ADES
ADES HOLDING
أديس القابضة

# Regional Powerhouse Global Outlook

Annual Report 2023

ADES' legacy is rooted in innovation, market insight, and an agile business model that has seen it cement its footing as a national drilling champion in KSA with a strong global platform.

# Regional Powerhouse

## Global Outlook

# Content

# Chairman's Note

Dear Shareholders,

It is with immense pleasure that I present to you ADES' inaugural annual report as a publicly listed company on the esteemed Tadawul Exchange. This marks a significant milestone in our journey of growth and prosperity. In 2023, we successfully delivered remarkable revenue growth and operational excellence, all the while maintaining industry-leading safety metrics as our true north. This standout performance during the year came despite the global macroeconomic challenges, a testament to the effectiveness of the Group's strategy and business model that have been carefully formulated over the years.

Over the past two decades, ADES has undergone a remarkable transformation from a local driller primarily operating in North Africa to becoming one of the largest drilling operators in the region with an expanding global presence. Presently, we stand as a national champion in the Kingdom of Saudi Arabia, boasting a fleet of 87 rigs and operations spanning nine[1] countries, with exciting prospects in Indonesia and Thailand slated to commence in 2024.

Since inception in 2002, our journey has been marked by strategic foresight and meticulous execution. We have perfected a resilient, cycle-proof business model, consistently delivering operational excellence while nurturing high-quality client relationships. Crucially, our approach to growth has always been anchored in prudence, ensuring sound liquidity and funding structures.

In 2017, we made our debut in equity markets with our initial public offering on the London Stock Exchange, raising capital to fuel our next growth phase. Subsequently, we pursued disciplined, value-enhancing acquisitions, acquiring 37 rigs between 2017 and 2019, significantly expanding our market presence and driving substantial growth in revenue, EBITDA, and backlog.

> "ADES is a leading contributor to the localization of the Saudi oil and gas sector, promoting local partners across the industry's value and supply chains while building a diversified workforce with a strong core local presence."

A pivotal moment came in 2021 with strategic investments from the KSA's Public Investment Fund (PIF) and the Zamil Group, underscoring their confidence in our ability to generate sustainable long-term value. This partnership propelled us into the next chapter of our growth journey with new strategic shareholders who are committed to our industry. At the time, the decision to delist from the LSE in favour of a private structure was driven by a desire for greater flexibility in pursuing strategic opportunities, particularly in capital allocation and financing. This move has positioned us to focus on building a national drilling champion in the Kingdom of Saudi Arabia and on pursuing our global ambitions.

Between 2021 and 2023, we dedicated ourselves to strengthening relationships with stakeholders and aligning our strategy with the Kingdom's localization drive and the wider Saudi Vision 2030. We kicked off the strategy by relocating our headquarters from Dubai to Al-Khobar to further solidify our ties with key partners, and to facilitate collaboration with our key client in the Kingdom and enhance our operational efficiency.

Today, ADES is a leading contributor to the localization of the Saudi oil and gas sector, promoting local partners across the industry's value and supply chains while building a diversified workforce with a strong local presence. I am pleased to report that we have reached a Saudization rate of 74%[2] for our KSA operations, with Saudi nationals forming the core of our total global workforce of over 8,000 employees across 67 nationalities. Meanwhile, our firmwide drive to source materials and services from local

**c.74%**
Saudization Rate

**+1,200**
Jobs Created in KSA in 2023

**52%**
IKTV Rate

**63.7x**
IPO Oversubscription Rate

1 Includes Indonesia – where ADES was awarded a drilling contract in late 2023 – as well as Thailand – where the Group received a letter of intent (LOI) in March 2024 – with operations and revenue contribution from these new geographies expected to commence starting the second half of 2024.
2 As of 31 December 2023.

suppliers has helped us attain an IKTV rate of 52%[3], with significant operational and financial synergies.

Our commitment to the local economy is also exemplified in ADES' role in attracting and retaining hard currency proceeds for the Kingdom. In 2023, the Group consolidated SAR 1.47 billion (c.USD 392 million) in revenues generated from our business activities outside Saudi Arabia, constituting 34% of our total revenues for the year.

We are also very pleased with the successful completion of our IPO on the Tadawul Exchange in October 2023, which helped attract foreign direct investment into the country and supported the Kingdom's goal of becoming a global investment powerhouse. Our offering of 30% of ADES' outstanding shares to optimize our capital structure and unlock further capacity for growth attracted strong demand and was significantly oversubscribed. Overall, our IPO raised some SAR 4.6 billion (USD 1.2 billion) and was 63.7x oversubscribed with an international subscription rate of 11.6x, one of the highest for a Tadawul IPO and a testament to investors' confidence in our value proposition.

The success of our IPO would not have been possible without the unwavering support and guidance of the local regulators throughout the process, including the Capital Market Authority and the Tadawul Exchange. Their expertise and dedication were instrumental in ensuring the success of this pivotal event in our Company's history.

Having firmly established ADES' roots in the Middle East's premier business hub, we are laser-focused on delivering on our Group's expansion strategy in the Kingdom and beyond. Through both organic and inorganic opportunities, ADES will continue strengthening its position as national drilling champion in KSA and align its global ambitions with the Kingdom's vision of fostering global market leadership for Saudi companies. Our goal is to stay true to the vision of His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al-Saud to "encourage our major corporations to expand across borders and take their rightful place in global markets." A vision ADES is fully aligned with.

In line with this commitment, we undertook several key initiatives over the previous years to deliver on this strategy, including strengthening our local presence with the successful completion of rig acquisitions in 2021 and 2022. Furthermore, we secured a significant portion of the Aramco mega tender, which saw us deliver the largest offshore jack-up deployment in the history of the drilling industry, an achievement that underscored our leadership in the Kingdom. On the global front, ADES now boasts operations across eight[4] key markets outside of KSA, both in the MENA region and in new frontiers such as India, Indonesia and Thailand. Our strategy going forward will see us continue expanding our global presence both organically and inorganically, targeting growth in existing countries as well as in new geographies with similar market dynamics to ADES' current markets, with a particular focus on Southeast Asia.

Parallel to our growth ambitions, we remain steadfast in our commitment to governance and sustainability. Strong governance standards have been instrumental in our expansion, ensuring effective risk management and long-term value creation. Additionally, as a leading player in our industry and as we continue to expand globally, it is imperative that our sustainability journey reflect the position and scale of our business so that we can continue to positively impact the communities where we do business. As such, we have initiated efforts to embed sustainable practices across our organization, and we are intensely committed to continuously enhancing ADES' sustainability performance disclosures with increased transparency. A more detailed account of our sustainability strategy and efforts is available on page 82 of this report.

Looking ahead, I am confident in our ability to sustain operational excellence and resilient growth. I extend my heartfelt gratitude to our Board of Directors and our shareholders for their unwavering support and guidance, and to every ADES employee whose dedication drives our success. As we forge ahead, I eagerly anticipate continuing this journey of value creation and long-term success alongside each of you.

**Ayman Abbas**
**Chairman**

"Parallel to our growth ambitions, we remain steadfast in our commitment to governance and sustainability. Strong governance standards have been instrumental in our expansion, ensuring effective risk management and long-term value creation."

3 In-Kingdom Total Value Add, a program created by Aramco to baseline, measure and support increased levels of localization in KSA. Value as of 31 December 2022
4 Includes Indonesia – where ADES was awarded a drilling contract in late 2023 – as well as Thailand – where the Group received a letter of intent (LOI) in March 2024 – with operations and revenue contribution from these new geographies expected to commence starting the second half of 2024.

# Group Overview

ADES Holding Company is a Saudi-based, world-leading provider of oil and gas drilling production services, with a legacy of operational excellence, service quality and a commitment to creating sustainable value.

| 9 | 87 | +8,000 | 4.3 SAR bn |
|---|---|---|---|
| Operating Countries[2] | Offshore and Onshore Rigs | Highly Skilled Team Members | Revenues in 2023 Up 76% y-o-y |

## ADES in Brief

ADES Group ("ADES", "the Company" or "the Group") was founded in 2002 and has since grown into a is a world leading international drilling services provider and the largest offshore jack-up drilling rig operator globally[1]. The Group's evolving portfolio of services primarily includes onshore and offshore contract drilling and workover services and operates principally in onshore, ultra-shallow and shallow water non-harsh environments. ADES focuses on creating value for its clients by offering competitive rates for services, leveraging its resilient business model, efficient cost structure, highly skilled workforce and best-in-class operational performance.

Over the years, ADES has expanded its regional footprint and now operates an aggregate fleet of 87 rigs across its nine[2] geographies, boasting a leadership position in the Kingdom of Saudi Arabia ("KSA" or "the Kingdom") and a strong presence in Kuwait, Egypt, Algeria, Tunisia, Qatar, India, Indonesia and Thailand. Its highly skilled workforce of over 8,000 employees serves clients including major national oil companies ("NOCs") such as Saudi Aramco, Kuwait Oil Company, North Oil Company in Qatar, as well as joint ventures of NOCs with major international oil companies ("IOCs"). Across all its operations, ADES adheres to strict health and safety protocols, which have seen the Company maintain a superior health, safety, and environmental record throughout the years.

ADES's legacy is rooted in innovation, market insight, an agile decision-making process, and a non-speculative approach to growth. These factors along with its entrepreneurial DNA have seen the Group develop a track record of over 20 years of cycle-proof operations with a high percentage of assets under contract, robust profitability, and sustainable value creation for its clients and stakeholders.

1 Based on the number of rigs owned by the Group and according to the industry report by Westwood
2 Includes Indonesia – where ADES was awarded a drilling contract in late 2023 – as well as Thailand – where the Group received a letter of intent (LOI) in March 2024 – with operations and revenue contribution from these new geographies expected to commence starting the second half of 2024.

## Our Values

Maintaining strong values is essential to ADES' success and continued growth. Across all areas of ADES' business, the Group strives to uphold its core values for the benefit of our customers, partners, employees, and shareholders alike. The ADES Core Values are:

### Safety

Personal and operational safety are the Group's true north and its licence to operate. Our commitment to our people is that everyone should get back home safely.

### Integrity

Ensuring that the Group's individual and corporate activities are bounded by honesty and ethical conduct.

### Agility

Being alert to changes and moving quickly and decisively to meet the challenges that emerge from such changes.

### Customer Focus

All of the Group's decisions are taken with the Group's clients in focus and aimed to add value for the clients.

### Innovation

Promoting an innovative culture and attitude by applying creative thinking to every segment of the Group's work.

### Operational Excellence

Providing a level of service that exceeds the expectations of the Group's clients while remaining environmentally and socially conscious.

# Our Value Proposition

### Leading Global Drilling Operator
ADES is focused on the most attractive and resilient drilling markets with a growing global footprint

### High Barriers to Entry
Operating in markets with high barriers to entry with prequalification status from more than 30 existing and potential clients

### Resilient by Design
ADES' business model is resilient by design and well-equipped to withstand market cycles and deliver sustainable performance

### High Quality Client Relationships
ADES is the partner of choice for the largest and most reliable energy suppliers globally thanks to its track record of operational excellence

### Solid Backlog
ADES' robust contracts and predictable cash flows are underpinned by its solid backlog and provide for long-term visibility

### Non-Speculative Approach to Growth
ADES boasts a track record of disciplined and non-speculative acquisitions, focused on delivering value-accretive growth

### Robust HSE Policies
ADES deploys robust HSE and boasts an exemplary safety record, with a Total Recordable Injury Rate (TRIR) per 200,000 working hours of 0.09 vs. IADC average of 0.51 (Dec-23).

### Strong Leadership
ADES is led by a highly capable management team and Board of Directors and is supported by strategic stakeholders

> Our ESG Framework is aligned with the UN Sustainable Development Goals, the Saudi Vision 2030, and major energy players globally.

## Sustainability

Since inception, sustainability has been a guiding principle in everything at ADES, with the Group's approach to responsible operations built upon an ethos of continued attention, improvement, and development of sustainable practices across its footprint. As a regional champion and a leading global operator in the drilling sector, it is imperative for ADES' sustainability practices to reflect the scale of its business so that it can continue to effectively mitigate the impacts of its operations and positively impact the communities where it does business. As such, our ESG Framework is aligned with the UN Sustainable Development Goals, the Saudi Vision 2030, and major energy players globally. Details of our practice and approach are available in the Sustainability section of this report on page 82.

# ADES Services

ADES' primary business activities include the provision of onshore and offshore contract drilling and workover services, mobile offshore production unit ("MOPU") services, as well as accommodation, catering, and barge-based project services.The Group's uniqueness lies in the fact that it is able to offer both onshore and offshore drilling services on a global scale as opposed to the majority of its competitors who typically focus on just one of the two within the region. This not only allows ADES to stand out from the competition, but also ensures access to a larger pool of potential business segments.

## Offshore Drilling & Workover

The Group currently conducts its offshore drilling and workover services in the KSA and in Egypt through its fleet of "legacy" jack-up rigs and premium jack ups. The Group also conducts offshore drilling and workover services in Qatar and India and has been awarded contracts to start operation in Indonesia and Thailand in 2024.

The offshore drilling and workover operations are currently focused on the development, production, and workover phases of the oil and gas fields life cycle and are focused in shallow-water and non-harsh environments.

## Onshore Drilling & Workover

ADES' onshore operations are mostly conducted in Kuwait, Saudi Arabia, Egypt, Algeria and Tunisia. Today, the Group offers onshore drilling and workover services to a diverse roster of NOCs and International Oil Companies ("IOCs"), with a fleet of 38 rigs comprised of both legacy and new-build rigs.

The onshore drilling process typically involves exploration, development and production phases, and the Group is involved in the drilling phase. Workover jobs comprise the maintenance, repair, and/or any enhancement of a well's production.

ISO IADC

## Elite Qualifications

**ADES' prequalification status with leading NOCs and IOCs in the region alongside its world-class qualifications are invaluable in ensuring the Group's success in bidding processes across its countries of operation. Today, ADES boasts prequalification status from more than 30 clients or potential clients in 14 different markets.**

### ADES' Prequalifications

**Some of ADES' prequalification clients include Aramco, KOC, ENI, TotalEnergies, ONGC, EGPC, KJO, PEMEX, Sonatrach, PTTEP, Qatar Energy**

### ABS

**The Group's operational drilling offshore fleet is certified by the American Bureau of Shipping "ABS" or currently pending recertification.**

### ISO Certifications

**ISO 9001:2015, ISO 14001:2015 and 45001:2018 Certifications**

### Memberships

**IADC: International Association of Drilling Contractors**

## MOPU Services

ADES launched its MOPU services in February 2016 with the deployment of Admarine I in the Gulf of Suez, Egypt. The MOPU is a modified jack-up rig that was converted to a mobile offshore platform and is equipped with production and process facilities. The MOPU highlights the Group's agility and ability to provide innovative solutions to its clients in challenging market conditions by facilitating early production in a shorter timeframe, and with a lower upfront investment cost than would be possible with a fully-fledged production facility. This innovative model further strengthens ADES's position as a market leader in the offshore market.

## Jack-up Barge and Project Services

To complement ADES' offshore offering, the Group also owns two offshore jack-up barge, Admarine II and Admarine 12, both operating in Egypt's Gulf of Suez. Offshore jack-up barges are used for a wide range of marine tasks, including pipe laying, and can be equipped with heavy lifting cranes and a firefighting system. The jack-up barges can also serve as an offshore accommodation. The Group currently uses these jack-up barges to provide offshore support to its clients, including barge services, materials, accommodation, equipment and construction support related to well intervention and other projects.

## Other Services

The Group provides manpower, well platform installation, maintenance and repair services, catering accommodation services, and equipment rental to its offshore rig clients and their personnel onboard ADES' units. Although the supply of equipment is typically the client's responsibility, ADES is able to rent equipment to clients whenever they may require it or prefer to rent it.

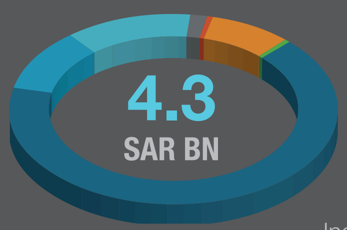
# A Firm Footing for Global Reach

With 87 rigs across nine markets[3], ADES is a leading global drilling operator and is partner of choice for key energy suppliers in some of most attractive drilling markets.

From its home market and leading position in the Kingdom of Saudi Arabia, ADES operates a global fleet of 87 rigs, including 38 onshore drilling rigs, 46 jack-up offshore drilling rigs, two jack-up barges, and one mobile offshore production unit ("MOPU"). The Group is considered the largest jack-up offshore drilling operator globally[4] and a leader in shallow water offshore and onshore drilling.

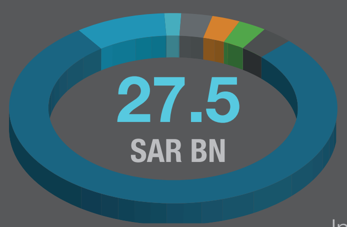
ADES is present in the most attractive drilling markets globally, characterized by low extraction costs, non-harsh environments, strong growth prospects and high barriers to entry. Over the past two decades the Group has been able to expand its footprint across nine[3] key geographies, including KSA, Kuwait, Egypt, Algeria, Tunisia, Qatar, India, Indonesia and Thailand, leveraging its ability to identify underserved, niche profitable markets and consolidating its position through non-speculative and value-accretive acquisitions.

## 2023 Revenue by Geography




| | |
|---|---|
| KSA | 66.0% |
| Kuwait | 11.0% |
| Egypt | 12.3% |
| Algeria | 1.6% |
| Tunisia | 0.7% |
| Qatar | 8.0% |
| India | 0.4% |
| Indonesia[3] | - |

## 2023 Backlog by Geography



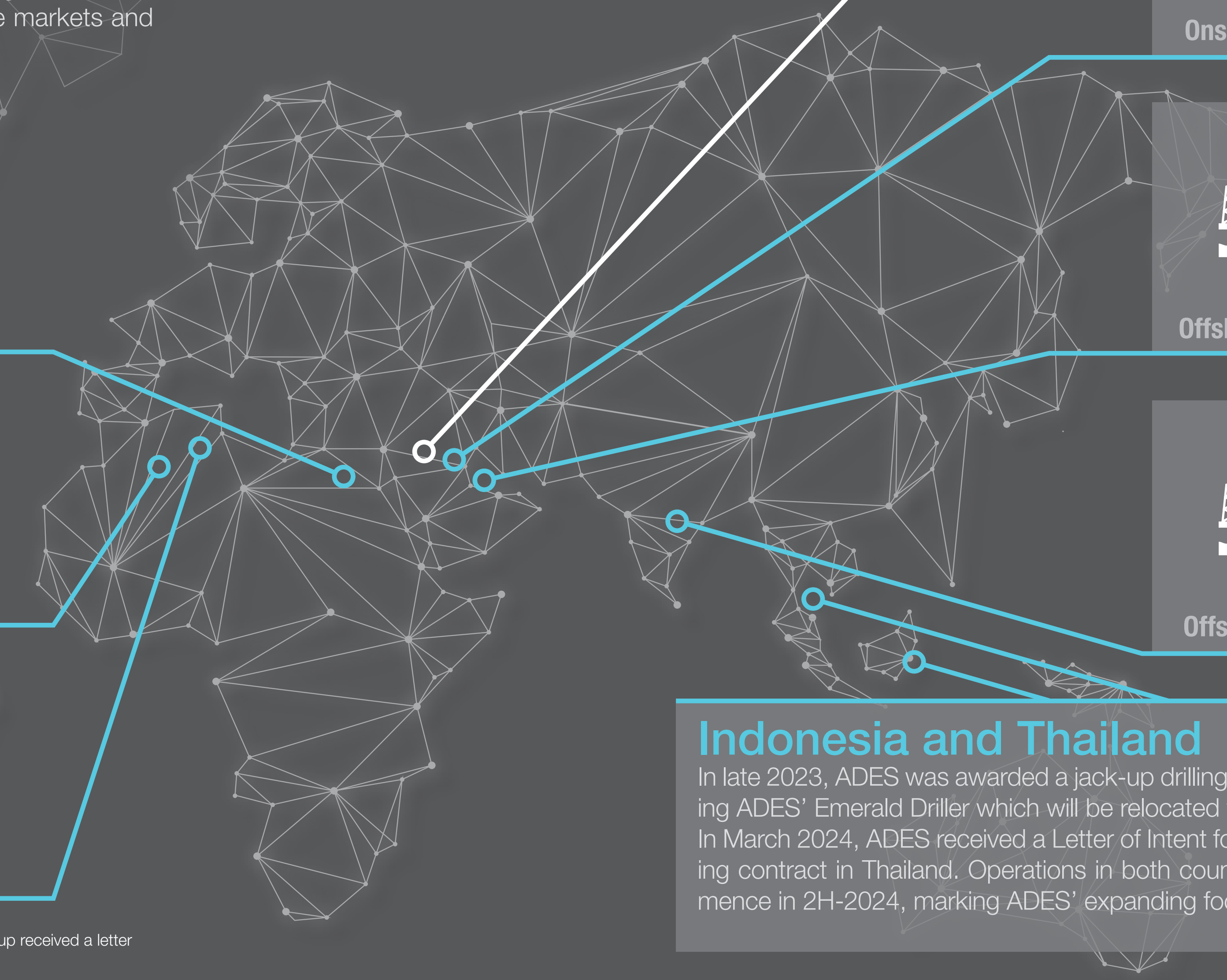

| | |
|---|---|
| KSA | 77.6% |
| Kuwait | 8.8% |
| Egypt | 1.9% |
| Algeria | 3.0% |
| Tunisia | 0.1% |
| Qatar | 3.0% |
| India | 2.7% |
| Indonesia | 2.9% |

## The National Leader in KSA

ADES is the national leader in offshore drilling in the Kingdom of Saudi Arabia – which is the single largest oil and gas drilling market globally – and is the largest jack-up rig operator for Saudi Aramco. ADES' firm footing in the Kingdom was built on a reputation for service excellence and a drive for market consolidation.

33 Offshore Rigs | 14 Onshore Rigs | +4,500 Headcount

Today, ADES operates a total of 47 rigs in KSA, including 33 jack-up rigs contracted to Saudi Aramco after delivering one of the largest rig deployment programs ever awarded to a driller by KSA's NOC, with ADES winning tenders for 19 rigs. In 2023, 14 out of the 19-rig award were deployed during the year with all 19 rigs completed during Q1-2024.



### Kuwait

14 Onshore Rigs | +1,000 Headcount

### Egypt

10 Offshore Rigs | 3 Onshore Rigs[5] | +1,480 Headcount

### Qatar

3 Offshore Rigs[5] | +370 Headcount

### Algeria

6 Onshore Rigs | +340 Headcount

### India

3 Offshore Rigs | +280 Headcount

### Tunisia

1 Onshore Rigs | +70 Headcount

### Indonesia and Thailand

In late 2023, ADES was awarded a jack-up drilling contract in Indonesia, utilizing ADES' Emerald Driller which will be relocated from Qatar to the Java Sea. In March 2024, ADES received a Letter of Intent for an 18-month jack-up drilling contract in Thailand. Operations in both countries are expected to commence in 2H-2024, marking ADES' expanding footprint in Southeast Asian.

3 Operations and revenue contribution from Indonesia – where ADES was awarded a drilling contract in late 2023 – as well as Thailand – where the Group received a letter of intent (LOI) in March 2024 – are expected to commence starting the second half of 2024.
4 Based on the number of rigs owned and according to the industry report by Westwood.
5 Two onshore rigs were relocated from Egypt to Algeria to serve newly awarded contracts, while one offshore rig will be relocated from Qatar to Indonesia by 2H-2024.

# An Evolutionary Journey

Over the past two decades ADES has delivered a remarkable growth story from humble beginnings as a local shallow water offshore driller in North Africa, to the largest jack-up offshore drilling operator globally and a regional leader in onshore drilling.

## Perfecting Our Model
Gulf of Suez

1 Market
2 Rigs
365 SAR mn
2012 Backlog

**2002**
Established in Cairo, Egypt

**2012**
Acquired the first jack-up rig to operate in Gulf of Suez in Egypt

## Scaling Up
MENA Expansion

**2015**
2 Markets
4 Rigs
740 SAR mn
Backlog

Became the largest offshore driller in Egypt

Entered Algeria; first expansion outside Egypt

**2016**
3 Markets
13 Rigs
1.9 SAR bn
Backlog

Entered the KSA

**2017**
3 Markets
14 Rigs
1.5 SAR bn
Backlog

Listed on the LSE

## Accelerating Growth
GCC Focus

**2018-19**
4 Markets
51 Rigs
4.9 SAR bn
2019 Backlog

Acquired Weatherford and Nabors Rigs

Entered Kuwait

Tapped the bonds market with the first senior secured bonds issuance

**2021**
5 Markets
56 Rigs
6.7 SAR bn
Backlog

De-listed from the LSE

Acquired four jack-up rigs from Noble

Entered the Tunisian market

Moved its headquarters to Al Khobar

**2022**
7 Markets
85 Rigs
27.4 SAR bn
Backlog

Awarded the Aramco Megaproject

Acquired seven jack-up rigs from Seadrill

Entered Qatar

## Strengthening Leadership
Global Outlook

**2023**
8 Markets
87 Rigs
27.5 SAR bn
Backlog

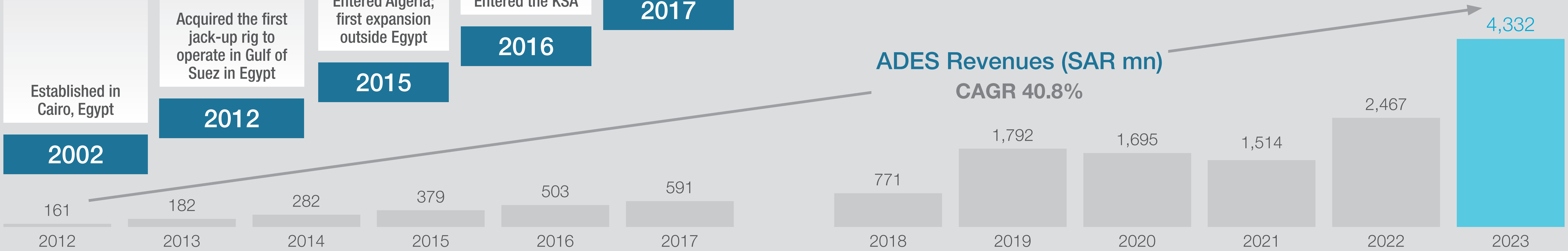
Continued to deliver one of the largest rig deployment programs ever awarded to a driller by Saudi Aramco with 19 jack-ups

Entered India

Entered Indonesia[6]

IPO on the Tadawul Exchange

Accelerated growth globally




6 Operations and revenue contribution from Indonesia are expected to commence starting the second half of 2024.

# Awards & Recognitions

## Awards in 2023

**IPO of the Year 2023 – Saudi Main Market**

Saudi Capital Market Forum 2023

**Middle East Equity Issue of the year 2023**

International Financing Review IFR 2023

**Most Innovative Use of Technology for the ADES RigEye**

Intelligent Automation Live Awards Middle East 2023

**Intelligent use of technology and AI in the Industry of Oil & Gas**

ICT Awards 2023

**ADES Achieved the safety milestones with no Lost Time Incidents**

IADC 2023

## Recognitions in 2023

| | |
|---|---|
| Recognition from his H.E.P. Saud Bin Nayef Bin Abdulaziz Al Saudi, - Governor of the Eastern Province on our commitment and contributions towards development of Saudi community and young talents. | **Wadaef Job Fair 2023** |
| Recognition from SADA management for ADES' effective participation and contribution to the academy and related activities. | **SADA Management** |
| ADES' Emerald Driller in Qatar received a recognition letter being ranked 2nd performer in HSE among all fleet as assessed by client TOTAL Energies | **TotalEnergies** |
| Award to ADES India recognizing their contributions for the use of technology and sustainable operations in ADES India | **IADC-Southern Peninsula Chapter** |
| Recognized by Aramco for promoting environmental sustainability and participating in the clean-up campaign in Abqaiq in 2023 | **Aramco** |

"ADES remains committed to regional growth and operational excellence, coupled with an unwavering commitment to safety as it continues to deliver sustainable returns to shareholders."

# Strategic Review

# CEO's Note

I am delighted to present to you the highlights of ADES' journey throughout 2023, a year marked by significant achievements and remarkable growth. As we reflect on our accomplishments, it is evident that 2023 was truly a milestone year for ADES, characterized by strategic expansion, an unwavering commitment to operational excellence, and robust financial performance.

Notably, we successfully joined the ranks of Saudi-listed entities with our IPO on the Tadawul Exchange's main market, a milestone marking the beginning of a new chapter in the Group's journey as a national KSA champion with global ambitions. We are also very pleased to have been awarded the Saudi Capital Market IPO of the Year, a testament to the dedication and hard work of our team and our advisors, and to ADES' unique value proposition to investors.

### Resilience by Design

As a world-leading and global provider of oil and gas drilling services, ADES has solidified its presence across nine[1] countries, boasting a fleet of 87 rigs – more than doubling since 2018 – and a roster of high-quality clients, including leading NOCs and IOCs in our markets. ADES is currently the largest owner of offshore jack-ups globally and is a leading offshore and onshore drilling services provider in its markets, a position underpinned by a commitment to growth, diversification, and innovation in the industry. This position is the culmination of years of hard work and effective delivery on our growth and expansion strategies, leveraging our cycle-proof business model which provides the Group with a platform for long-term sustainable growth and solid foundations to withstand tough market conditions. By operating primarily in resilient markets and sub-segments of the drilling industry with high barriers to entry; leveraging a lean and low-cost operating model; acquiring fit-for-purpose and premium assets; deploying them at competitive day rates; and committing to operational excellence and prudent financial policies, the Group has developed a track record of profitable expansion over the past two decades, demonstrating a proven ability to perform through cycles.

1 Operations and revenue contribution from Indonesia – where ADES was awarded a drilling contract in late 2023 – as well as Thailand – where the Group received a letter of intent (LOI) in March 2024 – are expected to commence starting the second half of 2024.
2 Total Recordable Injury Rate per 200,000 working hours as of 31 December 2023.



> "As a world-leading and global provider of oil and gas drilling services, ADES has solidified its presence across nine[1] countries, boasting a fleet of 87 rigs – more than doubling since 2018."

### Operational Excellence

In 2023, ADES continued its journey of expansion and operational excellence, reaffirming our commitment to delivering superior performance across all facets of our operations. Operationally, we maintained utilization rates at an impressive average of 98% throughout the year, a testament to our dedication to efficiency and productivity.

Concurrently, we are extremely proud with the remarkable and unprecedented operational milestone of delivering 19 jack-up rigs to Saudi Aramco within a short timeframe of less than 24 months since the first contract award. Considered the largest offshore jack-up rig deployment in the drilling industry, ADES was able to scout and deliver technically suitable and capable assets during a very challenging time for the industry and amid significant global supply chain challenges across the globe. This served as testament to our entire organization's ability to quickly line up and integrate new assets, and to the dedication of our team who worked relentlessly around the clock to deliver this mega project in a timely and safe manner. Out of the 19 rigs secured in the mega tender with Aramco, 14 were operational by year-end 2023, and all 19 rigs have been deployed in Q1-2024, further solidifying our commitment to the Kingdom of Saudi Arabia and to our partnership with the NOC as its largest jack-up drilling operator.

Additionally, in Kuwait, four out of the six rigs awarded contracts were operational by year-end, with the remaining two rigs becoming operational shortly thereafter. Meanwhile, our expansion

**76%**
YoY Revenue Growth in 2023

**104%**
YoY EBITDA Growth in 2023

**98%**
Average Utilization in 2023

**0.09 TRIR[2]**
vs IADC of 0.51

efforts extended to India, where we secured two additional contracts in addition to the one secured in 2022. As of year-end 2023, two out of the three contracted rigs in India have commenced operations, and as of date all three rigs are operational. Furthermore, we bolstered our presence in Algeria, securing a three-year contract for four rigs from our idle onshore fleet. One rig was deployed during 2023, with plans for the remaining three rigs to be deployed in 2024, effectively eliminating idle rigs in Algeria and maximizing operational efficiency.

In 2023, ADES achieved remarkable financial performance, with a year-over-year revenue growth of 75.6%, fueled by contributions from newly deployed rigs in Saudi Arabia, along with the full-year impact from Qatar operations, and enhanced effective utilization and daily rates across segments. The Group experienced a substantial increase in EBITDA by 104.0% compared to the previous year, reaching a margin of 49.4% in 2023, up seven percentage points from 2022.

Throughout these successes, safety remained our true north, with ADES boasting industry-leading safety metrics. Our comprehensive risk monitoring and management frameworks have enabled us to maintain a Total Recordable Injury Rate (TRIR) well below the industry average, standing at 0.09 versus the IADC standard of 0.51. These outstanding safety metrics are a result of our continued innovation, exemplified by our proprietary RIGEYE technology—an AI-driven camera system being rolled out across our rigs with Aramco to enhance safety measures. Additionally, our operational performance, measured by the Rig Efficiency Index (REI), remains one of the best in the sector, further demonstrating our commitment to excellence in service delivery.

**Long-term Visibility**

Our backlog serves as a cornerstone for the long-term sustainability of our business, providing a solid foundation for future growth and stability. As we continuously work to replenish our backlog, through participating in new tenders, contract renewals, and potential acquisitions, we focus on long-term contracts as they underpin the predictability of our financial performance. This approach leaves us with an industry leading backlog and strong visibility on revenue and cash flow generation, with long term weighted average remaining contract tenor that is largely aligned with our debt profile.

Notable awards during the year include the long-term drilling contract with Pertamina Drilling Services Indonesia, for our jack-up drilling rig, “Emerald Driller,” in the Java Sea. This marked ADES’s entry into the Indonesian market and extended its global footprint to the 8th country of operations. More recently, ADES has further solidified its presence in Algeria by securing a five-year contract for two of its existing onshore rigs, which are currently working in Egypt and expected to commence operations in Algeria during the second half of 2024. Meanwhile in Egypt, ADES received notifications of extension in the first quarter of 2024 for three of its offshore jack-up rigs contracted by GPC. These include a two-year extension for the Admarine III and Admarine VI contracts, as well as a one-year extension for the Admarine V contract.

Most recently, in March 2024 ADES received a Letter of Intent (LOI) from PTTEP Energy Development Company Limited (PTTEP) for an 18-month jack-up drilling contract in the Gulf of Thailand. The LOI marks ADES’ entry into the ninth country of operations and not only anchors our second rig in the Southeast Asian market, but also reaffirms our continued pursuit of diversified growth opportunities in exciting new markets and highlights our ability to provide tailored solutions for clients worldwide. The new awards in Indonesia and Thailand in addition to the three rigs currently in India bring the Group’s operations in the promising part of the world to a total of five jack-ups.

As of year-end 2023, ADES boasts a backlog of over SAR 27.5 billion with the most and reliable and creditworthy energy producers globally including customers such as Aramco, Kuwait Oil Company and Qatar Energy, and with circa 89% of backlog coming from GCC countries. Meanwhile, our weighted average remaining contract tenor stood at c.5.4 years in 2023, a testament to our strategic focus on securing enduring partnerships and revenue streams. Finally, our strategic expansion in offshore operations, known for their higher profitability, has significantly bolstered our backlog profile, with offshore projects now representing over approximately 81% of our total backlog, further enhancing our revenue visibility and long-term growth prospects.

> “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.”

**Strong Growth Outlook**

Looking ahead, current market dynamics point to tightness, with offshore utilization rates on an upward trajectory since 2017 and reaching 95% as of 2023. The rise in utilization rate was triggered by significant market tightness in the high-spec jack-up space globally, as the number of rigs supplied went down from 75 in 2018 to 20 in 2023. We are already witnessing the impact 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.

This low level of investment in newbuilds over the previous decade was further compounded with rising energy needs in the Middle East and the migration of 53 rigs to the region between 2022 to 2023. This has created further tightness and a vacuum in other markets such as Southeast Asia – opportunities we are ideally positioned to capture with the Group already growing its presence there with recent awards in India, Indonesia and Thailand. 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.

Overall, newbuild order books at shipyards globally have dropped to two-decade lows on account of elevated costs. These trends combined will continue to support the upward trajectory in daily rates along with sustained high utilization rates.

As such, 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.

**Dr. Mohamed Farouk**
**Chief Executive Officer**

# Strategy & Business Model

ADES' strategy works to achieve five key objectives over the medium- to long-term to strengthen its position as a national drilling champion with a global scale.

## ADES Strategy Objectives

1. Build a KSA National Drilling Champion
2. Expand Global Footprint & Leadership Position
3. Provide a High-Quality and Comprehensive Service Offering to Our Clients
4. Capitalize on Our Resilient, Cycle-Proof Business Model
5. Deliver Long-Term Sustainable Value

As we unpack ADES's five key business objectives on the following pages of this report, we uncover how they form the foundations of our key investment highlights.

## Key Investment Highlights

- Large Footprint and Scale in the Most Attractive Drilling Markets with Significant Barriers to Entry
- Fit-for-Purpose Asset Fleet with a Track Record of Operational Excellence
- Resilient, Cycle-Proof Business Model and Ability to Perform Through the Cycles
- Highly Competitive thanks to Attractive Day Rates and Industry Low Acquisition Costs
- Stable and Long-term Backlog with Cash Flow Visibility and Steady Returns
- Robust HSE Policies and a Commitment to Sustainability
- Clearly Formulated Growth Strategies with Significant Optionality for Future Growth
- Highly Capable and Entrepreneurial Management Supported by Strategic Shareholders

# How We Deliver on Our Strategy

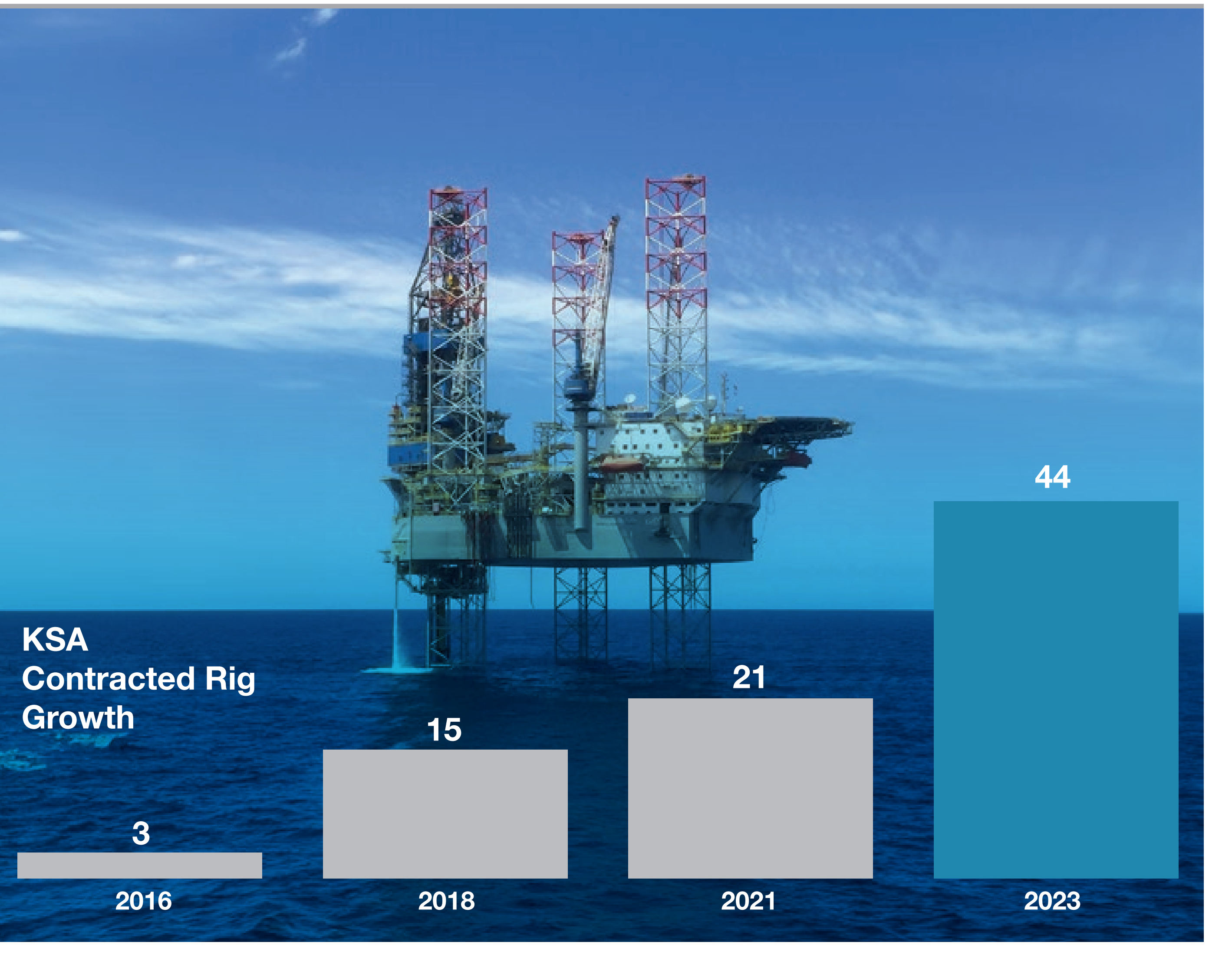
## 1 Build a KSA National Drilling Champion

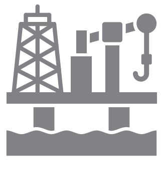
ADES stands today as a national drilling champion in the Kingdom of Saudi Arabia, a position management seeks to strengthen by focusing on four key initiatives:

### Attaining Local Leadership via Market Consolidation:

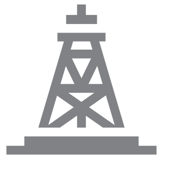
The Group is the largest jack-up rig operator for Saudi Aramco, with 33 jack-up rigs contracted in the Kingdom of Saudi Arabia, all of which have been added since 2016, translating to an approximately 38% market share as at 31 December 2023. The Group attained this position after delivering one of the largest rig deployment programs ever awarded to a driller by Saudi Aramco, coupled with its recent acquisitions in the market. The deployment was part of two large tenders consisting of a total of 19 offshore jack-up rigs, 14 of which were deployed in 2023 with all 19 rigs completed as of the first quarter of 2024. The Aramco landmark deployment included contracts for 16 rigs awarded through direct tenders and three obtained through acquisition of contracted rigs from Seadrill

Additionally, the Group has 14 onshore rigs located in the Kingdom of Saudi Arabia, 11 of which are contracted with Saudi Aramco.



