b>620,759,188</b>
<b>Accumulated depreciation:</b>								
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 (Note 14)	(64,314,135)	(3,441,979)	(2,708,335)	(2,723,052)	(12,777,770)	(713,537)	(1,060,224)	(87,739,032)
Terminated*	25,450,881	1,751,480	-	-	-	-	-	27,202,361
Other adjustments	140,606	(14,334)	-	-	-	-	-	126,272
<b>As of 30 September 2023</b>	<b>(54,703,163)</b>	<b>(11,568,133)</b>	<b>(7,088,146)</b>	<b>(11,232,792)</b>	<b>(26,355,141)</b>	<b>(2,854,146)</b>	<b>(4,719,696)</b>	<b>(118,521,217)</b>
<b>Net Book Value</b>								
<b>At 30 September 2023 (Unaudited)</b>	<b>393,995,162</b>	<b>8,556,234</b>	<b>13,872,192</b>	<b>4,813,721</b>	<b>50,742,448</b>	<b>6,659,675</b>	<b>23,598,539</b>	<b>502,237,971</b>

\*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.

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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)

	<i>Rigs</i> SAR	<i>Yards and warehouse</i> SAR	<i>Office Premises</i> SAR	<i>Motor vehicles</i> SAR	<i>Other Equipment</i> SAR	<i>Furniture and Fixture</i> SAR	<i>Building</i> SAR	<i>Total</i> SAR <i>(Audited)</i>
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	<u>331,766,135</u>	<u>19,301,619</u>	<u>6,563,754</u>	<u>9,122,591</u>	<u>44,558,476</u>	<u>9,513,821</u>	<u>28,318,235</u>	<u>449,144,631</u>
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	<u>(15,980,515)</u>	<u>(9,863,300)</u>	<u>(4,379,811)</u>	<u>(8,509,740)</u>	<u>(13,577,371)</u>	<u>(2,140,609)</u>	<u>(3,659,472)</u>	<u>(58,110,818)</u>
Net book value:								
As at 31 December 2022 (Audited)	<u><u>315,785,620</u></u>	<u><u>9,438,319</u></u>	<u><u>2,183,943</u></u>	<u><u>612,851</u></u>	<u><u>30,981,105</u></u>	<u><u>7,373,212</u></u>	<u><u>24,658,763</u></u>	<u><u>391,033,813</u></u>

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 15 LEASES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
As at 1 January	376,687,736	56,862,112
Additions	208,997,858	363,014,531
Lease modification-Terminations	(14,935,600)	(10,685,531)
Lease modification-Other adjustments	(20,008)	(842,504)
Accretion of interest	17,631,408	6,455,410
Payments	(95,978,550)	(38,116,282)
<b>Ending balance</b>	<b>492,382,844</b>	<b>376,687,736</b>
Current (Note 16)	116,887,643	106,554,784
Non-Current	375,495,201	270,132,952

The following are the amounts recognised in the Interim Condensed Consolidated Statement of Comprehensive Income:

	<i>Nine-month period ended</i>	
	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>30 September 2022</i> <i>(Unaudited)</i> SAR
Depreciation expense of right-of-use assets	87,739,032	11,416,468
Interest expense on lease liabilities (note 8)	17,631,408	2,232,918
Expense relating to short-term leases (Included in Cost of sales) (Note 6)	51,671,633	30,298,279
Expense relating to short-term lease (included in General and administrative expenses) (Note 7)	2,526,801	1,966,449
<b>Total amount recognized in the Interim Condensed Consolidated Statement of Comprehensive Income</b>	<b>159,568,874</b>	<b>45,914,114</b>

### 16 TRADE AND OTHER PAYABLES

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Trade payables	1,036,309,740	742,611,229
Notes payable	1,251,054	3,171,221
Accrued expenses	208,061,478	182,873,995
Accrued interests	152,084,349	45,294,112
Lease liability (Note 15)	116,887,643	106,554,784
Other payables	29,734,241	4,937,636
	<b>1,544,328,505</b>	<b>1,085,442,977</b>

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 17 DEFERRED REVENUE

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
As at 1 January	145,720,171	66,147,486
Additions	676,250,649	136,270,910
Amortized	(139,412,047)	(56,698,225)
<b>Ending balance</b>	<b>682,558,773</b>	<b>145,720,171</b>
Current ***	225,490,426	75,546,466
Non-Current	457,068,347	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 30 September 2023. Comparative information has been restated to conform with the current period presentation.

