ADES Holding Company Reports FY 2023 Results with Remarkable EBITDA Growth of 104% y-o-y and an 84% y-o-y Increase in Normalized Net Profit; the Group delivers the largest jack-up rig deployment plan in the history of the drilling industry

Al-Khobar, KSA - 5 March 2024: ADES Holding Company (*"**ADES**", the "**Group**" or the "**Company**"*), a world leading oil and gas drilling services provider, is pleased to announce its financial results for the year ended 31 December 2023, reporting revenues of SAR 4.3 billion in FY 2023, up 75.6% y-o-y. The Group recorded a normalized net profit[1] of SAR 473.1 million in FY 2023, up 84.2% y-o-y and implying a margin of 10.9%.

Key Financial Figures[2]

SAR mn	FY 2023	FY 2022	*Change*
Revenues	4,331.9	2,467.2	*75.6%*
EBITDA	2,138.8	1,048.6	*104.0%*
EBITDA Margin	*49.4%*	*42.5%*	*+6.9pp*
Net Profit	452.1	397.6	*13.7%*
Normalized Net Profit[1]	473.1	256.8	*84.2%*
CF from Operating Activities before WC	2,104.1	1,032.5	*103.8%*

Financial & Operational Highlights

- Total backlog was in excess of SAR 27.54 bn as at 31 December 2023 vs SAR 27.39 bn in FY 2022.
- Sustained strong utilization rates at 98.0% in FY 2023.
- Revenue up by 75.6% y-o-y in FY 2023 on the back of contribution from the newly deployed rigs in Saudi Arabia ("KSA"), full-year contribution from Qatar, and coupled with higher effective utilization and daily rates.
- Significant EBITDA growth of 104.0% y-o-y in FY 2023, driven by a focus on operational excellence and higher contribution from the offshore segment. EBITDA margin expanded to 49.4% in FY 2023 (+6.9pp y-o-y).
- Net profit was up 13.7% y-o-y in FY 2023, reflecting a high base effect on account of the net impact of non-recurring expenses and non-cash income recognized during FY 2022 of SAR 140.7 mn, mainly related to the non-cash bargain gain recognized on the Group's acquisitions during FY 2022.
- Normalized net profit was up 84.2% y-o-y in FY 2023, driven by strong revenue growth and EBITDA margin enhancement.
- In FY 2023, the Group deployed 14 out of the 19-rig Aramco mega tender in KSA (currently all 19 rigs have been deployed), as well as two of the three rigs awarded in India. Additionally, four of the recent six-rig onshore award in Kuwait were operational by year-end 2023 (all six have been deployed as of date) as well as two onshore rigs in Algeria.
- During the year ADES was awarded an offshore jack-up drilling contract with Pertamina Drilling Services Indonesia ("PDSI"), slated for operation in 2024, marking the Group's entry into the Indonesian market and extending its global footprint to the 8th country of operations.
- Strong outlook for 2024 with expected EBITDA ranging from SAR 2.89-3.04bn in FY 2024, on account of continued operational growth and the ramp-up of the Group's recent expansions.

[1] Excludes non-recuring and one offs non-cash gains/expense, that mainly include bargain purchase gain, provision for impairment of trade receivables, provision for impairment of inventories and other provisions.
[2] All FY 2022 comparative figures in this release are sourced from the audited special purpose consolidated financial statements.

Dr. Mohamed Farouk, CEO of ADES Holding said, “2023 was yet another milestone year for ADES as we successively delivered on our expansion plans and booked a record performance with strong revenue growth of 75.6% year-on-year. In parallel, we successfully completed our listing on the Tadawul Exchange’s main market, a milestone marking the beginning of a new chapter in the Group’s journey. On the ground, we continued to build on our long track record of operational excellence and safety, maintaining utilization rates at an average of 98% during the year and a Recordable Injury Frequency Rate well below the industry average at 0.09 vs IADC standard of 0.51. The Group also efficiently replenished its backlog, which grew by c.1% to SAR 27.54 billion as of year-end, despite a revenue burn-rate of SAR 4.3 billion during the year. This underscores the value proposition of our high-quality drilling services and reflects the confidence our clients have in our capabilities.”