**33 Jack-up Rigs**
Largest market share with Aramco (~38%)



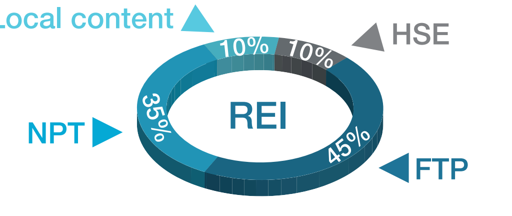
**11 Onshore Rigs**
Contracted to Aramco, with an additional 3 stacked rigs available for tendering

ADES has delivered highly efficient operations as evidenced by the Group's consistently high rating on the key rig efficiency index parameter in Saudi Arabia:

**90/100**
Average REI Score[1]

aramco

Rig Efficiency Index ("REI") Composition is used by Saudi Aramco as a factor in determining contract renewals and bid allocations




**REI is the main component in ensuring continued contracts and a strong backlog with Aramco**

### Benefiting from the Strong Track Record of Our Saudi Fleet:

ADES' fleet in the KSA has been built over the years through both M&As – acquiring contracted rigs – as well as organic growth – acquiring assets to satisfy new awards, with the majority of the acquired rigs having been contracted in the KSA market for more than 10 years. In each growth phase, the Group has been successful in transferring and integrating the rigs into its operation and business model, with an exemplary track record for safety and service excellence.

1 Score related to the three-year ended 31 December 2023

## Bridging Global Expertise with KSA's Localization Drive:

ADES seeks to leverage its global expertise and know-how to the benefit of the KSA market, setting the benchmark in operational performance, safety and client satisfaction. Additionally, the Group is seeking to foster new businesses that will help localize the industry's value and supply chains, all the while promoting national champions in the KSA. This is in line with the Kingdom's localization drives. ADES boasts a high Saudization rate of 74% for its KSA operations. Separately, the Group has a fit-for-purpose fleet uniquely tailored to Saudi Aramco's operating environment and requirements, and scores high on Aramco's In-Kingdom Total Value Add (IKTVA) index.

Promoting local partners through the company's localization strategy.

Firmwide drive of sourcing raw materials from local suppliers to maintain operational and financial efficiency.

Diversified workforce with a strong core local presence.

Strong track record of serving local clients first across all of its key markets.

**74%** Saudization Rate

**52%** IKTVA[2]

## Supported by High-Profile and Strategic Shareholders:

| PIF | Zamil Group | Free Float on Tadawul |
|---|---|---|
| 23.8% | 6.7% | 30% |

Pre-eminent Saudi shareholders core to the Kingdom's economy

The PIF is the KSA Government's leading investment arm, enabling the growth and diversification of the Kingdom's economy

Strategic shareholders that are and will remain the key supporters of ADES

2 In-Kingdom Total Value Add, a new program created by Saudi Aramco to baseline, measure and support increased levels of localization in the Kingdom. Score as of 2022

> ADES seeks to leverage its global expertise and know-how to the benefit of the KSA market, setting the benchmark in operational performance, safety and client satisfaction.

# 2 Expand Global Footprint & Leadership Position

ADES is currently the largest offshore jack-up player globally by number of owned rigs, with 42[3] units currently deployed across four markets (excluding Indonesia and Thailand). Going forward, the Group aims to strengthen this position by expanding its global footprint in the right markets, while pursuing attractive opportunities in the onshore market.

In the medium to long term, ADES intends to continue exploring organic and inorganic growth opportunities in new and existing markets. The Group also continues to seek pre-qualification status in certain markets where it has identified potential for expansion and asset acquisitions, so that when a value accretive opportunity presents itself, the Group is well positioned to quickly capture it. In addition, pre-qualification status presents opportunities for the Group to relocate existing assets to new markets. ADES sees a wide range of growth opportunities in new markets within and outside the MENA region, primarily in Southeast Asia along with other opportunities in West Africa. These markets enjoy competitive cost dynamics, with relatively low OPEX and CAPEX along with long-term contracts. They are also typically net crude importers (for example, India, Indonesia, Thailand and Malaysia), providing for ample drilling opportunities for the Group.

In its pursuit of a larger global footprint, the Group will continue to evaluate both organic and inorganic avenues, all the while adopting a disciplined and non-speculative approach, and to pursue opportunities that offer near-term activities growth and cash flow, long-term visibility and without excessive risk.

Since 2022, ADES has successfully expanded its presence in the GCC with its entry to Qatar and was also awarded new contracts in India and Indonesia during 2023. This falls under its strategy of strengthening its regional presence as well as expanding into Southeast Asian as it seeks to grow its global footprint.


## Recent Awards in Existing Markets (Outside KSA)

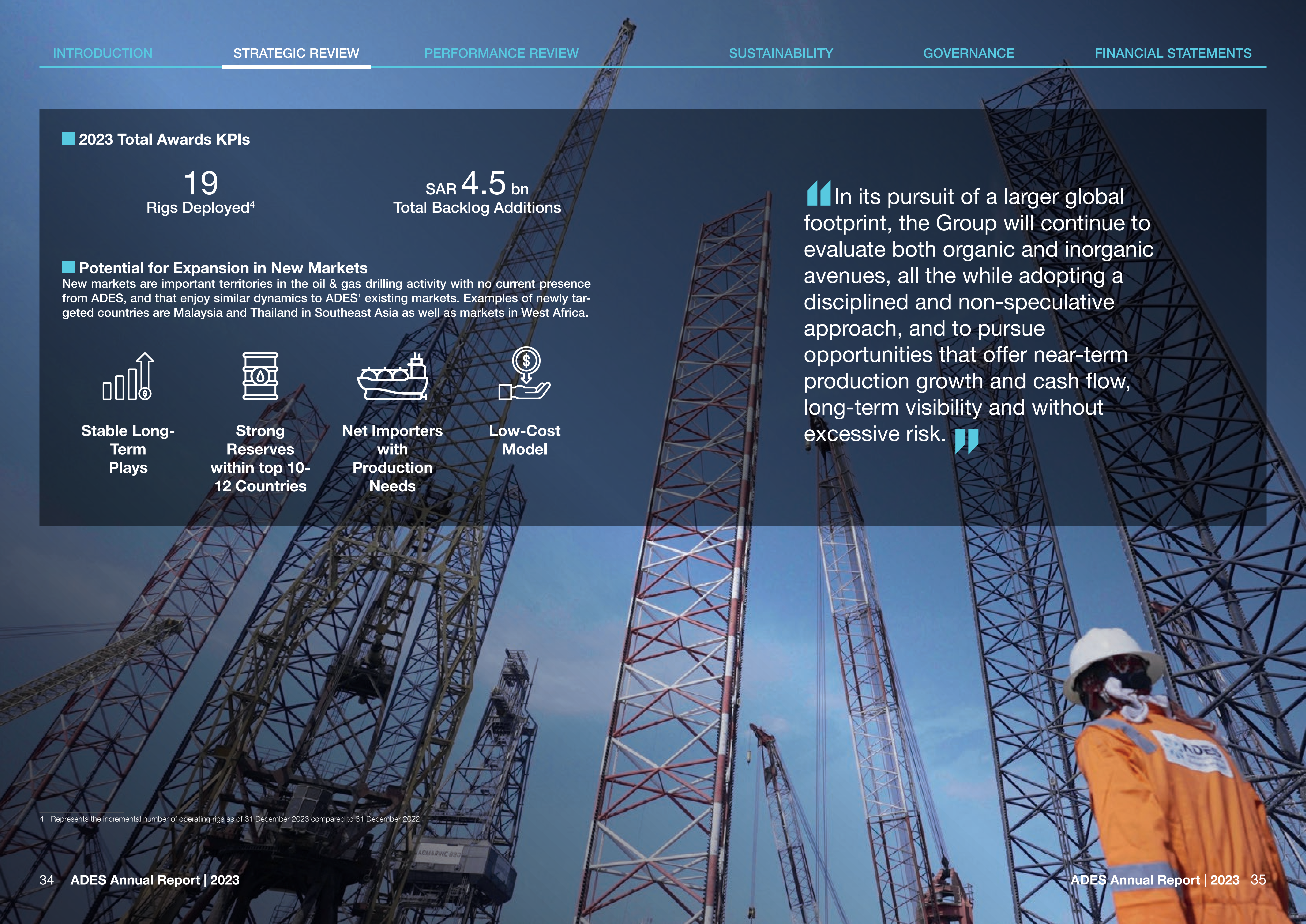
| | |
|---|---|
| Algeria | ADES solidified its presence in Algeria following an award of two long term contracts (LOA) by Sonatrach for two of its existing onshore rigs. The award has a five-year tenor and is expected to commence operations during the second half of 2024. Earlier in the year, the Group had also secured new awards for four of its rigs in Algeria, bringing the total contracted rigs in the country up to eight by year-end 2023. |
| Egypt | ADES was 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, namely the SUCO and OSOCO fields. The new award has a 10-year tenor, extendable for a further 10 years.<br><br>Additionally, the Group is able to renew expiring contracts at considerably higher daily rates owing to current market conditions, as with the recently renewed contracts in February 2024 for three offshore rigs contracted to the General Petroleum Corporation. |
| Kuwait | ADES secured six new contracts in Kuwait during 2022, utilizing four of the Group's idle rigs with an additional two new build rigs. |
| Qatar | ADES entered the Qatari market in the second quarter of 2022 following the acquisition of three rigs from Vantage Drilling. |

## Recent Awards in New Growth Markets

Growth markets are defined as countries with a nascent ADES presence and potential activity growth (e.g. India, Indonesia and Thailand). ADES targets a diversified portfolio of clients in growth countries for high potential fleet continuity with a competitive position.

| | |
|---|---|
| India | During 2023 ADES secured two new contracts in India, in addition to the one secured in 2022. All three rigs have been deployed and are now operational. |
| Indonesia | The Group has been awarded a jack-up contract in Indonesia, extending its footprint into the 8th country of operations. The contract comprises a three-year firm period and a two-year option. The work is expected to commence during the second half of 2024 utilizing the existing jack-up drilling unit, "Emerald Driller", which will move to Indonesia immediately after concluding its contract in Qatar. |
| Thailand | In March 2024, ADES received a Letter of Intent (LOI) from PTTEP Energy Development Company Limited (PTTEP) for an 18-month jack-up drilling contract in the Gulf of Thailand. The LOI marks ADES' entry into the ninth country of operations, which together with the award in Indonesia and the three rigs in India brings the Group's operations in this promising part of the world to a total of five jack-ups. |

3 This excludes four leased jack-up rigs, two barges and one MOPU.



## 2023 Total Awards KPIs

**19**
Rigs Deployed[4]

**SAR 4.5 bn**
Total Backlog Additions

## Potential for Expansion in New Markets

New markets are important territories in the oil & gas drilling activity with no current presence from ADES, and that enjoy similar dynamics to ADES' existing markets. Examples of newly targeted countries are Malaysia and Thailand in Southeast Asia as well as markets in West Africa.

- **Stable Long-Term Plays**
- **Strong Reserves within top 10-12 Countries**
- **Net Importers with Production Needs**
- **Low-Cost Model**

> "In its pursuit of a larger global footprint, the Group will continue to evaluate both organic and inorganic avenues, all the while adopting a disciplined and non-speculative approach, and to pursue opportunities that offer near-term production growth and cash flow, long-term visibility and without excessive risk."

4 Represents the incremental number of operating rigs as of 31 December 2023 compared to 31 December 2022.

# 3 Provide a High-Quality and Comprehensive Service Offering to Our Clients

ADES' high-quality client relationships along with its best-in-class operational performance has positioned it as a leading player in the industry. The Group aims to cement this position by adhering to its customer-centric, nimble approach and agility in terms of providing tailored solutions and continuously and swiftly adapting to its clients' needs

## A Customer-Centric Approach

As a service company, the Group's business revolves around adopting a customer-centric approach that delivers a tailored service, superior quality and an impeccable safety record at highly competitive day rates. Over the years ADES has built a track record of delivering on this strategy by maintaining a commitment to operational excellence, best-in-class safety record and a legacy of innovation. Key pillars underpinning ADES' operational excellence are:

1. Lean Operations Organization
2. In-House Engineering and Reactivation Capabilities
3. Prudent Preventive Maintenance
4. In-County Value Prioritization
5. State-of-the-Art Training Programs

The merits of the Group's commitment to operational excellence are evident in the long-lasting relationship ADES has built over the years, with the Group able to continuously renew and extend existing contracts, and its ability to competitively outbid in regional tendering activity This allows the Group to effectively renew and replenish its backlog while maintain above average residual tenors.

**Weighted Average Contract Maturity**

**5.4yrs[5]**

ADES has also successfully cultivated strong relationships with a number of large NOCs who tend to have longer term investment horizons, including Saudi Aramco in the Kingdom of Saudi Arabia, Kuwait Oil Company in Kuwait and North Oil Company in Qatar, which in aggregate represent more than c.89% of the Group's total backlog as at 31 December 2023.

**c.89%**

**of ADES backlog with major GCC NOCs**

5 Includes extension options and weighted by backlog value in each contract.



The Group's remaining backlog is attributable to other NOCs and their joint ventures with IOCs, such as Total Energies in Qatar, Oil and Natural Gas Corporation in India, GUPCO and GPC in Egypt, and ENAFOR in Algeria. This diverse and high-quality clientele has been built on continuously seeking feedback and fine-tuning the Group's services, enabling it to establish a strong reputation as a reliable oilfield services provider with a proven track record.

Moreover, the Group put in place a project management framework structured around four key pillars, program management, shipyards, staffing, and procurement and logistics, to ensure seamless and efficient delivery of future deployments of rigs to its clients.

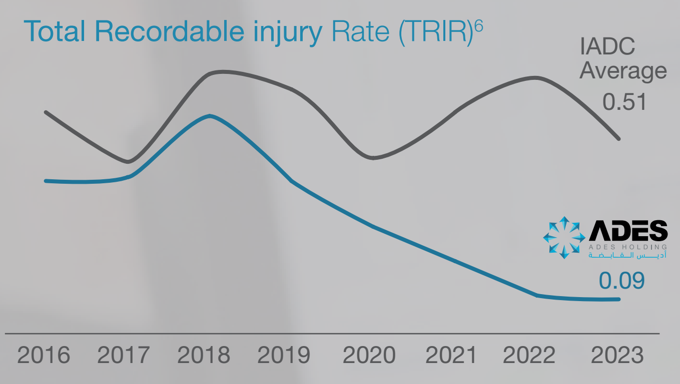
### Seamless Rig Deployment

| Program Management | Shipyards | Staffing | Procurement and Logistics |
|---|---|---|---|
| Rig start-up integrated management program and a dedicated taskforce. | Shipyard slots secured globally | Securing manpower and retaining the ADES DNA with 1/3 of staff on every new rig sourced from existing ADES rigs | Full procurement and logistics management program and with materials and service agreements in place with key suppliers |

## An Impeccable Safety Record

ADES strives to adhere to robust HSE standards and procedures when conducting its business, with a strong HSE culture at the core of the Group's values. ADES is an active member of industry organisations such as International Marine Contractors Association ("IMCA") and International Association of Drilling Contractors ("IADC"), and all of the operational offshore rigs in its fleet are either IACS certified or pending recertification. Over the years, the Group has consistently maintained a strong safety track record, with zero employee fatalities and a total recordable injury rate of 0.09 per 200,000 working hours, which is lower than the IADC worldwide standard rate of 0.51 as at 31 December 2023.

**Strong, demonstrable safety track record with zero fatalities**




**Supported by Continued Innovation**

RIGEYE is ADES' cutting-edge proprietary technology to manage and promote the safety of its staff and protect the environment

| In-House Developed | AI-Powered | Monitoring Safety Incidents | Automation of Safety Reports |
|---|---|---|---|

## Tailored-Fit and Innovative Solutions

ADES is also continuously looking to expand its service offering while optimizing the utilization of its onshore and offshore assets. Specifically, ADES always assess potential complementary services which could lead to further synergy extraction from the Company's existing infrastructure. These types of services are not only associated with higher margins, but demonstrate the Company's agility in providing innovative solutions to cater to its clients evolving needs.

**Increasing Brownfield Production in Egypt**

Most recently, the Group was 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 consortium will be dedicated to achieving incremental production levels that surpass the current baseline production at the two brownfields. Adopting an efficient asset-light model, the project minimizes initial capital outflow, with the majority being operational expenditure (OPEX) related.

> "ADES strives to adhere to robust HSE standards and procedures when conducting its business, with a strong HSE culture at the core of the Group's values."

6 Total Recordable Injury Rate per 200,000 working hours

# 4 Strengthening Our Business Model

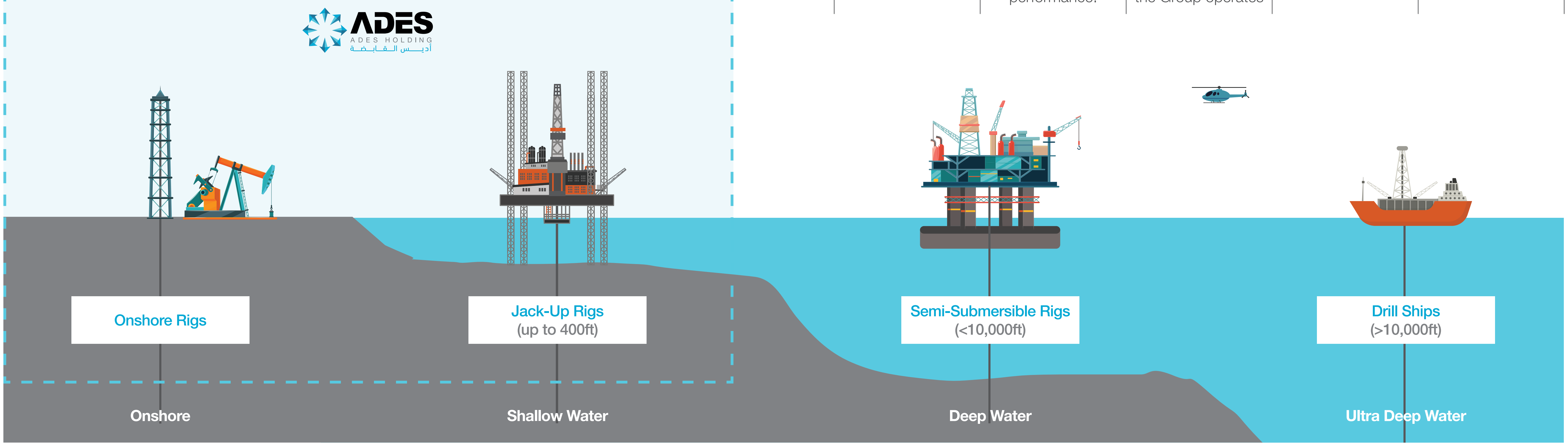
ADES' low-cost, cycle-proof business model is predicated on a series of strategic pillars which provide a platform to drive long-term sustainable growth, and solid foundations to stand on when market conditions are tough. By operating principally in resilient markets and sub-segments of the drilling industry with high barriers to entry; leveraging a lean and low-cost operating model; acquiring fit-for-purpose and premium assets and deploying them at competitive day rates; and by committing to operational excellence and prudent financial policies, the Group has developed a track record of profitable expansion over the past two decades and a proven ability to perform through cycles. ADES is continuously working to strengthen its business model, with the ability to continue leveraging it as it grows positioned as a key strategic objective.

## Resilience by Design

### Focused on Non-Harsh Environments in Resilient Drilling Markets with High Barriers to Entry

The Group operates primarily in regions with low cost of production that are dominated by NOCs and is focused on the largest and most resilient drilling markets across the MENA region, India and Southeast Asia. ADES's markets are characterized by low extraction costs, non-harsh shallow and ultra-shallow environments, and a predominance of drilling intensive legacy fields, all of which support relatively higher production levels and utilisation rates throughout the oil price cycle compared to other regions and environments where the cost of production is higher.

**Non-harsh drilling environments**, such as onshore and shallow water, represented 93% of global hydrocarbon production in 2022. The Group is focused on drilling in these non-harsh environments with 19% and 81% of the Group's backlog coming from onshore rigs and jack-up rigs in shallow water as at 31 December 2023.




| Largest Drilling Markets | Lowest Lifting Costs | Lowest Emissions | Significant Barriers to Entry |
|---|---|---|---|
| ~31% of the global jack-up rig fleet is contracted in the Middle East | ~USD 3 / bbl for KSA | 10.3kg CO2e/boe Aramco Carbon Intensity | Strict pre-qualification, long-term contracts and localization drive |

The Group also benefits from **high barriers to entry** in markets in which it operates, such as significant capital requirements to acquire new assets, a stringent pre-qualification process, local content requirements, constraints with the supply chain for rigs, long lead time to build new rigs, and stringent technical specifications for rigs.

### High Barriers to Entry

| Significant Capital Requirements | Stringent Pre-qualification Process | Local Sourcing Requirements | Diminishing Newbuild Order Book | Technical Specifications |
|---|---|---|---|---|
| USD 476 billion average global spend on E&P since 2010, with average new-build rigs ranging from USD 280-350 million. | Achieving pre-qualification can be a multi-year process and requires robust financial performance, appropriate assets scrutinised by physical audits, and high HSE performance. | Substantial portion of services need to utilize local workforce, which became a key differentiating factor for contracts awarded by NOCs across the markets in which the Group operates | Difficult financing, supply chain challenges, long delivery periods and onerous payment terms have weighed heavily on newbuild order books | Limited supply of modern units due to a higher demand for jack-up rigs coupled with supply chain constraints on shipyards |

## Maintaining a Lean and Low-Cost Structure Centered on Extracting Synergies and Maximum Value

The Group's lean cost structure is characterized by a high-skill, low-cost, local workforce and an in-house maintenance and technical team, and a lean organizational structure. This lean cost structure enables the Group to save on operating costs by maximizing the utilization and efficiencies of acquired rigs, allows for competitive day rates and strengthens the Group's competitive position during difficult market conditions.

### Highly Skilled and Cost-Efficient Local Workforce

- The Group has tapped into the established pool of regional operational and management oil and gas industry talent.
- Rig crews from the local jurisdictions are more cost-efficient than their expatriate counterparts but offer a comparable level of experience and competence.
- The Group monitors the number of support function employees per rig, aiming to keep the number of such employees below seven per rig.

### In-house Maintenance and Technical Teams

- The Group's highly capable in-house refurbishment and maintenance team manages most of the refurbishment and maintenance jobs without the need to appoint third-party service providers. This allows the Group to manage costs on a granular basis and avoid unnecessary costs involved in turn-key refurbishment and maintenance jobs.
- The in-house refurbishment and maintenance team also allows the Group to perform certain maintenance requirements on-site without moving the rigs to specific locations or shipyards to minimize rig downtime.
- The Group also enjoys the ability to re-engineer assets in-house at lower costs, which underpins its competitive edge in managing rig CAPEX.

### Lean Organizational Structure

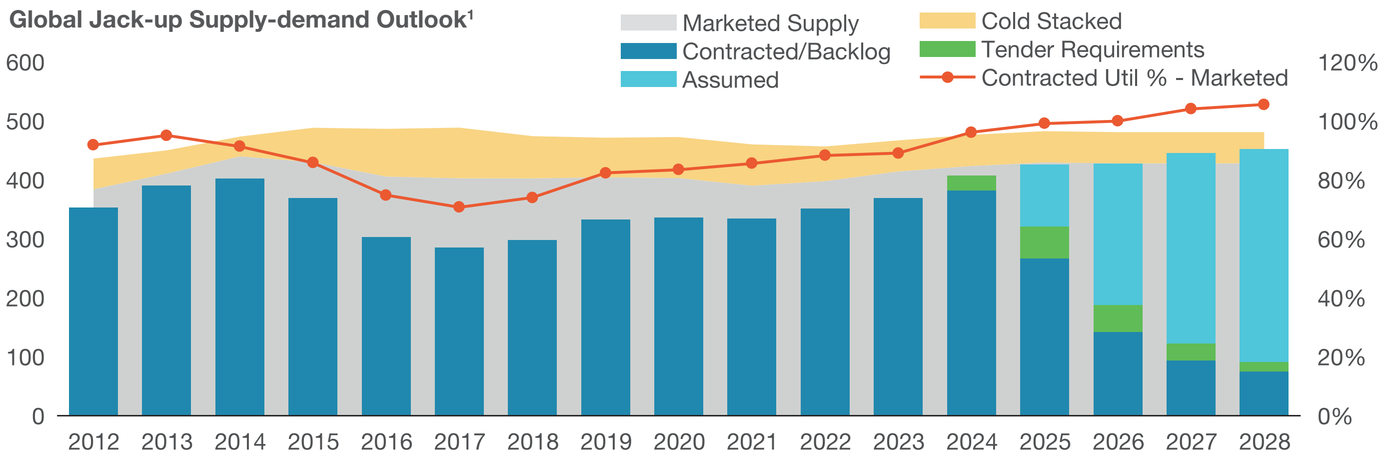
- Fully centralized and integrated systems across all group functions enabling real-time monitoring and achieving operational and financial efficiency for the Group and its clients.
- Continuous investment in digitalizing the Group's workflows.
- The Group operates on a lean organizational structure with a shared service center in Cairo and is its senior management based in Al-Khobar. This, combined, results in lower overheads and staff costs.

> "The Group's lean cost structure is characterised by a high-skill, low-cost, local workforce and an in-house maintenance and technical team, and a lean organizational structure."


## Optimized Fit-For-Purpose and Premium Asset Fleet Allowing for Active Tendering and Strong Backlog

ADES is continuously expanding and optimizing its fleet based on changing market conditions in the countries in which it operates, with the aim of maintaining the right balance between its onshore and offshore services to meet customer demands, take advantage of market opportunities and increase utilisation rates and revenue of its rigs. Currently the market for jack-up rigs has tightened significantly due to high demand coupled with scarcity of rig supply, pushing contracted utilization rates above 95% globally[1], which has historically supported increasing day rates.

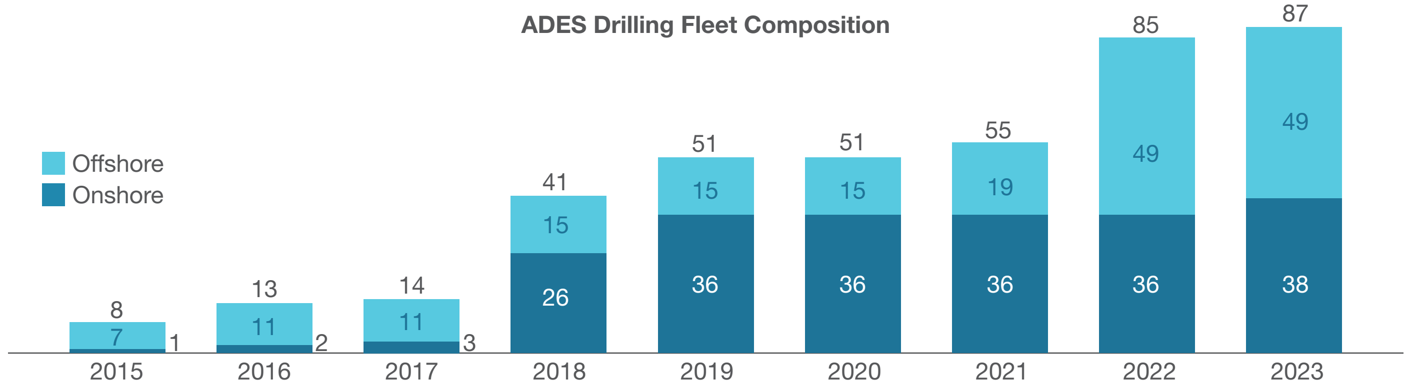
### Jack-up Market Experiencing Significant Tightness




The markets in which the Group operates currently have a substantial tender pipeline with limited availability of rigs and operators able to qualify for these tenders.

### Optimized Fleet in a Structurally Under-Supplied Market

Constantly optimizing the Group's fleet composition leaves it well-positioned with the right asset base and operational capabilities to take advantage of prevailing market opportunities. As such, the Group's current fleet mix is predominantly comprised of offshore premium rigs following the recent acquisitions between 2021 and 2023.




**Fleet optimization is reflected in the sustainability of the ADES' backlog and predictable cashflow,** with the Group being able to participate in accretive tenders and enter strategic agreements to maintain long-term cash flow visibility and a healthy replenishment rate. The Group's estimated total backlog as at 31 December 2023 was SAR 27.54 billion (equivalent to USD 7.3 billion), with offshore contracts representing 81% while onshore contracts represented 19%. In addition, the Group's client contracts typically have long tenors, with a weighted average residual contract life of 5.4 years.

| 5.4yrs[2] | A/AA[4] | 2.77x |
|---|---|---|
| Weighted Average[3] Contract Maturity | Counterpart Rating for 97% of Backlog | Backlog / Net Debt (31 December 2023) |

1 According to Westwood Global Energy
2 Including extension options
3 Weighted by backlog value of each contract
4 Credit ratings (Moody's / S&P / Fitch as of May 2023) of Aramco (A1 / NR / A+), State of Kuwait (A1 / A+ / AA-) and State of Qatar (Aa3 / AA / AA-).

## Creating Value via Disciplined Acquisitions in the Right Markets

ADES has an established track record of executing value-enhancing acquisitions for low-cost and good condition legacy rigs as well as premium assets, and a successful track record of integrating these acquisitions. The Group takes a disciplined and non-speculative approach to acquiring assets with clear objectives of de-risking growth and industry cycles; capitalize on market opportunities in a capital-efficient way; and optimize the capabilities of the ADES fleet. In doing so, ADES follows a set of guiding principles when evaluating or executing an acquisition:

### Growing in the Right Markets via a Non-Speculative Approach

**"Buy to Contract" Model**

Securing a drilling contract before or concurrently with finalizing the acquisition; minimizing uncertainty and idle time

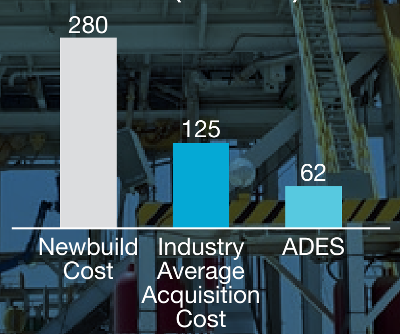
**"Contract Acquisition" Model**

Acquire an asset with an ongoing contract that can be novated to the Group

### Focus on Value Creation

**Maintaining Industry-Low Rig Acquisition Cost**

**Av. Premium Jack-up Rig Cost (USD mn)**




Since 2020, ADES has acquired 26 premium jack-up rigs with an average cost of USD 62 million per rig, which is significantly below the industry average of USD 125 million, as per Westwood report, translating into an approximately 50% discount, and showcasing exceptional capital stewardship from the Group.

### Prioritize Sustainability and Cash Flow Generation

**2X or Higher**

Backlog / Net Debt target, ensuring debt obligations are adequately covered at all times

**5-7yrs**

Payback period to rapidly de-risk investment

The Group's M&A strategy has been a key enabler of ADES' strategic evolution over the past decade, with a track record of executing transactions in the right time, at the right cost and with a solid strategic rationale.

### A Track Record of Value Accretive Acquisitions

| | 2016 | 2018 | 2018-2019 | 2021 | 2022 | 2022 |
|---|---|---|---|---|---|---|
| **Seller** | Hercules | Nabors | Weatherford | Noble | Vantage | Seadrill |
| **# of Rigs** | 3 Jack-up Rigs | 3 Jack-up Rigs | 31 Onshore Rigs | 4 Jack-up Rigs | 3 Jack-up Rigs | 7 Jack-up Rigs |
| **Strategic Rationale** | Entered the KSA offshore market | Consolidated market share with Aramco | Entered onshore gas market<br>Entered Kuwait | Access KSA offshore gas drilling market | Entered Qatar | Solidify our Presence in KSA |

ADES also has a strong track record of procuring, commissioning and successfully integrating the rigs it acquires in a short period of time and as seamlessly as possible. The streamlined integration and optimal utilization of these newly acquired rigs further supports ADES' growth strategy and returns, while simultaneously offering the highest quality of service to its clients.

## Maintain prudent approach to liquidity and growth funding

ADES adopts a prudent approach to debt and liquidity, with the Group committing itself to maintaining certain key financial ratios at or below specified thresholds, limiting its exposure and ensuring its growth does not come at the expense of present or future financial stability. More specifically, ADES targets to maintain a backlog to net debt ratio of at least 2.0x and a target net leverage of 2.5x to 3.0x.

**2.0x**
Target Backlog / Net Debt Ratio

**2.5x – 3.0x**
Target Net Leverage Ratio

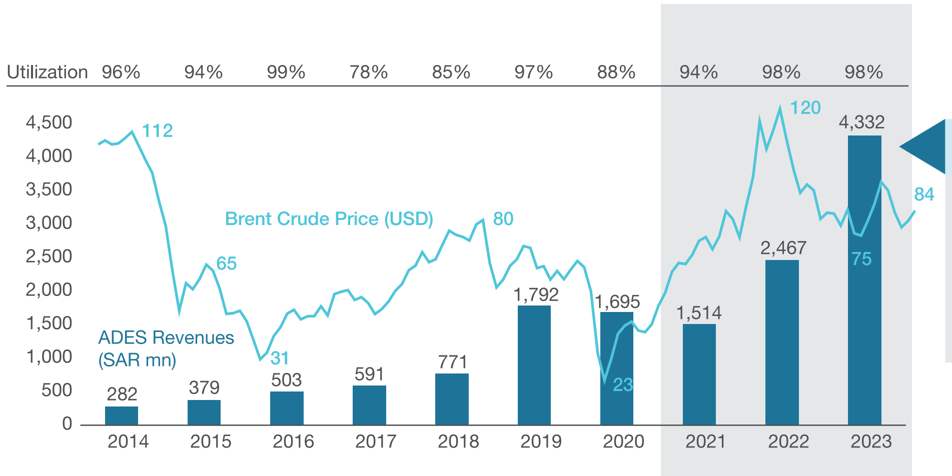
The Group continually monitors its debt portfolio and aims to a prudent level in order to provide sufficient headroom to allow for unforeseen volatility. Additionally, ADES continues to strategically tap diverse sources of funding, as demonstrated by its capital structure, alongside its cash flow from operations to finance the growth of its business. This has allowed ADES to maintain strong liquidity positions and stand reinforced against market vulnerability. The Group intends to continue strategically using short- and long-term financing tools alongside its cash flow from operations to finance future cash needs and fuel the business' growth.

# 5 Deliver Long-term Sustainable Value

Thanks to its prudent growth strategies and resilient business model, ADES has a proven ability to perform through the oil price cycles, with a track record of delivering consistent long-term returns while adhering to robust environment, sustainability and governance frameworks.

## Track Record of Growth During Challenged Times ...

### Utilization and Revenue Through the Cycle




| | 2021 | 2022 | 2023 | Change 21-23 |
|---|---|---|---|---|
| Backlog (SAR bn) | 6.7 | 27.4 | 27.5 | 4x |
| EBITDA Margin (%) | 43.40% | 42.50% | 49.40% | +6 ppt |
| # of Rigs | 56 | 85 | 87 | +31 Rigs |

## Underpinned by a Prudent Long-Term Perspective ...

**Low Cost**
Leveraging its business model to drive down OPEX and CAPEX

**Competitive Day Rates**
Lean cost structure allows for competitive day rates

**Long-Term Backlog**
Promoting reasonable daily rate to build a large backlog vs. high rates with smaller backlog

**High Utilization Rates**
Consistent deal flow and backlog replenishments sustains high utilization rates

**Consistent Cash Flow**
Above average utilization for consistent cash flow and profitability even during low cycles

Thanks to its low-cost operating model, ADES is able to offer highly competitive day rates to its clients, calibrated to insulate it from downturns and ensure sustainability through cycles for the benefit of the Group and of its clients. This, in addition to its client base being dominated by NOCs and their long-term investment horizons, allows ADES to adopt a long-term play with stable backlog at reasonable rates, versus elevating its rates during the upside but the expense of backlog sustainability. As such, ADES has maintained an average utilization rate of 94% in 2021 and 98% in 2022 and 2023. The Group has also previously maintained an average actual utilization rates of over 90% between 2014 and 2023.

ADES' resilience through the cycle is clearly evident in its ability to maintain a steady EBITDA margin since 2014 despite significant volatility in the prices of oil and gas. This provides for a consistent cash flow from operation which along with the Group's access to liquidity under existing working capital and revolving credit facilities award it significant financial flexibility and headroom to further insulate against adverse market conditions.



"Thanks to its low-cost operating model, ADES is able to offer highly competitive day rates to its clients, calibrated to insulate it from downturns and ensure sustainability through cycles for the benefit of the Group and of its clients."


## ... And Rooted in a Firm Commitment to Safety and Sustainability

**Safety is our True North**

Parallel to the Group's ability to deliver long-term value, ADES is also committed to delivering world-class services through the implementation of the best QHSSE standards and practices, adopting a systematic approach to identify, manage, and prevent the risks involved in its day-to-day operations. The Group's QHSSE framework is rooted in People, Process and Plat pillars.

**QHSSE: The ADES 3x3**

| People | Process | Plant |
|---|---|---|
| Cultivating a safety-conscious culture by empowering individuals and underscoring collective responsibility and accountability. | A strategic approach to enhance operational efficiency and mitigate risks through systemic improvements | Optimizing our assets and ensuring their integrity through a commitment to reliability, safety, and environmental stewardship. |

CAMS
CORE ADES MANAGEMENT SYSTEM

Every member of the ADES team, from employees to contractors, is entrusted with upholding our QHSSE standards, with the leadership ensuring adherence to the Core ADES Management System (CAMS). The ADES CAMS is an in-house risk-based integrated management system, designed to guarantee the highest levels of service, safety, and environmental performance across all our operations. The system governs and controls all our processes, highlighting areas of improvement and streamlining where we can. CAMS complies with the highest QHSSE international standards, every step of the way.

## 8 Keys to Incident-Free

ADES' pledge to its people is that everyone should return home safely, with eight keys to ensure this pledge always front and center.

| Time-out for Safety | Energy Isolation | Permit to Work | Lifting Operations | Loss of Containment | Job Planning | Line of Fire | Driving Safely |
|---|---|---|---|---|---|---|---|
| Call a time-out when spotting a risky or hazardous situation | Verify effective isolation has taken place | Inspect the worksite and ensure barriers and controls are in place | Use approved lifting gear and ensure use of a banksman | Ensure they are reported and supply necessary operational and contingency controls | Ensure job risk assessment are provided and coordinate planning | Put in place designated red zones and anticipate incidents | Ensure provided transport in safe and inspected. |

> ADES' sustainability commitment catalyzes perpetual advancements in services, standards, performance, growth, and intrinsic values.


## Championing Sustainability

ADES' sustainability commitment catalyzes perpetual advancements in services, standards, performance, growth, and intrinsic values. Through an unwavering commitment to transparency, ADES offers stakeholders an unfiltered glimpse into its dynamic journey within the realms of Environmental, Social, and Corporate Governance (ESG), fostering a future that is both visionary and accountable. Details of our practice and approach are available in the Sustainability section of this report on page 82.

### ADES Sustainability Pillars

| | | | | |
|---|---|---|---|---|
| Governance & Business Ethics | Climate Change & Energy | Health, Safety & Security | Environment | Social |

### Selected ESG Initiatives

| | | | |
|---|---|---|---|
| **Rig Engine Emission Reduction** Measurement of engine parameters & corrective actions | **Energy Consumption Optimization** Hybrid power with battery storage installed on land rigs | **Elevated Quality & Safety Standards** Internationally certified quality, safety and occupational health management | **Main Sponsor for Al Nas Hospital** Funding one of the largest children's hospitals in Africa |

# Our Industry & Markets

## Executive Summary

***The concentration of jack-ups in the Middle East, coupled with limited newbuild activity and high contracting activity has resulted in significant market tightness that will support elevated utilization at higher day rates***

Global committed jack-up utilization is currently estimated at 94.3% with significant market tightness across several key jack-up regions. Since 2022, a total of 53 jack-ups have been mobilized towards the Middle East leaving other regions like Southeast Asia and India with a supply vacuum and putting further upward pressure on utilization and day rates. Global average leading edge day rates for premium jack-ups have increased 35% year-over-year in 2023 from USD 112k to USD 151k.

The global jack-up orderbook is also close to its all-time low over the past two decades with only 17 rigs (or 4% of global marketed supply). Global jack-up demand in 2023 was estimated at 368.9 rig years[1] and is expected to grow a further 22% to 451.8 rig years. Based on this forecasted growth trajectory, global demand is expected to outpace marketed supply by 2027. The combination of tight supply and high contracting activity has resulted in a surge in committed utilization which will likely drive day rates further upwards.

Going forward, ADES can leverage both its reputation and scale of its premium rig fleet – acquired at a significant discount – to capture new opportunities across target geographies, offering best-in-class operational performance at healthy day rates.

## Global Oil & Gas Market Trends

***Oil & gas will continue to play a critical role in global energy supply over the coming decade, driving increased demand for both onshore & offshore drilling services.***

Key large and developing countries like India are expected to account for the largest share of oil & gas demand by 2030 with 6.6 mmboepd – an expected increase of 20% from 2023. Meeting the expected level of global demand will require significant investment into drilling services to deliver new incremental oil & gas production whilst maintaining the production rate of existing oil & gas fields to alleviate the loss through decline. Such a growth outlook – coupled with currently elevated oil prices that are supportive of continued investment in drilling activity is expected to drive further demand for drilling services over the forecast period.

Global oil production (including non-crude) was estimated at 103.6 mmboepd in 2023 – an increase of 8.5% compared to 2020 when global oil supply fell by an unprecedented 7 mmboepd due to both voluntary and involuntary production cuts caused by the COVID-19 pandemic – including OPEC+ quotas that started at 9.6 mmboepd before tapering to 5.8 mmboepd by the end of the year. Looking forward, global oil production is expected to reach 110 mmboepd by 2030 – a 6% increase compared to 2023. These incremental barrels are expected to mostly come from the GCC area as well as deepwater Latin America producers such as Brazil, Guyana and Suriname.