### 18 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> 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	3,351,737,379	6,566,736,991
Borrowings repaid during the period/ year	(642,951,734)	(899,409,599)
Unamortised arrangement fees	(379,811)	(44,076,750)
Ending balance	<b>13,255,891,731</b>	<b>10,547,485,897</b>
Current:		
Interest-bearing loan and borrowing	1,656,579,206	972,079,868
Non-current:		
Interest-bearing loan and borrowing	11,599,312,525	9,575,406,029
Ending balance	<b>13,255,891,731</b>	<b>10,547,485,897</b>

\* 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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 18 INTEREST BEARING LOANS AND BORROWINGS (continued)

<i>Type</i>	<i>Latest maturity</i>	<i>30 September 2023 (Unaudited) SAR</i>	<i>31 December 2022 (Audited) SAR</i>
<b>Current loans and borrowings</b>			
<b>Loan 1 Syndication Facility A</b>			
Facility A	8 Years	<b>283,786,383</b>	264,264,751
<b>Loan 1 Syndication Facility C</b>			
Facility C	7 Years	<b>170,000,000</b>	92,020,588
<b>Loan 2 BSF</b>			
BSF \$380M	7 Years	<b>152,387,626</b>	139,390,861
<b>Loan 3 SNB</b>			
SNB \$400M	8 Years	<b>167,540,970</b>	133,663,209
<b>Loan 4 AL Rajhi</b>			
AL Rajhi \$250M	8 Years	<b>142,713,662</b>	44,110,821
<b>Loan 5 Al Inmaa Ijara</b>			
Al Inmaa Ijara Loan SAR 2.5 B	8 Years	<b>299,545,964</b>	123,496,026
<b>Loan 6 Al Mashreq</b>			
Mashreq Loan KD 2.7 M	5 Years	<b>6,597,230</b>	8,239,550
Credit Facility 2 – ABK		<b>36,590,324</b>	38,299,274
Credit Facility 3 – EBE		-	71,194
Credit Facility 4 – ENBD		<b>42,834,126</b>	51,742,330
Credit Facility 5 – ADCB		<b>11,025,508</b>	1,473,743
Credit Facility 6 – SAIB		<b>40,102,728</b>	69,254,256
Credit Facility 7 – SCB		-	6,053,265
Credit Facility 8 – EGB		<b>3,455,585</b>	-
Credit Facility 9 – Alinmaa		<b>149,999,100</b>	-
Credit Facility 10 – BSF		<b>150,000,000</b>	-
<b>Total current loans and borrowings</b>		<b>1,656,579,206</b>	972,079,868
<b>Non-current loans and borrowings</b>			
<b>Loan 1 Syndication Facility A</b>			
Facility A	8 Years	<b>3,180,920,587</b>	3,332,838,147
<b>Loan 1 Syndication Facility B</b>			
Facility B	8 Years	<b>1,124,999,999</b>	-
<b>Loan 1 Syndication Facility C</b>			
Facility C	7 Years	<b>1,750,000,000</b>	1,058,236,756
<b>Loan 2 BSF</b>			
BSF \$380M	7 Years	<b>1,151,837,708</b>	1,158,384,975
<b>Loan 3 SNB</b>			
SNB \$400M	8 Years	<b>1,258,973,427</b>	1,359,349,368
<b>Loan 4 AL Rajhi</b>			
AL Rajhi \$250M	8 Years	<b>1,313,796,347</b>	888,332,419
<b>Loan 5 Al Inmaa Ijara</b>			
Al Inmaa Ijara Loan SAR 2.5 B	8 Years	<b>1,805,590,003</b>	1,761,785,265
<b>Loan 6 Al Mashreq</b>			
Mashreq Loan KD 2.7 M	5 Years	<b>13,194,454</b>	16,479,099
<b>Total non-current loans and borrowings</b>		<b>11,599,312,525</b>	9,575,406,029
<b>Total loans and borrowings</b>		<b>13,255,891,731</b>	10,547,485,897

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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### 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, Riyadh 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 September 2023, the Group utilized USD 923.9M (equals to SAR 3,465M) and USD 507.3M (equals to SAR 1,902M) 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 September 2023 are not payable until 31 December 2024 and therefore is recorded as non-current liability.

During the Nine-month period ended 30 September 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 September 2023, the Company utilized USD 351 M (equals to SAR 1,319 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 September 2023, the Group utilized USD 373.8M (equals to SAR 1,402M) 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.



# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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). As at 30 September 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 Inmaa facility includes a separate line amounting to SAR 150,000,000 for the purpose of covering short-term working capital needs. As at 30 September 2023, the Group has utilized SAR 2,277M (equals to USD 607.2 million and SAR 150M (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) (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) (31 December 2022: 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 20M (equals to SAR 75M) (31 December 2022: USD 20M – equals to SAR 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 USD 4M equals to SAR.15M (31 December 2022: 80 million – equals to SAR 12.18M) 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 (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 (31 December 2022: USD 12M – equals to SAR 45M) available for overdrafts &/or Letters of Guarantee available for overdraft. Which is secured by promissory note & is renewable.

Credit Facility 8 is granted by Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to USD 11.4M equals to SAR 42.9M (as of 31 December 2022: NIL) available for overdrafts and/or Letters of Guarantee, which is renewable and secured by promissory note.