“I am also very pleased with ADES’ success in delivering the largest offshore jack-up rig deployment in the drilling industry, with 19 rigs deployed as part of the Aramco mega tender, further cementing the Group’s partnership with the NOC as its largest jack-up drilling operator. Furthermore, the diversity and resilience of our KSA Jack-up fleet, including the 19 recent awards, six ultra-shallow rigs, and four qualified gas drilling rigs, leave us confident in a potentially limited impact, if any, on our KSA operations in light of the recent updates in the Saudi market. As of date, there have been no changes or updates concerning the activity of ADES’ current contracted KSA fleet.”

“Looking ahead, current market dynamics point to tightness, with offshore jack-up utilization rates reaching 95% and limited newbuild activity. We are already witnessing the impact of these trends with new contract awards and renewals secured at higher daily rates across our markets, a trend that is expected to hold for the medium term. Additionally, the migration of assets into the Middle East in recent years has created a vacuum in several attractive markets, including Southeast Asia, with the Group already growing its presence there with recent awards in India and Indonesia. These trends, in addition to the anticipated demand from the GCC, should to a large extent offset potential excess in supply in Saudi Arabia following the recent developments.”

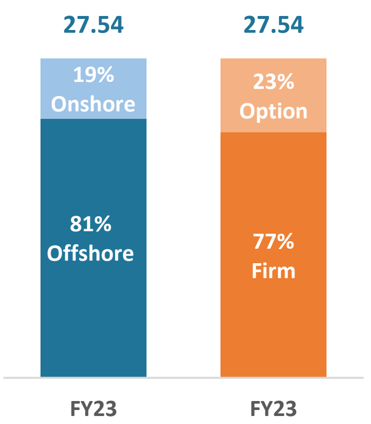
“In 2024, management remains confident in the Group’s growth prospects on account of its strong global platform, with a leading presence in the GCC and MENA regions and a growing footprint in Southeast Asia. This, together with the Group’s large fleet of scarce jack-up rigs, provides ADES with significant optionality and competitiveness that underpins a multi-year growth cycle in the industry. Our Group remains committed to regional growth and operational excellence, coupled with an unwavering commitment to safety, as we seek to continue delivering sustainable returns to shareholders.”

Utilization Rate

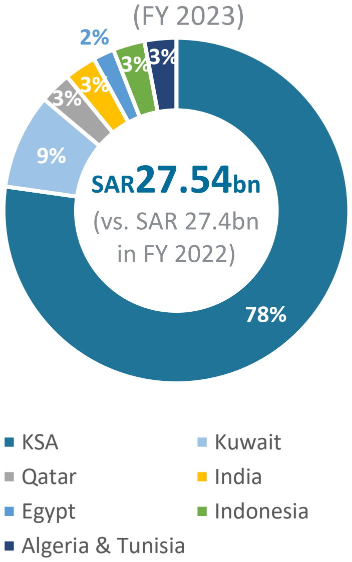
98.0%

in FY 2023
(vs.98% FY 2022)

Backlog Composition
FY 2023 (SAR bn)



Backlog by Geography
(FY 2023)



RIFR[3]

0.09

in FY 2023
(vs.IADC standard of 0.51)

Operational Developments

Maintaining focus on backlog replenishment, operational excellence, and safety

- ADES consistently maintained higher-than-average utilization levels at 98.0% in FY 2023, testifying to the quality and efficiency of the Group's operations.

- Total backlog grew by SAR 152.1 mn or 0.6% in FY 2023 vs FY 2022, despite the revenue burn-rate of SAR 4.33 bn during the year. This translates to total backlog additions during the year of SAR 4.48 bn, driven by extensions for two rigs in KSA; daily rate increase for most rigs in Egypt as well as the addition of a new contract; the addition of two new contracts in India, six contracts in Algeria, and one contract in Indonesia and; the mobilization impact for the ongoing rigs deployment plan. Backlog replenishment underpins ADES' focus on providing long-term and sustainable growth.