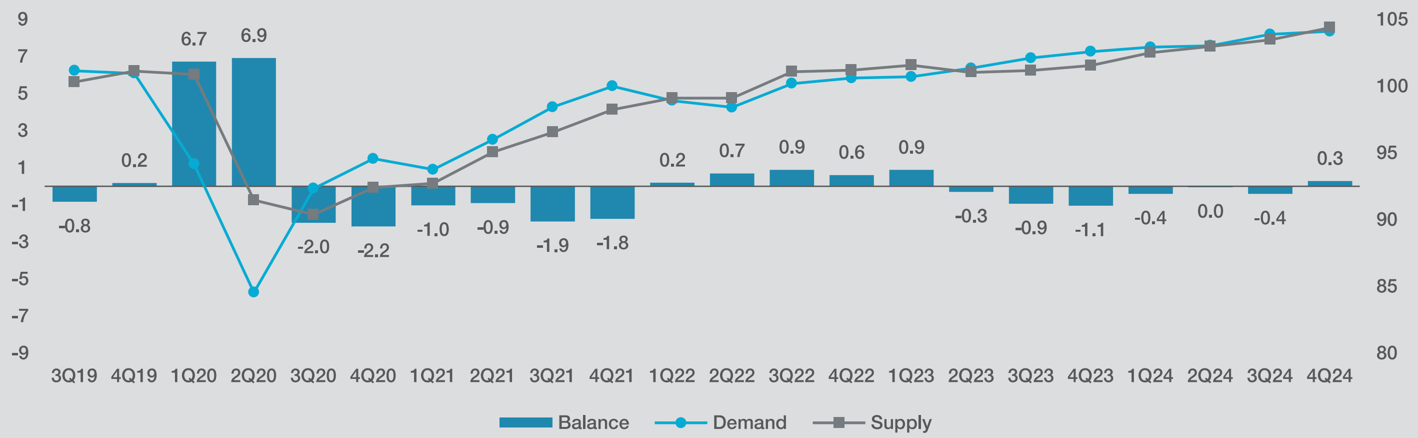
The GCC states have historically provided around 20% of global production owing to a stable baseline of supply, thanks to low production costs and prolific reserves, that provide a level of insulation against more cyclical and opportunistic production sources such as US unconventionals. Continued production in both onshore and offshore fields across Saudi Arabia, Kuwait, the UAE and Qatar is expected to drive the GCC market share of global supply to 23% by 2030.

Global marketed gas production is estimated at 67.7 mmboepd and is also expected to grow a further 7% to 72.6 mmboepd by 2030. The GCC region has been investing significantly into gas production capacity over the past decade in order the access the global LNG export market – with Qatar being the world's third largest export of LNG behind Australia and the US. Moreover, the recent announcement by Saudi Aramco to focus on gas production and increase its 2030 target by more than 60% will see greater gas contribution from the KSA – which is largely attributable to its massive Jafurah onshore gas development.

Source: Westwood Global Energy
1 Calculated as number of rigs multiplied by the tenor


### Global Liquids Supply/Demand Balance

((LHS) mmboepd supply/demand balance; (RHS) mmboepd total)



## Oil Price Trends & Outlook

Oil prices play a key role in overall levels of offshore E&P activity with higher cashflows incentivizing O&G companies to reinvest into new capacities and projects. Over the past several years, oil prices have been shaped by a combination of economic supply & demand factors, such as the uncertainties related to demand from China and recent inflationary pressures, as well as "black swan" events. The latter included the Covid-19 pandemic which saw unprecedented demand destruction leading to a crash in prices and the Russian invasion of the Ukraine which led to sanctions on Russian hydrocarbon exports and subsequent shortages of oil & gas supplies across Europe.

Between these events, oil prices have also been largely influenced by OPEC+ production quotas with the intent to provide stability to the global oil market. These quotas kept oil prices in a USD 60-80/bbl range with numerous adjustments, including a unilateral 1mmbpd cut announced by Saudi Arabia in July 2023, aiming to support a USD 75-85/bbl price. This is an attractive price for investment into new projects whilst also not quite high enough to encourage the levels of speculative investment that led to the oil price crash of 2015.

Looking forward, there is general industry consensus that oil demand will continue to grow over the next decade; which balanced with continued OPEC+ intervention led by Saudi Arabia is expected to maintain oil prices in a similar groove.

### WGE Brent Price Scenarios (USD/bbl)

| | 2024 | 2025 | 2026 |
|---|---|---|---|
| High: | $95 | $95 | $91 |
| Base: | $80 | $80 | $80 |
| Low: | $64 | $61 | $65 |


## Offshore Drilling Overview

Over the past decade, the drilling market has gone through a significant cycle with the 2012-14 period enjoying high oil prices and average utilization of offshore rigs at around the 80% range. However, over-investment in oil production capacity (particularly the rise of US shale oil) saw oil prices plummet. This, as well as the delivery of new drilling capacity, saw utilization rates in 2015 drop to the 60-70% range. Between 2015 and 2019, the offshore drilling market went through a period of rationalization with rig managers stacking and eventually scrapping idle rigs to try and improve their utilization and balance sheets. This rationalization, along with slowly improving oil prices and activity levels saw utilization generally improve year-over-year until 2020 when the impact of the COVID-19 pandemic sent shockwaves through the oil & gas industry.

Since 2021, global rig activity has begun to increase again with committed utilization for drillships and jack-ups currently at 95.5% and 94.3%, respectively. Day rates for premium jack-ups (delivered after 2005) have increased 12% YoY to USD 98,000 in Jan-24. Going forward, limited newbuilding along with continued contracting activity will drive greater demand for ADES' fleet over the next few years.

Source: Westwood Global Energy




> Since 2021, global rig activity has begun to increase again with committed utilization for drillships and jack-ups currently at 95.5% and 94.3%, respectively.


## Global Jack-up Market

***Jack- up demand is expected to outpace marketed supply by 2027 with incremental demand estimated at 83 rigs over the 2023-28 forecast period, while jack-up orderbook remains subdued - adding to significant market tightness***

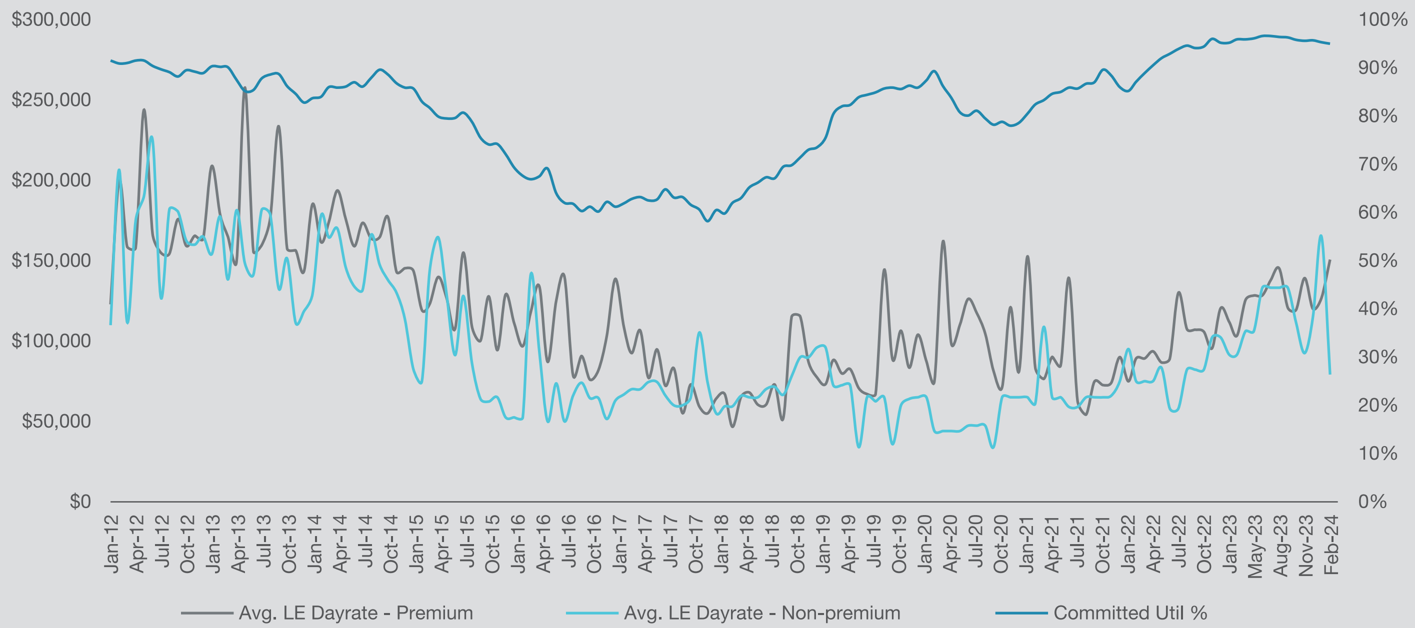
There are currently an estimated 499 rigs in the global jack-up market with 57 cold stacked and 386 under contract. Committed utilization for jack-ups have reached 94.3%, with rigs operating above water depths of 300ft reaching 95%. Meanwhile, premium jack-up fleet (delivered after 2005) have achieved average utilization of 95.8%. Across the key jack-up regions of the Middle East, Southeast Asia and India, committed utilization for jack-ups has reached 98-100% putting upward pressure on day rates.

Looking forward, global marketed utilization is forecasted to reach 96% in 2024 supported by a strong contract backlog of 381.6 rigs along with an additional 25.5 rigs associated with tender requirements. This translates to an expected 10% increase in rig demand from 2023. Over the 2023-28 forecast period, an additional 82.7 rig years of incremental demand are expected representing a five-year CAGR of 4.1%. Despite the recent announcement by Saudi Aramco to maintain production capacity at 12 mmboepd the kingdom still has a sizeable contract backlog to maintain demand for jack-ups over the forecast period. Moreover, neighboring countries such as the UAE has maintained its production target of 5 mmboepd by 2027 whilst Qatar recently announced plans to boost LNG production capacity to 142 million mt/year by 2027 – up from 77 million mt/year.

Despite buoyant contracting activity in recent years, newbuilding remains subdued with the jackup orderbook at one of the lowest points over the past 2.5 decades. Orderbook as a percentage of global marketed supply is currently estimated at 4% - and 3% of total supply.

Global average leading edge day rates for premium jack-ups have increased 35% year-over-year from USD 112k to USD 151k. While day rates for the premium fleet generally operates above that of the non-premium fleet, a recent offshore award in Australia had bucked the trend due to the region's above average operating costs. Going forward, day rates for premium jack-ups are expected to surge further upwards on the back of higher leading-edge rates and tender bids that WGE is seeing across the globe. In Southeast Asia, tender bids in Vietnam are reportedly reaching USD 170k whilst in India leading edge rates may potentially reach USD 120k. With a total of 30 out of 46 premium jack-ups in its fleet, ADES is well positioned to capitalize on an increasingly tight market as it seeks to maintain its leading market share in the KSA whilst looking for opportunities in other key markets such as SouthEast Asia.

### Global Jack-up Market Utilization and Day Rates (USD/day, Committed Utilization %)




Source: Westwood Global Energy

## ADES Offshore Drilling Markets

ADES is the largest offshore jack-up player globally with an ownership of 42 rigs[1]. The Group has the largest jack-up fleet in the GCC with 36 rigs and enjoys and even greater leading position in the KSA with 33 rigs currently under contract with Saudi Aramco translating to 38% of the Kingdom's total country fleet. ADES also accounts for the largest outstanding backlog days across target geographies (GCC, India & Egypt) at an estimated 26%.

### Kingdom of Saudi Arabia

There are currently 90 jack-ups operating in the KSA with no rigs cold stacked and a single newbuild (Kingdom 2) that is expected to be delivered and immediately under contract with Saudi Aramco by 2Q24. The Kingdom is largely characterized by a younger, more premium fleet of rigs with an average rig age of 17 years old.

ADES is the single largest jack-up provider in the KSA with 33 rigs under contract whilst enjoying a market share by outstanding backlog of 40% (83,670 days). This market share is significantly larger than that of the next two leading rig managers ARO Drilling and COSL which account for a combined 26% market share by outstanding backlog. ADES is also the largest provider of premium jack-ups in the Kingdom with 27 rigs.

***Despite Saudi Aramco's recent announcement to maintain production capacity, near-term rig demand over the next 24 months is expected to remain strong:***

In 2020, Saudi Aramco announced its intention to increase its maximum sustainable capacity (MSC) of crude oil production to 13 mmbpd. This ambitious target saw a significant volume of new offshore project sanctioning driving unprecedented demand for rigs, production facilities and marine services. In January 2024, however, Saudi Aramco received a directive from the oil ministry to maintain its oil production capacity at 12 mmboepd. The company had thus decided to pivot its focus towards gas production and has deferred the development of its Safaniyah expansion until further notice. However, Aramco had emphasized that its demand for rigs should not change as the ramping up of onshore and offshore gas production will require a significant number of rigs that will largely offset the reduction in offshore oil rig demand. Meanwhile, other key projects that have already been sanctioned such as Zuluf, Marjan and Berri will continue to progress as planned, which will maintain the KSA's demand for jack-ups over the forecast period.

Going forward, marketed utilization is still expected to remain above 90% on the back of strong backlogs and a limited supply of jack-ups due to neighboring demand from the GCC like Qatar – which have maintained their ambitious production capacity targets by 2027 – and areas such as Southeast Asia, India, and Latin America.

### Rest of MENA (Excluding KSA)

The rest of MENA (excluding KSA) market comprises 103 jack-ups, with ADNOC Drilling and ADES accounting for 36% and 10% of the regional fleet, respectively. The cold-stacked jack-up fleet in the rest of MENA region currently comprises nine rigs which has an average age of 36.7 years old. Only one newbuild from ARO Drilling is expected to be delivered by 2Q24 and will immediately commence its eight-year contract with Saudi Aramco. ADES remains the market leader in Egypt with its rigs accounting for 64% of the country fleet whilst enjoying a market share by outstanding backlog of 69%.

A contract backlog of 73 and 48.6 rigs in 2024 and 2025 respectively will sustain rig demand over the 2024-25 forecast period – with a further 11.7 and 37.1 estimated rigs to be demanded over the same period. Rig demand is expected to grow 39% from 89.3 to 124.2 over the 2024-28 forecast period – driven by Qatar and the UAE.

Contracted utilization is expected to increase from 101% to 140% assuming none of the nine cold-stacked rigs in the market come out of reactivation. With the exception of the Somnath and Valaris, 104 jack-ups that are cold-stacked in Qatar and the UAE respectively, the remaining cold-stacked fleet in the region are above the age of 40 which makes it unlikely for reactivation.

The UAE has maintained its production target of 5 mmboepd by 2027 whilst Qatar recently announced plans to boost LNG production capacity to 142 million mt/year by 2027 – up from 77 million mt/year. This is expected to keep the limited supply of jack-ups occupied, adding further market tightness in the Middle East and beyond.


Source: Westwood Global Energy
1 This excludes four leased jack-up rigs, two barges and one MOPU.

### Southeast Asia

There are currently 39 jack-ups operating in Southeast Asia with an additional three cold-stacked jack-ups and three newbuilds expected to be delivered by 2025. The majority of outstanding backlog is driven by Indonesia (47%), Malaysia (19%) and Thailand (17%). ADES currently accounts for 20% of outstanding backlog days in Indonesia due to a three-plus-two-year contract award from Pertamina.

Going forward, limited global jack-up supply and subdued newbuilding are likely to drive the demand for more jack-ups in the Southeast Asian market. With utilization already reaching 99.8% and current bids reaching $170k and beyond – the region is an attractive opportunity for ADES to leverage its reputation and fleet size for greater commercial benefit, with the Group already participating in tenders and has recently been awarded contracts in Indonesia and Thailand that are slated for operation in 2024.

A concentration of jack-ups in the Middle East along with buoyant contracting activity in Southeast Asia will see rig demand outstripping total regional supply (including cold-stacked rigs) by 2025. Contracted utilisation in 2024 is estimated at 103% driven entirely by contract backlog, options and tender requirements amounting to a rig demand of 38.3 rigs. Over the 2024-28 forecast period, rig demand is expected to increase a further 22% to 46.8 rigs.

### India

The country fleet size in India is currently estimated at 37 jack-ups – ADES currently enjoys the third largest market share by outstanding backlog. Average rig age in India is higher than its regional counterparts at 33 years, however, demand for newer and more premium jack-ups may be underway as ONGC had intimated its intention for fleet renewals – potentially spurring the refurbishment of rigs or the purchase of younger rigs. A total of 11 premium rigs are located in India, and should ONGC shift its focus towards newer rigs, this premium fleet will see greater commercial opportunities in the country.

Offshore jackup demand in India was estimated at 31.4 rigs in 2023 – representing a modest 3% increase from 2022. Rig demand for the next two years are largely driven by contract backlog and tender requirements amounting to 41 and 38.6 rigs over 2024 and 2025 respectively. Contracted utilisation in 2024 is forecasted at 106% in 2024 suggesting strong rig demand outpacing limited supply. There are only two cold stacked rigs in the country and both are 43 years old. While this age group is consistent with currently contracted rigs in India, these rigs must secure minimally six-month contracts at attractive day rates to justify reactivation.

Going forward, rig demand is expected to operate around 41 rigs over the 2024-28 forecast period which translates to an average contracted utilisation of 106%.

## MENA Onshore Drilling

The MENA onshore drilling landscape is significantly more fragmented when compared to the offshore market with a total of 972 onshore rigs distributed amongst an estimated 70 rig managers. The MENA onshore drilling market can be split between the prolific and high growth GCC markets, such as Saudi Arabia and Kuwait, and the more fragmented markets of North Africa such as Libya and Egypt.

ADES is currently the 10th largest player in onshore MENA accounting for 4% of the regional fleet. The company's rigs are mainly distributed across high growth markets of Saudi Arabia and Kuwait with other rigs also working in Algeria, Egypt and Tunisia.

Algeria's NOC Sonatrach remains the single largest onshore rig manager in MENA via its two subsidiaries ENTP and ENAFOR. The company accounts for an estimated 11.4% of the MENA onshore rig fleet. However, these rigs work almost exclusively in Algeria and are typically smaller than the regional average with regards to horsepower (HP) rating.

Onshore rigs are typically differentiated by their drawworks HP rating which reflects how deep below the surface they can drill. Higher HP rigs can drill longer distances and create more complex and productive wells. Typically, GCC markets use higher HP rated rigs and local rig managers enjoy higher levels of utilization compared to North Africa. Pricing is also significantly higher in the GCC with Saudi Arabia considered a premium market with average day rates 32% higher than the MENA average.

While Algeria and Egypt have similar average drawworks HP, average day rates in Algeria are on the higher side of the spectrum averaging $25,212. This is due to a combination of workover rigs that command day rates

Source: Westwood Global Energy



approximately $20,000 whilst drilling rigs command approximately $30,000. ADES was recently awarded two long-term contracts in Algeria from Sonatrach – Algeria's state-owned oil company – worth $79 million for its drilling rigs that will commence work in 2H24.

The Kuwait fleet has the highest average HP rating across MENA which has been driven by KOC's push towards deep, high pressure Jurassic gas resources and heavy oil reserves – commanding average day rates of $29,526.

ADES' fleet is also differentiated by having a significantly above average HP rating estimated to be the second highest in the region behind US based Grey Wolf who operate a smaller fleet of rigs.


## MENA Onshore Market Outlook

Onshore rig demand closed at an estimated 690 rigs in 2023 representing an increase of 7% year-over-year or a 28% increase since the COVID-19 pandemic in 2020. On a country level, Saudi Arabia remains the single largest market accounting for an estimated 28% of rig demand in the region – with the remaining key country markets including Kuwait (14%), Algeria (9%), Egypt (8%) and Libya (2%). The Kingdom is expected to potentially increase its lead given Saudi Aramco's recent announcement to focus on gas production which is pre-dominantly onshore.

Going forward, onshore rig demand in MENA is expected to increase a further 19% over the next five years to an estimated 821 rigs by 2028. While this growth forecast is estimated across most country markets, the key drivers of demand will largely be the GCC states of Saudi Arabia, Kuwait, UAE along with Iraq with the first two countries accounting for a combined 44% of MENA onshore rig demand. Average day rates in MENA are estimated at $30.5k in 2023 and is expected to reach a maximum potential range of $35k in 2028.

### KSA

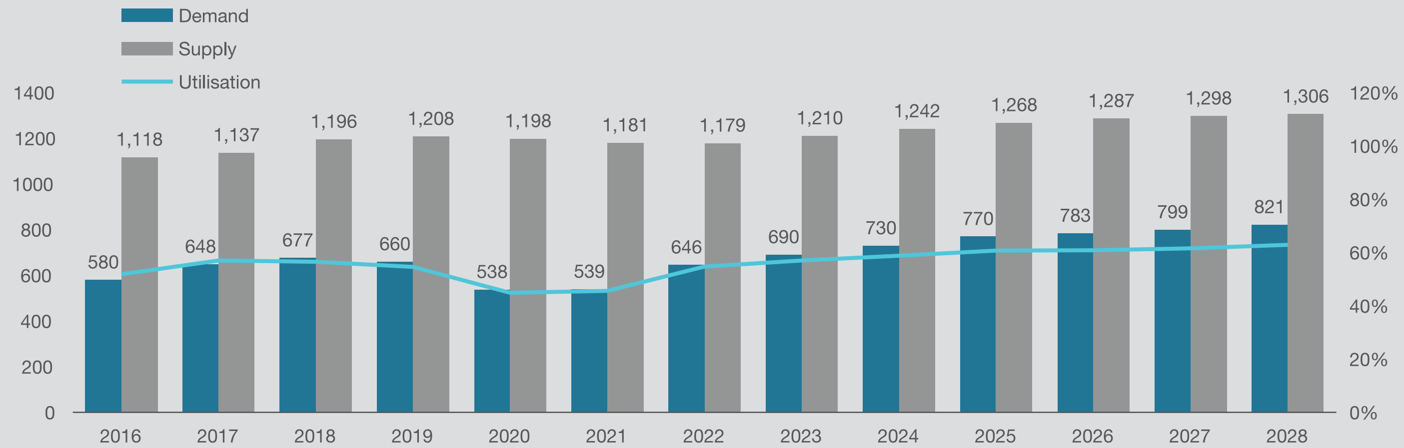
The KSA is considered a premium rig market characterized by complex and high value wells. Onshore rig demand in 2023 was estimated at 191 units which resulted in a utilization of 88%.

Going forward, onshore rig demand is expected to increase a further 35% from 191 to 250 rigs over the 2023-28 period, largely driven by the development of the Kingdom's giant Jafurah unconventional gas field – which spans a total lifecycle investment of $100 billion and requires a huge number of deep and extended wells. Moreover, the Jafurah onshore gas development will play a key role in meeting Saudi Aramco's recently announced target for 2030 to increase its gas production by 60%. On the supply side, SANAD (a JV between Saudi Aramco and Nabors) plans to build 50 onshore rigs with five deliveries scheduled per year over the next ten years from 2022. Accounting for such newbuilding, utilization is expected to reach 89% by 2024 and achieve 100% utilization by 2028 owing to growing rig demand.

### Kuwait

Onshore rig demand in Kuwait was estimated at 100 rigs in 2023 – an 11% increase from 2022. The expectation is that future activity will remain focused on the development of more complex reserves including deep, high-pressure/high-temperature gas and heavy oil in the Lower Fars region. These campaigns will require higher rated rigs in the 2,000HP range to drill longer and deeper completions.

## MENA Onshore Supply & Demand (# of Rigs, Utilization %)




Going forward, rig demand is expected to grow a further 18% from 100 to 118 rigs by 2028. KOC had reportedly issued a tender for 27 rigs for an estimated USD 2.6 billion – as part of the country's plans to increase crude capacity to over 3.5 mmboepd by 2040. The contracts are said to be awarded by 1Q24.

### Algeria

The Algerian onshore rig market remains subdued owing to the protracted effects of the COVID-19 pandemic in the region. Utilization in 2023 remains low at an estimated 38% which represents a modest two ppt increase from 2022. The landscape is dominated by the country's national oil company Sonatrach which owns the largest onshore fleet in MENA via two subsidiaries ENTP and ENAFOR. Sonatrach's fleet accounts for 11% of the MENA fleet and 68% of Algeria's fleet.

Going forward, utilization rates in Algeria is expected to remain low – averaging 46% over the 2024-28 forecast period. Rig demand is expected to grow 14% from 71 to 81 rigs over the same period. The Algerian government is working to revive its oil & gas market by reducing taxes along with removing custom duties on imported E&P equipment.

Source: Westwood Global Energy

# Risk Management

## Approach to Risk Management

ADES may encounter risks related to its industry and commercial activities, in addition to any economic and political risks arising from the Group's activities conducted outside the borders of Saudi Arabia. Effective risk management is crucial to the ADES's strategic direction and for the realization of its long-term objectives. The Group's success is reliant on its capacity to recognize and capitalise on opportunities within its business and market sectors. ADES adopts an integrated approach to risk management which prioritize risk at the core of the Board's responsibilities and competencies seeing that a culture of prudent risk-taking and effective risk management underpins the Group's operations and activities.

## Risk Management Framework

The Audit Committee and Board established Independent units within the Group for Internal Audit, Corporate Governance, and Risk Management ("Internal Control System"). The primary role of risk management unit includes the following:

- Developing an effective strategy, plans, policies, procedures and measures for Group's risk management and systems to assess risks to identify and address deficiencies.
- Implement risk management plans and strategy.
- Monitor the risks to which the Group may be exposed to, extent to which they are exposed to such risks and conduct ongoing assessments in this regard.
- Develop a plan for crises and emergencies management and develop risk exposure reports and proposed steps to manage these risks.
- Coordinate with the Executive Management of the Group to ensure that the risk management system is efficient, effective, and implemented.
- Develop risk exposure reports, propose steps to manage these risks, submit them to the Executive managements and relevant committees.
- Study and review issues raised by the Audit Committee that may affect the Group's risk management.
- Any other additional tasks assigned to them considering the nature of risk management work and tasks aimed at enhancing its efficiency and effectiveness.
- The Group may from time to time appoint a specialized consultant or expert to assist in the development/ updates and effective implementation of risk management systems and plans.

## Three lines of defense model

In line with the Risk Management Framework of the Group, three Lines of defense concept shall be adopted, with respect to internal control, risk management and governance systems.

- **First Line of Defense - All Businesses as well as Support Functions / Process Owner**
  Responsibility includes identifying and owning risks, designing appropriate mitigating controls, putting in place effective compliance process and monitoring / testing compliance with controls and policies.

- **Second Line of Defense - Risk Management & Other Control Functions**
  Independent Monitoring process to ensure effectiveness of governance, risk management and control systems and processes.

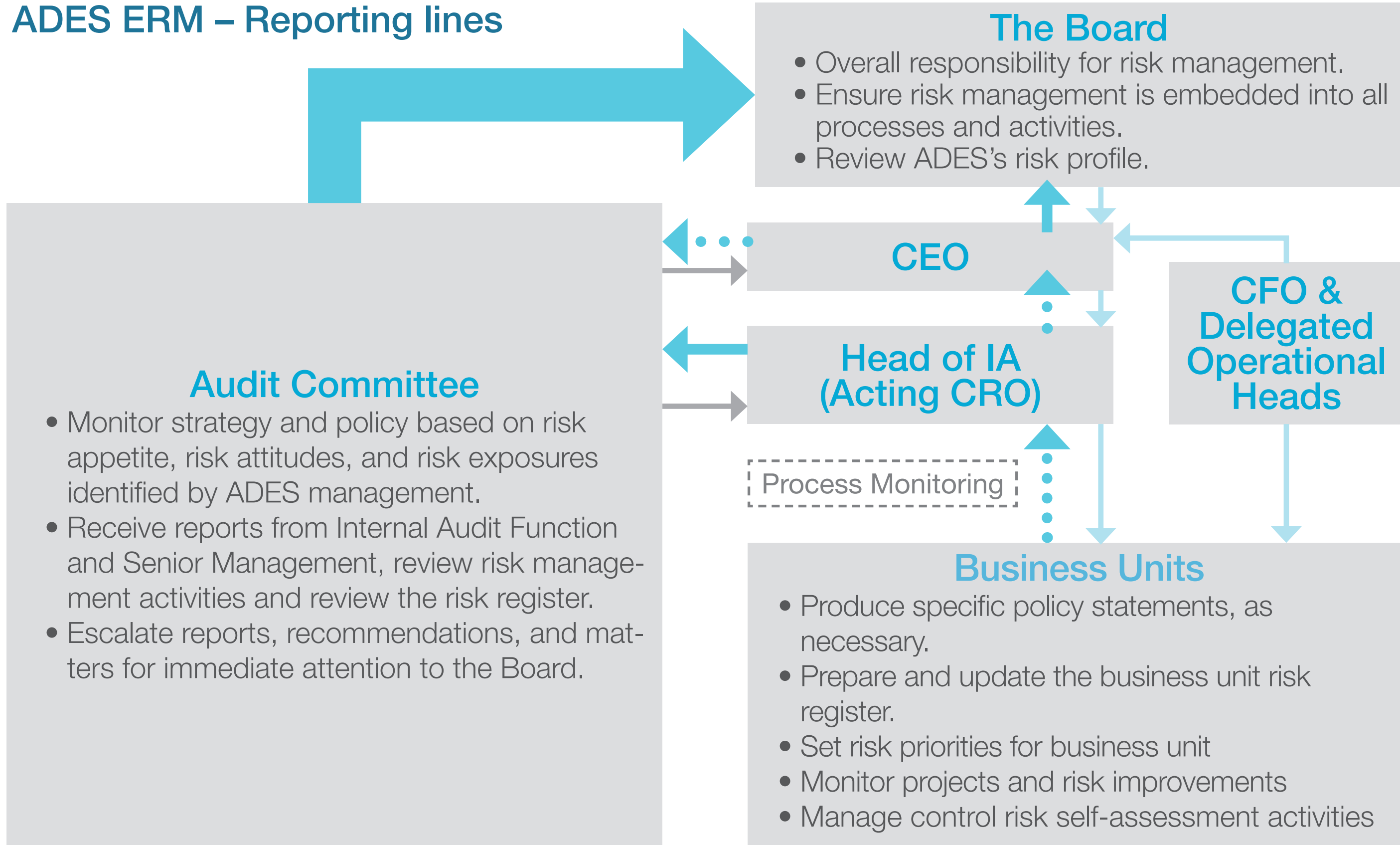
- **Third Line of Defense - Internal Audit**
  Provide reasonable assurance to the Board of Directors and the Board Audit Committee on the efficiency and effectiveness of the overall system of control, risk management and governance.

## Enterprise Risk Management (ERM)

The Group's policy in managing risks as a part of its role, is to establish effective mechanisms and procedures to closely monitor the risks which the Group is exposed to through its Board, the Group Committees, the Executive Management, the relevant team members in the subsidiaries. Also, the Group has set policies, plans, procedures, and measures in this regard and continuously develops and updates its existing risk management systems. The Group will also disclose annually the overall perception of potential risks through the annual directors' report.

Within the framework of risk management mechanisms and procedures, the Group developed an integrated (Enterprise Risk Management "ERM") program under the supervision of the Executive Management. The objective of this system is to identify, assess, prioritize, prevent, mitigate, and manage the risks that may limit the Group's ability to achieve its objectives. ERM does not aim to eliminate risk. Instead, an effective ERM program will create an environment in which risk is embraced and allows Management to make comprehensive, informed, and strategic risk decisions. The risk management process identifies and reduces exposure to uncertainty, and enhances exposure to opportunities, by identifying, understanding, and managing risks in accordance with a defined risk management policy. ERM program effectively enhances the participation of the Board and the Executive Management Team in the risk management process to ensure a unified vision of the risks faced by the Group.

### ADES ERM – Reporting lines




## Business Risk Assessment

The process by which the Group identifies, assess, mitigate, monitor and report risks to the achievement of business objectives is integrated into a system based on ISO 31000 principles and guidelines. This includes the escalation, as appropriate, of risk ownership through the Group organization levels, resulting in a hierarchy of risks from individual departmental risks to corporate risks. Annually, the Group Executive Management reviews the composition of the top risks, taking into consideration risks reported from the businesses and a top-down scan for new and emerging risks. The Group Executive Management is updated quarterly on individual risks, and every year several risks are presented in detail to the Group Executive Management, Committees and the Board.

# Key Risks Relating to the Group

| Risk Type | Risk | Description |
|---|---|---|
| Key Risks Relating to the Group's Business and Operations | Risks related to the level of business activity in the oil and gas industry. | Demand for the Group's services depends on the level of business activity in oil and gas exploration as well as on the development and production activities in existing and potential markets.<br><br>Should overall levels of exploration, development and production activities of the Group's client base fall short of the Group's expectations, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to the certification of the rigs and its pre-qualification. | The Group has taken steps in furtherance of its strategy to expand into new jurisdictions including seeking pre-qualification status in certain jurisdictions that have oil and gas clients. If the Group lost pre-qualification status in any jurisdiction, the Group may face obstacles to enter into new contracts in such jurisdictions.<br><br>Similarly, the Group is required to maintain class certification to operate its offshore rigs. In the event that any of the Group's offshore rigs is unable to renew its IACS Certification, which clients require to be in place, existing contracts may be suspended or terminated, and the Group may face obstacles in the renegotiation of existing contracts or entry into new contracts or the Group may incur significant capital expenditures to achieve IACS re-certification. |
| | Risks related to operating hazards in the Group' business, including environmental damage. | Oil and gas drilling is a business activity that involves a degree of hazardous risks. These hazards include blowouts, reservoir damage, loss of production, loss of well control, punch-throughs, lost or stuck drill strings, equipment defects, craterings, fires, explosions, oil spills, release of toxic or hazardous substances or gases, power shortages or failures, and pollution. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or clients and suspension of operations. The Group's vessel fleet is also subject to hazards inherent in onshore and offshore operations, either while on site or during mobilisation, such as capsizing, sinking, grounding, collision, piracy, damage from severe weather and marine life infestations.<br><br>If any of the above risks materialises, this could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to the Group's backlog. | The Group's contract backlog may fail to be realised in whole or in part if the option to extend is not exercised or if clients cancel or renegotiate their contracts or any other of the Group's assumptions in calculating the backlog estimate do not materialise. The inability to realise a substantial amount of the Group's contract backlog would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks Related to Concentration of Revenue from the Group's Relatively Small Number of Clients | The Group relies on a small number of clients, currently the Group's three largest clients comprised more than 89% of Dec-2023 Backlog.<br><br>In certain cases, a single client may have engaged more than one of the Group's assets. Loss of, or underperformance under, a client contract may have a knock-on impact on contracts for the same client on other rigs and may thereby have a corresponding material adverse effect on the Group's other contracts, business, financial condition, results of operations or future prospects. |
| | Risks related to rig upgrade and refurbishment projects, rig relocations and acquisitions of additional rigs, including delays and cost overruns. | As part of creating value for the businesses, the Group's strategy includes purchasing drilling rigs and refurbishing, maintaining and repairing the rigs using mostly the Group's own workforce, namely its in-house refurbishment and maintenance team, in order to reduce costs.<br><br>Any delays or overruns in the future could reduce utilization rates, result in the Group not achieving the expected returns on its investments and otherwise have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to the Group's customer contracts. | Early termination of contracts, contract renegotiations or discount of day rates, or a failure of a client to pay amounts to the Group when due, could have a negative impact on the Group's ability to generate anticipated revenue and could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to public health issues and pandemics, including the COVID-19 pandemic. | The outbreak of other variants or other infectious diseases in the Kingdom of Saudi Arabia, the MENA region or globally might have a materially negative impact on the relevant country's economy and business environment and may have broader impacts. It could also have a material impact on the supply chain and delivery infrastructure, including access to ports and key export points used by the Group. In addition, it could impact third-party vendors and other counterparties of the Group and their ability to comply with their obligations towards the Group. The aforementioned might affect the business operations of the Group and the demand for oil and gas and therefore have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |

| Risk Type | Risk | Description |
|---|---|---|
| Key Risks Relating to the Group's Business and Operations | Risks related to renewing or obtaining new and favourable drilling contracts. | There can be no assurance that the Group will renew or secure drilling contracts with rates and terms that will provide a reasonable rate of return on the Group's investments in the rigs the Group acquires and refurbishes. Any failure to secure profitable drilling contracts in the future would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to failure to secure adequate insurance coverage. | The Group maintains insurance against certain hazards including in relation to its assets, rig operations and employees. However, no assurance can be given that any of the Group's existing insurance policies will be sufficient to cover losses arising from certain events or will be renewed on equivalent, commercially reasonable terms or at all.<br>The Group may become subject to additional risks in the future, which could result in material risk of losses. In the event that the Group incurs losses due to lost revenue or other eventualities in the future, which are not covered by its insurance policies, such losses will be incurred by the Group with no recourse to the insurers and, hence, would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to fluctuating interest rates of the Group's borrowings. | The applicable interest rates could rise significantly in the future, thereby increasing the Group's interest expenses associated with its obligations, reducing cash flow available for capital expenditures which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to incurring capital and operating expenditures and securing related funds. | Any failure to obtain the funds for necessary future operational expenses on acceptable terms, in time, or at all, in order to cover the outlined instances where capital expenditure and operational expenditure is not in proportion to operating revenues, or where unforeseen capital expenditures arise, could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to legal disputes. | If the Group is subject to any judicial or administrative action that results in any judgment or set of judgments against the Group, and such judgment or combined judgments entail substantial amounts of damages, this could have a material adverse effect on the Group's business, financial condition, results of operations or future prospects. |

| Risk Type | Risk | Description |
|---|---|---|
| Risks Related to the Market, Industry and Regulatory Environment | Risks related to the contract drilling industry being highly competitive and cyclical, with periods of low demand and excess rig availability. | The fluctuating demand in the oil production industry may affect demand for the Group's assets and services and any reduction in demand for the Group's drilling rigs that results in rigs becoming idle could have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to new laws and government regulations, changes to existing laws and government regulations and uncertainty of legal systems. | The Group is heavily regulated and is subject to a range of laws and regulations that are applicable in the Kingdom of Saudi Arabia and all other jurisdictions in which it operates. The Group's operations are affected by laws and regulations relating to the oil and gas industry. Accordingly, the Group would be directly affected by the adoption of new laws and regulations limiting or curtailing exploration and development drilling for oil and gas for economic, environmental, health, safety or other policy reasons.<br><br>Any of these events or similar legislative or regulatory activity would adversely affect the Group's operations by limiting drilling opportunities or significantly increasing the Group's operating costs, which would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to compliance with environmental regulations. | The Group's operations are or may become subject to laws and regulations, including applicable international conventions, controlling the discharge of materials into the environment, pollution, contamination and hazardous waste disposal or otherwise relating to the protection of the environment.<br><br>Failure to comply with these statutes and regulations may subject the Group to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance and would have a material adverse effect on the Group's business, results of operations, financial condition or future prospects. |
| | Risks related to changes in accounting principles or policies. | The Group has prepared its special-purpose consolidated financial statements in accordance with IFRS-KSA. Since these accounting standards are issued or updated either by the International Accounting Standards Board (IASB) that are endorsed in the Kingdom of Saudi Arabia or by the board of directors of SOCPA, some of these publications or updates may adversely and materially affect the Group's business, financial position, results of operations and prospects. |

> 2023 was yet another milestone year for ADES as it successively delivered on its expansion plans and booked a record performance with strong revenue growth of 75.6% year-on-year.

# Performance Review

> Throughout 2023, we demonstrated resilience and agility in managing our backlog, achieving a net increase of SAR 152 million or 0.6% versus 2022 and despite a revenue burn rate of SAR 4.3 billion.

# CFO's Note

I am delighted to present to you our robust financial performance in 2023, reflecting our relentless pursuit of excellence and strategic growth initiatives. It gives me immense pleasure to share our achievements and provide insights into the financial health of ADES.

Throughout 2023, we demonstrated resilience and agility in managing our backlog, achieving a net increase of SAR 152 million or 0.6% versus 2022 and despite a revenue burn rate of SAR 4.3 billion. This translates to total backlog additions of c.SAR 4.5 billion, driven by favorable contract extensions, new contracts, and the mobilization impact of our ongoing rig deployment plan.

Our revenue surged by an impressive 75.6% in 2023, fuelled by several factors including the successful completion and annualized impact of recent acquisitions in Saudi Arabia, the deployment of rigs in the Aramco mega tender, and enhanced utilization and daily rates across various geographies. As such, we have seen increases in revenue in KSA by 82%, Egypt by 56.6%, Kuwait by 50.5%, and Qatar by 71.5%. Additionally, revenue contribution from the newly deployed rigs in India stood at SAR 18 million, noting that these rigs started operation in the fourth quarter of 2023.

Notably, the offshore segment, which now constitutes nearly 73% of total revenues, experienced significant growth. This expansion contributed to a substantial improvement in profitability, with EBITDA soaring by 104% year-over-year and our EBITDA margin expanding from 42.5% to 49.4%.

At our bottom-line, despite a high base effect from non-recurring expenses and non-cash income recognized in 2022, our net profit increased by 13.7% in 2023. Factoring out these one-offs, our normalized net profit[1] surged by an impressive 84.2%, driven by robust revenue growth and enhancements in EBITDA margins. This growth trajectory underscores the effectiveness of our strategic initiatives and operational efficiency.

Our strong operational performance also fuelled free cash flow generation which amounted to SAR 1.8 billion in 2023 compared to SAR 893 million last year, with a very strong cash conversion rate[2] of 85.4% versus 85.2% in 2022. This was also supported by the continued development of our refurbishment and maintenance efficiency initiatives, including in-house capabilities, translating into healthy cash conversion rates all while scaling operations.

Furthermore, our prudent capital expenditure strategy, with a focus on ongoing projects as part of our rig deployment plan in Saudi, Kuwait and India, resulted in aggregate capital expenditure of approximately SAR 4 billion in 2023.

In terms of financial discipline, we have made significant strides in debt reduction, with net debt decreasing to SAR 9.9 billion by the end of 2023, down from SAR 10.4 billion in the previous year. This reduction mainly reflects the utilization of circa 85% from our IPO proceeds toward reducing the Group's indebtedness, with the remaining 15% directed toward ongoing capital projects, in line with our stated objectives. Meanwhile, our equity witnessed a remarkable increase of 156%, driven by the IPO proceeds and the additional net profit contribution.

Looking ahead, we remain optimistic about our growth prospects in 2024, with projected EBITDA ranging between SAR 2.89 billion to SAR 3.04 billion. The ramp-up of the Aramco 19-rig mega tender and newly awarded contracts in Algeria, India, Indonesia and Thailand will be key drivers of our operational growth. Additionally, the prevailing market conditions, characterized by high utilization and daily rates, along with anticipated demand from GCC states and Southeast Asia, further reinforce our confidence in the future.

In closing, I extend my gratitude to our shareholders, employees, and stakeholders for their unwavering support and commitment. Together, we will continue to chart a path of sustainable growth and value creation.

**Hussein Badawy**
**Chief Financial Officer**

**SAR 4.3 bn**
Revenues in 2023

**49.4%**
EBITDA Margin in 2023

**84.2%**
Normalized Net Profit[1] Growth in 2023

**85.4%**
Cash Conversion Rate[2] in 2023

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 provision
2 Cash Conversion is calculated as Free Cash Flow divided by EBITDA

# Operational Developments

In 2023 ADES maintained its focus on backlog replenishment, operational excellence and safety, all the while delivering against its rig deployment plans and expansion strategy.