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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 19 SHARE CAPITAL AND CAPITAL CONTRIBUTION

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Authorized shares*	<b>858,087,510</b>	1,000,000
Issued shares**	<b>858,087,510</b>	100,000
Shares par value	<b>1</b>	10
Issued and paid-up capital	<b>858,087,510</b>	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 September 2023, the authorised share capital of the Group was SAR 1,129,062,513 comprising of 1,129,062,513 shares

\*\* As explained in Note 1, the Company issued additional shares of SAR 857,087,510 to the Shareholders during the period ended 30 September 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:

<i>Shareholders</i>	<i>Shareholding %</i>	<i>No. of shares</i>	<i>Value SAR</i>
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
	<b>100</b>	<b>100,000</b>	<b>1,000,000</b>

The shareholding structure of the Group as at 30 September 2023:

<i>Shareholders</i>	<i>Shareholding %</i>	<i>No. of shares</i>	<i>Value SAR</i>
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
	<b>100</b>	<b>858,087,510</b>	<b>858,087,510</b>

During the nine-month period ended 30 September 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.

# ADES HOLDING COMPANY (A Mixed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

### 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 September 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:

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i> (Unaudited) SAR	<i>30 September 2022</i> (Unaudited) SAR	<i>30 September 2023</i> (Unaudited) SAR	<i>30 September 2022</i> (Unaudited) SAR
Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS	<b>83,869,311</b>	21,961,766	<b>275,262,461</b>	171,178,615
Weighted average number of ordinary shares – basic and diluted **	<b>858,087,510</b>	- *	<b>628,662,278</b>	- *
Earnings per share – basic and diluted (in SAR per share)	<b>0.10</b>	- *	<b>0.44</b>	- *

\*The earning per share for 30 September 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:

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i> (Unaudited) SAR	<i>30 September 2022</i> (Unaudited) SAR	<i>30 September 2023</i> (Unaudited) SAR	<i>30 September 2022</i> (Unaudited) SAR
Revenue from other related parties	<b>727,002,663</b>	354,632,198	<b>2,012,023,725</b>	1,063,208,446
Revenue from the joint venture	<b>3,142,605</b>	1,648,626	<b>10,191,919</b>	2,009,660
Finance cost from other related parties	<b>(122,827,118)</b>	(24,020,587)	<b>(265,442,937)</b>	(56,476,522)
Net gain on cash flow hedge	<b>30,213,522</b>	3,302,516	<b>61,824,750</b>	16,468,650

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(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 September 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	651,783	-	788,353	-
Joint venture				
- Egyptian Chinese Drilling Co. (S.A.E.)	-	-	-	2,073,153
Entities under common control				
- AMAK for Drilling & Petroleum Services Co.	1,636,843	-	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	-
	<b>9,441,539</b>	<b>80,622</b>	<b>9,838,237</b>	<b>2,153,771</b>

ii) Other significant balances are as follows:

	30 September 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Bank balances and cash with other related parties	148,923,681	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	368,723,564	288,657,505
Other receivables from other related parties	204,707,332	208,450,218
Trade receivables and contract assets from joint venture	8,521,408	3,739,710
Derivative financial instrument with other related parties	102,679,374	40,847,600

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### 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:

	<i>30 September 2023</i> <i>(Unaudited)</i> SAR	<i>31 December 2022</i> <i>(Audited)</i> SAR
Interest rate swaps – Assets	<b>184,572,109</b>	76,102,035
Current	<b>94,608,673</b>	49,663,832
Non-current	<b>89,963,436</b>	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 SOFR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SOFR 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 September 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-SOFR)	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

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### 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:

	<i>Total SAR '000'</i>	<i>Level 1 SAR '000'</i>	<i>Level 2 SAR '000'</i>	<i>Level 3 SAR '000'</i>
<b>30 September 2023</b>				
Derivative financial instrument:				
Interest rate swap	<b>184,572,109</b>	-	<b>184,572,109</b>	-
	<i>Total SAR '000'</i>	<i>Level 1 SAR '000'</i>	<i>Level 2 SAR '000'</i>	<i>Level 3 SAR '000'</i>
<b>31 December 2022</b>				
Derivative financial instrument:				
Interest rate swap	76,102,035	-	76,102,035	-

During the period ended 30 September 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 DIVIDENDS

In the current period September 2023, dividends of SAR 6,827,281 (September 2022: NIL) have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders in respect of 2022 profits.

### 24 SUBSEQUENT EVENTS

Pursuant to the resolution passed in the extraordinary general meetings held on 7 May 2023, the shareholders had amongst other resolved the following:

- i) To increase the Company's authorized share capital from SAR 858,087,510 to SAR 1,129,062,513 (at par value) by way of issuance of new shares part of the IPO process.

On 21 June 2023 the Capital Market Authority ("CMA") approved the Company's application for the offering and issuance of 237,103,128 new shares and 101,615,626 existing shares representing 21% and 9% of the Company's authorized share capital respectively.