- Through the Group's integrated health and safety management frameworks, it has maintained a Recordable Injury Frequency Rate[3] well below the industry average at 0.09 vs. IADC standard of 0.51.

- Weighted average remaining contract tenor stood at 5.35 years in FY 2023 reflecting the Group's focus on long-term contracts as they underpin the predictability of financial performance and the sustainability of the business.

Delivering against our rig deployment plan and expansion strategy

- 14 rigs out of the 19-rig mega tender in Saudi Arabia were operational as of year-end 2023, and currently all 19 rigs have been deployed.

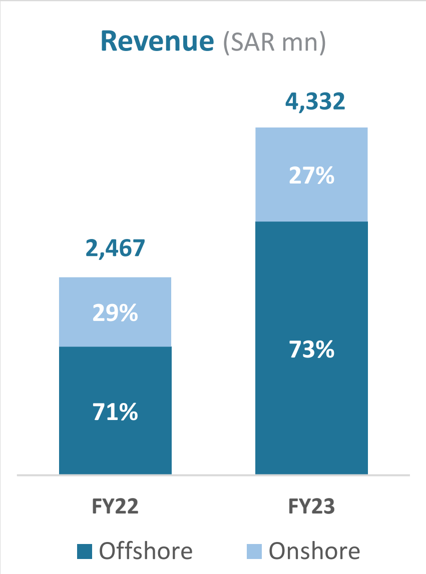
- Four rigs started operations in Kuwait from the six recent awards with KOC during 2023, and currently all six rigs have been deployed.

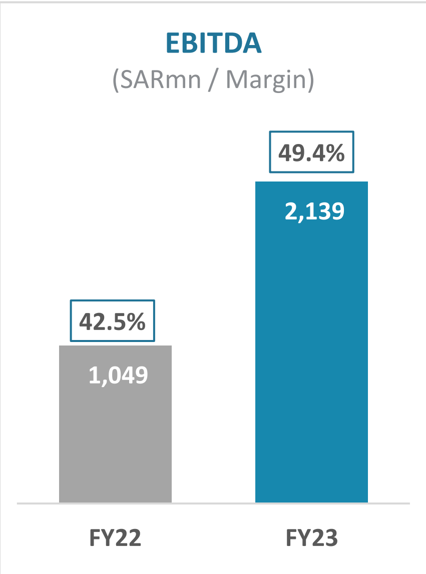
- During FY 2023, ADES secured two additional contracts in India, in addition to the one secured in 2022. Two out of the three rigs contracted in India have been deployed and started operations in FY 2023.

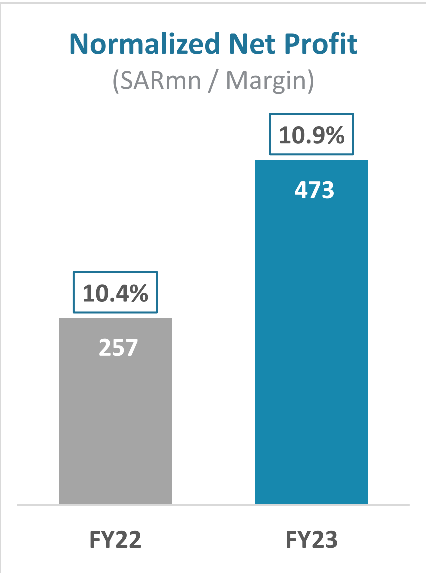
- The Group was awarded a three-year contract for four rigs from its idle onshore fleet in Algeria, with one rig already deployed during 2023 and the remaining three rigs to be deployed in 2024. Following these awards the Group now has no idle rigs in Algeria.