**Utilization Rate**

**98.0%**

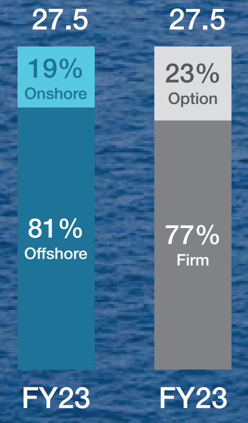
in FY 2023
(vs.98% FY 2022)

**TRIR**[1]

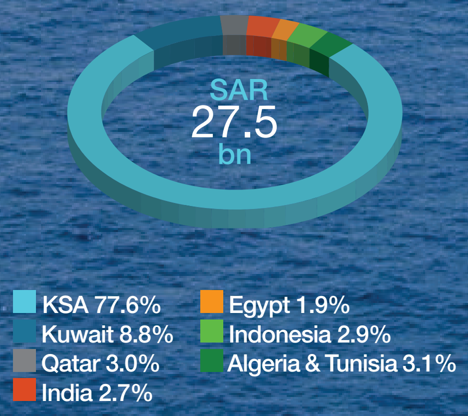
**0.09**

in FY 2023
(vs.IADC standard of 0.51)

**Backlog Composition FY 2023** (SAR bn)




**Backlog by Geography** (FY 2023)




## Maintaining focus on backlog replenishment, operational excellence, and safety

Throughout 2023, 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.

Meanwhile, total backlog grew by SAR 152.1 mn or 0.6% higher 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 increases 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.

The Group's 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.

In terms of safety, ADES' integrated health and safety management frameworks allowed it to maintain a Total Recordable Injury Rate[1] well below the industry average at 0.09 vs. IADC standard of 0.51.

## Delivering against our rig deployment plan and expansion strategy

In Saudi Arabia, 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. The Aramco deployment is considered the largest jack-up rig deployment plan in the history of the drilling industry.

In Kuwait, four rigs started operations from the six recent awards with Kuwait Oil Company during 2023, and currently all six rigs have been deployed.

During 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 2023.

The Group was also 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 the fourth quarter of 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.

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.

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.

1 Total Recordable Injury Rate per 200,000 working hours

# Financial Performance

## ADES delivered remarkable EBITDA Growth of 104% y-o-y and an 84% y-o-y increase in normalized net profit in 2023

### Key Financial Figures[1]

| 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[2] | 473.1 | 256.8 | *84.2%* |
| CF from Operating Activities before WC | 2,104.1 | 1,032.5 | *103.8%* |

### Revenues

In 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 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.

### EBITDA

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 2023. This translated into an EBITDA margin of 49.4% in 2023 (+6.9pp YoY). EBITDA margin enhancement was also driven by the Group's lean cost structure.

### Net profit

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 2022 of SAR 140.7 mn, mainly related to the non-cash bargain gain recognized on the Group's acquisitions during 2022.

### Normalized Net Profit[2]

Normalized net profit was up 84.2% y-o-y in 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 2023 is after excluding the aforementioned net impact of non-recuring expenses and non-cash income in 2022, as well as SAR 21.0 mn in non-recurring IPO expenses and provisions booked in 2023.

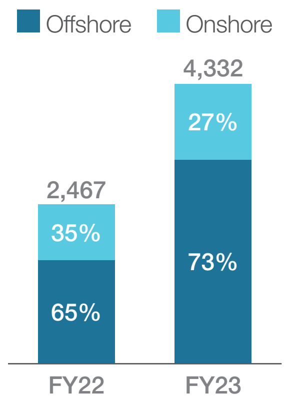
### Operating Cash Flow[3]

Solid operating cash flow generation of SAR 2,104.1 mn in 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.

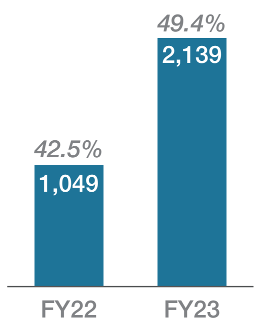
1 All FY 2022 comparative figures in this release are sourced from the audited special purpose consolidated financial statements.
2 Excludes non-recuring and one offs non-cash gains/expense, that mainly include bargain purchase gain, provision for impairment of trade receivables, provision for impairment of inventories and other provisions.
3 Operating cash flow before working capital.
4 Represents cash paid for purchase of property and equipment as per the cash flow statement.
5 Net debt equals interest-bearing loans and borrowings, less cash excluding lease liability.



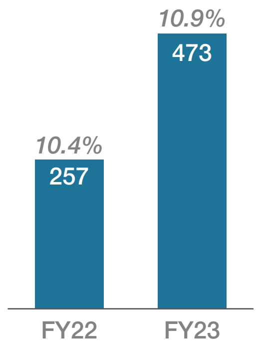
**Revenue**
(SAR mn)



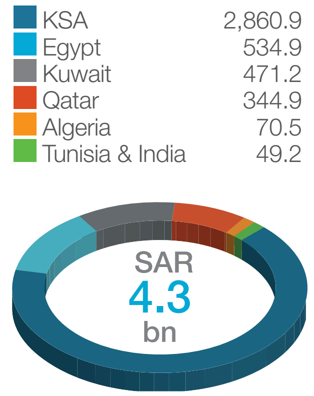

**EBITDA**
(SARmn / Margin)




**Normalized Net Profit**
(SARmn / Margin)




**Revenue by Geography**




### CAPEX[4]

Aggregate capital expenditure during the 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[5]

Net debt stood at SAR 9,917 mn in 2023, down from SAR 10,357 mn in 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.

### Performance by Geography

| SAR mn | 2023 | 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 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 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 2023 was driven by higher daily rates and utilization.
- Revenue growth in **Kuwait** reached 50.5% in 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 2023. This growth reflected the full-year contribution of the new geography versus only seven months in 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 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 2023, primarily due to improved utilization rates.
- Revenue contribution from **India** in 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 | 2023 | 2022 | Change |
|---|---|---|---|
| **Offshore** | | | |
| Revenue | 3,160.5 | 1,602.1 | *97.3%* |
| Gross Profit[6] | 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[6] | 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 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 2023, versus 64.9% in 2022.

# Outlook

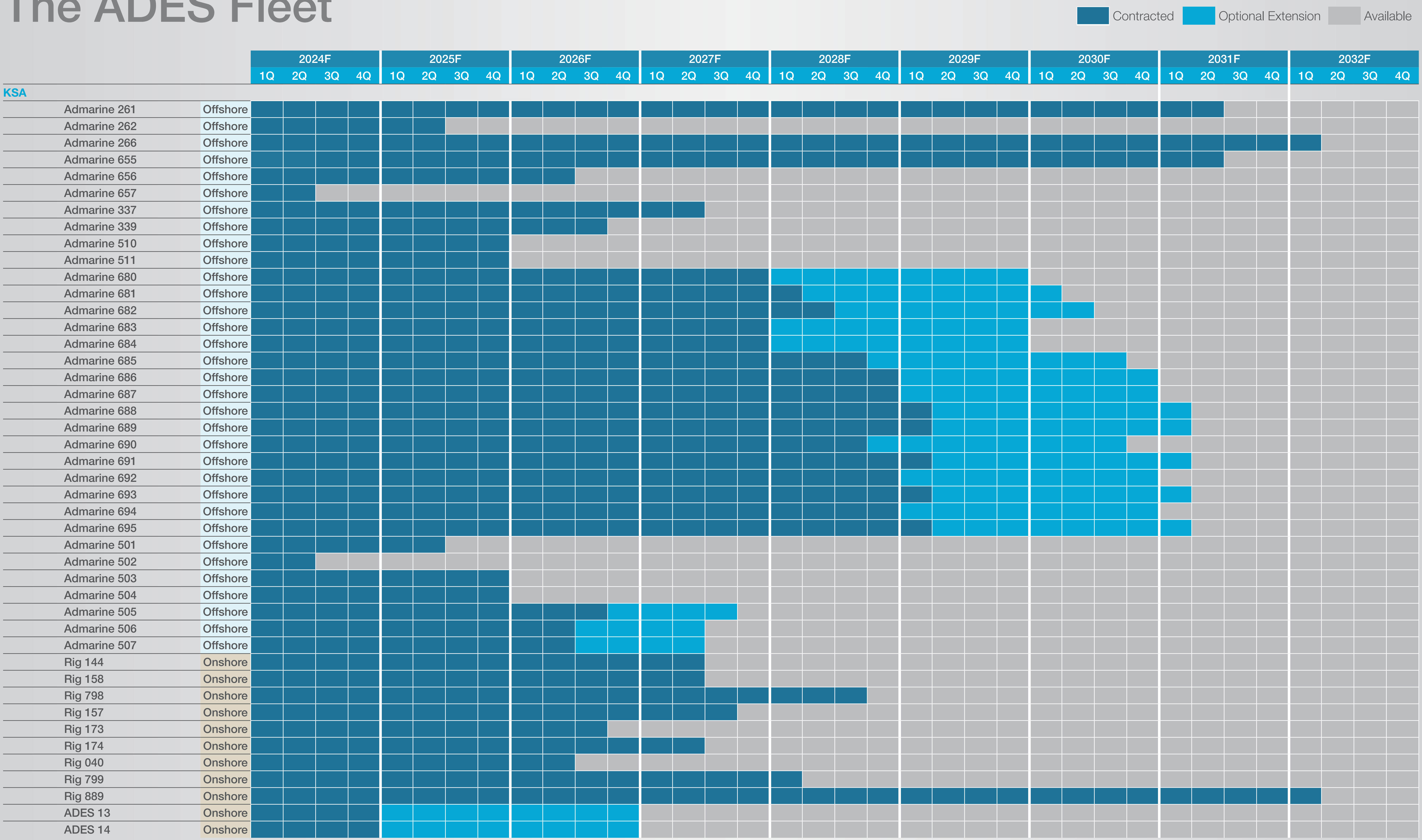
Looking forward, the Group's guidance for 2024 is for EBITDA ranging between SAR 2.89 billion to SAR 3.04 billion, with a strong growth outlook on account of the continued execution of the Group's rig deployment plan and ramp-up of the Group's recent expansions, which includes the recently deployed rigs 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, Indonesia and Thailand during 2024 operational growth and the Group's recent expansions.

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[7]. 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.

6 Gross profit excludes depreciation.
7 Clarksons Securities Research

# The ADES Fleet




Utilization schedule as of 31 December 2023


* The two rigs 810 and 815 will be moved from Egypt to start operations in Algeria in Q3'24 and Q4'24 Respectively
** The Emerlad Driller will be moved from Qatar to start operations in Indonesia in Q2'24
Utilization schedule as of 31 December 2023

> "The enduring success of ADES' business is intricately tied to achieving a sustainable balance between financial performance and social and environmental responsibility."

# Sustainability

# Sustainability

ADES' commitment to ethical governance, prioritizing the health and safety of its people, and embracing environmental and social initiatives has been a driving force behind its success.

Recognizing the significant environmental impact of our operations, ADES embarked on its Environmental, Social, and Governance (ESG) journey in 2017, embracing a robust ESG mindset with the understanding that the enduring success of its business is intricately tied to achieving a sustainable balance between financial performance and social and environmental responsibility. Consequently, over the years the Group has consistently intensified its commitment to sustainable business practices, embedding comprehensive guidelines into its performance and sustainability initiatives with an eye to reducing its ecological and carbon footprint, investing in energy efficient technologies, minimizing waste, and positively impacting the communities where it operates.

## Our Approach to Sustainability

ADES' ESG approach is guided by principles of transparency, accountability, and materiality, and places a strong emphasis on prioritizing issues with significant impacts on its business and stakeholders. The Group believes that transparent reporting on its ESG performance is pivotal for building trust with stakeholders and showcasing its dedication to sustainable business practices.

Following a consistent effort over the past half decade in gathering ESG data on an annual basis, in 2023 ADES introduced its first inaugural sustainability framework, aligning with the Group's core values, business objectives and global benchmarks. The Group's sustainability framework focuses on five key pillars, including Governance and Business Ethics, Climate Change and Energy, Health, Safety and Security, Environmental Protection; and Social Responsibility.

## ADES' Sustainability Pillars


> ADES' ESG approach is guided by principles of transparency, accountability, and materiality, and places a strong emphasis on prioritizing issues with significant impacts on its business and stakeholders.

## Aligning with Local and Global Benchmarks

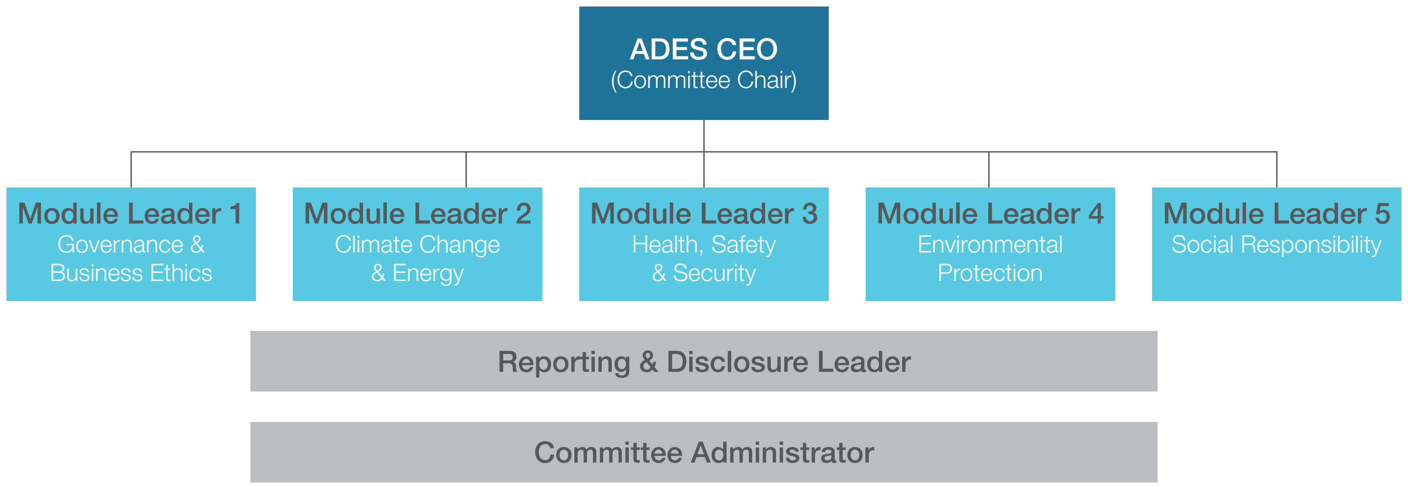
In line with the Group's commitment to excellence in sustainability practices, reporting, and administration, ADES adheres to globally recognized standards and frameworks, such as the Global Reporting Initiative (GRI) and the International Petroleum Industry Environmental Conservation Association (IPIECA), providing a comprehensive framework that encompasses the entire sustainability cycle within ADES. Furthermore, the Group is firmly committed to the Kingdom of Saudi Arabia's sustainable development goals outlined in its Vision 2030, while simultaneously recognizing its role in contributing to the United Nations Sustainable Development Goals (SDGs), ensuring that its sustainability framework addresses the world's most pressing social, economic, and environmental challenges.

GRI | ipieca | VISION رؤية 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA | SUSTAINABLE DEVELOPMENT GOALS

## Sustainability Committee

To further fortify its commitment, ADES formed a dedicated Sustainability Committee, chaired by the CEO and comprising Module Leaders, a Reporting and Disclosure Leader, and an administrator. The committee plays a pivotal role in overseeing the Group's sustainability strategy, reporting, and administration processes, emphasizing the integration of sustainable practices into the corporate ethos. The formation of a dedicated Sustainability Committee marks a significant step forward in our commitment to global standards and frameworks.

### ADES Sustainability Committee



## Stakeholder Engagement and Materiality

ADES' stakeholders play a crucial role in its continuous evolution within a dynamic world. The Group actively engages with its stakeholders to discern what is vital for its business and communicate openly on economic, environmental, social, and governance matters. Throughout 2023, the Group organized numerous events, activities, surveys, and meetings to directly interact with its stakeholders, update them on progress, new developments, strategic decisions, and priorities, while also inviting their feedback and suggestions. ADES' focus was on engaging various groups, including regulatory authorities, suppliers, customers, the community, and industry peers.

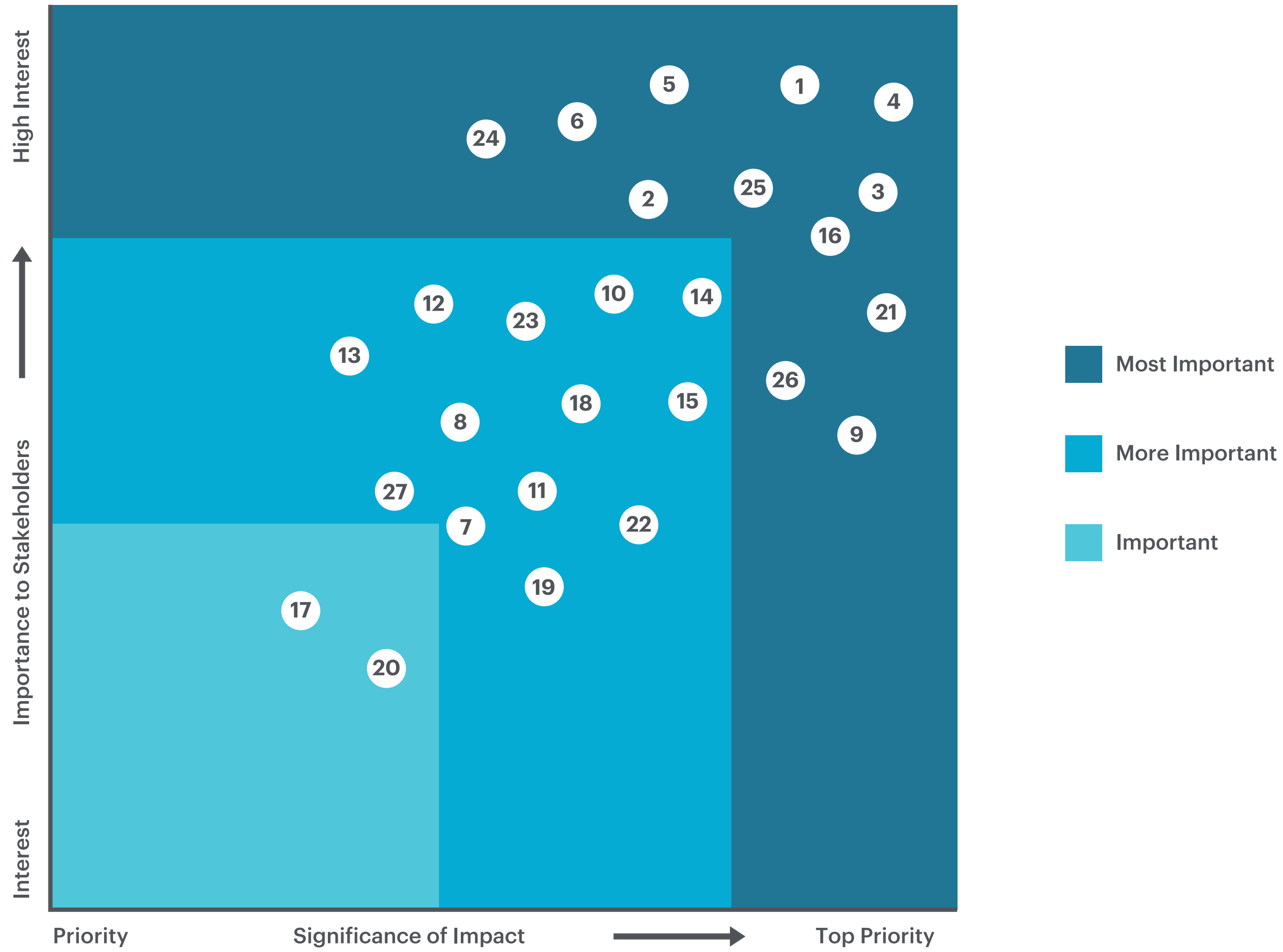
These activities proved instrumental in compiling material sustainability topics for the Group and building ADES' materiality list for disclosures. Participants were asked to rate sustainability topics on a scale of 1 to 10, which was later transformed into a materiality matrix for clearer data visualization and prioritization of sustainability topics.

### Systematic Materiality Assessment

| Questionnaire Development | Distribution to Stakeholders | Prioritizing Sustainability Issues | Internal Sustainability Brainstorming Sessions | Alignment with National and International Priorities |
|---|---|---|---|---|
| Structured according to GRI standards and covered a broad spectrum of economic, environmental, social, and governance issues. | A comprehensive survey questionnaire format was developed online and disseminated across multiple channels to gather responses from stakeholders. | The results from the surveys' questionnaires were consolidated according to the priorities identified by our stakeholders. | Regular sessions are held to grasp the sustainability priorities of the organization across various departments and divisions. These sessions establish the framework and central theme for ongoing sustainability reporting. | The finalized topics were cross-referenced with a range of national and international commitments and priorities, including Saudi Vision 2030, UNSDG and the Paris Climate Agreement. |

## Materiality Matrix

Through extensive stakeholder consultation, the Materiality Matrix depicted aids in pinpointing issues that have a substantial impact on the economic, social, and environmental performance of the Group or that may significantly shape stakeholders' perceptions and decisions.



| | Material Topics GRI | Description | Material Topic UN SDG | Boundaries | Priority |
|---|---|---|---|---|---|
| 1 | 403 | Health and Safety | 3 GOOD HEALTH AND WELL-BEING | ADES | Most important |
| 2 | 201 | Finances | 8 DECENT WORK AND ECONOMIC GROWTH | ADES | Most important |
| 3 | 401 | Employee turnover rate | 8 DECENT WORK AND ECONOMIC GROWTH | ADES | Most important |
| 4 | 305 | Emission | 13 CLIMATE ACTION | ADES | Most important |
| 5 | 103-2 | Workforce and Contractor Grievances | 8 DECENT WORK AND ECONOMIC GROWTH | ADES | Most important |
| 6 | 403 | Climate Change Mitigation & Adaptation | 13 CLIMATE ACTION | ADES | Most important |
| 7 | 303, 306 | Waste Management | 14 LIFE BELOW WATER | ADES | More important |
| 8 | 410 | Security of Infrastructure/Assets | 10 REDUCED INEQUALITIES | ADES | More important |
| 9 | 403 | Safeguarding Health During the Modern Health Crisis | 3 GOOD HEALTH AND WELL-BEING | ADES | Most important |
| 10 | 418 | Cybersecurity and data protection | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | ADES | More important |
| 11 | 406 | Business Ethics, Integrity, Transparency & Anti-Corruption | 17 PARTNERSHIPS FOR THE GOALS | ADES | More important |
| 12 | 201 | Infrastructure and overall services | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | ADES | More important |
| 13 | 415 | Compliance with International, Sustainability Regulations & Frameworks | 13 CLIMATE ACTION | ADES | More important |
| 14 | 301 | Operational efficiency | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | ADES | More important |
| 15 | 403 | Emergency Preparedness | 13 CLIMATE ACTION | ADES | More important |
| 16 | 201,203 | Economic Growth | 8 DECENT WORK AND ECONOMIC GROWTH | ADES | Most important |
| 17 | 416 | Customer Privacy and Safeguarding Customer Information | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | ADES | Important |
| 18 | 204 | Sustainable Procurement | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | ADES | More important |
| 19 | 308 | Compliance with Local Sustainability Regulations & Frameworks | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | ADES | More important |
| 20 | 404 | Training, Education, and Growth of Employees | 8 DECENT WORK AND ECONOMIC GROWTH | ADES | Important |
| 21 | 203 | Economic Contribution to Sustainability Matters | 8 DECENT WORK AND ECONOMIC GROWTH | ADES | Most important |
| 22 | 308 | Sustainability (Economic, Environmental, and Social) Assessment of the Supply Chain | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | ADES | More important |
| 23 | 413 | Local Community | 6 CLEAN WATER AND SANITATION | ADES | More important |
| 24 | 405,406 | Equal Opportunity and Diversity | 10 REDUCED INEQUALITIES | ADES | Most important |
| 25 | 413 | Corporate Volunteering | | ADES | Most important |
| 26 | 405 | Equal Opportunity and Diversity | 5 GENDER EQUALITY | ADES | Most important |
| 27 | 304 | Biodiversity Conservation | 15 LIFE ON LAND | ADES | More important |


# Governance & Business Ethics

The Group's ethical governance approach involves stringent regulatory oversight, risk analysis, and periodic monitoring of performance metrics. Ethics serves as a foundational principle within the organization, reflecting an unwavering commitment to responsible and sustainable business practices.

## Governance Framework

ADES places a significant emphasis on the implementation of effective corporate governance practices, viewing them as essential for maintaining the company's integrity and building trust among stakeholders. ADES' governance framework represents a holistic, transparent, and accountable approach that encompasses every aspect of the company's leadership structures, policies, procedures, and practices. Anchored in the principles of robust corporate governance, transparency, sustainability, and accountability, this framework serves as our guiding beacon in all operational endeavours.

The Board of Directors (BOD) and its relevant committee bears the responsibility for establishing overarching company objectives and actively contributes to shaping the governance framework. With a composition that includes members from diverse backgrounds, the board ensures a heightened level of objectivity and oversight in decision-making processes Prioritizing long-term sustainability, effective risk management, shareholder value enhancement, and responsible stewardship of company assets, the Board upholds unwavering standards of conduct aligned with our commitment to business ethics and sustainability.

ADES' governance framework remains dynamic, undergoing periodic reviews and updates to adapt to its evolving business landscape and regulatory requirements. This proactive approach ensures that the Group's governance practices and sustainability policies, at every level, remain relevant, forward-thinking, and deliver tangible value for its stakeholders.

## Ethics & Integrity

At ADES, ethics and integrity serve as a comprehensive guide, outlining the expectations for employee behaviour and offering direction on handling ethical matters and conflicts of interest. ADES' Corporate Culture and Business Ethics Policy, also known as the "Code of Conduct," serves as a comprehensive framework. This policy encourages adherence to company values and high ethical standards. ADES actively promotes the reporting of any suspected breaches through its independently managed whistleblowing system, enhancing transparency and safeguarding its workplace and stakeholders.

ADES recognizes the pivotal role of conducting business with integrity in achieving long-term success and sustainability. Its commitment revolves around establishing a reputation as a trusted and reliable partner for all stakeholders, including clients, investors, and employees. ADES' commitment to ethical guidelines also extends to its business partners and suppliers. The Group mandates their adherence to its Code of Conduct and ethics to maintain consistent ethical behaviour throughout its value chain.

## Business Risk Management

ADES' Business Risk Management (ADES BRM) process involves a systematic approach to identifying, evaluating, treating, monitoring, and reporting risks across all levels of the organization. Oversight of this process rests with the BOD and its relevant committee, which establishes the tone at the top, defines risk appetite and tolerance levels, and ensures that risk management policies align with best practices and principles.

ADES actively adopts and regularly reviews and updates risk management policies and procedures to ensure their continued relevance and appropriateness for its operations. These policies adhere to recognized standards and frameworks, including ISO 31000.

Through the centralized Operational Command Center (OCC), ADES ensures that all its operations and risks are continuously monitored, adopting a pro-active approach to mitigation while remaining focused on meeting Key Performance Indicators (KPIs). The Group's enterprise risk management team consists of department heads from diverse disciplines such as finance, operations, legal, HSE, and Risk Officer adopting a multi-disciplinary approach.

# Environmental Stewardship

## ADES prioritizes environmental stewardship in its corporate responsibilities, which encompasses efforts under its key sustainability pillars of Climate Change & Energy and Enviromenatal Protection.

Environmental stewardship stands as a cornerstone of ADES' corporate responsibility, and the Group is deeply committed to minimizing its environmental footprint across all its operations. Upholding the highest environmental standards, ADES continuously strives to implement innovative solutions that promote sustainability and conserve resources, including emission reduction initiatives through technical innovations like optimized engine loads.

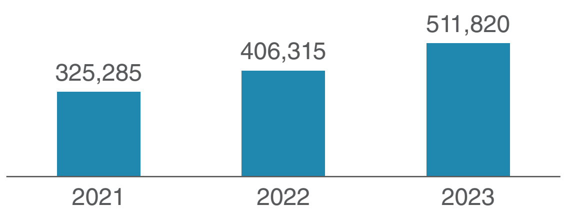
ADES has led several pioneering initiatives in its ongoing quest for energy efficiency and sustainable practices. Key initiatives encompass:

| | | | | | | |
|---|---|---|---|---|---|---|
| Implementation of lithium-ion-based battery storage with power management across our fleet engines. | Recycling and reconditioning of used parts, with a goal of ensuring 10% of all engine components are made from recyclable materials. | Continuous monitoring of engine performance across all rigs to prevent any deviations from desired standards. | Installation of heaters to maintain engine warmth and minimize diesel fuel consumption. | Utilization of advanced data analytics to optimize load profiles and reduce inefficient power usage. | Adoption of Internet of Things (IoT) solutions to monitor vibration and temperature for early-stage failure detection. | Implementation of CAMS, a Core ADES system project enhancing seamless interactions to adapt to dynamic business needs. |

### Greenhouse Gas Emissions (GHG)

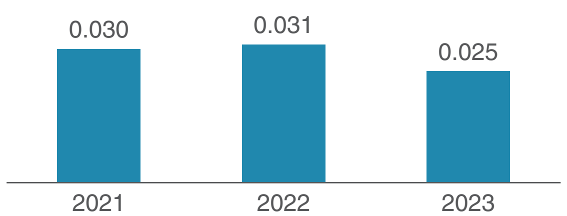
ADES has placed a significant emphasis on reducing emissions through various initiatives. These include the installation of metal detectors and additional filtration systems on all main engines to eliminate debris in engine oil, the implementation of a 24/7 online engine performance and parameter monitoring system across its worldwide fleet, which records real-time engine parameters and issues warning alarms via text messages or emails, and the pursuit of efficiency improvements through the Multi Engine Optimizer (MEO) to reduce fuel consumption, engine hours, and $CO_2$ emissions. Additionally, an Engine Subject Matter Expert (SME) has been assigned to provide technical support and intervention when necessary.

**Scope 1 GHG Emissions**
(tCO2e)




The rise in emission is attributed to operational expansion across seven countries, with the number of operating rigs growing from 44 in 2021 to 67 in 2023

**GHG Emissions Intensity**
(tCO2e/Man-hours worked)




The graph depicts a decline in tCO2e (metric tons of carbon dioxide equivalent) per man-hours worked, even as the Group's total number of operating rigs has increased from 44 in 2021 to 67 in 2023, credited to the adoption of energy-efficient technologies and processes. This proactive approach led to reduced carbon emissions per unit of work, highlighting the organization's dedication to environmental sustainability.

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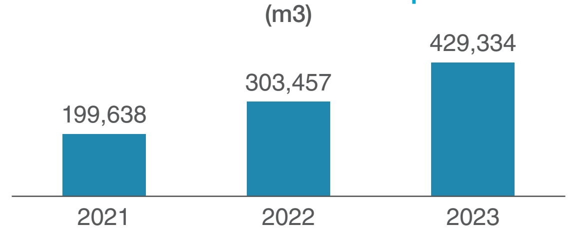
### Water and Wastewater Management

In the oil and gas industry, effective water and wastewater management demands precise handling, treatment, and disposal of diverse waste types. This environmental responsibility is crucial for minimizing the industry's impact on ecosystems, human health, and regulatory compliance. ADES Holding acknowledges the importance of responsible water management.

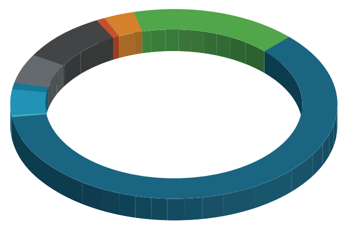
**Potable Water Consumption**
(m3)




The graph illustrates the increase in potable water consumption attributed to operational expansion.

### Waste Management

**Recycled Waste 2023**
(Kg)

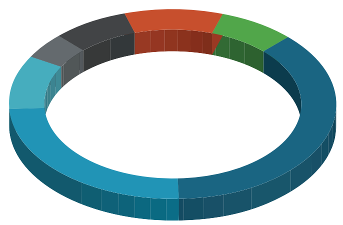


| | |
|---|---|
| Metal | 252,740 |
| Cardboard | 2,085 |
| Paper | 17,845 |
| Tin | 5,066 |
| Wood Waste | 20,784 |
| Aluminum | 36,745 |
| Glass | 3,485 |
| Plastic | 12,696 |
| Rubber & Plastic | 67,803 |

ADES Holding is fully committed to ensuring that all generated waste undergoes proper identification and is stored until it can be collected, transferred, and managed in an environmentally responsible manner. This includes re-use, recovery, recycling, treatment, or disposal. As part of its dedication, ADES takes all necessary measures, including the recycling of various waste materials, including but limited to, paper, glass, tin and scrap metal.

### Sustainable Procurement Practices

**Local Supplier in Each Country**



| | |
|---|---|
| KSA | 509 |
| Egypt | 337 |
| Algeria | 126 |
| Tunisia | 61 |
| Qatar | 104 |
| Kuwait | 132 |
| India | 101 |

ADES is committed to incorporating sustainable procurement practices in its operations, recognizing the environmental, social, and economic impacts associated with procurement activities. Key aspects include prioritizing environmentally friendly suppliers, promoting fair labor practices and community contributions, emphasizing ethical and transparent sourcing, engaging with local suppliers for economic development, and fostering long-term partnerships aligned with sustainability goals. The increase in suppliers from 1,822 to 2,324 from 2022 to 2023 reflects ADES's efforts in building partnerships, focusing on local ecosystems, and nurturing talent, with over 1,000 local suppliers contributing significantly to regional value.


# Social Stewardship

## ADES is dedicated to ensuring that its business operations not only generate sustainable value but also leave a positive and enduring impact on society.

ADES places a strong emphasis on local community development by forging partnerships with local suppliers, increasing employment opportunities locally, and investing in education and training initiatives. Central to our social stewardship efforts is community engagement. ADES cultivates open and transparent communication channels with the communities where its operate and other stakeholders. Through regular engagement, the Group strives to understand the unique needs of each community, enabling it to implement proactive measures that contribute to social development. ADES aims is to ensure that its operations not only benefit the local communities directly involved but also contribute to enhancing overall social welfare, fostering resilience, and promoting long-term growth and stability.

### Social Initiatives

At ADES, we firmly believe that promoting social welfare and advancing community development are integral facets of our corporate social responsibility. The Group dedicated to showcasing unwavering commitment to supporting social initiatives that make a tangible difference in the lives of individuals within our communities.

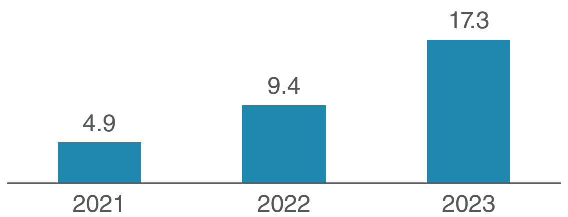
ADES is proudly the Main Sponsor for Al-Nass Children's Charitable Hospital, one of the largest children's hospitals in Africa, and endorses the Baheya Foundation, which provides high-quality cancer care to underprivileged women in Egypt.

The Group also collaborates with community organizations to improve living conditions in operational areas across its geographies. Initiatives aim to promote social growth and resilience, highlighted by a Summer Internship Program for 50 future industry leaders. Our emphasis on local procurement and social investments has led to hiring over 7,000 employees in three years and procuring around 41% of supplies from local vendors.

### Sustainable Economic Growth

ADES Holding is unwaveringly committed to sustainable economic growth, integrating elements like environmental efficiency, employee training, community initiatives, and local supplier preference. Despite challenges such as macro-economic factors and security risks, ADES has not only persevered but thrived, experiencing a significant upturn in business revenue. This highlights the company's resilience and strategic acumen. In conclusion, ADES demonstrates its commitment to community welfare through a substantial investment of SAR 17.33 million ($4.62 million), reflecting an 84.8% year-over-year increase.

**Community Investment**
(SAR mn)




### Human Capital Development

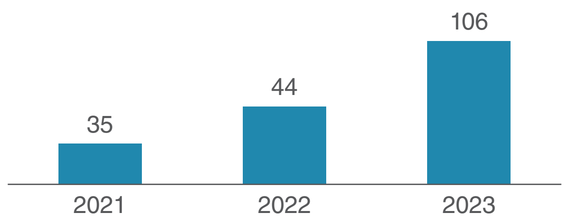
ADES recognizes its team members as the organization's greatest asset, emphasizing their development through robust human capital initiatives. These meticulously crafted programs aim to elevate skills, enhance job performance, boost productivity, and foster a culture of innovation. Attracting top talent, retaining key individuals, and prioritizing comprehensive training, fair compensation, and an inclusive work environment are central to the Group's approach, reflecting its unwavering commitment to workforce development and well-being.

#### ADES Talent Programs

1. Graduate Training Program
2. Accelerated Safety Training Program
3. Access to Offshore
4. Beginner Boot Camp
5. Internship Program

ADES prioritizes continuous upskilling and cross-skilling for organizational success. The Group's human development program enhances skills and knowledge while fostering professional growth. The Training and Education program, monitored through a performance management system, aligns business objectives with individual development plans. This framework ensures employee accountability and commitment to skill development with management support. In 2024, ADES plans to provide sustainability training to all employees, promoting environmental responsibility.


**Average Employee Training Hours**




### Workplace Diversity & Inclusion

ADES is deeply committed to workplace diversity and inclusion, fostering an environment reflecting the richness of our communities. With a recruitment focus on diverse backgrounds, cultures, ages, and experiences, our workforce spans over 60 nationalities across 8 countries, encouraging innovative solutions and mutual understanding. Our fair, transparent, and objective recruitment process ensures equal opportunities, accompanied by benefits emphasizing fairness, equality, and diversity. We are dedicated to providing a safe work environment, free from harassment, discrimination, and bullying, with ongoing awareness efforts reflecting our organizational values.

# Health, Safety and Security

The well-being of ADES employees and contractors is a top priority, with a dedication to health and safety ingrained in every facet of the Group's operations.

## Safety is our True North

Parallel to the Group's ability to deliver long-term value, ADES is also committed to delivering world-class services through the implementation of the best QHSSE standards and practices, adopting a systematic approach to identify, manage, and prevent the risks involved in its day-to-day operations. The Group's QHSSE framework is rooted in People, Process and Plat pillars.

### QHSSE: The ADES 3x3

**People**

Cultivating a safety-conscious culture by empowering individuals and underscoring collective responsibility and accountability.

**Process**

A strategic approach to enhance operational efficiency and mitigate risks through systemic improvements

**Plant**

Optimizing our assets and ensuring their integrity through a commitment to reliability, safety, and environmental stewardship.

## RIGEYE

RIGEYE is ADES' cutting-edge proprietary technology to manage and promote the safety of its staff and protect the environment. RIGEYE serves as an invaluable support system designed to educate and guide our most valuable assets, the ADES Holding people, across all dimensions of their roles. It acts as a proactive tool to illustrate both exemplary and suboptimal practices, fostering a culture of continuous improvement and safety awareness. ADES management considers RIGEYE a preventive, educational, and supportive tool, reinforcing a culture of safety and continuous learning across the organization.


- Real time hazard and unsafe behavior recognition.
- Integrates a dynamic & static Recording – Helmet camera & CCTV
- Events are correlated with a predefined self-learnt case
- Alarm is activated according to the events' severity

## Family Safe

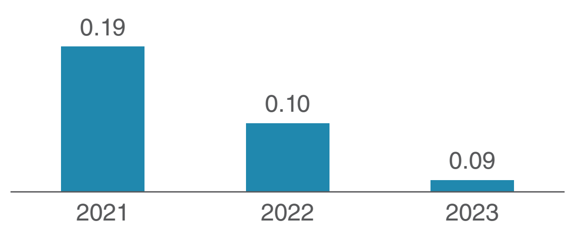
The FamilySafe campaign, aligned with our commitment to sustainability and corporate responsibility, focuses on promoting Health, Safety, and Environment (HSE) practices, along with cybersecurity awareness for employees' families. Tailored for ages 5 to 15, the initiative aims to instill a safety culture through educational materials, workshops, and practical demonstrations, empowering children in both physical and digital environments.

The campaign encourages a proactive HSE mindset, fostering the identification and communication of unsafe behaviors, and seeks to establish a safer environment for families through open communication and safety reinforcement.

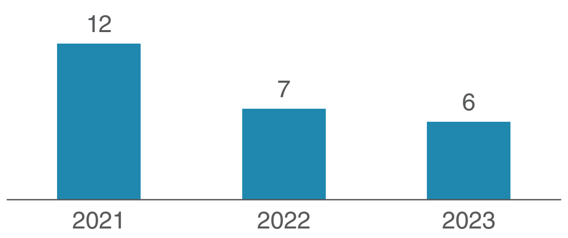
## An Impeccable Safety Record

With its steadfast dedication to safety, the meticulous deployment of cutting-edge safety technology, and the rigorous enforcement of comprehensive safety rules and protocols, ADES has attained noteworthy outcomes in minimizing the frequency of injuries, recordable cases, medical treatment cases, and road traffic accidents.

**Total Recordable Injury Rate**




**Number of Recordable Cases**




Over the years, the Group has consistently maintained a strong safety track record, with zero employee fatalities and a total recordable injury rate of 0.09 per 200,000 working hours, which is lower than the IADC worldwide standard rate of 0.51 as at 31 December 2023.

ADES achieved a significant reduction i.e., 50% in Recordable cases in 2023 from 2021. This demonstrates a significant downward trend, highlighting ADES' dedication to preventing work-related incidents and promoting employee well-being

The positive trends evident across all graphs unequivocally demonstrate the organization's success in fostering a healthy and safe environment through the effective implementation of rigorous safety practices.


> ADES boasts a strong corporate governance framework and regularly enhances its internal procedures and structures to align with global standards.

# Governance

# Governance

## Corporate Governance Statement

ADES is focused on maintaining a strong corporate governance framework and it regularly enhances its internal procedures and structures to align with the highest international governance standards and ensuring its compliance with all applicable requirements provided in the Corporate Governance Regulations issued by the Capital Market Authority (CMA) which set out general governance guidelines and requirements applicable to all listed companies. The Board acknowledges the importance of good corporate governance and has adopted a corporate governance framework which voluntarily complies with many aspects of the CMA Corporate Governance Regulations, taking into account the size of the Company and nature of its business. This is the approach the Company has adopted since its shares were first admitted to trading on the Main Market.

The Company's organizational structure comprises the Board of Directors ("Board of Directors" or the "Board"), Executive Management, and the Board committees; namely (1) the Audit Committee; (2) the Nomination and Remuneration Committee; and (3) the Executive Committee. Such committees assume the powers delegated thereto by the Board in accordance with the Company's internal Corporate Governance Manual. The Board is ultimately responsible for direction, general supervision and general control of the Company.

## Corporate Governance Framework

In preparation for listing on the main market of Saudi Exchange (Tadawul), the Board has approved the Company's internal Corporate Governance Manual on 03/08/1444H (corresponding to 23/02/2023G), in line with the CMA Corporate Governance Regulations, comprising provisions relating to, amongst other matters, shareholders rights, Board and Committees, professional and ethical standards, disclosure and transparency policies.
In order to ensure the Company adopts high standards of corporate governance and promotes values of credibility, fairness, competitiveness and transparency in its conduct, the Board of Directors also approved, and endorsed by the General Assembly as may be applicable, the following policies:

(i) Disclosure and Transparency Policy
(ii) Related Party Transactions and Conflict of Interest Policy
(iii) Remuneration Policy for Board and Committee Members and members of the Executive Management
(iv) Policies, Standards and Procedures for Membership in the Board
(v) Distribution of Dividends Policy
(vi) Corporate Culture and Business Ethics Policy
(vii) Anti-bribery and Anti-corruption Policy
(viii) Anti-money Laundering Policy
(i) Sanctions Policy

## Board Structure, Duties and Independence

According to the Company's bylaws, the Company's Board of Directors is composed of nine (9) members. Six of whom have been appointed and three (3) seats were vacant as at the end of 2023, to be filled with independent directors in accordance with the requirements of the CGRs that mandate that one-third of the Board members shall be independent. At the time of listing, the Company has undertaken before CMA to initiate, within a period not exceeding sixty (60) days from the date of listing, the necessary procedures to elect the independent members to the Company's Board for the current term and appoint the independent members of the Board Committees, in order to comply with the requirements set forth in the CGRs. As per the post-listing undertakings, the Board of Directors approved the opening of the nomination period for receiving nomination applications from any qualified candidates on 10 December 2023[1].

### Board Term

According to the Company's Bylaws, term of the Board, including the Chairman, is a maximum of four (4) years per term. The first Board term is five (5) Gregorian years, from 02/06/1444H (corresponding to 26/12/2022G) until 28/07/1449H (corresponding to 26/12/2027G), in accordance with the Companies Law in force on the date of the Board's formation.

### The Board of Directors (The 'Board')

As of 31 December 2023, the Board of Directors comprised six (6) esteemed and vastly skilled individuals in the local and global corporate and business sectors, under the chairmanship of Mr. Ayman Abbas.

### Membership Classification

The following table includes the names, positions, membership classification and appointment dates of each members of the Board.

| Name | Title | Membership Classification | Date of Appointment |
|---|---|---|---|
| Mr. Ayman Mamdouh Mohamed Fathy Abbas | Chairman | Non-executive | 26/12/2022 |
| Dr. Mohamed Farouk Abdelmeguid Abdelkhalek | Vice-chairman | Executive | 26/12/2022 |
| Mr. Hatem Ahmed Elsayed Soliman | Member | Non-executive | 26/12/2022 |
| Mr. Muteb Mohammed Saad Alshathri | Member | Non-executive | 09/03/2023 |
| Mr. Fadi Adel Mohamed Al Said | Member | Non-executive | 09/03/2023 |
| Mr. Abdulrahman Khalid Abdullah Al Zamil | Member | Non-executive | 26/12/2022 |
| Mr. Kamel Bennaceur* | Member | Independent | 20/02/2024 |
| Mr. Haitham Muhammed Abdulrhman AlFayez* | Member | Independent | 20/02/2024 |
| Mr. Mohamed Walid Taoufik Cherif* | Member | Independent | 20/02/2024 |

*Those members were appointed during 2024 following the opening of the nomination process which was initiated in December 2023.

1 The election and appointment of the independent members in the board was completed during Q1/2024G in the general assembly meeting held on 20/02/2024.

## Ayman Abbas
**Chairman**

Ayman Abbas has been involved in ADES Group's Board since inception and has held position of Chairman since 2003. He has played a key role in transforming the Company into a global player.

In addition to his positions on the Board of ADES Group, Mr. Ayman has held executive positions in several organizations, including Director General for Schneider Electric Engineering Services, and Executive Chairman for ADES International Holding Ltd. He was also previously Chairman for Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) SAE, an Egyptian joint stock company listed on the EGX, and ADES Egypt.

Mr. Ayman holds a Bachelor's degree in Business Administration from the American University in Cairo, Egypt.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chairman of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Chairman of the Board of Directors of ADES Drilling Services Ltd. | Current | Outside KSA | limited liability company |
| Director of ADES International for Drilling | Current | Outside KSA | limited liability company |
| Director of Advanced Transport Services | Current | Outside KSA | limited liability company |
| Director of Kuwait Advanced Drilling Services | Current | Outside KSA | limited liability company |
| Chairman of Intro Investments Holding Ltd. | Current | Outside KSA | Private company |
| Director of Intro Sustainable Resources Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Sustainable Power and Utilities Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Renewable Energy Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Energy Solutions Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Resources Recovery Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Material Recovery Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Waste Management Holding Ltd | Current | Outside KSA | Private holding company |
| Director of TBS Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Projects Holding Ltd | Current | Outside KSA | Private holding company |
| Director of Intro Sports Holding Ltd | Current | Outside KSA | Private holding company |
| Director of ADES Investments Holding Ltd. | Current | Outside KSA | Private company |
| Director of ADES International Holding Ltd. | Current | Outside KSA | Private holding company |
| Director of Advansys Technology | Current | Outside KSA | closed joint stock company |
| Partner at Compass Capital for Financial Investments SAE | Previous | Outside KSA | closed joint stock company |
| Director General of Schneider Electric Engineering Services | Current | Outside KSA | closed joint stock company |
| Chairman of Advanced Energy Systems ADES S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Advantage for Drilling S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Egyptian Chinese Drilling Company S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Intro for Trading and Contracting Co. | Current | Outside KSA | closed joint stock company |
| Director of Bariq for Advanced Industries S.A.E | Current | Outside KSA | closed joint stock company |
| Chairman of Advansys for Integrated Projects | Current | Outside KSA | closed joint stock company |
| Director General and Chairman of Fagr Agricultural and Development Project Company | Current | Outside KSA | closed joint stock company |
| Director of Intro Solar S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Intro Utilities S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Environ Adapt for Recycling Services S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Environ Adapt for Recycling Industries S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Intro Energy S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Intro Energy Distribution and Management S.A.E | Current | Outside KSA | closed joint stock company |
| Director of Advansys Engineering Services & Consultancy | Current | Outside KSA | closed joint stock company |
| Director of Hills Integrated Construction Services | Current | Outside KSA | closed joint stock company |
| Chairman of Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) SAE | Current | Outside KSA | joint stock company |
| Director of M2 Facilities Management | Current | Outside KSA | closed joint stock company |

## Mohamed Farouk
**Vice Chairman**

Dr. Mohamed Farouk has been a member of the ADES's Board and has served as chief executive officer since 2012, during which time he has led the Company's expansion into new markets and services as ADES transforms into a leading global rig operator headquartered in Al Khobar- Saudi Arabia since 2022.

Dr. Farouk joined the Group from Invensys Operations Management (IOM), a FTSE 100 company, where he was most recently senior vice president for global delivery and operations based in Texas. He served earlier with Invensys as Director of Invensys Global Engineering Excellence Centers in Egypt, India, China and Argentina, prior to which he was the General Manager of Invensys Engineering and Services in Egypt. He began his career in 1991 as a Project Engineer at ConiSys Egypt, a provider of control and instrumentation systems technology.

Dr. Farouk holds a PhD in systems engineering and control from Case Western Reserve University of Ohio, USA. He was subsequently an associate professor of electrical engineering at Cairo University.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Vice-chairman of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director of ADES Drilling Services I Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES Drilling Services II Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES Drilling Services III Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES Drilling Services IV Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES Drilling Services V Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES Drilling Services Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES GCC for Drilling Ltd. | Current | Outside KSA | limited by shares company |
| Director of ADES Advanced Drilling Services Ltd. | Current | Outside KSA | limited by shares company |
| Partner of Misk Holding Ltd. | Current | Outside KSA | Private company |
| Director of Advanced Drilling Services | Current | Outside KSA | limited liability company |
| Director of ADES International for Drilling | Current | Outside KSA | limited liability company |
| Director of Advanced Transport Services Co | Current | Outside KSA | limited liability company |
| Director of Kuwait Advanced Drilling Services | Current | Outside KSA | limited liability company |
| Director of United Precision Drilling Company | Current | Outside KSA | limited liability company |
| Director of Precision Drilling Company | Current | Outside KSA | limited liability company |
| Director of Schneider Electric Engineering Services | Current | Outside KSA | closed joint stock company |
| Director of Intro Investments Holding Ltd. | Current | Outside KSA | private company |
| Director of ADES International Holding Ltd | Current | Outside KSA | Private holding company |
| Manager of ADES Investments Holding | Current | Outside KSA | private company |
| Director of Compass Capital for Financial Investments, | Current | Outside KSA | closed joint stock company |
| Director of Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) SAE | Current | Outside KSA | joint stock-listed company |
| Director of Egyptian Chinese Drilling Company | Current | Outside KSA | closed joint stock company |
| CEO of ADES Group | Current | Inside - Outside KSA | closed joint stock company |
| Senior Vice President of Invensys Operation Management | Previous | Outside KSA | public company |

## Hatem Soliman
Non-Executive Director

Hatem Soliman is a highly experienced sector professional who serves as a Non-Executive Board Member at the Company. He is also a Director for several companies including OEC, a leading Brazilian company operating in the engineering, procurement, and construction field, ABYSS Services, an Australian Company operating in the Artificial Intelligence (AI) sector, Intro Group, and Ocyan, a Brazilian deep water drilling company.

Mr. Soliman has previously served as Board Member at both Exten and ADES International and was also Senior Adviser to Schlumberger's Global CEO between 2017 and 2018. Prior to that, he served as Executive President of the Middle East, Asia, Pacific regions and Latin America at Schlumberger.

Mr. Hatem holds a bachelor's degree in Electrical Engineering, which he received from Helwan University.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Non-Executive Director of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director of OEC | Current | Outside KSA | Brazilian company |
| Director of ABYSS Services | Current | Outside KSA | Australian Company |
| Director of Intro Group | Current | Outside KSA | Limited liability company |
| Director of Ocyan | Current | Outside KSA | Brazilian company |
| Director at Exten | Previous | Outside KSA | Listed Company |
| Director at ADES International Holding Ltd | Previous | Outside KSA | Private company |
| CEO Advisor at Schlumberger Global | Previous | Outside KSA | Limited Company |
| President at Schlumberger Middle East, Asia & Pacific | Previous | Outside KSA | Limited Company |
| President at Schlumberger Latin America | Previous | Outside KSA | Limited Company |
| President at Schlumberger Testing Services | Previous | Outside KSA | Limited Company |

## Muteb Alshathri
Non-Executive Director

Muteb Alshathri brings extensive industry experience to his role as Board Member at ADES Group. He joined the Public Investment Fund in 2018 and currently serves as a Senior Director leading the MENA Private Equity Funds section, in addition to the regional investment companies. He also sits on board of listed companies and non-listed companies across MENA. He previously served as an Advisor at Saudi Aramco and Manager at RICC.

Mr. Muteb graduated from Northwest University with a bachelor's degree in Industrial Engineering, and holds an MBA from Harvard University.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Non-Executive Director of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Non-executive Chairman of Depa PLC | Current | Outside KSA | Listed Company |
| Non-executive Vice Chairman of Saudi Jordanian Investment Co. | Current | Outside KSA | Closed joint stock company |
| Non-executive Vice Chairman of Saudi Bahrain Investment Company | Current | Inside KSA | Closed joint stock company |
| Non-executive Vice Chairman of Saudi Sudanese Investment Company | Current | Inside KSA | Closed joint stock company |
| Non-executive Vice Chairman of Saudi Iraqi Investment Company | Current | Inside KSA | Closed joint stock company |
| Non-executive Director of Capital Bank of Jordan | Current | Outside KSA | Joint stock-listed company |
| Non-executive Director of Saudi Egyptian Investment Company | Current | Outside KSA | Closed joint stock company |
| Non-executive Director of Saudi Tourism Investment Company (Asfar) | Current | Inside KSA | Closed joint stock company |
| Non-executive Vice Chairman of Qassim Cement Company | Current | Inside KSA | Listed Company |
| Non-executive Director of Saudi Ceramic Company | Current | Inside KSA | Listed Company |
| Senior Director at Public Investment Fund (PIF) | Current | Inside KSA | Governmental Fund |
| Director at RICC | Previous | Inside KSA | Joint Stock Company |
| Advisor at Saudi Aramco | Previous | Inside KSA | Listed Joint Stock Company |

## Fadi Al Said
Non-Executive Director

Fadi Al Said is a non-executive director of the Board of Director of the Company bringing a wealth of experience to ADES Board. He also currently sits on the Boards of B-TECH, Depa PLC, the Saudi Jordanian Investment Fund (SJIF) and Saudi Jordanian Investment Company (SJIC).

He also holds the position of Senior Director at the Saudi Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia.

Previously, Mr. Fadi held several executive positions, including Managing Director and Head of Mena Investments for Lazard Asset Management in the UAE, and Director and Head of MENA for ING Investment Management.

Mr. Fadi graduated from the University of Jordan with a Bachelor of Economics and holds an MBA from Cass Business School. He is also a CFA charter holder.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Non-Executive Director of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Senior Director at Public Investment Fund (PIF) | Current | Inside KSA | Governmental Fund |
| Non-executive Director of B.TECH Company | Current | Outside KSA | ClosedJoint Stock Company |
| Non-executive Director of Depa PLC | Current | Outside KSA | Listed Company |
| Non-executive Director of Saudi Jordanian Investment Fund (SJIF) | Current | Inside - Outside KSA | Limited Company |
| Board Member at Saudi Jordanian Investment Company (SJIC) | Current | Inside - Outside KSA | Limited Company |
| Managing Director and Head of Mena Investments at Lazard Asset Management | Previous | Outside KSA | Listed Company |
| Director and Head of MENA at ING Investment Management | Previous | Outside KSA | Listed Company |

## Abdulrahman Khalid Al Zamil
Non-Executive Director

Abdulrahman Khalid Al Zamil is a non-executive member of the Board of Directors of the Company, he is also the Chairman of the Board at both Al Zamil Food Industries, and sits as President and Executive Board of Directors on the Board of Zamil Group Investment Company

In addition, Mr. Abdulrahman is also Board member at many renowned companies, including Innovative Energy, MLM Investments, Dhahran International Exhibitions, Gulf Stabilizers Industries, and Yamama Red Bricks Factories. In addition to being the Chairman of Zamil Food Industries, he is also the chairman of the company's Executive Committee.

Mr. Abdulrahman holds a bachelor's degree in finance and economics from King Fahd University, as well as a master's degree in executive MBA from London Business School.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Non-executive Director at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Executive Director of MLM Investments Limited | Current | Inside KSA | Limited Liability Company |
| Non-executive Director of Dhahran International Exhibitions Company | Current | Inside KSA | Closed joint Stock Company |
| Non-Executive Director of Arabian Aminate | Current | Inside KSA | Limited Liability Company |
| Vice-chairman of Gulf Stabilizers Industries (GSI) | Current | Inside KSA | Closed joint Stock Company |
| Non-executive Director of Yamama Red Bricks Factories | Current | Inside KSA | Limited Liability Company |
| Executive Board of Director and President of Zamil Group Investment Company | Current | Inside KSA | Limited Liability Company |
| Chairman of Zamil Food Industries Ltd. | Current | Inside KSA | Limited Liability Company |
| Chairman of the Executive Committee of Zamil Food Industries Ltd. | Current | Inside KSA | Limited Liability Company |
| Non-executive Board of Director at National Power Company | Previous | Inside KSA | Limited Liability Company |
| Treasury and Project Finance Manager at Zamil Group Holding Company | Previous | Inside KSA | Closed joint Stock Company |
| Project Finance Analyst at Zamil Group Holding Company | Previous | Inside KSA | Closed joint Stock Company |
| Financial Analyst at HSBC Middle East | Previous | Outside KSA | Limited Liability Company |

## Kamel Bennaceur
Independent Member

Kamel Bennaceur is an independent member of the Board of Directors of the Company, he is also the Chairman of DAMORPHE Company, a nano-technology focused start-up developing and selling high-value for the energy sector, and Chief Executive Officer of Nomadia Energy, Abu Dhabi.

Mr. Bennaceur brings over 40 years of experience in the fields of oil and gas, alternative energy, innovation, research and development, energy markets economics and outlooks and presiding worldwide engineering association.

His previous roles include serving as the Minister of Industry, Energy and Mines Government of Tunisia, President of Society of Petroleum Engineers (SPE), Dallas - a leading global professional energy organization and Chief Economist at ADNOC Abu Dhabi, and Chief Economist as Schlumberger, Paris/Houston.

Mr. Bennaceur holds a bachelor's degree in in Mathematics from the University of Paris, a Masters Degree Engineering/ Applied Math from Ecole Polytechnique Paris and an Aggregation in Mathematics from Ecole Normale Superieure, France.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Independent Director of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Non-executive Chairman of Damorphe | Current | Outside KSA | Private Company |
| Chief Executive Officer of Nomadia Energy | Current | Outside KSA | Private Free Zone Company |
| Minister of Industry, Energy and Mines | Previous | Outside KSA | Government of Tunisia |
| President of Society of Petroleum Engineers | Previous | Outside KSA | Global Organisation |
| Chief Economist at ADNOC | Previous | Outside KSA | Public Company |
| Director Sustainability, Technology and Outlooks at International Energy Agency | Previous | Outside KSA | Intergovernmental Organisation |
| Technology Center President at Schlumberger | Previous | Outside KSA | Public Company |
| Chief Economist at Schlumberger | Previous | Outside KSA | Public Company |
| Manager/ Senior Manager/ Senior Vice President at Schlumberger | Previous | Outside KSA | Public Company |

## Haitham AlFayez
Independent Member

Haitham AlFayez is an independent member of the Board of Directors of the Company. Mr. Haitham is currently the Chief Executive Officer of Awqaf Investment Company, as well as a as a Board Member at several companies including Albilad Bank, Kidana Development Company, Umm Al Qura Development and Construction, Ekhaa Charity of Orphans Care Foundation and an Executive Committee member at Arriyadh Holding Company.

Among his previous roles, Mr. Haitham served as Executive Director of Local Investment at Kingdom Holding, Head of Direct Investment Department at Saudi Aramco's Investment Department, Director Proprietary Investment at Jadwa Investments, Economic Policy Associate at United Nations Development Programme and Senior Credit Analyst at Saudi Industrial Development Fund.

Mr. Haitham holds a bachelor's degree in Information Systems, which he received from King Fahd University of Petroleum & Minerals at Saudi Arabia and earned an MBA in Business Administration from Imperial College London in Britain.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief Executive Officer of Awqaf Investment Company | Current | Inside KSA | Closed Joint Stock Company |
| Independent Director at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Independent Director, Chairman of Nomination & Remuneration Committee and Risk Committee Member at Albilad Bank | Current | Inside KSA | Listed Joint Stock Company |
| Independent Director and Remuneration & Nomination Committee Member at Kidana Development Company | Current | Inside KSA | Closed Joint Stock Company |
| Non-Executive Director at Umm Al Qura Development and Construction | Current | Inside KSA | Closed Joint Stock Company |
| Independent Director and Investment Committee Member at Ekhaa Charitt of Orphans Care | Current | Inside KSA | Charity Association |
| Executive Committee Member at Arriyadh Holding Company | Current | Inside KSA | Closed Joint Stock Company |
| Executive Director Local Investment at Kingdom Holding | Previous | Inside KSA | Public Company |
| Head Of Direct Investment Department at Saudi Aramco Investment Department | Previous | Inside KSA | Listed Company |
| Director Proprietary Investment at Jadwa Investment | Previous | Inside KSA | Closed Joint Stock Company |
| Economic Policy Associate at United Nations Development Programme | Previous | Outside KSA | United Nations Agency |
| Senior Credit Analyst at Saudi Industrial Development Fund | Previous | Inside KSA | Government Financial Institution |

## Mohamed Walid Cherif
**Independent Member**

Mohamed Walid Cherif serves as an Independent Member of the Board and Chairman of the Audit Committee of the Company. Mr. Walid is Founder & Managing Partner, BluePeak Private Capital. Mr. Walid has more than 25 years of experience in international finance in Emerging Markets. He has raised and invested more than US$ 800 million of capital and has structured and executed 29 transactions on the investment and divestment sides.

Mr. Walid was an independent director of several companies including ADES International Holding Ltd, an LSE-listed oil and gas servicing company, and Ison Xperiences, one of the leading business process outsourcing companies in Sub-Saharan Africa.

Mr. Walid founded the private credit business of Gulf Capital in 2011, focused on structured investments across Africa, the Middle East, and Turkey, and previously headed the GSC Group - NBK Capital Mezzanine Fund operating in the Middle East and Turkey. Before joining NBK Capital in 2007, Walid spent ten years at the International Finance Corporation in Washington, D.C., Istanbul, and Dubai.

Mr. Walid holds a Bachelor in Finance from the Institute Superior de Gestion in France and a Master's degree in Finance and Investments from George Washington University in USA.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Founder and Managing Partner of BluePeak Private Capital | Current | Outside KSA | Private Debt Fund |
| Independent Director and Audit Committee Chairman at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director at Carbon Holdings | Previous | Outside KSA | Private Company |
| Director at iSON Xperiences | Previous | Outside KSA | Private Company |
| Senior Managing Director at Gulf Capital | Previous | Outside KSA | Private Company |
| Senior Manager and Fund Head at Watani investment Company (NBK Capital) | Previous | Outside KSA | Subsidiary of NBK |
| Senior Investment Officer at IFC – World Bank Group | Previous | Outside KSA | Member of World Bank Group |

This year, a review was conducted of the non-executive directors and their related or connected persons' relevant relationships referencing the criteria set out in the CGRs along with the review of the terms of the Board Charter. It was determined this year that all of the non-executive directors to be independent of management and free from any business or other relationship which could materially interfere with their ability to exercise independent judgement.

More than half of the Board, excluding the vice-chairman, comprises Non-Executive Directors. The Non-Executive Directors bring with them an external perspective to the Board's decision-making process and strategy. Their range of international experience ensures their constructive challenging and unique insight into the development of potential strategies.

Without prejudice to anything to the contrary in the Companies Law and CGRs, the Company's Bylaws and Internal Corporate Governance Manual, the Board has the broadest powers in managing the Company and guiding its activities to achieve its objectives and has overall responsibility for the stewardship of the Company. The Board of Directors is responsible to shareholders for the overall strategy of the Company, its governance and performance.

The role of the Board is to develop and cultivate the values, ethics and culture of ADES, set the Company's strategic goals, supervise their implementation, sets rules and procedures for internal control and monitors the performance of the business and management against its strategic objectives and cultural goals with the ultimate objective of creating and delivering shareholder value.

The Board considers that a diversity of skills, experience, knowledge and perspective is required in order to govern the business effectively. The Board and its Committees are dedicated to ensuring that the composition of its members have the right balance of skills and experience necessary in their respective roles to lead the organisation in accordance with the highest standards of governance.

To elevate the management of the Company, in addition to meeting relevant regulatory requirements, the Board approved the structuring of (3) main committees on 9 March 2023; namely (i) Audit Committee (ii) Remuneration and Nomination Committee and (iii) Executive Committee. Such committees have been established to provide a platform for the Board to administer particular matters that necessitate specialised areas of expertise (including but not limited to supervision of financial control) and provide expert guidance for the Board as a whole. Each Committee charter outlines the duties, responsibilities and expectations of the committee.

The Chairman leads the Board while the Vice-chairman ensures that the directors of the Board are continuously updated with information on the Company's performance, Committees' resolutions, through periodic reports and presentations and through regular updates via mail or telephone.

The CGRs prohibit that the roles of the Chairman and Chief Executive Officer to be exercised by the same individual. ADES complies with this requirement through a clearly established division of responsibilities between Mr. Ayman Abbas and the Company's CEO, Dr. Mohamed Farouk, who is also an Executive Director on the Board. While the Chairman is responsible for the leadership and effectiveness of the Board, the CEO is responsible for the day-to-day management of the Company and implementation of its strategy, developing proposals for Board approval and ensuring that a regular dialogue with shareholders is maintained.

## Board Meetings Held During 2023 and Attendance Sheet

Number of meetings: 9

| Name | Position | 1st Meeting | 2nd Meeting | 3rd Meeting | 4th Meeting | 5th Meeting | 6th Meeting | 7th Meeting | 8th Meeting | 9th Meeting | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 12/03/2023 | 12/03/2023 | 18/06/2023 | 14/08/2023 | 27/08/2023 | 09/09/2023 | 19/09/2023 | 07/11/2023 | 18/12/2023 | |
| Mr. Ayman Abbas | Chairman | Present | Present | Present | Present | Present | Present | Present | Present | Present | 9 |
| Dr. Mohamed Farouk | Vice-chairman | Absent | Absent | Present | Present | Present | Present | Present | Present | Present | 7 |
| Mr. Hatem Soliman | Board Member | Present | Present | Present | Present | Present | Present | Present | Present | Present | 9 |
| Mr. Muteb Alshathri | Board Member | Present | Present | Present | Present | Present | Present | Present | Present | Present | 9 |
| Mr. Fadi Al Said | Board Member | Present | Present | Present | Present | Present | Present | Present | Present | Present | 9 |
| Mr. Abdulrahman Al Zamil | Board Member | Present | Present | Present | Present | Present | Present | Present | Present | Present | 9 |

The Board meets to review the Company's strategic and financial performance and schedules other meetings necessary to fulfil its role, including the review of potential investments, JVs and agreements, and financing arrangements. The Board is supplied with regular and timely information concerning the activities of the Company in order to enable it to exercise its responsibilities and control functions in a proper and effective manner. All the Directors have access to the advice and services of the Group's General Counsel.

## Previous Board Members

The current Board of Directors whose term commenced on 26 December 2022 formerly included three (3) non-executive board members, namely (i) Mr. Hussein Badawy (ii) Mr. Morcos William and (iii) Jerry Todd, who have resigned on 13 June 2023 ("Previous Board of Directors").

The below table outlines Previous Board of Directors' names, position, membership status, appointment and resignation dates.

| Previous Board Members | Position | Membership Status | Appointment Date | Resignation Date |
|---|---|---|---|---|
| Mr. Jerry Eugene Todd | Board Member | None-Executive | 09/03/2023 | 13/06/2023 |
| Mr. Morcos William | Board Member | Non-executive | 26/12/2022 | 13/06/2023 |
| Mr. Hussein Badawy | Board Member | Non-executive | 26/12/2022 | 13/06/2023 |

As at 13 June 2023, the Board held two (2) meetings which were attended by the Previous Board of Directors prior to their resignation.

| Name | Position | 1st Meeting | 2nd Meeting | Total |
|---|---|---|---|---|
| | | 12 March 2023 | 12 March 2023 | |
| Mr. Jerry Eugene Todd | Board Member | Present | Present | 2 |
| Mr. Morcos William | Board Member | Present | Present | 2 |
| Mr. Hussein Badawy | Board Member | Present | Present | 2 |

# Board Committees

## Audit Committee

In compliance with the CGRs and provisions of the Company's bylaws, the Audit Committee was established pursuant to Board Resolution dated 17/08/1444H (corresponding to 09/03/2023G), and the Audit Committee's charter by the Board of Directors on 03/08/1444H (corresponding to 23/02/2023G) and by the Extraordinary General Assembly on 17/10/1444H (corresponding to 07/05/2023G). As at 31 December 2023, the Audit Committee consisted of three non-executive and non-Board members appointed by the Company's Board of Directors, none of which is a member of the executive management. As at December 2023, the Audit Committee does not include an independent member[2].

According to the Audit Committee's charter, the term of the committee is four (4) years, which may be extended subject to the approval of the Board of Directors.

The Audit Committee approved the establishment of the internal audit function on 06/10/2023G (corresponding to 21/03/1445H)) and endorsed by the Board on 10/10/2023G (corresponding to 25/03/1445H), in addition to the appointment of its head, and the risk management policy. The head of internal audit reports to the Audit Committee. The Internal Audit department is structured and functioning both in terms of Internal Audit and risk management.

### Mohamed Walid Cherif
### Audit Committee Chairman

Please refer to the director's biography provided on 110.

### Ahmad Kordi
### Member

Ahmad Kordi serves as a member of the Audit Committee of the Company. Ahmad is the Head of Research – MENA Investments at the Public Investment Fund (PIF). Additionally, Mr. Ahmad serves on various committees and boards including being a Director at Alexandria Container and Cargo Handling Company and at Abu Qir Fertilizers Company, Egyptian joint stock companies listed on the Egyptian Stock Exchange – as well as the Chairman of the Board of Directors of CFA Society Saudi Arabia.

Prior to these roles, Mr. Ahmad was a Vice President, Senior Investment Manager at GIB Capital, a subsidiary of Gulf International Bank, and an Equity Research Analyst at HSBC Saudi Arabia.

Mr. Ahmad holds a Bachelor in Accounting and Finance from the University of Aberdeen, Master's degree in Financial Analysis and Fund Management from the University of Exeter, a Chartered Financial Analyst Certificate from CFA Institute, and completed the Executive Leadership Program from the University of California, Berkeley, USA.

#### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Head of Equity Research, Securities Investments Department - Middle East and North Africa at the Public Investment Fund | Current | Inside KSA | Sovereign Wealth Fund |
| Audit Committee Member at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director at Alexandria Container and Cargo Handling Company | Current | Outside KSA | Public Joint Stock Company |
| Director at Abu Qir Fertilizers Company | Current | Outside KSA | Public Joint Stock Company |
| Vice President, Senior Investment Manager at GIB Capital | Previous | Inside KSA | Closed Joint Stock Company |
| Equity Research Analyst at HSBC Saudi Arabia | Previous | Inside KSA | Closed Joint Stock Company |

2 As per the Company's post-listing undertakings published in the Prospectus, upon the appointment of the independent member on the board during Q1/2024G, the Company ensured that the Chairman of the Audit Committee is an independent director.

### Omar Saleh
### Member

Omar Saleh serves as a member of the Audit Committee of the Company. Mr. Saleh is the co-founder and Chief Executive Officer of Khazna, a financial technology company offering digital-based financial services, founded with the vision of improving the financial well-being of underserved individuals and micro-businesses by providing simple, user-centric and technology driven financial services.

Prior to founding Khazna, Mr. Saleh was head of Middle East and North Africa at WorldRemit, a leading cross-border payment company, where he led the company's expansion into the region. Prior to that, he was head of business development and strategy at ADES International, where he led the post IPO growth phase including the direct investment of ~$400M across the Middle East.

Mr. Saleh Omar holds a Bachelor of Chemical Engineering from Cairo University and a Master of Business Administration from Stanford University.

#### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief Executive Officer at Khazna | Current | Inside -Outside KSA | Private Company |
| Audit Committee Member at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Regional Director at World Remit | Previous | Outside KSA | Closed Joint Stock Company |
| Head of Business Development and Strategy at ADES International | Previous | Outside KSA | Private Company |

### Audit Committee Duties

The Audit Committee monitors the Company's business and verifies the integrity and soundness of its reports, financial statements and internal control systems. The tasks of the Audit Committee include, but is not limited to, monitoring and ensuring the integrity and correctness of the Company's financial statements, examining and reviewing internal and financial control and risk management systems, and reviewing the adequacy and effectiveness of the Company's compliance functions and procedures for detecting or addressing any issues.

The Audit Committee further oversees the relationship with the external auditor and ensures their independence, assess their qualifications, fees and reviews the external auditor's reports, comments and findings on the financial statements. According to the Audit Committee Charter, the committee chairperson shall report to the Board on the committee's proceedings after each meeting on all matters within its duties and responsibilities. Further information on duties and works executed by the Audit Committee can be found on page 132 under (Audit Committee Report).

### Audit Committee Meetings and Attendance Sheet

Number of meetings: 3

| Name | Position | First Meeting | Second Meeting | Third Meeting | Total |
|---|---|---|---|---|---|
| | | 11/03/2023 | 14/08/2023 | 07/11/2023 | |
| Mohamed Walid Cherif | Committee Chairman | Present | Present | Present | 3 |
| Ahmad Kordi | Non-board member | Present | Present | Present | 3 |
| Omar Saleh | Non-board member | Present | Present | Present | 3 |

### Remuneration of the Audit Committee During 2023

Pursuant to the Remuneration Policy for Board and Committee Members and members of the Executive Management, the remuneration of the committee members consists of a fixed annual amount and a meeting attendance allowance. The members of the Audit Committee have not been paid any remuneration in the given year.

## Remuneration & Nomination Committee

The Remuneration and Nomination Committee was established pursuant to a Board Resolution dated 17/08/1444H (corresponding to 09/03/2023G), the committee charter was approved by the Extraordinary General Assembly on 17/10/1444H (corresponding to 07/05/2023G).

The Remuneration and Nomination Committee consists of three non-executive Directors and members from outside the Board appointed by the Company's Board of Directors. According to the Nomination and Remuneration Committee's charter, the term of the committee is four (4) years, subject to extension, the majority of the Committee members must be non-executive and one Committee member must be independent. As at December 2023, the Remuneration and Nomination Committee did not include an independent member[3].

**Abdulrahman Khalid Al Zamil**
**Remuneration and Nomination Committee Chairman**
Please refer to the director's biography provided on page 107.

**Fadi Al Said**
**Member**
Please refer to the director's biography provided on page 106.

**Mohamed Walid Cherif**
**Member**
Please refer to the member's biography provided on page 110.

### Remuneration & Nomination Committee Duties

The Remuneration and Nomination Committee is established to, among other things, regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board of the Company, its committees and the executive management making recommendations as to its current and future composition and the benefits afforded to the members.

The Remuneration and Nomination Committee further suggests clear policies for board membership and determines a framework policy for the remuneration thereof (including the senior executives'), ensures independence of directors as applicable, ensures plans are in place for orderly succession for the Board of the Company and Senior Executive positions (and make recommendations to the Board in that respect), review the design of all employee share option plans and provide recommendations to the Board in respect of the remunerations of its members, the committees members and Senior Executives, in accordance with the approved policy.

### Remuneration & Nomination Meetings and Attendance Sheet

Number of meetings: 3

| Name | Position | First Meeting | Second Meeting | Third Meeting | Total |
|---|---|---|---|---|---|
| | | 24/05/2023 | 07/09/2023 | 25/09/2023 | |
| Abdulrahman Khalid Al Zamil | Committee Chairman | Present | Present | Present | 3 |
| Fadi Al Said | Board member | Present | Present | Present | 3 |
| Mohamed Walid Cherif | Non-board member | Present | Present | Present | 3 |

### Remuneration of the Remuneration & Nomination Committee During 2023

Pursuant to the Remuneration Policy for Board and Committee Members and members of the Executive Management, the remuneration of the committee members consists of a fixed annual amount and a meeting attendance allowance. The members of the Remuneration & Nomination Committee have not been paid any remuneration in the given year.

3 As per the Company's post-listing undertakings published in the Prospectus, the Board is in the process of appointing an independent member as chairman of the Remuneration & Nomination Committee from the recently elected independent members.

## Executive Committee

The Executive Committee was established pursuant to a Board resolution dated 17/08/1444H (corresponding to 09/03/2023G) and the committee's charter was approved by the Board of Directors on 03/08/1444H (corresponding to 23/02/2023G). The Executive Committee is composed of five members, three of whom are from the Board and two from outside the Board who were appointed by the Company's Board of Directors. The term of the Committee is four (4) years, which may be extended.

The Executive Committee is established for the purpose of assisting the Board and senior management of the Company with the day-to-day activities of the business and the development and implementation of the Company's strategy, including recommending objectives and strategies for the Group in the development of the business and ensure appropriate levels of authority are delegated to senior management throughout the Group.

| Name | Membership Classification |
|---|---|
| Dr. Mohamed Farouk Abdelkhalek | Committee Chairman |
| Mr. Hatem Soliman | Committee – Board member |
| Mr. Hussein Badawy | Committee – Non-board Member |
| Mr. Sadhak Bindal | Committee – Non-board Member |
| Mr. Abdulrahman Khalid Al Zamil | Committee – Board member |

### Executive Committee Meetings and Attendance Sheet

The Executive Committee did not convene any meetings during the year 2023.

### Dr. Mohamed Farouk
### Executive Committee Chairman

Please refer to the director's biography provided on page 103.

### Hatem Soliman
### Member

Please refer to the director's biography provided on page 104.

### Hussein Badawy
### Member

Hussein Badawy serves as the group CFO since December 2021. Prior to his appointment as the group CFO, he held important roles as the Corporate Investor Relations and Finance Director. Bringing over more than 15+ years of experience, Hussein has played a pivotal role in ensuring sustainable capital growth and bringing financial stability to the group, through generating successful strategic investments that are backed up by strong Capital Structures. In addition to all Finance functions, Mr. Badawy spearheads our Strategic Planning and Decision Support that serves the group with profound strategies, analytics, and foresight.

Prior to joining ADES, Mr. Badawy served as the Senior Relationship Manager for the Corporate & Investment Banking Group with Arab International Bank, a multilateral bank.

Mr. Badawy holds a bachelor's degree in International Business Administration from Sadat Academy for Management Sciences in collaboration with the university of New Brunswick – Canada and has a Professional Certification in Credit Risk & Risk Management from AUC School of Business.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief Financial Officer and Executive Committee Member at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director at Emerald Driller Company | Current | Outside KSA | Limited Company |
| Director at Advanced Energy Systems ADES SAE | Current | Outside KSA | Joint Stock Company |
| Director at Compass Capital Financial Investments | Current | Outside KSA | Joint Stock Company |
| Chairman of the Audit Committee at Compass Capital Financial Investments | Current | Outside KSA | Joint Stock Company |
| Member of the Risk Committee at Compass Capital Financial Investments | Current | Outside KSA | Joint Stock Company |
| Senior Relationship Manager at the Corporate and Investment Banking Group, Arab International Bank | Previous | Outside KSA | Bank |

### Sadhak Bindal
### Member

Sadhak Bindal serves as a member of the Executive Committee of the Company. Mr. Bindal is a Director at the Public Investment Fund (PIF), as well as a Board Member at Cleopatra Hospitals Group, an Egyptian joint stock company listed on the Egyptian Stock Exchange, and a Board Member at Depa, a public company listed in the United Arab of Emirates, Board member and Audit Committee Chairman at Abraj Energy Servies, a listed company in the Sultanate of Oman.

Prior to these roles, Mr. Bindal was a Portfolio Manager at Miras Investment Company, an Investment Professional at Tata Capital Growth Fund, and an Associate at J.P. Morgan.

Mr. Bindal holds a Bachelor degree in Technology from the Indian Institute of Technology Kanpur and a Masters degree in Business Administration, Indian Institute of Management (IIM – Kolkata)

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Director at Public Investment Fund (PIF) | Current | Inside KSA | Governmental Fund |
| Executive Committee Member at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Board Member at Cleopatra Hospitals Group | Current | Outside KSA | Public Company |
| Board Member at Depa | Current | Outside KSA | Public Company |
| Board Member and Chairman of Audit Committee at Abraj Energy Company | Current | Outside KSA | Public Company |
| Portfolio Manager at Miras Investment Company | Previous | Outside KSA | Private Company |
| Investment Professional at Tata Capital Growth Fund | Previous | Outside KSA | Private Equity Fund |
| Associate at J.P. Morgan | Previous | Outside KSA | Limited Company |

### Abdulrahman Khalid Al Zamil
### Member

Please refer to the director's biography provided on page 107.

# Executive Management

## Dr. Mohamed Farouk
**Chief Executive Officer**

Please refer to the director's biography provided on page 103.

## Hussein Badawy
**Chief Financial Officer**

Please refer to the senior executive's biography provided on page 118.

## Morcos William
**Group General Counsel**

Morcos William serves as the Group General Counsel and Company Secretary. Prior to joining the group, he was the Head of Legal Affairs at Orascom Telecom Media and Technology Holding and Principal Lawyer for Mobinil (now Orange).

Mr. William brings 20 years of knowledge and experience in diverse business sectors including telecommunications, media, technology, real estate, maritime and oil and gas. His legal expertise varies from capital markets, restructuring, and acquisitions to financing projects. Mr. William has gained recognition in his field for serving as the group General Counsel in relation to ADES's significant expansion.

Over the past 8 years, he led the ADES Group legal team in many projects including listing and delisting from the London Stock Exchange, supporting the group operations across its multiple jurisdictions, and undertaking several group restructurings and loan syndications.

Mr. William holds a Bachelor of Law and a Master of International Commercial Transactions and Logistics from the Arab Academy for Science and Technology.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Group General Counsel of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Non-executive Board Member at Advanced Energy Systems (ADES) SAE | Current | Outside KSA | Joint Stock Company |
| Director of United Precision Drilling | Current | Outside KSA | Limited Liability Company |
| Director at ADRES HR Solutions Ltd | Current | Outside KSA | Private Company |
| Legal Advisor in the International Companies Division and Director at Muriya Tourism Development | Previous | Outside KSA | Joint Venture |
| Head of Legal Affairs at Orascom Telecom, Media & Technology | Previous | Outside KSA | Listed Company |
| Senior Legal Advisor at Mobinil Egypt | Previous | Outside KSA | Listed Company |

## Manoj Parmesh
### Chief People Officer

Manoj Parmesh serves as the Chief People Officer and is heading the People and Learning functions.

Mr. Parmesh has over two and half decades of experience in the field of Strategic Human Resources, Capability building, large scale people mobilization, organization development and competency development programs. Mr. Parmesh has an excellent understanding of the upstream oil & gas industry, having worked with E & P, Oil Field Services and Drilling Contractors. Mr. Parmesh has worked in different geographies in Asia, Middle East & North Africa and has held HR leadership roles in Reliance Industries Offshore E & P Business, Weatherford International's Drilling Rigs business.

He also worked at C-Suite level for Muscat based listed company Renaissance Services. Manoj is an alumnus of MIT Sloan and Indian Institute of Management Kozhikode (IIM-K) and is a Chartered Fellow of CIPD of the UK. Manoj is also actively involved in the professional forums of IADC, SPE and CIPD.