- In 4Q 2023, ADES signed a long-term drilling contract with Pertamina Drilling Services Indonesia ("PDSI") for its jack-up drilling rig, "Emerald Driller," in the Java Sea, Indonesia, marking ADES's entry into the Indonesian market and extending its global footprint to the 8th country of operations. The contract has a three-year tenor with a two-year option and is slated for operation in the second half of 2024.

[3] *Recordable Injury Frequency Rate per 200,000 working hours*







- In aggregate, the Group's total number of operating rigs as of 31 December 2023 increased from 48 in FY 2022 to 67 rigs in FY 2023, representing a c.40% y-o-y increase.

- ADES also received notifications of extension for three of its offshore jack-up rigs operating in Egypt during 1Q 2024. The three rigs are contracted by the General Petroleum Co. (GPC), which has notified the Group of a two-year extension for the Admarine III and Admarine VI contracts, as well as a one-year extension for the Admarine V contract.

- In 1Q2024, the Group was also awarded a service contract agreement with the Egyptian General Petroleum Corporation (EGPC) – as part of a consortium partnership with a leading local Exploration and Production (E&P) player – to operate and enhance production in key oil brownfields in Egypt. The new award has a 10-year tenor, extendable for a further 10 years. The award comes as part of the Group's efforts to expand its service offering and provide tailored solutions to its clients.

Financial Performance

- In FY 2023, the Group delivered **remarkable revenue growth** of 75.6% y-o-y (+SAR 1.86 bn) to SAR 4.33 bn. This strong performance was driven by several factors, including the Group's latest acquisition in KSA, which was completed in the fourth quarter of 2022 and added four operational rigs to the company's portfolio; the deployment of 14 rigs out of the 19 contracts of the Aramco Mega Project, a substantial increase compared to the two-rig contribution during FY 2022 and; the full-year revenue contribution from the three rigs acquired in Qatar, in contrast to their c.7 -month contribution in the previous fiscal year. Furthermore, higher utilization rates in KSA and Egypt, coupled with elevated effective daily rates, further fuelled revenue growth. Lastly, the onshore segment benefited from the addition of six rigs from newly awarded contracts in Kuwait and Algeria, contributing to the overall robust performance in FY 2023.

- The significant increase in revenue and growing contribution from the offshore segment led to strong profitability improvements, with **EBITDA** up 104.0% y-o-y in FY 2023. This translated into an EBITDA margin of 49.4% in FY 2023 (+6.9pp YoY). EBITDA margin enhancement was also driven by the Group's lean cost structure.

- **Net profit** was up 13.7% y-o-y in FY 2023, reflecting a high base effect on account of the net impact of non-recurring expenses and non-cash income recognized during FY 2022 of SAR 140.7 mn, mainly related to the non-cash bargain gain recognized on the Group's acquisitions during FY 2022.

- **Normalized net profit** was up 84.2% y-o-y in FY 2023, driven by the significant growth in revenue and EBITDA margin enhancements. This was partly offset by interest expenses incurred on the back of refurbishment projects that will normalize in 2024 after all rigs under project have been deployed.

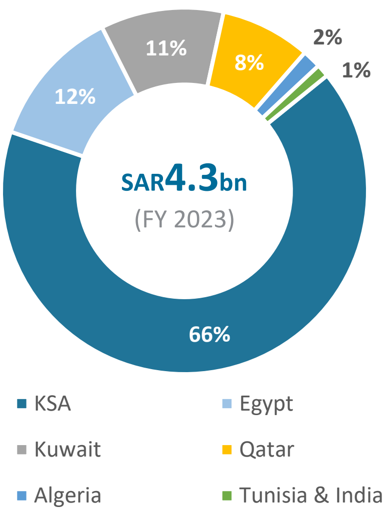
It's worth noting that the 84.2% y-o-y growth in normalized net profit in FY 2023 is after excluding the aforementioned net impact of non-recuring expenses and non-cash income in FY 2022, as well as SAR 21.0 mn in non-recurring IPO expenses and provisions booked in FY 2023.