Mr. Parmesh holds a Bachelor's degree in physics from University of Calicut in India, Post Graduate Diploma in Personnel Management from the National Institute of Personnel Management, Kolkatta, in India, Post Graduate Certificate Program from the Indian Institute of Management, Kozhikode in India and a Certificate in Executive Program in General Management from MIT Sloan School of Management, USA.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief People Officer at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Global Lead HR-Integrated Services & Projects at Weatherford International | Previous | Outside KSA | Listed Company |
| Chief People Officer at Renaissance Services SAOG | Previous | Outside KSA | Listed Company |
| Vice President HR/HR Director at Weatherford Drilling International | Previous | Outside KSA | Subsidiary of a Listed Company |
| HR Manager at Weatherford Drilling International | Previous | Outside KSA | Subsidiary of a Listed Company |
| Region HR Manager – Training & Talent Acquisition at Weatherford Oil Tool Middle East Limited | Previous | Outside KSA | Subsidiary of a Listed Company |
| Head of HR Offshore Operations at Reliance Industries Ltd | Previous | Outside KSA | Listed Company |
| Region HR Manager at Weatherford GmbH | Previous | Outside KSA | Branch of a Listed Company |
| Country HR Manager at Weatherford Oil Tool Middle East Limited | Previous | Outside KSA | Limited Liability Company |
| HR Manager at Vallabhdas Kanji Limited | Previous | Outside KSA | Limited Liability Company |
| Assistant Manager of HR at Thejo Engineering Limited | Previous | Outside KSA | Listed Company |

## Montasser Samy
### Chief Operations Officer

Montasser Samy serves as the Chief Operations Officer, heading the ADES business in the Kingdom of Saudi Arabia and is a key stakeholder of the ADES leadership team.

Mr. Samy started his career in the field of Fracturing & Stimulation in Schlumberger and has held different leadership roles across Europe, Middle East, Russia & the US. Mr. Samy's last role in SLB was as the Global VP of Integrated Production Services based out of the UK. He has also held the roles of Vice President of Well Services for Middle East & Asia and Vice President of Deep water Well Integrity.

Mr. Samy holds a bachelor's degree in Mechanical Engineering from the American University in Cairo.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief Operations Officer at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Vice President - Saudi Arabia at ADES Holding Company | Previous | Inside KSA | Public Joint Stock Company |
| Vice President Integrated Production Services, Global at Schlumberger | Previous | Outside KSA | Listed Company |
| Vice President for Well Services - Middle East and Asia at Schlumberger | Previous | Outside KSA | Listed Company |

## Ahmed Abdelhady
### Chief Commercial and Strategy Officer

Ahmed Abdelhady is the Chief Commercial and Strategy Officer with responsibilities for defining and implementing the Group's business objectives and strategies as well as leading the overall marketing efforts for the Group's fleet.

In his current role, Mr. Abdelhady is heading the Commercial and Strategy functions. Prior to joining ADES Group, Ahmed spent more than 10 years with Shelf Drilling in Dubai, United Arab Emirates where he most recently served as Director of Marketing for the Middle East, Europe and North Africa regions.

Mr. Abdelhady brings an excess of twenty years of industry experience having assumed senior managerial and leadership roles in Marketing & Contracts, Drilling Operations, Projects, Asset Management & QHSE with other industry leading names like legacy GlobalSantaFe and Transocean. Ahmed started his offshore drilling career in SantaFe back in 2001.

Mr. Abdelhady holds a bachelor's degree in Civil Engineering from Cairo University with Project Management studies.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief Commercial and Strategy Officer of ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director of Marketing at Shelf Drilling | Previous | Outside KSA | Listed Joint Stock Company |
| Division Manager, Sales & Marketing at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Manager, HR Special Projects at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Projects Manager at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Safety Development Program Manager at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Offshore Safety Development Program at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Rig Manager at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Division Contracts Engineer at Transocean | Previous | Outside KSA | Listed Joint Stock Company |
| Offshore Positions (Roustabout – Driller) at Global Santa Fe | Previous | Outside KSA | Listed Joint Stock Company |

## Mehdi Hamel
### Vice president QHSSE & Sustainability

Mehdi Hamel serves as the Vice president QHSSE & Sustainability; where in his capacity, he plays a pivotal role in setting strong fundamentals of culture of Quality, Health, Safety, Security, Environment and Sustainability across our global footprint.

Mr. Hamel has over 22 plus years of professional experience and has worked across different countries across the world. Mehdi has held several senior positions as Senior Chief Geophysicist, Sr Operation Manager, Supply Chain Director and Quality, Health, Safety, Security, and Environment Director for Schlumberger Ltd. (SLB).

Mr. Hamel holds a Master's degree in Geophysics Engineering from Houari Boumediene University in Algeria and has a Bachelor's degree in Earth Sciences, University of Science and Technology from Houari Boumediene in Algeria.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Vice president QHSSE & Sustainability at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Senior QHSSE Manager at Saudi Aramco Rowan Offshore Drilling | Previous | Inside KSA | Mixed Limited Liability Company |
| Senior Geophysicist QHSSE Manager, Supply Chain Operation at Schlumberger Ltd. (SLB) | Previous | Outside KSA | Private |
| Director of Quality, Health, Safety, Security and Environment Department at Schlumberger Ltd. (SLB) | Previous | Outside KSA | Private |
| Supply Chain Operations Manager at Schlumberger Ltd. (SLB) | Previous | Outside KSA | Private |

## Wissam Al Adany
**Chief Information Officer**

Wissam Al Adany serves as the Chief Information Officer, bringing over 28 years of profound experience in digital transformation within multinational organizations, having spent over 4 years in Brazil and Kazakhstan spearheading digital transformation efforts of these organizations.

Before assuming the role at ADES, Mr. Al Adany held pivotal positions as the Regional CIO for the United Nations across Eastern Europe, Central Asia, and MENA regions, as well as within Lafarge and GB Auto, esteemed entities within the building materials and automotive sectors, respectively.

Recognized for his exceptional leadership and contributions, Mr. Al Adany has been bestowed with prestigious accolades, including the CIO200 award as a distinguished CIO Legend in Africa and MENA for consecutive years 2021 and 2022. Further affirming his prowess, he was honored as the best CIO of Automotive in MENA by the esteemed Global CIO Forum. Additionally, Mr. Al Adany has been consistently recognized by IDC, receiving the esteemed “CIO of the Year” title for consecutive years 2021 and 2020, and being listed among the top 20 CIOs in 2023.

Mr. Al Adany holds a master’s degree in Finance and Operations Management from the American University in Cairo (AUC) and a Bachelor of Communication and Electronics Engineering from Ain Shams University, Faculty of Engineering.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Chief Information Officer at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Regional Chief Information Officer at the United Nations | Previous | Outside KSA | Governmental Organisation |
| Regional Chief Information Officer at GB Auto | Previous | Outside KSA | Listed Company |
| Chief Information Officer & Board Member at Americana International Restaurants PLC | Previous | Inside – Outside KSA | Listed Company |
| IT Director at Americana International Restaurants PLC | Previous | Inside – Outside KSA | Listed Company |
| IT Director at Lafarge | Previous | Outside KSA | Listed Company |
| Board Member at Cairo Feed | Previous | Outside KSA | Closed Joint Stock Company |
| IT Section Head at GlaxoSmithKline PLC | Previous | Outside KSA | Listed Company |

## Ammar Abbas
**Vice President - Supply Chain**

Ammar Abbas serves as the Vice President of Supply Chain, with an extensive career spanning 25 years. Mr. Abbas boasts rich expertise in Procurement, Strategic Sourcing, Logistics & Customs, Material Management, Inventory Management, Global Traceability, Product Planning, and Sales & Operations Planning (S&OP). His comprehensive mastery of supply chain dynamics extends to the intricacies of the Oilfield industry, covering both its technical facets and geographical complexities.

His professional journey includes senior leadership roles in the supply chain domain across significant regions, namely MEA, Europe, Africa, and North America, where he contributed significantly during his tenures at SLB. Furthermore, he held pivotal Champion and Executive Supply Chain positions at NESR.

Mr. Abbas holds a bachelor’s degree in economics, accounting and business administration from Aleppo University in Syria. Mr. Abbas’s commitment to excellence is underscored by his acquisition of esteemed certifications in Supply Chain training from reputable institutions in Europe and the USA.

Mr. Abbas also obtained training certification in strategic executive Supply chain management from MIT.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Vice President of Supply Chain at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director of Supply Chain at National Energy Services Reunited Corp. | Previous | Outside KSA | Listed Company |
| Vice President of Supply Chain for North America at Schlumberger Technology Corporation | Previous | Outside KSA | Listed Company |
| Corporate Transformation-Product planning & Global Traceability Manager at Schlumberger Technology Corporation | Previous | Outside KSA | Listed Company |
| Regional Logistics Director for Europe and Africa at Schlumberger Service Technology | Previous | Outside KSA | Listed Company |
| GeoMarket Supply Chain Services Director for the Kingdom of Saudi Arabia, Kuwait, Bahrain and Pakistan and neutral zone at Schlumberger Middle East SA | Previous | Inside KSA | Listed Company |
| Supply Chain services Director for Oman at Schlumberger Ltd. (SLB) | Previous | Outside KSA | Listed Company |
| Global Supply Chain supervisor for Sedco-Forex at Schlumberger Ltd. (SLB) | Previous | Outside KSA | Listed Company |

## Mohamed Saad
Vice President - Asset Management

Mohamed Saad currently assumes the role of Asset Management Vice President. Since joining, Mr. Saad capitalizes on the steady and multi-disciplinary engineering activities and the successful technical and maintenance strategies that ensure successful operating company assets, setting of premium processes & quality standards across our various activities and fleet of Offshore Jack-up Rigs, Onshore Rigs, Barge, MOUP and FSO. At ADES, Mr. Saad oversaw the largest project in the drilling sector of managing and delivering 19 rigs in the Kingdom.

Mr. Saad has a wealth of professional record of 15+ years of solid experience and technicalities assuming multiple roles with an industry big name as Transocean, where he successfully kicked off his career as a Tour Mechanic in Transocean-Egypt and led ahead a fast-growing career till his last appointment as Asset Manager with Transocean – Malta in 2015.

Mr. Saad holds a Bachelor of Mechanical Power Engineering where he holds several technical certifications and studies to his credit.

### Current and Previous Positions:

| Company | Membership | Location | Legal Entity |
|---|---|---|---|
| Vice President of Asset Management at ADES Holding Company | Current | Inside KSA | Public Joint Stock Company |
| Director of Asset Management of Advanced Energy Systems (ADES) SAE | Current | Outside KSA | Closed Joint Stock Company |
| Asset Manager at Transocean | Previous | Outside KSA | Public Joint Stock Company |
| Mechanical Superintendent at Transocean | Previous | Outside KSA | Public Joint Stock Company |

# Remuneration Policy for Board and Committee Members and Members of the Executive Management

The Remuneration Policy for Board and Committee Members and Executive Management is prepared in accordance with the requirements of the Corporate Governance Regulations, the Companies Law, the Implementing Regulations of the Companies Law for Listed Joint Stock Companies, approved by a Board resolution dated 23 February 2023 and the Extraordinary General Assembly on 07 May 2023.

The policy aims to set and define the mechanisms necessary to control and regulate the remuneration of the Company's Directors, Committee members and the Executive Management and to ensure compliance with the relevant laws and regulations in relation to remuneration and compensation.

In line with the CGRs and applicable laws, the remuneration payable to any Director must be fair and proportionate to the director's activities carried out and responsibilities assumed, must be proportionate to the Company's activities (and operational sector) and the required skills for its management, sufficient and reasonable to maintain talented caliber to fulfil their respective roles. The remuneration shall be based on the recommendations of the Remuneration and Nomination Committee, endorsed by the Board of Directors and approved by the General Assembly.

Remuneration payable to different Directors and committee members may vary depending on the experience, expertise, duties, their independence and the number of Board meetings they attended, in addition to other considerations. The Board may propose a special Remuneration for the chairperson of the Board for General Assembly approval.

Directors, Committee members, and the secretariat shall be compensated for their actual expenses incurred when performing their duties, including travel and accommodation expenses to attend the Board and Committee meetings.

## Remuneration of the Board of Directors and Committee Members

Pursuant to the Remuneration Policy for Board and Committee Members and members of the Executive Management, the remuneration of the Board of Directors and Committee members consists of an annual compensation and an attendance allowance for the meetings of the Board and its Committees (subject to any requirements and limitations imposed by the Companies Law and its implementing regulations from time to time).

When considering and approving the Remuneration of the Directors or Committee members by the General Assembly, the Directors and/or Committee members shall not be allowed to vote on this item in the General Assembly meeting.

A Director may receive additional Remuneration for any additional executive, technical, managerial or consultancy (pursuant to a professional license) duties or positions carried out by such Director, and such Remuneration should be in addition to the Remuneration he/she may receive in his/her capacity as a member in the Board and in the Committees.

## Remuneration of the Executive Management

The Remuneration and Nomination Committee reviews the salary scale set for all employees and the Executive Management and any incentive programs or plans on an ongoing basis and provides its recommendation to the Board, which has the authority to negotiate and approve such remunerations of each member of the Executive Management.

When determining the remuneration of the Executive Management, the following general principles will be considered:

- the compensation is in line with the Company's strategic goals; a factor to motivate the Executive Management to achieve these goals, and enhance the Company's ability to grow and sustain its business;
- the compensation is compatible with the nature of the Company's business, its activity, size, and the required skills and experiences;
- the amount enables the Company to attract executives with the capabilities, skills and qualifications necessary to enable the company to achieve its goals;
- the proportion of fixed and variable components of the Remuneration may be determined considering the nature and level of responsibilities of the Executive Manager, business area in which he/she is working; and
- not to cause any conflict of interest that would negatively affect the interest of the Company and its ability to achieve its goals.

The remuneration of the Executive Management may include (i) basic salary (ii) any variable salaries based on specific drivers (iii) allowances (iv) annual bonus that is linked to performance in accordance with the annual evaluation and (v) any short/ long-term incentive plans adopted for the Executive Management, as per its terms.

The remuneration approved for each employee of the Executive Management may vary according to level and nature of responsibility, criticality of the position in the Company and goals achieved.

## Remuneration of The Board During 2023

No remuneration has been paid to the Board of Directors during 2023[4].

No remuneration has been paid to the previous Board of Directors.

## Executive Management Remuneration During Year 2023

The aggregate remuneration paid to the Company's five highest paid Senior executives (including the CEO and CFO) including salaries, benefits and allowances during the year 2023 are set out in the table below.

All Amounts are in SAR

| | | |
|---|---|---|
| **Fixed Remuneration** | Salaries | 10,533,499.57 |
| | Allowances | 477,865.00 |
| | In-kind benefits | - |
| | Periodic remunerations | 12,076,117.91 |
| | Deduction | (387,191.53) |
| | Total | 22,700,290.95 |
| **Variable Remunerations** | Profits | - |
| | Short-term incentive plan | - |
| | Long-term incentive plan | - |
| | Granted shares | - |
| | Total | - |
| **End of service award** | | - |
| **Total remuneration of Board executives, if any** | | - |
| **Aggregate Amount** | | 22,700,290.95 |

The remuneration of the Executive Management were determined in accordance with the adopted Remuneration Policy for Board and Committee members, and members of the Executive Management.

There were no material deviations of the granted remuneration from the applicable policy.

4 A number of 2 directors were paid an amount of SAR 375,000 as overdue remuneration for their term as directors on the Board of ADES International Holding Ltd in 2022.

# Audit Committee Report

The primary role of the Audit Committee is to oversee the Company's activities and support the Board in monitoring (a) the accounting and financial reporting policies and practices of the Group, ensuring the integrity, effectiveness and accuracy of the consolidated financial statements; (b) the effectiveness of the Company's internal control policies; (c) both internal and external audit processes, including the performance of the independent auditor; (d) ensure the application and adequacy of internal control systems and (e) the Company's adherence to legal and regulatory obligations.

To enable the Audit Committee to fulfill its role, duties, and objectives, the executive management presented and provided input to the Audit Committee on certain matters including the integrity, effectiveness, and accuracy of the Company's consolidated financial statements and reports, and the performance, soundness, and effectiveness of the Company's internal controls, audit, financial reporting, and financial risk management.

The Audit committee shall have the following responsibilities:

### Financial Statements and external audit:

- Reviewing significant issues related to accounting affairs, reporting matters, including complex or unusual transactions, critical discretionary areas, and evaluating their impact on the financial statements.
- Reviewing important or unusual issues included in the Company's financial statements and reports and issues raised by the Company's Chief Financial Officer (or his delegate), or external Auditor.
- Examining the Company's annual consolidated financial statements, expressing an opinion thereon, and making recommendations to the Board in this regard, prior to their submission to the Board, to ensure the validity, integrity, and transparency thereof, and considering whether they are complete and consistent with the information known to the members and whether they reflect appropriate accounting principles and policies.
- Reviewing the external Auditors' proposed audit scope, approach, and plan, and providing an opinion thereon, including coordinating audit efforts with Internal Audit activities.
- Recommending to the Board to nominate, dismiss, and determine the fees of the external Auditor and reviewing the scope of the work thereof and the terms of contract with the same, provided that the recommendation considers the independence of the external Auditor.
- Reviewing the external Auditor's performance, supervising their activities, and approving any activity outside the scope of audit work assigned thereto during the performance of his/her duties.

### Internal Control:

- Adopting Internal Control Function.
- Consider and review the Company's internal and financial control and risk management systems, and their effectiveness, including information technology, security, and controls.
- Understand the scope of the internal audit of financial reports by the Internal Audit Department and obtain reports including important findings and recommendations, and Management's observations and comments.

### Internal Audit:

- Adopting the Internal Audit Charter.
- Reviewing the performance and activities of the Head of the Internal Audit Department and ensure that there are no unjustified restrictions on his activities and making recommendations to the Board with respect to his appointment, dismissal, annual remuneration, and salary.
- Overseeing and supervising the performance and activities of the Company's Internal Audit Department to verify the availability of the necessary resources and its effectiveness in performing its duties in accordance with appropriate professional standards.
- Approving the annual audit plan and all changes thereto and reviewing the performance and activities of the Internal Audit Department compared to the plan set for it.
- Working with the Head of the Internal Audit Department to review the Internal Audit budget, resource plan, activities, and organizational structure for the Internal Audit duties.
- Reviewing the Company's Internal Audit procedures.
- Reviewing Internal Audit reports and monitoring the implementation of corrective measures with regard to the observations contained therein.
- Holding separate meetings with the Head of the Internal Audit Department on a regular basis to discuss any matters that the Committee or Internal Audit officials deem necessary to be discussed in separate sessions

### Results of the Annual Audit of the Effectiveness of the Company's Internal Control Procedures and the Audit Committee's Opinion on the Sufficiency of the Company's Internal Control System

This report represents work carried out by the Audit Committee during the year 2023 according to their tasks and responsibilities mentioned in the Company's Audit Committee charter.

The Committee fulfilled its responsibilities throughout the year 2023 in the following manner:

1. Examined the external auditor's strategy, independence, the extent of their responsibilities, the outcomes of the financial examinations, the pertinent audit documents, and any correspondence provided to management.
2. Examined the annual consolidated financial statements the year 2023 to verify their fairness and transparency in light of the presentation and disclosure of the information contained in the financial statements in accordance with the international financial reporting standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for chartered and professional Accountants before they are published on the Company's page at "Tadawul", in addition to submitting a recommendation to the Board of Directors for approval of the annual consolidated financial statements in preparation for presenting at the Annual General Assembly.
3. Examined the reports and notes submitted by the external auditor and meet with him to consider the financial statements before approving them in order to verify their independence, objectivity and effectiveness of the audit work, as well as answer their inquiries and ensure that there are no obstacles that may affect the progress of his work.
4. Examined that the Company's internal control systems, policies, procedures, responsibilities, internal audit charter, internal audit plan and internal audit report are sufficient and in compliance.
5. Examined the responsibilities and actions related to risk management.

The Audit Committee thoroughly assessed the main and emerging risks and internal control framework. It evaluated the effectiveness of internal controls within the Group for the year covered in the Annual Report and accounts, up to the approval date by the Board. The review included financial, operational, and compliance controls, as well as risk management processes to ensure the accuracy and effectiveness of reports, financial statements, and internal control systems. No major control weaknesses were found that would significantly impact the Company's internal control systems.

**Respectfully submitted,**
**Audit Committee Chairman**

# Financial Information

## Summarized Consolidated Statement of Financial Position

| All amounts in thousands SAR | 2023 |
|---|---|
| Total Assets | 19,422,451 |
| Total Liabilities | 13,645,545 |
| Total Equity | 5,776,906 |

## Summarized Consolidated Cash Flow Statement

| All amounts in thousands SAR | 2023 |
|---|---|
| Net Cash Flows from Operating Activities | 2,282,706 |
| Net Cash Flows Used in Investing Activities | (3,736,485) |
| Net Cash Flows From Financing Activities | 1,886,061 |

## Summarized Consolidated Statement of Comprehensive Income

| All amounts in thousands SAR | 2023 |
|---|---|
| Revenue from Contracts with Customers | 4,331,903 |
| Cost of Revenue | (2,620,778) |
| Gross Profit | 1,711,125 |
| Profit for the Period Before Income Tax | 529,380 |
| Income Tax Expense | (77,301) |
| Profit for the Period | 452,079 |
| Profit for the Period Attributable to Equity Holders of the Parent | 442,098 |

# Further Disclosures

**Interest, contractual securities or rights issue of the Board members, senior executives and their relatives on shares or debt instruments of the Company or its affiliates during 2023**

There is no interest, contractual securities, subscription rights or debt securities belonging to Board members, senior executives and their relatives.

## Shareholders Register Requests

Shareholders register requests by the Company during the year 2023.

| No. of Requests | Date of Requests | Purpose |
|---|---|---|
| 1 | 11 October 2023 | Conducting share performance analysis |
| 1 | 15 October 2023 | Conducting share performance analysis |
| 2 | 24 October 2023 | Conducting share performance analysis |
| 1 | 26 October 2023 | Conducting share performance analysis |
| 1 | 2 November 2023 | Conducting share performance analysis |
| 1 | 9 November 2023 | Conducting share performance analysis |
| 4 | 15 November 2023 | Conducting share performance analysis |
| 1 | 23 November 2023 | Conducting share performance analysis |
| 1 | 7 December 2023 | Conducting share performance analysis |
| 1 | 27 December 2023 | Conducting share performance analysis |

## Description of Any Deal Between the Company and Related Parties

The Company engages in several transactions with related parties to facilitate its regular business operations within its specific field and industry. All agreements with related parties are conducted at fair market value and do not include any preferential terms and conditions.

To ensure complete transparency regarding these transactions, a list of key related party transactions that are consistent with those disclosed in the consolidated financial statements is provided below.

### Related Party Transactions

The Public Investment Fund of the Kingdom of Saudi Arabia is one of the Shareholders which is ultimately controlled by the Government of the Kingdom of Saudi Arabia ("KSA Government"). The entities controlled by the KSA Government are included in other related parties' category below. The entities under common control represent the entities controlled by ADES Investment Holding Ltd or its shareholders.

The terms and conditions of the transactions entered into with the related parties are approved by the group's management.

(A) Syndication Facility Agreement

The Company (as parent) entered into a Syndicated Facility Agreement with, among others, the Saudi National Bank, Gulf International Bank B.S.C and Riyad Bank (as lenders) for the purpose of refinancing of previous loans, finance capital expenditure.

(B) Saudi National Bank (SNB)

The Company (as parent of the borrower) and ADES Saudi Limited (as borrower) entered into a Facility Agreement with the Saudi National Bank (as lender) for the purpose of financing the acquisition of premium jack-up rigs (for the awarded tender with Aramco) and equipment required for the upgrading of the rigs upon initial acquisition.

(C) Alinma Bank

The Company (as parent of the borrower) and ADES Saudi Limited (as borrower) entered into an Ijara Facility Agreement with Alinma Bank (as lender) for the purpose of financing the acquisition of rigs, any additional capital expenditure needed to bring the relevant purchased rigs into operational condition, and refurbishment of the relevant acquired rigs; and a Murabaha Facility Agreement intended to finance short working capital requirements.

The total Finance Cost related to other related parties mentioned above during 2023 was SAR 377,372,647

(D) Hedge Arrangements:

- SNB - 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 Banque 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).
- SNB - During the year ended 31 December 2022, the Group entered into Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) to partially hedge Syndication Facility A SAR portion (SAR 1,066,250,000). 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).
- Gulf International Bank (GIB) - During the year ended 31 December 2022, the Group entered into Interest Rate Swap (IRS) agreements with GIB to partially hedge Syndication Facility A SAR portion (SAR 1,066,250,000). 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).

The Net loss on cash flow hedge during 2023 from the above described arrangements was SAR 10,650,635.

(E) Drilling Contracts with Aramco

The Group entered into 44 onshore and offshore drilling contracts with Aramco, including 37 onshore and offshore drilling contracts through ADES Saudi, while the branch of ADES GCC for Drilling Limited entered into 7 offshore drilling contracts (each as a contractor). Pursuant to these contracts, the contractor carries out onshore and offshore drilling works for oil and/or gas for the benefit of Saudi Aramco in the locations it specifies, according to the day rates indicated in the contracts.

The Group's total revenue from drilling contracts entered into with Saudi Aramco for the financial year ended 31 December 2023G amounted to SAR 2,860,917,428.

(F) Rig Rental Agreement

Advanced Energy Systems (ADES) S.A.E (as lessor) entered into a rig rental agreement with the Egyptian Chinese Drilling Company – ECDC (as lessee) for chartering land rigs 810 and 815 for conducting drilling operations in the Arab Republic of Egypt.

The Group's total revenue from the Rig Rental Agreement entered into with the Egyptian Chinese Drilling Company – ECDC for the financial year ended 31 December 2023G amounted to SAR 14,806,502.

## The Group has secured loans and borrowings as follows:

- Syndication Loan (Facility A, B and C)

ADES Holding Company and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of SAR 1,725,000,000 and SAR 5,337,500,000 divided over nine banks which include Goldman Sachs Bank USA, Riyad Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking, Investment Corporation and Arab National Bank and The Saudi British Bank - SABB.

The syndicated facility includes 3 facilities being Facility A, B and C.

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 31 December 2023, the principal amount outstanding is SAR 3,386M and SAR 1,840M of Facility A and C, respectively. During the period ended, the Group has repaid SAR 275M and SAR 160M of Facility A and C, respectively.

Facility B is a revolving credit facility ("RCF") with total amount of SAR 1,125M. RCF facility is valid till 31 December 2028 with a requirement to clean down the balance once in each calendar year. As of 31 December 2023, the principal amount outstanding is SAR 75M.

- BSF Loan

ADES Saudi Limited Company signed a loan agreement with total amount of SAR 1,425M with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. As at 31 December 2023, the principal amount outstanding is SAR 1,271M. The facility includes an additional limit to be utilized for the issuance of letter of guarantees amounting to SAR 187.5M, an additional overdraft limit with SAR 30M and an additional multi-purpose limit to cover working capital needs including issuance for letter of guarantees and short-term loans with total amount of SAR 150M. During the period ended, the Group has repaid SAR 153M.

- SNB Loan

ADES Saudi Limited Company signed a loan agreement with a total amount of 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 31 December 2023, the principal amount outstanding SAR 1,364M. During the period ended, the Group has repaid SAR 135M.

- AL Rajhi Loan

ADES Saudi Limited Company signed a loan agreement with a total amount of SAR 937.5M 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. As of 31 December 2023, the principal amount outstanding is SAR 1,428M. During the period ended 31 December 2023, SAR 72M have been repaid on the outstanding balance.

- Al Inmaa Loan

ADES Saudi Limited Company signed a loan agreement amount of SAR 2,693M with Al Inmaa Bank. The loan is repayable in 15 Semi-annual instalments effective from September 2023 to September 2030. As at 31 December 2023, the principal amount outstanding is SAR 1,014M The Al Inma facility includes a separate line amounting to SAR 150M for the purpose of covering short-term working capital needs, During the period ended December 2023, the Group has repaid SAR 1,262M related to the long-term loan, and SAR 150M million related to working capital line.

- Mashreq Loan

The Group obtained a loan facility of SAR 33M from Mashreq Bank PSC during August 2021. This loan is repayable in 18 quarterly equal instalments effective from June 2022 to September 2026 .As at 31 December 2023, the principal amount outstanding is SAR 18M. During the period ended 31 December 2023, the Group has repaid SAR 6.6M

### Banks Short Term Credit Facilities

ADES S.A.E signed with Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to SAR 45M. As of 31 December 2023, the principal plus interest amount outstanding is SAR 37M, noting that it's a revolving facility with a tenor of 180 days.

ADES S.A.E signed with the Export Development Bank of Egypt (EBE) with a non-secured facility limit amounting to SAR 45M available for overdrafts &/or Letters of Guarantee. As of 31 December 2023, no amount is outstanding.

ADES S.A.E signed with Emirates National Bank of Dubai S.A.E with a total amount of SAR 75M as at 31 December 2023, equivalent to available for overdrafts &/or Letters of Guarantee. As of 31 December 2023, the principal plus interest amount outstanding is SAR 2M. Noting that it's a revolving facility.

ADES S.A.E signed with Abu Dhabi Commercial Bank – Egypt (ADCB) with a total amount of SAR 15M as at 31 December 2023 equivalent to available for overdrafts &/or Letters of Guarantee. As of 31 December 2023, the principal plus interest amount outstanding is SAR 2K. Noting that it's a revolving facility with a tenor of 180 days.

ADES S.A.E signed with Societe Arabe Internationale de Banque – Egypt (SAIB) with a total amount of SAR 75M as of 31 December 2023. As of 31 December 2023, the principal plus interest amount outstanding is SAR 252K. Noting that it's a revolving facility.

ADES S.A.E signed with Suez Canal Bank (SCB) an overdraft facility limit amounting to SAR 67.5M as at 31 December 2023, available for overdrafts &/or Letters of Guarantee available for overdraft. As of 31 December 2023, no amount is outstanding.

ADES S.A.E signed with Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to SAR 5.5M available for overdrafts and/or Letters of Guarantee. As of 31 December 2023, the principal plus interest amount outstanding is SAR 5M. Noting that it's a revolving facility with a tenor of 180 days.

## Statutory Payments

The Company and its below mentioned subsidiaries have paid all 2023 outstanding dues in line with Zakat, Tax and Customs Authority rules and regulations. The Company and its subsidiaries mentioned below are in the process of filing 2023 tax and zakat returns during April 2024 and shall pay the resulting tax/ and zakat dues to Zakat, Tax and Customs Authority once tax/zakat returns filling is completed in line with the relevant laws and regulations.

| ADES Holding Company | Amount (SAR) | Description |
|---|---|---|
| VAT (Input) Paid to Suppliers | (2,621,433) | Value added tax (VAT) paid by ADES to suppliers and service providers resulting from VAT imposed on invoices issued to ADES against purchases of goods or services rendered, in line with VAT regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT Paid to ZATCA | (2,621,433) | Value added tax (VAT) paid by ADES to Zakat, Tax and Customs Authority ("ZATCA") resulting from net difference between VAT paid to suppliers and service providers and VAT collected from customers. |
| General Organisation for Social Insurances (GOSI) | 98,182 | ADES contribution to The General Organization for Social Insurance (GOSI) on behalf of ADES's employees as a defined end of service benefit plans for the Kingdom-based employees which are majority governed under the Kingdom's Saudi Labor Law. |
| **Total Payments** | | **(2,523,251)** |

| ADES Saudi Limited | Amount (SAR) | Description |
|---|---|---|
| Zakat, Tax, Customs Authority (ZATCA) | 4,831,961 | ADES is subject to Zakat at rate of 2.5% which is computed on the Saudi shareholders' share of equity and/or net income before zakat and income In addition, ADES is subject to Income tax rate of 20% which are computed on the foreign shareholders' share of net income for the year in line with the income tax regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| Withholding Tax | 28,606,898 | ADES withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed in line with the income tax regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT (Input) Paid to Suppliers | 112,904,012 | Value added tax (VAT) paid by ADES to suppliers and service providers resulting from VAT imposed on invoices issued to ADES against purchases of goods or services rendered, in line with VAT regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT (Output) Collected from Customers | 377,305,220 | Value added tax (VAT) collected by ADES from customers resulting from VAT imposed on invoices issued by ADES against purchases of goods or services rendered, in line with VAT regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT Paid to ZATCA | 264,401,208 | Value added tax (VAT) paid by ADES to Zakat, Tax and Customs Authority ("ZATCA") resulting from net difference between VAT paid to suppliers and service providers and VAT collected from customers. |
| General Organisation for Social Insurances (GOSI) | 37,512,252 | ADES contribution to The General Organization for Social Insurance (GOSI) on behalf of ADES's employees as a defined end of service benefit plans for the Kingdom-based employees which are majority governed under the Kingdom's Saudi Labor Law. |
| Customs Payment | 22,992,772 | ADES payments to Zakat, Tax and Customs Authority ("ZATCA") against goods imported from outside the Kingdom in line with Customs regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| **Total Payments** | | **358,345,092** |
| Customs LG Issued in 2023 | 9,856,245 | ADES Issued letter of guarantee in favor of Zakat, Tax and Customs Authority ("ZATCA") against goods and equipment imported from outside Kingdom in line with Customs regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| **Total (Including LGs)** | | **368,201,337** |

| ADES GCC For Drilling Ltd | Amount (SAR) | Description |
|---|---|---|
| Corporate Income Tax (CIT) | 3,915,048 | ADES is subject to Zakat at rate of 2.5% which is computed on the Saudi shareholders' share of equity and/or net income before zakat and income In addition, ADES is subject to Income tax rate of 20% which are computed on the foreign shareholders' share of net income for the year in line with the income tax regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| Withholding Tax | 746,265 | ADES withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed in line with the income tax regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT (Input) Paid to Suppliers | 15,497,171 | Value added tax (VAT) paid by ADES to suppliers and service providers resulting from VAT imposed on invoices issued to ADES against purchases of goods or services rendered, in line with VAT regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT (Output) Collected from Customers | 152,732,442 | Value added tax (VAT) collected by ADES from customers resulting from VAT imposed on invoices issued by ADES against purchases of goods or services rendered, in line with VAT regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| VAT Paid to ZATCA | 137,235,272 | Value added tax (VAT) paid by ADES to Zakat, Tax and Customs Authority ("ZATCA") resulting from net difference between VAT paid to suppliers and service providers and VAT collected from customers. |
| General Organisation for Social Insurances (GOSI) | 12,268,426 | ADES contribution to The General Organization for Social Insurance (GOSI) on behalf of ADES's employees as a defined end of service benefit plans for the Kingdom-based employees which are majority governed under the Kingdom's Saudi Labor Law. |
| Customs Payment | 2,070,697.49 | Payments to Zakat, Tax and Customs Authority ("ZATCA") against goods imported from outside the Kingdom in line with Customs regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| **Total Payments** | | **156,235,708** |
| Customs LG Issued in 2023 | 5,440,503 | ADES Issued letter of guarantee in favor of Zakat, Tax and Customs Authority ("ZATCA") against goods and equipment imported from outside Kingdom in line with Customs regulations as defined by Zakat, Tax and Customs Authority ("ZATCA"). |
| **Total (Including LGs)** | | **161,676,211** |

## General Assemblies Held in 2023

The table below lists down the General Assemblies convened during year 2023 and attendance of board members.

| Type of General Assembly | Date | Board of Directors Attendance |
|---|---|---|
| Extraordinary General Assembly | 15/02/2023 | Dr. Mohamed Farouk Abdelkhalek – Vice-chairman |
| Extraordinary General Assembly | 07/05/2023 | Dr. Mohamed Farouk Abdelkhalek – Vice-chairman |
| Ordinary General Assembly | 12/06/2023 | Dr. Mohamed Farouk Abdelkhalek – Vice-chairman |

## Distribution of Dividends Policy

The shareholders of the Company may resolve to pay dividends on an annual basis as and when recommended by the Board. The Company may distribute interim dividends to its shareholders on a semiannual or quarterly basis, in accordance with the regulations issued by the competent authority and by virtue of a resolution from the Board, after obtaining an authorization from the ordinary General Assembly, such authorization to be renewed annually.

Unless otherwise recommended by the Board, the Company shall pay (and the shareholders shall ensure the Company pays) the maximum dividend permitted under applicable law each year, subject to reasonable provisions, reserves , and maintenance of a prudent capital structure, required, and provided that following making a distribution and for the period until the end of the next financial year, the Company shall have sufficient funds to meet its anticipated costs and expenses, taking into account it anticipated revenue.

In line with Article (40) of the Company bylaws, the ordinary General Assembly may resolve to retain reserves to the extent that serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to shareholders.

The distributable profits consist of the net income of the financial year minus all amounts that are set aside for the reserve allocated for specific purposes in the Company's bylaws, if any, or the amounts that must be set aside for the reserves created by the General Assembly plus the retained earnings and the distributable reserves formed out of profits. The Company's share premium account that is within shareholders equity shall not be used to distribute cash dividends to shareholders. No dividend was paid for the year 2023.

The Board shall periodically review this Policy to ensure it is operating at optimal effectiveness.

## Treasury Shares

The Company's Extraordinary General Assembly on 07 May 2023 has approved the issuance of a number of thirty three million, eight hundred and seventy one thousand and eight hundred and seventy five (33,871,875) shares – representing 3% of the Company's capital, by capitalizing an amount of thirty three million, eight hundred and seventy one thousand and eight hundred and seventy five Saudi Riyals (SAR 33,871,875) from retained earnings, and allocated such shares to the employees of the Company and its subsidiaries according to the long-term incentive plan, provided that they are held as treasury shares until their ownership is transferred to the employees in accordance with the provisions of the long-term incentive plan. The Extraordinary General Assembly further delegated the Board of Directors and the Remuneration and Nomination Committee to undertake any necessary action for the purpose of implementing the long-term incentive plan.

## Procedures Taken by the Board to Inform Its Members, Including Non-Executives, of Shareholders' Feedback Concerning The Performance of the Company

As at December 2023, the Management of the Company is committed to address shareholders' inquiries and concerns with respect to the performance of the Company. The Board communicates with the Company's investor relations officials to be informed with shareholders queries and suggestions received through email (investor.relations@adesgroup.com) and other communication means.

## Implemented and Unimplemented Corporate Governance Provisions and Justifications for Non-Implementation

It should be noted that the Company was listed on the Saudi Stock Exchange on October 2023, and as a result the Company was not required to comply with the CGRs for the period prior to its listing.

As at December 2023, the Company has implemented all applicable mandatory provisions provided under the CMA Corporate Governance Regulations, except for the provisions mentioned below with a justification corresponding to each item.

| Article No. | Article Text | Non-implementation Justification |
|---|---|---|
| Article 8 (B) | Election of Board of Directors | At the time of listing, the Company has maintained its existing structure as is – consisting of six members only (with no independent board members as required under the CGRs) in order to ensure the Board's stability during this important period. |
| Article 16 – Para. 3 | Appointment of Independent Directors | |
| Article 17 (D) | Notifying CMA of the elected directors | The Company's post-listing undertakings published in the prospectus included that it shall commence the required procedures within a period not exceeding sixty (60) days after the Listing of the Company to elect three independent members to the Board who meet the independence requirements to fill the vacant seats on the Board, by opening nominations and then convening the General Assembly in accordance with the statutory standards and procedures followed in this regard, including that the election take place by cumulative voting.<br>The opening of the Nomination Period was published on 10 December 2023 and the nomination and election process of the independent members of the board was completed during Q1 2024G. |
| Article 48 (B) | Committee's Membership | The Company's post-listing undertakings published in the prospectus further included that upon the election of the independent members, the Board of Directors shall appoint an independent member to each of the Audit Committee and the Nomination and Remuneration Committee (provided that the appointed member of the Nomination and Remuneration Committee is appointed as its chairman) in fulfilment of the requirements of the CGRs. This shall be done at its first meeting after the date of the General Assembly meeting to elect the independent members. |
| Article 51 (B) | Formation of the Audit Committee | |
| Article 67 | Formation of Risk Management Committee | These are guiding articles.<br>The Audit Committee supports the Board in embedding a sound system of internal control and risk management systems and in monitoring and reviewing their effectiveness; and review and approve all statements to be included in the financial statements and/or on the Company's website concerning internal controls and risk management. |
| Article 68 | Competencies of the Risk Management Committee | |
| Article 69 | Meetings of the Risk Management Committee | |
| Article 84 | Social Responsibility | These are guiding articles.<br>The Company constantly contributes to different social activities aimed at developing and enhancing the social and economic conditions in the Group's operating jurisdictions. |
| Article 85 | Social Initiative | |
| Article 92 | Formation of the Corporate Governance Committee | This is a guiding article.<br>The Company, and Board, complies with and monitors the implementation of the corporate governance regulations and ensure the effectiveness, and amendment thereof, as may be necessary from time to time. |

### The following should be declared:

- There are no punishments, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority.
- The Company established an independent department for internal audit, corporate governance, and risk management, the Internal Audit Function.
- There are no conflicts between the audit committee's recommendation with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor.
- There are no inconsistencies with the standards approved by the Saudi Organization for Chartered and Professional Accountants.
- There are no interests in a class of voting shares held by persons who have notified the Company of their holdings pursuant to Article 85 of the Rules on the Offer of Securities and Continuing Obligations.
- There are no interests, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change on these interest or rights during the fiscal year 2023.
- There are no convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year 2023.
- There are no conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company.
- There are no redemptions, purchase or cancellation by the Company of any redeemable debt instruments.
- There have been no business or contracts to which the Company has been a party to, that carries any interest for any Board member, Senior Executive or any person related to them.
- There are no arrangements or agreements under which a director or a Senior Executive of the Company has waived any remuneration.
- There are no arrangements or agreements under which a shareholder of the Company has waived any right to dividends.
- There are no Board recommendations to replace the external auditor before the end of its term.
- There are no competing businesses with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses.

### Acknowledgments

### The Board of Directors hereby acknowledged the following:

- Proper books of accounts have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts on the Company's ability to continue its activities.

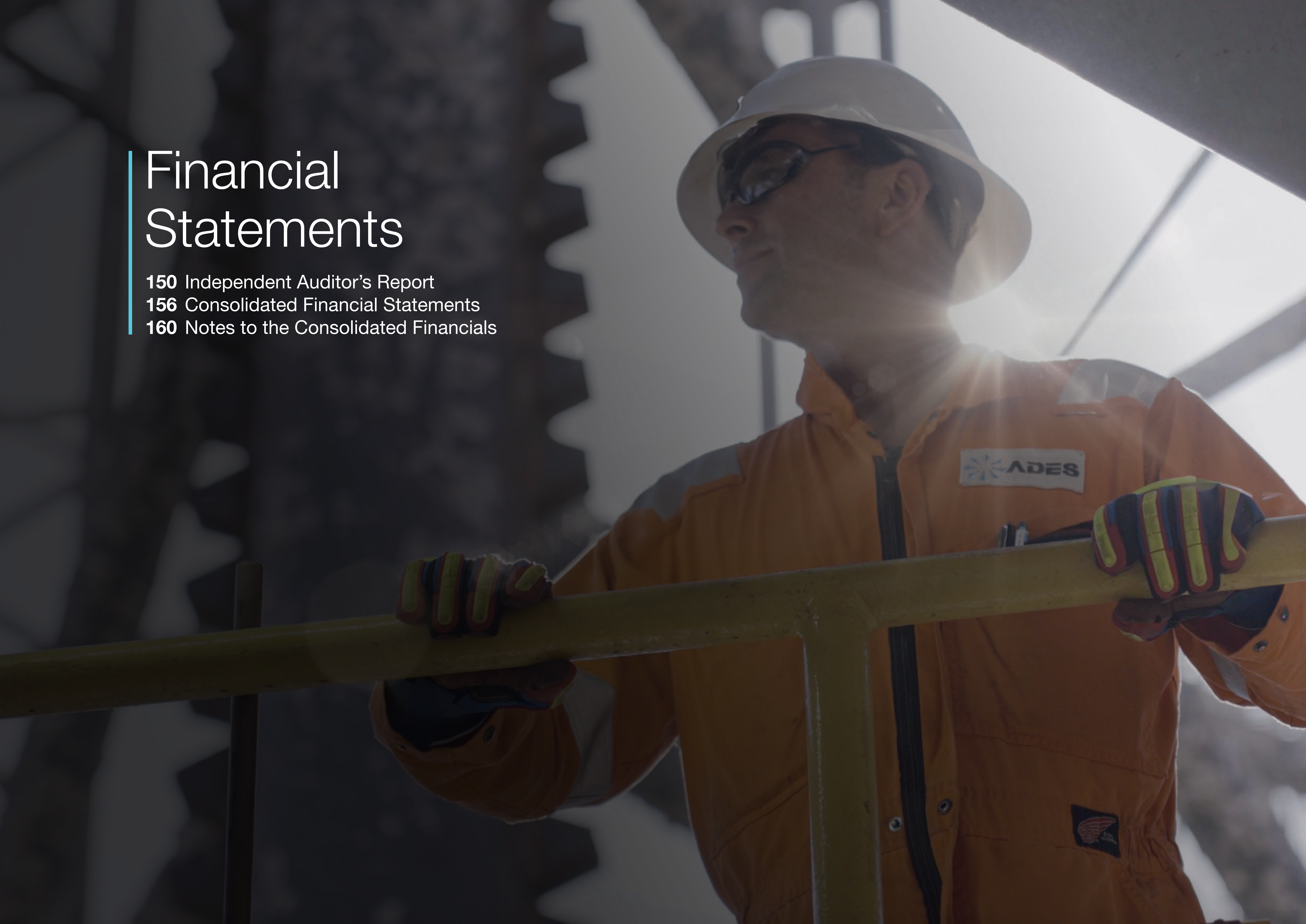
# ADES Group Companies

The Company directly wholly owns one main subsidiary which, directly and indirectly, holds ownership in the following domestic and foreign subsidiaries, joint ventures through which the Group operates in the different jurisdictions (together the "Group").

| No. | Subsidiary Name | Primary Activity | State of Incorporation | Capital | Company's direct Ownership Percentage | Company's Indirect Ownership Percentage |
|---|---|---|---|---|---|---|
| 1 | ADES International Holding Ltd | Holding Company | United Arab Emirates | USD 43,793,882 | 100% | 100% |
| 2 | ADES Saudi Limited Company | Oil & Gas Drilling and Production Services | Kingdom of Saudi Arabia | SAR 500,000 | 0% | 99.99% |
| 3 | ADES Holding for Drilling Services Ltd. | Investment in Oil & Gas Projects | United Arab Emirates | USD 500 | 0% | 100% |
| 4 | Advanced Energy Systems (ADES) SAE | Oil & Gas Drilling and Production Services | Arab Republic of Egypt | USD 32,000,000 | 0% | 99.99% |
| 5 | Advantage Drilling Services SAE | Trading | Arab Republic of Egypt | USD 2,410,790 | 0% | 49% |
| 6 | Egyptian Chinese Drilling Company | Leasing and Storing Drilling Rigs and Equipment | Arab Republic of Egypt | USD 4,000,000 | 0% | 48% |
| 7 | Prime Innovations for Trade SAE | Trading | Arab Republic of Egypt | USD 15,000 | 0% | 99.99% |
| 8 | AG Academy | Trading | Arab Republic of Egypt | EGP 1,000,000 | 0% | 70% |
| 9 | Kuwait Advanced Drilling Services | Leasing of Rigs | Cayman Islands | USD 10,000 | 0% | 100% |
| 10 | Emerald Driller Company (EDC) | Oil & Gas Drilling and Production Services | Cayman Islands | USD 50,000 | 0% | 100% |
| 11 | ADES International for Drilling | Leasing of Rigs | Cayman Islands | USD 10,000 | 0% | 100% |
| 12 | Advanced Drilling Services | Trading | Cayman Islands | USD 10,000 | 0% | 100% |
| 13 | Advanced Transport Services | Leasing of Transportation Equipment | Cayman Islands | USD 10,000 | 0% | 100% |
| 14 | United Precision Drilling Company (UPDC) | Trading of Oil & Gas Equipment | State of Kuwait | KD 2,000,000 | 0% | 47.5% |
| 15 | ADES Drilling Services Ltd. | Leasing of Rigs | Bermuda | USD 50,000 | 0% | 99.99% |
| 16 | ADES Drilling Services I Ltd. | Leasing of Rigs | Bermuda | USD 36,000,000 | 0% | 99.99% |
| 17 | ADES Drilling Services II Ltd. | Leasing of Rigs | Bermuda | USD 36,000,000 | 0% | 99.99% |
| 18 | ADES Drilling Services III Ltd. | Leasing of Rigs | Bermuda | USD 100 | 0% | 99.99% |
| 19 | ADES Drilling Services IV Ltd. | Leasing of Rigs | Bermuda | USD 1,000 | 0% | 99.99% |
| 20 | ADES Drilling Services V Ltd. | Leasing of Rigs | Bermuda | USD 100 | 0% | 99.99% |
| 21 | ADES GCC for Drilling Limited | Oil & Gas Drilling and Production Services | Bermuda | USD 12,000 | 0% | 99.99% |
| 22 | Precision Drilling (Cyprus) Limited | Holding Company | Republic of Cyprus | EUR 1,000,353 | 0% | 100% |
| 23 | ADES Advanced Drilling Services Ltd. | Leasing of Rigs | Republic of Liberia | USD 500,000 | 0% | 99.99% |
| 24 | ADES Drilling Services Cyprus Ltd | Drilling Services & Operations of Drilling Rigs | Cyprus | EUR 10.000 | 0% | 100% |

# Financial Statements





Building a better working world

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# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company) Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of ADES Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 28 December 2022 to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the period from 28 December 2022 to 31 December 2023 in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company) Report on the Audit of the Consolidated Financial Statements (continued)

### Key Audit Matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment for rigs</td></tr>
<tr><td>A history of business combinations, asset acquisitions and the capital-intensive nature of the business model increases the magnitude of non-current assets. There is a risk that the future performance may lead to the value of property and equipment and right of use (ROU) assets that mainly include the rigs not being recoverable in full. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.<br><br>The Group identified each rig to be a separate cash generating unit (CGU), which is the lowest level of component generating cash inflows, for the purposes of the impairment assessment. The Group assesses indicators of impairment in respect of the rigs at each reporting date. In case such indicators are identified, the Group estimates the recoverable amounts of such rigs using discounted future cash flows and compares with the carrying values to determine if there is any impairment.<br><br>As part of the Group's process to review for any indication of impairment of its rigs, management considers internal and external indicators of impairment.<br><br>We identified the impairment assessment of the rigs as a key audit matter due to the significant judgment and estimates involved to evaluate the impairment indicators and, in case such indicators are identified, determine the recoverable amount of the rig.<br><br>Refer to Note 3 for significant accounting estimates and judgements relating to impairment of non-current assets and Note 15 and 16 for disclosure of property and equipment and ROU.</td><td>Our audit procedures, among others, included the following:<br>• We obtained an understanding of the management's process and controls for the impairment assessment at each rig level;<br>• We evaluated the management's assessment of impairment indicators at each rig level.<br>• For the rigs with the impairment indicators:<br>  • we obtained the management's discounted cash flows workings and tested the arithmetical accuracy;<br>  • compared the forecasted utilization days of the rigs and the rates used by the Group to estimate the future revenues to the signed customer contracts, when available, and historical performance of the same or similar rigs;<br>  • compared the forecasted operating and capital cash outflows to historical performance and the approved budgets by the Group;<br>  • we involved our valuations specialists in our evaluation of the discount rates applied by the Group to discount future cash flows;</td></tr>
</table>

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)
## Report on the Audit of the Consolidated Financial Statements (continued)

### Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of revenue** | |
| The total revenue recognized for the period ended 31 December 2023 amounted to approximately SAR 4,332 million, of which approximately 66% is attributable to the customer contracts with its related party.<br><br>The Group has identified one performance obligation for each of its customer contracts that mainly includes provision of well drilling, well workover and production, and other related services, and the revenue is recognized over time. Revenue recognized from the customer contracts include mobilization and demobilization fees that are recognized over the period of the customer contract life.<br><br>We identified the revenue recognition to be a key audit matter due to materiality of the revenue to the Group's consolidated financial statements, large volume of transactions and associated significant risk of overstatement of revenue as a result of fraud or error.<br>Refer to note 2 for the Group's accounting policy relating to revenue recognition and Note 4, 6 and 25 for details of revenue from contracts with customers. | Our audit procedures, among others, included the following:<br>• We obtained an understanding of the management's process and controls for the revenue recognition;<br>• We reviewed the customer contracts, on a sample basis, and evaluated management's assessment of these contracts for the identification of the performance obligation and recognition of the revenue in accordance with the IFRS 15- Revenue from customer contracts;<br>• We tested, on a sample basis, the revenue journal entries recorded before and after the period end to the supporting documents;<br>• We performed a monthly trend analysis of the revenue recorded during the period and also compared a rig-wise revenue for 2023 with the revenue recorded for 2022. We obtained understanding of the material variances noted as a result of the above audit procedures;<br>• We have independently recalculated revenue for the customer contracts, on a sample basis, based on the utilization days of the rigs, the contract rates and mobilisation fees as per the customer contracts;<br>• We tested the accuracy of revenue by performing the correlation analysis between the journal entries recorded in revenue, the trade receivable and contract assets and cash accounts. |



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)
Report on the Audit of the Consolidated Financial Statements (continued)

### Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company) Report on the Audit of the Consolidated Financial Statements (continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.


# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company) Report on the Audit of the Consolidated Financial Statements (continued)


### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

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

K20
EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR.2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 25 Sha'ban 1445H
6March 2024

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 28 December 2022 to 31 December 2023
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | For the period from 28 December 2022 to 31 December 2023 SAR |
|---|---|---|
| Revenue from contracts with customers | 6,24 | 4,331,902,893 |
| Cost of revenue | 7 | (2,620,777,799) |
| **GROSS PROFIT** | | **1,711,125,094** |
| General and administrative expenses | 8 | (369,833,743) |
| End of service employment benefits | 21 | (42,933,530) |
| Finance costs, net | 9 | (711,254,622) |
| Loss from assets disposal | 15 | (1,093,478) |
| Provision for impairment of investment | | (5,023,587) |
| IPO expenses | | (15,980,048) |
| Other taxes | | (22,487,420) |
| Other expenses | | (22,974,249) |
| Other income | | 9,835,398 |
| **PROFIT FOR THE PERIOD BEFORE INCOME TAX** | | **529,379,815** |
| Income tax expense | 10 | (77,301,057) |
| **PROFIT FOR THE PERIOD** | | **452,078,758** |
| **Attributable to:** | | |
| Equity holders of the Parent | | 442,097,695 |
| Non-controlling interests | | 9,981,063 |
| | | **452,078,758** |
| Earnings per share - basic and diluted attributable to equity holders of the Parent | | |
| (In SAR per share) | 23 | 0.59 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax): | | |
| Net loss on cash flow hedge | 28 | (20,620,873) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax): | | |
| Remeasurement loss on defined benefit plans | 21 | (42,754,018) |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX** | | **(63,374,891)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **388,703,867** |
| **Attributable to:** | | |
| Equity holders of the Parent | | 389,559,379 |
| Non-controlling interests | | (855,512) |
| | | **388,703,867** |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | 2023 SAR |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property and equipment | 15 | 16,149,784,495 |
| Intangible assets | 17 | 354,126 |
| Right of use assets | 16 | 643,617,077 |
| Derivative instruments | 28 | 51,516,820 |
| Prepayments and other receivables | 14 | 221,365,535 |
| **Total non-current assets** | | **17,066,638,053** |
| **Current assets** | | |
| Inventories | 12 | 331,891,597 |
| Trade receivables | 13,24 | 844,730,710 |
| Contract assets | 13,24 | 389,489,342 |
| Due from related parties | 24 | 5,104,609 |
| Prepayments and other receivables | 14,24 | 352,314,802 |
| Bank balances and cash | 11,24 | 432,281,641 |
| **Total current assets** | | **2,355,812,701** |
| **TOTAL ASSETS** | | **19,422,450,754** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 22 | 1,129,062,513 |
| Share Premium | 22 | 2,890,367,127 |
| Treasury shares | 22 | (33,871,875) |
| Cash flow hedge reserve | 28 | 41,149,633 |
| Retained earnings | | 1,721,531,737 |
| **Equity attributable to equity holders of the Parent** | | **5,748,239,135** |
| Non–controlling interests | | 28,667,032 |
| **Total equity** | | **5,776,906,167** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Interest-bearing loans and borrowings | 20,24 | 9,169,594,591 |
| Lease liability | 16 | 487,357,834 |
| Provisions | 21 | 199,144,169 |
| Deferred revenue | 19 | 579,911,768 |
| Deferred tax, net | 10 | 61,330,677 |
| Other payables | | 729,229 |
| **Total non-current liabilities** | | **10,498,068,268** |
| **Current liabilities** | | |
| Trade and other payables | 18 | 1,639,120,408 |
| Deferred revenue | 19 | 287,748,803 |
| Income tax payable | 10 | 30,217,807 |
| Interest-bearing loans and borrowings | 20,24 | 1,180,103,497 |
| Provisions | 21 | 10,285,804 |
| **Total current liabilities** | | **3,147,476,319** |
| **Total liabilities** | | **13,645,544,587** |
| **TOTAL EQUITY AND LIABILITIES** | | **19,422,450,754** |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 28 December 2022 to 31 December 2023
(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Attributed to the equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital SAR | Capital contribution SAR | Share premium SAR | Treasury shares SAR | Cash flow hedge reserve SAR | Retained earnings SAR | Total SAR | Non-controlling interest SAR | Total equity SAR |
| Issuance of share capital | 1,000,000 | - | - | - | - | - | 1,000,000 | - | 1,000,000 |
| Profit for the period | - | - | - | - | - | 442,097,695 | 442,097,695 | 9,981,063 | 452,078,758 |
| Other comprehensive income: | | | | | | | | | |
| Net loss on cash flow hedge | - | - | - | - | (20,620,873) | - | (20,620,873) | - | (20,620,873) |
| Remeasurement loss on defined benefit plans | - | - | - | - | - | (31,917,443) | (31,917,443) | (10,836,575) | (42,754,018) |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **(20,620,873)** | **410,180,252** | **389,559,379** | **(855,512)** | **388,703,867** |
| Issuance of share capital – net of transaction costs (Note 22) | 1,128,062,513 | (857,087,510) | 2,890,367,127 | - | - | - | 3,161,342,130 | - | 3,161,342,130 |
| Issuance of treasury shares (Note 22) | - | - | - | (33,871,875) | - | - | (33,871,875) | - | (33,871,875) |
| Transaction with the shareholders (Note 22) | - | (2) | - | - | - | 9,128,783 | 9,128,781 | - | 9,128,781 |
| Acquisitions as part reorganisation under common control (Note 1 and Note 22 ) | - | 857,087,512 | - | - | 61,770,506 | 1,302,222,702 | 2,221,080,720 | 36,349,824 | 2,257,430,544 |
| Dividends (Note 29) | - | - | - | - | - | - | - | (6,827,280) | (6,827,280) |
| **At 31 December 2023** | **1,129,062,513** | **-** | **2,890,367,127** | **(33,871,875)** | **41,149,633** | **1,721,531,737** | **5,748,239,135** | **28,667,032** | **5,776,906,167** |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.



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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 28 December 2022 to 31 December 2023

| | Notes | For the period from 28 December 2022 to 31 December 2023 SAR |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit for the period before income tax | | 529,379,815 |
| Adjustments for: | | |
| Depreciation of property and equipment | 15 | 665,677,643 |
| Amortisation of intangible assets | 17 | 198,620 |
| Amortisation of right of use assets | 16 | 131,588,673 |
| Loss on sale of asset | | 1,093,478 |
| Provision for impairment of investment in an associate and a joint venture | | 5,023,587 |
| End of service employment benefits | 21 | 42,933,530 |
| Finance costs | 9 | 711,254,622 |
| IPO expenses | | 15,980,048 |
| Share of results of investment in a joint venture and associate | | 960,118 |
| **Working capital changes:** | | |
| Inventories | | (147,616,824) |
| Trade receivables | | (289,983,817) |
| Contract assets | | (133,865,582) |
| Due from related parties | | 4,733,628 |
| Prepayments and other receivables | | 20,173,545 |
| Trade and other payables | | 34,564,253 |
| Deferred revenue | | 721,940,400 |
| Due to related parties | | 6,975,010 |
| **Cash flows from operations** | | **2,321,010,747** |
| Income tax paid | 10 | (26,884,210) |
| Provisions paid | 21 | (11,420,482) |
| **Net cash flows from operating activities** | | **2,282,706,055** |
| **INVESTING ACTIVITIES** | | |
| Reimbursement of the purchase price consideration | 5 | 122,029,770 |
| Acquisition of a subsidiary under common control, net of cash acquired | 1 | 189,828,971 |
| Purchase of property and equipment | | (4,048,365,638) |
| Proceeds from sale of property and equipment | | 21,760 |
| **Net cash flows used in investing activities** | | **(3,736,485,137)** |
| **FINANCING ACTIVITIES** | | |
| Proceeds from loans and borrowings | 20 | 3,351,737,379 |
| Repayment of loans and borrowings | 20 | (3,554,625,494) |
| Finance cost paid - net | | (869,657,494) |
| Payment of lease liabilities | 16 | (164,402,820) |
| Net proceeds from issuance of shares, net of transaction costs | | 3,129,836,432 |
| Dividend payments | 29 | (6,827,280) |
| **Net cash flows from financing activities** | | **1,886,060,723** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **432,281,641** |
| Cash and cash equivalents at the beginning of the period | | - |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **11** | **432,281,641** |

Refer Note 1, Note 16, Note 22 and Note 24 (c) for significant non-cash transactions.

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 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 4 Jumada Al-Akhirah 1444H (corresponding to 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".

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 and transferred 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. There was no change to the shareholders and their relative shareholdings before and after the reorganisation.

As a result of the aforementioned transfer of shares, the Company issued additional shares for the amount of SAR 857,087,510 at par to the shareholders in June 2023 (as a result the total share capital increased to SAR 858,087,510).

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 consolidated financial statements of the Group are prepared to reflect that the reorganisation is in substance a continuation of the Existing Group Entities.

In 2022, 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 20).

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 the Offering, totalling 30% of the issued share capital (after issuance of the New Shares and the Company's capital increase). Refer note 22 for more details.

Subsequent to the period ended 31 December, on 1 Sha'ban 1445H (corresponding to 11 February 2024), the Company status changed from mixed joint company to listed join stock company.

| | Pre offering | | | Post offering | | |
|---|---|---|---|---|---|---|
| Shareholder | No. of shares | Ownership | Nominal value | No. of shares | Ownership | Nominal value |
| ADES Investments Holding Ltd | 467,657,690 | 54.50% | 467,657,690 | 412,277,174 | 36.50% | 412,277,174 |
| The Public Investment Fund of the Kingdom of Saudi Arabia | 304,621,070 | 35.50% | 304,621,070 | 268,547,522 | 23.80% | 268,547,522 |
| Zamil Group Investment Co | 85,808,750 | 10% | 85,808,750 | 75,647,188 | 6.70% | 75,647,188 |
| Free Float | - | 0% | - | 338,718,754 | 30% | 338,718,754 |
| Treasury Shares | - | 0% | - | 33,871,875 | 3% | 33,871,875 |
| | 858,087,510 | 100% | 858,087,510 | 1,129,062,513 | 100% | 1,129,062,513 |



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 1 BACKGROUND (continued)

#### Corporate information (continued)

The Consolidated Financial Statements were authorised for issue on 23 Sha'ban 1445H (corresponding to 4 March 2024) 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).

The Consolidated Financial Statements of the Group include activities of the following subsidiaries:

| Name | Principal activities | Country of incorporation | 31 December 2023 |
|---|---|---|---|
| Advanced Energy Systems (ADES) (S.A.E)[1] | Oil & gas drilling and production services | Egypt | 100% |
| ADES Saudi Limited Company[1] | Oil and gas drilling and production services | KSA | 100% |
| Precision Drilling Company[2] | Holding company | Cyprus | 100% |
| Kuwait Advanced Drilling Services | Leasing of rigs | Cayman | 100% |
| Prime innovations for Trade S.A. E | Trading | Egypt | 100% |
| ADES International for Drilling | Leasing of rigs | Cayman | 100% |
| AG training[3] | Training | Egypt | 70% |
| Advanced Transport Services | Leasing of transportation Equipment | Cayman | 100% |
| Advanced Drilling Services | Trading | Cayman | 100% |
| ADES Holding for Drilling Services Ltd[4] | Investment in Oil & Gas Projects | UAE | 100% |
| ADES International Holding Ltd | Holding Company | UAE | 100% |
| Emerald Driller Company[5] | Oil and gas drilling production services | Cayman | 100% |
| ADES Drilling Services I Ltd. | Leasing of rigs | Bermuda | 100% |
| ADES Drilling Services II Ltd. | Leasing of rigs | Bermuda | 100% |
| ADES Drilling Services III Ltd. | Leasing of rigs | Bermuda | 100% |
| ADES Advanced Drilling Services Ltd.[6] | Leasing of rigs | Liberia | 100% |
| ADES Drilling Services IV Ltd. | Leasing of rigs | Bermuda | 100% |
| ADES Drilling Services V Ltd. | Leasing of rigs | Bermuda | 100% |
| ADES Drilling Services Ltd. [7] | Leasing of rigs | Bermuda | 100% |
| ADES GCC For Drilling Ltd. [8] | Oil and gas drilling and production services Operating and Leasing of rigs | Bermuda | 100% |

1 Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill. Refer to Note 5 for details.
2 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.
3 ADES-GESCO Training Academy change its name to AG training in 2022.
4 ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.
5 Emerald Driller Company has a Branch in Qatar which handles operations in the country.
6 ADES Advanced Drilling Services Ltd has a branch in Congo.
7 ADES Drilling Services Ltd. has a branch in Indonesia.
8 ADES GCC For Drilling Ltd has a branch in KSA.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period from 28 December 2022 to 31 December 2023

## 2 MATERIAL ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred "to "IFRS as endorsed in "KSA").

The consolidated financial statements cover the period from 28 December 2022 (date of incorporation) to 31 December 2023 (the "period") as per directives of the Saudi Organization for Chartered and Professional Accountants ("SOCPA") which states that Company is legally a separate legal entity from the date of its incorporation and does not have a comparative year in the first year of its incorporation. Accordingly, no comparative information has been presented.

The consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting, except for derivative financial instruments carried at fair value which includes interest rate swap contracts designated as hedging instruments.

The consolidated financial statements are presented in Saudi Arabian Riyal ("SAR"), which is the functional currency of the Company and the presentation currency for the Group.

*Going concern*
As at 31 December 2023, the current liabilities exceed current assets by SAR 791,663,618, which is mainly on account of current liabilities recognized in relation to the rigs acquired in 2022. Management has prepared projections for a period of twelve months from the date of approval of 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. On the strength of this forecast as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, 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 approval of these consolidated financial statements.

*Basis of consolidation*
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 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 period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period from 28 December 2022 to 31 December 2023

## 2 MATERIAL 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 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.

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 acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the" Business acquisition cost" line-item in the consolidated 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 acquiree.

Contingent consideration, resulting from business combinations, is measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured 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'.

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 acquiree are assigned to those units.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period from 28 December 2022 to 31 December 2023

## 2 MATERIAL 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)***

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 transferred to the Company 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. Any difference between the consideration transferred and the equity of the entities acquired as at the date of the combination is reflected within equity; and
- the consolidated statement of comprehensive income reflects the results of the Existing Group Entities transferred to the Company from the effective date of reorganisation.

The Group applied the accounting policy with no restatement of periods prior to the reorganisation (prospective approach) and accordingly has not reported the financial information of the Existing Group Entities acquired before the reorganisation.

***Interest in joint ventures and associates***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in the joint venture and associate are both accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investee since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture and associate. Any change in the other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, directly in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate unrelated to the Group.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period from 28 December 2022 to 31 December 2023

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

***Interest in joint ventures and associates (continued)***

The aggregate of the Group's share of profit or loss of a joint venture and associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture or associate.

The financial statements of the joint venture and associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognises the loss as 'Share of results of an associate and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of joint control over a joint venture or significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence, and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of comprehensive income.

### 2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURE

#### a) New and amended standards and interpretations became effective during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those used in the previous year, except as described below:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policy - 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
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

These standards and amendments do not have an impact on the consolidated financial statements of the Group.

#### (b) Standards, amendments and interpretations in issue but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (1 January 2024)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (1 January 2024)
- Supplier Finance Arrangement - Amendments to IAS 7 and IFRS 7 (1 January 2024)
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1 (1 January 2024)

Management anticipates that all these standards and interpretations will be adopted by the Group to the extent applicable to them from their effective dates. The Group is currently assessing the impact of these standards on the future financial statements and intends to adopt these standards, if applicable, when they become effective.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period; or Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

*A liability is current when:*

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period. Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### *Revenue recognition*

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period from 28 December 2022 to 31 December 2023

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### *Revenue recognition (continued)*

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Based on the assessment of the customer contracts, the Group has identified one performance obligation for each of its contracts and therefore revenue is recognised over time. Some of the customer contracts may include mobilization and demobilisation activities for which revenue, along with the related cost are amortised over the period of contract life from the date of the completion of mobilization activities.

#### *Dividends*

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### *Interest income*

Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Contract balances*

***Contract assets***

A contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for earned consideration that is conditional.

***Trade receivables***

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before the payment of the consideration is due). Refer to the accounting policies of financial assets in section financial instruments – initial recognition and subsequent measurement.

***Contract liabilities***

A contract liability (includes deferred revenue) is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### *Bank balances and cash*

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

*Taxes*

*Income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

*Sales tax*

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

*Foreign currencies*

The Group's consolidated financial statements are presented in SAR, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of comprehensive income reflects the amount that arises from using this method.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

*Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange prevailing at the reporting date and their consolidated statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

*Inventories*

Inventories are initially measured at cost and subsequently at lower of cost using weighted average method or net realisable value.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### *Property and equipment*

Assets under construction, property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

For all the period presented in the consolidated financial statements, depreciation on property and equipment except for leasehold land which has indefinite useful life, is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Rigs | **27** |
| Furniture and fixtures | **10** |
| Drilling pipes | **5** |
| Tools | **5-10** |
| Building | **20** |
| IT equipment | **5** |
| Motor vehicles | **5** |
| Leasehold improvements* | **5** |

* Or lease term, whichever is lower

Rigs include overhaul that are capitalised and depreciated over 5 years.
No depreciation is charged on assets under construction. The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any change in estimated useful life is applied prospectively effective from the beginning of period. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable.

Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While value in use is the present value of estimated future cash flows expected to arise from the continuing use of property and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior periods are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition is included in the consolidated statement of comprehensive income.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalized, and expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial period end.

Intangible assets are amortized using the straight-line method over their estimated useful lives over 5 years.

#### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial assets*

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost include trade and other receivables, contract assets, due from related parties and cash and bank balances. The Group does not have financial assets at fair value through OCI or through profit or loss, except for the derivative financial instruments.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Financial assets (continued)*

***Subsequent measurement (continued)***

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Derecognition of financial assets*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either the Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
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## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Financial liabilities*

***Initial recognition and measurement***
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related party balances, loans and borrowings including bank overdrafts, derivative financial instruments and other financial liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

*(i) Trade and other payables*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

*(ii) Interest-bearing loans and borrowings*
This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate "EIR" method. Gains and losses are recognised in the consolidated statement of comprehensive income ,when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income. This category generally applies to loans and borrowings.

*(iii) Other financial liabilities at amortised cost*
Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

***Derecognition of financial liabilities***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

*Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
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## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### Derivative financial instrument
A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group uses derivative financial instruments, such as interest rate swap, to hedge its interest rate risks. These interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### *Hedge accounting*
For the purpose of hedge accounting, as part of the Group risk management policies, Interest Rate Swap contracts (IRS), whether plain vanilla, collars, or IRS with cap-spreads, may be used to either change the floating-interest rate of a debt instrument into fixed rate or vice versa (whether that debt instrument is measured at amortized cost or fair value). When entering into derivatives in order to hedge risk of changes in fair value or cash flows, management ensure that the hedging relationship meets all of the 3-fold criteria in paragraph 6.4.1(c) of IFRS 9 for hedge effectiveness requirements. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

#### *Cash flow hedges*
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.



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## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### Derivative financial instrument (continued)

#### *Derivative instrument held for trading*
The Group classifies interest rate swaps as derivative held for trading that do not meet criteria for hedge accounting, which is fair valued at initial recognition and subsequently. Any change in fair value is recorded in the consolidated statement of comprehensive income as fair value gain (loss) on derivative financial instrument.

#### *Impairment of non-financial assets*
Further disclosures relating to impairment of non-financial assets are also provided in Note 3 (significant accounting estimates, judgements, and assumptions) and Note 15 (property and equipment).

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the consolidated statement of comprehensive income.

The Group identified individual rigs along with related assets as CGU for the purposes of impairment assessment of non-financial assets.

#### Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. For period presented, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| Rigs | **Up to 5** |
| Yards and warehouse | **4** |
| Office premises | **5** |
| Motor vehicles | **3** |
| Other equipment | **5** |
| Furniture and fixture | **10** |
| Building | **20** |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

#### Leases (continued)

***Lease liabilities***
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***Short-term leases and leases of low-value assets***
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below SAR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

***Group as a lessor***
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

***Provisions***
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

***Contingencies***
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.



ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
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2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

***Treasury shares***
Own equity instruments issued that are reacquired, or issued and held by the Company (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the consolidated statement of changes in equity.

***Fair value measurement***
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For assets traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

***Cash dividend and non-cash distribution to equity holders of the Parent***
The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

***Defined benefit plans (pension benefits)***
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

## 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

### *Judgements*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions in relation to the accounting for the businesses acquired, trade receivables, customer credit periods and doubtful debts provisions, useful lives and impairment of property and equipment, income taxes and various other policy matters. These judgements have the most significant effects on the amounts recognised in the consolidated financial statements.

***Consolidation of an entity in which the Group holds less than a majority of voting right (de facto control)***
The Group considers that it controls United Precision Drilling Company W.L.L ("UPDC") even though it owns less than 50% of the voting rights. This is mainly because (a) the Group has a substantive right to direct conclusion of revenue contracts, capital expenditures and operational management; (b) the Group has a significantly higher exposure to variability of returns than its voting rights; (c) the Group is the owner of all drilling rigs and equipment and charters the drilling rigs to UPDC on exclusive basis.

***The lease term of contracts with renewal options***
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

### *Key sources of estimation uncertainty*

***Impairment of trade receivables and contract assets***
The Group recognises an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs with respect to trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. At the consolidated statement of financial position date, gross trade receivables and contract assets were SAR 1,384,414,074 and the provision for impairment in trade receivables and contract assets was SAR 470,206,043, refer to Note 13 for details.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

***Taxes***
The Group is exposed to income taxes in certain jurisdictions. Significant judgement is required to determine the total tax liability. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The tax liability is established, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which the Group-entities operate.

The amount of such liability is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. At the reporting date, the current income tax payable was SAR 30,217,807



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## 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

***Impairment of non-financial assets***
The Group assesses whether there are any indicators of impairment for all non-financial assets for each CGU at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Management identified each rig along with the related assets as a CGU as generally each rig is contracted to the customer based on a separate customer contract.

Management uses the value in use calculation for impairment testing at each CGU level which is based on a discounted cash flow (DCF) model. The forecasted cash flows are estimated based on the historical performance and current contracted rates. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 15.

***Useful lives of property and equipment***
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

***Write-down of inventories to net realisable value (NVR)***
Inventories are carried at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. At the reporting date, gross inventories were SAR 397,689,009. At the reporting date, the cumulative provision for slow moving items stands at SAR 65,797,412. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss in the consolidated statement of comprehensive income.

***Defined benefit plans (pension benefits)***
The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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### 4 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 Seven geographical segments. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

| Segment | Egypt SAR | Algeria SAR | Kingdom of Saudi Arabia SAR | Kuwait SAR | Tunisia SAR | Qatar SAR | India SAR | Total Segments SAR | Corporate SAR | Adjustments and Eliminations*** SAR | Total SAR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| For the period ended 31 December 2023 | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| External customers | 534,911,310 | 70,592,363 | 2,860,917,428 | 471,210,825 | 31,348,158 | 344,942,006 | 17,980,803 | 4,331,902,893 | - | - | 4,331,902,893 |
| Inter-segment *** | 277,114,284 | - | - | 6,843,750 | - | - | - | 283,958,034 | - | (283,958,034) | - |
| **Total Revenue** | **812,025,594** | **70,592,363** | **2,860,917,428** | **478,054,575** | **31,348,158** | **344,942,006** | **17,980,803** | **4,615,860,927** | **-** | **(283,958,034)** | **4,331,902,893** |
| Income/(expenses) | | | | | | | | | | | |
| Cost of revenue* | (214,387,376) | (42,182,982) | (1,154,964,591) | (223,981,365) | (22,679,219) | (172,419,797) | (5,453,652) | (1,836,068,982) | - | - | (1,836,068,982) |
| General and administrative Expenses | (31,296,267) | (9,101,714) | (202,027,189) | (40,220,604) | (3,097,811) | (21,451,982) | (997,551) | (308,193,118) | (61,640,625) | - | (369,833,743) |
| Finance costs (net) | (55,465,945) | (4,881,813) | (604,149,488) | (40,118,919) | (2,379,273) | (21,276,765) | (2,042,457) | (730,314,660) | 19,060,038 | - | (711,254,622) |
| Depreciation and amortization | (95,882,182) | (14,572,442) | (527,093,709) | (97,468,083) | (4,880,382) | (42,209,396) | (2,602,623) | (784,708,817) | - | - | (784,708,817) |
| Other expenses (net)** | (8,718,148) | (2,449,161) | (118,871,278) | (14,101,504) | (125,383) | (5,596,483) | (1,365,622) | (151,227,579) | (26,730,392) | - | (177,957,971) |
| **Segment Profit / (Loss)** | **129,161,392** | **(2,595,749)** | **253,811,173** | **55,320,350** | **(1,813,910)** | **81,987,583** | **5,518,898** | **521,389,737** | **(69,310,979)** | **-** | **452,078,758** |
| Total Assets as at 31 December 2023 (i) | 3,614,374,600 | 484,237,454 | 11,866,957,090 | 1,955,681,410 | 20,618,645 | 1,076,751,193 | 140,341,122 | 19,158,961,514 | 263,489,240 | - | 19,422,450,754 |
| **Total Liabilities as at 31 December 2023 (ii)** | **2,091,208,448** | **289,691,029** | **9,089,391,158** | **1,150,044,380** | **9,316,980** | **882,098,277** | **86,845,126** | **13,598,595,398** | **46,949,189** | **-** | **13,645,544,587** |
| Other Segment information Capital expenditure as at 31 December 2023 (i) | 121,295,638 | 85,272,244 | 3,577,793,443 | 533,150,658 | 562,132 | 13,761,700 | 418,650,144 | 4,750,485,959 | - | - | 4,750,485,959 |
| **Total** | **121,295,638** | **85,272,244** | **3,577,793,443** | **533,150,658** | **562,132** | **13,761,700** | **418,650,144** | **4,750,485,959** | **-** | **-** | **4,750,485,959** |

* Excluding depreciation and amortisation.
** Other expenses (net) includes end of service employment benefits, provision for impairment of investment, other taxes, other expenses, IPO expenses, Loss from assets disposal 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.



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### 5 REIMBURSEMENT OF PURCHASE PRICE CONSIDERATION

During the period ended 31 December 2023, the Group collected SAR 122,029,770 reimbursement from Seadrill as a final settlement for the acquisition of the 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business.

Before the reorganization, on 18 October 2022, ADES Saudi limited Company completed acquisition of 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 at the acquisition date and recorded by ADES Saudi limited Company before the reorganisation (refer to note 1) when ADES Saudi limited Company was transferred to the Company along with the other entities under common control. As the Group applied the pooling of interest method with no restatement to account for the reorganisation, the acquisition date purchase price allocation of Seadrill by ADES Saudi limited Company is not presented.

### 6 REVENUES FROM CONTRACT WITH CUSTOMERS

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Units operations | 4,118,768,993 |
| Catering services | 95,295,656 |
| Projects income* | 31,064,063 |
| Others | 86,774,181 |
| | **4,331,902,893** |

Refer Note 4 segment disclosure. The primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

*Projects income, which is recognized over time, represents services relating to outsourcing various operating projects for clients such as, early production facilities, manpower, maintenance, and repair services.

### 7 COST OF REVENUE

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Staff costs | 803,948,211 |
| Depreciation and amortization (Note 15) | 784,708,817 |
| Maintenance costs | 347,999,841 |
| Catering costs | 144,854,647 |
| Move costs | 90,307,446 |
| Rent cost (Note 16) | 63,492,253 |
| Insurance | 38,475,808 |
| Training cost | 36,418,755 |
| Crew change costs | 58,155,465 |
| Project direct costs | 20,366,126 |
| Other costs | 232,050,430 |
| | **2,620,777,799** |

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 8 GENERAL AND ADMINISTRATIVE EXPENSE

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Staff costs | 240,586,036 |
| Business travel expenses | 21,226,039 |
| Professional fees | 28,578,377 |
| Depreciation and amortisation (Note 15) | 12,756,119 |
| Communication expenses | 8,929,397 |
| Free zone expenses | 12,963,769 |
| Bank services charges | 6,389,243 |
| Rent cost (Note 16) | 3,083,315 |
| Other expenses | 35,321,448 |
| | **369,833,743** |

Auditor's fee for the statutory audit and review of the Group's consolidated financial statements (including financial statements of certain subsidiaries) for the period ended 31 December 2023 amounted to SAR 4.68 million. Auditors' fees for the provision of other services amounted to SAR 3.15 million.

### 9 FINANCE COSTS, NET

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Interest cost: | |
| Loan interest expenses* | 668,631,569 |
| Amortisation of loan transaction costs | 29,094,511 |
| Interest rate swap related finance income | (71,618,650) |
| Interest on overdraft facilities | 56,863,112 |
| Interest on lease liabilities (Note 16) | 28,146,970 |
| Unwinding of discounting on a long-term receivable | 1,928,957 |
| Other finance cost: | |
| Guarantees related finance cost | 14,196,858 |
| Other finance (income)/cost, net | (15,988,705) |
| | **711,254,622** |

* During the period ended 31 December 2023, the gross interest is SAR 849,185,384 and the Group capitalized borrowing costs of SAR 180,553,815 that is related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use.



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### 10 INCOME TAX

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Consolidated statement of comprehensive income: | |
| Current income tax expense | 53,648,807 |
| Deferred tax expense | 23,652,250 |
| | **77,301,057** |
| **Consolidated statement of financial position:** | |
| **Current liabilities:** | |
| Balance at 28 December 2022 | - |
| Acquired as part of reorganisation under common control (Note 1)* | 3,453,210 |
| Charge for the period | 53,648,807 |
| Paid during the period | (26,884,210) |
| **Balance at 31 December** | **30,217,807** |

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Profit before income tax | 529,379,815 |
| Tax calculated at domestic tax rates applicable to profits in the primary jurisdiction of 11.33% | 59,978,733 |
| Effect of different tax rates in countries in which the Group operates | 25,244,294 |
| Non-deductible expenses | 2,031,230 |
| Non-taxable income | (10,068,228) |
| Adjustments in respect of current income tax of previous years | (4,381,690) |
| Withholding taxes | 4,496,718 |
| **Income tax expense recognized in the consolidated statement of comprehensive income** | **77,301,057** |

The effective tax rate is 15% .

The Group operates in jurisdictions which are subject to tax rates different than the effective statutory corporate tax rate of 11.33% (including Zakat tax rate of 2.5%). The other jurisdictions include Algeria, Kuwait, Tunisia, Qatar and India where applicable tax rates are 26%, 15%, 15%,10% and 10 % respectively.

Egyptian corporations are normally subject to corporate income tax at a statutory rate of 22.5% however the Company has been registered in a Free Zone in Alexandria under the Investment Law No 8 of 1997 which allows exemption from corporate income tax.

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## 10 INCOME TAX (continued)

Deferred tax recognise during the period relates to the following:

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| **Deferred tax assets/ (liabilities)** | |
| Provision for employee end of service benefits | 4,118,708 |
| Provision and others | 8,953,734 |
| Derivative financial instruments – cash flow hedges (Note 29) | 3,964,344 |
| Remeasurement (gain) / loss on defined benefit plans (Note 21) | 2,401,821 |
| Property and equipment | (36,725,644) |
| | **(17,287,037)** |

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| **Reconciliation of deferred tax assets/(liabilities), net:** | |
| Balance at 28 December 2022 | - |
| Acquired as part of reorganisation under common control (Note 1)* | (44,043,640) |
| Movement for the period | (17,287,037) |
| **Balance at 31 December** | **(61,330,677)** |
| **Deferred tax (expense) /benefit for the period is charged to:** | |
| Profit or loss | (23,652,250) |
| Other comprehensive income | 6,365,213 |
| | **(17,287,037)** |

* These represent the liabilities acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

## 11 BANK BALANCES AND CASH

| | 2023 SAR |
|---|---|
| Bank balances* | 431,827,420 |
| Cash on hand | 454,221 |
| **Bank balances and cash in the consolidated statement of financial position and cash and cash equivalent for the purpose of consolidated statement of cash flows** | **432,281,641** |



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## 11 BANK BALANCES AND CASH (continued)

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

| | 2023 SAR |
|---|---|
| United States Dollar (USD) | 153,134,491 |
| Saudi Riyal (SAR) | 176,732,127 |
| Egyptian Pound (EGP) | 46,289,389 |
| United Arab Emirates Dirham (AED) | 64,672 |
| Euro (EUR) | 40,348 |
| Algerian Dinar (DZD) | 567,477 |
| Kuwaiti Dinar (KWD) | 47,594,174 |
| Tunisian Dinar (TND) | 189,517 |
| Qatari Riyal (QAR) | 191,004 |
| India Rupee (INR) | 7,478,442 |
| | **432,281,641** |

* The bank balances include SAR 28,153,420 held with the bank on behalf of the Group as per the instructions of the Group from the proceeds of the share issuance as part of the IPO. This balance is readily available to the Group and could be transferred and used by the Group with minimal advance notice period, and therefore it is reported as cash and cash equivalents.