- Solid **operating cash flow** generation of SAR 2,104.1 mn in FY 2023 compared to SAR 1,032.5 mn a year earlier, representing a 103.8% y-o-y growth and reflecting the significantly expanded business size and substantial growth in top line and EBITDA generated during the year.

- Aggregate **capital expenditure** during the FY 2023 stood at SAR 4,048 mn, in line with management's expansion and acquisitions strategy, as well as overall fleet maintenance costs.

- **Net debt** stood at SAR 9,917 mn in FY 2023, down from SAR 10,357 mn in FY 2022, reflecting the utilization of 85% of the Group's net primary IPO proceeds (SAR 3.1 bn) in reducing indebtedness, while the remaining c.15% were utilized to fund ongoing capital projects, in line with IPO use of proceeds plan announced to the market in the prospectus.

Revenue by Geography



Performance by Geography

SAR mn	FY 2023	FY 2022	Change
Saudi Arabia	2,860.9	1,571.5	82.0%
Egypt	534.9	341.6	56.6%
Kuwait	471.2	313.1	50.5%
Qatar	344.9	201.1	71.5%
Algeria	70.5	25.5	175.9%
Tunisia	31.3	14.2	120.6%
India	17.9	-	-
Total	**4,331.9**	**2,467.2**	**75.6%**

The significant increase in revenue of 75.6% y-o-y in FY 2023 reflected a major increase in activity across existing geographies as well as contributions from new markets, thanks to the Group's recent expansions.

- Group revenues in **Saudi Arabia** surged by 82.0% y-o-y in FY 2023. This growth was primarily fueled by the Group's latest acquisition in KSA, which was completed in the fourth quarter of 2022 and added four operational rigs to the company's portfolio, as well as the partial contribution from 14 out of the 19-rig mega project with Aramco that gradually commenced operation starting late 2022 Additionally, KSA revenues were supported by higher daily rates and improved utilization of the Group's existing active fleet in KSA.

- In **Egypt**, revenue growth of 56.6% in FY 2023 was driven by higher daily rates and utilization.

- Revenue growth in **Kuwait** reached 50.5% in FY 2023. This growth was primarily attributed to the commencement of operations of four rigs as part of a newly awarded six-rig contract.

- In **Qatar**, revenue surged by 71.5% year-over-year in FY 2023. This growth reflected the full-year contribution of the new geography versus only seven months in FY 2022. ADES officially entered the Qatari market in May 2022, contributing to this substantial increase in revenue.

- **Algeria** witnessed significant revenue growth of 175.9% year-over-year in FY 2023. This growth was driven by contributions from two new rigs out of the recent contract awards, along with higher utilization rates.

- **Tunisia** experienced notable revenue growth of 120.6% in FY 2023, primarily due to improved utilization rates.

- Revenue contribution from **India** in FY 2023 amounted to SAR 17.9 million. This reflected the contributions of two rigs that started operations at the end of 4Q 2023, out of a total of three newly contracted rigs.

Performance by Segment

SAR mn	FY 2023	FY 2022	*Change*
Offshore			
Revenue	3,160.5	1,602.1	*97.3%*
Gross Profit[4]	1,961.8	887.5	*121.0%*
Gross Profit Margin	*62.1%*	*55.4%*	*+6.7pp*
Onshore			
Revenue	1,171.3	865.1	*35.4%*
Gross Profit[4]	534.0	398.3	*34.1%*
Gross Profit Margin	*45.6%*	*46.0%*	*-0.6pp*

The significant growth in revenue and gross profit was largely driven by the offshore segment with higher daily rate and profitability:

- Contribution from latest acquisition in KSA completed in 4Q 2022.
- Revenues being generated from 14 deployed rigs out of the 19 additional rigs awarded in Saudi Arabia (Aramco mega project).
- Higher contribution from Qatar rigs during FY 2023.
- Higher utilization rate in Saudi Arabia and Egypt coupled with higher effective daily rates.