## 12 INVENTORIES

| | 2023 SAR |
|---|---|
| Offshore rigs | 226,260,654 |
| Onshore rigs | 40,170,589 |
| Warehouse and yards | 65,460,354 |
| | **331,891,597** |

As at 31 December 2023, the inventories are stated net of provision for impairment of inventory of SAR 65,797,412.

| | 2023 SAR |
|---|---|
| Acquired as part of reorganisation under common control * (Note 1 & 22) | 65,797,412 |
| Charge during the period | - |
| **As at 31 December 2023** | **65,797,412** |

* These represent the assets acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

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### 13 TRADE RECEIVABLES AND CONTRACT ASSETS

*Trade receivables*

| | 2023 SAR |
|---|---|
| Trade receivables | 994,924,732 |
| **Provision for impairment of trade receivables** | **(470,206,043)** |
| | 524,718,689 |
| **Invoice retention*** | **320,012,021** |
| | **844,730,710** |

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 based on the past experience. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

* This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.

As at 31 December 2023, the ageing analysis of un-impaired trade receivables is as follows:

| | Past due but not impaired | | | | |
|---|---|---|---|---|---|
| **Neither past due nor impaired** | <30 days | 30 - 60 days | 61 - 90 days | >90 days | Total |
| SAR | SAR | SAR | SAR | SAR | SAR |
| **354,983,321** | **62,769,775** | **43,562,192** | **10,287,315** | **53,116,086** | **524,718,689** |

The movement in the provision for impairment of trade receivables is as follows:

| | 2023 SAR |
|---|---|
| Acquired as part of business combination under common control and reorganisation (Note 1& 22) | 470,206,043 |
| Charge during the period | - |
| **As at 31 December** | **470,206,043** |

*Contract assets*

As at 31 December 2023, the Group has contract assets of SAR 389,489,342. As of 31 December 2023, there was no impairment of contract assets and hence no ECL has been recorded.



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### 14 PREPAYMENTS AND OTHER RECEIVABLES

| | 2023 SAR |
|---|---|
| Advances to contractors and suppliers | 320,965,779 |
| Prepaid mobilization revenue | 58,142,302 |
| Insurance with customers | 25,901,723 |
| Margin deposits against letter of guarantees | 16,200,168 |
| Provision for other receivables | (6,827,633) |
| Dividends receivable | 4,593,750 |
| Provision for impairment in dividends receivables | (4,593,750) |
| Other receivables* | 159,297,998 |
| | **573,680,337** |
| Current | 352,314,802 |
| Non-current | 221,365,535 |
| **Ending balance** | **573,680,337** |

* Includes amounts receivable from Vantage Services – a related party amounting to SAR 3,731,289.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 15 PROPERTY AND EQUIPMENT

| 31 December 2023 | Rigs SAR | Furniture and fixtures SAR | Drilling pipes SAR | Tools SAR | Assets under construction SAR | IT equipment SAR | Motor vehicles SAR | Leasehold improvement SAR | Building SAR | Leasehold land SAR | Total SAR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | | | |
| As of 28 December 2022 | - | - | - | - | - | - | - | - | - | - | - |
| Acquired as part of reorganization under common control * | 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 | 582,550,421 | 10,960,946 | 32,810,748 | 65,758,302 | 3,916,425,472 | 1,430,234 | - | 120,472,229 | 20,077,607 | - | 4,750,485,959 |
| Transfers | 4,284,139,145 | 2,462 | - | 31,504,793 | (4,831,049,038) | - | - | 515,402,638 | - | - | - |
| Retirement & disposal | - | (330,519) | - | - | - | - | - | (2,246,022) | - | - | (2,576,541) |
| **As of 31 December 2023** | **13,979,466,405** | **17,157,103** | **148,544,810** | **502,983,566** | **2,944,279,951** | **11,184,315** | **2,235,349** | **636,228,831** | **20,077,607** | **58,478,471** | **18,320,636,408** |
| Accumulated depreciation and impairment: | | | | | | | | | | | |
| As of 28 December 2022* | - | - | - | - | - | - | - | - | - | - | - |
| Acquired as part of reorganization under common control* | (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 | (529,577,136) | (640,599) | (20,396,769) | (42,515,946) | - | (1,521,693) | (259,747) | (70,765,753) | - | - | (665,677,643) |
| Retirement & disposal | - | 178,399 | - | - | - | - | - | 1,282,905 | - | - | 1,461,304 |
| **As of 31 December 2023** | **(1,826,169,272)** | **(3,420,263)** | **(85,797,208)** | **(173,545,893)** | **(2,869,842)** | **(6,275,855)** | **(1,669,754)** | **(71,103,826)** | **-** | **-** | **(2,170,851,913)** |
| Net book value: | | | | | | | | | | | |
| **At 31 December 2023** | **12,153,297,133** | **13,736,840** | **62,747,602** | **329,437,673** | **2,941,410,109** | **4,908,460** | **565,595** | **565,125,005** | **20,077,607** | **58,478,471** | **16,149,784,495** |

* The balances as at 28 December 2022 represent the assets acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

The most of the rigs are pledged to the lenders (banks) against loans and borrowings (Note 20).

During the period ended 31 December 2023, the Group have recorded a loss on assets disposals amounting to SAR 1,093,478.



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## 15 PROPERTY AND EQUIPMENT (continued)

Impairment assessment and key assumptions used in value in use calculations.
Based on the impairment assessment, Management concluded that recoverable values are higher than the net carrying values of all individual assets. The calculation of value in use is most sensitive to the following assumptions:

- Day rates, EBITDA margins and utilisation days of rigs
- Discount rates
- Remaining useful lives of rigs and estimated future capital expenditures.

Day rates, gross margins and utilisation days – Day rates, gross margins and utilisation days of rigs are estimated based on historical results and the current customer contracts. These are increased over the budget period due to efficiency improvements.

### Allocation of depreciation charge:

Depreciation charge is allocated as follows:

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Cost of revenue (Note 7) | 784,708,817 |
| General and administrative expenses (Note 8) | 12,756,119 |
| **Total depreciation and amortization charge*** | **797,464,936** |

* Total depreciation and amortization charge for the period includes depreciation of property and equipment of SAR 665,677,643, amortization of intangible assets and right of use assets of SAR 198,620 and SAR 131,588,673, respectively.

Assets under construction and transfers:
Assets under construction represent 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' or 'Tools' of the property and equipment after completion. During the period ended 31 December 2023, the Group completed capital projects for the amount of SAR 4,831,049,038 and transferred to the relevant asset categories.

During the period ended 31 December 2023, the Group capitalized borrowing costs of SAR 180,553,815 that is 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 7.56% which is the effective interest rate of the related borrowings.

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### 16 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:

| | Rigs SAR | Yards and warehouse SAR | Office Premises SAR | Motor vehicles SAR | Other Equipment SAR | Furniture and Fixture SAR | Building SAR | Total SAR |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| As of 28 December 2022 | - | - | - | - | - | - | - | - |
| Acquired as part of reorganization under common control *** | 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 | 318,462,830 | 782,110 | 19,682,863 | 21,240,650 | 68,585,202 | - | - | 428,753,655 |
| Terminated * | (39,510,739) | - | (2,627,221) | - | - | - | - | (42,137,960) |
| Terminated- early settlement** | - | - | - | - | - | (9,513,821) | (28,318,235) | (37,832,056) |
| Other adjustments | (61,423) | - | (1,461) | (87,328) | - | - | - | (150,212) |
| **As of 31 December 2023** | **610,656,803** | **20,083,729** | **23,617,935** | **30,275,913** | **113,143,678** | **-** | **-** | **797,778,058** |
| Accumulated depreciation: | | | | | | | | |
| As of 28 December 2022 | - | - | - | - | - | - | - | - |
| Acquired as part of reorganization under common control *** | (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 15) | (95,360,787) | (4,227,228) | (3,933,595) | (5,108,391) | (20,593,088) | (951,382) | (1,414,202) | (131,588,673) |
| Terminated* | 25,450,881 | - | 1,751,480 | - | - | - | - | 27,202,361 |
| Terminated- early settlement** | - | - | - | - | - | 3,091,991 | 5,073,674 | 8,165,665 |
| Other adjustments | 140,612 | (14,334) | 2,913 | 41,293 | - | - | - | 170,484 |
| **As of 31 December 2023** | **(85,749,809)** | **(14,104,862)** | **(6,559,013)** | **(13,576,838)** | **(34,170,459)** | **-** | **-** | **(154,160,981)** |
| Net Book Value | | | | | | | | |
| **At 31 December 2023** | **524,906,994** | **5,978,867** | **17,058,922** | **16,699,075** | **78,973,219** | **-** | **-** | **643,617,077** |

* Lease terminated during the period has no impact on cashflow of the Group. Accordingly, this is considered as non-cash transaction in the consolidated statement of cash flows.

** During the period, the Group purchased the said building along with the furniture and fixture from the lessor at a consideration of SAR 20,706,704. Accordingly, the right-of-use asset has been derecognized and transferred to property and equipment during the period amounting to SAR 29,666,384 (recorded under building and furniture and fixture categories).

*** These represent the assets acquired as part of the reorganisation (note 1 ) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control").



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### 16 LEASES (Continued)

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

| | 2023 SAR |
|---|---|
| As at 28 December 2022 | - |
| Acquired as part of reorganisation under common control * (Note 1) | 376,687,736 |
| Additions | 419,109,886 |
| Lease modification-Terminations | (14,935,599) |
| Lease modification-Other adjustments | (780,491) |
| Accretion of interest | 28,146,970 |
| Payments | (164,402,820) |
| **Ending balance** | **643,825,682** |
| Current (Note 18) | 156,467,848 |
| **Non-Current** | **487,357,834** |

* These represent the liabilities assumed as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

The following are the amounts recognised in the Consolidated Statement of Comprehensive income:

| | From 28 December 2022 to 31 December 2023 SAR |
|---|---|
| Depreciation expense of right-of-use assets | 131,588,673 |
| Interest expense on lease liabilities (Note 9) | 28,146,970 |
| Expense relating to short-term leases (Included in Cost of sales) (Note 7) | 63,492,253 |
| Expense relating to short-term lease (Included in General and administrative expenses) (Note 8) | 3,083,315 |
| **Total amount recognized in the Consolidated Statement of Comprehensive Income** | **226,311,211** |

## 17 INTANGIBLE ASSETS

| | 2023 SAR |
|---|---|
| **Cost:** | |
| As at 28 December 2022 | - |
| Acquired as part of reorganisation under common control (Note 1)* | 3,824,176 |
| Addition | - |
| **As at 31 December 2023** | **3,824,176** |
| Accumulated amortisation: | |
| As at 28 December 2022 | - |
| Acquired as part of business combination under common control and reorganisation* (Note 1& 22) | 3,271,430 |
| Amortisation charge for the period (Note 15) | 198,620 |
| **As at 31 December 2023** | **3,470,050** |
| Net carrying amount: | |
| **As at 31 December 2023** | **354,126** |

Intangible assets represent computer software and the related licenses.

*These represent the assets acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

## 18 TRADE AND OTHER PAYABLES

| | 2023 SAR |
|---|---|
| Trade payables | 1,091,997,714 |
| Accrued expenses | 268,028,660 |
| Accrued interests | 44,822,941 |
| Lease liability (Note 16) | 156,467,848 |
| Other payables | 77,803,245 |
| | **1,639,120,408** |

## 19 DEFERRED REVENUES

| | 2023 SAR |
|---|---|
| As at 28 December 2022 | - |
| Acquired as part of reorganisation under common control* (Note 1& 22) | 145,720,171 |
| Additions | 943,972,152 |
| Revenue recognised | (222,031,752) |
| **Ending balance** | **867,660,571** |
| Current | 287,748,803 |
| **Non-Current** | **579,911,768** |

Deferred revenue mainly represents the amounts collected from the customers for mobilization of the rigs which are recognized over time.

* These represent the liabilities assumed as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")



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## 20 INTEREST BEARING LOANS AND BORROWINGS

| | 2023 SAR |
|---|---|
| Balance as at 28 December 2022 | - |
| Acquired as part of reorganisation under common control* (Note 1) | 10,547,485,897 |
| Borrowings drawn during the period | 3,351,737,379 |
| Borrowings repaid during the period | (3,554,625,494) |
| Unamortised arrangement fees | 5,100,306 |
| **Balance as at 31 December 2023** | **10,349,698,088** |
| Current: | 1,180,103,497 |
| Non-current: | 9,169,594,591 |
| **Balance as at 31 December 2023** | **10,349,698,088** |

* 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 shall be novated to the Company effective 29 December 2022. These loans are included in the above balance.

| Type | Original tenor | 2023 SAR |
|---|---|---|
| **Current loans and borrowings** | | |
| **Loan 1 Syndication Facility A** | | |
| Facility A | 8 Years | 303,606,571 |
| **Loan 1 Syndication Facility C** | | |
| Facility C | 8 Years | 180,000,000 |
| **Loan 1 Syndication Facility B** | | |
| Facility B | 7 Years | 75,000,000 |
| **Loan 2 BSF** | | |
| BSF $380M | 7 Years | 152,408,956 |
| **Loan 3 SNB** **SNB $400M** | 8 Years | 133,817,125 |
| **Loan 4 AL Rajhi** | | |
| AL Rajhi $250M | 8 Years | 142,730,869 |
| **Loan 5 Al Inmaa Ijara** | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | 141,026,479 |
| **Loan 6 Al Mashreq** | | |
| Mashreq Loan KD 2.7 M | 5 Years | 6,572,262 |
| Credit Facility 2 – ABK | | 37,031,477 |
| Credit Facility 4 – ENBD | | 2,195,376 |
| Credit Facility 5 – ADCB | | 10,146 |
| Credit Facility 6 – SAIB | | 251,893 |
| Credit Facility 8 – EGB | | 5,452,343 |
| **Total current loans and borrowings** | | **1,180,103,497** |

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## 20 INTEREST BEARING LOANS AND BORROWINGS (continued)

| Type | Original tenor | 2023 SAR |
|---|---|---|
| **Non-current loans and borrowings** | | |
| **Loan 1 Syndication Facility A** | | |
| Facility A | 8 Years | 3,026,247,674 |
| **Loan 1 Syndication Facility C** | | |
| Facility C | 8 Years | 1,660,000,000 |
| **Loan 2 BSF** | | |
| BSF $380M | 7 Years | 1,113,732,214 |
| **Loan 3 SNB** | | |
| **SNB $400M** | 8 Years | 1,225,509,880 |
| **Loan 4 AL Rajhi** | | |
| AL Rajhi $250M | 8 Years | 1,278,106,820 |
| **Loan 5 Al Inmaa Ijara** | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | 854,496,545 |
| **Loan 6 Al Mashreq** | | |
| Mashreq Loan KD 2.7 M | 5 Years | 11,501,458 |
| **Total non-current loans and borrowings** | | **9,169,594,591** |
| **Total loans and borrowings** | | **10,349,698,088** |

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 0.9%-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, Riyad 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.

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 31 December 2023, the principal amount outstanding is USD 903M (equals to SAR 3.86M) and USD 490M (equals to SAR 1,840M) of Facility A and C, respectively. During the period ended, the Group has repaid SAR 275M And SAR 160M of Facility A and C, respectively.

Facility B is a revolving credit facility ("RCF") with the original total amount of USD 150 million (equals to SAR 562.5 million). During the period ended 31 December 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). RCF facility is valid till 31 December 2028 with a requirement to clean down the balance once in each calendar year. As at 31 December 2023, the principal amount outstanding is USD 20M (equals to SAR 75M).



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## 20 INTEREST BEARING LOANS AND BORROWINGS (continued)

### The Group has secured loans and borrowings as follows: (continued)

- 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 31 December 2023, the principal amount outstanding is USD 339 M (equals to SAR 1,271M) 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 the rigs related to customer 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. During the period ended, the Group has repaid SAR 153M.

- 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 31 December 2023, the principal amount outstanding is USD 363M (equals to SAR 1,364M) 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. During the period ended, the Group has repaid SAR 135M.

- 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 31 December 2023, the principal amount outstanding is USD 380M (equals to SAR 1,428M) 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. During the period ended 31 December 2023, SAR 72M have been repaid on the outstanding balance.

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed a loan agreement in the amount of SAR 2,693M (USD 718M) with Al Inmaa Bank. The loan is repayable in 15 Semi-annual instalments effective from September 2023 to September 2030. During 2022, the Company utilized SAR 2,500M (equals to USD 666.7M) ). As at 31 December 2023, the principal amount outstanding is USD 270M (equals to SAR 1,014M) and used the proceeds for the acquisition and refurbishment of rigs and equipment. 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 Inma facility includes a separate line amounting to SAR 150M for the purpose of covering short-term working capital needs, During the period ended December 2023, the Group has repaid SAR 1,262M related to the long-term loan, and SAR 150M million (equal to USD 40 million) related to 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. As at 31 December 2023, the principal amount outstanding is SAR 18M (USD 4.819M). During the period ended 31 December 2023, the Group has repaid SAR 6.6M.

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## 20 INTEREST BEARING LOANS AND BORROWINGS (continued)

### Bank credit facilities

Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12M as at 31 December 2023 equivalent 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 as at 31 December 2023 equivalent 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 as at 31 December 2023 equivalent 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 (ADCB) with a total amount of USD 4M as at 31 December 2023 equivalent to SAR 15M 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 (SAIB) with a total amount of USD 20M as at 31 December 2023 equivalent 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 as at 31 December 2023 equivalent to SAR 67.5M 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 EGP 45M equivalent to SAR 5.5M 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.

## 21 PROVISIONS

| | 2023 SAR |
|---|---|
| Other provision | 10,285,804 |
| Employees end of service benefit | 199,144,169 |
| **Ending balance** | **209,429,973** |
| Current | 10,285,804 |
| **Non-current** | **199,144,169** |

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## 21 PROVISIONS (continued)

### *i) Other Provisions – current :*

| 2023: | As at 28 December 2022 SAR | Charge during period SAR | Acquired as part of reorganisation under common control during period (Note 1)* SAR | Paid during the period SAR | 31 December 2023 SAR |
|---|---|---|---|---|---|
| Other provision | - | - | 14,776,740 | (4,490,936) | 10,285,804 |
| | **-** | **-** | **14,776,740** | **(4,490,936)** | **10,285,804** |

Other provisions mainly represent provision made for employee's taxes and withholding taxes which are borne by the Group. The total balance is presented as current in the consolidated financial statement of financial position.

*These represent the liabilities acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

### *ii) Employees end of service benefit – non current:*

Provision is made for the full amount of end of service benefits due to non-Kuwait, non-Qatar and non-KSA national employees in accordance with the Kuwait, Qatar and KSA Labour Laws. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

| | 2023 SAR |
|---|---|
| **Present value of defined benefit obligation** | **199,144,169** |
| **Charges on the consolidated statement of comprehensive income is as follows:** | |
| Current service cost | 37,732,595 |
| Interest cost on benefit obligation | 5,200,935 |
| **Net benefit expense** | **42,933,530** |
| Movement in employees' end of service indemnities during the period is as follows: | |
| Defined benefit obligation at 28 December 2022 | - |
| Acquired as part of reorganisation under common control (Note 1) | 117,984,346 |
| Net benefit expense | 42,933,530 |
| Remeasurement on loss on defined benefit plans | 45,155,839 |
| Benefits paid | (6,929,546) |
| | **199,144,169** |

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## 21 PROVISIONS (continued)

### *ii) Employees end of service benefit – non current: (continued)*

| | 2023 |
|---|---|
| **Principal actuarial assumptions** | |
| **1- KSA** | |
| Weighted average duration of defined benefit obligation | 7 years and 11 years |
| Discount factor used | 4.55% - 4.95% |
| Salary increases rate | 6% |
| Mortality rate | 100% WHO SA19 |
| Rates of employee's turnover | 4%-14% |
| **2- Kuwait** | |
| Weighted average duration of defined benefit obligation | 12 years |
| Discount factor used | 4.10% |
| Salary increases rate | 6% |
| Morality rate | 100% WHO Ku19 |
| Rates of employee's turnover | 0.05% - 2% |
| **3- Qatar** | |
| Weighted average duration of defined benefit obligation | 10 years |
| Discount factor used | 4.50% |
| Salary increases rate | 5% |
| Morality rate | 75% of WHO Qa19 |
| Rates of employee's turnover | 3% |

## 22 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

| | 2023 SAR |
|---|---|
| Authorised shares* | 1,129,062,513 |
| Issued shares | 1,129,062,513 |
| Shares par value | 1 |
| **Issued capital** | **1,129,062,513** |
| **Treasury shares** | **(33,871,875)** |
| **Paid up capital** | **1,095,190,638** |
| **Share premium*** ** | **2,890,367,127** |

* Upon incorporation on 28 December 2022, the authorised share capital of the Group was SAR 1,000,000 comprising of 100,000 shares. As at 31 December 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 at par to the Shareholders during the period ended 31 December 2023 as a result of the reorganisation which is a non cash transaction. The difference between the capital of the Company at the date of the Group reorganisation and that of the previous holding company has been recorded against the retained earnings in the consolidated statement of changes in equity during the period ended 31 December 2023.

Further, during the period, the Group issued additional shares of SAR270,975,003 of which SAR33,871,875 were held as treasury shares, and the remaining shares of SAR 237,103,128 were issued as the new shares through initial public offering on the Tadawul Stock Exchange of the Kingdom of Saudi Arabia (refer to note 1). The issuance of the treasury shares is a non-cash transaction with no impact on the total equity of the Group.

*** Share premium represents the excess amounts received over the par value of the shares issued.



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## 22 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

The shareholding structure of the Company as at 31 December 2023:

| | Shareholding % | No. of shares | Value SAR |
|---|---|---|---|
| Shareholder | | | |
| ADES Investment Holding LTD | 36.5 | 412,277,174 | 412,277,174 |
| Public Investment Fund | 23.8 | 268,547,522 | 268,547,522 |
| Zamil Investments | 6.7 | 75,647,188 | 75,647,188 |
| Free Float | 30 | 338,718,754 | 338,718,754 |
| Treasury Shares | 3 | 33,871,875 | 33,871,875 |
| | **100** | **1,129,062,513** | **1,129,062,513** |

Transactions with the shareholders

During the period ended 31 December 2023, the Company received SAR 9,128,781 from an entity under common control which is reported in retained earnings in the consolidated statements of changes in equity as the Company has no obligation to return it and the other party waived the balance.

## 23 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the period attributable to the ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period 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 31 December 2023, 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:

| | 2023 SAR |
|---|---|
| **Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS** | **442,097,695** |
| Weighted average number of ordinary shares – basic and diluted* | 753,290,402 |
| **Earnings per share – basic and diluted (SAR per share)** | **0.59** |

* 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 consolidated statement of financial position date.

## 24 RELATED PARTIES TRANSACTIONS AND BALANCES

The immediate controlling party is ADES Investment Holding Ltd. Note 1 provides information about the Group structure. Related parties represent directors and key management personnel of the Company, the Shareholders and entities controlled, jointly controlled or significantly influenced by such parties.

The Public Investment Fund of the Kingdom of Saudi Arabia is one of the Shareholders which is ultimately controlled by the Government of the Kingdom of Saudi Arabia ("KSA Government"). The entities controlled by the KSA Government are included in other related parties category below. The entities under common control represent the entities controlled by ADES Investment Holding Ltd or its shareholders.

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 consolidated statement of comprehensive income:

| | 2023<br>SAR |
|---|---|
| Revenue from other related parties | 2,860,917,428 |
| Revenue from the joint venture | 14,806,502 |
| Finance cost from other related party | 377,372,647 |
| Net loss on cash flow hedge | 10,650,635 |

### (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 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:*

| | 2023 Due from<br>SAR |
|---|---|
| Entities under common control | |
| Innovative Energy Holding Ltd | 4,597,680 |
| Other related parties | |
| Advantage Drilling Services | 506,929 |
| | **5,104,609** |

Also, refer to Note 14 for the due from related party balance recorded under other receivables.

The above outstanding balances at the period-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2023, the Group has not recorded any provision for expected credit losses relating to receivables and amounts owed by related parties. This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates

*ii) Other significant balances are as follows:*

| | 2023<br>SAR |
|---|---|
| Bank balances with other related parties (Refer to Note 11) | 45,266,583 |
| Interest-bearing loans and borrowings from other related parties (Refer to Note 20) | 4,606,293,232 |
| Trade receivables and contact assets from other related parties (Refer to Note 13) | 714,942,972 |
| Trade receivables and contract assets from joint venture (Refer to Note 13) | 10,386,153 |
| Derivative financial instrument with other related parties (Refer to Note 28) | 30,203,989 |

Refer to the respective disclosure notes for the terms and conditions of the interest-bearing loans and other balances above with related parties. Further, refer to Note 27 for guarantees issued by the related parties.



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## 24 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

### (c) Other related party transactions:

Pursuant to the agreement dated 29 December 2022 signed by the Company and ADES Arabia Holding Company (entity under common control), the following financial assets and liabilities have been novated to the Company. These are non-cash transactions:

- Amount due from a subsidiary transferred to the Company as part of reorganisation amounting to SAR 745,113,893
- Transfer of loan amounting to SAR 885,318,338
- Transfer of payables amounting to SAR 629,269
- Transfer of receivable amounting to SAR 1,614,825

### Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

| | 2023<br>SAR |
|---|---|
| **Total benefits*** | **17,799,561** |

* Total benefits include annual salary, bonus and other allowances.

| | 2023<br>SAR |
|---|---|
| **Directors' remuneration during the period is SAR** | **375,000** |

## 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Overview

The Group's principal financial liabilities comprise trade and other payables, due to related parties, loans and borrowings and derivative instruments. The main purpose of these financial liabilities is to finance the Group's operations and to provide support to its operations. The Group's principal financial assets include cash in hand and at banks, including highly liquid investments with maturity less than 90 days, derivative instruments, trade receivables and contract assets, due from related parties and other receivables.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors of the Company oversees the management of these risks. The Board of Directors of the Company are supported by senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The Group's senior management provides assurance to the Board of Directors of the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk,
b) Market risk:
   i. Interest rate risk
   ii. Foreign currency risk
c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

## 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables, contract assets and due from related parties) and from its financing activities, including letter of guarantees with banks foreign exchange transactions and other financial instruments. As at 31 December 2023, the top three debtors of the Group represent 64% of trade receivable.

### *Trade receivables and contract assets*

Customer credit risk is managed by the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on a credit rating policy and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its wide number of customers operates in highly independent markets. In addition, instalment dues are monitored on an ongoing basis.

### *Other financial assets and bank balances*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the period subject to approval of the Group's senior management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's exposure to credit risk for the components of the consolidated statement of financial position is the carrying amounts of these assets. The Group limits its exposure to credit risk by only placing balances with international banks and reputable local banks. Management does not expect any counterparty in failing to meet its obligations.

### *Due from related parties*

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

#### *Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit is affected through the impact on floating rate borrowings (net of impact of time deposits), as follows:

| | Increase / decrease in basis points | Effect on profit before income tax |
|---|---|---|
| **31 December 2023** | | |
| SAR | +100 | (15,348,231) |
| SAR | -100 | 15,348,231 |





25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency which is Saudi Riyal ("SAR") or United States Dollar ("USD") to which functional currency is currently pegged. The Group is exposed to Egyptian Pound (EGP) in which the Group has substantial transactions.

The following tables demonstrate the sensitivity to a reasonably possible change in SAR exchange rates, with all other variables held constant. The impact on the Group's profit is due to changes in the value of monetary assets and liabilities. The Group's exposure to EGP currency is considered as significant currency risk and foreign currency changes for all other currencies is not material.

| | Change in SAR rate | Effect on profit before income tax SAR |
|---|---|---|
| **31 December** | | |
| 2023 | | |
| EGP | +10% | 4,208,126 |
| EGP | -10% | (4,208,126 ) |

### Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banks overdraft and bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

#### *Financial liabilities*

| | Less than 3 months SAR | 3 to 12 months SAR | 1 to 5 years SAR | Over 5 years SAR | Total SAR |
|---|---|---|---|---|---|
| As at 31 December 2023 | | | | | |
| Loans and borrowings | 466,725,304 | 1,487,075,467 | 7,098,349,674 | 4,605,870,680 | 13,658,021,125 |
| Trade and other payables* | 467,905,701 | 1,014,746,859 | - | - | 1,482,652,560 |
| Lease liability | 51,500,198 | 140,702,544 | 539,963,364 | - | 732,166,106 |
| **Total undiscounted financial liabilities** | **986,131,203** | **2,642,524,870** | **7,638,313,038** | **4,605,870,680** | **15,872,839,791** |

* Excluding finance lease liability

### Capital management

Capital includes share capital, share premium, other reserves, treasury shares and retained earnings.

The primary objective of the Group's capital management is to ensure that it will be able to continue as a going concern while maintaining a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group's strategy remains unchanged since inception. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 30% and 85%.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES
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### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

| | 2023 SAR |
|---|---|
| Loans and borrowings (Note 20) | 10,349,698,088 |
| Lease liabilities (Note 16) | 643,825,682 |
| Bank balances and cash (Note 11) | (432,281,641) |
| **Net debt** | **10,561,242,129** |
| **Total equity** | **5,776,906,167** |
| **Total capital** | **16,338,148,296** |
| Gearing ratio | 65% |

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a industry.

The Group's 2 customers drive more than 10% revenue from contract with customers and contribute to 77% revenue from contract with customer.

### 26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include bank balances and cash, trade receivables and contract assets, due from related parties, derivative financial instruments and other receivables. Financial liabilities of the Group include trade payables, due to related parties, loans and borrowings and other payables. The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

### 27 CONTINGENT LIABILITIES AND COMMITMENTS

*Contingent liabilities*

| | 2023 SAR |
|---|---|
| **Letter of guarantees** | **1,246,154,137** |

Contingent liabilities represent letters of guarantee issued in favour of Saudi Customs, Egyptian General Petroleum Corporation, Suze Abu Zenima Petroleum Company (Petro Zenima), Kuwait Oil Company, The Gulf of Suez Petroleum Company and others. The cover margin on such guarantees amounted to SAR 16,200,168.

*Capital commitment.*
The Group has a capital commitment for SAR 413 million for the period ended 31 December 2023 .



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### 27 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Following are the facilities of the Group:

- The Group entered into a bilateral Unfunded Trade Finance Facility Agreement with Arab Petroleum Investments Corporation (APICORP) in July 2019 for total facility amounting to SAR 112,500,000 for the issuance of Letters of Credit and Letters of Guarantees. As of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 136,129,736.
- The Group entered into bilateral agreement with Arab National Bank of KSA "ANB" bank dated Oct 2022 amounting to SAR 412,500,000, available to cover working capital needs including issuance of letters of guarantees as of 31 December 2023 the Group utilized letter of guarantees for a total amount of SAR 455,968,498.
- The Group entered into a bilateral agreement with Al Ahli Bank of Kuwait Egypt ''ABK" a facility dated on May 2019 amounted of USD 12,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2023, the Group utilized Letters of Credit for a total amount of SAR 3,543,750.
- The Group entered into a bilateral agreement with Suez Canal Bank ''SCB" amounted dated on October 2018 of USD 18,000,000 for the purpose of Working capital , Letter of guarantees as of 31 December 2023, , the Group utilized letter of guarantees for a total amount of SAR 45,902,025.
- The Group entered into bilateral agreement with EG Bank "EGB with Letter of guaranteed facility dated February 2021 amounted of USD 10,000,000 as of 31 December 2023, which was the same agreements as 2021, the Group utilized letter of guarantees for a total amount of SAR 27,445,683.
- The Group entered into bilateral agreement with Export Development Bank of Egypt "EBE" bank dated July 2018 amounted of USD 12,000,000 for the purpose of Working capital, Letter of guarantees as of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 31,917,595.
- The Group entered into a bilateral agreement with Emirates National Bank of Dubai S.A.E ''ENBD" dated July 2021 amounted of USD 20,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2023, the Group utilized letter of credit for a total amount of SAR 35,561,213.
- The Group has letter of guarantees of SAR 375,000 as at 31 December 2023 with Arab International bank.
- The Group entered into a bilateral agreement with AL Rajhi bank dated May 2023 amounting to SAR 450,000,000. The Group utilized letter of guarantees for a total amount of SAR 313,775,863.
- The Group entered into a bilateral agreement with Banque Saudi Francis bank (BSF) dated March 2022 "Loan 2 BSF". The facility agreement includes additional bonding limit to be utilized for the issuance of Letter of guarantees with total amount of SAR 187.5 million, additional overdraft limit with SAR 30 million and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short term loans with total amount of SAR 150 million. The Group utilized letter of guarantees for a total amount of SAR 161,652,257.

*Transactions with the related parties:*

- The Group entered into a bilateral agreement with National Commercial Bank in KSA (SNB) dated May 2019 in SAR equivalent to SAR 10,999,999 available to issuance of letters of guarantees. As of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 9,518,804.
- The Group entered into a bilateral agreement with Alinma Bank dated April 2019 in SAR equivalent to SAR 37,500,000 available to cover working capital needs including issuance of letters of guarantees. As of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 24,363,713.

## 28 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has entered into an interest rate swap contract to manage its exposure to fluctuations in interest rates. The counterparty is generally a bank/financial institution. These financial exposures are managed in accordance with the Group's risk management policies and procedures.

The Group enters into interest rate swaps agreements, mainly to manage exposure on its variable rate loans and borrowings. The Group uses interest rate swap contracts to hedge exposure to variable interest rate fluctuations on interest payments for borrowings denominated in functional currency or currency pegged to functional currency of the Company.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap matches the terms of the variable rate loans and borrowings (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

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:

| | 2023 SAR |
|---|---|
| Derivative financial instruments designated as hedging instruments – cash flow hedges | |
| Interest rate swaps | 51,516,820 |
| Current | - |
| Non-current | 51,516,820 |

*Derivative financial instruments designated as hedging instruments – cash flow hedges*

In 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).

In 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).



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## 28 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Derivative financial instruments designated as hedging instruments – cash flow hedges (continued)
In 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 31 December 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 |

| | Total SAR | Level 1 SAR | Level 2 SAR | Level 3 SAR |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| *Derivative financial instrument:* | | | | |
| **Interest rate swap** | **51,516,820** | **-** | **51,516,820** | **-** |

The gain recognized from the fair valuation of derivative is SAR 20,620,873 (net of tax) for the period ended 31 December 2023.

During the period ended 31 December 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).

## 29 DIVIDENDS

In the current period 31 December 2023, dividends of SAR 6,827,280 have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders.

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## 30 ADDITIONAL FINANCIAL INFORMATION

Refer to Note 1 regarding the reorganisation. The results of the subsidiaries acquired under common control as part of reorganization for the year ended 31 December 2022 are presented below along the Group's results for the period ended 31 December 2023.

| | The Group's results for the period ended 31 December 2023 SAR | The results of the subsidiaries acquired as part of reorganization under common control 31 December 2022 SAR |
|---|---|---|
| Revenue from contract with customers | 4,331,902,893 | 2,467,200,801 |
| Cost of revenue | (2,620,777,799) | (1,575,805,738) |
| **GROSS PROFIT** | **1,711,125,094** | **891,395,063** |
| General and administrative expenses | (369,833,743) | (246,111,932) |
| End of service employment benefits | (42,933,530) | (17,602,070) |
| Provision for impairment of trade receivables | - | (236,564,520) |
| Provision for impairment of inventory | - | (26,216,730) |
| Other provisions | - | (13,755,542) |
| Provision on other receivable | - | (1,687,500) |
| Finance costs | (711,254,622) | (302,992,606) |
| Finance income | - | 19,193,726 |
| Bargain purchase gain | - | 422,267,407 |
| Business acquisition cost | - | (8,424,226) |
| Loss from assets disposal | (1,093,478) | - |
| Provision for impairment of investment | (5,023,587) | - |
| IPO expenses | (15,980,048) | - |
| Other taxes | (22,487,420) | (16,676,275) |
| Other expenses | (22,974,249) | (17,526,329) |
| Other income | 9,835,398 | 2,485,731 |
| **Gain on derivative financial instrument held for trade** | **-** | **5,168,505** |
| **PROFIT FOR THE YEAR BEFORE INCOME TAX** | 529,379,815 | 452,952,702 |
| **Income tax expense** | **(77,301,057)** | **(55,330,760)** |
| **PROFIT FOR THE YEAR** | 452,078,758 | 397,621,942 |
| **Attributable to:** | | |
| Equity holders of the Parent | 442,097,695 | 390,448,249 |
| Non-controlling interests | 9,981,063 | 7,173,693 |
| | **452,078,758** | **397,621,942** |
| **OTHER COMPREHENSIVE INCOME** | | |
| *Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax):* | | |
| Net (loss) / gain on cash flow hedge | (20,620,873) | 74,901,412 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax): | | |
| **Remeasurement (loss) / gain on defined benefit plans** | **(42,754,018)** | **8,009,514** |
| **OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR, NEXT OF TAX** | (63,374,891) | 82,910,926 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **388,703,867** | **480,532,868** |
| Attributable to: | | |
| Equity holders of the Parent | 389,589,379 | 466,749,628 |
| Non-controlling interests | (855,512) | 13,783,240 |
| | **388,703,867** | **480,532,868** |



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## 30 ADDITIONAL FINANCIAL INFORMATION (continued)

The Group's consolidated financial position as at 31 December 2022 is disclosed below as additional information:

| | 2023 SAR | 2022 SAR* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property and equipment | 16,149,784,495 | 12,066,091,416 |
| Intangible assets | 354,126 | 552,745 |
| Right of use assets | 643,617,077 | 391,033,813 |
| Investment in an associate and a joint venture | - | 5,983,705 |
| Derivative instruments | 51,516,820 | 26,438,203 |
| Prepayments and other receivables | 221,365,535 | 319,991,694 |
| **Total non-current assets** | **17,066,638,053** | **12,810,091,576** |
| **Current assets** | | |
| Inventories | 331,891,597 | 184,274,773 |
| Trade receivables | 844,730,710 | 560,672,629 |
| Contract assets | 389,489,342 | 255,623,760 |
| Derivative instruments | - | 49,663,832 |
| Due from related parties | 5,104,609 | 9,838,237 |
| Prepayments and other receivables | 352,314,802 | 440,351,867 |
| Bank balances and cash | 432,281,641 | 190,828,971 |
| **Total current assets** | **2,355,812,701** | **1,691,254,069** |
| **TOTAL ASSETS** | **19,422,450,754** | **14,501,345,645** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 1,129,062,513 | 1,000,000 |
| Capital contribution | - | 857,087,512 |
| Share Premium | 2,890,367,127 | - |
| Treasury shares | (33,871,875) | - |
| Cash flow hedge reserve | 41,149,633 | 61,770,506 |
| Retained earnings | 1,721,531,737 | 1,302,222,702 |
| **Equity attributable to equity holders of the Parent** | **5,748,239,135** | **2,222,080,720** |
| **Non–controlling interests** | **28,667,032** | **36,349,824** |
| **Total equity** | **5,776,906,167** | **2,258,430,544** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Interest-bearing loans and borrowings | 9,169,594,591 | 9,575,406,029 |
| Lease liability | 487,357,834 | 270,132,952 |
| Provisions | 199,144,169 | 117,984,346 |
| Deferred revenue | 579,911,768 | 70,173,705 |
| Deferred tax, net | 61,330,677 | 44,043,640 |
| Other payables | 729,229 | 4,680,083 |
| **Total non-current liabilities** | **10,498,068,268** | **10,082,420,755** |
| **Current liabilities** | | |
| Trade and other payables | 1,639,120,408 | 1,092,484,291 |
| Deferred revenue | 287,748,803 | 75,546,466 |
| Income tax payable | 30,217,807 | 3,453,210 |
| Interest-bearing loans and borrowings | 1,180,103,497 | 972,079,868 |
| Provisions | 10,285,804 | 14,776,740 |
| Due to related parties | - | 2,153,771 |
| **Total current liabilities** | **3,147,476,319** | **2,160,494,346** |
| **Total liabilities** | **13,645,544,587** | **12,242,915,101** |
| **TOTAL EQUITY AND LIABILITIES** | **19,422,450,754** | **14,501,345,645** |

* Certain comparative information has been reclassified to conform with the current year presentation.

## Disclaimer

This document and information contained herein (the "Information") has been prepared by ADES Holding Company (the "Company") and does not purport to be a full, accurate, complete or comprehensive analysis of the Company's business, financial or trading position or future prospects and no reliance may be placed for any purpose on the Information. The Information and opinions contained herein are true as of the date of this report and are subject to change without notice. This report has been prepared by the Company and has not been reviewed or approved by any regulatory or supervisory authority. This report should be viewed solely in conjunction with the Consolidated Financial Statements for the year ended 31 December 2023 provided by the Company.

This document contains financial information regarding the businesses and assets of the Company. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in any presentation or document shall not constitute a representation or warranty by the Company or any of its respective affiliates, advisors or representatives or any other person as to the accuracy or completeness of such Information pertaining to the financial condition of the Company and shall not be relied upon when making an investment decision.

The Information may include forward-looking statements, which are based on current expectations and projections about future events. The Information may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and other words and terms of similar meaning or the negative thereof. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and its investments, including, among other things, the development of its business, financial condition, prospects, growth, strategies, as well as the trends in the industry and macroeconomic developments in the Kingdom of Saudi Arabia. Many of these risks and uncertainties relate to factors that are beyond the Company's control or accurate estimation, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of regulators and any changes in applicable laws or regulations or government policies. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not otherwise occur and past performance shall not be taken as a guarantee of future results. No representation or warranty is made pertaining to any forward-looking statement made by the Company. The Company does not intend to update, supplement, amend or revise any such forward-looking statement whether as a result of new information, future events or otherwise. Nothing in the Information shall be construed as a profit forecast.

The Information may include financial information that are not defined or recognized under the International Financial Reporting Standards (IFRS). These measures are derived from the Company's consolidated financial statements and provided as additional information to complement IFRS measures. Any financial information provided by the Company should not be considered in isolation or as a substitute for analysis of the Company's financial information as reported under the IFRS.

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