The onshore segment benefited from the contribution of six rigs from the newly awarded contracts and additional operating rigs in Kuwait and Algeria.

As a result of that significant growth, the offshore segment represented nearly 73.0% of total revenues in FY 2023, versus 64.9% in FY 2022.

[4] *Gross profit excludes depreciation.*

Outlook and Guidance

The Group's guidance for FY 2024 is for EBITDA ranging from SAR 2.89-3.04bn, driven by the following factors:

- **Continued execution of the Group's rig deployment plan and ramp-up of the Group's recent expansions**, which includes the recently deployed rigs in the Kingdom of Saudi Arabia & Kuwait. Additionally, the Group also expects to deliver on the deployment of the newly awarded contracts in Algeria, India, and Indonesia during 2024.

- Additionally, the **current tight market conditions in the offshore jack-up market** – with active utilization approaching 95% and with elevated new-build costs leaving only a handful of jack-up orders at shipyards globally – provides for growing incremental demand with conservative estimates of 10-14 rigs annually through 2026[5]. The impact of these trends is already being reflected in higher daily rates as validated by the Group's recent awards. Additionally, the migration of rigs into the Middle East in recent years has created a vacuum in attractive markets such as India and Southeast Asia which, together with anticipated demand from GCC states, should to a large extent offset potential excess in supply in the Saudi market following the recent developments.

- In light of the above, management remains confident in the Group's growth prospects on account of its strong global platform, with a leading presence in the GCC and MENA regions and a growing footprint in Southeast Asia. This combined with the Group's large fleet of scarce jack-up rigs, provides significant optionality and competitiveness that underpins a multi-year growth cycle in the industry.

– Ends –

[5] *Clarksons Securities Research*

Results Documents

Documents related to the FY 2023 results can be found on ADES Holding Company's IR website section: investors.adesgroup.com

About ADES Holding

ADES Holding Company, headquartered in Al Khobar in the Kingdom of Saudi Arabia, is a leading oil and gas drilling and production services provider in the MENA region and India. The Company has over 8,000 employees and a fleet of 87 rigs across eight countries in the MENA region and India, including 38 onshore drilling rigs, 46 jack-up offshore drilling rigs, two jack-up barges, and one mobile offshore production unit ("MOPU").

For more information, visit investors.adesgroup.com

For investor relation inquiries, please contact: investor.relations@adesgroup.com

Definitions and Abbreviations

Backlog	The total amount payable to the Group during the remainder of the current relevant contract in addition to any optional extension to the customer stipulated in the contract.
Weighted Average Remaining Contract Tenor	Represents the remaining contract tenor for our backlog, weighted by backlog value of each contract.
EBITDA	EBITDA is the revenues from contracts with customers after deducting the cost of sales and general & administration expenses while adding back depreciation expense.
Utilization rate	The Group's calculation of the utilization rate refers to its measure of the extent to which contracted assets available in the area of operation generate revenue from customer contracts. The Group calculates these rates for each rig by dividing the days of utilization by the potential days of utilization. Utilization rates depend mainly on the Group's ability to maintain related equipment in working condition and its ability to obtain replacement parts and other spare parts. Since the utilization rate calculation mechanism does not include inactive rigs or those that are being refurbished or equipped, the reported utilization rate does not reflect the overall utilization of the Group's fleet, but only those active and contracted rigs.
Net Debt	Interest-bearing loans and borrowings, excluding lease liabilities and less cash on balance sheet.
IADC	International Association of Drilling Contractors.
Normalized Net Profit	Calculated as the reported net profit after deducting the bargain purchase gain and adding back the provision for impairment of trade receivables, provision for impairment of inventories, provision for impairment of investment, other provisions, and IPO expenses.
Operating Costs	Cost of sales and general and administrative expenses, excluding the cost of depreciation.
RIFR	Recordable Injury Frequency Rate is calculated per 200,000 working hours.
Year over Year (YoY)	A measure of a company's growth in one time period with the same time period one year earlier.

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